



Japan Excellent, Inc.

**For Immediate Release
For Translation Purposes Only**

June 29, 2023

Japan Excellent, Inc. (TSE: 8987)
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Notice Concerning Revision of Operating Forecasts for the Fiscal Period Ending June 30, 2023

Japan Excellent, Inc. (hereinafter “JEI”) hereby announces revisions to the operating forecasts for the 34th fiscal period ending June 30, 2023 (from January 1, 2023, to June 30, 2023), that were announced in “Japan Excellent, Inc. Reports 33rd Period Financial Results” dated February 16, 2023.

1. Details of the Revision

Operating Forecasts for the 34th Fiscal Period Ending June 30, 2023

	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)	10,859	4,159	3,559	3,558	2,800	—
Revised forecast (B)	13,822	4,489	3,895	3,894	2,800	—
Change (B)-(A)	2,963	330	335	335	0	—
Rate of change	27.3%	7.9%	9.4%	9.4%	0%	—

(Note 1) Estimated number of investment units issued and outstanding at the end of the 34th fiscal period ending June 30, 2023: 1,337,598 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 34th fiscal period ending June 30, 2023, announced in “Japan Excellent, Inc. Reports 33rd Period Financial Results” dated February 16, 2023, was calculated based on the assumption that distribution will be made by reversal of a portion (¥186 million) of reserve for reduction entry. In this revised forecast, however, it is calculated based on the assumption that the amount remaining after deducting provision of reserve for reduction entry (¥149million) from net income will be distributed.

2. Reason for the Revision

As announced in “Notice Concerning Acquisition and Transfer of Domestic Real Estate Trust Beneficiary Rights (Acquisition of BIZCORE Tsukiji, Transfer of Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building)” dated today, a difference of 10% or more is expected to occur in the forecast amount of total revenue for the fiscal period ending June 30, 2023, announced in “Japan Excellent, Inc. Reports 33rd Period Financial Results” dated February 16, 2023, due to the acquisition of a new specified asset and transfer of specified assets of two properties (hereinafter the “Transaction”). JEI thus revises the operating forecasts for the 34th fiscal period ending June 30, 2023.

The impact of the Transaction on the 35th fiscal period ending December 31, 2023, is minimal, and the operating forecasts for that fiscal period are thus not revised. The forecasts for the 35th fiscal period ending December 31,



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2023, and 36th fiscal period ending June 30, 2024, will be announced later in “Japan Excellent, Inc. Reports 34th Period Financial Results” scheduled to be announced in mid-August 2023.

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 June 30, 2023” 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.

Japan Excellent, Inc. Website: <https://www.excellent-reit.co.jp/en/>

Appendix

Assumptions for Operating Forecasts for the Fiscal Period Ending June 30, 2023

Item	Assumptions
Investment assets	<ul style="list-style-type: none"> In the operating forecasts, it is assumed that the trust beneficiary rights of Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building will be transferred from among the 36 properties owned as of June 29, 2023. The transfer date (planned) is as follows (please refer to “Notice Concerning Acquisition and Transfer of Domestic Real Estate Trust Beneficiary Rights (Acquisition of BIZCORE Tsukiji, Transfer of Kowa Kawasaki Nishiguchi Building and JEI Kyobashi Building)” dated today for details.). [Transfer date (planned)] Kowa Kawasaki Nishiguchi Building: June 30, 2023 JEI Kyobashi Building: June 30, 2023 (80% quasi co-ownership interest) January 22, 2024 (20% quasi co-ownership interest) In practice, the forecasts may fluctuate due to changes in investment assets.
Total revenue	<ul style="list-style-type: none"> The forecast of revenues is made on the assumption no tenants will delay or default rental payments. As a result of the transfer of Shintomicho Building and JEI Kyobashi Building, gain on sale of real estate, etc. of ¥3,687 million is expected to be recorded in the fiscal period ending June 30, 2023.
Operating expenses	<ul style="list-style-type: none"> 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 ¥1,510 million. JEI estimates the amount of property tax, city planning tax and other related taxes to be recorded as expenses will amount to ¥1,034 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 ¥136 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 ¥1,955 million for the amount. As a result of the transfer of Kowa Kawasaki Nishiguchi Building, loss on sale of real estate, etc. of ¥2,704 million is expected to be recorded in the fiscal period ending June 30, 2023.
Non-operating expenses	<ul style="list-style-type: none"> JEI estimates ¥594 million as non-operating expenses (interest payments, financing expenses, etc.).
Interest-bearing debt	<ul style="list-style-type: none"> Interest-bearing debt amounts to ¥128,600 million (Debt loans: ¥90,600 million; Investment corporation bonds: ¥38,000 million) as of the date of this writing. The short-term loans of ¥3,000 million and long-term loans of ¥5,000 million due for repayment by the end of the fiscal period ending June 30, 2023, are assumed to be repaid.
Investment units issued and outstanding	<ul style="list-style-type: none"> The assumption is the number of investment units issued and outstanding as of June 29, 2023, of 1,337,598 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 June 30, 2023.



Item	Assumptions
Distribution per unit	<ul style="list-style-type: none">• 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.• In the fiscal period ending June 30, 2023, a portion of the gain on transfer of Shintomicho Building and JEI Kyobashi Building (¥149 million) is assumed to be allocated to internal reserves as reserve for reduction entry.• 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	<ul style="list-style-type: none">• JEI does not assume to distribute monies in excess of earnings (distribution in excess of earnings per unit).
Other	<ul style="list-style-type: none">• 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.