

Daiwa House Logistics Trust Continues Growth Momentum with DPU-Accretive¹ Acquisition in Japan

- ***The Acquisition is expected to increase DPU by 1.2%, on a pro forma basis¹***
- ***The Target Property is to be acquired at an attractive discount of approximately 18.1% to the Average Independent Valuation***
- ***The Target Property is a modern, freehold logistics property that is fully occupied***



SINGAPORE, 31 January 2024 –

Daiwa House Asset Management Asia Pte. Ltd., as manager of Daiwa House Logistics Trust (the “**Manager**” and Daiwa House Logistics Trust, “**DHLT**”), is pleased to announce that DHLT has entered into a conditional sale and purchase agreement to acquire DPL

Ibaraki Yuki (the “**Target Property**”), a freehold logistics property located in Ibaraki Prefecture, Greater Tokyo, Japan (the “**Acquisition**”).

The purchase consideration (the “**Purchase Consideration**”) for the Target Property is JPY2,640.0 million (S\$24.1 million), which is at an attractive discount of 18.1% to the average of the two independent valuations of the Target Property of JPY3,225.0 million (S\$29.4 million) (the “**Average Independent Valuation**”). The Purchase Consideration and acquisition-related costs are expected to be financed through external debt financing. The Acquisition is expected to be completed in the first quarter of 2024.

¹ For illustration only and based on the pro forma financial effects on the distribution per unit (“**DPU**”) for the financial period from 26 November 2021 (being the date of listing of DHLT) to 31 December 2022 (“**FP2022**”), assuming that the Acquisition was completed on 26 November 2021 and DHLT held the Target Property through to 31 December 2022. Please refer to paragraph 4 of DHLT’s announcement on the Acquisition dated 31 January 2024 (the “**Announcement**”) for further details on the pro forma financial effects of the Acquisition.

Rationale and Benefits of the Acquisition

The Manager believes that the Acquisition will bring the following key benefits to DHLT and the unitholders of DHLT (the “**Unitholders**”):

1. DPU-accretive acquisition

The Acquisition is expected to be DPU-accretive to Unitholders. For illustration purposes, on a pro forma basis and based on the proposed method of financing, the DPU for FP2022 would increase by approximately 1.2%. Further, on a pro forma basis, the aggregate leverage of DHLT as at 30 September 2023 would remain at a healthy level of 38.2% (assuming completion of the Acquisition on 30 September 2023), or 40.1% (assuming completion of both the Acquisition and the Vietnam Acquisition on 30 September 2023²).

2. Fundamentals for Japan logistics sector remain sound

The e-commerce and third-party logistics (“**3PL**”) sectors in Japan are expected to continue supporting the demand for logistics space in the long term. While the e-commerce sector in Japan has recorded strong growth over the recent years, business-to-consumers e-commerce penetration rate in Japan is still relatively low at 9.1%³ compared to more mature markets, indicating that there may be potential for further growth of this sector. The 3PL sector is also expected to continue growing, as companies continue looking to outsource their logistics functions. In addition, the restrictions on truck driver overtime in Japan to be limited to 960 hours per annum starting from April 2024⁴ may also potentially drive demand for logistics space.

3. Addition of a high-quality property

(a) Modern freehold property

DPL Ibaraki Yuki is a multi-tenanted logistics property built with modern specifications. It was recently completed in January 2023 and therefore, capital expenditure for this property is expected to be minimal in the near term.

² Please refer to the announcement dated 29 December 2023 for further details on the acquisition of D Project Tan Duc 2 in Long An, Vietnam (the “**Vietnam Property**” and the acquisition of the Vietnam Property by DHLT, the “**Vietnam Acquisition**”).

³ Source: Report by the Ministry of Economy, Trade and Industry on 2022 E-Commerce Market Survey (August 2023).

⁴ Source: The Ministry of Health, Labour and Welfare.

On a pro forma basis and also assuming the simultaneous completion of the Acquisition and the Vietnam Acquisition on 30 September 2023, the addition of the Target Property would help to maintain a high proportion of freehold properties in DHLT's portfolio at 58.0% (by valuation) as at 30 September 2023, with more than 90% of the portfolio (by valuation) comprising properties with freehold land or land tenure of more than 40 years left.

(b) Strategic location

DPL Ibaraki Yuki is situated in Yuki City, Ibaraki Prefecture, which is approximately 100 kilometres from central Tokyo. As the location is easily accessible via highways, the Target Property may be used to serve as a regional distribution base for areas such as Oyama City and Utsunomiya City. Through the Tohoku Expressway, the Target Property is also connected to a wider region covering the Tohoku and Tokyo areas.

(c) 100% occupied by a blue-chip tenant

The entire Target Property is leased to Mitsubishi Shokuhin Co., Ltd. ("**Mitsubishi Shokuhin**" or the "**Tenant**"), which is one of the largest food distributors in Japan and is listed on the Tokyo Stock Exchange. On a pro forma basis⁵, while the proportion of contribution from Mitsubishi Shokuhin to DHLT's portfolio in terms of net property income ("**NPI**") would have increased from 18.9% to 20.3% as at 30 September 2023⁶, the concentration risk of Mitsubishi Shokuhin to DHLT is mitigated as the properties in DHLT's portfolio rented by the Tenant are utilised to serve the Tenant's diversified range of customers in the food and beverages, grocery supplies, medical goods and chemical products sectors.

(d) Acquisition of a "green" property

DPL Ibaraki Yuki is a certified green building by the Building Energy-efficiency Labelling System ("**BELS**"), with a rating of 5 stars, the highest rating under BELS. In addition, there are solar panels installed on the rooftop of DPL Ibaraki

⁵ Assuming the simultaneous completion of the Acquisition and the Vietnam Acquisition on 1 January 2023.

⁶ Based on NPI for the nine-month period ended 30 September 2023 ("**9M2023**") and the percentage of NPI was calculated and adjusted based on the NPI of each property in DHLT's portfolio and allocated to the respective tenants by the proportion of net lettable area that the tenants occupy in the property.

Yuki which will bring the total solar energy capacity of DHLT’s portfolio to 16.1 MWp upon completion of the Acquisition.

4. Continual support from the Sponsor

Daiwa House Industry Co., Ltd. (the “**Sponsor**”), the sponsor of DHLT, has continued to show its commitment to the growth of DHLT by offering the Target Property at an attractive discount of 18.1% to the Average Independent Valuation. Based on the Purchase Consideration, the implied NPI yield of DPL Ibaraki Yuki is 5.4%⁷, which is higher than the blended NPI yield of the freehold properties in DHLT Portfolio of 4.2%⁸.

Mr Jun Yamamura, Chief Executive Officer of the Manager, said, “We are pleased to maintain the growth momentum and follow on from the recent announcement on D Project Tan Duc 2 with this acquisition of DPL Ibaraki Yuki. With this acquisition, DHLT will add to its portfolio a newly completed freehold property that is anchored by a blue-chip tenant. The Sponsor has also once again showed its strong commitment to support the growth of DHLT by selling this high-quality property at an attractive discount of 18.1% to the Average Independent Valuation.

This accretive acquisition demonstrates our commitment to continually drive the growth of DHLT and improve returns to Unitholders. We will continue to explore opportunities to improve the DHLT portfolio, while maintaining prudent capital management.”

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For media and investor queries, please contact:

Mr. Chee Kum Tin, Head of Investor Relations
Daiwa House Asset Management Asia Pte. Ltd.
Tel: +65 6202 0486
Email: ir@daiwahouse-lt.com

⁷ Based on the Purchase Consideration and annualised NPI of the Target Property assuming that the lease agreement with Mitsubishi Shokuhin was in place from 1 January 2023.

⁸ Based on the annualised NPI for 9M2023 and the valuation of the freehold properties in the existing portfolio as at 31 December 2022.

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 portfolio comprises 16 high-quality modern logistics properties across Japan with an appraised value of approximately JPY87,531 million as at 31 December 2022, and an aggregate net lettable area of approximately 444,728 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 JPY2,806.7 billion (S\$26.1 billion) as of 29 December 2023.

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

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The information in this media release is qualified in its entirety by, and should be viewed in conjunction with, the full text of the Announcement. In the event of any inconsistency or conflict between, on the one hand, the Announcement and the information contained in this media release, the Announcement shall prevail.