

SUMMARY OF FINANCIAL RESULTS (REIT) For the Third Fiscal Period Ended May 31, 2014

July 14, 2014

Name of Issuer: Nippon Prologis REIT, Inc. (“NPR”)
 Stock Exchange Listing: Tokyo Stock Exchange
 Securities Code: 3283
 Website: <http://www.prologis-reit.co.jp/english/index.html>
 Representative: Masahiro Sakashita, Executive Director

Name of Asset Manager: Prologis REIT Management K.K.
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Scheduled Date for Commencement of Distributions Payments: August 15, 2014

Supplementary Materials for Financial Results: Yes • No

Investors & Analysts Meeting: Yes • No

1. Financial Results for the Fiscal Period ended May 31, 2014 (Third Fiscal Period) (from December 1, 2013 to May 31, 2014)

(Values are rounded down to the nearest million yen)

(1) Operating Results

(Percentages indicates percentage change from the previous period)

Period ended	Operating revenues		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
May 31, 2014	12,693	(25.5)	6,322	(12.4)	5,186	(11.7)	5,185	(11.7)
November 30, 2013	10,113	(183.6)	5,622	(186.6)	4,643	(248.0)	4,642	(248.2)

Period ended	Net income per unit	Return on unit holders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenues
	Yen	%	%	%
May 31, 2014	3,320	2.8	1.5	40.9
November 30, 2013	3,386	3.4	1.8	45.9

(Note) NPR implemented a 5-to-1 split of the investment units with March 1, 2014 as an effective date. Net income per unit was calculated based on an assumption that such split was implemented at the beginning of the second fiscal period ended November 30, 2013.

(2) Distributions

Period ended	Distributions per unit (including SCD)	Distributions per unit (excluding SCD)	SCD per unit	Total of distributions (including SCD)	Total of distributions (excluding SCD)	Total of SCD	Payout ratio	Ratio of distributions to net assets
	Yen	Yen	Yen	Millions of yen	Millions of yen	Millions of yen	%	%
May 31, 2014	3,793	3,316	477	5,931	5,185	745	100.0	2.6
November 30, 2013	18,811	16,643	2,168	5,247	4,642	604	100.0	2.7

* “SCD” indicates “Surplus Cash Distributions”.

(Note 1) NPR implemented a 5-to-1 split of the investment units with March 1, 2014 as an effective date. If such split is assumed to have been implemented at the beginning of the second fiscal period ended in November 2013, distributions per unit (excluding SCD) and SCD per unit for the relevant Fiscal Period were 3,328 yen and 433 yen, respectively.

(Note 2) The ratios of net asset value attributable to a reduction in unit holders' paid-in capital for the fiscal periods ended November 30, 2013 and May 31, 2014 are both 0.004, respectively. The payment of SCD is deemed a return of capital. This calculation methodology is pursuant to Article 23, Paragraph 1, Item 3 of the Act on Special Measures

Concerning Taxation.

(Note 3) As there were issuance of new investment units during both fiscal periods and accordingly there were changes of outstanding investment units, the following formula was used for the calculation of payout ratio;

$$\text{Payout ratio} = \text{Total distributions (excluding SCD)} / \text{Net income} * 100$$

(3) Financial Position

	Total assets	Net assets	Ratio of unit holders' equity to total assets	Net asset per unit
Period ended	Millions of yen	Millions of yen	%	Yen
May 31, 2014	374,176	202,459	54.1	129,470
November 30, 2013	323,487	172,583	53.4	123,738

(Note) NPR implemented a 5-to-1 split of the investment units with March 1, 2014 as an effective date. Net income per unit was calculated based on an assumption that such split was implemented at the beginning of the second fiscal period ended November 30, 2013.

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the fiscal period
Period ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
May 31, 2014	10,996	(53,595)	43,587	14,801
November 30, 2013	10,501	(130,481)	127,737	13,812

2. Earnings Forecasts for the Fiscal Period ending November 30, 2014 (Fourth Fiscal Period) (from June 1, 2014 to November 30, 2014) and May 31, 2015 (Fifth Fiscal Period) (from December 1, 2014 to May 31, 2015)

(Percentages indicate change from the previous period)

	Operating revenues	Operating income	Ordinary income	Net income	Distributions per unit (including SCD)	Distributions per unit (excluding SCD)	
						Distributions per unit (excluding SCD)	SCD
Period ending	Millions of yen %	Millions of yen %	Millions of yen %	Millions of yen %	Yen	Yen	Yen
November 30, 2014	12,787 (0.7)	6,047 ((4.3))	5,006 ((3.5))	5,041 ((2.8))	3,700	3,223	477
May 31, 2015	12,757 ((0.2))	6,088 (0.7)	5,057 (1.0)	5,056 (0.3)	3,710	3,233	477

(Reference) Forecasted net income per unit for the fiscal period ending May 31, 2014: 3,223 yen
Forecasted net income per unit for the fiscal period ending November 30, 2014: 3,233 yen

3. Other

(1) Changes in Accounting Policies, Accounting Estimates or Restatements

- (a) Changes in Accounting Policies due to Revisions to Accounting Standards and Other Regulations None
- (b) Changes in Accounting Policies due to Other Reasons None
- (c) Changes in Accounting Estimates None
- (d) Restatements None

(2) Number of Investment Units Issued and Outstanding

Number of investment units issued and outstanding at the end of the fiscal period including treasury units:

As of May 31, 2014 1,563,750 units
As of November 30, 2013 278,950 units

Number of treasury units at end of period:

As of May 31, 2014 - units
As of November 30, 2013 - units

(Note) Please refer to "Notes Related to Per Unit Information" on page 29 for the number of investment units used as the basis for calculating net income per unit.

* The Implementation Status of Statutory Audit

At the time of this financial report, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act have not yet been completed.

* Explanation on the Appropriate Use of the Forecast of Results and Other Matters of Special Consideration

The forward-looking statements in this material are based on the information currently available to us and certain assumptions which we believe are reasonable. Actual operating performance may differ substantially due to various factors. Furthermore, those statements shall not be deemed as a guarantee or any commitment of the amount of future distributions and surplus cash distributions. Please refer to “Assumptions for fiscal periods ending November 30, 2014 (Fourth fiscal period) (from June 1, 2014 to November 30, 2014) and May 31, 2015 (Fifth fiscal period) (from December 1, 2014 to May 31, 2015)” on page 8 for assumptions regarding the forward-looking statements.

1. Organizational Structure of Investment Corporation

There have been no significant changes to the “Organizational Structure of Investment Corporation” from the most recent securities report (filed on February 27, 2014), and therefore, their descriptions are not indicated herein.

2. Management Policies and Results of Operations

(1) Management Policies

There have been no significant changes to the “Investment Policies”, “Investment Targets” and “Distribution Policies” from the most recent securities report (filed on February 27, 2014), and therefore, their descriptions are not indicated herein.

(2) Results of Operations

(I) Overview of the Third Fiscal Period ended May 31, 2014

(i) Major Operational Results of NPR

NPR was established on November 7, 2012 based on the “Act on Investment Trust and Investment Corporation” (“Investment Trust Law”) and was listed on the REIT Securities Market (“J-REIT Market”) of the Tokyo Stock Exchange (“TSE”) on February 14, 2013 (securities code: 3283).

NPR is a real estate investment trust (“REIT”) specialized in investing in logistics real estate with the sponsorship of the Prologis Group^(*), the leading global owner, operator and developer of logistics facilities. NPR focuses on investing in logistics facilities, targeting high quality Class-A logistics facilities (logistics properties that meet the demands of tenant logistics companies and other facility users with respect to operational efficiency and fulfill certain size, location, state-of-the-art equipment, convenience and safety criteria), and attempts to maximize its unit holder value through stability in rental revenues, steady growth of its portfolio and by optimizing of the value of its portfolio.

NPR acquired 12 properties (aggregate acquisition price: 173,020 million yen) on February 15, 2013, following its listing, and acquired eight properties (aggregate acquisition price: 132,430 million yen) during the subsequent fiscal period. After acquiring an additional four properties (aggregate acquisition price: 54,070 million yen) on December 3, 2013, NPR owned 24 properties (aggregate acquisition price: 359,520 million yen) as of the end of the third fiscal period.

(*) The Prologis Group is defined as a group of Prologis, Inc., 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 a 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.

(ii) Operational Results of the Third Fiscal Period ended May 31, 2014

During the reporting fiscal period, Japan’s overall economy and its stock market as well as the J-REIT market continued to recover as a result of macroeconomic factors including monetary easing by the government and an expectation for an economic ripple effect from the announcement of the Tokyo Olympic Games in 2020. While the consumption tax increase from 5% to 8% as scheduled on April 1, 2014 seemed to affect overall consumption in the short-term including retailers performance, many analysts and economists do not expect the tax increase will have a significant impact on the recovering trend of Japanese economy in the medium- and long-term.

In the real estate market, investor demand for new properties continues to be strong, and the market itself is strengthening, which is demonstrated by a growing number of transactions by J-REITs, private funds and overseas investors.

In the logistics real estate market, we believe that demand is increasing for Class-A logistics facilities as NPR’s customers, logistics space users, have been shifting from older and smaller logistics facilities to larger and more advanced facilities. In our view, this shift is a result of the ongoing reconfiguration of Japan’s supply chains, triggered by (i) transformation of industries from manufacturing to services, migration of manufacturing to overseas locations, continuous expansion in global trade, and overall economic, industrial and social structural changes occurring inside and outside of Japan, and (ii) expansion of the e-commerce and

third-party logistics (“3PL”) businesses.

Against this industry backdrop, NPR acquired real estate trust beneficiary interests of four properties on December 3, 2013 (aggregate acquisition price: 54,070 million yen).

As a result, as of the end of the reporting fiscal period, NPR owned 24 properties (aggregate acquisition price: 359,520 million yen), which were all developed by the Prologis Group. The portfolio’s total leasable area was 1,725,633.37 m² and the occupancy rate remained high at 97.9% as of the end of the reporting fiscal period.

(iii) Overview of Financing

NPR issued new investment units through its initial public offering (182,350 units), with proceeds remitted to NPR on February 13, 2013 (the payment date). NPR was listed on the J-REIT Market of the TSE on February 14, 2013. In addition, NPR issued new investment units through its first follow-on offering (96,200 units), with a payment date of June 10, 2013, through its second follow-on offering (32,190 units) with a payment date of December 2, 2013, through the third-party allotment (1,610 units) with a payment date of December 25, 2013. In addition, in connection with the introduction of legislation in Japan establishing a Nippon Individual Savings Account (“NISA”) program from January 1, 2014, NPR implemented a 5-to-1 split of the investment units on March 1, 2014 for the purpose of enabling investors to purchase the investment units more easily by reducing the cost of each investment unit, which would ultimately broaden NPR’s investor base. As a result of these offerings and subsequent events, the balance of NPR’s total balance of unit holders’ capital was 197,274 million yen and total number of units issued and outstanding was 1,563,750 as of the end of the reporting fiscal period.

Also, for the purpose of acquiring the four assets (trust beneficiary interests) including ancillary costs and expenses, NPR borrowed 21,900 million yen on December 3, 2013. Furthermore, NPR prepaid short-term loans of 3,400 million yen on February 28, 2014. As a result, the ending balance of NPR’s interest bearing debt was 158,115 million yen (Note 1) as of the end of the reporting fiscal period. Simultaneously, NPR entered into interest rate swap contracts to fix the interest rate of the loans in the long-term to stabilize and further strengthen NPR’s financial status.

As a result of these equity and debt financings, NPR’s loan-to-value ratio (the ratio of aggregate principal amount of interest-bearing debt, including bank loans and the outstanding balance of long-term and short-term investment corporation bonds to NPR’s total assets, hereinafter “LTV”) was 42.3% (Note 2) as of the end of the reporting fiscal period.

In addition, NPR obtained JCR AA- (Stable) credit rating on January 10, 2013 and the outlook of credit rating was revised to Positive (AA- / Positive) on February 7, 2014.

(Note 1) The principal amount of interest-bearing debt as of the end of the reporting period is 157,700 million yen.

However, as the differences with the market value of borrowings held in trust concerning Prologis Park Tokyo-Shinkiba and Prologis Park Yokohama-Tsurumi were settled in cash with the sellers of these two properties, the amount of interest-bearing debt on an accounting basis is 158,115 million yen after such settled amounts were added to the balance of interest-bearing debt.

(Note 2) Calculated based on NPR’s balance of interest bearing debt on an accounting basis.

(iv) Overview of Financial Results and Distributions

As a result of these investment activities and financings, NPR generated operating revenues of 12,693 million yen, operating income of 6,322 million yen, ordinary income of 5,186 million yen and net income of 5,185 million yen for the reporting fiscal period. NPR’s distributions for the same period were 3,316 yen per unit, which included NPR’s profit distributions in deductible expenses in accordance with the Section 1 of Article 67-15 of the Act on Special Taxation Measures Law (a customary practice of J-REITs). The distribution amount was determined to distribute all unappropriated retained earnings for the reporting period, excluding fractions less than one yen.

In addition to the above distributions arising from earnings, NPR intends to regularly distribute cash in excess of the amount of retained earnings (“Surplus Cash Distributions” or “SCD”) in each fiscal period in accordance with NPR’s distribution policy set forth in its articles of incorporation (*1). Accordingly, NPR will distribute an SCD of 745 million yen, an equivalent to 28.5% of

NPR's depreciation of 2,619 million yen for the reporting fiscal period, which shall be treated as a return of unit holders' capital from an accounting standpoint. The determined amount of SCD per unit is 477 yen ^{(*)2}.

- (*)1 Going forward, NPR intends to distribute SCD on a regular basis in an amount no higher than 60% of its depreciation expense, reflecting its goal to maintain financial soundness and stability in connection with alternative uses of cash such as maintenance expenses, capital expenditures, the repayment of borrowings and the funding of new acquisitions. In the meantime, NPR intends to distribute approximately 30% of depreciation expense.
- (*)2 NPR estimates that the amount of anticipated semi-annual average of emergency or short-term repair and maintenance expenses and medium to long-term repair and maintenance expenses is 230 million yen. This assessment of expenses was conducted in the engineering report for each property prepared by Earth-Appraisal Co., Ltd. NPR determines the amount of SCD, and conducts the distribution of SCD, while focusing on maintaining its healthy financial condition and stability as well as various factors including the current economic and real estate market environment, NPR's LTV, potential impacts on NPR's credit rating among other factors. Please note that the amount of SCD shall be deducted from NPR's unit holders' equity upon payment.

(II). Outlook for Next Fiscal Period

(i) Future Management Policies and Issues to be Addressed

(a) Basic Policies

NPR along with Prologis REIT Management K.K. (the "Asset Manager") will continue to aim to maximize NPR's unit holder value through focused investments in and operations of Class-A logistics facilities. In order to achieve our external and internal growth objectives, NPR and the Asset Manager intend to fully utilize the sponsor support agreement entered into with the Prologis Group. NPR and the Asset Manager expect to generate future growth by taking advantage of strong pipeline support from the Prologis Group, in connection with both logistics facilities developed by Prologis Group, as well as its global customer network, operational expertise and other management resources.

The Prologis Group is a leading logistics real estate company and pioneer of the development of Class-A logistics facilities in Japan and intends to continue to actively develop Class-A logistics facilities in the region. Through cooperation with the Prologis Group, NPR believes that it can provide unique opportunities to its unit holders to invest in high quality logistics facilities developed by the Prologis Group. NPR and the Asset Manager will solely concentrate on owning and operating logistics facilities, while the Prologis Group will focus on development and property management of such facilities. Through such delineated roles, NPR believes that it can minimize potential risks of conflict of interest with the sponsor, and at the same time, provide efficient management and consistent growth of its portfolio.

(b) External Growth Strategies

Pursuant to the Sponsor Support Agreement, NPR was provided with exclusive negotiation rights from the Prologis Group for 5^{(*)1, *)2} properties out of the Prologis Groups' development pipeline, which are either currently operational or under construction. Furthermore, NPR is scheduled to obtain exclusive negotiation rights for logistics facilities which will be developed, owned or operated by the Prologis Group in the future once such facilities achieve stabilization. All transactions are conditioned upon the related party transaction guidelines of the Asset Manager to ensure appropriate transaction terms and conditions.

In addition, the Asset Manager will pursue acquisitions of properties from third parties, considering the status of acquisition pipeline from the Prologis Groups' and the real estate market environment.

- (*)1 As for the 8 properties with exclusive negotiation rights which were granted at the time of the IPO, NPR acquired Prologis Park Zama 2 and Prologis Park Narashino 4 during the second fiscal period.
- (*)2 As for the remaining 6 properties after the acquisition of the above 2 properties, NPR entered into purchase and sale agreements on November 5, 2013 for Prologis Park Tokyo-Shinkiba, Prologis Park Yokohama-Tsurumi and Prologis Park Iwanuma 1 by exercising the exclusive negotiation rights and the acquisitions were completed on December 3, 2013. In addition, NPR has obtained new exclusive negotiation rights on November 5, 2013 for Prologis Park Kawajima 2 and Prologis Park Ebina.

(c) Internal Growth Strategies

Consistent with NPR's investment strategy, approximately 80% of NPR's portfolio comprises multi-tenant logistics facilities. In general, multi-tenant logistics facilities tend to have lease terms of five years, which results in a highly diversified tenant base. Such lease terms of multi-tenant facilities are fixed-terms and may benefit NPR in an improving market environment such as the current reporting fiscal period. For example, NPR's portfolio contains multiple lease contracts which were signed within one to two years following the global financial crisis, or in challenging market conditions when supply of new space exceeded demand in the Osaka market. As such leases mature in and after 2013, NPR believes that it has the opportunity to experience rental growth upon each contract's renewal at current market rates.

For build-to-suit logistics facilities, lease terms are typically 10 to 15 years. NPR and the Asset Manager believe that by building a portfolio consisting of the two different property types, multi-tenant and build-to-suit, they will maximize cash flow stability and portfolio diversity.

Furthermore, as is the case in the external growth strategies, NPR and the Asset Manager receive support based on the sponsor support agreement with the Prologis Group, in connection with property management, market research and human resources. In addition, NPR is able to attract a larger number of tenants by accessing the global customer network of the Prologis Group, providing further tenant diversification and earnings stability.

(d) Financing Strategies

NPR and the Asset Manager intend to implement strategic and flexible financing strategies in order to maximize NPR's medium to long-term profitability, steady growth of its portfolio size / value, and stability / efficiency of asset management.

NPR intends to issue new investment units in the future, in order to grow its portfolio in the long term, with thorough consideration of timing, fully considering and analyzing the status of capital market / economic environment, acquisition timing of new properties, NPR's capital structure and potential impacts on the existing unit holders. As for debt financing such as bank loans, NPR seeks financing with long-term stability by fixing most interest rates for the long-term. NPR will manage its balance sheet as a stabilized LTV of approximately 50% (with an upper limit of 60%) to maintain sound financial status. NPR intends to borrow from financial intuitions with which NPR can maintain sustainable relationships over the long term.

(ii) Earnings Forecast

	Operating revenues (Millions of yen)	Operating income (Millions of yen)	Ordinary income (Millions of yen)	Net income (Millions of yen)	Distributions per unit (including surplus cash distributions)	Distributions per unit (excluding surplus cash distributions)	Surplus cash distributions per unit
Period ending November 30, 2014 (4th period)	12,787	6,047	5,006	5,041	3,700 yen	3,223 yen	477 yen
Period ending May 31, 2015 (5th period)	12,757	6,088	5,057	5,056	3,710 yen	3,233 yen	477 yen

(Note) The forecast information is calculated based on the assumptions as of today. Actual operating revenues, operating profit, ordinary income, net income, distributions per unit (excluding surplus cash distributions), and surplus cash distributions per unit may vary due to changes in NPR's operational environment and circumstances including acquisitions or sales of properties, changes in rent revenues attributable to tenant movement, unexpected repair, changes in interest rates or issuance of additional investment units. Therefore, these forecasts should not be deemed a commitment or guarantee of the amount of future cash distributions.

Assumptions for the fiscal periods ending November 30, 2014 (Fourth fiscal period) (from June 1, 2014 to November 30, 2014) and May 31, 2015 (Fifth fiscal period) (from December 1, 2014 to May 31, 2015)

Item	Assumption
Accounting period	<ul style="list-style-type: none"> ● Fiscal period ending November 30, 2014 (Fourth fiscal period) (from June 1, 2014 to November 30, 2014) (183 days) ● Fiscal period ending May 31, 2015 (Fifth fiscal period) (from December 1, 2014 to May 31, 2015) (182 days)
Portfolio of Investment Assets Held	<ul style="list-style-type: none"> ● It is assumed that there will be no change in the number of which NPR owned as of May 31, 2014, up until May 31, 2015. As of May 31, 2014, NPR owned 24 properties. ● The actual results may change due to the acquisition of new properties besides properties aforementioned or the sale of existing properties, etc.
Operating revenues	<ul style="list-style-type: none"> ● Operating revenues were estimated, by taking into account factors such as market trends and competitiveness of NPR's properties, to be 12,787 million yen and 12,757 million yen for the periods ending November 30, 2014 and May 31, 2015, respectively. The period-end expected occupancy rates are estimated to be 99.2% and 98.7% for the periods ending November 30, 2014 and May 31, 2015, respectively. ● For operating revenues, it is assumed that tenants will pay rents without delinquency or withholding.
Operating expenses	<ul style="list-style-type: none"> ● Expenses except depreciation are calculated by taking into account variable factors such as seasonal events and are assumed to be 2,924 million yen and 2,849 million yen for the periods ending November 30, 2014 and May 31, 2015, respectively. ● Depreciation expenses including ancillary costs are calculated using the straight-line method and are assumed to be 2,620 million yen and 2,620 million yen for the periods ending November 30, 2014 and May 31, 2015, respectively. ● With respect to building repair expenses, the amount assumed to be necessary for each property is assumed based on the repair and maintenance plans of the Asset Manager. However, actual repair expenses may be substantially different from the expected amount due to certain unexpected factors.
Non-operating expenses	<ul style="list-style-type: none"> ● We assume that we will recognize 8 million yen for each of the fiscal periods ending November 30, 2014 and May 31, 2015, respectively, as amortization of organization expenses. ● As for interest expenses and other debt-related costs, 1,012 million yen and 1,002 million yen are expected for the periods ending November 30, 2014 and May 31, 2015, respectively. The debt-related amortization is expected to be 108 million yen and 106 million yen for the periods ending November 30, 2014 and May 31, 2015, respectively.
Borrowings	<ul style="list-style-type: none"> ● NPR's balance of interest-bearing liabilities outstanding as of today is 158,115 million yen (includes the balance of borrowings held in trust), all of which are loans from financial institutions. ● It is assumed that 1,450 million yen of debt will be repaid during the fiscal period ending November 30, 2014, with the refunded consumption tax in connection with the acquisition of the properties.
Extraordinary	<ul style="list-style-type: none"> ● We assume that we will receive 35 million yen of payment for the period ending November 30, 2014 due to the location incentive ordinance of the Tosu city which Prologis Park Tosu 2 and Prologis Park Tosu 4 are located.
Investment units	<ul style="list-style-type: none"> ● It is assumed that the current 1,563,750 units issued and outstanding will not change.
Distributions per unit (excluding surplus cash distributions (SCD))	<ul style="list-style-type: none"> ● Distributions per unit (excluding SCD) are calculated based on the premises of the distribution policy in the articles of incorporation of NPR. ● Distributions per unit (excluding SCD) may change considerably due to various factors including any additional acquisitions or sales of properties, changes in rent revenues attributable to tenant moves, changes in the environment including occurrence of unexpected repairs, changes in interest rates and issues of new investment units in the future.
Surplus cash distributions (SCD) per unit	<ul style="list-style-type: none"> ● SCD per unit is calculated based on the premises of the fund distribution policy contained in the articles of incorporation of NPR. It is assumed that SCD in the periods ending November 30, 2014 and May 31, 2015 will be equal to 28.5% of depreciation expenses for each of the fiscal periods, which are assumed to be 746 million yen and 746 million yen, respectively. ● The amount of depreciation expenses may change depending on the amount of total assets under management, ancillary costs, capital expenditure, and the allocation method of purchase prices for

	<p>each asset, depreciable life, etc. SCD, which will be based on the amount of depreciation expenses, may change accordingly.</p> <ul style="list-style-type: none"> ● NPR intends to pay SCD only to the extent appropriate levels for maintaining financial soundness and stability are maintained after considering alternatives of cash uses such as repairs and capital expenditures, repayment of borrowings and acquisition opportunities. ● For the time being, NPR intends to pay a SCD at an amount equivalent to approximately 30% of the depreciation expense for the relevant fiscal period. ● To determine the amount of SCD, NPR will consider the ratio of SCD to adjusted funds from operations (“AFFO”). NPR defines AFFO as funds from operations (“FFO”) minus capital expenditures plus amortization of capitalized finance costs. FFO is defined as the sum of net income and non-cash expenses. For calculations, please refer to the following formulas: $\text{FFO} = \text{net income} + \text{depreciation} + \text{property-related amortization} + \text{loss on sale of real estate} - \text{gain on sale of real estate}$ $\text{AFFO} = \text{FFO} - \text{capital expenditure} + \text{amortization of capitalized finance costs}$ ● Capital expenditures are assumed to be 62 million yen and 86 million yen in the periods ending November 30, 2014 and May 31, 2015, respectively. ● NPR does not plan to pay SCD in case such payment would cause the Distribution LTV, as defined below, to exceed 60%. $\text{Distribution LTV}(\%) = A / B \times 100$ $A = \text{interest-bearing debt (including borrowings held in trust and investment corporation bonds) at the end of the fiscal period} + \text{balance of tenant leasehold deposits released at the end of the fiscal period}$ $B = \text{total appraisal real estate value at the end of the fiscal period} + \text{the amount of cash deposits at the end of the fiscal period} - \text{the total amount distributions (including surplus cash distributions)}$
Others	<ul style="list-style-type: none"> ● It is assumed that any revision that will have an impact on the forecast information above will be made with respect to applicable laws and regulations, tax codes, accounting standards, listing rules, and rules of the Investment Trusts Association, Japan, etc. ● It is assumed that any unexpected material change will not take place in the general economic environment and real estate market conditions, etc.

3. Financial Statements

(1) Balance Sheet

(Unit: Thousands of yen)

	As of November 30, 2013	As of May 31, 2014
ASSETS		
Current assets:		
Cash and deposits	11,342,639	10,675,183
Cash and deposits in trust	2,470,176	*3 4,125,965
Operating accounts receivable	70,365	122,684
Prepaid expenses	273,385	307,133
Deferred tax assets	17	18
Consumption taxes receivables	3,090,720	900,387
Other current assets	2,042	164
Total current assets	<u>17,249,346</u>	<u>16,131,536</u>
Fixed assets:		
Property and equipment		
Buildings	7,535,483	7,535,483
Less: accumulated depreciation	<u>(148,544)</u>	<u>(238,580)</u>
Buildings, net	<u>7,386,939</u>	<u>7,296,903</u>
Structures	249,739	249,739
Less: accumulated depreciation	<u>(15,475)</u>	<u>(24,760)</u>
Structures, net	<u>234,263</u>	<u>224,978</u>
Tools, furniture and fixtures	5,434	5,434
Less: accumulated depreciation	<u>(420)</u>	<u>(672)</u>
Tools, furniture and fixtures, net	<u>5,013</u>	<u>4,761</u>
Land	3,834,204	3,834,204
Buildings in trust	169,453,497	*3 197,804,685
Less: accumulated depreciation	<u>(2,727,219)</u>	<u>(5,123,401)</u>
Buildings in trust, net	<u>166,726,277</u>	<u>192,681,284</u>
Structures in trust	2,944,035	*3 3,576,930
Less: accumulated depreciation	<u>(119,014)</u>	<u>(224,313)</u>
Structures in trust, net	<u>2,825,020</u>	<u>3,352,617</u>
Tools, furniture and fixtures in trust	319,925	*3 388,132
Less: accumulated depreciation	<u>(21,341)</u>	<u>(39,538)</u>
Tools, furniture and fixtures in trust, net	<u>298,583</u>	<u>348,594</u>
Other tangible assets	35	35
Less: accumulated depreciation	<u>(4)</u>	<u>(8)</u>
Other tangible assets in trust, net	<u>31</u>	<u>26</u>
Land in trust	123,657,601	*3 149,135,600
Total property and equipment	<u>304,967,936</u>	<u>356,878,970</u>
Intangible assets		
Other intangible assets	870	*3 3,013
Total intangible assets	<u>870</u>	<u>3,013</u>
Investments and other assets		
Long-term prepaid expenses	1,196,036	1,097,200
Security deposit	10,000	10,000
Other	-	*3 400
Total investments and other assets	<u>1,206,036</u>	<u>1,107,600</u>
Total fixed assets	<u>306,174,843</u>	<u>357,989,585</u>
Deferred assets:		

Organization expenses	63,802	55,657
Total deferred assets	63,802	55,657
Total assets	323,487,992	374,176,778

(Unit: Thousands of yen)

	As of November 30, 2013	As of May 31, 2014
LIABILITIES		
Current liabilities:		
Operating accounts payable	214,221	710,561
Short-term loans payable	3,400,000	1,450,000
Accounts payable-other	20,279	21,088
Accrued expenses	1,033,617	1,217,329
Income taxes payable	797	749
Advances received	1,774,004	2,106,431
Other current liabilities	1,019,994	743,165
Total current liabilities	7,462,913	6,249,325
Non-current liabilities:		
Long-term loans payable	135,800,000	142,200,000
Long-term loans payable in trust	-	*3 14,465,972
Tenant leasehold and security deposits	247,191	247,191
Tenant leasehold and security deposits in trust	7,390,184	8,552,196
Other non-current liabilities	3,752	2,297
Total non-current liabilities	143,441,128	165,467,658
Total liabilities	150,904,042	171,716,984
NET ASSETS		
Unit holders' equity		
Unit holders' capital		
Unit holders' capital, gross	168,200,425	198,138,099
Deduction of unit holders' capital	(259,139)	(863,903)
Unit holders' capital	167,941,285	197,274,196
Surplus		
Unappropriated retained earnings (undisposed loss)	4,642,664	5,185,598
Total surplus	4,642,664	5,185,598
Total unit holders' equity	172,583,950	202,459,794
Total net assets (*2)	*2 172,583,950	*2 202,459,794
Total liabilities and net assets	323,487,992	374,176,778

(2) Statement of Income

	(Unit: Thousands of yen)	
	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Operating revenues:		
Operating rental revenues	*1 9,333,616	*1 11,774,310
Other rental revenues	*1 779,653	*1 919,123
Total operating revenues	<u>10,113,269</u>	<u>12,693,433</u>
Operating expenses:		
Expenses related to property rental business ^(*1)	*1 3,464,898	*1 5,188,020
Asset management fee	954,234	1,090,418
Asset custody fee	26,352	32,475
Directors' compensation	4,600	4,800
Audit fee	13,000	15,000
Other operating expenses	27,446	40,107
Total operating expenses	<u>4,490,531</u>	<u>6,370,821</u>
Operating income	<u>5,622,737</u>	<u>6,322,611</u>
Non-operating income:		
Interest income	787	1,244
Gain on real estate tax settlement	2,473	104
Interest on refund of consumption taxes	5,847	1,126
Other	27	0
Total non-operating income	<u>9,135</u>	<u>2,476</u>
Non-operating expenses:		
Interest expense	630,450	865,391
Amortization of deferred organization expenses	8,145	8,145
Borrowing related expenses	154,712	166,929
Investment unit issuance expenses	93,263	47,979
Offering costs associated with the issuance of investment units	101,737	50,119
Others	26	22
Total non-operating expenses	<u>988,335</u>	<u>1,138,588</u>
Ordinary income	<u>4,643,537</u>	<u>5,186,499</u>
Income before income taxes	<u>4,643,537</u>	<u>5,186,499</u>
Incomes taxes – current	957	1,002
Incomes taxes – deferred	3	(1)
Total income taxes	<u>960</u>	<u>1,000</u>
Net income	<u>4,642,577</u>	<u>5,185,498</u>
Retained earnings brought forward	87	99
Unappropriated retained earnings (undisposed loss)	4,642,664	5,185,598

(3) Statement of Unit Holders' Equity

Previous Period (from June 1, 2013 to November 30, 2013)

(Units: Thousands of yen)

	Unit holders' equity						Total net assets
	Unit holders' capital			Surplus		Total unit holders' equity	
	Unit holders' capital, gross	Deduction of unit holders' capital	Unit holders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at the beginning of the period	97,082,555	—	97,082,555	1,333,248	1,333,248	98,415,803	98,415,803
Change during the period							
Issuance of new investment units	71,117,870		71,117,870			71,117,870	71,117,870
Surplus cash distributions		(259,139)	(259,139)			(259,139)	(259,139)
Dividends from surplus				(1,333,161)	(1,333,161)	(1,333,161)	(1,333,161)
Net income				4,642,577	4,642,577	4,642,577	4,642,577
Total change during the period	71,117,870	(259,139)	70,858,730	3,309,415	3,309,415	74,168,146	74,168,146
Balance at the end of the period	*168,200,425	(259,139)	167,941,285	4,642,664	4,642,664	172,583,950	172,583,950

The Reporting Period (from December 1, 2013 to May 31, 2014)

(Units: Thousands of yen)

	Unit holders' equity						Total net assets
	Unit holders' capital			Surplus		Unit holders' equity	
	Unit holders' capital, gross	Deduction of unit holders' capital	Unit holders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
Balance at the beginning of the period	168,200,425	(259,139)	167,941,285	4,642,664	4,642,664	172,583,950	172,583,950
Change during the period							
Issuance of new investment units	29,937,674		29,937,674			29,937,674	29,937,674
Surplus cash distributions		(604,763)	(604,763)			(604,763)	(604,763)
Dividends from surplus				(4,642,564)	(4,642,564)	(4,642,564)	(4,642,564)
Net income				5,185,498	5,185,498	5,185,498	5,185,498
Total change during the period	29,937,674	(604,763)	29,332,910	542,933	542,933	29,875,844	29,875,844
Balance at the end of the period	*198,138,099	(863,903)	197,274,196	5,185,598	5,185,598	202,459,794	202,459,794

(4) Statement of Cash Distribution

(Unit: Yen)

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
I Unappropriated retained earnings (undisposed loss)	4,642,664,677	5,185,598,287
II Distributions in excess of retained earnings		
Deduction from unit holders' capital	604,763,600	745,908,750
III Distributions	5,247,328,450	5,931,303,750
(Distributions per unit)	(18,811)	(3,793)
Of which, distributions of retained earnings	4,642,564,850	5,185,395,000
(Of which, distributions of retained earnings per unit)	(16,643)	(3,316)
Of which, distributions in excess of retained earnings	604,763,600	745,908,750
(Of which, distributions in excess of retained earnings per unit)	(2,168)	(477)
IV Retained earnings carried forward	99,827	203,287
Calculation method of distribution amount	<p>Pursuant to the "Policy on the Distribution of Funds" as defined in Article 39, Paragraph 1 of article 2 of incorporation of NPR, the amount of distributions shall be the amount which does not exceed the amount of profits but exceeds 90% of the distributable profit as defined in Article 67-15 of the Special Taxation Measures Act.</p> <p>Based on the policy, NPR declared the distribution amount of 4,642,564,850 yen which was the amount equivalent to the maximum integral multiples of number of investment units issued and outstanding (278,950 investment units) as of the reporting fiscal period.</p> <p>Besides, based on the distribution policy as defined in Article 39, Paragraph 2 of the article 88 of incorporation, NPR shall make Surplus Cash Distribution (SCD), defined as distributions in excess of retained earnings, as a return of unit holders' capital, each fiscal period on a continuous basis.</p> <p>Accordingly, NPR declared SCD of 604,763,600 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 2,122,782,312 yen for the period.</p>	<p>Pursuant to the "Policy on the Distribution of Funds" as defined in Article 39, Paragraph 1 of article 2 of incorporation of NPR, the amount of distributions shall be the amount which does not exceed the amount of profits but exceeds 90% of the distributable profit as defined in Article 67-15 of the Special Taxation Measures Act.</p> <p>Based on the policy, NPR declared the distribution amount of 5,185,395,000 yen which was the amount equivalent to the maximum integral multiples of number of investment units issued and outstanding (1,563,750 investment units) as of the reporting fiscal period.</p> <p>Besides, based on the distribution policy as defined in Article 39, Paragraph 2 of the article 88 of incorporation, NPR shall make Surplus Cash Distribution (SCD), defined as distributions in excess of retained earnings, as a return of unit holders' capital, each fiscal period on a continuous basis.</p> <p>Accordingly, NPR declared SCD of 745,908,750 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 2,619,439,711 yen for the period.</p>

(Note) NPR is permitted to distribute cash in excess of the amount of retained earnings if the amount of the accounting net income is smaller than 90% of its distributable retained earnings on a tax basis to the extent that such distribution amount does not exceed the amount of NPR's depreciation for the same fiscal period, and if NPR determines such excess distribution amount is appropriate. Also, NPR is permitted to distribute cash in any amount to the extent that such amount is determined by NPR's board of directors and if the amount of distributions does not satisfy certain conditions of special tax treatment which NPR shall be eligible to otherwise. Please note that the amount of SCD shall be subtracted from the balance of unit holders' paid-in capital upon payment.

(5) Statement of Cash Flows

	(Units: Thousands of yen)	
	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Cash flows from operating activities:		
Income before income taxes	4,643,537	5,186,499
Depreciation	2,122,782	2,619,439
Amortization of organization expenses	8,145	8,145
Investment unit issuance expenses	93,263	47,979
Interest income	(787)	(1,244)
Interest expense	630,450	865,391
Decrease (Increase) in operating accounts receivable	(15,623)	(52,318)
Decrease (Increase) in consumption taxes refund receivables	2,424,137	2,190,332
Decrease (Increase) in prepaid expenses	(72,382)	(33,747)
Decrease (Increase) in long-term prepaid expenses	(508,746)	98,835
Increase (Decrease) in operating accounts payable	100,611	495,761
Increase (Decrease) in accounts payable-other	3,991	4,622
Increase (Decrease) in accrued expenses	673,402	181,918
Increase (Decrease) in advances received	773,542	332,426
Others, net	248,316	(56,959)
Subtotal	11,124,642	11,887,082
Interest received	787	1,244
Interest paid	(622,455)	(891,024)
Income taxes paid	(1,160)	(1,049)
Net cash used in operating activities	10,501,813	10,996,252
Cash flows from investing activities:		
Purchases of property and equipment	(171,080)	—
Purchases of property and equipment in trust	(133,988,996)	(54,966,668)
Purchase of intangible assets in trust	(900)	(2,326)
Payments for trust lease and guarantee deposits	—	(400)
Proceeds from tenant leasehold and security deposits	8,400	—
Proceeds from tenant leasehold and security deposits in trust	3,785,276	2,000,963
Repayments from tenant leasehold and security deposits in trust	(114,266)	(626,841)
Net cash used in investing activities	(130,481,568)	(53,595,272)
Cash flows from financing activities:		
Increase in short-term loans payable	3,400,000	1,450,000
Decrease in short-term loans payable	(5,000,000)	(3,400,000)
Proceeds from long-term loans payable	59,900,000	6,400,000
Increase in long-term loans payable in trust	—	14,493,399
Proceeds from issuance of new investment units	71,024,606	29,889,694
Payment of distributions of retained earnings	(1,328,634)	(4,641,060)
Payment of distributions in excess of retained earnings	(258,259)	(604,680)
Net cash provided by financing activities	127,737,712	43,587,352
Net increase (decrease) in cash and cash equivalents	7,757,957	988,332
Cash and cash equivalents at the beginning of period	6,054,858	13,812,815
Cash and cash equivalents at the end of period ^(*)	*1 13,812,815	*1 14,801,148

(6) Notes Concerning Going Concerns Assumption

None

(7) Notes Concerning Significant Accounting Policies

<p>1. Method of depreciation of non-current assets</p>	<p>(1) Property and equipment (including trust assets) The straight-line method is used. The useful lives of major property and equipment are as follows. Buildings 3-60 years Structures 2-60 years Tools, furniture and fixtures 2-18 years</p> <p>(2) Intangible assets (including trust assets) The straight-line method is used.</p>
<p>2. Accounting method of deferred charges</p>	<p>(1) Investment unit issuance expenses The full amount of investment unit issuance expenses is recorded as expense at the time of expenditure.</p> <p>(2) Organization expenses All organization expenses are amortized over five years using straight-line method.</p>
<p>3. Revenue and expense recognition</p>	<p>Accounting treatment of property taxes and other taxes With respect to property taxes, city planning taxes and depreciable asset taxes, of the tax amount assessed and determined, the amount corresponding to the relevant fiscal period is accounted for as rental expenses. Of the amounts paid for the acquisitions of real estate properties or beneficiary right in trust of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as expense. Capitalized property taxes amounted to 346,688 thousand yen and 28,704 thousand yen, respectively, for the fiscal periods ended November 30, 2013 and May 31, 2014.</p>
<p>4. Hedge accounting</p>	<p>(1) Hedge accounting method For interest rate swaps, special accounting treatment is adopted.</p> <p>(2) Hedge instruments and hedged items Hedge instruments – interest rate swaps Hedged items – interests on loans payable</p> <p>(3) Hedging policy NPR uses interest rate swaps for the purpose of hedging risks defined in the articles of incorporation based on its risk management policies.</p> <p>(4) Hedge effectiveness test Assessment of the hedge effectiveness has been omitted since all interest rate swaps meet the specific matching criteria under the special accounting treatment.</p>
<p>5. Cash and cash equivalents as stated in the Statement of Cash Flows</p>	<p>Cash and cash equivalents consist of cash on hand and cash in trust, floating deposits, deposits in trust and short-term investments that are very liquid and realizable with a maturity of three months or less when purchased and that are subject to insignificant risks of changes in value.</p>
<p>6. Other significant matters which constitute the basis for preparation of financial statements</p>	<p>(1) Accounting treatment of trust beneficiary interests of real estate As to trust beneficiary interests of real estate, all accounts of assets and liabilities within assets in trust, as well as all income generated and expenses incurred from assets in trust, are recorded in the relevant balance sheets and income statement accounts. Of which, the following significant trust assets are shown separately on the balance sheet. (a) Cash and deposits in trust (b) Buildings in trust, structures in trust, tools, furniture and fixtures in trust and land in trust (c) Tenant leasehold and security deposits in trust (d) Long-term loans payable in trust</p> <p>(2) Accounting treatment of consumption taxes Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p>

(8) Notes to Financial Statements

(Notes to Balance Sheet)

*1. Commitment line agreement

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

	As of November 30, 2013	As of May 31, 2014
Total amount of committed line of credit	8,000,000 thousand yen	8,000,000 thousand yen
Borrowings drawn down	— thousand yen	— thousand yen
Balance of unused committed line of credit	8,000,000 thousand yen	8,000,000 thousand yen

As of November 30, 2013

- *2. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations:
50,000 thousand yen.

As of May 31, 2014

- *2. Minimum net assets as required by Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations:
50,000 thousand yen.

*3. Assets Pledged as Collateral Amounts and Liabilities Secured by Pledged Assets

The assets pledged as collateral amounts are as follows.

	As of November 30, 2013	As of May 31, 2014
Cash and deposits in trust	-	1,381,004 thousand
Buildings in trust	-	11,602,705 thousand
Structures in trust	-	183,677 thousand
Tools, furniture and fixtures in trust	-	5,424 thousand
Land in trust	-	15,655,791 thousand
Other intangible assets in trust	-	1,144 thousand
Other	-	400 thousand
Total	-	28,829,748 thousand

The liabilities secured by pledged assets are as follows.

	As of November 30, 2013	As of May 31, 2014
Long-term loans payable in trust	-	14,050,000 thousand
Total	-	14,050,000 thousand

Long-term loans payable in trust are represented by borrowings based on the loan agreements executed as at the acquisition of Prologis Park Tokyo-Shinkiba and Prologis Park Yokohama-Tsurumi (the "Properties with Borrowings Held in Trust"). As such long-term loans payable in trust are posted as present value calculated based on the general borrowing terms available as of September 30, 2013, the record date for acquisition of the Properties with Borrowings Held in Trust, and such present value is different from the borrowing amounts stated in the loan agreements, the value calculated based on the amortized cost method (straight-line method) is recorded in the balance sheet.

(Notes to Statement of Income)

*1. Operating income from property leasing is as follows:

(Units: Thousands of yen)

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
(1) Property-related revenues		
Rental revenues		
Rental revenues	8,748,359	11,025,492
Common area charges	585,257	748,817
Total	9,333,616	11,774,310
Other rental revenues		
Received utilities cost	614,554	750,507
Others	165,098	168,616
Total	779,653	919,123
Total property-related revenues	10,113,269	12,693,433
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	516,001	701,108
Utilities cost	675,777	821,196
Taxes and dues	254	920,957
Non-life insurance premium	19,303	22,716
Repair and maintenance	119,726	88,053
Depreciation	2,122,782	2,619,439
Custodian fee	8,917	11,978
Other expenses	2,134	2,569
Total rental expenses	3,464,898	5,188,020
(3) Operating income from property leasing ((1)-(2))	6,648,370	7,505,413

(Notes to Statement of Unit Holders' Equity)

*1. Number of investment units authorized and number of investment units issued and outstanding

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Number of investment units authorized	2,000,000 units	10,000,000 units
Number of investment units issued and outstanding	278,950 units	1,563,750 units

(Notes to Statement of Cash Flow)

*1. Relationship between cash and cash equivalents in statement of cash flows and accounts and amounts in the accompanying balance sheet

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Cash and deposits	11,342,639 thousand yen	10,675,183 thousand yen
Cash and deposits in trust	2,470,176 thousand yen	4,125,965 thousand yen
Cash and cash equivalents	13,812,815 thousand yen	14,801,148 thousand yen

(Notes Related to Lease Contracts)

Operating lease transactions (as lessor)

Unearned rental revenue

	As of November 30, 2013	As of May 31, 2014
Due within one year	14,987,059 thousand yen	21,449,405 thousand yen
Due after one year	51,157,613 thousand yen	56,241,198 thousand yen
Total	66,144,672 thousand yen	77,690,604 thousand yen

(Notes Related to Financial Instruments)

1. Status of financial instruments

(1) 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 NPR's cash positions.

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

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

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

Bank loans are mainly made to procure funds for acquisition of properties. Although NPR is exposed to liquidity risks upon repayment and redemption of loans, by diversifying the maturities and lending institutions, establishing commitment line agreements, securing liquidity of cash in hand and managing such liquidity risks by preparing and monitoring cash flow projections, such risks are minimized.

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

(3) 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 values available, fair value is based on a price that is reasonably estimated. Since various factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

2. Estimated Fair Value of Financial Instruments

As of November 30, 2013

Book value, fair value and the difference between the values as of November 30, 2013 are as follows. Financial instruments for which fair value is difficult to estimate are excluded from the following table.^(Note 2)

(Unit: Thousands of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	11,342,639	11,342,639	—
(2) Cash and deposits in trust	2,470,176	2,470,176	—
Total assets	13,812,815	13,812,815	—
(3) Short-term loans payable	3,400,000	3,400,000	—

(4) Long-term loans payable	135,800,000	138,983,691	3,183,691
Total liabilities	139,200,000	142,383,691	3,183,691
(5) Derivative transactions	—	(3,108)	(3,108)

As of May 31, 2014

Book value, fair value and the difference between the values as of May 31, 2014 are as follows. Financial instruments for which fair value is difficult to estimate are excluded from the following table.^(Note 2)

(Unit: Thousands of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	10,675,183	10,675,183	—
(2) Cash and deposits in trust	4,125,965	4,125,965	—
Total assets	14,801,148	14,801,148	—
(3) Short-term loans payable	1,450,000	1,450,000	—
(4) Long-term loans payable	142,200,000	145,286,000	3,086,000
(5) Long-term loans payable in trust	14,465,972	14,831,852	365,880
Total liabilities	158,115,972	161,567,853	3,451,880
(5) Derivative transactions	—	—	—

(Note 1) Methods used to calculate 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, book value is used as the fair value.

(3) Short-term loans payable

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

(4) Long-term loans payable

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

(5) Long-term loans payable in trust

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

(6) Derivative transactions

Please refer to “Notes related to Derivative Transactions,” below.

(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.

(Units: Thousands of yen)

	As of November 30, 2013	As of May 31, 2014
Tenant leasehold and security deposits	247,191	247,191
Tenant leasehold and security deposits in trust	7,390,184	8,552,196

(Note 3) Redemption schedule of monetary claims after the closing date of the fiscal period

As of November 30, 2013

(Units: Thousands of yen)

	Due within one year
Cash and deposits	11,342,639
Cash and deposits in trust	2,470,176

As of May 31, 2014

(Units: Thousands of yen)

	Due within one year
Cash and deposits	10,675,183
Cash and deposits in trust	4,125,965

(Note 4) Redemption schedule of long-term loans payable and other interest-bearing debt after the closing date of the fiscal period

As of November 30, 2013

(Unit: Thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Long-term loans payable	—	—	23,300,000	2,000,000	23,300,000	87,200,000
Total	—	—	23,300,000	2,000,000	23,300,000	87,200,000

As of May 31, 2014

(Unit: Thousands of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Long-term loans payable	—	23,300,000	—	25,300,000	6,400,000	87,200,000
Long-term loans payable in trust (Note)	—	—	157,000	314,000	314,000	13,265,000
Total	—	23,300,000	157,000	25,614,000	6,714,000	100,465,000

Note: Redemption schedule of long-term loans payable is represented by amount repaid based on the loan agreements executed as at the acquisition of the Properties with Borrowings Held in Trust. As such long-term loans payable are posted as present value calculated based on the general borrowing terms available as of September 30, 2013, the record date for acquisition of the Properties with Borrowings Held in Trust, and such present value is different from the borrowing amounts stated in the loan agreements, the value calculated based on the amortized cost method (straight-line method) is recorded in the balance sheet.

(Notes Related to Investment Securities)

For the periods ended November 30, 2013 and May 31, 2014

None

(Notes Related to Derivative Transactions)

1. Derivative transactions for which hedge accounting is not applied

For the periods ended November 30, 2013 and May 31, 2014

None

2. Derivative transactions for which hedge accounting is applied

The contract and notional amount as of November 30, 2013 sorted by hedge accounting method is as follows.

(Units: Thousands of yen)

Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount and other		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	142,200,000 (Note 1)	142,200,000 (Note 1)	(3,108) (Note 2)	— (Note 2)
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(Note 1) This amount includes the interest swap agreement executed on November 29, 2013 with a borrowing date of December 3, 2013.

(Note 2) Interest rate swaps executed on November 29, 2013 under special accounting treatment are accounted for as the integral part of long-term loans designated as hedged items. Therefore, their fair value is included in long-term loans disclosed in the aforementioned “Notes Related to Financial Instruments, 2. Estimated Fair Values of Financial Instruments, (4) Long-term loans”.

The contract and notional amount as of May 31, 2014 sorted by hedge accounting method is as follows.

(Units: Thousands of yen)

Hedge accounting method	Type of derivative transaction	Primary hedged item	Contract amount and other		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	142,200,000	142,200,000	(Note)	(Note)

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

(Notes Related to Related Party Transactions)

1. Transactions with Account Balances with the Parent company and Major Unit Holders

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

None

For the period from December 1, 2013 to May 31, 2014

None

2. Transactions and Account Balances with Affiliates

For the periods from June 1, 2013 to November 30, 2013 and December 1, 2013 to May 31, 2014

None

3. Transactions and Account Balances with Companies under Common Control

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

Relationship	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	% of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Tokyo Ohta Special Purpose Company	Chiyoda-ku, Tokyo	784,600	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	29,500,000	—	—
Subsidiary of an affiliate	Zama 2 Special Purpose Company	Chiyoda-ku, Tokyo	40,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	21,900,000	—	—
Subsidiary of an affiliate	Funabashi 5 Special Purpose Company	Chiyoda-ku, Tokyo	63,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	9,500,000	—	—
Subsidiary of an affiliate	Funabashi Tokorozawa Special Purpose Company	Chiyoda-ku, Tokyo	1,000,000	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	1,500,000	—	—
Subsidiary of an affiliate	Narita 1-1 Special Purpose Company	Chiyoda-ku, Tokyo	75,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	8,420,000	—	—
Subsidiary of an affiliate	Narita 1-2 Special Purpose Company	Chiyoda-ku, Tokyo	318,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	4,810,000	—	—

Relationship	Name of the company	Address	Stated capital (Thousands)	Type of business	% of voting	Relation		Type of transaction	Transaction amount	Account	Balance (Thousands)
Subsidiary of an affiliate	Amagasaki 1 Special Purpose Company	Chiyoda-ku, Tokyo	750,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	17,600,000	—	—
Subsidiary of an affiliate	Amagasaki 2 Special Purpose Company	Chiyoda-ku, Tokyo	258,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	19,200,000	—	—
Subsidiary of an affiliate	Narashino 4 Special Purpose Company	Chiyoda-ku, Tokyo	100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	20,000,000	—	—
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		Payment of asset management fee	1,616,384	Accrued expenses	1,001,945

(Note 1) The figures above do not include consumption taxes in the transaction amount. Nonetheless, it is included in the balance.

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

(Note 3) Payment of asset management fee includes the amount of 662,150 thousand yen included in the each property's acquisition cost.

For the period from December 1, 2013 to May 31, 2014

Relationship	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	% of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Tokyo Shinkiba Special Purpose Company	Chiyoda-ku, Tokyo	290,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	13,600,000	—	—
Subsidiary of an affiliate	Yokohama Tsurumi Special Purpose Company	Chiyoda-ku, Tokyo	350,100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	13,800,000	—	—
Subsidiary of an affiliate	Osaka 4 Special Purpose Company	Chiyoda-ku, Tokyo	100	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	21,000,000	—	—
Subsidiary of an affiliate	Iwanuma 1 Special Purpose Company	Chiyoda-ku, Tokyo	600	Real estate business	—	—	Seller	Acquisition of beneficiary right in trust	5,670,000	—	—
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		Payment of asset management fee	1,360,768	Accrued expenses	1,177,652

(Note 1) The figures above do not include consumption taxes in the transaction amount. Nonetheless, it is included in the balance.

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

(Note 3) Payment of asset management fee includes the amount of 270,350 thousand yen included in the each property's acquisition cost.

4. Transaction and Account Balances with Board of Directors and Individual Unit Holders

For the fiscal periods from June 1, 2013 to November 30, 2013 and December 1, 2013 to May 31, 2014

None

(Notes Related to Retirement Payment)

For the fiscal periods ended November 30, 2013 and May 31, 2014

None

(Notes Related to Deferred Tax Accounting)

1. Significant components of deferred tax assets and liabilities

(Unit: Thousands of yen)

(Deferred tax assets)	As of November 30, 2013	As of May 31, 2014
Enterprise tax payable	17	18
Total deferred tax assets	17	18

Net deferred tax assets	17	18
2. Reconciliation of major items that caused differences between statutory tax rate and effective tax rate after applying deferred tax accounting		
	(Unit: %)	
	As of November 30, 2013	As of May 31, 2014
Statutory tax rate	36.59	36.59
(Adjustments)		
Deductible distributions of retained earnings	(36.58)	(36.58)
Others	0.01	0.01
Effective tax rate	0.02	0.02

3. Amendment to the deferred tax assets and liabilities due to the change in tax rate

In line with the promulgation on March 31, 2014 of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 10, 2014), the additional tax as Special Corporate Tax for Reconstruction will not be imposed effective from the fiscal period beginning on or after April 1, 2014. In this connection, for temporary differences reversing on or after June 1, 2014, statutory effective tax rate to calculate deferred tax assets or liabilities will be changed from 36.59% to 34.16%. There are no material impact from this change.

(Notes Related to Asset Retirement Obligations)

For the fiscal periods from June 1, 2013 to November 30, 2013 and December 1, 2013 to May 31, 2014

None

(Notes Related to Rental Properties)

NPR owns logistics facilities that it leases to tenants to earn rental income. The book value, amount changed during the reporting fiscal period and fair values for the properties are as follows:

(Unit: Thousands of yen)

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Book value		
Balance at the beginning of the period	173,271,505	304,967,936
Change during the period (Note 2)	131,696,431	51,914,047
Balance at the end of the period	304,967,936	356,881,984
Fair value at the end of the period	315,110,000	374,260,000

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

(Note 2) The major factor of the increase for the fiscal period ended November 30, 2013, is a result of acquiring eight properties (Prologis Park Tokyo-Ohta, Prologis Park Zama 2, Prologis Park Funabashi 5, Prologis Park Narita 1-A&B, Prologis Park Narita 1-C, Prologis Park Amagasaki 1, Prologis Park Amagasaki 2 and Prologis Park Narashino 4 for a total of 133,628,885 thousand yen) and the major factor of the decrease is depreciation of 2,122,752 thousand yen. In addition, the major factor of the increase for the fiscal period ended May 31, 2014, is a result of acquiring four properties (Prologis Park Tokyo-Shinkiba, Prologis Park Yokohama-Tsurumi, Prologis Park Osaka 4 and Prologis Park Iwanuma 1 for a total of 54,439,498 thousand yen and the major factor of the decrease is depreciation of 2,619,439 thousand yen.

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

(Notes Related to Segment and Related Information)

(Segment Information)

1. Overview of operating and reportable segments

Operating segments are components 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. Therefore, NPR has two reportable segments of “global markets” and “regional markets”^(*) based on the region of investment.

(*) NPR invests in real estate whose main usage is logistics facilities and makes investments by focusing on the areas

where the facilities are located and their features. NPR seeks to build a portfolio which is not concentrated in a specific region and invests in several areas of Japan vital to trade and logistics. By dividing Japan into its targeted “global markets” and “regional markets”, NPR aims to build a portfolio to minimize fluctuations in cash flows due to regional economic shifts or localized impacts from natural disasters.

As for investment strategies in “global markets” because such areas are vital for international trade and logistics, NPR aims to invest in locations surrounding the largest consumer bases which can also serve as important hubs within the domestic logistics network. “Global markets” are 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.

“Regional markets” are areas critical to Japan’s domestic trade. NPR aims to invest in locations with substantial customer bases that play a crucial role in a widespread regional logistics network. “Regional markets” are defined as the Chubu, Tohoku and Kyushu areas which refer to Aichi, Shizuoka, Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Gifu prefectures; Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures and Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima prefectures, respectively.

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

As of May 31, 2014, NPR’s properties classified into each segment are as follows:

Global markets: 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/ Annex, 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 and Prologis Park Osaka 4

Regional markets: Prologis Park Kasugai, Prologis Park Kitanagoya, Prologis Park Tagajo, Prologis Park Tosu 2, Prologis Park Tosu 4 and Prologis Park Iwanuma 1

2. Basis of measurement for the amounts of income, assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with policies disclosed in “Notes Concerning Significant Accounting Policies.” Reported segment income is measured on the basis of operating income.

3. Information about segment results, assets, liabilities and other items

As of November 30, 2013

(Unit: Thousands of yen)

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

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

(Note 2) Reconciling adjustments to segment income of (367,370) thousand yen include general corporate expenses of 367,370 thousand yen that are not allocated to each reportable segment. General corporate expense consists mainly of asset management fees, asset custody fees, administrative service fees and directors’ compensation and other. Reconciling adjustments to segment assets of 15,903,578 thousand yen include

current assets of 14,633,739 thousand yen, investments and other assets of 1,206,036 thousand yen and deferred assets of 63,802 thousand yen.

As of May 31, 2014

(Unit: Thousands of yen)

	Global markets	Regional markets	Reconciling adjustments	Amount on financial statements
Operating revenues ⁽¹⁾	11,189,476	1,503,956	—	12,693,433
Segment income ⁽²⁾	6,032,948	712,495	(422,832)	6,322,611
Segment assets ⁽²⁾	324,315,682	36,935,448	12,925,647	374,176,778
Other items				
Depreciation	2,251,885	367,553	—	2,619,439
Increase in property and equipment	48,823,919	5,708,697	—	54,532,617

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

(Note 2) Reconciling adjustments to segment income of (422,832) thousand yen include general corporate expenses of 422,832 thousand yen that are not allocated to each reportable segment. General corporate expenses consist mainly of asset management fees, asset custody fees, administrative service fees and directors' compensation and other. Reconciling adjustments to segment assets of 12,925,647 thousand yen include current assets of 11,763,053 thousand yen, investments and other assets of 1,106,936 thousand yen and deferred assets of 55,657 thousand yen.

(Related Information)

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

1. Information by products and services

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

2. Information by geographic region

(1) Operating revenues

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

(2) Property and equipment

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

3. Information by major customers

Disclosure of this information is omitted because operating revenues from a single external customer accounted for less than 10% of total operating revenues on the statement of income

For the period from December 1, 2013 to May 31, 2014

1. Information by products and services

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

2. Information by geographic region

(1) Operating revenues

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

(2) Property and equipment

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

3. Information by major customers

Disclosure of this information is omitted because operating revenues from a single external customer accounted for less than 10% of total operating revenues on the statement of income

(Notes Related to Per Unit Information)

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Net assets per unit	123,738 yen	129,470 yen
Net income per unit	3,386 yen	3,320 yen

(Note 1) Net income or loss per unit is calculated by dividing net income or loss for the period by the daily weighted average number of investment units issued and outstanding. Diluted net income per unit is not stated as there are no dilutive securities to result in a diluted net income per share figure.

(Note 2) NPR implemented a 5-to-1 split of the investment units with March 1, 2014 as an effective date. Net income per unit was calculated based on an assumption that such split was implemented at the beginning of the second fiscal period ended in November 2013.

(Note 3) The basis for calculation of the net income per unit is as follows.

	For the period from June 1, 2013 to November 30, 2013	For the period from December 1, 2013 to May 31, 2014
Net income (Thousands of yen)	4,642,577	5,185,498
Amount not attributable to common unit holders (Thousands of yen)	—	—
Net income attributable to common unit holders (Thousands of yen)	4,642,577	5,185,498
Average number of investment units during the period (unit)	1,371,090	1,561,804

(Significant Subsequent Events)

None

(9) Change in Number of Investment Units Issued and Outstanding

Changes in the number of investment units issued and outstanding and unit holders' equity from the date of establishment to the end of the reported fiscal period are as follows:

Date	Type of issue	Number of investment units issued and outstanding (Units)		Unit holders' equity (Note 1) (Thousands of yen)		Note
		Increase	Total	Increase	Total	
November 7, 2012	Private placement for incorporation	400	400	200,000	200,000	(Note 2)
February 13, 2013	Public offering	182,350	182,750	96,882,555	97,082,555	(Note 3)
June 10, 2013	Public offering	96,200	278,950	71,117,870	168,200,425	(Note 4)
August 14, 2013	Surplus cash distribution (Return on capital)	—	278,950	(259,139)	167,941,285	(Note 5)
December 2, 2013	Public offering	32,190	311,140	28,511,648	196,452,934	(Note 6)
December 25, 2013	Secondary distribution	1,610	312,750	1,426,025	197,878,959	(Note 7)
February 14, 2014	Surplus cash distribution (Return on capital)	—	312,750	(604,763)	197,274,196	(Note 8)
March 1, 2014	Investment unit split	1,251,000	1,563,750	-	197,274,196	(Note 9)

(Note 1) Refers to the value after the deduction of unit holders' capital.

(Note 2) NPR was incorporated through private placement at a price of 500,000 yen per unit.

(Note 3) New investment units were issued at a price of 550,000 yen per unit (531,300 yen after deduction of gross spread to underwriters) to raise funds for the acquisition of new properties.

(Note 4) New investment units were issued at a price of 763,420 yen per unit (739,271 yen after deduction of gross spread to underwriters) to raise funds for the acquisition of new properties.

(Note 5) Cash distribution for the fiscal period ended May 2013 in the amount of 1,418 yen per unit as return of capital. It was decided on July 12, 2013 and started payment on August 14, 2013.

(Note 6) New investment units were issued at a price of 916,112 yen per unit (885,730 yen after deduction of gross spread to underwriters) to raise funds for the acquisition of new properties.

(Note 7) New investment units were issued at a price of 885,730 yen per unit through third-party allotment to raise funds for the payment of expenses associated with the issuance of new investment units and ancillary costs.

(Note 8) Cash distribution for the fiscal period ended November 2013 in the amount of 2,168 yen per unit as return of capital. It was decided on January 17, 2014 and started payment on February 14, 2014.

(Note 9) NPR has implemented a 5-to-1 investment unit split.

4. Change in Directors

No change in directors of NPR or the Asset Manager during the reporting fiscal period

5. Reference Information

(1) Composition of NPR's Assets

Type of asset	Region	Second fiscal period (As of November 30, 2013)		Third fiscal period (As of May 31, 2014)	
		Retained amount (Millions of yen) (Note 3)	Ratio of total asset (%)	Retained amount (Millions of yen) (Note 3)	Ratio of total asset (%)
Real estate	Global markets ⁽¹⁾				
	Kanto area	—	—	—	—
	Kansai area	4,477	1.4	4,475	1.2
	Regional markets ⁽²⁾				
	Chubu area	—	—	—	—
	Tohoku area	—	—	—	—
	Kyushu area	6,983	2.2	6,915	1.8
	Total	11,460	3.6	11,360	3.0
Beneficiary right in trust	Global markets ⁽¹⁾				
	Kanto area	182,766	56.5	209,077	55.9
	Kansai area	86,560	26.8	106,854	28.6
	Regional markets ⁽²⁾				
	Chubu area	18,876	5.8	18,698	5.0
	Tohoku area	5,304	1.6	10,890	2.9
	Kyushu area	—	—	—	—
	Total	293,508	90.7	345,521	92.4
Total of real estate and others		304,968	94.3	356,881	95.4
Deposit and other assets		18,519	5.7	17,294	4.6
Total assets (Note 4)		323,487 (304,968)	100.0 (94.3)	374,176 (356,881)	100.0 (95.4)

(Note 1) As for “global markets”, such areas are vital areas for international trade and logistics, and are locations surrounding largest customer bases which can also serve as important hubs within the domestic logistics network. It refers to the following areas:

- Kanto area, which refers to Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi and Gunma prefectures
- Kansai area, which refers to Osaka, Hyogo, Kyoto, Nara, Wakayama, Shiga and Mie prefectures

(Note 2) As for “regional markets” such areas are critical to Japan’s domestic trade and are locations which can play a crucial role in a widespread regional logistics network. It refers to following areas:

- Chubu area, which refers to Aichi, Shizuoka, Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Gifu prefectures
- Tohoku area, which refers to Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures
- Kyushu area, which refers to Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki and Kagoshima prefectures

(Note 3) The retained amount is from the balance (for the “Total of real estate and others”, the book value after depreciation) as of end of the reporting fiscal period

(Note 4) “Total assets” refers to the value on the balance sheet, and the figures in the brackets show the figures related to actual owned real estate.

(Note 5) “Ratio of total assets” are rounded down to the nearest first decimal place.

(2) Overview of the Portfolio

The following summarizes the real estate or the real estate properties in trust owned by NPR at the end of the reporting fiscal period:

1. Overview of Assets Held (acquisition price, book value, appraisal value as of the end of the reporting fiscal period and others)

Property number	Property name	Form of ownership	Acquisition price (Millions of yen) ⁽¹⁾	Book value (Millions of yen) ⁽²⁾	Appraisal value as of the end of the reporting fiscal period (Millions of yen) ⁽³⁾	Return price					Investment rate (%) ⁽⁴⁾
						Direct capitalization method		DCF method			
						Priced based on direct capitalization method (Millions of yen)	Direct capitalization rate (%)	Priced based on DCF method (Millions of yen)	Discount rate (%)	Terminal capitalization rate (%)	
M-01	Prologis Park Ichikawa 1	Beneficiary right in trust	33,900	33,529	36,200	37,000	4.7	36,200	4.5	4.9	9.43
M-02	Prologis Park Zama 1	Beneficiary right in trust	27,900	27,526	28,100	28,200	5.2	28,100	5.0	5.4	7.76
M-03	Prologis Park Kawajima	Beneficiary right in trust	25,600	25,219	27,600	27,900	5.4	27,600	5.2	5.6	7.12
M-04	Prologis Park Osaka 2	Beneficiary right in trust	25,000	24,614	26,700	26,500	5.2	26,700	5.0	5.3	6.95
M-05	Prologis Park Maishima 3	Beneficiary right in trust	13,500	13,273	14,200	14,100	5.3	14,200	5.1	5.4	3.76
M-06	Prologis Park Kasugai	Beneficiary right in trust	12,500	12,292	14,300	14,300	5.8	14,300	5.6	5.9	3.48
M-07	Prologis Park Kitanagoya	Beneficiary right in trust	6,500	6,406	7,040	7,120	5.5	7,040	5.4	5.7	1.81
M-08	Prologis Park Tagajo	Beneficiary right in trust	5,370	5,251	5,460	5,520	5.8	5,460	5.6	6.0	1.49
M-09	Prologis Park Tokyo-Ohta	Beneficiary right in trust	29,500	29,507	30,100	30,900	4.6	30,100	4.4	4.8	8.21
M-10	Prologis Park Zama 2	Beneficiary right in trust	21,900	21,784	22,600	22,700	5.2	22,600	5.0	5.4	6.09
M-11	Prologis Park Funabashi 5	Beneficiary right in trust	9,500	10,971	11,300	11,400	5.0	11,300	4.8	5.2	3.06
	(Annex)		1,500								
M-12	Prologis Park Narita 1-A&B	Beneficiary right in trust	8,420	8,358	8,620	8,730	5.7	8,500	5.4	6.1	2.34
M-13	Prologis Park Narita 1-C	Beneficiary right in trust	4,810	4,782	4,960	5,000	5.7	4,920	5.4	6.1	1.34
M-14	Prologis Park Amagasaki 1	Beneficiary right in trust	17,600	17,560	18,000	18,100	5.0	17,900	4.9	5.4	4.90
M-15	Prologis Park Amagasaki 2	Beneficiary right in trust	19,200	19,124	19,600	19,800	5.1	19,400	4.9	5.3	5.34
M-16	Prologis Park Tokyo-Shinkiba	Beneficiary right in trust	13,600	13,642	13,800	13,900	4.6	13,800	4.5	4.8	3.78
M-17	Prologis Park Yokohama-Tsurumi	Beneficiary right in trust	13,800	13,806	14,000	14,100	5.2	14,000	5.0	5.3	3.84

Property number	Property name	Form of ownership	Acquisition price (Millions of yen) ⁽¹⁾	Book value (Millions of yen) ⁽²⁾	Appraisal value as of the end of the reporting fiscal period (Millions of yen) ⁽³⁾	Return price					Investment rate (%) ⁽⁴⁾
						Direct capitalization method		DCF method			
						Priced based on direct capitalization method (Millions of yen)	Direct capitalization rate (%)	Priced based on DCF method (Millions of yen)	Discount rate (%)	Terminal capitalization rate (%)	
M-18	Prologis Park Osaka 4	Beneficiary right in trust	21,000	20,955	21,400	21,200	5.2	21,400	5.0	5.3	5.84
M-19	Prologis Park Iwanuma 1	Beneficiary right in trust	5,670	5,639	5,810	5,910	5.9	5,810	5.9	6.2	1.58
B-01	Prologis Park Maishima 4	Beneficiary right in trust	11,500	11,326	12,200	12,100	5.2	12,200	5.0	5.3	3.20
B-02	Prologis Park Takatsuki	Real estate	4,410	4,445	4,610	4,600	5.4	4,610	5.1	5.5	1.23
B-03	Prologis Park Tosu 2	Real estate	3,030	3,060	3,250	3,210	5.6	3,250	5.3	5.7	0.84
B-04	Prologis Park Tosu 4	Real estate	3,810	3,855	4,010	4,080	5.6	4,010	5.3	5.7	1.06
B-05	Prologis Park Narashino 4	Beneficiary right in trust	20,000	19,947	20,400	20,200	5.1	20,400	4.9	5.2	5.56
Total			359,520	356,881	374,260	376,570	-	373,800	-	-	100.00

(Note 1) "Acquisition price" represents the purchase price of each property or beneficiary right in trust as set forth on the relevant purchase agreement and does not include expenses such as consumption taxes, and are rounded down to nearest million yen.

(Note 2) "Book value" represents the value on the balance sheet after depreciation and are rounded down to nearest million yen.

(Note 3) NPR has retained Jones Lang LaSalle K.K., CBRE K.K. and Japan Real Estate Institute to appraise the value of the properties. "Appraisal value as of the end of the reporting fiscal period" represents the appraisal value as set forth on the relevant study reports by real estate appraisers as of May 31, 2014.

(Note 4) "Investment ratio" is calculated by dividing the acquisition price for each property by the total acquisition price and is rounded to nearest second decimal place. Thus the sum of the figures in total may not add up to the figure in the total column.

2. Overview of Assets Held (property age, occupancy rate and annual rent)

Property number	Property name	Property age (years) ⁽¹⁾	Leasable area(m ²) ⁽²⁾	Leased area(m ²) ⁽³⁾	Gross number of tenants ⁽⁴⁾	Occupancy rate (%) ⁽⁵⁾	Annual rent (Millions of yen) ⁽⁶⁾	Security deposit (Millions of yen) ⁽⁷⁾	Average lease contract (years) ⁽⁸⁾	Average remaining lease contract (years) ⁽⁹⁾
M-01	Prologis Park Ichikawa 1	5.6	125,014.12	124,565.17	10	99.6	2,054	879	9.5	5.7
M-02	Prologis Park Zama 1	5.0	113,471.12	113,471.12	7	100.0	1,838	567	8.2	4.1
M-03	Prologis Park Kawajima	3.0	145,036.25	145,036.25	5	100.0	1,812	569	4.9	2.5
M-04	Prologis Park Osaka 2	7.0	130,565.80	130,045.19	7	99.6	1,702	580	6.9	3.5
M-05	Prologis Park Maishima 3	6.3	74,925.40	74,098.39	4	98.9	949	368	8.5	4.1
M-06	Prologis Park Kasugai	6.4	91,733.90	87,724.70	9	95.6	993	416	4.0	1.4
M-07	Prologis Park Kitanoagoya	5.0	42,751.60	42,751.60	3	100.0	529	165	4.3	3.0
M-08	Prologis Park Tagajo	5.2	39,098.87	36,280.62	4	92.8	391	175	3.7	1.3
M-09	Prologis Park Tokyo-Ohta	8.7	73,403.28	64,258.47	12	87.5	1,465	546	4.2	2.3
M-10	Prologis Park Zama 2	1.8	95,133.74	95,133.74	4	100.0	1,443	585	5.4	4.0
M-11	Prologis Park Funabashi 5 (Annex)	9.5	56,556.95	56,556.95	4	100.0	744	367	6.6	2.4
M-12	Prologis Park Narita 1-A&B	9.3	62,058.82	60,447.84	10	97.4	666	159	2.2	1.3
M-13	Prologis Park Narita 1-C	7.1	32,230.25	32,230.25	3	100.0	395	75	2.2	1.6
M-14	Prologis Park Amagasaki 1	8.8	91,446.75	91,446.75	1	100.0	(Note 10)	(Note 10)	15.0	11.8
M-15	Prologis Park Amagasaki 2	7.2	91,309.37	81,895.18	8	89.7	1,102	472	7.5	3.0
M-16	Prologis Park Tokyo-Shinkiba	7.0	31,022.88	26,266.57	8	84.7	727	350	6.1	2.5
M-17	Prologis Park Yokohama-Tsurumi	6.1	63,973.26	63,598.58	4	99.4	934	414	5.2	3.5
M-18	Prologis Park Osaka 4	2.1	106,135.15	103,493.11	8	97.5	1,372	521	4.6	3.3
M-19	Prologis Park Iwanuma 1	5.7	40,520.43	40,520.43	3	100.0	433	265	5.5	2.3
B-01	Prologis Park Maishima 4	3.8	57,234.13	57,234.13	1	100.0	(Note 10)	(Note 10)	12.0	8.3
B-02	Prologis Park Takatsuki	2.4	19,898.05	19,898.05	1	100.0	(Note 10)	(Note 10)	15.0	12.7
B-03	Prologis Park Tosu 2	1.9	21,778.87	21,778.87	1	100.0	(Note 10)	(Note 10)	10.0	8.2

B-04	Prologis Park Tosu 4	2.4	28,765.31	28,765.31	1	100.0	(Note 10)	(Note 10)	15.3	13.0
B-05	Prologis Park Narashino 4	0.8	91,529.07	91,529.07	1	100.0	(Note 10)	(Note 10)	10.0	9.3
Total		5.4	1,725,633.37	1,689,026.34	119	97.9	23,385	9,063	7.1	4.4

(Note 1) “Property age” of each property is calculated based on the date in the property registration as of May 31, 2014 and rounded down to the nearest first decimal place. Although Prologis Park Zama 2 also has an annex, the property age is calculated based only on the main structure of the property, as the annex is relatively small. Also, the convenience store building that is jointly owned by the owners of Prologis Park 1-A&B and Prologis Park 1-C is also excluded.

(Note 2) “Leasable area” equals to the gross leasable space in each property in trust based on lease agreements and floor plans included in lease agreements plus available space based on floor plans, rounded down to the nearest square meter. “Leasable area”, “Leased area” and “Occupancy rate”, does not include the area of the convenience store building that is jointly-owned by the owners of Prologis Park Narita 1-A&B and Prologis Park Narita 1-C. The same applies hereinafter.

(Note 3) “Leased area” equals to gross floor area of leased space in property in trust as of May 31, 2014, based on the lease agreements and floor plans included in lease agreements. Area has been rounded down to the nearest square meter.

(Note 4) “Gross number of tenants” is based on the lease agreements with tenants for warehouses, offices and stores for each property in trust as of May 31, 2014. For properties with pass-through master lease agreements, this is the total number of end-tenants.

(Note 5) “Occupancy rate” is as of May 31, 2014, calculated by dividing total leased area for each property by the total leasable area. The total occupancy rate is calculated by dividing the aggregate total leased area for the relevant properties by the aggregate total leasable area for the relevant properties. Figures are rounded to the nearest tenth.

(Note 6) “Annual rent” is based on total annual rent (including common area charges) as of May 31, 2014 as indicated in the relevant lease agreements for all warehouses, offices and stores for each property in trust. If the relevant agreements include monthly contracted rent, anticipated annual rent is calculated in accordance with the terms provided in the agreements. Figures are rounded down to the nearest million yen.

(Note 7) “Security deposit” is calculated as the total security deposit as indicated in the relevant lease agreements for all warehouses, offices and stores for each property in trust as of May 31, 2014, rounded down to the nearest million yen.

(Note 8) “Average lease contract” is calculated as the weighted average of length of lease contract indicated in the relevant lease agreements for all warehouses, offices and stores for each property in trust as of May 31, 2014, by the rent and figures are rounded to the nearest tenth.

(Note 9) “Average remaining lease contract” is calculated as the weighted average of length of remaining lease contract indicated in the relevant lease agreements for all warehouses, offices and stores for each property in trust as of May 31, 2014, by the rent and figures are rounded to the nearest tenth.

(Note 10) We have not obtained permission from the tenant of the properties to disclose the information omitted from this table.

(3) Capital Expenditures for Owned Properties

(a) Future Plans for Capital Expenditure

The following summarizes the major capital expenditure plan in connection with scheduled renovation and other work for properties owned by NPR. Estimated construction cost includes the amounts to be expensed for accounting purposes.

Name (Location)	Purpose	Planned period	Estimate construction cost (Millions of yen) ⁽¹⁾		
			Total amount	Paid during the reporting period	Total amount already paid
Prologis Park Tokyo-Ohta (Ota, Tokyo)	Installment of LED lightings	From June 2014 to September 2014	23	—	—
Prologis Park Tosu 2, other (Tosu, Saga, other)	Expand a mechanical room for solar power connection	From July 2014 to October 2014	13	—	—

(Note 1) Figures are rounded down to the nearest million yen.

(b) Capital Expenditure Incurred for the Reported Fiscal Period

The following summarizes the major construction work to NPR's owned properties that resulted in capital expenditures for the reporting fiscal period. Capital expenditures for the reporting fiscal period were 93 million yen and repair and maintenance of 88 million yen was accounted for as expenses.

Name (Location)	Purpose	Period	Amount spent (Millions of yen) ⁽¹⁾
Prologis Park Kawajima (Hiki, Saitama)	Installment of fire extinguisher equipment hazardous materials	From October 2013 to January 2014	58
Prologis Park Kawajima (Hiki, Saitama)	Installment of fire shutter	From June 2013 to January 2014	5
Prologis Park Kawajima (Hiki, Saitama)	Upgrade the illuminated exit lights	From February 2014 to March 2014	6
Prologis Park Tokyo-Ohta (Ota, Tokyo)	Installment of LED lightings	From May 2013 to May 2014	3
Others	—	—	21
Total			93

(Note 1) Figures are rounded down to the nearest million yen.

(c) Reserved Amount for Long-Term Repairs, Maintenance and Renovation Plans

None

(4) Information Concerning Major Tenants

(a) Major Tenants (tenants accounting for more than 10% of aggregate leased area)

None.

(b) Information Related to Major Properties (properties accounting for more than 10% of aggregate property-related revenue)

None.

(5) Overview of Property Leasing and Status of Operating Income

Third Fiscal Period from December 1, 2013 to May 31, 2014

(Units: Thousands of yen)

Property number	M-01	M-02	M-03	M-04	M-05
Property name	Prologis Park Ichikawa 1	Prologis Park Zama 1	Prologis Park Kawajima	Prologis Park Osaka 2	Prologis Park Maishima 3
Operating days	182	182	182	182	182
(1) Property related revenues	1,171,508	978,787	957,500	915,508	502,934
Property revenues	1,022,228	919,496	901,605	860,377	473,876
Other property related revenues	149,279	59,291	55,894	55,130	29,057
(2) Total of property related expenses	475,854	362,061	382,947	388,106	234,688
Property taxes	69,844	62,561	59,608	70,996	44,001
Subcontract expenses	67,938	51,004	42,126	46,377	33,602
Utilities cost	112,540	48,287	52,609	58,261	26,492
Non-life insurance premium	1,802	1,583	1,856	1,939	1,096
Repair and maintenance	25,828	3,463	361	6,619	7,035
Depreciation	197,241	192,542	225,884	203,411	121,858
Custodian fee	660	500	500	500	600
Other expenses	—	2,119	—	—	—
(3) Operating income from property leasing (= (1)-(2))	695,654	616,725	574,553	527,402	268,245
NOI ((3) + Depreciation)	892,895	809,267	800,437	730,813	390,104

(Units: Thousands of yen)

Property number	M-06	M-07	M-08	M-09	M-10
Property name	Prologis Park Kasugai	Prologis Park Kitanagoya	Prologis Park Tagajo	Prologis Park Tokyo-Ohta	Prologis Park Zama 2
Operating days	182	182	182	182	182
(1) Property related revenues	530,501	277,992	199,332	854,015	794,257
Property revenues	497,038	264,513	186,145	787,631	723,820
Other property related revenues	33,463	13,478	13,186	66,384	70,436
(2) Total of property related expenses	250,542	132,457	100,124	297,267	307,663
Property taxes	48,981	27,642	8,450	49,664	53,983
Subcontract expenses	41,534	31,988	20,001	55,740	36,711
Utilities cost	32,790	12,405	13,498	55,347	64,440
Non-life insurance premium	1,197	509	419	1,117	1,275
Repair and maintenance	5,577	436	1,867	7,185	—
Depreciation	119,961	58,975	55,387	127,710	150,752
Custodian fee	500	500	500	500	500
Other expenses	—	—	—	—	—
(3) Operating income from property leasing (= (1)-(2))	279,959	145,534	99,207	556,748	486,593
NOI ((3) + Depreciation)	399,920	204,510	154,594	684,459	637,345

(Units: Thousands of yen)

Property number	M-11	M-12	M-13	M-14	M-15
Property name	Prologis Park Funabashi 5 (include Annex)	Prologis Park Narita 1-A&B	Prologis Park Narita 1-C	Prologis Park Amagasaki 1	Prologis Park Amagasaki 2
Operating days	182	182	182	182	182
(1) Property related revenues	410,735	361,855	220,654		668,764
Property revenues	383,719	326,183	199,918		599,608
Other property related revenues	27,016	35,671	20,735		69,156
(2) Total of property related expenses	162,257	160,649	104,429		301,691
Property taxes	27,060	20,061	14,061		49,351
Subcontract expenses	31,515	32,474	28,362		41,144
Utilities cost	24,021	28,593	17,240		66,508
Non-life insurance premium	754	753	423		1,134
Repair and maintenance	6,971	3,730	1,706		8,184
Depreciation	70,932	74,536	42,135		134,868
Custodian fee	999	500	500		499
Other expenses	—	—	—		—
(3) Operating income from property leasing (= (1)-(2))	248,478	201,205	116,225	357,078	367,073
NOI ((3) + Depreciation)	319,411	275,742	158,360	466,508	501,941

(Note) We have not obtained permission from the tenants of the properties to disclose the information and therefore is omitted from this table.

(Units: Thousands of yen)

Property number	M-16	M-17	M-18	M-19	B-01
Property name	Prologis Park Tokyo-Shinkiba	Prologis Park Yokohama-Tsurumi	Prologis Park Osaka 4	Prologis Park Iwanuma 1	Prologis Park Maishima 4
Operating days	180	180	180	180	182
(1) Property related revenues	399,180	483,110	713,557	260,173	(Note)
Property revenues	372,239	460,163	678,492	214,480	
Other property related revenues	26,941	22,946	35,065	45,693	
(2) Total of property related expenses	132,579	209,518	297,983	126,064	
Property taxes	31,046	43,804	65,852	9,551	
Subcontract expenses	19,411	31,680	32,946	11,317	
Utilities cost	21,784	24,592	29,759	36,945	
Non-life insurance premium	459	819	1,405	469	
Repair and maintenance	495	2,188	1,175	1,828	
Depreciation	58,644	105,396	166,347	65,454	
Custodian fee	736	736	497	497	
Other expenses	—	300	—	—	
(3) Operating income from property leasing (= (1)-(2))	266,601	273,591	415,574	134,109	237,644
NOI ((3) + Depreciation)	325,246	378,987	581,921	199,564	332,190

(Note) We have not obtained permission from the tenants of the properties to disclose the information and therefore is omitted from this table.

(Units: Thousands of yen)

Property number	B-02	B-03	B-04	B-05
Property name	Prologis Park Takatsuki	Prologis Park Tosu 2	Prologis Park Tosu 4	Prologis Park Narashino 4
Operating days	182	182	182	182
(1) Property related revenues	(Note)	(Note)	(Note)	(Note)
Property revenues				
Other property related revenues				
(2) Total of property related expenses				
Property taxes				
Subcontract expenses				
Utilities cost				
Non-life insurance premium				
Repair and maintenance				
Depreciation				
Custodian fee				
Other expenses				
(3) Operating income from property leasing (= (1)-(2))	99,637	64,388	77,000	396,181
NOI ((3) + Depreciation)	131,435	96,003	113,159	540,029

(Note) We have not obtained permission from the tenants of the properties to disclose the information and therefore is omitted from this table.