



**Daiwa House**  
Logistics Trust

(a real estate investment trust constituted on 2 November 2021  
under the laws of the Republic of Singapore)  
managed by  
Daiwa House Asset Management Asia Pte. Ltd.

**RESPONSES TO UNITHOLDERS' SUBSTANTIAL AND RELEVANT QUESTIONS IN RELATION  
TO THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON 1 DECEMBER 2022**

DBS Bank Ltd. was the sole financial adviser for the initial public offering of Daiwa House Logistics Trust (the "**Offering**"). DBS Bank Ltd. and Nomura Singapore Limited were the joint issue managers for the Offering. DBS Bank Ltd. and Nomura Singapore Limited assume no responsibility for the contents of this announcement.

Daiwa House Asset Management Asia Pte. Ltd., the manager of Daiwa House Logistics Trust ("**DHLT**", and the Manager of DHLT, the "**Manager**"), would like to thank all unitholders of DHLT ("**Unitholders**") who have submitted their questions in advance of our Extraordinary General Meeting ("**EGM**") in respect of the Proposed Acquisition and Proposed Sponsor Subscription. The EGM is to be convened and held wholly by way of electronic means on Thursday, 1 December 2022 at 2.00 p.m. (Singapore time).

The Manager's responses to the key questions received from Unitholders prior to Monday, 28 November 2022 at 2.00 p.m. (Singapore time) can be found in the Appendix to this announcement. Any further substantial and related questions received from Unitholders after this date will be addressed by the Manager at the EGM.

As there was substantial overlap between questions received from Unitholders, the Manager has, for Unitholders' easy reference and reading, summarised the questions and grouped related and similar questions and our responses together. Substantial and related questions raised prior to and/or during the virtual dialogue session organised and hosted by Securities Investors Association (Singapore) on Wednesday, 23 November 2022 at 7.00 p.m. (Singapore time) have also been included in the Appendix to this announcement. Accordingly, not all questions received from Unitholders may be individually addressed.

Unless otherwise defined herein, all capitalised terms have the meanings ascribed to them in the circular to Unitholders dated 16 November 2022 (the "**Circular**").

For and on behalf of the Board

**Daiwa House Asset Management Asia Pte. Ltd.**

(Company Registration No. 202037636H)

(as Manager of Daiwa House Logistics Trust)

Takeshi Fujita

Director and Chief Executive Officer

29 November 2022

## Important Notice

This announcement is for information purposes only and does not constitute or form part of an offer, solicitation or invitation of any offer, to buy or subscribe for any units in DHLT (“Units”) in Singapore or any other jurisdiction, nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed on Singapore Exchange Securities Trading Limited (the “SGX-ST”). It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Units.

The past performance of DHLT is not necessarily indicative of the future performance of DHLT.

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation), general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, property expenses and governmental and public policy changes. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of DHLT. The forecast financial performance of DHLT is not guaranteed. A potential investor is cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

## APPENDIX

### **DHLT Extraordinary General Meeting 2022 Responses to Unitholders' Substantial and Relevant Questions**

<b>1.</b>	<b>How did DHLT select DPL Iwakuni 1 &amp; 2 and D Project Matsuyama S for this acquisition?</b>
	<p><b>Response:</b></p> <p>When evaluating potential target properties, the Manager has considered factors such as the location of the properties, stability of income, quality of tenants, as well as the financial impact on DHLT. In addition, the Manager also considered (i) the suitability of the property specification to the local economy and needs of the tenants and (ii) the accessibility to the delivery destination(s) of tenants, which can be factory or retail outlet, and/or to transportation hubs, such as, interchange and port, which are important to assess competitiveness of each property.</p> <p>As disclosed in paragraph 4.3 of the Circular, the Manager believes that DPL Iwakuni 1 &amp; 2 and D Project Matsuyama S have strong features which caters to the respective local economy and tenants' needs. Due to their strategic locations and high-quality specifications, these two properties are fully occupied with high quality tenants, which include Nippon Express, a global 3PL company and Nippon Access, a leading integrated food trading company in Japan.</p> <p>The Manager believes that the addition of these properties to DHLT's Existing Portfolio will lead to further diversification and strengthen the resilience of the portfolio.</p> <p>Please refer to paragraph 4.3 of the Circular for further information on the two properties, including their location and tenants.</p>
<b>2.</b>	<b>Why did DHLT decide to acquire D Project Iruma S Land?</b>
	<p><b>Response:</b></p> <p>The acquisition of D Project Iruma S Land is part of the Manager's active asset management strategy to further strengthen the resilience of the portfolio. Through the acquisition of D Project Iruma S land, DHLT will own the freehold interest in the D Project Iruma S, an existing property in DHLT's portfolio, which will help to mitigate risk in relation to leasehold properties. On a pro forma basis, the proportion of freehold properties (by NLA) of the Enlarged Portfolio will increase from 48.3% to 54.0% as at 30 June 2022. As a result, the proportion of properties that are freehold or with land lease expiry of more than 40 years will increase from 84.8% to 88.8% as at 30 June 2022.</p> <p>Additionally, the acquisition of D Project Iruma S Land is beneficial to DHLT for the following reasons:</p>

	<ul style="list-style-type: none"> <li>• DHLT can realise potential valuation upside through (i) tighter discount rates as freehold properties are generally valued based on a tighter discount rate compared to leasehold properties (ii) positive net cashflow by having net savings on land rent payments for the Leasehold which it presently owns in respect of D Project Iruma S;</li> <li>• the value of D Project Iruma S can be better preserved, as otherwise, with less than 30 years of lease remaining on the land lease, the valuation of DHLT's leasehold interest in D Project Iruma S would gradually decline over time as the remaining term on the lease decreases, assuming other factors remain constant; and</li> <li>• the purchase consideration of D Project Iruma S Land is 8.9% below its Average Value.</li> </ul> <p>Please refer to paragraph 4.3.3 of the Circular for further information on the rationale and key benefits for acquiring D Project Iruma S Land.</p>
<b>3.</b>	<b>How does DHLT intend to fund the Proposed Acquisition?</b>
	<p><b>Response:</b></p> <p>As disclosed in paragraph 2.5 of the Circular, the Total Acquisition Cost, less the Acquisition Fee (which will be paid through the issue of Acquisition Fee units), is intended to be financed in the following manner:</p> <ul style="list-style-type: none"> <li>(i) JPY 1,250.0 million (S\$12.8 million)<sup>1</sup> from the proceeds from the Proposed Sponsor Subscription;</li> <li>(ii) JPY 4,000.0 million (S\$40.8 million) through the JPY denominated loan facilities; and</li> <li>(iii) the remaining costs (including the Refundable Consumption Tax) through internal resources of DHLT.</li> </ul> <p>The Issue Price for the Sponsor Subscription is at the higher of S\$0.77 per New Unit or the 10-Day VWAP. The minimum Issue Price of S\$0.77 per New Unit is equivalent to the adjusted NAV per Unit as at 30 June 2022 (being NAV per Unit of S\$0.80 net of DPU of 3.09 cents in respect of FP2022), which represented a premium of 14.9% to the closing price of S\$0.67 as at 20 September 2022 (being the Market Day immediately preceding 21 September 2022 which is the date of the announcement made by the Manager for the Transactions).</p> <p>Please refer to paragraph 2.5 of the Circular for further information on the method of financing of the Proposed Acquisition.</p>

<sup>1</sup> The actual SGD equivalent amount will be determined based on the Agreed Exchange Rate to be determined on the Price Determination Date in accordance with the Subscription Agreement.

4.	<p><b>Why is the Sponsor willing to sell the Target Properties to DHLT at a discount of 11.8% to Aggregate Value and at the same time, agree to subscribe for Units in DHLT at an issue price that is at a substantial premium to current trading prices?</b></p>
	<p><b>Response:</b></p> <p>The Sponsor views DHLT as an important and strategic vehicle and takes a long term view on DHLT. The sale of Target Properties at 11.8% discount to the Aggregate Value and the Proposed Sponsor Subscription demonstrate the Sponsor’s strong support and commitment to grow and develop DHLT over the long term.</p> <p>The discount was arrived at after negotiations between DHLT and the Sponsor on the purchase price for the Target Properties. The attractive discount is also possible as the Sponsor is a property developer and constructed DPL Iwakuni 1 &amp; 2 as well as one of the two buildings on D Project Matsuyama S and is also a testament to the financial strength of the Sponsor.</p> <p>Further, the Sponsor is willing to participate in the Proposed Sponsor Subscription at a substantial premium to the current trading prices as they believe in the long-term value of DHLT and is willing to look beyond near-term factors such as foreign exchange volatility and the current economic situation in the market which may impact the financial performance of DHLT in SGD terms and its unit price. Based on the minimum Issue Price of S\$0.77 per New Unit, the Transactions are not expected to dilute NAV per Unit as at 30 June 2022, on a pro forma basis.</p> <p>Separately, the Manager believe that the ability to acquire quality assets during such challenging times currently also underline the importance of the strength and support of the Sponsor.</p>
5.	<p><b>What is the DPU impact of the acquisition after adjusting for current SGD/JPY foreign exchange rates since all published materials are based on pre-hedged foreign exchange rates?</b></p>
	<p><b>Response:</b></p> <p>Based on the sensitivity analysis disclosed in paragraph 5.1 of the Circular, the impact of a 15% depreciation in the SGD/JPY exchange rate compared to the actual FP2022 exchange rates will only reduce the pro forma FP2022 DPU accretion by 0.006 cents, mainly due to the capital structure put in place which reduces the foreign exchange exposure to DHLT. Accordingly, the impact to DPU accretion is not expected to be material.</p>

The illustrative table which is found in paragraph 5.1 of the Circular is reproduced below for ease of reference:

	Change in Accretion Impact to Pro Forma DPU <sup>(1)(2)</sup>					
	JPY Appreciation			JPY Depreciation		
	+5%	+10%	+15%	-5%	-10%	-15%
<b>Singapore Cents</b>	0.002	0.004	0.006	-0.002	-0.004	-0.006

**Notes:**

- (1) Based on a pro forma DPU accretion of 0.04 Singapore cents.
- (2) The base foreign exchange rate is calculated using the exchange rates as disclosed in notes (2) and (3) of the pro forma DPU table in **paragraph 5.1** of this Letter to Unitholders.

**6. What is the aggregate leverage post-Transactions and what level of aggregate leverage will the Manager be comfortable with?**

**Response:**

Based on the pro forma aggregate leverage disclosed in paragraph 5.3 of the Circular, the aggregate leverage after the Transactions is expected to be 36.2% as at 30 June 2022. The illustrative table which is found in paragraph 5.3 of the Circular is reproduced below for ease of reference:

	Actual as at 30 June 2022 Before the Proposed Acquisition	Pro Forma as at 30 June 2022 After the Proposed Acquisition
Aggregate Leverage	34.0%	36.2%

**Note:** Based on an illustrative exchange rate of S\$1.00 : JPY 98.0.

The Manager adopts a prudent capital management and targets to maintain the aggregate leverage at around 40.0%.

Please refer to paragraph 5 of the Circular for further information on the pro forma financial effects of the Transactions.

**7. Does the Manager have a diversification target in terms of properties in different regions within Japan, and will DHLT focus on acquiring freehold properties going forward?**

**Response:**

Immediately following the Transactions, the Greater Tokyo and “Hokkaido and Tohoku” regions will remain the two regions in which DHLT has the greatest presence, at approximately 37% and 35% by NLA, respectively.

	<p>Over the longer term, the Manager intends to mitigate concentration risk through further acquisitions. While diversification is important to mitigate concentration risk, the Manager will also consider the market situation of micro markets including supply and demand dynamics in each region and sub-market.</p> <p>The Manager will evaluate all future acquisitions, whether it is a freehold or leasehold property, on a case-by-case basis taking into account relevant factors such as the price and impact on DHLT.</p>
8.	<p><b>What is DHLT’s future acquisition plan after this transaction? What are the plans for expansion into other countries outside of Japan?</b></p>
	<p><b>Response:</b></p> <p>With regard to DHLT’s future acquisition plans, the Manager continues to evaluate potential target properties from time to time and will make the appropriate announcement if there are any material developments.</p> <p>With regard to DHLT’s plans to expand into other countries outside Japan, the Manager will continue to monitor the market condition and consider the appropriate timing to acquire properties outside of Japan. The Manager would like to highlight that, in connection with the Listing, the Sponsor had on 9 November 2021 granted to the Trustee a right of first refusal in relation to the completed income-producing real estate assets located in Asia held by the Sponsor or its subsidiaries, on the terms of the ROFR Agreement. The Sponsor has a pipeline of logistics properties in Southeast Asia and the Manager will consider the stability of the operation of such properties and the markets they are in when considering whether to acquire such properties, as well as the funding options available to DHLT.</p> <p>The Manager will remain disciplined in executing its growth strategy and seek to deliver sustainable returns to the Unitholders.</p>
9.	<p><b>Some of the properties in the Existing Portfolio have short remaining land leases. Is it costly to extend the land leases?</b></p>
	<p><b>Response:</b></p> <p>The cost related to any extension of land leases is subject to negotiation with the respective landowners.</p> <p>As part of the Manager’s ongoing asset management strategy to manage the impact of shorter remaining land leases, the Manager will pro-actively seek opportunities to either negotiate for the extension of the land lease tenor or to acquire the underlying freehold land when the land lease tenor becomes shorter. This will be evaluated on a case-by-case basis depending on whether a suitable opportunity arises and the financial impact on DHLT.</p>



10.	<b>How has the depreciation of JPY against SGD affected the performance of DHLT?</b>
	<p><b>Response:</b></p> <p>The performance of DHLT remains relatively stable despite the depreciation of JPY against SGD. As explained in the recent 3Q FY2022 Business Update presentation slides announced on 9 November 2022 (“<b>3Q FY2022 Business Update Presentation</b>”), the NPI for the financial period from 26 November 2021 to 30 September 2022 (“<b>YTD FY2022</b>”) in SGD terms was lower than the Pro-rated Forecast<sup>2</sup> due to the foreign exchange weakness of JPY. However, the operations of DHLT remained stable and the NPI for YTD FY2022 in JPY terms outperformed the Pro-rated Forecast by 2.0%. Despite the lower NPI in SGD terms compared to the Pro-rated Forecast, distributable income (in SGD terms) was in line with the Pro-rated Forecast which was partly mitigated by the lower expenses denominated in JPY including finance expenses.</p> <p>The Manager adopts a hedging policy to systematically hedge distributable income on one-year rolling basis, where appropriate, to smoothen out volatility. DHLT’s borrowings are also denominated in JPY to provide a natural hedge against the portfolio value which is also denominated in JPY. While the movement of foreign currency is beyond the control of the Manager, the Manager believes that its hedging policy will mitigate such risks and the Manager will continue to focus on driving the business and growth of DHLT.</p> <p>Further, the occupancy rate of DHLT’s Existing Portfolio has remained high at 98.6% and DHLT has achieved a 100% lease renewal rate up to 30 September 2022 with an average increase of rent of 2.9% for new or renewed leases<sup>3</sup>. The tenant base of DHLT’s Existing Portfolio comprises of quality tenants, with about 80% of tenants being in the resilient 3PL and e-commerce sectors and since Listing, there has been no request for rent relief from tenants, which demonstrates the resilience of DHLT’s Existing Portfolio.</p> <p>Please refer to the 3Q FY2022 Business Update Presentation announced on 9 November 2022 for further information. Unless otherwise defined herein, all capitalised terms in the response to this question 10 have the meanings ascribed to them in the 3Q FY2022 Business Update Presentation.</p>
11.	<b>Japan is currently maintaining a low interest rate policy. How will DHLT be impacted if interest rates rise in the future?</b>
	<p><b>Response:</b></p> <p>The Manager has taken steps to mitigate the potential impact on DHLT if interest rates were to rise in Japan. 100% of DHLT’s JPY borrowings are on a fixed rate basis and therefore the</p>

<sup>2</sup> The “**Pro-rated Forecast**” refers to the forecast pro-rated based on the forecast Consolidated Statements of Comprehensive Income for the period 1 October 2021 to 31 December 2021 as well as the projection year for the period from 1 January 2022 to 31 December 2022 (as disclosed in the IPO Prospectus), and where relevant, converted to JPY based on assumed exchange rate.

<sup>3</sup> Based on the monthly rent for new or renewed lease compared against the preceding lease for the same space, weighted by NLA.

	<p>interest expense for DHLT's existing term loans will not be affected by any increase in interest rate. Further, there is no refinancing requirement until November 2024.</p> <p>In relation to the Proposed Acquisition, the Manager intends to enter into fixed rate loans where the interest rate is expected to be fixed for the tenor of the Loan Facilities, so that the Loan Facilities will not be exposed to any interest rate movements. The tenor of the Loan Facilities is also intended to be spread across four and five years so as to mitigate refinancing risks for DHLT by extending the loan maturity profile.</p>
<b>12.</b>	<b>DHLT's unit trading price has declined since IPO. What are the reasons for the decline?</b>
	<p><b>Response:</b></p> <p>The decline in DHLT's unit trading price since its IPO is likely due to several factors which include the impact of COVID-19, rising interest rates and concerns over the macro environment. Such factors have impacted the financial markets as a whole and S-REITs have likewise generally experienced a decline in trading price, with the FTSE ST REIT Index down about 16.5% as at 25 November 2022 since the listing of DHLT in November 2021. In addition, the volatility of foreign exchange currencies, in particular JPY against SGD, may have also contributed to the performance of DHLT's unit prices.</p> <p>The Manager wishes to reiterate that it has a hedging policy in place to mitigate such risks and DHLT's business operations have remained stable. Please refer to the response to Question 10 for further information on the hedging policy and business operations.</p> <p>100% of DHLT's JPY borrowings are also on a fixed rate basis and therefore the interest expense for DHLT's existing term loans will not be affected by any increase in interest rate.</p>