

# SEMIANNUAL REPORT

Fiscal Period Ended May 31, 2016



# Message from the Executive Director



Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report for the fiscal period ended May 31, 2016. Our focused investment strategy and the strong fundamentals of both the Japanese macroeconomic environment and the logistics real estate market have resulted yet again in excellent financial results. We are truly confident about, and proud of, our positive and consistent growth story.

**Fourth Follow-on Offering and Acquisitions** – NPR continues to receive strong sponsor support from the Prologis Group. In March 2016, we completed our fourth follow-on offering and successfully raised 25.7 billion yen of capital. With the proceeds, we acquired four new Class-A properties – Prologis Park Osaka 5, Prologis Park Kitamoto, Prologis Park Joso and Prologis Park Sendai Izumi – from our sponsor. These state-of-the-art properties are in prime locations. As a result of the offering and acquisitions, we realized significant accretion of our distribution per unit (DPU) and our net asset value (NAV) per unit. Our portfolio now has an estimated value of 447 billion yen, and our liquidity has also increased. We are delighted to see such significant improvements to our unit holder value.

**Operational and Financial Highlights** — Due to the competitive high quality of our Class-A portfolio and the improving Japanese macroeconomy, our operational status in the fiscal period was significantly strong. We maintained a high average occupancy of 98 percent and our rents continued to grow. For the 236,000 square meters of leases that were renewed or re-tenanted in the period, we achieved weighted average rent growth of 3 percent on a nominal weighted average basis – this marks the seventh period of consecutive growth since our inception. Capturing this momentum, we intend to strive to accomplish at least 2 percent rent growth for leases that are scheduled to expire over the next few years.

Our financial performance remains strong. To illustrate, our operating revenue was 14,866 million yen, operating income was 7,288 million yen, ordinary income was 6,235 million yen and net income was 6,255 million yen. From the previous period, our DPU grew by 1.6 percent to 4,006 million yen, including surplus cash distributions. Since our inception, on a stabilized basis excluding one-time effects from actual results, our DPU has grown by 24 percent, which reflects our robust external growth from property acquisitions and steady rent growth, as well as our stringent efforts to cut costs wherever possible.

**The Japanese Logistics Real Estate Market** — Japan's logistics real estate market, especially in the Class-A segment, continues to be healthy. Because the country's current stock of modern logistics facilities is scarce, accounting for only 2 percent of the nation's entire distribution space, we believe the outlook for logistics real estate is bright. Demand from our customers is backed by the rapidly growing e-tailing sector and by conventional retailers/manufacturers that are outsourcing more of their logistics functions to 3PL companies to reduce operational costs. While we continue to anticipate significant volume of new supply through 2017 in both the Tokyo and Osaka metropolitan areas, we believe our leasing status will not be materially affected due to robust demand, the fundamental scarcity of space and our well-staggered lease expiration schedule. New supply is expected to be absorbed within a reasonable period of time, and we believe that high-quality Japanese logistics real estate will perform well over the long term.

## Message from the Executive Director



**Strong Sponsor Support and Future Acquisitions** — At the end of the fiscal period, we had exclusive negotiation rights for seven properties with an estimated value of 110 billion yen. These properties are currently under construction or in the lease-up process. In addition, the Prologis Group is planning six new developments. As these development assets are completed, leased and stabilized, they will be added to NPR's exclusive negotiation rights list. With these strong external growth opportunities, we believe we will be able to continue to maximize our unit holder value. Accordingly, we now have a mid-term portfolio growth target of approximately 600+ billion yen in terms of acquisition value.

**Financial Strategies** — By focusing our financial strategy on long-term stability and efficiency, we have created and now maintain one of the strongest balance sheets in the J-REIT industry. At the end of the fiscal period, our loan-to-value ratio was 38.5 percent, and we intend to maintain this conservative level of leverage to secure NPR's strong balance sheet. Our term loans are provided by the leading lenders in Japan and 95.5 percent of our loans have long-term fixed interest rates, which will help us to mitigate future interest rate volatility risks; further to this, our debt maturities are well-staggered to avoid refinancing risks. During the fiscal period, we successfully completed the refinancing of a 23.3 billion yen bank loan and achieved a significant reduction in interest rates while lengthening the duration of the loan. We are pleased to be recognized by JCR for the strength of our balance sheet and commitment to a sound capital structure. Accordingly, JCR has assigned us a high credit rating of AA (stable).

**Looking Forward** — We will endeavor to maximize our unit holder value by growing both externally and internally, and will continue to build a solid track record of 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 May 31, 2016



Distribution Per Unit  
(total JPY)

4,006

Operating Revenues  
(JPY millions)

14,866

Net Income  
(JPY millions)

6,255

Loan-to-Value Ratio

38.5%

Average Rent Growth

+3.0%

Period Average Occupancy

98.0%

Credit Rating

JCR AA  
(Stable)

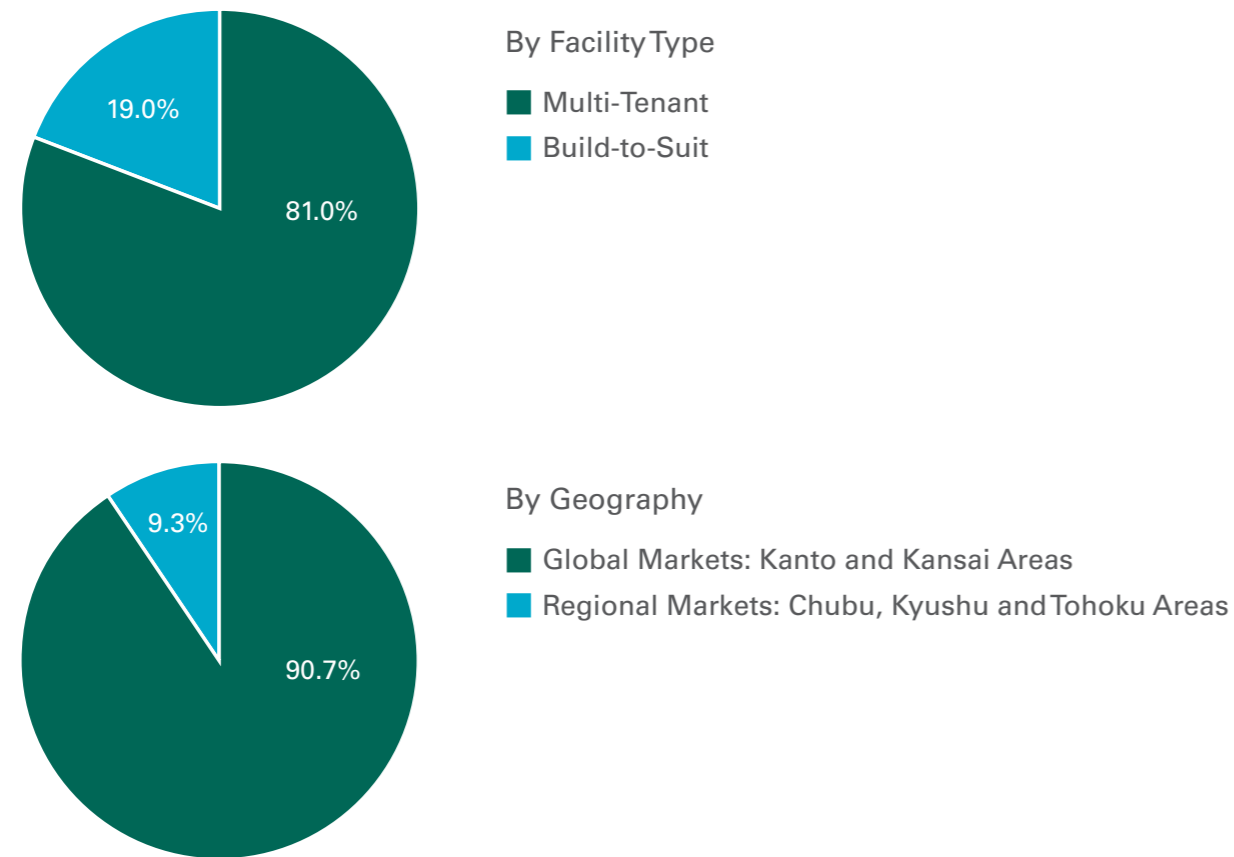
Portfolio Size  
(JPY millions)

447,190

# Investment Highlights

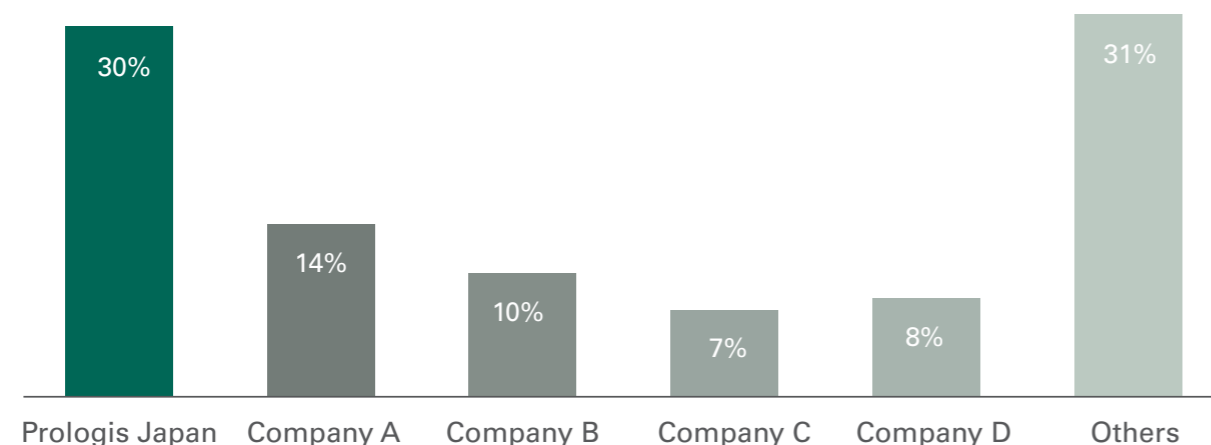


## Earnings Stability from a Diversified Portfolio of Class-A Facilities



## Full Sponsor Support from the Prologis Group\*

Prologis Group is the leading developer of Class-A Logistics facilities in Japan.



\*As of December 31, 2015

## Focus on High-Quality Class-A Logistics Facilities

Class-A Logistics Facilities Developed by Prologis Group

100%

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

Focus on Long-Term Stability of Borrowings

Efficient Cash Management

Period End LTV  
38.5%

## Governance Structure Promotes Growth in Unit Holder Value

Prologis Investment

15%

# Nippon Prologis REIT (NPR) Portfolio



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



**M-02** Prologis Park Zama 1  
JPY 27,900 mm



**M-03** Prologis Park Kawajima  
JPY 25,600 mm



**M-04** Prologis Park Osaka 2  
JPY 25,000 mm



**M-05** Prologis Park Maishima 3  
JPY 13,500 mm



**M-06** Prologis Park Kasugai  
JPY 12,500 mm



**M-07** Prologis Park Kitanagoya  
JPY 6,500 mm



**M-08** Prologis Park Tagajo  
JPY 5,370 mm



**M-09** Prologis Park Tokyo-Ohta  
JPY 29,500 mm



**M-10** Prologis Park Zama 2  
JPY 21,900 mm



**M-11** Prologis Park Funabashi 5  
JPY 11,000 mm



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



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



**M-14** Prologis Park Amagasaki 1  
JPY 17,600 mm



**M-15** Prologis Park Amagasaki 2  
JPY 19,200 mm



**M-16** Prologis Park Tokyo-Shinkiba  
JPY 13,600 mm



**M-17** Prologis Park Yokohama-Tsurumi  
JPY 13,800 mm



**M-18** Prologis Park Osaka 4  
JPY 21,000 mm



**M-19** Prologis Park Iwanuma 1  
JPY 5,670 mm



**M-20** Prologis Park Kawajima 2  
JPY 8,180 mm



**M-21** Prologis Park Kitamoto  
JPY 12,600mm



**M-22** Prologis Park Joso  
JPY 7,120mm



**M-23** Prologis Park Osaka 5  
JPY 17,600mm



**B-01** Prologis Park Maishima 4  
JPY 11,500 mm



**B-02** Prologis Park Takatsuki  
JPY 4,410 mm



**B-03** Prologis Park Tosu 2  
JPY 3,030 mm



**B-04** Prologis Park Tosu 4  
JPY 3,810 mm



**B-05** Prologis Park Narashino 4  
JPY 20,000 mm



**B-06** Prologis Park Ebina  
JPY 8,250 mm



**B-07** Prologis Park Kawanishi  
JPY 13,600 mm



**B-08** Prologis Park Amagasaki 3  
JPY 9,090 mm



**B-09** Prologis Park Kobe  
JPY 6,410 mm

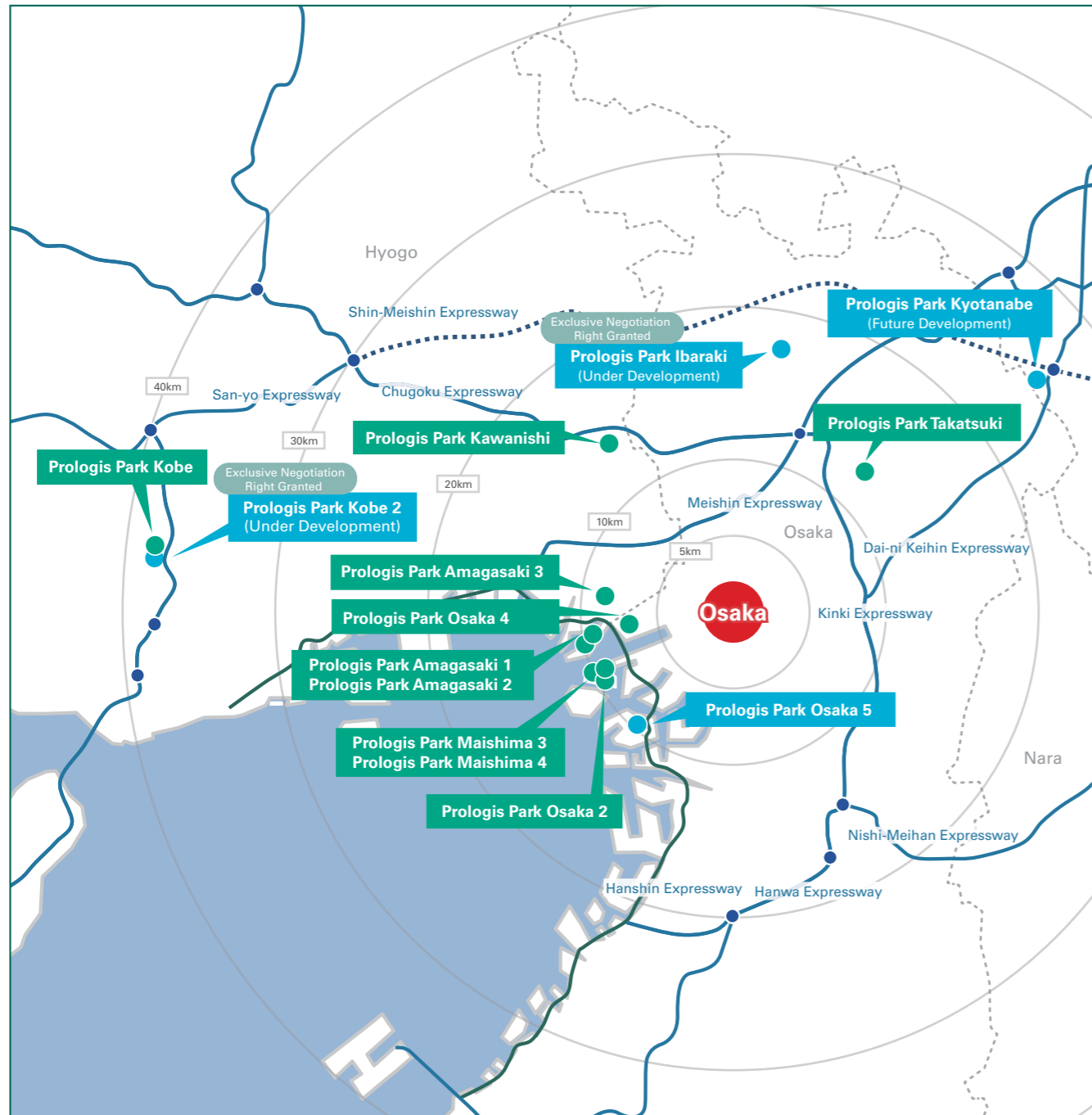


**B-10** Prologis Park Sendai Izumi  
JPY 4,820mm

Note: As of May 31, 2016. Property values are based on acquisition price.

# NPR Portfolio and Acquisition Pipeline

## Kansai area



## Kanto area



- Current assets
- Pipeline assets

## Sponsor Support from the Prologis Group



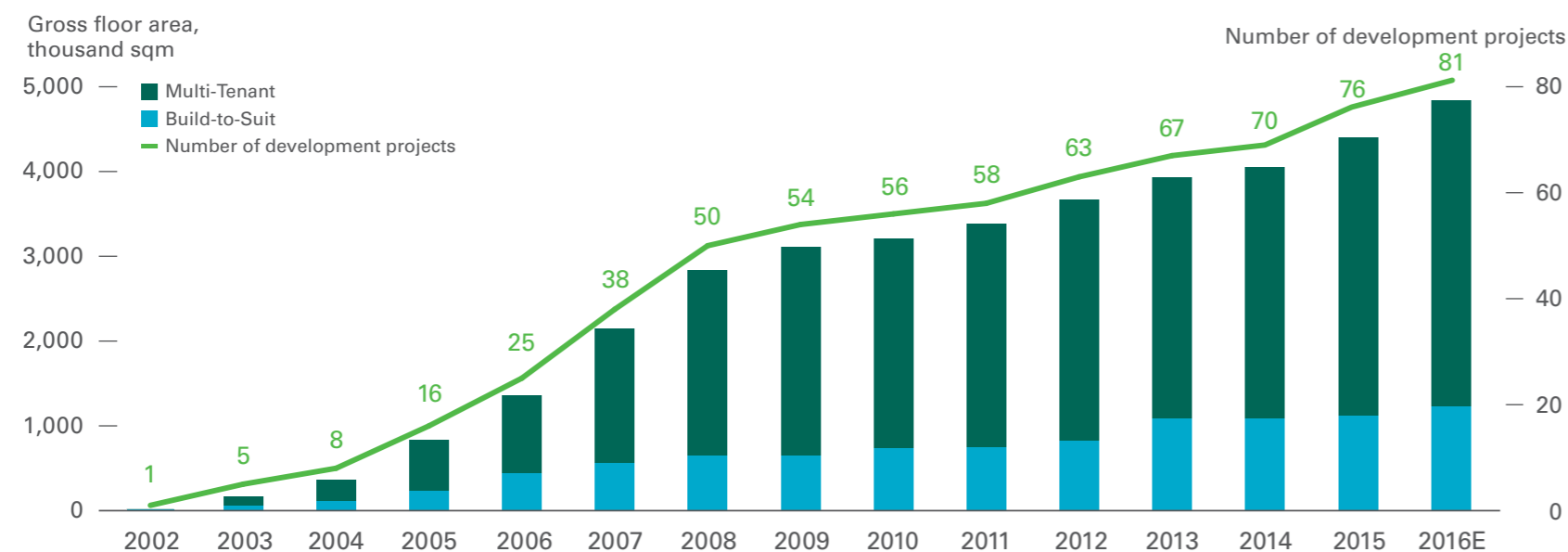
### Potential Acquisition Pipeline

Status	Region / Area	Property Name	Expected Completion Year	Property Type	GFA (sqm)
Exclusive Negotiation Rights granted by the Prologis Group	Kanto	Prologis Park Narita 1-D	2015	Multi-Tenant	28,192
		Prologis Park Yoshimi	2015	Multi-Tenant	104,805
		Prologis Park Narashino 5	2016	Multi-Tenant	58,928
		Prologis Park Chiba New Town	2016	Multi-Tenant	109,980
		Prologis Park Koga 1	2016	Build-to-Suit	35,720
	Kansai	Prologis Park Ibaraki	2016	Multi-Tenant	189,741
		Prologis Park Kobe 2	2016	Build-to-Suit	68,364
Planned Assets (Under Development / Future Development)	Kanto	Prologis Park Koga 2	2017	Build-to-Suit	21,914
		Prologis Park Koga 3	TBD	Build-to-Suit	34,000
		Prologis Park Ichikawa 3	TBD	Multi-Tenant	64,385
		Prologis Park Ebina 2	2017	Build-to-Suit	38,000
		Prologis Park Higashi Matsuyama	2017	Multi-Tenant	70,000
	Kansai	Prologis Park Kyotanabe	TBD	Multi-Tenant	156,000
Total					980,029

Note: Prologis expects to start JPY 40-60 billion in new development projects each year.

NPR does not have definite contracts to acquire the above properties. This property list should not be deemed a commitment or guarantee of NPR's future acquisitions.

### Proven Development Track Record in Japan Since 2002



## Focus on Class-A Logistics Facilities

### Features:

- Gross floor area of approximately 16,500 square meters 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 square meters per level with a floor weight capacity of at least 1.5 tons/square meters, an effective ceiling height of at least 5.5 meters and column spacing of at least 10 meters
- Spiral ramps or slopes that allow trucks direct access to upper-floor distribution space
- Safety features such as seismic isolation and earthquake-proofing

Spiral Rampways



Large Loading Zones



Wide-Column Spacing



Renewable Energy



Restaurant



Convenience Store



24-Hour Security

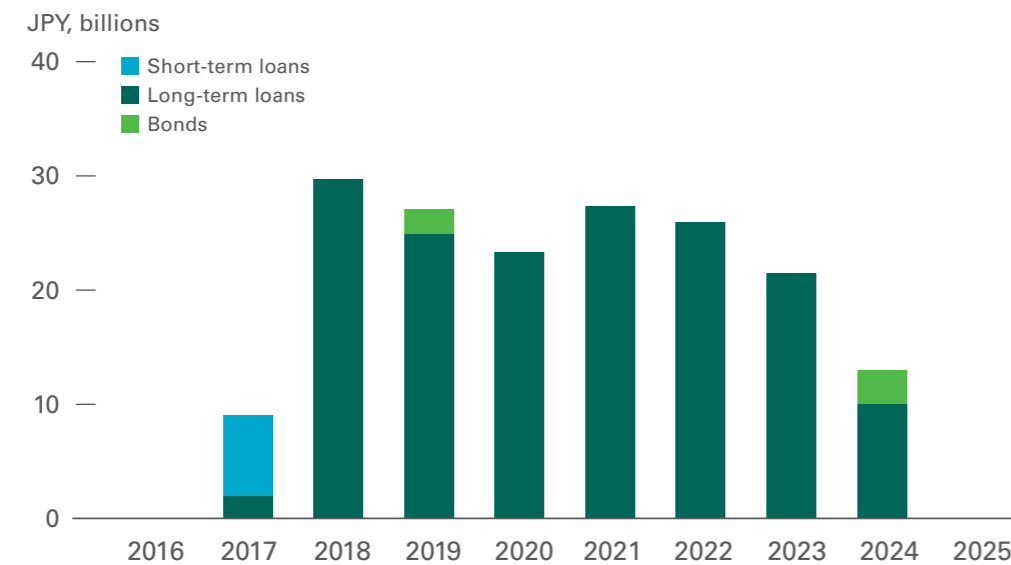


Seismic Isolators



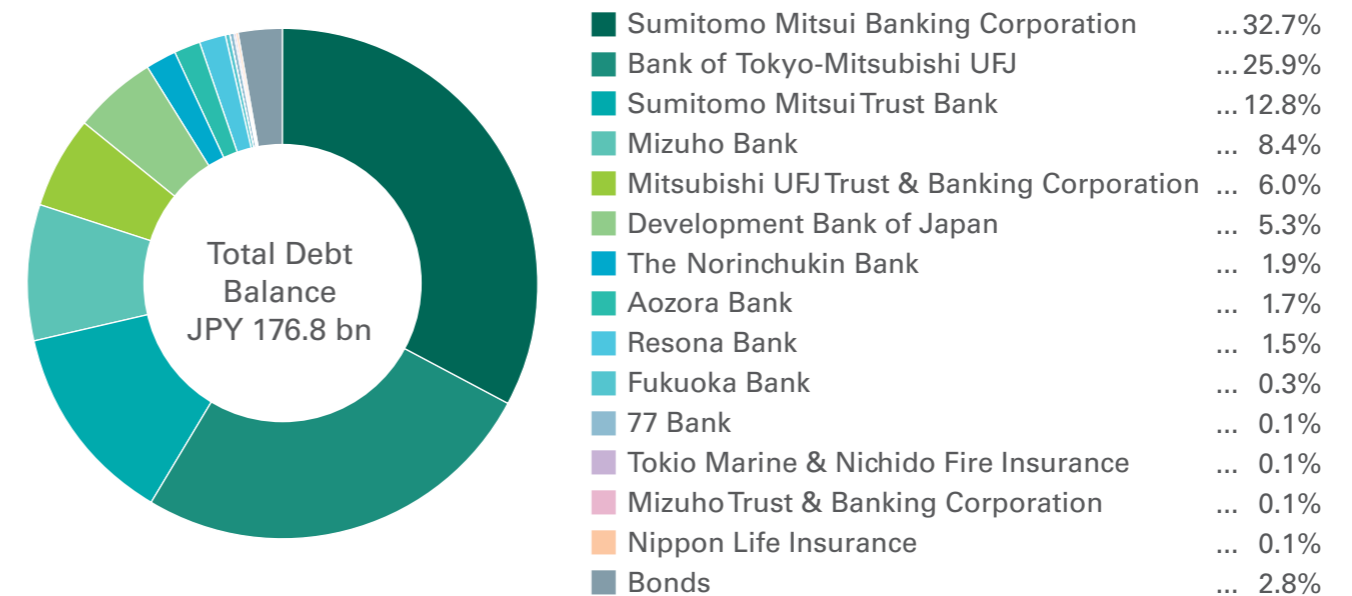
## Financial Strategy

### Debt Maturity Schedule\*



\*As of May 31, 2016

### Debt Providers\*



## Corporate Governance Investor-Aligned 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)	

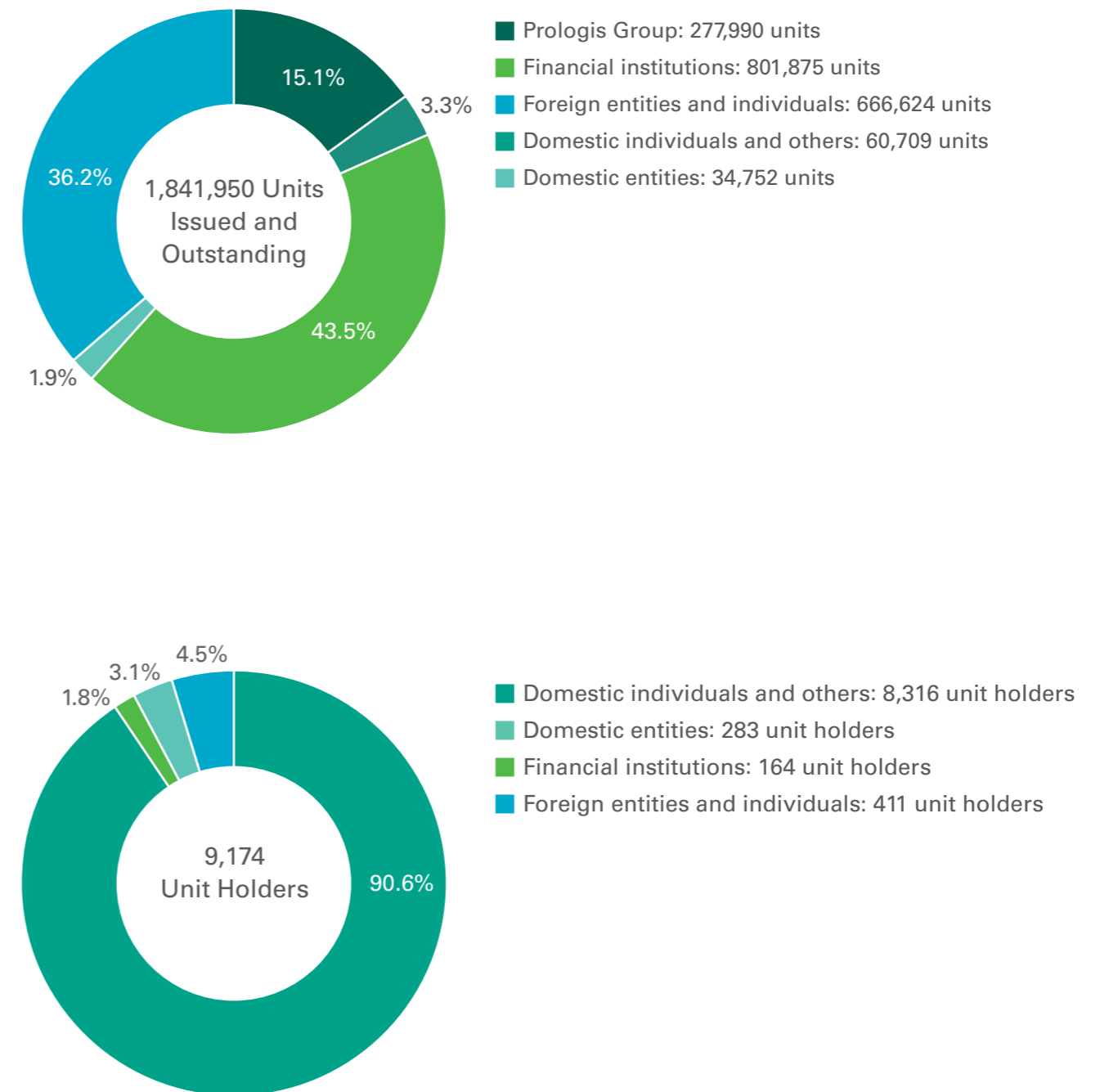
100% performance-linked asset management fee structure

## Unit Holder Information (As of May 31, 2016)

### Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Prologis Property Japan SPC	275,990	14.98%
2	Japan Trustee Services Bank, Ltd. (Trust Acct.)	271,614	14.74%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	132,075	7.17%
4	Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	127,477	6.92%
5	NOMURA BANK (LUXEMBOURG) S. A.	67,927	3.68%
6	The Nomura Trust and Banking Company, Ltd. (Trust Acct.)	63,481	3.44%
7	STATE STREET BANK AND TRUST COMPANY	42,630	2.31%
8	STATE STREET BANK WEST CLIENTS-TREATY 505234	42,410	2.30%
9	THE BANK OF NEW YORK MELLON SA/NV 10	37,275	2.02%
10	THE BANK OF NEW YORK, NON-TREATY JASDEC ACCOUNT	26,431	1.43%
	<b>Total</b>	<b>1,087,310</b>	<b>59.03%</b>

### Unit Holder Composition



# Prologis Group's Sustainability Initiatives



## Environmental Stewardship

As a leading global provider of distribution facilities, the Prologis Group is fully committed to providing industry leading energy-efficient buildings and delivering best-in-class projects that enable more efficient customer operations and enhance local communities.

### NPR Receives DBJ Green Building Certification

NPR received the Five Stars DBJ Green Building Certification, which is the highest of five ranks, for three of its properties, Prologis Park Ichikawa 1, Prologis Park Zama 1 and Prologis Park Zama 2.

DBJ Green Building Certification is certified for real estate properties that meet various stakeholders' social requirements, such as high-quality environmental design, security systems and disaster prevention functions, on the scoring model originally developed by DBJ. This certification promotes the expansion of green buildings, which are essential to today's real estate market.



Prologis Park Zama 1

**DBJ Green Building:** five stars  
**CASBEE:** Completion Class S  
**BELS:** ★★★★★



Prologis Park Zama 2

**DBJ Green Building:** five stars  
**CASBEE:** Completion Class S  
**BELS:** ★★★★★



Prologis Park Ichikawa 1

**DBJ Green Building:** five stars  
**CASBEE:** Completion Class S  
**BELS:** ★★★★★



Prologis Park Osaka 5

**CASBEE:** Completion Class A  
**BELS:** ★★★★★

### Building Energy-Efficiency Labeling System (BELS)

BELS is a system promoted by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) to assess the energy conservation performance of buildings. NPR has obtained high ratings for four buildings in its portfolio, including the highest five-star rating "★★★★★."



### Awards for Environmental Excellence

As a result of our collective efforts in promoting sustainability within our portfolio and organization, NPR has been assessed as one of the most prestigious entities with the highest social responsibility standards.



MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

## Social Responsibility

### CSR activities

Employee volunteerism is an important part of our culture. Impact Day, the company's global day of service, gives employees the opportunity to give back to the communities we serve.



Impact Day 2016 (Kitamoto, Saitama)



### Support for the logistics industry

Support the museum which is the only logistics museum in Japan

Volunteers at the Museum of Logistics

### Support for local communities / Internship programs for junior high-school students, college students, etc.

Since 2006, Prologis has been sponsoring Waseda University Graduate School of Commerce's "Logistics / SCM Course."



Field trip for Elementary School students at Prologis Park Zama



Logistics / SCM Course at Waseda University



### Host family events for customers and neighborhoods

Prologis hosts events to help our customers enhance workforce culture and employee satisfaction, and to build strong relationship with local communities.

Summer festival at Prologis Park Ichikawa 1

## Balance Sheets

	Thousands of yen	
	As of	
	May 31, 2016	November 30, 2015
<b>ASSETS</b>		
Current assets:		
Cash and deposits (Notes 3 and 4)	¥ 17,394,480	¥ 19,648,024
Cash and deposits in trust (Notes 3 and 4)	3,302,017	3,331,121
Operating accounts receivable	387,375	371,612
Prepaid expenses	311,309	242,193
Deferred tax assets (Note 12)	10	24
Consumption taxes receivable	2,127,110	-
Other current assets	116	30
Total current assets	23,522,421	23,593,006
Property and equipment (Note 6):		
Buildings	7,549,209	7,549,209
Structures	249,739	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust	254,388,011	224,517,935
Structures in trust	5,119,786	4,270,648
Machinery and equipment in trust	11,267	11,267
Tools, furniture and fixtures in trust	478,782	426,245
Other tangible assets in trust	35	35
Land in trust	180,810,277	168,427,926
Construction in progress in trust	5,071	-
Less: accumulated depreciation	(17,414,543)	(14,285,675)
Total property and equipment	435,037,275	395,006,969
Intangible assets (Note 6):		
Other intangible assets in trust	3,718	3,636
Total intangible assets	3,718	3,636
Investments and other assets:		
Long-term prepaid expenses	900,333	734,904
Security deposit	10,000	10,000
Organization expenses	23,077	31,222
Investment corporation bond issuance costs	21,834	23,744
Other	400	400
Total investments and other assets	955,644	800,271
<b>Total Assets</b>	<b>¥ 459,519,060</b>	<b>¥ 419,403,883</b>

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

## Balance Sheets, continued

	Thousands of yen	
	As of	
	May 31, 2016	November 30, 2015
<b>LIABILITIES</b>		
Current liabilities:		
Operating accounts payable	¥ 856,555	¥ 1,215,677
Short-term loans payable (Notes 4 and 10)	7,000,000	-
Current portion of long-term loans payable (Notes 4, 5 and 10)	-	23,300,000
Accounts payable	431,428	260,081
Accrued expenses	1,426,504	1,357,709
Accrued consumption taxes	-	269,146
Income taxes payable	499	715
Advances received	2,609,893	2,416,256
Other current liabilities	505,030	83,648
Total current liabilities	12,829,913	28,903,236
Non-current liabilities:		
Investment corporation bonds payable (Notes 4 and 11)	5,000,000	5,000,000
Long-term loans payable (Notes 4, 5 and 10)	164,800,000	133,900,000
Tenant leasehold and security deposits (Note 4)	247,773	247,773
Tenant leasehold and security deposits in trust (Note 4)	11,403,825	10,445,198
Other non-current liabilities	1,066	732
Total non-current liabilities	181,452,665	149,593,703
<b>Total Liabilities</b>	<b>194,282,579</b>	<b>178,496,940</b>
<b>NET ASSETS</b> (Note 9)		
Unit holders' equity		
Unit holders' capital	258,979,782	234,918,722
Units authorized:		
10,000,000 units as of May 31, 2016 and November 30, 2015		
Units issued and outstanding:		
1,841,950 units as of May 31, 2016 and 1,730,750 units as of November 30, 2015		
Surplus		
Retained earnings	6,256,697	5,988,220
Total unit holders' equity	265,236,480	240,906,942
<b>Total Net Assets</b>	<b>265,236,480</b>	<b>240,906,942</b>
<b>Total Liabilities and Net Assets</b>	<b>¥ 459,519,060</b>	<b>¥ 419,403,883</b>

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

## Statements of Income

	Thousands of yen			
	For the six-month periods ended			
	May 31, 2016		November 30, 2015	
<b>Operating Revenues</b> (Note 7):				
Operating rental revenues	¥	13,849,474	¥	13,181,769
Other rental revenues		1,017,058		1,151,196
Total operating revenues		14,866,532		14,332,966
<b>Operating Expenses</b> (Notes 6 and 7):				
Expenses related to property rental business		6,189,427		6,075,774
Asset management fee		1,284,792		1,221,716
Asset custody fee		37,091		35,796
Directors' compensation		4,800		4,800
Audit fee		15,000		15,000
Other operating expenses		46,633		35,755
Total operating expenses		7,577,744		7,388,843
Operating income		7,288,788		6,944,123
<b>Non-operating Income:</b>				
Interest income		2,101		1,907
Refund of real estate taxes and other		-		4,403
Gain on donation of fixed assets		7,013		-
Total non-operating income		9,115		6,311
<b>Non-operating Expenses:</b>				
Interest expense on loans payable		783,235		791,888
Interest expense on investment corporation bonds		17,424		17,235
Amortization of organization expenses		8,145		8,145
Amortization of investment corporation bond issuance costs		1,910		1,910
Borrowing related expenses		147,622		143,017
Investment unit issuance expenses		27,098		-
Offering costs associated with the issuance of investment units		77,129		-
Others		81		28
Total non-operating expenses		1,062,647		962,224
Ordinary income		6,235,256		5,988,210
<b>Extraordinary income:</b>				
Subsidy income		20,720		-
Total extraordinary income		20,720		-
Income before income taxes		6,255,976		5,988,210
Incomes taxes - current (Note 12)		821		1,103
Incomes taxes - deferred (Note 12)		13		0
Total income taxes		835		1,104
Net income		6,255,141		5,987,106
Retained earnings brought forward		1,556		1,114
Retained earnings at end of period	¥	6,256,697	¥	5,988,220

	Yen	
	For the six-month periods ended	
	May 31, 2016	November 30, 2015
Net income per unit (Note 13)	¥ 3,518	¥ 3,459

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

## Statements of Changes in Net Assets

For the six-month periods ended May 31, 2016 and November 30, 2015

	Thousands of yen			
	Number of units	Unit holders' capital	Retained earnings	Total net assets
Balance as of May 31, 2015 (Note 9)	1,730,750	¥ 235,915,634	¥ 5,788,742	¥ 241,704,376
Distributions in excess of retained earnings		(996,912)		(996,912)
Distributions of retained earnings			(5,787,628)	(5,787,628)
Net income			5,987,106	5,987,106
Balance as of November 30, 2015 (Note 9)	1,730,750	¥234,918,722	¥5,988,220	¥240,906,942
Issuance of new units on March 14, 2016 and April 13, 2016	111,200	24,897,012		24,897,012
Distributions in excess of retained earnings		(835,952)		(835,952)
Distributions of retained earnings			(5,986,664)	(5,986,664)
Net income			6,255,141	6,255,141
Balance as of May 31, 2016 (Note 9)	1,841,950	¥258,979,782	¥6,256,697	¥265,236,480

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

## Statements of Cash Flows

	Thousands of yen	
	For the six-month periods ended	
	May 31, 2016	November 30, 2015
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 6,255,976	¥ 5,988,210
Depreciation (Note 6)	3,129,190	2,935,990
Amortization of organization expenses	8,145	8,145
Amortization of investment corporation bond issuance costs	1,910	1,910
Investment unit issuance expenses	27,098	-
Interest income	(2,101)	(1,907)
Interest expense	800,660	809,123
Decrease (increase) in operating accounts receivable	(15,763)	(110,312)
Decrease (increase) in consumption taxes receivable	(2,127,110)	-
Decrease (increase) in prepaid expenses	(69,116)	52,367
Decrease (increase) in long-term prepaid expenses	(165,428)	109,210
Increase (decrease) in operating accounts payable	(359,476)	383,508
Increase (decrease) in accounts payable	18,963	3,353
Increase (decrease) in accrued expenses	68,781	14,268
Increase (decrease) in accrued consumption taxes	(269,146)	(591,758)
Increase (decrease) in advances received	193,636	23,317
Others, net	266,584	702
Subtotal	7,762,803	9,626,130
Interest received	2,101	1,907
Interest paid	(800,647)	(817,873)
Income taxes paid	(1,037)	(1,221)
Net cash provided by operating activities	6,963,219	8,808,942
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(5,220)	(759)
Purchases of property and equipment in trust	(42,993,804)	(438,204)
Purchases of intangible assets in trust	(1,599)	-
Proceeds from tenant leasehold and security deposits in trust	1,279,367	340,689
Repayments of tenant leasehold and security deposits in trust	(172,707)	(329,016)
Net cash provided by (used in) investing activities	(41,893,964)	(427,290)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term loans payable	7,000,000	-
Proceeds from long-term loans payable	61,900,000	-
Repayments of long-term loans payable	(54,300,000)	-
Proceeds from issuance of new investment units	24,869,914	-
Payment of distributions of retained earnings	(5,985,948)	(5,787,023)
Payment of distributions in excess of retained earnings	(835,869)	(996,772)
Net cash provided by (used in) financing activities	32,648,096	(6,783,795)
Net increase (decrease) in cash and cash equivalents	(2,282,648)	1,597,856
Cash and cash equivalents at the beginning of period	22,979,146	21,381,289
Cash and cash equivalents at the end of period (Note 3)	¥ 20,696,498	¥ 22,979,146

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

## Notes to Financial Statements

For the six-month periods ended May 31, 2016 and November 30, 2015

### 1. Organization and Basis of Presentation

#### a) Organization

Nippon Prologis REIT, Inc. ("NPR") was established on November 7, 2012 under the "Act on Investment Trust and Investment Corporation" (hereinafter the "Investment Trust Law"), and was listed on the REIT Securities Market of the Tokyo Stock Exchange on February 14, 2013, with the Prologis Group (\*), the leading global owner, operator and developer of logistics facilities, acting as a sponsor. NPR primarily focuses on investing in logistics facilities, especially in high quality Class-A logistics facilities (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), and attempts to maximize its unit holder value through achieving stability in rental revenues, steady growth in the size of its portfolio and optimization of the value of its portfolio. NPR is externally managed by a licensed asset management company, Prologis REIT Management K.K. (hereinafter the "Asset Manager").

On February 13, 2013, NPR issued 182,350 new units through a public offering and raised approximately 96,882 million yen. Those units are listed on the J-REIT section of the Tokyo Stock Exchange.

NPR acquired 12 properties (aggregate acquisition price: 173,020 million yen) on February 15, 2013, following its listing, and acquired 17 properties (aggregate acquisition price: 232,030 million yen) during the second, third and fourth fiscal periods. NPR acquired four additional properties (aggregate acquisition price: 42,140 million yen) during the reporting fiscal period. As a result, NPR owned 33 properties (aggregate acquisition price: 447,190 million yen) as of the end of the reporting fiscal period.

(\*) 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.

#### 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, deposits in trust and short-term investments that are very 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	3-66 years
Structures	2-60 years
Machinery and equipment	17 years
Tools, furniture and fixtures	2-18 years

c) 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 property taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized property taxes amounted to 211,359 thousand yen for the fiscal period ended May 31, 2016. Also, it was not applicable for the six-month period ended November 30, 2015.

d) Investment Unit Issuance Expenses

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

e) Organization Expenses

All organization expenses are amortized using the straight-line method over five years.

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 or income, respectively.

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 sheet, and net movement is treated as operating cash flows in the statement of cash flows.

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 is as follows:

	Thousands of yen			
	As of			
	May 31, 2016		November 30, 2015	
Cash and deposits	¥	17,394,480	¥	19,648,024
Cash and deposits in trust		3,302,017		3,331,121
Cash and cash equivalents	¥	20,696,498	¥	22,979,146

#### 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, some loans bear floating interest rates and are exposed to potential risks 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 May 31, 2016 and November 30, 2015 are as follows. Financial instruments for which the fair value is difficult to estimate are excluded from the following table (see Note 2 below).

Thousands of yen			
As of May 31, 2016			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 17,394,480	¥ 17,394,480	¥ -
(2) Cash and deposits in trust	3,302,017	3,302,017	-
Total assets	¥ 20,696,498	¥ 20,696,498	¥ -
(3) Short-term loans payable	7,000,000	7,000,000	-
(5) Investment corporation bonds payable	5,000,000	5,162,300	162,300
(6) Long-term loans payable	164,800,000	167,870,392	3,070,392
Total liabilities	¥ 176,800,000	¥ 180,032,692	¥ 3,232,692
(7) Derivative transactions	¥ -	¥ -	¥ -

Thousands of yen			
As of November 30, 2015			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 19,648,024	¥ 19,648,024	¥ -
(2) Cash and deposits in trust	3,331,121	3,331,121	-
Total assets	¥ 22,979,146	¥ 22,979,146	¥ -
(4) Current portion of long-term loans payable	23,300,000	23,297,065	(2,934)
(5) Investment corporation bonds payable	5,000,000	5,049,100	49,100
(6) Long-term loans payable	133,900,000	136,732,905	2,832,905
Total liabilities	¥ 162,200,000	¥ 165,079,071	¥ 2,879,071
(7) Derivative transactions	¥ -	¥ -	¥ -

##### (Note 1) Methods to estimate fair values of financial instruments

###### (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 long-term loans payable and (6) 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 conditions and terms.

## (5) Investment corporation bonds payable

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

## (7) 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	
	May 31, 2016	November 30, 2015
Tenant leasehold and security deposits	¥ 247,773	¥ 247,773
Tenant leasehold and security deposits in trust	11,403,825	10,445,198

## (Note 3) Redemption schedule for monetary claims after May 31, 2016

	Thousands of yen					
	As of May 31, 2016					
	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	¥17,394,480	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,302,017	-	-	-	-	-
Total	¥20,696,498	¥ -	¥ -	¥ -	¥ -	¥ -

## Redemption schedule for monetary claims after November 30, 2015

	Thousands of yen					
	As of November 30, 2015					
	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	¥19,648,024	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,331,121	-	-	-	-	-
Total	¥22,979,146	¥ -	¥ -	¥ -	¥ -	¥ -

## (Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2016

	Thousands of yen					
	As of May 31, 2016					
	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	¥ -	¥ 3,000,000
Long-term loans payable	-	25,300,000	6,400,000	48,300,000	7,300,000	77,500,000
Total	¥ -	¥25,300,000	¥6,400,000	¥50,300,000	¥7,300,000	¥80,500,000

## Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2015

	Thousands of yen					
	As of November 30, 2015					
	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	¥ -	¥ 3,000,000
Long-term loans payable	23,300,000	2,000,000	23,300,000	31,400,000	23,300,000	53,900,000
Total	¥23,300,000	¥2,000,000	¥23,300,000	¥33,400,000	¥23,300,000	¥56,900,000

## 5. Derivative Transactions

For the six-month periods ended May 31, 2016 and November 30, 2015, NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of May 31, 2016			
			Contract amount		Fair value	Fair value measurement
			Total	Due after one year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥163,800,000	¥163,800,000	(Note)	(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, (6) Long-term loans payable".

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of November 30, 2015			
			Contract amount		Fair value	Fair value measurement
			Total	Due after one year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥156,200,000	¥132,900,000	(Note)	(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, (4) Current portion of long-term loans payable and (6) 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			
	May 31, 2016		November 30, 2015	
Book value				
Balance at the beginning of the period	¥	395,010,605	¥	397,443,542
Changes during the period (Note 2)		40,030,387		(2,432,936)
Balance at the end of the period	¥	435,040,993	¥	395,010,605
Fair value at the end of the period	¥	506,620,000	¥	448,320,000

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

(Note 2) The increase for the fiscal period ended May 31, 2016 was primarily a result of acquiring four properties during the period (Prologis Park Kitamoto, Prologis Park Joso, Prologis Park Osaka5 and Prologis Park Sendai Izumi) for a total of 42,647,349 thousand yen, offset by depreciation of 3,129,190 thousand yen.

The decrease for the fiscal period ended November 30, 2015 was a result of the recognition of depreciation of 2,935,990 thousand yen.

(Note 3) The fair value as of the end of the reporting period is determined based on appraised value provided by independent real estate appraisers.

## 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 May 31, 2016 and November 30, 2015.

	Thousands of yen	
	For the six-month periods ended	
	May 31, 2016	November 30, 2015
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 12,989,562	¥ 12,390,334
Common area charges	859,912	791,434
Total	¥ 13,849,474	¥ 13,181,769
Other rental revenues		
Received utilities cost	¥ 834,397	¥ 954,600
Others	182,661	196,596
Total	¥ 1,017,058	¥ 1,151,196
Total property-related revenues	¥ 14,866,532	¥ 14,332,966
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 786,734	¥ 747,337
Utilities cost	814,386	955,454
Taxes and public dues	1,255,014	1,248,122
Non-life insurance premium	24,941	23,813
Repair and maintenance	161,659	148,516
Depreciation	3,129,190	2,935,990
Custodian fee	14,730	13,770
Other expenses	2,769	2,769
Total rental expenses	¥ 6,189,427	¥ 6,075,774
(3) Operating income from property leasing ( (1)-(2) )	¥ 8,677,105	¥ 8,257,192

## 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	
	May 31, 2016	November 30, 2015
Due within one year	¥ 26,277,434	¥ 23,935,998
Due after one year	82,788,757	74,214,688
Total	¥ 109,066,192	¥ 98,150,687

## 9. Net Assets

### a) Stated Capital

NPR issues only non-par value units in accordance with the Act on Investment Trusts and Investment Corporations 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 Act on Investment Trusts and Investment Corporations.

### b) Unit holders' capital

Unit holders' capital as of May 31, 2016 and November 30, 2015 consists of the following items:

	Thousands of yen	
	As of	
	May 31, 2016	November 30, 2015
Unit holders' capital, gross	¥ 263,424,563	¥ 238,527,550
Deduction from unit holders' capital; Accumulated distribution in excess of retained earnings	(4,444,780)	(3,608,828)
Unit holders' capital	¥ 258,979,782	¥ 234,918,722

### c) Distributions

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

	Yen			
	For the six-month periods ended			
	May 31, 2016		November 30, 2015	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 6,256,697,961		¥ 5,988,220,742	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	1,123,589,500		835,952,250	
III Distributions				
Distributions of retained earnings	6,255,262,200	¥3,396	5,986,664,250	¥ 3,459
Distributions in excess of retained earnings	1,123,589,500	610	835,952,250	483
Total distributions	7,378,851,700	¥4,006	6,822,616,500	¥ 3,942
IV Retained earnings carried forward	¥ 1,435,761		¥ 1,556,492	

Pursuant to the "Policy on the Distribution of Funds" as defined in Article 39, Paragraph 1, Item 2 of 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 amounts of 6,255,262,200 yen and 5,986,664,250 yen

for the six-month periods ended May 31, 2016 and November 30, 2015, respectively. These amounts were equivalent to the maximum integral multiples of number of investment units issued and outstanding as of the end of each fiscal period.

Based on the distribution policy as defined in Article 39, Paragraph 2 of 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.

Accordingly, NPR declared SCD of 891,503,800 yen and 835,952,250 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 3,129,190,780 yen and 2,935,990,820 yen for the periods ended May 31, 2016 and November 30, 2015, respectively.

In addition, NPR made a One-time Surplus Cash Distributions of 232,085,700 yen based on an assessment of temporary earnings dilution of 126 yen per unit as a result of certain financing activities for the period ended May 31, 2016.

# 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 long-term loans payable as of May 31, 2016 and November 31, 2015.

	Thousands of yen	
	As of	
	May 31, 2016	November 30, 2015
0.23389% unsecured short-term loans	¥ 4,900,000	¥ -
0.23389% unsecured short-term loans	2,100,000	-
Total short-term loans payable	¥ 7,000,000	¥ -
0.55634% unsecured long-term loans due 2016 <sup>(*)</sup>	¥ -	¥ 23,300,000
0.73760% unsecured long-term loans due 2018 <sup>(*)</sup>	23,300,000	23,300,000
1.01950% unsecured long-term loans due 2020 <sup>(*)</sup>	23,300,000	23,300,000
1.32075% unsecured long-term loans due 2022 <sup>(*)</sup>	6,000,000	6,000,000
0.84350% unsecured long-term loans due 2017 <sup>(*)</sup>	2,000,000	2,000,000
1.18135% unsecured long-term loans due 2019 <sup>(*)</sup>	24,000,000	24,000,000
1.83625% unsecured long-term loans due 2023 <sup>(*)</sup>	13,900,000	13,900,000
1.34550% unsecured long-term loans due 2021 <sup>(*)</sup>	20,000,000	20,000,000
0.81010% unsecured long-term loans due 2018 <sup>(*)</sup>	6,400,000	6,400,000
0.37526% unsecured long-term loans due 2019	1,000,000	1,000,000
0.57490% unsecured long-term loans due 2022 <sup>(*)</sup>	10,000,000	10,000,000
0.57490% unsecured long-term loans due 2022 <sup>(*)</sup>	4,000,000	4,000,000
0.07570% unsecured long-term loans due 2021 <sup>(*)</sup>	7,300,000	-
0.17260% unsecured long-term loans due 2022 <sup>(*)</sup>	6,000,000	-
0.39000% unsecured long-term loans due 2024 <sup>(*)</sup>	10,000,000	-
0.26513% unsecured long-term loans due 2018 <sup>(*)(**)</sup>	-	-
0.26513% unsecured long-term loans due 2018 <sup>(*)(**)</sup>	-	-
0.41290% unsecured long-term loans due 2023 <sup>(*)</sup>	7,600,000	-
Less: current portion	-	(23,300,000)
Total long-term loans payable, less current portion	¥ 164,800,000	¥ 133,900,000

The stated interest rate is the weighted average interest rate during the period ended May 31, 2016. 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<sup>(\*\*)</sup> from Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd., with the principal amount of 21,700,000 thousand yen and 9,300,000 thousand yen, respectively, were prepaid with the net proceeds from the offerings on March 15, 2016.

The redemption schedules for long-term loans subsequent to May 31, 2016 and November 30, 2015 are disclosed in Note 4, "Financial Instruments."

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

	Thousands of yen	
	As of	
	May 31, 2016	November 30, 2015
Total amount of committed line of credit	¥ 8,000,000	¥ 8,000,000
Borrowings drawn down	-	-
Balance of unused committed line of credit	¥ 8,000,000	¥ 8,000,000

### 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 May 31, 2016 and November 30, 2015.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				May 31, 2016	November 30, 2015
1st unsecured bond	November 27, 2014	November 27, 2019	0.338%	¥ 2,000,000	¥ 2,000,000
2nd unsecured bond	November 27, 2014	November 27, 2024	0.930%	3,000,000	3,000,000
Total				¥ 5,000,000	¥ 5,000,000

### 12. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of May 31, 2016 and November 30, 2015 were as follows:

	Thousands of yen	
	As of	
	May 31, 2016	November 30, 2015
Enterprise tax payable	¥ 10	¥ 24
Total deferred tax assets	10	24
Net deferred tax assets	¥ 10	¥ 24

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 statement of income for the six-month periods ended May 31, 2016 and November 30, 2015 are as follows:

	For the six-month periods ended	
	May 31, 2016	November 30, 2015
Statutory tax rate	32.31%	32.31%
Adjustments:		
Deductible cash distributions	(32.31%)	(32.30%)
Other	0.01%	0.01%
Actual effective income tax rate	0.01%	0.02%

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

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were passed by the Diet session on March 29, 2016, which include lowering of the tax rate of income taxes, starting from accounting periods starting on or after April 1, 2016. In accordance with this, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from the previous 32.31% to 31.74%. The impact from the tax rate change is minimal.

### 13. Per Unit Information

The following table summarizes per unit information for the six-month periods ended May 31, 2016 and November 30, 2015.

	Yen	
	For the six-month periods ended	
	May 31, 2016	November 30, 2015
Net income per unit		
Basic net income per unit	¥ 3,518	¥ 3,459
Weighted average number of units outstanding	1,777,885	1,730,750

	Yen	
	As of	
	May 31, 2016	November 30, 2015
Net assets per unit	¥ 143,997	¥ 139,192

(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 securities were outstanding.

### 14. Transactions with Related Parties

#### a) Transactions and Account Balances with the Parent Company and Major Unit Holders

(For the six-month period ended May 31, 2016)

None

(For the six-month period ended November 30, 2015)

None

#### b) Transactions and Account Balances with Affiliates

(For the six-month period ended May 31, 2016)

None

(For the six-month period ended November 30, 2015)

None

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

(For the six-month period ended May 31, 2016)

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				
								Lease of properties in trust	¥ 14,265,380	Operating accounts receivable	¥ 377,440
										Advances received	2,500,964
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business	-	-	Lessee	Proceeds of tenant leasehold and security deposits in trust	1,279,367	Tenant leasehold and security deposits in trust	11,419,777
								Repayments of tenant leasehold and security deposits in trust	172,707		
Subsidiary of an affiliate	Kitamoto Special Purpose Company (Note 4)	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	12,600,000	-	-
Subsidiary of an affiliate	Joso Special Purpose Company (Note 5)	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	7,120,000	-	-
Subsidiary of an affiliate	Tateyama Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	17,600,000	-	-

Subsidiary of an affiliate	Zao Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	4,820,000	-	-
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	1,495,492	Accrued expenses	1,387,575

(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 29 properties out of 33 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) Kitamoto Special Purpose Company changed its trade name to Tsukuba Special Purpose Company on March 15, 2016.

(Note 5) Joso Special Purpose Company changed its trade name to Norikura Special Purpose Company on June 1, 2016.

*(For the six-month period ended November 30, 2015)*

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	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business	-	-	Lessee	Lease of properties in trust	¥ 13,719,019	Operating accounts receivable	¥ 361,217
								Proceeds of tenant leasehold and security deposits in trust	340,689	Advances received	2,306,443
								Repayments of tenant leasehold and security deposits in trust	329,016	Tenant leasehold and security deposits in trust	10,313,117
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	1,221,716	Accrued expenses	1,319,454

(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 25 properties out of 29 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.

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

*(For the six-month period ended May 31, 2016)*

None

*(For the six-month period ended November 30, 2015)*

None

## 15. Segment 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 33 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.

As of May 31, 2016, NPR's properties classified into the global market were as follows:

Prologis Park Ichikawa 1, Prologis Park Zama 1, Prologis Park Kawajima, Prologis Park Osaka 2, Prologis Park Maishima 3, Prologis Park Maishima 4, 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 and Prologis Park Kobe.

As for investment strategies in the "regional market", as such areas are critical to Japan's domestic trades, 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.

As of May 31, 2016, NPR's properties classified into the regional market were as follows:

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

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 profit, 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 May 31, 2016			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 13,252,169	¥ 1,614,363	¥ -	¥ 14,866,532
Segment income (Note 2)	7,029,713	761,164	(502,089)	7,288,788
Segment assets (Note 2)	398,417,609	40,420,157	20,681,293	459,519,060
Other items				
Depreciation	2,731,431	397,759	-	3,129,190
Increase in property, plant and equipment and intangible assets	38,206,909	4,952,668	-	43,159,578

(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 399,320 thousand yen, asset custody fee of 37,091 thousand yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 17,325,968 thousand yen, consumption tax receivable of 2,127,110 thousand yen, long-term prepaid expenses and security deposit of 910,269 thousand yen, organization expenses of 23,077 thousand yen, and Investment corporation bond issuance costs of 21,834 thousand yen.

	Thousands of yen			
	As of and for the six-month period ended November 30, 2015			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 12,746,461	¥ 1,586,504	¥ -	¥ 14,332,966
Segment income (Note 2)	6,697,784	719,157	(472,819)	6,944,123
Segment assets (Note 2)	362,929,330	35,864,078	20,610,474	419,403,883
Other items				
Depreciation	2,566,901	369,089	-	2,935,990
Increase in property, plant and equipment and intangible assets	491,521	11,532	-	503,053

(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 382,228 thousand yen, asset custody fee of 35,796 thousand

yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 19,579,530 thousand yen, long-term prepaid expenses and security deposit of 744,774 thousand yen, organization expenses of 31,222 thousand yen, and Investment corporation bond issuance costs of 23,744 thousand yen.

#### Related Information

(For the six-month period ended May 31, 2016)

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	14,265,380 thousand yen	Global market and Regional market

(Note 1) With respect to 29 properties out of 33 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 November 30, 2015)

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	13,719,019 thousand yen	Global market and Regional market

(Note 1) With respect to 25 properties out of 29 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.

#### 16. Subsequent Events

None



#### 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 May 31, 2016 and November 30, 2015, and the statements of income, statements of changes in net assets and statements of cash flows for the six-month periods ended May 31, 2016 and November 30, 2015, 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 misstatements, 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 judgement, 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 May 31, 2016 and November 30, 2015, and their financial performance and cash flows for the six-month periods ended May 31, 2016 and November 30, 2015 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 30, 2016  
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.