

SEMIANNUAL REPORT

Fiscal Period Ended
May 31, 2013



PROLOGIS
Nippon Prologis REIT



Dear Fellow Unit Holders,

We are pleased to present our inaugural Semiannual Report of Nippon Prologis REIT, Inc. (“NPR”).

The fiscal period ended May 31, 2013 marked exciting seven months for NPR, with our Initial Public Offering (“IPO”) and subsequent listing on the Tokyo Stock Exchange on February 14, 2013. We completed the offering with 105.3 billion yen, and opened with an initial price of 700,000 yen per unit, which exceeded the IPO price by more than 25%. Our unit offering was met with a strong vote of investor confidence and was approximately 15 times oversubscribed, with support from global investors, regional banks and retail investors.

With the proceeds from the IPO, NPR acquired 12 Class-A logistics facilities in Japan, all developed by the Prologis Group. With the initial portfolio of 173 billion yen (\$1.7 billion), NPR was, upon listing, a leading logistics J-REIT. NPR received a credit rating of “AA–” with a “Stable” outlook ^(Note 1), and has since been included in major global major indices, including MSCI Global Standard Indices and the FTSE EPRA/NAREIT Global Real Estate Index Series.

Our commitment to growth, profitability and financial stability is deeply rooted in the culture of NPR. It begins with our sharp focus on investment in Class-A distribution centers in Japan’s key logistics markets. We believe Class-A logistics facilities offer a unique opportunity to generate stable and attractive investment returns due to Japan’s importance as a global logistics hub, its economic strength, its strong international trade relationships and its geographic location as the Eastern gateway to rising Asian economies.

There is also a fundamental reconfiguration of Japanese logistics, which is driving demand for Class-A logistics facilities. The rapid growth of the third-party logistics market is driven by a variety of factors, including Japanese companies striving to reduce operating costs. Additionally, the rise of e-commerce and “e-tailing” is driving strong and sustainable demand for Class-A logistics facilities in Japan. This increasing demand is unmet with the current supply. According to a survey conducted by CBRE, less than 2% of the existing logistics stock in Japan is Class-A as of March 2013, substantially less than other developed countries.



NPR, PLDRM and the Prologis Group Team at Tokyo Stock Exchange on February 14, 2013

Following the Great East Japan earthquake, leading companies in Japan have placed an increased focus on business-continuity planning, seeking facilities that have earthquake-resistant structural and design safety features. Furthermore, large companies are spreading their operations across multiple locations, recognizing the importance of geographic diversity from the perspective of business continuity.

We believe that NPR has competitive strengths and intend to differentiate our business by focusing on our key attributes:

Prologis Group as our Sponsor—The Prologis Group is the world’s largest industrial property company and a pioneer in the development of logistics facilities in Japan. In Japan, Prologis has more than a decade of experience as the leading developer of advanced logistics properties, with a 40% market share. Since 2002, Prologis has developed more than 4 million square meters in gross floor area. With this unmatched global platform and strong track record, the Prologis Group continues to provide full support for our continued growth.

Strategic Focus on Class-A Facilities—Given the ongoing reconfiguration of Japan’s supply chain; the increasing importance of advanced logistics, which requires advanced facilities; and the obsolescence of most of Japan’s existing logistics stock, we believe there will continue to be strong demand for Class-A logistics facilities located in Japan’s key logistics hubs.

Earnings Stability—We believe that the longer lease terms generally associated with logistics facilities, as well as the superior design features of Class-A logistics facilities in particular, will provide substantial stability in earnings. We believe the rising demand and current supply imbalance for Class-A logistics facilities further supports our earnings stability. We will seek to maximize earnings stability through an optimal balance between multitenant logistics facilities, which provide tenant diversification, and build-to-suit logistics facilities, which provide for comparatively longer lease terms. We also have a well-staggered lease expiration schedule, with an average remaining lease term of 5.0 years.

Financial Strategy—Our capital structure focuses on long-term stability and efficiency. We have a well-distributed debt maturity schedule, with an average remaining loan term of 5.8 years. Excepting a small portion of the debt that we will repay within the year, all of our debt is long-term, with fixed interest rates. In addition, our current loan-to-value ratio is conservative, which speaks to the strength and stability of our balance sheet. This strategy significantly lowers our exposure to risks that may arise from fluctuating interest rates. We continue to maintain strong relationships with our lenders, all of whom are major banks or reputable financial institutions.

Governance Structure—NPR has a market-leading governance structure that aligns the economic interests of our unit holders and the Prologis Group. Through this platform, NPR and Prologis REIT Management K.K. (“PLDRM”), our asset manager, will serve our unit holders with the best-quality expertise and maximize the value of our investment units.

Conclusion of First Fiscal Period—On May 31, 2013, we concluded our first fiscal period. With a solid operational platform and significant leasing activities, NPR reported strong financial results for the period. Our 1.3 billion yen net income exceeded the original forecast by 11%, and our distribution per unit, including the surplus cash distribution, or SCD, exceeded the original forecast by 9%. Our results were also attributable to PLDRM's efforts to minimize costs/expenses, which included our operational expenses as well as debt cost. As of May 31, 2013, NPR is now modestly leveraged, with a 43.5% loan-to-value ratio ^(Note 2), which reserves NPR's additional borrowing capacity for our further external growth in the future. Going forward, NPR and PLDRM are committed to optimize unit holder value through both internal growth, which can be achieved through our continuous efforts to pursue growth of rent revenues, and external growth, which can be accomplished by implementing accretive acquisitions/financings.

First Follow-on Offering—On June 10, 2013, NPR also successfully completed its first follow-on offering, with a total amount of 77.1 billion yen (\$770 million). Four months following our IPO, and with the proceeds from the offering, NPR acquired 8 Class-A logistics facilities ^(Note 3), all developed by Prologis. With this acquisition and offering, we increased our portfolio size by 77% and the number of issued/outstanding investment units by 53%. The acquisition/offering was well received by the financial community. Including our follow-on offering and acquisition, NPR currently owns a 20-asset portfolio totaling 305.4 billion yen (\$3.1 billion), and our continuous focus on asset quality has set a new standard in the 12-year J-REIT market history.

Looking Forward—We believe that we have a bright future at NPR. We have a proven ability to create value and, looking to the balance of 2013 and beyond, we intend to maximize the opportunities we see ahead. Our optimism is based not only on current market trends, but on our growth opportunities. First, we seek to maintain and generate internal growth through the proactive management of our logistics facilities and by utilizing the Prologis Groups operational expertise. We expect to generate long-term internal growth through rent increases on renewals on rollover, by maintaining high occupancy at our properties and controlling expenses. Second, we intend to build on the strengths of our current portfolio through external growth opportunities from the pipeline support we expect to receive from the Prologis Group as well as from third-party acquisitions.

On behalf of the NPR and PLDRM team, let me personally welcome all of our new unit holders. We are delighted that you share our confidence in NPR, and we look forward to reporting our continued progress in the months and years ahead.



Masahiro Sakashita

Executive Director, Nippon Prologis REIT, Inc.
President & CEO, Prologis REIT Management K.K.



Note 1: The credit rating is from Japan Credit Rating Agency Ltd.

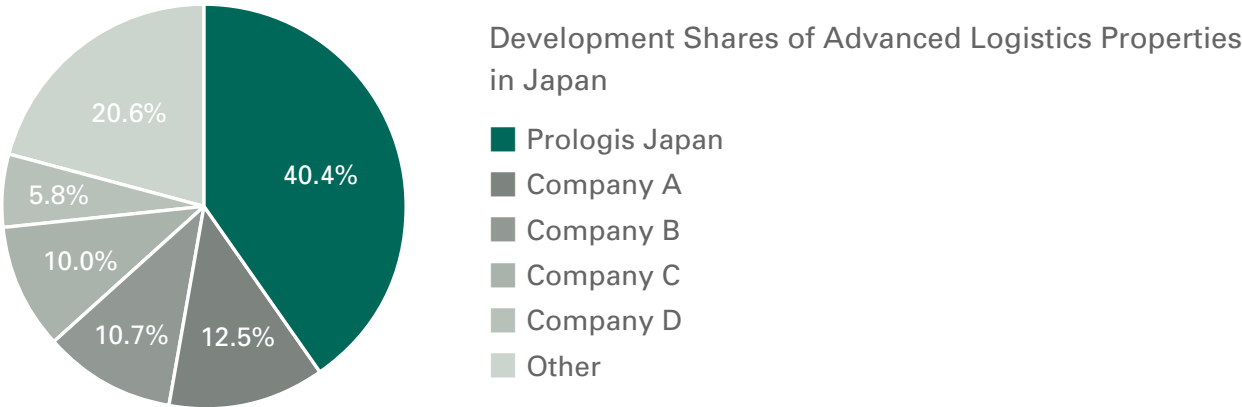
Note 2: The loan-to-value ratio is defined as the balance of interest-bearing debt divided by total assets.

Note 3: Prologis Park Narashino 4 is scheduled to be acquired on October 1, 2013.

Distribution Per Unit (total JPY)	Total Revenues (JPY millions)	Net Income (JPY millions)	Total Assets (JPY millions)
8,713	3,565	1,333	185,867
Loan-To-Value Ratio	Period End Occupancy Rate	Credit Rating	Portfolio Size (JPY billions)
43.5%	97.8%	JCR AA- (Stable)	305 Post-follow-on basis

Full Sponsor Support from the Prologis Group

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

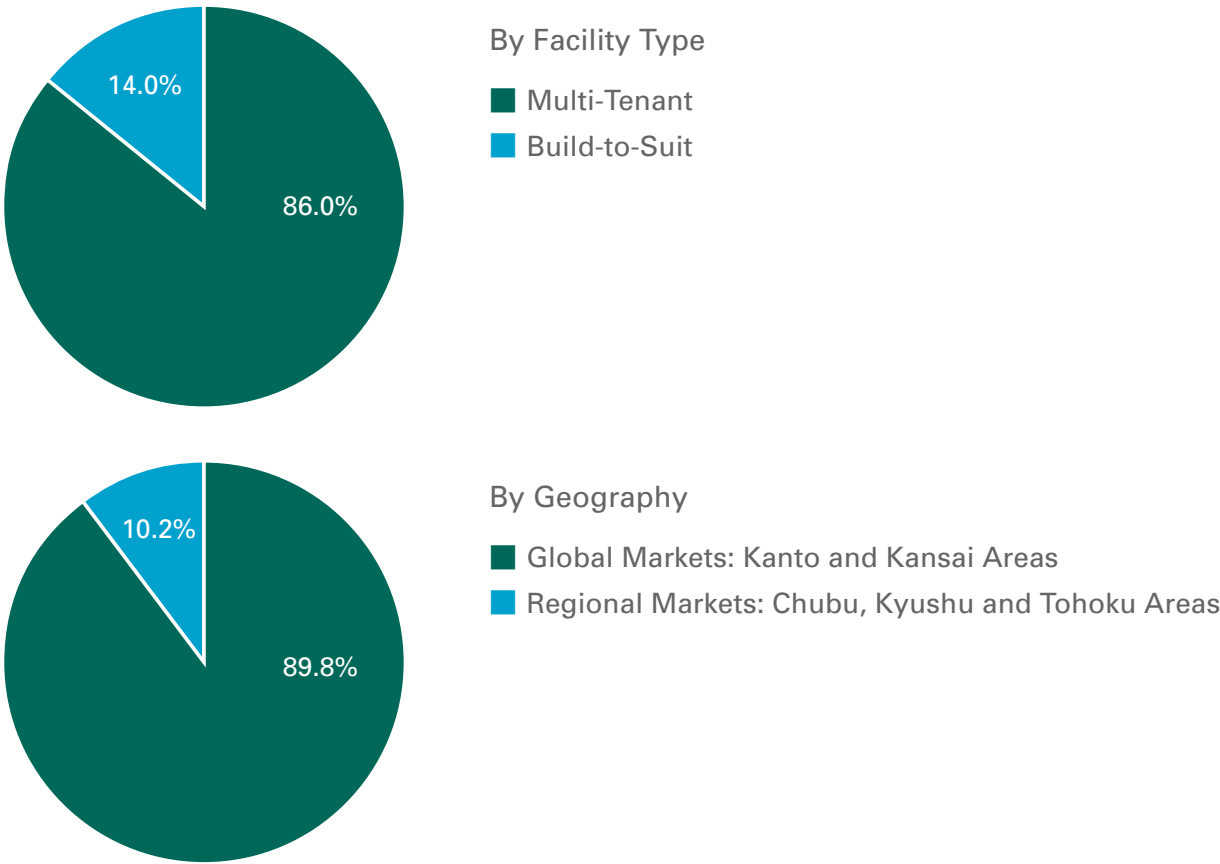


Strategic Focus on High-quality Class-A Logistics Facilities

Class-A Logistics
Facilities Developed
by Prologis Group

100%

Earnings Stability from a Diversified Portfolio of Class-A Facilities



Financial Strategy Focused on Long-term Stability and Efficiency

Focus on
Long-term Stability
of Borrowings

Efficient Cash
Management

Period End LTV

43.5%

Governance Structure Promoting Growth in Unit Holder Value

Prologis Investment

15%

High-spec Features

- A gross floor area of approximately 16,500 square meters (approximately 177,600 square feet) or more;
- A location proximate to population clusters, transportation hubs including expressway interchanges or major airports or seaports;
- A large distribution floor space exceeding approximately 5,000 square meters (approximately 53,820 square feet) on a single floor, with a floor weight capacity of at least 1.5 ton / square meter, an effective ceiling height of at least 5.5 meters, and a span between columns of at least approximately 10 meters;
- Spiral ramps or slopes that allow trucks direct access to upper floor distribution space or sufficiently capable vertical conveyers;
- Structural and facility safety features such as seismic isolation and earthquake-proofing that can withstand natural disasters.

Spiral Ramps / Slope



Driveway / Truck Berth



Warehouse Space



Green Building



Restaurant



Convenience Store



Disaster Control Center



Seismic Isolators

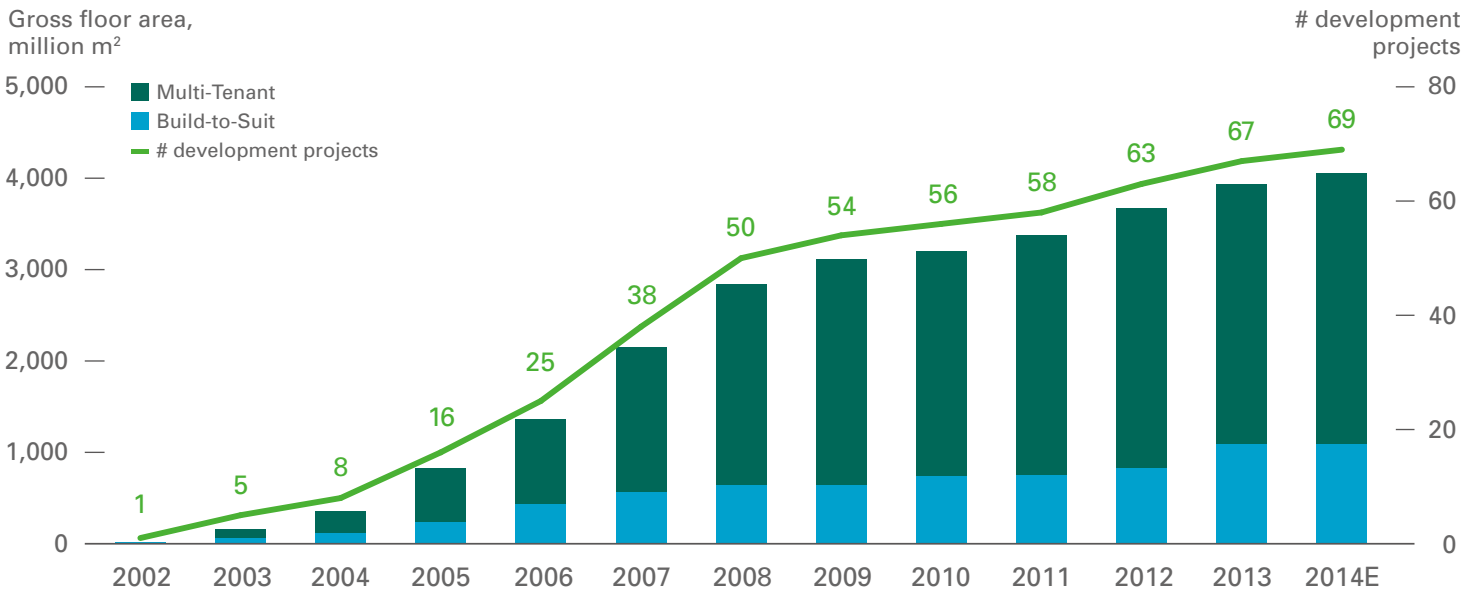


Future Pipeline

Status	Region / Area	Property Name	Initial Pipeline	Year Built	Property Type	GFA (m²)
Operating/ Development Assets	Kanto	Prologis Park Yokohama-Tsurumi ◆	●	2008	Multi-Tenant	65,192
		Prologis Park Tokyo-Shinkiba ◆	●	2007	Multi-Tenant	31,250
		Prologis Park Kitamoto	—	2014	Multi-Tenant	73,873
		Prologis Park Kawajima 2	—	2014	Multi-Tenant	45,674
	Kansai	Prologis Park Kawanishi ◆	●	2013	Build-to-Suit	76,759
		Prologis Park Amagasaki 3 ◆	●	2013	Build-to-Suit	43,962
		Prologis Park Kobe ◆	●	2013	Build-to-Suit	32,964
Planned Assets (Future Development)	Tohoku	Prologis Park Iwanuma 1 ◆	●	2008	Multi-Tenant	39,957
	Kanto	Prologis Park Koga 1	—	2014	Build-to-Suit	62,068
		Prologis Park Joso	—	TBD	TBD	38,362
	Kansai	Prologis Park Osaka 5	—	2014	Multi-Tenant	94,612
	Kyushu	Prologis Park Hisayama	—	TBD	TBD	20,968
Total						625,641

Prologis plans to develop assets worth JPY 40-50 billion in Japan each year

Proven Development Track Record Since 2002

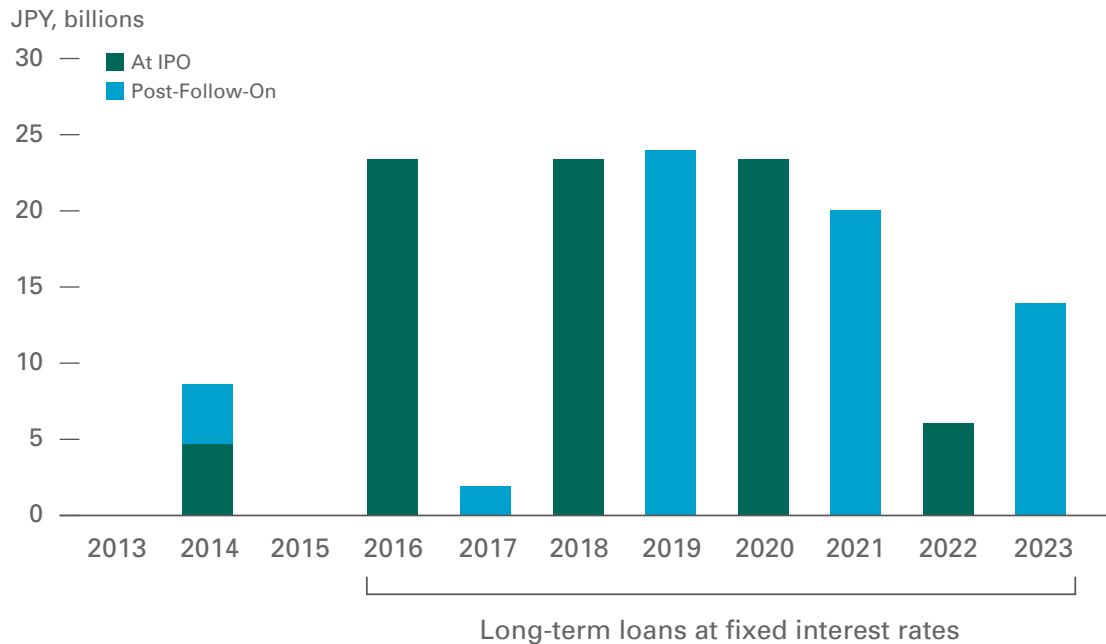


Financial Policy

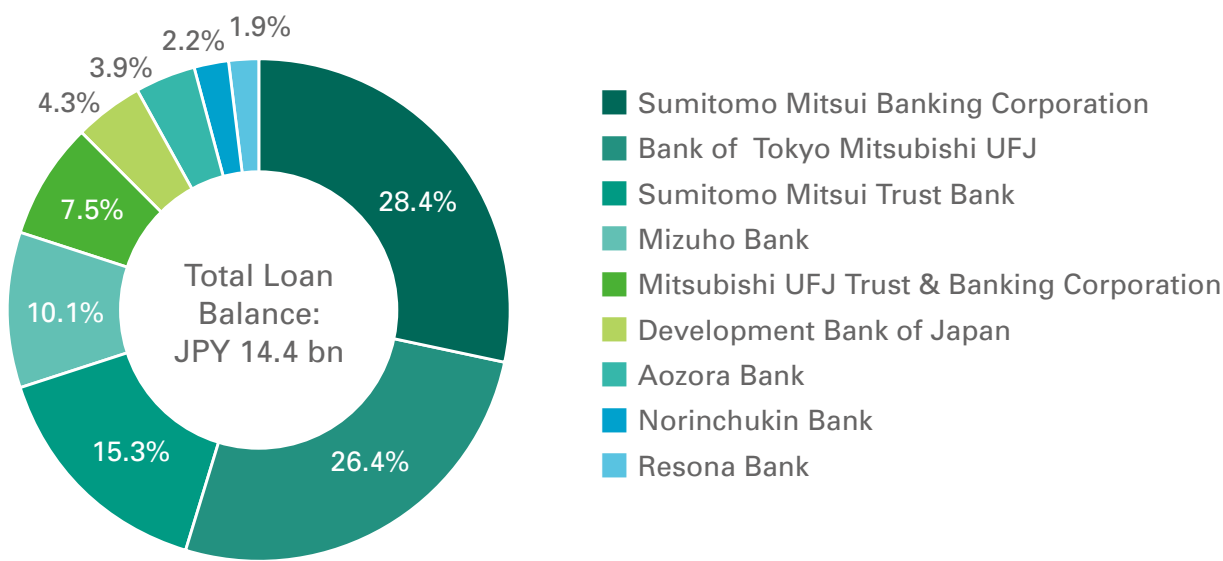
We intend to maintain a stable and flexible financing strategy that enables us to produce stable profits and achieve steady growth.

Issuance of new units	When issuing additional units, we intend to take into consideration capital market trends, the economic environment, the timing of acquisitions as well as dilution to existing unit holders in order to achieve stable growth in the long term.
Surplus Cash Distributions (return of capital)	Logistics facilities typically have a greater amount of value allocated to buildings and have shorter depreciation periods relative to other types of real estate. As a result, we expect that the depreciation expense for our properties will generally be higher than that for other asset classes. Thus, in principle, in addition to distributions of retained earnings, we intend to make surplus cash distributions on a regular basis (of an amount no higher than 60% of the depreciation expense), after considering alternative uses such as the execution of long-term repair plans and capital expenditures, the repayment of borrowings and acquisition opportunities. For the time being, we expect to target surplus cash distributions equivalent to approximately 30% of the depreciation expense for the relevant fiscal period. However, we do not intend to make surplus cash distributions to the extent that doing so would cause our “distribution LTV”, to exceed 60%.
LTV ratio	To ensure that we have the ability to acquire properties in a timely and flexible manner, we will maintain a conservative loan-to-value, or LTV, ratio at approximately 50%, with an upper limit of 60%, except under special circumstances.

Debt Maturity Schedule ⁽¹⁾



Our Lenders ⁽¹⁾



(1) As of June 13, 2013. Includes borrowings that are scheduled to be incurred on October 1, 2013 in relation to the acquisition of Prologis Park Narashino 4.



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



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



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

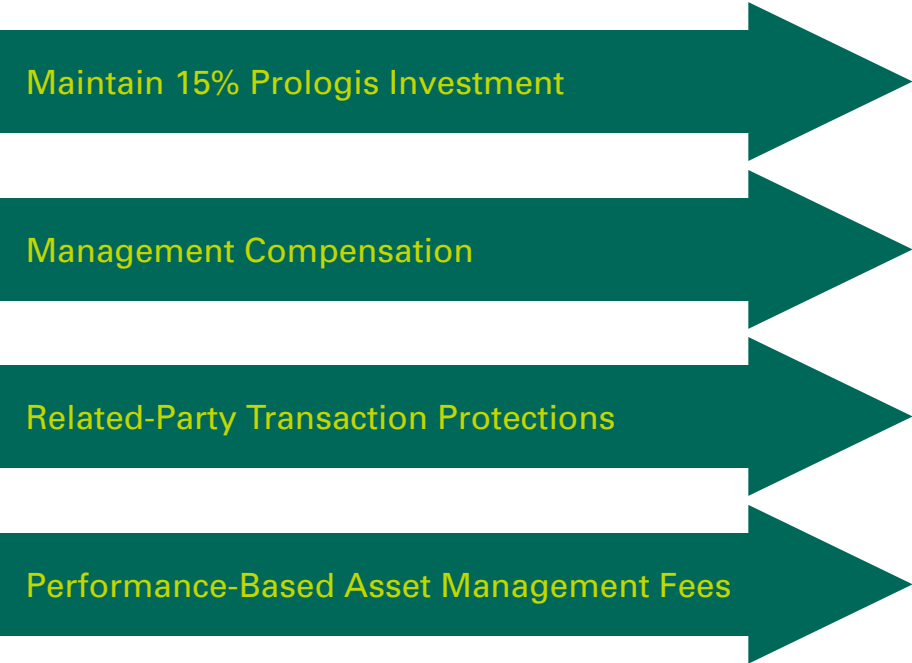


B-05
Prologis Park Narashino 4
JPY 20,000 mm

Strong Alignment of Interest and Robust Corporate Governance



Alignment of Interests



Implication

- Meaningful investment on a side-by-side basis with other unit holders
- Long-term vehicle for Prologis’ highest quality assets
- Fits with Prologis’ stated strategy of growing in a capital efficient manner
- Asset Manager key employees’ compensation aligned with J-REIT performance
- Structured approval process, with veto rights. Compliance and investment committee members include outside experts
- Independent committee determines appropriate price for transactions. Purchase price capped at Appraisal Value pursuant to the Sponsor Support Agreement
- 100% performance-based fees
- Direct alignment of interest between Asset Manager and investors

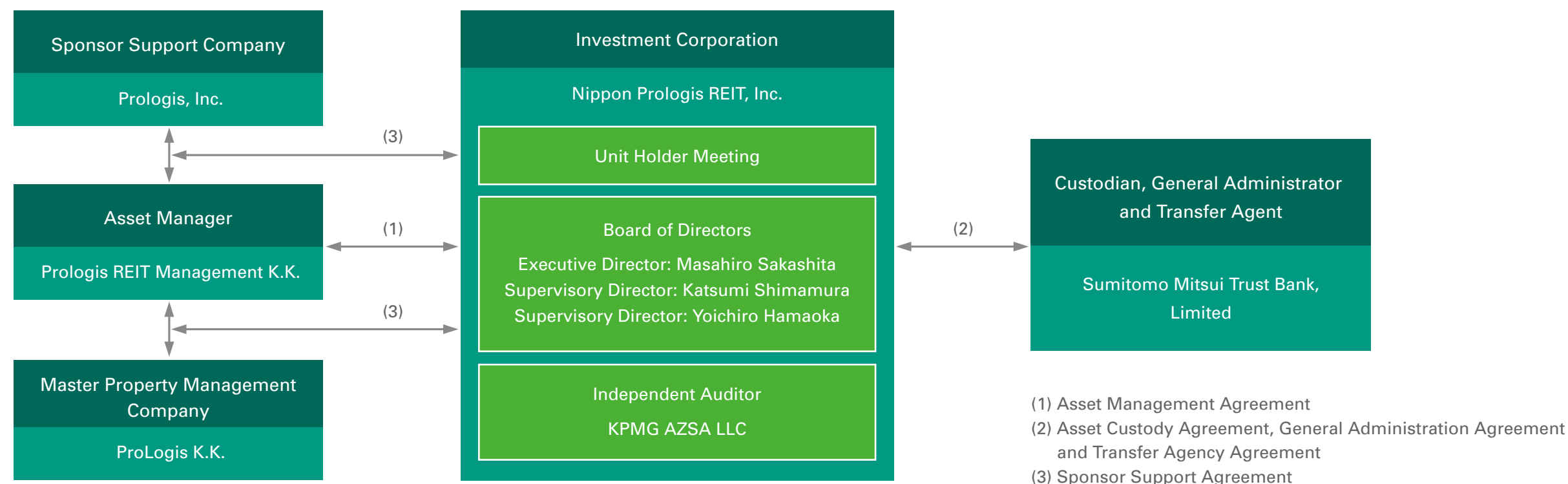
Investor-Aligned Fee Structure

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

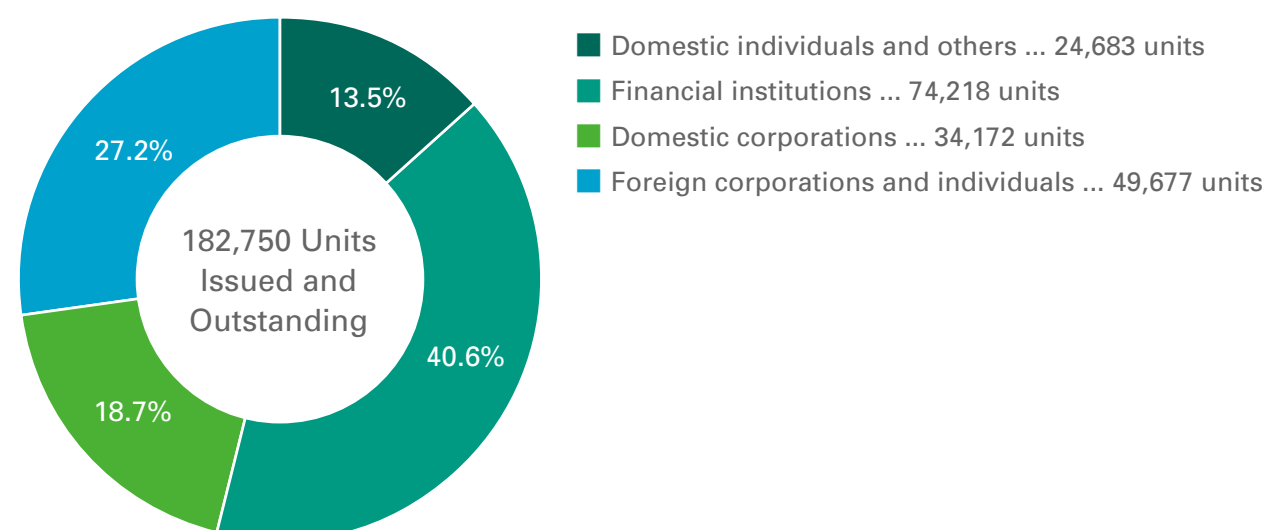
Organizational Structure of Investment Corporation

Alignment of Interests



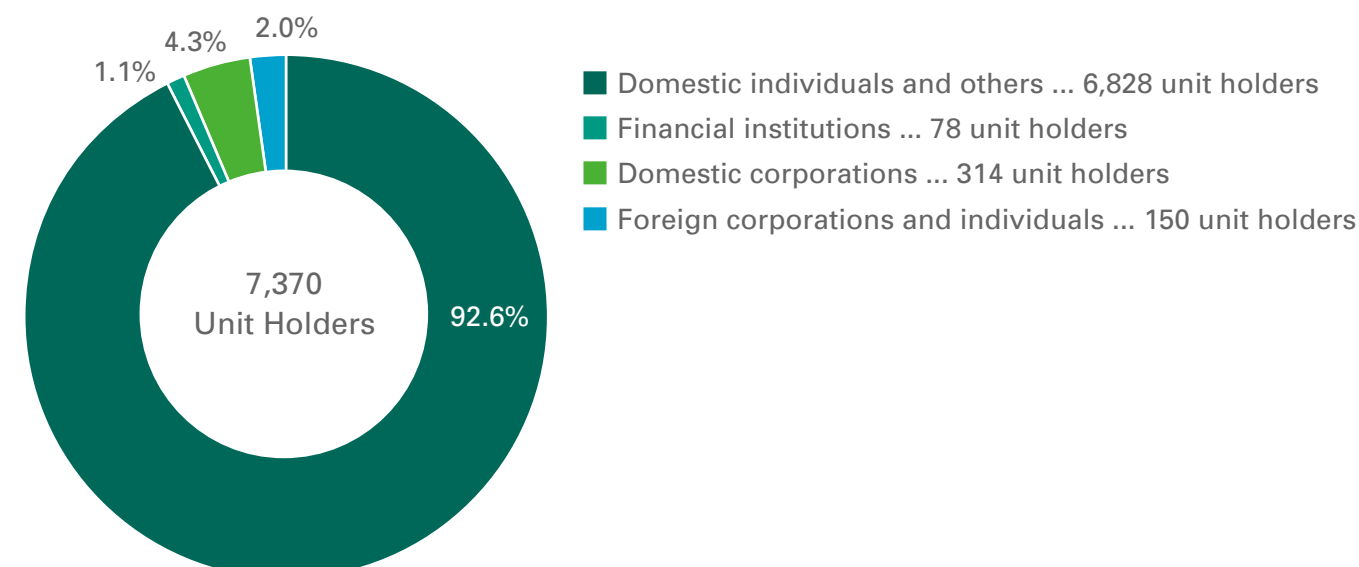
Our Unit Holder Composition

Breakdown by Units ⁽¹⁾



(1) As of May 31, 2013.

Breakdown by Unit Holders ⁽¹⁾



Balance Sheet

	Thousands of yen
	As of May 31, 2013
ASSETS	
Current assets:	
Cash and cash equivalents (Note 3)	¥ 4,579,981
Cash and cash equivalents in trust (Note 3)	1,474,877
Operating accounts receivable	54,742
Prepaid expenses	201,003
Deferred tax assets (Note 10)	20
Consumption taxes receivable	5,514,857
Other current assets	918
Total current assets	11,826,399
Property and equipment (Note 5):	
Buildings	7,385,596
Structures	249,739
Tools, furniture and fixtures	5,434
Land	3,813,010
Buildings in trust	102,110,017
Structures in trust	1,960,206
Tools, furniture and fixtures in trust	197,581
Land in trust	58,459,186
Less: accumulated depreciation	(909,267)
Total property and equipment	173,271,505
Investments and other assets:	
Long-term prepaid expenses	687,290
Security deposit	10,000
Organization expenses	71,947
Total investments and other assets	769,237
Total Assets	¥185,867,143

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

	Thousands of yen
	As of May 31, 2013
LIABILITIES	
Current liabilities:	
Operating accounts payable	¥ 113,609
Short-term loans (Notes 3 and 9)	5,000,000
Accounts payable (Note 3)	5,768
Accrued expenses	352,219
Income taxes payable	1,000
Advances received	1,000,461
Other current liabilities	914,396
Total current liabilities	7,387,456
Non-current liabilities:	
Long-term loans (Notes 3,4 and 9)	75,900,000
Tenant leasehold and security deposits (Note 3)	238,791
Tenant leasehold and security deposits in trust (Note 3)	3,924,745
Other non-current liabilities	345
Total non-current liabilities	80,063,882
Total Liabilities	87,451,339
NET ASSETS (Note 8)	
Unit holders' equity	
Unit holders' capital	97,082,555
Units authorized: 2,000,000 units	
Units issued and outstanding: 182,750 units	
Surplus	
Unappropriated retained earnings	1,333,248
Total unit holders' equity	98,415,803
Total Net Assets	98,415,803
Total Liabilities and Net Assets	¥185,867,143

The accompanying notes are an integral part of these financial statements

Statement of Income

	Thousands of yen
	Period from November 7, 2012 to May 31, 2013
Operating Revenues (Note 6):	
Operating rental revenues	¥3,367,723
Other rental revenues	197,761
Total operating revenues	3,565,484
Operating Expenses (Notes 5 and 6) :	
Expenses related to property rental business	1,262,541
Asset management fee	326,081
Asset custody fee	9,490
Directors' compensation	4,200
Other operating expenses	1,473
Total operating expenses	1,603,787
Operating income	1,961,696
Non-operating Income:	
Interest income	117
Interest on refund of real estate tax	5,059
Others	0
Total non-operating income	5,177
Non-operating Expenses:	
Interest expense	185,861
Amortization of organization expenses	9,502
Borrowing related expenses	91,541
Investment unit issuance expenses	183,281
Offering costs associated with the issuance of investment units	160,222
Others	2,212
Total non-operating expenses	632,621
Ordinary income	1,334,252
Income before income taxes	1,334,252
Incomes taxes – current (Note 10)	1,024
Incomes taxes – deferred (Note 10)	(20)
Total income taxes	1,003
Net income	1,333,248
Unappropriated retained earnings (undisposed loss)	¥1,333,248

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

Statement of Changes in Net Assets

Period from November 7, 2012 to May 31, 2013

		Thousands of yen		
	Number of units	Unit holders' capital	Retained earnings	Total net assets
Balance as of November 7, 2012	-	¥ -	¥ -	¥ -
Issuance of new units for establishment as of November 7, 2012	400	200,000	-	200,000
Issuance of new units on February 13, 2013	182,350	96,882,555	-	96,882,555
Net Income	-	-	1,333,248	1,333,248
Balance as of May 31, 2013 (Note 8)	182,750	¥97,082,555	¥1,333,248	¥98,415,803

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

Statement of Cash Flows

	Thousands of yen
	Period from November 7, 2012 to May 31, 2013
Cash Flows from Operating Activities:	
Income before income taxes	¥ 1,334,252
Depreciation (Note 5)	909,267
Amortization of organization expenses	9,502
Investment unit issuance expenses	183,281
Interest income	(117)
Interest expense	185,861
Decrease (increase) in operating accounts receivable	(54,742)
Decrease (increase) in consumption taxes receivables	(5,514,857)
Decrease (increase) in prepaid expenses	(201,003)
Decrease (increase) in long-term prepaid expenses	(687,290)
Increase (decrease) in operating accounts payable	113,609
Increase (decrease) in accounts payable	802
Increase (decrease) in accrued expenses	352,219
Increase (decrease) in advances received	1,000,461
Payment of organization expenses	(81,450)
Others, net	136,261
Subtotal	(2,313,941)
Interest received	117
Interest paid	(185,861)
Income taxes paid	(23)
Net cash used in operating activities	(2,499,709)
Cash Flows from Investing Activities:	
Purchases of property and equipment	(11,453,780)
Purchases of property and equipment in trust	(161,944,463)
Payments of security deposit	(10,000)
Proceeds from tenant leasehold and security deposits	238,791
Proceeds of tenant leasehold and security deposits in trust	3,960,807
Repayments from tenant leasehold and security deposits in trust	(36,061)
Net cash used in investing activities	(169,244,706)
Cash Flows from Financing Activities:	
Proceeds from short-term loans	5,000,000
Proceeds from long-term loans	75,900,000
Proceeds from issuance of new investment units	96,899,273
Net cash provided by financing activities	177,799,273
Net increase (decrease) in cash and cash equivalents	6,054,858
Cash and cash equivalents at the beginning of period	—
Cash and cash equivalents at the end of period	¥ 6,054,858

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

Notes to Financial Statements

For the Period from November 7, 2012 to May 31, 2013

1. Organization and Basis of Presentation

1) 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”) 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 14, 2013, NPR issued 182,350 new units through public offering and raised approximately 97,082 million yen. Those units are listed on the J-REIT section of the Tokyo Stock Exchange.

As of May 31, 2013, NPR had ownership or held in the form of beneficiary right in trust in 12 properties (aggregate acquisition price: 173,020 million yen) which were all developed by the Prologis Group. The portfolio’s total leasable area was 890,373.59 m² and the occupancy rate remained at a high level of 97.8% 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.

2) Basis of Presentation

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trust Law and 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 the 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.

NPR does not prepare consolidated financial statements as it has no subsidiaries.

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 is six-month accounting periods: each period is from June 1 to November 30 or, from December 1 to May 31 of the following year. The first fiscal period end after the date of inception was judgmentally determined to be May 31, 2013. Accordingly, for the accompanying financial statements, the fiscal period ended May 31, 2013 covers the period from November 7, 2012 (the date of inception) to May 31, 2013.

2. Summary of Significant Accounting Policies

1) 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.

2) 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	3-60 years
Structures	10-60 years
Tools, furniture and fixtures	3-15 years

3) 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 right 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 979,588 thousand yen for the period ended May 31, 2013.

4) Investment Unit Issuance Expenses

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

5) 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.

6) Organization Expenses

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

7) 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.

8) Consumption Taxes

Consumption taxes withheld and paid are not included in the accompanying statement of income.

3. Financial Instruments

1) Status of Financial Instruments

(a) 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.

Also as for derivative transactions, 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.

(b) 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 market environment and NPR's cash flow status.

Bank loans are mainly made to procure funds for acquisition of properties. Although NPR is exposed to liquidity risks upon repayment and redemption of loans, 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.

(c) 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.

2) Estimated Fair Value of Financial Instruments

Book value, fair value and differences between the values as of May 31, 2013 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, 2013		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 4,579,981	¥ 4,579,981	¥ -
(2) Cash and cash equivalents in trust	1,474,877	1,474,877	-
Total assets	¥ 6,054,858	¥ 6,054,858	¥ -
(3) Short-term loans	5,000,000	5,000,000	-
(4) Long-term loans	75,900,000	76,525,906	625,906
Total liabilities	¥ 80,900,000	¥ 81,525,906	¥ 625,906
(5) Derivative transactions	¥ -	¥ -	¥ -

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

(1) Cash and cash equivalents and (2) Cash and cash equivalents 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

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) Long-term loans

Long-term loans qualify for hedge accounting and meet the special criteria, and therefore, the fair value of the hedged long-term loans is determined based on the present value of contractual cash flows in conjunction with the interest rate swaps discounted at current market interest rates which would be applicable to new loans payable under the same conditions and terms.

(5) Derivative transactions

Please refer to Note 4, “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
	Book value
Tenant leasehold and security deposits	¥ 238,791
Tenant leasehold and security deposits in trust	3,924,745

(Note 3) Redemption schedule for monetary claims after May 31, 2013.

	Thousands of yen
	Due within one year
Cash and cash equivalents	¥4,579,981
Cash and cash equivalents in trust	1,474,877

(Note 4) Redemption schedule of long-term loans after May 31, 2013

	Thousands of yen					
	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
Long-term loans	¥ -	¥ -	¥23,300,000	¥ -	¥23,300,000	¥29,300,000
Total	¥ -	¥ -	¥23,300,000	¥ -	¥23,300,000	¥29,300,000

4. Derivative Transactions

For the period ended May 31, 2013, 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		Fair value	Fair value measurement
			Contract amount	Due after one year		
			Total			
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans	¥75,900,000	¥75,900,000	*	¥ -

* Interest rate swaps under the special accounting treatment are accounted for as the integral part of long-term loans designated as hedged items. Therefore, their fair value is included in long-term loans disclosed in the aforementioned Note 3, “Financial Instruments, 2) Estimated Fair Value of Financial Instruments, (4) Long-term loans”

5. Investment and Rental Properties

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

	Thousands of yen	
	Period from November 7, 2012 to May 31, 2013	
Book value		
Balance at the beginning of the period	¥	-
Changes during the period		173,271,505
Balance at the end of the period	¥	173,271,505
Fair value at the end of the period	¥	176,880,000

(Note 1) Book value is the figure calculated by decreasing the accumulated amount of depreciation from acquisition cost.

(Note 2) The major factor of the increase is a result of acquiring 12 properties (Prologis Park Ichikawa 1, Prologis Park Zama 1, Prologis Park Kawajima, Prologis Park Osaka 2, Prologis Park Maishima 3, Prologis Park Kasugai, Prologis Park Kitanagoya, Prologis Park Tagajo, Prologis Park Maishima 4, Prologis Park Takatsuki, Prologis Park Tosu 2 and Prologis Park Tosu 4 for a total of 174,180,772 thousand yen) and the major factor of the decrease is depreciation of 909,267 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

6. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from the property leasing activities for the period ended May 31, 2013.

	Thousands of yen
	Period from November 7, 2012 to May 31, 2013
(1) Property-related revenues	
Rental revenues	
Rental revenues	¥ 3,117,304
Common area charges	250,418
Total	¥ 3,367,723
Other rental revenues	
Received utilities cost	¥ 122,258
Others	75,502
Total	¥ 197,761
Total property-related revenues	¥ 3,565,484
(2) Property-related expenses	
Rental expenses	
Subcontract expenses	¥ 203,861
Utilities cost	125,943
Non-life insurance premium	7,317
Repair and maintenance	12,011
Depreciation	909,267
Custodian fee	2,902
Other expenses	1,236
Total rental expenses	¥ 1,262,541
(3) Operating income from property leasing ((1)-(2))	¥ 2,302,942

7. Leases

The future minimum rental revenues from tenants subsequent to May 31, 2013 under non-cancelable operating leases of properties are as follows.

	Thousands of yen
	As of May 31, 2013
Due within one year	¥ 9,864,329
Due after one year	34,795,141
Total	¥44,659,470

8. Net Assets

1) 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.

2) Distributions

With regards to the distributions for this fiscal period, in an effort to include NPR's profit distributions as tax deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Taxation Measures Law, the distribution amount represents the entire unappropriated retained earnings for the reporting period, excluding fractional amounts less than one yen.

		Period from November 7 2012 to May 31, 2013	
	Total	Per unit	
I Unappropriated retained earnings	yen 1,333,248,692		
II Distributions in excess of retained earnings			
Deduction from unit holders' capital	yen 259,139,500		
III Total distributions	yen 1,592,300,750	8,713	
Of which, distributions of earnings	yen 1,333,161,250	7,295	
Of which, distributions in excess of retained earnings	yen 259,139,500	1,418	
IV Retained earnings carried forward	87,442		

Pursuant to the "Policy on the Distribution of Funds" as defined in Article 39, Paragraph 1 of Article 2 of incorporation of NPR, 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 the distribution amount of 1,333,161,250 yen which was the amount equivalent to the maximum integral multiples of number of investment units issued and outstanding as of the reporting fiscal period.

Based on the distribution policy as defined in Article 39, Paragraph 2 of incorporation, NPR shall make Surplus Cash Distribution (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 259,139,500 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 909,267,812 yen for the period.

9. Short-Term and Long-Term Loans

Short-term and long-term loans consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans as of May 31, 2013.

	Thousands of yen
	As of May 31, 2013
0.55138% unsecured short-term loans	¥ 5,000,000
Total short-term loans payable	¥ 5,000,000
0.55634% unsecured long-term loans due 2016 ^(*)	¥23,300,000
0.73760% unsecured long-term loans due 2018 ^(*)	23,300,000
1.01950% unsecured long-term loans due 2020 ^(*)	23,300,000
1.32075% unsecured long-term loans due 2022 ^(*)	6,000,000
Total long-term loans payable	¥75,900,000

The stated interest rate is the weighted average interest rate during the period ended May 31, 2013. For certain loans (*) which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

The redemption schedule for long-term loans subsequent to May 31, 2013 is disclosed in Note 3, "Financial Instruments."

10. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of May 31, 2013 were as follows.

	Thousands of yen
	As of May 31, 2013
Enterprise tax payable	¥20
Total deferred tax assets	20
Net deferred tax assets	¥20

Reconciliation 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 period ended May 31, 2013 is as follows.

	Period from November 7 2012 to May 31, 2013
Statutory tax rate	36.59 %
Adjustments:	
Deductible cash distributions	(36.56 %)
Other	0.05 %
Effective tax rate	0.08 %

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.

11. Per Unit Information

	Period from November 7 2012 to May 31, 2013
Net assets per unit	538,526 yen
Net income per unit	14,017 yen

(Note 1) Net income or loss per unit is calculated by dividing net income or loss for the period by the weighted average per diem number of investment units issued and outstanding. Fully diluted net income per unit is not stated as there are no dilutive investment units.

(Note 2) The basis for calculation of the net income per unit is as follows.

	Period from November 7 2012 to May 31, 2013
Net income (thousands of yen)	¥ 1,333,248
Amount not attributable to common unit holders (thousands of yen)	¥ -
Net income attributable to common unit holders (thousands of yen)	¥ 1,333,248
Weighted average number of investment units during the period (unit)	95,115

12. Transactions with Related Parties

1) Transactions and Account Balances with the Parent Company and Major Unit Holders
(For the period ended May 31, 2013)

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				
Parent Company	ProLogis K.K.	Chiyoda-ku , Tokyo	¥10,000	Real estate business	100.0%	-	Parent Company	Issuance of units at establishment through a private placement	¥200,000	-	-

(Note 1)The company acquired new investment units at establishment through a private placement at 500,000 yen per unit.
(Note 2) With regards to the public offering of new investment units, the ratio of voting rights owned as of May 31, 2013 stands at 0.21% of the total outstanding investment units
(Note 3) The figures above for the transaction amount do not include the consumption tax where as the tax is included in the ending balance.

2) Transactions and Account Balances with Affiliates
(For the Period ended May 31, 2013)
None

3) Transactions and Account Balances with Companies under Common Control
(For the Period ended May 31, 2013)

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	Ichikawa 1 Special Purpose Company	Chiyoda-ku , Tokyo	¥3,577,500	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	¥33,900,000	-	-
Subsidiary of an affiliate	Zama 1 Special Purpose Company	Chiyoda-ku , Tokyo	5,053,500	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	27,900,000	-	-
Subsidiary of an affiliate	Kawajima Special Purpose Company	Chiyoda-ku , Tokyo	100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	25,600,000	-	-
Subsidiary of an affiliate	Prologis Osaka 2 Special Purpose Company	Chiyoda-ku , Tokyo	2,473,800	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	25,000,000	-	-
Subsidiary of an affiliate	Maishima 3 Special Purpose Company	Chiyoda-ku , Tokyo	3,135,600	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	13,500,000	-	-
Subsidiary of an affiliate	Kasugai Special Purpose Company	Chiyoda-ku , Tokyo	16,210,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	24,370,000	-	-

Subsidiary of an affiliate	Maishima 4 Special Purpose Company	Chiyoda-ku , Tokyo	3,022,300	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	11,500,000	-	-
Subsidiary of an affiliate	Takatsuki 2 Special Purpose Company	Chiyoda-ku , Tokyo	810,800	Real estate business	-	-	Seller	Acquisition of real estate	4,410,000	-	-
Subsidiary of an affiliate	Tosu 2 Special Purpose Company	Chiyoda-ku , Tokyo	600	Real estate business	-	-	Seller	Acquisition of real estate	3,030,000	-	-
Subsidiary of an affiliate	Tosu 4 Special Purpose Company	Chiyoda-ku , Tokyo	1,037,850	Real estate business	-	-	Seller	Acquisition of real estate	3,810,000	-	-
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	326,081	Accrued expenses	342,358

(Note 1) The figures above do not include consumption taxes in the transaction amount and the balance.
(Note 2) The terms and conditions of these transactions were executed based on market practices.

4) Transactions and Account Balances with Board of Directors and Individual Unit Holders
(For the Period ended May 31, 2013)
None

13. Segment Information

1) 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 property is considered an operating segment. However, when properties share similar economic characteristic and meet other specific conditions, they may be aggregated for purposes of reporting segment information. Therefore, NPR has two reportable segments of “global market” and “regional market” (*) 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 surrounding the largest consumer 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 for investment strategies to the “regional market”, as such areas are critical to Japan’s domestic trades, NPR aims to invest in locations with the second largest customer 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.

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 consumer or manufacturing areas, or such areas are suitable and appropriate for logistics centers.

2) Basis of Measurement for the Amounts of Income, Assets, Liabilities 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.

3) Information about Segment Profit, Assets, Liabilities and Other Items As of May 31, 2013

	Thousands of yen			
	Global market	Regional market	Adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 2,837,406	¥ 728,077	¥ —	¥ 3,565,484
Segment income (Note 2)	1,656,614	405,334	(100,252)	1,961,696
Segment assets (Note 2)	143,191,152	31,692,998	10,982,992	185,867,143
Other items				
Depreciation	708,584	200,683	—	909,267
Increase in property and equipment	142,630,950	31,549,822	—	174,180,772

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

(Note 2) Adjustments to segment income of 100,252 thousand yen represent general corporate expenses of 100,252 thousand yen that were not allocated to each reportable segment. General corporate expenses consist mainly of asset management fees, asset custody and administrative services compensation, commissions, and directors’ compensation and others. Adjustments to segment assets of 10,982,992 thousand yen include current assets of 10,213,754 thousand yen, long-term prepaid expenses and security deposit of 697,290 thousand yen, and organization expenses of 71,947 thousand yen.

Related Information

(For the Period ended May 31, 2013)

1. Revenue Information by Product and Service

Disclosure of this information has been omitted as operating revenues earned from external customers for a single product and service have exceeded 90% of total operating revenues on the statement of income.

2. Information by Geographic Region

(1) Operating Revenues

Disclosure of this information has been omitted as operating revenues earned from external customers in Japan have exceeded 90% of total operating revenues on the statement of income.

(2) Property and Equipment

Disclosure of this information has been omitted as the balance of property and equipment in Japan has exceeded 90% of the total balance of property and equipment on the balance sheet.

3. Information by Major Tenants

Disclosure of this information has been omitted since there is no single external customer that accounts for more than 10% of total operating revenues on the statement of income.

14. Subsequent Events

1) Issuance of New Investment Units

Issuance of new investment units through public offering

NPR issued new investment units with terms and conditions described below based on resolutions made by the Board of Directors on May 16, 2013 and June 3, 2013. Subsequently, the proceeds from the offering of new investment units were remitted on June 10, 2013. Consequently, as of August 29, 2013, the total balance of unit holders’ paid-in capital increased to 168,200 million yen and the total number of investment units issued and outstanding increased to 278,950.

Number of units issued	96,200 units
Offering price per unit	763,420 yen
Total issue price	73,441,004,000 yen
Issue value	739,271 yen per unit
Total issue value	71,117,870,200 yen
Payment date	June 10, 2013

2) Borrowing of Bank Loans

NPR utilized bank loans to acquire properties described in the following “(3) Acquisition of Assets”. On June 13, 2013, 43.3 billion yen of loans was financed and another 20.0 billion yen loan is scheduled to be financed on October 1, 2013.

	Lender	Amount of borrowing (billion yen)	Interest rate	Borrowing date	Maturity date	Repayment method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	3.4	Base interest rate (JBA three-month Japanese Yen TIBOR) + 0.25%		June 13, 2014		
	The Bank of Tokyo-Mitsubishi UFJ Ltd.						
	Sumitomo Mitsui Trust Bank, Limited						
	Mizuho Bank, Ltd. ⁽¹⁾						
	Mitsubishi UFJ Trust and Banking Corporation						
	Aozora Bank, Ltd.						
	The Norinchukin Bank						
	Resona Bank, Limited						
Long-term	Sumitomo Mitsui Banking Corporation	2.0 ⁽²⁾ (I)	Base interest rate (JBA three-month Japanese Yen TIBOR) + 0.40%	June 13, 2013	June 13, 2017	Paid in full upon maturity	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ Ltd.						
	Mizuho Bank, Ltd. ⁽¹⁾						
	Mitsubishi UFJ Trust and Banking Corporation						
	The Norinchukin Bank						
	Resona Bank, Limited.						
	Sumitomo Mitsui Banking Corporation	24.0 ⁽²⁾ (II)	Base interest rate (JBA three-month Japanese Yen TIBOR) + 0.50%		June 13, 2019		
	The Bank of Tokyo-Mitsubishi UFJ Ltd.						
	Sumitomo Mitsui Trust Bank, Limited						
	Mizuho Bank, Ltd. ⁽¹⁾						
	Mitsubishi UFJ Trust and Banking Corporation						
	Aozora Bank, Ltd.						
Development Bank of Japan Inc.	20.0	Base interest rate (JBA three-month Japanese Yen TIBOR) + 0.60%	October 1, 2013	October 1, 2021			
The Norinchukin Bank							
Resona Bank, Limited.							
Sumitomo Mitsui Banking Corporation							
The Bank of Tokyo-Mitsubishi UFJ Ltd.							
Sumitomo Mitsui Trust Bank, Limited							
Mizuho Bank, Ltd. ⁽¹⁾							
Mitsubishi UFJ Trust and Banking Corporation							

	Development Bank of Japan Inc.						
	Sumitomo Mitsui Banking Corporation	13.9 ⁽²⁾ (III)	Base interest rate (JBA three-month Japanese Yen TIBOR) + 0.70%	June 13, 2013	June 13, 2023		
	The Bank of Tokyo-Mitsubishi UFJ Ltd.						
	Development Bank of Japan Inc.						

(Note 1) As Mizuho Corporate Bank, Ltd. merged with Mizuho Bank, Ltd. on July 1, 2013, its corporate name has been changed to Mizuho Bank, Ltd.

(Note 2) NPR has executed interest swap agreements to hedge the risk of interest rate fluctuations by converting the interest payable into a fixed interest rate for the individual term loan agreement on June 11, 2013 and included in long-term borrowings from (I) to (III) in the above table.

Interest Rate Swap Agreement for Borrowing (I)

Counterparty	Sumitomo Mitsui Trust Bank, Limited
Notional Principal	2.0 billion yen
Interest Rate	Receive floating/ Pay fix Fixed Interest Rate: 0.44350% Floating Interest Rate: JBA 3-Month Japanese Yen TIBOR
Agreement Date	June 11, 2013
Commencement Date	June 13, 2013
Termination Date	June 13, 2017
Interest Payment Date	The first interest payment is due on August 31, 2013 and subsequent interest payments will be due on the last day of November, February, May and August of every year and on the termination date (or the immediately following business day in case such date falls on a date that is not a business day or the immediately preceding business day in case such date falls in the next calendar month).

(*)The interest rate swap agreement will, in effect, fix the interest rate for Borrowing (I) at 0.84350%.

Interest Rate Swap Agreement for Borrowing (II)

Counterparty	SMBC Nikko Securities Inc.
Notional Principal	24.0 billion yen
Interest Rate	Receive floating/ Pay fix Fixed Interest Rate: 0.68135% Floating Interest Rate: JBA 3-Month Japanese Yen TIBOR
Agreement Date	June 11, 2013
Commencement Date	June 13, 2013
Termination Date	June 13, 2019
Interest Payment Date	The first interest payment is due on August 31, 2013 and subsequent interest payments will be due on the last day of November, February, May and August of every year and on the termination date (or the immediately following business day in case such date falls on a date that is not a business day or the immediately preceding business day in case such date falls in the next calendar month).

(*)The interest rate swap agreement will, in effect, fix the interest rate for Borrowing (II) at 1.18135%.

Interest Rate Swap Agreement for Borrowing (III)

Counterparty	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Notional Principal	13.9 billion yen
Interest Rate	Receive floating/ Pay fix Fixed Interest Rate: 1.13625% Floating Interest Rate: JBA 3-Month Japanese Yen TIBOR
Agreement Date	June 11, 2013
Commencement Date	June 13, 2013
Termination Date	June 13, 2023
Interest Payment Date	The first interest payment is due on August 31, 2013 and subsequent interest payments will be due on the last day of November, February, May and August of every year and the termination date (or the immediately following business day in case such date falls on a date that is not a business day or the immediately preceding business day in case such date falls in the next calendar month).

(*)The interest rate swap agreement will, in effect, fix the interest rate for Borrowing (III) at 1.83625%.

3) Acquisition of Assets

NPR, according to its basic investment guidelines defined in its article of incorporation, acquired beneficiary right in trust of 7 properties worth 112,430 million yen on June 13, 2013 and beneficiary right in trust worth 20,000 million yen on October 1, 2013, with the net proceeds from the public offering of new investment units and concurrent borrowings.

Prologis Park Tokyo-Ohta

Class of assets	Beneficiary right in trust
Acquisition price	29,500 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	1-3-6, Tokai, Ota, Tokyo
Purpose	Warehouse / office
Land area	19,542.02 m ²
Gross floor area	75,472.75 m ²
Structure / number of stories	SRC / 7-story
Date of construction	September 30, 2005
Ownership form	Proprietary

Prologis Park Zama 2

Class of assets	Beneficiary right in trust
Acquisition price	21,900 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	2-10-8, Hironodai, Zama, Kanagawa
Purpose	Warehouse / office
Land area	49,821.23 m ²
Gross floor area	99,550.46 m ²
Structure / number of stories	RCS / 5-story
Date of construction	July 26, 2012
Ownership form	Proprietary

Prologis Park Funabashi 5 / Annex

Class of assets	Beneficiary right in trust
Acquisition price	9,500 million yen / 1,500 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	3-6-1, Nishiura, Funabashi, Chiba
Purpose	Warehouse
Land area	30,372.00 m ²
Gross floor area	58,504.55m ²
Structure / number of stories	RCS / 5-story / RC / 6-story
Date of construction	April 23, 2007 / January 24, 1990
Ownership form	Proprietary

(Note) Annex to Prologis Park Funabashi 5 is constructed and utilized adjacent to Prologis Park 5 on adjoining property sites. NPR acquired these buildings as a single property since NPR intends to operate the properties in an integrated manner such as sharing a single driveway.

Prologis Park Narita 1-A&B

Class of assets	Beneficiary right in trust
Acquisition price	8,420 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	77-1, Minamisanrizuka, Narita, Chiba
Purpose	Warehouse / office
Land area	38,896.75 m ²
Gross floor area	64,260.05 m ²
Structure / number of stories	A: Steel-frame / 2-story B: RC / 4-story
Date of construction	March 1, 2005
Ownership form	Proprietary

(Note) Land area and gross floor area above represent only the fully-owned areas of the subject properties. Neither the area of a portion of the entranceway, and the green space and balancing reservoir at the rim of the land nor the convenience store building, which are jointly-owned, are included.

Prologis Park Narita 1-C

Class of assets	Beneficiary right in trust
Acquisition price	4,810 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	77-1, Minamisanrizuka, Narita, Chiba
Purpose	Warehouse / office
Land area	30,831.74 m ²
Gross floor area	33,514.12 m ²
Structure / number of stories	RC / 3-story
Date of construction	April 27, 2005
Ownership form	Proprietary

(Note) Land area and gross floor area above represent only the fully-owned areas of the subject properties. Neither the area of a portion of the entranceway, and the green space and balancing reservoir at the rim of the land nor the convenience store building, which are jointly-owned, are

included.

Prologis Park Amagasaki 1

Class of assets	Beneficiary right in trust
Acquisition price	17,600 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	13-1, Higashikaigancho, Amagasaki, Hyogo
Purpose	Warehouse
Land area	47,421.00 m ²
Gross floor area	91,215.66 m ²
Structure / number of stories	SRC / 6-story
Date of construction	August 1, 2005
Ownership form	Proprietary

Prologis Park Amagasaki 2

Class of assets	Beneficiary right in trust
Acquisition price	19,200 million yen
Date of acquisition	June 13, 2013
Location (residence indication)	13-2, Higashikaigancho, Amagasaki, Hyogo
Purpose	Warehouse
Land area	47,794.00 m ²
Gross floor area	93,825.14 m ²
Structure / number of stories	SRC / 6-story
Date of construction	March 30, 2007
Ownership form	Proprietary

NPR, according to its basic investment guidelines defined in its article of incorporation, entered into a purchase and sale agreement (“PSA”) on May 16, 2013 to acquire a property described below on October 1, 2013, with the net proceeds from the public offering of investment units and concurrent borrowings.

Prologis Park Narashino 4

Class of assets	Beneficiary right in trust
Acquisition price	20,000 million yen
Expected date of acquisition	October 1, 2013 (Note 1)
Location (not residence indication)	3-38-1, Akanehama, Narashino, Chiba
Purpose	Warehouse operating warehousing business
Land area	46,168.00 m ²
Gross floor area	108,485.04 m ²
Structure / number of stories	RCSS / 5-story
Expected date of construction	August 31, 2013 (Note 3)
Ownership form	Proprietary

(Note 1) Prologis Park Narashino 4 is currently under construction and, since the settlement of payment and transfer of ownership are scheduled longer than 1 month ahead of the execution of the PSA, such purchase agreement is deemed by law a “forward commitment contract”. According to

provisions of the PSA, either the purchaser or seller is permitted to unilaterally terminate the PSA with prior notice to the other party in case the seller or purchaser breaches provisions contained in the PSA and, consequently, the purchase and sale becomes impossible to complete. In case of such termination of the PSA, the party breaching the agreement is obligated to pay an amount (“Penalty Payment”) equivalent to 20% of the purchase and sale price (net of associated consumption taxes and municipal consumption taxes). Even in case the amount of actual damages arising from the termination of the PSA exceeds the amount of Penalty Payment, neither party is entitled to claim from the other party the amount exceeding the Penalty Payment. Also, if actual damages are smaller than the Penalty Payment amount, neither party is entitled to require the other party to reduce the Penalty Payment amount.

Notwithstanding, according to the PSA, the payment of the purchase and sale price is conditional upon the successful completion of NPR’s financing for the payment, and therefore, NPR is permitted to terminate the PSA with notice to the seller if the subject financing condition is not satisfied. In the event that the PSA is terminated according to this condition, NPR is not obligated to pay the Penalty Payment.

Consequently, NPR believes that, if NPR is unable to complete the necessary financing for payment of the purchase price and, thereby, NPR is unable to pay the price, there is a low probability of a direct material adverse effect on NPR’s financial status and its power to pay distributions since NPR is entitled to terminate the PSA without payment of the Penalty Payment.

(Note 2) Prologis Park Narashino 4 is scheduled to be registered as RCSS / 5-story in terms of its structure and number of stories.

(Note 3) The indicated expected date of construction may be delayed or accelerated according to status of actual development procedures.



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 sheet as at May 31, 2013, and the statement of income, statement of changes in net assets and statement of cash flows from November 7, 2012 (date of inception) to May 31, 2013, 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, 2013, and its financial performance and cash flows from November 7, 2012 (date of inception) to May 31, 2013 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 14 to the financial statements, which further describes: 1) issuance of new investment units, 2) borrowing of bank loans, and 3) acquisition of trust beneficiary certificates of eight properties.

KPMG AZSA LLC

August 29, 2013
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.