

# SEMIANNUAL REPORT

Fiscal Period Ended November 30, 2016



**PROLOGIS**

*Nippon Prologis REIT*





Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report for the fiscal period ended November 30, 2016.

In 2016, we conducted two accretive follow-on offerings and subsequent acquisitions as well as a significant refinancing. This activity, combined with strong operating performance, resulted in significant growth in 2016, and we ended the year with an even stronger balance sheet. Our DPU grew by 6.3 percent and our NAV per unit grew by 11.6 percent through accretive offerings, debt cost reduction from refinancing and organic growth from rising rents.

We are truly confident about, and proud of, our positive and consistent growth story.

**Fifth Follow-on Offering and Acquisitions** – NPR continues to receive strong sponsor support from the Prologis Group. In December 2016, we completed our fourth follow-on offering, successfully raising 14.3 billion yen of capital. With the proceeds, we acquired three new Class-A properties – Prologis Park Narita 3, Prologis Park Koga 1 and Prologis Park Kobe 2 – from our sponsor. These state-of-the-art properties are in prime locations. As a result of the offering and acquisitions, we realized accretion of distribution per unit (DPU) and net asset value (NAV) per unit. Our portfolio grew by 18 percent in 2016 and now has a value of 477 billion yen (in terms of acquisition value). We are delighted to see such significant improvements in unit holder value.

**Operational and Financial Highlights** — Our focused investment strategy has resulted yet again in excellent operational and financial results. We maintained a high average occupancy of more than 97 percent and our rents continued to grow. For the 156,000 square meters of leases that were renewed or re-tenanted in the period, we achieved weighted average rent growth of 2 percent on a nominal weighted average basis – this marks the eighth consecutive period of growth since our inception.

For the full year, we delivered 2.6 percent rent growth. Going forward, however, we will continue to expect a significant supply of advanced logistics properties in our markets. To protect our occupancy, we are now beginning leasing negotiations with our customers earlier than before; this shift in strategy naturally slows down our expected rent growth. We intend to strive for positive rent changes on leases scheduled to expire over the next few years.

For the fiscal period ended November 2016, our financial performance was strong. To illustrate, our operating revenue was 15,639 million yen, operating income was 7,712 million yen, ordinary income was 6,780 million yen and net income was 6,780 million yen. Since our inception, on a stabilized basis excluding one-time effects from actual results, our DPU has grown by 26 percent, which reflects our robust external growth through property acquisitions and steady rent growth, as well as our stringent efforts to cut costs wherever possible.

**The Japanese Logistics Real Estate Market** — Japan's logistics real estate market, especially in the Class-A segment, continues to be healthy. Because the country's current stock of modern logistics facilities is scarce (accounting for only 3.5 percent of the nation's entire distribution space), we believe the long-term outlook for logistics real estate is bright. Demand from customers is backed by the rapidly growing e-tailing sector and by conventional retailers/manufacturers that are outsourcing more of their logistics functions to 3PL companies to reduce operational costs. While we continue to anticipate significant volume of new supply through 2018 in both the Tokyo and Osaka metropolitan areas, we believe the market will continue to be solid because of the fundamental scarcity of space, and that new supply will be absorbed within a reasonable time frame.

**Strong Sponsor Support and Future Acquisitions** — At the end of the fiscal period, we had exclusive negotiation rights for eight properties with an estimated value of 120 billion yen. These properties are currently under construction or in the lease-up process. In addition, the Prologis Group is planning six new developments estimated to be worth approximately 70 billion yen. These development assets will be added to NPR's exclusive negotiation rights list as they are completed, leased and stabilized. We will likely acquire these 190 billion yen assets over the next three years, and with these strong external growth opportunities we believe we will be able to continue to grow and maximize our unit holder value. We now have a mid-term portfolio growth target of approximately 600+ billion yen in terms of acquisition value, which we believe we will achieve before the end of 2020.

**Financial Strategies** — By focusing our financial strategy on long-term stability and efficiency, we have created and now maintain one of the strongest balance sheets in the J-REIT industry. At the end of the fiscal period, our loan-to-value ratio (LTV) was 38.4 percent and, as a reflection of offerings, acquisitions and refinancing, our pro-forma LTV is estimated at 39 percent. We intend to maintain this conservative level of leverage to maintain NPR's strong balance sheet. Our term loans are provided by Japan's leading lenders and 95.8 percent of our loans have long-term fixed interest rates, which will help us to mitigate future interest rate volatility risks. Additionally, our debt maturities are well-staggered to avoid refinancing risks. Our all-in debt cost is currently approximately 1.0 percent, and to the extent that the current Japanese low interest rate environment continues, we will have opportunities to further reduce the debt cost while lengthening the average debt maturities to further enhance our balance sheet. Also, we are pleased to be recognized by JCR for the strength of our balance sheet and commitment to a sound capital structure. Accordingly, JCR has assigned us a high credit rating of AA (stable).

**Looking Forward** — We will endeavor to maximize our unit holder value by growing externally and internally, and we will continue to build a solid track record of portfolio management. We sincerely appreciate your ongoing support of NPR and the Prologis Group.

Best regards,



**Masahiro Sakashita**

Executive Director  
Nippon Prologis REIT, Inc.



Distribution Per Unit  
(total JPY)

4,195

Operating Revenues  
(JPY millions)

15,639

Net Income  
(JPY millions)

6,780

Loan-to-Value Ratio

39.0%

\*As of December 31, 2016  
(Forecasted)

Average Rent Growth

+2.1%

Period Average Occupancy

97.3%

Credit Rating

JCR AA

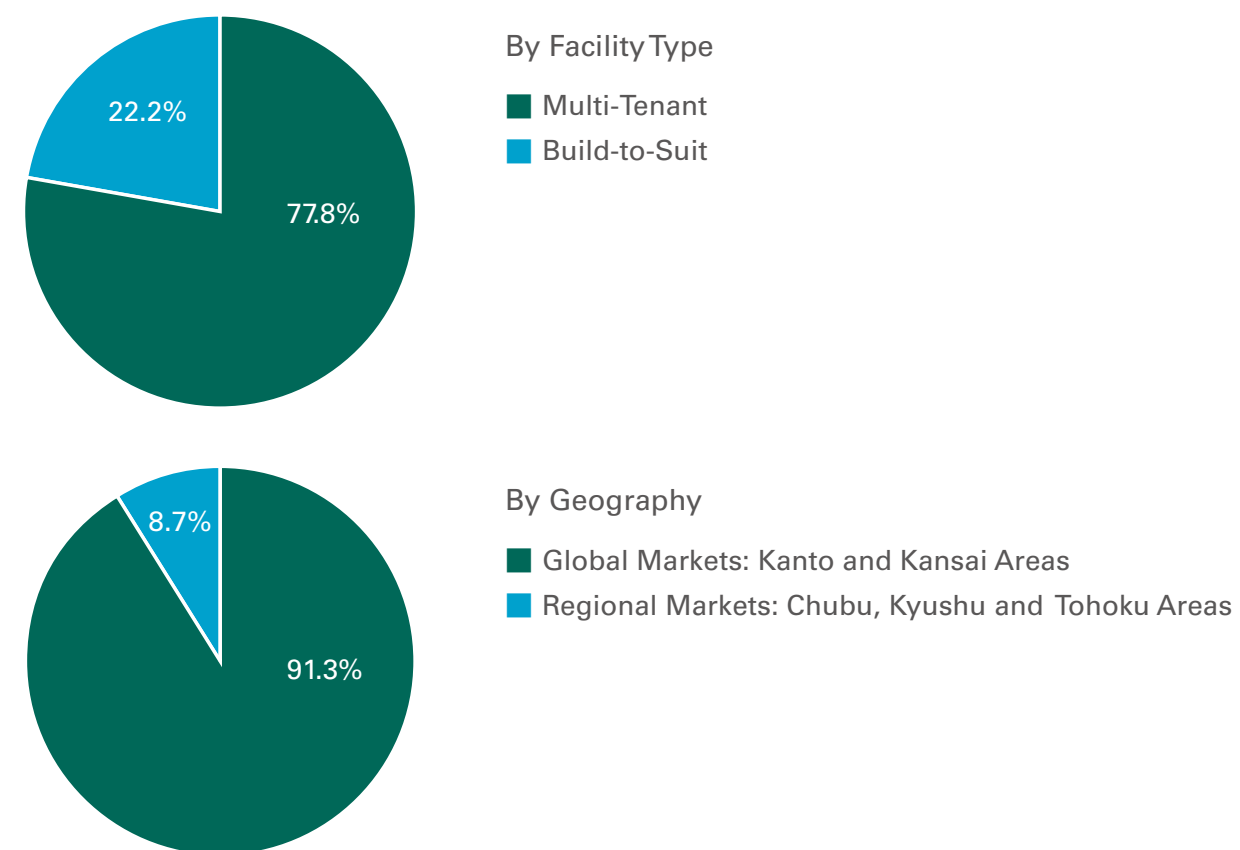
(Stable)

Portfolio Size  
(JPY millions)

4,778

\*As of December 31, 2016

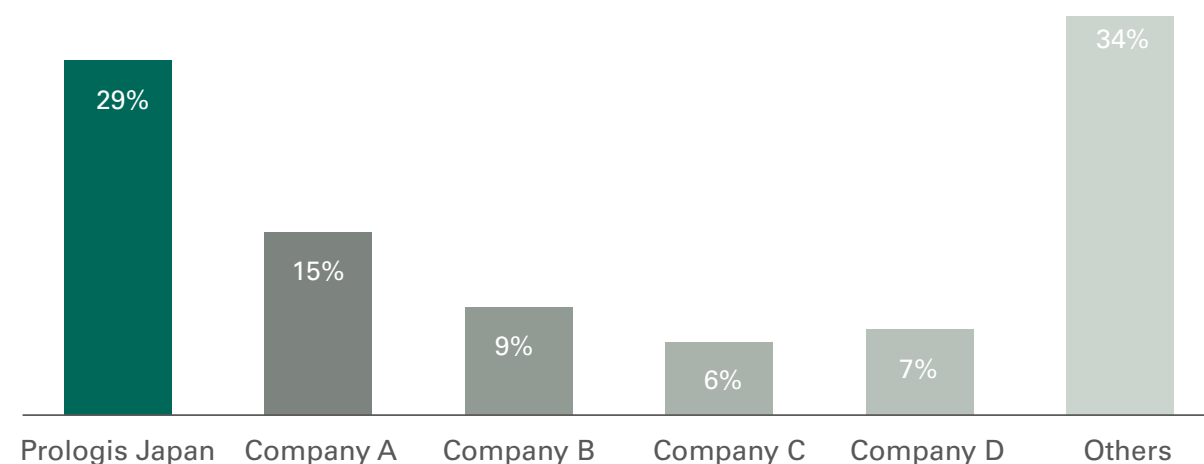
## Earnings Stability from a Diversified Portfolio of Class-A Facilities\*



\*As of December 31, 2016

## Full Sponsor Support from the Prologis Group\*

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



\*As of June 30, 2016

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

Class-A Logistics  
Facilities Developed  
by Prologis Group

**100%**

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

Long-Term Debt Ratio

**96.3%**

Average Cost of Debt

**1.0%**

\*As of December 31, 2016

Loan-to-Value Ratio

**39.0%**

\*Forecasted

## Governance Structure Promotes Growth in Unit Holder Value

Prologis Investment

**15%**





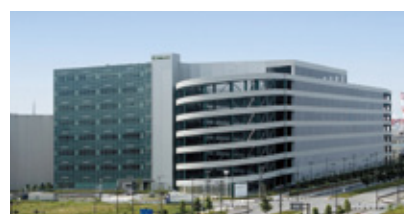
**M-01** Prologis Park Ichikawa 1  
JPY 33,900 mm



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



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



**M-24** Prologis Park Narita 3  
JPY 9,240 mm



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



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



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



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



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



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



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



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



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



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



**B-11** Prologis Park Koga 1  
JPY 7,680 mm

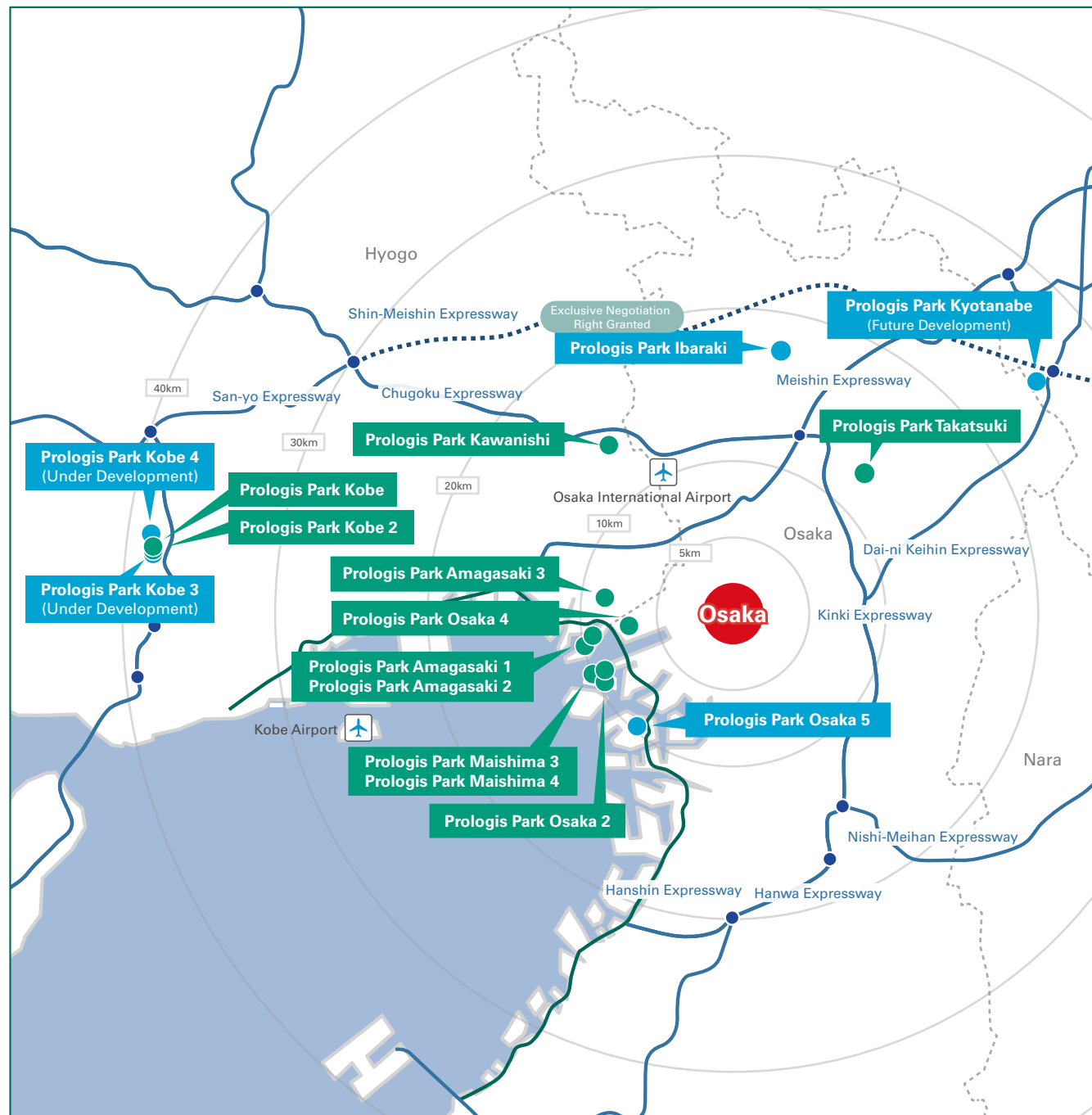


**B-12** Prologis Park Kobe 2  
JPY 13,700 mm

Note: As of December 7, 2016. Property values are based on acquisition price.



## Kansai area



## Kanto area



- Current assets
- Pipeline assets

## Potential Acquisition Pipeline

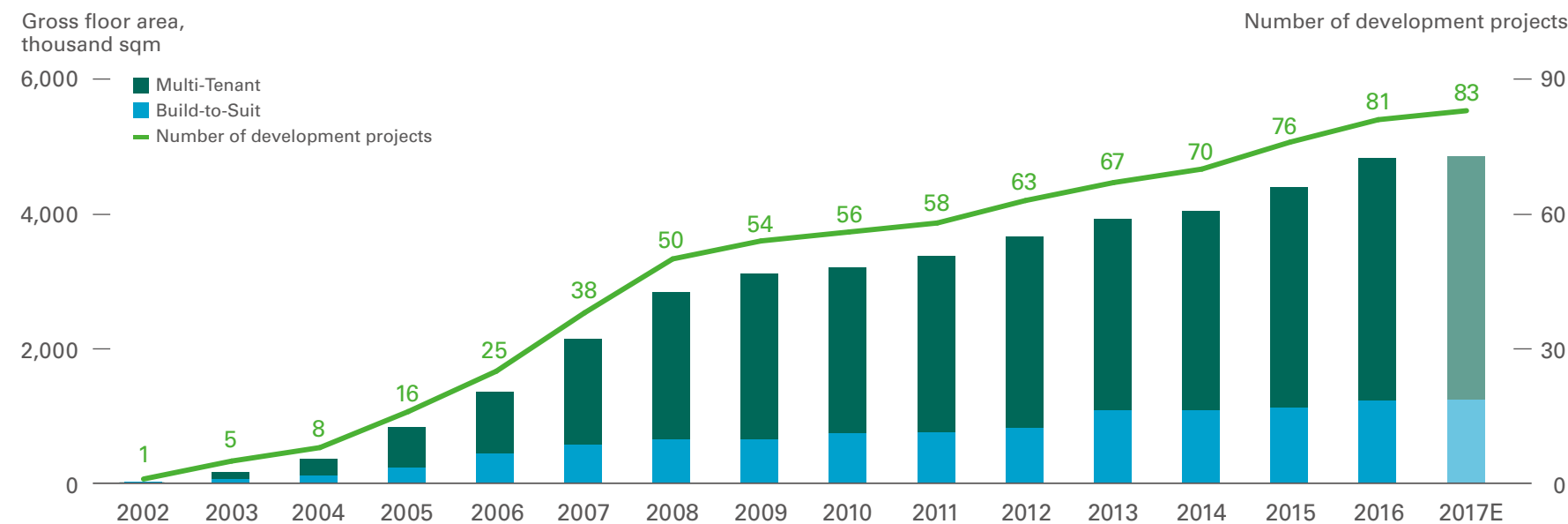
Status	Status	Region / Area	Property Name	(Expected) Completion Year	Property Type	GFA (sqm)
Exclusive Negotiation Rights granted by the Prologis Group	Completed	Kanto	Prologis Park Narita 1-D	Jan. 2015	Multi-Tenant	28,192
			Prologis Park Yoshimi	Dec. 2015	Multi-Tenant	102,593
			Prologis Park Narashino 5	Mar. 2016	Multi-Tenant	58,960
			Prologis Park Chiba New Town	May 2016	Multi-Tenant	109,981
	Under Development	Kanto	Prologis Park Ibaraki	Sep. 2016	Multi-Tenant	160,721
			Prologis Park Ichikawa 3	Dec. 2017	Multi-Tenant	64,406
			Prologis Park Koga 2	Apr. 2017	Build-to-Suit	21,914
			Prologis Park Higashimatsuyama	Feb. 2018	Multi-Tenant	71,347
Planned Assets	Future Development	Kanto	Prologis Park Ebina 2	TBD	TBD	38,000
			Prologis Park Koga 3	TBD	TBD	36,000
			Prologis Park Tsukuba*	TBD	TBD	38,000
		Kansai	Prologis Park Kyotanabe	TBD	TBD	156,000
			Prologis Park Kobe 3*	TBD	TBD	38,700
			Prologis Park Kobe 4*	TBD	TBD	26,000
					Total	950,814

\* New assets added to pipeline

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

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

## Prologis Groups Proven Development Track Record in Japan Since 2002





### Features:

- Gross floor area of approximately 16,500 square meters or more
- Proximity to population clusters and transportation hubs such as expressway interchanges and major airports or seaports
- Large floor area exceeding approximately 5,000 square meters per level with a floor weight capacity of at least 1.5 tons/square meters, an effective ceiling height of at least 5.5 meters and column spacing of at least 10 meters
- Spiral ramps or slopes that allow trucks direct access to upper-floor distribution space
- Safety features such as seismic isolation and earthquake-proofing

#### Spiral Rampways



#### Large Loading Zones



#### Wide-Column Spacing



#### Renewable Energy



#### Restaurant



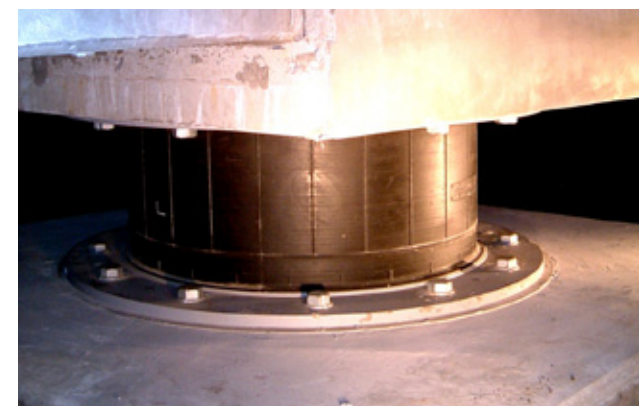
#### Convenience Store



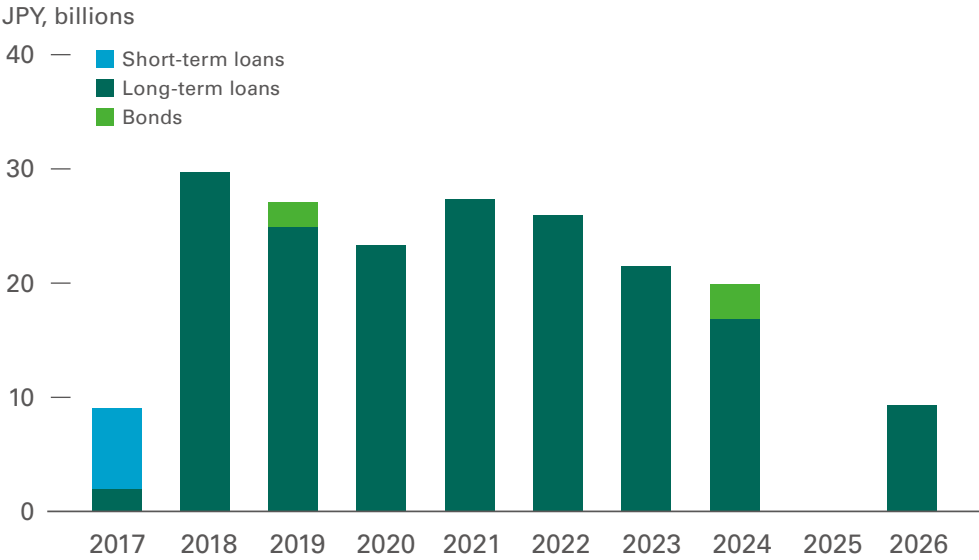
#### 24-Hour Security



#### Seismic Isolators

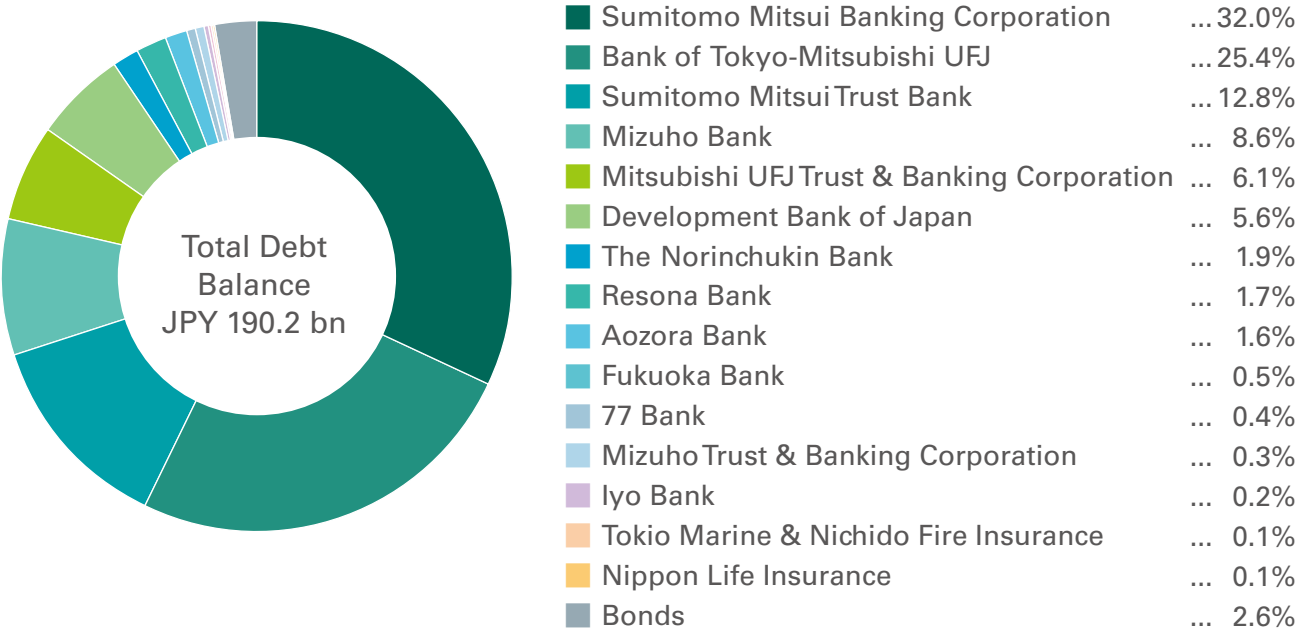


Debt Maturity Schedule\*



\*As of December 20, 2016

Debt Providers\*



Corporate Governance Investor-Aligned Fee Structure

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

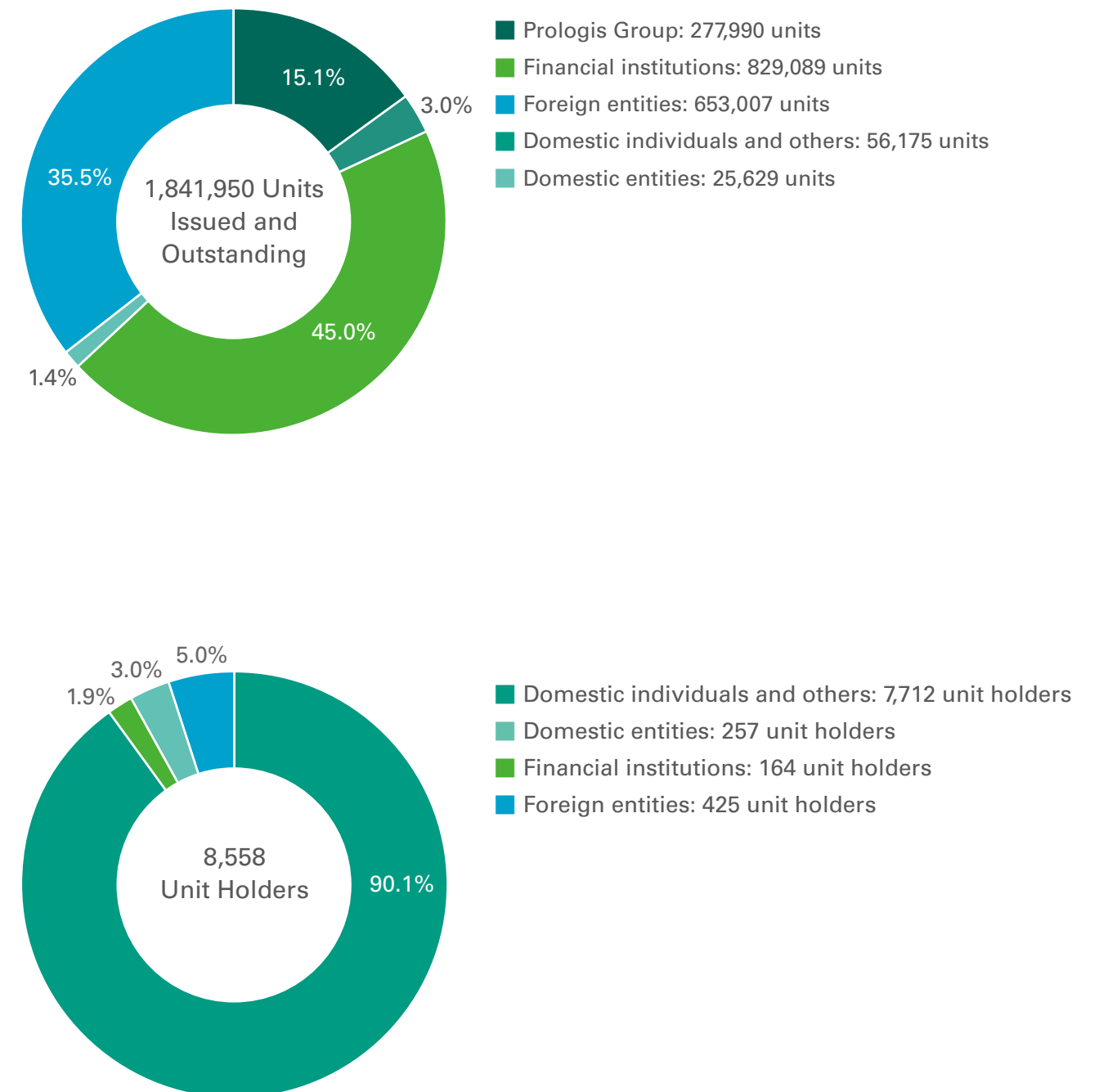
100% performance-linked asset management fee structure



## Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Japan Trustee Services Bank, Ltd. (Trust Acct.)	281,601	15.28%
2	Prologis Property Japan SPC	275,990	14.98%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	168,547	9.15%
4	Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	124,115	6.73%
5	The Nomura Trust and Banking Company, Ltd. (Trust Acct.)	67,084	3.64%
6	NOMURA BANK (LUXEMBOURG) S. A.	62,542	3.39%
7	STATE STREET BANK WEST CLIENTS-TREATY 505234	43,429	2.35%
8	JPMORGAN CHASE BANK 385628	40,006	2.17%
9	THE BANK OF NEW YORK MELLON SA/NV 10	38,989	2.11%
10	J.P.MORGAN BANK LUXEMBOURG S.A. 380578	24,103	1.30%
	<b>Total</b>	<b>1,126,406</b>	<b>61.15%</b>

## Unit Holder Composition



## Environmental Stewardship

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

## NPR Ranked First by GRESB

NPR was recognized as the Global Sector Leader, ranking first out of 51 companies globally and first in Asia. According to the GRESB Survey, NPR earned the recognition for outstanding performance in environmental stewardship, social responsibility and governance (ESG).

GRESB is known for its rigorous assessment of the sustainability performance of real estate companies and funds worldwide.

In addition to being named the overall leader, NPR was awarded GRESB's top Green Star.



## NPR Received High Marks from 2016 Dow Jones Sustainability Indices (DJSI)

The DJSI, launched in 1999 as the first global sustainability benchmark, also recognizes companies for their elite ESG efforts and successes. NPR was named to the 2016 DJSI for Asia Pacific. NPR has twice been named to the DJSI-Asia Pacific.



Prologis Park Zama 1

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



Prologis Park Zama 2

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



Prologis Park Ichikawa 1

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



Prologis Park Osaka 5

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

## Building Energy-Efficiency Labeling System (BELS)

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



## NPR Received DBJ Green Building Certification

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

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





## Social Responsibility

### CSR Activities

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



Impact Day 2016 (Kitamoto, Saitama)



### Support for the Logistics Industry

Support the museum which is the only logistics museum in Japan

Volunteers at the Museum of Logistics

### Support for Local Communities / Internship Programs for Junior High-School Students, College Students, etc.

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



Field trip for Elementary School students at Prologis Park Zama



Logistics / SCM Course at Waseda University

### Host Family Events for Customers and Neighborhoods

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



BBQ for Prologis Park Osaka2, Prologis Park Maishima 3 and Prologis Park Maishima 4

## Balance Sheets

		Thousands of yen	
		As of	
		November 30, 2016	May 31, 2016
<b>ASSETS</b>			
Current assets:			
Cash and deposits (Notes 3 and 4)	¥	22,486,471	¥ 17,394,480
Cash and deposits in trust (Notes 3 and 4)		3,606,415	3,302,017
Operating accounts receivable		469,750	387,375
Prepaid expenses		282,017	311,309
Deferred tax assets (Note 12)		11	10
Consumption taxes receivable		-	2,127,110
Other current assets		28	116
Total current assets		26,844,695	23,522,421
Property and equipment (Note 6):			
Buildings		7,549,209	7,549,209
Structures		249,739	249,739
Tools, furniture and fixtures		5,434	5,434
Land		3,834,204	3,834,204
Buildings in trust		254,967,756	254,388,011
Structures in trust		5,141,764	5,119,786
Machinery and equipment in trust		11,267	11,267
Tools, furniture and fixtures in trust		491,978	478,782
Other tangible assets in trust		35	35
Land in trust		180,810,277	180,810,277
Construction in progress in trust		9,416	5,071
Less: accumulated depreciation		(20,740,549)	(17,414,543)
Total property and equipment		432,330,534	435,037,275
Intangible assets (Note 6):			
Other intangible assets in trust		3,913	3,718
Total intangible assets		3,913	3,718
Investments and other assets:			
Long-term prepaid expenses		766,310	900,333
Security deposit		10,000	10,000
Organization expenses		14,932	23,077
Investment corporation bond issuance costs		19,961	21,834
Other		400	400
Total investments and other assets		811,603	955,644
<b>Total Assets</b>	¥	459,990,746	¥ 459,519,060

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

## Balance Sheets, continued

		Thousands of yen	
		As of	
		November 30, 2016	May 31, 2016
<b>LIABILITIES</b>			
Current liabilities:			
Operating accounts payable	¥	1,207,293	¥ 856,555
Short-term loans payable (Notes 4 and 10)		7,000,000	7,000,000
Current portion of long-term loans payable (Notes 4, 5 and 10)		2,000,000	-
Accounts payable		367,598	431,428
Accrued expenses		1,521,492	1,426,504
Accrued consumption taxes		930,723	-
Income taxes payable		829	499
Advances received		2,670,668	2,609,893
Other current liabilities		260,708	505,030
Total current liabilities		15,959,314	12,829,913
Non-current liabilities:			
Investment corporation bonds payable (Notes 4 and 11)		5,000,000	5,000,000
Long-term loans payable (Notes 4, 5 and 10)		162,800,000	164,800,000
Tenant leasehold and security deposits (Note 4)		247,773	247,773
Tenant leasehold and security deposits in trust (Note 4)		11,341,892	11,403,825
Other non-current liabilities		4,012	1,066
Total non-current liabilities		179,393,678	181,452,665
<b>Total Liabilities</b>		195,352,992	194,282,579
<b>NET ASSETS</b> (Note 9)			
Unit holders' equity			
Unit holders' capital		257,856,193	258,979,782
Units authorized:			
10,000,000 units as of November 30, 2016 and May 31, 2016			
Units issued and outstanding:			
1,841,950 units as of November 30, 2016 and May 31, 2016			
Surplus			
Retained earnings		6,781,561	6,256,697
Total unit holders' equity		264,637,754	265,236,480
<b>Total Net Assets</b>		264,637,754	265,236,480
<b>Total Liabilities and Net Assets</b>	¥	459,990,746	¥ 459,519,060

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



## Statements of Income

	Thousands of yen			
	For the six-month periods ended			
	November 30, 2016		May 31, 2016	
<b>Operating Revenues</b> (Note 7):				
Operating rental revenues	¥	14,452,576	¥	13,849,474
Other rental revenues		1,187,237		1,017,058
Total operating revenues		15,639,813		14,866,532
<b>Operating Expenses</b> (Notes 6 and 7):				
Expenses related to property rental business		6,449,921		6,189,427
Asset management fee		1,371,547		1,284,792
Asset custody fee		39,074		37,091
Directors' compensation		4,800		4,800
Audit fee		15,000		15,000
Other operating expenses		46,849		46,633
Total operating expenses		7,927,193		7,577,744
Operating income		7,712,620		7,288,788
<b>Non-operating Income:</b>				
Interest income		93		2,101
Reversal of distributions payable		2,288		-
Interest on refund of consumption taxes		4,775		-
Refund of real estate taxes and other		7,153		-
Gain on donation of fixed assets		-		7,013
Others		739		-
Total non-operating income		15,050		9,115
<b>Non-operating Expenses:</b>				
Interest expense on loans payable		776,859		783,235
Interest expense on investment corporation bonds		17,235		17,424
Amortization of organization expenses		8,145		8,145
Amortization of investment corporation bond issuance costs		1,912		1,910
Borrowing related expenses		142,531		147,622
Investment unit issuance expenses		-		27,098
Offering costs associated with the issuance of investment units		-		77,129
Others		18		81
Total non-operating expenses		946,703		1,062,647
Ordinary income		6,780,967		6,235,256
<b>Extraordinary income:</b>				
Subsidy income		-		20,720
Total extraordinary income		-		20,720
Income before income taxes		6,780,967		6,255,976
Incomes taxes - current (Note 12)		843		821
Incomes taxes - deferred (Note 12)		(1)		13
Total income taxes		842		835
Net income		6,780,125		6,255,141
Retained earnings brought forward		1,435		1,556
Retained earnings at end of period	¥	6,781,561	¥	6,256,697

	Yen	
	For the six-month periods ended	
	November 30, 2016	May 31, 2016
Net income per unit (Note 13)	¥ 3,680	¥ 3,518

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

## Statements of Changes in Net Assets

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

	Number of units	Thousands of yen		
		Unit holders' capital	Retained earnings	Total net assets
Balance as of November 30, 2015 (Note 9)	1,730,750	¥234,918,722	¥5,988,220	¥240,906,942
Issuance of new units on March 14, 2016 and April 13, 2016	111,200	24,897,012		24,897,012
Distributions in excess of retained earnings		(835,952)		(835,952)
Distributions of retained earnings			(5,986,664)	(5,986,664)
Net income			6,255,141	6,255,141
Balance as of May 31, 2016 (Note 9)	1,841,950	¥258,979,782	¥6,256,697	¥265,236,480
Distributions in excess of retained earnings		(1,123,589)		(1,123,589)
Distributions of retained earnings			(6,255,262)	(6,255,262)
Net income			6,780,125	6,780,125
Balance as of November 30, 2016 (Note 9)	1,841,950	¥257,856,193	¥6,781,561	¥264,637,754

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

## Statements of Cash Flows

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2016	May 31, 2016
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	¥ 6,780,967	¥ 6,255,976
Depreciation (Note 6)	3,326,361	3,129,190
Amortization of organization expenses	8,145	8,145
Amortization of investment corporation bond issuance costs	1,912	1,910
Investment unit issuance expenses	-	27,098
Interest income	(93)	(2,101)
Interest expense	794,095	800,660
Decrease (increase) in operating accounts receivable	(82,374)	(15,763)
Decrease (increase) in consumption taxes receivable	2,127,110	(2,127,110)
Decrease (increase) in prepaid expenses	29,292	(69,116)
Decrease (increase) in long-term prepaid expenses	134,023	(165,428)
Increase (decrease) in operating accounts payable	349,960	(359,476)
Increase (decrease) in accounts payable	(7,695)	18,963
Increase (decrease) in accrued expenses	95,083	68,781
Increase (decrease) in accrued consumption taxes	930,723	(269,146)
Increase (decrease) in advances received	60,774	193,636
Others, net	(12,926)	266,584
Subtotal	14,535,360	7,762,803
Interest received	93	2,101
Interest paid	(794,190)	(800,647)
Income taxes paid	(514)	(1,037)
Net cash provided by operating activities	13,740,748	6,963,219
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	-	(5,220)
Purchases of property and equipment in trust	(671,809)	(42,993,804)
Purchases of intangible assets in trust	(550)	(1,599)
Proceeds from tenant leasehold and security deposits in trust	224,866	1,279,367
Repayments of tenant leasehold and security deposits in trust	(517,491)	(172,707)
Net cash provided by (used in) investing activities	(964,984)	(41,893,964)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term loans payable	-	7,000,000
Proceeds from long-term loans payable	-	61,900,000
Repayments of long-term loans payable	-	(54,300,000)
Proceeds from issuance of new investment units	-	24,869,914
Payment of distributions of retained earnings	(6,255,755)	(5,985,948)
Payment of distributions in excess of retained earnings	(1,123,620)	(835,869)
Net cash provided by (used in) financing activities	(7,379,375)	32,648,096
Net increase (decrease) in cash and cash equivalents	5,396,388	(2,282,648)
Cash and cash equivalents at the beginning of period	20,696,498	22,979,146
Cash and cash equivalents at the end of period (Note 3)	¥ 26,092,886	¥ 20,696,498

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

## Notes to Financial Statements

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

### 1. Organization and Basis of Presentation

#### a) Organization

Nippon Prologis REIT, Inc. (“NPR”) was established on November 7, 2012 under the “Act on Investment Trust and Investment Corporation” (hereinafter the “Investment Trust Law”), and was listed on the REIT Securities Market of the Tokyo Stock Exchange on February 14, 2013, with the Prologis Group (\*), the leading global owner, operator and developer of logistics facilities, acting as a sponsor. NPR primarily focuses on investing in logistics facilities, especially in high quality Class-A logistics facilities (logistics properties that meet the demands of tenant logistics companies and their customer facility users with respect to operational efficiency, and fulfill certain criteria with respect to size, location, state-of-the-art equipment, convenience and safety), and attempts to maximize its unit holder value through achieving stability in rental revenues, steady growth in the size of its portfolio and optimization of the value of its portfolio. NPR is externally managed by a licensed asset management company, Prologis REIT Management K.K. (hereinafter the “Asset Manager”).

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

NPR acquired 12 properties (aggregate acquisition price: 173,020 million yen) on February 15, 2013, following its listing, and acquired 21 properties (aggregate acquisition price: 274,170 million yen) during the second, third, fourth and seventh fiscal periods. As a result, NPR owned 33 properties (aggregate acquisition price: 447,190 million yen) as of the end of the reporting fiscal period.

(\*) The Prologis Group is defined as a group of Prologis, Inc., the world headquarters, and its group affiliates, which include ProLogis K.K., a Japanese subsidiary, and various special purpose vehicles of joint ventures where the ownership of the Prologis Group may be less than majority. The global parent company Prologis, Inc. is a real estate investment trust headquartered in the United States of America and listed on the New York Stock Exchange.

#### b) Basis of Presentation

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

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

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one thousand yen have been omitted. As a result, the totals shown in the



accompanying financial statements do not necessarily agree with the sums of the individual amounts.

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

2. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents

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

b) Property and Equipment

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

Buildings	3-66 years
Structures	2-60 years
Machinery and equipment	17 years
Tools, furniture and fixtures	2-18 years

c) Intangible assets

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

d) Taxes on Property and Equipment

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

Of the amounts paid for the acquisitions of real estate properties or beneficiary rights in trust of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized property taxes amounted to 211,359 thousand yen for the fiscal period ended May 31, 2016, and no property taxes were capitalized for the fiscal period ended November 30, 2016.

e) Investment Unit Issuance Expenses

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

f) Organization Expenses

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

g) Investment corporation bond issuance costs

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

h) Hedge Accounting

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

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

i) 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.

j) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes. Net payable to, or receivable from tax authorities is recognized as consumption taxes payable or receivable on the balance sheet, and net movement is treated as operating cash flows in the statement of cash flows.

3. Cash and Cash Equivalents

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

Thousands of yen			
As of			
November 30, 2016		May 31, 2016	
Cash and deposits	¥ 22,486,471	¥ 17,394,480	
Cash and deposits in trust	3,606,415	3,302,017	
Cash and cash equivalents	¥ 26,092,886	¥ 20,696,498	



#### 4. Financial Instruments

##### a) Detailed Information on Financial Instruments

###### (i) Policy for Financial Instruments

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

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

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

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

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

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

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

###### (iii) Supplemental Explanation Regarding Fair Values of Financial Instruments

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

##### b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of November 30, 2016 and May 31, 2016 are as follows. Financial instruments for which the fair value is difficult to estimate are excluded from the following table (see Note 2 below).

	Thousands of yen		
	As of November 30, 2016		
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 22,486,471	¥ 22,486,471	¥ -
(2) Cash and deposits in trust	3,606,415	3,606,415	-
Total assets	¥ 26,092,886	¥ 26,092,886	¥ -
(3) Short-term loans payable	7,000,000	7,000,000	-
(4) Current portion of long-term loans payable	2,000,000	2,002,152	2,152
(5) Investment corporation bonds payable	5,000,000	5,118,200	118,200
(6) Long-term loans payable	162,800,000	165,565,073	2,765,073
Total liabilities	¥ 176,800,000	¥ 179,685,425	¥ 2,885,425
(7) Derivative transactions	¥ -	¥ -	¥ -

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

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

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

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

###### (3) Short-term loans payable

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

###### (4) Current portion of long-term loans payable and (6) Long-term loans payable

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

## (5) Investment corporation bonds payable

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

## (7) Derivative transactions

Please refer to Note 5, "Derivative Transactions."

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

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

	Thousands of yen	
	As of	
	November 30, 2016	May 31, 2016
Tenant leasehold and security deposits	¥ 247,773	¥ 247,773
Tenant leasehold and security deposits in trust	11,341,892	11,403,825

## (Note 3) Redemption schedule for monetary claims after November 30, 2016

	Thousands of yen					
	As of November 30, 2016					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥22,486,471	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,606,415	-	-	-	-	-
Total	¥26,092,886	¥ -	¥ -	¥ -	¥ -	¥ -

## Redemption schedule for monetary claims after May 31, 2016

	Thousands of yen					
	As of May 31, 2016					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥17,394,480	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	3,302,017	-	-	-	-	-
Total	¥20,696,498	¥ -	¥ -	¥ -	¥ -	¥ -

## (Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2016

	Thousands of yen					
	As of November 30, 2016					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥ -	¥ -	¥ 2,000,000	¥ -	¥ -	¥ 3,000,000
Long-term loans payable	2,000,000	23,300,000	31,400,000	23,300,000	27,300,000	57,500,000
Total	¥2,000,000	¥23,300,000	¥33,400,000	¥23,300,000	¥27,300,000	¥60,500,000

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

	Thousands of yen					
	As of May 31, 2016					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥ -	¥ -	¥ -	¥ 2,000,000	¥ -	¥ 3,000,000
Long-term loans payable	-	25,300,000	6,400,000	48,300,000	7,300,000	77,500,000
Total	¥ -	¥25,300,000	¥6,400,000	¥50,300,000	¥7,300,000	¥80,500,000



## 5. Derivative Transactions

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

Hedge accounting method	Type of derivative transaction	Primary hedged item	Thousands of yen			
			As of November 30, 2016			
			Contract amount		Fair value	Fair value measurement
			Total	Due after one year		
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥163,800,000	¥161,800,000	(Note)	(Note)

(Note) Interest rate swaps under the special accounting treatment are accounted for as the integral part of long-term loans payable designated as hedged items. Therefore, their fair value is included in long-term loans payable disclosed in the aforementioned Note 4, "Financial Instruments, b) Estimated Fair Value of Financial Instruments, (4) Current portion of long-term loans payable and (6) Long-term loans payable."

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

(Note) Interest rate swaps under the special accounting treatment are accounted for as the integral part of long-term loans payable designated as hedged items. Therefore, their fair value is included in long-term loans payable disclosed in the aforementioned Note 4, "Financial Instruments, b) Estimated Fair Value of Financial Instruments, (6) Long-term loans payable."

## 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			
	November 30, 2016		May 31, 2016	
Book value				
Balance at the beginning of the period	¥	435,040,993	¥	395,010,605
Changes during the period (Note 2)		(2,706,546)		40,030,387
Balance at the end of the period	¥	432,334,447	¥	435,040,993
Fair value at the end of the period	¥	514,970,000	¥	506,620,000

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

(Note 2) The decrease for the fiscal period ended November 30, 2016 was a result of the recognition of depreciation of 3,326,361 thousand yen.

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

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

## 7. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended November 30, 2016 and May 31, 2016.

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2016	May 31, 2016
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 13,520,769	¥ 12,989,562
Common area charges	931,806	859,912
Total	¥ 14,452,576	¥ 13,849,474
Other rental revenues		
Received utilities cost	¥ 979,780	¥ 834,397
Others	207,457	182,661
Total	¥ 1,187,237	¥ 1,017,058
Total property-related revenues	¥ 15,639,813	¥ 14,866,532
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 817,330	¥ 786,734
Utilities cost	864,989	814,386
Taxes and public dues	1,254,977	1,255,014
Non-life insurance premium	25,945	24,941
Repair and maintenance	142,018	161,659
Depreciation	3,326,361	3,129,190
Custodian fee	15,730	14,730
Other expenses	2,569	2,769
Total rental expenses	¥ 6,449,921	¥ 6,189,427
(3) Operating income from property leasing ( (1)-(2) )	¥ 9,189,891	¥ 8,677,105

## 8. Leases

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

	Thousands of yen	
	As of	
	November 30, 2016	May 31, 2016
Due within one year	¥ 24,543,293	¥ 26,277,434
Due after one year	76,886,551	82,788,757
Total	¥ 101,429,845	¥ 109,066,192



## 9. Net Assets

### a) Stated Capital

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

### b) Unit holders' capital

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

	Thousands of yen	
	As of	
	November 30, 2016	May 31, 2016
Unit holders' capital, gross	¥ 263,424,563	¥ 263,424,563
Deduction from unit holders' capital; Accumulated distribution in excess of retained earnings	(5,568,369)	(4,444,780)
Unit holders' capital	¥ 257,856,193	¥ 258,979,782

### c) Distributions

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

	Yen			
	For the six-month periods ended			
	November 30, 2016		May 31, 2016	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 6,781,561,108		¥ 6,256,697,961	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	946,762,300		1,123,589,500	
III Distributions				
Distributions of retained earnings	6,780,217,950	¥3,681	6,255,262,200	¥3,396
Distributions in excess of retained earnings	946,762,300	514	1,123,589,500	610
Total distributions	7,726,980,250	¥4,195	7,378,851,700	¥4,006
IV Retained earnings carried forward	¥ 1,343,158		¥ 1,435,761	

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

Based on the policy, NPR declared distribution amounts of 6,780,217,950 yen and 6,255,262,200 yen

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

Based on the distribution policy as defined in Article 39, Paragraph 2 of the Articles of Incorporation, NPR shall make Surplus Cash Distributions (SCD), defined as distributions in excess of retained earnings, as a return of unit holders' capital, each fiscal period on a continuous basis.

Accordingly, NPR declared SCD of 946,762,300 yen and 891,503,800 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 3,326,361,230 yen and 3,129,190,780 yen for the periods ended November 30, 2016 and May 31, 2016, respectively.

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

# 10. Short-term and Long-term Loans Payable

Short-term and long-term loans payable consisted of bank borrowings under loan agreements. The following table summarizes the long-term loans payable as of November 30, 2016 and May 31, 2016.

	Thousands of yen	
	As of	
	November 30, 2016	May 31, 2016
0.20695% unsecured short-term loans	¥ 4,900,000	¥ 4,900,000
0.20695% unsecured short-term loans	2,100,000	2,100,000
Total short-term loans payable	¥ 7,000,000	¥ 7,000,000
0.73760% unsecured long-term loans due 2018 <sup>(*)</sup>	¥ 23,300,000	¥ 23,300,000
1.01950% unsecured long-term loans due 2020 <sup>(*)</sup>	23,300,000	23,300,000
1.32075% unsecured long-term loans due 2022 <sup>(*)</sup>	6,000,000	6,000,000
0.84350% unsecured long-term loans due 2017 <sup>(*)</sup>	2,000,000	2,000,000
1.18135% unsecured long-term loans due 2019 <sup>(*)</sup>	24,000,000	24,000,000
1.83625% unsecured long-term loans due 2023 <sup>(*)</sup>	13,900,000	13,900,000
1.34550% unsecured long-term loans due 2021 <sup>(*)</sup>	20,000,000	20,000,000
0.81010% unsecured long-term loans due 2018 <sup>(*)</sup>	6,400,000	6,400,000
0.30137% unsecured long-term loans due 2019	1,000,000	1,000,000
0.57490% unsecured long-term loans due 2022 <sup>(*)</sup>	10,000,000	10,000,000
0.57490% unsecured long-term loans due 2022 <sup>(*)</sup>	4,000,000	4,000,000
0.07570% unsecured long-term loans due 2021 <sup>(*)</sup>	7,300,000	7,300,000
0.17260% unsecured long-term loans due 2022 <sup>(*)</sup>	6,000,000	6,000,000
0.39000% unsecured long-term loans due 2024 <sup>(*)</sup>	10,000,000	10,000,000
0.41290% unsecured long-term loans due 2023 <sup>(*)</sup>	7,600,000	7,600,000
Less: current portion	(2,000,000)	-
Total long-term loans payable, less current portion	¥ 162,800,000	¥ 164,800,000

The stated interest rate is the weighted average interest rate during the period ended November 30, 2016. For certain loans (\*) for which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

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

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

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



### 11. Investment Corporation Bonds Payable

The investment corporation bonds payable would be redeemed on a lump-sum basis at their contractual maturity dates. The following table summarizes the investment corporation bonds payable as of November 30, 2016 and May 31, 2016.

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

### 12. Income Taxes

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

	Thousands of yen	
	As of	
	November 30, 2016	May 31, 2016
Enterprise tax payable	¥ 11	¥ 10
Total deferred tax assets	11	10
Net deferred tax assets	¥ 11	¥ 10

Reconciliations of major items that caused differences between the statutory tax rate and effective tax rate with respect to pre-tax income reflected in the accompanying statement of income for the six-month periods ended November 30, 2016 and May 31, 2016 are as follows:

	For the six-month periods ended	
	November 30, 2016	May 31, 2016
Statutory tax rate	31.74%	32.31%
Adjustments:		
Deductible cash distributions	(31.73%)	(32.31%)
Other	0.00%	0.01%
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.

### 13. Per Unit Information

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

	Yen	
	For the six-month periods ended	
	November 30, 2016	May 31, 2016
Net income per unit		
Basic net income per unit	¥ 3,680	¥ 3,518
Weighted average number of units outstanding	1,841,950	1,777,885
	Yen	
	As of	
	November 30, 2016	May 31, 2016
Net assets per unit	¥ 143,672	¥ 143,997

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

### 14. Transactions with Related Parties

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

(For the six-month period ended November 30, 2016)

None

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

None

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

(For the six-month period ended November 30, 2016)

None

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

None

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

(For the six-month period ended November 30, 2016)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
								Lease of properties in trust	¥ 15,023,098	Operating accounts receivable	¥ 460,287
										Advances received	2,560,864
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business	-	-	Lessee	Proceeds of tenant leasehold and security deposits in trust	257,092	Tenant leasehold and security deposits in trust	11,127,152
								Repayments of tenant leasehold and security deposits in trust	549,717		
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee	1,371,547	Accrued expenses	1,481,271

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

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

(Note 3) With respect to 29 properties out of 33 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

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

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
								Lease of properties in trust	¥ 14,265,380	Operating accounts receivable	¥ 377,440
										Advances received	2,500,964
Subsidiary of an affiliate	Prologis REIT Master Lease GK (Note 3)	Chiyoda-ku, Tokyo	¥ 2,100	Real estate business	-	-	Lessee	Proceeds of tenant leasehold and security deposits in trust	1,279,367		
								Repayments of tenant leasehold and security deposits in trust	172,707	Tenant leasehold and security deposits in trust	11,419,777
Subsidiary of an affiliate	Kitamoto Special Purpose Company (Note 4)	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	12,600,000	-	-
Subsidiary of an affiliate	Joso Special Purpose Company (Note 5)	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	7,120,000	-	-
Subsidiary of an affiliate	Tateyama Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	17,600,000	-	-
Subsidiary of an affiliate	Zao Special Purpose Company	Chiyoda-ku, Tokyo	100,000	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	4,820,000	-	-
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee	1,495,492	Accrued expenses	1,387,575

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

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

(Note 3) With respect to 29 properties out of 33 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

(Note 4) Kitamoto Special Purpose Company changed its trade name to Tsukuba Special Purpose Company

on March 15, 2016.

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

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

(For the six-month period ended November 30, 2016)

None

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

None



## 15. Segment Information

### a) Overview of operating and reportable segments

Operating segments are a component of NPR for which separate financial information is available and whose operating results are regularly evaluated by the chief operating decision maker to make decisions about how resources are allocated and assess their performance. Consequently, each of NPR's 33 properties is considered an operating segment. However, when properties share similar economic characteristics and meet other specific conditions, they may be aggregated for purposes of reporting segment information. Therefore, NPR has two reportable segments ("global market" and "regional market") (\*) which are based on the investing region.

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

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

As of November 30, 2016, NPR's properties classified into the global market were as follows:

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

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

As of November 30, 2016, NPR's properties classified into the regional market were as follows:

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

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

suitable and appropriate for logistics centers.

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

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

### c) Information about Segment Results, Assets and Other Items

	Thousands of yen			
	As of and for the six-month period ended November 30, 2016			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 13,998,543	¥ 1,641,270	¥ -	¥ 15,639,813
Segment income (Note 2)	7,519,091	731,318	(537,789)	7,712,620
Segment assets (Note 2)	396,398,103	40,093,589	23,499,052	459,990,746
Other items				
Depreciation	2,899,211	427,149	-	3,326,361
Increase in property and equipment and intangible assets	559,523	60,290	-	619,814

(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 432,828 thousand yen, asset custody fee of 39,074 thousand yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 22,417,972 thousand yen, long-term prepaid expenses and security deposit of 776,272 thousand yen, organization expenses of 14,932 thousand yen, and Investment corporation bond issuance costs of 19,961 thousand yen.

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

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

(Note 2) Reconciling adjustments to segment income represent general corporate expenses that consist mainly of asset management fee of 399,320 thousand yen, asset custody fee of 37,091 thousand yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment

assets consist mainly of cash and cash deposits of 17,325,968 thousand yen, consumption tax receivable of 2,127,110 thousand yen, long-term prepaid expenses and security deposit of 910,269 thousand yen, organization expenses of 23,077 thousand yen, and Investment corporation bond issuance costs of 21,834 thousand yen.

### Related Information

(For the six-month period ended November 30, 2016)

#### a) Information by Geographic Region

##### (i) Operating Revenues

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

##### (ii) Property and Equipment

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

#### b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	15,023,098 thousand yen	Global market and Regional market

(Note 1) With respect to 29 properties out of 33 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

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

#### a) Information by Geographic Region

##### (i) Operating Revenues

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

##### (ii) Property and Equipment

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

#### b) Information by Major Tenants

Tenant	Operating revenue	Related segment
Prologis REIT Master Lease GK	14,265,380 thousand yen	Global market and Regional market

(Note 1) With respect to 29 properties out of 33 properties held by NPR, NPR leases space to Prologis REIT Master Lease GK based on a pass-through type of master lease agreement, and Prologis REIT Master Lease GK subleases the space to actual tenants.

## 16. Subsequent Events

### (a) 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 December 5, 2016 and December 12, 2016. Subsequently, the payments were completed on December 19, 2016 and January 16, 2017, respectively, for the issuance of new investment units through the public offering and third-party allotment. Consequently, as of January 16, 2017, the total balance of unit holders' capital is 271,707 million yen (Note) and the total number of investment units issued and outstanding is 1,906,350.

Note: The amount shown is unit holders' capital after deduction of accumulated distribution in excess of retained earnings.

#### Issuance of New Investment Units through the Public Offering

Number of investment units issued	61,330 units
Issue price (offer price)	222,460 yen per unit
Total amount issued	13,643,471,800 yen
Issue amount (amount to be paid)	215,082 yen per unit
Net proceeds	13,190,979,060 yen
Payment date	December 19, 2016

#### Issuance of New Investment Units through the Third-Party Allotment

Number of investment units issued	3,070 units
Issue amount (amount to be paid)	215,082 yen per unit
Net proceeds	660,301,740 yen
Payment date	January 16, 2017

### (b) Borrowings

On December 7, 2016, NPR obtained bank loans (the "Bridge Loans"), which were based on a resolution made by the board of directors on December 5, 2016, for the purpose of funding the acquisition costs of the new properties and related expenses described in the following "(c) Acquisition of Assets." In addition, on December 20, 2016, NPR obtained bank loans (the "Borrowings") in order to repay the Bridge Loans before maturity.

#### Details of the Bridge Loans

Category	Lender	Borrowing Amount	Interest Rate	Borrowing Date	Repayment Date	Repayment Method	Collateral
Long-term	Sumitomo Mitsui Banking Corporation	19,040 million yen	Base interest rate (JBA 1-month Japanese yen TIBOR) +0.20%	December 7, 2016	December 7, 2018	Paid in full upon maturity	Unsecured and non-guaranteed
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,160 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 The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 1)	4,000 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.28%	December 20, 2016	December 20, 2024	Paid in full upon maturity	Unsecured and non-guaranteed
Long-term (Note 4)	Syndicate of lenders arranged by Sumitomo Mitsui Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Note 2)	9,400 million yen	Base interest rate (JBA 3-month Japanese yen TIBOR) +0.40%		December 18, 2026		

## Notes:

- The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Development Bank of Japan Inc., The Norinchukin Bank, Resona Bank, Limited, The Bank of Fukuoka, Ltd., The 77 Bank, Ltd., Mizuho Trust & Banking Co., Ltd. and The Iyo Bank, Ltd.
- The syndicate of lenders consists of Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Sumitomo Mitsui Trust Bank, Limited, Mizuho Bank, Ltd., Mitsubishi UFJ Trust and Banking Corporation, Development Bank of Japan Inc., Resona Bank, Limited, The Bank of Fukuoka, Ltd., The 77 Bank, Ltd., Mizuho Trust & Banking Co., Ltd. and The Iyo Bank, Ltd.
- NPR entered into an interest rate swap agreement on December 16, 2016 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	4,000 million yen
3. Interest Rate	Fixed Interest Rate: 0.248% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	December 16, 2016
5. Effective Date	December 20, 2016
6. Termination Date	December 20, 2024
7. Interest Payment Date	The interest payment is set forth on February 28, 2017 for the first time, subsequently on the last day of every February, May, August, and November, and the Termination Date, respectively (an interest payment date on a non-business day is moved to the following business day or the immediately preceding business day in case the following business day falls in the following month).

\*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.528%.

- NPR entered into an interest rate swap agreement on December 16, 2016 to hedge the risks of interest rate volatility by converting the floating interest rates payable to fixed interest rates for the Borrowing.

1. Counterparty	Sumitomo Mitsui Trust Bank, Limited
2. Notional Amount	9,400 million yen
3. Interest Rate	Fixed Interest Rate: 0.3167% Floating Interest Rate: JBA 3-month Japanese yen TIBOR
4. Trade Date	December 16, 2016
5. Effective Date	December 20, 2016
6. Termination Date	December 18, 2026
7. Interest Payment Date	The interest payment is set forth on February 28, 2017 for the first time, subsequently on the last day of every February, May, August, and November, and the Termination Date, respectively (an interest payment date on a non-business day is moved to the following business day or the immediately preceding business day in case the following business day falls in the following month).

\*The subject interest rate swap agreement has, in effect, fixed the interest rate at 0.7167%.

## (c) Acquisition of Assets

As resolved by the board of directors on December 5, 2016, in line with basic investment guidelines defined in its Articles of Incorporation, NPR acquired properties described below on December 7, 2016, by using the Bridge Loans (described above “(b) Borrowings”) and cash on hand.

Property name		Prologis Park Narita 3
Location		125-3, Iwayama, Shibayama, Sambu, Chiba 125-3, Nekida, Aza, Iwayama, Shibayama, Sambu, Chiba
Class of assets		Real estate trust beneficiary interests
Acquisition date		December 7, 2016
Acquisition price		9,240 million yen
Land	Ownership form	Proprietary (Note)
	Land area	47,599.00 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	57,118.24 m <sup>2</sup>
	Date of construction	May 23, 2008
	Use	Warehouse/Office
Structure/Number of stories		RC, 7-story building

Note: In addition to the above, the trustee leases some parts of land (the area of which is 0.75m<sup>2</sup> (0.25m<sup>2</sup> x 3)) from the owner of the adjacent land in order to set up signs calling for attention.



Property name		Prologis Park Koga 1
Location		8-15, Kitatone, Koga, Ibaraki 8-15, Kitatone, Koga, Ibaraki
Class of assets		Real estate trust beneficiary interests
Acquisition date		December 7, 2016
Acquisition price		7,680 million yen
Land	Ownership form	Proprietary
	Land area	25,235.67 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	34,091.82 m <sup>2</sup>
	Date of construction	October 13, 2016
	Use	Warehouse/Office
Structure/ Number of stories		SRC, 4-story building

Property name		Prologis Park Kobe 2
Location		11-4, Mitsugaoka 4-chome, Nishi-ku, Kobe, Hyogo 11-4, Mitsugaoka 4-chome, Nishi-ku, Kobe, Hyogo
Class of assets		Real estate trust beneficiary interests
Acquisition date		December 7, 2016
Acquisition price		13,700 million yen
Land	Ownership form	Proprietary
	Land area	34,613.16 m <sup>2</sup>
Building	Ownership form	Proprietary
	Gross floor area	62,230.43 m <sup>2</sup>
	Date of construction	October 12, 2016
	Use	Warehouse/Office
Structure/ Number of stories		SRC, 4-story building



## Independent Auditor's Report

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

We have audited the accompanying financial statements of Nippon Prologis REIT, Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at November 30, 2016 and May 31, 2016, and the statements of income, statements of changes in net assets and statements of cash flows for the six-month periods ended November 30, 2016 and May 31, 2016, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Prologis REIT, Inc. as at November 30, 2016 and May 31, 2016, and their financial performance and cash flows for the six-month periods ended November 30, 2016 and May 31, 2016 in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to the following.  
Subsequent to November 30, 2016, as discussed in Note 16 to the financial statements, Nippon Prologis REIT, Inc. issued new investment units, executed bank loans, and acquired trust beneficiary certificates of three properties.

KPMG AZSA LLC

February 24, 2017  
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.