



PROLOGIS
Nippon Prologis REIT



SEMIANNUAL REPORT

Fiscal period ended November 30, 2014

Message from the Executive Director



Dear Fellow Unit Holders,

We are pleased to present our Semiannual Report of Nippon Prologis REIT, Inc. (NPR) for our 4th fiscal period ended November 30, 2014. As a result of continued solid fundamentals of Japanese logistics real estate market and the strong operational platform of the Prologis Group, we have again delivered strong financial results. We remain confident about and proud of our consistent unchanged growth story.

Financial Results of 4th Fiscal Period — Net income was 5.4 billion yen, exceeding the forecast by 1.4 percent, and the distribution per unit, including surplus cash distributions, was 3,742 yen, which exceeded the forecast by 1.1 percent. Operating revenues were slightly below forecast due to modestly lower average occupancy. At this point in the cycle, we prioritized our operating strategy of rent growth over occupancy. This was fully offset by savings from operational and non-operational expenses. As a result of further cap rate compression, we recorded an unrealized real estate capital gain of 25.9 billion yen.

Current Real Estate Portfolio — In the 4th fiscal period, we conducted our third follow-on offering and successfully raised 40.3 billion yen. With those proceeds, we acquired five additional properties for 45.5 billion yen, and now manage 29 properties with an acquisition value of 405 billion yen. These 29 assets are modern Class-A logistics facilities, all developed by our sponsor, the Prologis Group. Among the portfolio assets, multi-tenant facilities account for 80 percent with the balance being build-to-suit properties. At the end of the fiscal period, our portfolio was leased to a diverse tenant base, including third-party logistics companies and e-tailers. The floor space share of our top 20 tenants accounted for only 61 percent of the total portfolio, by far the lowest

among logistics J-REITs. Our portfolio remains the youngest among all J-REITs, with an average age of 5.5 years. Approximately 90 percent of our assets are located in densely populated global markets of Tokyo and Osaka metropolitan areas where we believe we will have significant economic upside with limited downside risks. The portfolio continues to generate attractive yields; the NOI yield is 5.4 percent on an appraisal basis.

Japanese Logistics Real Estate Market Environment — Japanese government and the Bank of Japan continue to stimulate the country's macro economy. As a result of deferral of next consumption tax increase and continued BOJ's quantitative easing, Japanese economic environment appears reasonably solid.

More importantly, we are observing unchanged strong demand for high-quality logistics space. E-commerce companies and third-party logistics companies continue to be primary drivers of such demand, and most recently, conventional retailers are directly leasing Class-A logistics space to shift their weight to internet based businesses. Also, we are observing a number of third-party logistics companies that are leasing Class-A space today to secure their market share in the future. According to our research, more than 80 percent of newly supplied Class-A space in Tokyo metropolitan area has been leased up as of the end of 2014, and more than 90 percent of new Class-A supplies in Osaka metropolitan area has been absorbed. Since the current stock of modern logistics facilities is scarce in Japan, accounting for only 2 percent of the nation's entire distribution space, we believe the outlook for the logistics real estate continues to be bright over the long term. In 2015 and 2016, we expect that the demand-supply balance is likely to be balanced despite significant new supply coming to the market.

Message from the Executive Director



Internal Growth — Due to the high quality of our Class-A portfolio, our operational performance in the 4th fiscal period continued to be strong. Our average occupancy was 97.6 percent, reflecting persistent demand from our tenants and Prologis Group's significant leasing capabilities. During this time, lease contracts for approximately 6 percent of our total leasable area expired, and we have successfully renewed or re-tenanted those spaces, achieving rent growth of 4.1 percent on a nominal weighted average basis.

External Growth Opportunities — NPR continues to receive strong sponsor support from the Prologis Group. Accordingly, we have a stable pipeline of new property acquisitions that comes from the Prologis' significant development activities. In December 2014, we were granted exclusive negotiation rights for five new properties with an estimated value of approximately 40 billion yen. These assets are expected to stabilize (i.e. more than 90 percent occupancy) by the end of 2015, and we plan to acquire them at the appropriate time. In addition, the Prologis Group announced one new development project, increasing the total of our future acquisition pipeline assets (other than the exclusive negotiation right assets) to eight with an estimated value of

approximately 120 billion yen. As these development assets are completed, leased and stabilized, they will be added to NPR's exclusive negotiation right list. With this strong external growth, we believe we will be able to maximize our unit holder value.

Financial Strategy — We continue to maintain our financial strategy focusing on long-term stability and efficiency. In November 2014, we issued our first J-REIT bonds in the amount of 5 billion yen. Although the issued amount was relatively small, we believe such initiatives further reduce our total debt cost and diversify our financings. At the end of the 4th fiscal period, our loan-to-value ratio was 38.7 percent, and we intend to maintain this conservative level of leverage. We believe we can maximize our unit holder value by utilizing our additional borrowing capacity for significantly accretive acquisitions at times when equity markets are displaced. All of our debt is currently long-term, with fixed interest rates, and average duration of 5.0 years. As such, we are able to mitigate future interest rate volatility and minimize future refinancing risks. The strength of our balance sheet, our commitment to a sound capital structure and significant diversity of our portfolio profile was recognized by Japan Credit Rating Agency (JCR), who upgraded our credit rating to "AA (stable)" (from "AA minus (positive)") in February 2015.



Message from the Executive Director



Governance Structure — We continue to align the interests of NPR and the Prologis Group with our unit holders to maximize value. The Prologis Group continues to own 15 percent of NPR's outstanding investment units and is committed to maintaining this ownership percentage over the long term. Also, asset management fees of Prologis REIT Management K.K., NPR's external asset manager, are 100 percent linked to the financial performance of NPR. Related party transactions between NPR and the Prologis Group are monitored by external committee members who reserve the right to consent. We believe NPR is being operated with the highest standard of governance in the industry.

Corporate Responsibility — As the global leader in industrial real estate, the Prologis Group is focused on building the most sustainable logistics and distribution platform and is committed to corporate responsibility through its various programs. Dedicated to being a leading global citizen, their approach to corporate responsibility comprises three dimensions; "for the planet" (environmental stewardship), "for the people" (social responsibility) and "for the pursuit of excellence in business" (ethics and governance). Prologis is especially committed to leading the industry in sustainable development, renewable energy and energy efficiency. For example, solar panel systems are currently being installed on the rooftops of 17 assets of NPR's portfolio and a pipeline asset, and Prologis continues to install the same systems for its future development facilities. Currently, total renewable energy output amounts to 18.8 megawatts, equivalent to the annual electricity usage of 5,600 Japanese households. Also, Prologis focuses on maximizing energy efficiency of our operations and is committed to minimizing environmental impact from our facilities through the introduction of various sustainable features and initiatives.

At Prologis, social responsibility is a commitment to our colleagues, local communities and suppliers. Prologis supports hundreds of community activities and social causes, building relationships in the cities we operate, and Prologis employees actively volunteer in their communities.

We are proud of our accomplishments during the two years since our IPO. We have more than doubled the size of our portfolio and have tripled the size of our market capitalization while significantly increasing the economics of our distributions per unit and net asset value. Looking forward we strive to maximize our unit holder value by growing both externally and internally, and building solid track records of portfolio management.

We are grateful for your ongoing support and commitment to long-term investing.

Masahiro Sakashita

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



Financial Highlights for the Fiscal Period Ended November 30, 2014



Distribution Per Unit
(total JPY)

3,742

Operating Revenues
(JPY millions)

13,436

Net Income
(JPY millions)

5,474

Total Assets
(JPY millions)

420,296

Loan-To-Value Ratio

38.7%

Period End Occupancy Rate

98.6%

Credit Rating

JCR AA

(Stable)*

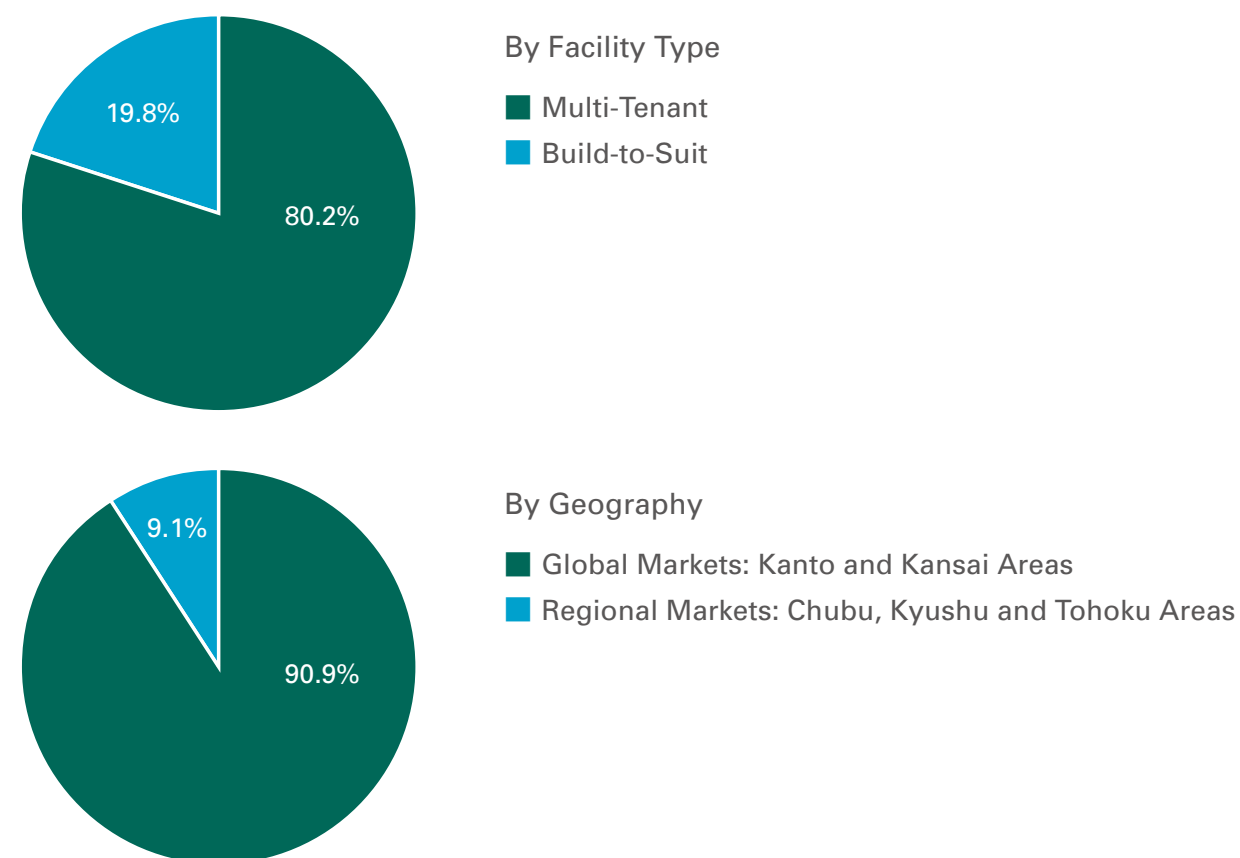
*As of Feb. 3, 2015

Portfolio Size
(JPY millions)

405,050

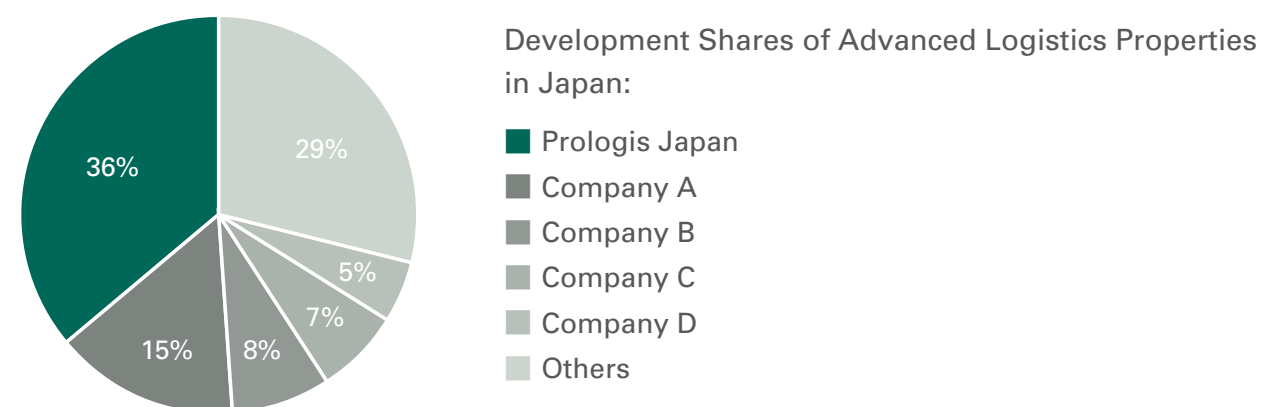
Investment Highlights

Earnings Stability from a Diversified Portfolio of Class-A Facilities



Full Sponsor Support from the Prologis Group*

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



*As of June 30, 2014

Focus on High-Quality Class-A Logistics Facilities

Class-A Logistics Facilities Developed by Prologis Group

100%

Financial Strategy Focused on Long-Term Stability and Efficiency

Focus on Long-Term Stability of Borrowings

Efficient Cash Management

Period End LTV
38.7%

Governance Structure Promoting Growth in Unit Holder Value

Prologis Investment

15%



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



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



M-03 Prologis Park Kawajima
JPY 25,600 mm



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



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



M-06 Prologis Park Kasugai
JPY 12,500 mm



M-07 Prologis Park Kitanagoya
JPY 6,500 mm



M-08 Prologis Park Tagajo
JPY 5,370 mm



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



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



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



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



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



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



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



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



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



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



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



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



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



B-02 Prologis Park Takatsuki
JPY 4,410 mm



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



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



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



B-06 Prologis Park Ebina
JPY 8,250 mm



B-07 Prologis Park Kawanishi
JPY 13,600 mm



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

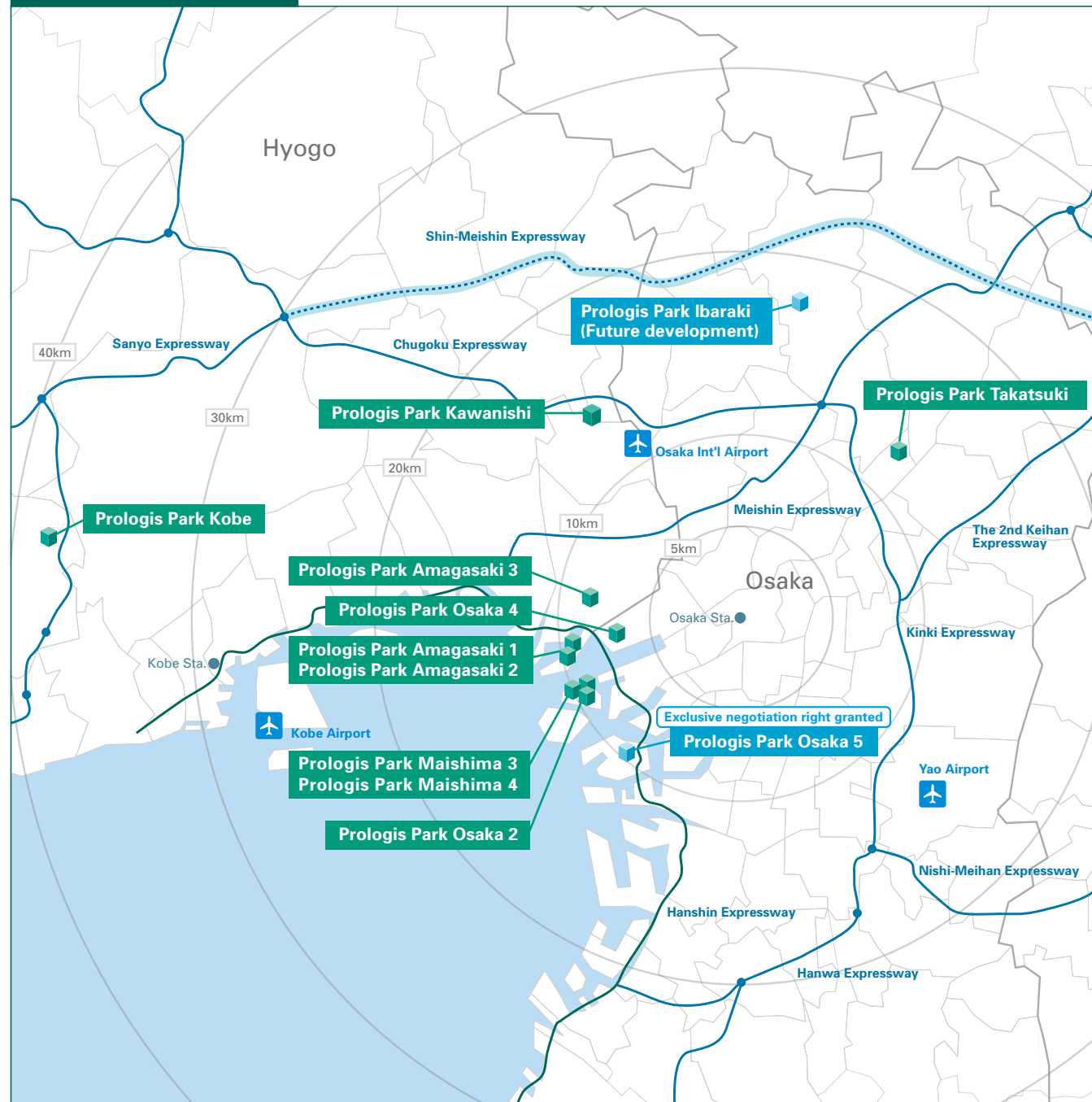


B-09 Prologis Park Kobe
JPY 6,410 mm

Note: As of Nov. 30, 2014. Property values are based on acquisition prices.

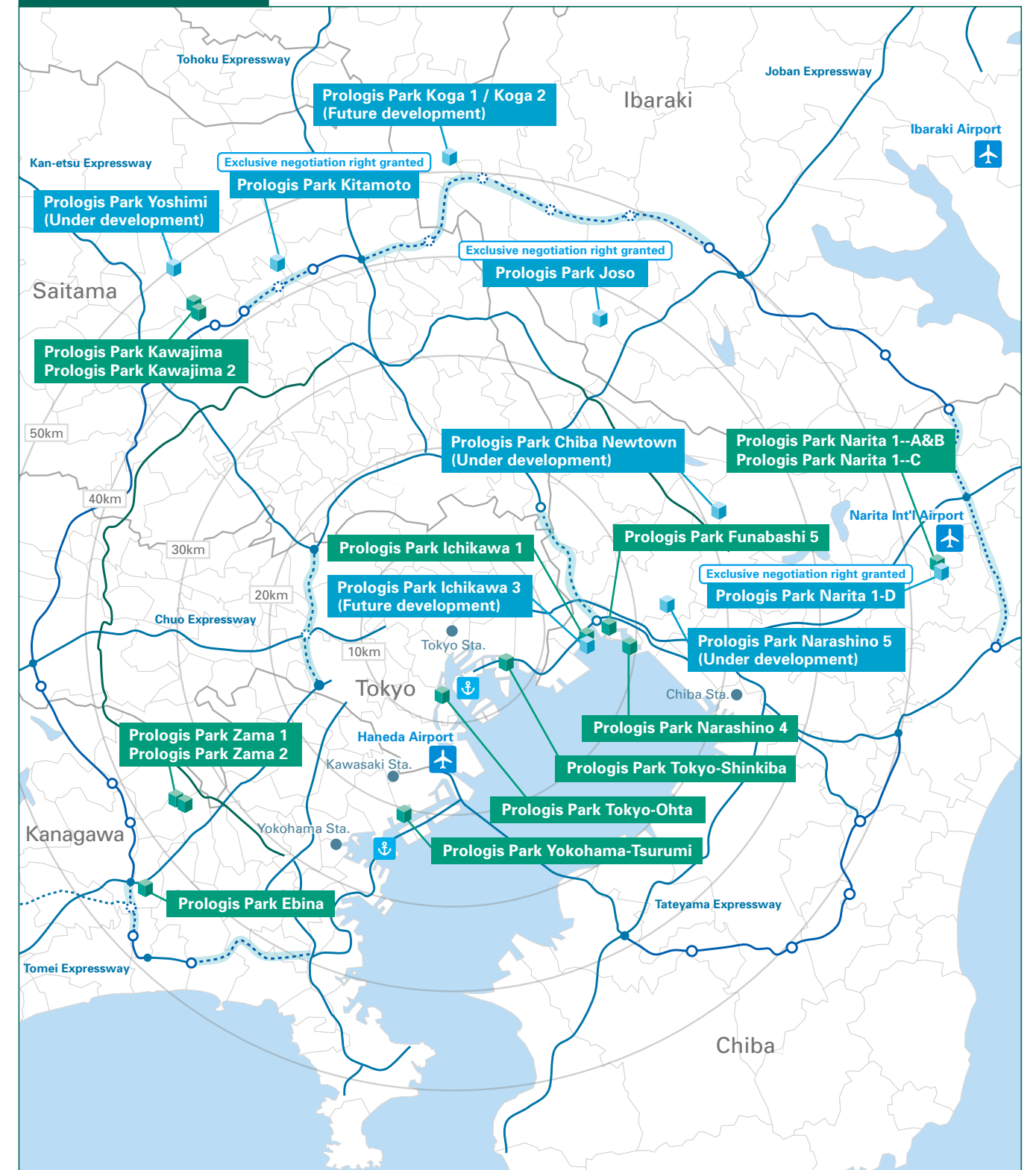
NPR Portfolio and Pipeline Properties

Kansai area



- Current assets
- Pipeline assets

Kanto area



Sponsor Support from the Prologis Group



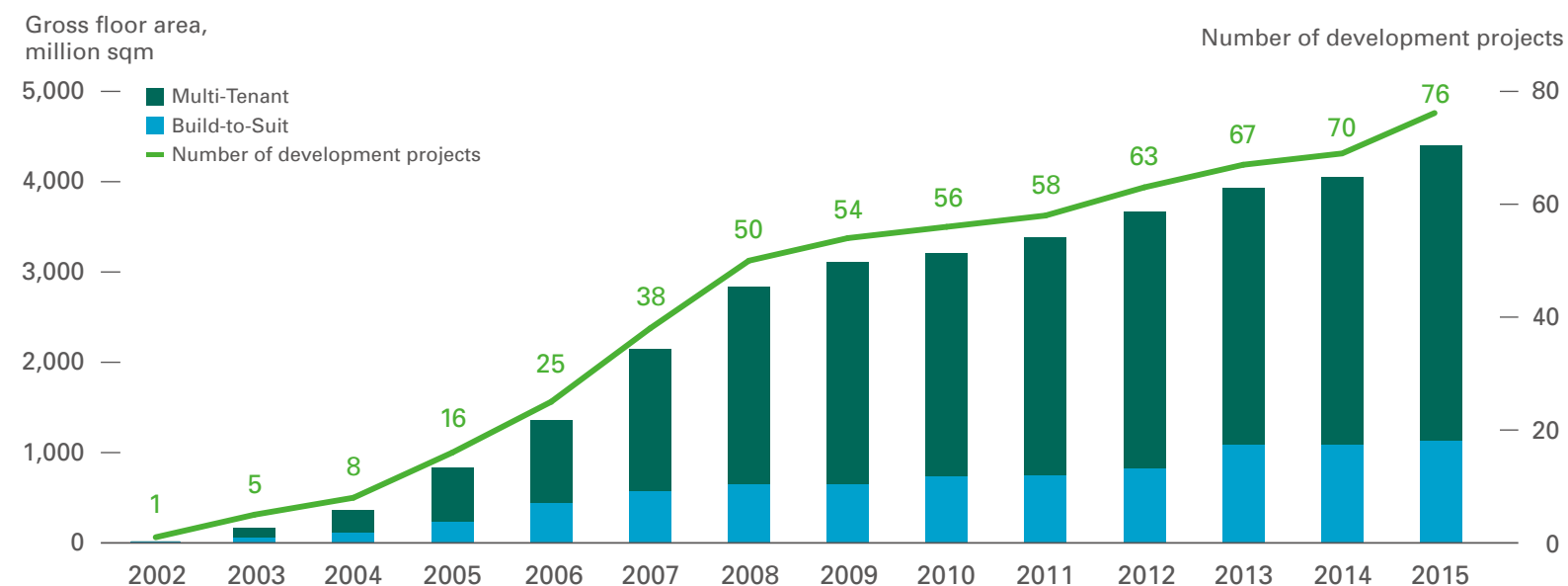
Future Pipeline

Status	Region / Area	Property Name	Expected Completion Year	Property Type	GFA (sqm)
Operating/ Development Assets Exclusive Negotiation Rights granted by the Prologis Group	Kanto	Prologis Park Kitamoto	2014	Multi-Tenant	70,291
		Prologis Park Joso	2014	Multi-Tenant	37,381
		Prologis Park Narita 1-D	2015	Multi-Tenant	28,192
	Kansai	Prologis Park Osaka 5	2015	Multi-Tenant	80,594
	Kyushu	Prologis Park Hisayama	2015	Multi-Tenant	24,492
Planned Assets (Under Development / Future Development)	Kanto	Prologis Park Yoshimi	2015	Multi-Tenant	110,967
		Prologis Park Ichikawa 3	TBD	Multi-Tenant	59,987
		Prologis Park Chiba New Town	2016	Multi-Tenant	127,522
		Prologis Park Narashino 5	2016	Multi-Tenant	64,533
		Prologis Park Koga 1	TBD	TBD	62,068
		Prologis Park Koga 2	TBD	TBD	55,470
	Kansai	Prologis Park Ibaraki	2016	Multi-Tenant	188,528
	Tohoku	Prologis Park Sendai Izumi	TBD	Build-to-Suit	27,943
	Total				937,968

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

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

Proven Development Track Record Since 2002



Focus on Class-A Logistics Facilities

Features:

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

Spiral Rampways



Large Loading Zones



Wide-Column Spacing



Renewable Energy



Restaurant



Convenience Store



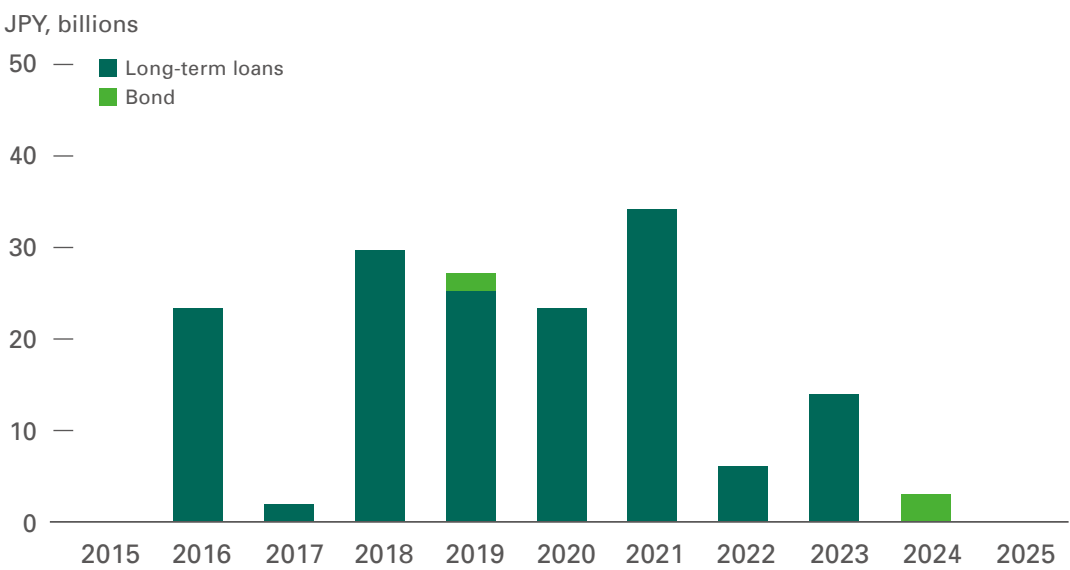
24-Hour Security



Seismic Isolators

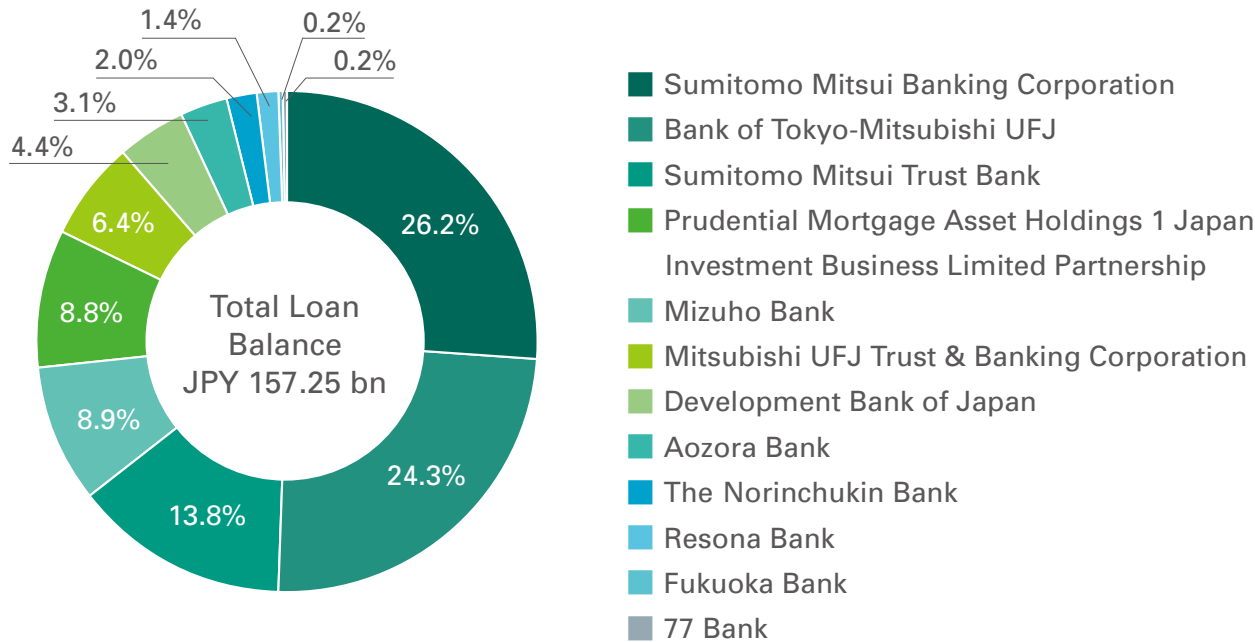


Debt Maturity Schedule*



*As of Nov. 30, 2014

Our Lenders*



Corporate Governance Investor-Aligned Fee Structure

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

100% performance-linked asset management fee structure

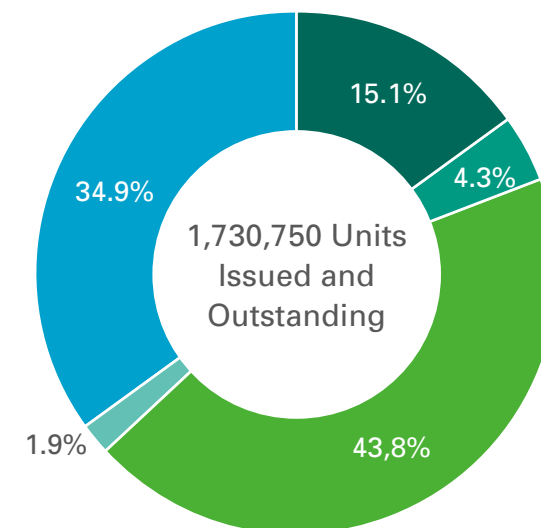
Unit Holder Information (As of Nov. 30, 2014)



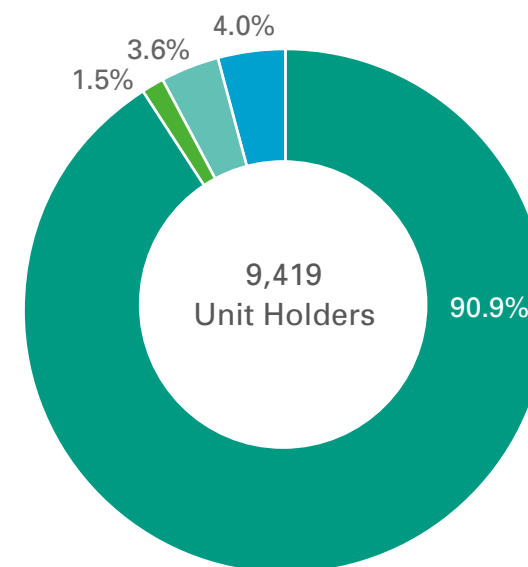
Major Unit Holders

	Name	Units Owned	% of Units Issued
1	Prologis Property Japan SPC	259,310	14.98%
2	Japan Trustee Services Bank, Ltd. (Trust Acct.)	241,214	13.93%
3	The Master Trust Bank of Japan, Ltd. (Trust Acct.)	131,328	7.58%
4	Trust and Custody Services Bank, Ltd. (Securities Investment Trust Acct.)	127,615	7.37%
5	The Nomura Trust and Banking Company, Ltd. (Trust Acct.)	72,851	4.20%
6	NOMURA BANK (LUXEMBURG) S. A.	37,718	2.17%
7	THE BANK OF NEW YORK MELLON SA/NV 10	28,581	1.65%
8	STATE STREET BANK WEST CLIENT-TREATY	23,511	1.35%
9	UNION BANCAIRE PRIVEE (EUROPE) SA, AIFMD CLIENTS	22,359	1.29%
10	STATE STREET BANK-WEST PENSION FUND CLIENTS-EXEMPT	22,218	1.28%
	Total	966,705	55.85%

Unit Holder Composition



- Prologis Group: 261,310 units
- Financial institutions: 757,806 units
- Foreign entities and individuals: 603,811 units
- Domestic individuals and others: 74,497 units
- Domestic entities: 33,326 units



- Domestic individuals and others: 8,561 unit holders
- Domestic entities: 340 unit holders
- Financial institutions: 141 unit holders
- Foreign entities and individuals: 377 unit holders

Environmental Stewardship

Solar panels installed on the rooftops of 17 assets of the NPR portfolio and pipeline assets

Prologis is dedicated to leading the industry in sustainable development, renewable energy and energy efficiency. For example, solar panel systems are currently being installed on the rooftops of 17 assets of the NPR portfolio and pipeline assets. This solar portfolio is expected to deliver approximately 19 megawatts, equivalent to the annual electricity consumption of 5,600 Japanese households.

Prologis is focused on maximizing the energy efficiency of our properties and is committed to minimizing environmental impact through various sustainable features and initiatives such as energy conservation plans, and substantial green plans. As part of such efforts, Prologis has initiated a project to replace the current interior lighting with LEDs to substantially reduce energy usage. Prologis aims to develop sustainable buildings in the long term and continues to deliver CASBEE certified facilities.



Prologis Park Ichikawa 1



Before



After



Prologis Park Osaka 4



Prologis Park Kawajima

Social Responsibility

Enhancing the local community

Partnership with local communities' educational programs

At Prologis, social responsibility means a commitment to our colleagues, local communities and suppliers. Prologis supports hundreds of community activities and social causes, as well as educational events, building relationships in the cities we operate. For example, Prologis has been sponsoring a graduate school program at Waseda University since 2006, which focuses on the cutting edge development of Japanese modern logistics industry. Through such events, Prologis is proud to support the next generation of logistics experts.



Active participation in local volunteer activities

Prologis employees actively volunteer in their communities. In Kitamoto City, for example, where NPR has a pipeline property, all Prologis Japan employees, in collaboration with local nonprofit organizations, have been participating in a program to enhance the environment and community.

Volunteer work near Prologis Park Kitamoto



Balance Sheets

	Thousands of yen	
	As of	
	November 30, 2014	May 31, 2014
ASSETS		
Current assets:		
Cash and deposits (Notes 4 and 5)	¥ 12,857,306	¥ 10,675,183
Cash and deposits in trust (Notes 3, 4 and 5)	4,497,910	4,125,965
Operating accounts receivable	216,462	122,684
Prepaid expenses	283,879	307,133
Deferred tax assets (Note 13)	27	18
Consumption taxes receivable	1,319,884	900,387
Other current assets	30	164
Total current assets	19,175,500	16,131,536
Property and equipment (Note 7):		
Buildings	7,543,229	7,535,483
Structures	249,739	249,739
Tools, furniture and fixtures	5,434	5,434
Land	3,834,204	3,834,204
Buildings in trust (Note 3)	223,785,350	197,804,685
Structures in trust (Note 3)	4,220,887	3,576,930
Machinery and equipment in trust	2,670	-
Tools, furniture and fixtures in trust (Note 3)	418,025	388,132
Other tangible assets in trust	35	35
Land in trust (Note 3)	168,427,926	149,135,600
Less: accumulated depreciation	(8,423,321)	(5,651,276)
Total property and equipment	400,064,180	356,878,970
Intangible assets:		
Other intangible assets in trust (Note 3)	2,829	3,013
Total intangible assets	2,829	3,013
Investments and other assets:		
Long-term prepaid expenses	968,162	1,097,200
Security deposit	10,000	10,000
Organization expenses	47,512	55,657
Investment corporation bond issuance costs	27,554	-
Other (Note 3)	400	400
Total investments and other assets	1,053,628	1,163,258
Total Assets	¥ 420,296,140	¥ 374,176,778

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

Balance Sheets, continued

	Thousands of yen	
	As of	
	November 30, 2014	May 31, 2014
LIABILITIES		
Current liabilities:		
Operating accounts payable	¥ 998,623	¥ 710,561
Short-term loans payable (Notes 5 and 11)	-	1,450,000
Accounts payable (Note 5)	38,719	21,088
Accrued expenses	1,281,605	1,217,329
Income taxes payable	896	749
Advances received	2,396,420	2,106,431
Other current liabilities	254,450	743,165
Total current liabilities	4,970,715	6,249,325
Non-current liabilities:		
Investment corporation bonds payable (Notes 5 and 12)	5,000,000	-
Long-term loans payable (Notes 5, 6 and 11)	143,200,000	142,200,000
Long-term loans payable in trust (Notes 3, 5 and 11)	14,438,545	14,465,972
Tenant leasehold and security deposits (Note 5)	247,773	247,191
Tenant leasehold and security deposits in trust (Note 5)	10,045,457	8,552,196
Other non-current liabilities	884	2,297
Total non-current liabilities	172,932,661	165,467,658
Total Liabilities	177,903,376	171,716,984
NET ASSETS (Note 10)		
Unit holders' equity		
Unit holders' capital	236,917,738	197,274,196
Units authorized:		
10,000,000 units as of November 30, 2014 and May 31, 2014		
Units issued and outstanding:		
1,730,750 units as of November 30, 2014 and 1,563,750 units as of May 31, 2014		
Surplus		
Retained earnings	5,475,024	5,185,598
Total unit holders' equity	242,392,763	202,459,794
Total Net Assets	242,392,763	202,459,794
Total Liabilities and Net Assets	¥ 420,296,140	¥ 374,176,778

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

Statements of Income

	Thousands of yen			
	For the six-month periods ended			
	November 30, 2014		May 31, 2014	
Operating Revenues (Note 8):				
Operating rental revenues	¥	12,368,052	¥	11,774,310
Other rental revenues		1,068,501		919,123
Total operating revenues		13,436,554		12,693,433
Operating Expenses (Notes 7 and 8):				
Expenses related to property rental business		5,627,070		5,188,020
Asset management fee		1,143,160		1,090,418
Asset custody fee		34,714		32,475
Directors' compensation		4,800		4,800
Audit fee		15,000		15,000
Other operating expenses		38,365		40,107
Total operating expenses		6,863,111		6,370,821
Operating income		6,573,442		6,322,611
Non-operating Income:				
Interest income		1,327		1,244
Gain on real estate tax settlement		-		104
Interest on refund of consumption taxes		1,827		1,126
Others		-		0
Total non-operating income		3,155		2,476
Non-operating Expenses:				
Interest expense on loans payable		877,341		865,391
Interest expense on investment corporation bonds		284		-
Amortization of organization expenses		8,145		8,145
Amortization of investment corporation bond issuance costs		41		-
Borrowing related expenses		151,714		166,929
Investment unit issuance expenses		41,974		47,979
Offering costs associated with the issuance of investment units		56,681		50,119
Others		49		22
Total non-operating expenses		1,136,232		1,138,588
Ordinary income		5,440,365		5,186,499
Extraordinary income:				
Subsidy income		35,612		-
Total extraordinary income		35,612		-
Income before income taxes		5,475,978		5,186,499
Incomes taxes – current (Note 13)		1,165		1,002
Incomes taxes – deferred (Note 13)		(8)		(1)
Total income taxes		1,156		1,000
Net income		5,474,821		5,185,498
Retained earnings brought forward		203		99
Retained earnings at end of period	¥	5,475,024	¥	5,185,598

	Yen			
	For the six-month periods ended			
	November 30, 2014		May 31, 2014	
Net income per unit (Note 14)	¥	3,355	¥	3,320

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

Statements of Changes in Net Assets

For the six-month periods ended November 30, 2014 and May 31, 2014

	Number of units	Thousands of yen		
		Unit holders' capital	Retained earnings	Total net assets
Balance as of November 30, 2013 (Note 10)	278,950	¥ 167,941,285	¥ 4,642,664	¥ 172,583,950
Issuance of new units on December 2, 2013 and December 25, 2013	33,800	29,937,674		29,937,674
Investment unit split on March 1, 2014	1,251,000			
Distributions in excess of retained earnings	-	(604,763)		(604,763)
Distributions of retained earnings	-		(4,642,564)	(4,642,564)
Net income	-		5,185,498	5,185,498
Balance as of May 31, 2014 (Note 10)	1,563,750	¥ 197,274,196	¥ 5,185,598	¥ 202,459,794
Issuance of new units on September 16, 2014 and October 16, 2014	167,000	40,389,451		40,389,451
Distributions in excess of retained earnings		(745,908)		(745,908)
Distributions of retained earnings			(5,185,395)	(5,185,395)
Net income			5,474,821	5,474,821
Balance as of November 30, 2014 (Note 10)	1,730,750	¥ 236,917,738	¥ 5,475,024	¥ 242,392,763

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

Statements of Cash Flows

	Thousands of yen			
	For the six-month periods ended			
	November 30, 2014		May 31, 2014	
Cash Flows from Operating Activities:				
Income before income taxes	¥	5,475,978	¥	5,186,499
Depreciation (Note 7)		2,772,229		2,619,439
Amortization of organization expenses		8,145		8,145
Amortization of investment corporation bond issuance costs		41		-
Investment unit issuance expenses		41,974		47,979
Interest income		(1,327)		(1,244)
Interest expense		877,626		865,391
Decrease (increase) in operating accounts receivable		(93,778)		(52,318)
Decrease (increase) in consumption taxes receivables		(419,497)		2,190,332
Decrease (increase) in prepaid expenses		23,254		(33,747)
Decrease (increase) in long-term prepaid expenses		129,038		98,835
Increase (decrease) in operating accounts payable		710,395		495,761
Increase (decrease) in accounts payable		(9,072)		4,622
Increase (decrease) in accrued expenses		(363,372)		181,918
Increase (decrease) in advances received		289,989		332,426
Others, net		(313,492)		(56,959)
Subtotal		9,128,131		11,887,082
Interest received		1,327		1,244
Interest paid		(899,917)		(891,024)
Income taxes paid		(1,019)		(1,049)
Net cash provided by operating activities		8,228,522		10,996,252
Cash Flows from Investing Activities:				
Purchases of property and equipment		(7,456)		-
Purchases of property and equipment in trust		(45,948,054)		(54,966,668)
Purchases of intangible assets in trust		-		(2,326)
Payments of security deposit in trust		-		(400)
Proceeds from tenant leasehold and security deposits		581		-
Proceeds of tenant leasehold and security deposits in trust		1,620,124		2,000,963
Repayments from tenant leasehold and security deposits in trust		(303,363)		(626,841)
Net cash used in investing activities		(44,638,168)		(53,595,272)
Cash Flows from Financing Activities:				
Increase in short-term loans payable		6,000,000		1,450,000
Decrease in short-term loans payable		(7,450,000)		(3,400,000)
Proceeds from long-term loans payable		47,700,000		6,400,000
Repayments of long-term loans payable		(46,700,000)		-
Proceeds from long-term loans payable in trust		-		14,493,399
Proceeds from issuance of investment corporation bonds		4,975,709		-
Proceeds from issuance of new investment units		40,367,601		29,889,694
Payment of distributions of retained earnings		(5,183,056)		(4,641,060)
Payment of distributions in excess of retained earnings		(746,538)		(604,680)
Net cash provided by financing activities		38,963,714		43,587,352
Net increase in cash and cash equivalents		2,554,068		988,332
Cash and cash equivalents at the beginning of period		14,801,148		13,812,815
Cash and cash equivalents at the end of period (Note 4)	¥	17,355,217	¥	14,801,148

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

Notes to Financial Statements

For the six-month periods ended November 30, 2014 and May 31, 2014

1. Organization and Basis of Presentation

a) Organization

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

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

NPR acquired 12 properties (aggregate acquisition price: 173,020 million yen) on February 15, 2013, following its listing, and acquired 12 properties (aggregate acquisition price: 186,500 million yen) during the subsequent fiscal periods. In addition, NPR acquired 5 properties (aggregate acquisition price: 45,530 million yen) on September 1, 2014 during the reporting fiscal period. As of November 30, 2014, NPR had ownership of (or held in the form of beneficiary rights in trust) 29 properties (aggregate acquisition price: 405,050 million yen), which were all developed by the Prologis Group. The portfolio's total leasable area was 1,947,467.92 square-meters and the occupancy rate remained at a high level of 98.6% as of the end of the reporting fiscal period.

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

b) Basis of Presentation

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

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

present them in a format which is more familiar to readers outside Japan.

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

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

2. Summary of Significant Accounting Policies

a) Cash and Cash Equivalents

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

b) Property and Equipment

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

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

c) Taxes on Property and Equipment

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

Of the amounts paid for the acquisitions of real estate properties or beneficiary rights in trust of real estate, the amount equivalent to property taxes is capitalized as part of the acquisition cost of the relevant property instead of being charged as expenses. Capitalized property taxes amounted to 80,503 thousand yen and 28,704 thousand yen for the six-month periods ended November 30, 2014 and May 31, 2014, respectively.

d) Investment Unit Issuance Expenses

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

e) Organization Expenses

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

f) Investment corporation bond issuance costs

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

g) Hedge Accounting

NPR enters into derivative transactions in order to hedge against risks defined in its Articles of Incorporation and in compliance with their general risk management policy, NPR uses interest rate swaps for the purpose of hedging its risk exposure associated with interests on variable rate loans payable. Where deferral accounting is generally adopted for hedge transactions, NPR applies the special accounting treatment to interest rate swaps which qualify for hedge accounting and meet the specific matching criteria. Under the special accounting treatment, interest rate swaps are not

measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income, respectively.

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

h) Beneficiary Rights in Trust

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

i) Consumption Taxes

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

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

The assets pledged as collateral amounts are as follows:

	Thousands of yen	
	As of	
	November 30, 2014	May 31, 2014
Cash and deposits in trust	¥ 1,453,197	¥ 1,381,004
Buildings in trust	11,444,660	11,602,705
Structures in trust	178,067	183,677
Tools, furniture and fixtures in trust	6,663	5,424
Land in trust	15,655,791	15,655,791
Other intangible assets in trust	1,104	1,144
Other	400	400
Total	¥ 28,739,884	¥ 28,830,148

The liabilities secured by pledged assets are as follows:

	Thousands of yen	
	As of	
	November 30, 2014	May 31, 2014
Long-term loans payable in trust	¥ 14,050,000	¥ 14,050,000
Total	¥ 14,050,000	¥ 14,050,000

(Note) 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”). The balances in the table show the contractual repayment amounts in the loan agreements. The long-term loans payable in trust were initially recognized at present value calculated based on the market borrowing terms available to NPR as of September 30, 2013, the record date for acquisition of the Properties with Borrowings Held in Trust, and differed from the contractual repayment amounts in the loan agreements. Subsequent to the acquisition date the loan balances are calculated based on the amortized cost method (straight-line method) and recorded in the accompanying balance sheets.

4. Cash and Cash Equivalents

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

	Thousands of yen			
	As of			
	November 30, 2014		May 31, 2014	
Cash and deposits	¥	12,857,306	¥	10,675,183
Cash and deposits in trust		4,497,910		4,125,965
Cash and cash equivalents	¥	17,355,217	¥	14,801,148

5. Financial Instruments

a) Detailed Information on Financial Instruments

(i) Policy for Financial Instruments

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

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

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

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

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

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

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

(iii) Supplemental Explanation Regarding Fair Values of Financial Instruments

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

b) Estimated Fair Value of Financial Instruments

The book value, fair value and differences between the values as of November 30, 2014 and May 31, 2014 are as follows. Financial instruments for which the fair value is difficult to estimate are excluded from the following table (see Note 2 below).

Thousands of yen			
As of November 30, 2014			
	Book value	Fair value	Difference
(1) Cash and deposits	¥ 12,857,306	¥ 12,857,306	¥ -
(2) Cash and deposits in trust	4,497,910	4,497,910	-
Total assets	¥ 17,355,217	¥ 17,355,217	¥ -
(4) Investment corporation bonds payable	5,000,000	5,025,300	25,300
(5) Long-term loans payable	143,200,000	146,253,389	3,053,389
(6) Long-term loans payable in trust	14,438,545	14,896,968	458,422
Total liabilities	¥ 162,638,545	¥ 166,175,658	¥ 3,537,112
(7) Derivative transactions	¥ -	¥ -	¥ -

Thousands of yen			
As of May 31, 2014			
	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	-
(5) Long-term loans payable	142,200,000	145,286,000	3,086,000
(6) 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
(7) Derivative transactions	¥ -	¥ -	¥ -

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

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

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

(3) Short-term loans payable

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

(4) Investment corporation bonds payable

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

(5) Long-term loans payable

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

(6) 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.

(7) Derivative transactions

Please refer to Note 6, "Derivative Transactions".

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

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

Thousands of yen			
As of			
	November 30, 2014		May 31, 2014
Tenant leasehold and security deposits	¥ 247,773	¥	247,191
Tenant leasehold and security deposits in trust	10,045,457		8,552,196

(Note 3) Redemption schedule for monetary claims after November 30, 2014

Thousands of yen						
As of November 30, 2014						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥12,857,306	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	4,497,910	-	-	-	-	-
Total	¥17,355,217	¥ -	¥ -	¥ -	¥ -	¥ -

Redemption schedule for monetary claims after May 31, 2014

Thousands of yen						
As of May 31, 2014						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits	¥10,675,183	¥ -	¥ -	¥ -	¥ -	¥ -
Cash and deposits in trust	4,125,965	-	-	-	-	-
Total	¥14,801,148	¥ -	¥ -	¥ -	¥ -	¥ -

(Note 4) Repayment schedule for long-term loans payable and other interest-bearing debt after November 30, 2014

Thousands of yen						
As of November 30, 2014						
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Investment corporation bonds payable	¥ -	¥ -	¥ -	¥ -	¥ 2,000,000	¥ 3,000,000
Long-term loans payable	-	23,300,000	2,000,000	23,300,000	31,400,000	63,200,000
Long-term loans payable in trust	-	-	314,000	314,000	314,000	13,108,000
Total	¥ -	¥ 23,300,000	¥ 2,314,000	¥ 23,614,000	¥ 33,714,000	¥ 79,308,000

Note: Redemption schedule of long-term loans payable in trust is represented by amount repaid based on the loan agreements executed as at the acquisition of the Properties with Borrowings Held in Trust. The balances in the table show the contractual repayment amounts in the loan agreements. The long-term loans payable in trust were initially recognized at present value calculated based on the market borrowing terms available to NPR as of September 30, 2013, the record date for acquisition of the Properties with Borrowings Held in Trust, and differed from the contractual repayment amounts in the loan agreements. Subsequent to the acquisition date the loan balances are calculated based on the amortized cost method (straight-line method) and recorded in the accompanying balance sheets.

Repayment schedule for long-term loans payable and other interest-bearing debt after May 31, 2014

Thousands of yen						
As of May 31, 2014						
	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	-	-	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 in trust is represented by amount repaid based on the loan agreements executed as at the acquisition of the Properties with Borrowings Held in Trust. The balances in the table show the contractual repayment amounts in the loan agreements. The long-term loans payable in trust were initially recognized at present value calculated based on the market borrowing terms available to NPR as of September 30, 2013, the record date for acquisition of the Properties with Borrowings Held in Trust, and differed from the contractual repayment amounts in the loan agreements. Subsequent to the acquisition date the loan balances are calculated based on the amortized cost method (straight-line method) and recorded in the accompanying balance sheets.

6. Derivative Transactions

For the six-month periods ended November 30, 2014 and May 31, 2014, NPR only utilized interest rate swaps which qualified for hedge accounting and met the special matching criteria, as described below.

Thousands of yen						
As of November 30, 2014						
Contract amount						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Total	Due after one year	Fair value	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥142,200,000	¥142,200,000	(Note)	(Note)

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

Thousands of yen						
As of May 31, 2014						
Contract amount						
Hedge accounting method	Type of derivative transaction	Primary hedged item	Total	Due after one year	Fair value	Fair value measurement
Special treatment for interest rate swaps	Interest rate swaps Receive floating / Pay fix	Long-term loans payable	¥142,200,000	¥142,200,000	(Note)	(Note)

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

7. Investment and Rental Properties

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

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2014	May 31, 2014
Book value		
Balance at the beginning of the period	¥ 356,881,984	¥ 304,967,936
Changes during the period (Note 2)	43,185,026	51,914,047
Balance at the end of the period	¥ 400,067,010	¥ 356,881,984
Fair value at the end of the period	¥ 425,990,000	¥ 374,260,000

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

(Note 2) The increase for the fiscal period ended November 30, 2014, was a result of acquiring 5 properties during the period (Prologis Park Kawajima 2, Prologis Park Ebina, Prologis Park Kawanishi, Prologis Park Amagasaki 3 and Prologis Park Kobe) for a total of 45,894,678 thousand yen, offset slightly by depreciation of 2,772,229 thousand yen.

In addition, the increase for the fiscal period ended May 31, 2014, was a result of acquiring 4 properties during the period (Prologis Park Tokyo-Shinkiba, Prologis Park Yokohama-Tsurumi, Prologis Park Osaka 4 and Prologis Park Iwanuma 1) for a total of 54,439,489 thousand yen, offset slightly by depreciation of 2,619,439 thousand yen.

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

8. Property-related Revenues and Expenses

The following table summarizes the revenues and expenses generated from property leasing activities for the six-month periods ended November 30, 2014 and May 31, 2014.

	Thousands of yen	
	For the six-month periods ended	
	November 30, 2014	May 31, 2014
(1) Property-related revenues		
Rental revenues		
Rental revenues	¥ 11,609,102	¥ 11,025,492
Common area charges	758,949	748,817
Total	¥ 12,368,052	¥ 11,774,310
Other rental revenues		
Received utilities cost	¥ 866,512	¥ 750,507
Others	201,988	168,616
Total	¥ 1,068,501	¥ 919,123
Total property-related revenues	¥ 13,436,554	¥ 12,693,433
(2) Property-related expenses		
Rental expenses		
Subcontract expenses	¥ 662,381	¥ 701,108
Utilities cost	974,395	821,196
Taxes and public dues	1,101,942	920,957
Non-life insurance premium	23,388	22,716
Repair and maintenance	77,007	88,053
Depreciation	2,772,229	2,619,439
Custodian fee	13,142	11,978
Other expenses	2,583	2,569
Total rental expenses	¥ 5,627,070	¥ 5,188,020
(3) Operating income from property leasing ((1)-(2))	¥ 7,809,483	¥ 7,505,413

9. Leases

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

	Thousands of yen			
	As of			
	November 30, 2014		May 31, 2014	
Due within one year	¥	24,023,595	¥	21,449,405
Due after one year	¥	79,030,668	¥	56,241,198
Total	¥	103,054,264	¥	77,690,604

10. Net Assets

a) Stated Capital

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

b) Unit holders' capital

Unit holders' capital as of November 30, 2014 and May 31, 2014 consists of the following items:

	Thousands of yen			
	As of			
	November 30, 2014		May 31, 2014	
Unit holders' capital, gross	¥	238,527,550	¥	198,138,099
Deduction from unit holders' capital; Accumulated distribution in excess of retained earnings		(1,609,811)		(863,903)
Unit holders' capital	¥	236,917,738	¥	197,274,196

c) Distributions

With regards to the distributions for this fiscal period, in an effort to include NPR's profit distributions as tax deductible expenses in accordance with Section 1 of Article 67-15 of the Act on Special Taxation Measures Law, the distribution amount represents the entire unappropriated retained earnings for the reporting period, excluding fractional amounts less than one yen.

	Thousands of yen			
	For the six-month periods ended			
	November 30, 2014		May 31, 2014	
	Total	Per unit	Total	Per unit
I Unappropriated retained earnings	¥ 5,475,024,896		¥ 5,185,598,287	
II Distributions in excess of retained earnings				
Deduction from unit holders' capital	1,002,104,250		745,908,750	
III Distributions				
Distributions of retained earnings	5,474,362,250	¥ 3,163	5,185,395,000	¥ 3,316
Distributions in excess of retained earnings	1,002,104,250	579	745,908,750	477
Total distributions	6,476,466,500	¥ 3,742	5,931,303,750	¥ 3,793
IV Retained earnings carried forward	¥ 662,646		¥ 203,287	

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

Based on the policy, NPR declared distribution amounts of 5,474,362,250 yen and 5,185,395,000 yen for the six-month periods ended November 30, 2014 and May 31, 2014, respectively. These amounts were equivalent to the maximum integral multiples of number of investment units issued and outstanding as of the end of each fiscal period.

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

Accordingly, NPR declared SCD of 789,222,000 yen and 745,908,750 yen, as a return of unit holders' capital, which was the amount equivalent to approximately 28.5% of depreciation expense of 2,772,229,488 yen and 2,619,439,711 yen for the periods ended November 30, 2014 and May 31, 2014, respectively.

In addition, NPR made One-time Surplus Cash Distributions of 212,882,250 yen based on an assessment of temporary earnings dilution of 123 yen per unit as a result of certain financing activities for the period ended November 30, 2014.

11. Short-term Loans Payable, Long-term Loans Payable and Long-term Loans Payable in Trust

Short-term loans payable, long-term loans payable and long-term loans payable in trust consisted of bank borrowings under loan agreements. The following table summarizes the short-term loans payable, long-term loans payable and long-term loans payable in trust as of November 30, 2014 and May 31, 2014.

	Thousands of yen	
	As of	
	November 30, 2014	May 31, 2014
0.46000% unsecured short-term loans	¥ -	¥ 1,450,000
Total short-term loans payable	¥ -	¥ 1,450,000
0.55634% unsecured long-term loans due 2016 ^(*)	¥ 23,300,000	¥ 23,300,000
0.73760% unsecured long-term loans due 2018 ^(*)	23,300,000	23,300,000
1.01950% unsecured long-term loans due 2020 ^(*)	23,300,000	23,300,000
1.32075% unsecured long-term loans due 2022 ^(*)	6,000,000	6,000,000
0.84350% unsecured long-term loans due 2017 ^(*)	2,000,000	2,000,000
1.18135% unsecured long-term loans due 2019 ^(*)	24,000,000	24,000,000
1.83625% unsecured long-term loans due 2023 ^(*)	13,900,000	13,900,000
1.34550% unsecured long-term loans due 2021 ^(*)	20,000,000	20,000,000
0.81010% unsecured long-term loans due 2018 ^(*)	6,400,000	6,400,000
0.42182% unsecured long-term loans due 2019 ^(*)	1,000,000	-
Total long-term loans payable	¥ 143,200,000	¥ 142,200,000
2.00000% secured long-term loans due 2021	¥ 7,091,864	7,105,407
2.00000% secured long-term loans due 2021	7,346,681	7,360,564
Total long-term loans payable in trust	¥ 14,438,545	¥ 14,465,972

The stated interest rate is the weighted average interest rate during the period ended November 30, 2014. For certain loans (*) for which NPR uses interest rate swaps to hedge their interest rate risk exposure, the effective interest rate which includes the effect of the interest rate swap is stated.

The redemption schedules for long-term loans subsequent to November 30, 2014 and May 31, 2014 are disclosed in Note 5, "Financial Instruments."

12. Investment Corporation Bonds Payable

NPR issued two series of unsecured investment corporation bonds payable with pari passu clause among specified investment corporation bonds to provide for early repayment of the loans before their maturity dates. The investment corporation bonds payable would be redeemed on a lump-sum basis at their contractual maturity dates. The following table summarizes the investment corporation bonds payable as of November 30, 2014 and May 31, 2014.

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

13. Income Taxes

NPR is subject to Japanese corporate income taxes on its taxable income. The tax effect of temporary differences that give rise to a significant portion of the deferred tax assets and liabilities as of November 30, 2014 and May 31, 2014 were as follows:

	Thousands of yen	
	As of	
	November 30, 2014	May 31, 2014
Enterprise tax payable	¥ 27	¥ 18
Total deferred tax assets	27	18
Net deferred tax assets	¥ 27	¥ 18

Reconciliation of major items that caused differences between the statutory tax rate and effective tax rate with respect to pre-tax income reflected in the accompanying statement of income for the six-month periods ended November 30, 2014 and May 31, 2014 are as follows:

	For the six-month periods ended	
	November 30, 2014	May 31, 2014
Statutory tax rate	34.16%	36.59%
Adjustments:		
Deductible cash distributions	(34.15%)	(36.58%)
Other	0.01%	0.01%
Actual effective income tax rate	0.02%	0.02%

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

In accordance with the promulgation on March 31, 2014 of the “Laws of Local Corporation Taxes Act” (Act No. 11, 2014) and the “Laws of Amendment of Local Tax Act” (Act No. 4, 2014), the local corporation taxes were implemented for the fiscal years commencing on or after October 1, 2014, and simultaneously, the special local corporation taxes were partially restored as the corporate business taxes. Consequently, for temporary differences to be resolved during fiscal years reversing on or after December 1, 2014, the statutory effective tax rate to calculate deferred tax assets or liabilities was revised to 34.15%. There is no material impact from this revision.

14. Per Unit Information

The following table summarizes per unit information for the six-month periods ended November 30, 2014 and May 31, 2014.

	Yen	
	For the six-month periods ended	
	November 30, 2014	May 31, 2014
Net income per unit		
Basic net income per unit	¥ 3,355	¥ 3,320
Weighted average number of units outstanding	1,631,801	1,561,804

	Yen	
	As of	
	November 30, 2014	May 31, 2014
Net assets per unit	¥ 140,050	¥ 129,470

(Note 1) Basic net income per unit is based on the weighted average number of units issued and outstanding during the period. Diluted earnings per unit and related information are not disclosed as no dilutive securities were outstanding.

(Note 2) NPR implemented a 5 for 1 split of the investment units with March 1, 2014 as an effective date. Net income per unit and net assets per unit were calculated based on an assumption that such split was implemented at the beginning of the third fiscal period ended in May 2014.

15. Transactions with Related Parties

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

(For the six-month period ended November 30, 2014)

None

(For the six-month period ended May 31, 2014)

None

b) Transactions and Account Balances with Affiliates

(For the six-month period ended November 30, 2014)

None

(For the six-month period ended May 31, 2014)

None

c) Transactions and Account Balances with Companies under Common Control

(For the six-month period ended November 30, 2014)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	Kawajima 2 Special Purpose Company	Chiyoda-ku, Tokyo	¥ 100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	¥ 8,180,000	-	-
Subsidiary of an affiliate	Ebina Special Purpose Company	Chiyoda-ku, Tokyo	230,500	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	8,250,000	-	-
Subsidiary of an affiliate	Hyogo-Kawanishi Special Purpose Company	Chiyoda-ku, Tokyo	600	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	13,600,000	-	-
Subsidiary of an affiliate	Amagasaki 3 Special Purpose Company	Chiyoda-ku, Tokyo	100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	9,090,000	-	-
Subsidiary of an affiliate	Kobe Special Purpose Company	Chiyoda-ku, Tokyo	100	Real estate business	-	-	Seller	Acquisition of beneficiary right in trust	6,410,000	-	-
Subsidiary of an affiliate	Prologis REIT Management K.K.	Chiyoda-ku, Tokyo	100,000	Investment management business	-	Executive Director of NPR and President & CEO of the Asset Manager	Asset Manager	Payment of asset management fee	1,370,810	Accrued expenses	1,234,613

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

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

(For the six-month period ended May 31, 2014)

Classification	Name of the company	Address	Stated capital (Thousands of yen)	Type of business	Percentage of voting rights owned	Relation		Type of transaction	Transaction amount (Thousands of yen)	Account	Ending balance (Thousands of yen)
						Common board member	Business relationship				
Subsidiary of an affiliate	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	Asset Manager	Payment of asset management fee	1,360,768	Accrued expenses	1,177,652

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

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

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

(For the six-month period ended November 30, 2014)

None

(For the six-month period ended May 31, 2014)

None

16. Segment Information

a) Overview of operating and reportable segments

Operating segments are a component of NPR for which separate financial information is available and whose operating results are regularly evaluated by the chief operating decision maker to make decisions about how resources are allocated and assess their performance. Consequently, each of NPR’s 29 properties is considered an operating segment. However, when properties share similar economic characteristic and meet other specific conditions, they may be aggregated for purposes of reporting segment information. Therefore, NPR has two reportable segments (“global market” and “regional market”) (*) which are based on the investing region.

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

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

As of November 30, 2014, NPR’s properties classified into the global market were as follows:

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

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

As of November 30, 2014, NPR’s properties classified into the regional market were as follows:

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

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

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

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

c) Information about Segment Results, Assets and Other Items

	Thousands of yen			
	As of and for the six-month period ended November 30, 2014			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 11,888,637	¥ 1,547,916	¥ -	¥ 13,436,554
Segment income (Note 2)	6,296,517	718,686	(441,761)	6,573,442
Segment assets (Note 2)	368,305,083	36,564,429	15,426,627	420,296,140
Other items				
Depreciation	2,404,517	367,712	-	2,772,229
Increase in property, plant and equipment and intangible assets	45,947,508	9,747	-	45,957,255

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

(Note 2) Reconciling adjustments to segment income represent general corporate expenses that consist mainly of asset management fee of 349,532 thousand yen, asset custody fee of 34,714 thousand yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment assets consist mainly of cash and cash deposits of 12,781,202 thousand yen, consumption taxes receivable of 1,319,884 thousand yen, long-term prepaid expenses and security deposit of 977,929 thousand yen, organization expenses of 47,512 thousand yen, and Investment corporation bond issuance costs of 27,554 thousand yen.

	Thousands of yen			
	As of and for the six-month period ended May 31, 2014			
	Global market	Regional market	Reconciling adjustments	Amount on financial statements
Operating revenues (Note 1)	¥ 11,189,476	¥ 1,503,956	¥ -	¥ 12,693,433
Segment income (Note 2)	6,032,948	712,495	(422,832)	6,322,611
Segment assets (Note 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, plant and equipment and intangible assets	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 represent general corporate expenses that consist mainly of asset management fee of 331,054 thousand yen, asset custody fee of 32,475 thousand yen and directors' compensation of 4,800 thousand yen. Reconciling adjustments to segment

assets consist mainly of cash and cash deposits of 10,588,140 thousand yen, consumption taxes receivable of 900,387 thousand yen, long-term prepaid expenses and security deposit of 1,106,936 thousand yen, and organization expenses of 55,657 thousand yen.

Related Information

(For the six-month period ended November 30, 2014)

a) Information by Geographic Region

(i) Operating Revenues

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

(ii) Property and Equipment

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

b) Information by Major Tenants

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

(For the six-month period ended May 31, 2014)

a) Information by Geographic Region

(i) Operating Revenues

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

(ii) Property and Equipment

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

b) Information by Major Tenants

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

17. Subsequent Events

None

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of Nippon Prologis REIT, Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at November 30, 2014 and May 31, 2014, and the statements of income, statements of changes in net assets and statements of cash flows for the six-month periods ended November 30, 2014 and May 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nippon Prologis REIT, Inc. as at November 30, 2014 and May 31, 2014, and their financial performance and cash flows for the six-month periods ended November 30, 2014 and May 31, 2014 in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

February 26, 2015
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.