

February 10, 2025

For Immediate Release

Real Estate Investment Trust:

MIRAI Corporation

Michio Suganuma, Executive Director

(Securities Code: 3476)

Asset Management Company:

Mitsui Bussan & IDERA Partners Co., Ltd.

Michio Suganuma, Representative Director, President

Contact: Kunihiro Ueda, Director, CFO

TEL: +81-3-6632-5960

Notice Concerning Disposition and Lease Cancellation of Real Estate Trust Beneficiaries in Japan
(“Shibuya World East Building” and “Mi-Nara”)

Mitsui Bussan & IDERA Partners Co., Ltd. (hereinafter the “Asset Manager”), the asset management company of MIRAI Corporation (hereinafter “MIRAI”) announces today that MIRAI has decided to make disposition (hereinafter the “Disposition”) and lease cancellation of assets as follows.

1. Overview of the Disposition

(1)

Name of the Assets to be Disposed ^(Note 1)	Shibuya World East Building	Mi-Nara
Agreement Date ^(Note 2)	February 10, 2025	
Disposition Date ^(Note 3)	February 17, 2025	
Disposition Price ^(Note 4)	5,900 million yen	2,650 million yen
Book Value ^(Note 5)	3,355 million yen	4,910 million yen
Disposition Gain/Loss ^(Note 6)	2,387 million yen	(2,246) million yen
Buyer	Not disclosed ^(Note 7)	
Settlement Method	The entire amount will be received and delivered on the Disposition Date.	
Brokerage	Yes ^(Note 8)	

(Note 1) Hereinafter the “Assets to be Disposed”.

(Note 2) “Agreement Date” is the signing date of the sale and purchase agreement with the buyer.

(Note 3) “Disposition Date” is the date stated on the sale and purchase agreement as the scheduled date of disposition.

(Note 4) “Disposition Price” shows the sale and purchase value of the Assets to be Disposed that is stated in the sale and purchase agreement entered with the buyer. The sale and purchase value does not include national or local consumption tax or expenses necessary for the disposition, and it is rounded down to the nearest million yen. The same shall apply hereinafter.

(Note 5) “Book Value” is the assumed book value at the Disposition Date rounded off to the nearest million yen.

(Note 6) It is a reference value calculated as the Disposition Price less Book Value and other expenses, etc., which differs from the profit and loss on disposition. The same shall apply hereinafter.

(Note 7) “Not disclosed” due to the absence of the buyer’s consent.

(Note 8) “Not disclosed” due to the absence of the broker’s consent. The broker is not defined as a related party, etc. in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended), and not an interested party under the stakeholder transaction rule of the Asset Manager.

2. Reasons for the Disposition and Lease Cancellation

Points

- **Asset disposition as part of asset replacement that lead to increased distributions per unit based on MIRAI Mid-Term Management Plan 2025 “Smart Defense & Offense with Aligned Interest.”**
- **Disposition proceeds are to be allocated for acquisition of the properties in the pipeline that have been built with a focus on improving profitability.**

MIRAI announced MIRAI Mid-Term Management Plan in “Presentation Material for 12th Fiscal Period (ended April 30, 2022)” on June 15, 2022, with a completion target of 2025 and has been striving to implement portfolio management that considers “Smart Defense” under uncertain market environment and “Offense with Aligned Interest” following market recovery.



One of the quantitative targets under the “Smart Defense & Offense with Aligned Interest” strategy is increasing distributions per unit. MIRAI has decided on the Disposition as a part of the growth strategy.

The following points were mainly considered regarding the Disposition.

- Of the Assets to be Disposed, “Mi-Nara” is the property that was acquired in October 2017 as MIRAI’s first Growth Asset (Core-plus Asset), and was renovated as a revitalization retail asset project with the minimum guaranteed rent by the then PM company. Although the property achieved a certain level of success since its renewal opening in April 2018, the total rent from end tenants remained below the minimum guaranteed level. Given the PM company faced challenges in structure to undertake the overall facility improvement, the Asset Manager had been involved in the management of the property beyond original expectation and the improvement measures started to show steady progress as in the case of successful introduction of multiple global brands as tenants. However, the rent from end tenants declined with the spread of COVID-19 since early 2020, and the business performance of the PM company worsened, making it difficult for them to continue to guarantee rent. In order to achieve smooth and speedy operational improvements, in September 2020, MIRAI changed the PM company and changed from a minimum guarantee type to a pass-through type master lease agreement, and the Asset Manager had taken the initiative in formulating “MIRAI Revitalization Plan (Further renewal of Mi-Nara). Under the plan, MIRAI has implemented specific measures such as reviewing the tenant mix, including tenant replacement of the supermarket on the first floor to contribute to the improvement of foot traffic, and expanding and renovating the Goldfish Museum by inviting a new partner. As a result, the property achieved steady improvements, with annual sales reaching approximately 10 billion yen by April 2022, and annual leasing revenue reaching a record high since the acquisition by October 2024. However, while the book value has increased as a result of these measures, the appraisal value has decreased, and the speed and the outcome of profitability improvement are still not meeting the original expectation of MIRAI. Even if its current profitability improvement is to continue, it is difficult to expect a fundamental improvement in the situation where the property’s NOI yield is significantly below that of the entire portfolio, and it is also difficult to swiftly

reduce the unrealized loss. In response to this situation, the Asset Manager has been working to sell the property over a considerable period of time, making use of various routes while continuing measures to improve profitability at the same time. However, due to the uniqueness of this property, work of a certain scale paid for by the owner was required to attract superior tenants, and The Disposition Price did not exceed the book value or the appraisal value. Ultimately, the decision for the disposition was made after taking into account various factors, including the balance between the amount of expenditure expected for owner-paid work to attract new tenants as well as the scheduled equipment and facilities renewal against the expected return from those investments, the level of the Disposition Price, and the expected return from reinvesting disposition proceeds.

- the Disposition Price for “Mi-Nara” is 11.7% below the appraisal value, and even with the two properties combined, the Disposition Price is 1.8% below the appraisal value, however “Mi-Nara” is likely to incur ongoing expenses associated with change of layout when inviting new tenants, as well as expenses related to dealing with existing tenants. Given the fact that it is difficult to foresee a drastic improvement in earnings in the short term, the Asset Manager has determined that the Disposition Price is an appropriate price based on the current market environment, and that the Disposition Price will contribute to increasing unitholder value from the perspective of promoting portfolio profitability improvement, which MIRAI is working on in an environment where inflation is expected in the future.
- As disposition loss for “Mi-Nara” was expected, in order to avoid any impact on distributions, “Shibuya World East Building” was selected to be disposed of simultaneously as it has an unrealized gain and it was expected to appreciate in disposition price.
- “Shibuya World East Building” is a retail asset that has been owned since MIRAI’s IPO in December 2016 as one of the properties that form the core of MIRAI’s leasing revenues. Through market improvement after the acquisition and steady progress in profitability improvements from operational efforts such as revision of rent, tenant replacement and installation of rooftop advertising, etc., the appraisal value at the end of the 17th fiscal period exceeded the book value by 2,350 million yen, and the Asset Manager considered positive that it is possible to achieve a Disposition Price that exceeds the appraisal.
- The actual NOI yield after depreciation for the Assets to be Disposed is 2.6% for the 16th Fiscal Period and 3.5% for the 17th Fiscal Period. The unrealized gain realized through the Disposition will be returned to unitholders in the form of distributions, and the disposition proceeds will be used to acquire assets with higher yields, thereby expanding the profitability of the portfolio and securing future growth potential, with the aim of achieving long-term stable growth.

(Reference) Price and Profitability of the Assets to be Disposed

Name	Appraisal Value (million yen)	Disposition Price (million yen)	Book Value (million yen)	Disposition Gain/Loss (million yen)	NOI Yield (Note)	NOI Yield after Depreciation (Note)
Shibuya World East Building	5,710	5,900	3,355	2,387	5.9%	5.5%
Mi-Nara	3,000	2,650	4,910	(2,246)	5.6%	2.2%
Total / Average	8,710	8,550	8,265	140	5.7%	3.5%

(Note) Figures are based on the book value based on actual results for the fiscal period ended October 31, 2024 (the 17th fiscal period) (annualized).

3. Details of the Assets to be Disposed and Lease Cancellation

Details of the Assets to be Disposed are as stated in Annual Securities Reports “Part 1: Fund Information / [1] Fund Overview / 5 Operating Conditions / (2) Investment Assets” dated January 31, 2025 prepared by MIRAI (Japanese language only).

<Shibuya World East Building>

Total Rentable Area	1,701.55 sqm	Occupancy Ratio	100%
Principal Tenant (Note 2)	Cocokara fine Healthcare Inc.	Number of Tenants	8
Annual Rent (Note 3)	208 million yen	Guarantee Deposit	160 million yen

<Mi-Nara>

Total Rentable Area	43,383.01 sqm	Occupancy Ratio	88.6%
Principal Tenant (Note 2)	ROUND ONE JAPAN Corporation	Number of Tenants	60
Annual Rent (Note 3)	712 million yen	Guarantee Deposit	249 million yen

(Note 1) Showing contents of effective lease contracts as of end of December 2024 unless otherwise stated.

(Note 2) For “Principal Tenant”, the tenant with the largest leased area of the total leased area of each Asset to be Disposed as of end of December 2024 is stated.

(Note 3) For “Annual Rent,” the annualized amount calculated by multiplying the monthly rent (including rent for rooms and common area charges (if any) and excluding rent for incidental areas such as parking lots and warehouses) by 12 is stated for the building indicated in the lease contract of each Asset to be Disposed as of end of December 2024 (limited to those who have already moved in as of this date), rounded down to the nearest million yen. In this calculation, the Annual Rent is calculated based on the upper limit of fixed rent provided for in the agreement. In addition, for properties in which The Master Lease Company becomes sublessor to tenants, the annualized amount that is calculated by multiplying the monthly rent in the lease contract concluded with the end tenants by 12 is stated for properties with a pass-through master lease in which MIRAI receives rents from the end tenants as they are, in principle, while the annualized amount that is calculated by multiplying the monthly rent in the master lease contract by 12 is stated for properties with a fixed-rent master lease in which MIRAI will receive a certain amount of rent, regardless of changes in the rents of end tenants. Free rent and rent holidays as of the same date are not taken into account.

4. Overview of the Real Estate Appraisal Report

<Shibuya World East Building>

Overview of the Real Estate Appraisal Report	
Appraisal Value	5,710 million yen
Appraiser	Japan Real Estate Institute
Appraisal Date	October 31, 2024

(million yen)

Item	Details	Remarks, etc.
Value based on income approach	5,710	
Value based on the direct capitalization method	5,780	
Operating revenues	232	
Potential gross revenues: Sum of (a) through (d)	237	
(a)Rental revenues from rooms for rent including common area charges	208	Reported based on current rent, new rent and its trend for similar properties in the same market while giving consideration to medium- to long-term competitiveness of the property.
(b)Utilities revenues	12	Assessed and reported based on the actual amount from previous years while giving consideration to occupancy level.
(c)Parking revenues	-	
(d)Other revenues	17	Antenna installation fees, signboard usage fees, etc. are reported.
Losses from vacancy, etc.	5	Reported based on the actual vacancy and average level of vacancy of similar properties while giving consideration to the competitiveness of the property.
Operating expenses	50	
Maintenance expenses	11	Assessed and reported based on the actual amount and maintenance expenses of similar properties.
Utilities expenses	12	Assessed and reported based on the actual amount.
Repair expenses	1	Reported based on repair expenses in the engineering report.
PM fees	4	Assessed and reported based on fees of similar properties and contracts.
Advertisement and leasing expenses, etc.	1	Assessed and reported based on the estimated turnover period.
Taxes and public dues	18	Assessed based on the materials related to taxes and public dues, etc.
Property and casualty insurance premiums	0	Considered and reported based on the contract and insurance premium rates, etc. of similar properties.
Other expenses	0	Road occupancy fee is reported.
Net operating income	182	
Investment gains on lump-sum payment	1	Assessed based on a comprehensive view of the management status of lump-sum payment from both investment management and funding aspects.
Capital expenditures	4	Reported based renewal expenses on engineering report which was judged reasonable while giving consideration to the construction management fee.
Net cash flow	179	
Capitalization rate	3.1%	
Value based on DCF method	5,630	
Discount rate	2.9%	Assessed based on a comparison against discount rates on other similar real estate transactions and return on other financial products.
Terminal capitalization rate	3.2%	Assessed considering the cap rate and the marketability of the property at the end of the analysis period.
Value based on cost approach	4,760	
Ratio of land	98.0%	
Ratio of building	2.0%	
Other matters to which the appraiser pays attention in the appraisal	Not applicable	

<Mi-Nara>

Overview of the Real Estate Appraisal Report	
Appraisal Value	3,000 million yen
Appraiser	Daiwa Real Estate Appraisal Co., Ltd
Appraisal Date	October 31, 2024

(million yen)

Item	Details	Remarks, etc.
Value based on income approach	3,000	
Value based on the direct capitalization method	3,100	
Operating revenues	1,334	
Potential gross revenues: Sum of (a) through (d)	1,377	
(a)Rental revenues from rooms for rent including common area charges	1,048	
(b)Utilities revenues	236	Assessed and reported as 1,500 yen per tsubo month for rentable area with reference to the level of similar properties.
(c)Parking revenues	19	Reported based on the actual amount.
(d)Other revenues	74	Reported based on the actual amount.
Losses from vacancy, etc.	42	
Operating expenses	988	
Maintenance expenses	132	Assessed based on the contract.
Utilities expenses	299	Assessed and reported as 1,900 yen per tsubo month for rentable area with reference to the level of similar properties.
Repair expenses	37	Reported based on the annual average amount of long-term repair expenses in the engineering report.
PM fees	86	Assessed based on the contract.
Advertisement and leasing expenses, etc.	11	Assessed and reported as being equivalent to 1.0 month of a new tenant and reported with reference to the expenses for seeking new tenants of similar properties.
Taxes and public dues	107	Reported based on the actual amount.
Property and casualty insurance premiums	12	Reported based on the contract.
Other expenses	301	Land rents and sales promotion expenses are reported.
Net operating income	346	
Investment gains on lump-sum payment	3	Assessed based on a comprehensive view of the management status of lump-sum payment from both investment management and funding aspects.
Capital expenditures	179	Reported based on the annual average amount of long-term repair expenses in the engineering report, while giving consideration to the construction management fee.
Net cash flow	170	
Capitalization rate	5.5%	
Value based on DCF method	2,960	
Discount rate	5.0%	Assessed based on a comparison against discount rates on other similar real estate transactions and return on other financial products.
Terminal capitalization rate	5.5%	Assessed considering the cap rate and the marketability of the property at the end of the analysis period.
Value based on cost approach	6,580	
Ratio of land	66.6%	
Ratio of building	33.4%	
Other matters to which the appraiser pays attention in the appraisal	Not applicable	

5. Overview of the buyer

The buyer of the Assets to be Disposed is the same Japanese corporation for both properties, however the name is not disclosed because it has not given its consent. The buyer is not defined as a related party, etc. in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended), and not an interested party under the stakeholder transaction rule of the Asset Manager. In addition, there are no capital, personal, or business relationships to be noted between MIRAI or the Asset Manager and the buyer, and the buyer is not related party of MIRAI or the Asset Manager.

6. Transactions with Interested Parties, etc.

There is no transaction with interested parties.

7. Future Outlook

Disposition gain/loss of approximately 140 million yen by the Disposition is expected to be recognized during the fiscal period ending April 2025 (the 18th fiscal period) and a decrease in revenue is expected during the fiscal period ending October 2025 (the 19th fiscal period) due to a decrease in the leasing business revenue from the Assets to be Disposed. Impact to the operation from the Disposition to the fiscal period ending April 2025 (the 18th fiscal period) and fiscal period ending October 2025 (the 19th fiscal period) is minimal and there is no change to the forecasts as of now. New acquisitions utilizing disposition proceeds are being planned and the updated outlook will be announced once assumptions for the operation have been determined.

<Reference> Forecasts for the Fiscal Period Ending April 2025 and Actual for the Fiscal Period Ended October 2024

(as of December 16, 2024)

	Operating revenue (million yen)	Operating profit (million yen)	Ordinary profit (million yen)	Net profit (million yen)	Distributions per unit (yen) (including distributions in excess of earnings)	Distributions per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen)
Forecasts for the fiscal period ending April 2025	6,080	2,724	2,310	2,309	1,210	1,210	-
Actual for the fiscal period ended October 2024	6,201	2,776	2,400	2,397	1,257	1,257	-

(Note) Forecasts are calculated as of December 16, 2024 based on the assumptions. Actual operating revenue, operating profit, ordinary profit, net profit and distributions per unit (excluding distributions in excess of earnings) are subject to change due to various factors such as additional acquisition or sale of real estate in the future, changes in the real estate market, the actual number of new investment units to be issued as well as their issuance price, fluctuations of interest rate and any other changes in circumstances surrounding MIRAI. In addition, the forecasts are not a guarantee of any actual financial performances or amount of distributions.

(End)

* URL: <https://3476.jp/en/>

This press release is the English translation of the announcement in Japanese on MIRAI's website. However, no assurance or warranties are given for the completeness or accuracy of this English translation.

<Reference Material>

Reference Material: Portfolio List after the Disposition

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Asset Category	Asset Type	Area	Property Name	Acquisition Price (million yen) (Note 1)	Ratio (%) (Note 2)	Acquisition Date
Core Asset	Office	Tokyo	Shinagawa Seaside Park Tower (quasi-co-ownership 63.4%) (Note 3)	20,288	11.9	December 16, 2016
	Office	Tokyo	Kawasaki Tech Center	23,182	13.6	December 16, 2016
	Office	Tokyo	Shinjuku Eastside Square (quasi-co-ownership 5%) (Note 3)	10,000	5.9	December 16, 2016
	Office	Tokyo	Tokyo Front Terrace (quasi-co-ownership 50.2%) (Note 3)	10,592	6.2	October 26, 2017
	Office	Nagoya	MI Terrace Nagoya-Fushimi	8,886	5.2	June 1, 2018
	Office	Others	Hiroshima Rijo-dori Building	2,250	1.3	March 31, 2020
	Office	Osaka	BizMiiX Yodoyabashi	2,041	1.2	November 1, 2018
	Office	Osaka	TCA Building	2,120	1.2	January 28, 2021
	Office	Others	Ehime Building/Hiroshima	2,780	1.6	January 12, 2022
	Office	Others	MI Terrace Sendai Hirose-dori	2,022	1.2	November 1, 2022
	Office	Tokyo	MI Terrace Kita-Ueno	3,557	2.1	March 30, 2023
	Office	Others	MI Terrace Hamamatsu	2,603	1.5	December 1, 2023
	Retail	Tokyo	THINGS Aoyama	2,912	1.7	January 9, 2020
	Retail	Others	MI Cube Sendai Clisroad	1,330	0.8	March 31, 2020
	Retail	Tokyo	MI Cube Machida East	1,977	1.2	March 30, 2023
	Retail	Osaka	MI Cube Shinsaibashi	2,644	1.6	March 1, 2024
	Retail	Tokyo	AEON Kasai (Note 3)	9,420	5.5	December 16, 2016
	Retail	Osaka	CAINZ MALL Hikone (land)	3,598	2.1	March 31, 2021
	Retail	Others	Maxvalu Takatori (land)	950	0.6	March 31, 2021
	Retail	Tokyo	Tsurumi Fuga 1 (Note 3)	5,300	3.1	January 12, 2022
	Retail	Nagoya	WECARS Ginan (land)	1,080	0.6	January 12, 2022
	Hotel	Others	Hotel Sunroute Niigata	2,108	1.2	December 16, 2016
	Hotel	Others	Daiwa Roynet Hotel Akita	2,042	1.2	December 16, 2016
	Hotel	Others	Super Hotel Sendai / Hirose-dori	1,280	0.8	December 16, 2016
	Hotel	Osaka	Smile Hotel Osaka Tennoji	1,260	0.7	December 16, 2016
	Hotel	Tokyo	Super Hotel Saitama / Omiya	1,123	0.7	December 16, 2016
	Hotel	Osaka	Smile Hotel Kyoto Karasuma Gojo	1,030	0.6	December 16, 2016
	Hotel	Nagoya	EN HOTEL Ise	1,800	1.1	March 1, 2018
	Hotel	Others	Comfort Hotel Kitakami	820	0.5	March 1, 2018
	Hotel	Tokyo	Hotel Wing International Select Ueno / Okachimachi	3,720	2.2	May 15, 2018
	Hotel	Others	Smile Hotel Naha City Resort	4,000	2.4	November 1, 2018
	Hotel	Others	Smile Hotel Hakataeki-Mae	3,800	2.2	November 1, 2018
	Hotel	Nagoya	Smile Hotel Nagoya-Sakae	2,950	1.7	November 1, 2018
Hotel	Nagoya	Kuretake Inn Premium Nagoya Nayabashi	2,470	1.5	December 1, 2023	
Hotel	Nagoya	Hotel Wing International Select Nagoya Sakae	1,700	1.0	December 1, 2023	
Hotel	Others	Hotel Kuretako Hiroshima Otemachi	2,540	1.5	December 1, 2023	
Residence	Others	Fiel Johoku	2,210	1.3	March 31, 2023	
Growth Asset (New Type Asset)	Industrial	Osaka	Rokko Island DC (quasi-co-ownership 92.45%) (Note 3)	7,996	4.7	November 1, 2018
	Industrial	Tokyo	Odawara Material Storage and Delivery Center (land)	2,300	1.4	March 1, 2021
	Industrial	Tokyo	Yokohama-Daikokucho Maintenance Center (land)	1,490	0.9	March 25, 2022
	Educational	Tokyo	Tokyo Eiseigakuen Senmongakko	3,900	2.3	January 9, 2020
Total				170,073	100.0	-

(Note 1) "Acquisition Price" shows the purchase and sale value of each asset to be acquired that is stated in the sale and purchase agreement entered with the sellers. The purchase and sale values do not include national or local consumption tax or expenses necessary for the acquisition, and it is rounded down to the nearest million yen. Although the acquisition price of "Mi-Nara" on its sales and purchase agreement is 4,100 million yen, the acquisition price is defined as total investment amount of 4,944 million yen including the additional investment made following the acquisition for the renewal of the property. The acquisition price of "BizMiiX Yodoyabashi" on its sale and purchase agreement is 1,750 million yen, the acquisition price is defined as total investment amount of 2,041 million yen including the additional investment made following the acquisition for the conversion of the property. For "BizMiiX Yodoyabashi", the total investment including the additional investment of 2,041 million yen is defined as acquisition price.

(Note 2) "Ratio" is the ratio against the total of the acquisition price of each property, and the value is rounded to the first decimal place.

(Note 3) Where the asset is owned by sectional ownership or is quasi-co-owned, the value in relation to the sectional ownership and quasi-co-ownership interest belonging to MIRAI is shown.