



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.

ACQUISITION OF A FREEHOLD LOGISTICS PROPERTY LOCATED IN JAPAN

Note: For illustrative purposes, unless otherwise indicated, in this announcement, certain JPY amounts have been translated into Singapore dollars based on the exchange rate of S\$1.00 : JPY 109.63. Such translations should not be construed as representations that the JPY amounts referred to could have been, or could be, converted into Singapore dollars, as the case may be, at that or any other rate or at all and vice versa.

1. INTRODUCTION

Daiwa House Asset Management Asia Pte. Ltd., in its capacity as the manager of Daiwa House Logistics Trust (“**DHLT**”, and as the manager of DHLT, the “**Manager**”) is pleased to announce that DH-CRUX Japan TMK (“**DH TMK**”), a *tokutei mokuteki kaisha* (“**TMK**”), being a special purpose company (“**SPC**”) indirectly held by DHLT, and Daiwa House Industry Co., Ltd. (the “**Sponsor**” or “**Seller**”) have today entered into a trust beneficial interest sale and purchase agreement (“**DHI TBI SPA**”) for DH TMK to acquire from the Seller the trust beneficial interest (“**TBI**”) in the freehold property known as DPL Ibaraki Yuki (the “**Target Property**”, and the TBI in the Target Property, the “**DHI TBI**”).

The purchase consideration for the Target Property (the “**Purchase Consideration**”), which was negotiated on a willing-buyer and willing-seller basis taking into consideration the independent valuations by the Independent Valuers (as defined herein) as at 31 August 2023, is JPY 2,640.0 million (S\$24.1 million).

2. THE ACQUISITION

2.1 Description of the Target Property

The Manager proposes that DHLT acquires the Target Property (the “**Acquisition**”), comprising the underlying freehold land (the “**Land**”) and the two-storey warehouse thereon (the “**Building**”). The Target Property is located in Yuki-shi in the Ibaraki Prefecture in Japan.

The tables below set out a summary of selected information on the Building and Land as at 17 January 2024.

Information on the Building

Date of completion	31 January 2023
Net lettable area (“NLA”)	13,421 square metres (“sqm”)
Property type	Multi-tenanted
Occupancy	100.0%
Lease term	4 years from 1 February 2023

Information on the Land

Address	1-24, Shin-yabata, Yuki-shi, Ibaraki, Japan
Land title	Freehold
Land area	11,942 sqm

2.2 Structure of the Acquisition

The Manager is proposing for DHLT to adopt the same structure for the Acquisition as the structure for the existing freehold properties of DHLT. Accordingly, DHLT will be acquiring the DHI TBI of the Target Property through DH TMK which was set up by DHLT at the time of DHLT’s initial public offering to hold the existing freehold properties of DHLT and is indirectly held by DHLT.

DH TMK will be responsible for holding the DHI TBI in the Target Property and managing its day-to-day operations upon completion of the Acquisition (“**Completion**”).

DH TMK, an SPC indirectly held by DHLT, and the Seller have on 31 January 2024 entered into the DHI TBI SPA for DH TMK to acquire from the Seller the DHI TBI in the Target Property.

Pursuant to the terms of the DHI TBI SPA, on the closing date of the DHI TBI SPA (the “**Completion Date**”), the Seller shall entrust the Target Property to Sumitomo Mitsui Trust Bank, Limited, a licensed trust bank in Japan which will hold the legal ownership of the Target Property (the “**Property Trustee**”). In turn, (i) the Property Trustee will acquire the legal ownership of the Target Property and, at the same time, will succeed the contractual status of the lessor from the Seller under the lease agreement with the end-tenant of the Target Property; and (ii) the Seller will hold the DHI TBI in the Target Property. On the Completion Date, the Seller will transfer the DHI TBI to DH TMK, which will succeed the status of the Seller as a beneficiary and settlor of trust of the Target Property in accordance with the trust agreement entered into between the Property Trustee and the Seller.

Similar to the pass-through master lease arrangements in place for DHLT's multi-tenanted properties at the time of the listing of DHLT, a pass-through conditional master lease agreement was entered into on 31 January 2024 between DH-CRUX Japan Intermediate GK (the "**New Master Lessee**") and the Property Trustee in respect of the Target Property. For the avoidance of doubt, the pass-through conditional master lease agreement will only take effect on the condition that the Acquisition is successfully completed.

2.3 Purchase Consideration and Valuation

HSBC Institutional Trust Services (Singapore) Limited, in its capacity as the trustee of DHLT, has commissioned an independent valuer, Savills Japan Valuation G.K. ("**Savills**"), and the Manager has commissioned an independent valuer, JLL Morii Valuation & Advisory K.K. ("**JLL**"), to respectively value the Target Property. The Aggregate Purchase Consideration, which was negotiated on a willing-buyer and willing-seller basis taking into consideration the independent valuations by Savills and JLL (collectively, the "**Independent Valuers**") as at 31 August 2023, is JPY 2,640.0 million or S\$24.1 million, which is at a discount of JPY 585.0 million or S\$5.3 million or approximately 18.1% to the average of the two independent valuations of the Target Property as at 31 August 2023 of JPY 3,225.0 million or S\$29.4 million (the "**Average Independent Valuation**"). Savills has independently valued the Target Property at JPY 3,130.0 million (approximately S\$28.6 million) as at 31 August 2023 using mainly the discounted cash flow and supported by the direct capitalisation and cost approach methods. JLL has independently valued the Target Property at JPY 3,320.0 million (approximately S\$30.3 million) as at 31 August 2023 using the discounted cash flow and direct capitalisation methods.

2.4 Total Acquisition Cost

The total cost of the Acquisition (the "**Total Acquisition Cost**") is estimated to be approximately JPY 3,082.2 million or S\$28.1 million, comprising:

- (i) JPY 2,640.0 million or S\$24.1 million, being the Purchase Consideration;
- (ii) the acquisition fee payable to the Manager pursuant to the trust deed dated 2 November 2021 constituting DHLT (the "**Trust Deed**") for the Acquisition (the "**Acquisition Fee**") of approximately JPY 26.4 million or S\$0.24 million (representing an Acquisition Fee at the rate of 1.0% of the Purchase Consideration)¹;

¹ As the Acquisition will constitute an "interested party transaction" under Paragraph 5 of Appendix 6 to the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the "**MAS**", and Appendix 6 of the Code on Collective Investment Schemes, the "**Property Funds Appendix**"), the Acquisition Fee payable to the Manager in respect of the Acquisition will be paid entirely in Units. In addition, pursuant to the asset management agreement entered into between DH TMK and Daiwa House Real Estate Investment Management Co., Ltd., as local asset manager of the Target Property in Japan ("**Japan Asset Manager**"), on 9 November 2021 in relation to post-initial public offering acquisitions, the Japan Asset Manager will receive the Japan Asset Manager's acquisition fee of 0.3% of the purchase consideration ("**AM Acquisition Fee**"), out of the deposited property of DHLT in cash. The Trust Deed provides that where an AM Acquisition Fee is payable to the Japan Asset Manager, such fee shall reduce the Acquisition Fee payable to the Manager under the Trust Deed. However, in the case of the Acquisition, pursuant to the Trust Deed, the Manager is required to receive the Acquisition Fee in Units given that the Acquisition is entered into with a related party of DHLT. As such, in accordance with the Trust Deed, the Manager is required to refund DHLT the AM Acquisition Fee paid to the Japan Asset Manager in cash, to avoid any double counting of the fees.

- (iii) refundable consumption tax² of approximately JPY 205.9 million or S\$1.9 million; and
- (iv) debt-related costs³, professional and other fees and expenses of approximately JPY 209.9 million or S\$1.9 million incurred or to be incurred by DHLT in connection with the Acquisition.

2.5 Method of Financing

The Manager intends to finance the Total Acquisition Cost, less the Acquisition Fee (which will be paid through the issue of units in DHLT (“Units” and each a “Unit”) to be issued to the Manager as payment for the Acquisition Fee (“Acquisition Fee Units”)), through external debt financing (the “Loan Facilities”).

2.6 Principal Terms of the DHI TBI SPA

The principal terms of the DHI TBI SPA include, among others, the following:

- 2.6.1 on the Completion Date, the Seller shall entrust the Building and the Land of the Target Property to the Property Trustee, and the Seller shall in turn transfer the DHI TBI to DH TMK;
- 2.6.2 the purchase price of the DHI TBI is JPY 2,640.0 million (excluding consumption taxes);
- 2.6.3 the Seller is obligated to terminate the existing master lease agreement entered into between Daiwa House Property Management Co., Ltd. (the “Existing Master Lessee”) and the Seller (“Existing Master Lease Agreement”) and the existing property management service agreement entered into between the Seller and the Existing Master Lessee by the Completion Date;
- 2.6.4 if DH TMK intends to transfer the TBI or other beneficial interests held by DH TMK (including the Target Property or other real properties which are the trust properties of such beneficial interests), DH TMK shall notify the Seller in writing of such intention and provide the Seller information regarding the property intended to be transferred prior to discussions or negotiations with a third party;
- 2.6.5 completion under the DHI TBI SPA is subject to the fulfilment of conditions precedent including, among others:
 - (i) it is objectively confirmed that it is certain that the Seller will deliver the closing deliverables in accordance with the DHI TBI SPA;
 - (ii) all approvals and licenses, etc. required for the Seller for the transactions contemplated under the DHI TBI SPA to be valid have been obtained from governmental and regulatory authorities of Japan and are in full force and effect;

² Refundable consumption tax is the consumption tax paid in relation to the acquisition of the Target Property, as well as consumption tax associated with relevant acquisition costs and financing-related cost for acquiring the Target Property, all of which is expected to be refunded in the fourth quarter of 2024.

³ Including cash reserves which are expected to be required by lending banks under the Loan Facilities (as defined herein) to be set aside for capital expenditure, property tax, cost to operate special purpose vehicles, interest expenses and insurance premium.

- (iii) there are no grounds for default or grounds resulting from any notice, passage of time, or both, that will result in grounds for default, grounds for termination, grounds for revocation, or grounds for voiding the DHI TBI SPA or the conditional trust agreement entered into between the Property Trustee and the Seller (the “**Trust Agreement**”) in relation to the Seller, and the DHI TBI SPA and the Trust Agreement are validly existing;
- (iv) the Target Property has been validly transferred in trust to the Property Trustee in accordance with the Trust Agreement and each application for registration for the transfer of ownership, the creation of the trust, and the change in the beneficiary of the trust based on the entrustment of the Target Property has been duly and validly completed, or is reasonably anticipated to be completed on the Completion Date;
- (v) the existing lease agreement (excluding the Existing Master Lease Agreement) and the succession agreements are validly existing with the terms set forth in the respective agreements, and it is certain that they will be succeeded by the Property Trustee on the Completion Date; and
- (vi) DH TMK has completed the fund procurement required for payment of the purchase price of the DHI TBI;

2.6.6 rent, utilities charges, services charges and other profits arising from the Target Property, and expenses, taxes and other public charges incurred in connection with the Target Property attributable to the period prior to and excluding the Completion Date shall be, regardless of who is legally liable to pay them, for the benefit and responsibility of the Seller, while those profits and expenses attributable to the period on or after the Completion Date shall be for the benefit and responsibility of DH TMK. The reference date of the fixed asset tax, city planning tax and depreciable asset tax shall be 1 January 2024 and the amount of such taxes up to the day prior to and excluding the Completion Date shall be borne by the Seller and the amount on or after the Completion Date shall be borne by DH TMK; and

2.6.7 the amounts due from the parties as set out in paragraph 2.6.6 above shall be settled on the Completion Date in a manner to be separately agreed between the Seller and DH TMK provided that any amount that cannot be determined and settled by the Completion Date shall be settled promptly after being finalised.

The Seller’s representations and warranties under the DHI TBI SPA are in line with the industry practice in Japan including, but not limited to, warranties relating to title to the Target Property and there being no encumbrances to third parties (excluding the lease under the existing lease agreement).

2.7 Completion

Subject to the satisfaction or waiver of the conditions precedent, Completion shall take place on a mutually agreed date after all the conditions precedent have been fulfilled or waived. The Acquisition is expected to be completed in the first quarter of 2024.

2.8 Property Manager of the Target Property

In connection with the initial public offering of DHLT, Daiwa House Property Management Co., Ltd. (the “**Property Manager**”) was appointed on 26 November 2021 as the property manager of DHLT’s properties acquired at the initial public offering as well as future properties to be acquired by DHLT from time to time pursuant to the master property management agreement entered into between DH TMK, the Japan Asset Manager and the Property Manager on 9 November 2021 regarding the property management agreements to be entered into among the Property Trustee, the New Master Lessee and the Property Manager from time to time (the “**Master Property Management Agreement**”). Subject to and upon the Completion of the Acquisition, in accordance with the terms of the Master Property Management Agreement, the Property Manager will be appointed as property manager of the Target Property with effect from Completion pursuant to a conditional individual property management agreement entered into on 31 January 2024 in respect of the Target Property (the “**2024 Individual Property Management Agreement**”) to provide property management, lease management, project management and marketing services in respect of the Target Property. The 2024 Individual Property Management Agreement has the same rates and bases of the fees as those set out in the Master Property Management Agreement. As the 2024 Individual Property Management Agreement is entered into pursuant to the Master Property Management Agreement which is deemed to have been specifically approved by unitholders of DHLT (“**Unitholders**”) upon purchase of the Units at the time of DHLT’s initial public offering, the entry into and the fees and charges payable by DHLT under the 2024 Individual Property Management Agreement will not be subject to aggregation with the other interested person transactions of DHLT (each of a value equal to or greater than S\$100,000), including the Acquisition, entered or to be entered into in the current financial year ending 31 December 2024 for purposes of Chapter 9 of the listing manual of the SGX-ST (the “**Listing Manual**”). See paragraph 2.10 of this announcement below for further details of interested person transactions or interested party transactions entered or to be entered into in connection with the Acquisition.

2.9 Payment of the Acquisition Fee in Units

Pursuant to Clause 15.2.1 of the Trust Deed, the Manager shall be paid the Acquisition Fee of approximately JPY 26.4 million or S\$0.24 million for the Acquisition, which is 1.0% of the Purchase Consideration of JPY 2,640.0 million or S\$24.1 million.

As the Acquisition will constitute an “interested party transaction” under Paragraph 5 of the Property Funds Appendix, 100.0% of the Acquisition Fee payable to the Manager in respect of the Acquisition will be in the form of the Acquisition Fee Units, which shall be determined in accordance with the Trust Deed and which shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

2.10 Interested Person Transaction and Discloseable Transaction

(i) Interested Person Transaction pursuant to the Listing Manual and Interested Party Transaction pursuant to the Property Funds Appendix

Under Chapter 9 of the Listing Manual, where DHLT proposes to enter into a transaction with an interested person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000, with the same interested person during the same financial year) is equal to or exceeds 3.0%, but is less than 5.0% of DHLT’s latest audited net

tangible assets (“**NTA**”), an immediate announcement of the transaction must be made and if the value is equal to or exceeds 5.0% of DHLT’s latest audited NTA, Unitholders’ approval is required in respect of the transaction.

Paragraph 5.2 of the Property Funds Appendix also imposes a requirement for an interested party transaction by DHLT whose value (either in itself or when aggregated with the value of other transactions with the same interested party during the same financial year) is equal to or exceeds 3.0% of DHLT’s net asset value (“**NAV**”) to be immediately announced, and for Unitholders’ approval to be sought for an interested party transaction if the value is equal to or exceeds 5.0% .

Based on the latest audited financial statements of DHLT for the financial period from 26 November 2021 (being the date of listing of DHLT) to 31 December 2022 (the “**FP2022 Audited Financial Statements**”), the latest audited NTA and NAV of DHLT was approximately S\$589.0 million as at 31 December 2022. Accordingly, if the value of a transaction which is proposed to be entered into by DHLT with an interested person is, either in itself or in aggregation with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same interested person during the current financial year, equal to or in excess of S\$17.7 million, being 3.0% of DHLT’s latest audited NTA and NAV attributable to Unitholders, but less than S\$29.5 million, being 5.0% of DHLT’s latest unaudited NTA and NAV attributable to Unitholders, such a transaction would be subject to immediate announcement under Rule 905(1) of the Listing Manual and Paragraph 5.2(a) of the Property Funds Appendix but would not be subject to Unitholders’ approval under Rule 906(1) of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix.

Unitholders’ approval is not required

As at the date of this announcement, the Seller holds an aggregate direct interest in 88,522,867 Units and is deemed to be interested in 728,785 Units held by the Manager, which collectively represents approximately 12.8% of the total number of Units in issue as at the date of this announcement (the “**Existing Units**”). As the Manager is a direct wholly-owned subsidiary of the Seller, the Seller is regarded as a “controlling shareholder” of the Manager for the purposes of both the Listing Manual and the Property Funds Appendix. As the Seller is a controlling shareholder of the Manager, the Seller is considered (under Chapter 9 of the Listing Manual) an “interested person” of DHLT and (under the Property Funds Appendix) an “interested party” of DHLT.

As such, the Acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual and an “interested party transaction” under the Property Funds Appendix.

The total amount payable by DHLT to the Seller as part of the Acquisition is JPY 2,656.5 million (S\$24.2 million), comprising the Purchase Consideration of JPY 2,640.0 million (S\$24.1 million), and the Seller Tax Refund⁴ of JPY 16.5 million (S\$0.15 million). As this amount represents 4.1% of DHLT’s latest audited NTA and

⁴ The “**Seller Tax Refund**” refers to the pro-rated portion of the fixed asset tax, city planning tax and depreciable asset tax and other expenses and public charges pre-paid by the Seller in relation to the Target Property, for the period commencing from the Completion Date and ending on 31 December 2024, which DH TMK is obligated to reimburse the Seller under the DHI TBI SPA. The figures are computed on the assumption that the Acquisition will be completed on 29 February 2024. (See paragraph 2.6.6 of this announcement for further details.)

NAV attributable to Unitholders, which is equal to or exceeds 3.0% but is less than 5.0% of DHLT's latest NTA and NAV, an immediate announcement of the Acquisition must be made under Rule 905 of the Listing Manual and under Paragraph 5.2(a) of the Property Funds Appendix, and the Acquisition is not subject to the approval of Unitholders pursuant to Rule 906(1)(a) of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix.

(ii) Existing Interested Person Transactions

For the information of Unitholders, as at the date of this announcement, save for the Acquisition and any transaction whose value is less than S\$100,000:

- (a) there are no other existing interested person transactions entered into between DHLT (whether directly or indirectly), the Seller and its associates during the course of the current financial year ending 31 December 2024 up to the date of this announcement; and
- (b) there are no other existing interested person transactions entered into during the course of the current financial year up to the date of this announcement, between DHLT and all interested persons (including the Seller and its associates).

(iii) Discloseable Transaction

Chapter 10 of the Listing Manual governs significant transactions by DHLT such as the acquisition or divestment of assets. Such transactions are classified into various categories depending on the size of the relative figures computed on the following bases of comparison:

- (a) the NAV of the assets to be disposed of, compared with DHLT's NAV pursuant to Rule 1006(a) of the Listing Manual;
- (b) the net profits attributable to the assets acquired or disposed of, compared with DHLT's net profits pursuant to Rule 1006(b) of the Listing Manual;
- (c) the aggregate value of the consideration given or received, compared with DHLT's market capitalisation based on the total number of issued Units excluding treasury Units pursuant to Rule 1006(c) of the Listing Manual; and
- (d) the number of Units issued by DHLT as consideration for the acquisition, compared with the number of Units previously in issue pursuant to Rule 1006(d) of the Listing Manual.

Rule 1006(a) of the Listing Manual is not applicable to the Acquisition as DHLT will not be disposing of any assets under the Acquisition. Rule 1006(d) of the Listing Manual is not applicable to the Acquisition as DHLT will not be issuing any Units as consideration for the Acquisition.

The relative figures computed on the bases set out in Rules 1006(b) and 1006(c) of the Listing Manual in respect of the Acquisition are as follows:

	Acquisition (S\$ million)	DHLT (S\$ million)	Relative figure (%)
<u>Rule 1006(b)</u> Net property income ⁽¹⁾ (“NPI”) attributable to the Target Property when compared with NPI of DHLT, in each case, for the period from 1 January 2023 to 30 June 2023	0.7 ^(2, 3)	23.1 ⁽⁴⁾	2.9%
<u>Rule 1006(c)</u> Aggregate value of the consideration and the Seller Tax Refund payable for the Acquisition, when compared with DHLT’s market capitalisation based on the total number of issued Units	24.2 ⁽⁵⁾	448.5 ⁽⁶⁾	5.4%

Notes:

- (1) In the case of a real estate investment trust, NPI is a close proxy to the net profits attributable to its assets.
- (2) The lease agreement with the end-tenant in respect of the Building was in place from 1 February 2023. For the purposes of computing the net profits attributable to the Acquisition under Rule 1006(b), it is assumed that the lease agreement with the end-tenant and the rental obligation of the end-tenant in respect of the Building was in place from 1 January 2023.
- (3) Based on the actual exchange rate of S\$1.00 : JPY 106.74 used in the profit and loss statement of the unaudited financial statements for the financial period from 1 January 2023 to 30 June 2023.
- (4) Based on the NPI disclosed in the profit and loss statement of the unaudited financial statements for the financial period from 1 January 2023 to 30 June 2023.
- (5) Based on the illustrative exchange rate of S\$1.00 : JPY 109.63.
- (6) Based on the number of Units in issue multiplied by the volume-weighted average trading price (“VWAP”) of S\$0.6449 per Unit on 30 January 2024, being the Market Day immediately prior to the entry into the DHI TBI SPA. “Market Day” means a day on which the SGX-ST is open for securities trading.

Where any of the relative figures computed on the bases set out above exceeds 5.0% but does not exceed 20.0%, the transaction would be classified as a discloseable transaction under Rule 1010 of the Listing Manual which would not be subject to the approval of Unitholders.

As the relative figure computed on the basis set out in Rule 1006(c) exceeds 5.0% but does not exceed 20.0%, the Acquisition is classified as a discloseable transaction and is not subject to the approval of Unitholders at an extraordinary general meeting under Chapter 10 of the Listing Manual.

3. RATIONALE FOR AND KEY BENEFITS OF THE ACQUISITION

The Acquisition is part of the Manager's strategy to pursue acquisitions of quality assets that it believes will be accretive to DHLT's portfolio and improve returns to Unitholders. The Acquisition will also allow DHLT to strengthen its foothold in a market with sound fundamentals over the long term. The Acquisition demonstrates the ability of DHLT to acquire high quality property from the Sponsor, which continues to show its commitment to support the development of DHLT by selling the Target Property to DHLT at an attractive discount to valuation.

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

3.1 The Acquisition is expected to be DPU-accretive

The Acquisition is expected to be distribution per Unit ("**DPU**") accretive to Unitholders. For illustration purposes, on a pro forma basis and based on the proposed method of financing, the DPU for DHLT in relation to FP2022 would increase by approximately 1.2% from 5.70 cents to 5.77 cents, and NAV per Unit as at 31 December 2022 will remain unchanged. Further, while the aggregate leverage of DHLT, on a pro forma basis, would increase from 36.2% as at 30 September 2023 to 38.2% assuming Completion took place on 30 September 2023 (and 40.1% assuming the simultaneous completion of the Vietnam Acquisition⁵ on 30 September 2023), this remains at a healthy level.

Please refer to paragraph 4 of this announcement for the pro forma financial effects of the Acquisition.

3.2 Fundamentals of the Japan logistics sector remain sound

Despite significant new supply of logistics space in the Japan logistics market in recent years, the fundamentals are expected to remain sound in the long term, with demand for Japan logistics properties continuing to be supported by e-commerce and third-party logistics ("**3PL**") sectors. Approximately 3.4 million sqm of floor area of Japan logistics properties is expected to be completed in Greater Tokyo during 2024, which may pose challenges to older and less accessible facilities there⁶. However, the Target Property was only completed in January 2023 and the existing multi-tenanted properties in DHLT's portfolio were all built based on modern specifications with an average age of only 5.9 years as at 30 September 2023.

Further, despite the increase in supply of logistics space, overall underlying fundamentals are expected to remain healthy with certain sectors such as e-commerce and 3PL expected to continue supporting demand. The e-commerce sector in Japan has recorded strong growth over the recent years and there may be potential for further growth of the e-commerce sector, given that business-to-consumers e-commerce penetration rate in Japan is still relatively low at 9.1%⁷ compared to more mature markets. The 3PL sector is also expected to maintain its growth, given the expected continued trend of consignor firms outsourcing their logistics functions. In a survey conducted in 2023, approximately 42% of consignor firms surveyed indicated that the use of 3PL operators is likely to increase over the next 3 years, with only 4%

⁵ Assuming that 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**") that was announced on 29 December 2023 (the "**Vietnam Acquisition Announcement**") takes place simultaneously with the Acquisition. Please refer to the Vietnam Acquisition Announcement announced on SGXNET on 29 December 2023 for further information.

⁶ Savills Research – 2023 Review and 2024 Prospects (Japan - December 2023).

⁷ Report by the Ministry of Economy, Trade and Industry on 2022 E-Commerce Market Survey (August 2023).

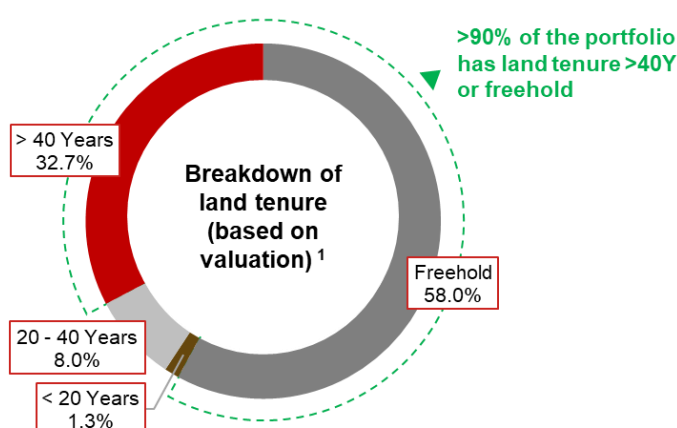
expecting a decrease⁸. Additionally, the work style reform policies pursuant to the Labor Standards Act rectified by the Act on the Arrangement of Related Acts to Promote Work Style Reform where truck driver overtime in Japan shall be restricted to 960 hours per annum from April 2024⁹ may also potentially drive demand for logistics space.

3.3 Acquisition of a high-quality property in Japan

(a) The Target Property is a modern freehold property

DPL Ibaraki Yuki is a freehold property that was completed in January 2023. It is a multi-tenanted property built with modern specifications including ceiling height of 5.5 metres, floor load of 1.5 tonnes per sqm and distance of at least 10 metres between columns. As it was only completed recently, the capital expenditure that DHLT will have to incur for the maintenance of the Target Property in the near term will likely be minimal. On a pro forma basis, assuming the completion of the Acquisition on 30 September 2023, the average age of DHLT's portfolio¹⁰ would be reduced from 6.0 years to 5.9 years (or 5.6 years assuming the simultaneous completion of the Vietnam Acquisition) as at 30 September 2023. The Manager will generally consider obtaining earthquake insurance for properties that covers the portion of the PML¹¹ exceeding 15.0%, and the Target Property has a PML of only 2.6%.

With the addition of DPL Ibaraki Yuki to DHLT's portfolio and also assuming the Vietnam Acquisition completed simultaneously on 30 September 2023, on a pro forma basis, the proportion of properties in DHLT's portfolio with freehold land tenure (by valuation¹²) would be 58.0% as at 30 September 2023.



Notes:

(1) Based on the valuation of DHLT's existing portfolio as at 31 December 2022, and the Average Independent Valuation for the Target Property, and the average valuation of VND498.0 billion for the Vietnam Property converted to S\$ based on an illustrative exchange rate of S\$1.00 : VND18,261.50.

⁸ CBRE Japan 2023 Logistics Occupier Survey (June 2023).

⁹ Source: The Ministry of Health, Labour and Welfare.

¹⁰ Weighted by NLA.

¹¹ PML refers to probable maximum loss in relation to a major earthquake.

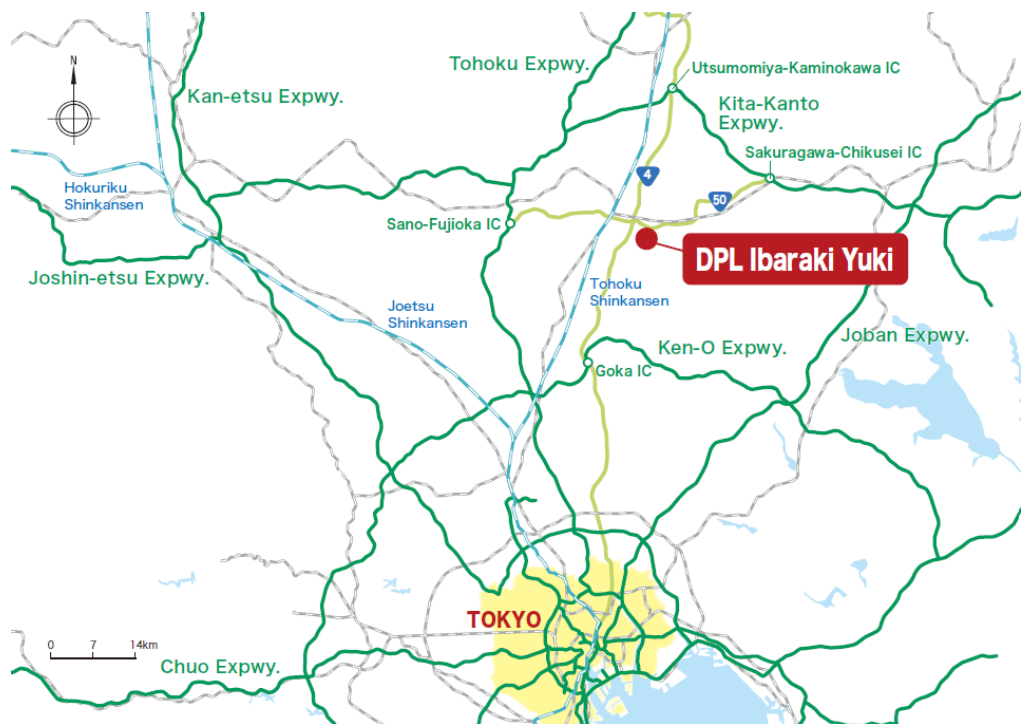
¹² Based on the latest valuation as at 31 December 2022 for the existing DHLT portfolio and the Average Independent Valuation for the Target Property, and the average valuation of VND498.0 billion for the Vietnam Property converted to S\$ based on an illustrative exchange rate of S\$1.00 : VND18,261.50.

Consequently, on a pro forma basis and also assuming the simultaneous completion of the Vietnam Acquisition on 30 September 2023, the proportion of properties with freehold land tenure and land tenure of more than 40 years (by valuation¹³) would remain high at 90.7% as at 30 September 2023.

(b) The Target Property is in a strategic location

DPL Ibaraki Yuki is situated in Yuki City, Ibaraki Prefecture, which is approximately 100 kilometres from central Tokyo. There are a few industrial parks that were established in the city where factories and distribution bases of major companies are located. The Target Property is located in a hub for food and machinery factories, with food processing factories concentrated in the neighbouring city of Chikusei.

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.



¹³ Based on the latest valuation as at 31 December 2022 for the existing DHLT portfolio and the Average Independent Valuation for the Target Property, and the average valuation of VND498.0 billion for the Vietnam Property converted to S\$ based on an illustrative exchange rate of S\$1.00 : VND18,261.50.

(c) The Target Property is 100% occupied by a blue-chip 3PL tenant

The entire property is leased to Mitsubishi Shokuhin Co., Ltd. (“**Mitsubishi Shokuhin**” or “**Tenant**”), an existing tenant in DHLT’s portfolio. Accordingly, the Target Property is fully occupied, with a remaining lease term of 3.3 years as at 30 September 2023. On a pro forma basis, the weighted average lease expiry (“**WALE**”) of DHLT’s portfolio would remain relatively long, at 6.2 years from 6.3 years as at 30 September 2023. If the Vietnam Acquisition was simultaneously completed on 30 September 2023, on a pro forma basis, the WALE would be extended from 6.3 years to 6.8 years.

Mitsubishi Shokuhin, which is listed on the Tokyo Stock Exchange, is a food products wholesaler to retailers and restaurants which also provides 3PL logistics services. It is also one of the largest food distributors in Japan. On a pro forma basis and assuming the simultaneous completion of the Vietnam Acquisition¹⁴ on 1 January 2023, the contribution from Mitsubishi Shokuhin to DHLT’s NPI as a proportion of the aggregate NPI of DHLT’s portfolio would increase from 18.9% to 20.3% as at 30 September 2023¹⁵. However, 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, which mitigates the concentration risk of Mitsubishi Shokuhin to DHLT. The Target Property is utilised by the Tenant as a distribution base for a supermarket chain, which has numerous stores in nearby areas.

Through the Acquisition, the proportion of tenants (by gross rental income) involved in the resilient 3PL sector in Japan would increase from 76.3% to 77.9% as at 30 September 2023¹⁶ on a pro forma basis and assuming the simultaneous completion of the Acquisition and the Vietnam Acquisition on 30 September 2023. The Acquisition helps to improve the overall resilience of DHLT’s portfolio and improve the quality of DHLT’s earnings.

(d) The Acquisition is in line with DHLT’s environmental commitments

DPL Ibaraki Yuki is a certified green building by the Building Energy-efficiency Labelling System (“**BELS**”), with a rating of 5 stars, which is the highest rating under BELS. BELS is a third-party certification system in Japan that assesses the energy conservation performance of buildings, in line with the guidelines set by the Ministry of Land, Infrastructure, Transport and Tourism of Japan. Certifications are based on a five-scale system (from one to five stars).

In addition, there are solar panels installed on the rooftop of DPL Ibaraki Yuki with a capacity of 0.8 megawatt peak (“**MWp**”), which will bring the total solar energy capacity of the DHLT’s portfolio to 16.1 MWp upon Completion.

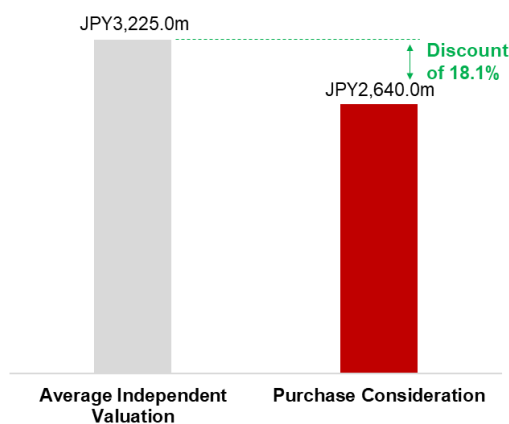
¹⁴ Assuming that the lease agreement with the tenant of the Vietnam Property was in place from 1 January 2023.

¹⁵ 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 NLA the tenants occupy in the property.

¹⁶ Assuming that the lease agreement with the tenant of the Vietnam Property was in place from 1 January 2023.

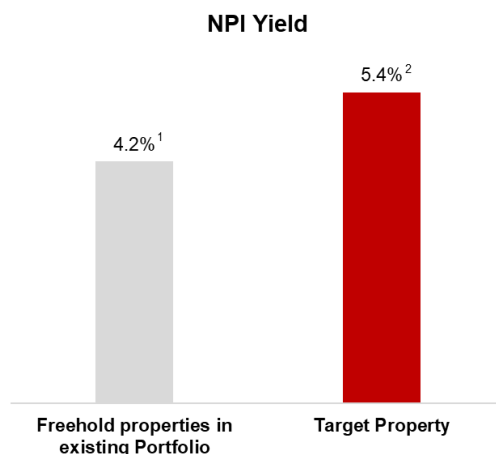
3.4 Reinforcement of the continued support from the Sponsor

The Sponsor continued to show its commitment to support the growth of DHLT by offering a high-quality 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 Yuki¹⁷ is 5.4%, which is higher than the blended NPI yield of the freehold properties in DHLT Portfolio of 4.2%¹⁸.

The Acquisition highlights the benefit of having a strong and prolific developer Sponsor where its property development capacity enables it to support DHLT by offering a supply of high-quality properties as well as, on a case-by-case basis, offer attractive discounts to valuation.



Notes:

- (1) Based on the annualised NPI for 9M2023 and the valuation of the freehold properties in the existing portfolio as at 31 December 2022.
- (2) Based on the Purchase Consideration and the annualised NPI of the Target Property, assuming that the lease agreement was in place from 1 January 2023.

¹⁷ 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.

¹⁸ Based on the annualised NPI for 9M2023 and the valuation of the freehold properties in the existing portfolio as at 31 December 2022.

4. PRO FORMA FINANCIAL EFFECTS

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Acquisition on the DPU, NAV per Unit and aggregate leverage presented below are strictly for illustrative purposes only and were prepared based on the latest audited financial statements for FP2022, assuming that the Target Property is fully occupied for the entire FP2022, and the existing lease with the end-tenant in respect of the Building was in place since the listing date on 26 November 2021, taking into account the Total Acquisition Cost and assuming:

- approximately 382,238 Acquisition Fee Units¹⁹ are issued for the Acquisition Fee²⁰ payable to the Manager at an issue price of S\$0.63 per Acquisition Fee Unit²¹;
- the Total Acquisition Cost is financed by Loan Facilities of S\$27.9 million;
- unless otherwise stated, an exchange rate of S\$1.00 : JPY 109.63 is applied for the conversion of Singapore dollars into Japanese yen for the purpose of completing the Acquisition; and
- the Property is assumed to be fully occupied for the entire FP2022, and the existing lease with the Tenant was in place since 26 November 2021.

4.1 Pro Forma DPU

FOR ILLUSTRATIVE PURPOSES ONLY:

On the bases and assumptions set out above, the pro forma financial effects of the Acquisition on DHLT's DPU for FP2022 as if the Acquisition and the issuance of 382,238 Acquisition Fee Units were completed on 26 November 2021 and DHLT held the Target Property through to 31 December 2022 are as follows:

	Actual FP2022 (Before the Acquisition)	Pro Forma FP2022 (After the Acquisition)
Net Property Income (S\$'000)	52,985	54,413 ⁽¹⁾
Distributable Income to Unitholders (S\$'000)	38,621	39,098 ⁽¹⁾
Units in issue ('000)	692,535 ⁽²⁾	692,926 ⁽³⁾

¹⁹ Based on the illustrative issue price of S\$0.63 per Acquisition Fee Unit.

²⁰ As the Acquisition will constitute an "interested party transaction" under the Property Funds Appendix issued by the MAS, the Acquisition Fee shall be paid in the form of Units and shall not be sold within one year from the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.

²¹ The illustrative issue price of S\$0.63 per Acquisition Fee Unit is purely for illustrative purposes. For the avoidance of doubt, the actual issue price of the Acquisition Fee Units is based on the VWAP for a Unit for all trades on the SGX-ST, in the ordinary course of trading on the SGX-ST, for the period of 10 Business Days (or such other period as may be prescribed by the SGX-ST) immediately preceding (and, for the avoidance of doubt, including) the Completion Date. For the purposes of this footnote only, "**Business Day**" shall mean any day (other than a Saturday, Sunday or gazetted public holiday or bank holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST is open for trading.

	Actual FP2022 (Before the Acquisition)	Pro Forma FP2022 (After the Acquisition)
DPU (cents)	5.70	5.77 ⁽²⁾
DPU Accretion (%)	-	1.2%

Notes:

- (1) For the purpose of converting JPY into S\$ for distributions arising from the Target Property only, an illustrative exchange rate of S\$1.00 : JPY 109.63 was used.
- (2) Number of Units in issue as at 31 December 2022.
- (3) The total number of Units in issue at the end of the period includes an assumed 382,238 Acquisition Fee Units to be issued and an assumed 9,084 new Units issued by DHLT to the Manager representing 50.0% of the management fee paid in Units for FP2022 (with the management fee computed based on the Enlarged Portfolio).

4.2 Pro Forma NAV

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma financial effects of the Acquisition on DHLT's NAV per Unit as at 31 December 2022, as if the Acquisition and the issuance of 382,238 Acquisition Fee Units were completed on 31 December 2022, are as follows:

	Actual as at 31 December 2022 (Before the Acquisition)	Pro Forma as at 31 December 2022 (After the Acquisition)
NAV (S\$'000)	553,211	553,211 ⁽¹⁾
Units in issue ('000)	693,774 ⁽²⁾	694,156 ⁽³⁾
NAV per Unit attributable to Unitholders (S\$) ⁽¹⁾	0.80 ⁽¹⁾	0.80 ⁽¹⁾
Adjusted ⁽⁴⁾ NAV per Unit attributable to Unitholders (S\$)	0.77 ⁽¹⁾	0.77 ⁽¹⁾

Notes:

- (1) For the purpose of converting JPY into S\$ for the Target Property only, an illustrative exchange rate of S\$1.00 : JPY 109.63 was used
- (2) Number of Units in issue as at 31 December 2022.
- (3) The total number of Units in issue at the end of the period includes an assumed 382,238 Acquisition Fee Units to be issued.
- (4) Adjusting for the distributable income that is due to be paid at the end of the FP2022 period for both the existing portfolio of DHLT together with the Target Property.

4.3 Pro Forma Aggregate Leverage

FOR ILLUSTRATIVE PURPOSES ONLY:

The pro forma aggregate leverage of DHLT as at 30 September 2023, as if the Acquisition and the issuance of 382,238 Acquisition Fee Units were completed on 30 September 2023, is as follows:

	Actual as at 30 September 2023 (Before the Acquisition)	Pro Forma as at 30 September 2023 (After the Acquisition)
Aggregate Leverage	36.2%	38.2%

Note: Based on an illustrative exchange rate of S\$1.00 : JPY 109.63.

5. AUDIT AND RISK COMMITTEE STATEMENT

Having regard to the terms of the Acquisition and the rationale for the Acquisition as set out in paragraph 3 above, the Audit and Risk Committee of the Manager is of the opinion that the Acquisition is on normal commercial terms and is not prejudicial to the interests of DHLT and its minority Unitholders.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

As at the date of this announcement, certain Directors collectively hold, directly or indirectly, interests in the Units and/or ordinary shares in the Sponsor ("**DHI Shares**"), collectively amounting to an aggregate of 560,000 Units and 37,337 DHI Shares²². Further details of the interests in the Units of the Directors and Substantial Unitholders²³ are set out below.

Further, it should be noted that:

- (a) Mr Yoshiyuki Takagi, a Non-Independent Non-Executive Director of the Manager, holds directorships in several affiliated companies of the Sponsor;
- (b) Mr Hirotsugu Otomo, a Non-Independent Non-Executive Director of the Manager, is a director and Managing Executive Officer of the Sponsor and holds directorships in several subsidiaries of the Sponsor; and
- (c) Mr Jun Yamamura is a Non-Independent Executive Director and the Chief Executive Officer of the Manager.

As at the date of this announcement and based on information available to the Manager, the Sponsor has a direct interest in 88,522,867 Units and is deemed to be interested in 728,785 Units held by the Manager, which collectively comprises 12.8% of the total number of existing Units in issue.

Based on the Register of Directors' Unitholdings maintained by the Manager, save as disclosed above and based on information available to the Manager as at the date of this announcement,

²² This represents 37,337 DHI Shares held by Mr Hirotsugu Otomo.

²³ "**Substantial Unitholder**" means a person with interest in Units constituting not less than 5.0% of all the Units in issue.

none of the Directors or Substantial Unitholders has an interest, direct or indirect, in the Acquisition (otherwise than through their unitholdings, if any).

7. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection²⁴ during normal business hours at the registered office of the Manager located at 6 Shenton Way, #21-08 OUE Downtown 2, Singapore 068809, from the date of this announcement up to and including the date falling three months after the date of this announcement:

- (i) the DHI TBI SPA entered into between DH TMK and the Seller;
- (ii) the full valuation report issued by Savills in respect of the Target Property; and
- (iii) the full valuation report issued by JLL in respect of the Target Property.

The Trust Deed will be available for inspection at the registered office of the Manager for so long as DHLT is in existence.

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)

Jun Yamamura

Director and Chief Executive Officer

31 January 2024

²⁴ Prior appointment with the Manager is required. Please contact DHLT Investor Relations at email: ir@daiwahouse-lt.com or telephone: +65 6202 0486.

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 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 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.