

**For Immediate Release
For Translation Purposes Only**

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Notice Concerning Revision of the Operating Forecasts for the Fiscal Periods
Ending December 31, 2019 and Ending June 30, 2020

Japan Excellent, Inc. (hereinafter referred to as “JEF”) announced today a revision to its operating forecasts for the 27th period (from July 1, 2019, to December 31, 2019) and 28th period (from January 1, 2020, to June 30, 2020), which were announced in the Japan Excellent, Inc. Reports 26th Period Financial Results dated August 19, 2019, as described below.

1. Details of the Revision

(1) Revised operating forecast for the 27th period ending December 31, 2019(from July 1, 2019, to December 31, 2019)

	Total revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen) (i)	Allowance for temporary difference adjustment (million yen) (ii)	Reversal of reserve for advanced depreciation of non-current assets (million yen) (iii)	Total distribution (million yen) (i) + (ii) + (iii)
Previous forecast (A)	10,834	4,390	3,735	3,734	-	-	3,734
Revised forecast (B)	10,877	2,817	2,168	2,167	1,409	158	3,734
Change (B)-(A)	43	-1,573	-1,567	-1,567	1,409	158	0
Rate of change	0.4%	-35.8%	-42.0%	-42.0%	-	-	0%



	Distribution per unit (yen) (including distribution in excess of earnings)	Distribution per unit (yen) (excluding distribution in excess of earnings)		Distributions in excess of earnings per unit (yen) (provision for temporary difference)
			Of which, reversal of the reserve for advanced depreciation (yen)	
Previous forecast (A)	2,860	2,860	-	-
Revised forecast (B)	2,860	1,781	121	1,079
Change (B)-(A)	0	-1,079	121	1,079
Rate of change	0%	-37.7%	-	-

(Note 1) It is based on the premise to reverse the reserve for advanced depreciation of non-current assets (158 million yen).

(Note 2) Estimated total number of outstanding investment units in the 27th period: 1,305,700 units (See the Number of Outstanding Investment Units in Appendix.)

(2) Revised operating forecast for the 28th period ending June 30, 2020(from January 1, 2020, to June 30, 2020)

	Total revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen) (i)	Reversal of allowance for temporary difference adjustment (million yen) (ii)	Reserve for advanced depreciation of non-current assets (million yen) (iii)	Total distribution (million yen) (i) - (ii) - (iii)
Previous forecast (A)	10,881	4,429	3,774	3,773	-	-	3,773
Revised forecast (B)	12,572	6,112	5,467	5,466	1,409	283	3,773
Change (B)-(A)	1,691	1,683	1,693	1,693	1,409	283	0
Rate of change	15.5%	38.0%	44.9%	44.9%	-	-	0%

	Distribution per unit (yen) (including distribution in excess of earnings)	Distribution per unit (yen) (excluding distribution in excess of earnings)	
			Distributions in excess of earnings per unit (yen) (provision for temporary difference)
Previous forecast (A)	2,890	2,890	-
Revised forecast (B)	2,890	2,890	-
Change (B)-(A)	0	0	-
Rate of change	0%	0%	-

(Note 1) It is based on the premise to retain part of the proceedings from the sale as the reserve for advanced depreciation of non-current assets (283 million yen).

(Note 2) Estimated total number of outstanding investment units in the 28th period: 1,305,700 units (See the Number of Outstanding Investment Units in Appendix.)

2. Reason and Background of the Revision

As announced in “Notice concerning Transfer and Partial Transfer of Domestic Real Estate Trust Beneficiary Rights, and Lease Cancellation (JEI Nishi-Honmachi Building, Kowa Kawasaki Nishiguchi Building)” dated today, JEI decided to transfer the entire trust beneficiary right in JEI Nishi-Honmachi Building and part of the trust beneficiary right in Kowa Kawasaki Nishiguchi Building (hereinafter referred to as the “Transfers”). There will be transfer of trust beneficiary rights and fund settlement over several times for each property due partly to the transferees’ requests.

The transfer of the trust beneficiary right and fund settlement of Kowa Kawasaki Nishiguchi Building will be carried out over two terms of the 27th financial period ending December 2019 and 28th period ending June 2020. In the transfer of this property, JEI will record 1,409 million yen in an estimated loss on transfer as impairment loss in the 27th financial period in accordance with the accounting standards concerning impairment of noncurrent assets, as the property is sold at a price below the book value and the transfer and fund settlement to be carried out in the 28th period will be also decided in the 27th period. The recording of the impairment loss results in a major book-tax difference (stipulated by Article 2 Paragraph 2 Item 30 (a) of the Ordinance on Accountings of Investment Corporations) and JEI plans to record 1,409 million yen in allowance for temporary difference adjustment (stipulated by Article 2 Paragraph 2 Item 30 of the Ordinance on Accountings of Investment Corporations) and then distribute it. JEI will draw down reserve for advanced depreciation of non-current assets of 158 million yen, as it is required by law for recording the said allowance for temporary difference adjustment. The book-tax difference will be resolved in the 28th period following the transfer and fund settlement, so JEI will reverse the allowance for temporary difference adjustment of 1,409 million yen recorded in the 27th period.

The transfer of the trust beneficiary right and fund settlement of JEI Nishi-Honmachi Building will be carried out over the three terms of the 27th, 28th, and 29th financial periods and it will result in gain on transfer in each period, and JEI plans to retain part of the gain as reserve for advanced depreciation of non-current assets in the 28th and 29th periods.

As described above, the preconditions of the operating forecasts for the 27th and 28th financial periods announced in the “Japan Excellent, Inc. Reports 26th Period Financial Results” dated August 19, 2019, changed, and JEI made adjustments to reflect the changes and hereby announces the operating forecasts for the 27th and 28th financial periods calculated using the new preconditions. There has been no change to the distribution per unit for each period.

[Highlights in the income statement and distribution statement (forecasts)]

<Statement of income>

	27th period	28th period
Total revenues	10,877	12,572
Gain on sales	0	1,729
Operating expenses	8,059	6,459
Loss on sales	122	0
Impairment loss	1,409	0
Operating income	2,817	6,112
Ordinary income	2,168	5,467
Income before income taxes	2,168	5,467
Income taxes	1	1
Net income	2,167	5,466

<Distribution statement>

Unappropriated surplus	2,167	5,466
Allowance for temporary difference adjustments	1,409	-
Reversal of allowance for temporary difference adjustments	-	1,409
Reversal of reserve for advanced depreciation of non-current assets	158	-
Reserve for advanced depreciation of non-current assets	-	283
Distributions	3,734	3,773
(Distribution per investment unit)	(2,860 yen)	(2,890 yen)

Notes:

1. The operating forecasts referred to above are JEI's current expectations produced as of the date hereof, calculated based on given assumptions. The actual total revenues, 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 distributions per unit. See Appendix "Assumptions for Operating Forecasts for the 27th Fiscal Period Ending December 31, 2019 and the 28th Fiscal Period Ending June 30, 2020" for details of the assumptions.



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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)

*JEI website: <https://www.excellent-reit.co.jp/en/>

[Appendix]

Assumptions for Operating Forecasts for the 27th Fiscal Period Ending December 31, 2019
and the 28th Fiscal Period Ending June 30, 2020

Item	Assumptions										
Assets under management	<p>The operating forecast is based on the assumption that JEI holds 33 properties as of December 6, 2019, in addition to these Transfers. The dates of the Transfers (scheduled) are as follows (See “Notice concerning Transfer and Partial Transfer of Domestic Real Estate Trust Beneficiary Rights, and Lease Cancellation (JEI Nishi-Honmachi Building, Kowa Kawasaki Nishiguchi Building)” released today for details regarding the Transfers).</p> <p>[Scheduled dates of the Transfers]</p> <table style="margin-left: 40px;"> <tr> <td>JEI Nishi Honmachi Building: December 20, 2019</td> <td>quasi co-ownership 5%</td> </tr> <tr> <td style="padding-left: 100px;">March 27, 2020</td> <td>quasi co-ownership 80%</td> </tr> <tr> <td style="padding-left: 100px;">July 3, 2020</td> <td>quasi co-ownership 15%</td> </tr> </table> <p>Kowa Kawasaki Nishiguchi Building:</p> <table style="margin-left: 40px;"> <tr> <td style="padding-left: 100px;">December 20, 2019</td> <td>quasi co-ownership 5%</td> </tr> <tr> <td style="padding-left: 100px;">June 26, 2020</td> <td>quasi co-ownership 30%</td> </tr> </table> <p>- In practice, they may change depending on the changes in the assets under management.</p>	JEI Nishi Honmachi Building: December 20, 2019	quasi co-ownership 5%	March 27, 2020	quasi co-ownership 80%	July 3, 2020	quasi co-ownership 15%	December 20, 2019	quasi co-ownership 5%	June 26, 2020	quasi co-ownership 30%
JEI Nishi Honmachi Building: December 20, 2019	quasi co-ownership 5%										
March 27, 2020	quasi co-ownership 80%										
July 3, 2020	quasi co-ownership 15%										
December 20, 2019	quasi co-ownership 5%										
June 26, 2020	quasi co-ownership 30%										
Total revenues	<p>- The forecast is based on the assumption that there will be no arrears or non-payment of rent by tenants.</p> <p>- JEI expects to record 1,729 million yen in gain on sales of real estate, etc. for the 28th period ending June 2020 from the Transfers.</p>										

<p>Operating expenses</p>	<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 taxes related to transactions of real estate are calculated on a pro-rata basis and settled with the previous owner or the transferee at the time of acquisition or transfer, but JEI includes an amount equivalent to the settlement money in the acquisition cost. - JEI expects to record maintenance fee of 1,448 million yen for the period ending December 2019 and 1,414 million yen for the period ending June 2020. - Property tax, city planning tax, and other related taxes are expected to total 945 million yen for the period ending December 2019 and 974 million for the period ending in June 2020. - Building repair costs deemed necessary for each business period have been allocated (344 million yen for the period ending December 2019 and 261 million yen for the period ending June 2020). Note that the results may differ significantly from the forecast due to reasons such as occurrence of unexpected repairs. - Depreciation is calculated using straight-line method taking into account incidental expenses and future capital expenditure (1,927 million yen for the period ending December 2019 and 1,943 million yen for the period ending June 2020). - JEI expects to record 122 million yen in loss on sale of real estate and 1,409 million yen in impairment losses for the period ending December 2019 due to the Transfers.
<p>Non-operating expenses</p>	<ul style="list-style-type: none"> - JEI anticipates 649 million yen for the period ending December 2019 and 646 million yen for the period ending June 2020 respectively in non-operating expenses (interest payments financing expenses, etc.).
<p>Interest-bearing debt</p>	<ul style="list-style-type: none"> - As of the date of this release, JEI has interest-bearing debts of 129,600 million yen (debt loan: 96,600 million yen and corporate bonds: 33,000 million yen). - For the short-term loans of 5,000 million yen and long-term loans of 9,600 million yen, for which repayment dates are due by the end of the period ending June 2020, these are assumed to be refinanced, etc.
<p>Number of Outstanding Investment Units</p>	<ul style="list-style-type: none"> - The forecast is based on the number of outstanding investment units of 1,305,700 units as of December 6, 2019, and on the assumption that there will be no major change in the number of units of investment equity till the end of the period ending June 2020.
<p>Reversal of the allowance for temporary difference adjustment</p>	<ul style="list-style-type: none"> - In the period ending June 2020, JEI expects to carry out reversal of the allowance of 1,409 million yen for temporary difference adjustment carried out in the period ending December 2019.



Distribution per unit	<ul style="list-style-type: none">- Distribution per unit is calculated with the amount of profit as the upper limit and based on the assumption that more than 90% of the distributable profit will be distributed in accordance with the distribution policy stipulated under JEI's Articles of Incorporation.- JEI expects to carry out reversal of the allowance for temporary difference adjustment (158 million yen) in the period ending December 2019.- JEI expects to allocate the allowance for temporary difference adjustment (283 million yen) in the period ending June 2020.- 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.
Distribution in excess of earnings per unit	<ul style="list-style-type: none">- JEI expects to make distribution in excess of earnings of 1,409 million yen, which is the amount allocated for temporary difference adjustment, in the period ending December 2019.- It does not assume to distribute monies in excess of earnings (distribution in excess of earnings per unit) in the period ending June 2020.
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.- Forecasts are based on the assumption there will be no material changes in economic and real estate market conditions in Japan.