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Mallage Saga



Feeeal Asahikawa

Croesus Retail Trust to acquire Mallage Saga and Feeeal Asahikawa for a total consideration of JPY 6,110 million¹

- Represents maiden entries into Saga Prefecture in southern Japan and Hokkaido in northern Japan
- Aggregate purchase consideration represents an attractive discount of 8.8% to the aggregate valuation of Mallage Saga and Feeeal Asahikawa
- Post-acquisitions of Mallage Saga, Feeeal Asahikawa and Fuji Grand Natalie, the pro forma DPU of CRT's Enlarged Portfolio² is expected to increase 2.2% to approximately 7.83 Singapore cents
- CRT's Enlarged Portfolio will comprise 11 high-quality and well-located retail assets geographically diversified across Japan valued at JPY106,450 million (approximately S\$1.3 billion)

Singapore, 13 May 2016 – Croesus Retail Asset Management Pte. Ltd. (the "Trustee-Manager"), in its capacity as trustee-manager of Croesus Retail Trust ("CRT" or the "Trust"), is pleased to announce that it has entered into two separate purchase and sale agreements to acquire Mallage Saga, the second largest shopping mall in Saga City, in Japan's Saga Prefecture, and Feeeal Asahikawa, a large scale shopping centre in the city of Asahikawa, in Japan's Hokkaido (collectively, the "Acquisitions").

¹ Approximately S\$74.5 million, based on an exchange rate of JPY 82.00 to S\$1.00, which will be used for all Japanese yen-Singapore dollar currency conversions in this press release.

² "Enlarged Portfolio" means the enlarged portfolio of properties in CRT's portfolio following the completion of the acquisition of Mallage Saga and Feeeal Asahikawa (the "Acquisitions"), comprising those properties in CRT's existing portfolio as of the date of this announcement, being Aeon Town Suzuka, Aeon Town Moriya, Mallage Shobu, Croesus Shinsaibahi, Luz Omori, Croesus Tachikawa, One's Mall, Torius, Fuji Grand Natalie (the "Existing Portfolio"), Mallage Saga and Feeeal Asahikawa.

The aggregate purchase consideration of Mallage Saga and Feeeal Asahikawa is JPY 6,110.0 million (approximately S\$74.5 million), which represents an attractive discount of 8.8% to their aggregate valuation³ of JPY 6,700.0 million (approximately S\$81.7 million) as at 15 April 2016.

Mallage Saga is a large suburban shopping mall with a net lettable area (“NLA”) of 46,650 sq m, and has a well-diversified tenant mix of 132 tenants in the food & beverage, interior goods, ladies & men’s fashion and entertainment sectors. Located in the capital city of the Saga Prefecture, northwest of Kyushu, the mall began operations in 2003, and is a property under one of CRT’s right of first refusal arrangements.

Feeeal Asahikawa is a large scale shopping centre located in Asahikawa city in Hokkaido. The property has an NLA of 19,763 sq m with 62 retail tenants comprising a mix of food and groceries, fashion and accessories, education services and financial/insurance sectors, and 2 office tenants.

Accretive Acquisitions Expected to Improve DPU

Assuming that Mallage Saga and Feeeal Asahikawa were acquired by CRT on 1 July 2014, and held for the financial year ended 30 June 2015 (“FY2015”), the pro forma net property income (“NPI”) yield of the Enlarged Portfolio would be approximately 5.7%⁴, which compares favourably to the pro forma NPI yield of CRT’s Pre-Acquisitions Portfolio⁵ of 5.5%⁶. For the same FY2015 period, the pro forma distribution per Unit (“DPU”) of the Enlarged Portfolio would increase to approximately 7.83⁷ Singapore cents, which is 2.2% higher compared to the pro forma DPU of the Pre-Acquisitions Portfolio of approximately 7.66⁸ Singapore cents.

The aggregate pro forma FY2015 NPI yield for the Acquisitions and Fuji Grand Natalie is 7.1% which compares favourably to the pro forma FY2015 NPI yield of CRT’s Pre-Acquisitions portfolio of 5.5%.

³ Based on the independent valuations of Mallage Saga and Feeeal Asahikawa by Cushman & Wakefield K.K. as at 15 April 2016, commissioned by the Trustee-Manager to assess the open market value of the properties.

⁴ Based on the pro forma NPI of the Enlarged Portfolio for FY2015 (derived from the FY2015 Audited Financial Statements, the pro forma NPI of Torius for FY2015 as disclosed in the announcement dated 28 September 2015, the pro forma NPI of Fuji Grand Natalie as disclosed in the announcement dated 7 April 2016 and the pro forma NPI of Mallage Saga and Feeeal Asahikawa for FY2015) divided by the sum of the appraised value of the Pre-Acquisitions Portfolio of JPY96,230.0 million as at 31 December 2015, the purchase consideration of Fuji Grand Natalie of JPY3,300.0 million, the Mallage Saga Purchase Consideration of JPY3,610.0 million and the Feeeal Asahikawa Purchase Consideration of JPY2,500.0 million.

⁵ “Pre-Acquisitions Portfolio” means the portfolio of properties comprised in CRT’s portfolio as at 31 March 2016, being Aeon Town Suzuka, Aeon Town Moriya, Mallage Shobu, Croesus Shinsaibahi, Luz Omori, Croesus Tachikawa, One’s Mall, and Torius. For the avoidance of doubt, Fuji Grand Natalie is not included in the Pre-Acquisitions Portfolio as it was recently acquired on 18 April 2016 and intended by the Trustee-Manager to be viewed as an aggregated transaction with the Acquisitions.

⁶ Based on the pro forma NPI of the Pre-Acquisitions Portfolio for FY2015 (derived from the FY2015 Audited Financial Statements and the pro forma NPI of Torius for FY2015 as disclosed in the announcement on 28 September 2015) divided by the appraised value of the Pre-Acquisitions Portfolio of JPY96,230 million as at 31 December 2015.

⁷ For the Enlarged Portfolio, the pro forma DPU is calculated taking into account the aggregate effects of the acquisition of the Acquisitions and Fuji Grand Natalie, and in respect of the pro forma financial effects, please refer to Paragraph 6 of the announcement uploaded to SGXNET on 13 May 2016 in relation the Acquisitions for further details.

⁸ Based on the Pre-Acquisitions Portfolio which takes into account the Torius Acquisition and the 2015 Rights Issue. Please refer to Paragraph 6 of the announcement uploaded to SGXNET on 13 May 2016 in relation the Acquisitions for further details.

Commenting on the acquisitions, **Mr. Jim Chang, Chief Executive Officer and Executive Director of Croesus Retail Asset Management Pte. Ltd.**, said, “Following the completion of our most recent acquisition of Fuji Grand Natalie on 18 April 2016, the acquisition of Feeeal Asahikawa is our maiden entry into the northern region of Japan while the acquisition of Mallage Saga is maiden entry in Saga and our second property in the Kyushu. We see an opportunity to further enhance the operating performance of Feeeal Asahikawa given that it has a relatively shorter weighted average lease expiry.

“Mallage Saga and Feeeal Asahikawa are both strategically located, and with their strong and recognisable tenant bases, have proven track records of serving the needs of their respective local communities well. These are some of the qualities that we look out for as we continue to build our acquisition pipeline to keep up our efforts in delivering a competitive return on investment to our Unitholders.”

Upon completion of the acquisitions, CRT’s total portfolio value, comprising its existing assets and the 2 new properties, would grow by 6.7%, from JPY99,750 million to JPY106,450 million, representing a total NLA of 425,530 sq m across 11 high-quality retail assets geographically diversified across Japan.

More importantly, the proposed acquisitions will serve to diversify CRT’s revenue streams and broaden its tenant base, and reduce its concentration risks. Notably, the maximum pro forma NPI contribution of any single property in CRT’s portfolio would decline (on a pro forma basis) to 24.3% from approximately 26.4%⁹ for FY2015 following the acquisitions. Likewise, the percentage of gross rental income from CRT’s top 10 tenants would decrease (on a pro forma basis) to 41.4% from 48.6%¹⁰ in respect of the month of June 2015.

Background on the Properties

Strategically located at the cross junction of three major roads, Mallage Saga offers shoppers an extensive range of retail and entertainment options. The property has 2,032 parking lots which caters to drivers as it is well connected to the Nagasaki Expressway which runs through Saga City. Additionally, the property is also easily accessible by the JR Nagasaki Mainline, a major train route which connects the city to Tosu City in the north of Saga Prefecture and Sasebo City in Nagasaki Prefecture, west of Saga City.

Comprising a total of 132 tenants, the mall’s key tenants include 109 Cinemas, Mr Max, Food Way and Sanki, all of which are ubiquitous brands in Japan.

As at 31 December 2015, Mallage Saga’s occupancy rate stood at 97.7%, with no single tenant occupying more than 18.0% of the mall’s NLA for the month of December 2015. The property has a weighted average lease expiry (“WALE”) of 4.5 years as at 31 December 2015.

⁹ Based on the pro forma NPI of the Existing Portfolio for FY2015 (derived from the FY2015 Audited Financial Statements, the pro forma NPI of Torius for FY2015 as disclosed in the announcement dated 28 September 2015 and the pro forma NPI of Fuji Grand Natalie for FY2015 as disclosed in the announcement dated 7 April 2016).

¹⁰ Based on the pro forma gross rental income of the Existing Portfolio for FY2015 (derived from the FY2015 Audited Financial Statements, the pro forma gross rental income of Torius for FY2015 based on the announcement dated 28 September 2015, the pro forma gross rental income of Fuji Grand Natalie for FY2015 as disclosed in the announcement dated 7 April 2016).



An overview of MALLAGE SAGA's Location

Feeal Asahikawa is approximately 4 minutes' walking distance from JR Asahikawa Station on the JR Hokodate Honsen Line and is situated along Heiwa-dori Kaimono Koen Shopping Street of Asahikawa City, which is a major commercial and shopping area in the city. Feeal Asahikawa is poised to tap on the growth coming from the rejuvenation of the retail seen in the vicinity. The property enjoys significant street frontage with high visibility and is considered an established shopping destination for residents of Asahikawa City and its neighbouring areas.

Feeal Asahikawa's tenant mix includes fashion retailers, food and beverage outlets, service providers, and general goods retailers. Its key tenants include the Asahikawa City local government, Japan's leading bookstore chain, Junkudo, and leading customer relations management consultancy, Bell System 24.

Located within the property is the Asahikawa City local government's administrative office and community centre, which provide essential services to local residents and helps to drive footfall to the mall. Bell System 24, the other anchor tenant, operates a call centre within Feeal Asahikawa and employs a large number of staff which provides a stable flow of in-house customers to the mall's retail tenants. As at 31 December 2015, Feeal Asahikawa had an occupancy rate of 97.9% and a WALE of 1.7 years.

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An overview of FEEAL ASAHIKAWA's Location

Post-Acquisition, CRT's WALE for the Enlarged Portfolio would be 7.3 years as at 31 Dec 2015.

Mr. Jeremy Yong, Co-Founder and Group Managing Director of Croesus Merchants International Pte. Ltd. (the sponsor of CRT) and Director of Croesus Retail Asset Management Pte. Ltd., said, "Both Saga and Hokkaido prefectures have exhibited consistent improvement in their economic performance over the years, and their key economic indicators outperformed the national average in recent times. Additionally, the broader positive economic outlook of Japan bodes well for landlords of retail assets, who stand to benefit from increased domestic spending as attested by stronger CPI numbers. Amid the capitalisation rate compression that the real estate market in Japan continues to experience, we are pleased to be able to acquire both malls at such attractive prices."

Method of Financing

The acquisitions will be funded by a mix of debt and equity. The Trustee-Manager will issue a specified bonds of JPY 4.7 billion from a local Japanese bank at an effective interest rate of 0.6%. In addition to this, the acquisitions will be partially funded with part of the proceeds from the recently concluded Private Placement and issuance of Fixed Rate Notes due 2020 under CRT's US\$500 million Euro Medium Term Note Programme.

Mr. Tetsuo Ito, Chief Financial Officer of Croesus Retail Asset Management Pte. Ltd., "The proceeds raised from our recently concluded Private Placement and issuance of Fixed Rate Notes due 2020 under CRT's US\$500 million Euro Medium Term Note Programme have been put to further use in these two acquisitions, together with an issuance of specified bonds that we are expecting to secure at an attractive low fixed rate. We have maintained an optimum debt-equity mix to manage the cost of financing for the acquisitions, taking into account the current low interest rate environment in Japan. These acquisitions complete the batch of three board-approved acquisitions that we have on hand, and the remaining balance of proceeds from our recently-concluded fund raising exercises is expected to go towards further capital expenditures, other future potential acquisitions or general working capital purposes."

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About Croesus Retail Trust

Croesus Retail Trust (“CRT”) is the first SGX-listed Asia-Pacific retail business trust with a portfolio located in Japan. CRT is principally focused on investing in a diversified portfolio of predominantly retail real estate assets located in the Asia Pacific region, with an initial focus on Japan. CRT currently has nine retail properties in Japan – Aeon Town Moriya, Aeon Town Suzuka, Croesus Shinsaibashi, Croesus Tachikawa, Luz Omori, Mallage Shobu, One’s Mall, Torius and Fuji Grand Natalie – out of which five are located in the Greater Tokyo area. CRT’s portfolio of assets in Japan allows it to create a core portfolio of stable income generating assets that serves as a foundation for CRT to pursue development and acquisition opportunities in the Asia-Pacific region, including Japan, to generate long-term capital value and long-term returns.

CRT was awarded by FinanceAsia as ‘Best Small-cap Company in Singapore’ in its Best Managed Companies Poll for 2014. CRT is part of the FTSE ST Small Cap Index, the TR/GPR/ APREA Composite Index, FTSE Real Estate Index and the FTSE REIT index. For more information on CRT, please visit www.croesusretailtrust.com.

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This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in CRT (the “Units”).

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Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes, and the continued availability of financing in the amounts and the terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Trustee-Manager's current view of future events.

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