Japan Excellent, Inc.

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Japan Excellent, Inc. (TSE: 8987)
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Notice Concerning Revision of Operating Forecasts for the Fiscal Periods Ending December 31, 2016 and June 30, 2017

Japan Excellent, Inc. ("JEI" or the "Investment Corporation") announced today its revised operating forecasts for the twenty-first fiscal period (from July 1, 2016 to December 31, 2016), which had been previously released on February 18, 2016.

The Investment Corporation also announced its operating forecasts for the twenty-second fiscal period (from January 1, 2017 to June 30, 2017).

1. Revised Operating Forecasts for the Twenty-first Fiscal Period Ending December 31, 2016

	Total revenue (mm yen)	Operating income (mm yen)	Ordinary income (mm yen)	Net income (mm yen)	Distributions per Unit (Yen) (excluding Distributions in Excess of Earnings)	Distributions in Excess of Earnings per Unit (Yen)
Previous forecasts (A)	10,346	3,968	3,141	3,140	¥2,570	-
Revised forecasts (B)	10,651	4,148	3,356	3,355	¥2,570	-
Amount of Change (B) - (A)	305	179	214	214	¥0	-
Ratio of Change	3.0%	4.5%	6.8%	6.8%	0%	-

(Note) Forecast of investment units outstanding as of December 31, 2016: 1,305,700 units (Please refer to "Investment Units Issued and Outstanding" in Appendix)
For the Distributions per Unit (excluding Distributions in Excess of Earnings) in the forecast for the twenty-first fiscal period ending December 31, 2016 announced in the "Japan Excellent, Inc. Reports 19th Period Financial Results" dated February 18, 2016, it was assumed JEI will partially reverse the reserve for advanced depreciation amounting ¥108 million. However, in the revised forecast, it is assumed such reverse of reserve for advanced depreciation will not be made.

Note: This document constitutes a general announcement to the press concerning JEI's revised forecasted management situation for the period ending December 31, 2016 and its forecasted management situation for the period ending June 30, 2017 and not intended to solicit investment from investors. Please be aware that investors are fully responsible for their own investment decisions and it is recommended that they review offering circulars and prospectus, including amendments thereto, if any, prepared by JEI for issuance of new shares.

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2. Operating Forecasts for the Twenty-second Fiscal Period Ending June 30, 2017

	Total revenue (mm yen)	Operating income (mm yen)	Ordinary income (mm yen)	Net income (mm yen)	Distributions per Unit (yen) (excluding Distributions in Excess of Earnings)	Distributions in Excess of Earnings per Unit (yen)
Twenty-second Fiscal Period	10,633	4,150	3,422	3,421	¥2,620	-

(Note) Forecast of investment units outstanding as of June 30, 2017: 1,305,700 units (Please refer to "Investment Units Issued and Outstanding" in Appendix)

3. Background of Revision

As announced in "Notice Concerning the Acquisition of Investment Asset (Mansard Daikanyama)" released separately today, JEI decided on acquisition of a new specified asset, and resolved to additionally issue new investment units in order to procure funds to be allocated for a part of repayment of the borrowings at its Board of Directors meeting held on June 22, 2016.

In accordance with these, the assumptions for operating forecasts for the Twenty-first fiscal period ending December 31, 2016 have changed from what was announced on February 18, 2016. Thus, JEI revised such and also announced its operating forecasts for the twenty-second fiscal period ending June 30, 2017 calculated based on the revised assumptions. JEI has not revised its forecasts for the twentieth fiscal period ending June 30, 2016.

Notes:

1. The operating forecasts referred to above are our current expectations produced as of the date hereof, based on assumptions described in Appendix hereto. The actual total revenue, operating income, ordinary income, net income and distribution per unit may substantially differ from these forecasts due to changes in the operating environment and other factors. Furthermore, JEI does not guarantee payment of any distributions per unit. Please refer to Appendix "Assumptions for Operating Forecasts for the Twenty-first Fiscal Periods Ending December 31, 2016 and the Twenty-second Fiscal Periods Ending June 30, 2017".

2. With respect to the listed numbers, monetary fractions below the specified unit are rounded down and numbers written as a percentage are rounded to the first decimal place.

(End)

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Appendix

Assumptions for Operating Forecasts for the Twenty-first Fiscal Period Ending December 31, 2016 and the Twenty-second Fiscal Period Ending June 30, 2017

Item	Assumptions
Investment Assets	・The operating forecasts presented herein are based on the assumption that JEI holds 31 properties, adding scheduled acquisition of Mansard Daikanyama whose handover date is planned on July 1, 2016 to properties held by JEI as of December 31, 2015. ・Notwithstanding the aforementioned, the investment assets may change during the periods.
Total revenue	・The forecast of revenues is made on the assumption no tenants will delay or default rental payments
Operating expenses	・Property operating expenses (other than the following costs), which are the principal operating expenses, are calculated based on relevant historical data reflecting factors of change in expenses. ・In general, property tax, city planning tax and other related taxes applicable in the first year of acquisition are calculated on a pro rata basis as of the date of acquisition and shared accordingly between buyer and seller. The Investment Corporation, however, capitalizes the amount of these taxes into the acquisition price. ・The Investment Corporation estimates the amount of property management fees to be recorded as real estate related expenses will amount to approximately ¥1,412 million and ¥1,441 million for the fiscal period ending December 31, 2016, and June 30, 2017, respectively. ・The Investment Corporation estimates the amount of property tax, city planning tax and other related taxes to be recorded as real estate related expenses will amount to approximately ¥894 million and ¥915 million for the fiscal period ending December 31, 2016, and June 30, 2017, respectively. ・An estimate for repairs and maintenance expenses of the buildings for each fiscal period is allocated to expenses during such relevant fiscal period. The Investment Corporation estimates ¥249 million and ¥248 million for the amounts of repair and maintenance expenses to be recorded for the fiscal period ending December 31, 2016, and June 30, 2017, respectively. The actual repairs and maintenance expenses may, however, differ significantly from the amount estimated herein, in the event that a substantial amount of unexpected contingent repairs and maintenance expenses may be required. ・Depreciation expenses including associated costs and future capital expenditures are calculated based on the straight-line method. The Investment Corporation estimates approximately ¥1,966 million and ¥1,979 million for the amounts of the depreciation expenses for the fiscal period ending December 31, 2016, and June 30, 2017, respectively
Non- Operating expenses	・The Investment Corporation estimates ¥793 million and ¥730 million as the non-operating expenses (the interest payments and financing expenses, etc.) for the fiscal period ending December 31, 2016, and June 30, 2017, respectively.
Interest-bearing Debt	・The interest-bearing debt amounts to ¥131,900 million (Debt loan: ¥101,900 million; Corporate Bonds: ¥30,000 million) as of the end of the nineteenth fiscal period (December 31, 2015). ・JEI plans to make new borrowings of ¥11,500 million on July 1, 2016 in line with the acquisition of Mansard Daikanyama. ・JEI will allocate funds to be procured by issuance of new investment units through a public offering resolved at its Board of Directors Meeting held today for a partial repayment of borrowings. ・For the short-term loans of ¥1,000 million, long-term loans of ¥28,760 million and corporate bond of ¥5,000 million for which repayment or redemption dates are due by the end of the twenty-second fiscal period ending June 30, 2017, these are assumed to be refinanced for the same amount, etc.

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Item	Assumptions
Investment Units Issued and Outstanding	・The forecasts presented herein are based on the assumption there are 1,305,700 investment units issued and outstanding, adding 41,250 new investment units resolved at its Board of Directors Meeting held today to 1,264,450 investment units which were issued and outstanding as of June 22, 2016. As for the breakdown of the 41,250 new investment units, 37,500 new investment units will be issued through a public offering and a maximum of 3,750 new investment units will be issued through the third-party allotment, and it is assumed all of the 3,750 new investment units through the third-party allotment will be issued.
Distributions Per Unit	• Distributions per unit are calculated based on more than 90% distribution of profits (distributable profit) in accordance with the Investment Corporation's distribution policy stipulated under its Articles of Incorporation. • Distributions per unit are subject to change depending on fluctuations in rental revenues caused by changes in investment assets and tenants, contingent repair and maintenance expenses, interest rate fluctuations, additional issue of new investment units and other factors.
Distributions in Excess of Earnings per Unit	• The Investment Corporation, in principle, does not anticipate distributions in excess of earnings per unit.
Other	• Forecasts are based on the assumption there will be no material changes in laws, regulations, taxation systems, accounting standards, public listing requirements or rules of the investment trust association that could impact the forecasts presented herein. • Forecasts are based on the assumption there will be no material changes in economic and real estate market conditions in Japan.

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