

ANNUAL REPORT 2021

Year ended October 31, 2021



Consolidated Six-year Summary

Consolidated Six-year Summary

For the years ended October 31

Results	Millions of yen						Thousands of U.S. dollars*
	2016	2017	2018	2019	2020	2021	2021
For the year:							
Net sales	¥194,398	¥232,957	¥298,517	¥317,439	¥268,904	¥251,102	\$2,208,851
Gross profit	53,049	60,189	72,283	78,092	36,347	40,693	357,963
Operating profit	21,453	20,506	22,540	22,322	-14,698	(8,040)	(70,721)
Recurring profit	21,164	20,281	22,532	21,566	-15,168	(11,619)	(102,211)
Profit attributable to owners of parent	13,964	13,440	13,852	12,348	-46,653	(11,658)	(102,553)
Capital investment	30,266	38,470	46,564	54,270	31,846	20,345	178,965
Depreciation and amortization	21,779	24,418	28,091	31,016	37,750	33,681	296,279
At year-end:							
Total net assets	¥73,271	¥78,805	¥94,848	¥90,792	¥31,146	¥16,433	\$144,552
Total assets	152,939	259,853	283,172	293,097	295,776	319,629	2,811,652
Interest-bearing debt	48,939	121,637	124,284	139,380	205,219	228,295	2,008,224
Per share data (yen and U.S. dollars):							
Profit—Basic	¥95.75	¥91.67	¥91.88	¥79.79	¥(302.00)	¥(75.45)	\$(0.66)
—Diluted	90.36	86.87	84.44	75.28	-	-	-
Cash dividends, historical	65.00	70.00	70.00	70.00	-	-	-
Net assets	497.87	532.39	610.01	585.37	200.55	105.93	0.93
Management indexes (%):							
Recurring profit year on year	113.9	95.8	111.1	95.7	-	-	-
Operating profit margin	11	8.8	7.6	7	-	-	-
Recurring profit margin	10.9	8.7	7.5	6.8	-	-	-
Return on assets	9.4	6.5	5.1	4.3	(15.8)	(3.8)	-
Return on equity	19.8	17.5	15.8	12.7	(69.5)	(37.6)	-
Equity ratio	48.7	30.3	34.1	33.3	12.4	7.9	-
Dividend payout ratio	67.9	76.4	76.2	87.7	-	-	-
Other data (number):							
Employees	2,448	4,577	4,899	5,490	5,565	5,029	-
Times PARKING sites	15,792	16,845	17,597	18,908	18,914	17,879	-
Times PARKING spaces	531,135	551,422	580,751	604,413	592,225	562,077	-
Time CAR vehicles	42,943	48,989	54,593	57,716	44,841	52,552	-

Results by Segment	Millions of yen						Thousands of U.S. dollars*
	2016	2017	2018	2019	2020	2021	2021
Net sales	¥194,398	¥232,957	¥298,517	¥317,439	¥268,904	¥251,102	\$2,208,851
Parking Business Japan	140,304	148,399	157,007	170,109	155,217	150,446	1,323,421
Parking Business Overseas	1,938	23,671	68,290	65,976	45,169	38,499	338,660
Mobility Business	52,301	61,061	73,506	85,848	73,484	66,808	587,682
Adjustment	(145)	(174)	(285)	(382)	(4,966)	(4,651)	40,911
Operating profit	¥21,453	¥20,506	¥22,540	¥22,322	¥(14,698)	¥(8,040)	\$(70,721)
Parking Business Japan	24,899	25,359	26,906	31,412	15,276	21,364	187,935
Parking Business Overseas	82	116	(880)	(993)	(14,406)	(16,595)	(145,983)
Mobility Business	4,458	5,113	6,859	5,001	(2,595)	(41)	(361)
Adjustment	(7,986)	(10,082)	(10,345)	(13,098)	(12,973)	(12,768)	(112,312)

* The U.S. dollar amounts represent translations of yen amounts at the rate of ¥113.68=U.S.\$1.00, the approximate rate of exchange prevailing on October 31, 2021.

* Recurring profit is operating profit plus or minus other income or expenses of a recurring nature. Such other income or expenses, therefore, do not include one-time charges.

Management's Discussion and Analysis

Overview of the Fiscal Year Ended October 31, 2021

Results of Operations

During the fiscal year ended October 31, 2021 (the “fiscal year under review”), the Japanese economy was strongly affected by the spread and prolongation of the COVID-19 pandemic (“COVID19”), and the situation continued to be uncertain, with falling corporate earnings and weakening employment situation. On the other hand, the state of emergency and the “quasi-emergency” state, which had been intermittently issued and applied mainly in major prefectures and cities since January 2021, were lifted at the end of September, and the number of COVID-19 infected cases has remained at a low level, so the normalization of economic activities is expected in the future. Overseas, although lockdowns and restrictions on activities were re-imposed in some countries, business sentiment is improving against the backdrop of widespread vaccination, and an overall recovery is expected in the future.

In this environment, the PARK24 GROUP companies (the “Group”) are making efforts to minimize risks to its businesses caused by COVID-19 based on three policies to “protect customer safety,” “protect employee safety” and “fulfill our mission as a transportation infrastructure company.” The Group is taking steps to improve earnings in its businesses by promoting business restructuring while supplying and developing services that meet the current demand situation.

In terms of results of operations, the Group's businesses were significantly affected in both Japan and abroad by the repeated spread of COVID-19 since the beginning of the fiscal year under review and the resulting restrictions on the movement of people, but in the latter half of the fourth quarter of the fiscal year under review, the utilization of services began to recover in all businesses.

As a result, during the fiscal year under review, the Group posted net sales of ¥251,102 million (down 6.6% year on year), operating loss of ¥8,040 million (compared with operating loss of ¥14,698 million a year earlier), and loss before income taxes of ¥9,950 million (compared with loss before income taxes of ¥49,192 million a year earlier), and loss attributable to owners of parent of ¥11,658 million (compared with loss attributable to owners of parent of ¥46,653 million a year earlier).

Results of Operations by Segment

1. Parking Business Japan

Since the beginning of the fiscal year under review, the spread of COVID-19 has led to a decrease in traffic volume, and since January 2021, parking facilities occupancy has remained at a low level due to the impact of the intermittent declaration of the state of emergency and the quasi-emergency state throughout Japan, which has restrained the movement of people. On the other hand, after the lifting of the state of emergency and the quasi-emergency state at the end of September, the movement of people gradually recovered and the occupancy of parking facilities also began to improve.

Under these circumstances, the Group strived to make its business more lean. Specifically, at the existing parking facilities, it continued to implement operational measures to match current supply and demand, while at the same time taking measures against unprofitable facilities caused by the COVID-19 pandemic primarily through negotiating a rent reduction or waiver with land and facility owners. At new parking facilities, it carefully selected and developed parking facilities that can be profitable even in the current demand environment.

As a result, the numbers of Times PARKING sites and parking spaces managed at the end of the fiscal year under review were 17,879 (down 5.5% from the end of the previous fiscal year), and 562,077 (down 5.1% from the end of the previous fiscal year). The total number of parking sites and parking spaces managed, including monthly parking and facility management services, in Japan was 19,362 (down 4.9% from the end of the previous fiscal year), and 725,697 (down 2.7% from the end of the previous fiscal year). Net sales in this segment (including intersegment sales) were ¥150,446 million (down 3.1% year on year), and operating profit was ¥21,364 million (up 39.9% year on year).

2. Parking Business Overseas

Parking Business Overseas, which was also significantly affected by the spread of COVID-19 in countries where the Group operated, has been on a recovery trend since July 2021. The following are the situations in the major countries in which it operates. In Australia, lockdowns and restrictions on activities were implemented sporadically by state and area from the beginning of the fiscal year under review, but parking facilities occupancy temporarily showed signs of a moderate recovery. However in late June, lockdowns and restrictions on activities were implemented in multiple areas, and parking facilities occupancy was again restrained. In the U.K., lockdowns and restrictions on activities were issued in each region from the beginning of the fiscal year under review, but parking facilities occupancy has been gradually recovering since the restrictions were almost fully lifted in July.

Meanwhile, in Asian countries, many regions implemented stricter regulations in May due to the spread of COVID-19, followed by a temporary decline in parking facilities occupancy; however since then it has been recovering although the degree of recovery varied from region to region.

Under these circumstances, notably in the U.K., which was severely affected by COVID-19, the Group filed a restructuring plan under Part 26A of the U.K. Companies Act, 2006 in April 2021, but subsequently decided to withdraw the filing on December 15, 2021. This is because the Group made some progress in rebuilding the cost structure through the cancellation of unprofitable parking facilities and changes in contract terms amid the situation where the operation of parking facilities is on a recovery trend as stated above; and also because the early approval of the restructuring plan became difficult due to the counterproposals made during the

hearing process. In other countries besides the U.K., the Group actively negotiated a rent reduction, waiver or revision for unprofitable parking facilities, while at the same time reducing management and maintenance costs and improving efficiency through a review of the operational structure. In addition, as part of the business structure reform, the Group promoted the development of “Localized Times PARKING,” a short-term contract parking facility adapted to the circumstances of each country overseas, based on the “small, dispersed, and dominant” features of Times PARKING in Japan.

The Group also established GS PARK24 CO., LTD. (“GS PARK24”) as a joint venture in the Republic of Korea in 2006 to develop and operate 24-hour unmanned hourly parking facilities as part of developing the Times PARKING business model overseas, thereby contributing to the development of parking infrastructure in this country. Believing that it is desirable to aim for growth under a local company from now on, the Group transferred all of its shares in GS PARK24 to GS Retail CO., LTD., a joint venture partner, in September. As of the end of the third quarter of the fiscal year under review, the number of parking sites and parking spaces managed by GS PARK24 were 642 and 86,567.

As a result, the numbers of overseas parking sites and parking spaces managed at the end of the fiscal year under review were 2,213 (down 21.9% from the end of the previous fiscal year), and 519,419 (down 15.1% from the end of the previous fiscal year), respectively. The total numbers of parking sites and parking spaces managed worldwide including Japan were 21,575 (down 7.0% from the end of the previous fiscal year), and 1,317,116 (down 8.7% from the end of the previous fiscal year), respectively. Net sales in this segment (including intersegment sales) were ¥38,499 million (down 14.8% year on year). Operating loss was ¥16,595 million (compared with operating loss of ¥14,406 million in the previous fiscal year).

* The results of parking business overseas for the fiscal year under review are the results of overseas consolidated subsidiaries for the period from October 1, 2020 to September 30, 2021.

3. Mobility Business

With regard to Times CAR (combining Car Sharing and Car Rental services), the state of emergency and the quasi-emergency state were intermittently issued from January to September 2021, but demand for the Times CAR service remained strong. Therefore, sales were on a recovery trend toward the end of the fiscal year under review, with a steady increase in the number of members and firm service utilization.

Under these circumstances, as demand for Times CAR service is especially strong in urban areas, the Group concentrated vehicle deployment in urban areas and increased the number of vehicles to capture demand while increasing the occupancy per vehicle. In addition, the Group opened 105 Times CAR sales offices, mainly in Tokyo, and steadily promoted Times CAR deployment to efficiently operate vehicles.

As a result, the total number of vehicles in the Mobility Business as a whole at the end of the fiscal year under review was 52,552 units (up 17.2% from the end of the previous fiscal year), and the number of members was 1,725 thousand (up 14.5% from the end of the previous fiscal year). Net sales in this segment (including intersegment sales) were ¥66,808 million (down 9.1% year on year), and operating loss was ¥41 million (compared with operating loss of ¥2,595 million in the previous fiscal year).

Analysis of Results of Operations

Net sales and operating profit

In the fiscal year ended October 31, 2021, net sales decreased by ¥17,802 million, or 6.6%, over the previous year's result to ¥251,102 million, while operating loss was ¥8,040 million (compared with operating loss of ¥14,698 million a year earlier).

The above results were primarily attributable to a drop in the utilization of services at parking sites at home and abroad caused by the repeated spread of COVID-19 as well as a decrease in the use of cars due to the declaration of the state of emergency and the application of the quasi-emergency state. Please refer to Results of Operations by Segment for more details on net sales and operating loss.

Other expenses, net of other income, and profit attributable to owners of parent

Other expenses, net of other income, decreased significantly by ¥32,584 million over the previous fiscal year's result to ¥1,911 million. This decrease was caused primarily by a year-on-year decrease in impairment loss by ¥31,800 million and gain on sale of shares of subsidiaries and associates of ¥1,732 million as a result of selling all shares of GS PARK24 CO., LTD., which were partially offset by increases in interest expenses and commission expenses by ¥3,381 million and a decrease in government subsidy for labor costs by ¥1,207 million.

As a result, the Group recorded loss before income taxes of ¥9,950 million, compared with loss before income taxes of ¥49,192 million a year earlier. Loss attributable to owners of parent was ¥11,658 million, compared with profit attributable to owners of parent of ¥46,653 million a year earlier.

Analysis of Financial Position

Assets

Total assets at the end of the fiscal year under review increased ¥23,853 million from the end of the previous fiscal year to ¥319,629 million. This is primarily a result of an increase in cash and deposits and other current assets by ¥37,923 million, partially offset by a decrease in machinery and vehicles and other property, plant and equipment, net by ¥15,525 million.

Liabilities

Total liabilities increased ¥38,567 million from the end of the previous fiscal year to ¥303,196 million. This is primarily a result of increases in borrowings through subordinated syndicated loans, etc. of ¥32,044 million, accrued expenses of ¥8,541 million, and accounts payable - other of ¥3,357 million, partially offset by a decrease in lease obligations of ¥8,969 million.

Net assets

Net assets decreased ¥14,714 million from the end of the previous fiscal year to ¥16,433 million. This is primarily a result of a decrease in retained earnings of ¥11,658 million due to the posting of loss attributable to owners of parent and a decrease in foreign currency translation adjustment of ¥2,375 million.

Analysis of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥91,795 million, an increase of ¥36,526 million from the end of the previous fiscal year.

Cash flow from operating activities

Net cash provided by operating activities decreased by ¥4,582 million year on year to ¥34,818 million. This primarily reflected the total of depreciation and amortization, impairment loss, and amortization of goodwill of ¥24,982 million, a decrease in inventories of ¥6,225 million, an increase in accrued expenses of ¥5,703 million, partially offset by income taxes paid of ¥4,067 million.

Cash flow from investing activities

Net cash used in investing activities was ¥12,350 million (cash outflow decreased ¥9,470 million year on year). This primarily reflected payments for purchase of property, plant and equipment of ¥12,413 million due to the opening of Times PARKING sites and the acquisition of intangible assets of ¥2,175 million for the purchase of intangible assets, partially offset by proceeds of ¥2,040 million from sale of shares of subsidiaries and associates.

Cash flow from financing activities

Net cash used in financing activities was ¥13,167 million (cash inflow increased ¥281 million year on year). This primarily reflected proceeds from long-term borrowings of ¥49,904 million due mainly by a subordinated syndicated loan, partially offset by repayment of lease obligations of ¥14,377 million, a decrease in short-term borrowings of ¥12,994 million, and repayment of long-term borrowings of ¥9,421 million.

Liquidity and Capital Resources

The Group secures funds for operating activities out of cash flow from operating activities, financial institution borrowings, and issuance of convertible bonds. However, since the impact of the spread of COVID-19 caused a significant decrease in net assets, the Group signed an agreement for a subordinated syndicated loan totaling ¥50,000 million and drew down in December 2020 to secure long-term funds for investment for growth and to improve and maintain its financial soundness. The Group will manage the funds to meet the demand for funds for vehicles and IT investments.

Dividend Policy and Distribution of Dividends in the Current and Next Fiscal Years

The Group puts its first priority on improving corporate value through profit growth. Our basic policy is to provide internal reserves to fund investments required for sustainable growth, and to distribute the remaining earned surplus to shareholders, primarily in the form of dividends. Internal reserves are allocated to capital expenditure, research and development, M&A, business alliance, and other initiatives required for the Group to expand its business as well as to enhance and expand the services it offers. By doing so, the Group believes that it can create new forms of comfort and convenience by responding to the needs of today as stated in its philosophy.

In principle, the Company pays dividends annually at the end of each fiscal year with the amount subject to the resolution by the General Meeting of Shareholders. For the fiscal year under review, however, COVID-19 continued to affect all of its businesses in a way it restricted the utilization of each service more severely than expected, although the recovery trend was observed near the end of the fiscal year under review. As such, the Company recorded loss for the two consecutive years, resulting in a significant decrease in reduced shareholders' equity.

Accordingly, the Group regards improving financial soundness as a critical management issue and has established a policy of determining dividends for the time being with a paramount aim of achieving the equity ratio of more than 30% at the end of the fiscal year ending October 31, 2025.

It is noted that the Company has stipulated in its Article of Incorporation that it may pay interim dividends to shareholders with the record date of April 30 each year upon a resolution by the Board of Directors.

Fiscal 2022 Forecast

With regard to the future outlook, in Japan, although economic activities are expected to resume with the spread of vaccinations and other measures, there are still concerns about the risk of the re-spreading of COVID-19 caused by the spread of variant strains and other factors. Overseas, the pace of recovery differs from country to country, and the outlook remains uncertain, although some countries have seen an improvement in economic activities due to the control of COVID-19.

Under these circumstances, for the fiscal year ending October 31, 2022, although the impact of COVID-19 will continue to a certain extent, the impact on each service is expected to be less than that of the fiscal year under review. Based on the assumption that the level of usage of each service will not return to the level before the spread of COVID-19, the Group will strive to return to profitability through the following measures in order to build a business foundation that can generate stable profits even under such circumstances.

For the Parking Business Japan, the Group assumes that the impact of COVID-19 is expected to be reduced and the movement of people is expected to pick up, but the impact is likely to remain to some extent. The Group will continue to implement thorough cost control, including measures for unprofitable parking facilities, review of management and maintenance, and SG&A expenses. As for new development, the Group will continue to selectively develop only facilities that are certain to become profitable. In addition, as part of our initiatives to improve profitability in the future, the Group will build next-generation parking services that enable easier entry, exit, and payment, and promote collaboration among Group services. Through these efforts, the Group will further promote the strengthening of its business structure and aim to achieve strong business growth after COVID-19 is settled.

For the Parking Business Overseas, the Group assumes that parking facilities occupancy will gradually recover, but will not reach the levels seen before the spread of COVID-19. In the U.K., the Group will work to improve the profit structure of existing facilities by continuing to promote reductions in operating costs, including more efficient management and maintenance, and the effects of the cancellation of unprofitable parking facilities and changes in contract terms. In addition, by promoting and mass-producing the development of short-term contract parking facilities optimized for the parking demand environment in each country, based on the domestic parking business strategy of "small, diversified, and dominant," the Group will work to change its business portfolio, which is biased toward large, long-term contract parking facilities, in order to reduce business risk and improve profitability as quickly as possible.

For the Mobility Business, the number of vehicles and members has been steadily increased in spite of COVID-19. In the fiscal year ending October 31, 2022, although the impact of the infectious disease will be reduced, there are still concerns about the risk of its re-expansion, and therefore the Group will place the highest priority on building an operational system to capture

demand in a stable and reliable manner. Specifically, the Group will maintain the number of vehicles at the level at the end of the fiscal year ended October 31, 2021, and promote the construction of the Times CAR Flexible Model (a model in which multiple vehicles are rented out from a single vehicle space), which will enable the Group to quickly deploy vehicles optimally according to demand and maximize profitability per vehicle.

Through such efforts, the Group expects that, at the end of October 2022, the total number of domestic and overseas parking sites will be 21,300, and the total number of parking spaces will be 1,382,700. The number of Times CAR vehicles will be 52,600. For the fiscal year ending October 31, 2022, the Group forecasts net sales of ¥283,000 million, operating profit of ¥13,500 million, and profit attributable to owners of parent of ¥2,500 million.

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
As of October 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2020	2021	2021
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 8 and 11)	¥ 55,537	¥ 92,045	\$ 809,683
Notes and accounts receivable, trade (Note 11)	16,147	18,606	163,667
Less: allowance for doubtful accounts	(698)	(1,243)	(10,931)
Inventories (Note 32)	2,644	1,997	17,567
Prepaid expenses	15,320	13,268	116,715
Other	12,311	14,511	127,644
Total current assets	101,261	139,184	1,224,345
Property, plant and equipment:			
Buildings and structures	54,349	52,097	458,278
Machinery and vehicles (Note 32)	66,239	60,901	535,720
Equipment, furniture and fixtures	29,725	32,152	282,826
Leased assets	56,097	57,379	504,739
Right-of-use assets	61,683	67,878	597,097
Land (Note 16)	26,272	25,747	226,484
Construction in progress	2,273	1,853	16,303
	296,639	298,006	2,621,448
Less: accumulated depreciation	(153,286)	(170,179)	(1,496,997)
Total property, plant and equipment, net	143,352	127,828	1,124,452
Intangible assets:			
Goodwill	16,793	17,006	149,594
Contract-related intangible assets	8,677	9,196	80,897
Other	4,334	4,976	43,770
Total intangible assets	29,804	31,178	274,261
Investments and other assets:			
Investment securities (Notes 9 and 11)	1,199	598	5,261
Long-term prepaid expenses	7,469	5,445	47,897
Lease deposits	4,710	4,509	39,667
Deferred tax assets (Note 15)	7,068	9,812	86,309
Other	917	1,104	9,714
Less: allowance for doubtful accounts	(5)	(29)	(253)
Total investments and other assets	21,359	21,439	188,595
Total assets	¥ 295,776	¥ 319,629	\$ 2,811,652

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
As of October 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2020	2021	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable, trade	¥ 479	¥ 561	\$ 4,933
Short-term borrowings (Notes 10 and 11)	26,609	16,035	141,050
Current portion of long-term borrowings (Notes 10 and 11)	7,095	30,533	268,591
Current portion of lease obligations (Notes 10 and 11)	12,149	12,058	106,071
Notes payable, other	749	1,195	10,515
Accounts payable, other	15,213	18,570	163,355
Accrued expenses	16,048	24,589	216,304
Provision for bonuses	1,250	2,197	19,323
Provision for directors' bonuses	—	56	496
Accrued income taxes	1,721	3,164	27,830
Other current liabilities	9,114	8,951	78,743
Total current liabilities	90,428	117,910	1,037,210
Long-term liabilities:			
Convertible bonds	35,000	35,000	307,882
Long-term borrowings (Notes 10 and 11)	92,809	111,990	985,130
Lease obligations (Notes 10 and 11)	31,557	22,679	199,501
Retirement benefit liability (Note 13)	111	22	196
Asset retirement obligations (Note 24)	9,287	9,453	83,155
Deferred tax liabilities (Note 15)	1,526	1,619	14,240
Other long-term liabilities	3,911	4,523	39,787
Total long-term liabilities	174,201	185,286	1,629,890
Net assets:			
Shareholders' equity (Note 31):			
Common stock	20,135	20,171	177,438
Authorized:			
2020 and 2021 — 283,680,000 shares			
Issued:			
2020 — 155,016,369 shares,			
2021 — 155,048,369 shares			
Capital surplus	15,722	15,758	138,620
Retained earnings	2,160	(9,498)	(83,553)
Treasury stock, at cost			
2020 — 528,203 shares			
2021 — 528,313 shares	(1,255)	(1,255)	(11,044)
Total shareholders' equity	36,761	25,176	221,460
Accumulated other comprehensive income:			
Net unrealized gains on securities	82	131	1,152
Revaluation reserve for land (Note 16)	(1,035)	(1,035)	(9,106)
Deferred losses on hedges	(136)	(83)	(729)
Foreign currency translation adjustments	(3,580)	(5,955)	(52,380)
Accumulated adjustments for retirement benefits	(1,111)	(1,865)	(16,405)
Total accumulated other comprehensive income	(5,779)	(8,807)	(77,468)
Stock acquisition rights (Note 14)	164	64	560
Total net assets	31,146	16,433	144,552
Total liabilities and net assets	¥ 295,776	¥ 319,629	\$ 2,811,652

The accompanying notes are an integral part of these statements.

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
For the years ended October 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2020	2021	2021
Net sales	¥ 268,904	¥ 251,102	\$ 2,208,851
Cost of sales	232,557	210,409	1,850,888
Gross profit	36,347	40,693	357,963
Selling, general and administrative expenses (Note 27)	51,045	48,733	428,684
Operating profit (loss)	(14,698)	(8,040)	(70,721)
Other expenses (income):			
Interest expenses	1,755	3,541	31,149
Interest and dividend income	(20)	(19)	(170)
Foreign exchange loss	13	57	504
Commission expenses	4	1,599	14,064
Gain on cancellation of leases (Note 18)	—	(799)	(7,028)
Expenses incurred for evacuation of parking facilities	879	528	4,643
Loss (gain) on disposal of non-current assets, net	972	(706)	(6,209)
Gain on sale of shares of subsidiaries and associates (Note 19)	—	(1,732)	(15,234)
Void parking ticket income	(241)	(202)	(1,779)
Impairment loss (Note 17)	31,939	139	1,222
Equity in loss of associates	297	173	1,526
Loss on valuation of investment securities	50	—	—
Loss on temporary closure (Note 20)	790	405	3,564
Business restructuring expenses (Note 21)	273	106	935
Penalty income charged to customers for cancellation of parking facilities	(185)	(3)	(23)
Government subsidy related to cashlessness	(272)	(6)	(56)
Government subsidy for labor costs (Note 22)	(2,402)	(1,196)	(10,523)
Depreciation	550	13	118
Loss on lease contracts (Note 23)	—	208	1,826
Gain on reversal of share acquisition rights	—	(89)	(786)
Other, net	92	(106)	(935)
	34,494	1,911	16,806
Profit (loss) before income taxes	(49,192)	(9,950)	(87,528)
Income taxes (Note 15):			
Current	2,062	4,505	39,627
Deferred	(4,371)	(2,797)	(24,602)
	(2,309)	1,708	15,025
Profit (loss)	(46,884)	(11,658)	(102,553)
Profit (loss) attributable to:			
Non-controlling interests	(231)	—	—
Owners of parent	¥ (46,653)	¥ (11,658)	\$ (102,553)
	Yen		U.S. dollars (Note 7)
Per share of common stock (Note 30):			
Basic profit (loss) per share	¥ (302.00)	¥ (75.45)	\$ (0.66)
Net assets per share	200.55	105.93	0.93

The accompanying notes are an integral part of these statements.

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended October 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2020	2021	2021
Profit (loss)	¥ (46,884)	¥ (11,658)	\$ (102,553)
Other comprehensive income (Note 25):			
Net unrealized gains (losses) on securities	(58)	49	432
Deferred gains (losses) on hedges	7	53	465
Adjustments for retirement benefit	53	(754)	(6,635)
Foreign currency translation adjustments	1,521	(2,500)	(21,989)
Share of other comprehensive income of associates accounted for using the equity method	(199)	125	1,098
Total other comprehensive income	1,324	(3,027)	(26,629)
Comprehensive income	¥ (45,560)	¥ (14,685)	\$ (129,181)
Comprehensive income attributable to:			
Non-controlling interests	(231)	—	—
Owners of parent	¥ (45,329)	¥ (14,685)	\$ (129,181)

The accompanying notes are an integral part of these statements.

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended October 31, 2020 and 2021

	Number of common shares issued and outstanding	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at November 1, 2019	154,446,066	¥20,087	¥15,674	¥63,005	¥(1,255)	¥97,511
Cumulative effects of changes in accounting policies	—	—	—	(3,364)	—	(3,364)
Restated balance at November 1, 2019	154,446,066	20,087	15,674	59,641	(1,255)	94,147
Exercise of stock options	42,100	48	48	—	—	95
Profit (loss) attributable to owners of parent	—	—	—	(46,653)	—	(46,653)
Cash dividends	—	—	—	(10,811)	—	(10,811)
Reversal of revaluation reserve for land	—	—	—	(17)	—	(17)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2020	154,488,166	¥20,135	¥15,722	¥2,160	¥(1,255)	¥36,761
Exercise of stock options	32,000	36	36	—	—	73
Profit (loss) attributable to owners of parent	—	—	—	(11,658)	—	(11,658)
Cash dividends	—	—	—	—	—	—
Purchase of treasury stock	(110)	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2021	154,520,056	¥20,171	¥15,758	¥(9,498)	¥(1,255)	¥25,176

	Millions of yen								
	Accumulated other comprehensive income						Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Revaluation reserve for land	Deferred losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income			
Balance at November 1, 2019	¥140	¥(1,052)	¥(143)	¥(4,884)	¥(1,164)	¥(7,103)	¥163	¥221	¥90,792
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	(3,363)
Restated balance at November 1, 2019	140	(1,052)	(143)	(4,884)	(1,164)	(7,103)	163	221	87,427
Exercise of stock options	—	—	—	—	—	—	—	—	95
Profit (loss) attributable to owners of parent	—	—	—	—	—	—	—	—	(46,653)
Cash dividends	—	—	—	—	—	—	—	—	(10,811)
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	(17)
Net changes of items other than shareholders' equity	(58)	17	7	1,304	53	1,324	1	(221)	1,103
Balance at October 31, 2020	¥82	¥(1,035)	¥(136)	¥(3,580)	¥(1,111)	¥(5,779)	¥164	¥—	¥31,146
Exercise of stock options	—	—	—	—	—	—	—	—	73
Profit (loss) attributable to owners of parent	—	—	—	—	—	—	—	—	(11,658)
Cash dividends	—	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	49	—	53	(2,375)	(754)	(3,027)	(101)	—	(3,128)
Balance at October 31, 2021	¥131	¥(1,035)	¥(83)	¥(5,955)	¥(1,865)	¥(8,807)	¥64	¥—	¥16,433

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended October 31, 2020 and 2021

	Number of common shares issued and outstanding	Thousands of U.S. dollars (Note 7)					
		Shareholders' equity					Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost		
Balance at October 31, 2020	154,488,166	\$177,119	↺	\$138,300	\$19,000	\$(11,042)	\$323,376
Exercise of stock options	32,000	319	↺	319	—	—	638
Profit (loss) attributable to owners of parent	—	—	↺	—	(102,553)	—	(102,553)
Cash dividends	—	—	↺	—	—	—	—
Purchase of treasury stock	(110)	—	↺	—	—	(2)	(2)
Net changes of items other than shareholders' equity	—	—	↺	—	—	—	—
Balance at October 31, 2021	154,520,056	\$177,438	↺	\$138,620	\$(83,553)	\$(11,044)	\$221,460

	Thousands of U.S. dollars (Note 7)								
	Accumulated other comprehensive income						Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Revaluation reserve for land	Deferred losses on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income			
Balance at October 31, 2020	\$720	\$(9,106)	\$(1,195)	\$(31,488)	\$(9,770)	\$(50,839)	\$1,444	\$–	\$273,982
Exercise of stock options	–	–	–	–	–	–	–	–	638
Profit (loss) attributable to owners of parent	–	–	–	–	–	–	–	–	(102,553)
Cash dividends	–	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	–	–	–	–	(2)
Net changes of items other than shareholders' equity	432	–	465	(20,891)	(6,635)	(26,629)	(884)	–	(27,513)
Balance at October 31, 2021	\$1,152	\$(9,106)	\$(729)	\$(52,380)	\$(16,405)	\$(77,468)	\$560	\$–	\$144,552

The accompanying notes are an integral part of these statements.

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2020	2021	2021
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (49,192)	¥ (9,950)	\$ (87,528)
Adjustments to reconcile profit (loss) before income taxes to net cash provided by operating activities:			
Depreciation and amortization	37,750	33,681	296,279
Impairment loss	31,939	139	1,222
Amortization of goodwill	2,176	1,112	9,786
Increase (decrease) in retirement benefit liability	(204)	(601)	(5,288)
Interest and dividend income	(20)	(19)	(170)
Interest expenses	1,755	3,541	31,149
Loss (gain) on sale of non-current assets	(19)	(923)	(8,118)
Loss on disposal of property and equipment	991	217	1,909
Gain on cancellation of leases	—	(799)	(7,028)
Loss (gain) on sale of shares of subsidiaries and associates	—	(1,732)	(15,234)
Loss on valuation of investment securities	50	—	—
Changes in assets and liabilities:			
Notes and accounts receivable, trade	2,136	(2,205)	(19,398)
Inventories	11,250	6,225	54,760
Accounts receivable, other	(68)	(802)	(7,053)
Prepaid expenses	1,006	2,649	23,303
Notes and accounts payable, trade	(343)	69	606
Notes payable, other	(2,311)	(90)	(793)
Accounts payable, other	4,254	1,865	16,402
Accrued expenses	1,964	5,703	50,167
Other	2,652	3,428	30,154
Subtotal	45,769	41,508	365,129
Interest and dividend income received	20	19	170
Interest paid	(1,729)	(2,642)	(23,238)
Income taxes paid	(4,659)	(4,067)	(35,778)
Net cash provided by (used in) operating activities	39,400	34,818	306,283
Cash flows from investing activities:			
Increase in time deposits due over three months	(6)	(6)	(53)
Decrease in time deposits due over three months	6	6	53
Payments for purchase of property, plant and equipment	(17,789)	(12,413)	(109,190)
Proceeds from sale of property, plant and equipment	52	1,691	14,874
Payments for purchase of intangible assets	(1,881)	(2,175)	(19,131)
Proceeds from sale of shares of subsidiaries and associates	—	2,040	17,949
Payments of long-term prepaid expenses	(2,211)	(929)	(8,175)
Payments for investments in capital	(131)	(111)	(978)
Other	140	(453)	(3,985)
Net cash provided by (used in) investing activities	(21,820)	(12,350)	(108,637)

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended October 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2020	2021	2021
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	16,750	(12,994)	(114,307)
Proceeds from long-term borrowings	29,286	49,904	438,988
Repayment of long-term borrowings	(8,730)	(9,421)	(82,876)
Repayment of lease obligations	(13,669)	(14,377)	(126,471)
Proceeds from issuance of additional shares of common stock	69	60	528
Dividends paid to shareholders of PARK24 Co., Ltd.	(10,819)	(4)	(33)
Purchase of treasury stock	—	(0)	(2)
Net cash provided by (used in) financing activities	12,886	13,167	115,827
Effect of exchange rate changes on cash and cash equivalents	138	891	7,835
Net increase (decrease) in cash and cash equivalents	30,604	36,526	321,308
Cash and cash equivalents at beginning of year	24,665	55,269	486,181
Cash and cash equivalents at end of year (Note 8)	<u>¥ 55,269</u>	<u>¥ 91,795</u>	<u>\$ 807,488</u>

The accompanying notes are an integral part of these statements.

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2021

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of PARK24 Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively the “Group”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. Summary of significant accounting policies

(1) Basis of consolidation

a) Scope of consolidation

During the fiscal year ended October 31, 2021 (the “fiscal year under review”), the Company newly established NCP Holdco Limited and made it a subsidiary. The consolidated financial statements for the fiscal year under review include the accounts of the Company and all of its 95 (94 as of October 31, 2020) subsidiaries. Under the control concept, those companies in which the Company and/or its consolidated subsidiaries are able to exercise direct or indirect control over operations are fully consolidated.

Major consolidated subsidiaries as of October 31, 2021 were as follows:

TIMES24 CO., LTD.
TIMES SERVICE CO., LTD.
TIMES COMMUNICATION CO., LTD.
TIMES MOBILITY CO., LTD.
NATIONAL CAR PARKS LIMITED
SECURE PARKING PTY LTD

b) Goodwill

The excess of the cost of an acquisition over the fair value of the net assets of the acquired consolidated subsidiary at the date of acquisition is being amortized evenly over reasonably estimated periods, in which economic benefits are expected to be realized.

c) Consolidation and elimination

For the purposes of preparing the consolidated financial statements, all significant inter-

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2021

company transactions, account balances and unrealized profits among the Group have been eliminated.

d) Fiscal periods of consolidated subsidiaries

The consolidated subsidiaries whose fiscal year ends are different from the date of consolidated financial statements are as follows:

<u>Company Name</u>	<u>Fiscal year end</u>	<u>Note</u>
TFI CO., LTD.	March 31	*1
PARK24 SINGAPORE PTE. LTD.	March 31	*2
SECURE PARKING SINGAPORE PTE. LTD.	March 31	*2
PARK24 TAIWAN CO., LTD.	September 30	*3
PARK24 AUSTRALIA PTY LTD	September 30	*3
Periman Pty. Ltd.	September 30	*3
Auspark Holdings Pty. Ltd	September 30	*3
SECURE PARKING PTY LTD and its 4 subsidiaries	September 30	*3
PARK24 UK LIMITED	September 30	*3
MEIF II CP Holdings 2 Limited	September 30	*3
MEIF II CP Holdings 3 Limited and its 67 subsidiaries	September 30	*3
NATIONAL CAR PARKS (EUK) LIMITED	September 30	*3
PARK24 MALAYSIA SDN. BHD.	September 30	*3, 4
SECURE PARKING CORPORATION SDN. BHD. and its 2 subsidiaries	September 30	*3, 4

Notes:

- *1 Provisional financial statements as of the closing date of the consolidated financial statements are used in consolidation.
- *2 Provisional financial statements as of September 30 are used in consolidation with adjustments made for significant transactions that occurred during the period between the closing date of the provisional financial statements and that of the consolidated financial statements.
- *3 Financial statements as of their fiscal year end are used with adjustments made for significant transactions that occurred during the period from the closing date of the financial statements and that of the consolidated financial statements.
- *4 The fiscal year end was changed from December 31 to September 30.

e) Investments in associates

During the fiscal year under review, the Company transferred all shares of GS PARK24 CO., LTD and excluded it from the scope of application of the equity method. As a result, the Company no longer had any associates accounted for using the equity method as of October 31, 2021 (one as of October 31, 2020).

f) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

The accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements stipulates that (1) the accounting policies and procedures applied to a parent and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2021

of the consolidated financial statements, and (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; provided, however, that the following items should be adjusted in the consolidation process so that profit is accounted for in accordance with Japanese GAAP unless they are not material:

- 1) Amortization of goodwill
- 2) Scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity
- 3) Expensing of capitalized development costs of R&D
- 4) Cancellation of the fair value model accounting for property, plant, and equipment and investment properties, and incorporation of the cost model accounting

(2) Revenue recognition

Revenue from parking fees are recorded at the time billings are made to customers based on seconds of use, on a monthly billing cycle basis.

(3) Cash and cash equivalents

Cash and cash equivalents are composed of cash on hand, bank deposits that are able to be withdrawn on demand, and short-term investments with original maturities of three months or less which represent a minor risk of fluctuations in value.

(4) Financial instruments

“Other securities” for which market quotations are available are stated at fair value. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount.

“Other securities” for which market quotations are unavailable are stated at cost, except in cases where they have declined significantly and such impairment of the value is not deemed temporary. Such securities are written down to fair value and the resulting losses are included in the profit or loss for the period.

(5) Inventories

Merchandise is stated at cost, cost being determined by the specific identification method or net realizable value. Supplies are stated at cost, cost being determined by the last-purchase-price method or net realizable value.

The accounting standard for measurement of inventories requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

(6) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals, additions and betterments, are carried at cost. When retired or otherwise disposed of, the cost and the related

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2020 and 2021

depreciation are cleared from the respective accounts and the net difference, less the amount of any proceeds, is charged to income. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Except for buildings acquired on or after April 1, 1998, leased assets, rent-a-car, and structures acquired on or after April 1, 2016, depreciation of buildings and structures held by the Company and the consolidated subsidiaries in Japan is computed by primarily using the declining-balance method. Depreciation of buildings acquired on or after April 1, 1998, rent-a-car, and structures acquired on or after April 1, 2016, as well as buildings and structures held by the consolidated subsidiaries overseas is computed by using the straight-line method. The estimated useful lives are 7 to 50 years for buildings and 2 to 46 years for structures. Depreciation of leased assets is computed by the straight-line method over the lease term.

(7) Intangible assets and amortization

Intangible assets are carried at cost and amortized on a straight-line basis.

Expenditures related to computer software development for internal use are capitalized as an intangible asset and amortized on a straight-line basis over the estimated useful life of the software (5 years). Contract-related intangible assets are amortized on a straight-line basis over each contract period (16 to 52 years).

(8) Long-lived assets

The Group reviews their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or cash-generating unit (CGU) may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or CGU exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or CGU. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(9) Asset retirement obligations

The accounting standard for asset retirement obligations defines an asset retirement obligation as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such a tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period.

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(10) Allowance for doubtful accounts

An allowance for doubtful accounts is provided for based on the amount deemed necessary to cover possible losses estimated by the Group's management based on a ratio founded on past experience, plus specifically identified uncollectible receivables.

(11) Retirement benefits for employees

The Group has primarily a defined benefit pension plan covering substantially all of the employees. The defined benefit plan provides for a lump-sum payment and, in certain cases, an annuity payment to terminated employees. In calculating retirement benefit obligation, the benefit formula basis method is used to attribute expected benefit to the period extending up to the end of fiscal year. Actuarial differences are amortized on a straight-line basis over a period of 5 years from the year following the year in which they arise. Prior service cost is charged to income when incurred.

(12) Basis for translation of significant foreign currency denominated assets or liabilities into Japanese yen

Foreign currency denominated receivables and payables are translated into Japanese yen at the spot exchange rates in effect as of the consolidated balance sheet date with any exchange differences recognized in profit or loss. On the other hand, the assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rates in effect as of their balance sheet date, and revenues and expenses at the average exchange rate during the period with any translation differences included in foreign currency translation adjustments under net assets.

(13) Stock options

The accounting standard for stock options requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights and treated as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

(14) Leases

Noncancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance lease. All other lease transactions are accounted for as operating lease and related payments are charged to profit as incurred.

Certain overseas consolidated subsidiaries and overseas entities accounted for using the equity method, which adopt IFRS, apply IFRS 16 *Leases*. Accordingly, a lessee is required to recognize all leases on its balance sheet as assets and liabilities in principle, and depreciates capitalized right-of-use assets using the straight-line method.

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(15) Income taxes

Income taxes of the Group consist of corporate income taxes, local inhabitants' taxes and enterprise taxes. Deferred income taxes are provided for in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the financial statements. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(16) Consumption taxes

Consumption taxes are excluded from net sales, cost of sales and expenses.

(17) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform with the current year's classifications.

3. Significant accounting estimates

(1) Impairment of goodwill and contract-related intangible assets attributable to PARK24 UK LIMITED

- (i) Amounts recorded in the consolidated financial statements for the fiscal year under review

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥7,121	\$62,641
Contract-related intangible assets	9,196	80,894

- (ii) Information on the nature of accounting estimates for identified items

The Company determined that there was an indication of impairment of the goodwill and contract-related intangible assets attributable to PARK24 UK LIMITED due to the deterioration of profitability resulting from changes in the business environment triggered by COVID-19. However, no impairment loss was recognized by the Company because it determined that the sum of the undiscounted future cash flows expected to be generated from the asset group to which the goodwill and contract-related intangible assets have been attributed exceeded the carrying amount of the said asset group. The undiscounted future cash flows were estimated based on the business plan approved by the Board of Directors with cash flows beyond the period covered by the business plan being estimated from the corresponding growth rate.

The following three major assumptions were used to estimate the undiscounted future cash flows: the number of parking sites and revenue per parking site within the UK, both of which constituted a basis for the business plan; and the growth rate beyond the period covered by the business plan.

The number of parking sites within the UK was estimated based on the track record of parking site operations and the plan for opening new sites, whereas the revenue per parking site within the UK was estimated by taking into account the usage forecast based on the past results. The growth rate beyond the period covered by the

PARK24 Co., Ltd. and Consolidated Subsidiaries
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business plan was estimated based on the future consumer price indices forecast by the International Monetary Fund (IMF).

The major assumptions for the undiscounted future cash flows are subject to uncertainty. Actual results may therefore differ significantly from the forecast and if they do, impairment loss could be incurred in the following fiscal year.

(2) Impairment of goodwill attributable to PARK24 AUSTRALIA PTY LTD

- (i) Amount recorded in the consolidated financial statements for the fiscal year under review

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥5,241	\$46,103

- (ii) Information on the nature of accounting estimates for identified items

The Company determined that there was an indication of impairment of goodwill attributable to PARK24 AUSTRALIA PTY LTD due to the deterioration of profitability resulting from changes in the business environment triggered by COVID-19. However, no impairment loss was recognized by the Company because it determined that the amount of discounted future cash flows from the relevant cash-generating unit exceeded the carrying amount as a result of the impairment test. The discounted future cash flows were estimated based on the business plan and the growth rate beyond the period covered by the business plan.

The following four major assumptions were used to estimate the discounted future cash flows: the number of parking sites and revenue per parking site within Australia and New Zealand, both of which constitute a basis of the business plan; the growth rate beyond the period covered by the business plan; and the discount rate.

The number of parking sites within Australian and New Zealand was estimated based on the track record of parking site operations and the plan for opening new sites, whereas the revenue per parking site within Australian and New Zealand was estimated by taking into account the usage forecast based on the past results. The growth rate beyond the period covered by the business plan was estimated based on the target inflation rate set by the Reserve Bank of Australia. The discount rate was estimated as the weighted average cost of capital by reference to comparable companies' data.

The major assumptions for the discounted future cash flows are subject to uncertainty. Actual results may therefore differ significantly from the forecast and if they do, impairment loss could be incurred in the following fiscal year.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(3) Recoverability of deferred tax assets attributable to TIMES MOBILITY CO., LTD.

- (i) Amount recorded in the consolidated financial statements for the fiscal year under review

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets	¥5,736	\$50,457

- (ii) Information on the nature of accounting estimates for identified items

The Company assesses recoverability of deferred tax assets recognized for deductible temporary differences and an unused tax loss carryforward against taxable income based on future profitability. The future taxable income is estimated based on the business plan and the growth rate beyond the period covered by the business plan.

The following two major assumptions were used to estimate the future taxable income: net sales per vehicle as a basis for the business plan and the growth rate beyond the period covered by the business plan. Net sales per vehicle were estimated by taking into account the results for the fiscal year under review and expected effects of measures to be taken during the following fiscal year. The growth rate beyond the period covered by the business plan was estimated based on the planned number of vehicles to be held in the future, which the Company planned to increase in line with the medium- to long-term business strategy.

The major assumptions for the future taxable income are subject to uncertainty. Actual results may therefore differ significantly from the forecast and if they do, the amount of deferred tax assets could be materially affected in the following fiscal year.

Note that given the difficulty in predicting to what extent COVID-19 will spread going forward or when it will be contained, the Company has reflected the impact of COVID-19 in relevant accounting estimates based on information available externally at the end of the fiscal year under review with an assumption that it will continue to impact the Company's operations over the fiscal year ending October 31, 2022.

4. Accounting standards issued but not yet adopted

On March 31, 2020, the ASBJ issued *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29) and *Implementation Guidance on Accounting Standard for Revenue Recognition* (ASBJ Guidance No. 30). Subsequently, on March 26, 2021, the ASBJ revised *Implementation Guidance on Accounting Standard for Revenue Recognition* (ASBJ Guidance No. 30).

- (i) Overview

This is a comprehensive accounting standard for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price

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4. Allocate the transaction price to the performance obligation
5. Recognize revenue when (or as) the entity satisfies a performance obligation

(ii) Scheduled date of adoption

The Company has decided to adopt this accounting standard and implementation guidance from the beginning of the fiscal year ending October 31, 2022.

(iii) Impact of the adoption of this accounting standard, etc.

The adoption of this accounting standard and implementation guidance affects the method for revenue recognition of the Group's customer loyalty programs. Under this accounting standard and implementation guidance, the points awarded to customers for discount in the future are treated as performance obligation to them and recognized as contract liabilities. When the points are redeemed for discount, the contract liability is transferred to revenue.

The Company is currently evaluating the effect of the adoption of this accounting standard and implementation guidance on the consolidated financial statements.

On July 4, 2019, the ASBJ issued *Accounting Standard for Fair Value Measurement* (ASBJ Statement No. 30) and *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31), and revised *Accounting Standard for Measurement of Inventories* (ASBJ Statement No. 9) and *Accounting Standard for Financial Instruments* (ASBJ Statement No. 10). Subsequently, the ASBJ revised *Implementation Guidance on Disclosures about Fair Value of Financial Instruments* (ASBJ Guidance No. 19) on March 31, 2020, and *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31) on June 17, 2021.

(i) Overview

The ASBJ has developed Accounting Standard for Fair Value Measurement and Implementation Guidance on Accounting Standard for Fair Value Measurement (hereinafter collectively "Standards for Fair Value Measurement") and set the guidance for fair value measurement in order to improve the comparability with the provisions of internationally recognized accounting standards. Standards for Fair Value Measurement are applied to the fair value of the following items:

- Financial instruments defined in *Accounting Standard for Financial Instruments*, and
- Inventories held for trading purposes defined in *Accounting Standard for Measurement of Inventories*.

Furthermore, Implementation Guidance on Disclosures about Fair Value of Financial Instruments was revised to provide the guidance on notes on items including breakdowns by level of the fair value of financial instruments.

(ii) Scheduled date of adoption

The Company is scheduled to adopt these accounting standards and implementation guidance from the beginning of the fiscal year ending October 31, 2022.

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- (iii) Impact of the adoption of accounting standards
The Company is currently evaluating the effect of the adoption of *Accounting Standard for Fair Value Measurement* and other accounting standards and implementation guidance on its consolidated financial statements.

5. Reclassification

(1) Application of *Accounting Standard for Disclosure of Accounting Estimates*

The Company has adopted *Accounting Standard for Disclosure of Accounting Estimates* (ASBJ Statement No. 31 issued on March 31, 2020) for the first time in the consolidated financial statements for the fiscal year under review. Accordingly, the significant accounting estimates are disclosed in the notes to the consolidated financial statements.

However, the notes above do not include the relevant information for the fiscal year ended October 31, 2020 in accordance with the transitional treatment provided in the proviso of paragraph 11 of the said standard.

(2) Presentation on the consolidated statements of income

“Commission expenses” included in “Other, net” under “Other expenses (income)” in the previous fiscal year is presented as a separate line item from the fiscal year under review due to the increased materiality of the amount. To reflect this change in presentation, the consolidated statement of income for the previous fiscal year has been reclassified.

As a result, ¥95 million presented in “Other, net” under “Other expenses (income)” in the previous fiscal year has been reclassified into ¥4 million in “Commission expenses” and ¥92 million in “Other, net.”

6. Additional information

Withdrawal of the restructuring plan by the UK subsidiary

NATIONAL CAR PARKS LIMITED (“NCP”), a UK consolidated subsidiary of the Company, resolved at a meeting of its Board of Directors held on December 15, 2021 local time to withdraw the restructuring plan under Part 26A of the Companies Act 2006, which was filed on April 30, 2021 local time and to apply to the competent court for withdrawal of the plan. The impact of this matter on the Company’s consolidated financial results for the fiscal year under review is immaterial.

In line with this, NCP is working to restructure its business structure by terminating lease contracts for unprofitable parking lots and revising contract terms.

7. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥113.68 = U.S. \$1, the rate of exchange on October 31, 2021, has been used in translation. The inclusion of such amounts is not intended to imply that the Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

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8. Cash and cash equivalents

Reconciliations of cash on hand and in banks to cash and cash equivalents in the consolidated balance sheet as of October 31, 2020 and 2021 were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash on hand and in banks	¥ 55,537	¥ 92,045	\$ 809,683
Time deposits due over three months	(6)	(6)	(53)
Compulsory deposits	(261)	(243)	(2,138)
Cash and cash equivalents	¥ 55,269	¥ 91,795	\$ 807,488

9. Investment securities

Investment securities classified as “other securities” at October 31, 2020 and 2021 were as follows:

(1) Other securities for which market quotations are available

October 31	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Cost	Carrying amount	Difference	Cost	Carrying amount	Difference	Cost	Carrying amount	Difference
Securities for which market value exceeds cost:									
Equity securities	¥ 112	¥ 230	¥ 117	¥ 113	¥ 261	¥ 147	\$ 994	\$ 2,296	\$ 1,293
Debt securities	10	10	0	—	—	—	—	—	—
	122	240	117	113	261	147	994	2,296	1,293
Securities for which market value does not exceed cost:									
Equity securities	0	0	(0)	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—	—	—
	0	0	(0)	—	—	—	—	—	—
Total	¥ 123	241	117	¥ 113	261	147	\$ 994	\$ 2,296	\$ 1,293

(2) Redemption schedule of other securities with maturity

October 31	Millions of yen						Thousands of U.S. dollars		
	2020			2021			2021		
	Within 1 year	1-5 years	More than 5 years	Within 1 year	1-5 years	More than 5 years	Within 1 year	1-5 years	More than 5 years
Government bonds	¥ 10	¥ —	¥ —	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —

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10. Short-term borrowings, long-term debt and lease obligations

Short-term borrowings at October 31, 2020 and 2021 comprised the following:

October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Loans from banks with weighted average interest rates of 0.80%			
- Unsecured	¥ 26,609	¥ 16,035	\$ 141,050
	<u>¥ 26,609</u>	<u>¥ 16,035</u>	<u>\$ 141,050</u>

Long-term debt and lease obligations at October 31, 2020 and 2021 comprised the following:

October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unsecured zero coupon convertible bonds due 2025	¥ 35,000	¥ 35,000	\$ 307,882
Unsecured loans, principally from banks, with weighted average interest rates of 1.61% due 2022–2050	99,904	142,523	1,253,720
Lease obligations with weighted average interest rates of 1.86% due 2022–2031	43,706	34,737	305,571
Subtotal	178,610	212,260	1,867,171
Less current portion	(19,243)	(42,592)	(374,661)
Total	<u>¥ 159,366</u>	<u>¥ 169,669</u>	<u>\$ 1,492,512</u>

The annual maturities of convertible bonds at October 31, 2021 were as follows:

Years ending October 31	Millions of yen	Thousands of U.S. dollars
2023	¥ —	\$ —
2024	—	—
2025	35,000	307,882
2026	—	—
2027 and thereafter	—	—
Total	<u>¥ 35,000</u>	<u>\$ 307,882</u>

The aggregate annual maturities of long-term borrowings and lease obligations at October 31, 2021 were as follows:

Years ending October 31	Millions of yen	Thousands of U.S. dollars
2023	¥ 24,121	\$ 212,180
2024	33,902	298,227
2025	3,650	32,109
2026	2,044	17,977
2027 and thereafter	70,952	624,138
Total	<u>¥ 134,669</u>	<u>\$ 1,184,630</u>

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11. Financial instruments

(1) Policy for financial instruments

With respect to cash management, temporary surplus funds are invested in short-term, low-risk financial instruments only. The Group has a policy to procure the funds for capital expenditures by using bond issuances and borrowings from financial institutions. Fund procurement for operating funds is financed by short-term borrowings from financial institutions. Derivative transactions are undertaken only for the purpose of hedging risks of fluctuations in interest rates and foreign currency exchange rates. As a matter of policy, the Group does not undertake derivative transactions for speculative purposes.

(2) Nature and risks of financial instruments and risk management

Short-term borrowings, long-term debt and lease obligations are mainly used for capital expenditures. Debt with floating interest rates is subject to interest-rate fluctuation risk.

(3) Supplemental explanation regarding fair value of financial instruments

Fair values of financial instruments are based on the quoted price in active markets. If a quoted price is not available, other reasonably assessed values are used. Fair values of financial instruments of which the quoted price is not available are calculated based on certain assumptions, and the fair values might differ if different assumptions are used.

The carrying amount, fair value and unrealized gain or loss on financial instruments as of October 31, 2020 and 2021 were as follows:

	Millions of yen			
	2020			
	Carrying amount	Fair value	Unrealized gain (loss)	
Cash on hand and in banks	¥ 55,537	¥ 55,537	¥	—
Notes and accounts receivables, trade	16,147	16,147		—
Other securities in investment securities	241	241		—
Short-term borrowings	26,609	26,609		—
Convertible bonds	35,000	32,550		2,450
Long-term borrowings (including current portion)	99,904	100,283		(379)
Lease obligations (including current portion)	43,706	44,420		(714)

	Millions of yen			
	2021			
	Carrying amount	Fair value	Unrealized gain (loss)	
Cash on hand and in banks	¥ 92,045	¥ 92,045	¥	—
Notes and accounts receivables, trade	18,606	18,606		—
Other securities in investment securities	261	261		—
Short-term borrowings	16,035	16,035		—
Convertible bonds	35,000	33,250		1,750
Long-term borrowings (including current portion)	142,523	143,766		(1,243)
Lease obligations (including current portion)	34,737	35,404		(666)

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	Thousands of U.S. dollars		
	2021		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash on hand and in banks	\$ 809,683	\$ 809,683	\$ —
Notes and accounts receivables, trade	163,667	163,667	—
Other securities in investment securities	2,296	2,296	—
Short-term borrowings	141,050	141,050	—
Convertible bonds	307,882	292,488	15,394
Long-term borrowings (including current portion)	1,253,720	1,264,655	(10,935)
Lease obligations (including current portion)	305,571	311,436	(5,865)

Notes:

1. Methods for measuring the fair value of financial instruments

(i) Cash on hand and in banks

Since these items are settled in a short period of time, their carrying value approximates fair value.

(ii) Notes and accounts receivables

The carrying value of notes and accounts receivable approximates fair value because of their short maturities.

(iii) Other securities in investment securities

The fair value of investment securities is based on quoted market prices.

(iv) Short-term borrowings

Since short-term borrowings are settled in a short period of time, their carrying value approximates fair value.

(v) Convertible bonds

The fair value of convertible bonds is based on the quoted market price.

(vi) Long-term borrowings (including current portion)

The fair value of long-term borrowings is measured based on the current total amount of principal and interest, discounted by the expected interest rate if the borrowings were refinanced at present.

(vii) Lease obligations (including current portion)

The fair value of lease obligations is measured based on the current total amount of future payments, discounted by the average interest rate for long-term borrowings.

2. Carrying amounts of financial instruments whose fair value cannot be reliably determined as of October 31, 2020 and 2021 were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unlisted stocks	¥ 957	¥ 336	\$ 2,956

Maturities of financial assets and securities held as of October 31, 2021 were as follows:

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	Millions of yen			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Time deposits	¥ 6	¥ —	¥ —	¥ —
Notes and accounts receivables, trade	18,606	—	—	—
Other securities with contractual maturities	—	—	—	—
	<u>¥ 18,612</u>	<u>¥ —</u>	<u>¥ —</u>	<u>¥ —</u>

	Thousands of U.S. dollars			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Time deposits	\$ 53	\$ —	\$ —	\$ —
Notes and accounts receivables, trade	163,667	—	—	—
Other securities with contractual maturities	—	—	—	—
	<u>\$ 163,720</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

12. Derivatives and hedging activities

Derivative transactions as of October 31, 2020 and 2021 for which hedge accounting was applied were as follows:

(1) Currency-related transactions

October 31, 2020

Type of transaction	Hedged item	Millions of yen		
Interest rate and currency swap contracts	Long-term borrowings	Notional amount	Due after one year	Fair value (Note 1)
Pay fixed and receive floating				
Pay JPY and receive USD		¥ 10,619	¥ 10,619	—

Note 1) Fair value is included in the fair value of the hedged long-term borrowings.

October 31, 2021

Type of transaction	Hedged item	Millions of yen		
Interest rate and currency swap contracts	Long-term borrowings	Notional amount	Due after one year	Fair value (Note 1)
Pay fixed and receive floating				
Pay JPY and receive USD		¥ 10,619	¥ 10,619	—

Note 1) Fair value is included in the fair value of the hedged long-term borrowings.

October 31, 2021

Type of transaction	Hedged item	Thousands of U.S. dollars		
Interest rate and currency swap contracts	Long-term borrowings	Notional amount	Due after one year	Fair value (Note 1)
Pay fixed and receive floating				
Pay JPY and receive USD		\$ 93,411	\$ 93,411	—

Note 1) Fair value is included in the fair value of the hedged long-term borrowings.

(2) Interest-related transactions

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October 31, 2020

Type of transaction	Hedged item	Millions of yen		
Interest rate swap contracts Pay fixed and receive floating	Long-term borrowings	Notional amount	Due after one year	Fair value (Note 2)
		¥ 7,080	¥ 7,080	¥ (195)

Note 2) Fair value is calculated using prices provided by counterparty financial institutions.

October 31, 2021

Type of transaction	Hedged item	Millions of yen		
Interest rate swap contracts Pay fixed and receive floating	Long-term borrowings	Notional amount	Due after one year	Fair value (Note 2)
		¥ 7,080	¥ 7,080	¥ (119)

Note 2) Fair value is calculated using prices provided by counterparty financial institutions.

October 31, 2021

Type of transaction	Hedged item	Thousands of U.S. dollars		
Interest rate swap contracts Pay fixed and receive floating	Long-term borrowings	Notional amount	Due after one year	Fair value (Note 2)
		\$ 62,280	\$ 62,280	\$ (1,047)

Note 2) Fair value is calculated using prices provided by counterparty financial institutions.

13. Retirement benefit plans

(1) Overview of retirement benefit plans adopted by the Group

The Group has funded pension plans or termination allowance plans as part of their defined benefit plans.

Additional employee retirement benefits, which are not included in the calculation of the projected benefit obligation, might be paid in certain circumstances.

Certain consolidated subsidiaries apply the simplified method for calculation of retirement benefits.

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(2) Defined benefit plan

The changes in the retirement benefit obligation during the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of retirement benefit obligation	¥ 10,549	¥ 11,238	\$ 98,856
Service cost	946	1,083	9,527
Interest cost	125	116	1,020
Actuarial loss (gain)	50	584	5,137
Retirement benefits paid	(432)	(877)	(7,715)
Ending balance of retirement benefit obligation	¥ 11,238	¥ 12,144	\$ 106,826

The changes in plan assets during the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of plan assets	¥ 10,164	¥ 11,128	\$ 97,889
Expected return on plan assets	236	180	1,583
Actuarial gain (loss)	63	(39)	(343)
Contributions by the Company	1,096	1,732	15,236
Retirement benefits paid	(432)	(877)	(7,715)
Ending balance of plan assets	¥ 11,128	¥ 12,122	\$ 106,633

The following table sets forth the funded status of plans and the amounts recognized in the consolidated balance sheets as of October 31, 2020 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Funded retirement benefit obligation	¥ 11,238	¥ 12,144	\$ 106,826
Plan assets at fair value	(11,128)	(12,122)	(106,633)
	111	22	196
Net liability (asset) presented in the consolidated balance sheets	111	22	196
Retirement benefit liability	111	22	196
Net liability (asset) presented in the consolidated balance sheet	¥ 111	¥ 22	\$ 196

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The components of retirement benefit expense for the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Service cost	¥ 946	¥ 1,083	\$ 9,527
Interest cost	125	116	1,020
Expected return on plan assets	(236)	(180)	(1,583)
Amortization of actuarial loss	118	87	765
Retirement benefit expense	¥ 953	¥ 1,106	\$ 9,729

Actuarial loss (gain) included in other comprehensive income (before tax effect) for the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Actuarial loss (gain)	¥ 153	¥ (706)	\$ (6,210)
Total	¥ 153	¥ (706)	\$ (6,210)

Unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of October 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Unrecognized actuarial loss	¥ 219	¥ 67	\$ 589
Total	¥ 219	¥ 67	\$ 589

The fair value of plan assets, by major category, as a percentage of total plan assets as of October 31, 2020 and 2021 were as follows:

	2020	2021
Life insurance company general accounts	71%	70%
Other	29%	30%
Total	100%	100%

The expected return on plan assets has been estimated based on the expected long-term returns on the minimum guarantees for the yield of life insurance company general accounts.

The assumptions used in accounting for the above plans were as follows:

	2020	2021
Discount rates	0.264–2.9%	0.299–2.9%
Expected rates of return on plan assets	1.4%	3.5%

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(3) Defined contribution plan

Contributions to defined contribution plans of certain subsidiaries for the fiscal years ended October 31, 2020 and 2021 were ¥205 million and ¥191 million (\$1,680 thousand), respectively.

14. Stock option plans

Summarized information on the stock options granted as of October 31, 2021 was as follows:

(1) Stock option plan approved by the Board of Directors on July 16, 2013

Stock options granted on Aug. 6, 2013

Number of shares for options granted (shares)	989,200
Number of shares for options outstanding (shares)	—
Exercise price	¥1,884 (\$16.57)
Exercisable period	Dec. 1, 2015–Jan. 31, 2021

(2) Stock option plan approved by the Board of Directors on May 28, 2015

Stock options granted on Jun. 22, 2015

Number of shares for options granted (shares)	1,224,000
Number of shares for options outstanding (shares)	625,900
Exercise price	¥2,342 (\$20.60)
Exercisable period	Feb. 1, 2018–Jan. 31, 2023

(3) Stock option plan approved by the Board of Directors on November 30, 2018

Stock options granted on Dec. 25, 2018

Number of shares for options granted (shares)	289,000
Number of shares for options outstanding (shares)	264,500
Exercise price	¥3,055 (\$26.87)
Exercisable period	Jan. 1, 2021–Dec. 31, 2026

(4) Stock option plan approved by the Board of Directors on February 28, 2019

Stock options granted on Mar. 25, 2019

Number of shares for options granted (shares)	294,000
Number of shares for options outstanding (shares)	294,000
Exercise price	¥2,648 (\$23.29)
Exercisable period	Apr. 1, 2021–Mar. 31, 2027

The number of shares of common stock to be newly issued or to be transferred from treasury stock of the Company, which had been approved by the shareholders in the previous years, increased by 32,000 shares due to the exercise of options.

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15. Income taxes

At October 31, 2020 and 2021, significant components of deferred tax assets and liabilities were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets:			
Accrued enterprise taxes	¥ 285	¥ 216	\$ 1,900
Accrued bonuses	374	723	6,360
Depreciation	663	621	5,463
Revaluation of land	316	316	2,780
Asset retirement obligations	2,474	2,728	23,997
Tax loss carryforward	5,569	11,807	103,862
Other	2,933	2,663	23,425
Less: valuation allowance (Note 1)	(3,828)	(7,403)	(65,121)
Total deferred tax assets	8,788	11,675	102,701
Deferred tax liabilities:			
Unrealized gains on securities	36	8	70
Intangible assets	1,529	1,602	15,684
Asset retirement cost	1,623	1,783	14,092
Other	57	88	774
Total deferred tax liabilities	3,246	3,483	30,639
Net deferred tax assets (liabilities)	¥ 5,541	¥ 8,192	\$ 72,062

- Notes 1. The valuation allowance increased by ¥3,574 million (\$31,439 thousand). This increase was mainly due to providing valuation allowance against the tax loss carryforward at consolidated subsidiaries.
2. Tax loss carryforward and amounts of deferred tax assets by carryforward expiration period

As of October 31, 2020

(Millions of yen)							
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax loss carryforward (a)	—	—	—	0	0	5,568	5,569
Valuation allowance	—	—	—	(0)	(0)	(2,222)	(2,223)
Deferred tax assets	—	—	—	—	—	3,345	3,345

(a) Tax loss carryforward is obtained by multiplying the statutory effective tax rate.

As of October 31, 2021

(Millions of yen)							
	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax loss carryforward (b)	—	—	1	0	0	11,805	11,807
Valuation allowance	—	—	(1)	(0)	(0)	(5,674)	(5,676)
Deferred tax assets	—	—	—	—	—	6,130	6,130

(b) Tax loss carryforward is obtained by multiplying the statutory effective tax rate.

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As of October 31, 2021

(Thousands of U.S. dollars)

	Within 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
Tax loss carryforward (b)	—	—	9	0	0	103,844	103,862
Valuation allowance	—	—	(9)	(0)	(0)	(49,912)	(49,930)
Deferred tax assets	—	—	—	—	—	53,923	53,923

(b) Tax loss carryforward is obtained by multiplying the statutory effective tax rate.

The disclosure of reconciliations of the difference between the statutory income tax rates and the effective income tax rates for the fiscal years ended October 31, 2020 and 2021 is omitted as the Group reported loss before income taxes for both of the fiscal years.

16. Revaluation of land

On October 31, 2000, the Company revalued its land held for business purposes in accordance with the “Law on Land Revaluation.” The method followed for this land revaluation was determined in accordance with the “Enforcement Act Concerning Land Revaluation.” Differences arising from the land revaluation have been accounted for as revaluation reserve for land under net assets.

The carrying value of this land after the revaluation was down from its fair value as of October 31, 2020 and 2021 by ¥421 million and ¥438 million (\$3,853 thousand), respectively.

17. Impairment loss on fixed assets

The Group categorizes its operating assets based on the classification for management accounting purposes. The Group also categorizes its assets to be disposed of and idle assets by individual property. The Group recognized impairment losses on the following asset groups.

The related assets which incurred impairment losses for the fiscal years ended October 31, 2020 and 2021 were as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Related assets			
Buildings and structures	¥ 1,565	¥ 37	\$ 325
Machinery and vehicles	476	—	—
Equipment, furniture and fixtures	3,723	58	510
Right-of-use assets	1,703	—	—
Goodwill	19,378	—	—
Contract-related intangible assets	4,850	—	—
Long-term prepaid expenses	241	42	369
Total	¥ 31,939	¥ 139	\$ 1,222

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18. Gain on cancellation of leases

In the fiscal year ended October 31, 2021, the Group recorded gain from cancellation of the lease contracts entered into by a subsidiary in Australia.

19. Gain on sale of shares of subsidiaries and associates

In the fiscal year ended October 31, 2021, the Group recorded gain from the sale of all shares of GS PARK24 CO., LTD.

20. Loss on temporary closure

In the fiscal years ended October 31, 2020 and 2021, as requested by governments to prevent the spread of COVID-19, the Group temporarily closed some of its facilities and parking sites in Japan and abroad, and posted fixed costs incurred at such facilities and parking sites during the temporary closure as loss on temporary closure in other expenses (income).

21. Business restructuring expenses

In the fiscal years ended October 31, 2020 and 2021, the Group posted extra retirement payments and related expenses incurred for business restructuring in its overseas subsidiaries as business restructuring expenses in other expenses (income).

22. Government subsidy for labor costs

In the fiscal years ended October 31, 2020 and 2021, the Group posted the employment adjustment subsidy and other relief granted by governments in Japan and abroad due to COVID-19 as a government subsidy for labor costs in other income.

23. Loss on lease contracts

In the fiscal year ended October 31, 2021, as described in “Additional information,” the UK subsidiary terminated lease contracts for unprofitable parking lots and revised contract terms and posted compensation for lease cancellation offset by gain on rent concessions, etc. as loss on lease contracts in other expenses (income).

PARK24 Co., Ltd. and Consolidated Subsidiaries
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24. Asset retirement obligations

(1) Overview of asset retirement obligations

Asset retirement obligations are recorded based upon estimated future restoration obligations pursuant to parking facilities rental agreements.

(2) Method for measuring the asset retirement obligations

Asset retirement obligations are calculated based upon the estimated period of use depending on the useful life of the relevant tangible fixed assets (mainly 15 years) and discounted by relevant discount rates which are estimated based upon the rate of return on government bonds with corresponding maturity periods.

(3) Changes in asset retirement obligations for the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Beginning balance of asset retirement obligations	¥ 8,779	¥ 9,287	\$ 81,694
New obligations by acquisition of fixed assets	867	744	6,545
Accretion expense	149	137	1,205
Decrease due to the fulfilment of asset retirement obligations	(509)	(716)	(6,298)
Ending balance of asset retirement obligations	¥ 9,287	¥ 9,453	\$ 83,155

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25. Other comprehensive income

The components of other comprehensive income for the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Net unrealized gains on securities			
Gains (losses) arising during the year	¥ (83)	¥ 29	\$ 255
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(83)	29	255
Income tax effect	25	19	167
Total	(58)	49	432
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	10	76	669
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	10	76	669
Income tax effect	(3)	(23)	(202)
Total	7	53	465
Foreign currency translation adjustments			
Adjustments arising during the year	1,521	(2,500)	(21,989)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	1,521	(2,500)	(21,989)
Income tax effect	—	—	—
Total	1,521	(2,500)	(21,989)
Share of other comprehensive income of associates accounted for using the equity method			
Gains (losses) arising during the year	(199)	(14)	(123)
Reclassification adjustments to profit or loss	—	139	1,223
Amount before income tax effect	(199)	125	1,098
Income tax effect	—	—	—
Total	(199)	125	1,098
Accumulated adjustments for retirement benefit			
Adjustments arising during the year	(229)	(760)	(6,685)
Reclassification adjustments to profit or loss	383	54	475
Amount before income tax effect	153	(706)	(6,210)
Income tax effect	(100)	(47)	(413)
Total	53	(754)	(6,635)
Total other comprehensive income	¥ 1,324	¥ (3,027)	\$ (26,629)

PARK24 Co., Ltd. and Consolidated Subsidiaries
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26. Segment information

(1) Overview of reportable segments

The Company's reportable segments are components of the Group for which discrete financial information is available and which is regularly examined by the Board of Directors to determine the allocation of management resources and evaluate performance. The Company's three separate reportable segments are Parking Business Japan, Parking Business Overseas and Mobility Business.

(2) Method of calculating net sales, profits or losses, assets, obligations and other flows by segment

The accounting treatment for reportable segments is generally similar to the descriptions under "Summary of significant accounting policies." Profits of reportable segments are the figures based on operating profit. The Company does not allocate assets and liabilities to reportable segments.

(3) Information on operating results and depreciation and amortization by reportable segment for the fiscal years ended October 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
Fiscal years ended October 31	2020	2021	2021
I. Operating results:			
Net sales			
(1) External customers			
Parking Business Japan	¥ 150,387	¥ 145,926	\$ 1,283,655
Parking Business Overseas	45,169	38,499	338,660
Mobility Business	73,348	66,677	586,537
Total	268,904	251,102	2,208,851
Adjustment	—	—	—
Consolidated	268,904	251,102	2,208,851
(2) Inter-segment			
Parking Business Japan	4,830	4,521	39,766
Parking Business Overseas	—	—	—
Mobility Business	137	130	1,145
Total	4,966	4,651	40,911
Adjustment	(4,966)	(4,651)	(40,911)
Consolidated	—	—	—
Total operating revenue			
Parking Business Japan	155,217	150,446	1,323,421
Parking Business Overseas	45,169	38,499	338,660
Mobility Business	73,484	66,808	587,682
Total	273,870	255,753	2,249,762
Adjustment	(4,966)	(4,651)	(40,911)
Consolidated	268,904	251,102	2,208,851
Operating expenses			
Parking Business Japan	139,940	129,082	1,135,486
Parking Business Overseas	59,576	55,094	484,643
Mobility Business	76,080	66,849	588,043
Total	¥ 275,596	¥ 251,025	\$ 2,208,172

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Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Adjustment	8,007	8,117	71,401
Consolidated	283,602	259,142	2,279,572
Operating profit (loss)			
Parking Business Japan	15,276	21,364	187,935
Parking Business Overseas (Note 2)	(14,406)	(16,595)	(145,983)
Mobility Business	(2,595)	(41)	(361)
Total	(1,725)	4,728	41,591
Adjustment (Note 1)	(12,973)	(12,768)	(112,312)
Consolidated (Note 3)	¥ (14,698)	¥ (8,040)	\$ (70,721)

II. Depreciation and amortization:

Parking Business Japan	¥ 9,550	¥ 8,423	\$ 74,094
Parking Business Overseas	11,856	11,671	102,666
Mobility Business	13,757	11,192	98,455
Total	35,163	31,286	275,215
Adjustment	2,038	2,381	20,946
Consolidated	¥ 37,201	¥ 33,668	\$ 296,161

- Notes 1. The adjustment to segment profit (loss) represents corporate expenses that are not allocated to any reportable segments. Corporate expenses are mainly expenses Those expenses are relating to those for the administration division, including the general affairs department.
2. Operating loss of ¥16,595 million (¥14,406 million in 2020) in the Parking Business Overseas includes the amortization of goodwill of ¥1,112 million with unamortized balance of ¥17,005 million (¥2,175 million with unamortized balance of ¥16,792 million in 2020).
3. Operating profit (loss) is adjusted in accordance with operating profit (loss) in the consolidated statements of income.
4. During the first quarter of the fiscal year ended October 31, 2020, TIMES24 CO., LTD., which is a subsidiary of the Company, transferred its Car Sharing service to TIMES MOBILITY CO., LTD., which is also a subsidiary of the Company, in an absorption-type split. This led to the occurrence of further intersegment transactions between the Parking Business Japan and Mobility Business segments.
5. Reportable segments and main services in each segment

Reportable Segment	Main Services
Parking Business Japan	24-hour self-service parking lot (“Times”) Parking facility management (Japan)
Parking Business Overseas	Parking facility management (overseas)
Mobility Business	Car Sharing service, Car Rental service Road assistance service

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(1) Geographical information

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Operating revenues			
Japan	¥ 223,734	¥ 212,603	\$ 1,870,188
Other regions	45,169	38,498	338,652
Total	268,904	251,102	2,208,849
Property, plant and equipment			
Japan	¥ 110,353	¥ 98,751	\$ 868,675
Australia	25,306	20,461	179,988
Other regions	7,692	8,614	75,774
Total	¥ 143,352	¥ 127,827	\$ 1,124,446

(2) Impairment loss on property, plant and equipment

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Impairment loss			
Parking Business Japan	¥ 341	¥ 58	\$ 514
Parking Business Overseas	30,984	80	708
Mobility Business	614	—	—
Total	¥ 31,939	¥ 139	\$ 1,222

27. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses for the fiscal years ended October 31, 2020 and 2021 is as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Advertising and sales promotion	¥ 1,600	¥ 1,293	\$ 11,373
Transfer and transportation expenses	931	879	7,732
Salaries and bonuses	20,210	18,366	161,560
Retirement benefit expenses	846	962	8,465
Rental expenses	2,652	2,680	23,575
Remuneration and commission	6,113	7,609	66,935
Amortization of goodwill	2,176	1,112	9,786
Provision of allowance for doubtful accounts	585	527	4,634
Directors' and corporate auditors' compensations and salaries	460	405	3,561
Provision for bonuses	1,080	3,144	27,658
Provision for directors' and corporate auditors' bonuses	—	40	351
Legal welfare expenses	2,365	2,424	21,326
Depreciation and amortization	3,064	3,206	28,202
Other	8,961	6,085	53,526

PARK24 Co., Ltd. and Consolidated Subsidiaries
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28. Lease transactions

Lessee's accounting

Future minimum lease payments for the fiscal years ended October 31, 2020 and 2021 for noncancelable operating lease were summarized as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
2022	¥ 13,216	¥ 13,807	\$ 121,455
2023 and thereafter	¥ 224,167	¥ 227,300	\$ 1,999,472
Total	¥ 237,383	¥ 241,108	\$ 2,120,936

(Note) The lease transactions for which assets and liabilities are recognized on the consolidated balance sheets by applying IFRS 16 are not reflected in the above table.

29. Related party transactions

There were no material related party transactions for the fiscal years ended October 31, 2020 and 2021.

30. Per share information

The amounts of basic profit (loss) per share and net assets per share for the fiscal years ended October 31, 2020 and 2021 are calculated as follows. Although there are potential common shares, the amounts of diluted profit (loss) per share are not presented because the Company posted loss attributable to owners of parent for both of the fiscal years.

Fiscal years ended October 31	Yen		U.S. dollars
	2020	2021	2021
Basic profit (loss) per share	(302.00)	(75.45)	(0.66)
Net assets per share	¥ 200.55	¥ 105.93	\$ 0.93

The basis for the calculation of basic profit (loss) per share is as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Profit (loss) attributable to owners of parent	¥ (46,652)	¥ (11,658)	\$ (102,551)
Profit (loss) attributable to common shareholders of parent	(46,652)	(11,658)	(102,551)

Fiscal years ended October 31	Thousands of shares	
	2020	2021
Weighted average number of common shares	154,478	154,512

PARK24 Co., Ltd. and Consolidated Subsidiaries
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31. Shareholders' equity

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the legal capital surplus) and retained earnings (other than the legal retained earnings) be transferred to the legal capital surplus and the legal retained earnings, respectively, until the sum of the legal capital surplus and the legal retained earnings equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the legal capital surplus nor the legal retained earnings is available for distribution.

32. Change in holding purpose of assets

The Group reclassified certain vehicles from "Machinery and vehicles" to "Inventories" on the consolidated balance sheets because it engages in the sale of used vehicles as part of the operating cycle of the Mobility Business. The amounts of the reclassification were ¥12,297 million and ¥5,515 million (\$48,513 thousand) in the fiscal years ended October 31, 2020 and 2021, respectively. The balance of these inventories as of October 31, 2020 and 2021 were ¥833 million and ¥76 million (\$669 thousand), respectively.

33. Investments and rental properties

The Group owns properties for parking facilities including lands in Tokyo, Kanagawa, and other areas. The carrying amount on the consolidated balance sheets, change during the fiscal year, and the market value of the properties as of October 31, 2020 and 2021 were as follows:

Millions of yen				
Carrying amount on the consolidated balance sheet				Market value as of October 31, 2020
	November 1, 2019	Change during the period	October 31, 2020	
Rental properties	¥ 29,889	¥ (451)	¥ 29,437	¥ 45,533

Millions of yen				
Carrying amount on the consolidated balance sheet				Market value as of October 31, 2021
	November 1, 2020	Change during the period	October 31, 2021	
Rental properties	¥ 29,437	¥ 2,962	¥ 32,400	¥ 61,219

Thousands of U.S. dollars				
Carrying amount on the consolidated balance sheet				Market value as of October 31, 2021
	November 1, 2020	Change during the period	October 31, 2021	
Rental properties	\$ 258,946	\$ 26,056	\$ 285,011	\$ 538,520

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Notes:

1. The carrying amounts on the consolidated balance sheet are presented at cost net of accumulated depreciation and accumulated impairment losses.
2. The market values as of October 31, 2020 and 2021 were established primarily in accordance with the Real Estate Appraisal Standards with adjustment to reflect official indices.

Revenues and expenses related to investment and rental properties for the fiscal years ended October 31, 2020 and 2021 were as follows:

		Millions of yen		
2020		Revenues	Expenses	Difference
Rental properties	¥	3,821	¥ 1,513	¥ 2,308

		Millions of yen		
2021		Revenues	Expenses	Difference
Rental properties	¥	3,808	¥ 1,444	¥ 2,364

		Thousands of U.S. dollars		
2021		Revenues	Expenses	Difference
Rental properties	\$	33,498	\$ 12,702	\$ 20,795

34. Significant subsequent events

Not applicable.

Independent Auditor's Report

The Board of Directors
PARK24 Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of PARK24 Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at October 31, 2021, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and contract-related intangible assets in PARK24 UK LIMITED

Description of Key Audit Matter	Auditor's Response
The Company has goodwill of ¥7,121 million and contract-related intangible assets of ¥9,196 million attributable to its consolidated subsidiary PARK24 UK LIMITED in the consolidated balance sheet as of October 31, 2021. As described in Note 3, "Significant accounting estimates," the Company identified an indication of impairment of an asset group related to goodwill and contract-related intangible assets due to the deterioration of profitability resulting from changes in the business environment. However, no impairment loss was recognized because the sum of the undiscounted future cash flows attributable to the asset group exceeded the carrying amount. The future cash flows expected to be generated from continuing use of the asset group were estimated based on the business plan approved by the Board of Directors with cash flows beyond the period covered by the business plan being estimated from the corresponding growth rate. As described in Note 3, "Significant accounting estimates," the following three significant assumptions are used to estimate the future cash flows: the number of parking sites and revenue per parking site within the UK, both of which constitute a basis for the business plan; and the growth rate beyond the period covered by the business plan. The aforementioned significant assumptions for the future cash flows are subject to uncertainty and require management's judgment. We therefore have determined that this is a key audit matter.	We performed the following audit procedures in examining the impairment of goodwill and contract-related intangible assets attributable to PARK24 UK LIMITED, among others: - In order to evaluate the appropriateness of the assessment of the indication and recognition of impairment, we compared business plans used for the valuation for prior fiscal years with actual results, and if there was any deviation, analyzed the factors behind the deviation. - We assessed whether the estimated future cash flows were consistent with the business plan approved by the Board of Directors. - In order to evaluate the significant assumptions made by management for the number of parking sites and revenue per parking site within the UK, and the growth rate beyond the period covered by the business plan, we compared these figures to available external data and performed trend analysis based on historical data. - We made our own estimates of future cash flows by incorporating certain uncertainties and assessed how the impairment assessment would be impacted.

Recoverability of deferred tax assets of TIMES MOBILITY CO., LTD.

Description of Key Audit Matter	Auditor's Response
The Company has deferred tax assets of ¥9,811 million on the consolidated balance sheet as of October 31, 2021. As described in Note 3, "Significant accounting estimates," the above amount includes deferred tax assets of ¥5,736 million recognized by TIMES MOBILITY CO., LTD. The Company assesses the recoverability of deferred tax assets recognized for deductible temporary differences and tax loss carryforwards against estimated taxable income based on future profitability. As described in Note 3, "Significant accounting estimates," the estimated future taxable income is based on the business plan and the growth rate beyond the period covered by the business plan. In addition, the significant assumptions used to estimate the future taxable income are net sales per vehicle as a basis for the business plan and the growth rate beyond the period covered by the business plan. The aforementioned significant assumptions for assessing recoverability of deferred tax assets are subject to uncertainty and require management's judgment. We therefore have determined that this is a key audit matter.	We performed the following audit procedures in examining the recoverability of deferred tax assets recognized by TIMES MOBILITY CO., LTD., among others: - In order to evaluate the effectiveness of management's estimation process in formulating the business plan, we compared business plan and result for the prior year. - As for estimates of future taxable income, we examined the consistency with the business plan approved by the Board of Directors. - In order to evaluate the assumptions made by management on net sales per vehicle which were significant assumptions, we conducted the trend analysis based on past performance. And in order to evaluate the assumptions made by management on the growth rate beyond the period covered by the business plan, which were significant assumptions, we conducted comparison with external data such as market forecasts and the trend analysis based on past performance. - We made our own estimates of future taxable income by incorporating certain uncertainties and assessed how the determination of recoverability would be impacted. - As for balances of deductible temporary differences and tax loss carryforwards, we involved tax specialists and examined the scheduling for the fiscal year in which their reversal was expected.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended October 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

January 28, 2022



Yuji Suzuki
Designated Engagement Partner
Certified Public Accountant



Chihiro Yasunaga
Designated Engagement Partner
Certified Public Accountant

Company Information

Head Office	2-20-4 Nishigotanda, Shinagawa-ku, Tokyo 141-8924, Japan
Website	https://www.park24.co.jp/en/
E-mail	ir@park24.co.jp