



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

NEWS RELEASE

For immediate release

ESR-LOGOS REIT Extends Footprint into Japan via Proposed DPU Accretive Acquisition of ESR Sakura Distribution Centre

- *Transaction is expected to be up to 2.9% DPU accretive to Unitholders*
- *Freehold high quality New Economy asset strategically situated between Narita International Airport and Chiba Port in the Greater Tokyo area*
- *Strong supply and demand dynamics for modern logistics facilities in Japan is expected to drive positive rent growth*
- *Transaction further reinforces the Sponsor's commitment towards E-LOG by leveraging its industry leading New Economy pipeline to create a flagship New Economy REIT*
- *Accelerates E-LOG's portfolio enhancement strategy by acquiring quality, scalable and future-ready assets while divesting its non-core assets*

Singapore, 29 August 2022 – ESR-LOGOS Funds Management (S) Limited, the manager of ESR-LOGOS REIT (the “**Manager**”), is pleased to announce the proposed acquisition of 100% of the trust beneficiary interest in ESR Sakura Distribution Centre (“**ESR Sakura DC**”), a 5-storey modern logistics asset located in Sakura City, Chiba Prefecture, Tokyo for a purchase consideration of approximately S\$183.5 million (JPY 17,800 million), inclusive of rental support (as defined herein). The transaction is expected to be up to 2.9% DPU accretive to unitholders, with funding already secured.

Mr Adrian Chui, Chief Executive Officer and Executive Director of the Manager said, “We are pleased to expand the REIT’s footprint into Japan, our second overseas market, with the acquisition of ESR Sakura DC, a freehold asset that will ride on the strong logistics growth trends in the Greater Tokyo area. This transaction will also be the first direct asset acquisition post the merger from our Sponsor’s pipeline of quality logistics assets, demonstrating the REIT’s ability to access and execute the Sponsor’s visible acquisition pipeline, and together with the Sponsor Support, it reiterates the Sponsor’s alignment of interest and commitment to grow E-LOG into a leading New Economy REIT.”

Details of the Proposed Acquisition

ESR-LOGOS REIT TMK1 (“**ESR TMK**”), a Japan tokutei mokuteki kaisha (“**TMK**”) which is indirectly wholly-owned by ESR-LOGOS REIT (“**E-LOG**”) entered into a sale and purchase agreement (the “**Japan Sale and Purchase Agreement**”) with ESR 34 GK (the “**Sponsor Vendor**”) to acquire 100%

of the trust beneficiary interest in ESR Sakura DC located at 2464-11 and others, Ota, Sakura-shi, Chiba-ken. ESR Sakura DC comprises a five-storey logistics facility in Sakura City, Chiba Prefecture in Tokyo, with a total land area of 41,658 sqm, net lettable area of 81,507 sqm and a weighted average lease expiry (“**WALE**”) of 2.9 years as at 30 June 2022. ESR Sakura DC is freehold and was completed in 2015.

The acquisition will constitute an “interested person transaction” under Chapter 9 of the Listing Manual as well as an “interested party transaction” under the Property Funds Appendix. A circular will be issued to the unitholders of E-LOG (“**Unitholders**”) in due course, together with a notice of extraordinary general meeting (“**EGM**”), for the purpose of seeking the approval of Unitholders by way of an Ordinary Resolution of the Unitholders for the acquisition.

The Sponsor Vendor has also entered into a separate sale and purchase agreement (the “**Fund SPA**”) with RW Sakura TMK (the “**Fund Vendor**”), which currently holds 100% of the trust beneficiary interest in ESR Sakura DC. Thereafter, subject to Unitholders approving the acquisition at the EGM, the Sponsor Vendor will sell 100% of the trust beneficiary interest in ESR Sakura DC to ESR TMK pursuant to the terms of the Japan Sale and Purchase Agreement.

Including estimated professional and other fees and expenses, the total acquisition cost is estimated to be approximately S\$187.0 million.

Transaction Rationale and Key Benefits of the Acquisition

1. Transaction is DPU accretive to Unitholders

The acquisition is expected to be DPU accretive to E-LOG Unitholders on a pro forma basis assuming the acquisition was completed on 1 January 2021. DPU is expected to increase by 2.9% and 0.5%, based on an illustrative Scenario A: 100% debt funded and, illustrative Scenario B: 60% debt and 40% equity funded respectively. The proposed acquisition provides E-LOG with its maiden entry into Japan’s attractive logistics market and further strengthens E-LOG’s portfolio metrics.

As at 12 July 2022, the Manager has received committed debt financing term sheets of up to JPY 17,600 million (approximately S\$181.5 million) from banks to fund the proposed acquisition.

2. Acquisition at an Attractive Net Property Income (“NPI”) Yield and Purchase Consideration Lower than Market Comparables

ESR Sakura DC will be acquired at an attractive NPI yield of 4.35%, and at a purchase consideration of JPY 208,372 per sqm, which is approximately 21.8% lower than the average market sales comparables.

3. Maiden Entry into Japan's Attractive and Asset Scarce Logistics Market

Japan represents a sizeable and scalable growth market for logistics assets. Compared to Singapore, Beijing and Shanghai, where logistics assets are situated on short land leases, Japan logistics assets are largely situated on freehold land.

The strong supply and demand dynamics for modern logistics facilities in Japan is also expected to drive positive rent growth. According to the Independent Market Research Consultant, the proportion of modern logistics facilities within the total stock in Japan accounts for only 13% of the total logistics supply, leaving potential for expansion and growth in the future. Net absorption rates for logistics and warehouse space in Greater Tokyo have been higher than supply completions since 2017, resulting in low vacancy rates. Underpinned by the strong demand for logistics assets, the vacancy rate is expected to remain low especially in the Chiba area where ESR Sakura DC is situated. Vacancy rates hit 0% at the end of 2020 in most submarkets in Japan, except for 2 submarkets which recorded a very low vacancy of 0.4%.

ESR Sakura DC is located in Sakura City within the Northern part of Chiba Prefecture in Tokyo, strategically situated between the Narita International Airport and Chiba Port. Given the proximity to key air, sea, and land transport routes, ESR Sakura DC will be a prime beneficiary of the growth in the Chiba Prefecture.

4. Acquisition is Freehold and was Completed in 2015

Completed in 2015, ESR Sakura DC is less than 10 years old and the addition of this freehold asset will further enhance E-LOG's strategy to gain exposure in the matured and established Japan market.

E-LOG's portfolio land lease expiry will increase from 38.5 years to 40.8 years post-acquisition of ESR Sakura DC. E-LOG will gain more exposure to freehold assets which do not suffer from valuation decay because of a declining land lease.

5. High Quality Asset Positioning E-LOG for Growth

ESR Sakura DC is a future ready modern logistics asset designed to be versatile to support flexible leasing solutions and encompasses green features such as solar panels on the roof space and eco-friendly LED lightings.

As such, the asset boasts a high-quality tenant base which includes Universal Entertainment (a listed manufacturer with FY2021 revenue of JPY 90.4 billion (c.S\$932 million)). Post-acquisition of ESR Sakura DC, the total contribution of E-LOG's top 10 tenants will be reduced from 27.3% to 26.8%, further enhancing E-LOG's tenant diversification and increasing E-LOG's portfolio resilience.

6. Delivery of Portfolio Reconstitution Strategy to Establish E-LOG as a Leading New Economy REIT

The acquisition is in line with the execution of E-LOG's portfolio reconstitution and acquisition strategy for quality, scalable and future-ready assets to create a leading New Economy REIT. Post-acquisition, E-LOG's strategic focus in New Economy assets across APAC will be further strengthened, increasing New Economy exposure to 63.4%.

This acquisition also demonstrates E-LOG's ability to access the Sponsor's pipeline of freehold and quality logistics assets and validates the Sponsor's strong commitment to grow E-LOG. E-LOG can leverage on ESR Japan's on-the-ground local team and real estate operational capability to reduce operational risks, thus allowing E-LOG to further establish a broader APAC presence. In particular, the Sponsor Support provides certainty for the transaction and mitigates the short-term leasing risk for E-LOG.

Sponsor Support

To secure this transaction for E-LOG, which is attractive for E-LOG due to the merits of the transaction as set out above, ESR Group Limited (the "**Sponsor**") will be providing the following support to allow E-LOG to secure the transaction and to mitigate short-term leasing risks.

(a) Sponsor to backstop E-LOG's risk of forfeiting the Deposit

It is a condition of the willingness of the Fund Vendor to sell ESR Sakura DC that a deposit of JPY 872.5 million (approximately S\$9.0 million) (the "**Deposit**") is payable upon signing of the sale and purchase agreement and such Deposit will not be refundable after 31 August 2022¹. As E-LOG would not be able to convene an EGM to obtain Unitholder's approval for the acquisition prior to 31 August 2022, the Deposit would be forfeited if Unitholders do not approve proceeding with the acquisition. The Sponsor Vendor, as a show of support to E-LOG to allow E-LOG to secure the transaction, has therefore agreed to enter into the Fund SPA to backstop E-LOG's risks of having the Deposit forfeited in the event Unitholders do not approve proceeding with the acquisition of ESR Sakura DC; and

(b) Sponsor to provide 12 months of rental support to mitigate leasing risks

The Sponsor Vendor will provide E-LOG with rental support for a period of 12 months from the completion date in respect of the vacant space to mitigate leasing risks. This rental support is not provided by the Fund Vendor and the Sponsor Vendor is providing this as an additional assurance to E-LOG. The 12 months of rental support for the vacant space amounts to JPY 236.5 million (approximately S\$2.4 million) (the "**Rental Support**") and will also be used to cover any rent free

¹ For the avoidance of doubt, 31 August 2022 is **NOT** the long stop date for completion of the acquisition. The long stop date for the completion of the acquisition is 31 October 2022.

period(s) provided to new tenant(s) for securing new lease(s). The Rental Support is (i) based on market rent and (ii) in line with the current rates being charged for the rest of the tenanted spaces in ESR Sakura DC.

In connection with the provision of Sponsor Support, the Sponsor Vendor will acquire ESR Sakura DC (at the purchase price of JPY 17,450 million without rental support) from the Fund Vendor and on-sell ESR Sakura DC to E-LOG at JPY 17,800 million with 12 months of Rental Support. The purchase consideration of JPY 17,800 million is below the two independent valuations conducted by CBRE and Colliers, at JPY 18,000 million and JPY 18,030 million respectively, after taking into account the 12 months of Rental Support and current market conditions.

ESR Group's support demonstrates the Sponsor's alignment of interest with Unitholders in supporting E-LOG's growth by providing certainty for the transaction and mitigating the short-term leasing risks for E-LOG.

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About ESR-LOGOS REIT

ESR-LOGOS REIT is a leading New Economy and future-ready Asia Pacific S-REIT. Listed on the Singapore Exchange Securities Trading Limited since 25 July 2006, ESR-LOGOS REIT invests in quality income-producing industrial properties in key gateway markets.

As at 30 June 2022, ESR-LOGOS REIT holds interests in a diversified portfolio of logistics properties, high-specifications industrial properties, business parks and general industrial properties with total assets of approximately S\$5.5 billion. Its portfolio comprises 83 properties (excluding 48 Pandan Road held through a joint venture) located across the developed markets of Singapore (62 assets) and Australia (21 assets), with a total gross floor area of approximately 2.3 million sqm, as well as investments in three property funds in Australia. ESR-LOGOS REIT is also a constituent of the FTSE EPRA Nareit Global Real Estate Index.

ESR-LOGOS REIT is managed by ESR-LOGOS Funds Management (S) Limited (the “**Manager**”) and sponsored by ESR Group Limited (“**ESR**”). The Manager is owned by ESR (91.3%), Mitsui & Co., Ltd (7.7%), and Shanghai Summit Pte. Ltd. (1.0%), respectively.

For further information on ESR-LOGOS REIT, please visit www.esr-logosreit.com.sg.

About the Sponsor, ESR

ESR is APAC’s largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140.2 billion in total assets under management (AUM), its fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. ESR’s purpose – *Space and Investment Solutions for a Sustainable Future* – drives it to manage its business sustainably and impactfully, and ESR considers the environment and the communities in which it operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at www.esr.com.

Important Notice

The value of units in ESR-LOGOS REIT (“**Units**”) and the income derived from them may fall as well as rise. Units are not investments or deposits in, or liabilities or obligations, of ESR-LOGOS Funds Management (S) Limited (“**Manager**”), RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-LOGOS REIT) (“**Trustee**”), or any of their respective related corporations and affiliates (individually and collectively “**Affiliates**”). An investment in Units is subject to equity investment risk, including the possible delays in repayment and loss of income or the principal amount invested. Neither ESR-LOGOS REIT, the Manager, the Trustee nor any of the Affiliates guarantees the repayment of any principal amount invested, the performance of ESR-LOGOS REIT, any particular rate of return from investing in ESR-LOGOS REIT, or any taxation consequences of an investment in ESR-LOGOS REIT. Any indication of ESR-LOGOS REIT performance returns is historical and cannot be relied on as an indicator of future performance.

Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that investors may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. This news release may contain forward-looking statements that involve assumptions, 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 occupancy or property rental income, changes in operating expenses, governmental and public policy changes and the continued availability of financing in amounts and on terms necessary to support ESR-LOGOS REIT’s future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view of future events.

This news release is for information purposes only and does not have regard to your specific investment objectives, financial situation or your particular needs. Any information contained in this material is not to be construed as investment or financial advice and does not constitute an offer or an invitation to invest in ESR-LOGOS REIT or any investment or product of or to subscribe to any services offered by the Manager, the Trustee or any of the Affiliates.