Japan Excellent, Inc.

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For Translation Purposes Only

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Japan Excellent, Inc. (TSE: 8987)
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Notice Concerning Revision of Operating Forecasts for the Fiscal Period Ending December 31, 2024

Japan Excellent, Inc. (hereinafter "JEI") hereby announces revisions to the operating forecasts for the 37th fiscal period ending December 31, 2024 (from July 1, 2024, to December 31, 2024) that were announced in "Japan Excellent, Inc. Reports 36th Period Financial Results" dated August 19, 2024.

1. Details of the Revision

Operating Forecasts for the 37th Fiscal Period Ending December 31, 2024

	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)	11,415	4,812	4,067	4,066	2,770	—
Revised forecast (B)	12,732	4,451	3,710	3,709	2,770	—
Change (B)-(A)	1,317	-361	-356	-356	0	—
Rate of change	11.5%	-7.5%	-8.8%	-8.8%	0%	—

(Note 1) Estimated number of investment units issued and outstanding at the end of the 37th fiscal period ending December 31, 2024: 1,321,614 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 37th fiscal period ending December 31, 2024, announced in "Japan Excellent, Inc. Reports 36th Period Financial Results" dated August 19, 2024, was calculated based on the assumption that the amount remaining after deducting provision of reserve for reduction entry (¥405 million) from net income will be distributed. In this revised forecast, however, it is calculated based on the assumption that the amount remaining after deducting provision of reserve for reduction entry (¥48 million) from net income will be distributed.

2. Reason for the Revision

A difference of 10% or more is expected to occur in the forecast amount of total revenue for the fiscal period ending December 31, 2024, announced in "Japan Excellent, Inc. Reports 36th Period Financial Results" dated August 19, 2024, due in part to the transfer of specified assets of two properties (hereinafter the "Transfer") as announced in "Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Rights and Lease Cancellation(Kowa Kawasaki Higashiguchi Building, Osaka Kogin Building (Land with Leasehold Interest))" dated today. JEI thus revises the operating forecasts for the 37th fiscal period ending December 31, 2024.

The impact of the Transfer on the 38th fiscal period ending June 30, 2025, is minimal, and the operating forecasts for that fiscal period are thus not revised. The forecasts for the 38th fiscal period ending June 30, 2025, and 39th fiscal period ending December 31, 2025, will be announced later in "Japan Excellent, Inc. Reports 37th Period Financial Results" scheduled to be released in mid-February 2025.

Japan Excellent, Inc.

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, 2024" 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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Japan Excellent, Inc.

Appendix

Assumptions for Operating Forecasts for the Fiscal Period Ending December 31, 2024

Item	Assumptions
Investment assets	・In the operating forecasts, it is assumed that the trust beneficiary rights of Kowa Kawasaki Higashiguchi Building and Osaka Kogin Building (Land with Leasehold Interest) will be transferred from among the 35 properties owned as of December 24, 2024. The transfer date (planned) is as follows (please refer to "Notice Concerning Transfer of Domestic Real Estate Trust Beneficiary Rights and Lease Cancellation (Kowa Kawasaki Higashiguchi Building, Osaka Kogin Building (Land with Leasehold Interest))" dated today for details). [Transfer date (planned)] Kowa Kawasaki Higashiguchi Building: December 26, 2024 Osaka Kogin Building (Land with Leasehold Interest): December 26, 2024 ・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. ・As a result of the transfer of JEI Hongo Building and Osaka Kogin Building (Land with Leasehold Interest), gain on sale of real estate of ¥1,687 million is expected to be recorded in the fiscal period ending December 31, 2024.
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. ・JEI estimates the amount of property management fees to be recorded as expenses will amount to ¥1,359 million. ・JEI estimates the amount of property tax, city planning tax and other related taxes to be recorded as expenses will amount to ¥1,097 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 ¥201 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 ¥1,865 million for the amount. ・As a result of the transfer of Kowa Kawasaki Higashiguchi Building, loss on sale of real estate of ¥1,622 million is expected to be recorded in the fiscal period ending December 31, 2024.
Non-operating expenses	・JEI estimates ¥741 million as non-operating expenses (interest payments, financing expenses, etc.).
Interest-bearing debt	・Interest-bearing debt amounts to ¥135,600 million (debt loans: ¥92,600 million; investment corporation bonds: ¥43,000 million) as of the date of this writing. ・As announced in "Notice Concerning Early Repayment of Short-term Borrowing" dated today, a short-term loan of ¥6,000 million is scheduled for early repayment on December 30, 2024. The balance of interest-bearing debt after the early repayment is expected to amount to ¥129,600 million (debt loans: ¥86,600 million; investment corporation bonds: ¥43,000 million).
Investment units issued and outstanding	・The assumption is the number of investment units issued and outstanding as of December 24, 2024, of 1,321,614 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, 2024.

Japan Excellent, Inc.

Item	Assumptions
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. ・For the fiscal period ending December 31, 2024, the calculation is based on the assumption that the amount remaining after deducting provision of reserve for reduction entry (¥48 million) from net income will be distributed. ・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.