

SEMIANNUAL REPORT

Fiscal Period Ended May 31, 2019



Message from the Executive Director

Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report for the fiscal period ended May 31, 2019. Once again, our focused investment strategy and proprietary access to Class-A properties have delivered excellent operational and financial results. Additionally, the Japanese logistics real estate market continues to show signs of improvement. We remain confident in, and proud of, our positive and consistent growth.

During the period, we conducted our 8th follow-on offering and acquired three new properties (Prologis Park Kyotanabe, Prologis Park Higashimatsuyama and Prologis Park Sendai Izumi 2) in June and will acquire one property (Prologis Park Kobe 4) in October. The offering and acquisitions further enhance our unit holder value.

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

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

Best regards,



Masahiro Sakashita

Executive Director
Nippon Prologis REIT, Inc.



Financial Highlights for the Fiscal Period Ended May 31, 2019

Distribution Per Unit
(JPY, including Surplus Cash Distributions)

4,502

Portfolio Size
(JPY billions)

578.6

NOI
(JPY millions)

15,574

Market Cap
(JPY billions)

582.7

Period Average Occupancy

99.0%

Appraisal NAV Per Unit
(JPY)

216,743

Loan-to-Value Ratio

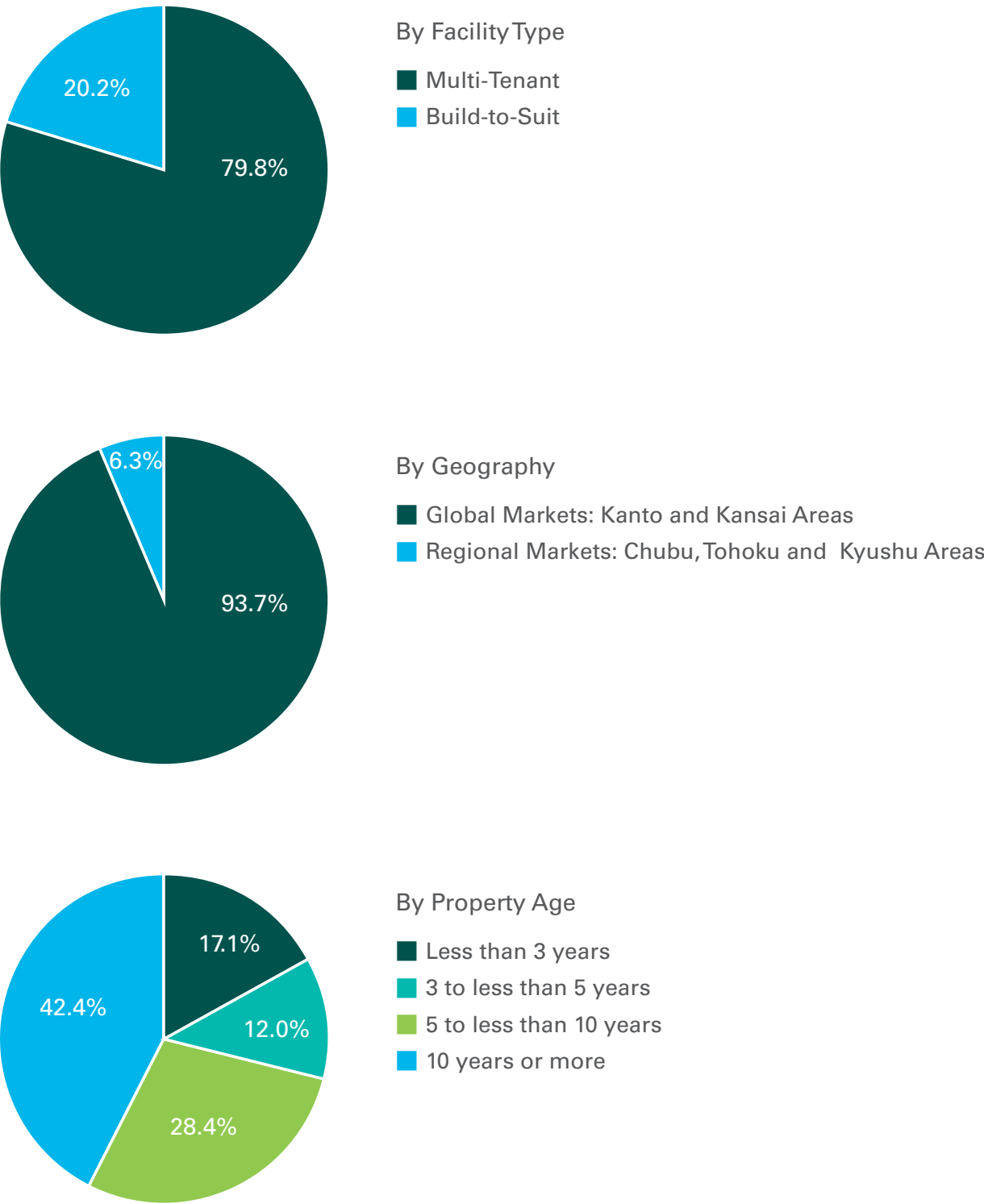
37.7%

Credit Rating

JCR AA
(Stable)

Note: Market Cap is as of June 30, 2019.

Earnings Stability from a Diversified Portfolio of Class-A Facilities



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



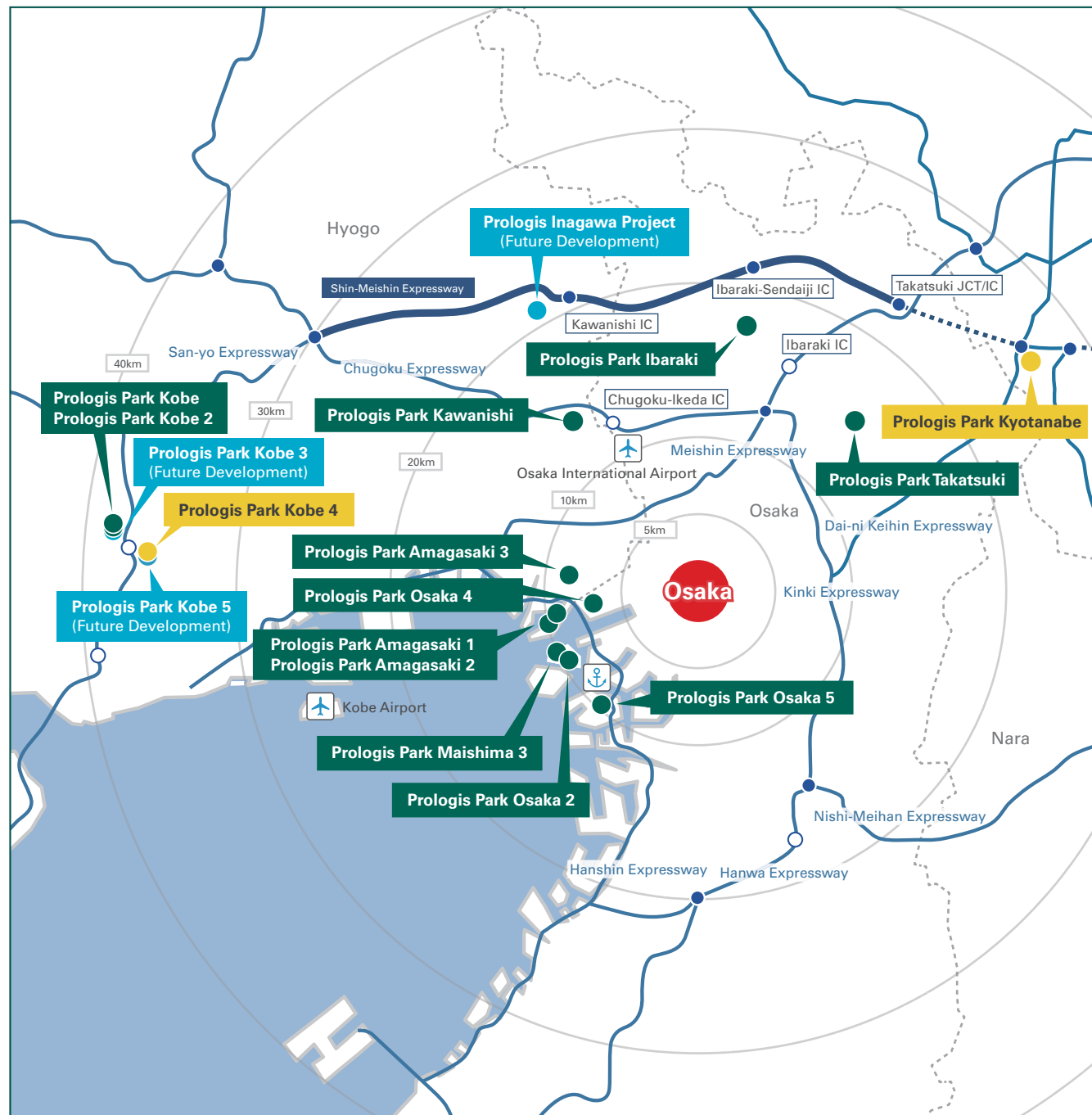
B-14 Prologis Park Koga 3
JPY 5,440 million



B-15 Prologis Park Tsukuba 1-A
JPY 12,900 million

Note: Property values are based on acquisition price.

Osaka Metropolitan Area



Tokyo Metropolitan Area



- Newly Acquired Assets
- Current Assets
- Pipeline Assets

Note: As of June 30, 2019.

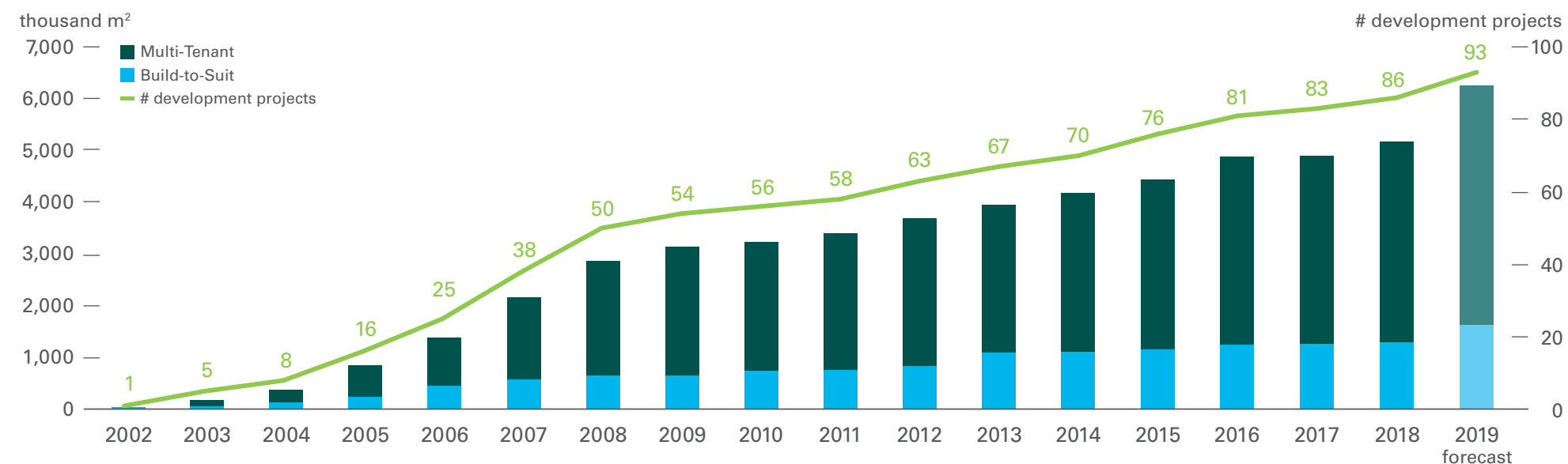
Potential Acquisition Pipeline

	Status	Region / Area	Property Name	(Expected) Year Built	Property Type	(Expected) GFA (sqm)
Exclusive Negotiation Rights Granted	Completed	Kanto	Prologis Park Chiba New Town	Apr. 2016	Multi-Tenant	109,981
			Prologis Park MFLP Kawagoe (50% quasi co-ownership interests)	Oct. 2018	Multi-Tenant	117,337
	Under Development	Kanto	Prologis Park Chiba 1	Sep. 2019	Multi-Tenant	147,005
			Prologis Park Tsukuba 1-B	Sep. 2019	Build-to-Suit	71,595
Under Development or Planning	Under Development	Kanto	Prologis Park Tsukuba 2	Sep. 2020	Build-to-Suit	111,826
			Prologis Park Chiba 2	Nov. 2020	Multi-Tenant	68,211
	Future Development	Kanto	Prologis Park Ebina 2	TBD	TBD	39,000
			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	
	Total 929,657 <small>(Note 2)</small>					
Future Projects	Kanto	Prologis Koga Project Phase 2	TBD	TBD	TBD	
	Kansai	Prologis Inagawa Project	TBD	TBD	TBD	

Note1: We have no definite contracts to acquire the above properties. This property list should not be deemed a commitment or guarantee of our future acquisitions.

Note2: Prologis Koga Project Phase 2 and Prologis Inagawa Project are not included in total gross floor area.

Prologis Groups Proven Development Track Record in Japan Since 2002



Features:

- Gross floor area of approximately 16,500 m² (177,600 ft²) or greater
- 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 (16.1t/ft²), 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



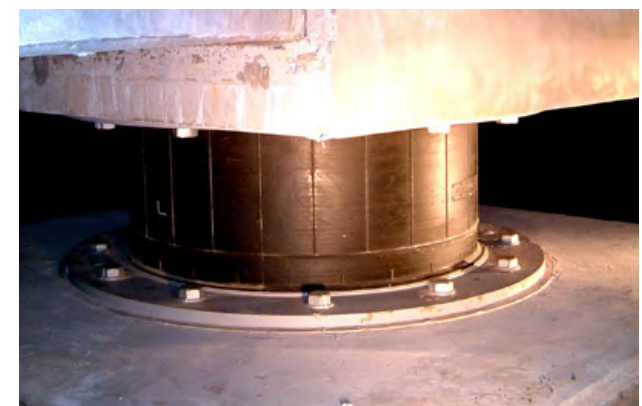
Convenience Store



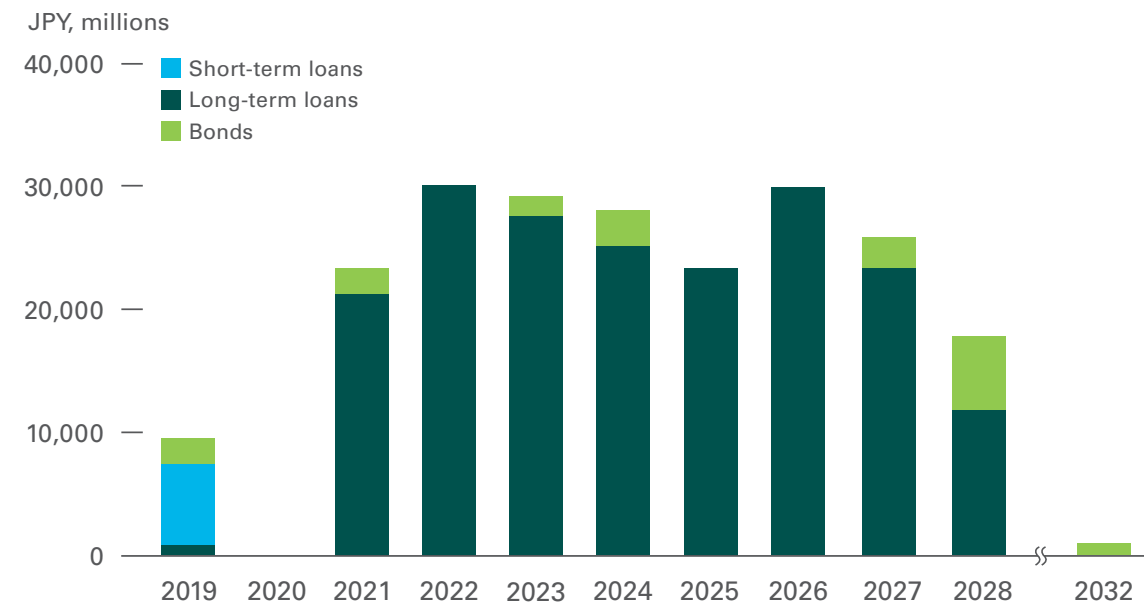
24-Hour Security



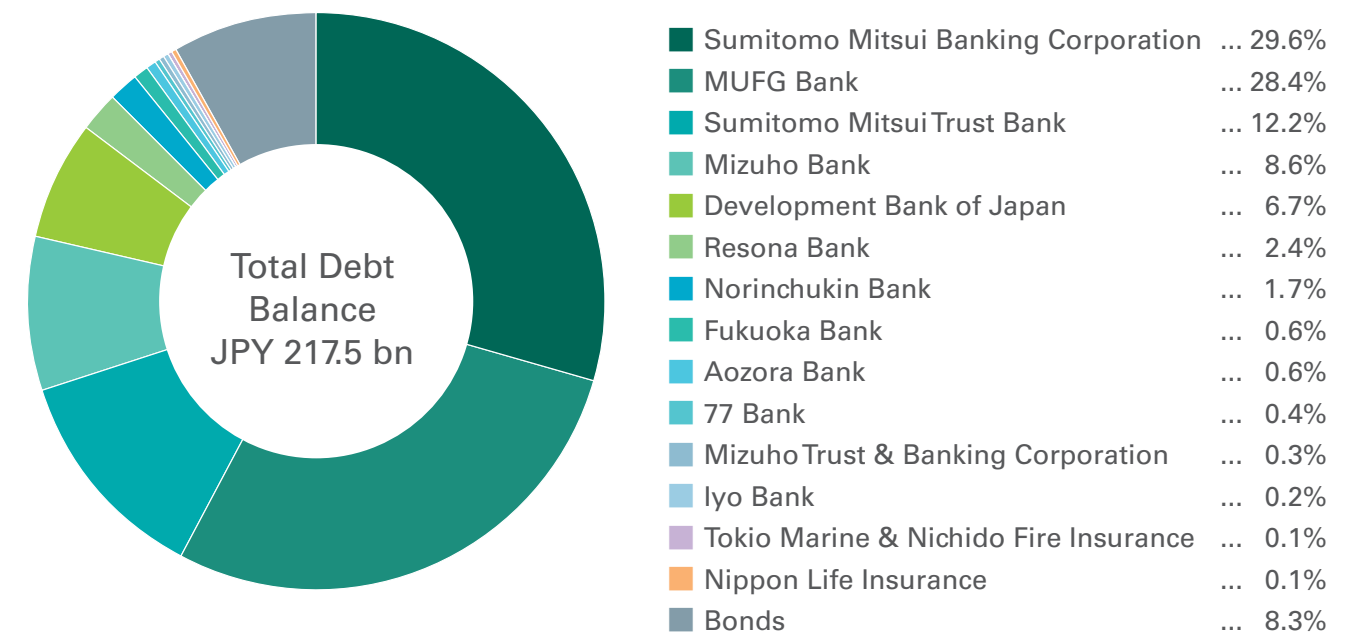
Seismic Isolators



Debt Maturity Schedule



Outstanding Loan Balance

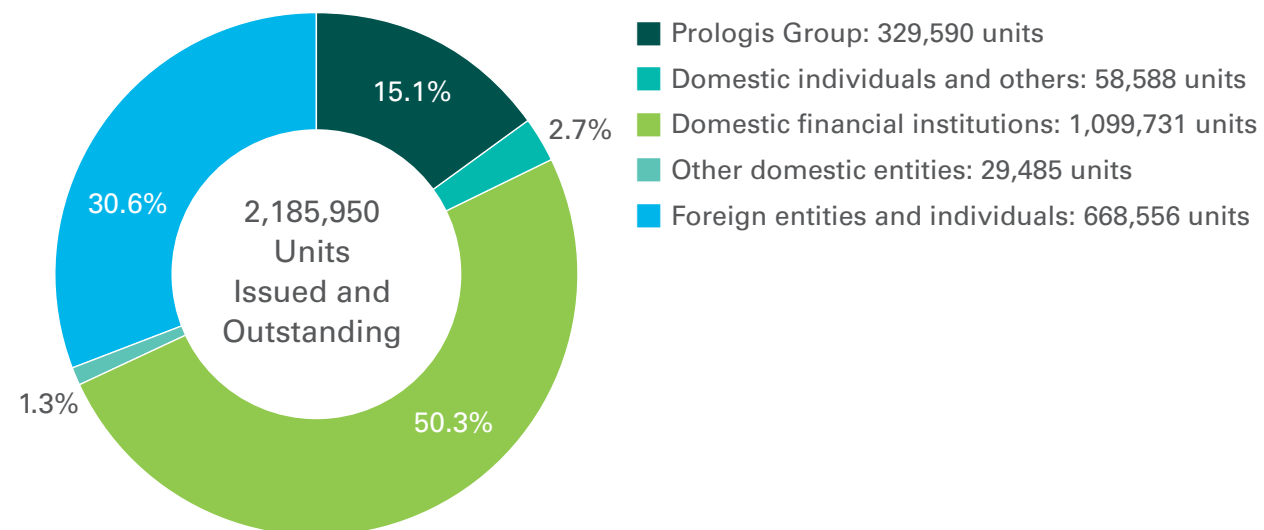


Corporate Governance Investor-Aligned Fee Structure

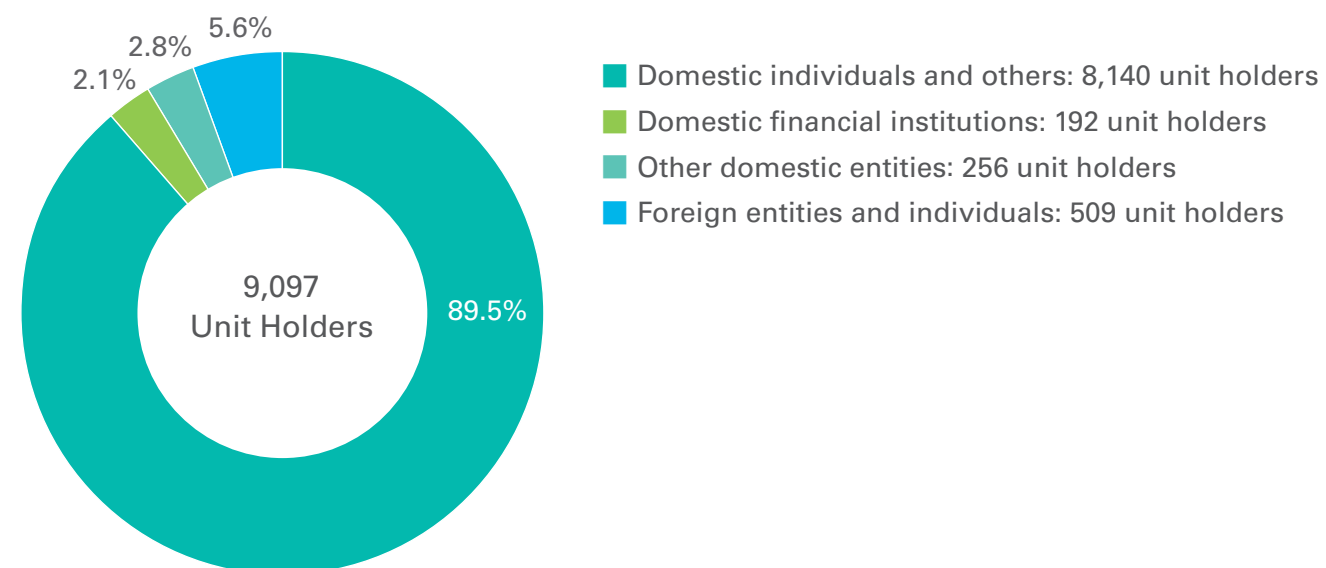
100% performance-linked asset management fee structure

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% *Before deduction of net income-based asset management fee	
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.)	342,960	15.68%
2	Prologis Property Japan SPC	327,590	14.98%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	294,837	13.48%
4	The Nomura Trust and Banking Company, Ltd. (Trust Acct.)	71,661	3.27%
5	STATE STREET BANK WEST CLIENTS-TREATY 505234	71,133	3.25%
6	Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	55,218	2.52%
7	SSBTC CLIENT OMNIBUS ACCOUNT	31,317	1.43%
8	STATE STREET BANK AND TRUST COMPANY 505223	24,778	1.13%
9	Rakuten General Insurance Co., Ltd.	23,980	1.09%
10	STATE STREET BANK AND TRUST COMPANY 505103	23,667	1.08%
Total		1,267,141	57.96%

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

Prologis ESG Objectives

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

NPR's ESG Committee

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

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

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

Reputation backed by Third-Party Agencies

MSCI Japan ESG Select Leaders Index



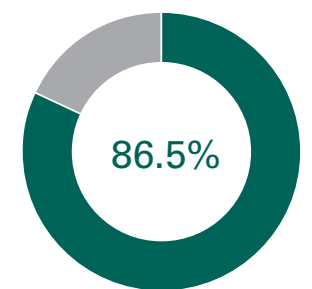
ESG Rating
A

Dow Jones Sustainability Asia/Pacific Index



The only J-REIT included in the Index as of 2018

Eligible Green Projects



Note : "Eligible Green Projects", which consist of those properties among the 46 properties in our portfolio following acquisition of the four new properties (in June-October 2019) that satisfy the criteria of our framework for meeting the standards laid out by the Green Bond Principles.

Recognition

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

Note: DBJ stands for Development Bank of Japan

SEE A LIST OF THE PROPERTIES WHICH HAVE OBTAINED BUILDING CERTIFICATIONS  

Environmental Performance Data

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

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

Metrics	Units	FY2017 Performance	FY2016 Performance	FY2015 Performance
Total Source Energy Consumption	GJ	497,080	438,814	391,530
Fuel Use	GJ	870	846	819
Electricity Use (converted to source energy)	GJ	496,210	437,968	390,711
Source Energy Consumption Intensity	GJ/m ²	0.257	0.247	0.245
Adjusted CO ₂ Emissions	t-CO ₂	23,584	17,216	19,711
CO ₂ Emission Intensity	t-CO ₂ /m ²	0.012	0.010	0.012
Water Consumption	m ³	248,580	245,248	230,091
Water Consumption Intensity	m ³ /m ²	0.128	0.138	0.144

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

*Number of Properties	—	29	24	23
*Floor Area	m ²	1,936,414.28	1,775,861.86	1,598,904.95
Portfolio Data Coverage (By Floor Area)	%	69	74	71

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

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. As of May 31, 2019, the Prologis Group had surpassed its 2020 global goal of installing 200 MWs of solar capacity across the global portfolio. Achieving this goal a year and a half early with 201 MWs of installed capacity is a further testament of Prologis' leadership as a global solar developer. Our emphasis on renewable energy puts us in alignment with United Nations Sustainable Development Goal 7 (affordable and clean energy). Our focus on solar and emerging energy technologies is a testament to our commitment to sustainability. These projects make our electric grids cleaner, while bringing improved economic and environmental results that add incremental value by harnessing previously underused resources, such as our roofs. Furthermore, we generate revenue from roof leases for solar energy, thereby supporting the business case for installing solar on our rooftops.



Energy Efficiency

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

Commitment to Sustainability in Our Operations

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

Social Responsibility

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

IMPACT Day

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



Donation of children's school bags



Repairing and Cleaning (A foster home)



Biological research and Cleaning (Osaka Bay area)



Contributions to 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

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

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

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

Supplier Code of Conduct

Our Supplier Code of Conduct, which is written into all of our supplier and contractor, 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 brings our ESG goals to fruition.

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

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

Inclusion & Diversity

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

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

Our commitment to Inclusion & Diversity is also reflected in the Prologis and NPR board of directors where 17% 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 Articles of Incorporation of NPR, which is also a requirement under ITA. Currently, the remuneration of NPR's Executive Director is capped at 1,000,000 yen per month and the remuneration of each Supervisory Director is capped at 500,000 yen per month.

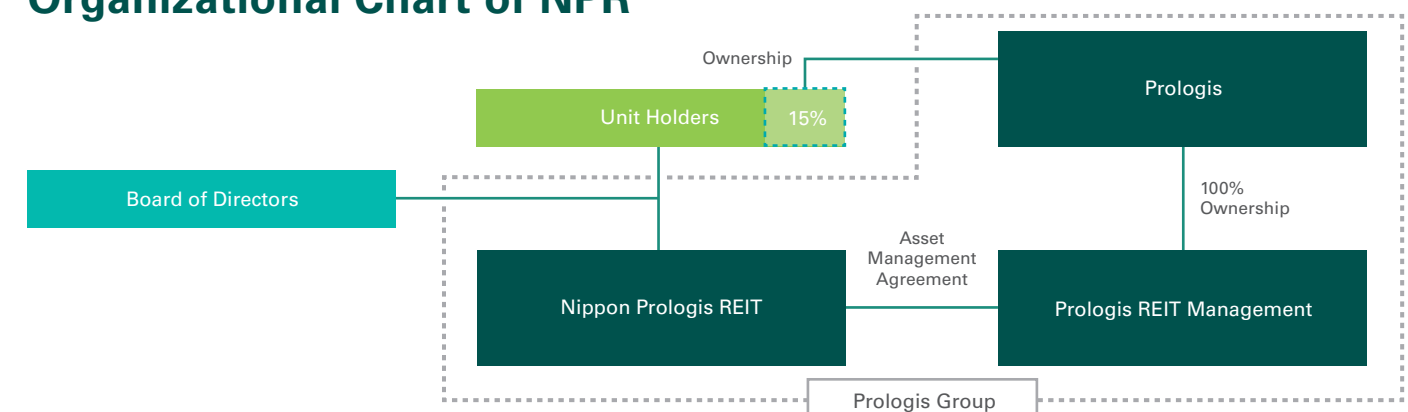
As stated above, NPR has no employees by law, and its various corporate functions, including operations and management of its portfolio, is outsourced to its asset management company, Prologis REIT Management K.K., a wholly-owned subsidiary of Prologis, Inc. NPR and Prologis REIT Management K.K. receive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

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

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

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

Organizational Chart of NPR



Ethics and 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 (FCPA), regulations of the US Securities and Exchange Commission (SEC) and rules of the New York Stock Exchange (NYSE).

Ethics

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

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

[READ CODE OF ETHICS](#)  →

Risk Management

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

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

Organizational Structure of Prologis REIT Management K.K.

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

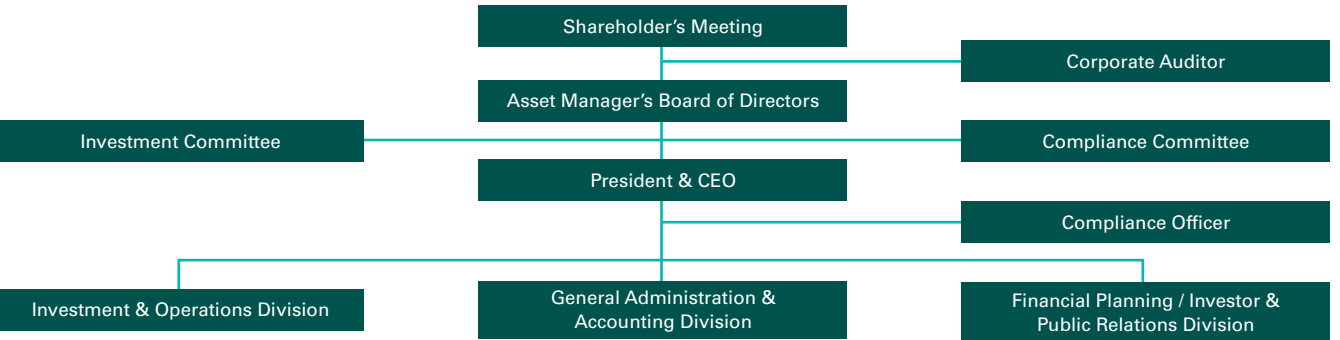
PLDRM is a wholly-owned subsidiary of Prologis, Inc. and governed by its own board of directors' meetings. The Chief Executive Officer (CEO) is an ultimate decision-maker of PLDRM, and underneath the CEO's supervision are three divisions that manage various corporate functions of PLDRM: the Investment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

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

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

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

Organizational Chart of PLDRM



PLDRM's Risk Management

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

Balance Sheets

	Thousands of yen			
	As of			
	May 31, 2019		November 30, 2018	
ASSETS				
Current assets:				
Cash and deposits (Notes 3 and 4)	¥ 20,380,422		¥ 24,546,935	
Cash and deposits in trust (Notes 3 and 4)	4,336,217		4,569,560	
Operating accounts receivable	1,373,710		1,520,049	
Prepaid expenses	405,159		348,676	
Consumption taxes receivable	338,417		-	
Other current assets	130		18,254	
Total current assets	26,834,057		31,003,476	
Property and equipment (Note 6):				
Buildings	7,561,012		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	348,811,354		336,721,526	
Structures in trust	7,903,770		7,637,949	
Machinery and equipment in trust	13,117		13,117	
Tools, furniture and fixtures in trust	764,555		748,846	
Other tangible assets in trust	35		35	
Land in trust	219,810,580		218,446,593	
Construction in progress in trust	16,687		3,779	
Less: accumulated depreciation	(39,676,392)		(35,178,301)	
Total property and equipment	549,294,096		540,038,074	
Intangible assets (Note 6):				
Other intangible assets in trust	10,469		11,087	
Total intangible assets	10,469		11,087	
Investments and other assets:				
Long-term prepaid expenses	1,422,231		1,535,142	
Deferred tax assets (Note 13)	19		14	
Security deposit	10,000		10,000	
Investment corporation bond issuance costs	75,739		82,479	
Other	400		400	
Total investments and other assets	1,508,390		1,628,037	
Total Assets	¥ 577,647,014		¥ 572,680,675	

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

Balance Sheets continued

	Thousands of yen			
	As of			
	May 31, 2019		November 30, 2018	
LIABILITIES				
Current liabilities:				
Operating accounts payable	¥ 1,330,813		¥ 1,609,655	
Short-term loans payable (Notes 4 and 10)	6,500,000		-	
Current portion of investment corporation bonds payable (Notes 4 and 11)	2,000,000		2,000,000	
Current portion of long-term loans payable (Notes 4, 5 and 10)	1,000,000		7,400,000	
Accounts payable	578,082		589,610	
Accrued expenses	1,923,071		1,925,584	
Accrued consumption taxes	-		804,872	
Income taxes payable	990		890	
Advances received	3,381,118		3,336,839	
Other current liabilities	94,779		81,218	
Total current liabilities	16,808,855		17,748,670	
Non-current liabilities:				
Investment corporation bonds payable (Notes 4 and 11)	16,000,000		16,000,000	
Long-term loans payable (Notes 4, 5 and 10)	192,000,000		185,600,000	
Tenant leasehold and security deposits (Note 4)	247,773		247,773	
Tenant leasehold and security deposits in trust (Note 4)	14,435,224		13,855,824	
Other non-current liabilities	6,546		194	
Total non-current liabilities	222,689,544		215,703,791	
Total Liabilities	239,498,399		233,452,462	
NET ASSETS (Note 9)				
Unit holders' equity				
Unit holders' capital	329,544,627		330,517,375	
Units authorized:				
10,000,000 units as of May 31, 2019 and November 30, 2018				
Units issued and outstanding:				
2,185,950 units as of May 31, 2019 and November 30, 2018				
Surplus				
Retained earnings	8,603,987		8,710,838	
Total unit holders' equity	338,148,614		339,228,213	
Total Net Assets	338,148,614		339,228,213	
Total Liabilities and Net Assets	¥ 577,647,014		¥ 572,680,675	

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

Statements of Income

	Thousands of yen			
	For the six-month periods ended			
	May 31, 2019		November 30, 2018	
Operating Revenues (Note 7):				
Operating rental revenues	¥	18,470,266	¥	17,855,150
Other rental revenues		1,300,995		1,870,554
Gain on sales of real estate properties		-		572
Total operating revenues		19,771,261		19,726,277
Operating Expenses (Notes 6 and 7):				
Expenses related to property rental business		8,695,897		8,503,051
Asset management fee		1,717,183		1,719,714
Asset custody fee		42,988		44,328
Directors' compensation		7,200		5,600
Audit fee		15,000		15,000
Other operating expenses		52,735		58,994
Total operating expenses		10,531,005		10,346,689
Operating income		9,240,255		9,379,588
Non-operating Income:				
Interest income		114		104
Reversal of distributions payable		587		555
Interest on refund of consumption taxes		-		751
Total non-operating income		701		1,411
Non-operating Expenses:				
Interest expense on loans payable		431,919		431,729
Interest expense on investment corporation bonds		51,378		43,155
Amortization of investment corporation bond issuance costs		6,740		6,015
Borrowing related expenses		191,061		189,515
Others		21		184
Total non-operating expenses		681,121		670,600
Ordinary income		8,559,835		8,710,398
Extraordinary income:				
Insurance income (Note 12)		759,531		-
Total extraordinary income		759,531		-
Extraordinary losses:				
Loss on disaster (Note 12)		716,390		-
Total extraordinary losses		716,390		-
Income before income taxes		8,602,976		8,710,398
Income taxes - current (Note 13)		1,007		906
Income taxes - deferred (Note 13)		(4)		13
Total income taxes		1,002		920
Net income		8,601,974		8,709,478
Retained earnings brought forward		2,013		1,359
Retained earnings at end of period	¥	8,603,987	¥	8,710,838

	Yen			
	For the six-month periods ended			
	May 31, 2019		November 30, 2018	
Net income per unit (Note 14)	¥	3,935	¥	3,984

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

Statements of Changes in Net Assets

For the six-month periods ended May 31, 2019 and November 30, 2018

	Number of units	Thousands of yen		
		Unit holders' capital	Retained earnings	Total net assets
Balance as of May 31, 2018	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 9)	2,185,950	¥330,517,375	¥8,710,838	¥339,228,213
Distributions in excess of retained earnings	-	(972,747)	-	(972,747)
Distributions of retained earnings	-	-	(8,708,824)	(8,708,824)
Net income	-	-	8,601,974	8,601,974
Balance as of May 31, 2019 (Note 9)	2,185,950	¥329,544,627	¥8,603,987	¥338,148,614

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

Statements of Cash Flows

	Thousands of yen			
	For the six-month periods ended			
	May 31, 2019		November 30, 2018	
Cash Flows from Operating Activities:				
Income before income taxes	¥	8,602,976	¥	8,710,398
Depreciation (Note 6)		4,498,709		4,293,609
Amortization of investment corporation bond issuance costs		6,740		6,015
Interest income		(114)		(104)
Interest expense		483,298		474,885
Insurance income		(759,531)		-
Loss on disaster		716,390		-
Decrease (increase) in operating accounts receivable		146,339		17,038
Decrease (increase) in consumption taxes receivable		(338,417)		1,319,143
Decrease (increase) in prepaid expenses		(56,483)		30,069
Decrease (increase) in long-term prepaid expenses		112,911		126,914
Increase (decrease) in operating accounts payable		(420,825)		516,833
Increase (decrease) in accounts payable		602		27,181
Increase (decrease) in accrued expenses		(2,290)		118,166
Increase (decrease) in accrued consumption taxes		(804,872)		804,872
Increase (decrease) in advances received		44,279		(274,023)
Decrease in property and equipment due to sales		-		3,614
Others, net		40,757		(20,923)
Subtotal		12,270,471		16,153,693
Interest received		114		104
Interest paid		(483,521)		(463,487)
Proceeds from insurance income		759,531		-
Payments for loss on disaster		(574,550)		-
Income taxes paid		(908)		(1,182)
Net cash provided by operating activities		11,971,137		15,689,128
Cash Flows from Investing Activities:				
Purchases of property and equipment		-		(88)
Purchases of property and equipment in trust		(13,766,068)		(5,837,351)
Proceeds from tenant leasehold and security deposits in trust		770,840		320,379
Repayments of tenant leasehold and security deposits in trust		(194,747)		(211,445)
Net cash provided by (used in) investing activities		(13,189,976)		(5,728,505)
Cash Flows from Financing Activities:				
Proceeds from short-term loans payable		6,500,000		6,300,000
Repayments of short-term loans payable		-		(12,600,000)
Proceeds from long-term loans payable		6,400,000		5,000,000
Repayments of long-term loans payable		(6,400,000)		-
Proceeds from issuance of investment corporation bonds		-		5,963,838
Payment of distributions of retained earnings		(8,708,319)		(8,075,853)
Payment of distributions in excess of retained earnings		(972,697)		(1,484,077)
Net cash provided by (used in) financing activities		(3,181,017)		(4,896,092)
Net increase (decrease) in cash and cash equivalents		(4,399,855)		5,064,529
Cash and cash equivalents at the beginning of period		29,116,495		24,051,966
Cash and cash equivalents at the end of period (Note 3)	¥	24,716,639	¥	29,116,495

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

Notes to Financial Statements

For the six-month periods ended May 31, 2019 and November 30, 2018

1. Organization and Basis of Presentation

a) Organization

Nippon Prologis REIT, Inc. (“NPR”) was established on November 7, 2012, based on the “Act on Investment Trust and Investment Corporations” (hereinafter the “Investment Trust Law”) and was listed on the REIT Securities Market of the Tokyo Stock Exchange on February 14, 2013.

NPR is a real estate investment trust that invests in logistics real estate with the sponsorship of the Prologis Group ^{(*)1}, the global leader in logistics real estate. NPR focuses on investing in logistics facilities, targeting high-quality, Class-A properties that meet the demands of tenant logistics companies and other users with respect to operational efficiency, and which fulfill certain size, location, equipment, convenience and safety criteria. NPR aims to maximize its unit holder value through stability in rental revenues and steady growth of its portfolio and by optimizing the value of its portfolio.

NPR acquired 44 properties in total (aggregate acquisition price: 595,540 million yen) and disposed 2 properties (aggregate acquisition price: 16,870 million yen) by the end of the reporting fiscal period. As a result, NPR owned 42 properties (aggregate acquisition price: 578,670 million yen), all of which are Class-A facilities developed by the Prologis Group, as of the end of the reporting fiscal period ^{(*)2}.

^{(*)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.

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 taxes on property and equipment is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized taxes on property and equipment amounted to 469 thousand yen and 1,131 thousand yen for the fiscal periods ended May 31, 2019 and November 30, 2018, respectively.

e) Investment corporation bond issuance costs

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

f) Hedge Accounting

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

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

g) Beneficiary Rights in Trust

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

h) Consumption Taxes

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

3. Cash and Cash Equivalents

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

Thousands of yen			
As of			
May 31, 2019		November 30, 2018	
Cash and deposits	¥ 20,380,422	¥ 24,546,935	
Cash and deposits in trust	4,336,217	4,569,560	
Cash and cash equivalents	¥ 24,716,639	¥ 29,116,495	

4. Financial Instruments

a) Detailed Information on Financial Instruments

(i) Policy for Financial Instruments

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

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

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

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

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

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

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

(iii) Supplemental Explanation Regarding Fair Values of Financial Instruments

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

b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of May 31, 2019 and November 30, 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 May 31, 2019			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 20,380,422	¥ 20,380,422	¥ -
(2) Cash and deposits in trust	4,336,217	4,336,217	-
Total assets	¥ 24,716,639	¥ 24,716,639	¥ -
(3) Short-term loans payable	6,500,000	6,500,000	-
(4) Current portion of investment corporation bonds payable	2,000,000	2,002,000	2,000
(5) Current portion of long-term loans payable	1,000,000	1,000,000	-
(6) Investment corporation bonds payable	16,000,000	16,225,600	225,600
(7) Long-term loans payable	192,000,000	193,220,489	1,220,489
Total liabilities	¥ 217,500,000	¥ 218,948,089	¥ 1,448,089
(8) Derivative transactions	¥ -	¥ -	¥ -

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)

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

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

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

(3) Short-term loans payable

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

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

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

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

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

(8) Derivative transactions

Please refer to Note 5, “Derivative Transactions.”

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

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

	Thousands of yen	
	As of	
	May 31, 2019	November 30, 2018
Tenant leasehold and security deposits	¥ 247,773	¥ 247,773
Tenant leasehold and security deposits in trust	14,435,224	13,855,824

(Note 3) Redemption schedule for monetary claims after May 31, 2019

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

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	¥ -	¥ -	¥ -	¥ -	¥ -

(Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2019

	Thousands of yen					
	As of May 31, 2019					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥2,000,000	¥ -	¥2,000,000	¥ -	¥1,500,000	¥12,500,000
Long-term loans payable	1,000,000	21,300,000	30,000,000	27,600,000	16,000,000	97,100,000
Total	¥ 3,000,000	¥21,300,000	¥32,000,000	¥27,600,000	¥17,500,000	¥109,600,000

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

5. Derivative Transactions

For the six-month periods ended May 31, 2019 and November 30, 2018, NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

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

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

Thousands of yen						
As of November 30, 2018						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount (Note 1)		Fair value (Note 2)	Fair value measurement
			Total	Due after one year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥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 4, “Financial Instruments, b) Estimated Fair Value of Financial Instruments, (5) Current portion of long-term loans payable and (7) Long-term loans payable.”

6. Investment and Rental Properties

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

Thousands of yen			
For the six-month periods ended			
	May 31, 2019		November 30, 2018
Book value			
Balance at the beginning of the period	¥ 540,049,161	¥	538,137,301
Changes during the period (Note 2)	9,255,404		1,911,860
Balance at the end of the period	¥ 549,304,566	¥	540,049,161
Fair value at the end of the period	¥ 693,550,000	¥	671,280,000

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

(Note 2) The increase for the fiscal period ended May 31, 2019 was primarily a result of acquiring Prologis Park Tsukuba 1-A, which amounted to 12,972,248 thousand yen during the period. The decrease for the fiscal period ended May 31, 2019 was primarily a result of the recognition of depreciation, which amounted to 4,498,709 thousand yen.

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.

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

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

7. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended May 31, 2019 and November 30, 2018.

	Thousands of yen	
	For the six-month periods ended	
	May 31, 2019	November 30, 2018
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 17,225,509	¥ 16,618,645
Common area charges	1,244,756	1,236,504
Total	¥ 18,470,266	¥ 17,855,150
Other rental revenues		
Received utilities cost	¥ 1,069,175	¥ 1,248,854
Others	231,819	621,700
Total	¥ 1,300,995	¥ 1,870,554
Total property-related revenues	¥ 19,771,261	¥ 19,725,705
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 1,046,431	¥ 1,078,665
Utilities cost	1,121,655	1,237,740
Taxes and public dues	1,728,306	1,588,795
Non-life insurance premium	35,594	28,837
Repair and maintenance	242,981	253,909
Depreciation	4,498,709	4,293,609
Custodian fee	19,356	18,560
Other expenses	2,864	2,933
Total rental expenses	¥ 8,695,897	¥ 8,503,051
(3) Operating income from property leasing ((1)-(2))	¥ 11,075,363	¥ 11,222,653

The following table summarizes the gain on sales of real estate properties for the six-month periods ended May 31, 2019 and November 30, 2018.

	Thousands of yen	
	For the six-month periods ended	
	May 31, 2019	November 30, 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 for the six-month period ended November 30, 2018.

8. Leases

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

	Thousands of yen	
	As of	
	May 31, 2019	November 30, 2018
Due within one year	¥ 33,703,208	¥ 33,289,427
Due after one year	94,415,397	94,552,795
Total	¥ 128,118,605	¥ 127,842,222

9. Net Assets

a) Stated Capital

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

b) Unit holders' capital

Unit holders' capital as of May 31, 2019 and November 30, 2018 consists of the following items:

	Thousands of yen			
	As of			
	May 31, 2019		November 30, 2018	
Unit holders' capital, gross	¥	338,516,767	¥	338,516,767
Deduction from unit holders' capital;				
Accumulated distribution in excess of retained earnings		(8,972,139)		(7,999,392)
Unit holders' capital	¥	329,544,627	¥	330,517,375

c) Distributions

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

	Yen			
	For the six-month periods ended			
	May 31, 2019		November 30, 2018	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 8,603,987,514		¥ 8,710,838,184	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	1,239,433,650		972,747,750	
III Distributions				
Distributions of retained earnings	8,601,713,250	¥3,935	8,708,824,800	¥3,984
Distributions in excess of retained earnings	1,239,433,650	567	972,747,750	445
Total distributions	9,841,146,900	¥4,502	9,681,572,550	¥4,429
IV Retained earnings carried forward	¥ 2,274,264		¥ 2,013,384	

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

Based on the policy, NPR declared distribution of 8,601,713,250 yen and 8,708,824,800 yen for the

six-month periods ended May 31, 2019 and November 30, 2018, respectively. These amounts were equivalent to the integral of multiples of number of investment units issued and outstanding as of the end of each fiscal period, in which the unitholders' burdens of income taxes could be minimized.

Based on the distribution policy as defined in Article 39, Paragraph 2 of the Articles of Incorporation, NPR shall make Surplus Cash Distributions (SCD), defined as distributions in excess of retained earnings, as a return of unit holders' capital, each fiscal period on a continuous basis. Furthermore, NPR is permitted to distribute One-time Surplus Cash Distributions for the purpose of maintaining stable distributions per unit in the event that its distributions per unit is expected to temporarily dilute by a certain degree or a large amount of expense is incurred as a result of financing actions and additionally certain inevitable and one-time events such as repair expenses and losses due to damages caused by natural disasters (e.g., earthquakes) and accidents/incidents (e.g., fire), and/or other one-time expenses such as litigation settlements and losses on sales of real estate properties.

Accordingly, NPR declared SCD of 1,239,433,650 yen, as a return of unit holders' capital, which was the amount excluding 41,533,050 yen as one-time revenue from 1,280,966,700 yen as the amount equivalent to approximately 28.5% of depreciation expense of 4,498,709,652 yen for the six-month period ended May 31, 2019, and 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 1,221,946,050 yen as the amount equivalent to approximately 28.5% of depreciation expense of 4,293,609,622 yen for the six-month period ended November 30, 2018.

NPR did not distribute any One-time Surplus Cash Distributions for the six-month periods ended May 31, 2019 and November 30, 2018.

10. Short-term and Long-term Loans Payable

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the short-term and long-term loans payable as of May 31, 2019 and November 30, 2018.

	Thousands of yen	
	As of	
	May 31, 2019	November 30, 2018
0.22926% unsecured short-term loans	¥ 4,550,000	¥ -
0.22926% unsecured short-term loans	1,950,000	-
Total short-term loans payable	¥ 6,500,000	¥ -
0.81010% unsecured long-term loans due 2018 ^(*)	¥ -	¥ 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	5,000,000
0.51380% unsecured long-term loans due 2026 ^(*)	6,400,000	-
Less: current portion	(1,000,000)	(7,400,000)
Total long-term loans payable, less current portion	¥ 192,000,000	¥ 185,600,000

The stated interest rate is the weighted average interest rate during the period ended May 31, 2019. For certain loans (*) for which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

The redemption schedules for long-term loans subsequent to May 31, 2019 and November 30, 2018 are

disclosed in Note 4, “Financial Instruments.”

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

	Thousands of yen			
	As of			
	May 31, 2019		November 30, 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

11. Investment Corporation Bonds Payable

The investment corporation bonds payable would be redeemed on a lump-sum basis at their contractual maturity dates. The following table summarizes the investment corporation bonds payable as of May 31, 2019 and November 30, 2018.

	Issued date	Maturity date	Interest rate	Thousands of yen	
				As of	
				May 31, 2019	November 30, 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	6,000,000
Total				¥ 18,000,000	¥ 18,000,000

12. Insurance Income and Loss on Disaster

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

13. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effects of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of May 31, 2019 and November 30, 2018 are as follows:

	Thousands of yen	
	As of	
	May 31, 2019	November 30, 2018
Enterprise tax payable	¥ 19	¥ 14
Total deferred tax assets	19	14
Net deferred tax assets	¥ 19	¥ 14

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 May 31, 2019 and November 30, 2018 are as follows:

	For the six-month periods ended	
	May 31, 2019	November 30, 2018
Statutory tax rate	31.51%	31.51%
Adjustments:		
Deductible cash distributions	(31.50%)	(31.50%)
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 May 31, 2019 and November 30, 2018.

	Yen	
	For the six-month periods ended	
	May 31, 2019	November 30, 2018
Net income per unit		
Basic net income per unit	¥ 3,935	¥ 3,984
Weighted average number of units outstanding	2,185,950	2,185,950

	Yen	
	As of	
	May 31, 2019	November 30, 2018
Net assets per unit	¥ 154,691	¥ 155,185

(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 May 31, 2019)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business, other	-	-	Lessee	Lease of properties in trust	¥ 18,529,327	Operating accounts receivable	¥ 797,207
										Advances received	3,148,814
								Proceeds of tenant leasehold and security deposits in trust	770,840	Tenant leasehold and security deposits in trust	13,621,025
								Repayments of tenant leasehold and security deposits in trust	194,747		
Subsidiary of an affiliate	Tsukuba Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	12,900,000	-	-
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee (Note 4)	1,781,683	Accrued expenses	1,854,557

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

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

(Note 3) With respect to 36 properties out of 42 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(Note 4) The Asset management fee above includes management fees for property acquisition of 64,500 thousand yen.

(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.

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, Prologis Park Koga 3 and Prologis Park Tsukuba 1-A.

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

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

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

	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 assets of 1,544,999 thousand yen and Investment corporation bond issuance costs of 82,479 thousand yen.

Related Information

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

a) Information by Geographic Region

(i) Operating Revenues

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

(ii) Property and Equipment

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

b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	18,529,327 thousand yen	Global market and Regional market

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

(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.

17. Subsequent Events

(a) Borrowings

On June 6, 2019, NPR borrowed bridge loans (the "Bridge loans"), which were based on a resolution made by the board of directors on June 4, 2019, for the purpose of funding the acquisition costs of new properties and related expenses described in the following "(b) Acquisition of Assets." These Bridge loans were subsequently prepaid with the net proceeds from long-term loans (the "Borrowings") borrowed on June 19, 2019, which were based on a resolution made by the board of directors described above, with a portion of the net proceeds from the Public Offering described below in "(c) Issuance of New Investment Units" and with cash on hand.

Details of the Bridge Loans

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Short - term	Sumitomo Mitsui Banking Corporation	38,080 million yen	Base interest rate (JBA 1-month Japanese yen TIBOR) +0.17%	June 6, 2019	June 5, 2020	Paid in full upon maturity	Unsecured and non-guaranteed
	MUFG Bank, Ltd.	16,320 million yen					

Details of the Borrowings

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Long-term (Note 3)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 1)	6,600 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.275%	June 19, 2019	June 19, 2028	Paid in full upon maturity	Unsecured and non-guaranteed
Long-term (Note 4)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. (Note 2)	12,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.300%		June 19, 2029		

(Note 1) The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Development Bank of Japan Inc., Resona Bank, Limited, The Bank of Fukuoka, Ltd., Mizuho Trust & Banking Co., Ltd., The Iyo Bank, Ltd. and The Nishi-Nippon City Bank, Ltd.

(Note 2) The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Development Bank of Japan Inc., Resona

Bank, Limited, The Bank of Fukuoka, Ltd., Mizuho Trust & Banking Co., Ltd. and The Nishi-Nippon City Bank, Ltd.

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

1. Counterparty	Mizuho Securities Co., Ltd.
2. Notional Amount	6,600 million yen
3. Interest Rate	Fixed Interest Rate: 0.0902% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	June 17, 2019
5. Effective Date	June 19, 2019
6. Termination Date	June 19, 2028

*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.3652%.

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

1. Counterparty	Nomura Securities Co., Ltd.
2. Notional Amount	12,000 million yen
3. Interest Rate	Fixed Interest Rate: 0.1300% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	June 17, 2019
5. Effective Date	June 19, 2019
6. Termination Date	June 19, 2029

*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.4300%.

(b) Acquisition of Assets

As resolved by the board of directors on June 4, 2019, in line with basic investment guidelines defined in its Articles of Incorporation, NPR decided to acquire four properties described below, and acquired Prologis Park Higashimatsuyama, Prologis Park Kyotanabe and Prologis Park Sendai Izumi 2 on June 6, 2019 with proceeds from the Bridge Loans described in “(a) Borrowings” above and cash on hand.

Property name		Prologis Park Higashimatsuyama
Location		2, Nakadacho, Higashimatsuyama, Saitama
Class of assets		Beneficiary right in trust of real estate
Acquisition date		June 6, 2019
Acquisition price		12,600 million yen (Note)
Land	Ownership form	Proprietary
	Land area	31,170.84 m ²
Building	Ownership form	Proprietary
	Gross floor area	61,885.92 m ²
	Date of completion	January 15, 2018
	Use	Warehouse, Office
	Structure/No. of stories	S, 4-story building

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

Property name		Prologis Park Kyotanabe
Location		1, Matsuimiyaden, Kyotanabe, Kyoto
Class of assets		Beneficiary right in trust of real estate
Acquisition date		June 6, 2019
Acquisition price		35,800 million yen
Land	Ownership form	Proprietary
	Land area	70,310.07 m ²
Building	Ownership form	Proprietary
	Gross floor area	139,520.72 m ²
	Date of completion	October 17, 2018
	Use	Warehouse, Office
	Structure/No. of stories	RC, 6-story building

Property name		Prologis Park Sendai Izumi 2
Location		3-1, Akedori 3-chome, Izumi-ku, Sendai, Miyagi
Class of assets		Beneficiary right in trust of real estate
Acquisition date		June 6, 2019
Acquisition price		9,250 million yen
Land	Ownership form	Proprietary
	Land area	64,813.11 m ²
Building	Ownership form	Proprietary
	Gross floor area	36,589.70 m ²
	Date of completion	September 3, 2018
	Use	Warehouse, Office
	Structure/No. of stories	RC/S. 4-story building

Property name		Prologis Park Kobe 4
Location		6-1, Mitsugaoka 7-chome, Nishi-ku, Kobe, Hyogo
Class of assets		Beneficiary right in trust of real estate
Anticipated acquisition date		October 1, 2019 (Note 1)
Anticipated acquisition price		5,000 million yen (Note 2)
Land	Ownership form	Proprietary
	Land area	13,020.82 m ²
Building	Ownership form	Proprietary
	Gross floor area	24,137.60 m ²
	Date of completion	May 22, 2019
	Use	Warehouse, Office
	Structure/No. of stories	S, 4-story building

(Note 1) “Anticipated acquisition date” indicates the anticipated acquisition date stated in the Purchase and Sale Agreement of Trust Beneficiary Interest that was executed with the current owner of the property.

(Note 2) “Anticipated acquisition price” is represented by an amount of the purchase price stated in the sale and purchase agreement of trust beneficially interest, which does not include the consumption taxes and local consumption taxes. “Anticipated acquisition price” does not reflect expenses associated with the acquisitions.

(Note 3) As for Prologis Park Kobe 4, since payment for transfer of the property will take place more than a month after the execution of the sale and purchase agreement, such sale and purchase agreement is considered a forward commitment contract. According to the sale and purchase

agreement for this property, if either the seller or buyer breaches the sale and purchase agreement in any material way and the purpose of the sale and purchase agreement cannot be achieved because of such breach, the other party can terminate the contract by providing a notice to the breaching party, excluding the cases set forth separately in the sale and purchase agreement. In such case, the breaching party shall pay the other party a penalty in an amount equivalent to 20% of the sale/purchase price after deduction of consumption tax and local consumption tax, and neither party shall seek damages for more than the amount of this penalty, even if the amount of actual damages exceeds the penalty amount, or seek to reduce the size of the penalty, even if the amount of actual damages is less than the penalty amount.

Under the sale and purchase agreement, payment of the acquisition price is conditioned upon NPR’s successful financing to fund the acquisition price, and if this condition is not met, NPR is entitled to terminate the sale and purchase agreement with a notification to the seller and NPR is not obliged to pay the penalty fee to the seller.

As a result, even if NPR cannot finance the acquisition of the property, this would likely not directly or materially harm NPR’s financial condition or its ability to pay dividends, since NPR is able to terminate the sale and purchase agreement in such a situation without paying any penalties.

In addition, the previous owner is expected to transfer this asset to the trustee by the anticipated acquisition date and NPR is expected to acquire the trust beneficiary interest on the real estate.

(Note 4) The sale and purchase agreement pertaining to this property stipulates that acquisition price of this property may increase or decrease under certain circumstances, for the purpose of preserving the Asset Manager’s expected yield of this property, regardless of any change in net cash flow (“NCF”) of this property by the time when this property is acquired (the “Price Adjustment Clause”).

Under the Price Adjustment Clause, it is stipulated that, in the event of any change in NCF of the this property by the time this property is acquired for any prescribed reason, such as any increase or decrease in estimated rent prescribed in the lease agreement, outsourcing expenses, or repair expenses or capital expenditure (the “Price Adjustment Event”), the transfer price of this property shall be increased or decreased, by a certain amount calculated based on a prescribed formula according to such change.

Accordingly, the actual acquisition price of this property may differ from the anticipated acquisition price when the Price Adjustment Event occurs.

(c) Issuance of New Investment Units

NPR issued new investment units with terms and conditions described below based on a resolution made by the board of directors on June 4, 2019 and June 11, 2019. Subsequently, the payments were completed on June 18, 2019 and July 17, 2019, respectively, for the issuance of new investment units through the public offering and third-party allotment.

Issuance of New Investment Units through the Public Offering

Number of investment units issued	155,430 units
Issue price (offer price)	227,458 yen per unit
Total amount issued	35,353,796,940 yen
Issue amount (amount to be paid)	220,030 yen per unit
Net proceeds	34,199,262,900 yen

Payment date	June 18, 2019
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Issuance of New Investment Units through the Third-Party Allotment

Number of investment units issued	7,770 units
Issue amount (amount to be paid)	220,030 yen per unit
Net proceeds	1,709,633,100 yen
Payment date	July 17, 2019

Use of proceeds

A portion of the net proceeds from the Public Offering, the net proceeds from the Borrowings described above in “(a) Borrowings” and cash on hand were used to fund the repayment of the Bridge Loans before those maturity date, described above in “(a) Borrowings.” Besides, a portion of the net proceeds from the Public Offering and the Third Party Allotment will be used to acquire Prologis Park Kobe 4 described above in “(b) Acquisition of Assets” and fund the related expenses.



Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Prologis REIT, Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at May 31, 2019 and November 30, 2018, and the statements of income, statements of changes in net assets and statements of cash flows for the six-month periods ended May 31, 2019 and November 30, 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 May 31, 2019 and November 30, 2018, and their financial performance and cash flows for the six-month periods ended May 31, 2019 and November 30, 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 May 31, 2019, Nippon Prologis REIT, Inc. borrowed bank loans, acquired beneficiary rights in trust of three properties, decided to acquire beneficiary right in trust of one property and issued new investment units. Our opinion is not modified in respect of this matter.

KPMG AZSA LLC

August 29, 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.