

MIRAI Corporation
Q&A from result announcement for fiscal period ended October 2020
(the 9th fiscal period)

Date: December 15, 2020 (Tuesday) *Held online

Q1.

How is the office leasing situation?

A1.

Although there are some requests to move out of the tenants or partially cancel the lease agreements for certain properties, MIRAI (hereinafter “we”) considers that we do not need to be overly pessimistic. Most of new leasing have stopped in May-September, but the demand is now emerging, especially for small spaces, such as less than 100 tsubo. We have already received a new lease application for a space of approximately 300 tsubo, which has a previous cancellation request at Shinagawa Seaside Park Tower. Thus, tenants have been replaced firmly even during Corona Disaster. On the other hand, in Tennozu area, there are many airline and travel industry tenants, and it seems to be taking a long time to lease large spaces. At Tokyo Front Terrace, which is located in this area, we have received requests of partial cancellation from a major company group, however, we succeeded in discouraging some tenants within the group. For the floors with partial cancellation, we are promoting leasing with a view to pursuing small-scale tenants whose needs are returning by dividing the spaces. While considering the market situation, we would like to proceed with leasing through persistent negotiations with tenants.

Q2.

The frequency of tenant move-in and move-out is expected to be high at BizMiiX Yodoyabashi, but what is the average length of occupancy expected?

A2.

We have been leasing BizMiiX Yodoyabashi with a minimum contract period of three months, but given the fact that there are several potential tenants who are considering cancellation of their existing offices and moving into the property with After Corona in mind, we expect that the average occupancy period will be longer than that of standard serviced offices. Originally, the plan was supposed to promote leasing right after the completion of construction on the 1st and 2nd floor on December 10, but due to the impact of the third wave of Corona virus, we have not been able to proceed leasing as planned. However, we plan to make progress by introducing web-based previews, VR, etc. as leasing measures that can be implemented even in this situation. In addition, we believe that there is an enough possibility that actually using BizMiiX and experiencing its advantages will lead to long-term contracts, such as capturing the demand of tenants who need satellite offices for emergency evacuation from the third wave. The initial plan was to achieve a 90% stabilized occupancy rate by the end of 2021, but the project is moving ahead of schedule.

Q3.

What is the status of Mi-Nara's operation?

A3.

The property manager of Mi-Nara has already been changed from Yamaki Group to ITOCHU Urban Community on September 30. Considering the decrease in end-tenant rents during Corona Disaster and the financial impact to Yamaki due to the continuation of rent guarantees, we determined that it is important for the future operation of Mi-Nara to restructure the operations from a long-term perspective. With regards to the review of the tenant mix, we have been able to proceed promptly following the change of PM, and tenant replacement has already progressed to some extent. At present, we are planning to replace two large core tenants to attract more daily-use customers and repeat customers. The occupancy rate as of the end of October 2020 was 85.1%. From the approximately 15% vacant spaces, about 5% are on the 1st floor, about 5% are on the 2nd to 4th floors (spaces of terminated tenants and spaces that have been vacant since the opening), and about 5% are on the rooftop. We received one application for the rooftop space, and discussions are underway to conclude a contract as soon as possible. The vacant space on the 1st floor will be used for an additional restaurant area, which is expected to grow in demand due to the increased number of customers that will be attracted by the above-mentioned core tenant move-in. We aim to complete the project by the end of 2021.

Q4.

What are the details of the portfolio reconstruction including potential asset replacement?

A4.

We announced the replacement of Comfort Hotel Shin-Yamaguchi with Odawara Material Storage and Delivery Center (land), an industrial asset, as the first step in efforts to reconstruct the portfolio. The overall strategy is to dispose the assets whose profitability is below the portfolio average and replace them with more defensive assets, while at the same time lower the hotels ratio. We consider "Utility Assets," which are mixed-use assets that can be used for both office and retail, as well as industrial assets and lifestyle-oriented retail assets (including lands), as future acquisition targets. The total amount of the pipeline is just under 10 billion yen. Disposition is subject to the buyer's availability, so we will proceed based on timing. We have also started collaborating with a CRE advisory firm that provides solutions to corporate real estate strategies, and we would like to work on uncovering industrial assets.

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