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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2024 (Interim Period) (Under Japanese GAAP)

November 11, 2024

Company name: Wealth Management, Inc.

Listing: Tokyo Stock Exchange

Securities code: 3772

URL: <https://www.wealth-mngt.com/en/>

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Interim securities report to be submitted: November 11, 2024

Scheduled date to commence dividend payments: —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2024 (interim period) (from April 1, 2024 to September 30, 2024)

(1) Consolidated operating results (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	5,765	84.8	(364)	—	(1,054)	—	(487)	—
Six months ended September 30, 2023	3,120	165.9	(704)	—	(1,263)	—	(916)	—

Note: Comprehensive income

Six months ended September 30, 2024: ¥-487 million (-%)

Six months ended September 30, 2023: ¥-916 million (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	(25.45)	—
Six months ended September 30, 2023	(49.21)	—

Note: Diluted earnings per share are not shown because earnings per share were negative although there are dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	52,382	17,808	34.0
As of March 31, 2024	55,230	18,545	33.6

Reference: Equity

As of September 30, 2024: ¥17,807 million

As of March 31, 2024: ¥18,544 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	19.00	19.00
Fiscal year ending March 31, 2025	—	0.00	—	—	—
Fiscal year ending March 31, 2025 (Forecast)	—	—	—	—	—

Note: Revisions to the forecast of cash dividends most recently announced: None

Note: The forecast dividends for the fiscal year ending March 31, 2025 have not been determined at this time.

3. Consolidated financial results forecast for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	23,200	(19.0)	3,000	(0.9)	3,100	17.5	2,000	9.6	104.38

Note: Revisions to the forecast of financial results most recently announced: None

* Notes

(1) Significant changes in the scope of consolidation during the period: Yes

New companies: (-), Exclusions: 1 (company name) Silent Partnership Yura

Note: For details, please refer to “2. Interim Consolidated Financial Statements and Notes (4) Notes to Interim Consolidated Financial Statements (Changes in the Scope of Consolidation or Scope of Application of the Equity Method)” on page 9 of the Attached Materials.

(2) Adoption of accounting treatment specific to the preparation of interim consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

Note: For details, please refer to “2. Interim Consolidated Financial Statements and Notes (4) Notes to Interim Consolidated Financial Statements (Notes to Changes in Accounting Policies)” on page 9 of the Attached Materials.

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	19,179,800 shares	As of March 31, 2024	19,072,300 shares
As of September 30, 2024	1,252 shares	As of March 31, 2024	1,252 shares
Six months ended September 30, 2024	19,143,302 shares	Six months ended September 30, 2023	18,619,548 shares

(ii) Number of treasury shares at end of the period

(iii) Average number of shares outstanding during the period (interim period)

* The interim summary of financial results is not subject to quarterly review by a Certified Public Accountant or audit firm.

* Explanations and other notes concerning the appropriate use of financial results forecasts

Forward-looking statements such as forecast financial results contained in this document are based on information available to the Company and certain assumptions considered reasonable by the Company at the time of preparation of the document. Actual results, etc. may significantly differ from projections due to a variety of factors.

(Method for obtaining supplementary materials)

The results briefing materials will be available on the Company's website in mid-November 2024.

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1. Overview of Business Results, Etc.

(1) Overview of Business Results

During the six months ended September 30, 2024, despite concerns about rising real estate prices and increased development costs and other cost increases, there were positive signs in the Japanese economy, increased consumption by foreign visitors to Japan, and the spread of wage increases in various industries.

The Group's net sales increased year on year due to the strong performance of the hotel industry and the transfer of beneficial interests in trust of Six Senses Kyoto. Regarding profits, although profits were secured in the second quarter through the aforementioned transfer of beneficial interests in trust and the recording of gains on the cancellation of rental contracts, these profits were not sufficient to offset the losses from the first quarter.

As a result, during the six months ended September 30, 2024, net sales were ¥5,765,973 thousand (up 84.8% year-on-year), operating loss was ¥364,805 thousand (compared to an operating loss of ¥704,878 thousand in the same period of the previous fiscal year), ordinary loss was ¥1,054,633 thousand (compared to an ordinary loss of ¥1,263,774 thousand in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥487,233 thousand (compared to net loss attributable to owners of parent of ¥916,287 thousand in the same period of the previous fiscal year).

Business results by segment were as follows.

Segment		Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)	Percentage change
		Amount (Thousands of yen)	Amount (Thousands of yen)	(%)
Hotel management business	Net sales	2,899,925	3,180,476	9.7
	Operating profit	673,075	(22,068)	—
Asset management business	Net sales	265,506	1,561,847	488.3
	Operating profit	(94,768)	1,130,048	—
Real estate business	Net sales	33,873	1,070,562	—
	Operating profit	(933,849)	(1,006,412)	—

(Notes) 1. Transactions between segments have not been eliminated.

2. For the rate of change, if one or both of the interim periods (current and previous) are negative, or if the percentage change is 1,000% or more, “-” is used.

(Hotel management business)

In the hotel industry, in which our hotel management business operates, the number of hotel guests has increased significantly due to a significant increase in inbound travel and other factors. The number of foreign visitors to Japan (estimate for September 2024) announced by the Japan National Tourism Organization (JNTO) has continued to maintain a high level, with the number of foreign visitors to Japan in September reaching a record high for the eighth consecutive month.

Although Ibis Styles Osaka Namba terminated operations in March 2024, the Group's net sales in the hotel management business increased year on year due to the grand opening of Six Senses Kyoto on April 23, 2024 and Banyan Tree Higashiyama Kyoto on August 20, 2024, as well as continuing strong performance of existing hotels. In terms of profit, the operating loss was due to the absence of profits from the flagship hotel Ibis Styles Osaka Namba, which terminated operations in March 2024, the fact that the two hotels that have opened are still in the process of increasing their recognition and attracting customers and the occurrence of opening-related expenses, as well as an increase in personnel expenses and other headquarter costs.

Trend in sales for operated hotels

(Thousands of yen)

		Operated hotels sales	Percentage change from the same period of the previous fiscal year
Previous first quarter	(April 1, 2023 to June 30, 2023)	1,499,800	193.9%
Previous second quarter	(July 1, 2023 to September 30, 2023)	1,396,944	166.3%
Previous third quarter	(October 1, 2023 to December 31, 2023)	1,798,723	60.4%
Previous fourth quarter	(January 1, 2024 to March 31, 2024)	1,464,995	27.0%
Current first quarter	(April 1, 2024 to June 30, 2024)	1,688,233	12.6%
Current second quarter	(July 1, 2024 to September 30, 2024)	1,486,391	6.4%

(Notes) 1. Operated hotels net sales is the total amount of management accounting revenue from hotels operated by the Group, and they do not match the hotel management business net sales.

2. Transactions between segments have not been eliminated.

(Asset management business and real estate business)

In the real estate market, to which the asset management business and real estate business belong, although there are concerns about increased costs due to rising prices and delays in construction due to a shortage of labor, the rapid performance growth in the hotel industry has caused hotel asset investors and financial institutions to continue their aggressive stance towards investment and financing of the hotel development business.

In the asset management business, net sales and operating profit increased significantly year on year due to the recording of compensation for the transfer of beneficial interests in trust of Six Senses Kyoto in addition to the compensation that is continuously recorded each month.

In the real estate business, although net sales increased due to a gain on distribution from silent partnerships as a result of the transfer of beneficial interests in trust of Six Senses Kyoto, an operating loss was recorded as this was not enough to absorb hotel master lease rent.

(2) Overview of Financial Position

With regard to the financial position as of September 30, 2024, total assets were ¥52,382,964 thousand, liabilities were ¥34,573,986 thousand and net assets were ¥17,808,977 thousand.

Total assets decreased by ¥2,847,283 thousand compared to the end of the previous fiscal year. This is mainly due to a decrease in cash and deposits, despite an increase in investment securities and real estate for sale.

Liabilities decreased by ¥2,110,466 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in short-term borrowings and income taxes payable.

Net assets decreased by ¥736,816 thousand compared to the end of the previous fiscal year. This was mainly due to a decrease in retained earnings due to the recording of a net loss attributable to owners of parent and dividends paid.

(3) Explanation of Forward-looking Information Such as Consolidated Earnings Forecasts

There is no change in the forecast of consolidated financial result for the fiscal year ending March 31, 2025 from the forecast of consolidated financial result (full year) for the fiscal year ending March 31, 2025 announced on August 14, 2024.

2. Interim Consolidated Financial Statements and Notes

(1) Interim Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	16,391,447	7,494,858
Accounts receivable - trade	728,927	653,669
Real estate for sale	17,096,462	18,911,797
Real estate for sale in process	14,872,226	15,410,210
Income taxes refund receivable	848,577	174,280
Other	1,720,862	3,348,957
Total current assets	51,658,504	45,993,773
Non-current assets		
Property, plant and equipment		
Buildings	275,866	374,719
Accumulated depreciation	(26,151)	(42,911)
Buildings, net	249,715	331,808
Tools, furniture and fixtures	302,236	343,603
Accumulated depreciation	(72,478)	(98,707)
Tools, furniture and fixtures, net	229,758	244,896
Land	—	275,237
Construction in progress	6,179	100,799
Total property, plant and equipment	485,653	952,740
Intangible assets		
Goodwill	376,942	314,118
Other	37,642	59,143
Total intangible assets	414,584	373,262
Investments and other assets		
Investment securities	836,011	2,984,245
Deferred tax assets	398,629	643,117
Other	1,436,865	1,435,823
Total investments and other assets	2,671,505	5,063,187
Total non-current assets	3,571,743	6,389,190
Total assets	55,230,248	52,382,964

(Thousands of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	61,273	117,953
Short-term borrowings	4,700,000	3,238,330
Current portion of long-term borrowings	2,069,747	1,446,710
Current portion of non-recourse long-term borrowings	376,000	—
Income taxes payable	799,654	109,042
Provision for bonuses	98,005	178,615
Provision for share-based payments	181,500	—
Provision for shareholder benefit program	40,000	72,000
Other	2,328,294	1,806,548
Total current liabilities	10,654,474	6,969,200
Non-current liabilities		
Long-term borrowings	19,648,188	21,145,876
Non-recourse long-term borrowings	3,000,000	3,000,000
Provision for share-based payments	90,647	130,575
Other	3,291,143	3,328,334
Total non-current liabilities	26,029,979	27,604,786
Total liabilities	36,684,453	34,573,986
Net assets		
Shareholders' equity		
Share capital	2,295,873	2,356,395
Capital surplus	1,727,783	1,780,027
Retained earnings	14,521,724	13,672,141
Treasury shares	(1,006)	(1,006)
Total shareholders' equity	18,544,374	17,807,557
Share acquisition rights	1,420	1,420
Total net assets	18,545,794	17,808,977
Total liabilities and net assets	55,230,248	52,382,964

(2) Interim Consolidated Statement of Income and Interim Consolidated Statement of Comprehensive Income
(Interim Consolidated Statement of Income)

(Thousands of yen)

	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)
Net sales	3,120,630	5,765,973
Cost of sales	2,941,022	4,519,422
Gross profit	179,607	1,246,550
Selling, general and administrative expenses	884,486	1,611,356
Operating profit (loss)	(704,878)	(364,805)
Non-operating income		
Interest income	118	813
Dividend income	40	89
Share of profit of entities accounted for using equity method	2,452	—
Subsidized interest payments	5,137	3,818
Other	2,548	1,102
Total non-operating income	10,297	5,823
Non-operating expenses		
Interest expenses	339,033	624,225
Commission expenses	228,105	35,046
Share of loss of entities accounted for using equity method	—	387
Other	2,053	35,991
Total non-operating expenses	569,192	695,651
Ordinary profit (loss)	(1,263,774)	(1,054,633)
Extraordinary income		
Gain on cancellation of rental contracts	—	419,398
Total extraordinary income	—	419,398
Extraordinary losses		
Office relocation expenses	21,218	—
Total extraordinary losses	21,218	—
Profit (loss) before income taxes	(1,284,992)	(635,234)
Income taxes - current	5,293	96,487
Income taxes - deferred	(373,998)	(244,488)
Total income taxes	(368,705)	(148,001)
Profit (loss)	(916,287)	(487,233)
Profit (loss) attributable to owners of parent	(916,287)	(487,233)

(Interim Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)
Profit (loss)	(916,287)	(487,233)
Comprehensive income	(916,287)	(487,233)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(916,287)	(487,233)
Comprehensive income attributable to non-controlling interests	—	—

(3) Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)	Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,284,992)	(635,234)
Depreciation	38,372	56,799
Amortization of goodwill	62,823	62,823
Increase (decrease) in provision for bonuses	59,745	80,610
Increase (decrease) in provision for share-based payments	(132,755)	(141,571)
Increase (decrease) in provision for shareholder benefit program	14,000	32,000
Interest and dividend income	(159)	(902)
Interest expenses	339,033	624,225
Commission expenses	228,105	35,046
Share of loss (profit) of entities accounted for using equity method	(2,452)	387
Gain on cancellation of rental contracts	—	(419,398)
Decrease (increase) in deposits in trust	(221,198)	16,162
Decrease (increase) in trade receivables	(111,652)	75,257
Decrease (increase) in real estate for sale	(4,643,949)	(1,815,334)
Decrease (increase) in real estate for sale in process	(74,946)	(537,984)
Decrease (increase) in consumption taxes refund receivable	(258,943)	1,468
Decrease (increase) in other assets	(594,616)	(1,520,624)
Increase (decrease) in trade payables	(43,730)	56,680
Increase (decrease) in other liabilities	(104,581)	(88,413)
Other	1,248,603	(169,387)
Subtotal	(5,483,295)	(4,287,389)
Interest and dividends received	159	902
Interest paid	(333,629)	(628,842)
Income taxes refund (paid)	678,174	(100,070)
Net cash provided by (used in) operating activities	(5,138,591)	(5,015,399)
Cash flows from investing activities		
Purchase of property, plant and equipment	(231,175)	(471,518)
Purchase of intangible assets	(179)	(28,752)
Proceeds from redemption of investment securities	—	550,000
Purchase of investment securities	—	(2,643,300)
Payments into time deposits	—	(100,000)
Other	(5,806)	(4,937)
Net cash provided by (used in) investing activities	(237,161)	(2,698,507)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	325,336	(1,461,670)
Proceeds from long-term borrowings	1,150,000	2,096,745
Repayments of long-term borrowings	(233,552)	(1,222,094)
Proceeds from non-recourse borrowings	3,376,000	—
Repayments of non-recourse borrowings	(92,201)	(376,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	916,617	—
Dividends paid	(308,516)	(361,937)
Decrease (increase) in deposits pledged as collateral	—	2,000,000
Other	(112,444)	58,435
Net cash provided by (used in) financing activities	5,021,239	733,479
Net increase (decrease) in cash and cash equivalents	(354,514)	(6,980,427)
Cash and cash equivalents at beginning of period	8,580,009	13,924,417
Cash and cash equivalents at end of period	8,225,495	6,943,990

(4) Notes to Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in the Scope of Consolidation or Scope of Application of the Equity Method)

(1) Significant changes in scope of consolidation

Because the investment in Silent Partnership Yura was redeemed in the six months ended September 30, 2024, it was excluded from the scope of consolidation.

(2) Significant changes in the scope of application of the equity method

The liquidation of the equity method affiliate NISEKO INVESTMENT SINGAPORE PTE. LTD. was completed and it was excluded from the scope of application of the equity method in the six months ended September 30, 2024.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Notes to Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes, Etc.)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022, hereinafter "2022 Revised Accounting Standard") is applied from the beginning of the first six months under review.

With respect to the revision regarding the classification of income taxes (taxation on other comprehensive income), the transitional treatment stipulated in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment stipulated in the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter "2022 Revised Guidance") were applied. This change in accounting policies has no impact on the interim consolidated financial statements.

In addition, the Company has adopted the 2022 Revised Guidance related to the revision of the treatment in consolidated financial statements of the deferral for tax purposes of gains or losses on sales of investments in subsidiaries among consolidated companies, effective from the beginning of the first six months under review. These changes in accounting policies shall be applied retroactively, and the interim consolidated financial statements and consolidated financial statements for the previous interim consolidated accounting period and the previous consolidated accounting period shall be presented with retroactive application. This change in accounting policies has no impact on the interim consolidated financial statements for the previous interim consolidated accounting period and the consolidated financial statements for the previous consolidated accounting period.

(Notes to Segment Information, Etc.)

Segment Information

I. Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)

1. Information on the amounts of net sales, profit or loss, and revenue breakdown for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustments (Notes) 1	Amount shown on interim consolidated statement of income (Notes) 2
	Asset management business	Real estate business	Hotel management business	Total			
Net sales							
Goods and services transferred at a point in time	—	—	2,896,745	2,896,745	2,896,745	—	2,896,745
Goods and services transferred over a fixed period of time	188,087	—	—	188,087	188,087	—	188,087
Revenue from contracts with customers	188,087	—	2,896,745	3,084,832	3,084,832	—	3,084,832
Other revenue (Notes) 3	543	33,873	1,380	35,797	35,797	—	35,797
Net sales to external clients	188,631	33,873	2,898,125	3,120,630	3,120,630	—	3,120,630
Internal net sales and transfers between segments	76,875	—	1,800	78,675	78,675	(78,675)	—
Total	265,506	33,873	2,899,925	3,199,305	3,199,305	(78,675)	3,120,630
Segment profit (loss)	(94,768)	(933,849)	673,075	(355,542)	(355,542)	(349,336)	(704,878)

(Notes) 1. The negative ¥349,336 thousand of segment profit (loss) includes the net amount of negative ¥304,336 thousand in corporate revenues and expenses not allocated to each reportable segment, and negative ¥45,000 thousand in eliminations of transactions between segments.

2. Adjustments have been made to the operating loss shown on the Interim Consolidated Statement of Income for segment profit (loss).

3. Other revenue includes lease income in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and the transfer of real estate (including beneficial interests in real estate trust) subject to the “Practical Guidelines on Accounting for Transfers Related to Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15).

II. Six months ended September 30, 2024 (April 1, 2024 to September 30, 2024)

1. Information on the amounts of net sales, profit or loss, and revenue breakdown for each reportable segment

(Thousands of yen)

	Reportable segment				Total	Adjustments (Notes) 1	Amount shown on interim consolidated statement of income (Notes) 2
	Asset management business	Real estate business	Hotel managemen t business	Total			
Net sales							
Goods and services transferred at a point in time	1,340,690	5,016	3,172,374	4,518,081	4,518,081	—	4,518,081
Goods and services transferred over a fixed period of time	174,244	—	5,625	179,869	179,869	—	179,869
Revenue from contracts with customers	1,514,934	5,016	3,177,999	4,697,950	4,697,950	—	4,697,950
Other revenue (Notes) 3	—	1,065,545	2,477	1,068,022	1,068,022	—	1,068,022
Net sales to external clients	1,514,934	1,070,562	3,180,476	5,765,973	5,765,973	—	5,765,973
Internal net sales and transfers between segments	46,913	—	—	46,913	46,913	(46,913)	—
Total	1,561,847	1,070,562	3,180,476	5,812,886	5,812,886	(46,913)	5,765,973
Segment profit (loss)	1,130,048	(1,006,412)	(22,068)	101,568	101,568	(466,374)	(364,805)

(Notes) 1. The negative ¥466,374 thousand of segment profit (loss) adjustments is the net amount of corporate revenues and expenses not allocated to each reportable segment.

2. Adjustments have been made to the operating loss shown on the Interim Consolidated Statement of Income for segment profit (loss).

3. Other revenue includes lease income in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and the transfer of real estate (including beneficial interests in real estate trust) subject to the “Practical Guidelines on Accounting for Transfers Related to Securitization of Real Estate Using Special Purpose Companies” (Accounting System Committee Report No. 15).