

Financial Results

For the period from
1 October 2015 to 31 December 2015 (“2Q FY2016”), and;
1 July 2015 to 31 December 2015 (“1H FY2016”)

11 February 2016



Certain statements in this presentation constitute “forward-looking statements”, including forward-looking financial information. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Croesus Retail Trust (“CRT”) or Croesus Retail Asset Management Pte. Ltd., as trustee-manager of CRT (the “Trustee-Manager”) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Trustee-Manager’s present and future business strategies and the environment in which CRT or the Trustee-Manager will operate in the future. Because these statements and financial information reflect the Trustee-Manager’s current views concerning future events, they necessarily involve risks, uncertainties and assumptions and investors are cautioned not to place undue reliance on these statements and financial information. Actual performance could differ materially from these forward-looking statements and forward-looking financial information.

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This presentation contains certain information with respect to the trade sectors of CRT’s tenants. The Trustee-Manager has determined the trade sectors in which CRT’s tenants are primarily involved based on the Trustee-Manager’s general understanding of the business activities conducted by such tenants. The Trustee-Manager’s knowledge of the business activities of CRT’s tenants is necessarily limited and such tenants may conduct business activities that are in addition to, or different from, those shown herein.

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This presentation is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in CRT.

In this presentation, unless otherwise stated, references to “forecast figures” or “forecast” are to forecast figures for Projection Year 2015 which the Trustee-Manager has extracted from the prospectus of CRT dated 2 May 2013 (the “Prospectus”), and these are subject to the bases and assumptions stated therein, and pro-rated for the actual number of days attributable to the respective reporting period, except for non-recurring items such as unrealised fair value gains, their related deferred tax expenses and prepaid property tax which are not proportionally pro-rated. Such forecast figures are for illustrative purposes only and should not be construed as a representation of the actual performance or results of CRT.



Aeon Town Moriya

A suburban shopping centre located in Moriya city, Ibaraki Prefecture, a growing residential area



Croesus Shinsaibashi

A prime retail property located in Shinsaibashisuji Avenue, a premier shopping district in Osaka



Luz Omori

A prime retail property located 3 minutes walking distance from JR Omori Station in Tokyo



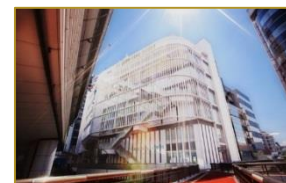
Aeon Town Suzuka

A suburban shopping centre located in Suzuka city, Mie Prefecture



Mallage Shobu

A suburban shopping centre located in Kuki city, Saitama Prefecture



Croesus Tachikawa

A prime retail property directly connected to JR Tachikawa Station via pedestrian deck in Tokyo



One's Mall

A suburban shopping centre located in Inage ward, Chiba city, Chiba Prefecture



Torius

A suburban shopping centre located in Kasuyagun, Fukuoka Prefecture

- 1 First Asia-Pacific retail business trust with an initial portfolio in Japan listed on the SGX-ST
- 2 Portfolio comprises 8 quality prime and suburban retail malls with an aggregate NLA of 328,052 sq m and committed occupancy of 98.8% as at 31 December 2015
- 3 Market Capitalisation of S\$508 million ⁽¹⁾
- 4 Exposure to resilient income-producing stabilised assets in Japan
 - Close to major transportation nodes and conveniently accessible
 - Mix of quality malls catering to the young and trendy and suburban malls catering to daily necessities
 - Most leases are Fixed-Term Leases, allowing for adjustment in rental income and tenant composition upon expiry

Unless otherwise defined, all capitalised terms used in this Presentation shall bear the same meaning as used in the Prospectus.

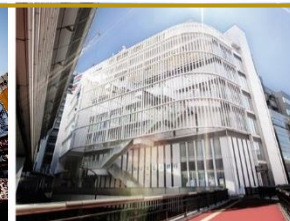
(1) Based on closing price of S\$0.800 on 1 February 2016.

Key Highlights

Financial Highlights

Portfolio Performance

Outlook



- 2Q FY2016 DPU of **1.79 cents per unit** with quarterly year-on-year DPU growth of 5.3%.
- 1H FY2016 DPU of **3.50 cents per unit** with half yearly year-on-year DPU growth of 2.9%.
- One's Mall acquisition in October 2014 and Torius acquisition in October 2015 serve as the main driver for year-on-year growth in gross revenue, net property income and DPU.
- Organic growth on track
 - The tenants renewal exercise at Mallage Shobu was completed in October 2015.
 - Undertaking asset enhancement initiative for One's Mall and Torius.
- Favourable macro environment
 - Negative interest introduced by BOJ could cause lower debt cost and further increase in asset valuation.
 - Notwithstanding the above, Japanese Yen is appreciating due to global environment, which increase NAV of CRT
- Expected distribution hedge to cover FY2016 and FY 2017 entirely at average hedge rates of SGD/JPY 85.03 and 84.16, respectively.

2Q Financial Highlights

1 October 2015 to 31 December 2015

	1 Oct 2015 to 31 Dec 2015	1 Oct 2014 to 31 Dec 2014		
	(Actual)	(Actual)	(Restated) ⁽⁴⁾	Variance % ⁽⁵⁾
Income Available for Distribution (¥'000)	973,318	874,755	874,755	11.3%
Distribution Per Unit ('DPU') (Singapore cents)⁽³⁾	1.79	2.08	1.70	5.3%
Historical Annualised DPU (Singapore cents)⁽¹⁾	7.10	8.25	6.74	
Historical Annualised Distribution Yield⁽²⁾				
@ S\$0.93 per unit (IPO Price) or S\$0.87⁽⁶⁾ per unit (Right adjusted IPO Price)	8.2%	8.9%	7.7%	
@ S\$0.80 per unit (closing price on 1 February 2016)	8.9%	N.M.	8.4%	

(1) The historical annualised DPU is calculated by dividing the DPU for the period from 1 October to 31 December by 92 days and multiplying the result by 365 days (the "Historical Annualised DPU"). The Historical Annualised DPU is for illustrative purposes only and should not be construed as a representation of the future DPU or a forecast of the future DPU.

(2) The historical annualised distribution yield is calculated by dividing the Historical Annualised DPU by the respective unit price (in Singapore cents). The historical annualised distribution yield is for illustrative purposes only and should not be construed as a representation of the future distribution yield or a forecast of the future distribution yield.

(3) CRT had entered into forward foreign currency exchange contracts to hedge the currency risk on distributions to the unitholders of CRT ("Unitholders"). The DPU for the period from 1 October 2015 to 31 December 2015 is computed based on an average exchange rate of SGD/JPY84.81. The average exchange rate takes into consideration the forward currency contract rate and spot rate at the end of the period.

(4) The number of unit issued and to be issued at the end of period and DPU for the period based on the number of units entitled to distribution have been restated to reflect the effect of 114,222,677 units issued pursuant to the Rights Issue on 2 November 2015.

(5) Comparing 2Q FY2016 (Actual) to 2Q FY2015 (Restated) figures.

(6) For a meaningful comparison, historical annualised DPU yields for the period from 1 October 2015 to 31 December 2015 (Actual) and for the period from 1 October 2014 to 31 December 2014 (Restated) were computed based on S\$0.87 which is weighted average price of S\$0.93 (IPO Price) and S\$0.61 (Rights Units Issue Price) per Unit.

	1 Jul 2015 to 31 Dec 2015	1 Jul 2014 to 31 Dec 2014		
	(Actual)	(Actual)	(Restated) ⁽⁴⁾	Variance % ⁽⁵⁾
Income Available for Distribution (¥'000)	1,891,855	1,665,750	1,665,750	13.6%
Distribution Per Unit ('DPU') (Singapore cents)⁽³⁾	3.50	4.16	3.40	2.9%
Historical Annualised DPU (Singapore cents)⁽¹⁾	6.94	8.25	6.74	
Historical Annualised Distribution Yield⁽²⁾				
@ S\$0.93 per unit (IPO Price) or S\$0.87⁽⁶⁾ per unit (Right adjusted IPO Price)	8.0%	8.9%	7.7%	
@ S\$0.80 per unit (closing price on 1 February 2016)	8.7%	N.M.	8.4%	

- (1) The historical annualised DPU is calculated by dividing the DPU for the period from 1 July to 31 December by 184 days and multiplying the result by 365 days (the "Historical Annualised DPU"). The Historical Annualised DPU is for illustrative purposes only and should not be construed as a representation of the future DPU or a forecast of the future DPU.
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- (6) For a meaningful comparison, historical annualised DPU yields for the period from 1 October 2015 to 31 December 2015 (Actual) and for the period from 1 October 2014 to 31 December 2014 (Restated) were computed based on S\$0.87 which is weighted average price of S\$0.93 (IPO Price) and S\$0.61 (Rights Units Issue Price) per Unit.

2Q FY2016 DPU 5.3% above restated 2Q FY2015

(JPY'000)	2Q FY2016 Actual	2Q FY2015 Actual	Variance %
Gross Revenue	2,433,621	1,952,061	24.7%
Less: Property Operating Expenses	(1,065,707)	(752,699)	41.6%
Net Property Income	1,367,914	1,199,362	14.1%
Trustee-Manager's Fees ⁽¹⁾	(179,688)	(162,008)	10.9%
Finance Costs	(269,792)	(255,885)	5.4%
Other Trust Expenses	(64,792)	(47,307)	37.0%
Profit before changes in Fair Value and Tax	853,642	734,162	16.3%
Net Change in Fair Value of Investment Properties/ Financial Instruments ⁽²⁾	188,359	536,055	(64.9)%
Income Tax Expenses	(247,917)	(337,063)	(26.4)%
Profit after Tax	794,084	933,154	(14.9)%
Distribution Adjustments ⁽³⁾	179,234	(58,399)	406.9%
Income Available for Distribution	973,318	874,755	11.3%
Distribution per Unit before rights issue (Singapore cents)	-	2.08	-
Distribution per Unit (Singapore cents)	1.79	1.70 (Restated)⁽⁴⁾	5.3%

(1) Includes Japan Asset Manager's fees.

(2) Net sum between the fair value gain on investment properties which arose from unrealised gains on revaluation of the investment properties of the CRT Group and the fair value losses/ gains on financial instruments which arose from mark to market of forward currency contracts (in accordance with FRS 39) used to hedge distributions.

(3) Adjustments include Trustee-Manager's fees paid/ payable in units, amortization of upfront costs, amortization of prepaid property tax, fair value gains on investment properties net of tax, fair value losses/ gains on derivative financial instruments, deferred tax expenses and others.

(4) The number of unit issued and to be issued at the end of period and DPU for the period based on the number of units entitled to distribution have been restated to reflect the effect of 114,222,677 units issued pursuant to the Rights Issue on 2 November 2015.

1H FY2016 DPU 2.9% above restated 1H FY2015

(JPY'000)	1H FY2016 Actual	1H FY2015 Actual	Variance %
Gross Revenue	4,440,220	3,664,543	21.2%
Less: Property Operating Expenses	(1,839,532)	(1,351,723)	36.1%
Net Property Income	2,600,688	2,312,820	12.4%
Trustee-Manager's Fees ⁽¹⁾	(342,699)	(315,066)	8.8%
Finance Costs	(529,471)	(490,624)	7.9%
Other Trust Expenses	(131,183)	(83,446)	57.2%
Profit before changes in Fair Value and Tax	1,597,335	1,423,684	12.2%
Net Change in Fair Value of Investment Properties/ Financial Instruments ⁽²⁾	(395,146)	701,983	(156.3)%
Income Tax Expenses	(421,839)	(518,874)	(18.7)%
Profit after Tax	780,350	1,606,793	(51.4)%
Distribution Adjustments ⁽³⁾	1,111,505	58,957	1,785.3%
Income Available for Distribution	1,891,855	1,665,750	13.6%
Distribution per Unit before rights issue (Singapore cents)	-	4.16	-
Distribution per Unit (Singapore cents)	3.50	3.40 (Restated)⁽⁴⁾	2.9%

(1) Includes Japan Asset Manager's fees.

(2) Net sum between the fair value gain on investment properties which arose from unrealised gains on revaluation of the investment properties of the CRT Group and the fair value losses/ gains on financial instruments which arose from mark to market of forward currency contracts (in accordance with FRS 39) used to hedge distributions.

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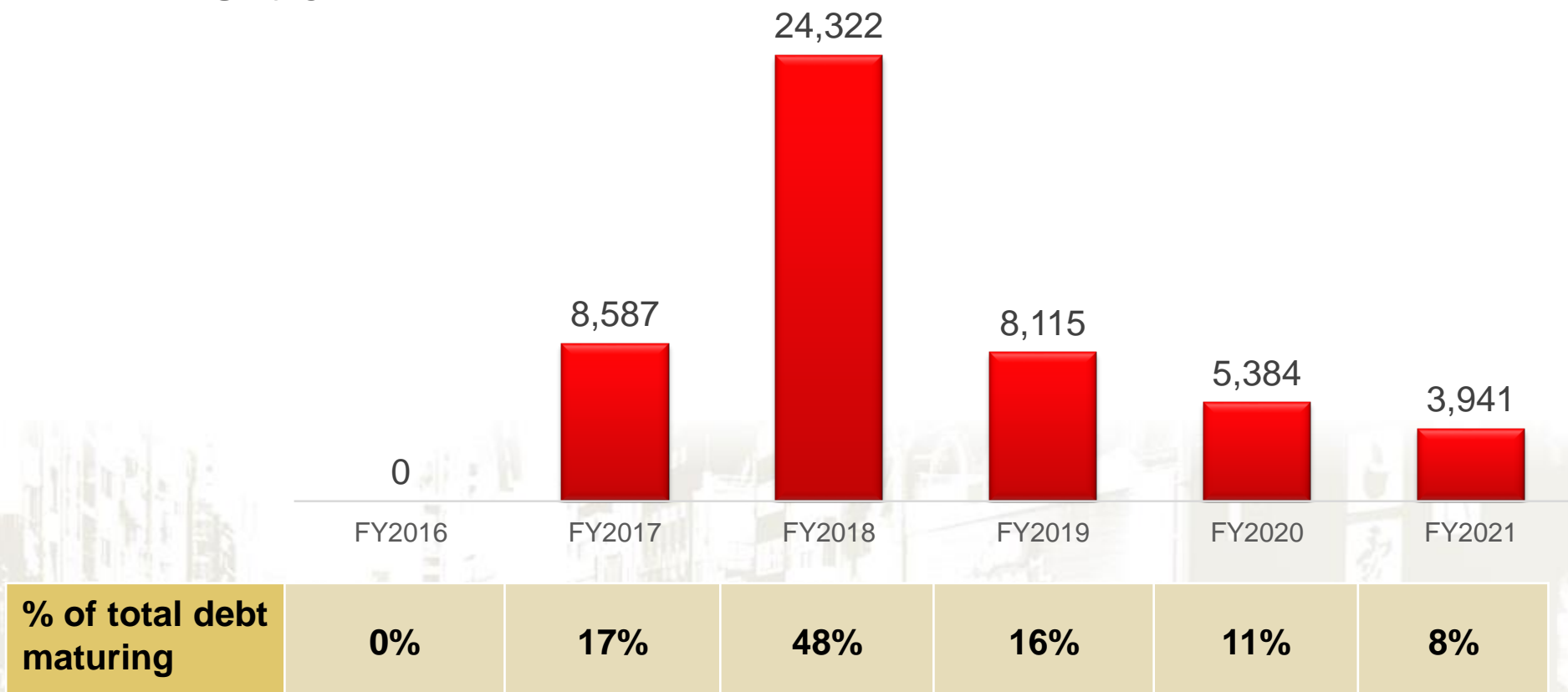
(JPY'000)	Actual as at 31 December 2015	Actual as at 30 June 2015
Investment Properties	96,318,181	87,930,000
Other Non-current Assets	5,749,878	5,062,870
Current Assets	7,948,337	7,408,083
Total Assets	110,016,396	100,400,953
Loans and Borrowings (long-term)	50,348,700	46,840,340
Other Non-current Liabilities	8,451,318	7,193,783
Current Liabilities	2,749,635	2,780,668
Net Assets	48,466,743	43,586,162
Number of Units Issued and to be issued ⁽¹⁾	637,446,666	519,193,989
Net Asset Value ("NAV") per Unit (JPY)	76.03	83.95

(1) The number of units issued and to be issued as at 31 December 2015 consists of a) the number of units in issue as at 31 December 2015 of 635,246,666; and b) the estimated number of units to be issued to the Trustee-Manager as partial satisfaction of Trustee-Manager's fees payable for the period from 1 July 2015 to 31 December 2015 of 2,200,000.**

** As provided for in the trust deed dated 7 May 2012 constituting CRT as amended (the "Trust Deed"), the price of the units issued shall be computed based on the volume weighted average price of a unit for the period of ten business days immediately preceding the relevant business day of the issue of such units.

Total Long-term Debt: JPY 50,349 million

Unit: JPY mm



- Weighted debt maturity as at 31 December 2015 is 2.6 years
- No refinancing requirements until FY2017

	Actual as at 31 December 2015	Actual as at 30 June 2015
Gearing Ratio	46.3%	47.3%
Interest Coverage Ratio	4.1 times	3.8 times
% of Debt Hedged	98.9%	100%
Average All-In Cost of Debt⁽¹⁾	1.90%	2.02%
Debt Maturity	2.6 years	2.9 years
Additional Debt Headroom⁽²⁾	JPY 37.8 billion	JPY 31.9 billion



Key Highlights

Financial Highlights

Portfolio Performance

Outlook



Portfolio continues to be geographically diversified across Japan, located near major transportation nodes.

Croesus Tachikawa

Valuation ⁽¹⁾ (JPY 'mm)	12,800
NLA (sqm)	7,141
Vendor: US Private Fund	

Mallage Shobu

Valuation ⁽¹⁾ (JPY 'mm)	24,500
NLA (sqm)	67,961
Vendor: Sojitz	

Aeon Town Moriya

Valuation ⁽¹⁾ (JPY 'mm)	14,400
NLA (sqm)	68,047
Vendor: Daiwa House	

Luz Omori

Valuation ⁽¹⁾ (JPY 'mm)	3,880
NLA (sqm)	9,285
Vendor: Marubeni	

One's Mall

Valuation ⁽¹⁾ (JPY 'mm)	12,000
NLA (sqm)	52,849
Vendor: Private Fund	

Aeon Town Suzuka

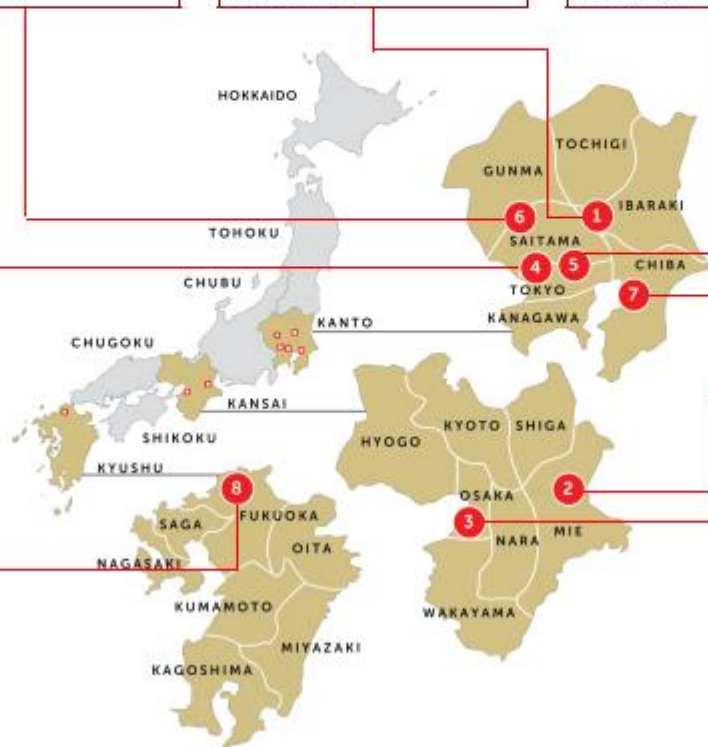
Valuation ⁽¹⁾ (JPY 'mm)	9,650
NLA (sqm)	43,501
Vendor: Daiwa House	

Torius

Valuation ⁽²⁾ (JPY 'mm)	8,300
NLA (sqm)	76,926
Vendor: Private Fund	

Croesus Shinsaibashi

Valuation ⁽¹⁾ (JPY 'mm)	10,700
NLA (sqm)	2,342
Vendor: Marubeni	

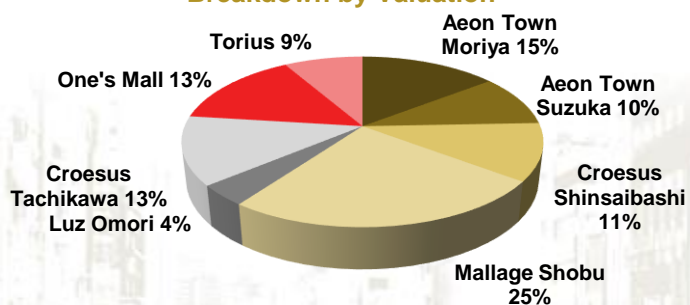


(1) Based on valuation by CBRE K.K. ("CBRE") as at 30 June 2015.
 (2) Based on valuation by DTZ Debenham Tie Leung K.K. ("DTZ") as at 30 June 2015.
 (3) Based on valuation by DTZ as at 31 July 2015.

Key Information on the Assets

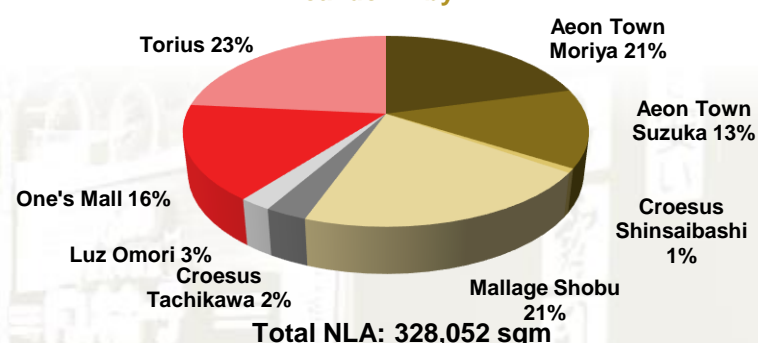
	City	Number of Tenants ⁽¹⁾	Age of Building (yrs) ⁽¹⁾	Leasehold / Freehold	Valuation ⁽²⁾ (JPY mm)	1H FY2016 Actual NPI (JPY mm)	Purchase Price (JPY mm)	Annualised NPI Yield ⁽³⁾
Aeon Town Moriya	Ibaraki	1 master lessee, 111 subtenants	8.6	Freehold	14,400	411.3	12,154	6.7%
Aeon Town Suzuka	Mie	1 master lessee, 40 subtenants	8.6	Freehold	9,650	298.4	8,439	7.0%
Croesus Shinsaibashi	Osaka	4	6.3	Freehold	10,700	233.2	9,021	5.1%
Mallage Shobu	Saitama	226	7.1	Freehold	24,500	759.3	20,584	7.4%
Luz Omori	Tokyo	30	4.9	Leasehold expiring in July 2059	3,880	123.6	3,450	7.2%
Croesus Tachikawa⁽⁶⁾	Tokyo	10	8.5	Freehold / Leasehold expiring in Dec 2029 ⁽⁴⁾	12,800	329.4	10,800	5.8%
One's Mall	Chiba	53 ⁽⁵⁾	15.1	Freehold	12,000	316.5	11,000	5.7%
Torius	Fukuoka	146	16.8	Leasehold ⁽⁷⁾	8,300	129.0	7,997	7.6%
Total		620	11.1		96,230	2,600.7	83,445	6.6%

Breakdown by Valuation



Total Valuation: JPY 96,230 mm

Breakdown by NLA



Total NLA: 328,052 sqm

(1) As at 31 December 2015.

(2) Based on valuations as at 30 June 2015 conducted by CBRE for all properties (except One's Mall and Torius), One's Mall conducted by DTZ as at 30 June 2015 and Torius conducted by DTZ as at 31 July 2015.

(3) Based on annualising the Actual NPI (which comprises of the 184-day period from 1 July 2015 to 31 December 2015 and for the 77-day period from October 2015 to 31 December 2015 for TORIUS, respectively) divided by the purchase price. The annualised NPI yield is for illustrative purposes only and should not be construed as a representation or forecast of the future NPI yield.

(4) Croesus Tachikawa comprises 4 plots of amalgamated land. 3 parcels are freehold and owned by CRT, while 1 parcel is leasehold with an expiry in Dec 2029.

(5) Daiei, one of the key tenants at One's Mall, further subleases to 19 subtenants.

(6) Name change from NIS Wave I to Croesus Tachikawa effective 1 February 2015.

(7) The leasehold interest in respect of the main parcel of land on which Torius is located (Comprising a land area of 205,543 sqm) expires on 9 February 2060.

Balanced Portfolio Contributing to Stable Income and Sustainable Growth

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

	1H FY2016 NPI %	Occupancy ⁽¹⁾	WALE by NLA ⁽¹⁾ (yrs)	Lease Expiry Profile		Connectivity		Key Tenants / Sub tenants
				FY2016	FY2017	By Train	By Major Road	
Aeon Town Moriya	16%	100%	11.5	-	-	✓	✓	Aeon Cinema, Sports DEPO, Food Square Kasumi, Futaba-Tosho, Uniqlo, Nojima, Aeon Bike, MUJI
Aeon Town Suzuka	11%	100%	11.5	-	-	✓	✓	Kahma Home Centre, APINA, Nitori, Hana-Shobu, Uniqlo, Shimamura, G.U.
Croesus Shinsaibashi	9%	100%	6.2	-	0.3%	✓	✓	H&M
Mallage Shobu	29%	97.3%	5.9	1.8%	1.8%	✓	✓	Nafco, 109 Cinemas, Himaraya, York Mart, Nojima, Toys 'R' Us, Academia, Sanki, Play Land, Uniqlo, MUJI, OLD NAVY
Luz Omori	5%	97.7%	15.1	0.6%	0.5%	✓	✓	Ota ward, Docomo, Daiso
Croesus Tachikawa ⁽²⁾	13%	100.0%	4.6	-	-	✓	✓	NEXUS Holdings, Sumitomo Mitsui Trust Bank
One's Mall	12%	99.7%	4.5	0.9%	1.1%	✓	✓	Daiei, Central Sports, Toys 'R' Us, Nitori, Sports DEPO, Tam Tam
Torius	5% ⁽³⁾	95.8%	6.5	3.3%	2.9%		✓	Costco, Nafco, United Cinema, Rakuichi Rakuza, Daiso, GU, Sweet Villa Garden, GAP Outlet, Off House

27% of NPI secured through master leases with high quality tenant (Aeon Town)

Approximately 100% occupancy across all properties

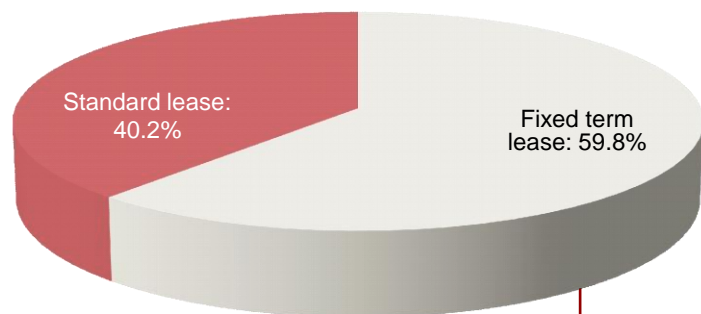
~93% of FY2016 and ~87% of FY2017 rentals have been locked in

Well-connected by train, bus or major roads

Quality tenant base from diversified trade sectors

A substantial portion of CRT's Gross Rental Income is derived from leases structured as Fixed Term Leases, giving it greater flexibility to adjust rentals / tenant composition, or variable rent, allowing it to share any income upside with its tenants.

% of Gross Rental Income from Fixed Term Leases⁽²⁾



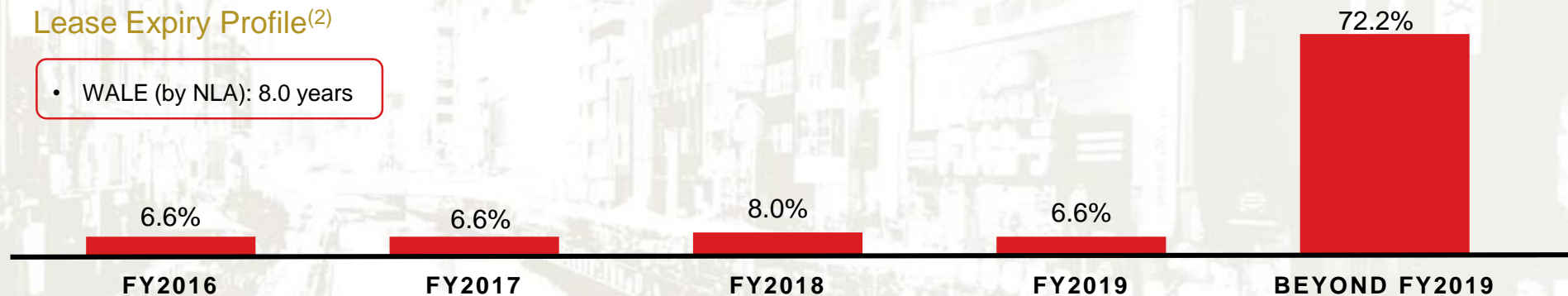
- Greater flexibility in adjusting rental income and tenant composition upon expiry of lease
- Shorter lease tenure (typically 3 – 5 years)

Growth in Gross Rental Income from Variable Rent⁽¹⁾

- Among the properties, Croesus Shinsaibashi, Luz Omori, Mallage Shobu, One's Mall and Torius have leases with variable rent components
- As of 31 December 2015⁽³⁾ 34.7% of gross rental income of the portfolio had a variable rent component
- Of total variable rent, the variable portion is 11.8% and 22.8% is guaranteed minimum base rent. Therefore, pure fixed rent constitutes 88.2% of total portfolio gross rental income

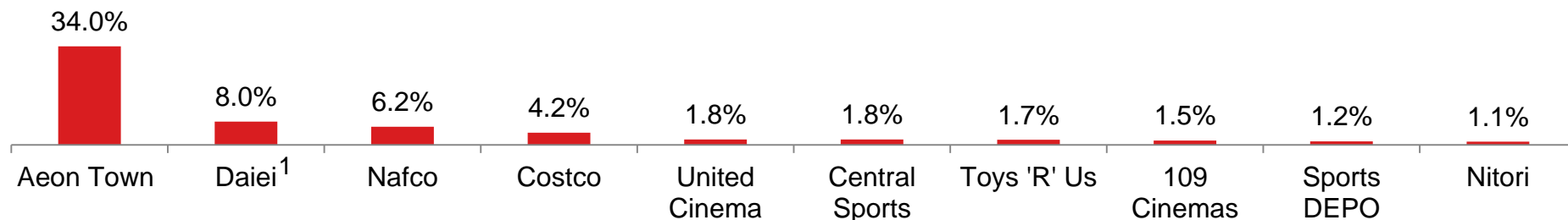
Lease Expiry Profile⁽²⁾

- WALE (by NLA): 8.0 years

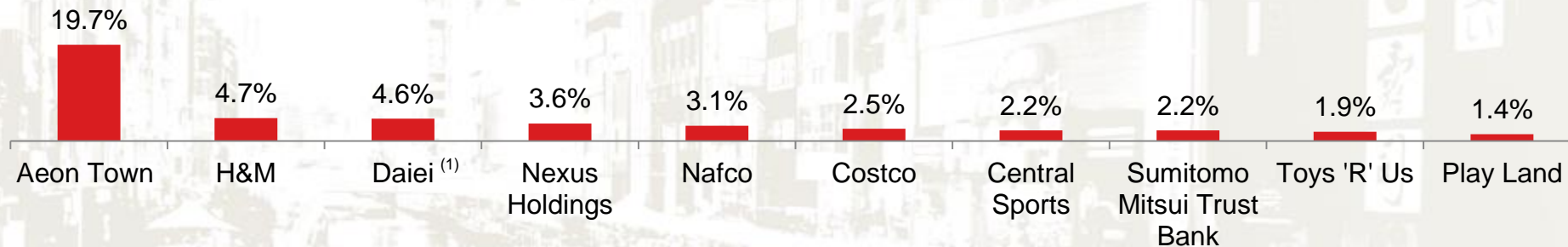


Diversification of CRT's tenant base achieved post recent acquisitions with addition of new anchor tenants

Top 10 Tenants by NLA (As at 31 December 2015)



Top 10 Tenants by Gross Rental Income (For the month of December 2015)



New Shop Openings



Torius: Gravity Research

Promotional Events



Torius: Autumn Festival



Torius: Christmas Lottery

Queue In Front Of Costco



Torius: In front of Costco



Torius: Origami Festival

New Shop Openings



Mallage Shobu: OLD NAVY



Mallage Shobu: Animate



Mallage Shobu: FUN



Mallage Shobu: Lashinbang

Promotional Events



Mallage Shobu: Ultraman Ginga Show



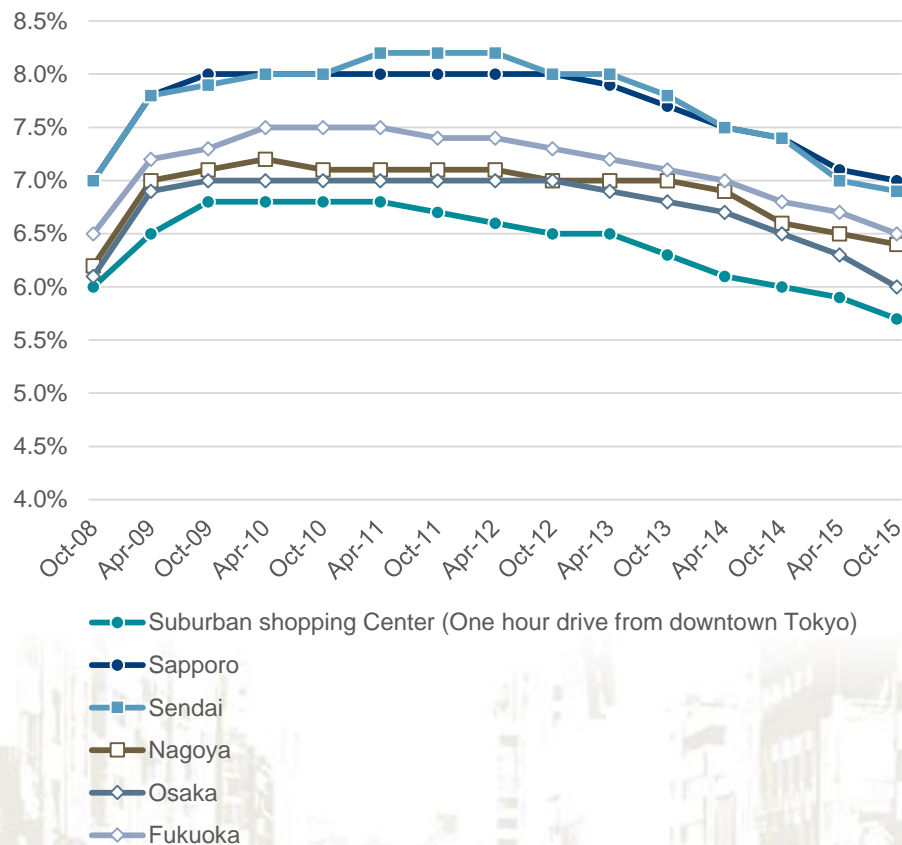
Mallage Shobu: Yanawaraba Music Festival

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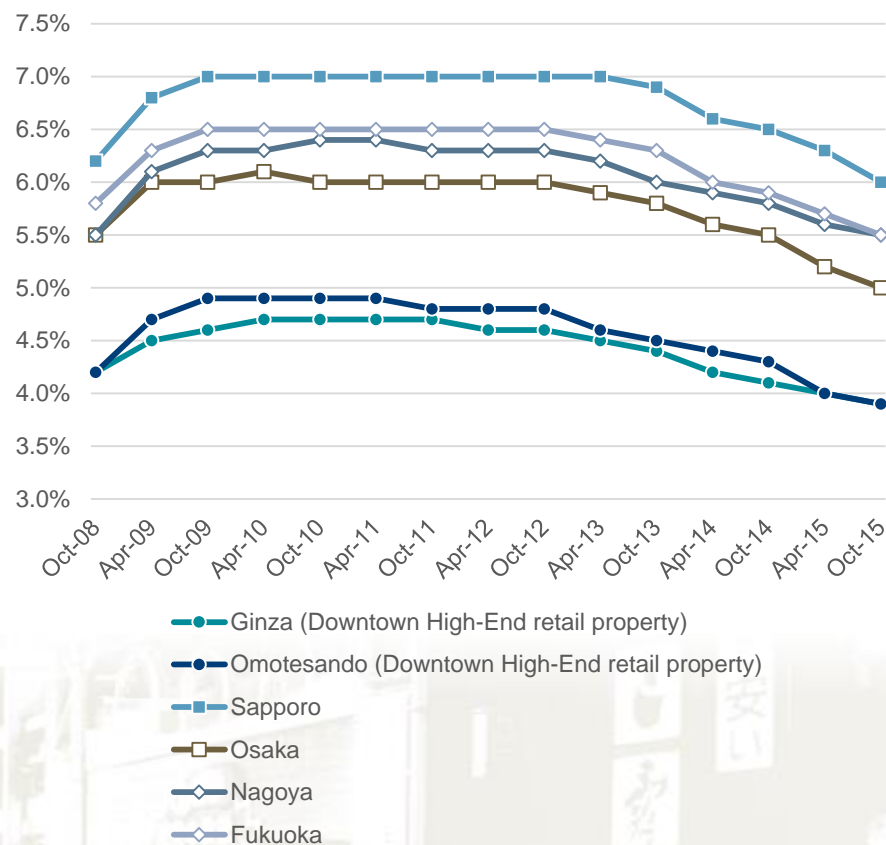


- Promising GDP and Tankan data
 - 3Q 2015 annualised GDP looks better with 1.0% growth forecasted due to a recovery of private consumption and exports of goods and services.
 - Quarterly Tankan index⁽¹⁾ for December 2015 improved to +12 and shows significant improvement from -8 in March 2013, highlighting Japan's top manufacturers' increased confidence and optimism for the economy.
- Improvement in CPI numbers
 - Core consumer prices⁽²⁾ for the month of December 2015 increased 0.1% on a year-on-year basis, making it the two consecutive months of increase.
- Recent move to negative interest rates expected to encourage further growth and recovery
- Increase in property prices seen by recent cap rate compression

Suburban Retail Cap Rate Trends



Prime Retail Cap Rate Trends



Expected cap rates of suburban shopping centers located one hour drive from Tokyo have shown compression by 110bps to 5.7% compared to the highest point in April 2011 of 6.8%



Osaka's expected cap rate has recently compressed by 90bps to 5.0% compared to April 2013

Significant Retail deals across Japan (1)

Property Name	Town/ City	Purchaser	Vendor	Price (JPY Billion)	NOI Cap Rate (%)	Closing Date
G Building Shinsaibashi 03	Shinsaibashisuji, Osaka	Japan Retail Fund Investment (REIT)	Unique Osaka LLC (RREEF)	22.3	4.3	Oct 2013
Aeon Lake Town Mori (40%)	Koshigaya, Saitama	Aeon REIT Investment (REIT)	Aeon Retail	21.1	5.6	Nov 2013
Valor Suzuka Shopping Center	Suzuka-shi, Mie	Orix J-REIT Inc. (REIT)	Orix Real Estate	3.2	6.3	April 2014
Inage Kaigan Building	Mihama-ku, Chiba-shi, Chiba	Tosei REIT Investment Corporation	Tosei Corporation	2.4	6.2	Nov 2014
Shinsaibashi Square	Shinsaibashisuji, Osaka	Frontier Real Estate Investment Corporation (REIT)	Mitsui Real Estate Corporation	8.6	4.1	Dec 2014
Ichigo Kamata Building	Ota-ku, Tokyo	Ichigo Real Estate Investment Corporation (REIT)	Domestic TMK	1.4	5.1	Jan 2015
Unicus Ina	Kitaadachi-gun, Saitama	Kenedix Retail REIT Corporation	Mitsui Sumitomo Finance & Lease	4.4	5.2	Feb 2015

Source: DTZ Research & Daiwa Real Estate Market Report Summer 2014/ Spring 2015.

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Significant Retail deals across Japan (2)

Property Name	Town/ City	Purchaser	Vendor	Price (JPY Billion)	NOI Cap Rate (%)	Closing Date
Unicus Yoshikawa	Yoshikawa-shi, Saitama	Kenedix Retail REIT Corporation	P&D Consulting	3.6	5.1	Feb 2015
Fururu Garden Yachiyo	Yachiyo-shi, Chiba	Kenedix Retail REIT Corporation	JFW Godo Kaisha	14.9	5.2	Feb 2015
Roseo Mito	Mito-shi, Ibaraki	Kenedix Retail REIT Corporation	Roseo Godo Kaisha	9.7	5.7	Feb 2015
Mitsui Shopping Park Lalaport Shin-Misato	Misato-shi, Saitama	Frontier Real Estate Investment Corporation (REIT)	Mitsui Real Estate Corporation	4.7	5.0	April 2015
G Building Umeda 01	Osaka, Osaka	Japan Retail Fund Investment Corporation	Chayamachi 1522 LLC	9.5	4.0	Oct 2015
Q plaza SHINSAIBASHI	Osaka, Osaka	Activia Properties Inc.	Tokyu Land Corporation	13.4	4.0	Nov 2015

Source: DTZ Research & Daiwa Real Estate Market Report Summer 2014/ Spring 2015.

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BOJ stuns markets with negative interest rates

By Anthony Rowley
btworld@sph.com.sg
Tokyo

IN A dramatic demonstration of its ability to surprise financial markets, the Bank of Japan on Friday introduced negative interest rates on deposits at the central bank as part of its push to get funds flowing through the sluggish economy and to ward off deflation.

The tactic worked – at least in the short term – sending the yen sharply lower (an indirect objective of the central bank's policy) and giving a welcome boost to Tokyo stock prices which have

dropped sharply of late in sympathy with a slide in other markets.

Negative interest rates – designed to discourage banks from holding "excess reserves" with the central bank and to lend them out instead – were pioneered in Europe but BOJ governor Haruhiko Kuroda said as recently as this month that he did not feel these were appropriate for Japan.

Mr Kuroda is a "master of surprise", however, and the shock announcement provided a fillip to markets which had expected to see the BOJ simply announce "more of the same" in the form of expanded quantitative easing, or

to take no action at all at this point.

The yen at one point plunged from 118.3 to the dollar in Tokyo before the announcement was made to 121.3 before gaining a little ground to 120.9 while the Nikkei 225 stock average jumped initially by over 3 per cent before ending the day with a gain of 2.8 per cent or 477 points to 17,518.3.

The BOJ left unchanged for now its programme of buying 80 trillion yen (\$5940 billion) annually of Japanese government bonds and other securities from the market as means to expand the monetary base – a strategy known as

quantitative and qualitative easing or QQE.

At the same time the central bank put back further the date by which it hopes to achieve its 2 per cent annual inflation target from the latter half of fiscal 2016 to the first half of fiscal 2017, beginning in April next year.

Market opinion had been divided between those who expected no action from the BOJ on Friday and those who predicted that it might raise its annual financial asset purchases to 100 trillion yen. In the event, it chose an entirely different option.

By changing banks for holding a

portion of the huge amounts of reserves (some 220 trillion yen) which they hold at the central bank in excess of the legal requirement, the BOJ hopes to encourage them to put the funds to more active use in the economy.

The bank hopes to "push down the short end of the yield curve," sources close to the BOJ said. While this sounds to be only a technicality, it will in fact be a "powerful weapon" in influencing financial institutions' behaviour by impacting the "marginal cost of funds", the sources said.

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Japan makes strong revision of Q3 growth figure

By Anthony Rowley
btworld@sph.com.sg

Tokyo JAPAN received a surprise and a half on Tuesday, with news not only of a half-expected upward revision in third-quarter gross domestic product (GDP – meaning the country did not slide back into recession during the period – but also that the revision was much stronger than forecast.

Preliminary data released last month suggested that GDP had contracted by 0.8 per cent on an annualised basis during the three months from July to September. Following the fall in the second quarter of the year, that second consecutive quarterly shrinkage would suggest that Japan's economy had slipped into technical recession.

But the Japanese Cabinet Office had hinted last week of an upward revision of the data, on Tuesday, it confirmed this upgrade, as it announced that real or inflation-adjusted GDP actually grew by one per cent in the third quarter, rather than by the 0.1 per cent some economists had forecast in recent days.

Minister for Economic Revitalisation Akira Amari said: "The data is a positive surprise for markets (and) is a welcome one for us too."

Tokyo's stocks nevertheless fell by one per cent on Tuesday, reflecting generally nervous market sentiment.

The Cabinet Office also said that corporate capital expenditure in the third quarter would be revised up to show a 0.6 per cent gain, against the initially estimated 1.3 per cent fall. This means that Japanese firms are

implementing the robust spending increase they have promised, said Mr Amari.

However, he acknowledged that, despite the upward revision of the third-quarter output, the economy was unlikely to meet the government's estimate of 1.5 per cent growth in the current fiscal year to March 2016 – a goal he described as "quite ambitious".

Output in the July-to-September

period was boosted, not only by better-than-expected capital investment, but also by the fact that industrial inventories fell less rapidly than initially estimated. However, this suggests that final demand was weaker than expected, analysts said.

Yoshiki Shinke, chief economist at Dai-ichi Life Research Institute in Tokyo

period was boosted, not only by better-than-expected capital investment, but also by the fact that industrial inventories fell less rapidly than initially estimated. However, this suggests that final demand was weaker than expected, analysts said.

Yoshiki Shinke, chief economist at Dai-ichi Life Research Institute in Tokyo, was reported as saying that all in all, the latest data was positive news for the economy, particularly the stronger-than-expected capital expenditure.

"But the big picture remains the same – which is that the economy is at a standstill."

A Reuters survey published on Tuesday suggested that Japanese firms were deeply pessimistic about near-term growth prospects in China, one of Japan's biggest trading partners, nearly eight in 10 (79 per cent) say they do not expect to expand business there next year.

Reuters commented: "The poll points to mounting concern about the outlook for China, as it heads for its weakest growth in a quarter of a century, as well as the fallout for an export-reliant Japanese economy seeking to stage a gradual recovery."

The Japanese government is expected to announce a supplementary budget totalling around three trillion yen (\$34.3 billion) early next year, in order to help keep the economy moving forward. Analysts say that further monetary easing by the Bank of Japan cannot be ruled out, despite the latest GDP upgrade.

Growth is still well short of the 3 per cent nominal increase or 2 per cent inflation-adjusted increase that Prime Minister Shinzo Abe is aiming for, in order to raise the GDP by around 20 per cent to some 600 trillion yen by the year 2020.

Meanwhile, on a more positive front, Ministry of Finance figures published on Tuesday showed that Japan posted a current account surplus for the 16th consecutive month in October, as the country's trade balance swung to a surplus.

The surplus stood at 1.46 trillion yen, up from a 846.4 billion yen a year before. The median forecast had been for 1.66 trillion yen.

Croesus expects growth, stability after Japan expansion



Torius Property Group, a large-scale suburban retail mall in Fukui, nearby prime locations such as Costco and Sainsbury. The acquisition will expand CRT's portfolio in Japan to eight retail properties. PHOTO: CROESUS RETAIL TRUST

Wong Wei Han

Croesus Retail Trust (CRT) bosses say it is well buffered against capital market volatility, arguing that its portfolio expansion in Japan over the past two years has been managed with prudence.

Its latest acquisition, Torius Property in Fukuoka prefecture, will incur four billion yen (\$347 million) in debt, but investors need not worry about interest rate volatility, said Mr Jeremy Yong, the director of the trust's manager, Croesus Asset Management.

He told The Straits Times yesterday: "We've been growing our asset base in a very responsible manner. First, all our debt is denominated in yen, so we have a natural hedging as our assets and liabilities are matched in the same currency."

"Second, we always engaged in fixed-rate borrowing to reassure in-

vestors that, should there be any interest rate hikes, they would not be subjected to that volatility. The debt on Torius has a fixed rate of 0.95 per cent per annum."

CRT's total gearing (a measure of its debt level) for this financial year has dropped from 47.3 per cent to 46.5 per cent on a pro-forma basis following the deal – along way from its self-imposed limit of 60 per cent.

CRT also engaged in equity financing for the deal, with a rights issue of about 114.2 million units. The exercise will grant 22 units at 61 cents apiece for every 100 existing units held by unit-holders.

The outlook for real estate and commercial trusts has been under scrutiny as rising interest rates could strain such investments, which are typically laden with debt.

But CRT's investors can look forward to stability and growth following its 9.35-billion-yen acquisition of Torius, Mr Yong said.

The mass- and mid-market retail hub in suburban Fukuoka, which has a land area of about 257,000 sq m, had an occupancy rate of 95.3 per cent as at June 30 this year. The acquisition, announced late last month and set to be completed next week, will give CRT eight retail properties in Japan.

Torius' net property income yield, on a pro-forma basis, will be about 7.8 per cent, above the 5.3 per cent yield from CRT's existing portfolio, Mr Yong added.

He noted asset-enhancement opportunities. CRT's existing assets are 10 years old on average. As Torius is about 16 years old, CRT can add value through asset-enhancement initiatives, which would boost rental income over time.

Asset enhancements are part of CRT's growth strategy. After the upgrading of Mallage Shubu in Greater Tokyo, its increased contribution helped CRT raise gross reve-

nuue 25.5 per cent year-on-year to 1.99 billion yen for the April to June period. One's Mall in Chiba is also slated for enhancement works.

Japan's retail scene remains a valuable proposition, despite persistent economic and demographic uncertainties there, Mr Yong stressed.

"Suburban retail is a very defensive segment, and our assets are based in areas where there is still population growth. That is why we are projecting a rental uplift, potentially by 20 per cent, at Mallage Shubu in this financial year following its rental revision."

CRT will continue to seek out acquisition opportunities.

"We are a lot more open-minded now to value-added acquisitions where we can buy slightly neglected assets, do our work and enhance yields. We are seeing plenty of opportunities for that," said Mr Yong.

whwong@sph.com.sg

Thank You

Key Contact:

Mr Elson Lock

Tel: +65 6713 9550

Email: ir@croesusgroup.com

