



Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Japanese GAAP)

November 10, 2023

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Quarterly securities report to be submitted: November 10, 2023

Start of cash dividend payments: —

Quarterly supplementary materials: None

Quarterly financial results conference: Yes

(Figures rounded down to nearest million yen)

1. Consolidated Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (Cumulative) (%: change from the same quarter of the previous year)

	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, 2023	3,120	165.9	(704)	—	(1,263)	—	(916)	—
Six months ended September 30, 2022	1,173	(92.6)	(1,193)	—	(1,532)	—	(287)	—

(Note) Comprehensive income

Six months ended September 30, 2023: ¥-916 million (—%) Six months ended September 30, 2022: ¥-287 million (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	(49.21)	—
Six months ended September 30, 2022	(16.80)	—

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

Note: The Company performed a 1:2 split of common shares on October 1, 2022. The figures for earnings per share have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	54,567	15,611	28.6
As of March 31, 2023	49,904	15,788	31.6

Reference: Equity capital

As of September 30, 2023: ¥15,609 million

As of March 31, 2023: ¥15,783 million

2. Dividends

	Annual dividends per share				
	1Q	2Q	3Q	Fiscal year end	Total
	Yen	Yen	Yen	Yen	Yen
FYE March 31, 2023	—	0.00	—	17.00	17.00
FYE March 31, 2024	—	0.00	—	—	—
FYE March 31, 2024 (projection)	—	—	—	—	—

(Note) Changes from the most recently announced dividend forecast: None

(Note) The projection dividends for FYE March 31, 2024 have not been determined at this time.

3. Projected Consolidated Results for Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(%: change from the same period of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,000	35.1	7,000	83.5	7,500	91.1	4,500	20.5	239.80

(Note) Changes from the most recently announced earnings forecast: None

* Notes

(1) Significant changes in subsidiaries during the cumulative period under review (changes in specific subsidiaries associated with changes in the scope of consolidation): Yes

New companies: 1 (Silent Partnership Shinsatsu) Exclusions: (-)

(2) Application of special accounting practices in the preparation of the quarterly consolidated financial statements: None

(3) Changes of accounting policies, changes of accounting estimates and retrospective restatements

(i) Changes in accounting policies resulting from changes in accounting standards, etc.: None

(ii) Changes in accounting policies other than those in (i): None

(iii) Changes in accounting estimates: None

(iv) Restatements: None

(4) Number of shares outstanding (common shares)

(i) Number of shares outstanding at the end of the period (including treasury shares)

As of September 30, 2023	18,913,700 shares	As of March 31, 2023	18,164,600 shares
As of September 30, 2023	1,252 shares	As of March 31, 2023	1,218 shares
2Q of FYE March 31, 2024	18,619,548 shares	2Q of FYE March 31, 2023	17,131,799 shares

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

(iii) Average number of shares during the period (cumulative quarterly period)

Note: The Company performed a 1:2 split of common shares on October 1, 2022. The figures for the number of shares outstanding (common shares) have been calculated based on the assumption that the split was carried out at the start of the previous fiscal year.

* The quarterly 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 earnings projections

Forward-looking statements such as forecasted 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.

(Holding the financial results conference)

The 2nd quarter financial results conference is scheduled to be held online on December 15, 2023 for analysts and institutional investors.

For details, please refer to “Notice about holding the 2nd quarter financial results conference” dated November 10, 2023 (available in Japanese only).

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

During the six months ended September 30, 2023, although there are concerns for the Japanese economy in terms of the Bank of Japan raising long-term interest rates, the increase in real estate and construction costs due to soaring prices, and the unstable Chinese real estate market, favorable factors emerged such as the increased consumption by foreign visitors to Japan due to the yen's depreciation as well as the continuous increases in inbound travel to Japan.

Since the current fiscal year is the final year of the Group's "Medium-Term Management Plan 2024" announced on June 22, 2021, we have set the following three priority measures and will actively accelerate the business towards achieving our plan.

(i) Actualize an exit strategy (REIT, STO (Note 1), etc.) ⇒ Completion of an asset cycle business

(ii) Reinforce assets under management (AUM (Note 2)) ⇒ Group AUM 500 billion yen, groundwork to stabilize and increase future earnings

(iii) Increase hotel revenue ⇒ Increase value of hotel assets

(Note) 1. STO: Security Token Offering

2. AUM: Asset Under Management

As a result, during the six months ended September 30, 2023, net sales were ¥3,120,630 thousand (up 165.9% year-on-year), operating loss was ¥704,878 thousand (compared to an operating loss of ¥1,193,325 thousand in the same period of the previous fiscal year), ordinary loss was ¥1,263,774 thousand (compared to an ordinary loss of ¥1,532,246 thousand in the same period of the previous fiscal year) and net loss attributable to owners of parent was ¥916,287 thousand (compared to net loss attributable to owners of parent of ¥287,792 thousand in the same period of the previous fiscal year).

Business results by segment were as follows.

Segment		Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)	Percentage change
		Amount (Thousands of yen)	Amount (Thousands of yen)	(%)
Hotel management business	Net sales	1,036,320	2,899,925	179.8
	Operating profit	(420,406)	673,075	—
Asset management business	Net sales	292,595	265,506	(9.3)
	Operating profit	(6,807)	(94,768)	—
Real estate business	Net sales	(13,141)	33,873	—
	Operating profit	(613,828)	(933,849)	—

(Note) Transactions between segments have not been eliminated.

(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 the government's travel support measures. The number of foreign visitors to Japan announced by the Japan National Tourism Organization (JNTO) has continued to increase since October 2022.

The Group has seen an increase in both the guest room occupancy rate and average unit price per guest room per day, which has resulted in a significant increase in sales and operating profit at all operated hotels when compared to the same period of the previous fiscal year. In particular, the performance of hotels increased centered around the "Dhawa Yura Kyoto" (84 Ohashi-cho, Sanjo-dori-ohashi Higashi-iru, Higashiyama-ku, Kyoto City) and the "Garrya Nijo Castle Kyoto" (180-1 Ichino-cho, Nakagyo-ku, Kyoto City) which were rebranded during the same period of the previous fiscal year. Further increases in performance is expected in Kyoto for the autumn tourist season from the 3rd quarter of the current fiscal year.

Furthermore, preparations are proceeding as planned to open "Six Senses Kyoto" and "Banyan Tree Higashiyama Kyoto," which are scheduled to commence business in March 2025.

Trend in sales for operated hotels

(Thousands of yen)

		Operated hotels sales	Percentage change from the same period of the previous fiscal year
1st quarter of the previous fiscal year	(April 1, 2022 to June 30, 2022)	510,370	261.9%
2nd quarter of the previous fiscal year	(July 1, 2022 to September 30, 2022)	524,569	96.7%
3rd quarter of the previous fiscal year	(October 1, 2022 to December 31, 2022)	1,121,361	102.2%
4th quarter of the previous fiscal year	(January 1, 2023 to March 31, 2023)	1,153,695	188.4%
1st quarter of the current fiscal year	(April 1, 2023 to June 30, 2023)	1,499,800	193.9%
2nd quarter of the current fiscal year	(July 1, 2023 to September 30, 2023)	1,396,944	166.3%

(Note) 1. Operated hotel sales is the total amount of management accounting revenue from hotels operated by the Group.

2. Transactions between segments have not been eliminated.

3. Does not match the hotel management business sales because consulting sales, etc., are not included.

(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 soaring prices and rising long-term interest rates, the rapid performance growth in the hotel industry has caused hotel asset investors and financial institutions to continue their aggressive stance towards subordinate investment and financing of the hotel development business.

In the Group, operating loss increased when compared to the same period of the previous fiscal year because there were no large property sales during the six months ended September 30, 2023. However, the Group will continue with property sales in the second half of the fiscal year.

Furthermore, in terms of new property acquisition, the Group plans to gradually acquire new properties in addition to “Hotel Emisia Sapporo,” which was acquired in August 2023, to increase opportunities for revenue.

(2) Explanation of Financial Position

With regard to the financial position as of September 30, 2023, total assets were ¥54,567,144 thousand, liabilities were ¥38,955,677 thousand and net assets were ¥15,611,467 thousand.

Total assets increased by ¥4,662,211 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in real estate for sale in the newly consolidated subsidiary Silent Partnership Shinsatsu.

Liabilities increased by ¥4,839,062 thousand compared to the end of the previous fiscal year. This was mainly due to an increase in borrowings as a result of borrowings from financial institutions in the newly consolidated subsidiary Silent Partnership Shinsatsu.

Net assets decreased by ¥176,851 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, despite an increase in share capital and capital surplus due to issuance of shares upon exercise of share acquisition rights.

(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, 2024 from the forecast of consolidated financial result (full year) for the fiscal year ending March 31, 2024 announced on May 11, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	8,729,867	8,596,551
Accounts receivable - trade	746,478	858,131
Real estate for sale	26,828,621	31,472,570
Real estate for sale in process	8,250,412	8,325,359
Income taxes refund receivable	1,309,964	5,538
Other	1,582,497	2,328,084
Total current assets	47,447,842	51,586,235
Non-current assets		
Property, plant and equipment		
Buildings	206,049	274,716
Accumulated depreciation	(3,214)	(13,352)
Buildings, net	202,834	261,363
Tools, furniture and fixtures	257,448	278,638
Accumulated depreciation	(40,211)	(48,842)
Tools, furniture and fixtures, net	217,237	229,795
Construction in progress	2,662	2,745
Total property, plant and equipment	422,733	493,904
Intangible assets		
Goodwill	502,590	439,766
Other	35,465	31,361
Total intangible assets	538,055	471,128
Investments and other assets		
Investment securities	703,492	733,837
Deferred tax assets	350,821	724,820
Other	441,987	557,218
Total investments and other assets	1,496,301	2,015,875
Total non-current assets	2,457,090	2,980,908
Total assets	49,904,933	54,567,144

(Thousands of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	99,559	55,828
Short-term borrowings	340,000	665,336
Current portion of long-term borrowings	637,969	1,038,097
Current portion of non-recourse long-term borrowings	80,000	11,196,148
Income taxes payable	635,804	13,795
Provision for bonuses	58,855	118,601
Provision for share-based payments	197,474	—
Provision for shareholder benefit program	48,000	62,000
Other	1,575,835	1,109,699
Total current liabilities	3,673,498	14,259,505
Non-current liabilities		
Long-term borrowings	11,721,907	12,238,227
Non-recourse long-term borrowings	16,857,350	9,025,000
Provision for share-based payments	58,440	123,159
Other	1,805,417	3,309,784
Total non-current liabilities	30,443,115	24,696,171
Total liabilities	34,116,614	38,955,677
Net assets		
Shareholders' equity		
Share capital	1,677,454	2,202,909
Capital surplus	1,101,086	1,626,541
Retained earnings	13,006,037	11,780,972
Treasury shares	(952)	(1,006)
Total shareholders' equity	15,783,624	15,609,415
Share acquisition rights	4,694	2,051
Total net assets	15,788,318	15,611,467
Total liabilities and net assets	49,904,933	54,567,144

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Six months ended September 30)

(Thousands of yen)

	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)
Net sales	1,173,773	3,120,630
Cost of sales	1,697,728	2,941,022
Gross profit (loss)	(523,955)	179,607
Selling, general and administrative expenses	669,370	884,486
Operating profit (loss)	(1,193,325)	(704,878)
Non-operating income		
Interest income	19	118
Dividend income	—	40
Share of profit of entities accounted for using equity method	—	2,452
Subsidies for employment adjustment	4,272	—
Subsidized interest payments	5,144	5,137
Other	2,517	2,548
Total non-operating income	11,953	10,297
Non-operating expenses		
Interest expenses	338,874	339,033
Commission expenses	3,842	228,105
Other	8,157	2,053
Total non-operating expenses	350,874	569,192
Ordinary profit (loss)	(1,532,246)	(1,263,774)
Extraordinary losses		
Office relocation expenses	—	21,218
Total extraordinary losses	—	21,218
Profit (loss) before income taxes	(1,532,246)	(1,284,992)
Income taxes - current	38,110	5,293
Income taxes - deferred	(1,282,564)	(373,998)
Total income taxes	(1,244,454)	(368,705)
Profit (loss)	(287,792)	(916,287)
Profit (loss) attributable to owners of parent	(287,792)	(916,287)

(Quarterly Consolidated Statement of Comprehensive Income)
(Six months ended September 30)

(Thousands of yen)

	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)
Profit (loss)	(287,792)	(916,287)
Comprehensive income	(287,792)	(916,287)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(287,792)	(916,287)
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	(1,532,246)	(1,284,992)
Depreciation	14,371	38,372
Amortization of goodwill	62,823	62,823
Increase (decrease) in provision for bonuses	2,923	59,745
Increase (decrease) in provision for share-based remuneration	16,681	(132,755)
Increase (decrease) in provision for shareholder benefit program	(9,000)	14,000
Interest and dividend income	(19)	(159)
Interest expenses	338,874	339,033
Commission expenses	3,842	228,105
Share of loss (profit) of entities accounted for using equity method	—	(2,452)
Decrease (increase) in deposits in trust	(3,147)	(221,198)
Decrease (increase) in trade receivables	(91,820)	(111,652)
Decrease (increase) in real estate for sale	(122,062)	(4,643,949)
Decrease (increase) in real estate for sale in process	—	(74,946)
Decrease (increase) in consumption taxes refund receivable	2,135	(258,943)
Decrease (increase) in other assets	(639,597)	(594,616)
Increase (decrease) in trade payables	33,894	(43,730)
Increase (decrease) in other liabilities	(933,220)	(104,581)
Other	(25,475)	1,248,603
Subtotal	(2,881,042)	(5,483,295)
Interest and dividends received	19	159
Interest paid	(381,041)	(333,629)
Income taxes refund (paid)	(993,476)	678,174
Net cash provided by (used in) operating activities	(4,255,541)	(5,138,591)
Cash flows from investing activities		
Purchase of property, plant and equipment	(20,461)	(231,175)
Purchase of intangible assets	(15,435)	(179)
Other	(6,577)	(5,806)
Net cash provided by (used in) investing activities	(42,474)	(237,161)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,595,667	325,336
Proceeds from long-term borrowings	4,969,885	1,150,000
Repayments of long-term borrowings	(64,358)	(233,552)
Proceeds from non-recourse borrowings	—	3,376,000
Repayments of non-recourse borrowings	(5,084,039)	(92,201)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	339,669	916,617
Proceeds from issuance of share acquisition rights	8,756	—
Dividends paid	(255,571)	(308,516)
Decrease (increase) in deposits pledged as collateral	(3,120,945)	—
Other	(5,375)	(112,444)
Net cash provided by (used in) financing activities	4,383,687	5,021,239
Net increase (decrease) in cash and cash equivalents	85,671	(354,514)
Cash and cash equivalents at beginning of period	5,564,741	8,580,009
Cash and cash equivalents at end of period	5,650,413	8,225,495

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Significant Changes in Subsidiaries During the Cumulative Period Under Review)

(1) Significant changes in scope of consolidation

From the six months ended September 30, 2023, the newly established Silent Partnership Shinsatsu has been included in the scope of consolidation.

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

The liquidation of the equity method affiliate WS PACIFIC INVESTMENT PTE. LTD. was completed and it was excluded from the scope of application of the equity method in the six months ended September 30, 2023.

(Notes on Significant Changes in Shareholders' Equity)

Share capital and legal capital surplus increased by ¥459,630 thousand each due to the payment for a part of the 6th series of share acquisition rights issued on September 1, 2022 (share acquisition rights with a clause to revise the exercise price through third-party allotment) as a result of the issuance of new shares upon exercise of the rights.

In addition, share capital and legal capital surplus increased by ¥65,824 thousand each due to the issuance of new shares as performance-linked restricted share remuneration to corporate officers in accordance with the resolution of the Board of Directors meeting held on April 25, 2023.

As a result, share capital and capital surplus increased by ¥2,202,909 thousand and ¥1,626,541 thousand respectively, as of September 30, 2023.

(Segment Information, etc.)

Segment Information

I. Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)

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 (Note) 1	Amount in quarterly consolidated statement of income (Note) 2
	Asset management business	Real estate business	Hotel management business	Total			
Net sales							
Goods and services transferred at a point in time	—	—	1,034,940	1,034,940	1,034,940	—	1,034,940
Goods and services transferred over a fixed period of time	150,291	—	—	150,291	150,291	—	150,291
Revenue from contracts with customers	150,291	—	1,034,940	1,185,231	1,185,231	—	1,185,231
Other revenue (Note) 3	303	(13,141)	1,380	(11,457)	(11,457)	—	(11,457)
Net sales to external clients	150,595	(13,141)	1,036,320	1,173,773	1,173,773	—	1,173,773
Internal net sales and transfers between segments	142,000	—	—	142,000	142,000	(142,000)	—
Total	292,595	(13,141)	1,036,320	1,315,773	1,315,773	(142,000)	1,173,773
Segment profit (loss)	(6,807)	(613,828)	(420,406)	(1,041,042)	(1,041,042)	(152,283)	(1,193,325)

(Note) 1. The negative ¥152,283 thousand of segment loss adjustments includes the net amount of negative ¥160,443 thousand in corporate revenues and expenses not allocated to each reportable segment, and ¥8,160 thousand in eliminations of transactions between segments.

2. Adjustments have been made to the operating loss shown on the Quarterly Consolidated Statement of Income for segment 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).
4. Net sales to external clients in the real estate business of negative ¥13,141 thousand are due to the posting of an amount equivalent to the Company’s investment ratio out of the losses posted in silent partnerships in which the Company has invested.

II. 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 (Note) 1	Amount in quarterly consolidated statement of income (Note) 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 (Note) 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)

(Note) 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 Quarterly 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).