U.S.-based MBK Real Estate LLC to Acquire Senior Living Properties

May 23, 2018
Mitsui & Co., Ltd.
Agenda

1. Project Overview
2. Mitsui’s Real Estate Business in the U.S.
3. Mitsui’s Senior Living Business in the U.S.
4. Project Objectives
5. Future Strategy
1. Project Overview
MBK Real Estate LLC (“MRE”), a wholly owned subsidiary of Mitsui & Co. Ltd., has agreed to acquire senior living properties and their operations from West Living LLC.

### Properties Overview

<table>
<thead>
<tr>
<th>Seller</th>
<th>West Living LLC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties</td>
<td>9 Properties/approx. 1,200 units</td>
</tr>
<tr>
<td>Location</td>
<td>California, Washington, and Arizona</td>
</tr>
<tr>
<td>NOI</td>
<td>US$21 million (9 Properties, forward 12 months)</td>
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<tr>
<td>Acquisition Cost</td>
<td>US$382 million</td>
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<tr>
<td>Closing</td>
<td>Late June, 2018</td>
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</tbody>
</table>

### Property Locations

- **California**
- **Washington**
- **Oregon**
- **Utah**
- **Nevada**
- **Arizona**

Properties to be Acquired: **California**, **Washington**, **Oregon**, **Utah**, **Nevada**, **Arizona**.
2. Mitsui’s Real Estate Business in the U.S.
MRE, a wholly owned subsidiary of Mitsui & Co., develops and operates properties for ① senior living, ② multi-family, and ③ industrial purposes. Senior living business is strategically the most prioritized of all business for Mitsui’s real estate business in the U.S.
3. Mitsui’s Senior Living Business in the U.S. (1) Overview
As an owner and operator, MRE operates 25 senior living properties (approx. 2,600 units) in the Western United States. MRE’s performance in senior living business has always been outstanding throughout its 27 years history.

Senior Living Business Overview

<Senior Living Business>

- Business Overview: Owns and operates senior living properties
- Started in 1990

- Operating Company: MBK Senior Living
- Approx. 1,400 employees
- 25 properties operated by MRE (approx. 2,600 units)
- 16 properties owned by MRE
- Area: Western United States

<Number (average) >*

- Monthly Rent: $4,500
- Occupancy: 94.5%
- Age of residents: 85

*As of March, 2018
3. Mitsui’s Senior Living Business in the U.S. (2) Services

MRE offers hands-on services such as “independent living”, which provides services such as meals and housekeeping, and “assisted living”, which includes daily living assistance and health management services.

Senior Care in the U.S. and MRE’s Services

- Care Level
- Rent
- Regulation

Senior Apartment
- No service provided

Independent Living
- Meals
- Housekeeping
- Activities, etc.

-Assisted Living
- Memory Care
- Daily support
- Health check
- Memory care, etc.

Nursing Home
- Nursing services
- Medical services

Hospital
- Medical care

Services offered by MRE
3. Mitsui’s Senior Living Business in the U.S. (3) Business Model
After acquiring existing properties, MRE increases the value of the assets by injecting in-house know-how and implementing project risk management. This business model produces both income gain and capital gain.

- Acquire existing properties
- Enhance Asset Value
  - Maintenance/Renovations
  - Improvement of Services
  - Higher Level of Customer Satisfaction
  - Project Risk Management
- Sell

- NOI (Net Operating Income)
- Income Gain
- Rent Growth
- Occupancy Enhancement
- Capital Gain
4. Project Objectives (1) Rapid Increase in Elderly Population

In the United States, as in Japan, the elderly population is projected to grow, which will continue to drive demand for services.

Forecast of population over 65 years old in the U.S. (2014 – 2060)

- Population over 65 years old (left axis)
- Ratio to the U.S. population (right axis)

Source: US Census
4. Project Objectives (2) MRE’s Outstanding Performance in Senior Living Business
Compared to the U.S. average, MRE’s senior living properties achieve higher occupancy rate and rent growth.

**Occupancy Rate (as of March 2018)**

<table>
<thead>
<tr>
<th></th>
<th>Market (U.S. average)</th>
<th>MRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy Rate</td>
<td>88.3%</td>
<td>94.5%</td>
</tr>
</tbody>
</table>

**Rent Growth* (as of March 2018)**

<table>
<thead>
<tr>
<th></th>
<th>Market (U.S. average)</th>
<th>MRE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Growth</td>
<td>2.3%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

*Note: Quarterly basis, YoY comparison

Source: NIC Map, Mitsui & Co.
4. Project Objectives (3) Prime Locations and Reinforcement of the Business

All properties are located in prime areas and are close to the locations of currently owned/managed properties, allowing MRE to execute an efficient operation by expanding its business to approximately 3,800 units.

Locations of Properties

- Properties to be acquired

|MRE-owned/managed|
---|---|
|Owned (MRE & JV)| Managed|

Number of Units, Operation

- Actual:
  - California 43%
  - Arizona 15%
  - Oregon 19%
  - Utah 12%
  - Colorado 4%
  - Washington 19%
  - Nevada 3%
  - Total: 2,600 units

- After Acquisition:
  - California 31%
  - Arizona 15%
  - Oregon 17%
  - Utah 13%
  - Colorado 8%
  - Washington 17%
  - Nevada 3%
  - Total: 3,800 units

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5. Future Strategy
“Healthcare” and “Retail Services” are defined as part of Mitsui & Co.’s strategic growth areas. Acquiring properties is consistent with this strategic plan and addresses the increasing demand for U.S. senior housing.

By reinforcing property sourcing skills and operations, MRE aims to sustainably provide properties and services to address the increasing demand for U.S. senior housing.

By inviting third-party investors, MRE aims to expand the scale of its AUM (assets under management) and improve capital efficiency.

By following its investment criteria and solidifying management system, MRE aims to enhance its stable and profitable platform so that it is immune to economic fluctuation.
360° business innovation.