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For Immediate Release

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Notice Concerning Issuance of New Investment Units
and Secondary Offering of Investment Units

Comforia Residential REIT, Inc (“CRR”) announces that it has resolved at the board of directors’ meeting held today concerning the issuance of new investment units and secondary offering of investment units. Details are as follows:

1. Issuance of New Investment Units through Public Offering (Primary Offering)

(1) Number of investment units
to be offered: 29,330 units

(2) Paid-in amount (issue value): To be determined
The amount shall be determined at the board of directors’ meeting to be held on a date between January 15, 2020 (Wednesday) and January 20, 2020 (Monday) (the “Pricing Date”). The paid-in amount (issue value) is the amount per investment units of CRR (the “Investment Units”) that CRR is to receive as the amount paid for new investment units.

(3) Total paid-in amount (issue value): To be determined

(4) Issue price (offer price): To be determined
The issue price (offer price) shall provisionally be calculated by multiplying the difference between the closing price of the Investment Units in a regular trading session at the Tokyo Stock Exchange, Inc. (the “TSE”) on the Pricing Date (if the closing

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price is not available on that date, the closing price on the most recent day preceding that date) and cash distributions per unit of 5,150 yen by a factor of 0.90 to 1.00 (rounded down to the nearest 1 yen), and be determined on the Pricing Date while taking into account market demand and other conditions.

- (5) Total issue amount (offer price) : To be determined
- (6) Offering method: The offering of the Investment Units shall be through a primary offering, and underwritten in full by Mizuho Securities Co., Ltd., SMBC Nikko Securities Inc., Mitsubishi UFJ Morgan Stanley Securities Co. Ltd., Daiwa Securities Co., Ltd., Nomura Securities Co., Ltd. and SBI SECURITIES Co., Ltd. (collectively referred as the “Underwriters”).
- * Mizuho Securities Co., Ltd. and SMBC Nikko Securities Inc. are collectively referred as the “Joint Lead Managers”.
- (7) Underwriting agreement details: The Underwriters shall pay the total paid-in amount (issue value) to the CRR on the payment date identified in (10) below. The difference between the total issue amount (offer price) and the total paid-in amount (issue value) in the public offering shall be the proceeds of the Underwriters. CRR will pay no underwriting fee to the Underwriters.
- (8) Subscription unit: 1 unit or more in multiples of 1 unit
- (9) Subscription period: The subscription period shall be between the business day following the Pricing Date and the date that marks two business days after the Pricing Date.
- (10) Payment date: February 3, 2020 (Monday)
- (11) Delivery date: February 4, 2020 (Tuesday)
- (12) The issue price (offer price), paid-in amount (issue value) and other items necessary for the issuance of the Investment Units shall be determined at future board of directors’ meeting. However, Executive Director has discretionary authority to make any changes before the formal determination.
- (13) Each of the items above is subject to the condition that the securities registration statement in accordance with the Financial Instruments and Exchange Act takes effect.

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2. Secondary Offering of Investment Units (Over-Allotment) (Refer to <Reference> 1. below)

- (1) Seller and Number of investment units Mizuho Securities Co., Ltd. 1,460 units
to be offered: The above number of investment units to be offered indicates the maximum number of investment units of the secondary offering through over-allotment conducted by Mizuho Securities Co., Ltd. aside from the primary offering accounting demand conditions. There may be cases where this number is reduced or over-allotment itself is not conducted, depending on demand conditions of the primary offering and other factors. The number of investment units to be offered through the secondary offering shall be determined at the board of directors' meeting to be held on the Pricing Date taking into account the demand conditions of the primary offering and other factors.
- (2) Offer price: To be determined
The offer price will be determined on the Pricing Date, and shall be same as the issue price (offer price) for the primary offering.
- (3) Total offer price: To be determined
- (4) Offering method: In consideration of the demand conditions of the primary offering, aside from the primary offering, Mizuho Securities Co., Ltd. shall offer the Investment Units (up to 1,460 units) to be borrowed from Tokyu Land Corporation (the "Designated Party"), a unitholder of CRR and a shareholder of the asset management company of CRR.
- (5) Subscription unit: 1 unit or more in multiples of 1 unit
- (6) Subscription period: The same as the subscription period of the primary offering
- (7) Delivery date: The same as the delivery date of the primary offering
- (8) The offer price and other items necessary for the secondary offering through over-allotment shall be determined at future board of directors' meeting. However, Executive Director has discretionary authority to make any changes before the formal determination.
- (9) If the primary offering is suspended, the secondary offering through over-allotment shall also be suspended.
- (10) Each of the items above is subject to the condition that the securities registration statement in accordance with the Financial Instruments and Exchange Act takes effect.

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3. Issuance of New Investment Units to be Offered by Way of Third-Party Allotment (Refer to <Reference> 1. below)

- (1) Number of investment units to be offered: 1,460 units
- (2) Paid-in amount (issue value): To be determined
The paid-in amount (issue value) shall be determined at the board of directors' meeting to be held on the Pricing Date, and shall be same as the paid-in amount (issue value) for the primary offering.
- (3) Total paid-in amount (issue value): To be determined
- (4) Allottee and number of investment units to be allotted: Mizuho Securities Co., Ltd. 1,460 units
- (5) Subscription unit: 1 unit or more in multiples of 1 unit
- (6) Subscription period: February 18, 2020 (Tuesday)
(Subscription date)
- (7) Payment date: February 19, 2020 (Wednesday)
- (8) If there are no subscriptions for all or a part of the investment units on or before the subscription period (subscription date) described in (6) above, the issuance of such investment units shall be cancelled.
- (9) The paid-in amount (issue value) and other items necessary for the issuance of the new investment units by way of third-party allotment shall be determined at future board of directors' meeting. However, Executive Director has discretionary authority to make any changes before the formal determination.
- (10) If the primary offering is suspended, the issuance of new investment units by way of third-party allotment shall also be suspended.
- (11) Each of the items above is subject to the condition that the securities registration statement in accordance with the Financial Instruments and Exchange Act takes effect.

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<Reference >

1. Details of the Secondary Offering (Over-Allotment)

(1) Taking into account the demand conditions and other factors upon the primary offering, Mizuho Securities Co., Ltd. may implement a secondary offering of the borrowed Investment Units up to 1,460 units (secondary offering through over-allotment) borrowed from the Designated Party aside from the primary offering. The number of investment units in the secondary offering through over-allotment is the maximum amount. The number may decrease or the secondary offering through over-allotment itself may not take place at all, depending on demand conditions and other factors.

In order to allow Mizuho Securities Co., Ltd. to acquire the Investment Units needed to return the borrowed Investment Units upon the secondary offering through over-allotment, CRR has resolved at the board of directors' meeting held on January 7, 2020 (Tuesday) to issue new investment units for 1,460 units by way of third-party allotment (the "Third-party Allotment"), with Mizuho Securities Co., Ltd. as the allottee and the payment date on February 19, 2020 (Wednesday).

For the purpose of returning the borrowed investment units, Mizuho Securities Co., Ltd. may also purchase the investment units up to the number of units for the secondary offering (over-allotment) at the TSE (the "syndicated cover transaction") during the period from the day following the close of the subscription period for the public offering and the secondary offering (over-allotment) to February 14, 2020 (Friday) (the "syndicated cover transaction period"). The Investment Units purchased by Mizuho Securities Co., Ltd. through the syndicated cover transaction shall be used to return the borrowed investment units. There may be cases in which Mizuho Securities Co., Ltd. does not conduct the syndicated cover transaction at all or ends the syndicated cover transaction with the number of Investment Units that are smaller than the number of the Investment Units offered through the secondary offering (over-allotment), at its sole discretion.

Moreover, Mizuho Securities Co., Ltd. may conduct stabilizing transactions in correlation with the public offering and the secondary offering (over-allotment). The Investment Units purchased through such stabilizing transactions may be used, in whole or in part, to return the borrowed investment units.

Mizuho Securities Co., Ltd. intends to agree to Third-party Allotment to acquire the investment units for the number of the investment units obtained by subtracting the number of investment units that are purchased through the syndicated cover transaction and the stabilizing transactions and used to return the borrowed investment units from the number of the investment units for the secondary offering (over-allotment). As a result, there may be cases in which there will be no subscription to the investment units offered by way of Third-party Allotment in whole or in part, and accordingly the final number of the investment units issued by way of Third-party Allotment will decrease to that extent due to forfeiture of rights, or such issuance itself will not take place at all.

The decision to initiate the secondary offering through over-allotment and determine the number of investment units to be offered shall be determined on the Pricing Date. If a secondary offering through over-allotment is not made, Mizuho Securities Co., Ltd. shall not borrow Investment Units of CRR from the Designated Party, and Mizuho Securities Co., Ltd. shall not receive any allotment by way of Third-party Allotment. Consequently, Mizuho Securities Co., Ltd. shall lose the right to receive an allotment, and no new investment units shall be issued. Furthermore, Mizuho Securities Co., Ltd. will be unable to conduct any syndicate covering transactions on the Tokyo Stock Exchange either.

(2) Mizuho Securities Co., Ltd. shall conduct the transactions described in the above (1) upon consultation with SMBC Nikko Securities Inc.

2. Changes in Total Number of Outstanding Investment Units Issued After the Issuance of New Investment Units

Total number of outstanding investment units	640,834	units
Number of investment units to be issued through the primary offering	29,330	units
Total number of outstanding investment units after the issuance of new investment units through the primary offering	670,164	units
Number of investment units to be issued by the issuance of new investment units by way of Third-party Allotment	1,460	units (Note)
Total number of outstanding investment units issued after the issuance of new investment units by way of Third-party Allotment	671,624	units (Note)

(Note) The figures in the above table are based on the assumption that the new investment units to be issued by way of Third-party Allotment are all applied for by Mizuho Securities Co., Ltd..

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3. Purpose and Reason for Issuance

CRR plans to acquire the additional properties to expand asset size and improve the stability of portfolio revenue. In light of the anticipated acquisitions, the decision to issue new investment units was based on analyses of market trends, impacts to financial soundness, levels of distributions per unit and other factors.

4. Amount of Funds to be Procured, Use of Proceeds and Scheduled Expenditure Date

(1) Amount of funds to be procured (approximate net balance CRR will obtain)

9,552,000,000 yen (maximum) (Note)

(Note) The aforementioned amount represents the sum of 9,100,000,000 yen in net proceeds CRR will receive from the primary offering and the maximum amount of 452,000,000 yen CRR will receive from the issuance of new investment units by way of Third-party Allotment. Moreover, the amount is an estimate calculated on the basis of the closing price of the Investment Units in a regular trading session at the TSE as of December 16, 2019 (Monday).

(2) Specific use of the funds to be procured and scheduled expenditure date

CRR plans to use the proceeds (9,100,000,000 yen) from the primary offering, as well as the maximum amount of proceeds (452,000,000 yen) from the issuance of new Investment Units by way of Third-party Allotment, as part of funds for the acquisition of new specified assets described in the press release titled “Notice Concerning Acquisition of Investment Assets (COMFORIA HIGASHISHINJUKU STATION FRONT and other 5 assets)” separately announced today.

(Note) The procured funds will be deposited to financial institutions until being expensed.

5. Designated Purchaser

The underwriters plan to sell 3,079 units in the public offering to the Designated Party, a shareholder of the asset management company and a unitholder of CRR, as a purchaser designated by CRR.

6. Forecast

Refer to the “Notice Concerning Revision to Forecast of Financial Results for the Period Ending July 31, 2020 and Forecast of Financial Results for the Period Ending January 31, 2021” released today for forecasts of the management performance for the period ending July 31, 2020 (February 1, 2020 - July 31, 2020) and the period ending January 31, 2021 (August 1, 2020 - January 31, 2021).

7. Financial Results and Equity Finance Status during the Three Most Recent Fiscal Periods

(1) Financial results during the three most recent fiscal periods

	Fiscal period ended July 2018	Fiscal period ended January 2019	Fiscal period ended July 2019
Profit per unit (Note 1)	5,437 yen	5,405 yen	5,383 yen
Cash Distribution per unit	4,985 yen	5,180 yen	5,180 yen
(Cash Distribution per Unit (excluding Cash Distribution in Excess of Profit))	(4,985 yen)	(5,180 yen)	(5,180 yen)
(Cash Distribution in Excess of Profit per Unit)	(-)	(-)	(-)
Actual payout ratio (Note 2)	91.6%	95.8%	96.2%
Net assets per unit	175,544 yen	175,964 yen	184,023 yen

(Note 1) Profit per unit is calculated by dividing profit by the day-weighted average number of investment units during the period.

(Note 2) Total distribution amount ÷ Profit × 100

The figures have been rounded down to the nearest tenth.

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(2) Status of recent investment unit price

(i) Status during the three most recent fiscal periods

	Fiscal period ended July 2018	Fiscal period ended January 2019	Fiscal period ended July 2019
Opening price	241,200 yen	259,300 yen	288,500 yen
Highest price	267,300 yen	298,000 yen	332,500 yen
Lowest price	228,000 yen	258,000 yen	280,100 yen
Closing price	261,800 yen	288,700 yen	325,500 yen

(ii) Status during the most recent six-month period

	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019
Opening price	311,000 yen	323,000 yen	338,000 yen	344,500 yen	350,500 yen	345,500 yen
Highest price	332,500 yen	335,000 yen	349,500 yen	359,000 yen	352,000 yen	345,500 yen
Lowest price	311,000 yen	322,500 yen	336,500 yen	344,500 yen	337,500 yen	334,000 yen
Closing price	325,500 yen	335,000 yen	347,000 yen	352,000 yen	350,000 yen	344,000 yen

(iii) Investment unit price on business day preceding issuance resolution date

	January 6, 2020
Opening price	343,500 yen
Highest price	346,000 yen
Lowest price	342,000 yen
Closing price	343,500 yen

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(3) Equity finance status during the three most recent fiscal periods

• Public offering

Issue date	February 1, 2018
Amount of procured funds	5,006,064,000 yen
Paid-in amount (Issue value)	225,600 yen
Total number of Investment Units outstanding before the private offering	563,694 units
Number of Investment Units issued through the private offering	22,190 units
Total number of Investment Units outstanding after the public offering	585,884 units
Initial use of funds at the time of issuance	The acquisition of new properties
Schedule of expenditure at the time of issuance	During and after February 2018
Status of expenditure to date	The entire amount has already been spent in the above schedule of expenditure

• Third-party allotment

Issue date	February 15, 2018
Amount of procured funds	250,416,000 yen
Paid-in amount (Issue value)	225,600 yen
Total number of Investment Units outstanding before the private offering	585,884 units
Number of Investment Units issued through the private offering	1,110 units
Total number of Investment Units outstanding after the public offering	586,994 units
Allottee	Mizuho Securities Co., Ltd.
Initial use of funds at the time of issuance	The future acquisitions of new properties or the repayment of borrowings
Schedule of expenditure at the time of issuance	During and after February 2018
Status of expenditure to date	The entire amount has already been spent in the above schedule of expenditure

• Public offering

Issue date	February 1, 2019
Amount of procured funds	13,551,737,670 yen
Paid-in amount (Issue value)	264,321 yen
Total number of Investment Units outstanding before the private offering	586,994 units
Number of Investment Units issued through the private offering	51,270 units
Total number of Investment Units outstanding after the public offering	638,264 units
Initial use of funds at the time of issuance	The acquisition of new properties
Schedule of expenditure at the time of issuance	During and after February 2019
Status of expenditure to date	The entire amount has already been spent in the above schedule of expenditure

• Third-party allotment

Issue date	February 20, 2019
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Amount of procured funds	679,304,970 yen
Paid-in amount (Issue value)	264,321 yen
Total number of Investment Units outstanding before the private offering	638,264 units
Number of Investment Units issued through the private offering	2,570 units
Total number of Investment Units outstanding after the public offering	640,834 units
Allottee	Mizuho Securities Co., Ltd.
Initial use of funds at the time of issuance	The acquisition of new properties
Schedule of expenditure at the time of issuance	During and after February 2019
Status of expenditure to date	The entire amount has already been spent in the above schedule of expenditure

8. Lockup period

- (1) The Designated Party will agree with the Joint Lead Managers that it shall not effectuate any transfer, etc. of the Investment Units of CRR it holds in connection with the public offering during the period from the Pricing Date to the date 180 days after the delivery date of the public offering, without the prior written consent of the Joint Lead Managers (excludes investment units of CRR lent to Mizuho Securities Co., Ltd. for the purpose of secondary offering by way of over-allotment).
- (2) CRR will agree with the Joint Lead Managers that it will not effectuate any issuance, etc. of Investment Units of CRR in connection with the public offering during the period from the Pricing Date to the date 90 days after the delivery date of the public offering without the prior written consent of the Joint Lead Managers (excludes cases where new investment units are issued by the primary offering, Third-Party Allotment or investment unit split).

*The original Japanese version of this press release has been distributed to the press club of TSE (Kabuto Club), the press club of the Ministry of Land, Infrastructure, Transport and Tourism and the press club of the construction trade newspaper of the Ministry of Land, Infrastructure, Transport and Tourism.

*Website of CRR: <https://www.comforia-reit.co.jp/en/>

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