

**For Immediate Release  
For Translation Purposes Only**

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

Japan Excellent, Inc. (hereinafter referred to as “JEI”) hereby announces its revisions to the operating forecasts for the 28th fiscal period (from January 1, 2020 to June 30, 2020), which was announced on December 6, 2019 in “Notice Concerning Revision of the Operating Forecasts for the Fiscal Periods Ending December 31, 2019 and Ending June 30, 2020” and also announces the operating forecasts for the 29th fiscal period (from July 1, 2020 to December 31, 2020).

**1. Revised Operating Forecasts for the 28th Fiscal Period Ending June 30, 2020**

	Total revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen) ( i )	Reversal of the allowance for temporary difference adjustments (million yen) ( ii )	Reserve for advanced depreciation of non-current assets (million yen) ( iii )	Total distributions ( i )-( ii )-( iii ) (million yen)
Previous forecast (A)	12,572	6,112	5,467	5,466	1,409	283	3,773
Revised forecast (B)	12,818	6,242	5,580	5,579	1,409	165	4,004
Change (B) - (A)	246	130	113	113	0	-118	231
Rate of Change	2.0%	2.1%	2.1%	2.1%	0%	-41.7%	6.1%

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	Distributions per unit (yen) (including distributions in excess of earnings)	Distributions per unit (yen) (excluding distributions 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)	2,960	2,960	-
Change (B) - (A)	70	70	-
Rate of Change	2.4%	2.4%	-

- (Note 1) Estimated total number of outstanding investment units in the 28th fiscal period ending June 30, 2020: 1,353,000 units (Please refer to “Investment Units Issued and Outstanding” in Appendix)
- (Note 2) The distributions per unit in this revised forecast are calculated based on ¥1,409 million in reversal of the allowance for temporary difference adjustments (in adherence with Article 2 Clause 2 Item 30 of the Regulation on Accountings of Investment Corporations. The same shall apply hereinafter.)
- (Note 3) The distributions per unit in this revised forecast are calculated based on ¥165 million in reserve for advanced depreciation of non-current assets

## 2. Operating Forecasts for the 29th Fiscal Period Ending December 31, 2020

	Total revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit (yen) (including distributions in excess of earnings)	Distributions per unit (yen) (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit (yen) (provision for temporary difference)
Forecast	11,212	5,009	4,381	4,380	3,000	3,000	-

- (Note 1) Estimated total number of outstanding investment units in the 29th fiscal period ending December 31, 2020: 1,353,000 units (Please refer to “Investment Units Issued and Outstanding” in Appendix)
- (Note 2) The distributions per unit in this revised forecast are calculated based on ¥321 million in reserve for advanced depreciation of non-current assets

## 3. Background of Revision

In accordance with the acquisition of a new specified asset (as defined in Article 2, paragraph 1 of Act on Investment Trust and Investment Corporations; the same hereinafter) and the issuance of new investment units as announced in “Notice concerning Acquisition of Co-ownership Interest of Domestic Real Estate Trust Beneficiary Rights (GRAND FRONT OSAKA (Umekita Plaza ・ South Building) and GRAND FRONT OSAKA (North Building))” and “Notice Concerning the Issue of New Investment Units and Secondary Offering”, the assumptions for operating forecasts for the 28th Fiscal Period Ending June 30, 2020 have changed from what was announced on December 6, 2019 in “Notice Concerning Revision of the Operating Forecasts for the Fiscal Periods Ending December 31, 2019 and Ending June 30, 2020”, thus, JEI revised the operating forecasts and also announces its operating forecasts for the 29th Fiscal Period Ending December 31, 2020 calculated based on the revised

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- (Note 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 distributions 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. Please refer to Appendix 1 “Assumptions for Operating Forecasts for the Fiscal Periods Ending June 30, 2020 and December 31, 2020” for details of the assumptions.
- (Note 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)

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

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**Assumptions for Operating Forecasts for the Fiscal Periods Ending  
June 30, 2020 and December 31, 2020**

Item	A s s u m p t i o n s
Investment assets	<ul style="list-style-type: none"> <li>• In addition to the properties which JEI held as of the fiscal period ended December 31, 2019, it is assumed that the dispositions of JEI Nishi-Honmachi Building and Kowa Kawasaki Nishiguchi Building (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)” dated December 6, 2019) as well as the acquisition of GRAND FRONT OSAKA (Umekita Plaza ・ South Building) and GRAND FRONT OSAKA (North Building) which are expected to be acquired on February 3, 2020 will be carried out.</li> <li>• Distributions per unit may fluctuate due to changes in investment assets.</li> </ul>
Total revenue	<ul style="list-style-type: none"> <li>• The forecast of revenues is made on the assumption no tenants will delay or default rental payments.</li> <li>• JEI expects to record gain on sale of investment properties of ¥1,729 million for the fiscal period ending June 30, 2020 and ¥314 million for the fiscal period ending December 31, 2020.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• JEI estimates the amount of property management fees to be recorded as real estate related expenses will amount to approximately ¥1,450 million and ¥1,340 million for the fiscal periods ending June 30, 2020, and December 31, 2020, respectively.</li> <li>• JEI 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 ¥974 million and ¥929 million for the fiscal periods ending June 30, 2020, and December 31, 2020, respectively.</li> <li>• An estimate for repairs and maintenance expenses of the buildings for each fiscal period is allocated to expenses during such relevant fiscal period. JEI estimates ¥269 million and ¥221 million for the amounts of repair and maintenance expenses to be recorded for the fiscal periods ending June 30, 2020, and December 31, 2020, respectively. The actual repairs and maintenance expenses may, however, differ significantly from the amount estimated herein due to reasons such as occurrence of unexpected repairs.</li> <li>• Depreciation expenses including associated costs and future capital expenditures are calculated based on the straight-line method. JEI estimates approximately ¥1,967 million and ¥1,840 million for the amounts of the depreciation expenses for the fiscal periods ending June 30, 2020, and December 31, 2020, respectively.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• JEI estimates ¥663 million and ¥629 million as the non-operating expenses (the interest payments and financing expenses, etc.) for the fiscal periods ending June 30, 2020, and December 31, 2020, respectively.</li> </ul>

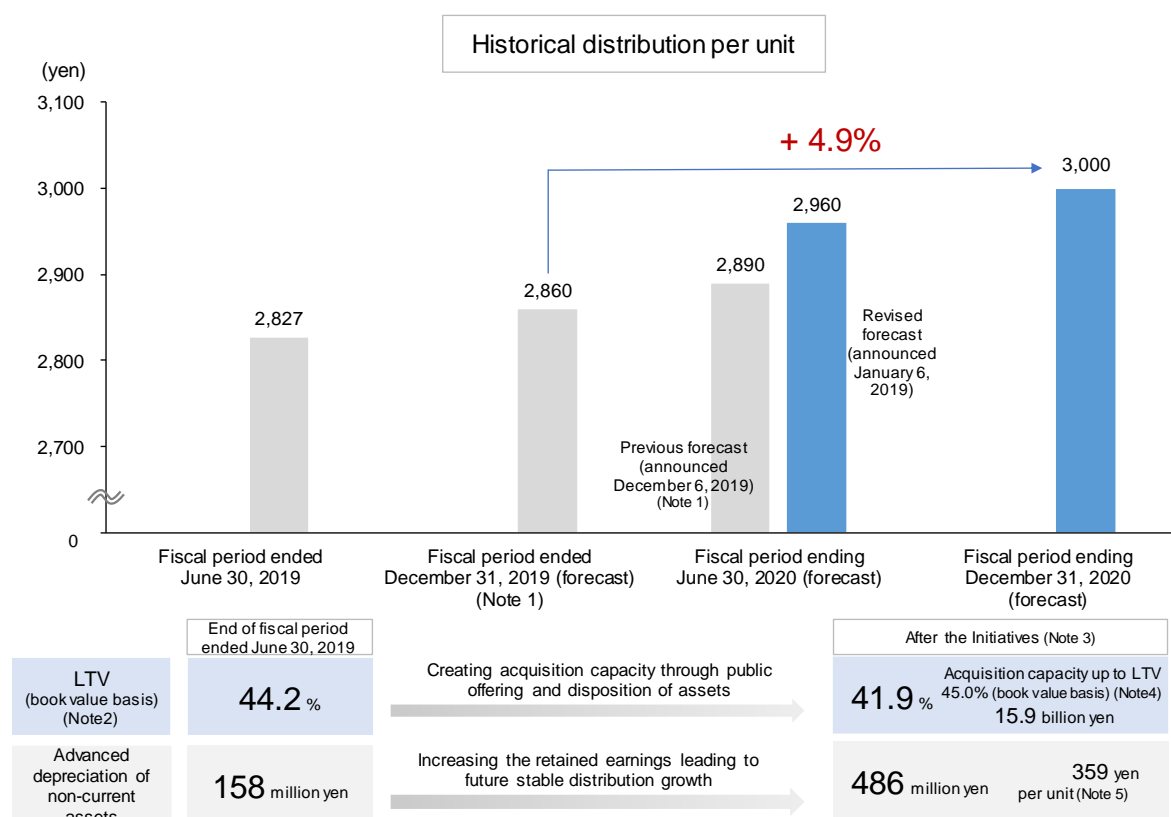
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Item	A s s u m p t i o n s
Interest-bearing debt	<ul style="list-style-type: none"> <li>• The interest-bearing debt amounts to ¥129,600 million (Debt loan: ¥96,600 million; Corporate Bonds: ¥33,000 million) as of the end of the fiscal period ended December 31, 2019.</li> <li>• 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.</li> <li>• For the short-term loans of ¥9,000 million for which repayment dates are due by the end of the fiscal period ending December 31, 2020, it is assumed to be repaid. For the long-term loans of ¥10,600 million for which repayment dates are due by the end of the fiscal period ending December 31, 2020, it is assumed to be refinanced for the same amount, etc.</li> </ul>
Investment units issued and outstanding	<ul style="list-style-type: none"> <li>• The forecasts presented herein are based on the assumption there are 1,353,000 investment units issued and outstanding, adding 47,300 new investment units resolved at its Board of Directors Meeting held today to 1,305,700 investment units which were issued and outstanding as of January 6, 2020. As for the breakdown of the 47,300 new investment units, 43,000 new investment units will be issued through a public offering and a maximum of 4,300 new investment units will be issued through the third-party allotment, and it is assumed all of the 4,300 new investment units through the third-party allotment will be issued.</li> </ul>
Reversal of the allowance for temporary difference adjustments	<ul style="list-style-type: none"> <li>• In the fiscal period ending June 30, 2020, JEI anticipates a reversal of the allowance for temporary difference of ¥1,409 million to be recorded in the fiscal period ended December 31, 2019.</li> </ul>
Distributions per unit	<ul style="list-style-type: none"> <li>• Distribution per unit are calculated based on more than 90% distribution of profits (distributable profit) in accordance with JEI's distribution policy stipulated under its Articles of Incorporation.</li> <li>• A portion of the gain on transfer of two properties are assumed to be reserved for advanced depreciation of non-current assets (¥165 million for the fiscal period ending June 30, 2020 and ¥321 million for the fiscal period ending December 31, 2020).</li> <li>• Distribution 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.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• JEI does not assume to distribute monies in excess of earnings (distribution in excess of earnings per unit).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Forecasts are based on the assumption there will be no material changes in economic and real estate market conditions in Japan.</li> </ul>

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## Appendix 2

### References



The total number of outstanding investment units for each fiscal period is as follows:

- Fiscal period ended June 30, 2019 and fiscal period ended December 31, 2019: 1,305,700 units
- Fiscal period ending June 30, 2020 and fiscal period ending December 31, 2020: 1,353,000 units

(Note 1) Regarding forecast distribution per unit for the fiscal period ended December 31, 2019 and previous forecast distribution per unit for the fiscal period ending June 30, 2020 (announced in December 6, 2019), please refer to “Notice Concerning Revision of the Operating Forecasts for the Fiscal Periods Ended December 31, 2019 and Ending June 30, 2020” announced on December 6, 2019.

(Note 2) “LTV (book value basis)” is the ratio of interest-bearing debt to book value (loan to value) calculated with the following formula.

- LTV (book value basis) at the end of the fiscal period ended June 30, 2019  
= balance of interest-bearing debt at the end of the fiscal period / book value at the end of the fiscal period
- LTV (book value basis) after the Initiatives  
= balance of interest-bearing debt after the Initiatives / book value after the Initiatives (For the calculation method, please refer to “Note 3”)

(Note 3) The phrase “after the Initiatives” refers to the point in time when the following initiatives have been completed:

JEI’s anticipated acquisition of both GRAND FRONT OSAKA (Umekita Plaza and South Building) and GRAND FRONT OSAKA (North Building) as indicated in “Notice concerning Acquisition of Co-ownership Interest of Domestic Real Estate Trust Beneficiary Rights (GRAND FRONT OSAKA (Umekita Plaza · South Building) and GRAND FRONT OSAKA (North Building))” announced today, and disposition of both JEI Nishi-Honmachi Building and Kowa Kawasaki Nishiguchi Building (35.0% co-ownership interest) (hereinafter referred to as “disposition assets”) as indicated in “Notice concerning Transfer and Partial Disposition of Domestic Real Estate Trust Beneficiary Rights, and Lease Cancellation (JEI Nishi-Honmachi Building, Kowa Kawasaki Nishiguchi Building)” announced December 6, 2019 as well as payment for the public offering and the third party allotment as indicated in “Notice Concerning the Issue of New Investment Units and Secondary Offering” announced today.

“Balance of interest-bearing debt after the Initiatives” and “book value after the Initiatives” is calculated with the following formula.

- Balance of interest-bearing debt after the Initiatives  
= balance of interest-bearing debt as of January 6, 2020 - interest-bearing debt to be repaid by proceeds from the public offering and advanced repayment of short-term borrowing by proceeds from disposition of disposition assets (9 billion yen).
- Book value after the Initiatives  
= book value at the end of fiscal period ended June 30, 2019 - interest-bearing debt to be repaid by proceeds from the public offering and advanced repayment of short-term borrowing by proceeds from disposition of disposition assets (9 billion yen) + estimated security deposits to be received for the assets acquired or to be acquired after the end of fiscal period ended June 30, 2019 - estimated security

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deposits to be paid for disposition assets + estimated total issue amount of the public offering

\* In this calculation, the total sum of the total issue amount of the public offering and third party allotment is anticipated as 7,829,427,100 yen. This amount is the estimated amount as of today calculated based on the closing price of JEI on the Tokyo Stock Exchange as of December 13, 2019. For the third party allotment, it is assumed that the entire amount to be paid in will be paid.

If the actual total sum of the total issue amount of the public offering and third party allotment are lower or higher than the current anticipated amount, the actual LTV (book value basis) after the Initiatives may be higher or lower than the amount stated herein. Balance of interest-bearing debt after the Initiatives is calculated based on certain assumptions, and may not necessarily be consistent with the actual figures after the Initiatives.

(Note 4) "Acquisition capacity up to LTV 45.0% (book value basis)" refers to the total amount of specified assets that can be acquired based on the estimated amount of debt capital that can be additionally procured by borrowing from financial institutions or issuing investment corporation bonds, etc., assuming that LTV (book value basis) would rise to 45.0%. This estimate does not assure that JEI will be able to procure such amount of debt capital or acquire new properties using such debt capital.

(Note 5) The figure is the amount obtained by dividing advanced depreciation of non-current asset after the Initiatives by the number of issued investment units after the Initiatives.

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