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.

ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2023
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

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 unitholders of DHLT ("**Unitholders**") and the Securities Investors Association (Singapore) ("**SIAS**") for submitting questions in advance of our Annual General Meeting ("**AGM**") to be convened and held in a wholly physical format at Meeting Room 331, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593 on Thursday, 27 April 2023 at 2.00 p.m. (Singapore time). Please refer to the attached Appendix A for the Manager's responses to the substantial and relevant questions in relation to the questions from Unitholders and SIAS.

Unless otherwise defined herein, all capitalised terms have the meanings ascribed to them in the Annual Report in relation to financial period ended 31 December 2022 announced on 5 April 2023 (the "**Annual Report**").

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
25 April 2023

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

Responses to Substantial and Relevant Questions

1.	**(i) Can the manager provide clarification on whether fixed rate borrowings are a common practice among Japanese companies, or if this is solely an internal policy of the REIT manager?** **(ii) What is the REIT manager's view on the interest rate environment and how it may impact the REIT's performance? In addition, are higher interest rates necessarily detrimental to the Japanese economy (and the REIT), given the government's ongoing efforts to stimulate inflation?**
	Response: (i) Based on our observations, we noted that quite a number of listed REITs in Japan maintain a high proportion (more than 90%) of their borrowings in fixed rate. The Manager adopts a prudent capital management policy, and has hedged 100% of its loans on fixed rate basis as at 31 December 2022 so that DHLT is not exposed to any interest rate volatility. (ii) We do not speculate on interest rate outlook and will continuously monitor the interest rate environment to see how it may affect DHLT. Based on recent statement from the Bank of Japan ("**BOJ**"), BOJ intends to maintain the current low interest rate policy in order to achieve sustainable inflation backed by healthy wage growth. While analysts expect interest rate to increase, this increase is expected to be gradual. As the increase is premised on inflation and improving economic condition of Japan, an increase may signal a healthy economy which may bode well for the logistics market in Japan. We would like to reiterate that, as 100% of DHLT's borrowings as at 31 December 2022 are on fixed rate basis, they are not exposed to risk of interest rate increase.
2.	**(i) Could the manager elaborate on the challenges faced in leasing out DPL Koriyama and the steps being taken to improve the occupancy rate?** **(ii) What are the manager's strategies to renew the leases in 2023 and 2024?** **(iii) What factors contributed to the 100% renewal rate achieved in FP2022?** **(iv) Would it be challenging to renew the built-to-suit (BTS) properties when the leases run out?** **(v) Does the manager plan to diversify the tenant base beyond the 3PL and e-commerce industries, given that approximately 73% of the tenants (by NLA) are currently in 3PL and 6.7% in e-commerce?**

	(vi) Can the manager provide more details on the cost of entering into forward contracts to hedge against foreign exchange risk, and whether the board/manager has evaluated the benefits of hedging its net investment in JPY to manage the NAV downside risk?
	Response: (i) We have been working closely with the property management team in Japan to approach prospective tenants and have been in discussion with multiple prospects. We do not see any unique challenge for this property. We are targeting to conclude our discussion with the prospects within first half of the year. (ii) We take a pro-active approach to asset management and in general, we commence negotiations on renewal of leases with the tenants approximately six months before the expiry. However, we believe that regular communication with the tenants is important and engage tenants even outside of renewal periods. We actively engage the tenants through regular communication with them via the Property Manager or tenants survey to understand any concerns from the tenants. We also work with the Japan Asset Manager and Property Manager to address such concerns and provide solutions, to the extent possible. Through such communication and leveraging on Sponsor's network, we foster strong relationship with the tenants, which we believe will contribute to their decision-making in renewal of leases. Further, we believe that the high quality of the respective properties in DHLT Portfolio, in term of strategic location and modern specifications, will also play a significant part in tenant's decision to renew. (iii) Please refer to the response to Q2(ii) above. (iv) BTS properties are typically built to meet the requirements of a specific tenant, in terms of ceiling heights, load capacity, and sometimes additional instalment of facilities. Furthermore, tenants of BTS properties typically invest certain capital expenditure to further enhance the efficiency of the facility. Moving to another property upon expiry of leases may involve additional investments by the tenants in the new location. Therefore, while there is no certainty that the tenants for such BTS property will renew the leases, tenants may continue operations in such property, having invested substantial amount in it. In addition, the location selected by the tenants at the point of moving into such BTS is also a significant factor. For example, a BTS property within the DHLT Portfolio is used to store frozen foodstuff and is located in a major industrial zone for F&B sector. Should the tenant consider moving out of such property, they may face difficulty finding a similar property in the same vicinity. However, notwithstanding the above, should the tenants of existing BTS properties decided not to renew leases, we believe prospective tenants with similar requirement may also be attracted to such niche location.

	(v) Based on the independent market research report by JLL Mori Valuation & Advisory K.K. (“**IMR**”) that can be found in the Annual Report, the logistics market in Japan is expected to remain strong driven by the e-commerce and 3PL sectors. Due to the COVID-19 pandemic, the growth of online shopping has accelerated over recent years in Japan. According to the IMR, while the e-commerce penetration rate in Japan has increased to 8.8% in 2021 from 8.1% in 2020, it is still lower than that of other countries such as the US, UK, and China, which have an e-commerce penetration rate ranging from 15%-30%, which indicated further growth potential for the e-commerce market in Japan. As retailers and manufacturing firms seek to invest more capital into their core businesses, the outsourcing of logistical operations to 3PL companies has been growing in popularity. 3PL are also able to source for properties with higher building specifications, such as heavier floor loads and taller ceiling heights, that are compatible with various inventory types. The recovery of business-to-business logistics from the impact of COVID-19 and the continuous growth of the e-commerce market are supporting logistics demand from this segment. The tenants in 3PL and e-commerce sectors within the DHLT Portfolio are high quality tenants, being, leading Japanese and global blue-chip companies. Majority of these tenants are entities listed on the Tokyo Stock Exchange (“**TSE**”) or related companies of such TSE-listed entities. While a large proportion of the tenants in DHLT Portfolio are 3PL companies, the consignee companies (i.e. companies that engage such 3PL services) are diversified into various sectors with product types such as F&B, grocery supplies, medical goods and chemical products. Based on the above, while a high proportion of the tenants are in 3PL, we believe that the risk of concentration in single industry is mitigated. (vi) Based on current market conditions where interest rate in Japan is lower than in Singapore, the forwards in relation to JPY / SGD are priced at discount to spot rate. Given that the assets of DHLT are held for long-term, entering into natural capital hedge via procuring borrowings in the same currency will be more optimal. The net asset value per unit of DHLT as at 31 December 2022 has been maintained at $0.80
3.	**(i) Can the manager provide an update on the performance of the recently acquired properties?** **(ii) What is the manager's outlook on the economic growth rate in Japan? Which factors are being taken into consideration when it comes to making new acquisitions?** **(iii) Can the manager provide insights on potential acquisition targets and which regions in Japan are being considered to complement the current portfolio?**

	(iv) The sponsor has granted the trust a right of first refusal over its income-producing logistics and industrial assets located in Asia. Does the manager plan to remain focused on Japan in the near term before considering any acquisitions in other Asian markets, such as Malaysia, Vietnam, and Indonesia?
	Response: (i) The operations of the recently acquired properties namely, DPL Iwakuni 1 & 2 and D Project Matsuyama S have been stable with full occupancy. DPL Iwakuni 1 & 2 is a multi-tenanted property and its earliest lease renewal is April 2024. D Project Matsuyama S is a built-to-suit single tenanted property with a lease expiry in August 2029. As these properties were only acquired on 8 December 2022, their contribution to the overall results for FP2022 was not material. (ii) We do not speculate on the outlook of the economy and will continue to drive the business of DHLT by executing our strategies of active asset management, acquisition growth, prudent capital management and commitment to sustainability. In considering acquisition, we will take into account factors such as yield, location, tenant base, quality of property and financial impact to DHLT, as we continue to seek accretive acquisition to improve returns to the Unitholders. (iii) Currently, we do not have a specific target region in Japan for considering acquisition targets. DHLT's current portfolio is well diversified across metropolitan areas, such as Greater Tokyo, and regional markets. Moving forward, we will continue to consider both the metropolitan and regional markets. (iv) DHLT has been granted a right of first refusal ("**ROFR**") by the Sponsor over its income-producing logistics and industrial real estate assets located in Asia. The ROFR includes Sponsor's logistics and industrial properties in Malaysia, Vietnam, and Indonesia, over which DHLT has the exclusive ROFR. As we continue to evaluate potential acquisition targets, we are also considering potential acquisition in ASEAN countries such as Malaysia, Vietnam, and Indonesia so as to further diversify the portfolio, although there is no certainty of an acquisition in such countries currently. We believe that ASEAN remains an attractive market for logistics properties due to its large population, growing middle-income group and the growth potential of overall economy and e-commerce business in the region. Similar to how we evaluate potential targets in Japan, we will consider factors such as the dynamics of the local markets, local tenant base, stability of operation, financial markets and financial impact to DHLT. However, we will also continue to seek acquisitions in Japan due to the strong market fundamentals and relatively lower borrowing costs. We believe that DHLT is able to source for high quality properties from the strong Sponsor pipeline both in Japan and in the ASEAN region.

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<tr><td>4.</td><td>(i) How do you manage the potential conflict of interest arising from having the same sponsor as Daiwa House REIT?

(ii) What is the policy for distributing the pipeline between Daiwa House REIT and Daiwa House Logistics REIT?</td></tr>
<tr><td></td><td>Response:

(i) To manage the conflict of interest, there are procedures in place including the following:

the management team of the Manager have extensive experience and strong capabilities to be able to independently source for suitable investments for DHLT;
The respective manager companies of DHLT and Daiwa House REIT are totally independent, and no one is concurrently taking position in both companies, and all executive officers are working exclusively for the Manager;
half the Board comprise independent directors, and all resolutions of the Directors in relation to matters concerning DHLT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one independent director;
in respect of matters in which a Director or his associates has an interest, such interested director will abstain from voting;
in respect of matters in which the Sponsor and/or their subsidiaries have an interest, for example (i) potential acquisitions of properties by DHLT in competition with the Sponsor and/or their subsidiaries; and (ii) competition for tenants between properties owned by DHLT and properties owned by the Sponsor and/or their subsidiaries, any nominees appointed by the Sponsor and/or their subsidiaries to the Board will abstain from deliberation and voting on such matters; and
With respect to the Japan Asset Manager, there is a separate and segregated team dedicated only to DHLT assets and providing asset management services only to DHLT.

Please also refer to pages 321 to 327 of the IPO Prospectus for further details. The Prospectus can be accessed via the link: [DHLT Prospectus]

Further, Sponsor's support and alignment of interest with DHLT's Unitholders is demonstrated through the following:

Sponsor is the largest unitholder in DHLT, holding 12.6% (including units held by the Manager);
Sponsor has sold properties to DHLT at discount to valuation at IPO and subsequently for DHLT's maiden acquisition which was completed in December 2022; and
Sponsor has also provided support to DHLT by subscribing to perpetual securities at IPO and subsequently, subscribed to units at a premium to market price to fund DHLT's maiden acquisition.
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	(ii) The ROFR granted to DHLT by the Sponsor to acquire the Sponsor's Japanese properties is subject to (i) the existing ROFR of the Daiwa House REIT and (ii) the existing commitments to 2 private funds. Properties in Japan that fall within the investment mandates of DHLT, Daiwa House REIT and the 2 private funds (save for those properties that are independently sourced by the Manager) will first be offered to Daiwa House REIT pursuant to the existing ROFR, and if declined, to the 2 private funds. Where each of them has declined, will such property be offered to DHLT. Nonetheless, the Manager believes the Sponsor's strong pipeline of logistics assets is more than sufficient to meet the demands of all four funds including DHLT. Further, there are some differentiations in the investment strategy of Daiwa House REIT compared to DHLT. Daiwa House REIT mainly invest in metropolitan markets within Japan and its strategy is to have 70% or more of its investments in 3 metropolitan areas (Greater Tokyo, Greater Nagoya and Greater Osaka), while DHLT has a good mix of properties in both metropolitan regions as well as regional markets. Under the Sponsor ROFR, DHLT has been granted an exclusive right of first refusal over the Sponsor's pipeline logistics assets across Asia outside Japan. Currently, the Sponsor have more than 10 logistics projects (completed / under development) in Vietnam, Malaysia and Indonesia.