

Apr. 14, 2017

Dispositions, Refinancing and Revisions to Fiscal Periods Ending May 31, 2017 and Nov. 30, 2017

PROLOGIS
Nippon Prologis REIT

PROLOGIS REIT MANAGEMENT K.K.

Executive Summary

Disposition of Prologis Park Maishima 4 and Prologis Park Tagajo

- Strategic rebalancing of NPR's geographical exposure
- Minimize future downside risks
- Achieved the maximum sales prices through competitive auction

Refinancing of Existing Bank Loans

- Partially allocate capital gains to offset interest rate swap breakage costs and ancillary expenses
- Significantly reduce future debt cost
- Lengthen the remaining debt duration and strategically ladder debt maturities



Prologis Park Maishima 4



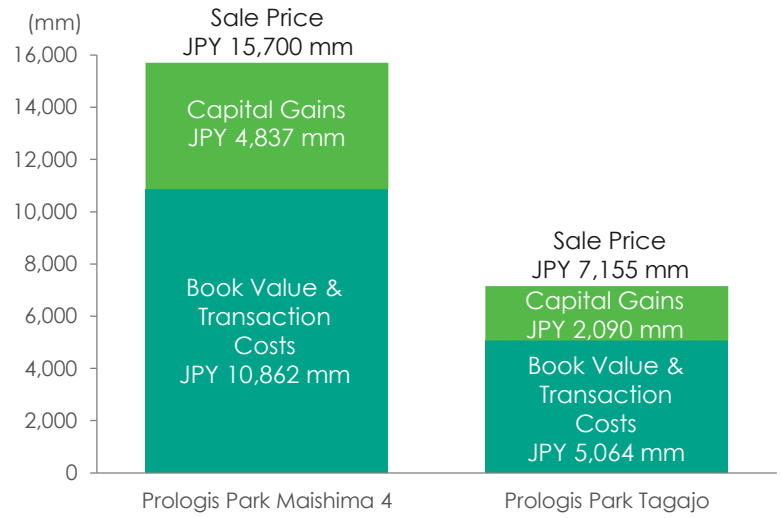
Prologis Park Tagajo

Expected Benefits from Disposition

Expected Capital Gains

JPY 6.9 bn capital gains are expected from the dispositions

	Prologis Park Maishima 4	Prologis Park Tagajo	Total
Expected Disposition Closing Date	Apr. 17, 2017	June 26, 2017	-
Sale Price	JPY 15,700 mm	JPY 7,155 mm	JPY 22,855 mm
Book Value & Transaction Costs	JPY 10,862 mm	JPY 5,064 mm	JPY 15,926 mm
Capital Gains	JPY 4,837 mm	JPY 2,090 mm	JPY 6,928 mm
Appraisal Value	JPY 13,400 mm	JPY 5,710 mm	JPY 19,110 mm



Increase in DPU

DPU is expected to significantly increase for two consecutive fiscal periods

- Fiscal Period Ending May 2017:
  4,150 yen → 4,451 yen (+301 yen)
- Fiscal Period Ending Nov. 2017:
  4,165 yen → 4,614 yen (+449 yen)

Debt Cost Reduction & Stronger Balance Sheet

- Average debt cost will be reduced from 1.0% to 0.7% through the refinancing
- Average remaining debt duration will be extended from 3.9 years to 6.4 years, while the maturities are well laddered
- Debt cost reduction will generally cover the reduction of NOI as a result of disposition

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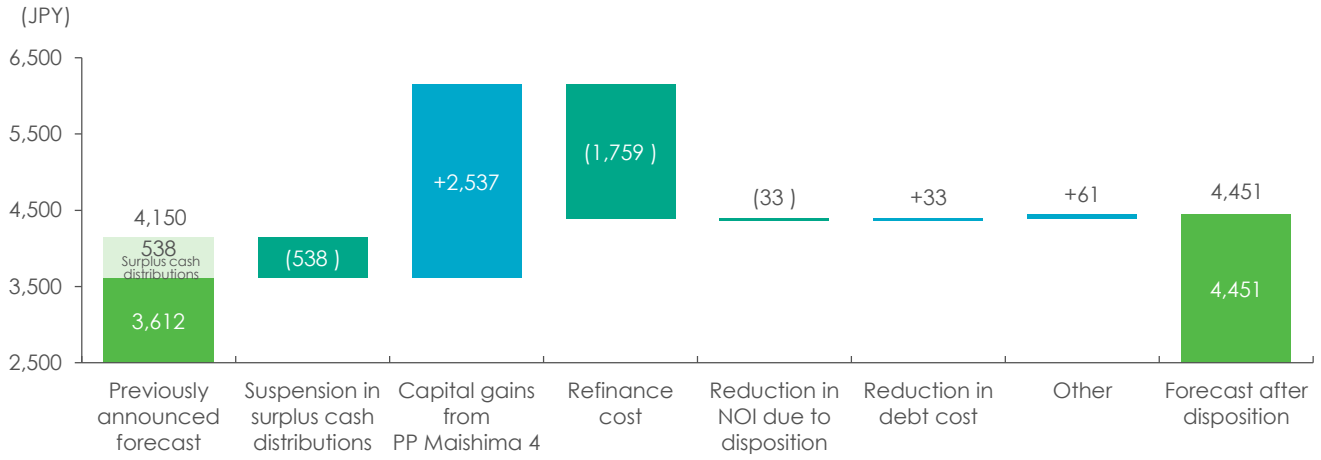
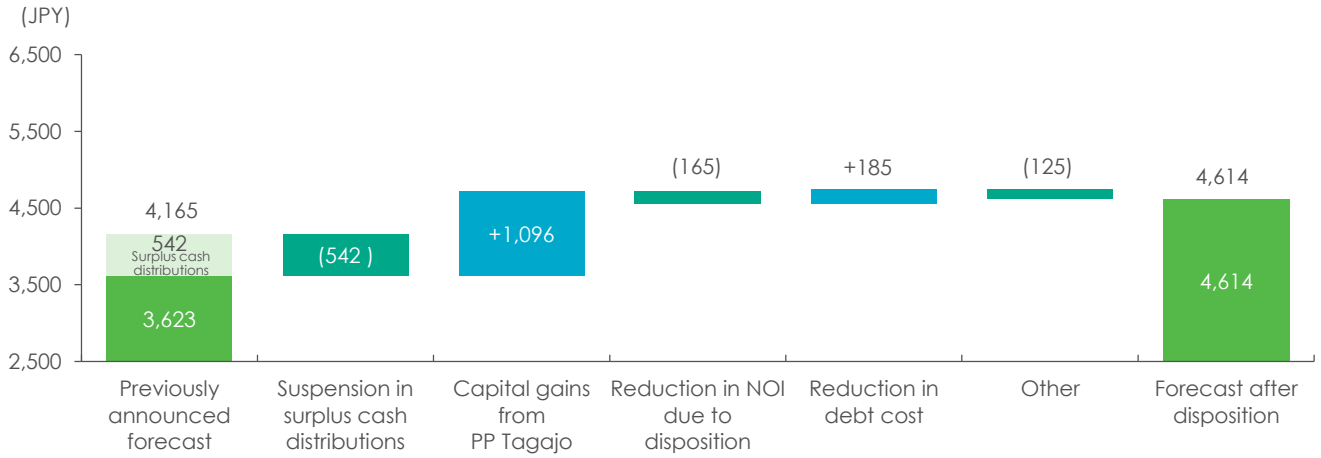
Components of DPU Changes

Forecast for 9th Fiscal Period (Ending May 31, 2017)



Forecast for 10th Fiscal Period (Ending Nov. 30, 2017)



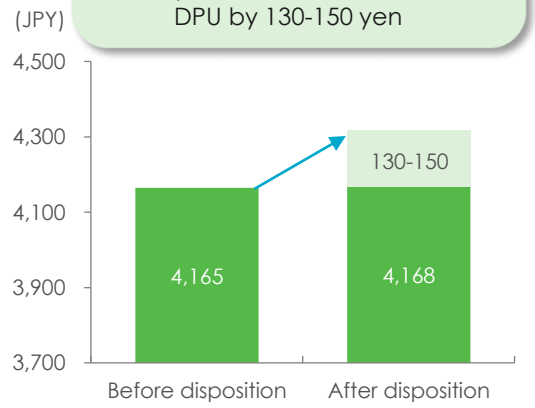
Factors Impacting DPU

- (+) Distribution from capital gains
- (+) Reduction of debt cost
- (−) Suspension of surplus cash distributions (9th period)
- (−) Refinance cost
- (−) Reduction of NOI due to disposition

Stabilized DPU

Reinvestment of JPY 18 bn cash proceeds expected to generate additional accretion

[e.g.] Acquisition of 4.7%[1] NOI yield assets - increase in DPU by 130-150 yen



1. Portfolio average appraisal cap rate was 4.7% as of the end of Nov. 30, 2016. Therefore, for discussion purposes, we assumed to acquire the same quality assets at 4.7%.

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Planned Refinancing

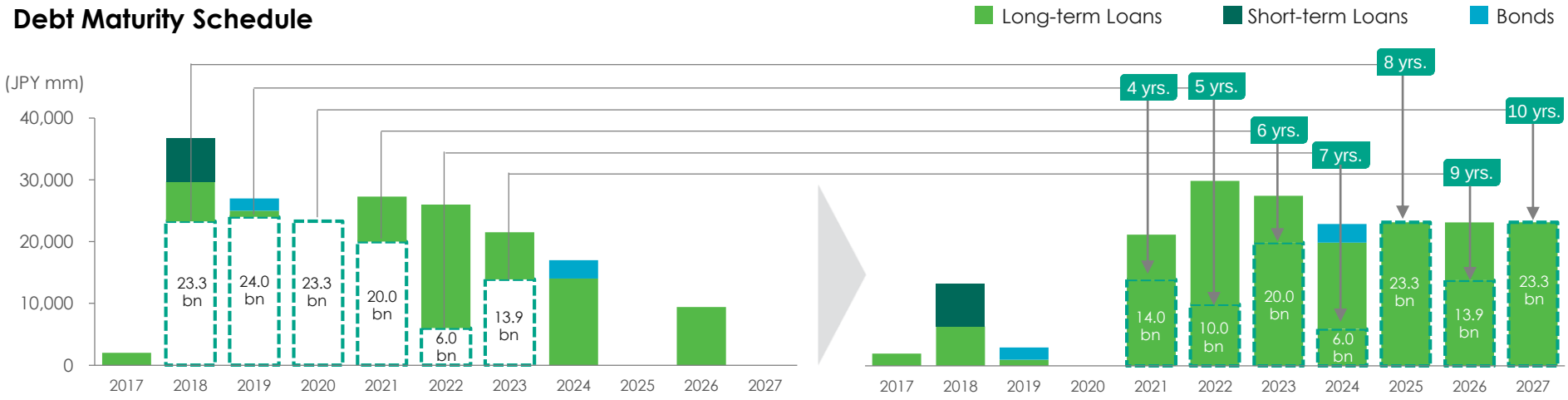
Summary of Refinancing

- JPY 110.5 bn bank loans will be refinanced
- Interest rates will be fixed upon execution of the interest swap agreements
- LTV will remain at 39%

	Current		Post-refinancing	
	Average Remaining Debt Duration	Average Debt Cost	Average Remaining Debt Duration	Average Debt Cost
Loans to Be refinanced	3.0 years	1.4%	7.4 years	0.7%
NPR's Entire Borrowings	3.9 years	1.0%	6.4 years	0.7%

Well Laddered Debt Maturities

Debt Maturity Schedule



NPR's Unchanged Investment Strategies

Investment Highlights

- Long-term focus on location and asset quality
- Strong sponsor support from Prologis Group
- Financial strategy focused on stability and efficiency
- Mid-term target of JPY 600 bn portfolio size

NPR will consider disposition when…

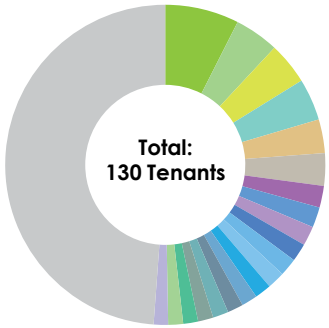
- Quality and competitive advantage of NPR's portfolio are enhanced/maintained
- Geographical rebalancing of NPR's portfolio is needed
- Future downside risks are mitigated

Post-transaction Portfolio

Modest Changes of Portfolio Metrics

	Pre-disposition	Post-disposition
Number of Properties	36	34
Portfolio Size (JPY bn)	477.8	460.9
% of Class-A Logistics Facilities	100.0%	100.0%
Average Building Age	6.9 years	6.9 years
NOI yield[1]	5.4%	5.4%
Occupancy Rate	97.8%	97.7%
% of Top 20 Tenants	50.5%	51.2%

Top 20 Tenants (Post-disposition)



Top 20 Tenants Leased Area (%)[2] 51.2%

Nittsu Panasonic Logistics	7.5%	Japanet Holdings	1.8%
Suzuken	4.5%	Sagawa Global Logistics	1.8%
Rakuten	4.2%	Hitachi Transport System	1.7%
Start Today	4.2%	Hitachi Transport System South Kanto	1.6%
Nipro	3.4%	Sankyu	1.6%
Hamakyorex	3.3%	Takayama	1.6%
Nippon Express	2.2%	K.R.S. Corporation	1.5%
Hitachi Collabonext Transport System	2.1%	S.D.Logi	1.5%
MISUMI	2.0%	Kirin Group Logistics	1.5%
MonotaRO	1.8%	Daikin Industries	1.5%

1. Calculated based on appraisal NOIs and the acquisition prices. Appraisal NOIs are based on the appraisal as of Nov. 30, 2016, except Sept. 30, 2016 for Prologis Park Narita 3 and Oct. 31, 2016 for Prologis Park Koga 1 and Prologis Park Kobe 2.
2. Calculated based on the contracted floor area as of Feb. 28, 2017.

Strong Sponsor Pipeline

	Status	Region / Area	Property Name	(Expected) Completion Date	Property Type	GFA (sqm)
Exclusive Negotiation Rights granted by the Prologis Group	Completed	Kanto	Prologis Park Narita 1-D	Jan. 2015	Multi-Tenant	28,192
			Prologis Park Yoshimi	Dec. 2015	Multi-Tenant	102,593
			Prologis Park Narashino 5	Mar. 2016	Multi-Tenant	58,960
			Prologis Park Chiba New Town	May 2016	Multi-Tenant	109,981
		Kansai	Prologis Park Ibaraki	Sept. 2016	Multi-Tenant	160,721
	Under Development	Kanto	Prologis Park Ichikawa 3	Dec. 2017	Multi-Tenant	64,406
			Prologis Park Higashimatsuyama	Feb. 2018	Multi-Tenant	71,347
			Prologis Park Koga 2	Apr. 2017	Build-to-Suit	21,914
Planned Assets	Future Development	Kanto	Prologis Park Ebina 2	TBD	TBD	38,000
			Prologis Park Koga 3	TBD	TBD	30,000
			Prologis Park Tsukuba	TBD	TBD	38,000
		Kansai	Prologis Park Kyotanabe	TBD	TBD	156,000
			Prologis Park Kobe 3	TBD	TBD	38,700
			Prologis Park Kobe 4	TBD	TBD	26,000
					Total	944,814

1. As of Apr. 14, 2017. We have no definite contracts to acquire the above properties. This property list should not be deemed a commitment or guarantee of our future acquisitions. The sale of the properties by the Prologis Group is subject to its internal approval.