

**J-REIT Annual Report**

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The first two J-REITs have closed the accounts for the year since being listed, and have issued annual reports to investors.

The annual reports are essentially based on statutory disclosure of information, and contain a great deal of valuable information.

In this sense, it may be said that a certain level of disclosure is ensured, but in this issue of Topics I will take a look at information lacking in the annual reports.

First of all, the main information disclosed in the annual reports can be broadly classified into the following five categories.

Information Category	Main Information Disclosed in Annual Reports
1. Performance	- Net assets per unit - Dividend per unit
2. Financial information	- Details of loans - Management fee, etc. - Financial statements
3. Real estate information	- Term-end market price, occupancy rate and total rent revenues of the properties - Acquisition price of properties
4. Management information	- Capital expenditure (actual/estimate)
5. Information about conflict of interest	- Transaction prices

The categories which are somewhat lacking relevant information are 3 to 5.

**Real Estate Information**

Detailed information per property is not to significant for J-REIT, since they are portfolios containing large numbers of properties, however, I believe that the profit-earning capacity of the properties should at least be disclosed.

In the current annual reports, only total rental revenues are disclosed, but to gain a clear picture of profit-earning capacity, detailed information about rental costs must also be disclosed.

**Management Information**

Looking at the term-end occupancy rate, the high occupancy rate in large buildings contributed to give an overall high occupancy of around 95%, but there were surprisingly a large number of

individual properties with the occupancy rate below 90%.

I believe that the leasing strategies, as well as market information, if necessary, should be disclosed to ease investors concern.

**Information Concerning Conflict of Interest**

With regard to transactions with interested parties, only the acquisition price is disclosed. However, since the transactions and outsourcing of property management have a great impact on fund revenues and expenditures, I believe that the information concerning "properties" and "fee (commission rate)" should also be disclosed.