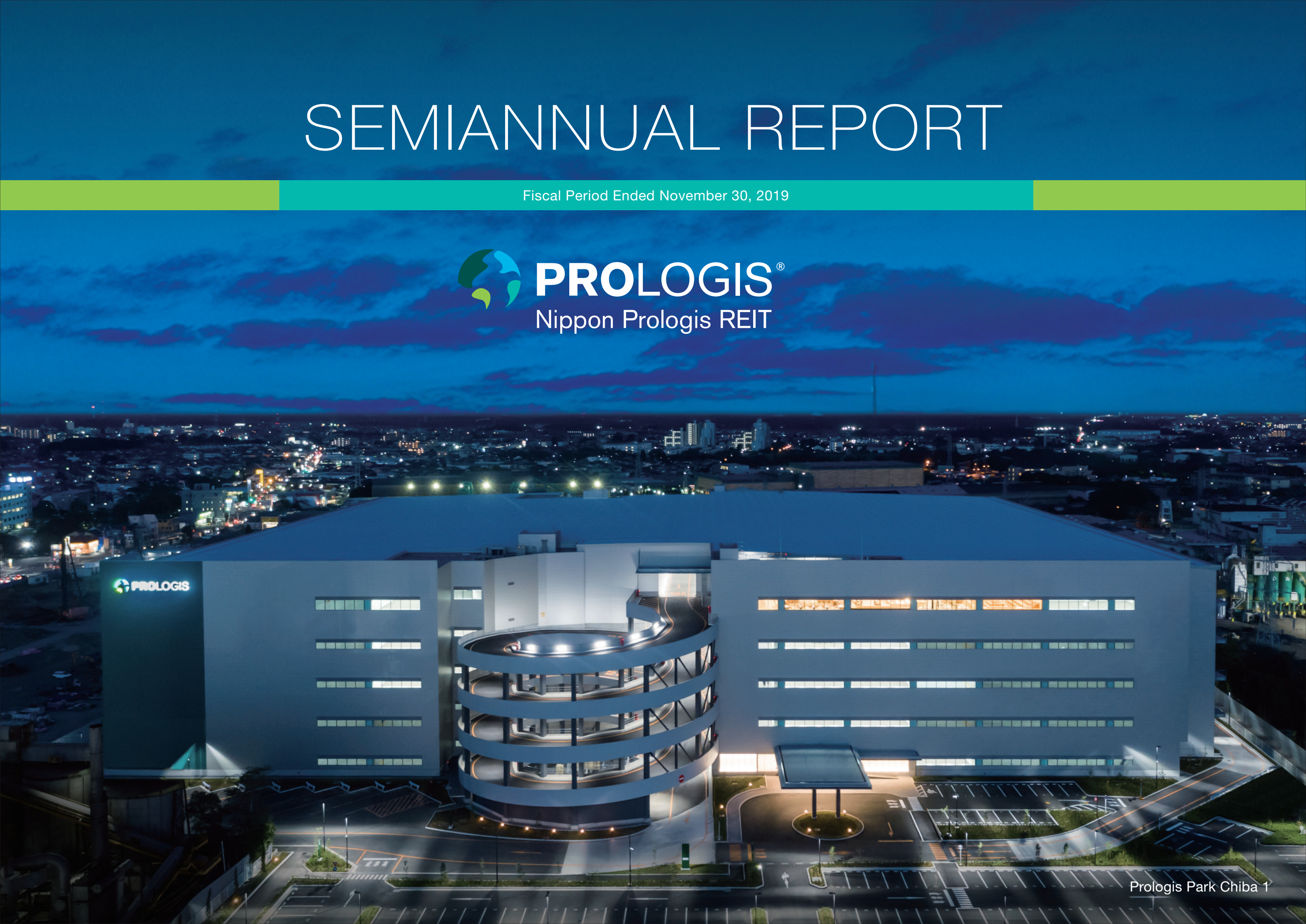


SEMIANNUAL REPORT

Fiscal Period Ended November 30, 2019



Message from the Executive Director

Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report for the fiscal period ended November 30, 2019. Once again, our focused investment strategy and proprietary access to Class-A properties have delivered excellent operational and financial results. Additionally, the Japanese logistics real estate market has recently tightened because of the strong demand driven by the structural change of supply-chain. We remain confident in, and proud of, our positive and consistent growth.

During the period, we conducted our 8th follow-on offering and acquired four new properties (Prologis Park Higashimatsuyama, Prologis Park Kyotanabe, Prologis Park Sendai Izumi 2 and Prologis Park Kobe 4). And additionally, we conducted our 9th follow-on offering and acquired three new properties (Prologis Park Chiba 1, Prologis Park MFLP Kawagoe and Prologis Park Tsukuba 1-B) in February 2020 (the fiscal period ending May 2020). The offerings and acquisitions further enhance our unit holder value.

We are proud of these accomplishments and will work to further maximize our investor value through internal and external growth and will continue to build a solid track record of excellence in portfolio management.

We sincerely appreciate your ongoing support of NPR and the Prologis Group.

Best regards,



Masahiro Sakashita

Executive Director
Nippon Prologis REIT, Inc.



Financial Highlights for the Fiscal Period Ended November 30, 2019

Distribution Per Unit
(JPY, including Surplus Cash Distributions)

4,575

Portfolio Size
(JPY billions)

641.3

NOI
(JPY millions)

17,168

Market Cap
(JPY billions)

689.9

Period Average Occupancy

99.0%

Appraisal NAV Per Unit
(JPY)

222,223

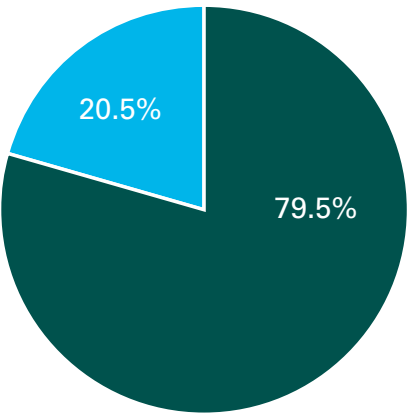
Loan-to-Value Ratio

37.8%

Credit Rating

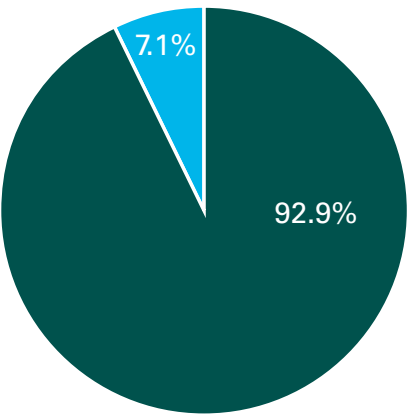
JCR AA
(Stable)

Earnings Stability from a Diversified Portfolio of Class-A Facilities



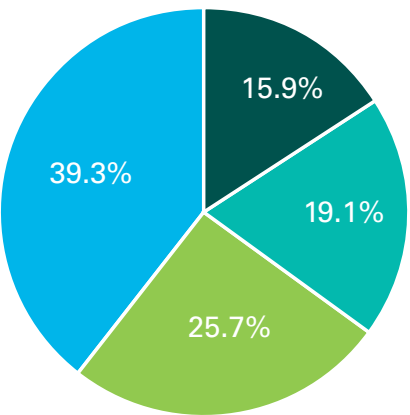
By Facility Type

- Multi-Tenant
- Build-to-Suit



By Geography

- Global Markets: Kanto and Kansai Areas
- Regional Markets: Chubu, Tohoku and Kyushu Areas



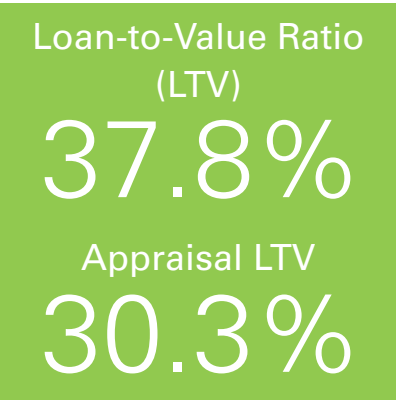
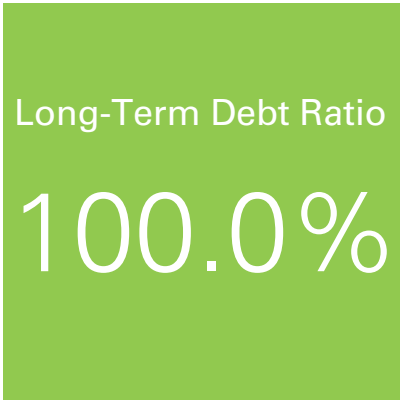
By Property Age

- Less than 3 years
- 3 to less than 5 years
- 5 to less than 10 years
- 10 years or more

Focus on High-Quality Class-A Logistics Facilities



Financial Strategy Focused on Long-Term Stability and Efficiency



Governance Structure Promotes Growth in Unit Holder Value





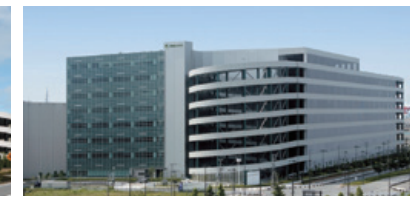
M-01 Prologis Park Ichikawa 1
JPY 33,900 million



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



M-03 Prologis Park Kawajima
JPY 25,600 million



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



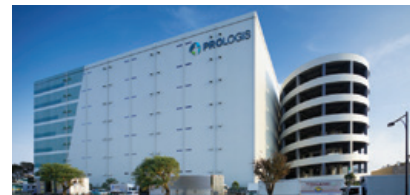
M-05 Prologis Park Maishima 3
JPY 13,500 million



M-06 Prologis Park Kasugai
JPY 12,500 million



M-07 Prologis Park Kitanagoya
JPY 6,500 million



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



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



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



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



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



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



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



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



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



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



M-19 Prologis Park Iwanuma 1
JPY 5,670 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



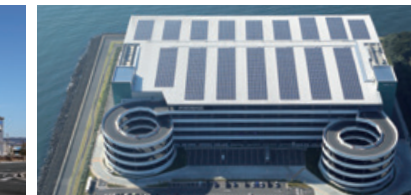
B-02 Prologis Park Takatsuki
JPY 4,410 million



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



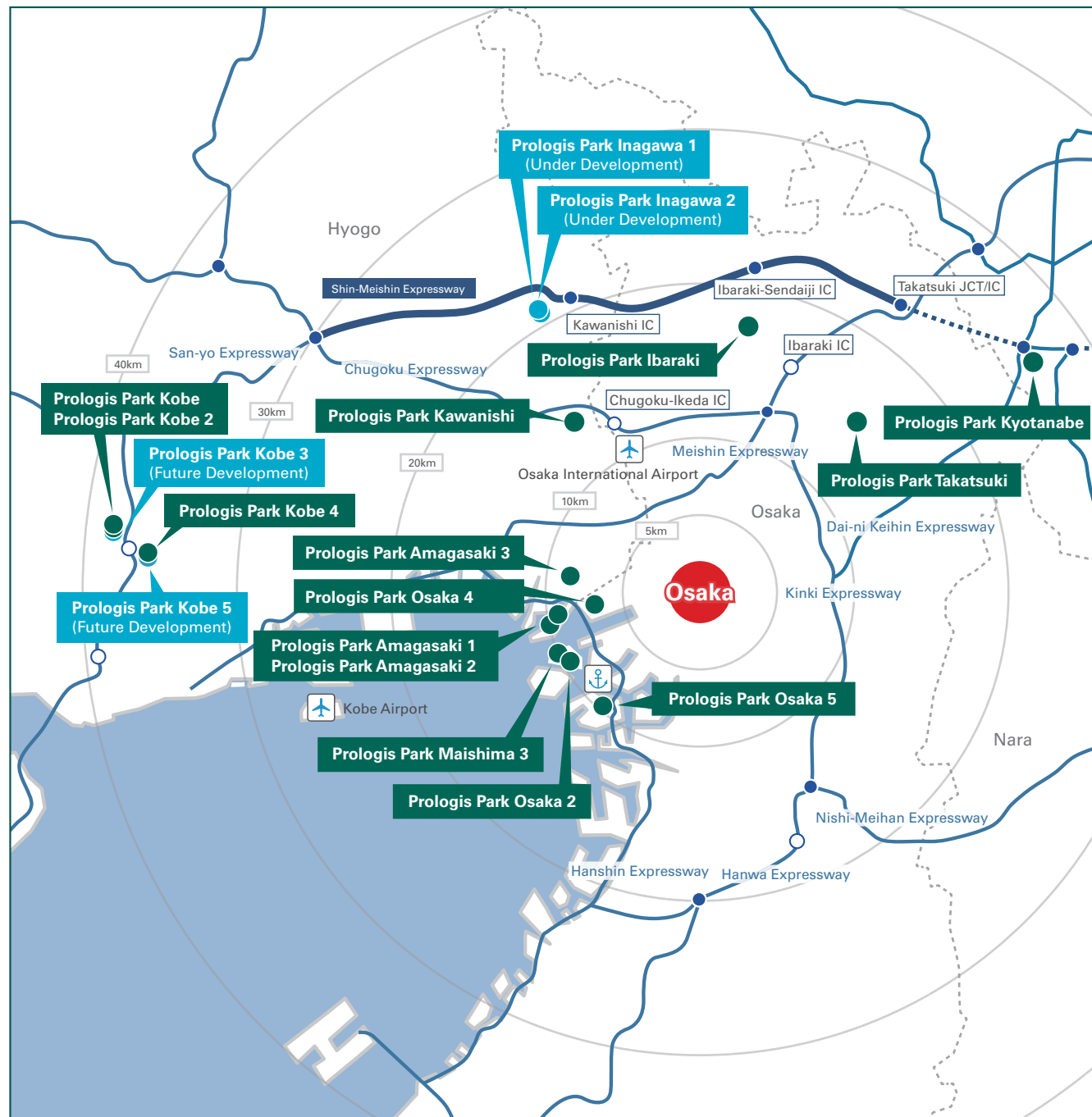
B-16 Prologis Park Sendai Izumi 2
JPY 9,250 million



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

Note: Property values are based on acquisition price.

Osaka Metropolitan Area



Tokyo Metropolitan Area



- New properties
- Current properties
- Pipeline properties

Note: As of December 31, 2019.

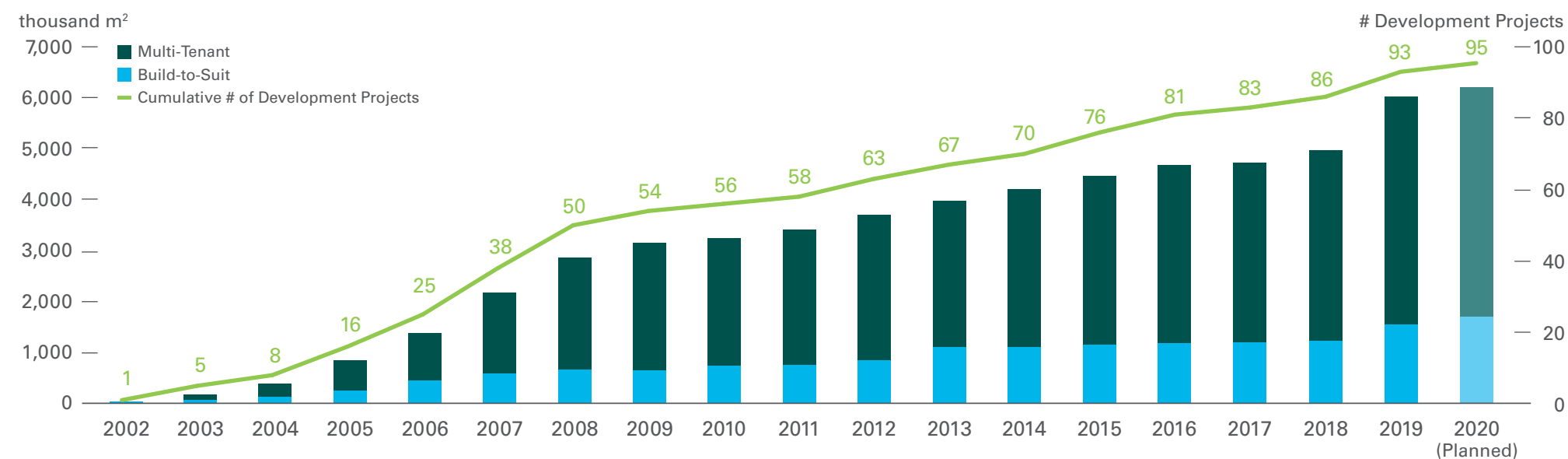
Capitalize on Significant Proprietary Development Pipeline

	Status	Region / Area	Property Name	(Expected) Year Built	Property Type	(Expected) GFA (sqm)
Exclusive Negotiation Rights Granted	Completed	Kanto	Prologis Park Chiba New Town	Apr. 2016	Multi-Tenant	109,981
	Under Development	Kanto	Prologis Park Tsukuba 2	Sep. 2020	Build-to-Suit	111,757
			Prologis Park Chiba 2	Nov. 2020	Multi-Tenant	68,211
Under Development or Planning	Under Development	Kanto	Prologis Park Ebina 2	Aug. 2021	TBD	38,000
		Kansai	Prologis Park Inagawa 1	Nov. 2021	TBD	198,000
			Prologis Park Inagawa 2	Aug. 2021	TBD	158,000
	Future Development	Kanto	Prologis Park Soka	TBD	TBD	151,000
		Kansai	Prologis Park Kobe 3	TBD	TBD	38,700
			Prologis Park Kobe 5	Mar. 2021	TBD	46,000
		Kyushu	Prologis Park Ogori	TBD	TBD	29,000
Total 948,651 <small>(Note 2)</small>						
Future Projects		Kanto	Prologis Koga Project Phase 2	TBD	TBD	TBD

Note1: 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.

Note2: Prologis Koga Project Phase 2 is not included in total gross floor area.

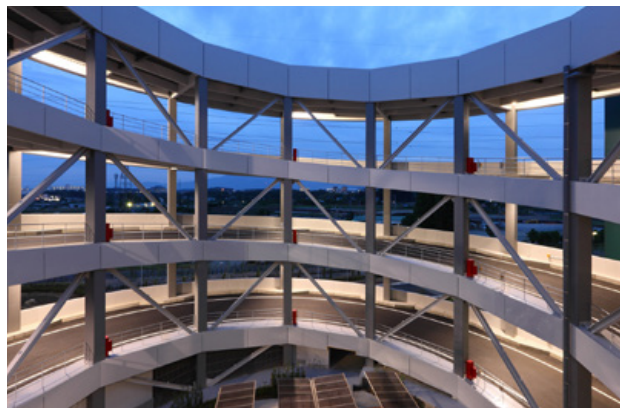
Prologis Groups Proven Development Track Record in Japan Since 2002



Features:

- Gross floor area of approximately 16,500 m² (177,600 ft²) or more
- Proximity to population clusters and transportation hubs such as expressway interchanges and major airports or seaports
- Large floor area exceeding approximately 5,000 m² (53,820 ft²) per level with a floor weight capacity of approximately 1.5 tons/m² (16.1 tons/ft²) or more, an effective ceiling height of approximately 5.5 m (18 ft) or more and column spacing of approximately 10 m (33 ft) or more
- Spiral rampways that allow trucks direct access to upper-floor distribution space
- Safety and resiliency features such as seismic isolators and earthquake-proofing

Spiral Rampways



Large Loading Zones



Wide-Column Spacing



Renewable Energy



Restaurants



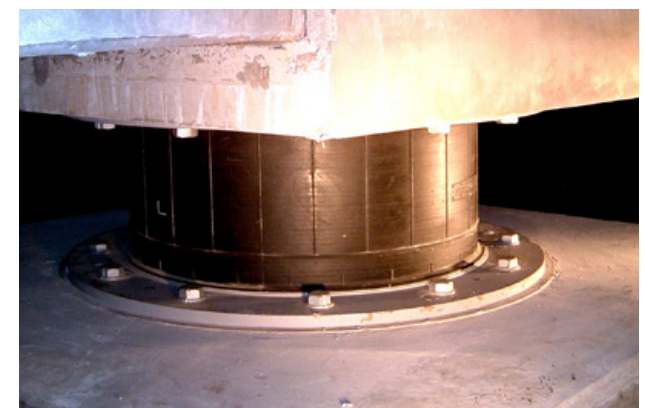
Convenience Stores



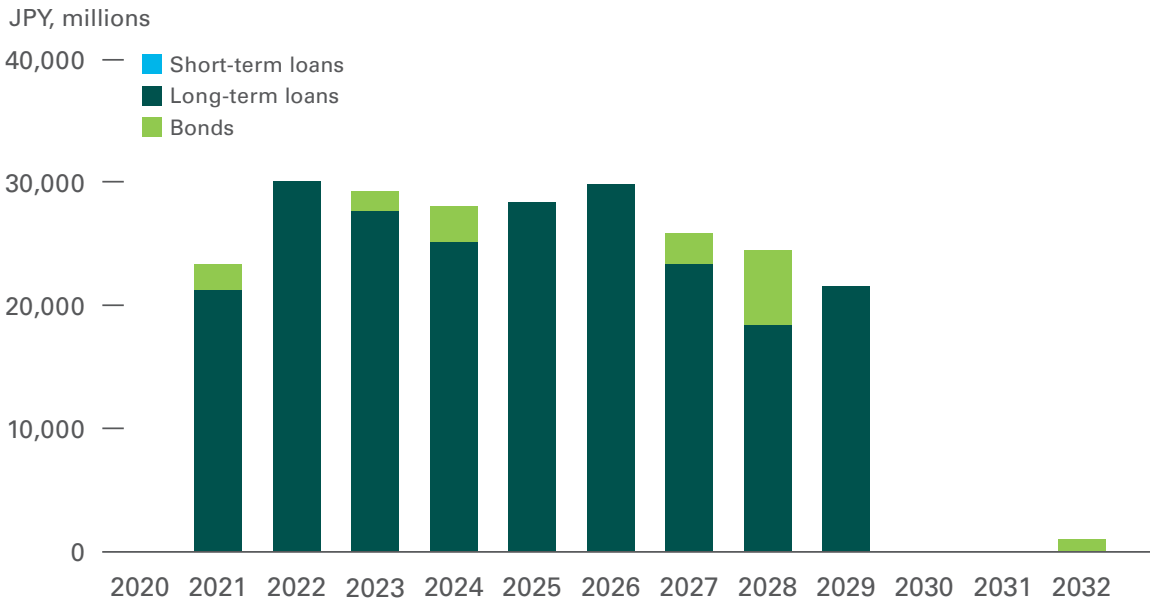
24-Hour Security



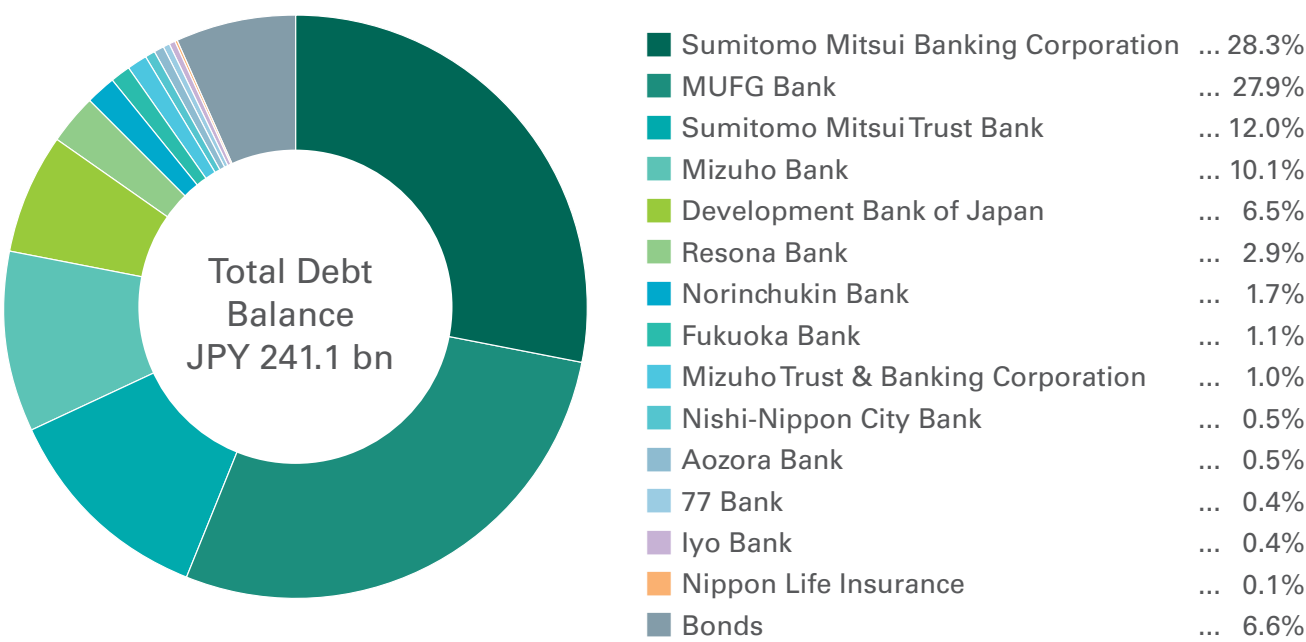
Seismic Isolators



Debt Maturity Schedule



Diversification of Interest-bearing Debt

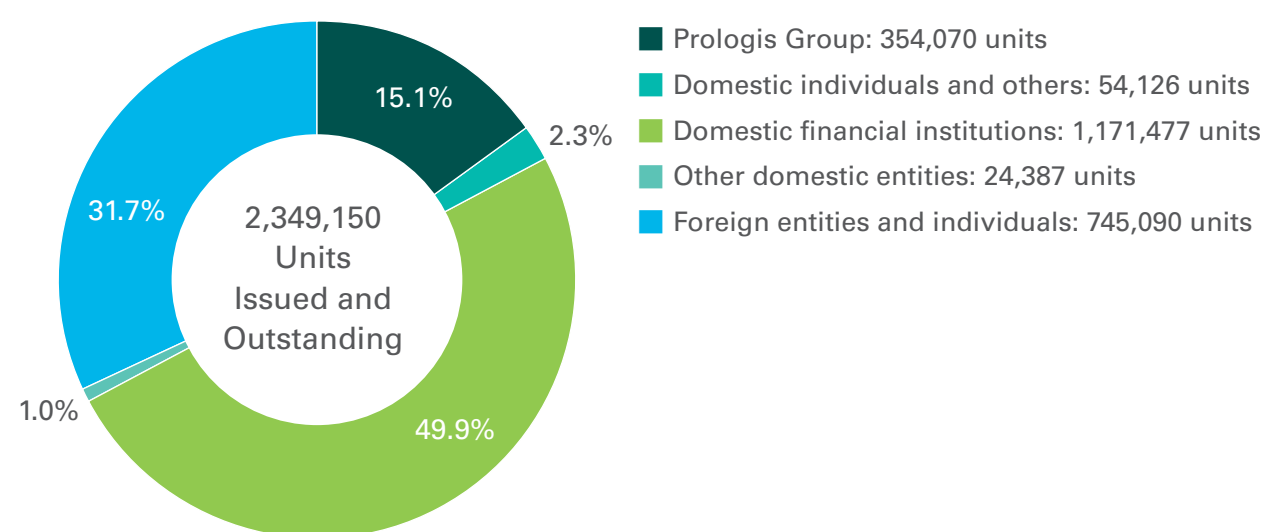


Corporate Governance Investor-Aligned Fee Structure (100% performance-linked asset management fee structure)

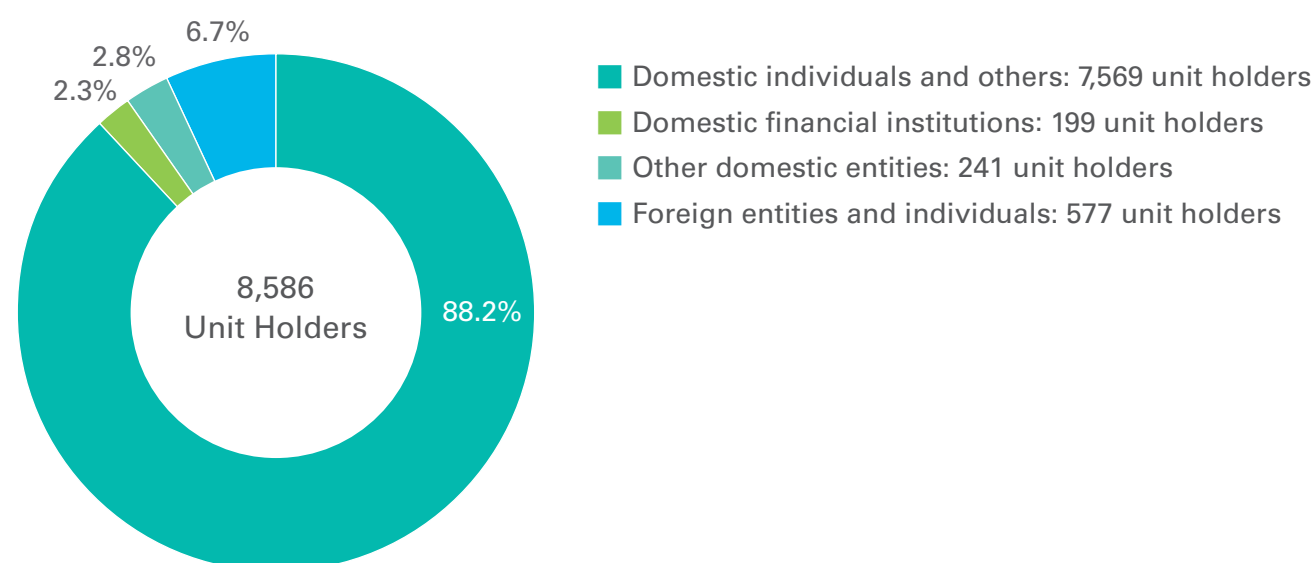
Fee Type		Calculation	Payment Frequency
Asset Management Fee	1: NOI-based	NOI × 7.5%	Paid each fiscal period
	2: Net Income-based	Net income* × 6.0% <small>*Before deduction of net income-based asset management fee</small>	
Acquisition Fee		1.00% of acquisition price (0.50% for related-party transactions)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

Unit Holder Information (As of November 30, 2019)

Breakdown by Units



Breakdown by Unit Holders



Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Prologis Property Japan SPC	352,070	14.98%
2	Japan Trustee Services Bank, Ltd. (Trust Acct.)	334,188	14.22%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	311,630	13.26%
4	The Nomura Trust and Banking Company, Ltd. (Trust Acct.)	88,286	3.75%
5	STATE STREET BANK WEST CLIENTS-TREATY 505234	73,898	3.14%
6	Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	61,565	2.62%
7	SMBC Nikko Securities, Inc.	35,211	1.49%
8	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	33,577	1.42%
9	STATE STREET BANK AND TRUST COMPANY 505103	29,317	1.24%
10	BNYM AS AGT/CLTS 10 PERCENT	26,837	1.14%
Total		1,346,579	57.32%

The principles of environmental stewardship, social responsibility and governance (ESG) are a natural fit with our long-term strategy. It aligns with our longstanding commitment to be a valued partner for our customers and an exemplary citizen, minimizing our environmental impacts and maximizing returns for our stakeholders.

Prologis ESG Objectives

1. Provide industry-leading, energy-efficient buildings that meet or exceed recognized sustainable development standards and reduce customer operating costs, promote health and well-being, and enhance the local community.
2. Engage employees and customers around health and wellness, and in strategies to reduce energy, water and waste usage to enhance our profitability and reduce environmental footprint.
3. Deliver regular employee training on Code of Ethics and Business Conduct, information security, global fraud prevention and global anti-corruption practices.
4. Partner with community organizations to support environmental, educational and social initiatives.
5. Engage with suppliers to enhance sustainability of our supply chain and uphold our Supplier Code of Conduct.

NPR's ESG Committee

Prologis REIT Management K.K., the asset manager for NPR, organizes and periodically holds meetings of the ESG Committee to plan and implement various ESG initiatives, as well as receive feedback from initiatives and actions to realize the Prologis ESG objectives.

NPR's ESG Committee primarily consists of the key management members of Prologis REIT Management K.K.:

- Chief Executive Officer (Chief Sustainability Officer)
- Head of Financial Planning/Investor & Public Relations Division (Sustainability Officer)
- Head of Investment & Operations Division (Sustainability Officer)
- Head of General Administration & Accounting Division (Sustainability Officer)
- Compliance Officer
- Other members in charge of ESG, as applicable.

Reputation backed by Third-Party Agencies

MSCI Japan ESG Select Leaders Index



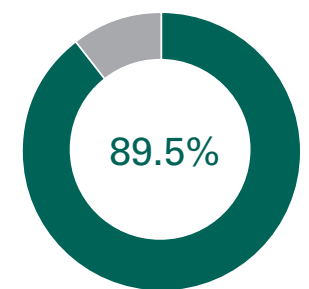
ESG Rating
A

Dow Jones Sustainability Asia/Pacific Index



The only J-REIT included in the Index as of 2019

Eligible Green Projects



Note : "Eligible Green Projects", which consist of those properties among the 49 properties in our portfolio following acquisition of the new properties (in February 2020) that satisfy the criteria of our framework for meeting the standards laid out by the Green Bond Framework.

Recognition

GRESB Assessment

NPR has been awarded the prestigious "5 Stars" and "Green Star" for the fifth consecutive year by the 2019 GRESB Real Estate Assessment. NPR was also recognized as the Asia Listed Industrial Sector Leader and ranked second in the global listed industrial sector out of 16 peers, demonstrating our outstanding performance in ESG. NPR supports GRESB principles and will continue to minimize environmental impacts and maximize sustainability through formal programs.



Environmental Stewardship

Sustainable Building Certifications

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

Metrics	Total #	Asset size (in million yen)
CASBEE	35	564,510
DBJ Green Building	7	146,740
BELS	23	382,000
CASBEE; DBJ Green Building; and/or BELS	41	627,060
89.5% of NPR portfolio has obtained building certifications. (based on acquisition price)		

Note 1: As of February 27, 2020
Note 2: DBJ stands for Development Bank of Japan.

SEE A LIST OF THE PROPERTIES WHICH HAVE OBTAINED BUILDING CERTIFICATIONS 

Environmental Performance Data

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

The environmental performance results from the last three fiscal years are as follows:

Metrics	Units	FY2018 Performance	FY2017 Performance	FY2016 Performance
Total Source Energy Consumption	GJ	561,357	497,080	438,814
Fuel Use	GJ	566	870	846
Electricity Use (converted to source energy)	GJ	560,791	496,210	437,968
Source Energy Consumption Intensity	GJ/m²	0.253	0.257	0.247
Adjusted CO₂ Emissions	t-CO₂	27,805	23,584	17,216
CO₂ Emission Intensity	t-CO₂/m²	0.013	0.012	0.010
Water Consumption	m³	280,419	248,580	245,248
Water Consumption Intensity	m³/m²	0.126	0.128	0.138

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

*Number of Properties	—	29	28	24
*Floor Area	m²	2,218,474.85	1,936,414.28	1,775,861.86
Portfolio Data Coverage (By Floor Area)	%	79	69	74

*Notes on Calculation
Fiscal Year: April to March
The calculation methods for above data are aligned with the "Energy Saving Act" and "Act on the Promotion of Global Warming Countermeasures" enacted by the Japanese government.

Environmental Stewardship

Renewable Energy

Beyond identifying ways to consume less energy, Prologis is contributing to a low-carbon future by using our properties as a platform to generate large volumes of clean electricity. Over the past decade, Prologis has emerged as a leader in corporate solar deployment. In the middle of 2019, the Prologis Group surpassed its 2020 global goal of installing 200 MWs of solar capacity across the global portfolio. Achieving this goal a year and a half early with 201 MWs of installed capacity is a further testament of Prologis' leadership as a global solar developer. Our emphasis on renewable energy puts us in alignment with United Nations Sustainable Development Goal 7 (affordable and clean energy). Our focus on solar and emerging energy technologies is a testament to our commitment to sustainability. These projects make our electric grids cleaner, while bringing improved economic and environmental results that add incremental value by harnessing previously underused resources, such as our roofs. Furthermore, we generate revenue from roof leases for solar energy, thereby supporting the business case for installing solar on our rooftops.



Energy Efficiency

Our emphasis on energy efficiency puts us in alignment with United Nations Sustainable Development Goal 9 (build resilient infrastructure and promote sustainable industrialization). As of December 31, 2018, 88% of the operating portfolio for the entire Prologis Group had efficient lighting. Also, by installing heat-insulated panels, we can reduce the temperatures in our buildings, thereby maximizing energy use.

Commitment to Sustainability in Our Operations

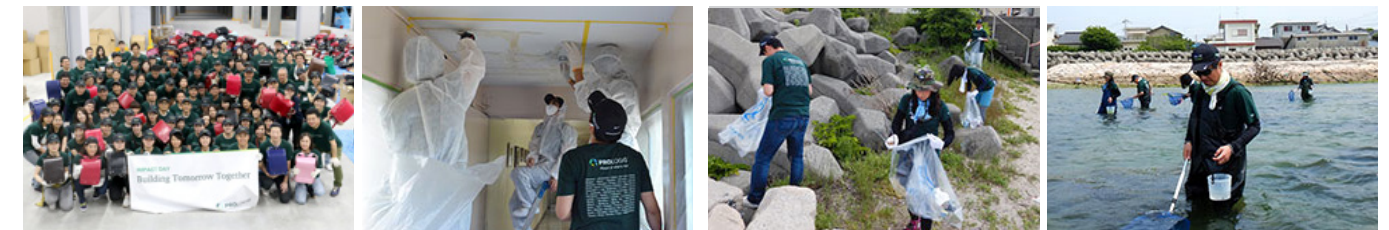
Our commitment to sustainability is equally strong for our own operations. We address climate change proactively. The Prologis Group is firmly aligned with United Nations Sustainable Development Goal 13 (taking urgent action to combat climate change and its impacts). Particularly, Prologis Japan had a business continuity plan (BCP) in place long before the earthquake and tsunami of 2011, because Japan is located in one of the most earthquake-prone regions in the world, experiencing more than 1000 seismic events each year. To prevent the loss of life and property, we are using a variety of earthquake mitigation methods. These include anti-seismic, vibration control and seismic isolation techniques. Augmenting the seismic isolation systems in many of Prologis' facilities, the BCP addresses the "human" side of surviving a natural disaster, providing food, water, blankets and communication for both customers and Prologis' employees who may be stranded in the building for several days. Additionally, we endeavor to use locally sourced materials and hire local contractors in our own supply chain, decreasing transportation and shipping distances, and further diminishing our impacts. All of Prologis' employees are key partners in these efforts. Prologis team members around the world are encouraged and supported in their efforts to champion energy, waste and water-use reductions to save costs and reduce our carbon footprint.

Social Responsibility

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

IMPACT Day

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



Donation of children's school bags

Repairing and cleaning (A foster home)

Biological research and cleaning (Osaka Bay area)

Contributions to Our Customers



Summer Festival (Prologis Park Ichikawa 1)

BBQ with customers (Osaka)

Social Event at the attached cafe (Prologis Park Zama)

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

Prologis Foundation

The Prologis Foundation was established in the United States in 2001, and additionally established in Japan last year. The foundation provides the following:

- Matching gifts
- Dollars for Doers program
- Grants to nonprofits

Our grant-making focuses on education, the environment and human welfare. We do not accept unsolicited proposals.

Social Responsibility

Contributions to Logistics Industry and Local Communities



Chair Course by Prologis
(Waseda University)



Educational field trips for
junior high school students



Internship programs for
junior high school students



Prologis Academy

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

Support Customers to improve the Labor Shortage Dilemma

In 2019, the Prologis Group invested in a start-up company in Japan called "Timee," which offers an on-demand staffing platform to help our customers address their pain points around needing temporary labor. Timee's on-demand staffing platform connects businesses with available workers in real time. Timee's mission is to reduce time and cost to recruit temporary workers for businesses, while also offering attractive and readily available jobs for those seeking temporary work.

Timee's accumulated data enables the Prologis Group to conduct deeper analysis on the trend of on-demand workers, provide our customers more detailed advice and information on labor solutions available in their given location.

People at Prologis

Throughout Prologis, our employees are the key to our success. Every employee at every level in every location around the world plays a critical role in creating value for our stakeholders. The actions of each of these individuals brings our ESG goals to fruition.

We promote diversity, and reward and recognize employees for their skills, commitment and performance. Around the world, we invest in programs and initiatives that encourage our team members to thrive personally and professionally.

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

Inclusion & Diversity

At Prologis, bonus metrics include achievement of the company's Five Drivers of Competitive Advantage: Inclusion & Diversity (I&D), Customer Experience, Advanced Analytics, PARS and Continuous Improvement. The Five Drivers convey to our employees, customers and investors the value Prologis brings to our real estate operations through our scale, global reach, customer relationships, brand, business processes and talented team. To drive I&D throughout the organization, we integrated it as the centerpiece of our Five Driver bonus metric for all employees. I&D is at the center of initiatives that push our business forward because we believe an inclusive culture supports the free flow of ideas that helps us accomplish the other drivers. The Prologis compensation committee also continues its focus on ensuring equitable pay practices and reviews succession with an emphasis on I&D, while also overseeing other initiatives.

We also promote I&D across our business. Demonstrating our commitment, we hired a VP of HR and I&D in 2018 to focus on how to incorporate I&D throughout our business and to lead our efforts from commitments to actions. We also laid the groundwork for a global employee I&D survey. In addition to the survey, we have formed focus groups that are driving intra-company discussion, manifesting our commitment to embrace diversity of opinion across our company culture. Our chief executive officer and other members of our executive team also routinely visited offices around the globe to engage with employees and encourage open communication.

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

Supplier Code of Conduct

Our Supplier Code of Conduct, which is written into all of our supplier and contractor agreements, defines the standards to which we hold our suppliers.

[READ SUPPLIER CODE OF CONDUCT](#)  →

Ethics and Governance

Governance

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

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

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

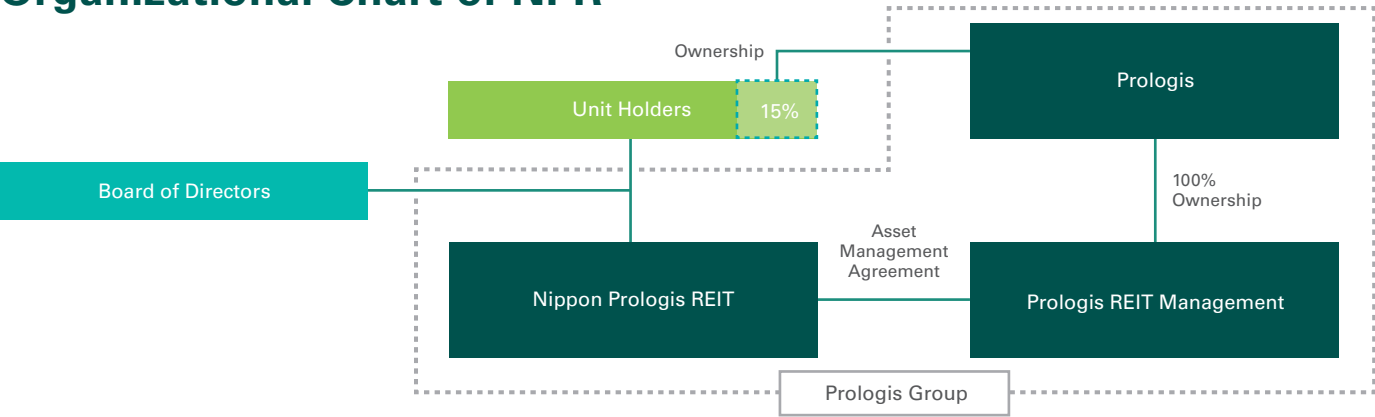
As stated above, NPR has no employees by law, and its various corporate functions, including operations and management of its portfolio, is outsourced to its asset management company, Prologis REIT Management K.K., a wholly-owned subsidiary of Prologis, Inc. NPR and Prologis REIT Management K.K. receive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

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

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

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

Organizational Chart of NPR



Ethics and Management

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

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

Ethics

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

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

READ CODE OF ETHICS  [→](#)

Risk Management

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

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

Ethics and Governance

Organizational Structure of Prologis REIT Management K.K.

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

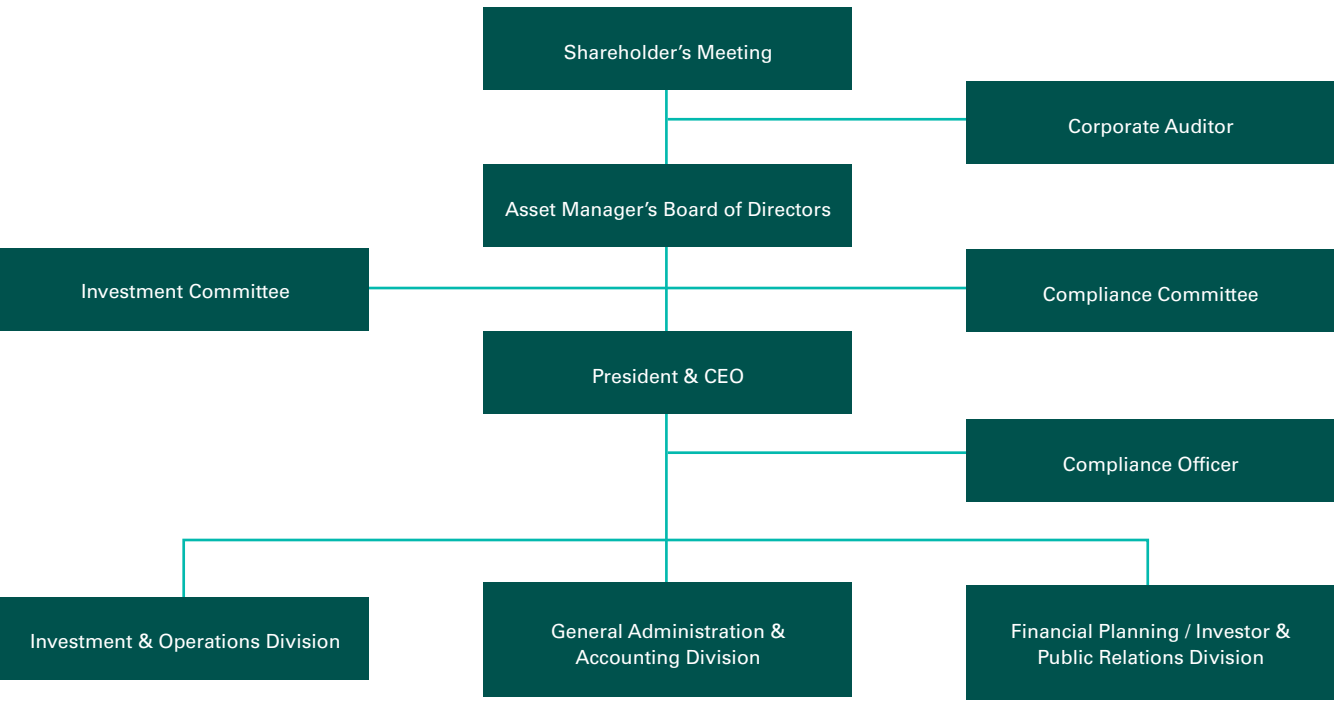
PLDRM is a wholly-owned subsidiary of Prologis, Inc. and governed by its own board of directors’ meetings. The Chief Executive Officer (CEO) is an ultimate decision-maker of PLDRM, and underneath the CEO’s supervision are three divisions that manage various corporate functions of PLDRM: the Investment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

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

SEE BIOGRAPHIES OF PLDRM’S BOARD OF DIRECTORS  →

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

Organizational Chart of PLDRM



PLDRM’s Risk Management

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

Balance Sheets

	Thousands of yen	
	As of	
	November 30, 2019	May 31, 2019
ASSETS		
Current assets:		
Cash and deposits (Notes 3 and 4)	¥ 19,409,839	¥ 20,380,422
Cash and deposits in trust (Notes 3 and 4)	5,101,730	4,336,217
Operating accounts receivable	1,417,858	1,373,710
Prepaid expenses	411,354	405,159
Consumption taxes receivable	2,219,569	338,417
Other current assets	32	130
Total current assets	28,560,383	26,834,057
Property and equipment (Note 6):		
Buildings	7,565,831	7,561,012
Structures	249,739	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust	389,170,066	348,811,354
Structures in trust	9,835,108	7,903,770
Machinery and equipment in trust	21,594	13,117
Tools, furniture and fixtures in trust	913,989	764,555
Other tangible assets in trust	35	35
Land in trust	241,111,797	219,810,580
Construction in progress in trust	644	16,687
Less: accumulated depreciation	(44,670,149)	(39,676,392)
Total property and equipment	608,038,294	549,294,096
Intangible assets (Note 6):		
Other intangible assets in trust	178,474	10,469
Total intangible assets	178,474	10,469
Investments and other assets:		
Long-term prepaid expenses	1,605,259	1,422,231
Deferred tax assets (Note 13)	7	19
Security deposit	10,000	10,000
Investment corporation bond issuance costs	68,979	75,739
Other	400	400
Total investments and other assets	1,684,646	1,508,390
Total Assets	¥ 638,461,800	¥ 577,647,014

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

Balance Sheets continued

	Thousands of yen	
	As of	
	November 30, 2019	May 31, 2019
LIABILITIES		
Current liabilities:		
Operating accounts payable	¥ 1,779,273	¥ 1,330,813
Short-term loans payable (Notes 4 and 10)	-	6,500,000
Current portion of investment corporation bonds payable (Notes 4 and 11)	-	2,000,000
Current portion of long-term loans payable (Notes 4, 5 and 10)	-	1,000,000
Accounts payable	232,102	578,082
Accrued expenses	2,145,288	1,923,071
Income taxes payable	739	990
Advances received	3,773,909	3,381,118
Other current liabilities	83,554	94,779
Total current liabilities	8,014,867	16,808,855
Non-current liabilities:		
Investment corporation bonds payable (Notes 4 and 11)	16,000,000	16,000,000
Long-term loans payable (Notes 4, 5 and 10)	225,100,000	192,000,000
Tenant leasehold and security deposits (Note 4)	247,773	247,773
Tenant leasehold and security deposits in trust (Note 4)	15,553,784	14,435,224
Other non-current liabilities	5,487	6,546
Total non-current liabilities	256,907,044	222,689,544
Total Liabilities	264,921,911	239,498,399
NET ASSETS (Note 9)		
Unit holders' equity		
Unit holders' capital	364,214,089	329,544,627
Units authorized:		
10,000,000 units as of November 30, 2019 and May 31, 2019		
Units issued and outstanding:		
2,349,150 units as of November 30, 2019 and 2,185,950 units as of May 31, 2019		
Surplus		
Retained earnings	9,325,798	8,603,987
Total unit holders' equity	373,539,888	338,148,614
Total Net Assets	373,539,888	338,148,614
Total Liabilities and Net Assets	¥ 638,461,800	¥ 577,647,014

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, 2019	May 31, 2019
Operating Revenues (Note 7):		
Operating rental revenues	¥ 20,139,002	¥ 18,470,266
Other rental revenues	1,541,237	1,300,995
Total operating revenues	21,680,240	19,771,261
Operating Expenses (Notes 6 and 7):		
Expenses related to property rental business	9,512,082	8,695,897
Asset management fee	1,882,842	1,717,183
Asset custody fee	45,304	42,988
Directors' compensation	7,200	7,200
Audit fee	15,000	15,000
Other operating expenses	70,537	52,735
Total operating expenses	11,532,966	10,531,005
Operating income	10,147,273	9,240,255
Non-operating Income:		
Interest income	97	114
Reversal of distributions payable	531	587
Interest on refund of consumption taxes	1,551	-
Refund of real estate taxes and other	25,799	-
Total non-operating income	27,981	701
Non-operating Expenses:		
Interest expense on loans payable	475,350	431,919
Interest expense on investment corporation bonds	51,725	51,378
Amortization of investment corporation bond issuance costs	6,759	6,740
Borrowing related expenses	210,530	191,061
Investment unit issuance expenses	28,143	-
Offering costs associated with the issuance of investment units	78,412	-
Others	40	21
Total non-operating expenses	850,962	681,121
Ordinary income	9,324,291	8,559,835
Extraordinary income:		
Insurance income (Note 12)	-	759,531
Total extraordinary income	-	759,531
Extraordinary losses:		
Loss on disaster (Note 12)	-	716,390
Total extraordinary losses	-	716,390
Income before income taxes	9,324,291	8,602,976
Income taxes - current (Note 13)	754	1,007
Income taxes - deferred (Note 13)	12	(4)
Total income taxes	767	1,002
Net income	9,323,524	8,601,974
Retained earnings brought forward	2,274	2,013
Retained earnings at end of period	¥ 9,325,798	¥ 8,603,987

	Yen	
	For the six-month periods ended	
	November 30, 2019	May 31, 2019
Net income per unit (Note 14)	¥ 3,996	¥ 3,935

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, 2019 and May 31, 2019

	Thousands of yen			
	Number of units	Unit holders' capital	Retained earnings	Total net assets
Balance as of November 30, 2018	2,185,950	¥330,517,375	¥8,710,838	¥339,228,213
Distributions in excess of retained earnings	-	(972,747)	-	(972,747)
Distributions of retained earnings	-	-	(8,708,824)	(8,708,824)
Net income	-	-	8,601,974	8,601,974
Balance as of May 31, 2019 (Note 9)	2,185,950	¥329,544,627	¥8,603,987	¥338,148,614
Issuance of new units on June 18, 2019 and July 17, 2019	163,200	35,908,896	-	35,908,896
Distributions in excess of retained earnings	-	(1,239,433)	-	(1,239,433)
Distributions of retained earnings	-	-	(8,601,713)	(8,601,713)
Net income	-	-	9,323,524	9,323,524
Balance as of November 30, 2019 (Note 9)	2,349,150	¥364,214,089	¥ 9,325,798	¥ 373,539,888

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, 2019		May 31, 2019	
Cash Flows from Operating Activities:				
Income before income taxes	¥	9,324,291	¥	8,602,976
Depreciation (Note 6)		5,000,818		4,498,709
Amortization of investment corporation bond issuance costs		6,759		6,740
Investment unit issuance expenses		28,143		-
Interest income		(97)		(114)
Interest expense		527,076		483,298
Insurance income		-		(759,531)
Loss on disaster		-		716,390
Decrease (increase) in operating accounts receivable		(44,148)		146,339
Decrease (increase) in consumption taxes receivable		(1,881,151)		(338,417)
Decrease (increase) in prepaid expenses		(6,194)		(56,483)
Decrease (increase) in long-term prepaid expenses		(183,028)		112,911
Increase (decrease) in operating accounts payable		592,930		(420,825)
Increase (decrease) in accounts payable		(24,423)		602
Increase (decrease) in accrued expenses		219,061		(2,290)
Increase (decrease) in accrued consumption taxes		-		(804,872)
Increase (decrease) in advances received		392,791		44,279
Others, net		10,564		40,757
Subtotal		13,963,392		12,270,471
Interest received		97		114
Interest paid		(523,920)		(483,521)
Proceeds from insurance income		-		759,531
Payments for loss on disaster		(141,840)		(574,550)
Income taxes paid		(1,005)		(908)
Net cash provided by operating activities		13,296,724		11,971,137
Cash Flows from Investing Activities:				
Purchases of property and equipment		(8,252)		-
Purchases of property and equipment in trust		(64,054,009)		(13,766,068)
Purchases of intangible assets in trust		(175,066)		-
Proceeds from tenant leasehold and security deposits in trust		1,334,215		770,840
Repayments of tenant leasehold and security deposits in trust		(238,938)		(194,747)
Net cash provided by (used in) investing activities		(63,142,051)		(13,189,976)
Cash Flows from Financing Activities:				
Proceeds from short-term loans payable		54,400,000		6,500,000
Repayments of short-term loans payable		(60,900,000)		-
Proceeds from long-term loans payable		33,100,000		6,400,000
Repayments of long-term loans payable		(1,000,000)		(6,400,000)
Redemption of investment corporation bonds		(2,000,000)		-
Proceeds from issuance of new investment units		35,880,752		-
Payment of distributions of retained earnings		(8,601,199)		(8,708,319)
Payment of distributions in excess of retained earnings		(1,239,295)		(972,697)
Net cash provided by (used in) financing activities		49,640,257		(3,181,017)
Net increase (decrease) in cash and cash equivalents		(205,070)		(4,399,855)
Cash and cash equivalents at the beginning of period		24,716,639		29,116,495
Cash and cash equivalents at the end of period (Note 3)	¥	24,511,569	¥	24,716,639

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

Notes to Financial Statements

For the six-month periods ended November 30, 2019 and May 31, 2019

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 acquired 48 properties in total (aggregate acquisition price ^{(*)1}: 658,210 million yen) and disposed 2 properties (aggregate acquisition price: 16,870 million yen) by the end of the reporting fiscal period. As a result, NPR owned 46 properties (aggregate acquisition price: 641,340 million yen), all of which are Class-A logistics facilities ^{(*)3} ^{(*)4} developed by the Prologis Group ^{(*)2}, as of the end of the reporting fiscal period.

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

^{(*)2} “The Prologis Group” is defined as a group of Prologis, Inc., the world headquarters, and its group affiliates, which include ProLogis K.K., a Japanese subsidiary, and various special purpose vehicles of joint ventures where the ownership of the Prologis Group may be less than majority. The global parent company Prologis, Inc. is a real estate investment trust headquartered in the United States of America and listed on the New York Stock Exchange.

^{(*)3} “Class-A logistics facilities” represents logistics properties that meet the demands of tenant logistics companies and their customer facility users with respect to operational efficiency, and fulfill certain criteria with respect to size, location, state-of-the-art equipment, convenience and safety. The same hereinafter.

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

b) Basis of Presentation

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

The accompanying financial statements have been reformatted and translated into English from the financial statements of NPR prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. In preparing these financial statements, certain reclassifications and modifications have been made to the financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the

accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

2. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents

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

b) Property and Equipment

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

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

c) Intangible Assets

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

d) Taxes on Property and Equipment

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

Of the amounts paid for the acquisitions of real estate properties or beneficiary rights in trust of real estate, the amount equivalent to taxes on property and equipment is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized taxes on property and equipment amounted to 209,571 thousand yen and 469 thousand yen for the fiscal periods ended November 30, 2019 and May 31, 2019, respectively.

e) Investment Unit Issuance Expenses

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

f) Investment Corporation Bond Issuance Costs

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

g) Hedge Accounting

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

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

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

h) Beneficiary Rights in Trust

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

i) Consumption Taxes

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

3. Cash and Cash Equivalents

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

	Thousands of yen			
	As of			
	November 30, 2019		May 31, 2019	
Cash and deposits	¥	19,409,839	¥	20,380,422
Cash and deposits in trust		5,101,730		4,336,217
Cash and cash equivalents	¥	24,511,569	¥	24,716,639

4. Financial Instruments

a) Detailed Information on Financial Instruments

(i) Policy for Financial Instruments

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

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

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

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

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

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

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

(iii) Supplemental Explanation Regarding Fair Values of Financial Instruments

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

b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of November 30, 2019 and May 31, 2019 are as follows. Financial instruments for which the fair value is extremely difficult to estimate are excluded from the following table (see Note 2 below).

Thousands of yen			
As of November 30, 2019			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 19,409,839	¥ 19,409,839	¥ -
(2) Cash and deposits in trust	5,101,730	5,101,730	-
Total assets	¥ 24,511,569	¥ 24,511,569	¥ -
(6) Investment corporation bonds payable	16,000,000	16,166,050	166,050
(7) Long-term loans payable	225,100,000	226,112,272	1,012,272
Total liabilities	¥ 241,100,000	¥ 242,278,322	¥ 1,178,322
(8) Derivative transactions	¥ -	¥ -	¥ -

Thousands of yen			
As of May 31, 2019			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 20,380,422	¥ 20,380,422	¥ -
(2) Cash and deposits in trust	4,336,217	4,336,217	-
Total assets	¥ 24,716,639	¥ 24,716,639	¥ -
(3) Short-term loans payable	6,500,000	6,500,000	-
(4) Current portion of investment corporation bonds payable	2,000,000	2,002,000	2,000
(5) Current portion of long-term loans payable	1,000,000	1,000,000	-
(6) Investment corporation bonds payable	16,000,000	16,225,600	225,600
(7) Long-term loans payable	192,000,000	193,220,489	1,220,489
Total liabilities	¥ 217,500,000	¥ 218,948,089	¥ 1,448,089
(8) Derivative transactions	¥ -	¥ -	¥ -

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

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

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

(3) Short-term loans payable

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

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

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

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

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

(8) Derivative transactions

Please refer to Note 5, "Derivative Transactions."

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

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

Thousands of yen			
As of			
	November 30, 2019		May 31, 2019
Tenant leasehold and security deposits	¥ 247,773	¥	247,773
Tenant leasehold and security deposits in trust	15,553,784		14,435,224

(Note 3) Redemption schedule for monetary claims after November 30, 2019

Thousands of yen						
As of November 30, 2019						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥19,409,839	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	5,101,730	-	-	-	-	-
Total	¥24,511,569	¥ -	¥ -	¥ -	¥ -	¥ -

Redemption schedule for monetary claims after May 31, 2019

Thousands of yen						
As of May 31, 2019						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥20,380,422	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	4,336,217	-	-	-	-	-
Total	¥24,716,639	¥ -	¥ -	¥ -	¥ -	¥ -

(Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2019

Thousands of yen						
November 30, 2019						
	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	¥ 9,500,000
Long-term loans payable	-	21,300,000	30,000,000	27,600,000	21,000,000	125,200,000
Total	¥ -	¥ 23,300,000	¥ 30,000,000	¥ 29,100,000	¥ 24,000,000	¥ 134,700,000

Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2019

Thousands of yen						
As of May 31, 2019						
	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	¥ -	¥ 2,000,000	¥ -	¥ 1,500,000	¥ 12,500,000
Long-term loans payable	1,000,000	21,300,000	30,000,000	27,600,000	16,000,000	97,100,000
Total	¥ 3,000,000	¥ 21,300,000	¥ 32,000,000	¥ 27,600,000	¥ 17,500,000	¥ 109,600,000

5. Derivative Transactions

For the six-month periods ended November 30, 2019 and May 31, 2019, 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, 2019						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount			
			Total	Due after one year	Fair value	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥ 225,100,000	¥ 225,100,000	(Note)	-

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

Thousands of yen						
As of May 31, 2019						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount			
			Total	Due after one year	Fair value	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥ 192,000,000	¥ 192,000,000	(Note)	-

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

6. Investment and Rental Properties

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

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2019	May 31, 2019
Book value		
Balance at the beginning of the period	¥ 549,304,566	¥ 540,049,161
Changes during the period (Note 2)	58,912,203	9,255,404
Balance at the end of the period	¥ 608,216,769	¥ 549,304,566
Fair value at the end of the period	¥ 766,040,000	¥ 693,550,000

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

(Note 2) The increase for the fiscal period ended November 30, 2019 was primarily a result of acquiring four properties, Prologis Park Higashimatsuyama, Prologis Park Kyotanabe, Prologis Park Sendai Izumi 2 and Prologis Park Kobe 4, during the period for a total of 63,279,719 thousand yen. The decrease for the fiscal period ended November 30, 2019 was primarily a result of the recognition of depreciation, which amounted to 5,000,818 thousand yen.

The increase for the fiscal period ended May 31, 2019 was primarily a result of acquiring Prologis Park Tsukuba 1-A, which amounted to 12,972,248 thousand yen during the period. The decrease for the fiscal period ended May 31, 2019 was primarily a result of the recognition of depreciation, which amounted to 4,498,709 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.

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

7. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended November 30, 2019 and May 31, 2019.

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2019	May 31, 2019
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 18,789,171	¥ 17,225,509
Common area charges	1,349,831	1,244,756
Total	¥ 20,139,002	¥ 18,470,266
Other rental revenues		
Received utilities cost	¥ 1,280,842	¥ 1,069,175
Others	260,394	231,819
Total	¥ 1,541,237	¥ 1,300,995
Total property-related revenues	¥ 21,680,240	¥ 19,771,261
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 1,278,313	¥ 1,046,431
Utilities cost	1,211,771	1,121,655
Taxes and public dues	1,749,087	1,728,306
Non-life insurance premium	43,636	35,594
Repair and maintenance	202,927	242,981
Depreciation	5,000,818	4,498,709
Custodian fee	20,920	19,356
Other expenses	4,607	2,864
Total rental expenses	¥ 9,512,082	¥ 8,695,897
(3) Operating income from property leasing ((1)-(2))	¥ 12,168,157	¥ 11,075,363

8. Leases

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

	Thousands of yen			
	As of			
	November 30, 2019		May 31, 2019	
Due within one year	¥	34,612,603	¥	33,703,208
Due after one year		115,651,053		94,415,397
Total	¥	150,263,657	¥	128,118,605

9. Net Assets

a) Stated Capital

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

b) Unit holders' capital

Unit holders' capital as of November 30, 2019 and May 31, 2019 consists of the following items:

	Thousands of yen			
	As of			
	November 30, 2019		May 31, 2019	
Unit holders' capital, gross	¥	374,425,663	¥	338,516,767
Deduction from unit holders' capital;				
Accumulated distribution in excess of retained earnings		(10,211,573)		(8,972,139)
Unit holders' capital	¥	364,214,089	¥	329,544,627

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, 2019		May 31, 2019	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 9,325,798,918		¥ 8,603,987,514	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	1,423,584,900		1,239,433,650	
III Distributions				
Distributions of retained earnings	9,323,776,350	¥3,969	8,601,713,250	¥3,935
Distributions in excess of retained earnings	1,423,584,900	606	1,239,433,650	567
Total distributions	10,747,361,250	¥4,575	9,841,146,900	¥4,502
IV Retained earnings carried forward	¥ 2,022,568		¥ 2,274,264	

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.

Based on the policy, NPR declared distribution of 9,323,776,350 yen and 8,601,713,250 yen for the

six-month periods ended November 30, 2019 and May 31, 2019, respectively. These 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.

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, as a return of unit holders' capital, each fiscal period on a continuous basis. 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 losses on sales of real estate properties.

Accordingly, NPR declared SCD of 1,423,584,900 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 5,000,818,006 yen for the six-month period ended November 30, 2019, and declared SCD of 1,239,433,650 yen, as a return of unit holders' capital, which was the amount excluding 41,533,050 yen as one-time revenue from 1,280,966,700 yen as the amount equivalent to approximately 28.5% of depreciation expense of 4,498,709,652 yen for the six-month period ended May 31, 2019.

10. Short-term and Long-term Loans Payable

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable as of November 30, 2019 and May 31, 2019.

	Thousands of yen	
	As of	
	November 30, 2019	May 31, 2019
0.23940% unsecured short-term loans(**)	¥ -	¥ 4,550,000
0.23940% unsecured short-term loans(**)	-	1,950,000
0.18222% unsecured short-term loans(***)	-	-
0.18222% unsecured short-term loans(***)	-	-
Total short-term loans payable	¥ -	¥ 6,500,000
0.30832% unsecured long-term loans due 2019	¥ -	¥ 1,000,000
0.57490% unsecured long-term loans due 2022 ^(*)	10,000,000	10,000,000
0.57490% unsecured long-term loans due 2022 ^(*)	4,000,000	4,000,000
0.07570% unsecured long-term loans due 2021 ^(*)	7,300,000	7,300,000
0.17260% unsecured long-term loans due 2022 ^(*)	6,000,000	6,000,000
0.39000% unsecured long-term loans due 2024 ^(*)	10,000,000	10,000,000
0.41290% unsecured long-term loans due 2023 ^(*)	7,600,000	7,600,000
0.52800% unsecured long-term loans due 2024 ^(*)	4,000,000	4,000,000
0.71670% unsecured long-term loans due 2026 ^(*)	9,400,000	9,400,000
0.22360% unsecured long-term loans due 2021 ^(*)	14,000,000	14,000,000
0.26200% unsecured long-term loans due 2022 ^(*)	10,000,000	10,000,000
0.31250% unsecured long-term loans due 2023 ^(*)	20,000,000	20,000,000
0.37250% unsecured long-term loans due 2024 ^(*)	3,000,000	3,000,000
0.37250% unsecured long-term loans due 2024 ^(*)	3,000,000	3,000,000
0.43690% unsecured long-term loans due 2025 ^(*)	23,300,000	23,300,000
0.52400% unsecured long-term loans due 2026 ^(*)	6,100,000	6,100,000
0.52400% unsecured long-term loans due 2026 ^(*)	5,200,000	5,200,000
0.52400% unsecured long-term loans due 2026 ^(*)	2,600,000	2,600,000
0.63270% unsecured long-term loans due 2027 ^(*)	23,300,000	23,300,000
0.61980% unsecured long-term loans due 2028 ^(*)	11,800,000	11,800,000
0.44830% unsecured long-term loans due 2024 ^(*)	5,000,000	5,000,000
0.51380% unsecured long-term loans due 2026 ^(*)	6,400,000	6,400,000
0.36520% unsecured long-term loans due 2028 ^(*)	6,600,000	-
0.43000% unsecured long-term loans due 2029 ^(*)	12,000,000	-
0.18770% unsecured long-term loans due 2025 ^(*)	5,000,000	-
0.49700% unsecured long-term loans due 2029 ^(*)	6,500,000	-

0.49800% unsecured long-term loans due 2029 ^(*)	3,000,000	-
Less: current portion	-	(1,000,000)
Total long-term loans payable, less current portion	¥ 225,100,000	¥ 192,000,000

The stated interest rate is the weighted average interest rate during the period ended November 30, 2019.

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 loans (**) from Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., with the principal amount of 4,550,000 thousand yen and 1,950,000 thousand yen, respectively, were prepaid on October 31, 2019, before the maturity date.

The loans (***) from Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., with the principal amount of 38,080,000 thousand yen and 16,320,000 thousand yen, respectively, were prepaid on June 19, 2019, before the maturity date.

The redemption schedules for long-term loans subsequent to November 30, 2019 and May 31, 2019 are disclosed in Note 4, "Financial Instruments."

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

	Thousands of yen	
	As of	
	November 30, 2019	May 31, 2019
Total amount of committed line of credit	¥ 20,000,000	¥ 20,000,000
Borrowings drawn down	-	-
Balance of unused committed line of credit	¥ 20,000,000	¥ 20,000,000

11. Investment Corporation Bonds Payable

The investment corporation bonds payable would be redeemed on a lump-sum basis at their contractual maturity dates. The following table summarizes the investment corporation bonds payable as of November 30, 2019 and May 31, 2019.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				November 30, 2019	May 31, 2019
1st unsecured bond	November 27, 2014	November 27, 2019	0.338%	¥ -	¥ 2,000,000
2nd unsecured bond	November 27, 2014	November 27, 2024	0.930%	3,000,000	3,000,000
3rd unsecured bond	June 15, 2017	June 15, 2021	0.180%	2,000,000	2,000,000
4th unsecured bond	June 15, 2017	June 15, 2023	0.280%	1,500,000	1,500,000
5th unsecured bond	June 15, 2017	June 15, 2027	0.500%	2,500,000	2,500,000
6th unsecured bond	June 15, 2017	June 15, 2032	0.860%	1,000,000	1,000,000
7th unsecured bond	August 17, 2018	August 17, 2028	0.660%	6,000,000	6,000,000
Total				¥ 16,000,000	¥ 18,000,000

12. Insurance Income and Loss on Disaster

Due to the Northern Osaka Earthquake which occurred in June 2018 and two typhoons that hit Japan in September 2018, NPR recorded extraordinary losses of 716,390 thousand yen due to repairment, etc. and extraordinary income of 759,531 thousand yen due to the insurance payment for such damages for the six-month period ended May 31, 2019.

13. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of November 30, 2019 and May 31, 2019 are as follows:

	Thousands of yen	
	As of	
	November 30, 2019	May 31, 2019
Enterprise tax payable	¥ 7	¥ 19
Total deferred tax assets	7	19
Net deferred tax assets	¥ 7	¥ 19

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, 2019 and May 31, 2019 are as follows:

	For the six-month periods ended	
	November 30, 2019	May 31, 2019
Statutory tax rate	31.51%	31.51%
Adjustments:		
Deductible cash distributions	(31.51%)	(31.50%)
Other	0.01%	0.00%
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.

14. Per Unit Information

The following table summarizes per unit information for the six-month periods ended November 30, 2019 and May 31, 2019.

	Yen	
	For the six-month periods ended	
	November 30, 2019	May 31, 2019
Net income per unit		
Basic net income per unit	¥ 3,996	¥ 3,935
Weighted average number of units outstanding	2,332,758	2,185,950
	Yen	
	As of	
	November 30, 2019	May 31, 2019
Net assets per unit	¥ 159,010	¥ 154,691

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

15. Transactions with Related Parties

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

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

c) Transactions and Account Balances with Companies under Common Control

(For the six-month period ended November 30, 2019)

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	¥ 20,399,275	Operating accounts receivable	¥ 875,644
								Proceeds of tenant leasehold and security deposits in trust	1,334,215	Tenant leasehold and security deposits in trust	14,716,302
								Repayments of tenant leasehold and security deposits in trust	238,938		
Subsidiary of an affiliate	Akagi Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	12,600,000	-	-
Subsidiary of an affiliate	Ibuki Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	35,800,000	-	-
Subsidiary of an affiliate	Iwaki Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	9,250,000	-	-
Subsidiary of an affiliate	Tateyama Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	5,020,000	-	-
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)	2,196,192	Accrued expenses	2,071,126

(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 40 properties out of 46 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 313,350 thousand yen.

(For the six-month period ended May 31, 2019)

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	¥ 18,529,327	Operating accounts receivable	¥ 797,207
								Proceeds of tenant leasehold and security deposits in trust	770,840	Advances received	3,148,814
								Repayments of tenant leasehold and security deposits in trust	194,747	Tenant leasehold and security deposits in trust	13,621,025
Subsidiary of an affiliate	Tsukuba Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	12,900,000	-	-
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)	1,781,683	Accrued expenses	1,854,557

(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 36 properties out of 42 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 64,500 thousand yen.

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

16. Segment and Related Information

a) Overview of operating and reportable segments

Operating segments are a component of NPR for which separate financial information is available and whose operating results are regularly evaluated by the chief operating decision maker to make decisions about how resources are allocated and assess their performance. Consequently, each of NPR's properties is considered an operating segment. However, when properties share similar economic characteristics and meet other specific conditions, they may be aggregated for purposes of reporting segment information. Therefore, NPR has two reportable segments ("global market" and "regional market") (*) which are based on the investing region.

(*) NPR mainly invests in real estate whose main usage is logistics facilities and makes investments by focusing on the area where the facility is located and their features. As for the investing regions, NPR seeks to build a portfolio which is not concentrated in a specific region and invests in areas of Japan vital to trade and logistics. By dividing Japan into two areas of "global market" and "regional market" and through investment into those two different markets, NPR aims to build a portfolio which would minimize fluctuations in cash flows due to regional economic shifts or localized impacts from natural disasters.

As for investment strategies in the "global market," as such areas are vital for international trade and logistics, NPR aims to invest in locations with the largest consuming areas which can also serve as important hubs within the domestic logistics network. The "global market" is defined as the Kanto area, which refers to Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi and Gunma prefectures, and the Kansai area, which refers to Osaka, Hyogo, Kyoto, Nara, Wakayama, Shiga and Mie prefectures, respectively.

NPR's properties classified into the global market are as follows:

Prologis Park Ichikawa 1, Prologis Park Zama 1, Prologis Park Kawajima, Prologis Park Osaka 2, Prologis Park Maishima 3, Prologis Park Takatsuki, Prologis Park Tokyo-Ohta, Prologis Park Zama 2, Prologis Park Funabashi 5, Prologis Park Narita 1-A&B, Prologis Park Narita 1-C, Prologis Park Amagasaki 1, Prologis Park Amagasaki 2, Prologis Park Narashino 4, Prologis Park Tokyo-Shinkiba, Prologis Park Yokohama-Tsurumi, Prologis Park Osaka 4, Prologis Park Kawajima 2, Prologis Park Kitamoto, Prologis Park Joso, Prologis Park Osaka 5, Prologis Park Ebina, Prologis Park Kawanishi, Prologis Park Amagasaki 3, Prologis Park Kobe, Prologis Park Narita 3, Prologis Park Koga 1, Prologis Park Kobe 2, Prologis Park Narashino 5, Prologis Park Ibaraki, Prologis Park Koga 2, Prologis Park Ichikawa 3, Prologis Park Narita 1-D, Prologis Park Yoshimi, Prologis Park Koga 3, Prologis Park Tsukuba 1-A, Prologis Park Higashimatsuyama, Prologis Park Kyotanabe and Prologis Park Kobe 4.

As for investment strategies in the "regional market," as such areas are critical to domestic trades in Japan, NPR aims to invest in locations with the second largest consuming areas in Japan to the "global market," which can play a crucial role in a widespread regional logistics network. The "regional market" is defined as the Chubu, Tohoku and Kyushu areas which refer to Aichi, Shizuoka, Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Gifu prefectures; Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures; and Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima prefectures, respectively.

NPR's properties classified into the regional market are as follows:

Prologis Park Kasugai, Prologis Park Kitanagoya, Prologis Park Tosu 2, Prologis Park Tosu 4, Prologis Park Iwanuma 1, Prologis Park Sendai Izumi and Prologis Park Sendai Izumi 2.

In addition, NPR is able to invest in areas besides the global market and the regional market to the extent that such areas are adjacent to consuming or manufacturing areas, or such areas are suitable and appropriate for logistics centers.

b) Basis of Measurement for the Amounts of Income, Assets and Other Items of each Reportable Segment

The accounting policies of each reportable segment are consistent with policies disclosed in Note 2, "Summary of Significant Accounting Policies." Reported segment income is measured on the basis of operating income, excluding certain corporate expenses (see reconciling items below). Segment assets are measured on the basis of total assets, excluding certain assets (see reconciling items below).

c) Information about Segment Results, Assets and Other Items

Thousands of yen				
As of and for the six-month period ended November 30, 2019				
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 19,873,268	¥ 1,806,971	¥ -	¥ 21,680,240
Segment income (Note 2)	10,016,410	840,509	(709,645)	10,147,273
Segment assets (Note 2)	572,405,858	42,432,798	23,623,143	638,461,800
Other items				
Depreciation	4,528,270	472,547	-	5,000,818
Increase in property and equipment and intangible assets	54,506,443	9,406,577	-	63,913,021

(Note 1) Operating revenues of NPR are exclusively earned from external parties.

(Note 2) Reconciling adjustments to segment income represent general corporate expenses that consist mainly of asset management fee of 595,169 thousand yen, asset custody fee of 45,304 thousand yen and directors' compensation of 7,200 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 19,340,076 thousand yen, long-term prepaid expenses, security deposit and deferred tax assets of 1,607,407 thousand yen and Investment corporation bond issuance costs of 68,979 thousand yen.

Thousands of yen				
As of and for the six-month period ended May 31, 2019				
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 18,275,362	¥ 1,495,899	¥ -	¥ 19,771,261
Segment income (Note 2)	9,279,703	627,110	(666,558)	9,240,255
Segment assets (Note 2)	521,711,058	33,431,105	22,504,850	577,647,014
Other items				
Depreciation	4,118,887	379,821	-	4,498,709
Increase in property and equipment and intangible assets	13,746,482	7,631	-	13,754,114

(Note 1) Operating revenues of NPR are exclusively earned from external parties.

(Note 2) Reconciling adjustments to segment income represent general corporate expenses that consist mainly of asset management fee of 549,127 thousand yen, asset custody fee of 42,988 thousand yen and directors' compensation of 7,200 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 20,311,910 thousand yen, long-term prepaid expenses, security deposit and deferred tax assets of 1,432,145 thousand yen and Investment corporation bond issuance costs of 75,739 thousand yen.

Related Information

(For the six-month period ended November 30, 2019)

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	20,399,275 thousand yen	Global market and Regional market

(Note) With respect to 40 properties out of 46 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, 2019)

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	18,529,327 thousand yen	Global market and Regional market

(Note) With respect to 36 properties out of 42 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

17. Subsequent Events

(a) Issuance of New Investment Units

NPR's board of directors made a resolution regarding the issuance of new investment units (the "Offering") with terms and conditions described below on January 17, 2020 and January 27, 2020. Accordingly, the payments for the public offering and third-party allotment were completed on January 31, 2020 and February 26, 2020, respectively.

Issuance of New Investment Units through the Public Offering

Number of investment units issued	111,140 units
Issue price (offer price)	292,824 yen per unit
Total amount issued	32,544,459,360 yen
Issue amount (amount to be paid)	283,292 yen per unit
Net proceeds	31,485,072,880 yen
Payment date	January 31, 2020

Issuance of New Investment Units through the Third-Party Allotment

Number of investment units issued	5,560 units
Issue amount (amount to be paid)	283,292 yen per unit
Net proceeds	1,575,103,520 yen
Payment date	February 26, 2020
Purchaser	SMBC Nikko Securities Inc

Use of proceeds

A portion of the net proceeds from the public offering and cash on hand were used to acquire new properties described below "(c) Acquisition of Assets" and a portion of the net proceeds from third-party allotment will be used to fund future acquisitions of specified assets (as defined in Article 2, Paragraph 1 of the Act on Investment Trusts and Investment Corporations of Japan (Act No. 198 of 1951, including amendments thereto)) or to repay borrowings.

(b) Borrowings

On February 5, 2020, NPR borrowed loans (the “Borrowings”), which were based on a resolution made by the board of directors on January 17, 2020, for the purpose of funding the acquisition costs of new properties and related expenses described in the following “(c) Acquisition of Assets.”

Details of the Borrowings

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd.	10,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.170%	February 5, 2020	February 4, 2021	Paid in full upon maturity	Unsecured and non-guaranteed
		3,800 million yen					
Long-term (Note 3)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 1)	5,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.225%		February 5, 2027		
Long-term (Note 4)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 2)	4,100 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.275%		February 5, 2029		

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

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

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

1. Counterparty	Nomura Securities Co., Ltd.
2. Notional Amount	5,000 million yen
3. Interest Rate	Fixed Interest Rate: 0.0197% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	February 3, 2020
5. Effective Date	February 5, 2020
6. Termination Date	February 5, 2027

*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.2447%.

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

1. Counterparty	Nomura Securities Co., Ltd.
2. Notional Amount	4,100 million yen
3. Interest Rate	Fixed Interest Rate: 0.0696% Floating Interest Rate: JBA 3-month Japanese yen TIBOR

4. Trade Date	February 3, 2020
5. Effective Date	February 5, 2020
6. Termination Date	February 5, 2029

*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.3446%.

(c) Acquisition of Assets

As resolved by the board of directors on January 17, 2020, in line with the investment guidelines defined in its Articles of Incorporation, NPR acquired the properties described below on February 5, 2020, with the net proceeds from the issuance of new investment units described in “(a) Issuance of New Investment Units” above, the borrowings described in “(b) Borrowings” above and cash on hand.

Property name		Prologis Park Chiba 1
Location		210-27, Roppo-Cho, Inage Ward, Chiba, Chiba 210-27, Roppo-Cho, Inage Ward, Chiba, Chiba
Class of assets		Beneficiary right in trust of real estate
Acquisition date		February 5, 2020
Acquisition price		31,000 million yen
Land	Ownership form	Proprietary
	Land area	66,117.49 m ²
Building	Ownership form	Proprietary
	Gross floor area	138,547.18 m ²
	Date of completion	September 20, 2019
	Use	Warehouse / Office
Structure/No. of stories		SRC, 5-story building

Property name		Prologis Park MFLP Kawagoe
Location		9-3, Minamidai 1-chome, Kawagoe, Saitama 9-3, Minamidai 1-chome, Kawagoe, Saitama
Class of assets		Beneficiary right in trust of real estate (50% co-ownership interest)
Acquisition date		February 5, 2020
Acquisition price		14,800 million yen
Land	Ownership form	Proprietary
	Land area	58,749.53 m ² (note)
Building	Ownership form	Proprietary
	Gross floor area	117,337.69m ² (note)
	Date of completion	October 16, 2018
	Use	Warehouse / Office
Structure/No. of stories		SRC, 4-story building

(note) Although we acquired a 50% co-ownership interest in Prologis Park MFLP Kawagoe, the gross floor area shown is for the entire property.

Property name		Prologis Park Tsukuba 1-B
Location		6-1, Tokodai 5 chome, Tsukuba, Ibaraki 6-1, Tokodai 5 chome, Tsukuba, Ibaraki
Class of assets		Beneficiary right in trust of real estate
Acquisition date		February 5, 2020
Acquisition price		13,500 million yen

Land	Ownership form	Proprietary
	Land area	32,804.36 m ²
Building	Ownership form	Proprietary
	Gross floor area	65,676.87 m ²
	Date of completion	August 22, 2019
	Use	Warehouse / Office
	Structure/No. of stories	S, 4-story building



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Prologis REIT, Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at November 30, 2019 and May 31, 2019, and the statements of income, statements of changes in net assets and statements of cash flows for the six-month periods ended November 30, 2019 and May 31, 2019, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Prologis REIT, Inc. as at November 30, 2019 and May 31, 2019, and their financial performance and cash flows for the six-month periods ended November 30, 2019 and May 31, 2019, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 17 to the financial statements, which states that subsequent to November 30, 2019, Nippon Prologis REIT, Inc. issued new investment units, borrowed bank loans and acquired beneficiary rights in trust of three properties. Our opinion is not modified in respect of this matter.

KPMG AZSA LLC

February 27, 2020
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.