

SEMIANNUAL REPORT

Fiscal Period Ended November 30, 2018



Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report for the fiscal period ended November 30, 2018. Once again, our focused investment strategy and proprietary access to Class-A properties has delivered excellent operational and financial results. In addition, the Japanese logistics real estate market continues to show signs of improvement. We remain confident in, and proud of, our positive and consistent growth.

Operational and Financial Highlights — Our operating performance in the fiscal period remained strong due to the quality of our Class-A portfolio. We maintained a high average occupancy rate of 98.3 percent and our rents continued to grow. For the leases that were either renewed or re-tenanted in the period, we achieved weighted average rent growth of 0.5 percent on a nominal weighted average basis, marking our twelfth period of consecutive growth since our inception. Following the previous fiscal periods and given our expectations for an increased level of supply in 2019, we have worked to undertake early lease negotiations primarily with existing customers.

Our financial performance has remained healthy, driven by the continued solid operational performance of our existing portfolio and completed acquisitions. For the fiscal period, our distribution per unit (DPU) was 4,429 yen, exceeding our previous forecast by 0.7 percent. Our DPU has grown consistently since our IPO, reflecting both robust external growth from property acquisitions and steady rent growth, in addition to our rigorous work to reduce costs wherever possible.

Acquisitions — NPR continues to receive strong sponsor support from the Prologis Group. We acquired Prologis Park Koga 3 and Prologis Park Tsukuba 1-A in October 2018 and December 2018, respectively. These acquisitions were consistent with our February 2018 announcement, when we conducted our seventh follow-on offering. These state-of-the-art properties in prime locations feature the highest industry specifications; as such, they have attracted leading brand-name customers.

Accretion and Portfolio Growth — We continued to deliver attractive accretion of our DPU and our net asset value (NAV) per unit, which in turn has increased our unit holder value. We achieved our DPU growth by 1.3 percent and grew our NAV per unit by 1.9 percent over the previous fiscal period. Through property acquisitions, our portfolio had a value of 565.7 billion yen (in terms of asset acquisition price) as of the end of the fiscal period. It now has a value of 578.6 billion yen following the December acquisition, which positions us solidly as one of the largest logistics J-REITs—and certainly the highest-quality.

The Japanese Logistics Real Estate Market — The overall market environment, especially in the Class-A segment, is healthy. Due to Japan's scarcity of modern logistics stock, which accounts for only 4.5 percent of the country's entire logistics space, we believe the long-term outlook is bright. In addition, the demand for advanced logistics properties is fueled by fast-growing e-tailors and successful large-scale brick-and-mortar retailers who are adding to or realigning their distribution channels to include the online modality. While Japan's EC penetration ratio still lags that of the U.S. and Europe, the EC market size in Japan is growing faster, at more than 10 percent a year. We believe that such growth, together with steady growth of the third-party industry, will act as a primary driver of customer demand for our logistics buildings in the long term.

With land prices and construction costs continuing to rise, we are now forecasting that supply will moderate in 2020 and beyond. Accordingly, we expect that supply/demand will be more in balance in the coming years. When this market improvement is realized, we anticipate that the pace of rent growth would be higher, especially for our quality properties.

Strong Sponsor Support and Future Acquisitions — We continue to have proprietary access to a robust acquisition pipeline from our sponsor, one that will fuel our growth for many years to come. Following the acquisitions of Prologis Park Koga 3 and Prologis Park Tsukuba 1-A, we have a future pipeline of 14 properties with a total estimated value of approximately 210 billion yen. These properties are currently in planning/under construction or in the lease-up process. We will likely acquire these assets over the next three to four years to the extent that the valuation of the properties meets our strict investment criteria.

Financial Strategies — Our focus on long-term stability and efficiency has resulted in one of the strongest balance sheets in the J-REIT industry. At the end of the fiscal period, our loan-to-value ratio (LTV) was 36.8 percent on a book value basis and 30.0 percent on an appraisal basis. We intend to maintain this conservative level of leverage to secure NPR's strong balance sheet, which will allow us to grow irrespective of future capital market conditions. Assuming a "gear up" of our balance sheet up to 50 percent LTV (in terms of book value), we now have an additional borrowing capacity of approximately 140 billion yen. Our term loans are provided by Japan's leading lenders, and more than 99 percent of our maturities had long-term fixed interest rates as of the end of the fiscal period. Due to the work we have done to-date, we will not have significant refinancing until 2021. Our all-in debt cost now stands at a low of 0.6 percent. Also, we have been recognized by JCR for the strength of our balance sheet and our commitment to a sound capital structure. Accordingly, JCR has assigned us a high credit rating of AA (stable).

Our ESG Commitment — The Prologis Group operates its business with a stringent focus on the three ESG pillars of sustainability: environmental stewardship, social responsibility and governance. The group strives to minimize its environmental impacts while maximizing beneficial outcomes for all stakeholders. As part of the Prologis Group's ESG initiatives, we have invested in high-quality, energy-efficient modern logistics facilities and continue to proactively pursue green building certifications where possible. We are proud that our ESG efforts have been recognized by several third-party assessment providers. For example, in 2018 and for the fourth consecutive year, the Global Real Estate Sustainability Benchmark (GRESB) survey awarded us the highest "5-star" rating and the prestigious "Green Star" rating. Also, we have been included in the MSCI Japan ESG Select Leaders Index, which measures the sustainability performance of various public entities, and we received an "A" rating, the highest rating for a J-REIT. Moreover, in August 2018, we issued 6 billion yen of green bonds, the proceeds of which have been allocated to refinance a debt that was originally borrowed for the acquisition of high-quality green projects from our sponsor. The bond issuance was well-subscribed by high-profile institutional investors, which significantly expanded our bond investor universe and, we believe, will result in even tighter debt cost in the future.

We believe our ESG successes tell a multifaceted story: Not only will they contribute to the sustainability of our society, we believe they will contribute to our core unit holder value over time and provide our investors with significant upside in the future.

Looking Forward — We are proud of our accomplishments during this fiscal period. We will work to further maximize our unit holder value by growing externally and internally and will continue to build a solid track record of excellence in portfolio management. We sincerely appreciate your ongoing support of NPR and the Prologis Group.

Best regards,



Masahiro Sakashita

Executive Director
Nippon Prologis REIT, Inc.



Distribution Per Unit
(total JPY)

4,429

Portfolio Size
(JPY billions)

565.7

NOI
(JPY millions)

15,516

Market Cap
(JPY billions)

513.9

Period Average Occupancy

98.3%

Appraisal NAV Per Unit
(JPY)

211,234

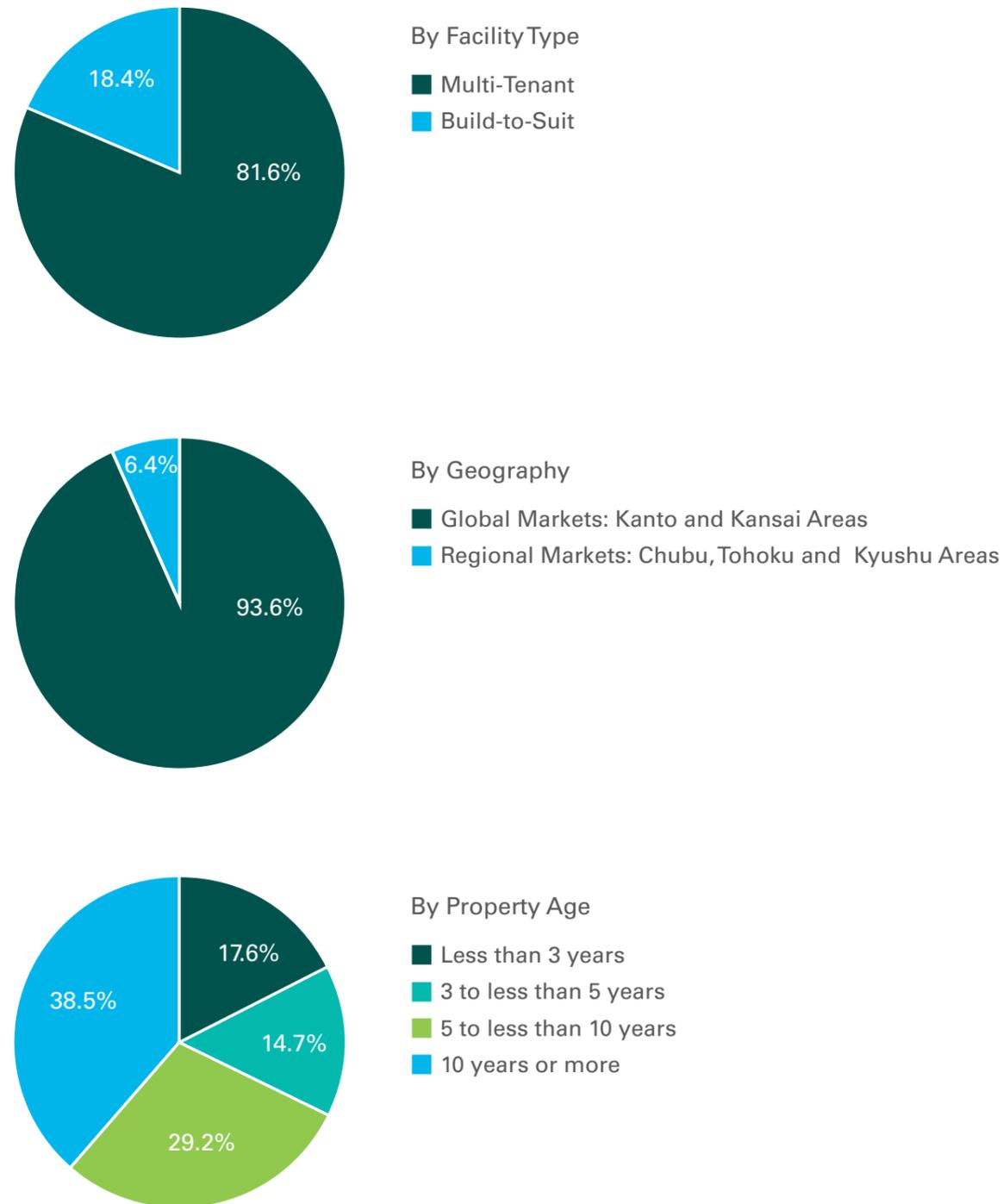
Loan-to-Value Ratio

36.8%

Credit Rating

JCR AA
(Stable)

Earnings Stability from a Diversified Portfolio of Class-A Facilities



Note: Figures are not including Prologis ParkTsukuba 1-A.

Focus on High-Quality Class-A Logistics Facilities



Financial Strategy Focused on Long-Term Stability and Efficiency



Governance Structure Promotes Growth in Unit Holder Value





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



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



M-03 Prologis Park Kawajima
JPY 25,600 million



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



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



M-06 Prologis Park Kasugai
JPY 12,500 million



M-07 Prologis Park Kitanagoya
JPY 6,500 million



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



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



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



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



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



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



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



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



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



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



M-19 Prologis Park Iwanuma 1
JPY 5,670 million



M-20 Prologis Park Kawajima 2
JPY 8,180 million



M-21 Prologis Park Kitamoto
JPY 12,600 million



M-22 Prologis Park Joso
JPY 7,120 million



M-23 Prologis Park Osaka 5
JPY 17,600 million



M-24 Prologis Park Narita 3
JPY 9,240 million



M-25 Prologis Park Narashino 5
JPY 13,600 million



M-26 Prologis Park Ibaraki
JPY 38,300 million



M-27 Prologis Park Ichikawa 3
JPY 17,000 million



M-28 Prologis Park Narita 1-D
JPY 5,260 million



M-29 Prologis Park Yoshimi
JPY 21,300 million



B-02 Prologis Park Takatsuki
JPY 4,410 million



B-03 Prologis Park Tosu 2
JPY 3,030 million



B-04 Prologis Park Tosu 4
JPY 3,810 million



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



B-06 Prologis Park Ebina
JPY 8,250 million



B-07 Prologis Park Kawanishi
JPY 13,600 million



B-08 Prologis Park Amagasaki 3
JPY 9,090 million



B-09 Prologis Park Kobe
JPY 6,410 million



B-10 Prologis Park Sendai Izumi
JPY 4,820 million



B-11 Prologis Park Koga 1
JPY 7,680 million



B-12 Prologis Park Kobe 2
JPY 13,700 million



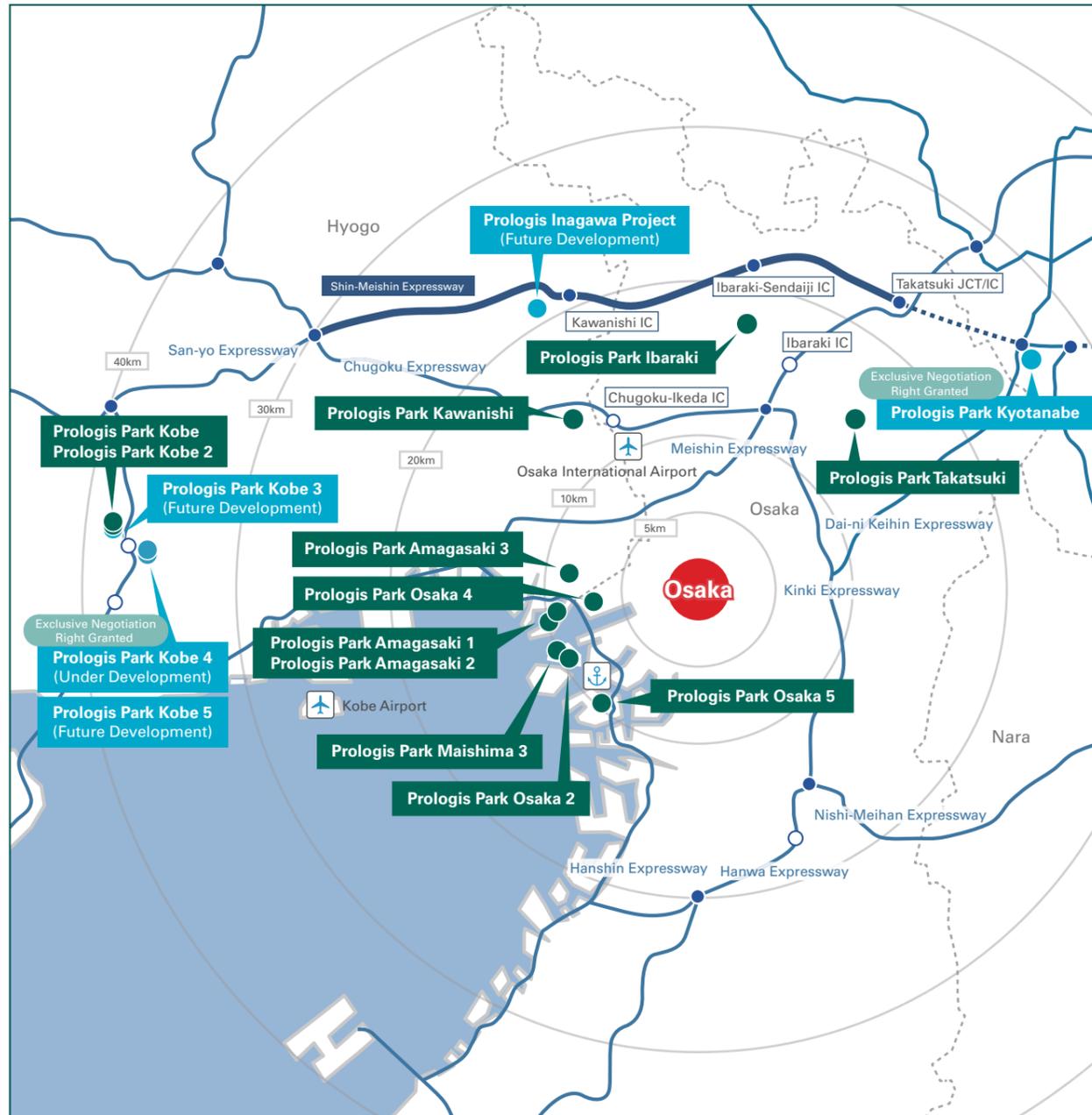
B-13 Prologis Park Koga 2
JPY 3,930 million



B-14 Prologis Park Koga 3
JPY 5,440 million

Note: Property values are based on acquisition price.

Osaka Metropolitan Area



Tokyo Metropolitan Area



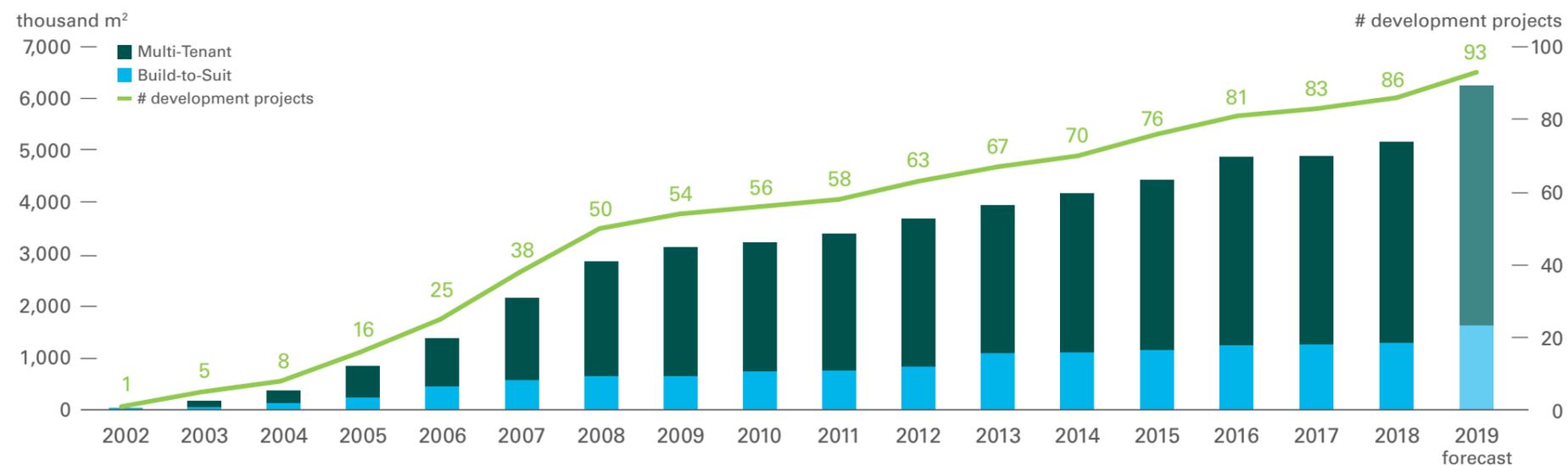
- Current assets
- Pipeline assets

Potential Acquisition Pipeline

Status	Region / Area	Property Name	(Expected) Year Built	Property Type	(Expected) GFA (sqm)
Exclusive Negotiation Rights Granted	Kanto	Prologis Park Chiba New Town	May 2016	Multi-Tenant	109,981
		Prologis Park Higashimatsuyama	Feb. 2018	Multi-Tenant	61,885
		Prologis Park MFLP Kawagoe (50% quasi co-ownership interests)	Oct. 2018	Multi-Tenant	117,337
		Prologis Park Chiba 1	Sep. 2019	Multi-Tenant	147,005
		Prologis Park Tsukuba 1-B	Sep. 2019	BTS	71,595
	Kansai	Prologis Park Kyotanabe	Oct. 2018	Multi-Tenant	139,503
		Prologis Park Kobe 4	Jun. 2019	BTS	24,767
	Tohoku	Prologis Park Sendai Izumi 2	Sep. 2018	BTS	36,589
Future Development	Kanto	Prologis Park Ebina 2	TBD	TBD	39,000
		Prologis Park Chiba 2	TBD	TBD	66,000
		Prologis Park Soka	TBD	TBD	151,000
	Kansai	Prologis Park Kobe 3	TBD	TBD	38,700
		Prologis Park Kobe 5	TBD	TBD	46,000
	Kyushu	Prologis Park Ogori	TBD	TBD	29,000
Future Project	Kansai	Prologis Inagawa Project	TBD	TBD	258,000

Note: We have no definite contracts to acquire the above properties as of Jan. 18, 2019. This property list should not be deemed a commitment or guarantee of our future acquisitions. The sale of the properties by the Prologis Group is subject to its internal approval.

Prologis Groups Proven Development Track Record in Japan Since 2002



Features:

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

Spiral Rampways/Slopes



Large Loading Zones



Wide-Column Spacing



Renewable Energy



Restaurant



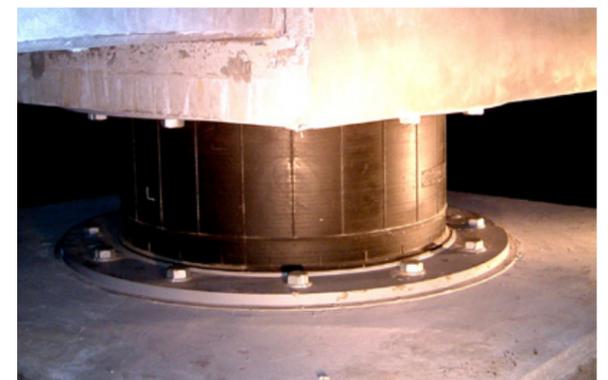
Convenience Store



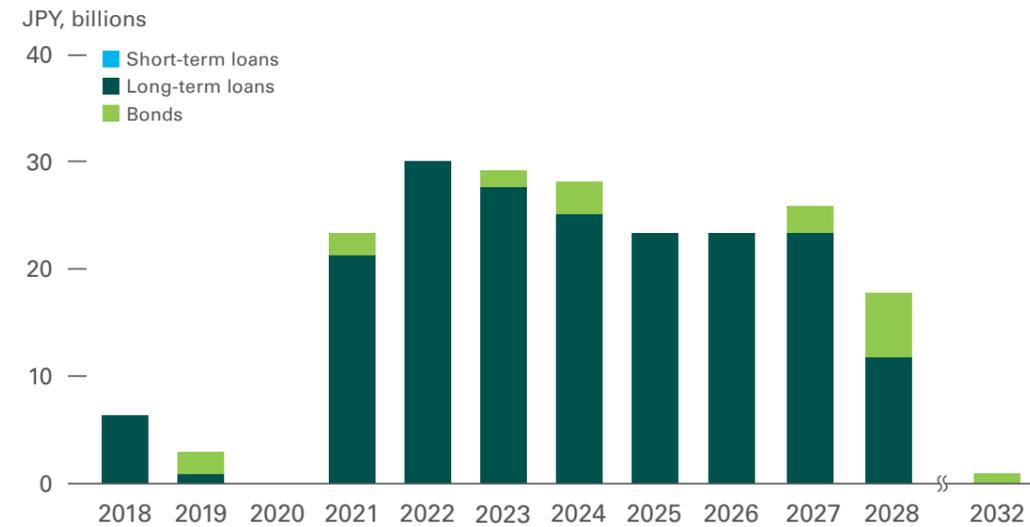
24-Hour Security



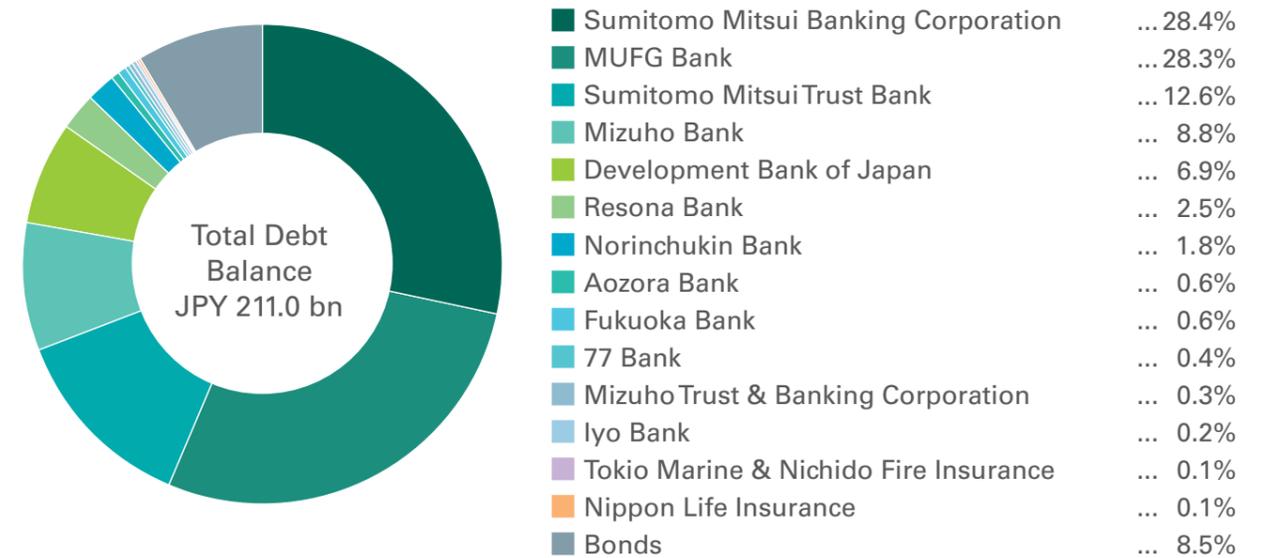
Seismic Isolators



Debt Maturity Schedule



Debt Providers

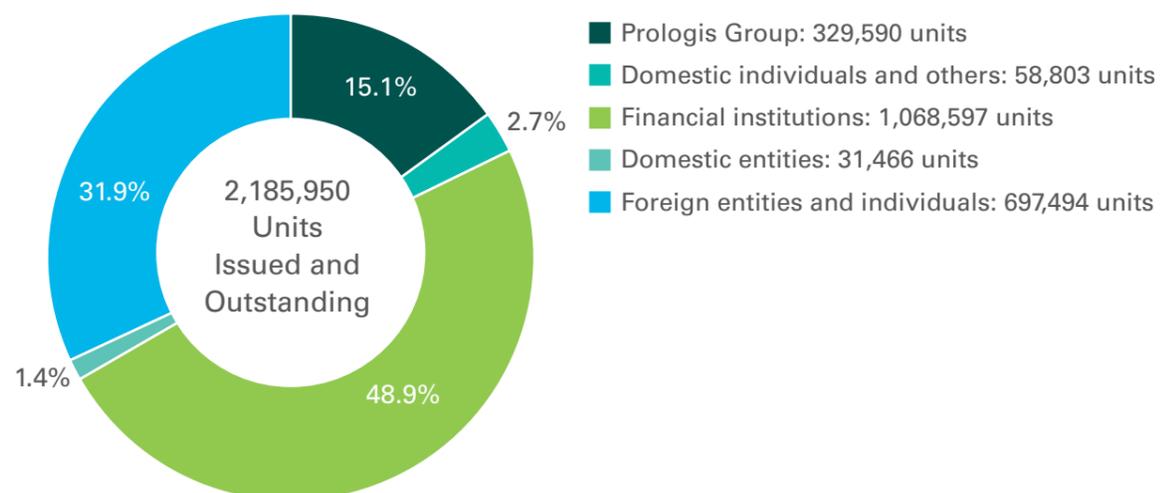


Corporate Governance Investor-Aligned Fee Structure

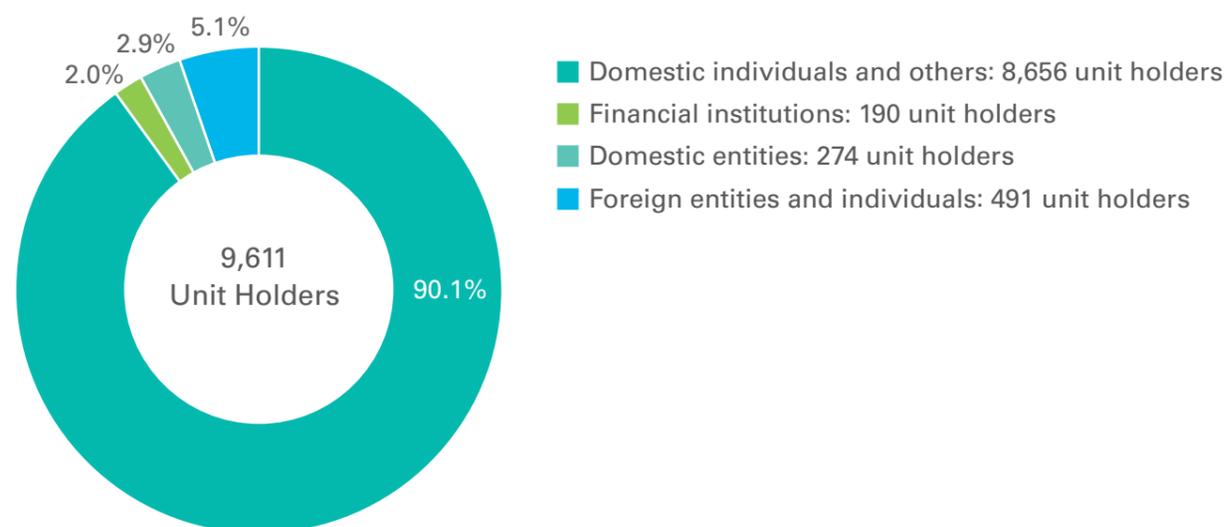
100% performance-linked asset management fee structure

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

Breakdown by Units



Breakdown by Unit Holders



Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Japan Trustee Services Bank, Ltd. (Trust Acct.)	340,249	15.56%
2	Prologis Property Japan SPC	327,590	14.98%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	311,817	14.26%
4	The Nomura Trust and Banking Company, Ltd.(Trust Acct.)	78,499	3.59%
5	STATE STREET BANK WEST CLIENTS-TREATY 505234	66,966	3.06%
6	Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	54,514	2.49%
7	SSBTC CLIENT OMNIB US ACCOUNT	36,568	1.67%
8	Nomura Bank (Luxembourg) S.A.	35,496	1.62%
9	JP MORGAN CHASE BANK 385628	32,420	1.48%
10	STATE STREET BANK AND TRUST COMPANY 505223	27,821	1.27%
	Total	1,311,940	60.01%

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

Prologis ESG Objectives

1. Provide industry-leading, energy-efficient buildings that meet or exceed recognized sustainable development standards and reduce customer operating costs, promote health and well-being and enhance the communities where we do business.
2. Meet or exceed recognized standards for sustainable development to deliver projects that enable our customers to operate more efficiently and our communities to prosper more sustainably.
3. Engage employees in every office on the topics of health and wellness and connect them to ongoing strategies to reduce our environmental footprint.
4. Partner with community organizations to support environmental, educational and social initiatives.
5. Engage suppliers to uphold our Supplier Code of Conduct.

NPR's ESG Committee

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

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

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

Environmental Stewardship

We understand that the logistics real estate industry has a meaningful impact on the environment and can contribute to a more sustainable global distribution system. We design our properties and business processes to minimize our environmental impacts. Our buildings enable our customers to operate more efficiently and cost-effectively.

NPR's Sustainability Fast Facts for 2018

87.2%

of the properties in our portfolio have sustainable building certifications

34.7 MW

of generating capacity from installed solar panels of Prologis Group in Japan

90%

of total operating portfolio has efficient lighting (As of December 31, 2018)

GRESB Assessment

NPR has been awarded the prestigious "5 Stars" for the fourth consecutive year by the 2018 Global Real Estate Sustainability Benchmark (GRESB) Survey. GRESB 5 Stars is the highest rating and a recognition for being an industry leader. NPR was also recognized as the Japanese Listed Sector Leader and ranked second out of 61 Industrial participants globally and the first in Japanese Industrial, demonstrating our outstanding performance in ESG. NPR supports GRESB principles and will continue to minimize environmental impacts and maximize sustainability performance through formal ESG programs.



Environmental Stewardship

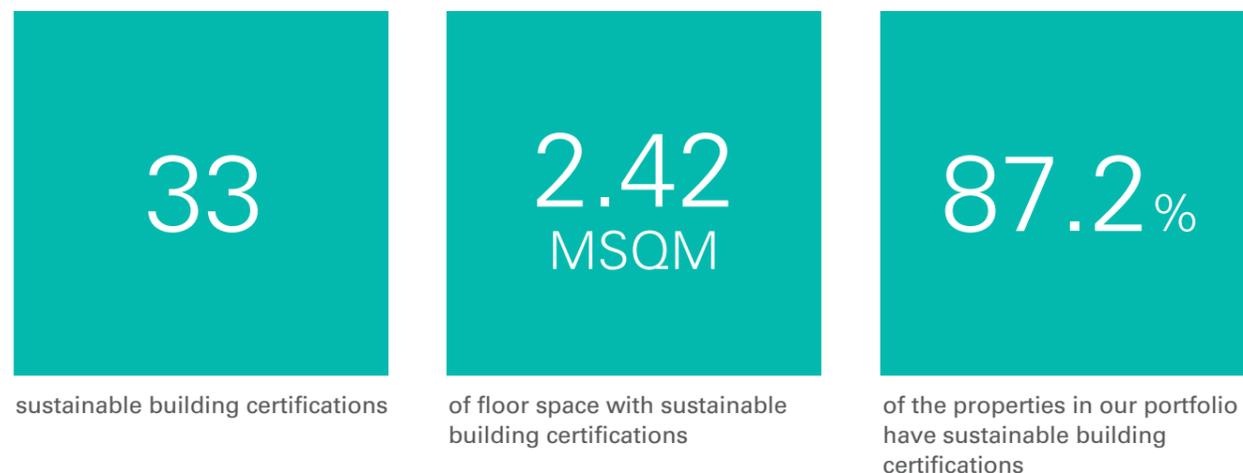
Sustainable Building Certifications

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

Note: DBJ stands for Development Bank of Japan

[SEE A LIST OF SOME OF THE PROPERTIES WHICH HAVE OBTAINED BUILDING CERTIFICATIONS](#)

NPR's Sustainable Building Certifications (As of November 30, 2018)



Renewable Energy

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



Energy Efficiency

We focus on maximizing the energy efficiency of our portfolio buildings by installing LED and other efficient lighting and sensing devices for automated power control systems, which can minimize electricity use through compartmentalized lighting systems. As of December 31, 2018, 90% of total operating portfolio has efficient lighting. Also, by installing heat-insulated panels, we can reduce the temperatures in our buildings, thereby maximizing energy use.

Commitment to Sustainability in Our Operations

Our commitment to sustainability is equally strong for our own operations. We address climate change proactively. Prologis is firmly aligned with United Nations Sustainable Development Goal 13 (taking urgent action to combat climate change and its impacts). We intend to lead our industry as we move toward a net-zero carbon world. We have identified and are implementing strategies to reduce greenhouse gas (GHG) emissions across our business operations, from the energy consumed in our offices to the way we travel to work. We endeavor to use locally sourced materials and hire local contractors in our own supply chain, decreasing transportation and shipping distances, and further diminishing our impacts. All of Prologis' employees are key partners in these efforts. Prologis team members around the world are encouraged and supported in their efforts to champion energy, waste and water-use reductions to save costs and reduce our carbon footprint.

Social Responsibility

Our commitment to social responsibility extends to all our stakeholders, including employees, customers, communities, suppliers and investors. We strive to be a good neighbor and to strengthen the communities where we work and live. Our employees demonstrate their personal commitment by putting time and resources into charitable organizations that promote education and environmental and social well-being.

IMPACT Day

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



Repairing and Cleaning
(A foster home)

Biological research and Cleaning
(Osaka Bay area)

Contributions to Logistics Industry and Local Communities



Chair Course by Prologis
(Waseda University)

Educational field trips for
junior high school students

Internship programs for
junior high school students

Contributions to Our Customers



Summer Festival
(Prologis Park Ichikawa 1)

BBQ with customers
(Osaka)

Social Event at the
attached cafe
(Prologis Park Zama)

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

Prologis Foundation

Established in 2001, the Prologis Foundation provides the following:

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

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

Supplier Code of Conduct

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

[READ SUPPLIER CODE OF CONDUCT](#)

Social Responsibility

People at Prologis

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

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

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

Inclusion & Diversity

To ensure enduring excellence, Prologis is focused on creating an environment that attracts, develops and retains the best available talent.

In 2014, Prologis launched Breakthrough, an internal network designed to attract, advance and retain women across the globe with leadership training, mentoring, networking and talent development. Since Breakthrough’s launch, Prologis has updated its parental leave policy in the U.S. and deployed unconscious bias training globally. Breakthrough was recognized as a Promising Practice by the 2017 Gender Equality Challenge.

Building on Breakthrough’s strength, Prologis has expanded its inclusion and diversity efforts to focus on building a culture of belonging in which all employees are engaged and comfortable expressing their individuality regardless of race, ethnicity, gender, age, sexual orientation, socioeconomic status, religious beliefs or physical ability. Our efforts include broadening organization-wide understanding of the business case for diversity and inclusion, ensuring a diverse slate and interview panel for every open position, and increasing internal mobility to develop existing talent.

We demonstrate our commitment to our employees by being a responsible and supportive employer. In 2017, Prologis received the Seal of Distinction from World at Work, a nonprofit HR association and compensation authority that recognizes organizations with strong total rewards and positive workforce experiences. Also, Prologis Japan was certified as one of the “Best Workplaces” in Japan for 2017 and 2018 in the medium-sized companies category.

In 2017, Prologis changed its compensation structure to include I&D as a bonus metric. At the board level, the compensation committee was renamed the Talent and Compensation Committee, and its charter amended to include an emphasis on I&D. To build a more diverse talent pipeline, Prologis partners with the Urban Land Institute’s Women’s Leadership Initiative; the Forte Foundation, a nonprofit consortium of leading companies and business schools; the Direct Employers Association, a nonprofit that connects employers with diverse talent; and the Professional Diversity Network, which pairs diverse members with prospective employers.

Our commitment to Inclusion & Diversity also is reflected in the Prologis and NPR board of directors where more than 20% and one third of the members respectively are female.

Ethics and Governance

Governance

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

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

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

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

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

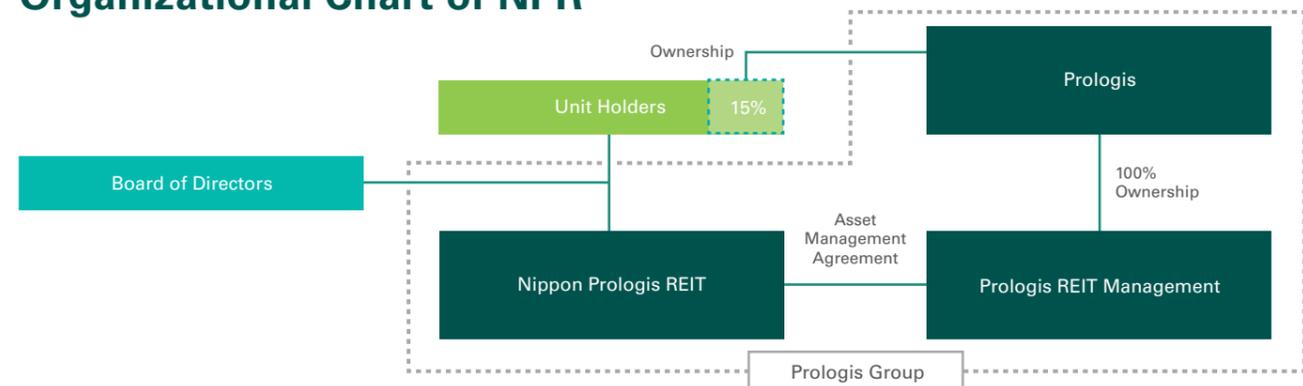
[SEE BIOGRAPHIES OF NPR’S BOARD OF DIRECTORS](#)



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



Organizational Chart of NPR



Ethics and Governance

Ethics and Management

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

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

Ethics

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

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

[READ CODE OF ETHICS](#)

Risk Management

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

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

Organizational Structure of Prologis REIT Management K.K.

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

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

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

[SEE BIOGRAPHIES OF PLDRM'S BOARD OF DIRECTORS](#)

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

Organizational Chart of PLDRM



PLDRM's Risk Management

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

Balance Sheets

	Thousands of yen	
	As of	
	November 30, 2018	May 31, 2018
ASSETS		
Current assets:		
Cash and deposits (Notes 4 and 5)	¥ 24,546,935	¥ 19,994,172
Cash and deposits in trust (Notes 4 and 5)	4,569,560	4,057,793
Operating accounts receivable	1,520,049	1,537,088
Prepaid expenses	348,676	378,745
Consumption taxes receivable	-	1,319,143
Other current assets	18,254	4,025
Total current assets	<u>31,003,476</u>	<u>27,290,969</u>
Property and equipment (Note 7):		
Buildings	7,555,149	7,555,149
Structures	249,739	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust	336,721,526	332,280,817
Structures in trust	7,637,949	7,299,125
Machinery and equipment in trust	13,117	11,267
Tools, furniture and fixtures in trust	748,846	735,174
Other tangible assets in trust	35	35
Land in trust	218,446,593	217,022,982
Construction in progress in trust	3,779	16,974
Less: accumulated depreciation	<u>(35,178,301)</u>	<u>(30,885,423)</u>
Total property and equipment	<u>540,038,074</u>	<u>538,125,481</u>
Intangible assets (Note 7):		
Other intangible assets in trust	<u>11,087</u>	<u>11,820</u>
Total intangible assets	<u>11,087</u>	<u>11,820</u>
Investments and other assets:		
Long-term prepaid expenses	1,535,142	1,662,057
Deferred tax assets (Notes 3 and 13)	14	27
Security deposit	10,000	10,000
Investment corporation bond issuance costs	82,479	52,333
Other	400	400
Total investments and other assets	<u>1,628,037</u>	<u>1,724,818</u>
Total Assets	¥ 572,680,675	¥ 567,153,089

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

Balance Sheets continued

	Thousands of yen	
	As of	
	November 30, 2018	May 31, 2018
LIABILITIES		
Current liabilities:		
Operating accounts payable	¥ 1,609,655	¥ 1,088,428
Short-term loans payable (Notes 5 and 11)	-	6,300,000
Current portion of investment corporation bonds payable (Notes 5 and 12)	2,000,000	-
Current portion of long-term loans payable (Notes 5, 6 and 11)	7,400,000	6,400,000
Accounts payable	589,610	197,281
Accrued expenses	1,925,584	1,796,019
Accrued consumption taxes	804,872	-
Income taxes payable	890	1,166
Advances received	3,336,839	3,610,862
Other current liabilities	<u>81,218</u>	<u>66,493</u>
Total current liabilities	<u>17,748,670</u>	<u>19,460,250</u>
Non-current liabilities:		
Investment corporation bonds payable (Notes 5 and 12)	16,000,000	12,000,000
Long-term loans payable (Notes 5, 6 and 11)	185,600,000	181,600,000
Tenant leasehold and security deposits (Note 5)	247,773	247,773
Tenant leasehold and security deposits in trust (Note 5)	13,855,824	13,766,843
Other non-current liabilities	<u>194</u>	<u>328</u>
Total non-current liabilities	<u>215,703,791</u>	<u>207,614,944</u>
Total Liabilities	233,452,462	227,075,195
NET ASSETS (Note 10)		
Unit holders' equity		
Unit holders' capital	330,517,375	332,001,635
Units authorized:		
10,000,000 units as of November 30, 2018 and May 31, 2018		
Units issued and outstanding:		
2,185,950 units as of November 30, 2018 and May 31, 2018		
Surplus		
Retained earnings	<u>8,710,838</u>	<u>8,076,258</u>
Total unit holders' equity	<u>339,228,213</u>	<u>340,077,894</u>
Total Net Assets	339,228,213	340,077,894
Total Liabilities and Net Assets	¥ 572,680,675	¥ 567,153,089

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

Statements of Income

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Operating Revenues (Note 8):		
Operating rental revenues	¥ 17,855,150	¥ 17,173,631
Other rental revenues	1,870,554	1,261,650
Gain on sales of real estate properties	572	-
Total operating revenues	19,726,277	18,435,281
Operating Expenses (Notes 7 and 8):		
Expenses related to property rental business	8,503,051	7,910,462
Asset management fee	1,719,714	1,611,517
Asset custody fee	44,328	41,954
Directors' compensation	5,600	4,800
Audit fee	15,000	15,000
Other operating expenses	58,994	47,639
Total operating expenses	10,346,689	9,631,374
Operating income	9,379,588	8,803,907
Non-operating Income:		
Interest income	104	110
Reversal of distributions payable	555	895
Gain on real estate tax settlement	-	279
Interest on refund of consumption taxes	751	607
Total non-operating income	1,411	1,892
Non-operating Expenses:		
Interest expense on loans payable	431,729	411,521
Interest expense on investment corporation bonds	43,155	31,795
Amortization of investment corporation bond issuance costs	6,015	4,939
Borrowing related expenses	189,515	183,848
Investment unit issuance expenses	-	24,691
Offering costs associated with the issuance of investment units	-	72,342
Others	184	22
Total non-operating expenses	670,600	729,161
Ordinary income	8,710,398	8,076,639
Income before income taxes	8,710,398	8,076,639
Income taxes - current (Note 13)	906	1,183
Income taxes - deferred (Note 13)	13	(26)
Total income taxes	920	1,156
Net income	8,709,478	8,075,482
Retained earnings brought forward	1,359	776
Retained earnings at end of period	¥ 8,710,838	¥ 8,076,258

	Yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Net income per unit (Note 14)	¥ 3,984	¥ 3,821

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

Statements of Changes in Net Assets

For the six-month periods ended November 30, 2018 and May 31, 2018

	Thousands of yen			
	Number of units	Unit holders' capital	Retained earnings	Total net assets
Balance as of November 30, 2017 (Note 10)	2,056,950	¥303,950,843	¥9,602,618	¥313,553,462
Issuance of new units on March 12, 2018 and April 11, 2018	129,000	28,050,792	-	28,050,792
Distributions of retained earnings	-	-	(9,601,842)	(9,601,842)
Net income	-	-	8,075,482	8,075,482
Balance as of May 31, 2018 (Note 10)	2,185,950	¥332,001,635	¥8,076,258	¥340,077,894
Distributions in excess of retained earnings	-	(1,484,260)	-	(1,484,260)
Distributions of retained earnings	-	-	(8,074,899)	(8,074,899)
Net income	-	-	8,709,478	8,709,478
Balance as of November 30, 2018 (Note 10)	2,185,950	¥330,517,375	¥8,710,838	¥339,228,213

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

Statements of Cash Flows

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Cash Flows from Operating Activities:		
Income before income taxes	¥ 8,710,398	¥ 8,076,639
Depreciation (Note 7)	4,293,609	4,088,323
Amortization of investment corporation bond issuance costs	6,015	4,939
Investment unit issuance expenses	-	24,691
Interest income	(104)	(110)
Interest expense	474,885	443,317
Decrease (increase) in operating accounts receivable	17,038	(358,293)
Decrease (increase) in consumption taxes receivable	1,319,143	220,925
Decrease (increase) in prepaid expenses	30,069	(45,479)
Decrease (increase) in long-term prepaid expenses	126,914	20,643
Increase (decrease) in operating accounts payable	516,833	(345,995)
Increase (decrease) in accounts payable	27,181	(4,641)
Increase (decrease) in accrued expenses	118,166	117,905
Increase (decrease) in accrued consumption taxes	804,872	-
Increase (decrease) in advances received	(274,023)	649,295
Decrease in property and equipment due to sales	3,614	-
Others, net	(20,923)	(11,826)
Subtotal	16,153,693	12,880,334
Interest received	104	110
Interest paid	(463,487)	(443,099)
Income taxes paid	(1,182)	(633)
Net cash provided by operating activities	15,689,128	12,436,711
Cash Flows from Investing Activities:		
Purchases of property and equipment	(88)	(5,111)
Purchases of property and equipment in trust	(5,837,351)	(44,698,754)
Purchases of intangible assets in trust	-	(25)
Proceeds from tenant leasehold and security deposits in trust	320,379	1,220,649
Repayments of tenant leasehold and security deposits in trust	(211,445)	(337,203)
Net cash provided by (used in) investing activities	(5,728,505)	(43,820,446)
Cash Flows from Financing Activities:		
Proceeds from short-term loans payable	6,300,000	-
Repayments of short-term loans payable	(12,600,000)	-
Proceeds from long-term loans payable	5,000,000	44,000,000
Repayments of long-term loans payable	-	(32,200,000)
Proceeds from issuance of investment corporation bonds	5,963,838	-
Proceeds from issuance of new investment units	-	28,026,100
Payment of distributions of retained earnings	(8,075,853)	(9,600,941)
Payment of distributions in excess of retained earnings	(1,484,077)	(67)
Net cash provided by (used in) financing activities	(4,896,092)	30,225,091
Net increase (decrease) in cash and cash equivalents	5,064,529	(1,158,642)
Cash and cash equivalents at the beginning of period	24,051,966	25,210,609
Cash and cash equivalents at the end of period (Note 4)	¥ 29,116,495	¥ 24,051,966

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

Notes to Financial Statements

For the six-month periods ended November 30, 2018 and May 31, 2018

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 Corporations" (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 ^{(*)1}, the leading global owner, operator and developer of logistics facilities, acting as a sponsor. NPR primarily focuses on investing in logistics facilities, especially in high quality Class-A logistics facilities (logistics properties that meet the demands of tenant logistics companies and their customer facility users with respect to operational efficiency, and fulfill certain criteria with respect to size, location, state-of-the-art equipment, convenience and safety), and attempts to maximize its unit holder value through achieving stability in rental revenues, steady growth in the size of its portfolio and optimization of the value of its portfolio. NPR is externally managed by a licensed asset management company, Prologis REIT Management K.K. (hereinafter the "Asset Manager").

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

NPR acquired 12 properties (aggregate acquisition price: 173,020 million yen) on February 15, 2013, following its listing, and acquired an additional 30 properties in total (aggregate acquisition price: 404,180 million yen) and disposed 2 properties (aggregate acquisition price: 16,870 million yen) by the fiscal period ended May 31, 2018 (eleventh fiscal period). NPR acquired an additional properties (acquisition price: 5,440 million yen) during the reporting fiscal period. As a result, NPR owned 41 properties (aggregate acquisition price: 565,770 million yen), all of which are Class-A facilities developed by the Prologis Group, as of the end of the reporting fiscal period ^{(*)2}.

In addition, NPR acquired Prologis park Tsukuba 1-A (acquisition price:12,900 million yen) on December 3, 2018, whose settlement had not been completed as of the end of the reporting fiscal period, based on the purchase and sale agreement executed on February 26, 2018 ^{(*)3}.

^{(*)1} 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} Annex to Prologis Park Funabashi 5 was not developed by the Prologis Group and does not qualify as a Class-A logistics facility.

^{(*)3} Please refer to Note 17 "Subsequent Events" for further details.

b) Basis of Presentation

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

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

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

2. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents

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

b) Property and Equipment

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

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

c) Intangible assets

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

d) Taxes on Property and Equipment

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

Of the amounts paid for the acquisitions of real estate properties or beneficiary rights in trust of real estate, the amount equivalent to 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 1,131 thousand yen and 120,698 thousand yen for the fiscal periods ended November 30, 2018 and May 31, 2018, respectively.

e) Investment Unit Issuance Expenses

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

f) Investment corporation bond issuance costs

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

g) Hedge Accounting

NPR enters into derivative transactions in order to hedge against risks defined in its Articles of Incorporation and in compliance with their general risk management policy. NPR uses interest rate swaps for the purpose of hedging its risk exposure associated with interests on variable rate loans payable. Where deferral accounting is generally adopted for hedge transactions, NPR applies the special accounting treatment to interest rate swaps which qualify for hedge accounting and meet the specific matching criteria. Under the special accounting treatment, interest rate swaps are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, respectively.

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

h) Beneficiary Rights in Trust

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

i) Consumption Taxes

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

3. Changes in Presentation

NPR adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the reporting fiscal period ended November 30, 2018 and classified deferred tax assets to "Investments and other assets" and deferred tax liabilities to "Non-current liabilities." As a result, 27 thousand yen of deferred tax assets included in "Current assets" in the balance sheets of the previous fiscal period is included in deferred tax assets under "Investments and other assets."

4. Cash and Cash Equivalents

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

	Thousands of yen			
	As of			
	November 30, 2018		May 31, 2018	
Cash and deposits	¥	24,546,935	¥	19,994,172
Cash and deposits in trust		4,569,560		4,057,793
Cash and cash equivalents	¥	29,116,495	¥	24,051,966

5. Financial Instruments

a) Detailed Information on Financial Instruments

(i) Policy for Financial Instruments

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

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

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

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

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

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

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

(iii) Supplemental Explanation Regarding Fair Values of Financial Instruments

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

b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of November 30, 2018 and May 31, 2018 are as follows. Financial instruments for which the fair value is extremely difficult to estimate are excluded from the following table (see Note 2 below).

	Thousands of yen		
	As of November 30, 2018		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 24,546,935	¥ 24,546,935	¥ -
(2) Cash and deposits in trust	4,569,560	4,569,560	-
Total assets	¥ 29,116,495	¥ 29,116,495	¥ -
(4) Current portion of investment corporation bonds payable	2,000,000	2,004,000	4,000
(5) Current portion of long-term loans payable	7,400,000	7,400,357	357
(6) Investment corporation bonds payable	16,000,000	16,097,650	97,650
(7) Long-term loans payable	185,600,000	186,867,631	1,267,631
Total liabilities	¥ 211,000,000	¥ 212,369,639	¥ 1,369,639
(8) Derivative transactions	¥ -	¥ (14,396)	¥ (14,396)

	Thousands of yen		
	As of May 31, 2018		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 19,994,172	¥ 19,994,172	¥ -
(2) Cash and deposits in trust	4,057,793	4,057,793	-
Total assets	¥ 24,051,966	¥ 24,051,966	¥ -
(3) Short-term loans payable	6,300,000	6,300,000	-
(5) Current portion of long-term loans payable	6,400,000	6,401,516	1,516
(6) Investment corporation bonds payable	12,000,000	12,074,900	74,900
(7) Long-term loans payable	181,600,000	182,988,973	1,388,973
Total liabilities	¥ 206,300,000	¥ 207,765,389	¥ 1,465,389
(8) Derivative transactions	¥ -	¥ -	¥ -

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

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

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

(3) Short-term loans payable

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

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

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

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

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

(8) Derivative transactions

Please refer to Note 6, "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, 2018	May 31, 2018
Tenant leasehold and security deposits	¥ 247,773	¥ 247,773
Tenant leasehold and security deposits in trust	13,855,824	13,766,843

(Note 3) Redemption schedule for monetary claims after November 30, 2018

	Thousands of yen					
	As of November 30, 2018					
	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	¥24,546,935	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	4,569,560	-	-	-	-	-
Total	¥29,116,495	¥ -	¥ -	¥ -	¥ -	¥ -

Redemption schedule for monetary claims after May 31, 2018

	Thousands of yen					
	As of May 31, 2018					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥19,994,172	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	4,057,793	-	-	-	-	-
Total	¥24,051,966	¥ -	¥ -	¥ -	¥ -	¥ -

(Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2018

	Thousands of yen					
	As of November 30, 2018					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥2,000,000	¥ -	¥2,000,000	¥ -	¥1,500,000	¥12,500,000
Long-term loans payable	7,400,000	-	21,300,000	30,000,000	27,600,000	106,700,000
Total	¥9,400,000	¥ -	¥23,300,000	¥30,000,000	¥29,100,000	¥119,200,000

Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2018

	Thousands of yen					
	As of May 31, 2018					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥ -	¥2,000,000	¥ -	¥2,000,000	¥ -	¥8,000,000
Long-term loans payable	6,400,000	1,000,000	21,300,000	30,000,000	27,600,000	101,700,000
Total	¥6,400,000	¥3,000,000	¥21,300,000	¥32,000,000	¥27,600,000	¥109,700,000

6. Derivative Transactions

For the six-month periods ended November 30, 2018 and May 31, 2018, NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of November 30, 2018			
			Contract amount (Note 1)			
			Total	Due after one year	Fair value (Note 2)	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥198,400,000	¥192,000,000	(14,396)	-

(Note 1) "Contract amount" includes a notional amount of 6,400 million yen of interest rate swap entered on November 29, 2018. The effective date of the loan subject to the interest rate swap is December 3, 2018.

(Note 2) The fair value of the aforementioned interest rate swap entered on November 29, 2018 is stated since it is not accounted for as an integral part of long-term loan payable under the special accounting treatment due to the fact that such loan payable is not yet recognized as of November 30, 2018. Interest rate swaps under the special accounting treatment, except for those aforementioned, are accounted for as the integral part of long-term loans payable designated as hedged items. Therefore, their fair value is included in long-term loans payable disclosed in the aforementioned Note 5, "Financial Instruments, b) Estimated Fair Value of Financial Instruments, (5) Current portion of long-term loans payable and (7) Long-term loans payable."

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of May 31, 2018			
			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	¥187,000,000	¥180,600,000	(Note)	-

(Note) Interest rate swaps under the special accounting treatment are accounted for as the integral part of long-term loans payable designated as hedged items. Therefore, their fair value is included in long-term loans payable disclosed in the aforementioned Note 5, "Financial Instruments, b) Estimated Fair Value of Financial Instruments, (5) Current portion of long-term loans payable and (7) Long-term loans payable."

7. Investment and Rental Properties

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

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Book value		
Balance at the beginning of the period	¥ 538,137,301	¥ 497,610,965
Changes during the period (Note 2)	1,911,860	40,526,335
Balance at the end of the period	¥ 540,049,161	¥ 538,137,301
Fair value at the end of the period	¥ 671,280,000	¥ 659,260,000

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

(Note 2) The increase for the fiscal period ended November 30, 2018 was primarily a result of acquiring Prologis Park Koga 3, which amounted to 5,483,172 thousand yen during the period. The decrease for the fiscal period ended November 30, 2018 was primarily a result of the recognition of depreciation, which amounted to 4,293,609 thousand yen.

The increase for the fiscal period ended May 31, 2018 was primarily a result of acquiring three properties, Prologis Park Ichikawa 3, Prologis Park Narita 1-D and Prologis Park Yoshimi, during the period for a total of 43,962,900 thousand yen. The decrease for the fiscal period ended May 31, 2018 was primarily a result of the recognition of depreciation, which amounted to 4,088,323 thousand yen.

(Note 3) The fair value at the end of the period is determined based on appraised value or investigated price provided by independent real estate appraisers.

Income and loss in connection with investment and rental properties are disclosed in "8. Property-related Revenues and Expenses."

8. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended November 30, 2018 and May 31, 2018.

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 16,618,645	¥ 15,996,435
Common area charges	1,236,504	1,177,196
Total	¥ 17,855,150	¥ 17,173,631
Other rental revenues		
Received utilities cost	¥ 1,248,854	¥ 1,008,089
Others	621,700	253,561
Total	¥ 1,870,554	¥ 1,261,650
Total property-related revenues	¥ 19,725,705	¥ 18,435,281
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 1,078,665	¥ 998,077
Utilities cost	1,237,740	977,897
Taxes and public dues	1,588,795	1,563,454
Non-life insurance premium	28,837	27,296
Repair and maintenance	253,909	235,160
Depreciation	4,293,609	4,088,323
Custodian fee	18,560	17,680
Other expenses	2,933	2,572
Total rental expenses	¥ 8,503,051	¥ 7,910,462
(3) Operating income from property leasing ((1)-(2))	¥ 11,222,653	¥ 10,524,819

The following table summarizes the gain on sales of real estate properties for the six-month periods ended November 30, 2018 and May 31, 2018.

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Sales proceed	¥ 4,659	¥ -
Book value of properties sold	(3,614)	-
Other sales expenses	(472)	-
Gain on sales of real estate properties	¥ 572	¥ -

(Note) NPR sold a part of the Land of Prologis Park Zama1 to Zama City to accommodate the city's plan to widen the public road adjacent to the property.

9. 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, 2018		May 31, 2018	
Due within one year	¥	33,289,427	¥	33,177,955
Due after one year		94,552,795		104,000,734
Total	¥	127,842,222	¥	137,178,689

10. Net Assets

a) Stated Capital

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

b) Unit holders' capital

Unit holders' capital as of November 30, 2018 and May 31, 2018 consists of the following items:

	Thousands of yen			
	As of			
	November 30, 2018		May 31, 2018	
Unit holders' capital, gross	¥	338,516,767	¥	338,516,767
Deduction from unit holders' capital;				
Accumulated distribution in excess of retained earnings		(7,999,392)		(6,515,132)
Unit holders' capital	¥	330,517,375	¥	332,001,635

c) Distributions

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

	Yen			
	For the six-month periods ended			
	November 30, 2018		May 31, 2018	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 8,710,838,184		¥ 8,076,258,887	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	972,747,750		1,484,260,050	
III Distributions				
Distributions of retained earnings	8,708,824,800	¥3,984	8,074,899,300	¥3,694
Distributions in excess of retained earnings	972,747,750	445	1,484,260,050	679
Total distributions	9,681,572,550	¥4,429	9,559,159,350	¥4,373
IV Retained earnings carried forward	¥ 2,013,384		¥ 1,359,587	

Pursuant to the "Policy on the Distribution of Funds" as defined in Article 39, Paragraph 1, Item 2 of the Articles of Incorporation, the amount of distributions shall be the amount which does not exceed the amount of profits but exceeds 90% of the distributable profit as defined in Article 67-15 of the Special Taxation Measures Act.

Based on the policy, NPR declared distribution amounts of 8,708,824,800 yen and 8,074,899,300 yen

for the six-month periods ended November 30, 2018 and May 31, 2018, 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 the Articles of Incorporation, NPR shall make Surplus Cash Distributions (SCD), defined as distributions in excess of retained earnings, as a return of unit holders' capital, each fiscal period on a continuous basis. Furthermore, NPR is permitted to distribute One-time Surplus Cash Distributions for the purpose of maintaining stable distributions per unit in the event that its distributions per unit is expected to temporarily dilute by a certain degree or a large amount of expense is incurred as a result of financing actions and additionally certain inevitable and one-time events such as repair expenses and losses due to damages caused by natural disasters (e.g., earthquakes) and accidents/incidents (e.g., fire), and/or other one-time expenses such as litigation settlements and capital losses from property dispositions.

Accordingly, NPR declared SCD of 972,747,750 yen, as a return of unit holders' capital, which was the amount excluding 249,198,300 yen as one-time revenue from the amount equivalent to approximately 28.5% of depreciation expense of 4,293,609,622 yen for the period ended November 30, 2018 and SCD of 1,165,111,350 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 4,088,323,800 yen for the period ended May 31, 2018.

In addition, NPR made a One-time Surplus Cash Distributions of 319,148,700 yen based on an assessment of temporary earnings dilution of 146 yen per unit as a result of certain financing activities for the period ended May 31, 2018.

11. 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, 2018 and May 31, 2018.

	Thousands of yen			
	As of			
	November 30, 2018		May 31, 2018	
0.22364% unsecured short-term loans	¥	-	¥	4,410,000
0.22364% unsecured short-term loans		-		1,890,000
0.20126% unsecured short-term loans (**)		-		-
0.20126% unsecured short-term loans (**)		-		-
Total short-term loans payable	¥	-	¥	6,300,000
0.81010% unsecured long-term loans due 2018 ^(*)	¥	6,400,000	¥	6,400,000
0.30909% unsecured long-term loans due 2019		1,000,000		1,000,000
0.57490% unsecured long-term loans due 2022 ^(*)		10,000,000		10,000,000
0.57490% unsecured long-term loans due 2022 ^(*)		4,000,000		4,000,000
0.07570% unsecured long-term loans due 2021 ^(*)		7,300,000		7,300,000
0.17260% unsecured long-term loans due 2022 ^(*)		6,000,000		6,000,000
0.39000% unsecured long-term loans due 2024 ^(*)		10,000,000		10,000,000
0.41290% unsecured long-term loans due 2023 ^(*)		7,600,000		7,600,000
0.52800% unsecured long-term loans due 2024 ^(*)		4,000,000		4,000,000
0.71670% unsecured long-term loans due 2026 ^(*)		9,400,000		9,400,000
0.22360% unsecured long-term loans due 2021 ^(*)		14,000,000		14,000,000
0.26200% unsecured long-term loans due 2022 ^(*)		10,000,000		10,000,000
0.31250% unsecured long-term loans due 2023 ^(*)		20,000,000		20,000,000
0.37250% unsecured long-term loans due 2024 ^(*)		3,000,000		3,000,000
0.37250% unsecured long-term loans due 2024 ^(*)		3,000,000		3,000,000
0.43690% unsecured long-term loans due 2025 ^(*)		23,300,000		23,300,000
0.52400% unsecured long-term loans due 2026 ^(*)		6,100,000		6,100,000
0.52400% unsecured long-term loans due 2026 ^(*)		5,200,000		5,200,000
0.52400% unsecured long-term loans due 2026 ^(*)		2,600,000		2,600,000
0.63270% unsecured long-term loans due 2027 ^(*)		23,300,000		23,300,000
0.61980% unsecured long-term loans due 2028 ^(*)		11,800,000		11,800,000
0.44830% unsecured long-term loans due 2024 ^(*)		5,000,000		-
Less: current portion		(7,400,000)		(6,400,000)
Total long-term loans payable, less current portion	¥	185,600,000	¥	181,600,000

The stated interest rate is the weighted average interest rate during the period ended November 30, 2018.

For certain loans (*) for which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

The loans (**) from Sumitomo Mitsui Banking Corporation and The Bank of Mitsubishi UFJ, Ltd., with the principal amount of 4,410,000 thousand yen and 1,890,000 thousand yen, respectively, were prepaid on August 20, 2018, before the maturity date.

The redemption schedules for long-term loans subsequent to November 30, 2018 and May 31, 2018 are disclosed in Note 5, "Financial Instruments."

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

	Thousands of yen			
	As of			
	November 30, 2018		May 31, 2018	
Total amount of committed line of credit	¥	20,000,000	¥	20,000,000
Borrowings drawn down		-		-
Balance of unused committed line of credit	¥	20,000,000	¥	20,000,000

12. Investment Corporation Bonds Payable

The investment corporation bonds payable would be redeemed on a lump-sum basis at their contractual maturity dates. The following table summarizes the investment corporation bonds payable as of November 30, 2018 and May 31, 2018.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				November 30, 2018	May 31, 2018
1st unsecured bond	November 27, 2014	November 27, 2019	0.338%	¥ 2,000,000	¥ 2,000,000
2nd unsecured bond	November 27, 2014	November 27, 2024	0.930%	3,000,000	3,000,000
3rd unsecured bond	June 15, 2017	June 15, 2021	0.180%	2,000,000	2,000,000
4th unsecured bond	June 15, 2017	June 15, 2023	0.280%	1,500,000	1,500,000
5th unsecured bond	June 15, 2017	June 15, 2027	0.500%	2,500,000	2,500,000
6th unsecured bond	June 15, 2017	June 15, 2032	0.860%	1,000,000	1,000,000
7th unsecured bond	August 17, 2018	August 17, 2028	0.660%	6,000,000	-
Total				¥ 18,000,000	¥ 12,000,000

13. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of November 30, 2018 and May 31, 2018 are as follows:

	Thousands of yen	
	As of	
	November 30, 2018	May 31, 2018
Enterprise tax payable	¥ 14	¥ 27
Total deferred tax assets	14	27
Net deferred tax assets	¥ 14	¥ 27

Reconciliations of major items that caused differences between the statutory tax rate and effective tax rate with respect to pre-tax income reflected in the accompanying statements of income for the six-month periods ended November 30, 2018 and May 31, 2018 are as follows:

	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Statutory tax rate	31.51%	31.74%
Adjustments:		
Deductible cash distributions	(31.50%)	(31.73%)
Other	0.00%	0.00%
Actual effective income tax rate	0.01%	0.01%

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

14. Per Unit Information

The following table summarizes per unit information for the six-month periods ended November 30, 2018 and May 31, 2018.

	Yen	
	For the six-month periods ended	
	November 30, 2018	May 31, 2018
Net income per unit		
Basic net income per unit	¥ 3,984	¥ 3,821
Weighted average number of units outstanding	2,185,950	2,113,350
	Yen	
	As of	
	November 30, 2018	May 31, 2018
Net assets per unit	¥ 155,185	¥ 155,574

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

15. Transactions with Related Parties

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

There were no transactions and account balances for all periods presented.

b) Transactions and Account Balances with Affiliates

There were no transactions and account balances for all periods presented.

c) Transactions and Account Balances with Companies under Common Control

(For the six-month period ended November 30, 2018)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥ 18,452,517	Operating accounts receivable	¥ 909,257
										Advances received	3,106,874
								Proceeds of tenant leasehold and security deposits in trust	320,379	Tenant leasehold and security deposits in trust	13,044,933
Repayments of tenant leasehold and security deposits in trust	211,445										
Subsidiary of an affiliate	Gassan Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	5,440,000	-	-
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee (Note 4)	1,746,944	Accrued expenses	1,857,291

(Note 1) The transaction amounts do not include the consumption tax whereas the tax is included in the ending balance.

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

(Note 3) With respect to 35 properties out of 41 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(Note 4) The Asset management fee above includes management fees for property acquisition of 27,206 thousand yen and for property disposal of 23 thousand yen, respectively.

(For the six-month period ended May 31, 2018)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥ 17,168,998	Operating accounts receivable	¥ 892,006
										Advances received	3,379,140
								Proceeds of tenant leasehold and security deposits in trust	1,220,649	Tenant leasehold and security deposits in trust	12,935,998
Repayments of tenant leasehold and security deposits in trust	337,203										
Subsidiary of an affiliate	Ichikawa 3 Special Purpose Company	Chiyoda-ku, Tokyo	10,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	17,000,000	-	-
Subsidiary of an affiliate	Prologis Narita 1 Y.K.	Chiyoda-ku, Tokyo	99,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	5,260,000	-	-
Subsidiary of an affiliate	Hotaka Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	21,300,000	-	-
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee (Note 4)	1,829,317	Accrued expenses	1,740,438

(Note 1) The transaction amounts do not include the consumption tax whereas the tax is included in the ending balance.

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

(Note 3) With respect to 34 properties out of 40 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(Note 4) The Asset management fee above includes management fees for property acquisition of 217,800 thousand yen.

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

There were no transactions and account balances for all periods presented.

16. Segment and Related Information

a) Overview of operating and reportable segments

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

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

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

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

Prologis Park Ichikawa 1, Prologis Park Zama 1, Prologis Park Kawajima, Prologis Park Osaka 2, Prologis Park Maishima 3, Prologis Park Takatsuki, Prologis Park Tokyo-Ohta, Prologis Park Zama 2, Prologis Park Funabashi 5, Prologis Park Narita 1-A&B, Prologis Park Narita 1-C, Prologis Park Amagasaki 1, Prologis Park Amagasaki 2, Prologis Park Narashino 4, Prologis Park Tokyo-Shinkiba, Prologis Park Yokohama-Tsurumi, Prologis Park Osaka 4, Prologis Park Kawajima 2, Prologis Park Kitamoto, Prologis Park Joso, Prologis Park Osaka 5, Prologis Park Ebina, Prologis Park Kawanishi, Prologis Park Amagasaki 3, Prologis Park Kobe, Prologis Park Narita 3, Prologis Park Koga 1, Prologis Park Kobe 2, Prologis Park Narashino 5, Prologis Park Ibaraki, Prologis Park Koga2, Prologis Park Ichikawa 3, Prologis Park Narita1-D, Prologis Park Yoshimi and Prologis Park Koga 3.

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

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

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

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

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

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

c) Information about Segment Results, Assets and Other Items

	Thousands of yen			
	As of and for the six-month period ended November 30, 2018			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 18,205,477	¥ 1,520,799	¥ -	¥ 19,726,277
Segment income (Note 2)	9,386,090	672,948	(679,451)	9,379,588
Segment assets (Note 2)	512,397,440	33,824,178	26,459,056	572,680,675
Other items				
Depreciation	3,914,570	379,038	-	4,293,609
Increase in property and equipment and intangible assets	6,102,133	106,951	-	6,209,084

(Note 1) Operating revenues of NPR are exclusively earned from external parties. Operating revenues in Global markets includes 572 thousand yen of gain on sales of real estate properties.

(Note 2) Reconciling adjustments to segment income represent general corporate expenses that consist mainly of asset management fee of 555,994 thousand yen, asset custody fee of 44,328 thousand yen and directors' compensation of 5,600 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 24,478,441 thousand yen, long-term prepaid expenses, security deposit and deferred tax asset of 1,544,999 thousand yen and Investment corporation bond issuance costs of 82,479 thousand yen.

	Thousands of yen			
	As of and for the six-month period ended May 31, 2018			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 16,935,580	¥ 1,499,701	¥ -	¥ 18,435,281
Segment income (Note 2)	8,747,112	681,270	(624,474)	8,803,907
Segment assets (Note 2)	509,781,789	34,066,246	23,305,052	567,153,089
Other items				
Depreciation	3,711,484	376,839	-	4,088,323
Increase in property and equipment and intangible assets	44,598,651	16,008	-	44,614,659

(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 515,531 thousand yen, asset custody fee of 41,954 thousand yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 19,925,661 thousand yen, long-term prepaid expenses and security deposit of 1,671,907 thousand yen and Investment corporation bond issuance costs of 52,333 thousand yen.

Related Information

(For the six-month period ended November 30, 2018)

a) Information by Geographic Region

(i) Operating Revenues

Substantially all of NPR's operating revenue is generated in Japan.

(ii) Property and Equipment

Substantially all of NPR's property and equipment is located in Japan.

b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	18,452,517 thousand yen	Global market and Regional market

(Note) With respect to 35 properties out of 41 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(For the six-month period ended May 31, 2018)

a) Information by Geographic Region

(i) Operating Revenues

Substantially all of NPR's operating revenue is generated in Japan.

(ii) Property and Equipment

Substantially all of NPR's property and equipment is located in Japan.

b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	17,168,998 thousand yen	Global market and Regional market

(Note) With respect to 34 properties out of 40 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

17. Subsequent Events

(a) Borrowings

On December 3, 2018, NPR borrowed bank loans (the "Borrowings"), which were based on a resolution made by the board of directors on November 22, 2018, for the purpose of funding the acquisition costs of a new property and related expenses described in the following "(b) Acquisition of Asset."

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short-term	Sumitomo Mitsui Banking Corporation	4,550 million yen	Base interest rate (JBA 1-month Japanese yen TIBOR) +0.17%	December 3, 2018	November 29, 2019	Paid in full upon maturity	Unsecured and non-guaranteed
	MUFG Bank, Ltd.	1,950 million yen					

(b) Acquisition of Asset

As resolved by the board of directors on February 26, 2018 and November 22, 2018, in line with basic investment guidelines defined in its Articles of Incorporation, NPR acquired a property described below on December 3, 2018 with proceeds from the Borrowings described in "(a) Borrowings" above and cash on hand.

Property name	Prologis Park Tsukuba 1-A	
Location	5-6-2, Tokodai, Tsukuba, Ibaraki	
Class of assets	Real estate trust beneficiary interests	
Acquisition date	December 3, 2018	
Acquisition price	12,900 million yen (Note 1)	
Appraisal Value	12,900 million yen (Note 2)	
Land	Ownership form	Proprietary
	Land area	32,807.23 m ²
Building	Ownership form	Proprietary
	Gross floor area	65,301.41 m ²
	Date of completion	September 4, 2018 (Note 3)
	Use	Warehouse, Office
	Structure/No. of stories	S, 4-story building

(Note 1) "Acquisition price" is represented by an amount of the purchase price stated in the Purchase and Sale Agreement of Trust Beneficiary Interest, which does not include the consumption taxes and local consumption taxes. The Acquisition Price does not reflect expenses associated with the acquisition.

(Note 2) Appraisal Value is based on an appraisal report dated September 30, 2018 provided by Jones Lang LaSalle K.K.

(Note 3) This property is constructed so as to constitute, under the Building Standards Act, a single building together with Prologis Park Tsukuba 1-B, which is currently under construction on an adjacent land site. These properties are scheduled to be developed and utilized as one complex. The date of completion above represents the scheduled date of construction work of the property which does not include Prologis Park Tsukuba 1-B, and differs from the date of completion of the entire complex.



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Prologis REIT, Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at November 30, 2018 and May 31, 2018, and the statements of income, statements of changes in net assets and statements of cash flows for the six-month periods ended November 30, 2018 and May 31, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Prologis REIT, Inc. as at November 30, 2018 and May 31, 2018, and their financial performance and cash flows for the six-month periods ended November 30, 2018 and May 31, 2018, in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 17 to the financial statements, which states that subsequent to November 30, 2018, Nippon Prologis REIT, Inc. executed bank loans and acquired trust beneficiary certificate of one property. Our opinion is not modified in respect of this matter.

KPMG AZSA LLC

February 27, 2019
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.