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Daiwa House Logistics Trust Delivers Accretion and Value on its Maiden Acquisition

- ***Proposed acquisition expected to increase DPU by 1.3% on pro forma basis[1]***
- ***Quality portfolio comprising two 100% occupied freehold logistics facilities and the underlying freehold land of D Project Iruma S***
- ***Strong support from Sponsor as Target Portfolio to be acquired for 11.8% below valuation[2]***
- ***Consideration partly funded by units issued to Sponsor at minimum S$0.77 per unit, representing premium of 14.9% to closing price as at 20 September 2022[3]***

DBS Bank Ltd. was the sole financial adviser for the initial public offering of DHLT (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.

SINGAPORE, 21 September 2022 – Daiwa House Asset Management Asia Pte. Ltd., as manager of Daiwa House Logistics Trust (the "**Manager**" and Daiwa House Logistics Trust, "**DHLT**" or the "**REIT**"), is pleased to announce the proposed acquisition ("**Proposed Acquisition**") of two freehold logistics facilities and a piece of freehold land in Japan ("**Target Portfolio**" or "**Target Properties**"). The Proposed Acquisition from Daiwa House Industry Co., Ltd. ("**Sponsor**") comprises DPL Iwakuni

[1] For illustration only and based on distribution per unit ("**DPU**") for the period from 26 November 2021 (being the date of the listing of DHLT on Singapore Exchange Securities Trading Limited (the "**SGX-ST**")) to 30 June 2022 ("**FP2022**").

[2] Based on the average of the two independent valuations of the Target Portfolio conducted by the independent valuers as at 30 June 2022.

[3] The issue price shall be determined based on the higher of (i) S$0.77 per Unit or (ii) 10-Day VWAP. "**10-Day VWAP**" means the volume-weighted average price per Unit on the SGX-ST for a period of 10 Market Days prior and up to (and including) the Price Determination Date. "**Market Day**" means a day on which the SGX-ST is open for trading in securities. "**Price Determination Date**" means the Market Day immediately preceding the date of issuance of the New Units.

1 & 2, and D Project Matsuyama S which are fully occupied as at 30 June 2022, as well as the underlying freehold land of D Project Iruma S ("**D Project Iruma S Land**"), an existing property in the portfolio of DHLT.

The aggregate purchase consideration for the Proposed Acquisition is JPY 4,676.0 million (S$47.7 million) ("**Aggregate Purchase Consideration**"), which is 11.8% lower than the average appraised value of the Target Portfolio of JPY 5,301.5 million (S$54.1 million)[4] ("**Aggregate Appraised Value**"). The total acquisition cost of the Proposed Acquisition including acquisition and transaction-related expenses, shall be financed by a combination of bank borrowings and subscription of units in DHLT ("**Units**") by the Sponsor amounting to JPY 1.25 billion.

Rationale and Benefits of Proposed Acquisition

The Manager believes that the Proposed Acquisition will bring the following key benefits to DHLT and Unitholders:

1. **DPU accretive acquisition**

   The Proposed Acquisition is expected to be DPU accretive to Unitholders. For illustration purposes, the DPU for FP2022 will increase by approximately 1.3%, on a pro forma basis. Following completion, the aggregate leverage is expected to be approximately 36.4%, on a pro forma basis and the JPY denominated borrowings with fixed interest rate that DHLT intends to enter into will provide a natural capital and interest rate hedge.

2. **Fundamentals of the Japan logistics market remain sound**

   The Japan logistics market has experienced strong demand over the past few years, resulting in low vacancy rates and rental growth in general. While a significant amount of new supply is expected in the next few years, demand is also expected to remain healthy supported by the e-commerce and third-party logistics ("**3PL**") sectors, which continue to have growth prospects.

[4] Based on the average of the two independent valuations of the Target Portfolio conducted by the independent valuers as at 30 June 2022.

Despite strong growth of the e-commerce market in Japan, the proportion of e-commerce sales compared to total retail sales in Japan is only 8.1%. This is far lower compared to e-commerce markets in China and the United States, which implies that there is potential for continued growth in this sector in Japan. 3PL sector is also expected to continue its expansion as there is increasing focus by companies to outsource logistics process and supply chain management to achieve an efficient and low-cost logistics system.

3. High quality Target Portfolio

DPL Iwakuni 1 & 2 and D Project Matsuyama S are strategically located near to key transportation nodes, air and / or sea ports, offering easy accessibility and convenience to tenants. DPL Iwakuni 1 & 2 is a modern multi-tenanted logistics facility that was developed with high specifications including ceiling heights of up to 8.0 metres and floor loads of up to 2.5 tons/sq m, while D Project Matsuyama S was built to cater to the specific needs of the tenant including temperature-controlled facilities for frozen or chilled foodstuff storage. DPL Iwakuni 1 & 2 is also a certified green building by Building Energy-efficiency Labelling System ("**BELS**"), with a rating of 5 stars (the highest rating under BELS).

The two Target Properties are fully occupied as at 30 June 2022, and are leased to quality tenants, including listed companies. The tenants include one of the largest integrated logistics companies in Japan, as well as a leading integrated food trading company in Japan which also provides 3PL services.

D Project Iruma S Land

The acquisition of D Project Iruma S Land demonstrates DHLT's active asset management to mitigate the risk of leasehold land depreciation. The acquisition will better preserve the value of D Project Iruma S by avoiding a gradual decline in the valuation due to shortening of land lease term. The overall value of the Target Property will also be enhanced as freehold properties are generally valued based on a tighter cap rate compared to leasehold properties.

Following the Proposed Acquisition, the proportion of freehold properties in the enlarged portfolio by NLA will increase to 54.0% as at 30 June 2022, while proportion of properties on freehold land and land with leases longer than 40 years will increase to 88.8% as at 30 June 2022.

4. **Further diversification of DHLT's portfolio**
   The overall portfolio earnings base will be broadened, and this will further reduce reliance on any single property. DHLT's portfolio will also be further diversified across various regions in Japan, mitigating concentration risk within a single region. This will also help to mitigate any potential impact to the portfolio from earthquakes.

5. **Reinforcement of the commitment and support from the Sponsor**
   The Aggregate Purchase Consideration for the Target Portfolio is at an attractive discount of 11.8% to Aggregate Appraised Value. Based on the Aggregate Purchase Consideration for DPL Iwakuni 1 & 2 and D Project Matsuyama S, the blended implied NPI yield for these two properties is 6.5%, which is higher than the blended NPI yield of the existing properties in DHLT portfolio of 6.1%[5]. The Proposed Acquisition also highlights the benefit of having a strong and prolific developer Sponsor where its property development capacity provides continuous and abundant supply of pipeline targets to help drive the growth trajectory of DHLT in the long-term.

   The Sponsor is also supporting the Proposed Acquisition by subscribing for the New Units at the higher of (i) S$0.77 per Unit ("**Minimum Issue Price**") or (ii) the 10-Day VWAP. The Minimum Issue Price is equivalent to the adjusted NAV per Unit (net of DPU of 3.09 cents in respect of FP2022) as at 30 June 2022, and represented a premium of 14.9% to the closing price as at 20 September 2022.

   The above demonstrates the Sponsor's strong commitment and support towards DHLT's growth and continued development. The willingness of the Sponsor to subscribe for the New Units at not less than $0.77 per New Unit also underscores

[5] Based on annualised NPI of the respective properties for FP2022 converted to S$ using the actual exchange rate of S$1.00 : JPY89.09 as adopted in the profit and loss statement of the FP2022 Unaudited Financial Statements where relevant, and purchase consideration (for DPL Iwakuni 1 & 2 and D Project Matsuyama S) and valuation as at 31 December 2022 (for the Existing Portfolio) converted to S$ using an illustrative exchange rate of S$ 1.00 : JPY 98.0.

the confidence that the Sponsor has in DHLT.

Mr Takeshi Fujita, Chief Executive Officer of the Manager, said, “We are pleased to announce the maiden acquisition of DHLT following the successful listing of the REIT in November 2021. The Proposed Acquisition is expected to improve the returns to Unitholders, as DPU is expected to increase by 1.3% on a pro forma basis.

Amidst challenges in the macro environment, we observed that logistics properties in Japan have remained resilient, while demand for logistics space is expected to remain healthy. The strategically located quality portfolio is 100% freehold and is fully occupied by high quality tenants including one of the largest integrated logistics companies in Japan. We believe that the Proposed Acquisition will enhance the quality of the existing portfolio.

This transaction also reinforces the continual strong commitment and support from Sponsor. The Target Portfolio will be acquired at substantial discount of 11.8% to its average appraised value. To finance part of the consideration, the Sponsor will also subscribe to DHLT Units at an issue price of not less than S$0.77 per Unit, which represented a premium of 14.9% to the closing price as at 20 September 2022.”

The Proposed Acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual and an “interested party transaction” under the Property Funds Appendix, in respect of which the approval of Unitholders is required. A Unitholders’ circular will be issued and an extraordinary general meeting of DHLT will be held in due course.

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About Daiwa House Logistics Trust *(www.daiwahouse-logisticstrust.com)*

Daiwa House Logistics Trust ("**DHLT**") is a Singapore real estate investment trust ("**REIT**") established with the investment strategy of principally investing in a portfolio of income-producing logistics and industrial real estate assets located across Asia.

Its initial portfolio comprises 14 high-quality modern logistics properties across Japan with an appraised value of approximately JPY 81,070 million as at 31 December 2021, and an aggregate net lettable area of approximately 423,920 sq m.

DHLT is managed by Daiwa House Asset Management Asia Pte. Ltd., a wholly-owned subsidiary of its Sponsor, Daiwa House Industry Co., Ltd.

About the Sponsor, Daiwa House Industry Co., Ltd. (*www.daiwahouse.co.jp*)

Daiwa House Industry Co., Ltd. ("**Daiwa House Industry**") is one of the largest construction and real estate development companies in Japan. It is listed on the Tokyo Stock Exchange ("**TSE**") with a market capitalisation of JPY 2,106.6 billion (S$21.5 billion) as of 30 June 2022.

Founded in 1955, Daiwa House Industry has an extensive track record in real estate development. In addition to its primary operations in Japan, the Sponsor has presence in other markets including ASEAN, East Asia, the United States of America, Europe, and Australia. Daiwa House Industry has vast and deep experience in logistics asset development and is one of the largest logistics real estate developers in Japan by both number of properties and gross floor area.

Daiwa House Industry has extensive knowledge in both asset and fund management and is currently managing real estate funds which include TSE-listed Daiwa House REIT Investment Corporation, two unlisted REITs as well as multiple private funds.

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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 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 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 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 Daiwa House Logistics Trust 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.