

SEMIANNUAL REPORT

Fiscal Period Ended November 30, 2020



Message from the Executive Director



Masahiro Sakashita

Executive Director
Nippon Prologis REIT, Inc.

Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report for the fiscal period ended November 30, 2020.

During the subject fiscal period, despite the global uncertainties caused by COVID-19 pandemic, we continued to maximize our investor value through steady growth. As a result of the long-term structural changes of the Japanese logistics industry, the demand from our customers continued to be strong. In addition, the pandemic resulted in the increase in demand, due to the accelerated growth of the e-commerce industry and various companies' efforts to increase their inventory levels to be prepared for potential disruptions to the global supply chain.

Accordingly, we continued to record high portfolio occupancy and healthy rent growth. For the subject fiscal period, the average occupancy rate was 99.4 percent, the historical high over the last eight years since our inception. At the same time, we achieved weighted average rent growth of 2.7 percent for the leases renewed or re-tenanted during the subject fiscal period.

In terms of our external growth, we have conducted our 10th follow-on offering and acquired three new properties (Prologis Park Chiba New Town, Prologis Park Chiba 2 and Prologis Park Tsukuba 2) in February 2021. The offering represented our unchanged and quality-focused investment strategies and our significant growth potential, which was well received by both Japanese domestic and global investors. The offering and acquisitions were highly accretive for our unit holders; our distribution per unit, on a stabilized basis, grew by 3.6 percent and our NAV per unit grew by 1.2 percent.

We continue to have the strongest balance sheet in the J-REIT industry. Our loan-to-value ratio, on a book value basis, remained conservative at 37.5 percent at the end of the fiscal period, and will remain at the same level post the 10th follow-on offering. With this low leverage and the size of our balance sheet, we continue to have significant additional investment capacity of approximately 180 billion yen.

Finally, during the fiscal period, the demolition work of the building wreckage of Prologis Park Iwanuma 1 has proceeded as scheduled, and its redevelopment plan has been determined. According to the plan, we will start reconstruction work in March 2021, which is scheduled to be completed in or around April 2022. We believe that the new building will demonstrate significant competitive advantage in the market.

We are proud of our accomplishments and will continue to strive to maximize our investor value in the long-term. We sincerely appreciate your ongoing support to Nippon Prologis REIT.

Best regards,

Financial Highlights for the Fiscal Period Ended November 30, 2020

Distribution Per Unit
(JPY, including Surplus Cash Distributions)

4,860

Portfolio Size
(JPY billions)

696.1

NOI
(JPY millions)

18,934

Market Cap
(JPY billions)

807.5

Period Average Occupancy

99.4%

Appraisal NAV Per Unit
(JPY)

231,723

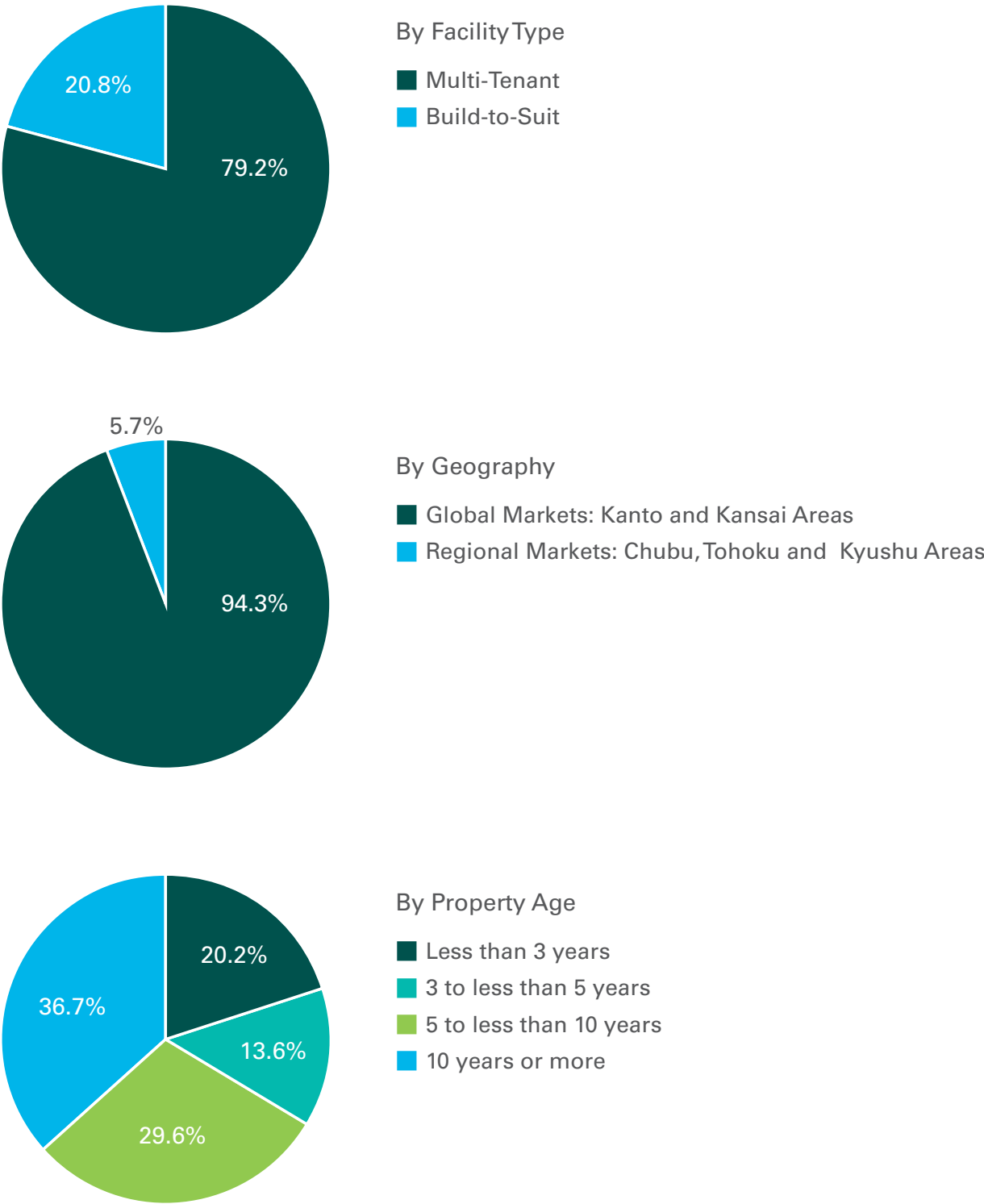
Loan-to-Value Ratio

37.5%

Credit Rating

JCR AA
(Stable)

Earnings Stability from a Diversified Portfolio of Class-A Facilities



Note: Excluding Prologis Park Iwanuma 1

Focus on High-Quality Class-A Logistics Facilities



Financial Strategy Focused on Long-Term Stability and Efficiency



Governance Structure Promotes Growth in Unit Holder Value





M-01 Prologis Park Ichikawa 1
JPY 33,900 million



M-02 Prologis Park Zama 1
JPY 27,900 million



M-03 Prologis Park Kawajima
JPY 25,600 million



M-04 Prologis Park Osaka 2
JPY 25,000 million



M-05 Prologis Park Maishima 3
JPY 13,500 million



M-06 Prologis Park Kasugai
JPY 12,500 million



M-07 Prologis Park Kitanagoya
JPY 6,500 million



M-09 Prologis Park Tokyo-Ohta
JPY 29,500 million



M-10 Prologis Park Zama 2
JPY 21,900 million



M-11 Prologis Park Funabashi 5
JPY 11,000 million



M-12 Prologis Park Narita 1-A&B
JPY 8,420 million



M-13 Prologis Park Narita 1-C
JPY 4,810 million



M-14 Prologis Park Amagasaki 1
JPY 17,600 million



M-15 Prologis Park Amagasaki 2
JPY 19,200 million



M-16 Prologis Park Tokyo-Shinkiba
JPY 13,600 million



M-17 Prologis Park Yokohama-Tsurumi
JPY 13,800 million



M-18 Prologis Park Osaka 4
JPY 21,000 million



M-20 Prologis Park Kawajima 2
JPY 8,180 million



M-21 Prologis Park Kitamoto
JPY 12,600 million



M-22 Prologis Park Joso
JPY 7,120 million



M-23 Prologis Park Osaka 5
JPY 17,600 million



M-24 Prologis Park Narita 3
JPY 9,240 million



M-25 Prologis Park Narashino 5
JPY 13,600 million



M-26 Prologis Park Ibaraki
JPY 38,300 million



M-27 Prologis Park Ichikawa 3
JPY 17,000 million



M-28 Prologis Park Narita 1-D
JPY 5,260 million



M-29 Prologis Park Yoshimi
JPY 21,300 million



M-30 Prologis Park Higashimatsuyama
JPY 12,600 million



M-31 Prologis Park Kyotanabe
JPY 35,800 million



M-32 Prologis Park Chiba 1
JPY 31,000 million



M-33 Prologis Park MFLP Kawagoe
JPY 14,800 million



M-34 Prologis Park Chiba New Town
JPY 26,300 million



M-35 Prologis Park Chiba 2
JPY 15,000 million



B-02 Prologis Park Takatsuki
JPY 4,410 million



B-03 Prologis Park Tosu 2
JPY 3,030 million



B-04 Prologis Park Tosu 4
JPY 3,810 million



B-05 Prologis Park Narashino 4
JPY 20,000 million



B-06 Prologis Park Ebina
JPY 8,250 million



B-07 Prologis Park Kawanishi
JPY 13,600 million



B-08 Prologis Park Amagasaki 3
JPY 9,090 million



B-09 Prologis Park Kobe
JPY 6,410 million



B-10 Prologis Park Sendai Izumi
JPY 4,820 million



B-11 Prologis Park Koga 1
JPY 7,680 million



B-12 Prologis Park Kobe 2
JPY 13,700 million



B-13 Prologis Park Koga 2
JPY 3,930 million



B-14 Prologis Park Koga 3
JPY 5,440 million



B-15 Prologis Park Tsukuba 1-A
JPY 12,900 million



B-16 Prologis Park Sendai Izumi 2
JPY 9,250 million



B-17 Prologis Park Kobe 4
JPY 5,020 million



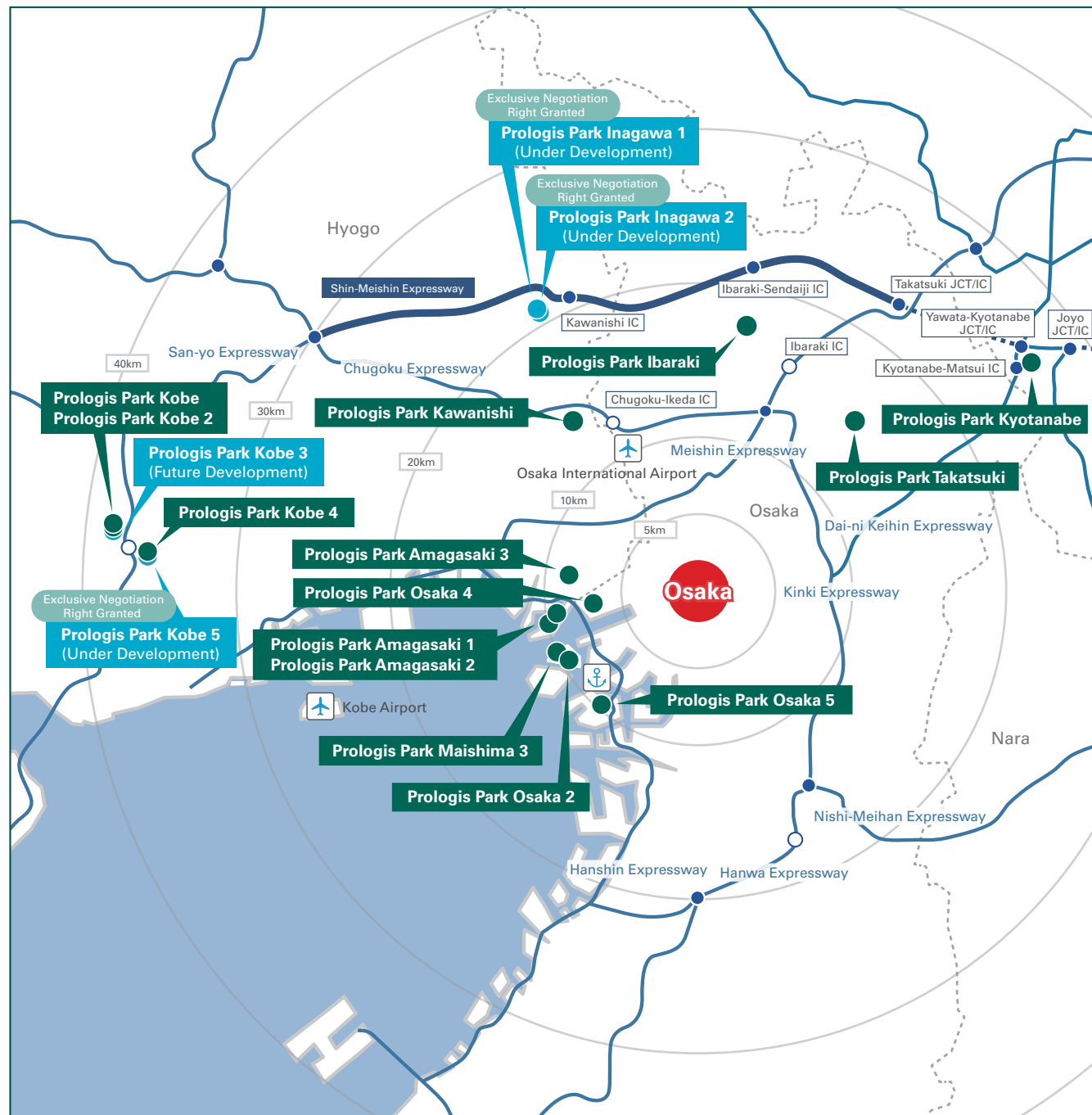
B-18 Prologis Park Tsukuba 1-B
JPY 13,500 million



B-19 Prologis Park Tsukuba 2
JPY 20,900 million

Note: Property values are based on acquisition prices.

Osaka Metropolitan Area



Tokyo Metropolitan Area



- New properties
- Current properties
- Pipeline properties

Note: As of December 31, 2020

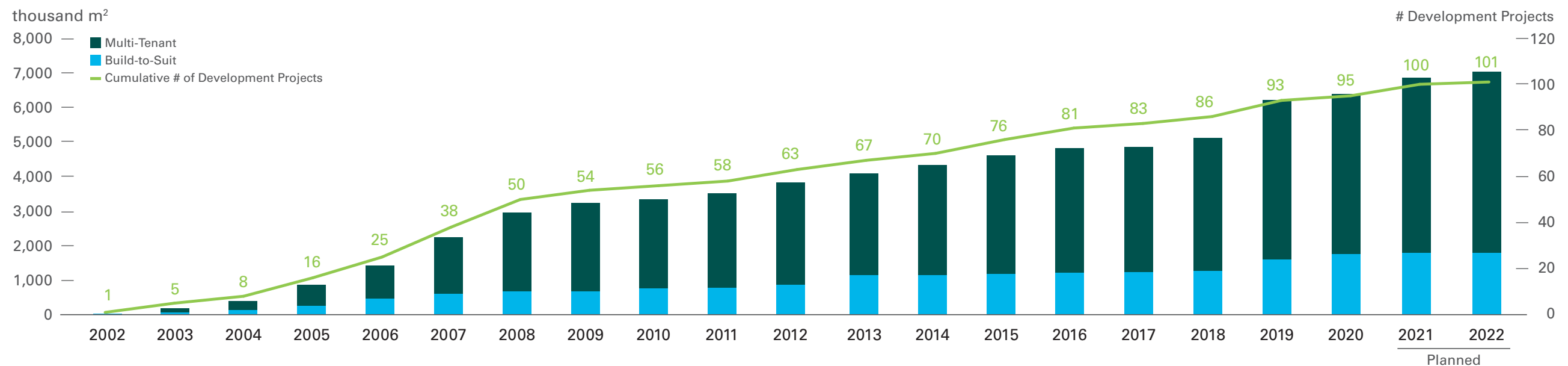
Proprietary Development Pipeline from Prologis Group

	Status	Region	Property Name	(Expected) Year Built	Property Type	(Expected) GFA (sqm)
Exclusive Negotiation Rights Granted	Under Development	Kanto	Prologis Park Ebina 2	Aug. 2021	Build-to-Suit	38,511
			Prologis Park Soka	Apr. 2022	Multi-tenant	151,604
		Kansai	Prologis Park Kobe 5	Mar. 2021	Multi-tenant	45,321
			Prologis Park Inagawa 1	Nov. 2021	Multi-tenant	217,544
			Prologis Park Inagawa 2	Jul. 2021	Multi-tenant	158,633
Under Development or Planning	Completed	Kanto	Prologis Urban Tokyo-Adachi 1	Nov. 2020	Multi-tenant	5,171
	Future Development	Kanto	Prologis Park Yachiyo 1	Sep. 2022	Multi-tenant	159,700
			Prologis Park Yachiyo 2	TBD	TBD	113,000
			Prologis Park Tsukuba 3	TBD	TBD	156,000
			Prologis Urban Tokyo-Adachi 2	TBD	TBD	6,430
			Kansai	Prologis Park Kobe 3	TBD	TBD
		Chubu	Prologis Tokai Otagawa Project	TBD	TBD	164,000
		Kyushu	Prologis Park Ogori	TBD	TBD	29,000
Future Projects	Kanto	Prologis Koga Project Phase 2	TBD	TBD	TBD ^(Note 2)	

Note 1: We have no definite plans to acquire the above properties. This property list should not be deemed a commitment or guarantee of our future acquisitions.

Note 2: The plan of the gross floor area for Prologis Koga Project Phase 2 is yet to be determined.

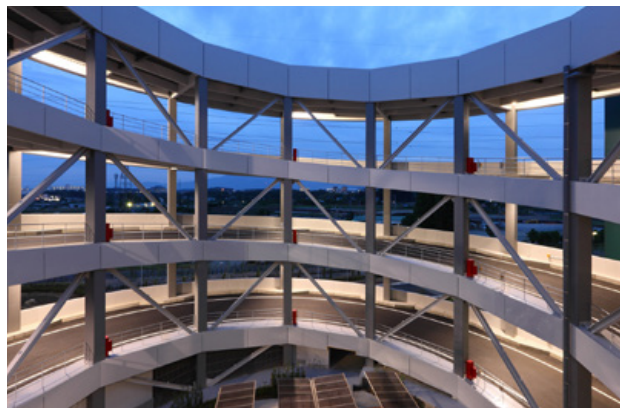
Prologis Group's Proven Development Track Record in Japan Since 2002



Features:

- Gross floor area of approximately 16,500 m² or more
- Proximity to population clusters and transportation hubs such as expressway interchanges and major airports or seaports
- Large floor area exceeding approximately 5,000 m² per level with a floor weight capacity of approximately 1.5 tons/m² or more, an effective ceiling height of approximately 5.5 m or more and column spacing of approximately 10 m or more
- Spiral rampways that allow trucks direct access to upper-floor distribution space
- Safety and resiliency features such as seismic isolators and earthquake-proofing

Spiral Rampways



Large Loading Zones



Wide-Column Spacing



Renewable Energy



Restaurants



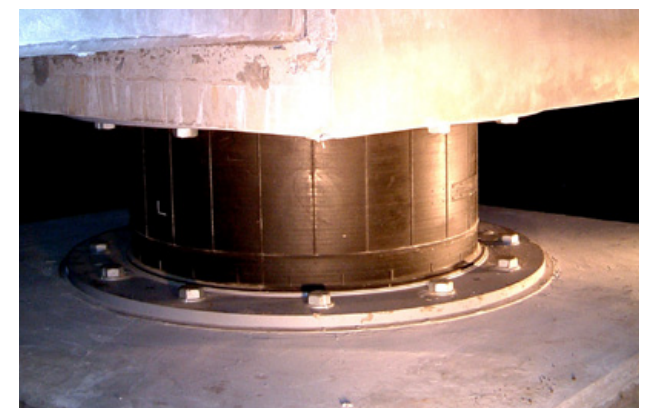
Convenience Stores



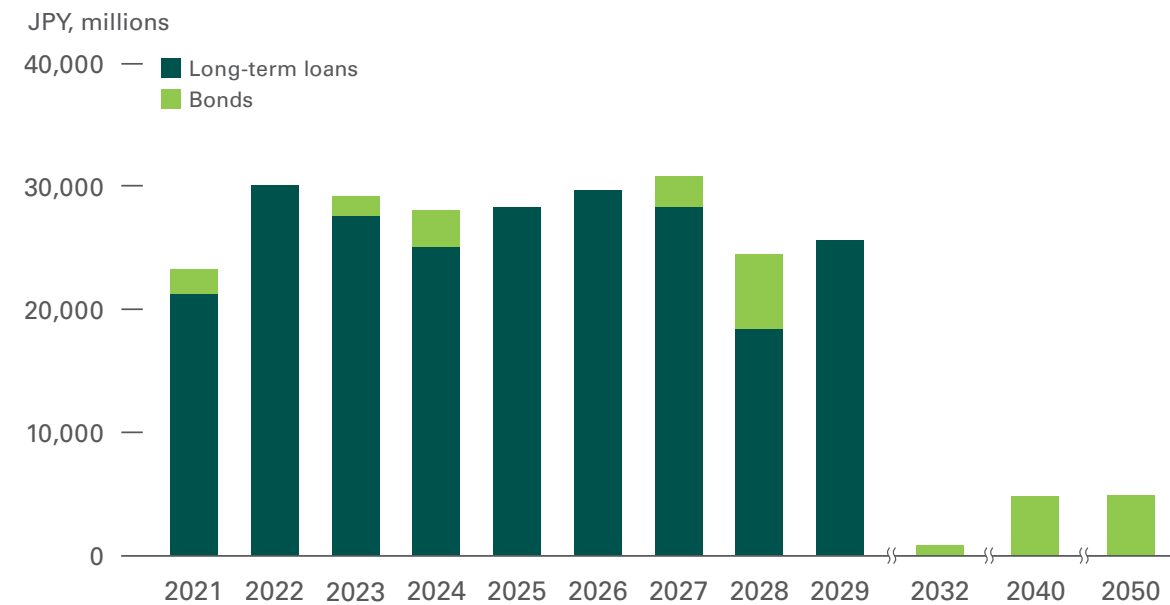
24-Hour Security



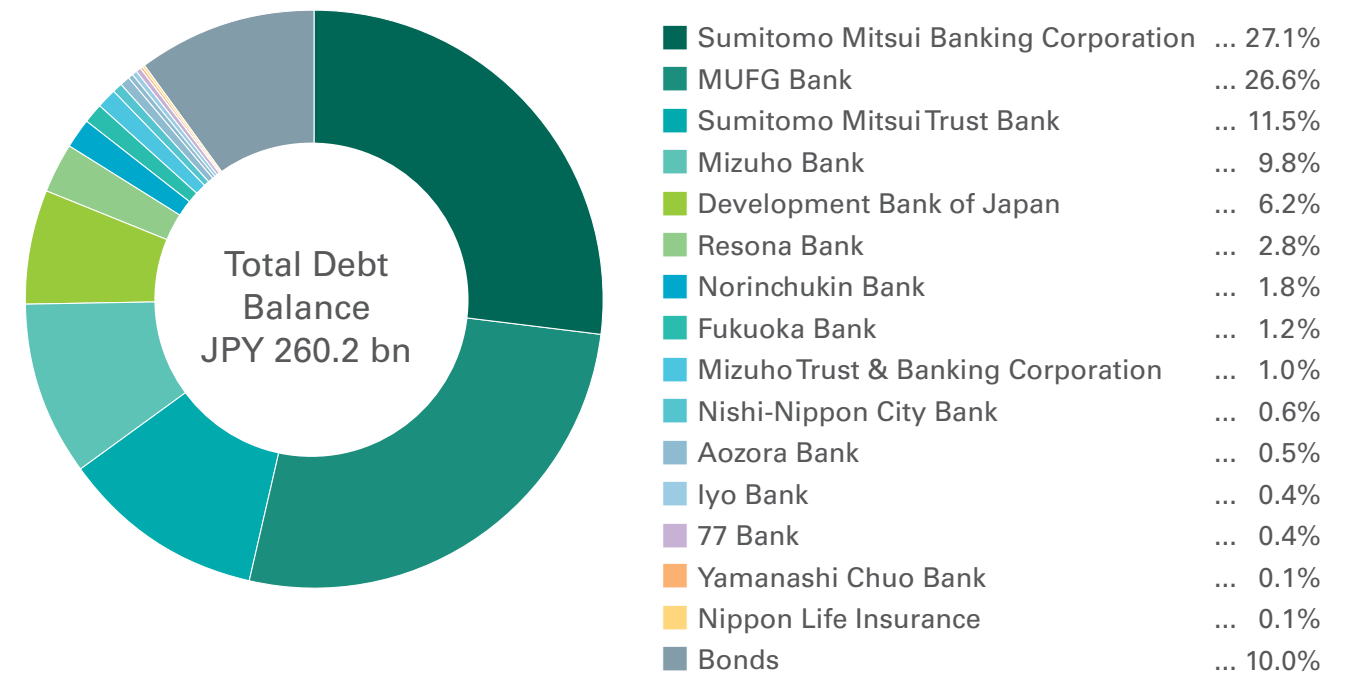
Seismic Isolators



Debt Maturity Schedule



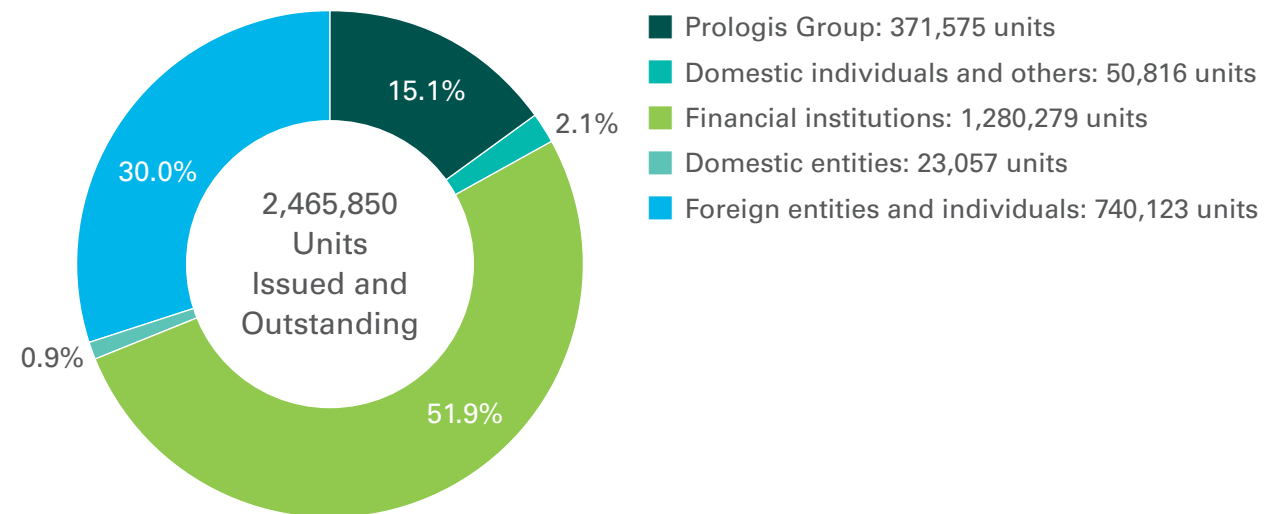
Diversification of Interest-bearing Debt



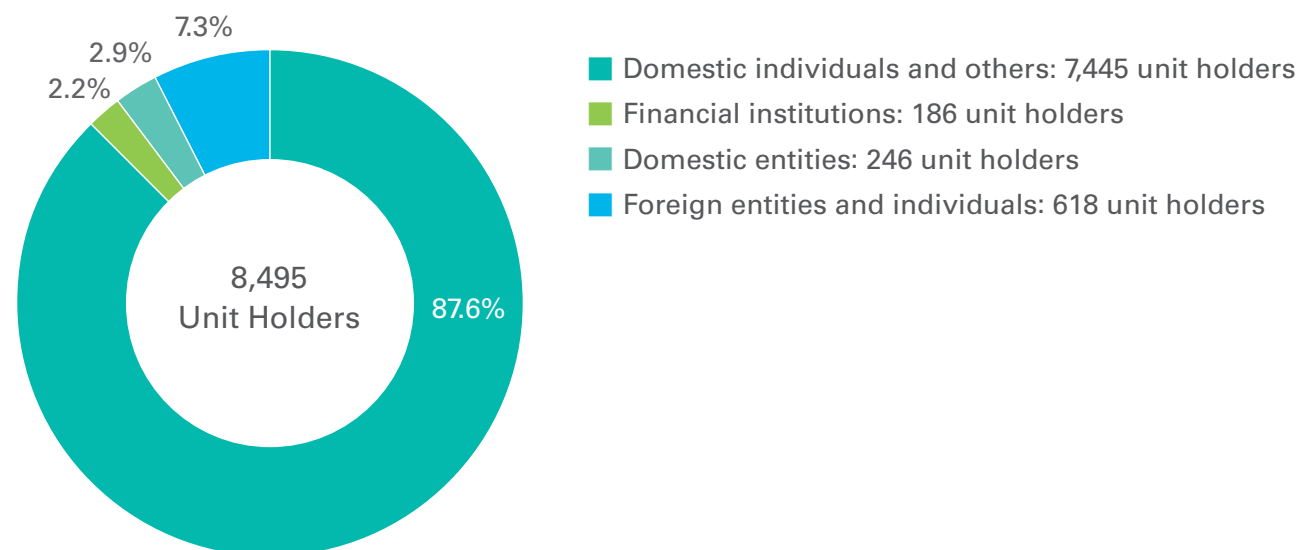
Investor-Aligned Fee Structure (100% performance-linked asset management fee structure)

Fee Type		Calculation	Payment Frequency
Asset Management Fee	1: NOI-based	NOI × 7.5%	Paid each fiscal period
	2: Net Income-based	Net income* × 6.0% *Before deduction of net income-based asset management fee	
Acquisition Fee		1.00% of acquisition price (0.50% for related-party transactions)	Paid each transaction
Disposition Fee		0.50% of disposition price (0.25% for related-party transactions)	

Breakdown by Units



Breakdown by Unit Holders



Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Custody Bank of Japan, Ltd. (Trust account)	390,787	15.84%
2	Prologis Property Japan SPC	369,575	14.98%
3	The Master Trust Bank of Japan, Ltd. (Trust account)	347,769	14.10%
4	The Nomura Trust and Banking Co., Ltd. (Trust account)	99,509	4.03%
5	Custody Bank of Japan, Ltd. (Securities investment trust account)	70,430	2.85%
6	State Street Bank West Clients-Treaty 505234	70,364	2.85%
7	SMBC Nikko Securities, Inc.	48,646	1.97%
8	Mizuho Securities Co., Ltd.	41,167	1.66%
9	State Street Bank and Trust Company 505103	26,238	1.06%
10	SSBTC Client Omnibus Account	23,284	0.94%
	Total	1,487,769	60.33%

The principles of environmental stewardship, social responsibility, and ethics and governance (ESG) are a natural fit with our long-term strategy. We strive to be a trusted, long-term partner that maximizes return to our stakeholders while minimizing environmental impacts.

Our Approach to ESG

Define and advance ESG thought leadership

- Ensure the resilience and long-term preservation of value for our business through evaluation of future risks, including those associated with climate change
- Integrate the fundamental principles of ESG to ensure responsible investment and business decisions

Research and develop programs focused on impact reduction and stakeholder benefit

- Reduce energy and water use, and waste within our offices, as well as our real estate portfolio
- Invest in our employees and communities and provide a safe, healthy, inclusive and diverse work environment

Partner with our stakeholders to implement solutions that solve ESG pain points

- Position our portfolio with modern, efficient logistics real estate assets in locations that benefit our communities and meet our customers' business needs
- Invest in training and growth opportunities for logistics workforce development, health, safety, and productivity

NPR's ESG Committee

Prologis REIT Management K.K. (PLDRM), the asset manager for NPR, organizes and holds meetings of the ESG Committee. Chaired by the Chief Executive Officer (CEO) of PLDRM, the Committee plans and implements various ESG initiatives for NPR. Additionally, the ESG Committee received and evaluates feedback from stakeholders on NPR's ESG initiatives and actions with the intention of aligning with Prologis' ESG Policy and Approach to ESG.

Reputation backed by Third-Party Agencies

MSCI Japan ESG Select Leaders Index

2020 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

DJSI World / DJSI Asia Pacific

Member of
Dow Jones
Sustainability Indices

Powered by the S&P Global CSA

The only J-REIT included in the indices as of 2020

Great Place to Work



Prologis Japan has been certified as one of the
"Best Workplaces in Japan 2020"

CDP CLIMATE 2020



The first J-REIT selected as A List

Note: The Great Place to Work® Institute evaluates more than 7,000 companies around the world and certifies ones whose employees identify and especially trustworthy, appreciative and attractive workplace culture. Two thirds of the results are based on an anonymous employee survey, while one third is based on a management survey.

Recognition

GRESB Assessment

NPR has been awarded the prestigious "5 Stars" and "Green Star" for the sixth consecutive year by the 2020 GRESB Real Estate Assessment. NPR was also recognized as the "Global Listed Industrial Sector Leader" as well as the "Asia Listed Industrial Sector Leader," demonstrating its outstanding performance in ESG. NPR will continue to participate in, and align with, GRESB and will continue to minimize environmental impacts and maximize sustainability through formal programs.

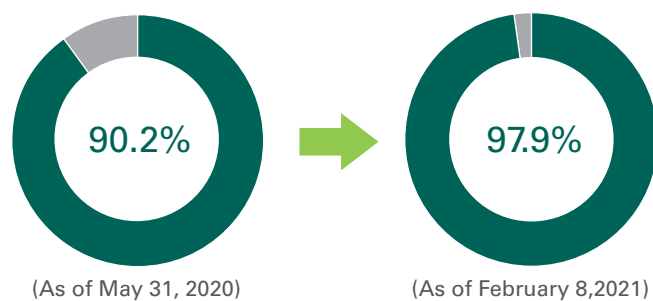


Environmental Stewardship

Sustainable Building Certifications

We continue to add sustainable building certifications to our portfolio that are aligned with the United Nations Sustainable Development Goal 9 (build resilient infrastructure and promote sustainable industrialization). In Japan, we obtain Comprehensive Assessment System for Built Environment Efficiency (CASBEE); Building Energy-Efficiency Labeling System (BELS); and/or DBJ Green Buildings ratings, all of which represent the industry's highest accreditation in Japan.

Eligible Green Projects



Note 1: "Eligible Green Projects" consist of properties in our portfolio that satisfy the criteria of our Green Bond Framework and Green Equity Framework for meeting the standards laid out by the Green Bond Principles published by the International Capital Markets Association based on acquisition price. Following acquisition of the new properties (in February 2021) and excluding Prologis Park Iwanuma 1.

Metrics	Total #	Asset size (in million yen)
CASBEE	43	695,050
DBJ Green Building	6	129,740
BELS	25	434,950
CASBEE; DBJ Green Building; and/or BELS	49	741,600

Note 2: As of February 8, 2021. Excluding Prologis Park Iwanuma 1.

Note 3: DBJ stands for Development Bank of Japan.

[SEE A LIST OF THE PROPERTIES WHICH HAVE OBTAINED BUILDING CERTIFICATIONS](#)

Environmental Management System

Prologis has established a global Environmental Management System that is implemented, maintained and continuously improved in accordance with the requirements of ISO 14001:2015, and which is externally certified by DNV GL. Prologis' development management activities have been certified under ISO 14001 in the UK and Europe since 2008, in North America since 2016, and in Japan since 2018.

Environmental Performance Data

We focus on maximizing the energy efficiency of our portfolio buildings by installing LED and other efficient lighting and sensing devices for automated power control systems, which can minimize electricity use through compartmentalized lighting systems, contributing to a low-carbon future. Also, we recognize that efforts to preserve water resources and maintain the sustainable use of such resources is essential, so we are striving to ensure the appropriate and efficient use of water, reducing the overall water consumption of our properties.

Metrics	Units	FY2017 Performance	FY2018 Performance	FY2019 Performance
Total Source Energy Consumption	GJ	497,080	561,357	583,027
Fuel Use	GJ	870	566	0
Electricity Use (converted to source energy)	GJ	496,210	560,791	583,027
Source Energy Consumption Intensity	GJ/m ²	0.257	0.253	0.234
Adjusted CO ₂ Emissions	t-CO ₂	23,584	27,805	26,041
CO ₂ Emission Intensity	t-CO ₂ /m ²	0.012	0.013	0.010
Water Consumption	m ³	248,580	280,419	261,176
Water Consumption Intensity	m ³ /m ²	0.128	0.126	0.105

Note 1: The reporting scope is the same as the scope stipulated under the "Energy Saving Act" regulation (provided by the Japanese Ministry of the Environment and Ministry of Economy, Trade and Industry), excluding properties and areas where NPR has no operational control.

Number of Properties	—	28	29	34
Floor Area	m ²	1,936,414.28	2,218,474.85	2,482,250.91
Portfolio Data Coverage (By Floor Area)	%	69	79	73

Note 2: The calculation methods for the above data are aligned with the "Energy Saving Act" and "Act on the Promotion of Global Warming Countermeasures" enacted by the Japanese government.

Note 3: Fiscal period is April to March.

Environmental Stewardship

Renewable Energy

Beyond identifying ways to consume less energy, Prologis is contributing to a low-carbon future by using our properties as a platform to generate large volumes of clean electricity. Over the past decade, Prologis has emerged as a leader in corporate solar deployment. In the middle of 2019, the Prologis Group surpassed its 2020 global goal of installing 200 MWs of solar capacity across the global portfolio. Achieving this goal a year and a half early with more than 201 MWs of installed capacity is a further testament of Prologis' leadership as a global solar developer. Our emphasis on renewable energy puts us in alignment with United Nations Sustainable Development Goal 7 (affordable and clean energy), and we set an ambitious new goal of 400 MWs of installed capacity by 2025. As our customers pursue their own environmental goals and carbon-reduction targets, deploying Prologis installed solar energy at our warehouses is an example of shared value creation made possible by our experience, scale and core business strength.



Prologis Park Zama 1



Prologis Park Osaka 5

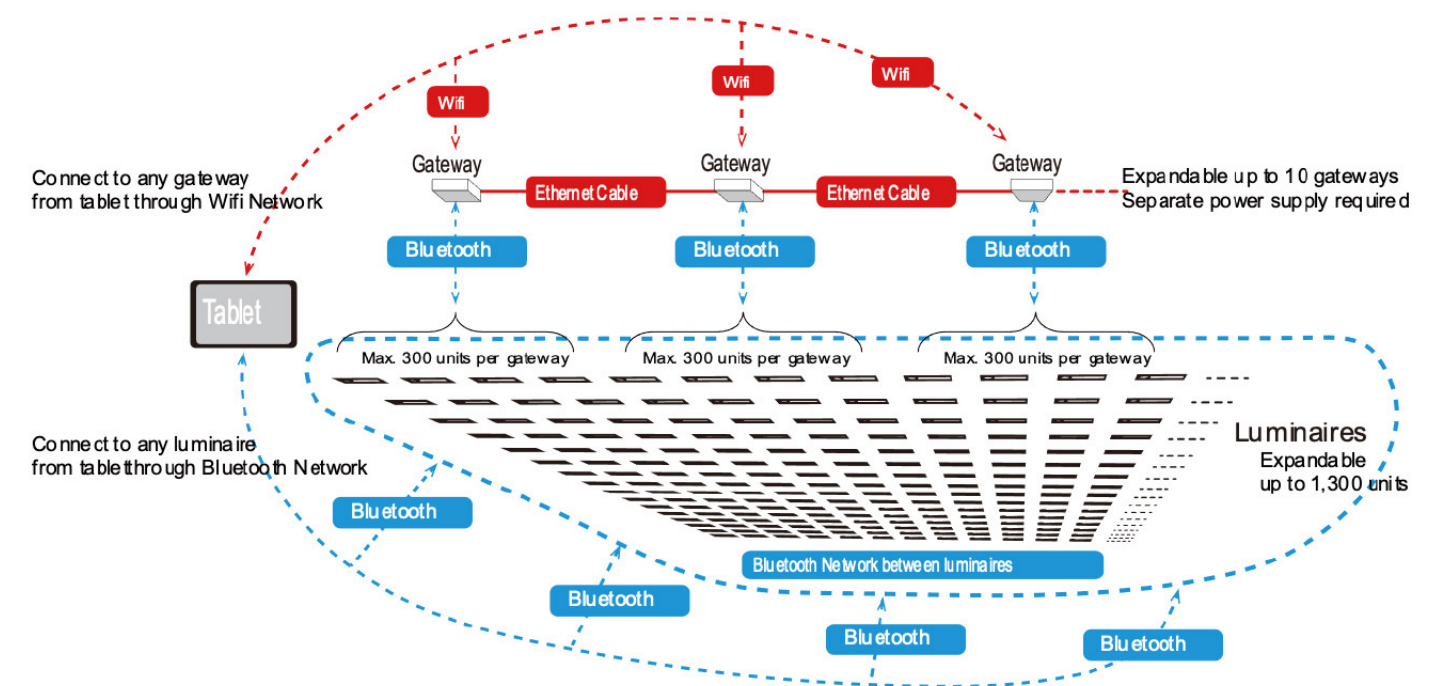
Prologis Essentials LED

Our emphasis on installing LED lighting puts us in alignment with United Nations Sustainable Development Goal 9 (build resilient infrastructure and promote sustainable industrialization). Prologis led the charge to establish LED lighting as a standard in logistics real estate. In 2019 alone, an additional 50 MSF of our portfolio realized the productivity benefits of LEDs. Through Prologis' procurement and dedicated manufacturing of LED lighting fixtures, an additional 50 MSF of LED lighting coverage resulted in a \$15 million savings compared to what the fixtures would have cost without our scale-enabled procurement.

Since 2017, we have more than doubled our LED coverage. We expect to accelerate our transition to 100% LED lighting across our global portfolio through our Prologis Essentials LED program. This program offers customers the opportunity to upgrade their lighting without upfront capital costs, but with reimbursement throughout the duration of their leases. LEDs foster a better work environment by enhancing safety and boosting employee productivity. Another upside is that well-lit and appealing workspaces promote greater employee satisfaction and decrease turnover—a definite plus for our customers.

In 2018, Prologis Japan developed "LED luminaire with motion sensor", which detects human body and/or forklift activity and reduces electricity consumption. Furthermore in 2020, it was upgraded to "Smart LED luminaire with motion sensor". With this system, our customers can use tablets to control LED lights through dimming, setting lighting schedules, as well as group and showing the power consumption through an integrated dashboard. This initiative was highly evaluated and won the Energy Conservation Grand Prize 2020 by the Energy Conservation Center, Japan.

Smart LED luminaire with motion sensor

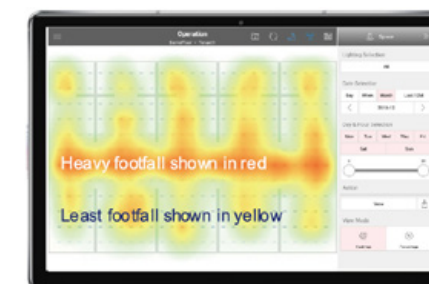


Grouping



Intuitive lighting configurations
by group

Space Management



Space utilization data
↓
More efficient floor layout
↓
More energy-saving

Energy Management



Power consumption data by hour,
day or month
Exporting data in csv for
secondary use

Environmental Stewardship

Mitigating Environmental Impact with Urban Development

We cooperate with local governments redeveloping infill sites and making the areas surrounding our properties more environmentally friendly. Also, we remediate historical environmental contamination, put abandoned or brownfield land to higher and better use, and enhance or build new infrastructure. The followings show our achievements.

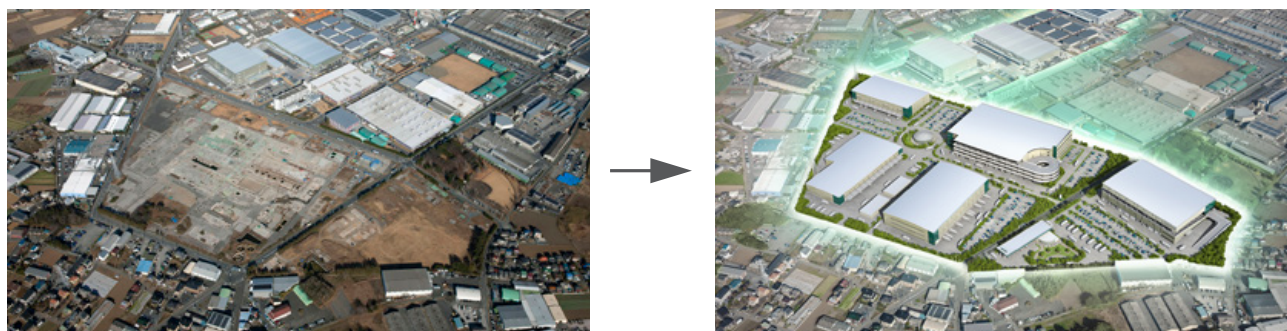
“Hamming road” in Narashino, Chiba prefecture

- The Humming Road is a 12-km long greenway that runs from the northeastern part of Narashino City through the center of the city to the sea. Prologis has developed and opened a portion of its property (1,330m²) as a greenway.
- This site is designated as one of the 100 best views of Mt. Fuji by the Ministry of Land, Infrastructure, Transport and Tourism, and the greenway was developed to meet the needs of the local community, including the construction of a viewing platform.



Brownfield development in Koga, Ibaraki prefecture

- We are planning the phase 2 of the Prologis Koga Project that has a total site area of approximately 175,200 square meters. This will be the largest site in terms of floor space that Prologis has ever developed in Japan.
- We constructed a barrier wall around the site and then removed highly contaminated soil and buried waste.



Before construction

Rendering of the completion

Business Continuity in Our Operations

Our commitment to sustainability is equally strong for our own operations. Particularly, Prologis Japan had a business continuity plan (BCP) in place long before the earthquake and tsunami of 2011, because Japan is located in one of the most earthquake-prone regions in the world, experiencing more than 1000 seismic events each year. To prevent the loss of life and property, we are using a variety of earthquake mitigation methods. These include anti-seismic, vibration control and seismic isolation techniques. Augmenting the seismic isolation systems in many of Prologis' facilities, the BCP addresses the “human” side of surviving a natural disaster, providing food, water, blankets and communication for both customers and Prologis' employees who may be stranded in the building for several days.

Additionally, we endeavor to use locally sourced materials and hire local contractors in our own supply chain, decreasing transportation and shipping distances, and further diminishing our impacts. All of Prologis' employees are key partners in these efforts. Prologis team members around the world are encouraged and supported in their efforts to champion energy, waste and water-use reductions to save costs and reduce our carbon footprint.

Alignment with the Task Force on Climate-Related Financial Disclosures (TCFD)

In our stakeholder outreach programs, we listen to our stakeholders' needs. Investors and other stakeholders identified the Task Force on Climate-related Financial Disclosures (TCFD) as a guiding framework for companies to show how they are responding to climate change. In response, Prologis created a mapping tool to demonstrate our program's alignment with the TCFD core elements, as outlined below.

Governance

- Prologis board oversees climate-related risk
- Prologis chief legal officer oversees Risk Management and ESG teams

Strategy

- Evaluate material, physical and transition risks and opportunities under short-, medium- and long-term timeframes
- Risks: severe weather, flooding, coastal risk, etc.
- Opportunities: energy efficiency, renewable energy, etc.

Risks & Opportunities

- Use internal (i.e. Geographic Information System team) and external tools for scenario analysis
- Local property management teams ensure asset resilience
- Prologis' dynamic risk oversight framework includes climate-related risks and opportunities

Targets & Metrics

- Science-based target for greenhouse gas emissions reductions
- 100% LED lighting across global portfolio by 2025
- 400 MW installed solar capacity by 2025

Social Responsibility

Our commitment to social responsibility extends to all our stakeholders, including employees, customers, communities, suppliers and investors. In conjunction with the entire corporate strategy, we strive to be a good neighbor and to strengthen the communities where we work and live. Our employees demonstrate their personal commitment by putting time and resources into charitable organizations that promote education, the environment and human welfare. Our commitment to benefitting local communities is aligned with United Nations Sustainable Development Goal 8 (decent work and economic growth).

Supporting Our Stakeholders during the Pandemic

Prologis has closely monitored COVID-19 since late 2019, making the safety and well-being of our employees and their families our top priority. Prologis has been fortunate to be in a position to provide resources and support to our communities and customers, while also being transparent and available to our investors.

1. Employees

- **Support benefits** to ensure employees have ample access to IT support and other benefits such as Teledoc, digital fitness classes and mental health resources.
- **Weekly video messages** from executive committee leaders to individual departments and the company-wide audience, as well as the establishment of a portal on the intranet with resources for employees around the world regarding the pandemic.
- **COVID-19 task force** meets regularly to oversee the risk management business continuity plan.
- **0% interest loans** for non-management employees whose household incomes were impacted by the pandemic.
- **Care packages** that included non-medical masks, hand sanitizer and other home necessities.

2. Communities

- **\$ 5 million** global relief fund launched by the Prologis Foundation, providing financial support to nonprofits and community-based organizations on the frontlines of the response.
- **~1.2 million sq. ft. and \$ 4.9 million in 13 markets** of in-kind rent donated to municipal governments, hospitals and relief organizations through our Space for Good program.
- **8.5 million meals** funded by Prologis' donations to Feeding America and the European Food Bank Federation for people in need across the U.S. and Europe.
- **50,000 medical masks + 5,000 sets** of protective clothing donated to Chinese hospitals during early stages of the response.
- **100 face shields** made by volunteer employees in Japan to day-care and visiting care facilities for elderly people.

3. Customers

- **24/7 support** provided by Prologis maintenance technicians, supporting business continuity for our customers throughout the pandemic.
- **Rent deferral** offered to customers who demonstrated legitimate need and showed they were significantly impacted by the pandemic.
- **Pandemic necessities** and services available to customers through the online Essentials Marketplace.

IMPACT Day

IMPACT Day has evolved into a signature event. Every May, the entire Prologis community spends a full day volunteering with charities in our local communities.



Donating face shields to day-cares



Sewing dishcloths for children's house



Biological research and cleaning (Osaka Bay area)



Community Workforce Initiative

Prologis partners with local workforce organizations to provide training, skills development and job placement with an aim to help our customers build a talent pipeline in the booming logistics field. Our mission is to equip 25,000 individuals with the skills necessary for jobs in transportation, distribution and logistics by the end of 2025.

Contributions to Our Customers



Summer Festival (Prologis Park Ichikawa 1)



BBQ with customers (Osaka)



Social Event at the attached cafe (Prologis Park Zama)



Social Event at the attached cafe (Prologis Park Tokyo-Ohta)

Prologis Foundation

The Prologis Foundation was established in the United States in 2001, and additionally established in Japan in 2019. Our grant-making focuses on education, the environment and human welfare. The foundation provides the following:

- Grants to nonprofits
- Scholarship program

Social Responsibility

Creating Customer Solutions

In 2019, the Prologis Group invested in a start-up company in Japan called “Timee,” which offers an on-demand staffing platform to help our customers address their pain points around needing temporary labor. Timee's on-demand staffing platform connects businesses with available workers in real time. Timee's accumulated data enables the Prologis Group to conduct deeper analysis on the trend of on-demand workers.

Prologis Group also invested in another start-up “Tegara-miru,” whose application visualizes mental condition of workers at our facilities in order to enable mental support for workers and reduce turnover rates.

Human Rights Commitment

Prologis encourages the advancement of human rights in our relationships with our employees, suppliers, contractors and sub-contractors, business partners, investors, customers and communities in which we work. Respecting international norms including the Universal Declaration of Human Rights, our human rights policy stipulates implementation and enforcement to be undertaken to ensure our commitment.

[READ HUMAN RIGHTS POLICY](#)  →

Supply Chain Management

We incorporate ESG concepts into our supply chain management policy. Based on Our Supplier Code of Conduct, we conduct global supply chain risk assessments and develop corrective actions.

[READ SUPPLIER CODE OF CONDUCT](#)  →

Contributions to Logistics Industry and Local Communities



Chair Course by Prologis
(Waseda University)



Educational field trips for
junior high school students



Internship programs for
junior high school students



Prologis Academy

Innovating to solve logistics labor challenges in Japan, the Prologis Group established the Prologis Academy in 2019. The program focuses on developing talent in supply chain management and logistics through focused interactive learning, including Prologis facility tours showcasing robotics in action at our distribution facilities.

People at Prologis

Our global workplaces are inclusive, open and diverse. We seek to create an environment in which every employee feels they can contribute freely to the conversation that drives the success of the organization. As an equal opportunity employer, our goals are consistent, and we apply fair policies that respect cultural differences. We recognize performance based on merit and reward team members for their contributions.

The Prologis 3Cs

In 2019, Prologis launched the 3Cs to guide our focus and drive success across the organization. Bonus metrics include achievement of the company's 3Cs.

— Customer Centricity

We build lifelong partnerships with our customers. We listen, learn and use the power of our scale to solve our customers' pain points.

— Change Through Innovation and Operational Excellence

Our teams experiment and evolve to uncover and commercialize creative solutions. We believe the best ideas can come from anywhere.

— Culture and Talent

The Prologis culture prioritizes speed and experimentation. We support a workforce of lifelong learners in an atmosphere of responsiveness, reliability and respect.

Inclusion & Diversity

Culture & Talent (one of our 3Cs) at Prologis is built on a commitment to leverage Inclusion & Diversity (I&D) to inspire innovation—and it is a tremendous competitive advantage. We continue to make progress on I&D, but we know that our work is not done. Our 2019 I&D survey revealed an opportunity for us to focus even more on hiring diverse candidates, supporting employee development and clarifying criteria for recognition and promotion. In 2019, Prologis deployed the following action-oriented I&D strategies:

- **Talent Acquisition** – Added more objectivity and structure to the interview and hiring process, as well as ensured I&D alignment with staffing agencies to attract diverse candidates.
- **Leadership Development** – Created coaching strategies to improve leadership development and enhance organizational communication.
- **Learning & Development** – Started pilots of training courses (e.g., Unconscious Bias training, Crucial Conversations, DiSC) to provide strategies to engage in more inclusive discourse.
- **Talent Management** – Created a job-leveling framework to create greater transparency for our employees on job growth.
- **Reward & Recognition** – Developed the ‘Traits of the Prologis Team’ to emphasize employee abilities and how they are rewarded and recognized.

Our commitment to Inclusion & Diversity is also reflected in the NPR board of directors where one third of the Independent Supervisory Directors are female.

Ethics and Governance

Governance Structure of NPR

In accordance with the “Act on Investment Trusts and Investment Corporations (ITA)” of Japan, NPR is incorporated and governed by unit holders’ meetings and a board of directors who represent the interests of our unit holders. Under ITA, J-REITs are not permitted to employ any employees. Instead, J-REITs’ various corporate functions are required to be outsourced to third parties, including, but not limited to, asset management companies that are entrusted with the daily operations and management of a J-REITs’ portfolio properties based on bilateral asset management agreements between J-REITs and such asset management companies. Also, under ITA, J-REITs’ corporate activities are required to be audited by designated third-party accountants.

NPR holds general unit holders’ meetings at least once every two years in accordance with ITA. NPR’s board is comprised of four directors: one Executive Director and three independent Supervisory Directors.

All of NPR’s board of directors are elected by the unit holders at the biennial meeting. Remuneration of each director is determined by resolution at the board of directors’ meetings. The remuneration of each director is capped by the Articles of Incorporation of NPR, which is also a requirement under ITA. Currently, the remuneration of NPR’s Executive Director is capped at 1,000,000 yen per month and the remuneration of each Supervisory Director is capped at 500,000 yen per month.

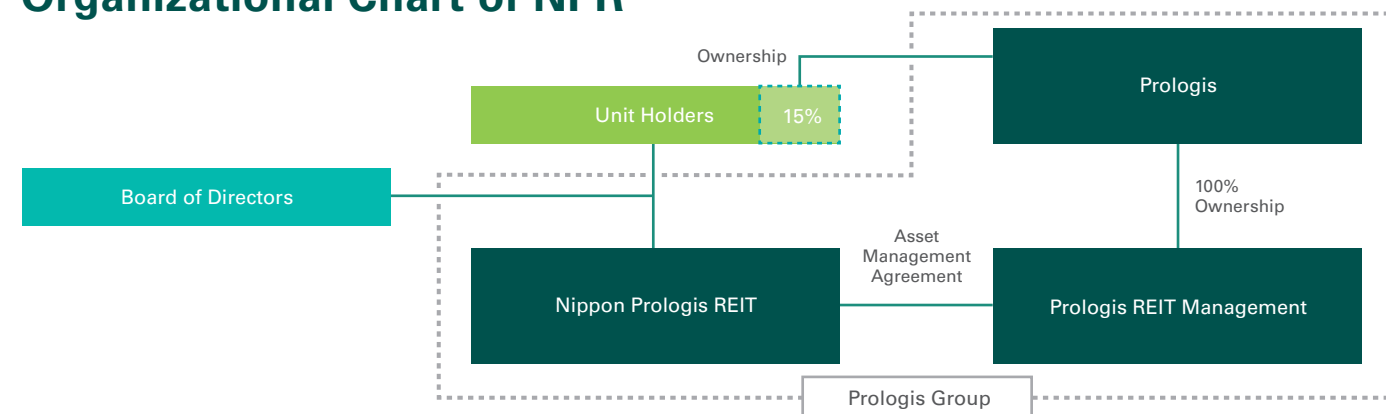
As stated above, NPR has no employees by law, and its various corporate functions, including operations and management of its portfolio, is outsourced to its asset management company, Prologis REIT Management K.K., a wholly-owned subsidiary of Prologis, Inc. NPR and Prologis REIT Management K.K. receive various forms of support from its sponsor, Prologis, including the pipeline support for NPR’s future property acquisitions, as well as the master property management, under which Prologis manages daily operations of NPR’s portfolio assets, taking advantage of Prologis’ global operational and leasing platform.

As for ESG initiatives, NPR and Prologis, Inc. share one common ESG platform that includes ESG principles, policies, goals, monitoring systems, etc.

[SEE BIOGRAPHIES OF NPR’S BOARD OF DIRECTORS](#)  →

[SEE REMUNERATION AND CONCURRENT POSTS OF NPR’S BOARD OF DIRECTORS](#)  →

Organizational Chart of NPR



Governance Structure of Prologis

Prologis' governance structure includes built-in checks and balances to ensure accountability and transparency.

- Within Prologis' Board of Directors, the Board Governance and Nomination Committee oversees corporate governance, ESG and responsibility. Three independent board members sit on this committee and play an active role in managing corporate governance and reputational risk for all of Prologis, including NPR and other entities.
- Corporate policies, processes and procedures ensure full compliance with the Sarbanes-Oxley Act of 2002, the Foreign Corrupt Practices Act (FCPA), regulations of the US Securities and Exchange Commission (SEC) and rules of the New York Stock Exchange (NYSE).

Risk Management

Risk management and risk avoidance are woven into every role and function at Prologis. We respond to all identified risks with mitigation and management strategies and practices, and empower our employees to identify and act on functional risks.

We recognize economic uncertainty resulting from the Coronavirus pandemic as one of emerging risks. This likely slows the pace of deliveries and curtail speculative development starts throughout the operation. The future focus to mitigate this emerging risk is to focus on customer-driven development activities.

[READ Logistics Activity a Reflection of COVID-19 Disruption](#)  →

Safety

Safety is foundational to our business. Prologis maintains high safety standards within our construction practices to actively ensure the safety of our employees, customers, suppliers and contractors. For our global developments, Prologis offers a third-party administered anonymous safety hotline available to all internal and external parties where safety concerns may be reported.

Information Security

Preparing for information security incidents is critical especially in accelerating digitalization. Prologis' Chief Technology Officer (CTO) / Chief Information Officer (CIO), along with the Audit committee, have oversight and responsibility for developing our cybersecurity strategy. Prologis mitigates the risks of cyber security through the implementation of security measures and a comprehensive disaster recovery plan for our internal and hosted information technology systems.

Ethics and Governance

Ethics

Prologis operates in compliance with the U.S. FCPA which forbids bribery of foreign officials and concealment of such bribery. To ensure FCPA compliance, we have an enterprise-wide FCPA policy and training program. Employees are required to notify our Legal Department if they know of or suspect any possible FCPA violation. Also, Prologis has a 24/7 available 3rd-party ethics hotline that allows all employees to anonymously express any ethics concerns to the Ethics Committee for evaluation and remediation.

We hold all employees and board members to the highest ethical standards.

- Prologis’ board of directors approved a Code of Ethics and Business Conduct that applies to all employees and board members.
- Each year, every director and employee must complete and pass an ethics course.
- In addition, there are numerous opportunities throughout the year for employees to increase proficiency in ethics and ethical decision-making.

READ CODE OF ETHICS AND BUSINESS CONDUCT  [→](#)

PLDRM did not provide any political contributions in FY2020. Its contribution to trade associations, we made payment equivalent to JPY 2,500,000 for the Association for Real Estate Securitization and JPY 2,280,000 for the Investment Trusts Association, Japan in FY2019.

There were no critical breaches against our Code of Ethics at PLDRM in FY2020.

Organizational Structure of Prologis REIT Management K.K.

PLDRM is acting as NPR’s asset manager based on the bilateral asset management agreement between NPR and PLDRM in accordance with the legal requirements set by the “Act on Investment Trusts and Investment Corporations (ITA)” of Japan. The scope of PLDRM’s role is broad; examples include operations/management of NPR’s portfolio, capital raising, reporting to NPR’s board and other ancillary administrative work.

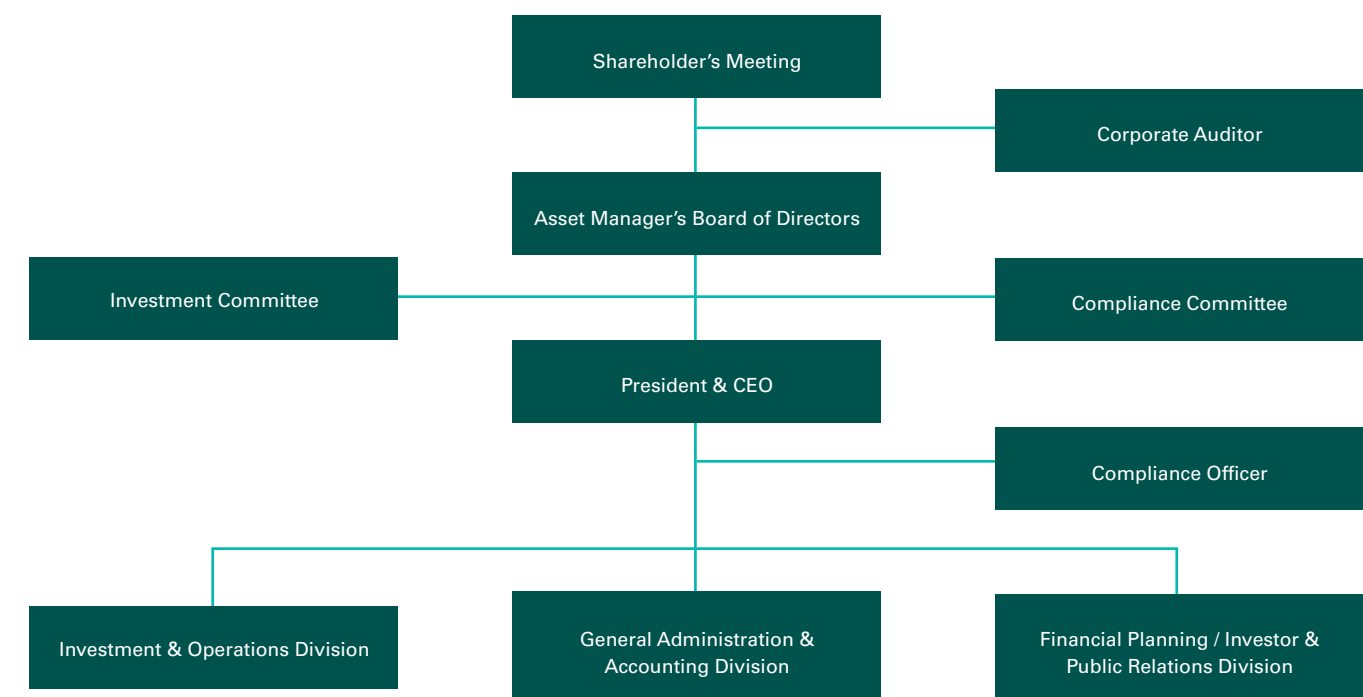
PLDRM is a wholly-owned subsidiary of Prologis, Inc. and governed by its own board of directors’ meetings. The CEO is the ultimate decision-maker of PLDRM, and underneath the CEO’s supervision are three divisions that manage various corporate functions of PLDRM: the Investment & Operations Division; the Financial Planning/Investor & Public Relations Division; and, the General Administration & Accounting Division.

As for ESG initiatives, NPR and Prologis, Inc. share one common ESG platform that includes ESG principles, policies, goals, monitoring systems, etc.

SEE BIOGRAPHIES OF PLDRM’S BOARD OF DIRECTORS  [→](#)

In addition, there are two committees which govern certain areas of PLDRM’s corporate actions in connection with its asset management functions. The Investment Committee is responsible for discussing and approving PLDRM’s asset management, as well as NPR’s various transactions such as investments, dispositions and capital raising. The Compliance Committee is responsible for discussing and approving various compliance matters related to PLDRM’s corporate actions in certain areas, such as related-party transactions, and its governance. Both the Investment Committee and the Compliance Committee are required to have at least one independent committee member who has veto rights to the proposed agenda.

Organizational Chart of PLDRM



PLDRM’s Risk Management

PLDRM’s risk management system is operated through a combination of multiple platforms. The “Risk Management Rules” define the fundamental framework of PLDRM’s risk management, attempting to maintain high levels of risk control that ultimately secure the soundness of PLDRM’s management. PLDRM’s board of directors is ultimately responsible for and supervises PLDRM’s risk management. The Compliance Officer is in charge of organizing risk control and monitoring operations. The head of each division is responsible for the intra-divisional risk control and management. Periodically, the status of PLDRM’s risk management is reported to NPR’s board of directors. Also, PLDRM conducts its own internal audit annually and reports the results to NPR’s board of directors.

Balance Sheets

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
ASSETS		
Current assets:		
Cash and deposits (Notes 3 and 4)	¥ 29,106,808	¥ 20,770,795
Cash and deposits in trust (Notes 3 and 4)	5,544,592	5,352,128
Operating accounts receivable	1,373,638	1,395,218
Prepaid expenses	412,066	525,030
Consumption taxes receivable	-	2,224,753
Other current assets	199,250	147
Total current assets	36,636,356	30,268,073
Property and equipment (Note 6):		
Buildings	7,596,814	7,571,863
Structures	249,739	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust	423,647,908	423,218,611
Structures in trust	10,790,025	10,766,172
Machinery and equipment in trust	23,299	21,594
Tools, furniture and fixtures in trust	1,089,675	1,026,105
Other tangible assets in trust	35	35
Land in trust	262,116,051	262,116,051
Less: accumulated depreciation	(54,627,703)	(49,164,544)
Total property and equipment	654,725,485	659,645,268
Intangible assets (Note 6):		
Other intangible assets in trust	204,572	198,161
Total intangible assets	204,572	198,161
Investments and other assets:		
Long-term prepaid expenses	1,315,410	1,495,382
Deferred tax assets (Note 13)	-	45
Security deposit	10,000	10,000
Investment corporation bond issuance costs	127,381	134,580
Other	400	400
Total investments and other assets	1,453,191	1,640,408
Total Assets	¥ 693,019,606	¥ 691,751,911

The accompanying notes are an integral part of these financial statements.

Balance Sheets, continued

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
LIABILITIES		
Current liabilities:		
Operating accounts payable	¥ 2,176,682	¥ 1,579,367
Short-term loans payable (Notes 4 and 10)	-	3,800,000
Current portion of Investment corporation bonds payable (Notes 4 and 11)	2,000,000	-
Current portion of long-term loans payable (Notes 4, 5 and 10)	21,300,000	21,300,000
Accounts payable	424,879	376,605
Accrued expenses	2,371,161	2,269,076
Accrued consumption taxes	1,766,247	-
Income taxes payable	605	1,461
Advances received	4,102,911	4,034,927
Other current liabilities	410,982	512,158
Total current liabilities	34,553,470	33,873,597
Non-current liabilities:		
Investment corporation bonds payable (Notes 4 and 11)	24,000,000	26,000,000
Long-term loans payable (Notes 4, 5 and 10)	212,900,000	212,900,000
Tenant leasehold and security deposits (Note 4)	247,773	247,773
Tenant leasehold and security deposits in trust (Note 4)	16,968,824	16,861,869
Other non-current liabilities	5,042	7,349
Total non-current liabilities	254,121,640	256,016,991
Total Liabilities	288,675,111	289,890,589
NET ASSETS (Note 9)		
Unit holders' equity		
Unit holders' capital	390,406,084	395,850,681
Units authorized:		
10,000,000 units as of November 30, 2020 and May 31, 2020		
Units issued and outstanding:		
2,465,850 units as of November 30, 2020 and May 31, 2020		
Surplus		
Retained earnings	13,938,410	6,010,640
Total unit holders' equity	404,344,494	401,861,322
Total Net Assets	404,344,494	401,861,322
Total Liabilities and Net Assets	¥ 693,019,606	¥ 691,751,911

The accompanying notes are an integral part of these financial statements.

Statements of Income

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2020	May 31, 2020
Operating Revenues (Note 7):		
Operating rental revenues	¥ 21,983,222	¥ 21,249,172
Other rental revenues	1,627,602	1,406,223
Total operating revenues	23,610,825	22,655,396
Operating Expenses (Notes 6 and 7):		
Expenses related to property rental business	10,147,037	9,930,938
Asset management fee	2,076,470	1,979,659
Asset custody fee	48,782	47,686
Directors' compensation	7,200	7,200
Audit fee	15,000	15,000
Other operating expenses	76,030	57,644
Total operating expenses	12,370,520	12,038,128
Operating income	11,240,305	10,617,267
Non-operating Income:		
Interest income	113	107
Reversal of distributions payable	433	555
Gain on real estate tax settlement	595	-
Interest on refund of consumption taxes	3,705	1,204
Refund of real estate taxes and other	13,219	-
Gain on donation of fixed assets	-	18,380
Total non-operating income	18,067	20,247
Non-operating Expenses:		
Interest expense on loans payable	507,800	507,822
Interest expense on investment corporation bonds	95,907	59,813
Amortization of investment corporation bond issuance costs	7,199	6,082
Borrowing related expenses	218,918	218,867
Investment unit issuance expenses	-	31,393
Offering costs associated with the issuance of investment units	-	78,507
Others	34	32
Total non-operating expenses	829,861	902,519
Ordinary income	10,428,511	9,734,996
Extraordinary income:		
Insurance income (Note 12)	4,130,890	269,914
Compensation income (Note 12)	174,629	-
Total extraordinary income	4,305,520	269,914
Extraordinary losses:		
Loss on typhoon (Note 12)	100,132	242,458
Loss on fire (Note 12)	696,202	3,752,395
Total extraordinary losses	796,334	3,994,853
Income before income taxes	13,937,696	6,010,057
Income taxes - current (Note 13)	605	1,477
Income taxes - deferred (Note 13)	45	(38)
Total income taxes	650	1,439
Net income	13,937,045	6,008,618
Retained earnings brought forward	1,364	2,022
Retained earnings at end of period	¥ 13,938,410	¥ 6,010,640

	Yen	
	For the six-month periods ended	
	November 30, 2020	May 31, 2020
Net income per unit (Note 14)	¥ 5,652	¥ 2,476

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

For the six-month periods ended May 31, 2020 and November 30, 2020

	Number of units	Thousands of yen		
		Unit holders' capital	Retained earnings	Total net assets
Balance as of November 30, 2019	2,349,150	¥364,214,089	¥ 9,325,798	¥ 373,539,888
Issuance of new units on January 31, 2020 and February 26, 2020	116,700	33,060,176	-	33,060,176
Distributions in excess of retained earnings	-	(1,423,584)	-	(1,423,584)
Distributions of retained earnings	-	-	(9,323,776)	(9,323,776)
Net income	-	-	6,008,618	6,008,618
Balance as of May 31, 2020 (Note 9)	2,465,850	¥395,850,681	¥ 6,010,640	¥ 401,861,322
Distribution in excess of earnings attributable to allowance for temporary difference adjustments	-	(3,750,557)	-	(3,750,557)
Other distributions in excess of retained earnings	-	(1,694,038)	-	(1,694,038)
Distributions of retained earnings	-	-	(6,009,276)	(6,009,276)
Net income	-	-	13,937,045	13,937,045
Balance as of November 30, 2020 (Note 9)	2,465,850	¥390,406,084	¥ 13,938,410	¥ 404,344,494

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

	Thousands of yen			
	For the six-month periods ended			
	November 30, 2020		May 31, 2020	
Cash Flows from Operating Activities:				
Income before income taxes	¥	13,937,696	¥	6,010,057
Depreciation (Note 6)		5,470,864		5,362,502
Amortization of investment corporation bond issuance costs		7,199		6,082
Investment unit issuance expenses		-		31,393
Interest income		(113)		(107)
Interest expense		603,708		567,635
Gain on donation of fixed assets		-		(18,380)
Insurance income		(4,130,890)		(269,914)
Compensation income		(174,629)		-
Loss on typhoon		100,132		242,458
Loss on fire		696,202		3,752,395
Decrease (increase) in operating accounts receivable		4,858		41,019
Decrease (increase) in consumption taxes receivable		2,224,753		(5,184)
Decrease (increase) in prepaid expenses		112,963		(113,676)
Decrease (increase) in long-term prepaid expenses		179,971		109,877
Increase (decrease) in operating accounts payable		458,882		(382,710)
Increase (decrease) in accounts payable		356		20,751
Increase (decrease) in accrued expenses		107,446		109,219
Increase (decrease) in accrued consumption taxes		1,766,247		-
Increase (decrease) in advances received		67,984		261,017
Others, net		(98,047)		52,385
Subtotal		21,335,587		15,776,825
Interest received		113		107
Interest paid		(609,070)		(553,067)
Proceeds from insurance income		4,130,890		269,914
Proceeds from compensation income		7,418		-
Payments for loss on typhoon		(197,777)		(63,107)
Payments for loss on fire		(458,115)		-
Income taxes paid		(1,478)		(756)
Net cash provided by operating activities		24,207,567		15,429,916
Cash Flows from Investing Activities:				
Purchases of property and equipment		(23,881)		(6,028)
Purchases of property and equipment in trust		(487,396)		(60,582,279)
Purchases of intangible assets in trust		-		(27,146)
Proceeds from tenant leasehold and security deposits in trust		361,722		1,928,944
Repayments of tenant leasehold and security deposits in trust		(275,788)		(243,449)
Net cash provided by (used in) investing activities		(425,344)		(58,929,959)
Cash Flows from Financing Activities:				
Proceeds from short-term loans payable		-		13,800,000
Repayments of short-term loans payable		(3,800,000)		(10,000,000)
Proceeds from long-term loans payable		-		9,100,000
Proceeds from issuance of investment corporation bonds		-		9,928,316
Proceeds from issuance of new investment units		-		33,028,783
Payment of distributions of retained earnings		(6,009,218)		(9,322,414)
Payment of distributions in excess of retained earnings attributable to allowance for temporary difference adjustments		(3,750,557)		-
Payment of other distributions in excess of retained earnings		(1,693,968)		(1,423,289)
Net cash provided by (used in) financing activities		(15,253,745)		45,111,395
Net increase (decrease) in cash and cash equivalents		8,528,477		1,611,353
Cash and cash equivalents at the beginning of period		26,122,923		24,511,569
Cash and cash equivalents at the end of period (Note 3)	¥	34,651,400	¥	26,122,923

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

For the six-month periods ended November 30, 2020 and May 31, 2020

1. Organization and Basis of Presentation

a) Organization

Nippon Prologis REIT, Inc. (“NPR”) was established on November 7, 2012, based on the “Act on Investment Trust and Investment Corporations” (hereinafter the “Investment Trust Law”) and was listed on the REIT Securities Market of the Tokyo Stock Exchange on February 14, 2013.

NPR has strategically focused on investment for Class-A logistics facilities from its inception backed by the Prologis Group’s strong sponsor support, and has increased unit holders’ value by maintaining a portfolio that generates stable income. As a result of such investment management, NPR owned 49 properties (aggregate acquisition price^{(*)1}: 696,149 million yen), all of which are Class-A logistics facilities^{(*)2} developed by the Prologis Group^{(*)3}, as of the end of the reporting fiscal period^{(*)4} ^{(*)5}.

^{(*)1} “Acquisition price” is represented by an amount of the purchase price stated in the sale and purchase agreement of trust beneficiary interest, which does not include the consumption taxes and local consumption taxes. “Acquisition price” does not reflect expenses associated with the acquisition. The same hereinafter.

^{(*)2} “Class-A logistics facilities” represents logistics properties that meet the demands of tenant logistics companies and their customer facility users with respect to operational efficiency, and fulfill certain criteria with respect to size, location, state-of-the-art equipment, convenience and safety. The same hereinafter.

^{(*)3} “The Prologis Group” is defined as a group of Prologis, Inc., the world headquarters, and its group affiliates, which include ProLogis K.K., a Japanese subsidiary, and various special purpose vehicles of joint ventures where the ownership of the Prologis Group may be less than majority. The global parent company Prologis, Inc. is a real estate investment trust headquartered in the United States of America and listed on the New York Stock Exchange.

^{(*)4} Prologis Park Funabashi 5 and the Annex to Prologis Park Funabashi 5 are deemed a single property; the Annex to Prologis Park Funabashi 5 was not developed by the Prologis Group and does not qualify as a Class-A logistics facility.

^{(*)5} The aggregate acquisition price and the number of owned properties include Prologis Park Iwanuma 1, where all tangible assets in trust, excluding land in trust, were burned down by the fire that occurred during the fiscal period ended May 2020.

b) Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law, the Japanese Financial Instruments and Exchange Act and their related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter the “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying financial statements have been reformatted and translated into English from the financial statements of NPR prepared in accordance with Japanese GAAP and filed with the

appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing these financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

The fiscal period of NPR represents two six-month accounting periods: each period is from June 1 to November 30 or, from December 1 to May 31 of the following year.

2. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and cash in trust, floating deposits, floating deposits in trust and short-term investments that are liquid and realizable with a maturity of three months or less when purchased, and that are subject to insignificant risks of changes in value.

b) Property and Equipment

Property and equipment are stated at cost, which includes the original purchase price and related acquisition costs and expenses. Depreciation of property and equipment, including property and equipment in trust, is calculated by the straight-line method over the estimated useful lives as follows:

Buildings	3-67 years
Structures	2-60 years
Machinery and equipment	8-17 years
Tools, furniture and fixtures	2-18 years

c) Intangible Assets

Intangible assets are stated at cost, which includes the original purchase price and related acquisition costs and expenses. Amortization of intangible assets, including intangible assets in trust, is calculated by the straight-line method over the estimated useful lives.

d) Taxes on Property and Equipment

With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as rental expenses.

Of the amounts paid for the acquisitions of real estate properties or beneficiary rights in trust of real estate, the amount equivalent to taxes on property and equipment is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized taxes on property and equipment amounted to 342,438 thousand yen for the fiscal period ended May 31, 2020 and no property taxes were capitalized for the fiscal period ended November 30, 2020.

e) Investment Unit Issuance Expenses

The full amount of investment unit issuance expenses is recorded as expenses at the time of expenditure.

f) Investment Corporation Bond Issuance Costs

Investment corporation bond issuance costs are amortized using the straight-line method over the respective terms of the bonds.

g) Hedge Accounting

NPR enters into derivative transactions in order to hedge against risks defined in its Articles of Incorporation and in compliance with their general risk management policy. NPR uses interest rate swaps for the purpose of hedging its risk exposure associated with interests on variable rate loans payable. Where deferral accounting is generally adopted for hedge transactions, NPR applies the

special accounting treatment to interest rate swaps which qualify for hedge accounting and meet the specific matching criteria. Under the special accounting treatment, interest rate swaps are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

Assessment of the hedge effectiveness has been omitted since all interest rate swaps meet the specific matching criteria under the special accounting treatment.

h) Beneficiary Rights in Trust

As to beneficiary rights in trust, all accounts of assets and liabilities for assets in trust as well as the related income generated and expenses incurred are recorded in the relevant balance sheet and statement of income accounts.

i) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Net payable to, or receivable from tax authorities is recognized as consumption taxes payable or receivable on the balance sheets, and net movement is treated as operating cash flows in the statements of cash flows. Nondeductible consumption taxes on property and equipment are included in the acquisition cost of the respective assets.

(Additional Information)

(Notes Concerning Provision and the Reversal of Allowance for Temporary Difference Adjustments)

For the period from June 1, 2020 to November 30, 2020

a) Reason of reversal of provisions and related assets.

Related assets, etc.	Reason	Amounts (Note)
Buildings and the ancillary facilities in trust (related to Prologis Park Iwanuma 1)	Settlement of insurance income	3,750,557 thousand yen

(Note) Based on recovery of temporary difference between book-tax income, NPR plans to reverse the allowance and the amount should be excluded from regular cash distributions for the current fiscal period.

b) Specific method of reversal

Related assets, etc.	Method of reversal
Buildings and the ancillary facilities in trust (related to Prologis Park Iwanuma 1)	The allowance will be reversed upon the recognition of insurance income corresponding to the loss on fire.

For the period from December 1, 2019 to May 31, 2020

a) Reason of provisions, related assets and amounts of allowance

Related assets, etc.	Reason	Amounts (Note)
Buildings and the ancillary facilities in trust (related to Prologis Park Iwanuma 1)	Loss on fire	3,750,557 thousand yen

(Note) Prologis Park Iwanuma 1 was caught in a fire during the reporting period and NPR recorded loss on fire at an amount equivalent to the book value of its buildings and ancillary facilities at that time. As

a result, temporary difference between the book value and the tax basis was recognized for the property. To minimize unitholders’ burdens of income taxes caused by the book-tax difference, NPR provided the amount equivalent to the difference as allowance for temporary difference adjustment and plans to distribute this amount as a part of Surplus Cash Distributions (defined in Note 9.c) for the period.

b) Specific method of reversal

Related assets, etc.	Method of reversal
Buildings and the ancillary facilities in trust (related to Prologis Park Iwanuma 1)	The allowance will be reversed upon the recognition of insurance income corresponding to the loss on fire.

3. Cash and Cash Equivalents

The relationship between cash and cash equivalents in the statements of cash flows and accounts and amounts in the accompanying balance sheets are as follows:

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
Cash and deposits	¥ 29,106,808	¥ 20,770,795
Cash and deposits in trust	5,544,592	5,352,128
Cash and cash equivalents	¥ 34,651,400	¥ 26,122,923

4. Financial Instruments

a) Detailed Information on Financial Instruments

(i) Policy for Financial Instruments

NPR procures funds for acquisition of assets through issuance of new investment units, bank loans and issuance of investment corporation bonds.

NPR generally invests surplus funds in bank deposits, considering the safety and liquidity of the investment and also reflecting the market environment and cash positions of NPR itself.

NPR enters into derivative transactions solely for the purposes of reducing risks of rising interest rates related to financings and other types of risks. NPR does not use derivative transactions for speculative purposes.

(ii) Financial Instruments, their Risks and Risk Management System

Bank deposits are used for investment of surplus funds. These deposits are exposed to credit risks, such as bankruptcy of depository financial institutions, but such credit risks are limited and carefully controlled by using only short-term deposits in financial institutions with high credit ratings, fully considering the market environment and NPR's cash flow status.

Bank loans and investment corporation bonds are mainly made to procure funds for acquisition of properties, repayment of bank loans and redemption of investment corporation bonds. Although NPR is exposed to liquidity risks upon repayment and redemption, by diversifying the maturities and lending institutions, setting up commitment line agreements, securing liquidity of cash in hand and managing such liquidity risks by preparing and monitoring cash flows projection, such risks are maintained under control.

In addition, certain loans bear floating interest rates and are exposed to potential risk of rising interest rates. NPR attempts to mitigate such risks on its operations by maintaining a conservative loan to value ratio and increasing the ratio of long-term fixed interest rate loans.

(iii) Supplemental Explanation Regarding Fair Values of Financial Instruments

The fair value of financial instruments is based on their observable market value, if available. When there is no observable market value available, fair value is based on a price that is reasonably estimated. Since various factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of November 30, 2020 and May 31, 2020 are as follows. Financial instruments for which the fair value is extremely difficult to estimate are excluded from the following table (see Note 2 below).

Thousands of yen			
As of November 30, 2020			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 29,106,808	¥ 29,106,808	¥ -
(2) Cash and deposits in trust	5,544,592	5,544,592	-
Total assets	¥ 34,651,400	¥ 34,651,400	¥ -
(4) Current portion of investment corporation bonds payable	2,000,000	1,998,800	(1,200)
(5) Current portion of long-term loans payable	21,300,000	21,294,904	(5,095)
(6) Investment corporation bonds payable	24,000,000	23,410,300	(589,700)
(7) Long-term loans payable	212,900,000	214,013,237	1,113,237
Total liabilities	¥ 260,200,000	¥ 260,717,242	¥ 517,242
(8) Derivative transactions	¥ -	¥ -	¥ -

Thousands of yen			
As of May 31, 2020			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 20,770,795	¥ 20,770,795	¥ -
(2) Cash and deposits in trust	5,352,128	5,352,128	-
Total assets	¥ 26,122,923	¥ 26,122,923	¥ -
(3) Short-term loans payable	3,800,000	3,800,000	
(5) Current portion of long-term loans payable	21,300,000	21,291,506	(8,493)
(6) Investment corporation bonds payable	26,000,000	25,560,900	(439,100)
(7) Long-term loans payable	212,900,000	214,261,426	1,361,426
Total liabilities	¥ 264,000,000	¥ 264,913,833	¥ 913,833
(8) Derivative transactions	¥ -	¥ -	¥ -

(Note 1) Methods to estimate fair values of financial instruments and matters concerning derivative transactions

(1) Cash and deposits and (2) Cash and deposits in trust

Due to the short maturities, the book value of these instruments is deemed a reasonable approximation of the fair value, and therefore, the book value is used as the fair value.

(3) Short-term loans payable

Due to the short maturities, the book value of these instruments is deemed a reasonable approximation of the fair value, and therefore, the book value is used as the fair value.

(4) Current portion of investment corporation bonds payable and (6) Investment corporation bonds payable

The reference statistical prices disclosed by the Japan Securities Dealers Association are used as the fair value.

(5) Current portion of long-term loans payable and (7) Long-term loans payable

The fair value of long-term loans payable is determined based on the present value of contractual cash flows which would be applicable to new loans payable under the same terms and conditions.

(8) Derivative transactions

Please refer to Note 5, "Derivative Transactions."

(Note 2) Financial instruments for which fair value is extremely difficult to estimate

As tenant leasehold and security deposits and tenant leasehold and security deposits in trust have no observable and available market price, and it is impracticable to reasonably estimate their future cash flows, their fair value is not disclosed.

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
Tenant leasehold and security deposits	¥ 247,773	¥ 247,773
Tenant leasehold and security deposits in trust	16,968,824	16,861,869

(Note 3) Redemption schedule for monetary claims after November 30, 2020

	Thousands of yen					
	As of November 30, 2020					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥29,106,808	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	5,544,592	-	-	-	-	-
Total	¥34,651,400	¥ -	¥ -	¥ -	¥ -	¥ -

Redemption schedule for monetary claims after May 31, 2020

	Thousands of yen					
	As of May 31, 2020					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥20,770,795	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	5,352,128	-	-	-	-	-
Total	¥26,122,923	¥ -	¥ -	¥ -	¥ -	¥ -

(Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2020

	Thousands of yen					
	November 30, 2020					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥2,000,000	¥ -	¥1,500,000	¥ 3,000,000	¥ -	¥ 19,500,000
Long-term loans payable	21,300,000	30,000,000	27,600,000	21,000,000	32,300,000	102,000,000
Total	¥23,300,000	¥30,000,000	¥29,100,000	¥24,000,000	¥32,300,000	¥121,500,000

Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2020

	Thousands of yen					
	May 31, 2020					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥ -	¥ 2,000,000	¥ -	¥ 1,500,000	¥3,000,000	¥ 19,500,000
Long-term loans payable	21,300,000	30,000,000	27,600,000	16,000,000	32,300,000	107,000,000
Total	¥21,300,000	¥32,000,000	¥27,600,000	¥17,500,000	¥35,300,000	¥126,500,000

5. Derivative Transactions

For the six-month periods ended November 30, 2020 and May 31, 2020, NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

Thousands of yen						
As of November 30, 2020						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount		Fair value	Fair value measurement
			Total	Due after one year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥234,200,000	¥212,900,000	(Note)	-

(Note) Interest rate swaps under the special accounting treatment are accounted for as the integral part of long-term loans payable designated as hedged items. Therefore, their fair value is included in long-term loans payable disclosed in the aforementioned Note 4, "Financial Instruments, b) Estimated Fair Value of Financial Instruments, (5) Current portion of long-term loans payable and (7) Long-term loans payable."

Thousands of yen						
As of May 31, 2020						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount		Fair value	Fair value measurement
			Total	Due after one year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥234,200,000	¥212,900,000	(Note)	-

(Note) Interest rate swaps under the special accounting treatment are accounted for as the integral part of long-term loans payable designated as hedged items. Therefore, their fair value is included in long-term loans payable disclosed in the aforementioned Note 4, "Financial Instruments, b) Estimated Fair Value of Financial Instruments, (5) Current portion of long-term loans payable and (7) Long-term loans payable."

6. Investment and Rental Properties

NPR owns logistics facilities for leasing for the purpose of earning rental income. The book value, changes during the reporting fiscal period and fair value of the properties are as follows:

Thousands of yen			
For the six-month periods ended			
	November 30, 2020		May 31, 2020
Book value			
Balance at the beginning of the period	¥ 659,843,429	¥	608,216,769
Changes during the period (Note 2)	(4,913,371)		51,626,659
Balance at the end of the period	¥ 654,930,057	¥	659,843,429
Fair value at the end of the period	¥ 835,920,000	¥	823,790,000

(Note 1) Book value is calculated by deducting accumulated depreciation from acquisition cost.

(Note 2) The decrease for the fiscal period ended November 30, 2020 was primarily a result of the recognition of depreciation, which amounted to 5,470,864 thousand yen.

The increase for the fiscal period ended May 31, 2020 was primarily a result of acquiring three properties, Prologis Park Chiba 1, Prologis Park MFLP Kawagoe (50% co-ownership), and Prologis Park Tsukuba 1-B, during the period for a total of 60,015,000 thousand yen. The decrease for the fiscal period ended May 31, 2020 was primarily a result of loss on fire for Prologis Park Iwanuma 1 of 3,752,395 thousand yen and the recognition of depreciation, which amounted to 5,362,502 thousand yen.

(Note 3) The fair value at the end of the period is determined based on appraised value or investigated price provided by independent real estate appraisers. As for Prologis Park Iwanuma 1 which was destroyed by fire, "Fair value at the end of the period" only includes the land valuation.

Income and loss in connection with investment and rental properties are disclosed in "7. Property-related Revenues and Expenses."

7. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended November 30, 2020 and May 31, 2020 .

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2020	May 31, 2020
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 20,523,263	¥ 19,837,334
Common area charges	1,459,959	1,411,837
Total	¥ 21,983,222	¥ 21,249,172
Other rental revenues		
Received utilities cost	¥ 1,350,640	¥ 1,148,730
Others	276,961	257,492
Total	¥ 1,627,602	¥ 1,406,223
Total property-related revenues	¥ 23,610,825	¥ 22,655,396
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 1,263,484	¥ 1,336,728
Utilities cost	1,170,511	1,053,300
Taxes and public dues	1,921,991	1,911,748
Non-life insurance premium	87,763	70,067
Repair and maintenance	205,309	169,900
Depreciation	5,470,864	5,362,502
Custodian fee	22,480	22,045
Other expenses	4,631	4,643
Total rental expenses	¥ 10,147,037	¥ 9,930,938
(3) Operating income from property leasing ((1)-(2))	¥ 13,463,788	¥ 12,724,457

8. Leases

The future minimum rental revenues from tenants subsequent to each fiscal period end under non-cancelable operating leases of properties are as follows:

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
Due within one year	¥ 39,883,443	¥ 40,636,341
Due after one year	130,277,602	139,293,516
Total	¥ 170,161,046	¥ 179,929,857

9. Net Assets

a) Stated Capital

NPR issues only non-par value units in accordance with the Investment Trust Law of Japan, and all issue amounts of new units are designated as stated capital. NPR maintains at least 50,000 thousand yen as the minimum net assets required by Article 67, Paragraph 4 of the Investment Trust Law of Japan.

b) Unit holders' capital

Unit holders' capital as of November 30, 2020 and May 31, 2020 consists of the following items:

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
Unit holders' capital, gross	¥ 407,485,839	¥ 407,485,839
Deduction from unit holders' capital;		
Allowance for temporary difference adjustments	(3,750,557)	-
Accumulated other distributions in excess of earnings	(13,329,197)	(11,635,158)
Unit holders' capital	¥ 390,406,084	¥ 395,850,681

c) Distributions

Distributions related to each period but declared and paid after the balance sheet date are summarized as follows:

	Yen			
	For the six-month periods ended			
	November 30, 2020		May 31, 2020	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 13,938,410,174		¥ 6,010,640,885	
II Distributions in excess of retained earnings				
Of which, allowance for temporary difference adjustments	-		3,750,557,850	
Of which, other distributions in excess of earnings	1,797,604,650		1,694,038,950	
III Incorporation into unitholders' capital				
Of which, reversal of allowance for temporary difference adjustments	3,750,557,850		-	
IV Distributions				
Distributions of retained earnings	10,186,426,350	¥4,131	6,009,276,450	¥2,437
Distributions in excess of retained earnings				
Of which, allowance for temporary difference adjustments	-	-	3,750,557,850	1,521

	Of which, other distributions in excess of earnings	1,797,604,650	729	1,694,038,950	687
	Total distributions	11,984,031,000	¥4,860	11,453,873,250	¥4,645
V Retained earnings carried forward	¥	1,425,974	¥	1,364,435	

Pursuant to the "Policy on the Distribution of Funds" as defined in Article 39, Paragraph 1, Item 2 of the Articles of Incorporation, the amount of distributions shall be the amount which does not exceed the amount of profits but exceeds 90% of the distributable profit as defined in Article 67-15 of the Special Taxation Measures Act. The distribution amount were equivalent to the integral of multiples of number of investment units issued and outstanding as of the end of each fiscal period, in which the unitholders' burdens of income taxes could be minimized.

Additionally, based on the distribution policy as defined in Article 39, Paragraph 2 of the Articles of Incorporation, NPR shall make Surplus Cash Distributions ("SCD"), defined as distributions in excess of retained earnings, each fiscal period on a continuous basis as Regular Surplus Cash Distributions. Furthermore, NPR is permitted to distribute One-time Surplus Cash Distributions for the purpose of maintaining stable distributions per unit in the event that its distributions per unit is expected to temporarily dilute by a certain degree or a large amount of expense is incurred as a result of financing actions and additionally certain inevitable and one-time events such as repair expenses and losses due to damages caused by natural disasters (e.g., earthquakes) and accidents/incidents (e.g., fire), and/or other one-time expenses such as litigation settlements and capital losses from property dispositions. NPR may also conduct surplus cash distributions in case of Allowance for Temporary Difference Adjustments ("ATA", collectively with the Regular Surplus Cash Distributions and the One-time Surplus Cash Distributions, "SCD" or "SCDs") according to laws and regulations (including rules stipulated by The Investment Trusts Association, Japan) as ATA-based Surplus Cash Distributions.

Based on these policies, NPR declared distributions as follows:

1. NPR declared distribution amounts of 10,186,426,350 yen, approximately the amount which excluding 3,750,557,850 yen of the reversal of allowance for temporary difference adjustments from unappropriated retained earnings, Regular Surplus Cash Distributions of 1,558,417,200 yen which was the amount equivalent to approximately 28.5% of depreciation expense of 5,470,864,699 yen and One-time Surplus Cash Distributions of 239,187,450 yen, which is equivalent to the amount of 252,600,629 yen of the net demolition work expenses, excluding gain on insurance adjustments of 11,228,277 yen, related to the Typhoon, for the six-month period ended November 30, 2020. Net demolition work expenses represent the amount difference between insurance payment for loss on fire and the reversal amount of allowance for temporary difference adjustments and related tenant compensations for demolition work expense.
2. NPR declared distribution amounts of 6,009,276,450 yen, Regular Surplus Cash Distributions of 1,526,361,150 yen which was the amount equivalent to approximately 28.5% of depreciation expense of 5,362,502,964 yen, One-time Surplus Cash Distributions of 167,677,800 yen, which is calculated by deducting 27,124,350 yen, the difference between the insurance payment and repair expenses related to the typhoon that hit Japan in 2019, from 194,802,150 yen, which is an assessment of temporary diluted distributions due to the issuance of new investment units in January and February 2020 and ATA-based Surplus Cash Distributions of 3,750,557,850 yen, which is the equivalent to the allowance for temporary difference adjustments for the six-month period ended May 31, 2020.

d) Provision and the Reversal of Allowance for Temporary Difference Adjustments

For the period from June 1, 2020 to November 30, 2020

1. Reason of provisions, related assets and amounts of allowance

Related assets, etc.	Reason	Initial amount	Balance at the end of previous period	Allowance set aside during period	Reversal during period	Balance at the end of current period	Reason for reversal
Buildings and the ancillary facilities in trust (related to Prologis Park Iwanuma 1)	Loss on fire	3,750,557	-	3,750,557	-	3,750,557	-

2. Specific method of reversal

Item	Method of reversal
Buildings and the ancillary facilities in trust (related to Prologis Park Iwanuma 1)	The allowance will be reversed upon the recognition of insurance income corresponding to the loss on fire.

For the period from December 1, 2019 to May 31, 2020

None

10. Short-term and Long-term Loans Payable

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable as of November 30, 2020 and May 31, 2020.

	Thousands of yen			
	As of			
	November 30, 2020		May 31, 2020	
0.23909% unsecured short-term loans ^(**)	¥	-	¥	2,660,000
0.23909% unsecured short-term loans ^(**)		-		1,140,000
Total short-term loans payable	¥	-	¥	3,800,000
0.57490% unsecured long-term loans due 2022 ^(*)	¥	10,000,000	¥	10,000,000
0.57490% unsecured long-term loans due 2022 ^(*)		4,000,000		4,000,000
0.07570% unsecured long-term loans due 2021 ^(*)		7,300,000		7,300,000
0.17260% unsecured long-term loans due 2022 ^(*)		6,000,000		6,000,000
0.39000% unsecured long-term loans due 2024 ^(*)		10,000,000		10,000,000
0.41290% unsecured long-term loans due 2023 ^(*)		7,600,000		7,600,000
0.52800% unsecured long-term loans due 2024 ^(*)		4,000,000		4,000,000
0.71670% unsecured long-term loans due 2026 ^(*)		9,400,000		9,400,000
0.22360% unsecured long-term loans due 2021 ^(*)		14,000,000		14,000,000
0.26200% unsecured long-term loans due 2022 ^(*)		10,000,000		10,000,000
0.31250% unsecured long-term loans due 2023 ^(*)		20,000,000		20,000,000
0.37250% unsecured long-term loans due 2024 ^(*)		3,000,000		3,000,000
0.37250% unsecured long-term loans due 2024 ^(*)		3,000,000		3,000,000
0.43690% unsecured long-term loans due 2025 ^(*)		23,300,000		23,300,000
0.52400% unsecured long-term loans due 2026 ^(*)		6,100,000		6,100,000
0.52400% unsecured long-term loans due 2026 ^(*)		5,200,000		5,200,000
0.52400% unsecured long-term loans due 2026 ^(*)		2,600,000		2,600,000
0.63270% unsecured long-term loans due 2027 ^(*)		23,300,000		23,300,000
0.61980% unsecured long-term loans due 2028 ^(*)		11,800,000		11,800,000
0.44830% unsecured long-term loans due 2024 ^(*)		5,000,000		5,000,000
0.51380% unsecured long-term loans due 2026 ^(*)		6,400,000		6,400,000
0.36520% unsecured long-term loans due 2028 ^(*)		6,600,000		6,600,000
0.43000% unsecured long-term loans due 2029 ^(*)		12,000,000		12,000,000
0.18770% unsecured long-term loans due 2025 ^(*)		5,000,000		5,000,000
0.49700% unsecured long-term loans due 2029 ^(*)		6,500,000		6,500,000
0.49800% unsecured long-term loans due 2029 ^(*)		3,000,000		3,000,000
0.24470% unsecured long-term loans due 2027 ^(*)		5,000,000		5,000,000
0.34460% unsecured long-term loans due 2029 ^(*)		4,100,000		4,100,000

Less: current portion	(21,300,000)	(21,300,000)
Total long-term loans payable, less current portion	¥ 212,900,000	¥ 212,900,000

The stated interest rate is the weighted average interest rate during the period ended November 30, 2020.

For certain loans (*) for which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

The redemption schedules for long-term loans subsequent to November 30, 2020 and May 31, 2020 are disclosed in Note 4, "Financial Instruments."

The loans (**) from Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., with the principal amount of 2,660,000 thousand yen and 1,140,000 thousand yen, respectively, were prepaid on September 30, 2020, before the maturity date.

NPR is in the contract of commitment line agreement with three banks.

	Thousands of yen			
	As of			
	November 30, 2020		May 31, 2020	
Total amount of committed line of credit	¥	20,000,000	¥	20,000,000
Borrowings drawn down		-		-
Balance of unused committed line of credit	¥	20,000,000	¥	20,000,000

11. Investment Corporation Bonds Payable

The investment corporation bonds payable would be redeemed on a lump-sum basis at their contractual maturity dates. The following table summarizes the investment corporation bonds payable as of November 30, 2020 and May 31, 2020.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				November 30, 2020	May 31, 2020
2nd unsecured bond	November 27, 2014	November 27, 2024	0.930%	¥ 3,000,000	¥ 3,000,000
3rd unsecured bond	June 15, 2017	June 15, 2021	0.180%	2,000,000	2,000,000
4th unsecured bond	June 15, 2017	June 15, 2023	0.280%	1,500,000	1,500,000
5th unsecured bond	June 15, 2017	June 15, 2027	0.500%	2,500,000	2,500,000
6th unsecured bond	June 15, 2017	June 15, 2032	0.860%	1,000,000	1,000,000
7th unsecured bond	August 17, 2018	August 17, 2028	0.660%	6,000,000	6,000,000
8th unsecured bond	April 17, 2020	April 17, 2040	0.900%	5,000,000	5,000,000
9th unsecured bond	April 17, 2020	April 15, 2050	1.000%	5,000,000	5,000,000
Total				¥ 26,000,000	¥ 26,000,000

12. Insurance Income and Loss on Typhoon and Fire

(For the six-month period ended November 30, 2020)

Due to the two typhoons which hit Japan during 2019, NPR recorded extraordinary losses of 100,132 thousand yen for repair expenses, and extraordinary income of 111,360 thousand yen for the insurance payment.

As to Prologis Park Iwanuma 1 which was caught in a fire during the previous reporting period, NPR recorded demolition expense of 696,202 thousand yen as extraordinary loss, and also recorded insurance income and compensation income which should be paid by tenants, of 4,019,530 thousand yen and 174,629 thousand yen, respectively, as extraordinary income.

(For the six-month period ended May 31, 2020)

Due to the two typhoons which hit Japan during 2019, NPR recorded extraordinary losses of 242,458 thousand yen for repair expenses, and extraordinary income of 269,914 thousand yen for the insurance payment during the reporting period.

As for Prologis Park Iwanuma 1 which was caught in a fire during the reporting period, NPR recorded loss on fire of 3,752,395 thousand yen as extraordinary losses corresponding to the book value of the building and the ancillary facilities at that time.

13. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of November 30, 2020 and May 31, 2020 are as follows:

	Thousands of yen	
	As of	
	November 30, 2020	May 31, 2020
Loss on fire	¥ -	¥ 1,180,512
Enterprise tax payable	-	45
Total deferred tax assets	-	1,180,558
Valuation allowance	-	(1,180,512)
Net deferred tax assets	¥ -	¥ 45

Reconciliations of major items that caused differences between the statutory tax rate and effective tax rate with respect to pre-tax income reflected in the accompanying statements of income for the six-month periods ended November 30, 2020 and May 31, 2020 are as follows:

	For the six-month periods ended	
	November 30, 2020	May 31, 2020
Statutory tax rate	31.46%	31.83%
Adjustments:		
Deductible cash distributions	(22.99%)	(51.69%)
Valuation allowance	(8.57%)	19.87%
Other	0.10%	0.01%
Actual effective income tax rate	0.00%	0.02%

NPR has a policy of making cash distributions of earnings in excess of 90% of distributable income as defined in the Special Taxation Measures Act for the fiscal period to qualify for conditions, as set forth in the Special Taxation Measures Act, to achieve a deduction of cash distributions for income tax purposes. Based on this policy, NPR treated the cash distributions of earnings as a tax deductible distribution as defined in the Special Taxation Measures Act.

14. Per Unit Information

The following table summarizes per unit information for the six-month periods ended November 30, 2020 and May 31, 2020.

	Yen	
	For the six-month periods ended	
	November 30, 2020	May 31, 2020
Net income per unit		
Basic net income per unit	¥ 5,652	¥ 2,476
Weighted average number of units outstanding	2,465,850	2,426,160
	Yen	
	As of	
	November 30, 2020	May 31, 2020
Net assets per unit	¥ 163,977	¥ 162,970

(Note) Basic net income per unit is based on the weighted average number of units issued and outstanding during the period. Diluted earnings per unit and related information are not disclosed as no dilutive units were outstanding.

15. Transactions with Related Parties

a) Transactions and Account Balances with the Parent Company and Major Unit Holders
There were no transactions and account balances for all periods presented.

b) Transactions and Account Balances with Affiliates
There were no transactions and account balances for all periods presented.

c) Transactions and Account Balances with Companies under Common Control and others

(For the six-month period ended November 30, 2020)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥21,913,819	Operating accounts receivable	¥ 871,205
								Proceeds of tenant leasehold and security deposits in trust	361,722	Tenant leasehold and security deposits in trust	15,854,173
								Repayments of tenant leasehold and security deposits in trust	640,047		
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee	2,076,470	Accrued expenses	2,284,117

(Note 1) The transaction amounts do not include the consumption tax whereas the tax is included in the ending balance.

(Note 2) The terms and conditions of these transactions were executed based on market practices.

(Note 3) With respect to 41 properties out of 49 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(For the six-month period ended May 31, 2020)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥ 21,392,431	Operating accounts receivable	¥ 867,075
										Advances received	3,796,374
								Proceeds of tenant leasehold and security deposits in trust	1,928,944	Tenant leasehold and security deposits in trust	16,401,798
								Repayments of tenant leasehold and security deposits in trust	243,449		
Subsidiary of an affiliate	Hakuba Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	31,000,000	-	-
Subsidiary of an affiliate	Norikura Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	14,800,000	-	-
Subsidiary of an affiliate	Tsukuba Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	13,500,000	-	-
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee (Note 4)	2,276,159	Accrued expenses	2,177,625

(Note 1) The transaction amounts do not include the consumption tax whereas the tax is included in the ending balance.

(Note 2) The terms and conditions of these transactions were executed based on market practices.

(Note 3) With respect to 42 properties out of 49 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(Note 4) The Asset management fee above includes management fees for property acquisition of 296,500 thousand yen.

d) Transactions and Account Balances with Board of Directors and Individual Unit Holders
There were no transactions and account balances for all periods presented.

16. Segment and Related Information

Description is omitted as NPR’s operating segment consists of a single segment for all periods.

Related Information*(For the six-month period ended November 30, 2020)*

a) Information by Geographic Region

(i) Operating Revenues

Substantially all of NPR's operating revenue is generated in Japan.

(ii) Property and Equipment

Substantially all of NPR's property and equipment is located in Japan.

b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	21,913,819 thousand yen	The real estate leasing business

(Note) With respect to 41 properties out of 49 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(For the six-month period ended May 31, 2020)

a) Information by Geographic Region

(i) Operating Revenues

Substantially all of NPR's operating revenue is generated in Japan.

(ii) Property and Equipment

Substantially all of NPR's property and equipment is located in Japan.

b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	21,392,431 thousand yen	The real estate leasing business

(Note) With respect to 42 properties out of 49 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

17. Subsequent Events

(a) Issuance of New Investment Units

NPR's board of directors made a resolution regarding the issuance of new investment units (the "Offering") with terms and conditions described below on January 20, 2021 and January 27, 2021. Accordingly, the payments for the public offering and third-party allotment were completed on February 2, 2021 and February 24, 2021, respectively.

Issuance of New Investment Units through the Public Offering

Number of investment units issued	110,480 units
Issue price (offer price)	332,962 yen per unit
Total amount issued	36,785,641,760 yen
Issue amount (amount to be paid)	322,273 yen per unit
Net proceeds	35,604,721,040 yen
Payment date	February 2, 2021

Issuance of New Investment Units through the Third-Party Allotment

Number of investment units issued	5,520 units
Issue amount (amount to be paid)	322,273 yen per unit
Net proceeds	1,778,946,960 yen
Payment date	February 24, 2021
Purchaser	SMBC Nikko Securities Inc

Use of proceeds

A portion of the net proceeds from the public offering was used to acquire new properties described below "(c) Acquisition of Assets" and to fund a portion of related expenses, and a portion of the net proceeds from third-party allotment will be used to fund future acquisitions of specified assets (as defined in Article 2, Paragraph 1 of the Investment Trust Law of Japan) or to repay borrowings.

(b) Borrowings

On February 8 2021, NPR borrowed loans (the "Borrowings"), which were based on a resolution made by the board of directors on January 20, 2021, for the purpose of funding the acquisition costs of new properties and related expenses described in the following "(c) Acquisition of Assets."

Details of the Borrowings

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd.	10,000 million yen	Base interest rate (JBA 1-month Japanese yen TIBOR) +0.170%	February 8, 2021	February 8, 2022	Paid in full upon maturity	Unsecured and non-guaranteed
Long-term (Note 3)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation	6,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.225%		February 8, 2028		

	and MUFG Bank, Ltd. (Note 1)						
Long-term (Note 4)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 2)	6,300 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.275%		February 8, 2030		

(Note 1) The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Development Bank of Japan Inc., Resona Bank, Limited., The Norinchukin Bank, The Bank of Fukuoka, Ltd., The Nishi-Nippon City Bank, Ltd. and The Yamanashi Chuo Bank, Ltd.

(Note 2) The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., Resona Bank, Limited., The Bank of Fukuoka, Ltd., The Nishi-Nippon City Bank, Ltd., The Iyo Bank, Ltd., The 77 Bank, Ltd. and The Yamanashi Chuo Bank, Ltd.

(Note 3) NPR has entered into the interest rate swap agreement to hedge the risks of interest rate volatility by converting the floating interest rates payable to fixed interest rates for the Borrowing.

1. Counterparty	Nomura Securities Co., Ltd.
2. Notional Amount	6,000 million yen
3. Interest Rate	Fixed Interest Rate: 0.0720% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	February 4, 2021
5. Effective Date	February 8, 2021
6. Termination Date	February 8, 2028
7. Interest Payment Date	The interest payment is set forth on February 28, 2021, for the first time, subsequently on the last day of February, May, August and November and the Termination Date, respectively (an interest payment date on a non-business day is moved to the following business day or the immediately preceding business day in case the following business day falls in the following month).

*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.2970%.

(Note 4) NPR has entered into the interest rate swap agreement to hedge the risks of interest rate volatility by converting the floating interest rates payable to fixed interest rates for the Borrowing.

1. Counterparty	Morgan Stanley MUFG Securities Co., Ltd.
2. Notional Amount	6,300 million yen
3. Interest Rate	Fixed Interest Rate: 0.1299% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	February 4, 2021
5. Effective Date	February 8, 2021
6. Termination Date	February 8, 2030
7. Interest Payment Date	The interest payment is set forth on February 28, 2021, for the first time, subsequently on the last day of February, May, August and November and the Termination Date, respectively (an interest payment date on a non-business day is moved to the following business day or the immediately preceding business day in case the following business day falls in the following month).

*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.4049%.

(c) Acquisition of Assets

As resolved by the board of directors on January 20, 2021, in line with the investment guidelines defined in its Articles of Incorporation, NPR acquired the properties described below on February 8, 2021, with a portion of the net proceeds from the issuance of new investment units described in “(a) Issuance of New Investment Units” above, a portion of the borrowings described in “(b) Borrowings” above and cash on hand.

Property name		Prologis Park Chiba New Town
Location		2, 1 chome, Izumino, Inzai, Chiba 313-8, 1 chome, Izumino, Inzai, Chiba
Class of assets		Real estate trust beneficiary interests
Acquisition date		February 8, 2021
Acquisition price		26,300 million yen
Land	Ownership form	Proprietary
	Land area	55,100.94 m ²
Building	Ownership form	Proprietary
	Gross floor area	109,981.80 m ²
	Date of construction	April 21, 2016
	Purpose	Warehouse / Office
Structure/No. of stories		SRC, 5-story building

Property name		Prologis Park Chiba 2
Location		210-28, Roppo-Cho, Inage Ward, Chiba, Chiba 210-28, Roppo-Cho, Inage Ward, Chiba, Chiba
Class of assets		Real estate trust beneficiary interests
Acquisition date		February 8, 2021
Acquisition price		15,000 million yen
Land	Ownership form	Proprietary
	Land area	30,176.41 m ²
Building	Ownership form	Proprietary
	Gross floor area	60,327.19m ²
	Date of construction	November 12, 2020
	Purpose	Warehouse / Office
Structure/No. of stories		SRC, 4-story building

Property name		Prologis Park Tsukuba 2
Location		25-3, Sakuranomori, Tsukuba, Ibaraki 25-3, Sakuranomori, Tsukuba, Ibaraki
Class of assets		Real estate trust beneficiary interests
Acquisition date		February 8, 2021
Acquisition price		20,900 million yen
Land	Ownership form	Proprietary
	Land area	49,586.84 m ²
Building	Ownership form	Proprietary
	Gross floor area	98,920.31 m ²
	Date of construction	August 21, 2020
	Purpose	Warehouse / Office
Structure/No. of stories		S, 4-story building



Independent auditor's report

To the Board of Directors of Nippon Prologis REIT, Inc.:

Opinion

We have audited the accompanying financial statements of Nippon Prologis REIT, Inc. ("the Company"), which comprise the balance sheets as at November 30, 2020 and May 31, 2020, the statements of income, changes in net assets and cash flows for the six-month periods then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2020 and May 31, 2020, and its financial performance and cash flows for the six-month periods then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 17 to the financial statements, which states that subsequent to November 30, 2020, the Company issued new investment units, borrowed bank loans and acquired real estate trust beneficiary interests of three properties. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Supervisory directors are responsible for overseeing the executive director's performance of his duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the executive director regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide the executive director with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

高橋秀和 

Hidekazu Takahashi
Designated Engagement Partner
Certified Public Accountant

田澤治郎 

Jiro Tazawa
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
February 25, 2021