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For Immediate Release

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Notice Concerning Forecast of Financial Results for the Periods Ending July 31, 2018  
and January 31, 2019

Comforia Residential REIT, Inc (“Investment Corporation”) announces today its forecast of financial results for the period ending July 31, 2018 (16th period: February 1, 2018 - July 31, 2018) and the period ending January 31, 2019 (17th period: August 1, 2018 - January 31, 2019). Details are as follows:

There is no change in the forecast of financial results for the period ending January 31, 2018 (15th period: August 1, 2017 - January 31, 2018) released on September 15, 2017 as of the date of this document.

	Operating Revenue (million yen)	Operating Profit (million yen)	Ordinary Profit (million yen)	Profit (million yen)	Cash Distribution per Unit (excluding Cash Distribution in Excess of Profit) (yen)	Cash Distribution in Excess of Profit per Unit (yen)	Cash Distribution per Unit (including Cash Distribution in Excess of Profit) (yen)
Period Ending Jul. 31, 2018 (16th Period)	7,585	3,259	2,763	2,756	4,730	—	4,730
Period Ending Jan. 31, 2019 (17th Period)	7,533	3,256	2,751	2,749	4,713	17	4,730

(Reference)

Period Ending July 31, 2018

Projected number of investment units issued as of the period-end: 586,994 units

Projected profit per unit as of the period-end: 4,696 yen

<Disclaimer> This document is a press release to make a public announcement of the forecast of financial results for the periods ending July 31, 2018 and January 31, 2019, and has not been prepared as a solicitation for investment. The Investment Corporation cautions investors to ensure that they refer to the prospectus for notification of the issuance of new investment units and secondary offering of investment units as well as amendments thereto prepared by Investment Corporation (if such have been prepared) before undertaking investments and that investments be made at their own discretion and responsibility.



Period Ending January 31, 2019

Projected number of investment units issued as of the period-end: 586,994 units

Projected profit per unit as of the period-end: 4,683 yen

(Note)

1. The forecasts in this material are as at the time of writing, and are calculated based on the assumptions written in the exhibit “Assumptions for Forecasts of Financial Result for the Period Ending July 31, 2018 and the Period Ending January 31, 2019.” Therefore, actual operating revenue, operating profit, ordinary profit, profit, cash distribution per unit (excluding cash distribution in excess of profit), cash distribution in excess of profit per unit, and cash distribution per unit (including cash distribution in excess of profit) may differ due to acquisitions and/or sales of assets, trends in the real estate market, and changes in circumstances. The forecasts do not guarantee the payment of the amount.
2. Cash distribution per unit (excluding cash distribution in excess of profit) in the end of the periods ending July 31, 2018 (16th period) and January 31, 2019 (17th period) is calculated based on profit and the reversals of reserve for reduction entry of property totaling 19 million yen and 17 million yen, respectively.
3. Cash distribution in excess of profit per unit for the fiscal period ending January 31, 2019 is calculated based on 10 million yen of distribution in excess of profit, with the recording of allowance for temporary difference adjustment to adjust the difference between accounting and taxation, which results from recording of amortization of leasehold rights pertaining to fixed-term leasehold rights, and recording of interest expenses pertaining to asset retirement obligations and depreciation expenses pertaining to buildings, etc. of the assets managed by the Investment Corporation.  
Moreover, for the purpose of tax treatment, while cash distribution in excess of profit pertaining to the allowance for temporary difference adjustment is included in deductible expenses like the distribution of profits regarding the Investment Corporation, it will be treated not as the return of capital but as dividends regarding unitholders, and will be withheld at the source.
4. The forecasts may be revised if a material difference from the forecasts above is anticipated.
5. Amounts are rounded down. The same applies below.

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

\*Website of the Investment Corporation: <http://comforia-reit.co.jp/english/>

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Exhibit Assumptions for Forecasts of Financial Result for the Period Ending July 31, 2018  
and the Period Ending January 31, 2019

Item	Assumptions
Period	<ul style="list-style-type: none"> <li>• Period ending July 31, 2018 (16th period) (February 1, 2018 - July 31, 2018) (181 days)</li> <li>• Period ending January 31, 2019 (17th period) (August 1, 2018 - January 31, 2019) (184 days)</li> </ul>
Investment Assets	<ul style="list-style-type: none"> <li>• In addition to real estate and beneficial interests in real estate trust of 111 properties already owned by the Investment Corporation (“Owned Assets”) as at the time of writing, the Investment Corporation is to acquire additional beneficial interests in real estate trust of 4 properties (“Assets to Be Acquired”) on February 2, 2018, using the proceeds from the issuance of new investment units and borrowed funds. Subsequently, the portfolio is expected to be comprised of 115 properties in total.</li> <li>• For the forecast of financial results, it is assumed that there will be no changes in managed assets (acquisitions of new properties and/or sales of existing assets, etc.) after acquiring the Assets to Be Acquired until the end of the period ending January 31, 2019 (17th period).</li> <li>• The assumptions may differ due to changes in the managed assets.</li> </ul>
Operating Revenue	<ul style="list-style-type: none"> <li>• Leasing revenues from the Owned Assets are calculated based on actual performance for the period ended July 31, 2017 (14th period) and market trends, etc. In addition, leasing revenues from Assets to Be Acquired are calculated based on information provided by the former owners of each property, etc., effective lease contracts as at the time of writing, and market trends, etc.</li> <li>• Operating Revenue assumes that tenants will pay their rents without delinquency.</li> </ul>
Operating Expenses	<ul style="list-style-type: none"> <li>• Leasing business expenses are the principle expenses of operating expenses. Leasing business expenses, excluding depreciation expenses, of the Owned Assets are based on actual performance for the period ended July 31, 2017 (14th period) and expense trends, etc. In addition, leasing business expenses, excluding depreciation expenses, of the Assets to Be Acquired are calculated based on information provided by the former owners of each property, etc., effective lease contracts as at the time of writing, and market trends, etc.</li> <li>• Although fixed property taxes and city planning taxes on the acquired assets are generally calculated on a pro-rata basis with the former owners and settled at the time of acquisition, the amount equivalent to the settlement money is not expensed in the period when the assets are acquired, as it is included in the acquisition cost. The total amount of fixed property taxes, city planning taxes and depreciable property taxes on the Assets to Be Acquired that are included in the acquisition cost is assumed to be 19 million yen. Regarding the Assets to Be Acquired, fixed property taxes, city planning taxes and depreciable property taxes for fiscal 2019 will be expensed starting from the period ending July 31, 2019 (18th period). The annual total amount of fixed property taxes, city planning taxes and depreciable property taxes on the Assets to Be Acquired is assumed to be 21 million yen.</li> <li>• With respect to building repair expenses, the amount assumed to be necessary for each business period is expensed based on the medium- to long-term repair plan prepared by the asset management company. However, repair expenses in each business period may be substantially different from the expected amount for reasons including: (i) Repair expenses could suddenly arise due to damage to buildings, etc. from certain unexpected factors; (ii) The amount of repair expenses generally varies considerably from year to year; and (iii) Repair expenses are not incurred regularly.</li> <li>• Depreciation expenses including incidental costs, etc. are calculated by the straight-line method. They are assumed to be 1,183 million yen in the period ending July 31, 2018 (16th period) and 1,187 million yen in the period ending January 31, 2019 (17th period).</li> </ul>

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<p>Non-operating Expenses</p>	<ul style="list-style-type: none"> <li>According to the board of directors' meeting held today, non-operating expenses of 3 million yen are anticipated for each of the periods ending July 31, 2018 (16th period) and January 31, 2019 (17th period) related to the issuance of new investment units through public offering and third-party allotment and secondary offering of investment units.</li> <li>For interest expenses and investment corporation bonds interest payable and other interest-bearing debt costs, 482 million yen and 491 million yen are anticipated in the period ending July 31, 2018 (16th period) and the period ending January 31, 2019 (17th period), respectively.</li> </ul>
<p>Interest-bearing Debt</p>	<ul style="list-style-type: none"> <li>The Investment Corporation has a total of 104,750 million yen in interest-bearing debt as at the time of writing. It is assumed that a total 3,350 million yen will be borrowed on February 2, 2018 from the qualified institutional investors defined in Article 2, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act. In addition, the Investment Corporation will repay 1,130 million yen of existing borrowings using the funds from new borrowings above. Based on the above, it is assumed that the balance of interest-bearing debt will be 106,970 million yen as of the end of the period ending July 31, 2018 (16th period) and that the balance will not change before the end of the period ending January 31, 2019 (17th period). However, the above amount of interest-bearing debt may change depending upon the issue price of the additionally issued investment units.</li> </ul>
<p>Investment Units</p>	<ul style="list-style-type: none"> <li>Investment Units is assumed based on in addition to the 563,694 investment units as at the time of writing, public offering of new investment units (22,190 units) and the third-party allotment (up to 1,110 units).</li> <li>It is assumed that no additional investment units will be issued before the end of the period ending January 31, 2019 (17th period).</li> <li>Cash distribution per unit and cash distribution in excess of profit per unit in the end of the periods ending July 31, 2018 (16th period) and January 31, 2019 (17th period) are calculated on the basis of 586,994 units, including the units being issued for the current offering.</li> </ul>
<p>Cash Distribution per Unit (excluding Cash Distribution in Excess of Profit)</p>	<ul style="list-style-type: none"> <li>Cash distribution per unit (excluding cash distribution in excess of profit) is calculated on the premise of the fund distribution policy that is provided in the Articles of the Incorporation of the Investment Corporation.</li> <li>Cash distribution (excluding cash distribution in excess of profit) per unit in the end of the periods ending July 31, 2018 (16th period) and January 31, 2019 (17th period) is calculated based on profit and the reversals of reserve for reduction entry of property totaling 19 million yen and 17 million yen, respectively.</li> <li>Cash distribution per unit (excluding cash distribution in excess of profit) may differ due to various factors including changes in the managed assets and changes in rent revenues attributable to changes in tenants, etc., as well as the occurrence of unexpected repairs, etc.</li> </ul>
<p>Cash Distribution in Excess of Profit per Unit</p>	<ul style="list-style-type: none"> <li>The Investment Corporation expects to record allowance for temporary difference adjustment to adjust the difference between accounting and taxation, which results from recording of amortization of leasehold rights pertaining to fixed-term leasehold rights, and recording of interest expenses pertaining to asset retirement obligations and depreciation expenses pertaining to buildings, etc. of the assets managed by the Investment Corporation.</li> <li>With regard to distribution in excess of profit, the Investment Corporation has a basic policy to conduct distribution in excess of profit equivalent to the recorded amount of allowance for temporary difference adjustment, and it is assumed that it will conduct distribution in excess of profit of 17 yen per unit in accordance with the policy in the fiscal period ending January 31, 2019 (17th period).</li> </ul>
<p>Others</p>	<ul style="list-style-type: none"> <li>It is assumed that a reversion that will have an impact on the forecast above will not be made in the laws and ordinances, tax systems, accounting standards, listing rules, or the rules of the Investment Trust Association, Japan, etc.</li> <li>It is assumed that an unexpected significant change will not arise in general economic trends and real estate market conditions, etc.</li> </ul>

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