

FOR IMMEDIATE RELEASE

Nippon Prologis REIT Announces Completion of Redevelopment and Acquisition of Prologis Park Iwanuma

Nippon Prologis REIT, Inc. (“NPR”) announced today that it will acquire a newly redeveloped building (the “Building”) of Prologis Park Iwanuma (the “Property”), of which redevelopment was announced in the press release “Nippon Prologis REIT Announces Execution of Construction Agreement for Redevelopment of Prologis Park Iwanuma 1” dated March 1, 2021 (the “Redevelopment”), and NPR will subsequently enter into a master lease contract with Prologis REIT Master Lease GK (the “Master lessee”), an affiliate of the Prologis Group (“Prologis”), NPR’s sponsor.

The Master lessee of the Building is considered a related party as provided in the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, including amendments thereto) (the “Related Parties, etc.”) and considered an interested party as set forth in the “Rules Regarding Related-party Transactions” (the “Interested Parties”) included in the internal rules of Prologis REIT Management K.K. (the “Asset Manager”), and therefore, the Asset Manager has obtained, in accordance with the Rules Regarding Related Party Transactions, approval from NPR based on the approval of its board of directors at a meeting held today.

The details are described below.

1. Overview of the Acquisition

Property Number	Property Name	Location	Anticipated Acquisition Date of the Building (Note 2)	Anticipated Acquisition Price of the Building (million yen) (Note 3)	Acquisition Price of the Property (million yen) (Note 4)	Appraisal Value (million yen) (Note 5)	NOI Yield (%) (Note 6)
M-19	Prologis Park Iwanuma	Iwanuma, Miyagi	April 28, 2022	5,934	7,113	8,680	5.7

(Note 1) NPR will change the name of the Property from "Prologis Park Iwanuma 1" to "Prologis Park Iwanuma" upon the completion of the Redevelopment and the acquisition of the Building.

(Note 2) “Anticipated acquisition date of the Building” indicates the anticipated transfer date of the ownership of the Building stated in the construction agreement with a general contractor, Nishimatsu Construction Co., Ltd. (the “Construction Agreement”).

(Note 3) "Anticipated acquisition price of the Building" is the sum of the construction cost of the Building stated in the Construction Agreement and the costs of certain fixtures of the Building ordered separately, rounded down to the nearest million yen.

(Note 4) "Acquisition price of the Property" is calculated by adding the acquisition price of the land of the Property (1,179 million yen) to the Anticipated acquisition price of the Building, rounded down to the nearest million yen.

(Note 5) “Appraisal value” is the value as of March 31, 2022 in the appraisal report provided by CBRE K.K. (the “Appraisal Report”). The appraisal value includes the value of the land of the Property.

(Note 6) “NOI yield” is derived by dividing the appraisal NOI in the Appraisal Report by the Acquisition price of the Property, rounded to the first decimal place.

“Appraisal NOI” is the stabilized net operating income (an amount with operating expenses deducted from operating income) for the direct capitalization analysis contained in the Appraisal Report, which represents

income before deduction of depreciation. NOI is different from net cash flow (“NCF”), calculated as the expected income of a property net of expected capital expenditure, to which hypothetical interests on deposits, etc. are added.

- (1) Date of Construction Agreement: March 1, 2021
- (2) General Contractor: Nishimatsu Construction Co., Ltd.
- (3) Funds for Acquisitions: Cash on hand
- (4) Settlement Method: NPR paid approximately 10% of the construction cost as the first installment payment, and will pay the rest of the construction cost on the Anticipated acquisition date of the Building.

2. Background of the Redevelopment and Specification of the Property

NPR commenced the Redevelopment of the Property on its own balance sheet on March 1, 2021, maintaining its ownership of the land site, while obtaining advice from Prologis to take advantage of Prologis’ development expertise and platform.

As a result of the Redevelopment, the Building has been equipped with a slope and driveways that enable trucks to directly access each floor, and the Building is also elevated from the ground level to make the Property more resilient against potential floods in the future. Additionally, the Building has installed “LED luminaire with motion sensors”, which detects motion of our customers’ workers and/or forklifts and reduces electricity consumption by measuring the minimum need for lighting in spaces with activities. This Smart LED contributes to the reduction of the Property’s emissions of GHG and the Property obtains the highest five stars rating of BELS (Building Energy-Efficiency Labeling System) and the evaluation of “ZEB (Net Zero Energy Building) Ready”. In total, the Property has been transformed to a more functionable, stringent and eco-friendly modern logistics facility.

3. Description of the Property

M-19 Prologis Park Iwanuma

Property name		Prologis Park Iwanuma
Location		3-2-35, Kuko-Minami, Iwanuma, Miyagi
Class of assets		Real estate trust beneficiary interests (Note 1)
Anticipated acquisition date of the Building		April 28, 2022
Anticipated acquisition price of the Building		5,934 million yen
Acquisition price of the Property		7,113 million yen
Entrustment date of the Building		April 28, 2022
Trustee		Mitsubishi UFJ Trust and Banking Corporation
Trust maturity date		December 3, 2033
Land	Ownership form	Proprietary
	Land area	45,704.30 m ²
	Zoning	Exclusive Industrial zone
	BCR/FAR	60% / 200%
Building	Ownership form	Proprietary
	Gross floor area	45,460.60 m ²
	Date of construction	April 15, 2022
	Purpose	Warehouse / Office
	Structure/No. of stories	S, 2-story building
	Property type	Multi-tenant
	PML	0.9%
Environmental appraisal	BELS ★★★★★	
Engineering Report	Engineering Firm	Earth-Appraisal Co., Ltd.
	Report Date	April 4, 2022 / April 26, 2022
	Emergency and Short-term Repair and Maintenance Expenses	-
	Medium-to-Long term Repair and Maintenance Expenses	170,023 thousand yen / 12 years (14,169 thousand yen / year)
Property manager		Prologis K.K.
Master lessee		Prologis REIT Master Lease GK
Type of master lease		Pass-through type
Collateral		None
Appraisal value		8,680 million yen
Real estate appraiser		CBRE K.K.
Description of tenancy		
	Gross number of tenants	2
	Type of lease agreement	Fixed-term lease agreement
	Name of major tenant	Not disclosed (Note 2), PLUS Logistics Corporation
	Annual rent	Not disclosed (Note 2)
	Security deposit	Not disclosed (Note 2)
	Leased area	35,440.03 m ²
	Leasable area	44,243.08 m ²
	Occupancy rate	80.1%
Extra description		Immediately after the fire which broke out at the property on April 30, 2020, the environmental survey was conducted to assess the impact of the fire. The survey found the exceedance of n-Hexane extract (animal/vegetable oils), lead, zinc, and dioxins in the retained water in the stormwater inlet on the property. In the latest environmental survey conducted by Earth-Appraisal Co. Ltd., it acknowledges that, whilst the water draining, sludge

	and burnt residues have been properly managed and handled during the demolition of the burnt building with no signs of soil contamination, such as oils infiltrating into the soil, odour, or discolouration, it cannot rule out contamination by those substances remained on the site. As a conclusion, however, it is their opinion that the possibility of contamination impacting the use of the site or the health of people on the site is low, since the site is covered with the building, asphalt and concrete and groundwater is not in use.
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(Note 1) NPR will entrust the Building as of the anticipated acquisition date and own the Property in the form of the real estate trust beneficiary interests.

(Note 2) Not disclosed as the tenant's consent has not been obtained.

Summary of the appraisal report

Appraisal value	8,680 million yen
Real estate appraiser	CBRE K.K.
Date of appraisal	March 31, 2022

Item	Detail (million yen, unless otherwise indicated)	Outline
Income approach value	8,680	Assessed by placing importance on the value derived by the DCF method
Direct capitalization method	8,770	
Operating revenues	515	
Total potential revenue	545	Assessed based on the current lease terms and its continuity, market rent level, the competitiveness of the subject property
Loss such as vacancy	29	Assessed based on the current vacancy rate of the property, market trends and the competitiveness of the subject property
Operating expenses	112	
Maintenance costs	32	Assessed based on the planned contracts and the costs for similar buildings
Property management fees		
Utility costs	8	Assessed the cost of common area as the costs for the subject property's owner, based on the costs for similar buildings
Repair costs	5	Assessed based on the costs for similar buildings and the annual average of repair and renewal costs in the engineering report
Tenant solicitation expenses	3	Assessed based on the anticipated turnover period of the leases
Property taxes	55	Assessed based on the actual tax amount in the past and the assessed construction cost of the building
Non-life insurance premiums	7	Based on the planned contract amount
Other expenses	0	Assessed based on the actual amount in the past and planned contracts
Net operating income	403	
Interest on deposit	2	Assessed at a rate of return on investment of 1.0%
Capital expenditure	12	Assessed based on the repair and renewal costs in the engineering report
Net income	393	
Capitalization rate	4.5%	Assessed based on the transaction yield for similar properties and the factors specific to the subject property, taking into account the uncertainty in cash flow leading up to the stabilized cash flow
Discounted cash flow method	8,680	
Discount rate	4.2%	Assessed based on the nature and the attainability of projected cash flow, and its uncertainty.
Terminal capitalization rate	4.6%	Assessed based on the transaction yield for similar properties, the characteristics of the subject property, and uncertainty of

			the projected cash flow.
Cost method		8,510	
	Proportion of land	19.5%	
	Proportion of building	80.5%	

Other points to be noted for the determination of appraisal value	Although the construction of the building is not completed as of the date of the appraisal, the appraisal assumes the property has been completed in accordance with the plans and specifications of the Building and is available for use.
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【Reference】

The items described in the respective columns of the tables above are explained below:

- (i) “Location” indicates the official address or the address usually used by tenants and property management companies, etc.
- (ii) “Anticipated acquisition date of the Building” indicates the anticipated transfer date of the Building stated in the Construction Agreement.
- (iii) “Anticipated acquisition price of the Building” is the sum of the construction cost of the Building stated in the Construction Agreement and the costs of certain fixtures of the Building ordered separately, rounded down to the nearest million yen.
- (iv) “Acquisition price of the Property” is calculated by adding the acquisition price of the land of the Property (1,179 million yen) to the Anticipated acquisition price of the Building, rounded down to the nearest million yen.
- (v) “Entrustment Date” indicates the date of establishment of the trust defined in the Trust Agreement.
- (vi) “Trustee” indicates the trustee or trustee-to-be of the Property, which is the trust beneficiary interest in real estate.
- (vii) “Trust maturity date” indicates the trust maturity date defined in the Trust Agreement or the maturity date of the trust period to be amended with the acquisition by NPR.
- (viii) “Ownership form” of “Land” and “Building” indicates the type of rights owned by the trustee.
- (ix) “Land area” of “Land” and “Gross floor area”, “Date of construction”, “Purpose” and “Structure/No. of stories” of “Building” are based on the data recorded in the registry and may differ from the actual figures. “Gross floor area” is equal to the total gross floor area of the main building and accessory building. “Date of construction”, “Purpose” and “Structure/No. of stories” are equal to the figures of the main building excluding accessory building.
- (x) “Zoning” of “Land” indicates the type of zoning as depicted in Article 7 and 8-1-1 of the City Planning Act (Act No. 100 of 1968, as amended).
- (xi) “BCR” of “Land” indicates the upper limit of the building coverage ratio as determined in city planning in accordance with the zoning. The upper limit of BCR could be lower or higher, depending on whether the property is fire-proof in the fire control area and/or other reasons and it may not necessarily be identical with the applied BCR.
- (xii) “FAR” of “Land” indicates the upper limit of the floor area ratio. The upper limit of FAR could be lower or higher, depending on the width of roads adjacent to the land and it may not necessarily be identical with the FAR actually applied.
- (xiii) “Property type” of “Building” indicates “Multi-tenant” for properties that are “Multi-tenant logistics facilities” (those that are capable of serving multiple tenants) and “BTS” for properties that are “Build-to-suit logistics facilities” (those that are developed to meet a tenant’s specific requirements).
- (xiv) “PML” of “Building” represents an outline of the reports on the evaluation results of the analyses of seismic risks conducted by Engineering and Risk Services Corporation and OYO RMS Corporation at the request of NPR and the Asset Manager. The contents of these reports are judgments and opinions of these risk reviewers as of a certain point of time, and the validity and accuracy of such contents are not guaranteed. None of the current properties of NPR is covered by seismic insurance, and NPR has no plan to obtain seismic insurance for any of the current properties or the Property.
- (xv) “Environmental appraisal” of “Building” represents evaluation results described in certification reports of Comprehensive Assessment System for Built Environment Efficiency (“CASBEE”), evaluation results of Building-Housing Energy-efficiency Labeling System (“BELS”) or certifications of the DBJ Green Building Certification system, if such evaluation results are obtained. Also, in the event that an application is filed with each municipality and

a result for such application is disclosed based on the comprehensive assessment system for built environment efficiency conducted by each municipality based on a basis of CASBEE, such disclosed result is described. The results of CASBEE, BELS and DBJ Green Building Certification show an evaluation based on certain judgment standards at a specific point in time and are no guarantee of any objectiveness of such evaluation, validity and accuracy of such evaluation results or the quality of evaluated buildings.

- (xvi) "Engineering Report" represents an outline of the reports on the evaluation results of building assessment conducted by Earth-Appraisal Co., Ltd. at the request of NPR and the Asset Manager. The contents of these reports are judgments and opinions of these building investigators as of a certain point of time, and the validity and accuracy of such contents are not guaranteed. "Report Date" indicates the date of investigation described in the Engineering Report prepared by the building investigator.
- (xvii) "Property manager" indicates the property manager to which NPR has outsourced or will outsource the property management services.
- (xviii) "Master lessee" indicates the party with which NPR has entered or will enter into the Master Lease Agreement. Even if NPR or the trustee enters into a Master Lease Agreement with a master lessee, the end tenant and NPR or the trustee are in the lessee-lessor relationship when existing end tenants do not accept the transfer of the lessor associated with the Master Lease Agreement.
- (xix) "Type of master lease" indicates "Pass-through type" for a pass-through type master lease in which rent received by the lessor is in principle the same amount as the rent received by the master lessee from end tenants, and "Sublease type" for a sublease type master lease, in which a fixed amount of rent is received from the master lessee regardless of fluctuation in the rent received from end tenants, in accordance with the type of the master lease agreements with the master lessee.
- (xx) "Gross number of tenants" of "Description of tenancy" is based on the lease agreements with tenants for warehouses or offices for the Property in trust as of April 27, 2022 (excluding lease agreements with a term of less than one year). Such gross number of tenants includes the tenants where the leasing period of the relevant lease agreement was not commenced as of April 27, 2022. For pass-through master lease agreements, it is based on the lease agreements executed between the master lessee and end tenants. The same shall apply below.
- (xxi) "Type of lease agreement" of "Description of tenancy" is based on the lease agreements.
- (xxii) "Name of major tenants" of "Description of tenancy" indicates the names of the tenants with the two biggest leased areas in the Property in trust (for a pass-through master lease agreement, the end tenant) (excluding tenants or end tenants whose lease agreements have a term of less than one year).
- (xxiii) "Leased area" of "Description of tenancy" indicates the total leased area based on the lease agreements for all warehouses or offices for the Property in trust as of April 27, 2022 (excluding lease agreements with a term of less than one year) and the floor plans included in such lease agreements (excluding lease agreements with a term of less than one year). Such leased area also includes the leased area stipulated in the lease agreements, where the leasing period of the relevant lease agreement was not commenced as of April 27, 2022.
- (xxiv) "Leasable area" of "Description of tenancy" indicates the total leasable area based on the lease agreements for all warehouses or offices for the Property in trust and the floor plans included in the lease agreements executed as of April 27, 2022 (excluding lease agreements with a term of less than one year) plus vacant space based on floor plans.
- (xxv) "Occupancy rate" of "Description of tenancy" is as of April 27, 2022, or the date of lease commencement stipulated in the relevant lease agreements (excluding lease agreements with a term of less than one year; the figure for leased area includes the leased area

stipulated in the lease agreements that were executed but not commenced as of April 27, 2022), calculated by dividing the aggregate total leased area for the Property in trust by the aggregate total leasable area for the Property in trust. Figures are rounded to the nearest tenth.

- (xxvi) "Extra description" indicates items believed to be important in terms of the relationship of rights and use of the Property, as well as items believed to be important in consideration of their impact on the appraisal value, profitability and possibility of disposal of the Property as of April 27, 2022.
- (xxvii) "Summary of the appraisal report" describes the summary of the Appraisal Report upon request from NPR and the Asset Manager. The Appraisal Report only represents a judgment and an opinion of an appraiser as an evaluator at a certain point, and any adequacy, accuracy or feasibility of a transaction at such appraisal value is not guaranteed. There is no special interest between CBRE K.K. and NPR or the Asset Manager.

4. Transactions with Related Parties

Since the Master lessee of the Building is a special purpose company controlled by Prologis K.K., the parent company of the Asset Manager, and is regarded as a Related Party, etc. and Interested Party, the Asset Manager has completed the approval process (the Asset Manager has obtained approval from NPR based on the approval of its Board of Directors meeting held on today) set forth in the “Rules Regarding Related-party Transactions” prior to leasing the Building to this related party.

Additionally, the Property Manager of the Property is Prologis K.K., the parent company of the Asset Manager, and is also regarded as a Related Party, etc. and Interested Party. Accordingly, the Asset Manager has completed the approval process (the Asset Manager has obtained approval from NPR based on the approval of its Board of Directors at a meeting held on today) set forth in the “Rules Regarding Related-party Transactions” prior to outsourcing the property management services of the Property to this related party.

5. Overview of Intermediary

Since the acquisition of the Building is a transfer of the ownership based on the Construction Agreement conducted by NPR, there is no intermediary involved in the transaction of the above-mentioned acquisition of the Property.

6. Future Outlook

There are no changes to NPR’s forecasts of results for the fiscal period ending May 31, 2022 (from December 1, 2021 to May 31, 2022) and the fiscal period ending November 30, 2022 (from June 1, 2022 to November 30, 2022), which NPR announced on January 17, 2022, since the completion of the Redevelopment and the acquisition of the Building as of April 28, 2022 have been reflected in the above-mentioned forecasts of results.

For more information about Nippon Prologis REIT, please visit:

<https://www.prologis-reit.co.jp/en/index.html>

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<APPENDIX>

Appendix: Exterior Photograph of the Property and Map of the Surrounding Area

<APPENDIX>

Appendix: Exterior Photograph of the Property and Map of the Surrounding Area

Prologis Park Iwanuma
Exterior Photograph of the Property



Map of the Surrounding Area

