

# SEMIANNUAL REPORT

Fiscal Period Ended May 31, 2023



Prologis Park Soka



## Balance Sheets

	Thousands of yen	
	As of	
	May 31, 2023	November 30, 2022
<b>ASSETS</b>		
Current assets:		
Cash and deposits	¥ 24,833,106	¥ 32,544,000
Cash and deposits in trust	6,319,408	6,636,225
Operating accounts receivable	1,726,165	1,644,069
Prepaid expenses	812,904	509,616
Consumption taxes receivable	2,302,296	-
Other current assets	85,447	-
Total current assets	36,079,328	41,333,911
Property and equipment (Notes 3 and 7):		
Buildings	7,651,380	7,651,380
Structures	250,299	250,299
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust	543,775,019	513,527,470
Structures in trust	14,319,213	13,562,282
Machinery and equipment in trust	434,986	431,100
Tools, furniture and fixtures in trust	1,508,470	1,410,069
Other tangible assets in trust	2,654	2,654
Land in trust	312,704,987	299,060,130
Construction in progress in trust	12,463	8,723
Less: accumulated depreciation	(86,338,617)	(79,432,947)
Total property and equipment	798,160,496	760,310,802
Intangible assets (Notes 3 and 7):		
Other intangible assets in trust	271,767	282,351
Total intangible assets	271,767	282,351
Investments and other assets:		
Long-term prepaid expenses	1,367,617	1,250,180
Deferred tax assets (Note 15)	35	10
Security deposit	10,000	10,000
Investment corporation bond issuance costs	195,832	191,405
Other	400	400
Total investments and other assets	1,573,885	1,451,996
<b>Total Assets</b>	¥ 836,085,477	¥ 803,379,061

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

## Balance Sheets, continued

	Thousands of yen	
	As of	
	May 31, 2023	November 30, 2022
<b>LIABILITIES</b>		
Current liabilities:		
Operating accounts payable	¥ 1,720,847	¥ 2,379,917
Short-term loans payable (Note 12)	2,000,000	-
Current portion of investment corporation bonds payable (Notes 5 and 13)	1,500,000	1,500,000
Current portion of long-term loans payable (Notes 5, 6 and 12)	16,000,000	27,600,000
Accounts payable	710,386	621,768
Accrued expenses	2,681,169	2,595,166
Consumption taxes payable	-	2,026,737
Income taxes payable	1,293	806
Advances received	4,992,552	4,698,389
Other current liabilities	803,314	735,657
Total current liabilities	30,409,564	42,158,444
Non-current liabilities:		
Investment corporation bonds payable (Notes 5 and 13)	42,800,000	39,800,000
Long-term loans payable (Notes 5, 6 and 12)	252,500,000	234,900,000
Tenant leasehold and security deposits	256,002	256,002
Tenant leasehold and security deposits in trust	21,331,449	19,952,103
Other non-current liabilities	7,773	4,545
Total non-current liabilities	316,895,225	294,912,651
<b>Total Liabilities</b>	347,304,790	337,071,095
<b>NET ASSETS</b> (Note 11)		
Unit holders' equity		
Unit holders' capital	477,597,036	455,270,859
Units authorized:		
10,000,000 units as of May 31, 2023 and November 30, 2022		
Units issued and outstanding:		
2,749,499 units as of May 31, 2023 and 2,670,350 units as of November 30, 2022		
Surplus		
Retained earnings	11,183,651	11,037,107
Total unit holders' equity	488,780,687	466,307,966
<b>Total Net Assets</b>	488,780,687	466,307,966
<b>Total Liabilities and Net Assets</b>	¥ 836,085,477	¥ 803,379,061

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

## Statements of Income

	Thousands of yen			
	For the six-month periods ended			
	May 31, 2023		November 30, 2022	
<b>Operating Revenues</b> (Note 8):				
Operating rental revenues	¥	26,582,814	¥	25,394,153
Other rental revenues		2,171,044		2,129,992
Total operating revenues		28,753,859		27,524,145
<b>Operating Expenses:</b>				
Expenses related to property rental business (Note 8)		13,918,145		13,199,465
Asset management fee		2,345,435		2,271,395
Asset custody fee		52,475		51,823
Directors' compensation		7,200		7,200
Audit fee		15,000		15,000
Other operating expenses		69,093		64,862
Total operating expenses		16,407,350		15,609,746
Operating income		12,346,508		11,914,399
<b>Non-operating Income:</b>				
Interest income		158		136
Reversal of distributions payable		625		388
Interest on refund of consumption taxes		-		2,639
Total non-operating income		783		3,165
<b>Non-operating Expenses:</b>				
Interest expense on loans payable		667,281		611,088
Interest expense on investment corporation bonds		140,567		135,624
Amortization of investment corporation bond issuance costs		12,298		11,144
Borrowing related expenses		238,411		231,353
Investment unit issuance expenses		36,000		-
Offering costs associated with the issuance of investment units		68,299		-
Others		39		270
Total non-operating expenses		1,162,897		989,482
Ordinary income		11,184,394		10,928,083
<b>Extraordinary income:</b>				
Insurance income (Note 14)		-		109,179
Total extraordinary income		-		109,179
Income before income taxes		11,184,394		11,037,262
Income taxes – current (Note 15)		1,317		827
Income taxes – deferred (Note 15)		(24)		(0)
Total income taxes		1,293		826
Net income		11,183,100		11,036,435
Retained earnings brought forward		550		671
Retained earnings at end of period	¥	11,183,651	¥	11,037,107

	Yen			
	For the six-month periods ended			
	May 31, 2023		November 30, 2022	
Net income per unit (Note 16)	¥	4,076	¥	4,132

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, 2023 and November 30, 2022

	Number of units	Thousands of yen		
		Unit holders' capital	Retained earnings	Total net assets
Balance as of May 31, 2022	2,670,350	¥ 457,041,301	¥ 11,330,966	¥ 468,372,267
Distributions of retained earnings	-	-	(11,330,295)	(11,330,295)
Distributions in excess of retained earnings	-	(1,770,442)	-	(1,770,442)
Net income	-	-	11,036,435	11,036,435
Balance as of November 30, 2022 (Note 11)	2,670,350	¥ 455,270,859	¥ 11,037,107	¥ 466,307,966
Issuance of new units on December 14, 2022 and January 5, 2023	79,149	24,446,435	-	24,446,435
Distributions of retained earnings	-	-	(11,036,556)	(11,036,556)
Distributions in excess of retained earnings	-	(2,120,257)	-	(2,120,257)
Net income	-	-	11,183,100	11,183,100
Balance as of May 31, 2023 (Note 11)	2,749,499	¥ 477,597,036	¥ 11,183,651	¥ 488,780,687

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

## Statements of Cash Flows

	Thousands of yen			
	For the six-month periods ended			
	May 31, 2023		November 30, 2022	
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes	¥	11,184,394	¥	11,037,262
Depreciation		6,918,096		6,567,154
Amortization of investment corporation bond issuance costs		12,298		11,144
Investment unit issuance expenses		36,000		-
Interest income		(158)		(136)
Interest expense		807,848		746,713
Insurance income		-		(109,179)
Decrease (increase) in operating accounts receivable		(82,095)		7,744
Decrease (increase) in consumption taxes receivable		(2,302,296)		3,881,481
Decrease (increase) in prepaid expenses		(303,288)		348,794
Decrease (increase) in long-term prepaid expenses		(117,437)		175,847
Increase (decrease) in operating accounts payable		(662,163)		955,257
Increase (decrease) in accounts payable		19,049		(3,209)
Increase (decrease) in accrued expenses		82,900		(30,160)
Increase (decrease) in consumption taxes payable		(2,026,737)		2,026,737
Increase (decrease) in advances received		294,163		42,778
Others, net		(69,431)		(24,481)
Subtotal		13,791,142		25,633,749
Interest received		158		136
Interest paid		(804,746)		(739,720)
Proceeds from insurance income		-		109,179
Income taxes paid		(830)		(807)
Net cash provided by operating activities		12,985,723		25,002,536
<b>Cash Flows from Investing Activities:</b>				
Purchases of property and equipment		(8,209)		(36,990)
Purchases of property and equipment in trust		(44,671,984)		(803,330)
Purchases of intangible assets in trust		(3,395)		-
Proceeds from tenant leasehold and security deposits		-		8,229
Proceeds from tenant leasehold and security deposits in trust		2,022,473		376,943
Repayments of tenant leasehold and security deposits in trust		(588,884)		(244,871)
Net cash provided by (used in) investing activities		(43,249,999)		(700,020)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from short-term loans payable		5,000,000		-
Repayments of short-term loans payable		(3,000,000)		(5,300,000)
Proceeds from long-term loans payable		33,600,000		-
Repayments of long-term loans payable		(27,600,000)		-
Proceeds from issuance of investment corporation bonds		2,983,274		5,268,670
Proceeds from issuance of new investment units		24,410,434		-
Payment of distributions of retained earnings		(11,036,891)		(11,328,949)
Payment of distributions in excess of retained earnings		(2,120,252)		(1,770,192)
Net cash provided by (used in) financing activities		22,236,565		(13,130,471)
Net increase (decrease) in cash and cash equivalents		(8,027,710)		11,172,044
Cash and cash equivalents at the beginning of period		39,180,225		28,008,180
Cash and cash equivalents at the end of period (Note 4)	¥	31,152,514	¥	39,180,225

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

## Notes to Financial Statements

### For the six-month periods ended May 31, 2023 and November 30, 2022

#### 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 Trusts 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<sup>(\*)1</sup> strong sponsor support, and has aimed to maximize unit holders’ value by maintaining a portfolio that generates stable income. As a result of such investment management, NPR owned 58 properties (aggregate acquisition price<sup>(\*)2</sup>: 865,383 million yen), all of which are Class-A logistics facilities<sup>(\*)3</sup> developed by the Prologis Group, as of May 31, 2023<sup>(\*)4</sup>.

<sup>(\*)1</sup> The Prologis Group is a group of Prologis, Inc. and its affiliates, which include Prologis K.K., a Japanese subsidiary.

<sup>(\*)2</sup> “Acquisition price” is represented by an amount of the purchase price stated in the sale and purchase agreement of trust beneficiary interest, and is rounded down to millions of yen. With respect to Prologis Park Zama 1, the acquisition price is as of the date of the initial acquisition and does not reflect the partial disposition and acquisition of land on October. 3, 2018. With respect to Prologis Park Iwanuma, where all tangible assets in trust, excluding land in trust, were burned down by the fire that occurred during the fiscal period ended May 31, 2020, the acquisition price includes the acquisition price of its land and the construction cost of the building for its redevelopment project. The same hereinafter.

<sup>(\*)3</sup> “Class-A logistics facilities” are our target logistics properties that meet the demands of logistics companies and other end-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.

<sup>(\*)4</sup> 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 is considered by itself not to qualify as a Class-A logistics facility.

##### 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	2-67 years
Structures	2-60 years
Machinery and equipment	8-17 years
Tools, furniture and fixtures	2-20 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 were amounted to 7,594 thousand yen for the fiscal period ended May 31, 2023 and no taxes on property and equipment were capitalized for the fiscal period ended November 30, 2022.

### 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) Revenue from Contracts with Customers

The content of main performance obligations related to revenue arising from contracts with customers of NPR and the normal timing for satisfying such performance obligations (the normal timing for recognizing revenue) are as follows:

### (i) Sale of real estate property

NPR recognizes revenue from the sale of real estate properties when the purchaser, as the customer, obtains control of the properties following the seller fulfilling its delivery obligations stipulated in the transaction agreement of the properties.

Note that in the statements of income, NPR discloses “Gain on sales of real estate properties” or “Loss on sales of real estate properties” based on “Sales proceed” less “Book value of properties sold” and “Other sales expenses.” “Gain on sales of real estate properties” and “Loss on sales of real estate properties” were not recorded for all the fiscal periods presented in these financial statements.

### (ii) Utilities income

NPR supplies utilities services such as the electricity, water, etc. to the lessees as the customers and recognizes those income based on contracts with the customers.

### h) 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.

### i) 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.

### j) Consumption Taxes

Nondeductible consumption taxes on property and equipment are included in the acquisition cost of the respective assets.

### 3. Significant Accounting Estimates

Valuation of investment and rental properties

a) Book value of investment and rental properties and the impairment loss recorded

	Thousands of yen	
	As of	
	May 31, 2023	November 30, 2022
Property and equipment	¥ 798,160,496	¥ 760,310,802
Intangible assets	271,767	282,351
Impairment loss	-	-

b) Information on the nature of significant accounting estimates for identified items

In accordance with the Accounting Standard for Impairment of Fixed Assets, NPR has adopted the accounting treatment to reduce the book value of investment and rental properties to a recoverable amount when the invested amount is deemed to be unrecoverable due to lowered profitability.

In adopting the accounting treatment, the respective properties owned by NPR are regarded as a single asset group, and judgment is made whether it is required to recognize impairment losses when indications of impairment are deemed to exist for the group due to continuous operating losses, a significant decline in the market value and significant deterioration of the business environment, etc.

Future cash flow estimates are used to determine whether or not to recognize impairment losses. When it is determined that impairment losses should be recognized, the book value is reduced to the recoverable amount based on the real estate appraisal values provided by external appraisers, and the reduced amount is recorded as impairment losses.

In estimating the future cash flow, the underlying rent, occupancy rate and real estate rental expenses, etc. are determined by comprehensively taking into account the market trends and transaction cases of similar properties, etc.

The performance and the market value of each property may be affected by the trends in the real estate rental market and real estate transaction market. Accordingly, when changes arise to the assumptions of the estimate, they may affect the financial position and results of operation of NPR in the following fiscal period.

### 4. 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	
	May 31, 2023	November 30, 2022
Cash and deposits	¥ 24,833,106	¥ 32,544,000
Cash and deposits in trust	6,319,408	6,636,225
Cash and cash equivalents	¥ 31,152,514	¥ 39,180,225



## 5. 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 the impact of 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

Since the fair value of financial instruments is calculated based on certain assumptions, the fair value could differ depending on the assumptions used. As for the contract amount and other conditions of derivative transactions indicated in "b) Estimated Fair Value of Financial Instruments" below, the contract amount is not an indicator of the market risks related to such derivative transactions.

### b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of May 31, 2023 and November 30, 2022 are as follows. The notes of "Cash and deposits", "Cash and deposits in trust" and "Short-term loans payable" are omitted because the book value of these instruments are deemed a reasonable approximation of their fair value due to the short maturities.

Thousands of yen			
As of May 31, 2023			
	Book value	Fair value	Difference
(1) Current portion of investment corporation bonds payable	¥ 1,500,000	¥ 1,499,850	¥ (150)
(2) Current portion of long-term loans payable	16,000,000	16,005,531	5,531
(3) Investment corporation bonds payable	42,800,000	39,952,560	(2,847,440)
(4) Long-term loans payable	252,500,000	255,263,485	2,763,485
Total liabilities	¥ 312,800,000	¥ 312,721,427	¥ (78,572)
(5) Derivative transactions	¥ -	¥ (2,917)	¥ (2,917)

Thousands of yen			
As of November 30, 2022			
	Book value	Fair value	Difference
(1) Current portion of investment corporation bonds payable	¥ 1,500,000	¥ 1,499,250	¥ (750)
(2) Current portion of long-term loans payable	27,600,000	27,602,904	2,904
(3) Investment corporation bonds payable	39,800,000	37,155,830	(2,644,170)
(4) Long-term loans payable	234,900,000	236,478,106	1,578,106
Total liabilities	¥ 303,800,000	¥ 302,736,091	¥ (1,063,908)
(5) Derivative transactions	¥ -	¥ -	¥ -

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

#### (1) Current portion of investment corporation bonds payable and (3) Investment corporation bonds payable

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

#### (2) Current portion of long-term loans payable and (4) Long-term loans payable

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

#### (5) Derivative transactions

Please refer to Note 6, "Derivative Transactions."



(Note 2) Repayment schedule of long-term loans payable and other interest-bearing debt after the closing date of the fiscal periods

As of May 31, 2023

	Thousands of yen					
	May 31, 2023					
	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	¥1,500,000	¥3,000,000	¥ -	¥ -	¥8,500,000	¥31,300,000
Long-term loans payable	16,000,000	32,300,000	24,900,000	44,100,000	29,800,000	121,400,000
Total	¥17,500,000	¥35,300,000	¥24,900,000	¥44,100,000	¥38,300,000	¥152,700,000

As of November 30, 2022

	Thousands of yen					
	November 30, 2022					
	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	¥1,500,000	¥3,000,000	¥ -	¥ -	¥5,500,000	¥31,300,000
Long-term loans payable	27,600,000	21,000,000	32,300,000	26,300,000	37,700,000	117,600,000
Total	¥29,100,000	¥24,000,000	¥32,300,000	¥26,300,000	¥43,200,000	¥148,900,000

## 6. Derivative Transactions

For the six-month periods ended May 31, 2023 and November 30, 2022 NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of May 31, 2023			
			Contract amount <sup>(*1)</sup>		Fair value <sup>(*2)</sup>	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	¥279,000,000	¥263,000,000	(2,917)	(*3)

(\*1) "Contract amount" includes a notional amount of 12,500,000 thousand yen of interest rate swap entered on May 31, 2023. The effective date of the loan subject to the interest rate swap is June 2, 2023.

(\*2) The fair value of the aforementioned interest rate swap entered on May 31, 2023 is stated since it is not accounted for as an integral part of long-term loan payable under the special accounting treatment due to the fact that such loan payable is not yet recognized as of May 31, 2023. Other than that, interest rate swaps under 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 (2) Current portion of long-term loans payable and (4) Long-term loans payable disclosed in the aforementioned Note 5, "Financial Instruments, b) Estimated Fair Value of Financial Instruments".

(\*3) Fair value is the amount measured by the counterparty of the relevant transaction based on market rates.

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of November 30, 2022			
			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	¥260,500,000	¥232,900,000	(*1)	-

(\*1) 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 (2) Current portion of long-term loans payable and (4) Long-term loans payable disclosed in the aforementioned Note 5, "Financial Instruments, b) Estimated Fair Value of Financial Instruments".

## 7. 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	
	May 31, 2023	November 30, 2022
Book value		
Balance at the beginning of the period	¥ 760,584,430	¥ 766,245,172
Changes during the period <sup>(*)</sup>	37,835,370	(5,660,741)
Balance at the end of the period	¥ 798,419,800	¥ 760,584,430
Fair value at the end of the period	¥ 1,101,870,000	¥ 1,035,850,000

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

(\*2) The decrease for the fiscal period ended May 31, 2023 was primarily a result of recognition of depreciation, which amounted to 6,918,096 thousand yen.

The decrease for the fiscal period ended November 30, 2022 was primarily a result of recognition of depreciation, which amounted to 6,567,154 thousand yen. The increase for the fiscal period ended May 31, 2023 was primarily a result of acquiring three properties, Prologis Park Inagawa 1 (50% of co-ownership interest), Prologis Park Kobe 3 and Prologis Park Ogori (43,703,489 thousand yen in total).

(\*3) The fair value at the end of the period is determined based on appraised value provided by independent real estate appraisers.

Income and loss in connection with investment and rental properties are disclosed in “8. Property-related Revenues and Expenses.”

## 8. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended May 31, 2023 and November 30, 2022.

	Thousands of yen	
	For the six-month periods ended	
	May 31, 2023	November 30, 2022
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 24,877,215	¥ 23,750,484
Common area charges	1,705,599	1,643,669
Total	¥ 26,582,814	¥ 25,394,153
Other rental revenues		
Utilities income	¥ 1,811,531	¥ 1,771,546
Others	359,512	358,445
Total	¥ 2,171,044	¥ 2,129,992
Total property-related revenues	¥ 28,753,859	¥ 27,524,145
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 1,606,065	¥ 1,635,134
Utilities cost	2,141,373	1,999,926
Taxes and public dues	2,578,235	2,451,846
Non-life insurance premium	303,989	307,950
Repair and maintenance	340,007	206,367
Depreciation	6,918,096	6,567,154
Custodian fee	26,247	25,204
Other expenses	4,130	5,880
Total rental expenses	¥ 13,918,145	¥ 13,199,465
(3) Operating income from property leasing ( (1)-(2) )	¥ 14,835,713	¥ 14,324,680

## 9. Revenue from Contracts with Customers

(For the six-month periods ended May 31, 2023 and November 30, 2022)

Breakdown information on revenues from contracts with customers

For the breakdown information on revenues from contracts with customers, refer to “8. Property-related Revenues and Expenses.”

Note that the revenues described in “8. Property-related Revenues and Expenses” include revenues recognized in accordance with the Accounting Standard for Lease Transactions (ASBJ Statement No.13).

The revenues from contracts with customers consist mainly of utilities income.

## 10. 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			
	May 31, 2023		November 30, 2022
Due within one year	¥ 48,757,087	¥	45,791,864
Due after one year	171,266,487		147,214,911
Total	¥ 220,023,575	¥	193,006,776



## 11. Net Assets

### a) Stated Capital

NPR issues only non-par value units in accordance with the Investment Trust Law, 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.

### b) Unit holders' capital

Unit holders' capital as of May 31, 2023 and November 30, 2022 consists of the following items:

	Thousands of yen			
	As of			
	May 31, 2023		November 30, 2022	
Unit holders' capital, gross	¥	500,280,765	¥	475,834,330
Deduction from unit holders' capital;				
Accumulated distributions in excess of retained earnings		(22,683,729)		(20,563,471)
Unit holders' capital	¥	477,597,036	¥	455,270,859

### 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			
	May 31, 2023		November 30, 2022	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 11,183,651,328		¥ 11,037,107,115	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	2,400,312,627		2,120,257,900	
III Distributions				
Distributions of retained earnings	11,182,212,433	¥4,067	11,036,556,550	¥4,133
Distributions in excess of retained earnings	2,400,312,627	¥873	2,120,257,900	¥794
Total distributions	13,582,525,060	¥4,940	13,156,814,450	¥4,927
IV Retained earnings carried forward	¥ 1,438,895		¥ 550,565	

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 amounts 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 11,182,212,433 yen, Regular Surplus Cash Distributions of 2,073,122,246 yen which was the amount equivalent to approximately 30% of depreciation expense of 6,918,096,254 yen and One-time Surplus Cash Distributions of 327,190,381 yen for the purpose of compensating for a decrease in the dividend per unit caused by the temporary rise in expenses related to property rental business (primarily utilities cost), for the six-month period ended May 31, 2023.
2. NPR declared distribution amounts of 11,036,556,550 yen, Regular Surplus Cash Distributions of 1,968,047,950 yen which was the amount equivalent to approximately 30% of depreciation expense of 6,567,154,455 yen and One-time Surplus Cash Distributions of 152,209,950 yen for the purpose of compensating for a decrease in the dividend per unit caused by the temporary rise in expenses related to property rental business (primarily utilities cost), for the six-month period ended November 30, 2022.

## 12. 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 May 31, 2023 and November 30, 2022.

	Thousands of yen			
	As of			
	May 31, 2023		November 30, 2022	
0.20007% unsecured short-term loans due 2023 <sup>(**)</sup>	¥	1,400,000	¥	-
0.20007% unsecured short-term loans due 2023 <sup>(**)</sup>		600,000		-
Total short-term loans payable	¥	2,000,000	¥	-
0.39000% unsecured long-term loans due 2024 <sup>(*)</sup>	¥	10,000,000	¥	10,000,000
0.41290% unsecured long-term loans due 2023 <sup>(*)</sup>		-		7,600,000
0.52800% unsecured long-term loans due 2024 <sup>(*)</sup>		4,000,000		4,000,000
0.71670% unsecured long-term loans due 2026 <sup>(*)</sup>		9,400,000		9,400,000
0.31250% unsecured long-term loans due 2023 <sup>(*)</sup>		-		20,000,000
0.37250% unsecured long-term loans due 2024 <sup>(*)</sup>		3,000,000		3,000,000
0.37250% unsecured long-term loans due 2024 <sup>(*)</sup>		3,000,000		3,000,000
0.43690% unsecured long-term loans due 2025 <sup>(*)</sup>		23,300,000		23,300,000
0.52400% unsecured long-term loans due 2026 <sup>(*)</sup>		6,100,000		6,100,000
0.52400% unsecured long-term loans due 2026 <sup>(*)</sup>		5,200,000		5,200,000
0.52400% unsecured long-term loans due 2026 <sup>(*)</sup>		2,600,000		2,600,000
0.63270% unsecured long-term loans due 2027 <sup>(*)</sup>		23,300,000		23,300,000
0.61980% unsecured long-term loans due 2028 <sup>(*)</sup>		11,800,000		11,800,000
0.44830% unsecured long-term loans due 2024 <sup>(*)</sup>		5,000,000		5,000,000
0.51380% unsecured long-term loans due 2026 <sup>(*)</sup>		6,400,000		6,400,000
0.36520% unsecured long-term loans due 2028 <sup>(*)</sup>		6,600,000		6,600,000
0.43000% unsecured long-term loans due 2029 <sup>(*)</sup>		12,000,000		12,000,000
0.18770% unsecured long-term loans due 2025 <sup>(*)</sup>		5,000,000		5,000,000
0.49700% unsecured long-term loans due 2029 <sup>(*)</sup>		6,500,000		6,500,000
0.49800% unsecured long-term loans due 2029 <sup>(*)</sup>		3,000,000		3,000,000
0.24470% unsecured long-term loans due 2027 <sup>(*)</sup>		5,000,000		5,000,000
0.34460% unsecured long-term loans due 2029 <sup>(*)</sup>		4,100,000		4,100,000
0.29700% unsecured long-term loans due 2028 <sup>(*)</sup>		6,000,000		6,000,000
0.40490% unsecured long-term loans due 2030 <sup>(*)</sup>		6,300,000		6,300,000
0.47600% unsecured long-term loans due 2031 <sup>(*)</sup>		7,300,000		7,300,000
0.30350% unsecured long-term loans due 2028 <sup>(*)</sup>		5,000,000		5,000,000
0.40040% unsecured long-term loans due 2030 <sup>(*)</sup>		9,000,000		9,000,000
0.29170% unsecured long-term loans due 2027 <sup>(*)</sup>		7,000,000		7,000,000
0.45820% unsecured long-term loans due 2031 <sup>(*)</sup>		7,000,000		7,000,000

0.47250% unsecured long-term loans due 2029 <sup>(*)</sup>	2,000,000	2,000,000
0.63650% unsecured long-term loans due 2032 <sup>(*)</sup>	4,000,000	4,000,000
0.39750% unsecured long-term loans due 2026 <sup>(*)</sup>	6,000,000	6,000,000
0.57660% unsecured long-term loans due 2029 <sup>(*)</sup>	4,000,000	4,000,000
0.57660% unsecured long-term loans due 2029 <sup>(*)</sup>	4,000,000	4,000,000
0.57900% unsecured long-term loans due 2029 <sup>(*)</sup>	4,000,000	4,000,000
0.66680% unsecured long-term loans due 2030 <sup>(*)</sup>	6,000,000	6,000,000
0.65300% unsecured long-term loans due 2032 <sup>(*)</sup>	2,000,000	2,000,000
1.00490% unsecured long-term loans due 2031 <sup>(*)</sup>	9,000,000	-
0.94210% unsecured long-term loans due 2030 <sup>(*)</sup>	7,600,000	-
0.79300% unsecured long-term loans due 2030 <sup>(*)</sup>	12,000,000	-
0.88700% unsecured long-term loans due 2031 <sup>(*)</sup>	5,000,000	-
Less: current portion	(16,000,000)	(27,600,000)
Total long-term loans payable, less current portion	¥ 252,500,000	¥ 234,900,000

The stated interest rate is the weighted average interest rate during the period ended May 31, 2023.

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 May 31, 2023 and November 30, 2022 are disclosed in Note 5, "Financial Instruments."

The loans (\*\*) from Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., with the principal amounts of 3,500,000 thousand yen and 1,500,000 thousand yen, respectively, were partially prepaid in the amount of 2,100,000 thousand yen and 900,000 thousand yen on April 4, 2023 before the maturity dates.

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

	Thousands of yen			
	As of			
	May 31, 2023		November 30, 2022	
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

### 13. 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 May 31, 2023 and November 30, 2022.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				May 31, 2023	November 30, 2022
2nd unsecured bond	November 27, 2014	November 27, 2024	0.930%	¥ 3,000,000	¥ 3,000,000
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
10th unsecured bond	May 31, 2021	May 30, 2031	0.470%	7,000,000	7,000,000
11th unsecured bond	May 31, 2021	May 30, 2036	0.730%	5,000,000	5,000,000
12th unsecured bond	June 22, 2022	June 22, 2027	0.300%	3,000,000	3,000,000
13th unsecured bond	August 17, 2022	August 17, 2028	0.430%	2,300,000	2,300,000
14th unsecured bond	April 4, 2023	April 4, 2028	0.600%	3,000,000	-
Total				¥ 44,300,000	¥ 41,300,000

### 14. Insurance Income

(For the six-month period ended May 31, 2023)

None

(For the six-month period ended November 30, 2022)

As to Prologis Park Iwanuma which was caught in a fire during the reporting period ended May 31, 2020, NPR recorded 109,179 thousand yen of insurance income for lost profits (profits insurance income) as extraordinary income.



## 15. 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 May 31, 2023 and November 30, 2022:

	Thousands of yen	
	As of	
	May 31, 2023	November 30, 2022
Enterprise tax payable	¥ 35	¥ 10
Total deferred tax assets	35	10
Net deferred tax assets	¥ 35	¥ 10

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 May 31, 2023 and November 30, 2022 are as follows:

	For the six-month periods ended	
	May 31, 2023	November 30, 2022
Statutory tax rate	31.46%	31.46%
Adjustments:		
Deductible cash distributions	(31.45%)	(31.46%)
Other	0.01%	0.01%
Actual effective income tax rate	0.01%	0.01%

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.

## 16. Per Unit Information

The following table summarizes per unit information for the six-month periods ended May 31, 2023 and November 30, 2022.

	Yen	
	For the six-month periods ended	
	May 31, 2023	November 30, 2022
Net income per unit		
Basic net income per unit <sup>(*)</sup>	¥ 4,076	¥ 4,132
Weighted average number of units outstanding	2,743,533	2,670,350

	Yen	
	As of	
	May 31, 2023	November 30, 2022
Net assets per unit	¥ 177,770	¥ 174,624

(\*) 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.

## 17. 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 May 31, 2023)

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 <sup>(*)2)</sup>	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥ 27,057,846	Operating accounts receivable	¥ 1,403,031
										Advances received	4,678,447
								Proceeds of tenant leasehold and security deposits in trust	2,022,473	Tenant leasehold and security deposits in trust	20,884,997
								Repayments of tenant leasehold and security deposits in trust	584,408		
Subsidiary of an affiliate	Zao Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	27,900,000	-	-
Subsidiary of an affiliate	Kobe Special Purpose Company <sup>(*)3)</sup>	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	9,580,000	-	-
Subsidiary of an affiliate	Hisayama Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	5,920,000	-	-
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 (*4)	2,562,435	Accrued expenses	2,579,979

(\*1) The terms and conditions of these transactions were executed based on market practices.

(\*2) With respect to 51 of the 58 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type master lease agreement, and Prologis REIT Master Lease GK subleases the space to tenants.

(\*3) Kobe Special Purpose Company changed its trade name to Sakura Special Purpose Company on February 22, 2023.

(\*4) The Asset management fee above includes management fees for property acquisition of 217,000 thousand yen.

(For the six-month period ended November 30, 2022)

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 <sup>(*)2)</sup>	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥ 25,781,002	Operating accounts receivable	¥ 1,285,026
										Advances received	4,385,692
								Proceeds of tenant leasehold and security deposits in trust	371,755	Tenant leasehold and security deposits in trust	19,446,931
								Repayments of tenant leasehold and security deposits in trust	222,772		
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	2,271,395	Accrued expenses	2,498,535

(\*1) The terms and conditions of these transactions were executed based on market practices.

(\*2) With respect to 48 of the 55 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

### d) Transactions and Account Balances with Board of Directors and Individual Unit Holders

There were no transactions and account balances for all periods presented.

## 18. 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 May 31, 2023)

#### 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	27,057,846 thousand yen	The real estate leasing business

(\*) With respect to 51 properties out of 58 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(For the six-month period ended November 30, 2022)

#### 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	25,781,002 thousand yen	The real estate leasing business

(\*) With respect to 48 properties out of 55 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

## 19. Subsequent Events

### (a) Issuance of New Investment Units

NPR issued new investment units based on resolutions made by the board of directors on May 22, 2023 and May 25, 2023. Subsequently, the payments were completed on June 1, 2023 and June 27, 2023, for the issuance of new investment units through the public offering (the "Offering") and third-party allotment (the "Third-Party Allotment"), respectively.

#### Issuance of New Investment Units through the Offering

Number of investment units issued	86,851 units
Issue price (offer price)	290,152 yen per unit
Total amount issued	25,199,991,352 yen
Issue value (amount to be paid)	280,944 yen per unit
Total net proceeds	24,400,267,344 yen
Payment date	June 1, 2023

#### Issuance of New Investment Units through the Third-Party Allotment

Number of investment units issued	2,550 units
Issue value (amount to be paid)	280,944 yen per unit
Total net proceeds	716,407,200 yen
Payment date	June 27, 2023
Purchaser	SMBC Nikko Securities Inc.

#### Use of proceeds

The net proceeds from the Offering were used for the purpose of funding the acquisition costs of new property and related expenses described below in "(c) Acquisition of Assets". The net proceeds from the 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) or to repay borrowings.



(b) Borrowings

NPR borrowed following short-term loans and long-term loans (collectively, the “Borrowings”), which were based on a resolution made by the board of directors on May 22, 2023, for the purpose of funding the acquisition costs of new property and related expenses described below in “(c) Acquisition of Assets”.

Summary of the Borrowings

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	4,200 million yen	Base interest rate (JBA 1-month	June 2, 2023	May 31, 2024	Paid in full upon maturity	Unsecured and non-guaranteed
	MUFG Bank, Ltd.	1,800 million yen	Japanese yen TIBOR) +0.150%				
Long-term <sup>(*)</sup>	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. <sup>(*)</sup>	12,500 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.265%		May 31, 2032		

(\*) The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Mizuho Bank, Ltd., Development Bank of Japan Inc., Resona Bank, Limited., The Norinchukin Bank, The Bank of Fukuoka, Ltd., The 77 Bank, Ltd., The Yamanashi Chuo Bank, Ltd., Aozora Bank, Ltd., SBI Shinsei Bank, Limited and Shinkin Central Bank.

(\*) NPR has executed an 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	12,500 million yen
3. Interest Rate	Fixed Interest Rate: 0.6830% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	May 31, 2023
5. Effective Date	June 2, 2023
6. Termination Date	May 31, 2032

(\*) The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.9480%.

(c) Acquisition of Assets

As resolved by the board of directors on May 22, 2023, in line with basic investment guidelines defined in its Articles of Incorporation, NPR decided to acquire a property described below with the net proceeds from the Offering described in “(a) Issuance of New Investment Units” above, the proceeds from the Borrowings described in “(b) Borrowings” above and cash on hand, and completed the acquisition on June 2, 2023.

Property name		Prologis Park Soka
Location		1352-2, Aza Takara, Kakinokicho, Soka, Saitama 1352-2, Aza Takara, Kakinokicho, Soka, Saitama
Class of assets		Real estate trust beneficiary interests
Acquisition date		June 2, 2023
Acquisition price		51,400 million yen
Land	Ownership form	Proprietary
	Land area	68,631.07 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	143,756.15 m <sup>2</sup>
	Date of construction	March 18, 2022
	Use	Warehouse / Office
Structure/No. of stories		SRC, 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 May 31, 2023 and November 30, 2022, 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 May 31, 2023 and November 30, 2022, and its financial performance and its 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 19 to the financial statements, which states that subsequent to May 31, 2023, the Company issued new investment units, borrowed bank loans and acquired real estate trust beneficiary interests of one property. Our opinion is not modified in respect of this matter.

#### Other Information

The other information comprises the information included in the Semiannual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. Supervisory directors are responsible for overseeing the executive director's performance of his duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### 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 with regard to 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 him 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.

/S/ Koichiro Nojima

Designated Engagement Partner

Certified Public Accountant

/S/ Jiro Tazawa

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 30, 2023

Notes to the Reader of Independent Auditor’s Report:

This is a copy of the Independent auditor’s report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Periodic disclosure for financial products referred to in Article 8(1) of Regulation (EU) 2019/2088 and Article 6 of Regulation (EU) 2020/852

Product name: Nippon Prologis REIT, Inc.  
Legal Entity Identifier: 353800PHBMSDLAFURY41

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<input type="checkbox"/> It made sustainable investments with an environmental objective: ____%	<input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It made sustainable investments with a social objective: ____%	<input type="checkbox"/> with a social objective
	<input checked="" type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Prologis Group, including Nippon Prologis REIT, Inc. (“NPR”) and Prologis REIT Management. K.K. (the “Asset Manager”), conducts sustainable corporate activities with goals of protecting the environment, contributing to society, and maintaining corporate ethics and governance, as a good corporate citizen. We aim to minimize the impact of the Prologis Group’s business activities on the environment and to maximize the benefit of all stakeholders.

NPR functions as a long-term real estate holding vehicle for the Prologis Group’s business in Japan. The Prologis Group conducts its global business through one common operating platform that covers all entities in the Prologis Group, including NPR. For environmental, social and governance (“ESG”) initiatives, the Prologis Group uses its scale to provide one common ESG platform (ESG objectives, principles, policies, goals and monitoring systems) that covers NPR. In addition, NPR, as a separate public entity, also has distinct and independent ESG management systems especially for its governance.

Our ESG initiatives, especially environmental stewardship, include the following



activities at our properties:

- *Reducing energy consumption at our properties.* We aim to reduce energy consumption and contribute to low-carbon society by installing energy saving equipment such as LED lighting and sensor lighting at our properties. As of June 30, 2023, LED lighting was installed at 86% of our portfolio based on leasable area, as compared to 82% as of Dec. 31, 2022. Also, as of June 30, 2023, 53.4MW of solar panel was installed on the rooftops of our properties, as compared to 52.7MW as of Dec. 31, 2022.
- *Water conservation.* We have installed rainwater recycling systems and irrigation timers to reduce water usage at two of our properties. At Prologis Park Narita 1, rainwater is collected and kept for general service water in the event of water or power outages by connecting to the emergency generator. Prologis Park Osaka 4 uses industrial water for landscaping.
- *Promoting wall greening and rooftop greening.* We build green walls and rooftops at our properties. Taking into account the rich natural environment that surrounds Prologis Park Kawajima, the facility's landscaping was designed to include a variety of plants and trees, such as evergreens and deciduous trees, conical trees, trees of different heights, and ground cover plants. Also, by installing rooftop greenery at Prologis Park Tokyo-Shinkiba, we have reduced and mitigated the urban heat-island effect. Additionally, we have built a road and a park on site of Prologis Park Tokyo-Shinkiba for the local community to further enhance the safety of the property and improve the surrounding environment.
- *Pollution and waste management.* We have installed water-retentive blocks, which are made of recycled products, at the entrance and approach to our buildings to help to reduce the urban heat-island effect. Also, in partnership with Fukuvi Chemical Industry Co., Ltd., we have developed and filed a patent application for a plastic forklift guard for use at logistics facilities and warehouses; though made out of plastic, these guards can last decades and can be recycled into pallets.
- *Including "Green Lease" provisions in our agreements.* We aim to include environmental provisions, which we refer to as "Green Lease" provisions, in the lease contracts with our tenants. Our Green Lease provisions include clauses requiring our tenants to collaborate with us in implementing various measures, including actions for energy savings and disclosure of their environmental data to us. As of June 30, 2023, 62.7% of our leases (based on leasable area) with our tenants contained such Green Lease provisions, as compared to 56.9% as of Dec. 31, 2022.

Social initiatives at our properties including the following.

- *Developing worker-friendly facilities for tenants and their employees.* We adopt various approaches in designing and upgrading facilities to benefit tenants and their employees. Such facilities include a self-checkout convenience store at Prologis Park Ichikawa 3, a modern cafeteria at many of our multi-tenant facilities,

and shuttle bus services and free Wi-Fi connections provided at many of our multi-tenant facilities.

- *Supporting local communities and logistics industry.* We sponsor the Waseda University Graduate School of Commerce's Logistics/Supply Chain Management (SCM) Course, and offer internship programs for junior high school students and educational field trips for junior high and elementary school students. We also hold various events for our customers and local communities such as a summer festival at Prologis Park Ichikawa 1 and social events in the cafés at Prologis Park Zama and Prologis Park Tokyo-Ohta. Since 2022, we have expanded the scope of and increased the number of such customer events, setting up an annual program called "Customer Appreciation Month." Every May, we also host the "IMPACT Day," when the entire Japan-based Prologis Group spends a full day volunteering with charities in our local communities such as developing a database about toilets (restrooms) for the vulnerable, donating schoolbags for children, supporting a children's orphanage and conducting a survey of sea life in Osaka Bay.
- *Prologis Foundation.* The Prologis Foundation was established in the United States in 2001, and established its local foundation in Japan in 2019. Our grant-making focuses on education, the environment and human welfare. The Japan-based foundation provides grants to nonprofits and scholarship programs to support undergraduate students raised at orphanages. Also, as Prologis' employees make donations to national/international casualties arising from various natural disasters as well as certain geopolitical events such as a war in Ukraine, the Prologis Foundation typically matches such donations to holistically increase the size of our social contributions.
- *Providing support for employees.* The Asset Manager focuses on inclusion and diversity to create an environment in which every employee feels that they can contribute freely to the conversation that drives the success of the organization. The Asset Manager provides all employees with the opportunity to better understand our industry and is ensuring ongoing enrichment for those involved in real estate operations, including supporting employees to acquire specific qualifications and credentials by subsidizing examination fees and providing learning programs/materials.

#### • **How did the sustainability indicators perform?**

We use the following indicators to measure the attainment of the environmental, social and governance characteristics we promote:

- *Environmental certification of individual properties:* To track the environmental performance of our properties, we rely on certifications issued by third-party organizations such as the Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification, Building Energy-efficiency Labeling System ("BELS") certification, the Development Bank of Japan's Green Building Certification ("DBJGB") and other equivalent certifications. We call our property that receives any such certifications an "Eligible Green Project". With

respect to CASBEE, we consider a property to have a sufficient environmental certification if it received B+ Rank or higher out of the CASBEE ranking system featuring Rank S (excellent), Rank A (very good), Rank B+ (good), Rank B- (slightly inferior) and Rank C (inferior). With respect to BELS, we consider a property to have a sufficient environmental certification if it received four stars or higher out of BELS' five-star ranking system. With respect to DBJGB, we consider a property to have a sufficient environmental certification if it received four stars or higher out of DBJGB's five-star ranking system. As of June 30, 2023, 98.3% of our properties were Eligible Green Projects based on acquisition price, as compared to 98.2% as of Dec. 31, 2022 (we treat properties as Eligible Green Projects even after their environmental certifications have technically expired).

- **Climate change initiatives:** We aim to lead the real estate industry toward a low-carbon society by implementing various measures to reduce emissions of greenhouse gas and coordinating with other companies to reduce long-distance transportation and minimize the impact of our business toward the environment. 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 and the Asset Manager has signed on as an official supporter of TCFD and provided disclosure on our alignment with TCFD's four core elements: governance, strategy, risks & opportunities and targets & metrics.
- **Social initiatives – tenants:** We have adopted the Net Promoter Score (NPS), a metric used to measure the quality of services provided by the Prologis Group to our customers as well as our customer loyalty to the Prologis Group. NPS is used by the world's leading brands to gauge how companies perform relative to customer expectations. We use NPS to inquire our customers how they evaluate their overall experiences with us. NPS results are based on customer responses to a single question: *How likely are you to recommend Prologis to a colleague or friend and why?* In 2022, 85% of our customers in properties under Prologis Group's management in Japan responded that they were satisfied with their experience as customers.
- **Social initiatives – employees:** Employees of the Asset Manager receive bilateral performance feedback three times a year: initial, interim and final reviews to discuss their targets, progress, next steps and achievements. The evaluation is conducted comprehensively, including with respect to ESG. In order to secure the fairness and transparency, the final evaluation is reviewed by the Human Resources/Compensation Committee, which is utilized for the determination of each employee's compensation and promotion.
- **Social initiatives – compliance:** The Asset Manager has established the Compliance Basic Policy to promote compliance pertaining to our asset management activities. The Asset Manager complies strictly with applicable laws and regulations related to its business, carries out sound corporate activities in good faith, and has established a system to ensure the soundness of management based on self-

discipline. In order to promote compliance, the Compliance Officer has established and maintains the Compliance Manual as a code of conduct for officers and employees of the Asset Manager. In addition, the Compliance Officer plans and implements guidance and training for the officers and employees on a regular basis and as necessary based on compliance needs.

- **...and compared to previous periods?**

See above.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

Not applicable.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable.

#### How did this financial product consider principal adverse impacts on sustainability factors?

We collect on an ongoing basis select information on our existing portfolio regarding the principal adverse impact indicators, including exposure to fossil fuels through investment assets, exposure to energy-inefficient investment assets and energy consumption intensity. We aim to manage the risk connected to principal adverse impacts from our investment decisions in several ways, including general screening criteria and due diligence such as investigation on harmful substances in the soil.

We believe that investment decisions that negatively affect climate or other environment-related resources, or have negative implications for society, can have a significant impact on risks and value creation for our unitholders. To this end, we consider the principal adverse impacts of our investment decisions on the above sustainability factors throughout all major steps of the investment decision and management process throughout the lifecycle of the properties in our portfolio.

#### What were the top investments of this financial product?

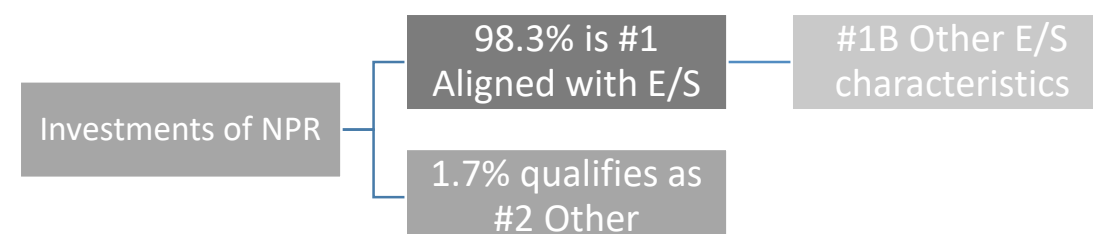
Largest investments	Sector	% Assets	Country
Logistics facilities	Real estate	100%	Japan

#### What was the proportion of sustainability-related investments?

As of June 30, 2023, 98.3% of the properties in the portfolio were Eligible Green Projects, and 1.7% were nonqualified assets based on the acquisition prices of our properties, as compared to 98.2% Eligible Green Projects and 1.8% nonqualified assets as of Dec. 31, 2022

(we treat properties as Eligible Green Projects even after their environmental certifications have technically expired). Our target is to continue to maintain the percentage of Eligible Green Projects at 95% or more.

- **What was the asset allocation?**



- **In which economic sectors were the investments made?**

Our investment objectives are to acquire and own logistics facilities in Japan, and to increase unit holder value by maintaining a portfolio that generates stable income and achieves steady portfolio growth through sound acquisitions and proactive portfolio management. We are strategically focused on Class A logistics facilities in Japan's key logistics hubs to capitalize on the ongoing fundamental reconfiguration of Japan's supply chain, the increasing importance of advanced logistics which require advanced logistics facilities and the obsolescence of a majority of Japan's existing logistics stock. These factors are driving strong and stable demand for what we call Class A logistics facilities.

**To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable.

- **What was the share of investments made in transitional and enabling activities?**

Not applicable.

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Not applicable.

**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

Not applicable.

**What was the share of socially sustainable investments?**

Not applicable.

**What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

As of June 30, 2023, 1.7% of our properties were not Eligible Green Projects based on acquisition price. We have invested in such properties in accordance with our investment guidelines. In those cases, due to certain nature of uses of our properties by our customers, there were circumstances that prevented us from obtaining environmental certifications prior to our acquisitions, and we will do our best to obtain appropriate environmental certifications in due course. We investigate the presence/absence of harmful substances, the history of past land usages and the environment of the soil when investing in properties. We do not invest in properties on which do not meet the standards for the Soil Contamination Countermeasures Act of Japan and other environmental laws and ordinances.

**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

Our ESG initiatives, especially environmental stewardship, include the following activities at our properties:

- Reducing energy consumption at our properties.
- Water conservation.
- Promoting wall greening and rooftop greening.
- Pollution and waste management.
- Including "Green Lease" provisions in our agreements.

Social initiatives at our properties including the following:

- Developing worker-friendly facilities for tenants and their employees.
- Supporting local communities and logistics industry.
- Scholarship and philanthropic programs by Prologis Foundation.
- Providing support for employees.

**How did this financial product perform compared to the reference benchmark?**

Not applicable.

- **How does the reference benchmark differ from a broad market index?**

Not applicable.

- *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

Not applicable.

- *How did this financial product perform compared with the reference benchmark?*

Not applicable.

- *How did this financial product perform compared with the broad market index?*

Not applicable.