Japan Excellent, Inc.

For Immediate Release
For Translation Purposes Only

May 26, 2021

Japan Excellent, Inc. (TSE: 8987)
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Notice Concerning Revision of Operating Forecasts for the Fiscal Period Ending December 31, 2021

Japan Excellent, Inc. (hereinafter "JEI") hereby announces revisions to the operating forecasts for the 31st fiscal period ending December 31, 2021 (from July 1, 2021, to December 31, 2021), that were announced in "Japan Excellent, Inc. Reports 29th Period Financial Results" dated February 17, 2021.

1. Details of the Revision

Operating Forecasts for the 31st Fiscal Period Ending December 31, 2021

	Total revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (excluding distribution in excess of earnings) (yen)	Distribution in excess of earnings per unit (yen)
Previous forecast (A)	10,321	4,168	3,518	3,517	2,700	—
Revised forecast (B)	10,686	4,439	3,790	3,789	2,800	—
Change (B)-(A)	365	271	271	271	100	—
Rate of change	3.5%	6.5%	7.7%	7.7%	3.7%	—

(Note 1) Estimated number of investment units issued and outstanding at the end of the 31st fiscal period ending December 31, 2021: 1,353,000 units (Please refer to "Investment units issued and outstanding" in Appendix.)

(Note 2) "Distribution per unit (excluding distribution in excess of earnings)" in the operating forecasts for the 31st fiscal period ending December 31, 2021, announced in "Japan Excellent, Inc. Reports 29th Period Financial Results" dated February 17, 2021, was calculated based on the assumption that distribution will be made by reversal of a portion (¥135 million) of reserve for reduction entry. In this revised forecast, however, it does not assume reversal of reserve for reduction entry.

2. Reason for the Revision

The acquisition of a new specified asset announced in "Notice Concerning Acquisition of Domestic Real Estate Trust Beneficiary Rights (BIZCORE JIMBOCHO)" dated today and the expected decrease in revenue due to tenants moving out, based on conservative assumptions, now being likely to be less than expected, among other factors, have changed the assumptions for operating forecasts for the 30th fiscal period ending June 30, 2021, and the 31st fiscal period ending December 31, 2021, announced in "Japan Excellent, Inc. Reports 29th Period Financial Results." JEI thus revises the assumptions and also announces its operating forecasts for the 31st fiscal period ending December 31, 2021, newly calculated based on the revised assumptions. The impact on the 30th fiscal period ending June 30, 2021, is minimal, and the operating forecasts for that fiscal period are thus not revised.

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Notes:

1. The operating forecasts referred to above are our current expectations calculated as of the date of this writing, based on assumptions described in Appendix hereto. 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, these forecasts do not guarantee payment of any distribution per unit. Please refer to Appendix "Assumptions for Operating Forecasts for the Fiscal Period Ending December 31, 2021" for details of the assumptions.
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.

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Appendix

Assumptions for Operating Forecasts for the Fiscal Period Ending December 31, 2021

Item	Assumptions
Investment assets	・In addition to the properties held by JEI as of the end of the fiscal period ended December 31, 2020, the (planned) acquisition of trust beneficiary rights in BIZCORE JIMBOCHO with June 25, 2021, as the delivery date is assumed. ・In practice, the forecasts may fluctuate due to changes in investment assets.
Total revenue	・The forecast of revenues is made on the assumption no tenants will delay or default rental payments.
Operating expenses	・Property operating expenses, which is the major operating expense, other than depreciation and amortization are calculated by reflecting the variable elements of the expenses based on past results. ・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. JEI, however, capitalizes the amount of these taxes into the acquisition price. ・JEI estimates the amount of property management fees to be recorded as expenses will amount to ¥1,438 million. ・JEI estimates the amount of property tax, city planning tax and other related taxes to be recorded as expenses will amount to ¥947 million. ・An estimate for repair and maintenance expenses of the buildings for the fiscal period is allocated to expenses during such relevant fiscal period. JEI estimates ¥206 million for the amount. The actual repair and maintenance expenses may, however, differ significantly from the amount estimated herein due to reasons such as occurrence of unexpected repairs. ・Depreciation expenses including associated costs and future capital expenditures are calculated based on the straight-line method. JEI estimates ¥1,889 million for the amount.
Non-operating expenses	・JEI estimates ¥650 million as non-operating expenses (interest payments, financing expenses, etc.).
Interest-bearing debt	・Interest-bearing debt amounts to ¥125,600 million (Debt loans: ¥87,600 million; Investment corporation bonds: ¥38,000 million) as of the date of this writing. ・The long-term loans of ¥13,510 million due for repayment by the end of the fiscal period ending December 31, 2021, are assumed to be refinanced in the same amount, etc.
Investment units issued and outstanding	・The assumption is the number of investment units issued and outstanding as of May 26, 2021, of 1,353,000 units, and the assumption is that there will be no changes in the number of investment units through to the end of the fiscal period ending December 31, 2021.
Distribution per unit	・Distribution per unit is calculated based on the assumption that distribution will be in an amount that is more than 90% of the amount of distributable earnings but no more than the amount of earnings in accordance with the distribution policy stipulated under JEI's Articles of Incorporation. ・Distribution per unit is 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.
Distribution in excess of earnings per unit	・JEI does not assume to distribute monies in excess of earnings (distribution 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.