

Croesus Retail Trust

# Proposed Acquisition of One's Mall

1 September 2014



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# Transaction Overview

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# Transaction Overview – 3<sup>rd</sup> Acquisition since IPO in 2013

**Croesus Retail Trust has entered into a conditional Sale and Purchase Agreement for the proposed acquisition of One's Mall, a large-scale retail complex in Chiba Prefecture, Japan**


<b>Location</b>	No. 330-50, Naganumacho Inage Ward, Chiba City, Chiba Prefecture
<b>NLA</b>	52,844 sqm
<b>Number of Floors</b>	6 above ground
<b>Car park Lots</b>	1,534
<b>Building Completion</b>	November 2000
<b>Land Title</b>	Freehold
<b>Occupancy<sup>(1)</sup></b>	99.4%
<b>WALE<sup>(1)</sup> (by NLA)</b>	5.8 years
<b>Retail Tenants<sup>(1)</sup></b>	52
<b>Key Tenants</b>	Daiei, Central Sports, Toys 'R' Us, Nitori, Sports DEPO
<b>Vendor</b>	Private fund



Tenants include:



**DAIEI**  
One of the largest  
supermarket chains in  
Japan




**CENTRAL SPORTS**  
Fitness and sport club  
chain with spa on-site  
One's Mall



**TOYS 'R' US**  
Toys and children's  
goods



**NITORI**  
Furniture and interior  
furnishing chain store



**SPORTS DEPO**  
Sports equipment and  
apparel chain store

(1) As at 30 Jun 2014

# Transaction Overview (cont'd)

**Purchase consideration of JPY11,000 million represents a 5.2% discount to independent valuation**

## Acquisition Details:

<b>Independent Valuation</b>	JPY11,600 million (S\$139.8 million <sup>(1)</sup> ), by DTZ Debenham Tie Leung K.K. as at 31 Jul 2014
<b>Purchase Price</b>	JPY11,000 million (S\$132.5 million <sup>(1)</sup> ), representing 5.2% discount to independent valuation
<b>Estimated NPI Yield<sup>(2)</sup></b>	5.8%
<b>Acquisition Costs</b>	<p>Estimated total acquisition cost of JPY11,675 million, comprising:</p> <ul style="list-style-type: none"> <li>▪ Purchase consideration: JPY11,000 million</li> <li>▪ Acquisition fee payable to Trustee-Manager: JPY110 million</li> <li>▪ Estimated professional and other transaction fees and expenses incurred or to be incurred in connection with the acquisition: JPY565 million</li> </ul>
<b>Financing</b>	<p>Proposed acquisition to be funded via a combination of proceeds from:</p> <ul style="list-style-type: none"> <li>▪ New Japanese local bank debt</li> <li>▪ Portion of the Fixed Rate Notes that was issued in Jan 2014 under the EMTN programme</li> <li>▪ New equity raised via private placement</li> </ul>

(1) Based on exchange rate of JPY 83.0 / S\$ 1

(2) NPI Yield based on annualised NPI for the pro forma period 6 Mar 2014 to 30 Jun 2014 divided by Purchase Price

# Acquisition Rationale

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# Acquisition Rationale

**A strategic acquisition in line with Croesus Retail Trust's strategy to invest in high quality retail assets in Japan. Enlarged portfolio will provide further income diversification and stability.**

## 1 Well-located with attractive tenant mix

- Strategically located with excellent connectivity
- Favourable dynamics of trade area
- Occupancy rate of 99.4% with attractive and compelling property tenant characteristics
- No direct competition

## 2 Strategic addition to CRT's portfolio

- Improved property and income diversification, One's Mall expected to contribute 14% of CRT's total assets and comprise 21% of CRT's total NLA
- Balanced portfolio with stable income and sustainable growth
- Improved tenant diversification of CRT by NLA and GRI

## 3 Japan retail fundamentals remain strong

- Japan's GDP expected to grow 5.9% between 2013 and 2015
- Consistent improvement in Chiba Prefecture's CPI since January 2013
- Sales of large-scale retailers increased by 0.6% in 2013, the first time in 6 years

## 4 Acquisition fits the Manager's investment strategy

- 16.6% growth in total assets and 26.7% growth in net lettable area
- 0.2% growth in DPU<sup>(1)</sup>
- Portfolio weighted average lease expiry decreased to 9.1 years<sup>(2)</sup>

(1) Unaudited pro forma assuming acquisition completed on 6 Mar 2014, based on illustrative funding structure as stated in the announcement dated 1 Sep 2014

(2) As at 30 Jun 2014

# 1 Well-located with Attractive Tenant Mix

## Property Highlights of One's Mall

### ✓ Strategically Located with Excellent Connectivity

- Area within 5 km is served by three major train lines – the JR Sobu Honsen Line, JR Keio Line and Keisei Chiba Line which provide access into Chiba Prefecture from Tokyo, and Chiba Monorail which provides access within Chiba City
- Property frontage lies along the National Road Route 16, a major arterial road of Chiba Prefecture, providing easy visibility and accessibility to customers by car

### ✓ Favourable Demographics of Trade Area

- One's Mall is located in Inage Ward with a population of approximately 157,000 with an estimated 68,000 households
- Trade area has a relatively higher population and household growth than the national and prefecture average
- Percentage of households earning JPY8 million or more per annum in the trade area is also higher than the national and prefecture average

### ✓ Attractive and Compelling Property Tenant Characteristics

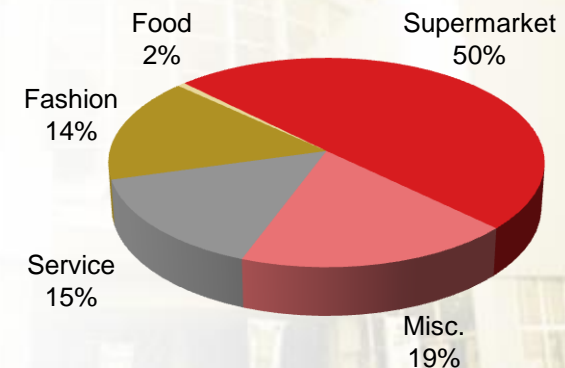
- Attractive tenant mix comprising a supermarket, sports club with spa, furniture store and a toy store which caters well to the general and specific needs of the catchment residential population. One's Mall unique tenant mix is also especially suitable to cater to the demands of families with children and health conscious persons in the area.
- High occupancy rate of 99.4%<sup>(1)</sup>

### ✓ No direct competition

- No direct competition for One's Mall due to its size and unique tenant mix, currently or in the pipeline, within 3 km radius



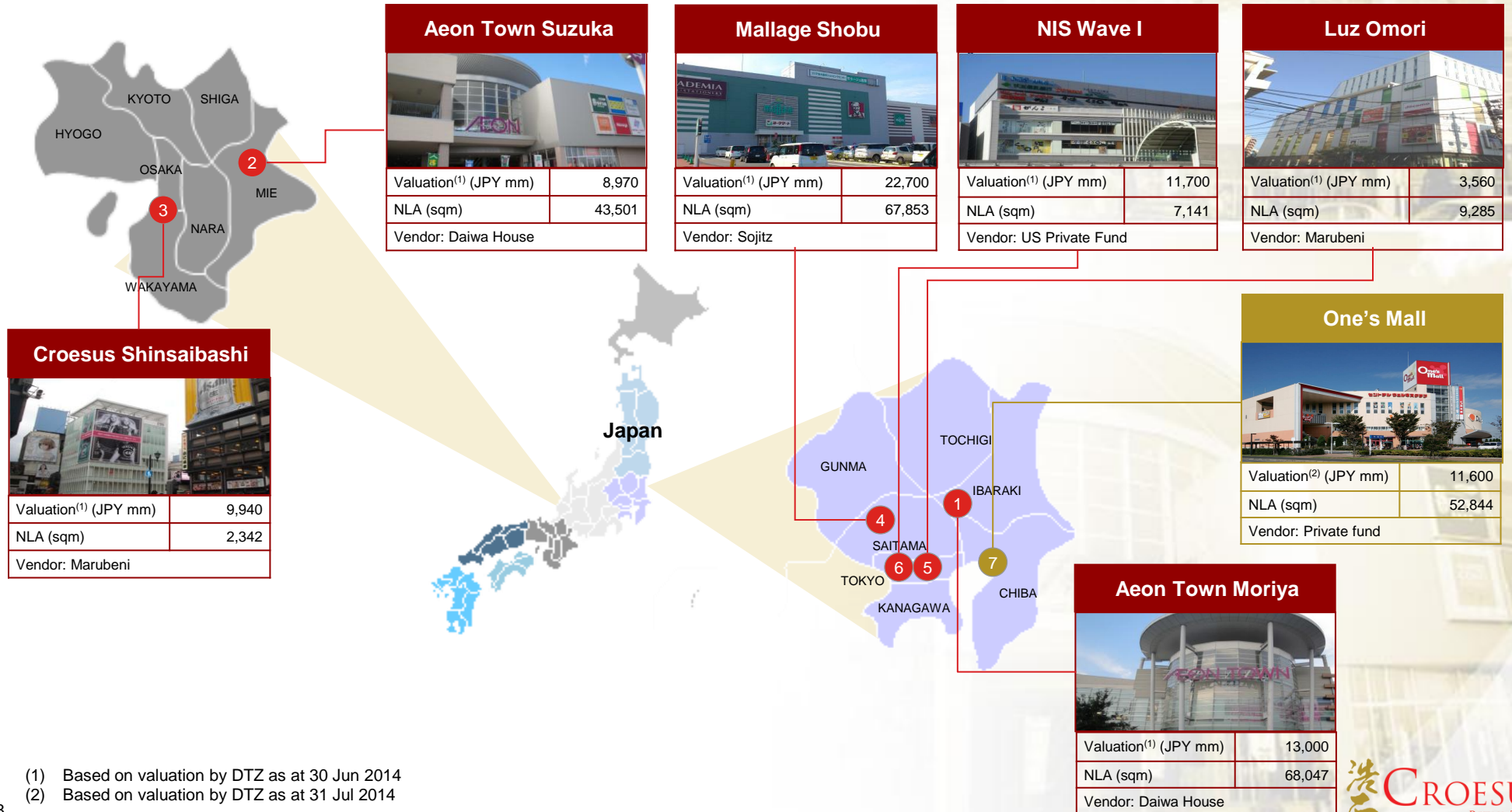
## Breakdown of NLA by Tenant Type (as at 30 Jun 2014)





## 2 Strategic Addition to CRT's Portfolio

Sponsor has locked in an attractive purchase price (5.2% discount to valuation<sup>(2)</sup>) for the proposed acquisition, at a time when real estate prices in Japan continue to rise. Enlarged Portfolio continues to be geographically diversified across Japan, located near major transportation nodes.

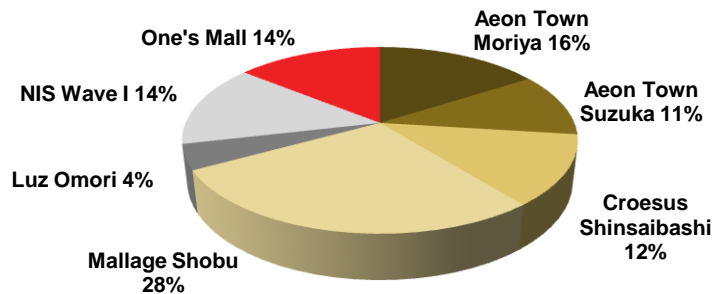


(1) Based on valuation by DTZ as at 30 Jun 2014  
(2) Based on valuation by DTZ as at 31 Jul 2014

## 2 Improved Property and Income Diversification

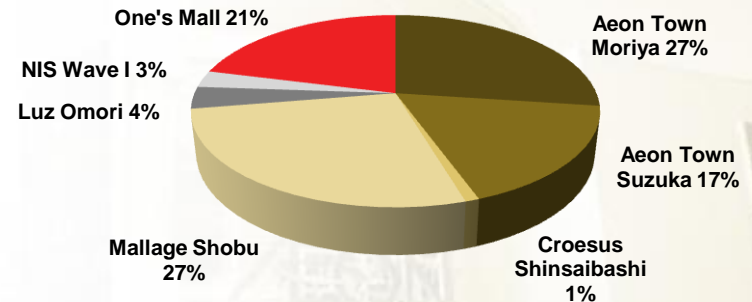
	City	Number of Tenants	Age of Building (yrs) <sup>(1)</sup>	Leasehold / Freehold	Valuation <sup>(2)</sup> (JPY mm)	FY2014 Actual NPI <sup>(3)</sup> (JPY mm)	Purchase Price (JPY mm)	Annualised NPI Yield <sup>(4)</sup>
<b>Aeon Town Moriya</b>	Ibaraki	1 master lessee, 110 subtenants	7.1	Freehold	13,000	937.3	12,154	6.8%
<b>Aeon Town Suzuka</b>	Mie	1 master lessee, 42 subtenants	7.1	Freehold	8,970	678.4	8,439	7.0%
<b>Croesus Shinsaibashi<sup>(6)</sup></b>	Osaka	4	4.8	Freehold	9,940	527.4	9,021	5.1%
<b>Mallage Shobu</b>	Saitama	239	5.6	Freehold	22,700	1,606.6	20,584	6.8%
<b>Luz Omori</b>	Tokyo	29	3.4	Leasehold expiring in July 2059	3,560	71.7	3,450	6.5%
<b>NIS Wave I</b>	Tokyo	10	7.0	Freehold / Leasehold expiring in Dec 2029 <sup>(5)</sup>	11,700	207.5	10,800	6.0%
<b>One's Mall</b>	Chiba	52	14.5	Freehold	11,600	202.7 <sup>(7)</sup>	11,000	5.8% <sup>(7)</sup>
<b>Total</b>		<b>486</b>	<b>8.1</b>		<b>81,470</b>	<b>4,231.6</b>	<b>75,448</b>	<b>6.3%</b>

### Breakdown by Valuation



Total Valuation: JPY 81,470 mm

### Breakdown by NLA



Total NLA: 251,013 sqm

- (1) As at 30 Jun 2014
- (2) Based on valuation by DTZ as at 30 Jun 2014 and 31 Jul 2014 for One's Mall
- (3) From 10 May 2013 to 30 Jun 2014
- (4) Based on annualising the Actual NPI (which comprises of 417 day period from 10 May 2013 to 30 Jun 2014 for the IPO Portfolio and for 117 day period from 6 Mar 2014 to 30 Jun 2014 for Luz Omori and NIS Wave) divided by the purchase price
- (5) NIS Wave I comprises 4 plots of amalgamated land. 3 parcels are freehold while 1 parcel is leasehold with an expiry in Dec 2029
- (6) Name change from Luz Shinsaibashi to Croesus Shinsaibashi effective 1 Jun 2014
- (7) Pro forma NPI for the period from 6 Mar 2014 to 30 Jun 2014 and annualised NPI yield for the 117 day period from 6 Mar 2014 to 30 Jun 2014.

## 2 Balanced Portfolio with Stable Income and Sustainable Growth

Each of the properties is strategically located within its submarket, being directly connected via major transportation nodes

	FY2014 Actual NPI % <sup>(1)</sup>	Occupancy <sup>(2)</sup>	WALE by NLA <sup>(2)</sup> (yrs)	Lease Expiry Profile		Connectivity		Key Tenants / Sub tenants
				FY2015	FY2016	By Train	By Major Road	
Aeon Town Moriya	17%	100%	13.0	-	-	✓	✓	Aeon Cinema, Alpen, Food Square Kasumi, Futaba-Tosho, Uniqlo, Nojima
Aeon Town Suzuka	12%	100%	13.0	-	-	✓	✓	Kahma Home Centre, APINA, Nitori, Hana-Shobu, Uniqlo, Atelier, Seria, G.U.
Croesus Shinsaibashi <sup>(3)</sup>	10%	100%	7.7	-	-	✓	✓	H&M
Mallage Shobu	29%	98.8%	4.8	16.7%	2.3%	✓	✓	Nafco, 109 Cinemas, Himaraya, York Mart, Nojima, Academia, Sanki, Play Land, Uniqlo
Luz Omori	5%	96.8%	16.3	-	0.8%	✓	✓	Ota ward, Docomo, Daiso
NIS Wave I	14%	100%	4.3	0.4%	4.1%	✓	✓	NEXUS Holdings, Sumitomo Mitsui Trust Bank
<b>One's Mall</b>	13%	99.4%	5.8	1.4%	1.0%	✓	✓	Daiei, Central Sports, Toys 'R' Us, Nitori, Sports DEPO

29% of NPI secured through master leases with high quality tenant (Aeon Town)

Approximately 100% occupancy across all properties

~82% of FY2015 and ~92% of FY2016 rentals have been locked in

Well-connected by train, bus or major roads

Quality tenant base from diversified trade sectors

(1) Extrapolated NPI for the full period from 10 May 2013 to 30 Jun 2014, including for Luz Omori, NIS Wave I and One's Mall

(2) As at 30 Jun 2014

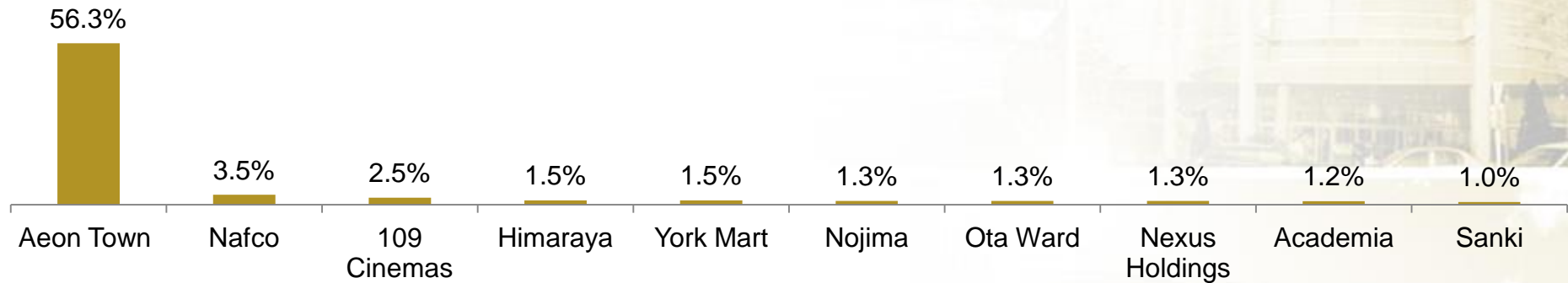
(3) Name change from Luz Shinsaibashi to Croesus Shinsaibashi effective 1 Jun 2014

## 2 Improved Tenant Diversification of CRT (by NLA)

Diversification of CRT's tenant base with the addition of anchor tenant Daiei. Top 10 tenants make up 68.6% of CRT's total NLA compared to 71.4% previously.

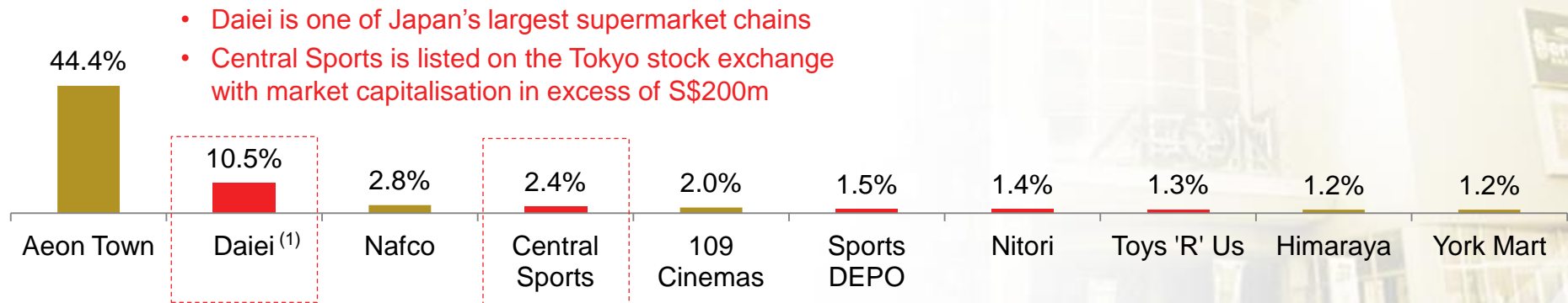
### Top 10 Tenants of CRT (by NLA)

(As at 30 Jun 2014)



### Pro forma Top 10 Tenants of CRT After Acquisition of One's Mall (by NLA)

(As at 30 Jun 2014)

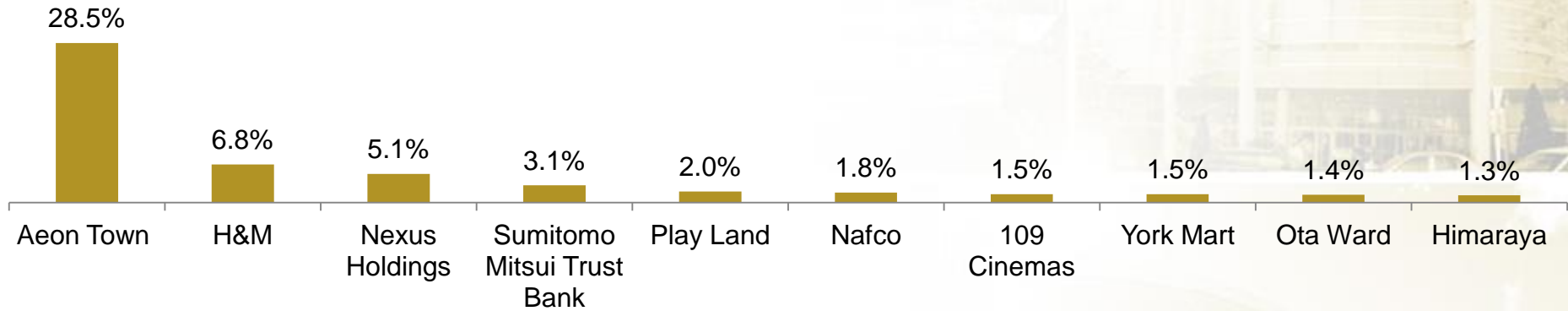


(1) Daiei is an affiliated company of Aeon Group

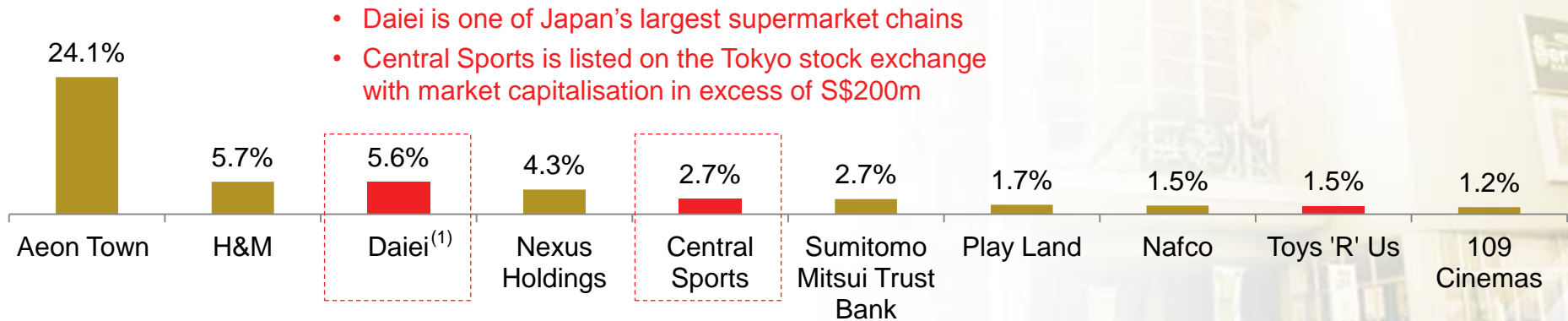
## 2 Improved Tenant Diversification of CRT (by GRI)

Diversification of CRT's tenant base with the addition of anchor tenant Daiei. Aeon Town's contribution towards CRT's GRI reduced from 28.5% to 24.1%

Top 10 Tenants of CRT (by GRI)  
(For the month of Jun 2014)



Pro forma Top 10 Tenants of CRT After Acquisition of One's Mall (by GRI)  
(For the month of Jun 2014)

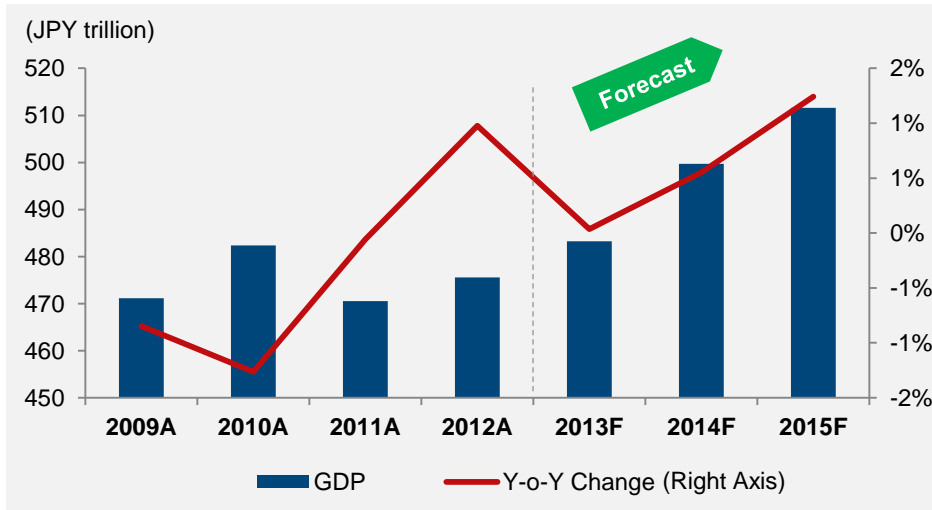


- Daiei is one of Japan's largest supermarket chains
- Central Sports is listed on the Tokyo stock exchange with market capitalisation in excess of S\$200m

(1) Daiei is an affiliated company of Aeon Group

# 3 Japan Retail Fundamentals Remain Strong

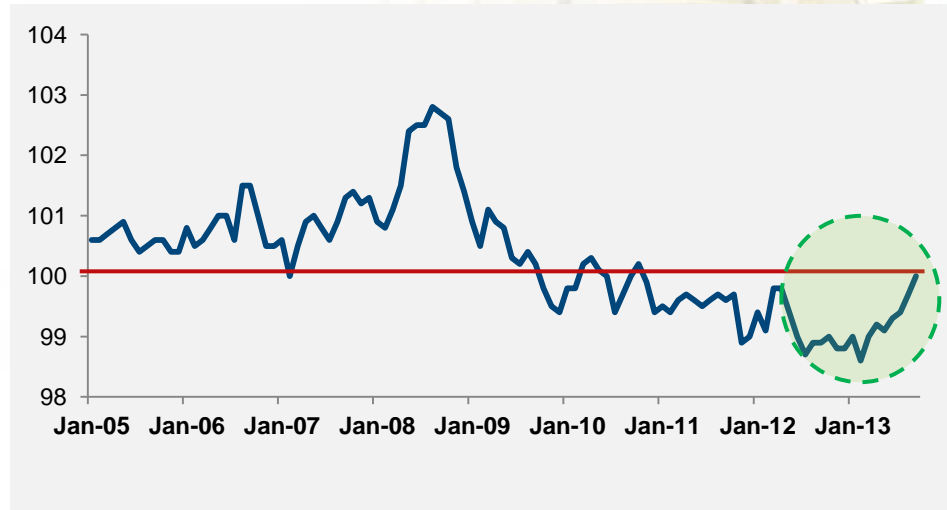
## National GDP and IMF Forecast



Source: CBRE

Japan's GDP is expected to grow 5.9% from JPY483 trillion in 2013 to JPY512 trillion in 2015

## Chiba Prefecture CPI (All Items, Base = Sep 2013)



Source: CBRE

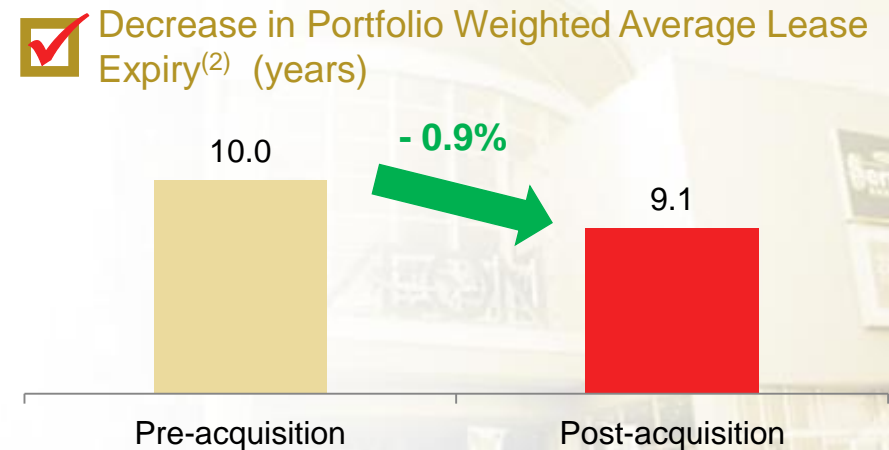
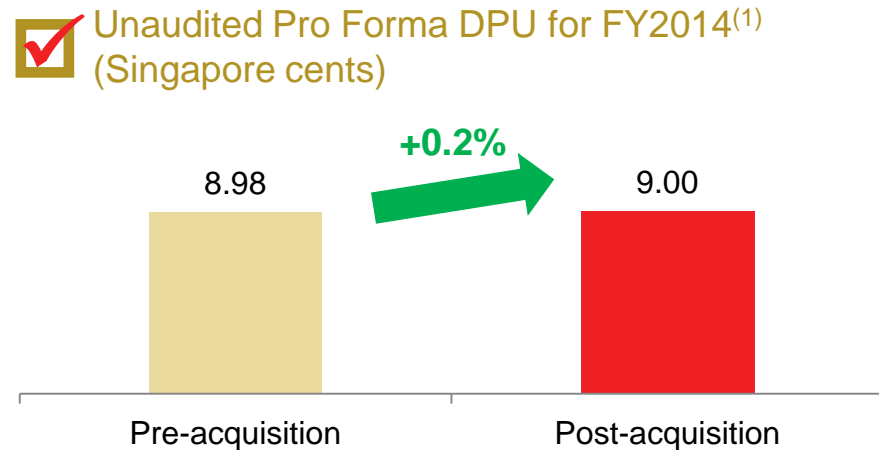
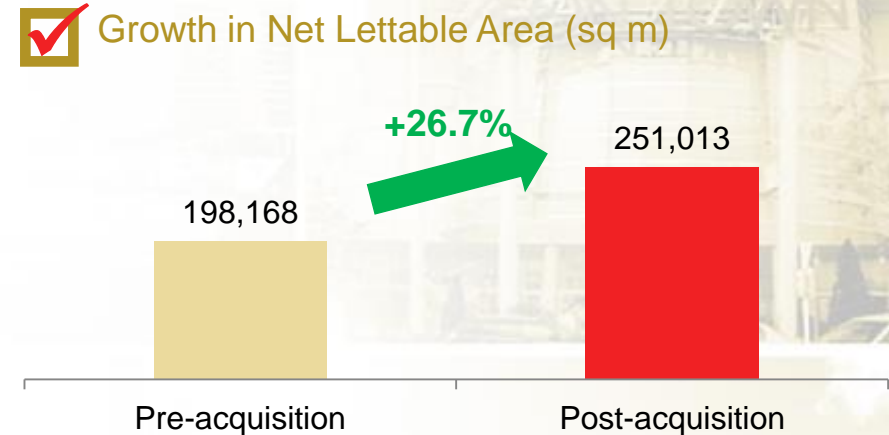
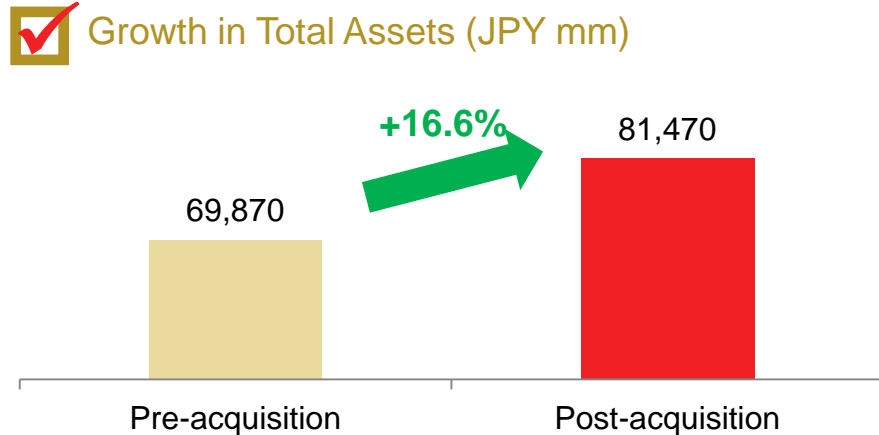
Consistent improvement since January 2013 stemming from the positive sentiment toward the Japanese economy and tax incentives provided to corporations which increase salary of its employees

## Sales of Large-scale Retailers

Growing number of large-scale retail properties has resulted in shoppers tending to shop more frequently at such locations. In 2013, sales of large-scale retailers increased by 0.6% to JPY19,777 billion, an increase for the first time in 6 years. As the largest large-scale retail mall in its trade area, the Trustee-Manager believes that One's Mall can capitalise on this trend

# 4 Acquisition Fits the Trustee-Manager's Investment Strategy

Acquisition is in line with CRT's strategy to deliver stable income and sustainable growth



(1) Unaudited pro forma FY2014 DPU assuming acquisition of One's Mall was completed on 6 Mar 2014, and based on illustrative funding structure as stated in the announcement dated 1 Sep 2014

(2) As at 30 Jun 2014

# Pro Forma Financial Effects

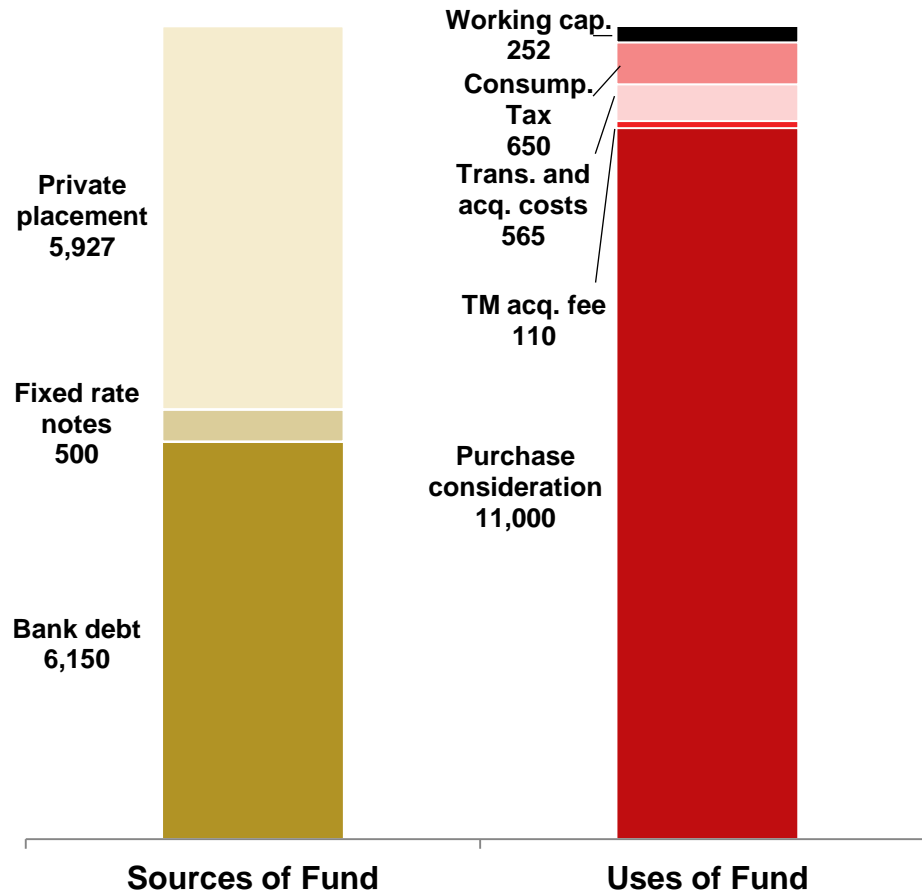
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# Illustrative Acquisition Funding

## Sources and Uses of Fund (in JPY million)



**Total Sources and Uses of Fund: JPY12,577 m**

## Details

<b>Illustrative Financing</b>	<ul style="list-style-type: none"> <li>▪ <b>Japanese local bank debt:</b> Approximately JPY5,500m debt facility with a 5-year tenure and an interest spread of 0.35% p.a. above 3-month LIBOR. Trustee-Manager will enter into an interest rate swap facility to fix the interest rate for 5-years. Consumption tax loan of JPY650m</li> <li>▪ <b>Expected effective cost of debt:</b> 1.29% p.a.</li> <li>▪ <b>Fixed rate notes:</b> Approximately JPY500 million funded with the Fixed Rate Notes due 2017 which was issued in Jan 2014 under the EMTN programme, at fixed interest rate of 3.83% p.a.</li> <li>▪ <b>Private Placement:</b> Proposed private placement to raise Illustrative Gross Proceeds of approximately S\$71.4 million</li> </ul>
<b>Acquisition LTV</b>	<ul style="list-style-type: none"> <li>▪ 50.0%, excluding consumption tax loan</li> </ul>
<b>Pro forma Gearing Post-Acquisition</b>	<ul style="list-style-type: none"> <li>▪ 50.5%, decrease from 51.7% as at 30 Jun 2014</li> <li>▪ 50.1%, post repayment of consumption tax loan</li> </ul>
<b>Pro forma NAV Post-Acquisition</b>	<ul style="list-style-type: none"> <li>▪ JPY75.16, increase from JPY75.08 as at 30 Jun 2014</li> </ul>

Based on exchange rate of JPY 83.0 / S\$ 1.

Note: This page should be read in conjunction with the announcement dated 1 Sep 2014 uploaded to SGXNET.

# Pro forma Financial Effects

	Pre-acquisition (Actual unaudited FY2014)	Post-acquisition <sup>(1)</sup> (Unaudited pro forma FY2014)
<b>Net Income (JPY '000)</b>	4,792,539	5,084,584
<b>Distributable Income (JPY '000)</b>	3,179,716	3,355,155
<b>Units in Issue and to be Issued at End of Period</b>	431,438,000	510,664,000
<b>DPU (cents)</b>	8.98	9.00

(1) Unaudited pro forma assuming acquisition completed on 6 Mar 2014 based on illustrative funding structure as stated in the announcement dated 1 Sep 2014 and pro forma income contribution for the period between 6 Mar 2014 and 30 Jun 2014 for One's Mall

	Pre-acquisition (Actual unaudited FY2014)	Post-acquisition <sup>(1)</sup> (Unaudited pro forma FY2014)
<b>NAV (JPY '000)</b>	32,393,534	38,354,617
<b>Units in Issue and to be Issued at End of Period</b>	431,438,000	510,338,000
<b>NAV per Unit (S\$)</b>	75.08	75.16
<b>Aggregate Leverage</b>	51.7%	50.5%

(1) Unaudited pro forma assuming acquisition completed on 30 Jun 2014 based on illustrative funding structure as stated in the announcement dated 1 Sep 2014

# Thank You

## Key Contacts:

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