

DAIWA HOUSE LOGISTICS TRUST

Unaudited Condensed Interim Financial Statements and Distribution Announcement
For the period from 26 November 2021 (Listing Date) to 31 December 2022



(a real estate investment trust constituted on 2 November 2021 under the laws of the Republic of Singapore)

DBS Bank Ltd. was the Sole Financial Adviser, and DBS Bank Ltd. and Nomura Singapore Limited were the Joint Issue Managers for the initial public offering of Daiwa House Logistics Trust.

DAIWA HOUSE LOGISTICS TRUST UNAUDITED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE PERIOD FROM 26 NOVEMBER 2021 (LISTING DATE) TO 31 DECEMBER 2022

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INTRODUCTION

Daiwa House Logistics Trust ("DHLT") is a Singapore real estate investment trust constituted pursuant to the Trust Deed dated 2 November 2021 between Daiwa House Asset Management Asia Pte. Ltd. as manager (the "Manager") of DHLT and HSBC Institutional Trust Services (Singapore) Limited as trustee (the "Trustee") of DHLT.

DHLT was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 26 November 2021 ("Listing Date"). DHLT's initial IPO comprised 14 logistics properties in Japan with an aggregate net lettable area ("NLA") of approximately 423,920 square meter ("sqm") and a total land area of approximately 420,393 square meters. On 8 December 2022, DHLT completed the acquisition of 2 freehold properties and an underlying freehold land in Japan. As at 31 December 2022, the total NLA of its portfolio increased to 444,728 sqm.

The investment strategy of DHLT is to invest in a diversified portfolio of income-producing logistics and industrial real estate assets located across Asia. DHLT's key objectives are to provide Unitholders with regular and stable distributions, and to achieve long-term growth in DPU and net asset value per Unit, while maintaining an optimal capital structure and strengthening the portfolio in scale and quality.

DHLT's distribution policy is to distribute 100% of DHLT's Annual Distributable Income for the period from 26 November 2021 (Listing Date) to 31 December 2022 and at least 90% of its Annual Distributable Income thereafter on a semi-annual basis. The actual level of distribution is to be determined at the Manager's discretion.

Summary of Daiwa House Logistics Trust

	Group			Group		
	1 Jul 2022 to 31 Dec 2022 ⁽¹⁾ (2H2022)			26 Nov 2021 to 31 Dec 2022 ⁽¹⁾ (FP2022)		
	Actual	Forecast	Change %	Actual	Forecast	Change %
Gross Revenue (S\$ '000) ⁽²⁾	29,816	33,787	(11.8)	68,719	74,144	(7.3)
Net Property Income (S\$ '000) ⁽³⁾	22,950	26,323	(12.8)	52,985	57,784	(8.3)
Amount Distributable (S\$ '000)						
- to Perpetual Securities Holders ⁽⁴⁾	445	528	(15.7)	1,035	1,159	(10.7)
- to Unitholders of DHLT ⁽⁵⁾	17,720	17,694	0.1	38,621	38,592	0.1
Distribution per Unit ("DPU") (cents)	2.61	2.61	-	5.70	5.70	-

Footnotes:

- (1) The Prospectus disclosed forecast results for the forecast period for 4Q2021, and projections for projection period 2022. Forecast results for the period from 26 November 2021 (Listing Date) to 31 December 2022 (Financial Period 2022) were derived by pro-rating the forecast and projection results for the periods Financial Period 2022 ("FP2022").
- (2) Gross revenue of S\$29.8 million in 2H2022 and S\$68.7 million in FP2022, was below forecast primarily due to weaker JPY against S\$. However, in JPY terms, gross revenue in 2H2022 and FP2022 was 5.8% and 3.7% higher than forecast contributed by higher rental and utilities recoverable income compared with that assumed in the forecast.
- (3) Net property income of S\$23.0 million in 2H2022 and S\$53.0 million in FP2022, was S\$3.4 million and S\$4.8 million below forecast, respectively, largely due to lower gross revenue offset by lower property expenses against the forecast, resulting from the weaker JPY.

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- (4) Distribution to perpetual securities holder was 10.7% lower than forecast due to weaker JPY against S\$.
- (5) Lower net property income was offset by lower finance expenses, management fees trust expenses, and realised exchange gain from the settlement of the hedges. Notwithstanding the weaker JPY against S\$, the higher returns of capital from Japan entities as well as the lower issue cost defrayed by the government grant received helps to bring the distributable income in S\$ to be in line with forecast.

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DAIWA HOUSE LOGISTICS TRUST AND ITS SUBSIDIARIES
CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD FROM 26 NOVEMBER 2021 (LISTING DATE) TO
31 DECEMBER 2022

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CONSOLIDATED CONDENSED INTERIM STATEMENT OF TOTAL RETURN AND CONSOLIDATED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		GROUP 2H2022 Actual S\$ '000	GROUP FP2022 Actual S\$ '000
	Notes		
Gross revenue	5	29,816	68,719
Property expenses	6	(6,866)	(15,734)
Net property income		22,950	52,985
Manager's management fees	7	(1,297)	(2,745)
Japan asset management fees		(540)	(1,255)
Trustee's fee		(139)	(294)
Trust expense		(443)	(1,659)
Finance expenses	8	(3,187)	(8,030)
Other income		1,141	1,141
Net income before tax and fair value change in investment properties		18,485	40,143
Fair value change in investment properties		13,451	121,485
Fair value change in derivative		870	870
Tax expenses		(4,138)	(21,169)
Total returns		28,668	141,329
Attributable to:			
Unitholders		28,223	140,294
Perpetual securities holders		445	1,035
Total returns		28,668	141,329
<u>Distribution Statement</u>			
Total returns attributable to Unitholders of DHLT		28,223	140,294
Adjustments		(10,503)	(101,673)
Distributable income to Unitholders of DHLT		17,720	38,621

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CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2022	
	Notes	Group S\$ '000	Trust S\$'000
Current assets:			
Cash and cash equivalents		48,938	11,393
Restricted cash	9	45,826	-
Trade receivables		346	-
Derivative asset	10	1,123	1,123
Prepaid expenses and other assets	11	5,155	450,676
Total current assets		101,388	463,192
Non-current assets:			
Investment properties	12	1,075,651	-
Interest in subsidiaries		-	1,504
Total non-current assets		1,075,651	1,504
Total assets		1,177,039	464,696
Current liabilities:			
Lease liability		2,788	-
Trade and other payables	13	10,277	1,636
Total current liabilities		13,065	1,636
Non-current liabilities:			
Trade and other payables	13	17,464	-
Loans and borrowings	14	338,301	-
Lease liabilities		170,879	-
Derivative liabilities	10	253	253
End-tenants security deposits		29,149	-
Deferred tax liability		18,925	-
Total non-current liabilities		574,971	253
Total liabilities		588,036	1,889
Net assets		589,003	462,807
Represented by:			
Unitholders' funds		553,211	427,015
Perpetual securities		35,792	35,792
Total equity at end of period		589,003	462,807
Units in issue and to be issued ('000)	15	693,774	693,774
Net asset value per Unit (S\$)	16	0.80	0.62

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CONDENSED INTERIM CONSOLIDATED DISTRIBUTION STATEMENT

	2H2022	FP2022
	Actual	Actual
	S\$ '000	S\$ '000
Total amount available for distribution to Unitholders at beginning of the financial period	20,901	-
Total return for the period attributable to unitholders	28,223	140,294
Distribution adjustments (Note A)	(10,503)	(101,673)
Income available for distribution to unitholders for the period	17,720	38,621
Distribution of 3.09 cents per unit for the period from 26/11/21 to 30/06/22	(20,873)	(20,873)
Total amount available for distribution to Unitholders at end of the financial period	17,748	17,748

Note A - Distribution Adjustments

Manager's management fees paid/payable in Units	648	1,372
Fair value change in investment properties	(16,108)	(126,509)
Fair value change in derivative	(870)	(870)
Unrealised forex loss	245	245
Amortisation of loan/bond upfront fee	689	2,148
Deferred tax expenses	4,138	21,169
Issue costs partly reimbursed from government grant	400	400
Others	355	372
Total distribution adjustments	(10,503)	(101,673)

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CONDENSED STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

	Group	Trust	Group	Trust
	2H 2022		FP2022	
	S\$'000	S\$'000	S\$'000	S\$'000
Unitholders funds				
Balance at beginning of period/ 2 November 2021 (Date of Constitution)	627,599	506,937	-	-
Operations				
Total return for the period	28,668	(73,401)	141,329	(81,402)
Less: Amount reserved for perpetual securities holders	(445)	(445)	(1,035)	(1,035)
Net increase/(decrease) in net assets resulting from operations	28,223	(73,846)	140,294	(82,437)
Unitholders transactions				
Movement during the period				
- Issuance of new units at Initial Public Offerings ("IPO")	-	-	540,000	540,000
- Issuance of new units under Sponsor subscription	12,375	12,375	12,375	12,375
- Issue cost	1,000 ⁽¹⁾	1,000 ⁽¹⁾	(23,885)	(23,885)
Less: Distribution to unitholders	(20,873)	(20,873)	(20,873)	(20,873)
- Manager's fees paid/payable in units	1,422	1,422	1,835	1,835
Net change in unitholders' transactions	(6,076)	(6,076)	509,452	509,452
Balance at end of period	649,746	427,015	649,746	427,015
Foreign currency translation reserve				
Balance at end of period	(96,535)	-	(96,535)	-
Perpetual securities				
Beginning balance of period/ on listing	35,807	35,807	35,574	35,574
Add: Amount reserved for distribution	445	445	1,035	1,035
Less: Distribution made to perpetual securities holder	(460)	(460)	(817)	(817)
Balance at end of period	35,792	35,792	35,792	35,792
Total equity at end of period	589,003	462,807	589,003	462,807

⁽¹⁾ Receipt of government grant in 2H2022

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2H 2022 S\$'000	FP 2022 S\$'000
Cash flows from operating activities:		
Net income before tax but after fair value changes	32,806	162,498
<i>Adjustments for:</i>		
Amortisation and straight lining of rents	(292)	(747)
Manager's fee paid in Units	648	1,372
Manager's acquisition fee payable in units	463	463
Finance expenses	2,498	5,882
Amortisation of financing costs	689	2,148
Amortisation of prepaid expenses	160	372
Fair value change in investment properties	(13,451)	(121,485)
Fair value change in derivatives	(870)	(870)
Interest income	(75)	(75)
Operating income before working capital changes	22,576	49,558
Changes in working capital:		
Accounts receivable	19	(366)
Prepaid expenses and other assets	3,685	(826)
Other liabilities	(3,077)	10,892
Net cash flows generated from operating activities	23,203	59,258
Cash flows from investing activity:		
Acquisition of investment properties and related assets and liabilities	(49,450)	(885,722)
Cash flow used in investing activity⁽¹⁾	(49,450)	(885,722)
Cash flows from financing activities:		
Repayments of lease liability	(1,747)	(4,121)
Proceeds from issuance of new units ⁽²⁾	12,375	552,375
Payment of issue cost	-	(24,885)
Proceeds from grant	1,000	1,000
Proceeds from perpetual securities	-	35,574
Proceeds from debt financings ⁽³⁾	43,069	408,900
Payments of deferred financing costs	(1,087)	(8,208)
Payment of the finance expenses	(2,338)	(4,835)
Payments of perpetual securities distribution	(460)	(817)
Distribution to unit holders	(20,873)	(20,873)
Receipt of interest	53	53
Restricted cash for financing activities	(2,272)	(54,260)
Cash flows generated from financing activities	27,720	879,903
Net increase in cash and cash equivalents	1,473	53,439
Cash and cash equivalents at beginning of the period	50,284	-
Effect of exchange rate changes on cash and cash equivalents	(2,819)	(4,501)
Cash and cash equivalents at end of the period	48,938	48,938

(1) Acquisitions of properties were funded via proceeds from issuance of units during IPO and Sponsor Subscription, debt financings and issuance of perpetual securities.

(2) Proceeds from issuance of 675,000,000 DHLT units during the initial public offering on Listing Date, as well as the issuance of 16,071,444 units under the Sponsor Subscription has been fully disbursed and is in accordance with the stated uses as disclosed in the Prospectus and circular respectively.

(3) Bank loans and bonds from banks for the acquisition of properties in relation to the initial public offering and acquisition has been fully disbursed and is in accordance with the stated uses as disclosed in the Prospectus and circular respectively.

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STATEMENT OF PORTFOLIO

Property	Geographic Area	Date of Construction	Tenure of Land	As at 31 December 2022 S\$'000	% of Net Assets Attributable to Unitholders
DPL Sapporo Higashi Kariki	Hokkaido and Tohoku	1 Feb 2018	Freehold	129,265	23.4
DPL Sendai Port	Hokkaido and Tohoku	10 Mar 2017	Freehold	133,305	24.1
DPL Koriyama	Hokkaido and Tohoku	6 Sep 2019	Freehold	69,379	12.5
D Project Maebashi S	Greater Tokyo	5 Nov 2018	Freehold	35,548	6.4
D Project Kuki S	Greater Tokyo	1 Aug 2014	Leasehold	17,684	3.2
D Project Misato S	Greater Tokyo	15 Feb 2015	Leasehold	39,298	7.1
D Project Iruma S	Greater Tokyo	18 Dec 2017	Freehold	46,253	8.4
DPL Kawasaki Yako	Greater Tokyo	1 Jun 2017	Leasehold	319,671	57.8
D Project Nagano Suzaka S	Greater Tokyo	25 Sep 2018	Freehold	27,165	4.9
DPL Shinfuji	Greater Nagoya	20 Sep 2017	Leasehold	61,093	11.0
D Project Kakegawa S	Greater Nagoya	1 May 2019	Freehold	43,324	7.8
DPL Okayama Hayashima	Chugoku	19 Sep 2017 / 30 Nov 2018	Leasehold	62,529	11.3
DPL Okayama Hayashima 2	Chugoku	30 Oct 2017	Leasehold ⁽¹⁾	35,019	6.3
D Project Fukuoka Tobara S	Kyushu	21 Feb 2019	Leasehold	24,196	4.4
DPL Iwakuni 1 & 2	Chugoku	28 Sep 2018 / 19 Mar 2020	Freehold	22,621	4.1
D Project Matsuyama S	Shikoku	31 Oct 1994 / 31 Jul 2017	Freehold	9,301	1.7
				1,075,651	194.4
				Carrying Value as at 31 December 2022	% of Net Assets Attributable to Unitholders
Investment properties as at 31 December 2022 (excluding Right-of-use assets and assets corresponding to asset-retirement-obligation)				1,075,651	194.4
Other assets and liabilities (net)				(486,648)	(88.0)
Net Assets of the Group				589,003	106.4
Perpetual securities				(35,792)	(6.4)
Net assets attributable to Unitholders				553,211	100.0

Footnote:

⁽¹⁾ The ordinary land lease will automatically renew for a term of 20 years upon expiry unless otherwise agreed by the parties and the lessor will not be able to object to renewal without a justifiable reason.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

Daiwa House Logistics Trust (“DHLT”) is a Singapore real estate investment trust constituted pursuant to a trust deed dated 2 November 2021 between Daiwa House Asset Management Asia Pte. Ltd. (the “**Manager**”) and HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”). DHLT was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 26 November 2021 (“Listing Date”). The Trust and its subsidiaries are collectively referred to as “DHLT in the consolidated financial statements.

The registered address of the Manager is 8 Marina View, Asia Square Tower 1, #14-09, Singapore 018960.

The principal activity of the Trust is to invest in a diverse portfolio of stabilised income-producing logistics and industrial assets, and real estate-related assets in Asia, to provide unitholders of DHLT with regular and stable distributions.

2. Basis of Preparation

The condensed interim financial statements for the period from 26 November 2021 (Listing Date) to 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the performance of DHLT.

The condensed interim financial statements are presented in Singapore Dollars (“S\$”), which is DHLT’s functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

2.1 New and amended standards adopted

The Group has applied the same accounting policies and methods of computation as described in Prospectus in the preparation of the consolidated financial statements for the current reporting period.

2.2 Use of estimates and judgements

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial information is included in:

Area of estimation:

Valuation of investment properties

Note

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3. Seasonal operations

DHLT's business is not affected significantly by seasonal or cyclical factors during the period.

4. Segment Reporting

DHLT's operating segments are regularly reviewed by the Chief Operating Decision Maker ("CODM"), being the Chief Executive Officer ("CEO"). An operating segment is a component of the DHLT Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the DHLT Group's other components. The DHLT Group's investment properties are primarily logistics and industrial properties located in Japan. Therefore, the directors consider that the DHLT Group operates within a single business segment and within a single geographical segment in Japan. Accordingly, no segment information has been presented in this financial information.

5. Gross revenue

	2H 2022	FP 2022
	S\$ '000	S\$ '000
Rental income	26,231	61,172
Recoverable and other income	3,585	7,547
Gross revenue	29,816	68,719

Recoverable and other income includes service charge income, utilities income, carpark income, rental income from rooftop lease for solar panel and facility usage income.

6. Property operating expenses

	2H 2022	FP 2022
	S\$ '000	S\$ '000
Property taxes	2,740	6,333
Utilities expenses	2,246	4,171
Property management fees and expense	442	962
Building management expenses	1,012	2,377
Other operating expenses	426	1,891
Total property operating expenses	6,866	15,734

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7. Manager's management fees

The Manager is entitled under the Trust Deed to Management Fee comprising the Base Fee and Performance Fee as follows:

- (i) Base Fee of 10.0% per annum of the Annual Distributable Income (calculated before accounting for the Base Fee and the Performance Fee); and
- (ii) Performance Fee of 25.0% per annum of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year (subject to adjustments in certain cases under the Trust Deed).

To determine if any Performance Fee is payable in respect of the first Financial Year, the actual DPU for the period from the Listing Date to 31 December 2022 shall be compared to the sum of the forecast DPU in respect of Forecast Period 2021 and the projected DPU in respect of Projection Year 2022 ("FP2022").

The Manager has elected to receive 50% of the base management fees in units for FP 2022, and will not charge any performance fees for FP2022. The accruals for performance fees made in 1H2022 will be reversed in 2H2022.

8. Finance expenses

	2H 2022	FP 2022
	S\$ '000	S\$ '000
Interest expense	796	1,840
Amortisation of debt related expenses	689	2,148
Commitment and financing fees	14	14
Finance cost on lease liabilities and other liabilities	1,688	4,028
Total finance expenses	3,187	8,030

9. Restricted cash

Restricted cash comprises cash reserves as required by the lenders for capital expenditure, and expenditures including interest expenses, property tax expenses, special purpose vehicle costs, land rent payments and insurance premium. Restricted cash also includes cash paid by the end-tenants which is to be deposited into a reserve cash account with the Property Trustee.

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10. Derivative Financial Instruments

	Group	Trust
	As at 31 December 2022	
	S\$ '000	S\$ '000
Derivative asset	1,123	1,123
Derivative liabilities	(253)	(253)
Total derivative financial instruments	870	870
Percentage of derivative financial instruments to net assets	0.15%	0.19%

11. Prepaid expenses and other assets comprise:

	Group	Trust
	As at 31 December 2022	
	S\$ '000	S\$ '000
Prepaid insurance premium	1,270	-
Security deposit to land owner for land rent	3,711	-
Refundable consumption tax paid	-	-
Others	174	138
Amount due from subsidiaries	-	450,538
	5,155	450,676

12. Investment properties

	Group
	As at 31 December 2022
	S\$ '000
Consolidated Statement of Financial Position	
Acquisition value of investment properties as at 26 November 2021 (Listing Date)	866,155
Acquisition of investment properties	47,886
Capital expenditure capitalised	190
Fair value changes in investment properties	126,509
Foreign exchange rate changes	(156,779)
Investment properties value as at 31 December 2022	883,961
Add: Right-of-use assets and assets corresponding to asset-retirement-obligation	191,690
Carrying value of investment properties as at 31 December 2022	1,075,651
Consolidated Statement of Comprehensive Income	
Fair value changes in investment properties	126,509
Right-of-use assets and assets corresponding to asset-retirement-obligation	(3,735)
Amortisation and straight lining	(1,289)
Net fair value changes recognised in the statement of comprehensive income	121,485

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DHLT Group's investment properties comprise logistic spaces which are leased to external customers and held either to earn rental income or capital appreciation or both, and right-of-use assets relating to land leases where certain properties are built upon. Investment properties are stated at initial cost on acquisition including transactions, and fair value thereafter.

A right-of-use asset relating to the ground lease for leasehold properties of S\$174.2 million was recognised as at 31 December 2022 upon the adoption of IFRS 16 *Leases*. The remaining lease terms range from less than 12 years to 46 years as of 31 December 2022. In addition, an asset corresponding to asset-retirement-obligation of S\$17.5 million have been included in the investment properties at fair value as at 31 December 2022.

Measurement of fair value

The Group's investment properties valuations were performed by independent professional valuers as of 31 December 2022. The independent professional valuers have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair value is generally derived by using income capitalisation method, discounted cash flow method, direct comparison method and/or residual value method and key assumptions used include capitalisation rate, discount rate and adjusted price per square meter.

The carrying values of the investment properties as of 31 December 2022 were internally assessed by the Manager, after considering the operating parameters of the properties and in consultation with the external valuers conducting the annual valuation, considering current market conditions, capitalisation rates, discount rates and market comparables. Based on the review, there is no indication of significant changes affecting the value of the DHLT portfolio and the fair value of investment properties approximates the carrying value accounted in the Condensed Interim Statements of Financial Position.

The independent appraisers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the Income Approach. The two primary income approaches that may be used are the Discounted Cashflow Method ("**DCF**") and the Direct Capitalisation Method ("**DCM**"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposal, to determine the fair value. DCM determines value by applying a capitalisation rate to the property's stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The Market Transaction or Direct Comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties that have recently been sold. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the valuation process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

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Valuation techniques and significant unobservable inputs

The following table shows the range of key unobservable inputs used within the valuation reports:

Valuation technique	Key unobservable inputs	Relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Discount rate of 3.35% – 4.95% Terminal capitalisation/terminal discount rate of 3.45% – 5.35%	Lower/(Higher) discount rate or terminal capitalisation rate would result in a higher/(lower) fair value,
Direct capitalisation method	Capitalisation rate of 3.45% – 5.25%	Lower/(Higher) capitalisation rate would result in a higher/(lower) fair value,

Key unobservable inputs

Key unobservable inputs correspond to:

- Discount rate, which reflects the risk-free rate, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal capitalisation rate, which reflects the uncertainty, functional/economic obsolescence and the risk associated with a future assumed sale of the investment properties.
- Capitalisation rate, which reflects the ratio of the property's net property income to its fair value.

13. Trade and other payables

	Group 31 December 2022 \$'000	Trust 31 December 2022 \$'000
Current		
Trade and other payables	1,631	376
Accrued expenses	3,569	1,260
Interest payable	628	-
Deferred revenue ⁽¹⁾	4,449	-
	10,277	1,636
Non-current		
Asset retirement obligation ⁽²⁾	17,464	-

⁽¹⁾ Deferred revenue comprises mainly advance rental and recoveries received in advance

⁽²⁾ Non-current liabilities refer to the asset retirement obligations in respect of the leasehold investment properties

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14. Loans and Borrowings

Loans and borrowings comprise loans and bonds that were drawn down by and issued to DH-CRUX Japan TMK (“**DH TMK**”), a special purpose vehicle which holds directly and in trust each of the trust beneficial interests (“**TBIs**”) of the freehold properties and the ordinary land lease property.

	Group	Trust
	As at 31 December 2022	
	S\$ '000	S\$ '000
Non-current bank loans and bonds:		
Secured bank loans	333,261	-
Secured fixed rate bonds	10,099	-
Less: Unamortised upfront debt-related transaction costs	(5,059)	-
Total secured loans and borrowings	338,301	-
Percentage of borrowings to net assets	57.5%	-

Secured Debt Facilities

DHLT, through DH TMK, has the following debt facilities as of 31 December 2022:

- (1) 2 secured loan facilities amounting to JPY 33.0 billion from a syndicate of lenders. The loan Facilities comprise various tranches between three to five year tenors with loan maturities between 2024 to 2027
- (2) JPY 1.0 billion specified bonds issued to Sumitomo Mitsui Trust Bank Limited with a maturity in 2026.

DH-CRUX Japan TMK (“**DH TMK**”) is a special purpose vehicle which holds directly and in trust each of the trust beneficial interests (“**TBIs**”) of the freehold properties and the ordinary land lease property, while TK Operator (GK2) holds the TBIs of the special fixed-term land lease properties under a TK-GK structure.

Security Interests in connection with the Loan Facilities

The following security interests was created to secure the obligations of DH TMK as the borrower under the Loan Facilities:

- (i) revolving pledges over each TBI held by DH TMK or TK Operator (GK2);
- (ii) revolving mortgages over all real estate corresponding to the TBI (conditional upon the termination of the trust pursuant to the relevant trust agreement);
- (iii) revolving pledge over claims pursuant to insurance agreements for all real estate (conditional upon the termination of the trust pursuant to the relevant trust agreement);
- (iv) revolving pledge over the specified shares in DH TMK; and
- (v) revolving pledges over TK interests held by DH TMK in TK Operator (GK2).

Security Interests in connection with the Specified Bonds

A general security lien (*ippan tanpo*) was also created to secure the obligations of DH TMK as the issuer of the Specified Bonds. The subject of such general security lien (*ippan tanpo*) is the assets of DH TMK, which are, in substance, TBIs and TK interests in GKs. The Asset Liquidation Act grants to specified bondholders the right to receive all payments due in relation to such specified bonds out of the assets of DH TMK prior to any payments to other unsecured creditors.

The general security lien is subordinated to the above security interests (i) to (iii) and (v) held by DH TMK's lenders but takes preference over other unsecured creditors. Unless otherwise provided in the asset liquidation plan, that general security lien is automatically created by operation of law.

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Unsecured Loan Facilities

In 2022, DHLT has obtained a 3 year committed revolving credit facility ("RCF") and an uncommitted RCF. As at 31 December 2022, there is no loan drawn under the 2 unsecured facilities, and the total available facilities amount to S\$50mil.

15. Movements in Units

	Group and Trust	
	2H 2022 No. of Units	FP 2022 No. of Units
Units in issue at beginning of period/constitution	675,499,392	675,000,000
Units issued during the financial period:		
- Issuance of new units under Sponsor subscription	16,071,444	16,071,444
- Manager's base fee paid in units	964,230	1,463,622
Units issued at end of period	692,535,066	692,535,066
Units to be issued		
- Acquisition fees payable in units	728,785	728,785
- Manager's base fee payable in units	510,085	510,085
	1,238,870	1,238,870
	693,773,936	693,773,936

There are no treasury Units in issue as at 31 December 2022.

16. Net Asset Value ("NAV") Per Unit

	Group	Trust
	As at 31 December 2022	
Number of units in issue/ to be issued ('000)	693,774	693,774
Net asset attributable to unitholders (S\$'000)	553,211	427,015
NAV and NTA per unit attributable to unitholders ⁽¹⁾ (S\$)	0.80	0.62

⁽¹⁾ The computation of NAV and NTA is based on number of units in issue and to be issued at the end of the period. NAV and NTA are the same as there is no intangible asset as at the end of the period.

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17. Earnings Per Unit ("EPU") and Distribution Per Unit ("DPU")

	FP2022
EPU	
Weighted average number of Units in issue ⁽¹⁾	676,340,612
Net income for the period (S\$'000)	141,329
Basic and diluted EPU (cents)	20.90
DPU	
Number of units in issue at end of period	693,263,851
Distributable income to be paid to Unitholders (S\$'000)	38,621
DPU ⁽²⁾ (cents)	5.70

Footnotes:

⁽¹⁾ The weighted average number of units was based on the number of units in issue during the period.

⁽²⁾ The DPU was computed and rounded based on the number of units entitled to distribution at the end of the period.

18. Fair value measurement

The Group classifies financial assets measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

The following table shows an analysis of each class of assets and liabilities of the Group measured at fair value at the end of the reporting period:

Group	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
31 December 2022				
<i>Financial asset</i>				
Derivative assets	-	1,123	-	1,123
Total financial asset	-	1,123	-	1,123
<i>Financial liabilities</i>				
Loans and borrowings	-	-	337,161	337,161
Derivative liabilities	-	253	-	253
Total financial liabilities	-	253	337,161	337,414

Measurement of fair values

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

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Derivatives

The fair value of forward contracts are based on valuations provided by the financial institutions that are the counterparties of the transactions.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

19. Significant related party transactions

	FP 2022
	S\$ '000
Trustee Fee paid and payable to Trustee	179
Rent from solar system paid and payable to a subsidiary of Sponsor	124
Japan asset management fees	1,255
Property management fees	890
Building management fees	2,317
Lease contract administration fees	664
Ground rent paid to Sponsor	7,790
Electricity paid/payable to Sponsor and its subsidiary	3,132
Repair cost paid/payable to Sponsor or its subsidiaries	35
Insurance premium paid to a subsidiary of Sponsor	1,854
Acquisition of properties from Sponsor	902,967
Issuance of equity to Sponsor under Sponsor subscription	67,523
Manager's management fees	2,745
Perpetual distribution made to Sponsor	1,035
Acquisition fees paid to the Manager	463
Set-up / acquisition fees paid to the Japan asset manager	2,709

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20. Financial ratios

	Group 31 December 2022
Ratio of expenses to weighted average net assets ⁽¹⁾	
Including performance component of the Manager's management fees	0.85%
Excluding performance component of the Manager's management fees	0.85%
Portfolio turnover ratio ⁽²⁾	-
Aggregate leverage	35.9%
Interest coverage ratio	11.8x

Footnote:

- ⁽¹⁾ The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses of DHLT, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense for the trailing 12 months.
- ⁽²⁾ The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of DHLT expressed as percentage of average net asset value in accordance with the formulae stated in the Code on Collective Investment Schemes.

21. Subsequent event

On 10 January 2023, 728,785 acquisition fee in units were issued to the Manager in respect of the acquisition completed on 8 December 2022.

On 23 February 2023, the Manager announced a distribution of 2.61 Singapore cents per Unit to DHLT Unitholders for the period from 1 July 2022 to 31 December 2022.

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OTHER INFORMATION

1. Whether the figures have been audited, or reviewed and if so which auditing standard or practice has been followed

The figures have not been audited nor reviewed by our auditors

Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter)

Not applicable

2. Review of Performance

Please refer to section 3 on the review of the actual results for the period from 1 July to 31 December and Listing Date to 31 December 2022 against the forecast as disclosed in the Prospectus 2022 ("2H2022").

3. Variance from Previous Forecast/Prospect Statement

	GROUP 2H2022			GROUP FP 2022		
	Actual S\$ '000	Forecast S\$ '000	Change %	Actual S\$ '000	Forecast S\$ '000	Change %
Gross revenue	29,816	33,787	(11.8)	68,719	74,144	(7.3)
- Rental Income	26,231	30,655	(14.4)	61,172	67,270	(9.1)
- Recoverable and other income	3,585	3,132	14.5	7,547	6,874	9.8
Property expenses	(6,866)	(7,464)	(8.0)	(15,734)	(16,360)	(3.8)
- Property taxes	(2,740)	(3,249)	(15.7)	(6,333)	(7,129)	(11.2)
- Utilities expenses	(2,246)	(1,514)	48.3	(4,171)	(3,322)	25.6
-Property management fees and expenses	(442)	(604)	(26.8)	(962)	(1,300)	(26.0)
-Building management expenses	(1,012)	(1,183)	(14.5)	(2,377)	(2,596)	(8.4)
-Other operating expenses	(426)	(914)	(53.4)	(1,891)	(2,013)	(6.1)
Net property income	22,950	26,323	(12.8)	52,985	57,784	(8.3)
Manager's management fee	(1,297)	(1,197)	8.4	(2,745)	(2,610)	5.2
Japan asset management fees	(540)	(636)	(15.1)	(1,255)	(1,396)	(10.1)
Trustee's fee	(139)	(137)	1.5	(294)	(301)	(2.3)
Trust expense	(443)	(997)	(55.6)	(1,659)	(2,395)	(30.7)
Finance expenses	(3,187)	(4,657)	(31.6)	(8,030)	(10,253)	(21.7)
Other income	1,141	-	NM	1,141	-	NM
Net income before tax and fair value change in investment properties	18,485	18,699	(1.1)	40,143	40,829	(1.7)
Fair value change in investment properties	13,451	(2,176)	NM	121,485	(4,669)	NM
Fair value change in derivative	870	-	NM	870	-	NM
Tax expenses	(4,138)	(2,352)	75.9	(21,169)	(5,139)	NM
Total returns	28,668	14,171	NM	141,329	31,021	NM

Attributable to:

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Unitholders	28,223	13,643	NM	140,294	29,862	NM
Perpetual Securities Holders	445	528	(15.7)	1,035	1,159	(10.7)
Total returns	28,668	14,171	NM	141,329	31,021	NM
<u>Distribution Statement</u>						
Total returns attributable to Unitholders of DHLT	28,223	13,643	NM	140,294	29,862	NM
Adjustments	(10,503)	4,051	NM	(101,673)	8,730	NM
Distributable income to Unitholders of DHLT	17,720	17,694	-	38,621	38,592	-

Actual vs Forecast for 2H2022

Gross revenue of S\$29.8 million was 11.8% below forecast due to weaker JPY when translated to S\$. However gross revenue in JPY terms amounted to JPY 2,996 million, 5.8% higher than forecast, contributed by higher utilities recoverable income given the higher utilities rate, higher rental income contributed by lower downtime on the lease renewals achieved, higher renewal rates and contribution from acquisition completed in December 2022.

Property expenses of S\$6.9 million was 8% lower than forecast due to weaker JPY. In JPY terms, the property expenses were JPY 686.1 million vs forecast of JPY625.7 million, 9.7% higher primarily due to higher utilities expenses and higher repairs cost incurred for the damages caused by the earthquake and snow removal cost, as well as new acquisition. The utilities expenses are largely recoverable by the utilities income which have generally increase in tandem, compared with amounts assumed in the forecast.

Other income is higher mainly due to the realised exchange gain of S\$1.1 million attributed mainly to the forwards.

Total returns of S\$28.7 million was ahead of forecast largely due to investment property fair value gains.

Trust expenses and finance expenses were lower by 55.6% and 31.6% respectively, mainly due to lower weaker JPY and lower interest rates secured for the borrowings. The above together with the capital return for the lower issue cost partly defrayed by the government grant helped also to increase distributable income to be in line with forecast.

Actual vs Forecast for FP2022

Gross revenue of S\$68.7 million and net property income of S\$53.0 million was 7.3% and 8.3% below forecast, respectively, weighed down by the weaker JPY. The properties performance in JPY terms actually outperformed forecast by 3.7% and 2.5% respectively, given the higher rental rates, and higher renewals resulting lower downtime achieved, as well as contribution from the acquisition.

Finance expenses of S\$8.0 million were 21.7% lower than forecast due to the lower interest rate secured for the loan facilities as well as the weaker JPY.

Trust expenses of S\$1.7 million were 30.7% lower than forecast due to lower operating expenses compared with that assumed in the forecast. Other income is higher mainly due to the realised exchange gain of S\$1.1 million attributed mainly to the forwards.

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Net fair value change in investment properties of S\$121.5 million, substantially higher than the forecast is largely due to the uplift of the property values following the revaluation of the assets done for 31 December 2021 and 31 December 2022.

Tax expense of S\$21.2 million largely relates to deferred tax expenses that arose from property fair value gains.

Total returns of S\$141.3 million was ahead of forecast largely due to investment property fair value gains.

Notwithstanding the weaker JPY against S\$, higher capital returns from Japan entities underpinned by better operating performance, lower finance and trust expenses, and lower issue cost defrayed partly by the government grant received, helps to bring distributable income in S\$ to be in line with forecast.

4. **Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

There was substantial new supply of logistics facilities in Japan during 2022, majority of which was concentrated in Greater Tokyo. While further supply during 2023 in Greater Tokyo may increase vacancy rate, demand from logistics operators remained robust, supported by sectors such as e-commerce and third-party logistics ("3PL")¹. DHLT's portfolio in Greater Tokyo comprises five built-to-suit single-tenanted properties and one multi-tenanted property with a blended WALE of approximately 10 years as at 31 December 2022. With relatively lower new supply and supported by healthy demand, vacancy levels generally declined or remained low in logistics markets in regional core cities having good access to transportation hub and production base.

The Manager believes that the demand for logistics facilities continues to be generally well supported by 3PL and e-commerce sectors in the near term. Also considering the structural undersupply of modern logistics facilities¹, the Manager is cautiously optimistic on the immediate outlook of logistics sector in Japan. The Manager remains vigilant of the challenges posed by the macro environment and believes that the resilience of the portfolio which is underpinned by the quality of the properties having long WALE helps to mitigate the impact of new supply.

1. Source: Independent market research report by CBRE K.K. included in the circular dated 16 November 2022.

5. **Distributions**

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution : 2nd distribution for the period from 1 July 2022 to 31 December 2022 as follows :

:	Unitholder Class	Period	DPU (cents)
:	Ordinary	1 July 2022 to 7 December 2022	2.30
:	Ordinary / Class A	8 December 2022 to 31 December 2022	0.31
:		Total for 2H2022	2.61

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Distribution type	Capital distribution
Distribution rate	2.61 cents
Par value of units	Not applicable
Tax rate	Capital distribution Distributions out of capital are not taxable in the hands of all Unitholders. : : Such distributions are treated as a return of capital for Singapore Income Tax purposes. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain arising from a subsequent disposal of the Units. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.
Record date	3 March 2023
Date of distribution	30 March 2023

(b) Corresponding period of the immediately preceding financial year

Any distributions declared for the corresponding period of the immediately preceding financial year?

Not applicable.

6. If no distribution has been declared/recommended, a statement to that effect and the reason(s) for the decision

Not applicable.

7. Interested Person Transactions

The Group has not obtained a general mandate from Unitholders for interested person transactions.

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8. Confirmation pursuant to Rule 704(13) of the Listing Manual

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Manager confirms that there is no person occupying a managerial position in the Manager or in any of DHLT's principal subsidiaries who is a relative of a director, chief executive officer, substantial shareholder of the Manager or substantial unitholder of DHLT.

9. Confirmation Pursuant to Rule 720 (1) of the Listing Manual

The Manager confirms that it has procured undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

This release may contain forward-looking statements that involve risks and uncertainties. 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 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. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

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

Tan Jeh Wuan
Chairman

Takeshi Fujita
Director and Chief Executive Officer

23 February 2023