
SEMIANNUAL REPORT

Fiscal Period Ended November 30, 2013

Dear Fellow Unit Holders,

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

Throughout the six months of our 2nd Fiscal Period ended November 30, 2013, we have successfully demonstrated our strong commitment to our continuous growth and leadership in Japanese logistics real estate industry.

First Follow-On Offering—Following our successful IPO in February 2013, we have concluded our first follow-on offering in June 2013. Through the offering, we raised 77.1 billion yen of equity capital and the proceeds were allocated to the acquisition of 8 Class-A logistics facilities worth 132.4 billion yen. All 8 facilities are well located in either Central Tokyo or Osaka areas and developed with highest standards by Prologis.

Second Follow-On Offering—Furthermore, we have recently concluded our second follow-on offering in December 2013. We have raised additional 31.0 billion yen of equity capital through this offering, and acquired 4 new Class-A logistics facilities worth 54.0 billion yen. As a result of these series of offerings and acquisitions, NPR has accomplished significant economic accretion of our investment units, without compromising the quality of our portfolio and operations. At the same time, we are now positioned as the leading logistic REIT in Japan with a total portfolio size of 359.5 billion yen and market capitalization of 323.7 billion yen*.

*As of January 31, 2014

Current Portfolio—The current NPR portfolio comprises 24 Class-A logistics facilities developed by the Prologis Group. All the properties are modern advanced logistics facilities with “state of the art” specifications and technologies, which are generating significant demand from Japanese logistics customers who are primarily represented by major third-party logistics (“3PL”) companies and e-commerce players.

The current portfolio of NPR is characterized by its young age (the average age of 4.9 years), its large floor size (average leasable area of approximately 75,000 square meters per asset) and its attractive cash flow yield (average net operating income yield of 5.5%). Also, approximately 90% of our portfolio is located in the Global Markets of Tokyo and Osaka Metropolitan Areas. Approximately 88% of our portfolio consists of multi tenant facilities, where NPR is able to accommodate multiple tenants within properties with multiple stories and large-scale floor plate as well as direct access to each floor by spiral ramps. As a result of this focus on multi tenant facilities, NPR has a highly diversified tenant mix and lease expiry schedule. Our top 20 tenants occupy only 62% of the entire leased floor areas, which is by far the lowest among all logistics J-REITs. NPR’s lease expiration schedule is well-staggered, which minimizes our lease renewal risks, while capturing potential upside of rent growth in an improving market environment.

Macro Economy in Japan—Since Prime Minister Shinzo Abe took over the cabinet in late 2012, we have observed an obvious sentiment change in the Japanese economic outlook. His economic stimulus package, broadly known as “Abenomics,” has been steadily and positively impacting Japanese economic trends and business environment, which we believe would create stronger demand for Class-A logistics real estate space over the long-term. Also, the announcement of the 2020 Tokyo Olympic Games appears to have given further positive momentum on Japanese economic outlook. We expect that the overall macro economy of Japan to be quite positive and NPR is positioned to benefit from such an improving business environment. As a result of continuous reconfiguration of Japanese logistics industry, a number of manufacturers and retailers continue to outsource their logistics functions and operations to 3PL vendors, and at the same time, the continued strong global trends of growing e-commerce business are creating significant space demands from internet retailers in Japan.

Operational Status and Internal Growth—With the combination of strong macro-economic environment of Japanese logistics real estate industry and our excellent asset profile, NPR’s portfolio has been demonstrating very solid operational performance, and more importantly, its internal growth potential has become clearer. From the date of the IPO in February 2013 to the end of the 2nd Fiscal Period in November 2013, NPR’s portfolio occupancy constantly exceeded the 97% levels due to the strong demand from our tenants. During the same period of nine and a half months, lease agreements for approximately 10% of NPR’s leasable floor space matured, and as a result of our lease renewal and re-tenant efforts, we have accomplished rent growth of 2.7% for that space, on a nominal weighted average basis. We believe we will achieve a similar level of rent growth for leases expiring over next three years.

External Growth Opportunities—In terms of external growth opportunities, NPR continues to hold a robust future acquisition pipeline. After the acquisition of four properties in December 2013, NPR currently holds the Exclusive Negotiation Rights for five assets that are expected to stabilize (i.e. with more than 90% occupancy rate) prior to the end of the year of 2014. In addition, NPR holds nine properties in its future acquisition pipeline that are currently under construction or with near-term commencement of development. By combining these pools of assets, NPR has a significant external growth pipeline, with acquisitions to be completed over next three years.



Financial Strategies—NPR’s financial strategies have remained constant since the IPO. We prioritize long-term stability and efficiency of our financing and capital structure. We have a well-diversified debt maturity schedule, with an average remaining loan duration of 5.7 years. Except a nominal amount of short-term loans, which are scheduled to be repaid within a year, all of our outstanding debt is long-term with fixed interest rates. In addition, NPR’s loan-to-value ratio remains conservative at 43% at the end of the 2nd Fiscal Period, and is expected to be further reduced over next two fiscal periods. Over the long-term, we intend to maintain NPR’s strong balance sheet to protect our investors from potential downside risks, while enabling us to capture external growth opportunities from third-party asset sellers, if any, with our additional borrowing capacity.

Governance Structure—NPR is committed to maintaining a high level of governance structure that aligns interests of our investors and the Prologis Group. The Prologis Group continues to own a 15% interest in NPR. Also, the asset management fee structure of Prologis REIT Management K.K. (“PLDRM”) is completely linked with economic performances of NPR. The Prologis Group and PLDRM will continue to serve our investors to maximize NPR’s unit holder value.

Financial Results of 2nd Fiscal Period—On November 30, 2013, we concluded our 2nd Fiscal Period and reported solid financial results based on our stable operational platform. Our 10.1 billion yen operating revenues were in line with our original forecast, and our 4.6 billion yen net income exceeded the forecast by 4.4%. Accordingly, our distributions per unit, including the surplus cash distributions (“SCD”), exceeded the forecast by 3.4%. These results were attributable to strong rental revenues arising from high occupancy as well as our continuous cost savings efforts.

In addition, as a result of periodical reappraisal of our portfolio, there was approximately 10.1 billion yen of unrealized gain on our 20 properties owned at the end of 2nd Fiscal Period, which reflected the improving status of Japanese logistics real estate market.

Looking Forward—We believe that NPR continues to have bright future. We will continue to pursue both internal and external growth opportunities, while maintaining the stability of the basis of our operations and financial strategies. We are strongly committed to grow over the long-term as the leading logistics J-REIT.

We sincerely appreciate your continued support of NPR and the Prologis Group and look forward to reporting our further progress in the months and years ahead.



Masahiro Sakashita

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



Distribution Per Unit
(total JPY)

18,811

Operating Revenues
(JPY millions)

10,113

Net Income
(JPY millions)

4,642

Total Assets
(JPY millions)

323,487

Loan-To-Value Ratio

43.0%

Period End Occupancy Rate

98.8%

Credit Rating

JCR AA-

(Positive)*

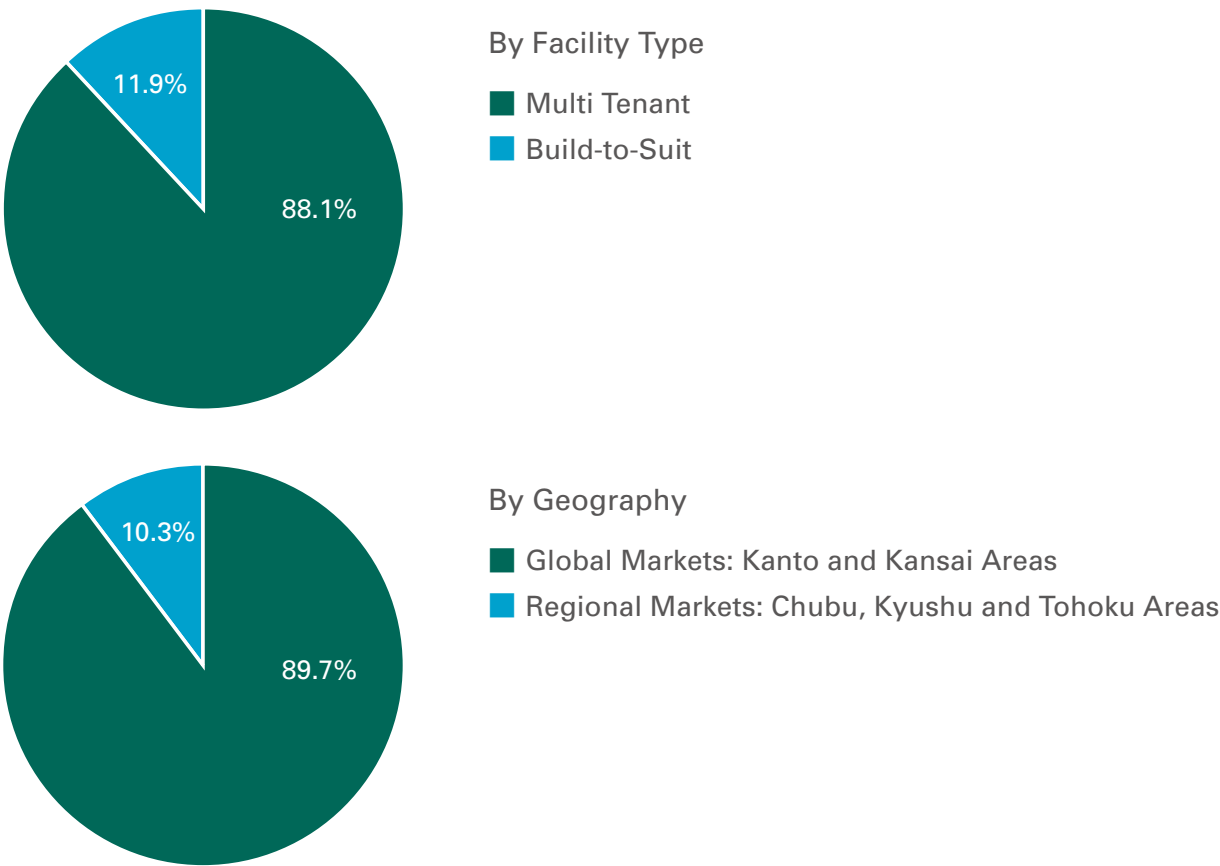
*As of February 7, 2014

Portfolio Size
(JPY millions)

359,520*

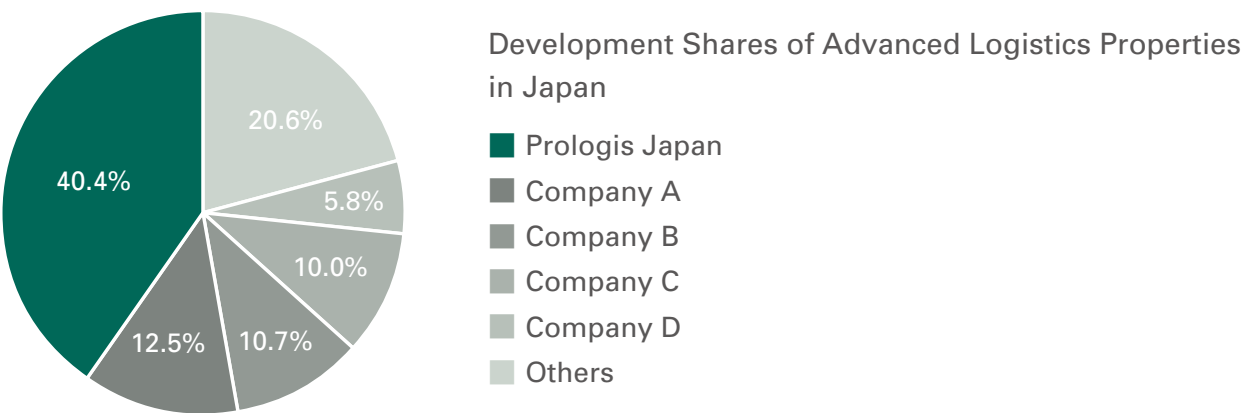
*As of December 3, 2013

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 3, 2013

Strategic Focus on High-quality Class-A Logistics Facilities



Financial Strategy Focused on Long-term Stability and Efficiency



Governance Structure Promoting Growth in Unit Holder Value





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



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

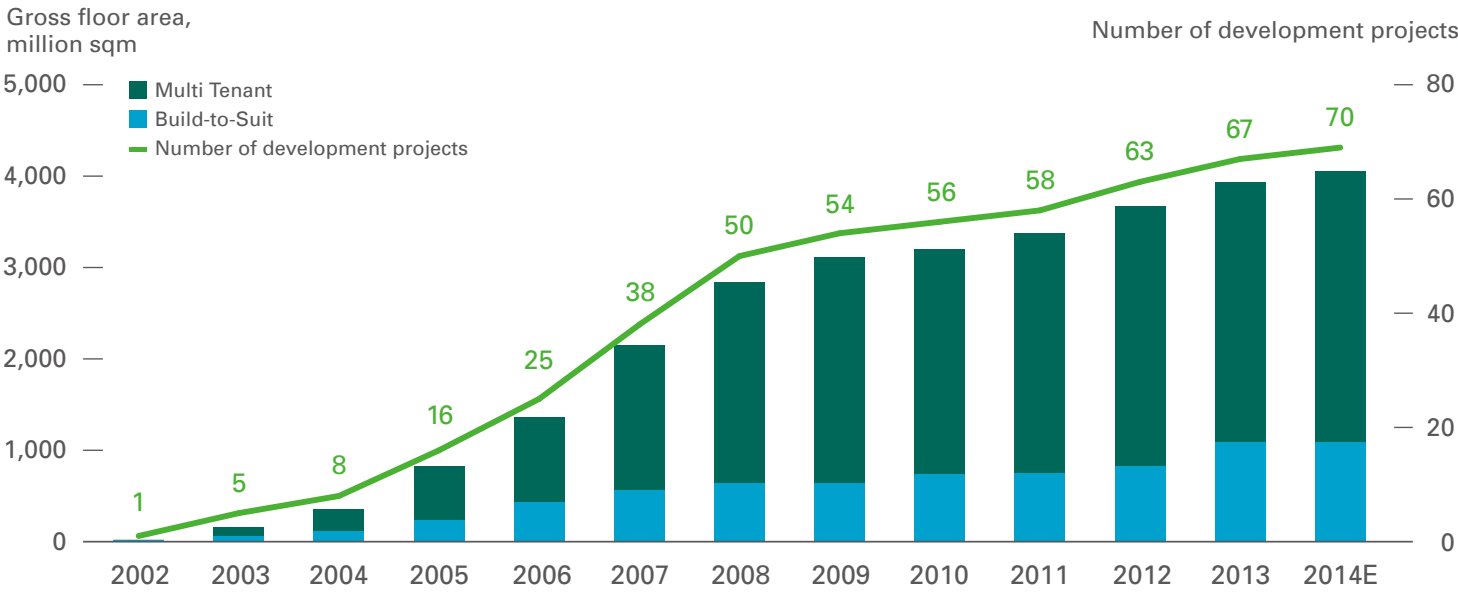


Future Pipeline

Status	Region / Area	Property Name	Pipeline	Year Built	Property Type	GFA (sqm)
Operating/ Development Assets	Kanto	Prologis Park Kawajima 2	Added in Nov. 2013	2014	Multi Tenant	45,674
		Prologis Park Ebina	Added in Nov. 2013	2010	Build-to-Suit	32,487
Exclusive Negotiation Rights granted by the Prologis Group	Kansai	Prologis Park Kawanishi	Initial Pipeline	2013	Build-to-Suit	75,026
		Prologis Park Amagasaki 3	Initial Pipeline	2013	Build-to-Suit	39,386
		Prologis Park Kobe	Initial Pipeline	2013	Build-to-Suit	32,043
Planned Assets (Under Development / Future Development)	Kanto	Prologis Park Kitamoto	—	2014	Multi Tenant	73,873
		Prologis Park Narita 1-D	—	2014	Multi Tenant	27,620
		Prologis Park Joso	—	2014	Multi Tenant	38,362
		Prologis Park Ichikawa 3	—	2015	Multi Tenant	60,000
		Prologis Park Koga 1	—	TBD	TBD	62,068
		Prologis Park Koga 2	—	TBD	TBD	55,470
	Kansai	Prologis Park Osaka 5	—	2015	Multi Tenant	95,129
		Prologis Park Ibaraki	—	2016	Multi Tenant	180,287
	Kyushu	Prologis Park Hisayama	—	2015	Multi Tenant	20,968
Total						838,393

Notes: Prologis plans to develop assets worth JPY 40-60 billion in Japan each year.
NPR does not have definite contracts to acquire the above properties. This property list should not be deemed commitment or guarantee of NPR's future acquisitions.

Proven Development Track Record Since 2002



High-spec Features

- A gross floor area of approximately 16,500 square meters 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 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; and
- 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



Financial Policy

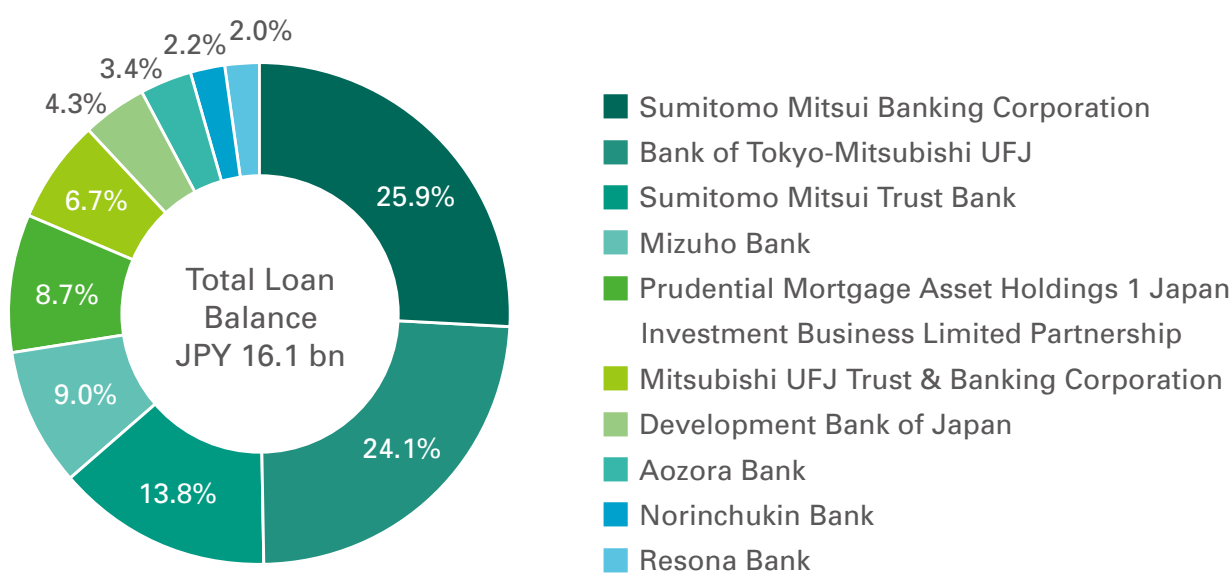
We intend to maintain a stable and flexible financing strategy that enables us to produce stable profits and achieve steady growth.

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. Currently, we expect to target surplus cash distributions equivalent to approximately 30% and not to exceed 60% of the depreciation expense for the relevant fiscal period.
Loan-to-value (LTV) ratio	To ensure that we have the ability to acquire properties in a timely and flexible manner, we will maintain a conservative LTV ratio at approximately 50%, with an upper limit of 60%, except under special circumstances.

Debt Maturity Schedule*



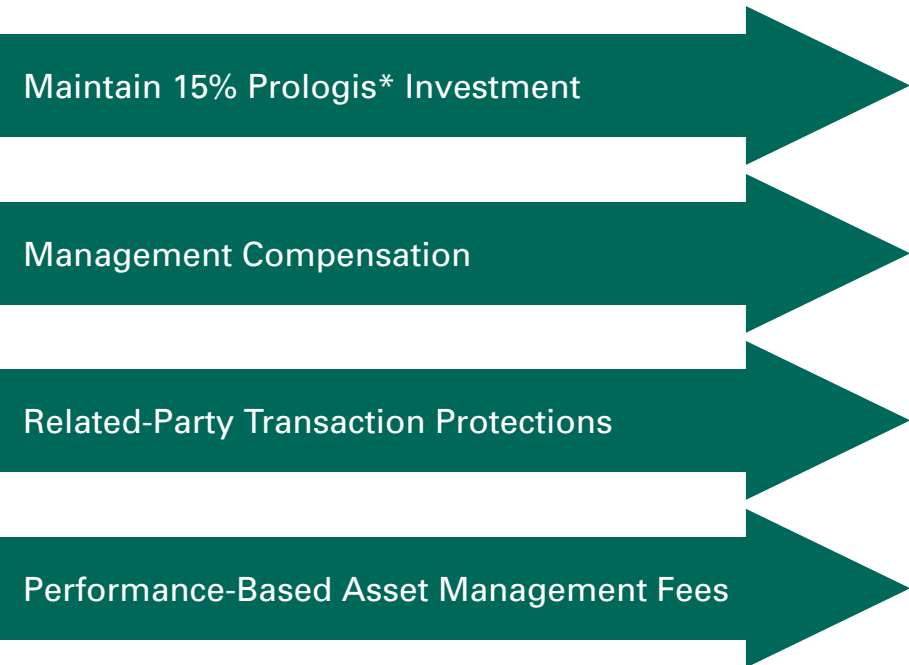
Our Lenders*



*As of December 3, 2013, calculated based on remaining loan balances.



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

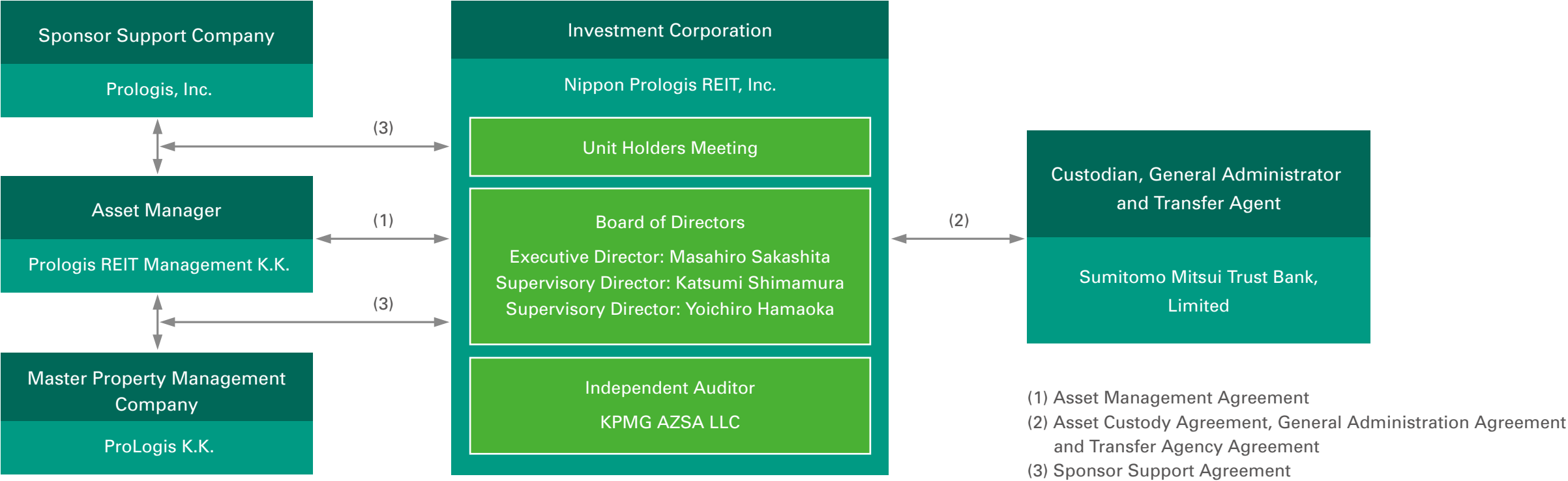
*Prologis refers to Prologis, Inc. and its affiliated entities.

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)	

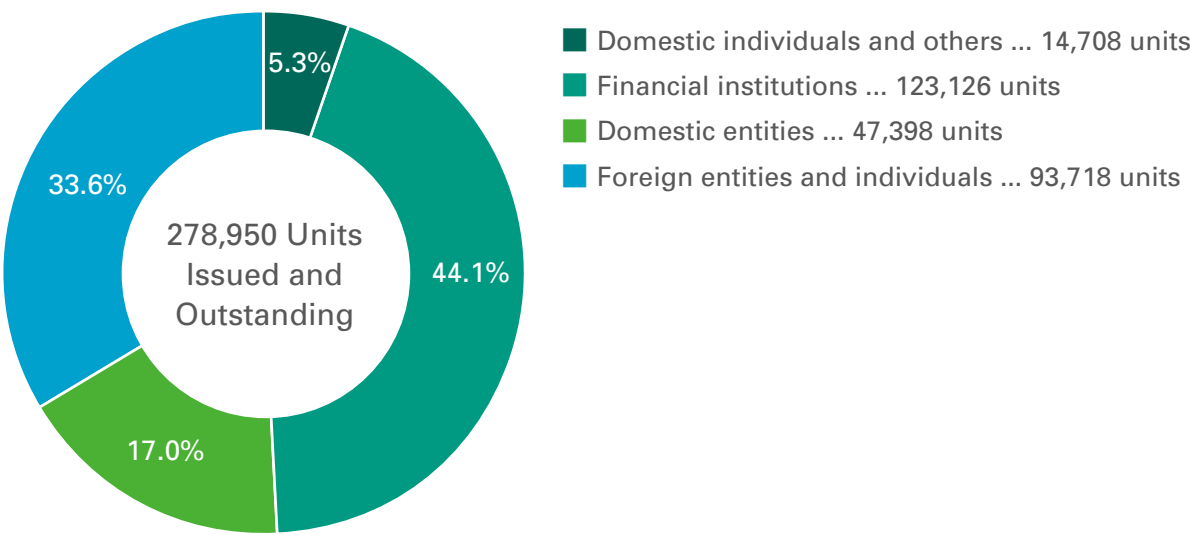
100% performance-linked asset management fee structure

Alignment of Interests

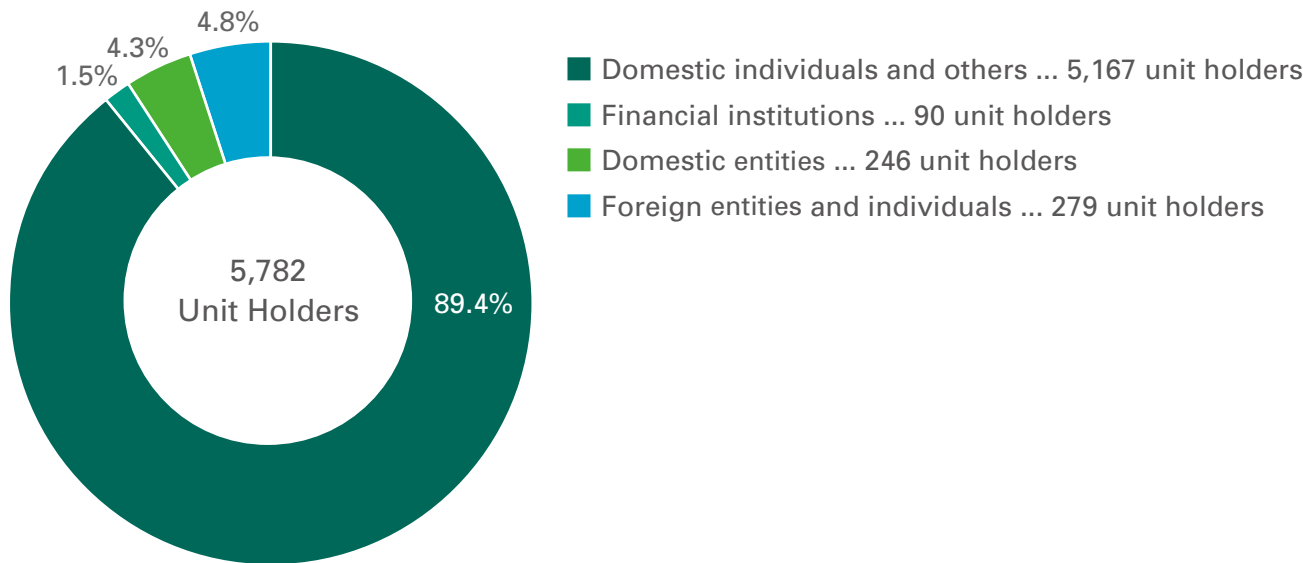


Our Unit Holder Composition*

Breakdown by Units

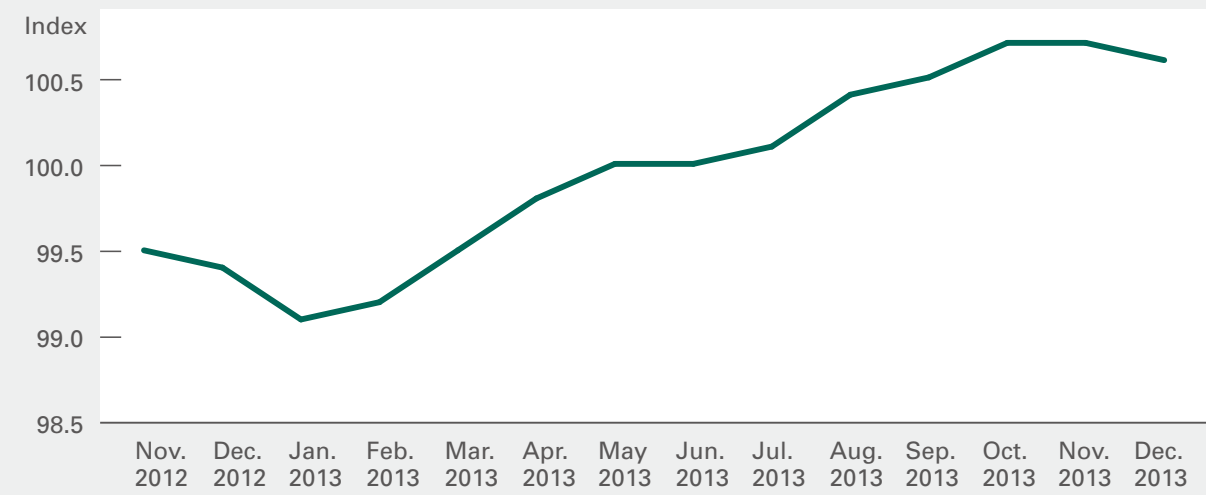


Breakdown by Unit Holders



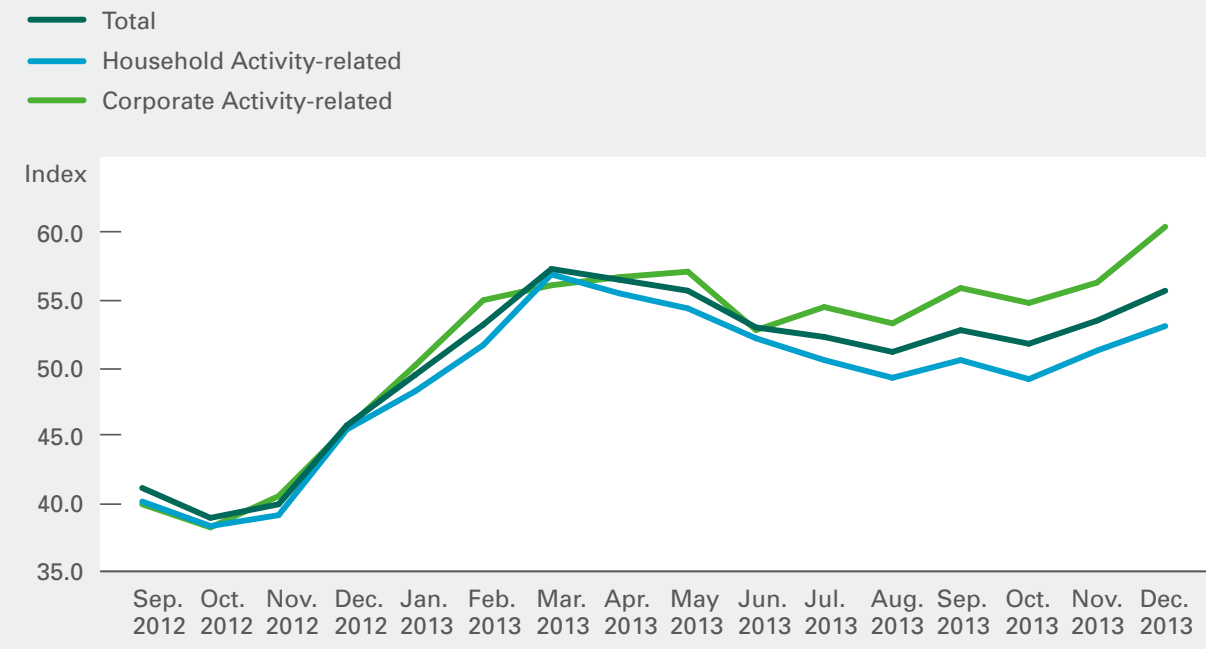
*As of November 30, 2013

Core Consumer Price Index



Source: Ministry of Internal Affairs and Communications of Japan

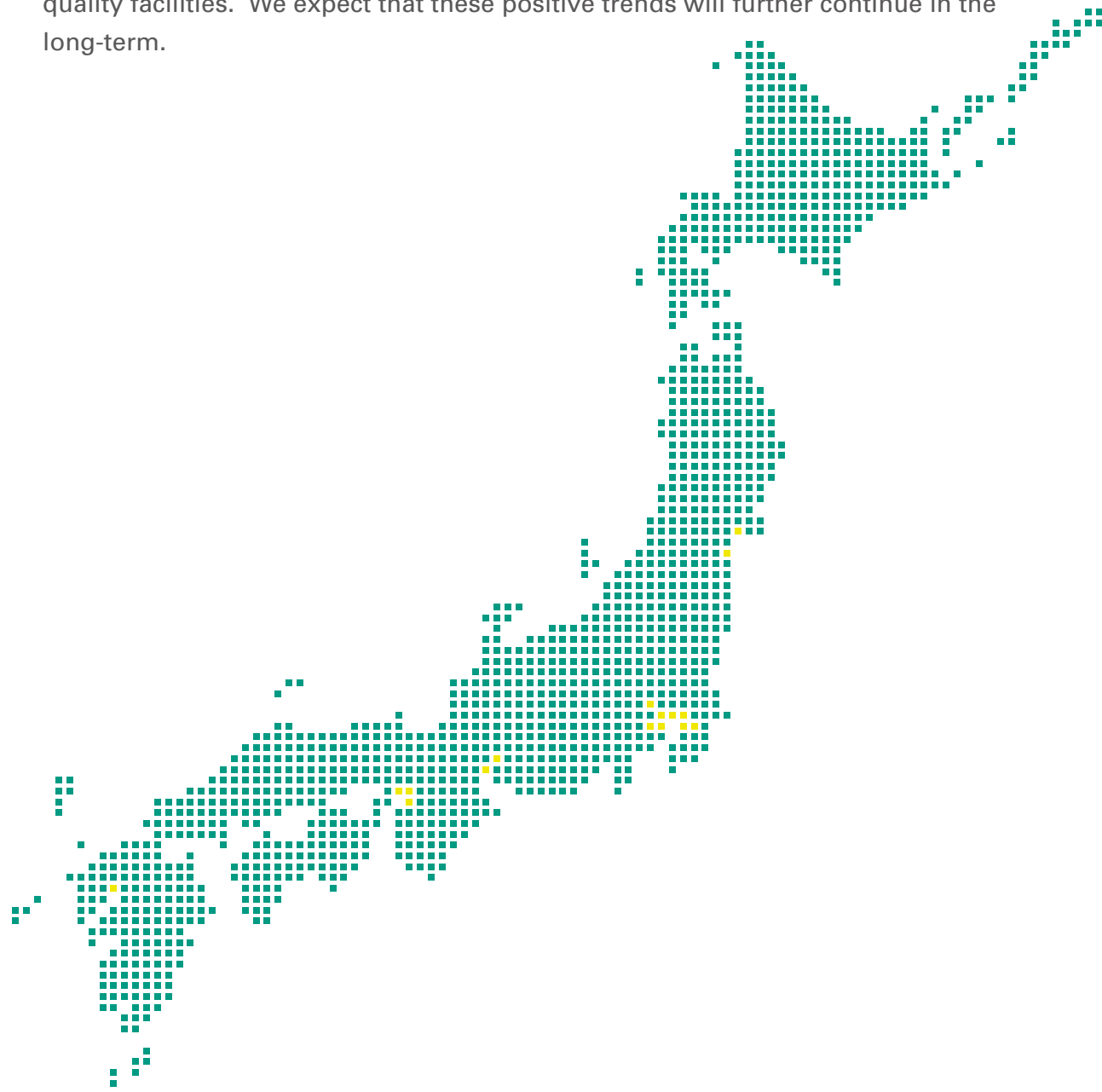
Diffusion Index



Source: Cabinet Office, Government of Japan

Macroeconomic Environment of Japan

As a result of monetary policies and economic stimulus package being conducted by Prime Minister Shinzo Abe’s administration, Japan’s macro economy has been steadily demonstrating signs of recovery as represented by various indices including the consumer price index. Accordingly, the demand for Class-A logistics facilities in Japan is expected to continue to grow. In fact, the balance between supply and demand of new Class-A space has been quite solid in Tokyo and Osaka Metropolitan Areas in the year of 2013, and as a result, market rents are growing for quality facilities. We expect that these positive trends will further continue in the long-term.



Balance Sheets

	Thousands of yen	
	As of November 30, 2013	As of May 31, 2013
ASSETS		
Current assets:		
Cash and deposits (Note 3 and 4)	¥ 11,342,639	¥ 4,579,981
Cash and deposits in trust (Note 3 and 4)	2,470,176	1,474,877
Operating accounts receivable	70,365	54,742
Prepaid expenses	273,385	201,003
Deferred tax assets (Note 11)	17	20
Consumption taxes receivable	3,090,720	5,514,857
Other current assets	2,042	918
Total current assets	17,249,346	11,826,399
Property and equipment (Note 6):		
Buildings	7,535,483	7,385,596
Structures	249,739	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,813,010
Buildings in trust	169,453,497	102,110,017
Structures in trust	2,944,035	1,960,206
Tools, furniture and fixtures in trust	319,925	197,581
Other tangible assets in trust	35	-
Land in trust	123,657,601	58,459,186
Less: accumulated depreciation	(3,032,020)	(909,267)
Total property and equipment	304,967,936	173,271,505
Intangible assets:		
Other intangible assets	870	-
Total intangible assets	870	-
Investments and other assets:		
Long-term prepaid expenses	1,196,036	687,290
Security deposit	10,000	10,000
Organization expenses	63,802	71,947
Total investments and other assets	1,269,839	769,237
Total Assets	¥ 323,487,992	¥ 185,867,143

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

Balance Sheets, continued

	Thousands of yen	
	As of November 30, 2013	As of May 31, 2013
LIABILITIES		
Current liabilities:		
Operating accounts payable	¥ 214,221	¥ 113,609
Short-term loans payable (Notes 4 and 10)	3,400,000	5,000,000
Accounts payable (Note 4)	20,279	5,768
Accrued expenses	1,033,617	352,219
Income taxes payable	797	1,000
Advances received	1,774,004	1,000,461
Other current liabilities	1,019,994	914,396
Total current liabilities	7,462,913	7,387,456
Non-current liabilities:		
Long-term loans payable (Notes 4,5 and 10)	135,800,000	75,900,000
Tenant leasehold and security deposits (Note 4)	247,191	238,791
Tenant leasehold and security deposits in trust (Note 4)	7,390,184	3,924,745
Other non-current liabilities	3,752	345
Total non-current liabilities	143,441,128	80,063,882
Total Liabilities	150,904,042	87,451,339
NET ASSETS (Note 9)		
Unit holders' equity		
Unit holders' capital	167,941,285	97,082,555
Units authorized:		
2,000,000 units as of November 30, 2013 and May 31, 2013		
Units issued and outstanding:		
278,950 units as of November 30, 2013 and 182,750 units as of May 31, 2013		
Surplus		
Unappropriated retained earnings	4,642,664	1,333,248
Total unit holders' equity	172,583,950	98,415,803
Total Net Assets	172,583,950	98,415,803
Total Liabilities and Net Assets	¥ 323,487,992	¥ 185,867,143

The accompanying notes are an integral part of these financial statements

Statements of Income

	Thousands of yen	
	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012(date of inception) to May 31, 2013
Operating Revenues (Note 7):		
Operating rental revenues	¥ 9,333,616	¥ 3,367,723
Other rental revenues	779,653	197,761
Total operating revenues	10,113,269	3,565,484
Operating Expenses (Notes 6 and 7) :		
Expenses related to property rental business	3,464,898	1,262,541
Asset management fee	954,234	326,081
Asset custody fee	26,352	9,490
Directors' compensation	4,600	4,200
Audit fee	13,000	-
Other operating expenses	27,446	1,473
Total operating expenses	4,490,531	1,603,787
Operating income	5,622,737	1,961,696
Non-operating Income:		
Interest income	787	117
Gain on real estate tax settlement	2,473	5,059
Interest on refund of consumption taxes	5,847	-
Others	27	0
Total non-operating income	9,135	5,177
Non-operating Expenses:		
Interest expense	630,450	185,861
Amortization of organization expenses	8,145	9,502
Borrowing related expenses	154,712	91,541
Investment unit issuance expenses	93,263	183,281
Offering costs associated with the issuance of investment units	101,737	160,222
Others	26	2,212
Total non-operating expenses	988,335	632,621
Ordinary income	4,643,537	1,334,252
Income before income taxes	4,643,537	1,334,252
Incomes taxes – current (Note 11)	957	1,024
Incomes taxes – deferred (Note 11)	3	(20)
Total income taxes	960	1,003
Net income	4,642,577	1,333,248
Retained earnings brought forward	87	-
Unappropriated retained earnings	¥ 4,642,664	¥ 1,333,248

	Yen	
	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012(date of inception) to May 31, 2013
Net income per unit (Note 12)	¥ 16,930	¥ 14,017

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

Statements of Changes in Net Assets

For the period from June 1, 2013 to November 30, 2013 and for the period from November 7, 2012(date of inception) to May 31, 2013

	Number of units	Thousands of yen		
		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 9)	182,750	97,082,555	1,333,248	98,415,803
Issuance of new units on June 13, 2013	96,200	71,117,870	-	71,117,870
Distributions in excess of retained earnings	-	(259,139)	-	(259,139)
Distributions of retained earnings	-	-	(1,333,161)	(1,333,161)
Net income	-	-	4,642,577	4,642,577
Balance as of November 30, 2013(Note 9)	278,950	¥ 167,941,285	¥ 4,642,664	¥ 172,583,950

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

	Thousands of yen	
	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012(date of inception) to May 31, 2013
Cash Flows from Operating Activities:		
Income before income taxes	¥ 4,643,537	¥ 1,334,252
Depreciation (Note 6)	2,122,782	909,267
Amortization of organization expenses	8,145	9,502
Investment unit issuance expenses	93,263	183,281
Interest income	(787)	(117)
Interest expense	630,450	185,861
Increase in operating accounts receivable	(15,623)	(54,742)
Decrease (increase) in consumption taxes receivables	2,424,137	(5,514,857)
Increase in prepaid expenses	(72,382)	(201,003)
Increase in long-term prepaid expenses	(508,746)	(687,290)
Increase in operating accounts payable	100,611	113,609
Increase in accounts payable	3,991	802
Increase in accrued expenses	673,402	352,219
Increase in advances received	773,542	1,000,461
Payment of organization expenses	-	(81,450)
Others, net	248,316	136,261
Subtotal	11,124,642	(2,313,941)
Interest received	787	117
Interest paid	(622,455)	(185,861)
Income taxes paid	(1,160)	(23)
Net cash provided by (used in) operating activities	10,501,813	(2,499,709)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(171,080)	(11,453,780)
Purchases of property and equipment in trust	(133,988,996)	(161,944,463)
Purchases of intangible assets in trust	(900)	-
Payments of security deposit	-	(10,000)
Proceeds from tenant leasehold and security deposits	8,400	238,791
Proceeds of tenant leasehold and security deposits in trust	3,785,276	3,960,807
Repayments from tenant leasehold and security deposits in trust	(114,266)	(36,061)
Net cash provided by (used in) investing activities	(130,481,568)	(169,244,706)
Cash Flows from Financing Activities:		
Increase in short-term loans payable	3,400,000	5,000,000
Decrease in short-term loans payable	(5,000,000)	-
Proceeds from long-term loans payable	59,900,000	75,900,000
Proceeds from issuance of new investment units	71,024,606	96,899,273
Payment of distributions of retained earnings	(1,328,634)	-
Payment of distributions in excess of retained earnings	(258,259)	-
Net cash provided by (used in) financing activities	127,737,712	177,799,273
Net increase in cash and cash equivalents	7,757,957	6,054,858

Cash and cash equivalents at the beginning of period	6,054,858	-
Cash and cash equivalents at the end of period (Note 3)	¥ 13,812,815	¥ 6,054,858

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

Notes to Financial Statements
For the period from June 1, 2013 to November 30, 2013 and for the period from November 7, 2012 to May 31, 2013

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 commenced substantive operation. In addition, NPR acquired 7 properties (aggregate acquisition price: 112,430 million yen) on June 13, 2013 and 1 property (acquisition price: 20,000 million yen) on October 1, 2013 during the reporting fiscal period. As of November 30, 2013, NPR had ownership of (held in the form of beneficiary rights in trust) 20 properties (aggregate acquisition price: 305,450 million yen), which were all developed by the Prologis Group. The portfolio’s total leasable area was 1,483,730.09 square-meters and the occupancy rate remained at a high level of 98.8% 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.

b) 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 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. 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

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	3-60 years
Structures	2-60 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 346,688 thousand yen and 979,588 thousand yen for the periods ended November 30, 2013 and May 31, 2013, respectively.

d) Investment Unit Issuance Expenses

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

e) 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.

f) Organization Expenses

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

g) 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.

h) 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

Relationship between cash and cash equivalents in statement of cash flows and accounts and amounts in the accompanying balance sheets is as follows:

	Thousands of yen	
	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012 to May 31, 2013
Cash and deposits	¥ 11,342,639	¥ 4,579,981
Cash and deposits in trust	2,470,176	1,474,877
Cash and cash equivalents	¥ 13,812,815	¥ 6,054,858

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 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.

(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

Book value, fair value and differences between the values as of November 30, 2013 and 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 November 30, 2013		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 11,342,639	¥ 11,342,639	¥ -
(2) Cash and deposits in trust	2,470,176	2,470,176	-
Total assets	¥ 13,812,815	¥ 13,812,815	¥ -
(3) Short-term loans payable	3,400,000	3,400,000	-
(4) Long-term loans payable	135,800,000	138,983,691	3,183,691
Total liabilities	¥ 139,200,000	¥ 142,383,691	¥ 3,183,691
(5) Derivative transactions	¥ -	¥ (3,108)	¥ (3,108)

	Thousands of yen		
	As of May 31, 2013		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 4,579,981	¥ 4,579,981	¥ -
(2) Cash and deposits in trust	1,474,877	1,474,877	-
Total assets	¥ 6,054,858	¥ 6,054,858	¥ -
(3) Short-term loans payable	5,000,000	5,000,000	-
(4) Long-term loans payable	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 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) Long-term loans payable

Long-term loans payable 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 5, "Derivative Transactions".

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

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

	Thousands of yen	
	As of November 30, 2013	As of May 31, 2013
Tenant leasehold and security deposits	¥ 247,191	¥ 238,791
Tenant leasehold and security deposits in trust	7,390,184	3,924,745

(Note 3) Redemption schedule for monetary claims after November 30, 2013

	Thousands of yen					
	As of November 30, 2013					
	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	¥11,342,639	¥-	¥-	¥-	¥-	¥-
Cash and deposits in trust	2,470,176	-	-	-	-	-
Total	¥13,812,815	¥-	¥-	¥-	¥-	¥-

Redemption schedule for monetary claims after May 31, 2013

	Thousands of yen					
	As of May 31, 2013					
	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	¥4,579,981	¥-	¥-	¥-	¥-	¥-
Cash and deposits in trust	1,474,877	-	-	-	-	-
Total	¥6,054,858	¥-	¥-	¥-	¥-	¥-

(Note 4) Repayment schedule for long-term loan payable after November 30, 2013

	Thousands of yen					
	As of November 30, 2013					
	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 payable	¥-	¥-	¥23,300,000	¥2,000,000	¥23,300,000	¥87,200,000
Total	¥-	¥-	¥23,300,000	¥2,000,000	¥23,300,000	¥87,200,000

Repayment schedule for long-term loan payable after May 31, 2013

	Thousands of yen					
	As of May 31, 2013					
	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 payable	¥-	¥-	¥23,300,000	¥-	¥23,300,000	¥29,300,000
Total	¥-	¥-	¥23,300,000	¥-	¥23,300,000	¥29,300,000

5. Derivative Transactions

For the periods ended November 30, 2013 and May 31, 2013, NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

			Thousands of yen			
			As of November 30, 2013			
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount			
			Total	Due after one year	Fair value	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥142,200,000 (Note 1)	¥142,200,000 (Note 1)	(3,108) (Note 2)	- (Note 2)

(Note 1) This amount includes the interest swap agreement executed on November 29, 2013 with a borrowing date of December 3, 2013.

(Note 2) 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 4, “Financial Instruments, b) Estimated Fair Value of Financial Instruments, (4) Long-term loans payable”

			Thousands of yen			
			As of May 31, 2013			
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount			
			Total	Due after one year	Fair value	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥75,900,000	¥75,900,000	(Note)	-

(Note) 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 4, “Financial Instruments, b) Estimated Fair Value of Financial Instruments, (4) 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, amount changed during the reporting fiscal period and fair value of the properties are as follows:

	Thousands of yen	
	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012 to May 31, 2013
Book value		
Balance at the beginning of the period	¥ 173,271,505	¥ -
Changes during the period(Note 2)	131,696,431	173,271,505
Balance at the end of the period	¥ 304,967,936	¥ 173,271,505
Fair value at the end of the period	¥ 315,110,000	¥ 176,880,000

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

(Note 2) The increase for the fiscal period ended November 30, 2013, was a result of acquiring 8 properties during the period (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 and Prologis Park Narashino 4) for a total of 133,628,885 thousand yen, offset slightly by depreciation of 2,122,752 thousand yen.

In addition, the increase for the fiscal period ended May 31, 2013, was a result of acquiring 12 properties during the period (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, offset slightly by 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

7. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the periods ended November 30, 2013 and May 31, 2013.

	Thousands of yen	
	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012 to May 31, 2013
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 8,748,359	¥ 3,117,304
Common area charges	585,257	250,418
Total	¥ 9,333,616	¥ 3,367,723
Other rental revenues		
Received utilities cost	¥ 614,554	¥ 122,258
Others	165,098	75,502
Total	¥ 779,653	¥ 197,761
Total property-related revenues	¥ 10,113,269	¥ 3,565,484
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 516,001	¥ 203,861
Utilities cost	675,777	125,943
Taxes and public dues	254	-
Non-life insurance premium	19,303	7,317
Repair and maintenance	119,726	12,011
Depreciation	2,122,782	909,267
Custodian fee	8,917	2,902
Other expenses	2,134	1,236
Total rental expenses	¥ 3,464,898	¥ 1,262,541
(3) Operating income from property leasing ((1)-(2))	¥ 6,648,370	¥ 2,302,942

8. Leases

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

	Thousands of yen	
	As of November 30, 2013	As of May 31, 2013
Due within one year	¥ 14,987,059	¥ 9,864,329
Due after one year	¥ 51,157,613	¥ 34,795,141
Total	¥ 66,144,672	¥ 44,659,470

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 November 30, 2013 and May 31, 2013 consists of the following items:

	Thousands of yen	
	As of November 30, 2013	As of May 31, 2013
Unit holders' capital, gross	¥ 168,200,425	¥ 97,082,555
Deduction from unit holders' capital; accumulated distribution in excess of retained earnings	(259,139)	-
Unit holders' capital	¥ 167,941,285	¥ 97,082,555

c) 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.

Thousands of yen				
		For the period from June 1, 2013 to November 30, 2013		For the period from November 7, 2012 to May 31, 2013
		Total	Per unit	Total
				Per unit
I	Unappropriated retained earnings	¥ 4,642,664,677		¥ 1,333,248,692
II	Distributions in excess of retained earnings			
	Deduction from unit holders' capital	604,763,600		259,139,500
III	Distributions			
	Distributions of retained earnings	4,642,564,850	¥16,643	1,333,161,250
	Distributions in excess of retained earnings	604,763,600	2,168	259,139,500
	Total distributions	5,247,328,450	¥18,811	1,592,300,750
IV	Retained earnings carried forward	¥ 99,827		¥ 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 distribution amounts of 4,642,564,850 yen and 1,333,161,250 yen for the periods ended November 30, 2013 and May 31, 2013, 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 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 604,763,600 yen and 259,139,500 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 2,122,782,312 yen and 909,267,812 yen for the periods ended November 30, 2013 and May 31, 2013, respectively.

10. Short-Term and Long-Term Loans Payable

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable as of November 30, 2013 and May 31, 2013.

Thousands of yen			
		As of November 30, 2013	As of May 31, 2013
0.48000% unsecured short-term loans	¥	-	¥ 5,000,000
0.47114% unsecured short-term loans		3,400,000	-
Total short-term loans payable	¥	3,400,000	¥ 5,000,000
0.55634% unsecured long-term loans due 2016 ^(*)	¥	23,300,000	¥ 23,300,000
0.73760% unsecured long-term loans due 2018 ^(*)		23,300,000	23,300,000
1.01950% unsecured long-term loans due 2020 ^(*)		23,300,000	23,300,000
1.32075% unsecured long-term loans due 2022 ^(*)		6,000,000	6,000,000
0.84350% unsecured long-term loans due 2017 ^(*)		2,000,000	-
1.18135% unsecured long-term loans due 2019 ^(*)		24,000,000	-
1.83625% unsecured long-term loans due 2023 ^(*)		13,900,000	-
1.34550% unsecured long-term loans due 2021 ^(*)		20,000,000	-
Total long-term loans payable	¥	135,800,000	¥ 75,900,000

The stated interest rate is the weighted average interest rate during the period ended November 30, 2013. For certain loans (*) for which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

The redemption schedules for long-term loans subsequent to November 30, 2013 and May 31, 2013 are disclosed in Note 4, “Financial Instruments.”

11. 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 November 30, 2013 and May 31, 2013 were as follows:

Thousands of yen			
		As of November 30, 2013	As of May 31, 2013
Enterprise tax payable	¥	17	¥ 20
Total deferred tax assets		17	20
Net deferred tax assets	¥	17	¥ 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 November 30, 2013 and May 31, 2013 are as follows:

	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012 to May 31,2013
Statutory tax rate	36.59%	36.59%
Adjustments:		
Deductible cash distributions	(36.58%)	(36.56%)
Other	0.01%	0.05%
Actual effective income tax rate	0.02%	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.

12. Per Unit Information

The following table summarizes per unit information for the periods ended November 30, 2013 and May 31, 2013.

	For the period from June 1, 2013 to November 30, 2013	For the period from November 7, 2012 to May 31,2013
Net income per unit		
Basic net income per unit	¥ 16,930	¥ 14,017
Weighted average number of units outstanding	274,218	95,115
	As of November 30, 2013	As of May 31, 2013
Net assets per unit	¥ 618,691	¥ 538,526

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.

13. Transactions with Related Parties

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

(For the period from June 1, 2013 to November 30, 2013)

None

(For the period from November 7, 2012 to 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.

b) Transactions and Account Balances with Affiliates

(For the period from June 1, 2013 to November 30, 2013)

None

(For the period from November 7, 2012 to May 31, 2013)

None

c) Transactions and Account Balances with Companies under Common Control

(For the period from June 1, 2013 to November 30, 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	Account	Ending balance
						Common board member	Business relationship		(Thousands of yen)		(Thousands of yen)
Subsidiary of an affiliate	Tokyo Ohta Special Purpose Company	Chiyoda-ku, Tokyo	¥784,600	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	¥29,500,000	-	¥-
Subsidiary of an affiliate	Zama 2 Special Purpose Company	Chiyoda-ku, Tokyo	40,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	21,900,000	-	-
Subsidiary of an affiliate	Funabashi 5 Special Purpose Company	Chiyoda-ku, Tokyo	63,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	9,500,000	-	-
Subsidiary of an affiliate	Funabashi Tokorozawa Special Purpose Company	Chiyoda-ku, Tokyo	1,000,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	1,500,000	-	-
Subsidiary of an affiliate	Narita 1-1 Special Purpose Company	Chiyoda-ku, Tokyo	75,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	8,420,000	-	-
Subsidiary of an affiliate	Narita 1-2 Special Purpose Company	Chiyoda-ku, Tokyo	318,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	4,810,000	-	-
Subsidiary of an affiliate	Amagasaki 1 Special Purpose Company	Chiyoda-ku, Tokyo	750,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	17,600,000	-	-
Subsidiary of an affiliate	Amagasaki 2 Special Purpose Company	Chiyoda-ku, Tokyo	258,100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	19,200,000	-	-
Subsidiary of an affiliate	Narashino 4 Special Purpose Company	Chiyoda-ku, Tokyo	100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	20,000,000	-	-

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 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	1,616,384	Accrued expenses	1,001,945

(Note 1) The figures above for the transaction amount do not include the consumption tax where as the tax is included in the ending balance.

(Note 2) The terms and conditions of these transactions were executed based on market practices.

(For the period from November 7, 2012 to 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	-	-

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 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 for the transaction amount do not include the consumption tax, where as the tax is included in the ending balance.

(Note 2) The terms and conditions of these transactions were executed based on market practices.

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

(For the period from June 1, 2013 to November 30, 2013)

None

(For the period from November 7, 2012 to May 31, 2013)

None

14. 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 20 properties 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 (“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 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 of November 30, 2013, 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 and Prologis Park Narashino 4

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 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.

As of November 30, 2013, NPR’s properties classified into the regional market were as follows:

Prologis Park Kasugai, Prologis Park Kitanagoya, Prologis Park Tagajo, Prologis Park Tosu 2 and Prologis Park Tosu 4

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.

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 November 30, 2013				
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 8,853,595	¥ 1,259,674	¥ -	¥ 10,113,269
Segment income (Note 2)	5,273,950	716,158	(367,370)	5,622,737
Segment assets (Note 2)	276,064,678	31,519,735	15,903,578	323,487,992
Other items				
Depreciation	1,821,314	301,468	-	2,122,782
Increase in property, plant and equipment and intangible assets	133,703,808	116,275	-	133,820,084

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

(Note 2) Reconciling adjustments to segment income represents general corporate expenses that consist mainly of asset management fee of 296,397 thousand yen, asset custody fee of 26,352 thousand yen and directors’ compensation of 4,600 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 11,276,883 thousand yen, consumption taxes receivable of 3,090,720 thousand yen, long-term prepaid expenses and security deposit of 1,196,036 thousand yen, and organization expenses of 63,802 thousand yen.

	Global market	Regional market	Reconciling 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, plant and equipment and intangible assets	142,630,950	31,549,822	-	174,180,772

(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 85,165 thousand yen, asset custody fee of 9,490 thousand yen and directors’ compensation of 4,200 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 4,579,981 thousand yen, consumption taxes receivable of 5,514,857 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 from June 1, 2013 to November 30, 2013)

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

No single external customer accounts for more than 10% of NPR’s total operating revenues on the statement of income.

(For the period from November 7, 2012 to May 31, 2013)

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

No single external customer accounts for more than 10% of NPR’s total operating revenues on the statement of income.

15. Subsequent Events

a) Issuance of New Investment Units

NPR issued new investment units with terms and conditions described below based on resolutions made by the board of directors on November 5, 2013 and November 20, 2013. Subsequently, the payments were completed on December 2, 2013 and December 25, 2013, respectively, for the issuance of new investment units through a public offering and third-party allotment. Consequently, as of February 26, 2014, the total balance of unit holders’ paid-in capital increased to 197,274 million yen and the total number of investment units issued and outstanding was 312,750.

Issuance of New Investment Units through the Public Offering

Number of units issued	32,190 units
Offering price per unit	916,112 yen per unit
Total issue price	29,489,645,280 yen
Issue value	885,730 yen per unit
Total issue value	28,511,648,700 yen
Payment date	December 2, 2013

Issuance of New Investment Units through the Third-Party Allotment

Number of units issued	1,610 units
Offering price per unit	885,730 yen per unit
Total issue price	1,426,025,300 yen
Payment date	December 25, 2013

b) Execution of Bank Loans to Acquire Properties

On December 3, 2013 NPR obtained bank loans which were decided on November 28, 2013 and November 29, 2013 to acquire properties described in the following “(c) Acquisition of Assets.”

Term	Lender	Amount of borrowing (Billions of yen)	Interest rate	Borrowing date	Maturity date	Repayment method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	1.45	Base interest rate (JBA three months Japanese Yen TIBOR) + 0.25%	December 3, 2013	December 3, 2014	Paid in full upon maturity	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ Ltd.						
	Sumitomo Mitsui Trust Bank, Limited						
	Mizuho Bank, Ltd.						
	Mitsubishi UFJ Trust & Banking Corporation						
	Aozora Bank, Ltd.						
	The Norinchukin Bank						
	Resona Bank, Limited						

Term	Lender	Amount of borrowing (Billions of yen)	Interest rate	Borrowing date	Maturity date	Repayment method	Collateral
Long-term	Sumitomo Mitsui Banking Corporation	6.4 (Note 1)	Base interest rate (JBA three months Japanese Yen TIBOR) + 0.45%	December 3, 2013	December 3, 2018	Paid in full upon maturity	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ Ltd.						
	Sumitomo Mitsui Trust Bank, Limited						
	Mizuho Bank, Ltd.						
	Mitsubishi UFJ Trust & Banking Corporation						
Long-term	Aozora Bank, Ltd.	6.9 (Note 2)	2.00%	December 3, 2013	December 22, 2021	(Note 4) (Note 5)	Secured and non-guaranteed
	Development Bank of Japan Inc.						
	The Norinchukin Bank						
	Resona Bank, Limited						
	Prudential Mortgage Asset Holdings 1 Japan Investment Business Limited Partnership (Note 6)						

(Note 1) NPR has executed the interest swap agreement for the 6.4 billion yen of borrowings, to hedge the risks of interest rate volatility by converting the floating interest rate payable to the fixed interest rate on December 3, 2013 for the long-term loans.

Interest Rate Swap Agreement for Borrowing

Counterparty	SMBC Nikko Securities Inc.
Notional Principal	6.4 billion yen
Interest Rate	Fixed Interest Rate: 0.36010% Floating Interest Rate: JBA 3 Month Japanese Yen TIBOR
Agreement Date	November 29, 2013
Commencement Date	December 3, 2013
Termination Date	December 3, 2018
Interest Payment Date	The interest payment is set forth on February 28, 2014 for the first time, subsequently on the last day of May, August, November and May every year and the termination date, respectively (an interest payment date on a non-business day is moved to the following business day or the immediately preceding business day in case the following business day falls in the following month).

(*)The interest rate swap agreement shall, in effect, fix the interest rate at 0.81010%.

- (Note 2) Borrowing for Prologis Park Tokyo-Shinkiba
- (Note 3) Borrowing for Prologis Park Yokohama-Tsurumi
- (Note 4) Installment repayments of 32.5 million yen on the last business day of every three months starting on February 28, 2017. All remaining amount shall be payable on the maturity date.
- (Note 5) Installment repayments of 46.0 million yen on the last business day of every three months starting on February 28, 2017. All remaining amount shall be payable on the maturity date.
- (Note 6) The trustee entered into new loans to be held in trust from Prudential Mortgage Asset Holdings 1 Japan Investment Business Limited Partnership substantially NPR being the successor. The loan held in trust is substantially the same terms and conditions that apply to the loans that were held by Tokyo-Shinkiba Special Purpose Company and Yokohama-Tsurumi Special Purpose Company, the respective sellers of the properties, and pledged the properties held in trust as security for the new loans. In terms of financial impact and under applicable accounting rules, these new loans are treated as borrowings incurred by NPR. The new loans have higher interest rates relative to other borrowings incurred by

NPR. In order to compensate NPR for the approximate difference of the present values between the interest rate applicable to the new loans and the interest rate that would be applicable to the same loans if they had been incurred by NPR, ¥443 million was deducted from the amount of the payment made by NPR in connection with the acquisition of the beneficiary rights in trust for Prologis Park Tokyo-Shinkiba and Prologis Park Yokohama-Tsurumi. The amount of the deduction was intended to equal the approximate difference, discounted to present value, between the interest payments to be made under the new loans and the interest payments that would have been required had NPR incurred identical borrowings on September 30, 2013. NPR obtained a valuation report from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. calculating the amount of the deduction intended to approximate such difference in interest rates. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. prepared its valuation report based on a selected valuation methodology with reference to metrics reported by third-party data vendors such as Bloomberg.

c) Acquisition of Assets

NPR, according to its basic investment guidelines defined in its article of incorporation, decided on November 5, 2013 to acquire beneficiary rights in trust described below, with the net proceeds from the public offering of new investment units and concurrent borrowings. The acquisitions were completed on December 3, 2013.

Prologis Park Tokyo-Shinkiba

Class of assets	Beneficiary right in trust
Acquisition price	13,600 million yen
Date of acquisition	December 3, 2013
Location (residence indication)	1-12-10, Shinkiba, Koto, Tokyo
Purpose	Warehouse / retail
Land area	15,902.73 m ²
Gross floor area	31,250.52 m ²
Structure / number of stories	RC / 4-story
Date of construction	May 30, 2007
Ownership form	Proprietary

Prologis Park Yokohama-Tsurumi

Class of assets	Beneficiary right in trust
Acquisition price	13,800 million yen
Date of acquisition	December 3, 2013
Location (residence indication)	2-5-4, Anzencho, Tsurumi, Yokohama, Kanagawa
Purpose	Warehouse
Land area	33,262.65 m ²
Gross floor area	65,192.62 m ²
Structure / number of stories	SRC / 5-story
Date of construction	April 30, 2008
Ownership form	Proprietary

Prologis Park Osaka 4

Class of assets	Beneficiary right in trust
Acquisition price	21,000 million yen
Date of acquisition	December 3, 2013
Location (residence indication)	2-1-27, Nakashima, Nishiyodogawa, Osaka, Osaka
Purpose	Warehouse
Land area	54,495.00 m ²
Gross floor area	120,562.02 m ²
Structure / number of stories	SRC / 5-story
Date of construction	May 10, 2012
Ownership form	Proprietary

Prologis Park Iwanuma 1

Class of assets	Beneficiary right in trust
Acquisition price	5,670 million yen
Date of acquisition	December 3, 2013
Location (residence indication)	3-2-35, Kuko-Minami, Iwanuma, Miyagi
Purpose	Warehouse / office
Land area	45,704.30 m ² (Note)
Gross floor area	39,957.47 m ²
Structure / number of stories	S / 3-story
Date of construction	October 2, 2008
Ownership form	Proprietary
(Note)	It is possible that a portion of the land of Prologis Park Iwanuma 1 located near the boundary of the property will be condemned by Miyagi prefecture as part of planned construction work in the area. At the present time, the area planned to be condemned is 44.91 square meters, and no adverse regulatory effect with respect to the building-to-land ratio or floor-area ratio, or other impediments or statutory limitations are expected.

d) Investment Unit Split

NPR's board of directors has resolved to split investment units as described below on December 19, 2013.

(i) Objective of the Split

In connection with the introduction of legislation in Japan establishing a Nippon Individual Savings Account ("NISA") program from January 1, 2014, NPR will implement the investment units split for the purpose of enabling investors to purchase the investment units more easily by reducing the cost of each investment unit, which would ultimately broaden NPR's investor base.

(ii) Methodology of the Split

With February 28, 2014 as a record date (the "Record Date"), NPR will implement a 5-for-1 split of the investment units to be held by unit holders stated or recorded on the unit holder list, which shall be prepared at the end of the Record Date.



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. ("NPR", a Japanese Real Estate Investment Trust), which comprise the balance sheets as at November 30, 2013 and May 31, 2013, and the statements of income, statements of changes in net assets and statements of cash flows for the periods from June 1, 2013 to November 30, 2013 and 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 November 30, 2013 and May 31, 2013, and their financial performance and cash flows for the periods from June 1, 2013 to November 30, 2013 and from November 7, 2012 (date of inception) to May 31, 2013 in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 15 to the financial statements that describes NPR's subsequent issuance of new investment units, execution of bank loans, subsequent acquisition of trust beneficiary certificates of four properties, and subsequent split of investment unit.

KPMG AZSA LLC

February 26, 2014
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.

(iii) Number of Investment Units to be Increased through the Split			
Number of investment units issued and outstanding before the Split		312,750 units	
Number of investment units to be increased through the Split		1,251,000 units	
Number of investment units issued and outstanding after the Split		1,563,750 units	
Total number of authorized investment units after the Split		10,000,000 units	
(iv) Schedule of the Split			
Date of publication of Record Date	February 13, 2014		
Record Date	February 28, 2014		
Split effective date	March 1, 2014		
New unit registration date	March 3, 2014		
(v) Effect on the Per Unit Information			
Information related to per unit described below is calculated under assumption that the split was implemented at beginning of the previous fiscal period.			
Net assets per unit	For the fiscal period ended November 30, 2013	123,738yen	
	For the fiscal period ended May 31, 2013	107,705yen	
Net income per unit	For the fiscal period ended November 30, 2013	3,386yen	
	For the fiscal period ended May 31, 2013	2,803yen	