

# NewsLetter



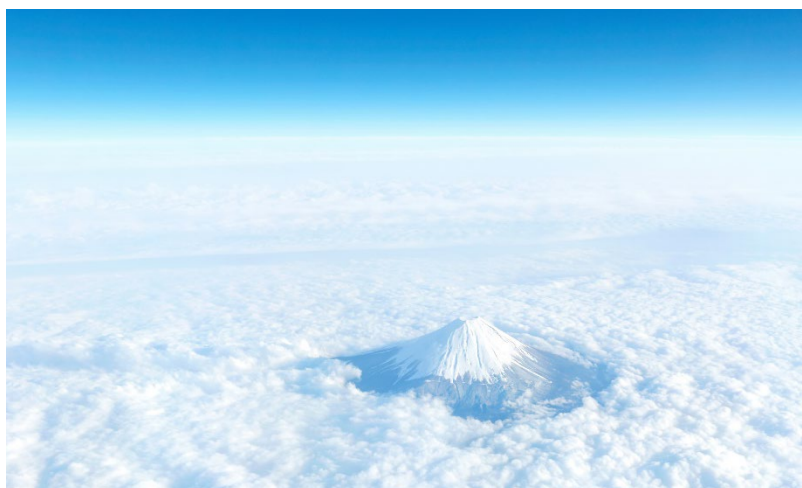
## Chairman's Column

### Thank you to everyone in 2023 and looking ahead to the New Year

2023 is coming to a close and the new year is just around the corner. First and foremost, we would like to sincerely thank our clients for your business. Our firm has been busy ensuring compliance with the invoice system since October and preparing for next year's electronic record retention law. This year's AUA (assets under administration) which is the total of our client's SPC assets was about 2.88 trillion yen as of October 2023. Similar to the AUM of real estate firms, our firm's increasing AUA contributes to the trust and stability of our firm. We hope to continue this upward trend.

In the second half of 2023, we faced staffing issues which led us to turn down new work. ASA's mission is to be a firm that's needed by society, and to that end, we are in the process of building a fund administration platform. We will continue with our efforts to increase our capacity and become a more sustainable and resilient organization. We have also added a regional office and are adding new staff members.

This year, in addition to our Fukuoka and Kobe offices, we opened a Wakayama office. We have hired many talented employees from other countries as well.



Our DIG (Digital Innovation Group) which leads our DX efforts, currently has 9 people. Our SDG plan which will streamline the process of entering PM data into accounting systems looks to officially start next year.

Along with improving our systems, we would like our directors and employees to continue learning. Although this may be a long process, we want to support our employees' reskilling efforts. As we grow older, we may become easily tired and lose endurance, but we do still have our minds. Personally, I will spend New Years Day eating something hearty and exercise. I wish everyone a joyous holiday season and a happy New Year.

*by Kazuhiro Matsuzawa, Chairman*

# NewsLetter



## Japan Real Estate

### CASBEE – Green Building Certification in Japan

According to JLL's 2023 Winter "Sustainability Market Summary", total acquisitions of **CASBEE – Real Estate** had climbed to 1,285 properties. Compared to the same quarter last year, there was an increase of 146 properties (+10.6%).

I am sure many of you have already heard the term CASBEE, but what exactly is it?

According to Wikipedia's definition, "**CASBEE** (Comprehensive Assessment System for Building Environmental Efficiency) is an environmental performance assessment system for buildings developed in 2001 by a committee established within the Institute for Building Environment and Energy Conservation, led by the Ministry of Land, Infrastructure, Transport and Tourism. The system is continually being improved. It is used to objectively evaluate and disclose the performance of buildings by considering their global and local environmental impact, operating cost efficiency, and user-friendliness. Assessments include both new and existing buildings in Japan."

Globally, there are assessment systems like England's BREEAM and the U.S.'s LEED. CASBEE was subsequently developed after these systems.

Let's take a further look into "CASBEE- Real Estate" which has significantly grown recently.

According to the website for Institute for Built Environment and Carbon Neutrality, "CASBEE-Real Estate (previously: CASBEE Real Estate Market expansion) is the result of a building's environmental



Nihonbashi Takashimaya Mitsui Building



assessment under CASBEE, developed for use in real estate assessments. The assessment standards were developed by narrowing down categories to only those with strong correlation to real estate assessments, so that they can be utilized by users in real estate development and deals."

While CASBEE-Building (New construction) is primarily used as a tool for design support and administrative assistance, CASBEE-Real Estate is primarily used by market professionals as a branding tool for simple short-term assessments of existing properties.

Since green building certifications are becoming essential under GRESB, it's expected that CASBEE certifications will continue to increase as well.

*by Shigeru Hirai, Client Relations Group*





## ESG Reporting

### Application of SASB Standards (Part 2 of 2)

In the first part (October volume), we highlighted the key points of the SASB standards. In Part 2, we look at how water management metrics can potentially have direct financial impacts.

For many industries including beverage manufacturers like the Coca-Cola Company, water is a critical input in production. The withdrawal and efficient use in its production can have material impact on its financial performance and condition.

Metrics such as total water withdrawal and consumption and % from regions with high baseline water stress are often reported in sustainability reports. Such non-financial disclosures inform investors and other stakeholders about the company's operational risks which can have direct financial impacts.

A key point to remember is that the topic of water management may be more critical to one industry than another.

Another industry that is known for high water use is electric utilities and power generation companies. In addition to metrics such as water-use efficiency, new sites that are excavated need to be considered for its impact on the environment and biodiversity.

For companies that are just starting their ESG disclosures, it may be best to use industry leaders as a benchmark. In addition, the company may find that software providers and data aggregators are beneficial to collect quantitative information.

ASA is also keeping a close eye on this field as ESG disclosure becomes even more defined and regulated. We are happy to hear from you on ways we can assist with your ESG disclosure journey.

*by Yuichi Totani, Client Relations Group*



Crucial input in production



(Source: Coca-Cola HBC)

#### Coca-Cola Company Sustainability Report

##### SASB (metrics)

- Total water withdrawn/consumed
- % from regions with high baseline water stress

#### Financial statement impact

##### Potential FS impact

- Scarce water supply can potentially lead to less production and less sales
- Scarce water supply can lead to increased costs and less profit.
- Improved water efficiency can lead to lower costs and greater profit.

#### Profit and Loss Statement

Sales  
(COGS/expenses)  
Profit

## Accounting Update

### Outline and impact of the Draft Revised Lease Accounting Standard

In May of this year, the ASBJ (Accounting Standards Board of Japan) released a draft revision of the lease accounting standards. To align with international accounting standards, the ASBJ announced the draft revision, which is based on IFRS 16, specifically developing standards for recognition of assets/liabilities in lease transactions.

An outline and impact of the draft revision is explained below.

#### 1. Outline of accounting standards

##### [1] Basic policy for development

Under IFRS 16, the distinction between finance and operating leases will be removed under the lessee's accounting treatment, and non-cancellable lease transactions shall be recorded as right-of-use assets. The draft revision likewise requires that all lease transactions (including those previously recognized as operating leases) be recorded as an asset/liability for the lessee. The draft revision does not incorporate all provisions of IFRS 16, but instead simplifies and makes them useful as an alternative treatment and for

transitional purposes (lease accounting standard B12).

In addition, it was determined that basic principles and policies for the treatment under consolidated financials and separate financials would remain the same. Therefore, the draft revision would apply the same treatment for separate financials (lease accounting standards B17).

##### [2] Applicable period

As stated below, the draft revision states that the standards be applied after roughly 2 years of the publication. Early application is acceptable.

In conjunction, the application of the previous accounting standards (Accounting standard No.13 "Accounting standard for lease transactions" and Corporate accounting standards guidance No.16 "Accounting standards guidance for lease transactions") will end.

The revised standard is expected to be applicable 2 years after publication from the first day of the fiscal year beginning on April 1 and afterward. The reason for allowing a 2-year grace period for companies is reduce the administrative burden that includes identification of leases, consideration of new practices, and other preparations.

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# NewsLetter



## Accounting Update

(continued)

### Draft Revised Lease Accounting Standard

#### 2. Impact of the draft lease accounting standard

Under the draft revision's right-of-use model, the scope of accounts to be recorded on the balance sheet will expand. The following accounts will likely be impacted.

- ① Both right-of-use assets and lease obligations will be recorded on the balance sheet, which worsens metrics like debt ratio and equity ratio.
- ② Right-of-use assets are recorded with the straight-line method, while interest expense on lease obligations are recorded with the interest method. In the beginning, interest expenses will be relatively large corresponding to the large lease obligation amount. Thus, in the initial phase, compared to when lease transactions occur, lease-related expenses will be quite large. In addition, the interest equivalent amount of leasing cost that was previously included in manufacturing cost and SG&A expense would now be recorded as a non-operating expense and thus impact profit/loss subtotals.
- ③ Right-of-use assets are subject to impairment, thus the scope of assets subject to impairment may expand. Particularly for retailers that lease storefronts, this may have a dramatic effect on financials. Under the draft lease accounting revision, rental payments which were previously recorded as expenses, will be recorded as right-of-use assets on the balance sheet.
- ④ As of this moment, the start date of the draft revision is still pending. Hypothetically, if the new accounting standard is published by March-end 2024, companies with March FYE will be impacted from the first day of the fiscal year that begins April 1, 2026. Thus, it is crucial that lease contracts are properly identified, and systems are ready by this time.

*by Hiroki Yaguchi, Knowledge Group*



# NewsLetter



Aoyama  
Sogo  
Accounting Firm

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## Editor's Afterword

For this year's one word Kanji, "Tax" was chosen. For many taxpayers and accounting firms, the invoice system and electronic record retention law will begin to take full effect starting next year, which could potentially cause headaches and confusion. In other news in Japan, the logistics and shipping industry is said to face an oncoming "2024 problem". The U.S. has stopped further interest rate hikes as of now, and we shall see where the economy heads.

With so much bad news grabbing the headlines, the news of Shohei Otani becoming a Dodger was exciting and uplifting. I am sure there will be many things that happen next year as well, but it's best to stay even-keel and not get too high on the highs and low on the lows. This month's volume will be the last for the year. We will start again in February.

Stay warm and we hope you have a wonderful New Year!

*by Jun Murata, Corporate Officer*



HAPPY  
*Holidays*  
2023