

# SEMIANNUAL REPORT

Fiscal Period Ended November 30, 2021





## 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 of Nippon Prologis REIT (NPR) for the Fiscal Period ended November 30, 2021.

During the fiscal period, despite the global pandemic, the disruption to the global supply chain and rising cost of natural resources, the growth of Japanese logistics real estate market continued to be healthy. Demand for high-quality logistics facilities remains unabated, driven by the continued modernization of the logistics industry, the need for resilience in global supply chains and accelerating growth of e-commerce. In addition, the demand for our business is fueled by our logistics customers' need to consolidate their warehouse space to solve their labor shortage problems. As a result of the strength of our investment strategy and the strong relationship with our sponsor, combined with the aforementioned tailwinds, our portfolio continues to perform well, marked by high average occupancy rate of 98.8 percent and strong rent growth during the fiscal period.

We successfully closed our eleventh follow-on offering and acquisition of three new properties (Prologis Park Inagawa 2, Prologis Park Kobe 5 and Prologis Park Ebina 2) in December 2021. The offering represented our longstanding, quality-focused investment strategies and our significant growth potential, and was well received by both the domestic Japanese and global investors. The offering and acquisitions were accretive for our unit holders; our distribution per unit, on a stabilized basis, grew by 2.7 percent and our NAV per unit grew by 1.4 percent.

We continue to have one of the strongest balance sheets in the J-REIT industry. Our loan-to-value ratio was 37.6 percent at the end of the fiscal period and will remain at the same level post the eleventh follow-on offering. With this low leverage and the size of our balance sheet, we continue to have significant additional investment capacity of approximately 190 billion yen, which would allow us to retain significant optionality in terms of sources of fund for our future acquisitions.

Lastly, we have been awarded the prestigious "5 Star" rating for the seventh consecutive year by the 2021 GRESB Real Estate Assessment. Also, we continue to be included in the honorable Dow Jones Sustainability Index and rated "A" within the MSCI Japan ESG Select Leaders Index. These ratings demonstrate our outstanding performance in, and our long-term commitment to, the environmental stewardship, social responsibility and governance (ESG). To better communicate our such strong commitment to ESG, we have launched a new ESG website in September 2021.

We are proud of our accomplishments during the period and will continue to strive to maximize value for our unit holders over the long-term. Thank you, as always, for your continued support.

Best regards,



## Financial Highlights for the Fiscal Period Ended November 30, 2021

Distribution Per Unit  
(JPY, including Surplus Cash Distributions)

4,945

Portfolio Size  
(JPY billions, post acquisition in Dec. 2021)

816.0

NOI  
(JPY millions)

20,059

Market Cap  
(JPY billions, at the end of the Fiscal Period)

935.9

Period Average Occupancy

98.8%

Appraisal NAV Per Unit  
(JPY)

250,004

Loan-to-Value Ratio

37.6%

Credit Rating

JCR: AA (Stable)  
R&I: AA (Stable)

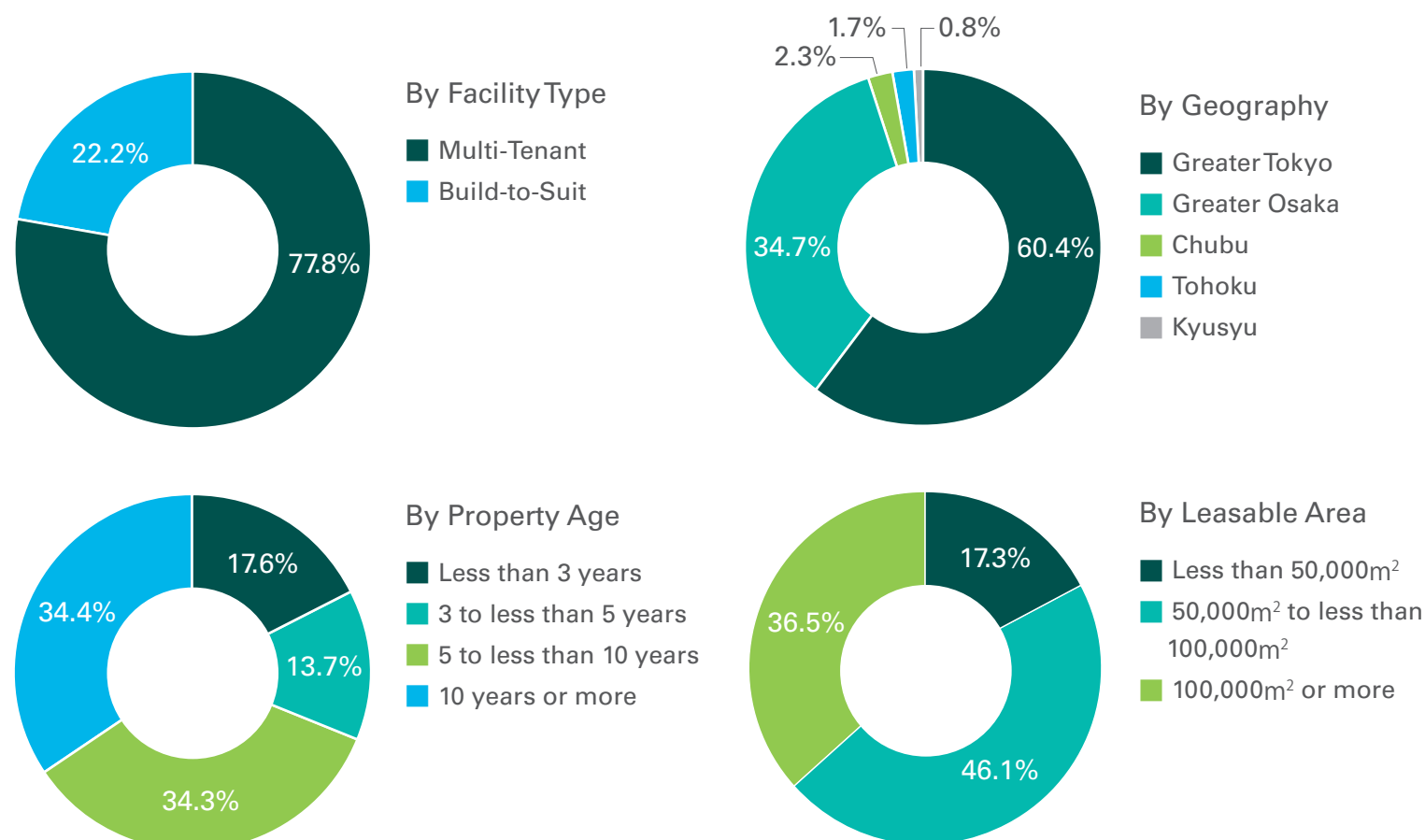
## Green Equity Offering and New Acquisitions Closed in December 2021



### Eligible Green Projects



## Earnings Stability from a Diversified Portfolio of Class-A Facilities

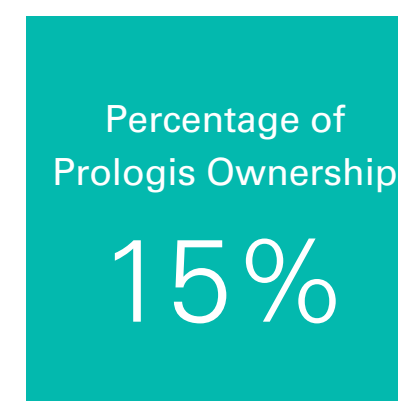


Note: Post-acquisition in December 2021 and excluding Prologis Park Iwanuma 1

## Financial Strategy Focused on Long-Term Stability and Efficiency



## Governance Structure Promotes Growth in Unit Holder Value





# NPR Portfolio 100% High Quality Class-A Logistics Properties



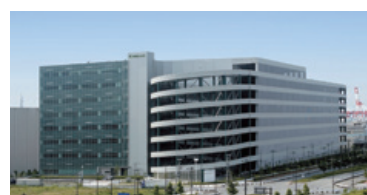
**M-01** Prologis Park Ichikawa 1  
JPY 33,900 million



**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



**M-36** Prologis Park Inagawa 2  
JPY 33,000 million



**M-37** Prologis Park Kobe 5  
JPY 9,500 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



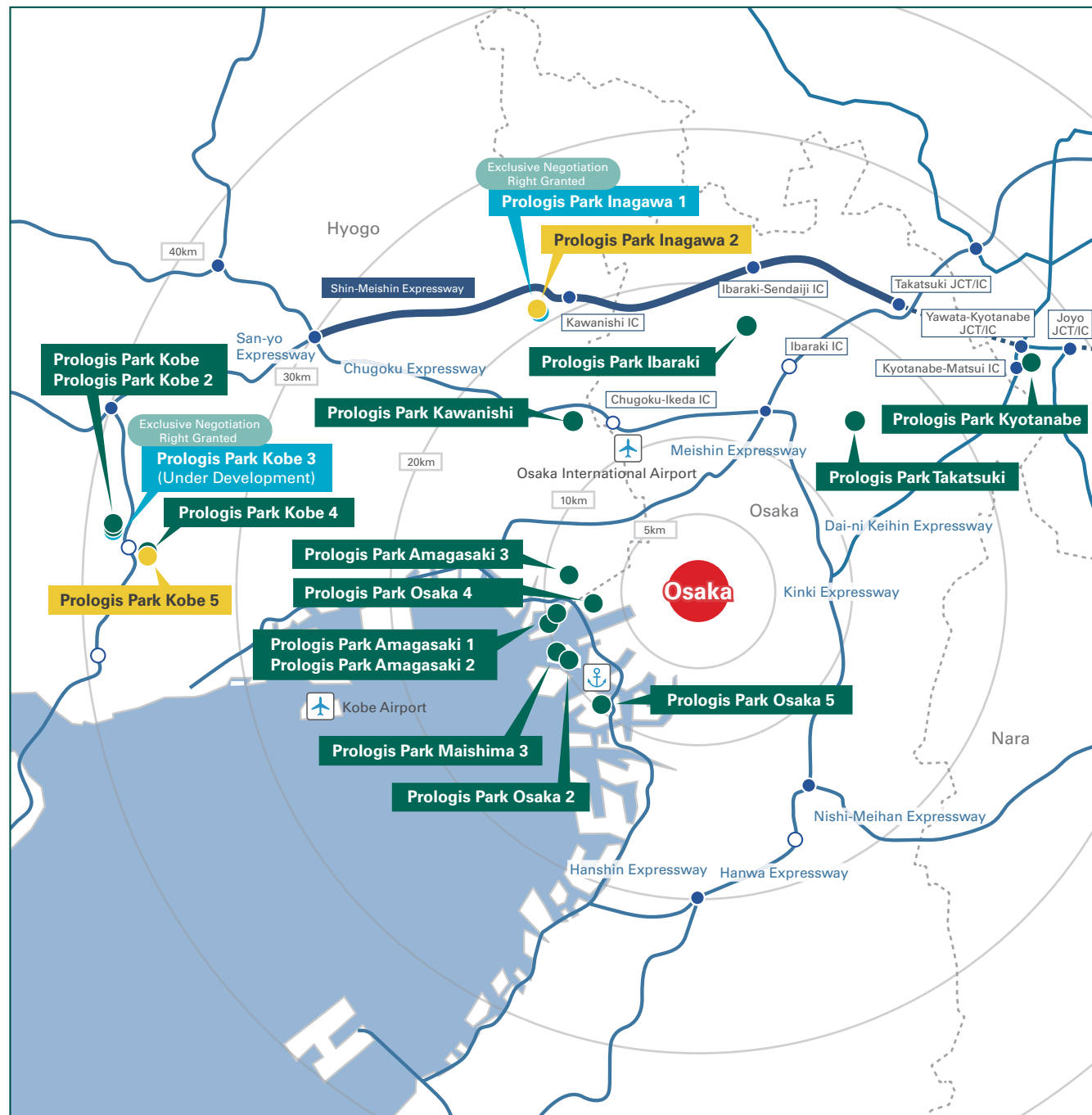
**B-20** Prologis Park Ebina 2  
JPY 15,200 million

Note: Property values are based on acquisition prices.



# NPR Portfolio and Acquisition Pipeline

## Osaka Metropolitan Area



## Tokyo Metropolitan Area



- New properties
- Current properties
- Pipeline properties

Note: As of December 31, 2021

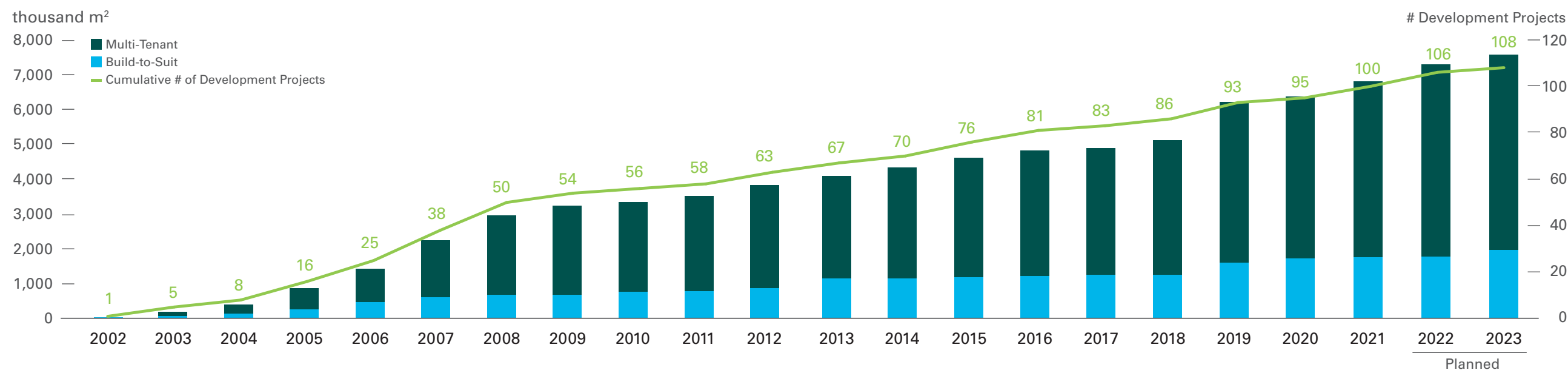
# Sponsor Support from the Prologis Group

## Proprietary Development Pipeline from Prologis Group

	Status	Region	Property Name	(Expected) Year Built	Property Type	(Expected) GFA (sqm)
Exclusive Negotiation Rights Granted	Completed	Greater Osaka	Prologis Park Inagawa 1	Nov. 2021	Multi-tenant	217,544
	Under Development	GreaterTokyo	Prologis Park Soka	Apr. 2022	Multi-Tenant	151,604
		Greater Osaka	Prologis Park Kobe 3	Jun. 2022	Multi-Tenant	45,684
		Kyushu	Prologis Park Ogori	Jun. 2022	Build-to-Suit	27,331
Under Development or Planning	Completed	GreaterTokyo	Prologis UrbanTokyo-Adachi 1	Nov. 2020	Multi-Tenant	5,171
	Under Development	GreaterTokyo	Prologis UrbanTokyo-Adachi 2	Feb. 2022	Multi-Tenant	6,466
			Prologis ParkYachiyo 1	Sep. 2022	Multi-Tenant	161,338
			Prologis ParkTsukuba 3	Jan. 2023	Build-to-Suit	157,313
			Prologis Park Koga 4	Mar. 2023	Multi-Tenant	123,266
			Prologis Park Yachiyo 2	TBD	TBD	113,000
	Future Development	Greater Tokyo	Prologis Urban Tokyo-Ohta 1	TBD	TBD	4,900
		Chubu	Prologis Tokai Otagawa Project	TBD	TBD	164,000
		Tohoku	Prologis Park Sendai Izumi 3	TBD	TBD	50,000
Total						1,227,620

Note: 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.

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

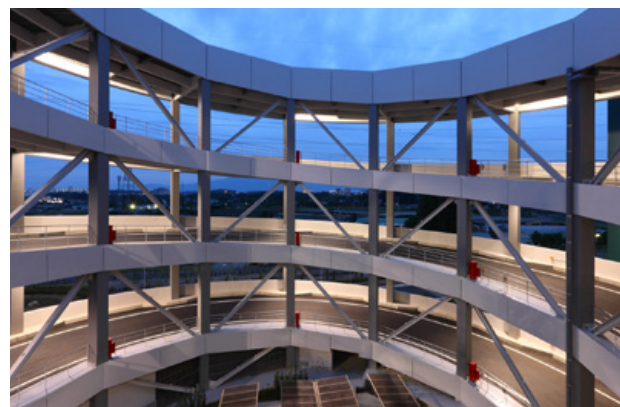




## Features:

- Gross floor area of approximately 16,500 m<sup>2</sup> 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 m<sup>2</sup> per level with a floor weight capacity of approximately 1.5 tons/m<sup>2</sup> 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



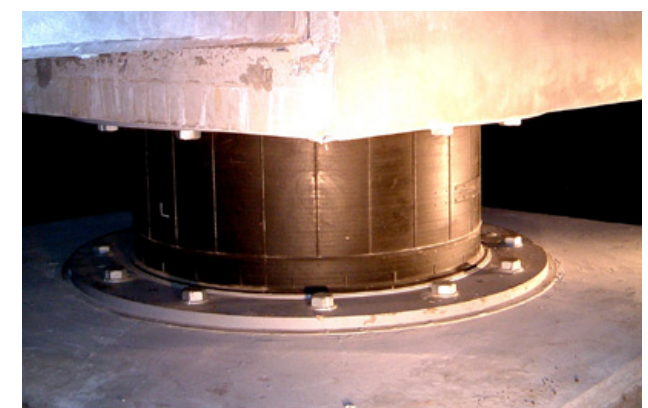
Convenience Stores



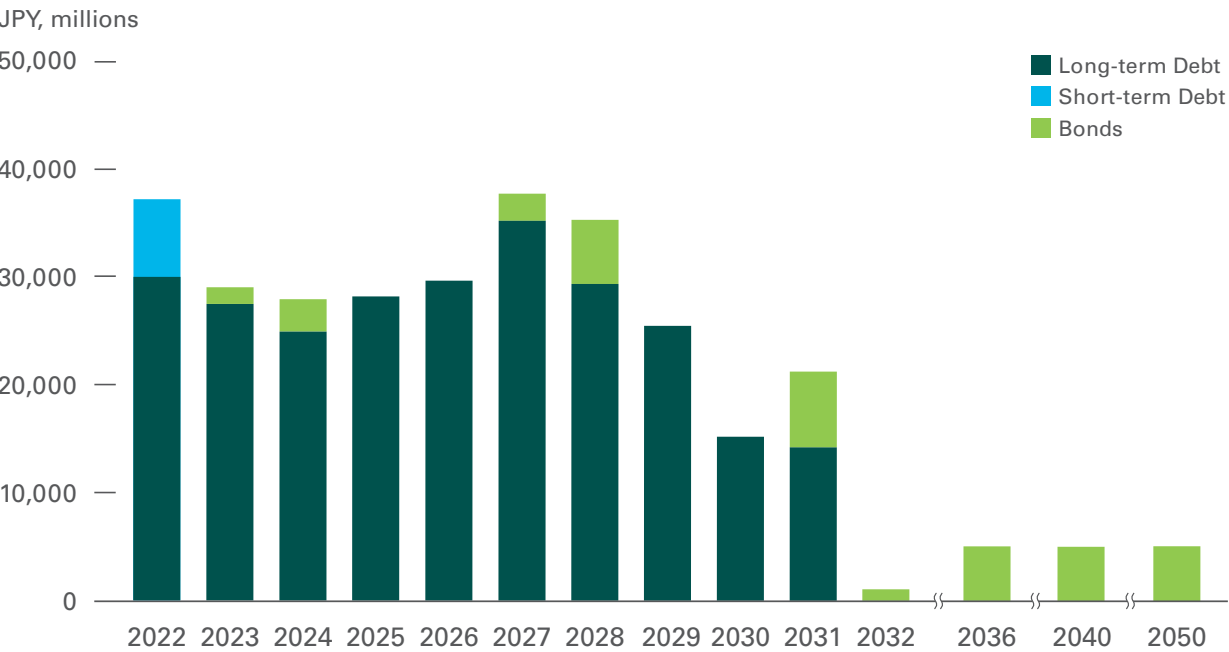
24-Hour Security



Seismic Isolators

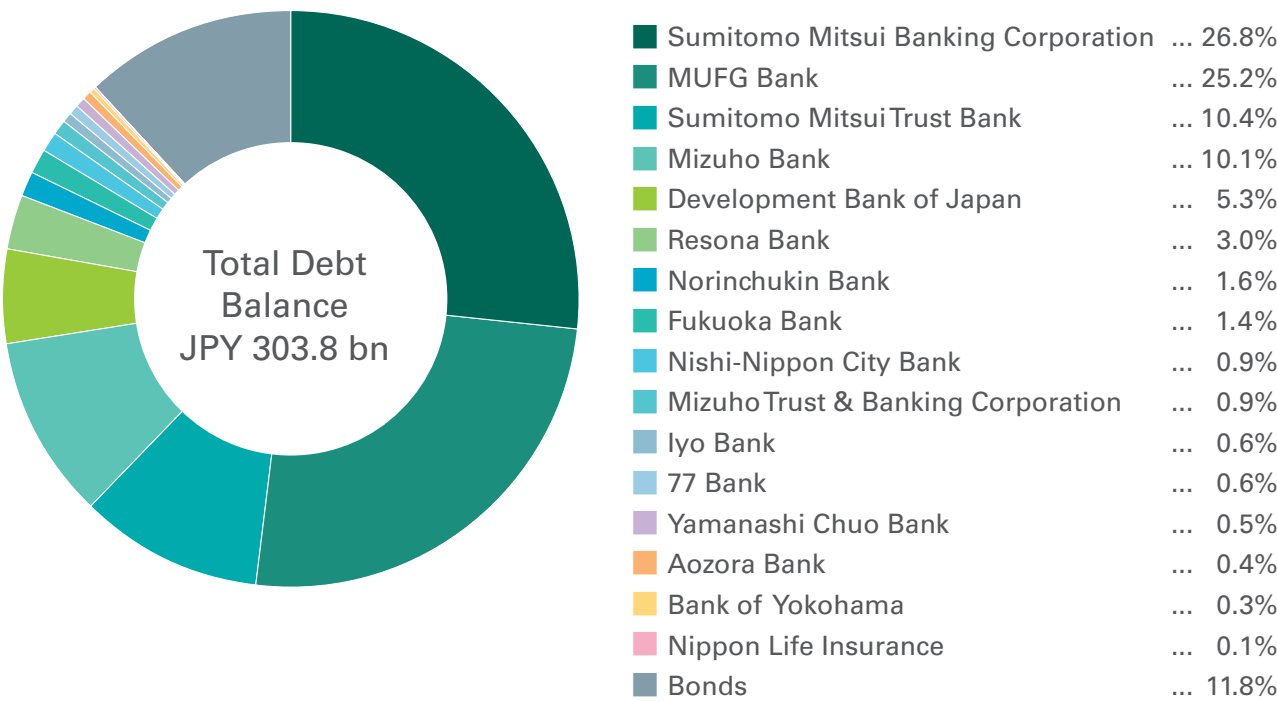


Debt Maturity Schedule



Note: Post-acquisition in December 2021

Providers of Interest-bearing Debt



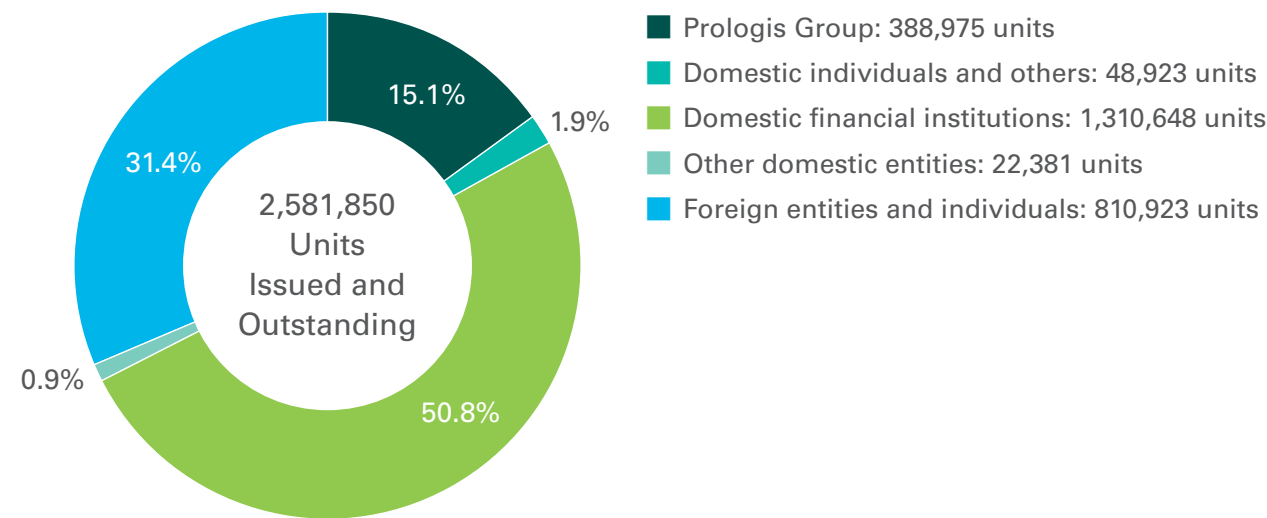
Investor-Aligned Fee Structure (100% performance-linked asset management fee structure)

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)	

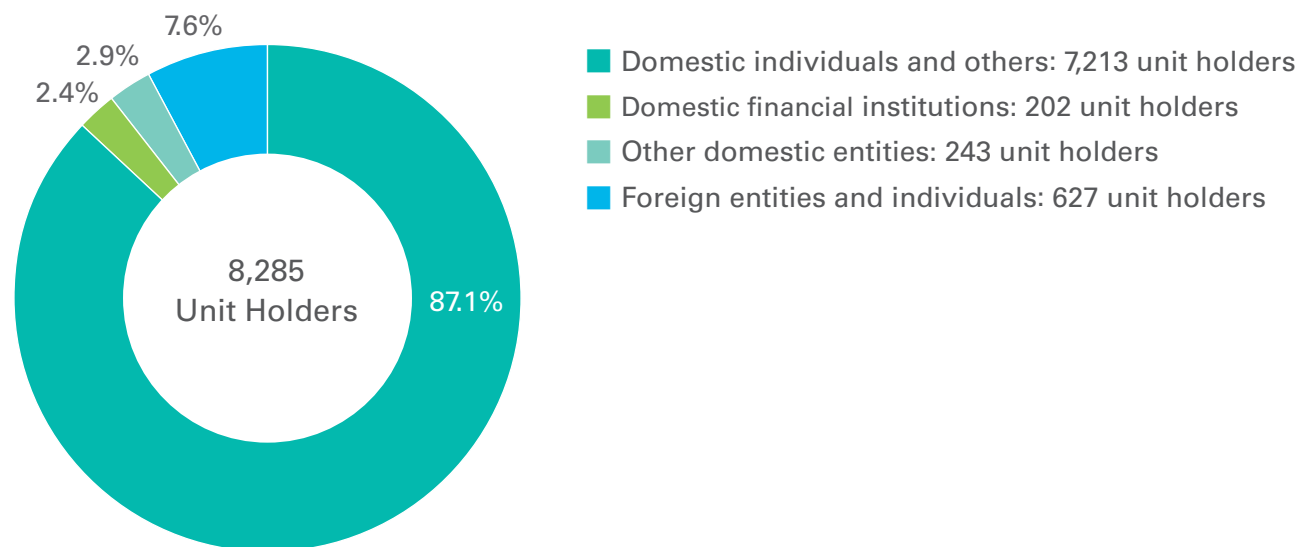


# Unit Holder Information (As of November 30, 2021)

## Breakdown by Number of Unit Holding



## Breakdown by Number of Unit Holders



## Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Custody Bank of Japan, Ltd. (Trust Acct.)	390,117	15.10%
2	Prologis Property Japan SPC	386,975	14.98%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	312,922	12.12%
4	The Nomura Trust and Banking Company, Ltd. (Trust Acct.)	93,266	3.61%
5	SMBC Nikko Securities Inc.	87,535	3.39%
6	Custody Bank of Japan, Ltd. (Securities Investment Trust Acct.)	79,398	3.07%
7	STATE STREET BANK WEST CLIENTS-TREATY 505234	67,335	2.60%
8	Custody Bank of Japan, Ltd. (Trust Acct. 7)	34,968	1.35%
9	SSBTC CLIENT OMNIBUS ACCOUNT	32,427	1.25%
10	JP MORGAN CHASE BANK 385781	27,928	1.08%
Total		1,512,871	58.59%

Prologis' longstanding commitment to environmental stewardship, social responsibility and good governance (ESG) began with leading-edge governance dating back to our founding almost 40 years ago. Building on this foundation, our deep commitment to ESG has made us a leader in our industry and beyond. The United Nations Sustainable Development Goals (SDGs) are the best shared definition of ESG priorities, and through our actions Prologis leads meaningful progress toward many of these global challenges.

## NPR's ESG Initiatives and Progress toward KPI Goals

NPR's ESG program is guided by ambitious goals and targets that advance our business imperative. Our goals demonstrate our industry leadership to customers and investors by aligning with them in pursuit of initiatives such as the SDGs, which are committed to overcoming global ESG challenges.

SDGs	Goals and Targeted Years	Status of Progress <sup>(1)</sup>
	Solar power installation of <b>45MW in total</b> By 2022	<div></div> 43.2 MW
	LED lighting installation to <b>80% or more</b> (floor area basis) By 2022	<div></div> 75 %
	Green lease contracts to <b>70% or more</b> (floor area basis) By 2026	<div></div> 38 %
	Eligible green projects to <b>95% or more</b> (acquisition price basis) By 2021	<div></div> 98.1 %

Note: As of Dec. 31, 2021

● Achieved ● In progress

ESG Policy and Management System

Materiality and Commitment to the SDGs

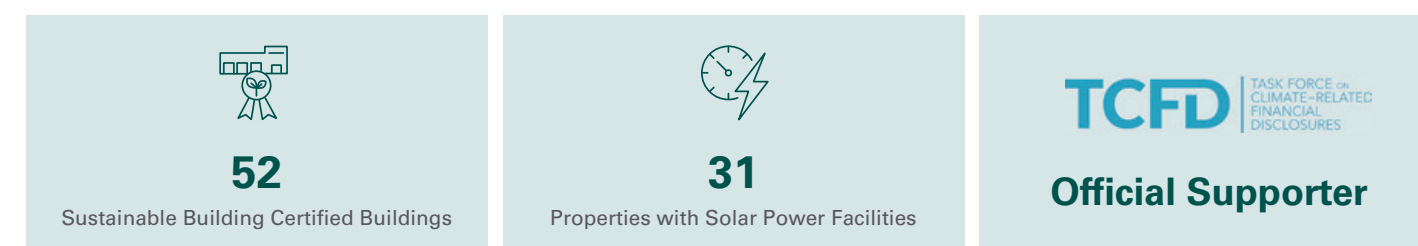
ESG Data

## Awards and Recognition



## Environmental Stewardship

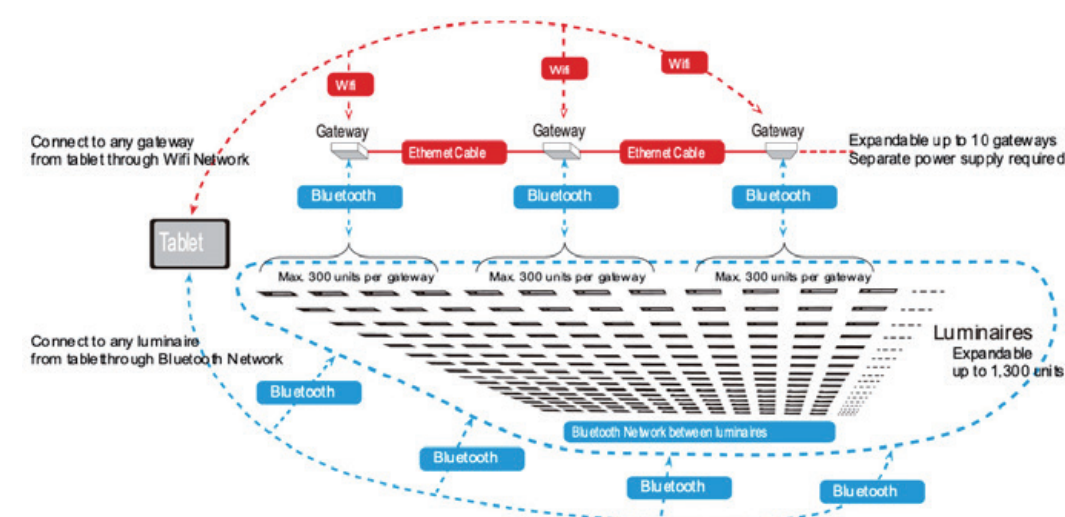
We understand that the logistics real estate industry has a meaningful impact on the environment and can make a significant and lasting contribution to a more sustainable global distribution system.



Note: As of Dec. 31, 2021

### Smart LED luminaire with motion sensor

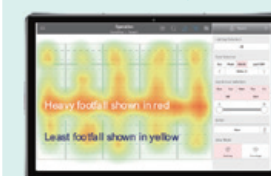
This product was widely recognized and received the Energy Conservation Grand Prize 2020 by the Energy Conservation Center, Japan. This system, which has already been installed in some of the properties NPR owns, contributes to electricity consumption reduction. We will continue to adopt this Smart LED in NPR's portfolio.



#### Grouping



#### 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

Please visit our website for latest information

Environmental Policy

Investment in Green Buildings

Climate Change and Energy

Water Conservation

Pollution and Waste Management

Biodiversity



## Social Responsibility

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



Notes: 1 As of Dec. 31, 2021

2 This survey is not based on the NPS methodology.

## Business Continuity in Our Operations

Prologis' 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, in light of the fact that Japan is located in one of the most earthquake-prone regions in the world, experiencing more than 1,000 seismic events each year. To ensure safety for our customers, protect our properties and goods stored, and assist our customers in their business continuity we have implemented a variety of earthquake mitigation features and services in our buildings. These include anti-seismic, vibration control and seismic isolation techniques, and we continue to develop buildings with seismic isolation systems. Moreover, Prologis' BCP also 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. Prologis is also partnering with the respective local governments in providing some of our buildings as emergency evacuation centers in the occurrence of natural disasters.

[Please visit our website for latest information](#)

Responsibility for stakeholders [→](#)

For Customers [→](#)

For Business Partners [→](#)

Supplier Code of Conduct [→](#)

For the Logistics Industry and Urban Redevelopment [→](#)

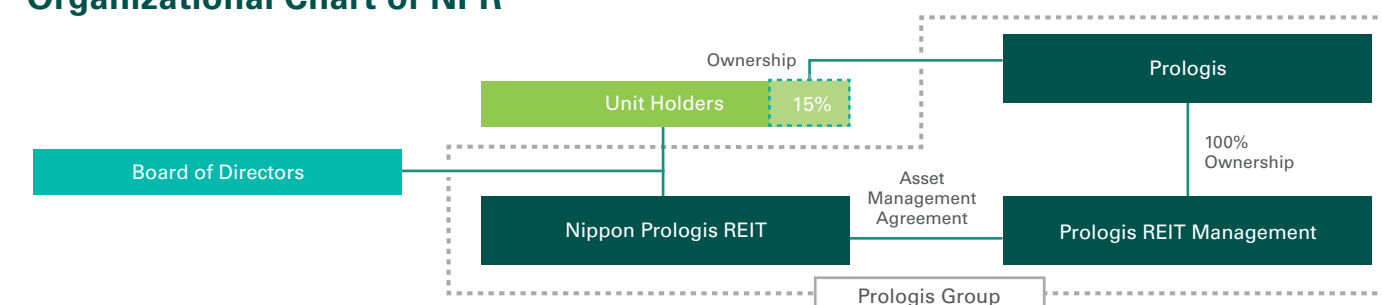
For Communities [→](#)

For Employees [→](#)

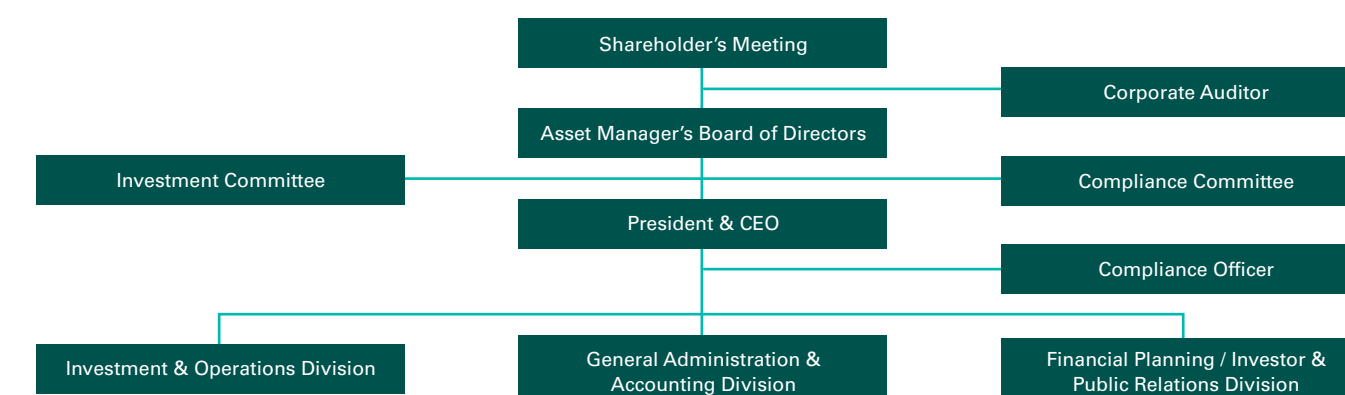
## Ethics and Governance

In accordance with the "Act on Investment Trusts and Investment Corporations (ITA)" of Japan, NPR is incorporated as a Japanese real estate investment trust, or a J-REIT, and governed by unit holders' meetings and a Board of Directors who represent the interests of our unit holders. Pursuant to the ITA, J-REITs are not permitted to have any employees and are required to outsource all asset management operations. NPR has entered into an asset management agreement with Prologis REIT Management K.K. (PLDRM), the Asset Manager, a joint stock company incorporated under Japanese law. Also, under ITA, J-REITs' corporate activities are required to be audited by designated third-party accountants.

### Organizational Chart of NPR



### Organizational Chart of PLDRM



[Please visit our website for latest information](#)

Corporate Governance [→](#)

Biographies of NPR's Board of Directors [→](#)

Risk Management [→](#)

Compliance [→](#)

Code of Ethics and Business Conduct [→](#)

Human Rights [→](#)

Human Rights Policy [→](#)

## Balance Sheets

	Thousands of yen	
	As of	
	November 30, 2021	May 31, 2021
<b>ASSETS</b>		
Current assets:		
Cash and deposits (Notes 5 and 6)	¥ 34,999,555	¥ 27,105,730
Cash and deposits in trust (Notes 5 and 6)	5,916,562	5,707,332
Operating accounts receivable	1,120,214	1,216,548
Prepaid expenses	508,314	818,439
Consumption taxes receivable	-	3,831,448
Other current assets	89,153	-
Total current assets	42,633,799	38,679,500
Property and equipment (Notes 4 and 8):		
Buildings	7,603,332	7,596,814
Structures	250,299	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust	468,618,590	467,852,464
Structures in trust	11,954,784	11,882,983
Machinery and equipment in trust	24,297	24,297
Tools, furniture and fixtures in trust	1,232,366	1,226,902
Other tangible assets in trust	35	35
Land in trust	280,104,421	280,104,421
Construction in progress in trust	777,209	81,954
Less: accumulated depreciation	(66,402,116)	(60,434,136)
Total property and equipment	708,002,860	712,425,116
Intangible assets (Notes 4 and 8):		
Other intangible assets in trust	222,599	231,867
Total intangible assets	222,599	231,867
Investments and other assets:		
Long-term prepaid expenses	1,274,496	1,461,997
Deferred tax assets (Note 16)	0	17
Security deposit	10,000	10,000
Investment corporation bond issuance costs	180,104	189,135
Other	400	400
Total investments and other assets	1,465,001	1,661,550
<b>Total Assets</b>	<b>¥ 752,324,260</b>	<b>¥ 752,998,035</b>

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

## Balance Sheets, continued

	Thousands of yen	
	As of	
	November 30, 2021	May 31, 2021
<b>LIABILITIES</b>		
Current liabilities:		
Operating accounts payable	¥ 2,024,289	¥ 1,444,476
Current portion of Investment corporation bonds payable (Notes 6 and 14)	-	2,000,000
Current portion of long-term loans payable (Notes 6, 7 and 13)	30,000,000	30,000,000
Accounts payable	589,720	380,776
Accrued expenses	2,514,672	2,454,102
Consumption taxes payable	1,934,721	-
Income taxes payable	597	946
Advances received	4,379,196	4,430,907
Other current liabilities	784,144	903,655
Total current liabilities	42,227,342	41,614,866
Non-current liabilities:		
Investment corporation bonds payable (Notes 6 and 14)	36,000,000	36,000,000
Long-term loans payable (Notes 6, 7 and 13)	216,500,000	216,500,000
Tenant leasehold and security deposits (Note 6)	247,773	247,773
Tenant leasehold and security deposits in trust (Note 6)	18,503,165	18,276,843
Other non-current liabilities	1,209	2,863
Total non-current liabilities	271,252,147	271,027,480
<b>Total Liabilities</b>	<b>313,479,489</b>	<b>312,642,346</b>
<b>NET ASSETS</b> (Note 12)		
Unit holders' equity		
Unit holders' capital	427,839,882	429,742,705
Units authorized:		
10,000,000 units as of November 30, 2021 and May 31, 2021		
Units issued and outstanding:		
2,581,850 units as of November 30, 2021 and May 31, 2021		
Surplus		
Retained earnings	11,004,888	10,612,983
Total unit holders' equity	438,844,770	440,355,689
<b>Total Net Assets</b>	<b>438,844,770</b>	<b>440,355,689</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 752,324,260</b>	<b>¥ 752,998,035</b>

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, 2021	May 31, 2021
<b>Operating Revenues</b> (Note 9):		
Operating rental revenues	¥ 23,771,899	¥ 23,164,265
Other rental revenues	1,638,816	1,389,811
Total operating revenues	25,410,715	24,554,076
<b>Operating Expenses:</b>		
Expenses related to property rental business (Note 9)	11,328,828	10,718,548
Asset management fee	2,206,816	2,151,207
Asset custody fee	49,479	48,914
Directors' compensation	7,200	7,200
Audit fee	15,000	15,000
Other operating expenses	54,974	73,781
Total operating expenses	13,662,298	13,014,652
Operating income	11,748,416	11,539,424
<b>Non-operating Income:</b>		
Interest income	136	155
Reversal of distributions payable	444	438
Interest on refund of consumption taxes	3,895	-
Gain on donation of fixed assets	-	10,251
Others	-	964
Total non-operating income	4,476	11,810
<b>Non-operating Expenses:</b>		
Interest expense on loans payable	551,122	533,249
Interest expense on investment corporation bonds	128,702	95,371
Amortization of investment corporation bond issuance costs	9,030	7,176
Borrowing related expenses	219,491	226,929
Investment unit issuance expenses	-	31,246
Offering costs associated with the issuance of investment units	-	80,608
Others	34	75
Total non-operating expenses	908,381	974,656
Ordinary income	10,844,512	10,576,578
<b>Extraordinary income:</b>		
Insurance income (Note 15)	129,856	167,686
Compensation income (Note 15)	29,575	-
Total extraordinary income	159,431	167,686
<b>Extraordinary losses:</b>		
Loss on fire (Note 15)	-	131,754
Total extraordinary losses	-	131,754
Income before income taxes	11,003,943	10,612,510
Income taxes - current (Note 16)	618	970
Income taxes - deferred (Note 16)	16	(17)
Total income taxes	635	952
Net income	11,003,308	10,611,557
Retained earnings brought forward	1,580	1,425
Retained earnings at end of period	¥ 11,004,888	¥ 10,612,983

	Yen	
	For the six-month periods ended	
	November 30, 2021	May 31, 2021
Net income per unit (Note 17)	¥ 4,261	¥ 4,176

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

## Statements of Changes in Net Assets

For the six-month periods ended November 30, 2021 and May 31, 2021

	Thousands of yen			
	Number of units	Unit holders' capital	Retained earnings	Total net assets
Balance as of November 30, 2020	2,465,850	¥ 390,406,084	¥13,938,410	¥ 404,344,494
Issuance of new units on February 2, 2021 and February 24, 2021	116,000	37,383,668	-	37,383,668
Distributions of retained earnings	-	-	(10,186,426)	(10,186,426)
Reversal of allowance for temporary difference adjustments	-	3,750,557	(3,750,557)	-
Other distributions in excess of retained earnings	-	(1,797,604)	-	(1,797,604)
Net income	-	-	10,611,557	10,611,557
Balance as of May 31, 2021 (Note 12)	2,581,850	¥ 429,742,705	¥ 10,612,983	¥ 440,355,689
Distributions of retained earnings	-	-	(10,611,403)	(10,611,403)
Distributions in excess of retained earnings	-	(1,902,823)	-	(1,902,823)
Net income	-	-	11,003,308	11,003,308
Balance as of November 30, 2021 (Note 12)	2,581,850	¥ 427,839,882	¥ 11,004,888	¥ 438,844,770

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, 2021		May 31, 2021	
<b>Cash Flows from Operating Activities:</b>				
Income before income taxes	¥	11,003,943	¥	10,612,510
Depreciation		5,977,248		5,815,263
Amortization of investment corporation bond issuance costs		9,030		7,176
Investment unit issuance expenses		-		31,246
Interest income		(136)		(155)
Interest expense		679,824		628,620
Gain on donation of fixed assets		-		(10, 251)
Insurance income		(129,856)		(167,686)
Compensation income		(29,575)		-
Loss on fire		-		131,754
Decrease (increase) in operating accounts receivable		96,334		173,810
Decrease (increase) in consumption taxes receivable		3,831,448		(3,831,448)
Decrease (increase) in prepaid expenses		310,124		(406,372)
Decrease (increase) in long-term prepaid expenses		187,501		(146,587)
Increase (decrease) in operating accounts payable		577,566		(416,406)
Increase (decrease) in accounts payable		9,187		(199)
Increase (decrease) in accrued expenses		62,267		83,015
Increase (decrease) in consumption taxes payable		1,934,721		(1,766,247)
Increase (decrease) in advances received		(51,711)		327,996
Others, net		(111,749)		66,001
Subtotal		24,356,170		11,132,039
Interest received		136		155
Interest paid		(681,522)		(628,695)
Proceeds from insurance income		129,856		167,686
Proceeds from compensation income		29,575		167,211
Payments for loss on typhoon		-		(81,705)
Payments for loss on fire		(2,196)		(367,644)
Income taxes paid		(967)		(611)
Net cash provided by operating activities		23,831,051		10,388,437
<b>Cash Flows from Investing Activities:</b>				
Purchases of property and equipment		(6,340)		(3,501)
Purchases of property and equipment in trust		(1,329,631)		(63,527,025)
Purchases of intangible assets in trust		-		(50,242)
Proceeds from tenant leasehold and security deposits in trust		652,709		2,193,323
Repayments of tenant leasehold and security deposits in trust		(531,752)		(445,950)
Net cash provided by (used in) investing activities		(1,215,015)		(61,833,396)
<b>Cash Flows from Financing Activities:</b>				
Proceeds from short-term loans payable		-		10,000,000
Repayments of short-term loans payable		-		(10,000,000)
Proceeds from long-term loans payable		-		33,600,000
Repayments of long-term loans payable		-		(21,300,000)
Proceeds from issuance of investment corporation bonds		-		11,937,421
Redemption of investment corporation bonds		(2,000,000)		-
Proceeds from issuance of new investment units		-		37,352,421
Payment of distributions of retained earnings		(10,610,421)		(10,185,775)
Payment of distributions in excess of retained earnings		(1,902,562)		(1,797,444)
Net cash provided by (used in) financing activities		(14,512,983)		49,606,622
Net increase (decrease) in cash and cash equivalents		8,103,053		(1,838,336)
Cash and cash equivalents at the beginning of period		32,813,063		34,651,400
Cash and cash equivalents at the end of period (Note 5)	¥	40,916,117	¥	32,813,063

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



## Notes to Financial Statements

### For the six-month periods ended November 30, 2021 and May 31, 2021

#### 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 aimed to maximize unit holders’ value by maintaining a portfolio that generates stable income. As a result of such investment management, NPR owned 52 properties (aggregate acquisition price<sup>(\*)1</sup>: 758,349 million yen), all of which are Class-A logistics facilities<sup>(\*)2</sup> developed by the Prologis Group<sup>(\*)3</sup>, as of November 30, 2021<sup>(\*)4</sup> <sup>(\*)5</sup>.

<sup>(\*)1</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. The same hereinafter.

<sup>(\*)2</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>(\*)3</sup> The Prologis Group is a group of Prologis, Inc. and its affiliates, which include ProLogis K.K., a Japanese subsidiary.

<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 does not qualify as a Class-A logistics facility.

<sup>(\*)5</sup> 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 31, 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	2-67 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 265,898 thousand yen for the fiscal period ended May 31, 2021 and no property taxes were capitalized for the fiscal period ended November 30, 2021.

### 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 recognition

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 the current fiscal period.

#### (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

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.



### 3. Changes in Accounting Policy

#### a) Application of Accounting Standard for Revenue Recognition

NPR has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal period ended November 30, 2021, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. The effect of this change on the financial statements is immaterial. In accordance with the transitional treatment outlined in Paragraph 89-3 of Accounting Standard for Revenue Recognition, the related note for the previous fiscal period is omitted from the note “10. Revenue Recognition.”.

#### b) Application of Accounting Standard for Fair Value Measurement

NPR has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. from the beginning of the fiscal period ended November 30, 2021, and in accordance with the transitional treatments outlined in Paragraph 19 of Accounting Standard for Fair Value Measurement and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting policies outlined by Accounting Standard for Fair Value Measurement will be applied prospectively. The effect of this change on the financial statements is immaterial.

### 4. 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	
	November 30, 2021	May 31, 2021
Property and equipment	¥ 707,225,650	¥ 712,343,162
Intangible assets	222,599	231,867
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.

## 5. 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, 2021		May 31, 2021	
Cash and deposits	¥	34,999,555	¥	27,105,730
Cash and deposits in trust		5,916,562		5,707,332
Cash and cash equivalents	¥	40,916,117	¥	32,813,063

## 6. 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.

#### (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 November 30, 2021 and May 31, 2021 are as follows. The notes of “Cash and deposits” and “Cash and deposits in trust” are omitted due to the short maturities and thus the book value of these instruments are deemed a reasonable approximation of their fair value. And the notes of “Tenant leasehold and security deposits” and “Tenant leasehold and security deposits in trust” are omitted as those items are immaterial.

Thousands of yen			
As of November 30, 2021			
	Book value	Fair value	Difference
(2) Current portion of long-term loans payable	30,000,000	30,011,270	11,270
(3) Investment corporation bonds payable	36,000,000	35,547,150	(452,850)
(4) Long-term loans payable	216,500,000	217,587,233	1,087,233
Total liabilities	¥ 282,500,000	¥ 283,145,653	¥ 645,653
(5) Derivative transactions	¥ -	¥ -	¥ -

Thousands of yen			
As of May 31, 2021			
	Book value	Fair value	Difference
(1) Current portion of investment corporation bonds payable	2,000,000	1,999,800	(200)
(2) Current portion of long-term loans payable	30,000,000	30,023,615	23,615
(3) Investment corporation bonds payable	36,000,000	35,480,400	(519,600)
(4) Long-term loans payable	216,500,000	217,509,159	1,009,159
Total liabilities	¥ 284,500,000	¥ 285,012,975	¥ 512,975
(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 7, “Derivative Transactions.”

## (Note 2) Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2021

Thousands of yen						
November 30, 2021						
	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	¥ -	¥ -	¥31,500,000
Long-term loans payable	30,000,000	27,600,000	21,000,000	32,300,000	20,300,000	115,300,000
Total	¥30,000,000	¥29,100,000	¥24,000,000	¥32,300,000	¥20,300,000	¥146,800,000

## Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2021

Thousands of yen						
May 31, 2021						
	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	¥ -	¥31,500,000
Long-term loans payable	30,000,000	27,600,000	16,000,000	32,300,000	18,900,000	121,700,000
Total	¥32,000,000	¥27,600,000	¥17,500,000	¥35,300,000	¥18,900,000	¥153,200,000

## 7. Derivative Transactions

For the six-month periods ended November 30, 2021 and May 31, 2021 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, 2021						
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	¥246,500,000	¥216,500,000	(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 6, “Financial Instruments, b) Estimated Fair Value of Financial Instruments, (2) Current portion of long-term loans payable and (4) Long-term loans payable.”

Thousands of yen						
As of May 31, 2021						
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	¥246,500,000	¥216,500,000	(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 6, “Financial Instruments, b) Estimated Fair Value of Financial Instruments, (2) Current portion of long-term loans payable and (4) Long-term loans payable.”

## 8. 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, 2021		May 31, 2021
Book value			
Balance at the beginning of the period	¥ 712,575,030	¥	654,930,057
Changes during the period (Note 2)	(5,126,780)		57,644,972
Balance at the end of the period	¥ 707,448,249	¥	712,575,030
Fair value at the end of the period	¥ 925,860,000	¥	912,640,000

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

(Note 2) The decrease for the fiscal period ended November 30, 2021 was primarily a result of the recognition of depreciation, which amounted to 5,977,248 thousand yen. The increase for the fiscal period ended May 31, 2021 was primarily a result of acquiring three properties, Prologis Park Chiba New Town, Prologis Park Chiba 2 and Prologis Park Tsukuba 2, during the period for a total of 62,875,906 thousand yen. The decrease for the fiscal period ended May 31, 2021 was primarily a result of the recognition of depreciation, which amounted to 5,815,263 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 during the fiscal period ended May 31, 2020, “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 “9. Property-related Revenues and Expenses.”



## 9. 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, 2021 and May 31, 2021.

		Thousands of yen	
		For the six-month periods ended	
		November 30, 2021	May 31, 2021
(1) Property-related revenues			
Rental revenues			
Rental revenues	¥	22,228,823	¥ 21,643,003
Common area charges		1,543,075	1,521,261
Total	¥	23,771,899	¥ 23,164,265
Other rental revenues			
Utilities income	¥	1,363,117	¥ 1,104,970
Others		275,698	284,840
Total	¥	1,638,816	¥ 1,389,811
Total property-related revenues	¥	25,410,715	¥ 24,554,076
(2) Property-related expenses			
Rental expenses			
Subcontract expenses	¥	1,466,954	¥ 1,414,689
Utilities cost		1,251,822	944,291
Taxes and public dues		2,098,337	2,069,405
Non-life insurance premium		291,527	206,114
Repair and maintenance		213,187	239,807
Depreciation		5,977,248	5,815,263
Custodian fee		23,920	23,367
Other expenses		5,831	5,609
Total rental expenses	¥	11,328,828	¥ 10,718,548
(3) Operating income from property leasing ( (1)-(2) )	¥	14,081,886	¥ 13,835,527

## 10. Revenue Recognition

For the six-month period ended November 30, 2021

Breakdown information on revenues from contracts with customers

For the breakdown information on revenues from contracts with customers, refer to “9. Property-related Revenues and Expenses.”

Note that the revenues described in “9. 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.

**11. 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, 2021		May 31, 2021	
Due within one year	¥	41,262,583	¥	42,934,610
Due after one year		130,918,548		139,461,494
Total	¥	172,181,132	¥	182,396,104

**12. 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, 2021 and May 31, 2021 consists of the following items:

	Thousands of yen			
	As of			
	November 30, 2021		May 31, 2021	
Unit holders' capital, gross	¥	444,869,507	¥	444,869,507
Deduction from unit holders' capital;				
Accumulated distributions in excess of retained earnings		(17,029,625)		(15,126,802)
Unit holders' capital	¥	427,839,882	¥	429,742,705

**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, 2021		May 31, 2021	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 11,004,888,573		¥ 10,612,983,972	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	1,763,403,550		1,902,823,450	
III Distributions				
Distributions of retained earnings	11,003,844,700	¥4,262	10,611,403,500	¥4,110
Distributions in excess of retained earnings	1,763,403,550	¥683	1,902,823,450	¥737
Total distributions	12,767,248,250	¥4,945	12,514,226,950	¥4,847
IV Retained earnings carried forward	¥ 1,043,873		¥ 1,580,472	

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 11,003,844,700 yen and Regular Surplus Cash Distributions of 1,763,403,550 yen which was the amount equivalent to approximately 30% of depreciation expense of 5,977,248,149 yen, excluding compensation income to be received from tenants for the demolition work expense, for the six-month period ended November 30, 2021.
2. NPR declared distribution amounts of 10,611,403,500 yen, Regular Surplus Cash Distributions of 1,654,965,850 yen which was the amount equivalent to approximately 28.5% of depreciation expense of 5,815,263,081 yen and One-time Surplus Cash Distributions of 247,857,600 yen, approximately the amount which was calculated as sum of the demolition work expenses for Prologis Park Iwanuma 1 and temporary dilution of distributions due to the issuance of new investment units for the six-month period ended May 31, 2021.

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

For the period from June 1, 2021 to November 30, 2021

None

For the period from December 1, 2020 to May 31, 2021

1. Reason for 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	Thousands of yen					Settlement of insurance payment
		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 was reversed upon the recognition of insurance income corresponding to the loss on fire.

**13. 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, 2021 and May 31, 2021.

	Thousands of yen	
	As of	
	November 30, 2021	May 31, 2021
0.57490% unsecured long-term loans due 2022 <sup>(*)</sup>	¥ 10,000,000	¥ 10,000,000
0.57490% unsecured long-term loans due 2022 <sup>(*)</sup>	4,000,000	4,000,000
0.17260% unsecured long-term loans due 2022 <sup>(*)</sup>	6,000,000	6,000,000
0.26200% unsecured long-term loans due 2022 <sup>(*)</sup>	10,000,000	10,000,000
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	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	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
Less: current portion	(30,000,000)	(30,000,000)

Total long-term loans payable, less current portion	¥ 216,500,000	¥ 216,500,000
---	---------------	---------------

The stated interest rate is the weighted average interest rate during the period ended November 30, 2021.

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, 2021 and May 31, 2021 are disclosed in Note 6, "Financial Instruments."

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

	Thousands of yen	
	As of	
	November 30, 2021	May 31, 2021
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

**14. 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, 2021 and May 31, 2021.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				November 30, 2021	May 31, 2021
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
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
Total				¥ 36,000,000	¥ 38,000,000

**15. Insurance Income, Compensation Income and Loss on Fire**

*(For the six-month period ended November 30, 2021)*

As to Prologis Park Iwanuma 1 which was caught in a fire during the reporting period ended May 31, 2020, NPR recorded profits insurance income of 129,856 thousand yen and compensation income of 29,575 thousand yen which should be paid by tenants as extraordinary income.

*(For the six-month period ended May 31, 2021)*

As to Prologis Park Iwanuma 1 which was caught in a fire during the reporting period ended May 31, 2020, NPR recorded demolition expense of 131,754 thousand yen as extraordinary loss, and also recorded profits insurance income of 167,686 thousand yen as extraordinary income.



**16. 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, 2021 and May 31, 2021 are as follows:

	Thousands of yen	
	As of	
	November 30, 2021	May 31, 2021
Enterprise tax payable	¥ 0	¥ 17
Total deferred tax assets	0	17
Net deferred tax assets	¥ 0	¥ 17

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, 2021 and May 31, 2021 are as follows:

	For the six-month periods ended	
	November 30, 2021	May 31, 2021
Statutory tax rate	31.46%	31.46%
Adjustments:		
Deductible cash distributions	(31.46%)	(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.

**17. Per Unit Information**

The following table summarizes per unit information for the six-month periods ended November 30, 2021 and May 31, 2021.

	Yen	
	For the six-month periods ended	
	November 30, 2021	May 31, 2021
Net income per unit		
Basic net income per unit	¥ 4,261	¥ 4,176
Weighted average number of units outstanding	2,581,850	2,541,028

	Yen	
	As of	
	November 30, 2021	May 31, 2021
Net assets per unit	¥ 169,972	¥ 170,558

(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.

**18. 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, 2021)*

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	¥23,712,406	Operating accounts receivable	¥689,500
										Advances received	4,063,687
								Proceeds of tenant leasehold and security deposits in trust	686,873	Tenant leasehold and security deposits in trust	17,782,769
								Repayments of tenant leasehold and security deposits in trust	505,651		
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	2,206,816	Accrued expenses	2,427,498

(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 44 properties out of 52 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, 2021)*

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	¥ 22,842,908	Operating accounts receivable	¥ 749,969
										Advances received	4,113,794
								Proceeds of tenant leasehold and security deposits in trust	2,193,323	Tenant leasehold and security deposits in trust	17,601,546
								Repayments of tenant leasehold and security deposits in trust	445,950		
Subsidiary of an affiliate	Asama Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	26,300,000	-	-
Subsidiary of an affiliate	Hakuba Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	15,000,000	-	-
Subsidiary of an affiliate	Haruna Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	20,900,000	-	-
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)	2,462,207	Accrued expenses	2,366,327

(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 44 properties out of 52 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 311,000 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.

19. 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, 2021)

- 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	23,712,406 thousand yen	The real estate leasing business

(Note) With respect to 44 properties out of 52 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, 2021)

- 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	22,842,908 thousand yen	The real estate leasing business

(Note) With respect to 44 properties out of 52 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.



## 20. Subsequent Events

### (a) Issuance of New Investment Units

NPR issued new investment units based on a resolution made by the board of directors on November 29, 2021 and December 6, 2021. Subsequently, the payments were completed on December 10, 2021 and January 5, 2022, 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	84,290 units
Issue price (offer price)	361,620 yen per unit
Total amount issued	30,480,949,800 yen
Issue amount (amount to be paid)	349,885 yen per unit
Net proceeds	29,491,806,650 yen
Payment date	December 10, 2021

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

Number of investment units issued	4,210 units
Issue amount (amount to be paid)	349,885 yen per unit
Net proceeds	1,473,015,850 yen
Payment date	January 5, 2022
Purchaser	SMBC Nikko Securities Inc

#### Use of proceeds

The net proceeds from the Offering were used to fund the repayment of the Bridge Loans described below in “(b) Borrowings”. Besides, 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 Act on Investment Trusts and Investment Corporations of Japan) or to repay borrowings.

### (b) Borrowings

NPR borrowed bridge loans (the “Bridge Loans”), which were based on a resolution made by the board of directors on November 29, 2021, for the purpose of funding the acquisition costs of new properties and related expenses described below in “(c) Acquisition of Assets”. These Bridge Loans were subsequently prepaid with the net proceeds from long-term loans (the “Borrowings”) borrowed on December 13, 2021, which were based on a resolution made by the board of directors described above, with the net proceeds from the Offering described above in “(a) Issuance of New Investment Units” and cash on hand.

#### Summary of the Bridge Loans

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	40,000 million yen	Base interest rate (JBA 1-month Japanese yen TIBOR) +0.150%	December 1, 2021	December 1, 2022	Paid in full upon maturity	Unsecured and non-guaranteed
	MUFG Bank, Ltd.	17,100 million yen					

#### Summary of the Borrowings

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	5,110 million yen	Base interest rate (JBA 1-month Japanese yen TIBOR) +0.150%	December 13, 2021	December 13, 2022	Paid in full upon maturity	Unsecured and non-guaranteed
	MUFG Bank, Ltd.	2,190 million yen					
Long-term (Note 3)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 1)	7,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.195%		December 13, 2027		
Long-term (Note 4)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 2)	7,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.300%		December 12, 2031		

(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 Bank of Fukuoka, Ltd., The Nishi-Nippon City Bank, Ltd., and The 77 Bank, Ltd.

(Note 2) 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 Nishi-Nippon City Bank, Ltd., The Iyo Bank Ltd., The Yamanashi Chuo Bank, Ltd. and The Bank of Yokohama, Ltd.

(Note 3) 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	Morgan Stanley MUFG Securities Co., Ltd.
2. Notional Amount	7,000 million yen
3. Interest Rate	Fixed Interest Rate: 0.0967% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	December 9, 2021
5. Effective Date	December 13, 2021
6. Termination Date	December 13, 2027

\*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.2917%.

(Note 4) 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	Mizuho Securities Co., Ltd.
2. Notional Amount	7,000 million yen
3. Interest Rate	Fixed Interest Rate: 0.1582% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	December 9, 2021
5. Effective Date	December 13, 2021
6. Termination Date	December 12, 2031

\*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.4582%.

#### (c) Acquisition of Assets

As resolved by the board of directors on November 29, 2021, in line with basic investment guidelines defined in its Articles of Incorporation, NPR decided to acquire properties described below with proceeds from the Bridge Loans described in “(b) Borrowings” above and cash on hand, and completed the acquisitions on December 1, 2021.

Property name		Prologis Park Inagawa 2
Location		101-2, Sashikumi Aza Kodani, Inagawa-cho, Kawabe-gun, Hyogo 101-2, Sashikumi Aza Kodani, Inagawa-cho, Kawabe-gun, Hyogo
Class of assets		Real estate trust beneficiary interests
Acquisition date		December 1, 2021
Acquisition price		33,000 million yen
Land	Ownership form	Proprietary
	Land area	85,380.73 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	137,333.46 m <sup>2</sup>
	Date of construction	June 28, 2021
	Use	Warehouse / Office
	Structure/No. of stories	S, 5-story building

Property name		Prologis Park Kobe 5
Location		7-6-5, Mitsugaoka, Nishi-ku, Kobe, Hyogo 7-6-5, Mitsugaoka, Nishi-ku, Kobe, Hyogo
Class of assets		Real estate trust beneficiary interests
Acquisition date		December 1, 2021
Acquisition price		9,500 million yen
Land	Ownership form	Proprietary
	Land area	19,979.18 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	39,842.91 m <sup>2</sup>
	Date of construction	February 9, 2021
	Use	Warehouse / Office
	Structure/No. of stories	S, 4-story building

Property name		Prologis Park Ebina 2
Location		3-11-1, Shimoimaizumi, Ebina, Kanagawa 3-250-1, Shimoimaizumi, Ebina, Kanagawa
Class of assets		Real estate trust beneficiary interests
Acquisition date		December 1, 2021
Acquisition price		15,200 million yen
Land	Ownership form	Proprietary
	Land area	17,042.70 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	34,487.27 m <sup>2</sup>
	Date of construction	July 7, 2021
	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 November 30, 2021 and May 31, 2021, 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, 2021 and May 31, 2021, 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 20 to the financial statements, which states that subsequent to November 30, 2021, 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 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.



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, 2022