

# Financial Results

For the period from  
1 July 2015 to 30 September 2015 (“1Q FY2016”)

11 November 2015



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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*



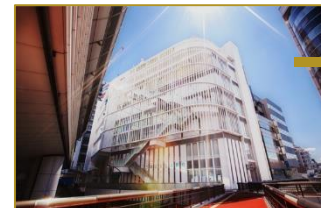
## Aeon Town Suzuka

*A suburban shopping centre located in Suzuka city, Mie Prefecture*



## Millage Shobu

*A suburban shopping centre located in Kuki city, Saitama Prefecture*



## Croesus Tachikawa<sup>(2)</sup>

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



## One's Mall

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

- 1 First Asia-Pacific retail business trust with an initial portfolio in Japan listed on the SGX-ST
- 2 Portfolio comprises 7 quality prime and suburban retail malls with an aggregate NLA of 251,125 sq m and committed occupancy of 98.6% as at 30 September 2015
- 3 Market Capitalisation of S\$530 million <sup>(1)</sup>
- 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\$0.835 on 30 October 2015.

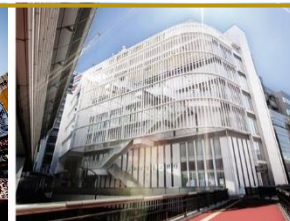
(2) Previously known as NIS Wave I. Please refer to the announcement dated 30 January 2015 for more details in relation to the change in name.

## Key Highlights

Financial Highlights

Portfolio Performance

Outlook



- 1Q FY2016 Available DPU of 2.08 Singapore cents remains flat on year-on-year basis, despite unfavourable SGD/JPY exchange hedge rate.
- Quarter-on-quarter DPU grew 3.0% from 2.02 Singapore in 4Q FY2015
- One's Mall acquisition in Oct 2014 serve as the main driver for year-on-year gross revenue and net property income growth.
- Gross rental income of Mallage Shobu increased by 5.1% due to the rental reversion resulting from the tenant renewal exercise in the previous financial year.
- Extended distribution hedge to cover FY 2016 and FY 2017 entirely at average hedge rates of SGD/JPY 85.03 and 84.16, respectively.
- Acquisition of Torius<sup>(1)</sup> and Rights Issue<sup>(2)</sup> – financial effects to be realised from 2Q FY2016 onwards.
- AGM completed on 26 October 2015 (during 2Q FY2016) with all resolutions duly passed.



Key Highlights

**Financial Highlights**

Portfolio Performance

Outlook



# 1Q Financial Highlights

## 1 July 2015 to 30 September 2015

	1 Jul 2015 to 30 Sep 2015 (Actual)	1 Jul 2014 to 30 Sep 2014 (Actual)	Variance %
<b>Income Available for Distribution (¥'000)</b>	918,537	790,995	16.1%
<b>Distribution Per Unit ('DPU') (Singapore cents)<sup>(3)</sup></b>	2.08	2.08	0.0%
<b>Historical Annualised DPU (Singapore cents)<sup>(1)</sup></b>	8.25	8.25	
<b>Historical Annualised Distribution Yield<sup>(2)</sup></b>			
<b>@ S\$0.93 per unit (IPO Price)</b>	8.9%	8.9%	
<b>@ S\$0.86 per unit (closing price on 28 September 2015)</b>	9.6%	9.6%	

(1) The historical annualised DPU is calculated by dividing the DPU for the period from 1 July to 30 September 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 July 2015 to 30 September 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.

# 1Q FY2016 DPU flat with year-on-year with 1Q FY2015

(JPY'000)	1Q FY2016 Actual	1Q FY2015 Actual	Variance %
<b>Gross Revenue</b>	<b>2,006,599</b>	<b>1,712,482</b>	<b>17.2%</b>
Less: Property Operating Expenses	(773,825)	(599,024)	29.2%
<b>Net Property Income</b>	<b>1,232,774</b>	<b>1,113,458</b>	<b>10.7%</b>
Trustee-Manager's Fees <sup>(1)</sup>	(163,011)	(153,058)	7.7%
Finance Costs	(259,679)	(234,739)	12.0%
Other Trust Expenses <sup>(4)</sup>	(66,391)	(36,139)	83.7%
<b>Profit before changes in Fair Value and Tax</b>	<b>743,693</b>	<b>689,522</b>	<b>7.9%</b>
Net Change in Fair Value of Investment Properties/ Financial Instruments <sup>(2)</sup>	(583,505)	165,928	(451.7)%
Income Tax Expenses <sup>(4)</sup>	(173,922)	(181,811)	(4.3)%
<b>Profit after Tax</b>	<b>(13,734)</b>	<b>673,639</b>	<b>(102.0)%</b>
Distribution Adjustments <sup>(3)</sup>	932,271	117,356	694.4%
<b>Income Available for Distribution</b>	<b>918,537</b>	<b>790,995</b>	<b>16.1%</b>
<b>Distribution per Unit (Singapore cents)</b>	<b>2.08</b>	<b>2.08</b>	<b>0.0%</b>

(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) Reclassification of JPY3,376,931 of business scale taxes from the forecast income tax expenses to forecast other trust expenses were made to be consistent with the actual accounts. Other trust expenses comprise of finance income, other administrative expenses, other trust expenses and foreign exchange gains/ losses.



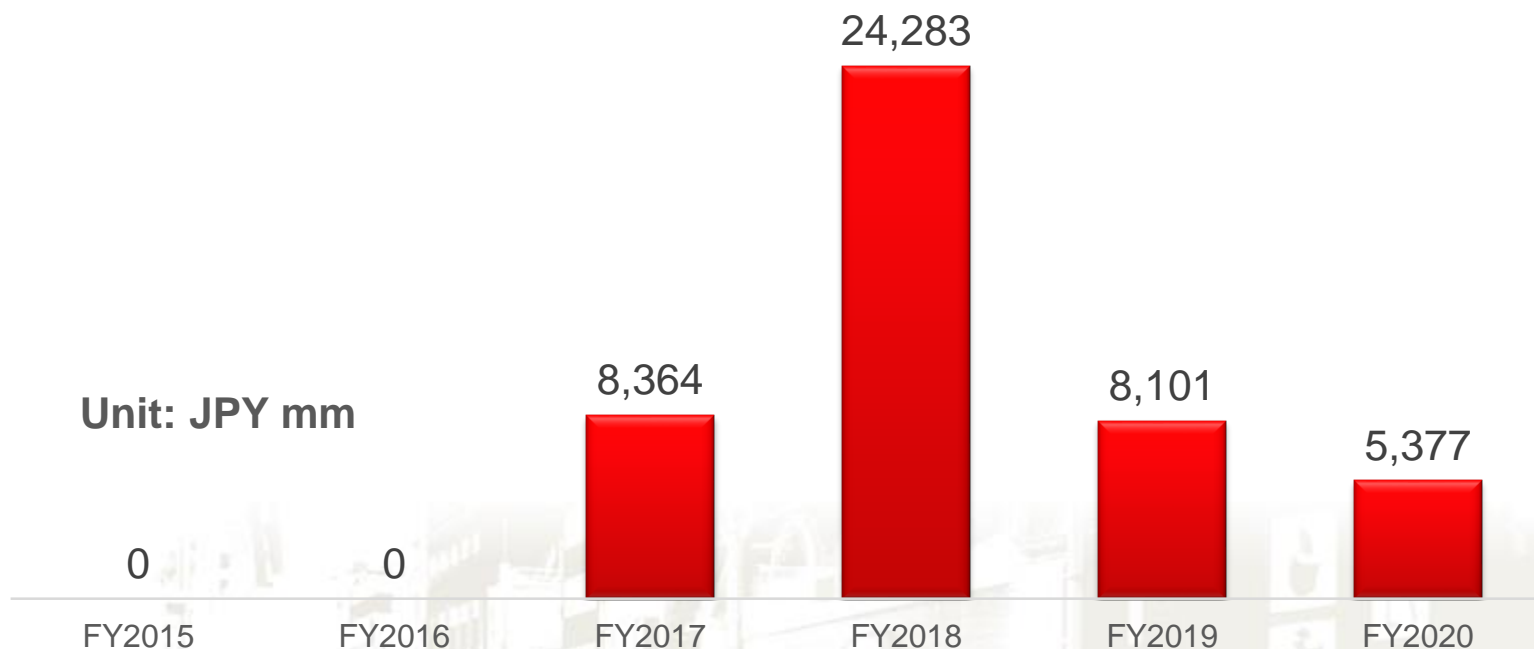
(JPY'000)	Actual as at 30 September 2015	Actual as at 30 June 2015
Investment Properties	87,950,456	87,930,000
Other Non-current Assets	4,376,212	5,062,870
Current Assets	5,935,609	7,408,083
<b>Total Assets</b>	<b>98,262,277</b>	<b>100,400,953</b>
Loans and Borrowings (long-term)	46,125,859	46,840,340
Other Non-current Liabilities	7,604,963	7,193,783
Current Liabilities	2,569,086	2,780,668
<b>Net Assets</b>	<b>41,962,369</b>	<b>43,586,162</b>
Number of Units Issued and to be issued <sup>(1)</sup>	521,013,989	519,193,989
<b>Net Asset Value ("NAV") per Unit (JPY)</b>	<b>80.54</b>	<b>83.95</b>

(1) The number of units issued and to be issued as at 30 September 2015 consists of a) the number of units in issue as at 30 September 2015 of 519,193,989; 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 30 September 2015 of 1,820,000.\*\*

\*\* 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 46,125 million

Unit: JPY mm



% of total debt maturing	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
	0%	0%	18%	53%	17%	12%

- Weighted debt maturity as at 30 September 2016 is 2.6 years
- No refinancing requirements until FY2017

	Actual as at 30 September 2015	Actual as at 30 June 2015
<b>Gearing Ratio</b>	<b>47.6%</b>	<b>47.3%</b>
<b>Interest Coverage Ratio</b>	<b>3.8 times</b>	<b>3.8 times</b>
<b>% of Debt Hedged</b>	<b>100%</b>	<b>100%</b>
<b>Average All-In Cost of Debt<sup>(1)</sup></b>	<b>1.98%</b>	<b>2.02%</b>
<b>Debt Maturity</b>	<b>2.6 years</b>	<b>2.9 years</b>
<b>Additional Debt Headroom<sup>(2)</sup></b>	<b>JPY30.4 billion</b>	<b>JPY31.9 billion</b>

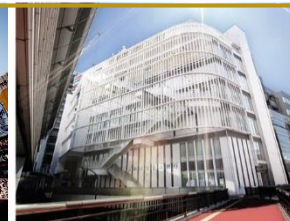


Key Highlights

Financial Highlights

**Portfolio Performance**

Outlook



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

**Croesus Tachikawa**

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

**Mallage Shobu**

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

**Aeon Town Moriya**

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

**Luz Omori**

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

**One's Mall**

Valuation <sup>(2)</sup> (JPY 'mm)	12,000
NLA (sqm)	52,849
Vendor: Private Fund	

**Aeon Town Suzuka**

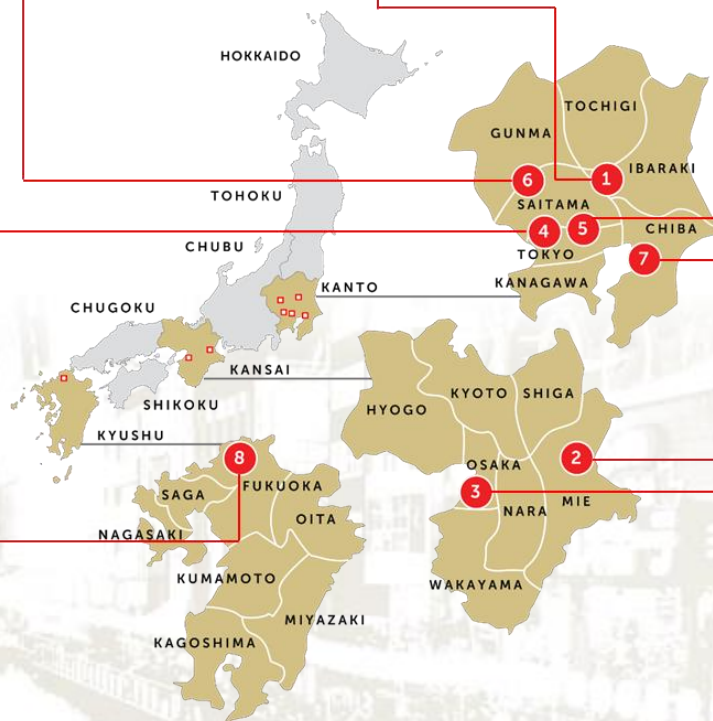
Valuation <sup>(1)</sup> (JPY 'mm)	9,650
NLA (sqm)	43,501
Vendor: Daiwa House	

**Croesus Shinsaibashi**

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

**Torius**

Valuation <sup>(3)</sup> (JPY 'mm)	8,300
NLA (sqm)	77,032
Vendor: Private Fund	

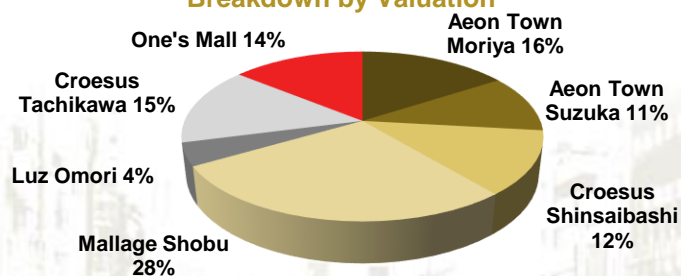


(1) Based on valuation by CBRE K.K. ("CBRE") as at 30 June 2015.  
 (2) Based on valuation by DTZ Debenham Tie Leung K.K. ("DTZ") as at 30 June 2015.  
 (3) Based on valuation by DTZ as at 31 July 2015.

# Key Information on the Assets

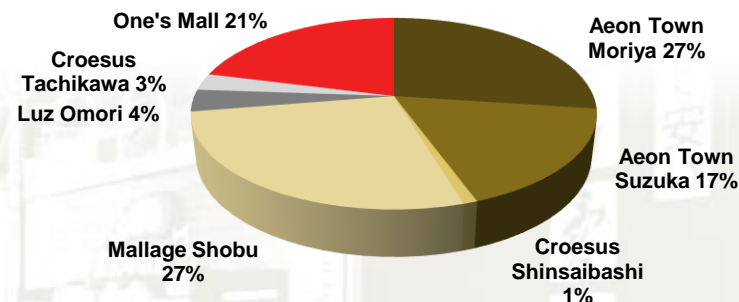
	City	Number of Tenants <sup>(1)</sup>	Age of Building (yrs) <sup>(1)</sup>	Leasehold / Freehold	Valuation <sup>(2)</sup> (JPY mm)	FY2016 1Q Actual NPI (JPY mm)	Purchase Price (JPY mm)	Annualised NPI Yield <sup>(3)</sup>
<b>Aeon Town Moriya</b>	Ibaraki	1 master lessee, 111 subtenants	8.3	Freehold	14,400	206.0	12,154	6.7%
<b>Aeon Town Suzuka</b>	Mie	1 master lessee, 39 subtenants	8.3	Freehold	9,650	149.3	8,439	7.0%
<b>Croesus Shinsaibashi</b>	Osaka	4	6.0	Freehold	10,700	116.8	9,021	5.1%
<b>Mallage Shobu</b>	Saitama	222	6.9	Freehold	24,500	382.1	20,584	7.4%
<b>Luz Omori</b>	Tokyo	30	4.6	Leasehold expiring in July 2059	3,880	62.9	3,450	7.2%
<b>Croesus Tachikawa<sup>(6)</sup></b>	Tokyo	9	8.3	Freehold / Leasehold expiring in Dec 2029 <sup>(4)</sup>	12,800	157.1	10,800	5.8%
<b>One's Mall</b>	Chiba	54 <sup>(5)</sup>	14.0	Freehold	12,000	158.5	11,000	5.7%
<b>Total</b>		<b>469</b>	<b>9.2</b>		<b>87,930</b>	<b>1,232.7</b>	<b>75,448</b>	<b>6.5%</b>

**Breakdown by Valuation**



**Total Valuation: JPY 87,930 mm**

**Breakdown by NLA**



**Total NLA: 251,126 sqm**

- (1) As at 30 September 2015.
- (2) Based on valuations as at 30 June 2015 conducted by CBRE for all properties (except One's Mall) and One's Mall conducted by DTZ.
- (3) Based on annualising the Actual NPI (which comprises of the 92-day period from 1 July 2015 to 30 September 2015) 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 22 subtenants.
- (6) Name change from NIS Wave I to Croesus Tachikawa effective 1 February 2015.

# 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.

	FY2015 NPI %	Occupancy <sup>(1)</sup>	WALE by NLA <sup>(1)</sup> (yrs)	Lease Expiry Profile		Connectivity		Key Tenants / Sub tenants
				FY2016	FY2017	By Train	By Major Road	
<b>Aeon Town Moriya</b>	17%	100%	11.7	-	-	✓	✓	Aeon Cinema, Sports DEPO, Food Square Kasumi, Futaba-Tosho, Uniqlo, Nojima, Aeon Bike, MUJI
<b>Aeon Town Suzuka</b>	12%	100%	11.7	-	-	✓	✓	Kahma Home Centre, APINA, Nitori, Hana-Shobu, Uniqlo, Seria, G.U.
<b>Croesus Shinsaibashi</b>	9%	100%	6.5	-	0.4%	✓	✓	H&M
<b>Mallage Shobu</b>	31%	96.5%	6.0	2.1%	2.0%	✓	✓	Nafco, 109 Cinemas, Himaraya, York Mart, Nojima, Toys 'R' Us, Academia, Sanki, Play Land, Uniqlo, MUJI
<b>Luz Omori</b>	5%	97.7%	15.1	0.7%	0.6%	✓	✓	Ota ward, Docomo, Daiso
<b>Croesus Tachikawa<sup>(2)</sup></b>	13%	88.4%	3.7	-	-	✓	✓	NEXUS Holdings, Sumitomo Mitsui Trust Bank
<b>One's Mall</b>	13%	99.8%	4.7	2.3%	0.1%	✓	✓	Daiei, Central Sports, Toys 'R' Us, Nitori, Sports DEPO, Tam Tam

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

Approximately 100% occupancy across all properties

~95% of FY2016 and ~92% of FY2017 rentals have been locked in

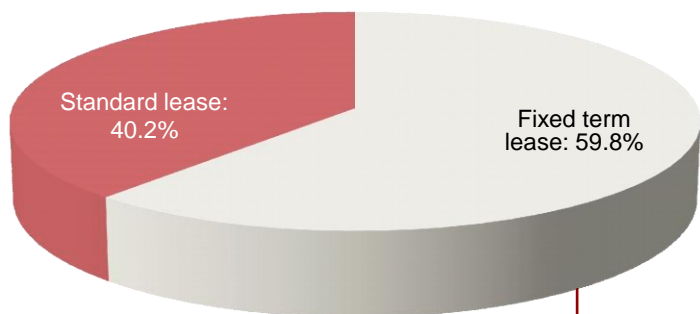
Well-connected by train, bus or major roads

Quality tenant base from diversified trade sectors

# Favourable Lease Profile

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<sup>(2)</sup>



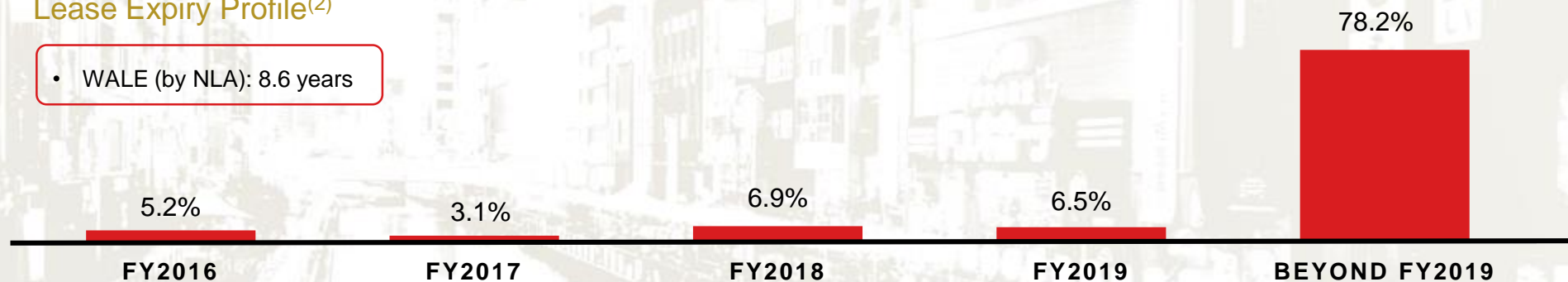
- Greater flexibility in adjusting rental income and tenant composition upon expiry of lease
- Shorter lease tenure (typically 3 – 5 years)

## Growth in Gross Rental Income from Variable Rent<sup>(1)</sup>

- Among the properties, Croesus Shinsaibashi, Luz Omori, Mallage Shobu and One's Mall have leases with variable rent components
- As of 30 September 2015<sup>(3)</sup> 33.2% of gross rental income of the portfolio had a variable rent component
- Of total variable rent, the variable portion is 9.9% and 23.3% is guaranteed minimum base rent. Therefore, pure fixed rent constitutes 90.1% of total portfolio gross rental income

## Lease Expiry Profile<sup>(2)</sup>

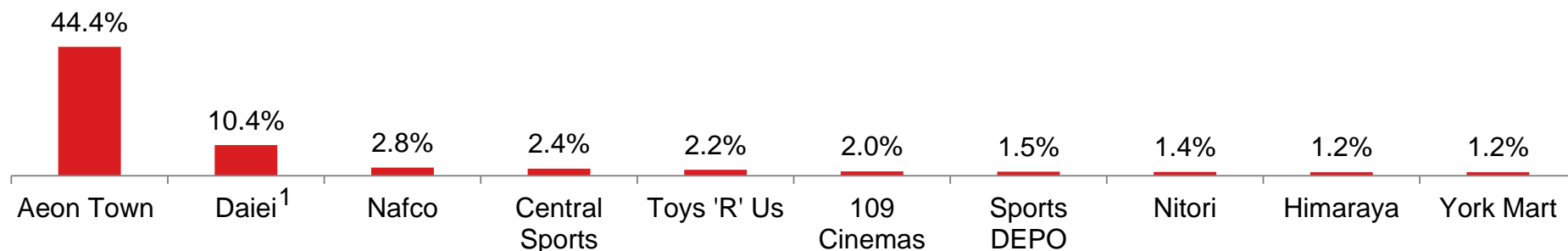
- WALE (by NLA): 8.6 years



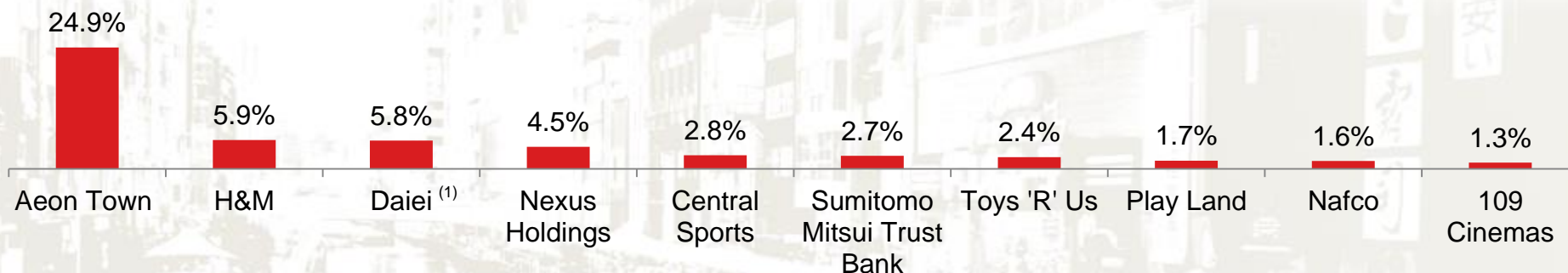


Diversification of CRT's tenant base achieved post recent acquisitions with addition of new anchor tenants

## Top 10 Tenants by NLA (As at 30 September 2015)



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



## New Shop Openings



**Mallage Shobu: any FAM**



**One's Mall: Soulage Clinic**



**Mallage Shobu: Denver Premium**



**Luz Omori: Baby Park**

## Promotional Events



**Mallage Shobu: Children's Festival**



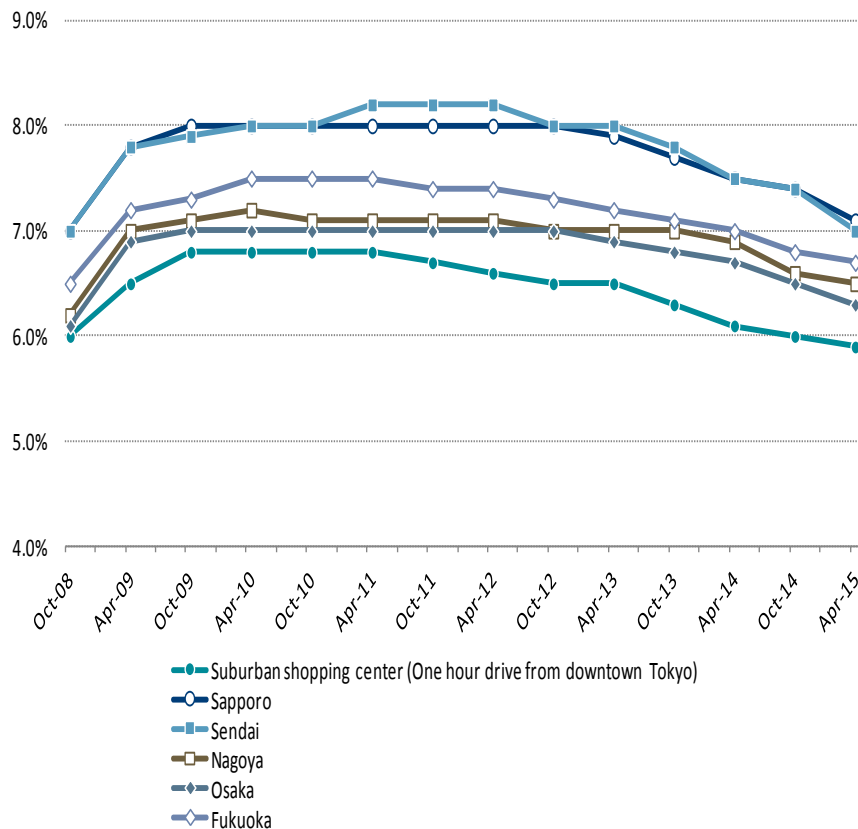
**Mallage Shobu: Crazy Band Concert**

Key Highlights  
Financial Highlights  
Portfolio Performance  
**Outlook**

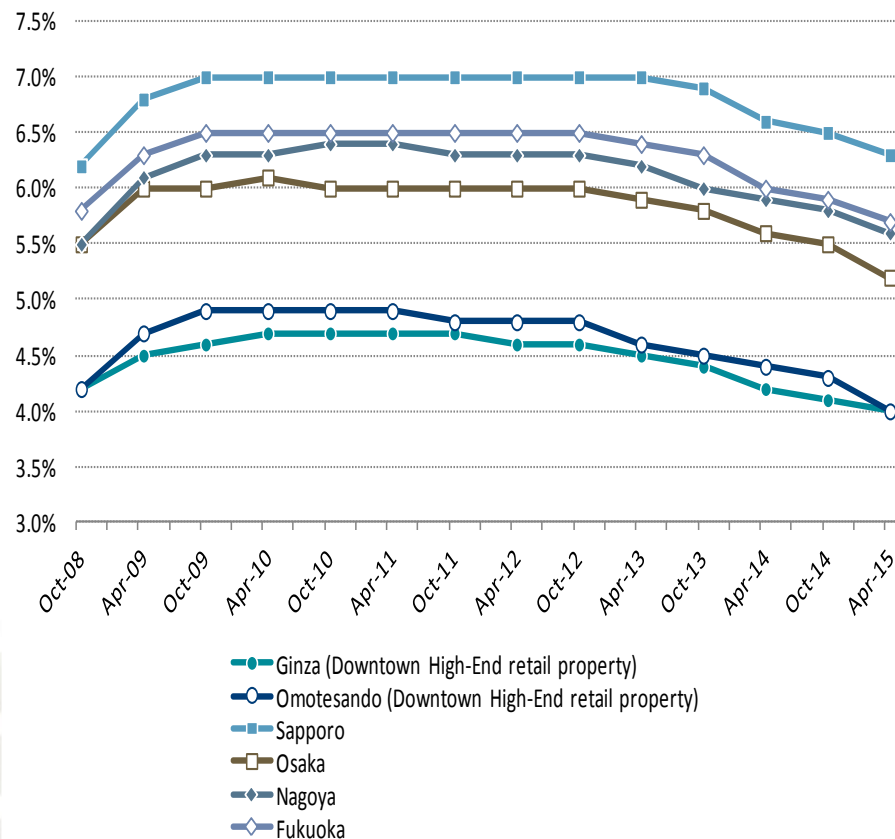


- Promising GDP and Tankan data
  - 1Q 2015 annualised GDP grew 3.9% q/q, which was an upward revision compared to preliminary data due to increased private capex and private inventory investment.
  - However, 2Q 2015 annualised GDP contracted by 1.2% q/q due mainly to a slowdown in demand from China, and temporary adverse weather conditions, which hurt exports and private consumption trends.
  - Quarterly Tankan index<sup>(1)</sup> for September 2015 improved to +12 and has shown significant improvement from -8 in March 2013, highlighting increased confidence and optimism for the economy by Japan's top manufacturers.
- Improvement in CPI numbers
  - Core consumer prices<sup>(2)</sup> for the month of September 2015 dropped 0.1% on a year-on-year basis. However, year to date average CPI has increased 0.7%.
- 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 90bps to 5.9% compared to the highest point in April 2011 of 6.8%.

Osaka's expected cap rate has recently compressed by 70bps to 5.2% compared to April 2013.

Source: Japan Real Estate Institute's Real Estate Investor Survey as at April 2015. Japan Real Estate Institute has not provided its consent to the inclusion of the information extracted from the relevant report published by it and therefore is not liable for such information. While the Trustee-Manager has taken reasonable actions to ensure that the information from the respective reports published by Japan Real Estate Institute is reproduced in its proper form and context, and that the information is extracted accurately and fairly from such report, neither the Trustee-Manager nor any other party has conducted an independent review of the information contained in such report nor verified the accuracy of the contents of the relevant information.

# Significant Retail deals across Japan (1)

Property Name	Town/ City	Purchaser	Vendor	Price (JPY Billion)	NOI Cap Rate (%)	Closing Date
<b>G Building Shinsaibashi 03</b>	Shinsaibashisuji, Osaka	Japan Retail Fund Investment (REIT)	Unique Osaka LLC (RREEF)	22.3	4.3	Oct 2013
<b>Aeon Lake Town Mori (40%)</b>	Koshigaya, Saitama	Aeon REIT Investment (REIT)	Aeon Retail	21.1	5.6	Nov 2013
<b>Kobe Kyu Kyoryuchi 25 Bankan (includes hotel)</b>	Kobe, Hyogo	Activia Properties (REIT)	SPC of Tokyu Land	21.3	4.8	Dec 2013
<b>Valor Suzuka Shopping Center</b>	Suzuka-shi, Mie	Orix J-REIT Inc. (REIT)	Orix Real Estate	3.2	6.3	April 2014
<b>Inage Kaigan Building</b>	Mihama-ku, Chiba-shi, Chiba	Tosei REIT Investment Corporation	Tosei Corporation	2.38	6.2	Nov 2014
<b>Shinsaibashi Square</b>	Shinsaibashisuji, Osaka	Frontier Real Estate Investment Corporation (REIT)	Mitsui Real Estate Corporation	8.62	4.1	Dec 2014
<b>Ichigo Kamata Building</b>	Ota-ku, Tokyo	Ichigo Real Estate Investment Corporation (REIT)	Domestic TMK	1.40	5.1	Jan 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
<b>Unicus Ina</b>	Kitaadachi-gun, Saitama	Kenedix Retail REIT Corporation	Mitsui Sumitomo Finance & Lease	4.38	5.2	Feb 2015
<b>Unicus Yoshikawa</b>	Yoshikawa-shi, Saitama	Kenedix Retail REIT Corporation	P&D Consulting	3.6	5.1	Feb 2015
<b>Fururu Garden Yachiyo</b>	Yachiyo-shi, Chiba	Kenedix Retail REIT Corporation	JFW Godo Kaisha	14.85	5.2	Feb 2015
<b>Roseo Mito</b>	Mito-shi, Ibaraki	Kenedix Retail REIT Corporation	Roseo Godo Kaisha	9.68	5.7	Feb 2015
<b>Mitsui Shopping Park Lalaport Shin-Misato</b>	Misato-shi, Saitama	Frontier Real Estate Investment Corporation (REIT)	Mitsui Real Estate Corporation	4.74	5.0	April 2015
<b>G Building Umeda 01</b>	Osaka, Osaka	Japan Retail Fund Investment Corporation	Chayamachi 1522 LLC	9.48	4.0	Oct 2015

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

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## BOJ unlikely to act on further easing before 2017 with inflation on track

Japanese economy shrank less than expected in Q2 with boost in inventories but capex still sluggish

By Anthony Rowley  
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**Tokyo** THE Bank of Japan is unlikely to ease monetary policy again in 2015 or in 2016, Japan's former "Mr Yen" Eisuke Sakakibara told *The Business Times* on Tuesday, rejecting the market view that the central bank could ease again before the end of this year. The BOJ will likely wait until 2017 before moving, if needed, he said.

Mr Sakakibara spoke as it was confirmed that Prime Minister Shinzo Abe had warded off a challenge to his position as head of the dominant Liberal Democratic Party and will remain head of government for another three years. This also ensures continuation of Mr Abe's "Abenomics policies", analysts noted.

A main plank of "arrow" of these policies has been aggressive monetary easing (alongside fiscal stimulus and structural economic reform), and with the world's third largest economy showing only halting recovery, many analysts have predicted that further monetary easing could happen as early as this year.

But Mr Sakakibara, formerly vice-finance minister for international affairs of Japan, said that the Bank of Japan will most likely opt to "keep its powder dry" until a further increase in Japan's national sales tax is due in early 2017, before deciding whether further monetary easing is needed.

Mr Sakakibara also told BT he ex-

pects the yen to move within a range of 115-120 to the dollar for the foreseeable future. Some analysts predict that they could fall again in anticipation of further moves by the BOJ, but Mr Sakakibara said that the yen's role as "haven currency" will sustain it at current levels.

Prime Minister Abe managed to escape a prospective challenge from former LDP executive Seiko Noda to his position as president of the LDP on Tuesday, when Ms Noda failed to gain enough sponsors to launch a challenge in the party poll.

"While creating a virtuous economic cycle, I will spread the feeling of (economic) recovery to every nook and cranny of the regions and throughout the country, completely escape deflation and create growth in a strong, future-oriented economy," Mr Abe promised supporters.

There has been speculation that the Abe administration, which came to power in December 2012, could push for further monetary easing if its economic growth targets, which some regard as over-ambitious, appear to be in danger in the run up to next year's upper house parliamentary election.

BOJ governor Haruhiko Kuroda, a former protégé of Mr Sakakibara as Japan's Ministry of Finance, has also set great store by achieving the central bank's annual inflation goal of 2 per cent, and he has been assumed likely to ease monetary policy further if that target too appears to be in danger.

But Mr Sakakibara told BT he believes both Mr Abe and Mr Kuroda are broadly happy with current progress on boosting the Japanese economy and on achieving rising prices (after



Mr Sakakibara also told BT he expects the yen to move within a range of 115-120 to the dollar for the foreseeable future, with its role as "haven currency" sustaining it at current levels. BLOOMBERG FILE PHOTO

allowing for the impact of a continuing plunge in oil prices).

On the other hand, the Japanese central bank could be forced to react if the scheduled further rise in Japan's consumption tax from 8 per cent to 10 per cent due in April 2017 threatens to derail Japan's economic recovery or the BOJ's inflation goal, Mr Sakakibara implied.

Meanwhile, revised data on Japan's gross domestic product (GDP) showed Tuesday that the Japanese economy shrank less than expected in the second quarter of this year, thanks to a boost in inventories, although capital expenditure fell more than originally forecast.

The economy contracted at an an-

## BOJ not increasing stimulus, expects recovery

**TOKYO** • The Bank of Japan (BOJ) has refrained from boosting stimulus even after the economy shrank last quarter, betting that a resumption in growth will be enough to rekindle inflation.

The move by BOJ governor Haruhiko Kuroda and his colleagues yesterday leaves the onus on Prime Minister Shinzo Abe's government to compile a stimulus package to boost what evidence indi-

cates is a lacklustre recovery in the second half of the year so far.

Mr Kuroda repeatedly told reporters yesterday that the bank sees a gradual recovery continuing in the economy, while also saying the bank would not hesitate to ease if there was some danger of prices not rising to its target.

With the BOJ's inflation gauge at zero, some officials at the bank see a growing chance of another delay

in reaching their 2 per cent price target. Economists from Goldman Sachs Group and Citigroup are among those who project a boost in stimulus on Oct 30.

"If the downside risks worsen, the BOJ will need to take action," said Nomura Holdings economist Yasuhiro Takahashi, who forecasts further stimulus in April. "The BOJ had been optimistic about the outlook for Japan's economy but in today's statement it lowered its view on exports and production."

The central bank will keep increasing the monetary base at an annual pace of 80 trillion yen (\$593 billion in a statement, as 135 economists sur-  
ber. The other two  
st.  
ngthened 0.6 per  
gainst the US dollar  
Singapore, while it  
16 per cent higher

against the Singapore dollar at 85.33. The Topix stock index gave up earlier gains to close almost unchanged for the day.

The currency has weakened almost 9 per cent since the BOJ last expanded on its programme in October 2014 while the stock gauge has climbed 14 per cent.

Production, household spending and orders for machinery all fell unexpectedly in July, highlighting weakness after gross domestic product contracted last quarter.

The economy will probably return to growth in the July-September period, Mr Kuroda said at a press conference after the policy decision.

While he has signalled the possibility that the BOJ may lower its inflation outlook because of the drop in oil prices, he said yesterday that inflation would accelerate to the 2 per cent goal around the six months to September 2016.

Eleven economists have predicted the expansion of stimulus on Oct 30, when the BOJ releases its economic and inflation outlook.

That meeting would be a "good opportunity" to add stimulus, ruling party lawmaker Kozo Yamamoto said last week. He said the BOJ should expand its easing plan by at least 10 trillion yen.

The central bank has been buying government bonds and assets linked to stocks and real estate to pump cash into the economy.

With the BOJ having purchased 79 per cent of the targeted amount of exchange traded funds for this year, it may need to add to its firepower. BLOOMBERG

## Commercial land prices in Japan's big cities on the rise

**Tokyo**

COMMERCIAL land prices in Japan's three largest metropolitan areas rose 2.3 per cent in the 12 months ended June 30, extending gains as low interest rates spurred property acquisitions, a government survey showed.

Commercial land prices for areas surrounding Tokyo, Osaka and Nagoya rose at a faster pace in that period than the 1.7 per cent increase in the previous one year, according to the Ministry of Land, Infrastructure, Transport and Tourism.

"Easy money policy has helped investors to raise money easily, which drove property investments," Tomoaki Takahashi, director at the ministry's land price publication office, told a media briefing.

An influx of foreign tourists boosted demand for retail space in major cities, which also contributed to the rise in commercial land prices, he said.

Overall, Japan's commercial land prices fell 0.5 per cent during the year ended June 30. This eighth consecutive annual fall was rooted in declines in land prices in regional cities, the survey showed. The pace of decline slowed from the previous 12 months' 1.1 per cent drop.

While a downward trend for regional cities continued, commercial land prices in four regional hubs - Sapporo, Sendai, Hiroshima and Fukuoka - jumped 3.8 per cent, compared with a 2.6 per cent increase in the year ended June 2014.

Nationwide residential land prices fell 1.0 per cent, the 23rd straight annual decline, while prices for the three metropolitan areas rose 0.4 per cent, similar to the previous year's 0.5 per cent gain. Residential land prices for regions around the four regional hubs rose 1.7 per cent, faster than previous year's 1.3 per cent gain, according to the survey. REUTERS





Thank You

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