

Consolidated Financial Report for the Fiscal Year Ending October 31, 2020(Japanese GAAP)

December 15, 2020

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Scheduled day of annual shareholders' meeting
 Scheduled day of commencing dividend payment
 Scheduled day of submission of a financial report
 Preparation of supplementary financial data
 Information meeting for financial results to be held

(Figures are rounded down to the nearest one million yen)

1. Consolidated business results for the fiscal year ended October 31, 2020 (November 1, 2019–October 31, 2020)

(1) Consolidated Operating Results (Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
October 31, 2020	268,904	-15.3	-14,698	–	-15,168	–	-46,652	–
October 31, 2019	317,438	6.3	22,322	-1.0	21,566	-4.3	12,348	-10.9

(Note) Comprehensive income: Fiscal year ended October 31, 2020: -45,560million yen –%

Fiscal year ended October 31, 2019: 7,720million yen -38.4%

	Net income per share	Net income per share after dilution	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
October 31, 2020	-302.00	–	-76.9	-5.2	-5.5
October 31, 2019	79.79	75.28	13.4	7.5	7.0

(Reference) Equity in net income of affiliates: Fiscal year ended October 31, 2020: -297million yen

Fiscal year ended October 31, 2019: 9million yen

(Note) Net income per share after dilution is not shown in the above table, because net income per share was negative although there are residual shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	Million yen	Million yen	%	Yen
As of October 31, 2020	295,775	31,146	10.5	200.55
As of October 31, 2019	293,097	90,791	30.8	585.37

(Reference) Shareholders' equity: As of October 31, 2020: 30,982million yen

As of October 31, 2019: 90,407million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
October 31, 2020	39,400	-21,819	12,886	55,269
October 31, 2019	45,695	-49,454	-782	24,664

2. Dividend status

	Dividend per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q	2Q	3Q	4Q	Annual			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
October 31, 2019	–	0.00	–	70.00	70.00	10,811	87.7	11.7
October 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending October 31, 2021(Forecasts)	–	0.00	–	5.00	5.00		15.4	

3. Consolidated Forecasts for the Fiscal Year ending October 31, 2021 (November 1, 2020 - October 31, 2021)

(The percentages indicate the rates of increase or decrease compared with the same period of the previous year)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Interim	130,000	-10.8	-500	–	-3,500	–	-2,500	–	-16.18
Full year	282,000	4.9	13,500	–	8,500	–	5,000	–	32.36

*Notes

(1) Changes in important subsidiaries during the term :No
New: -- company () Eliminated: -- company ()

(2) Changes in accounting policies and changes or restatement of accounting estimates
1) Changes in accounting policies caused by revision of accounting standards :Yes
2) Changes in accounting policies other than 1) :No
3) Changes in accounting estimates :No
4) Restatement :No

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the period (including treasury stock)	As of Oct 31, 2020	155,016,369 Shares	As of Oct 31, 2019	154,974,269 Shares
2) Number of treasury stock at the end of the period	As of Oct 31, 2020	528,203 Shares	As of Oct 31, 2019	528,203 Shares
3) Average number of shares during the term (consolidated cumulative period)	Fiscal year ended Oct 31, 2020	154,478,994 Shares	Fiscal year ended Oct 31, 2019	154,754,796 Shares

* This financial summary falls outside the scope of audit procedures of certified public accountant or audit corporation

* Explanations and other special notes concerning the appropriate use of business performance forecasts

The consolidated business performance forecasts given in this document are based on assumptions, prospects, and future business plans, currently available on the date this document was published. Actual results may differ from these forecasts for a variety of reasons. For other matters relating to the forecasts, please refer to "1. Qualitative Data, Financial Statements and Other Information".

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1. Qualitative Data, Financial Statements and Other Information

(1) Qualitative data on the consolidated financial results

During the consolidated fiscal year ended October 31, 2020, the Japanese economy experienced a sharp downturn in activity due to the COVID-19 pandemic ("COVID-19"), despite previously being on a moderate recovery path on the back of strong corporate earnings and a better employment environment. Overseas, many countries revised their economic outlook downward and fear of a slowdown in the global economy grew due to the continuous spread of COVID-19 and a lack of prospects for its decline.

In this environment, the PARK24 GROUP companies (the "Group") sought to expand the four networks of people (members), cars (mobility), communities (destinations) and parking and to create new services that connect those networks seamlessly, in pursuit of the Group philosophy, "We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow". However, the operating environment was extremely challenging this fiscal year due to COVID-19.

The Group is taking steps to ensure business continuity based on its policies to "protect customer safety," "protect employee safety" and "fulfill our mission as a transportation infrastructure company." To this end, it had been reviewing costs and selling, general and administrative expenses within the Group to the maximum extent possible and curbing non-essential investment as part of the measures to recover lost ground, while simultaneously expanding each business as much as possible.

In terms of financial results, the Group performed solidly during the first quarter of the consolidated fiscal year under review, and net sales subsequently fell during the second quarter due to the serious impact of a substantial decline in the movement of people to prevent the spread of COVID-19 in the service operations in the Group's businesses. In the third quarter, the Group saw signs of a gradual recovery in its businesses, reflecting the bottoming out of the impact of COVID-19. In the fourth quarter, all of the Group's businesses recovered from the third quarter, despite the considerable impact of changes in the number of COVID-19 cases on the service operations.

Taking into account the absence of prospects for the global containment of COVID-19, the Group revised its future plans for its businesses in the UK and Australia, which resulted in an impairment loss on goodwill and other business assets.

As a result, in the consolidated fiscal year under review, the Group posted net sales of 268,904 million yen (down 15.3% year on year), an operating loss of 14,698 million yen (operating profit of 22,322 million yen in the previous fiscal year), and a recurring loss of 15,168 million yen (recurring profit of 21,566 million yen in the previous fiscal year), and loss attributable to owners of parent stood at 46,652 million yen (profit attributable to owners of parent of 12,348 million yen in the previous fiscal year).

Results by business segment are as follows:

Parking Business Japan

The changes in parking rates introduced in response to the consumption tax hike last year were gradually phased in and net sales also held firm. However, from February onwards, parking site operations started being impacted as people stayed at home and businesses scaled back their operating activities to prevent the spread of COVID-19, and this impact worsened after the government's declaration of a state of emergency in April. Subsequently, the movement of people recovered steadily from late May, when the state of emergency was lifted, until late June, and parking site operations also showed signs of a recovery. However, the pace of the recovery slowed down slightly in July and August mainly as a result of a sharp, nationwide increase in the number of COVID-19 cases, a rise in local governments' alert levels, and their request for self-restraint on movement. In September and October, traffic volumes steadily recovered thanks to the absence of a significant change in the number of new COVID-19 cases, resulting in a moderate recovery of parking site operations.

While net sales fell due to the impact of COVID-19, the Group strived to secure profit by reducing costs and expenses as much as possible, including decreasing unprofitable sites, improving parking facility management and maintenance, and cutting personnel expenses. In terms of new development, the Group focused on the development of parking sites that would be profitable even under these conditions, while also terminating a certain number of contracts for unprofitable sites.

As a result, the numbers of Times PARKING sites and parking spaces managed at the end of the fiscal year under review were 18,914, +0.0% from the end of the previous fiscal year, and 592,225, -2.0%, respectively. The total

number of parking sites managed, including monthly parking and facility management services, rose 0.1% from the end of the previous fiscal year, to 20,353, and the total number of parking spaces managed decreased 1.3%, to 746,033. Net sales in this segment (including intersegment sales) stood at 155,216 million yen (-6.5% year on year), and operating profit amounted to 15,276 million yen (-44.0%). From the fiscal year under review, 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 in Parking Business Japan and Mobility Business segments.

Parking Business Overseas

The impact of COVID-19 in the countries in which the Group operates started being felt in Asia (Singapore, Malaysia, Taiwan, and South Korea) from around February and in Oceania and Europe (Australia, New Zealand, and the UK) from around March. While city lockdowns and restrictions enforced by governments in some countries caused a fall in parking site operations, step-by-step lifting of the restrictions from May brought about a gradual recovery. Since July, new COVID-19 cases resurged in part of Australia and the UK, and lockdowns and travel restrictions were imposed again in some regions. This caused a slowdown in recovery, particularly in Australia. Asian countries, meanwhile, demonstrated a steady recovery after hitting bottom in April and May, despite being affected by trends in the number of new COVID-19 cases.

The impact of COVID-19 was more severe overseas than in Japan, causing a significant fall in net sales. The Group, therefore, implemented a range of aggressive measures to cut and control costs and expenses, including rent negotiations for unprofitable sites, raising the efficiency of parking facility management and maintenance such as changing sites under manned management to unmanned management, and reducing personnel expenses. As a result, the numbers of overseas parking sites and parking spaces managed at the end of the fiscal year under review were 2,834, +7.7% from the end of the previous fiscal year, and 696,495, +4.6%, respectively, and the total numbers of parking sites and parking spaces managed worldwide were 23,187, +1.0% from the end of the previous fiscal year and 1,442,528, +1.5%, respectively. Net sales in this segment (including intersegment sales) was 45,169 million yen (-31.5% year on year). Operating loss was 14,406 million yen (992 million yen in the same period of the previous year).

*The results of parking business overseas for the consolidated fiscal year under review are the results of overseas consolidated subsidiaries for the period from October 1, 2019 to September 30, 2020.

Mobility Business

COVID-19 affected Car Rental service, causing a slump in demand for domestic tourism in addition to a significant decline in demand for inbound tourism associated with entry restrictions on overseas travelers imposed in late January. COVID-19 also discouraged people from traveling since February, which affected Car Sharing services. As a result, the number of rentals decreased sharply in these services, which subsequently started to pick up after hitting bottom in May. In particular, Car Rental service suffered a significant decline in the number of users, and the Group rationalized the number of vehicles held for this service to match the demand. Meanwhile, Car Sharing service has been steadily growing as a mobility service easily accessible in daily life. Amid COVID-19, the service began to be recognized as a means of transportation suitable for avoiding contact with an unspecified large number of people and crowded places, demand for which has been growing. The number of members increased faster than prior to the start of COVID-19 and the number of users also steadily rose. A year-on-year increase in net sales and a year-on-year increase in net sales per vehicle continued from July.

The Group also stepped up promotion of the “Times CAR” service (combining Car Rental and Car Sharing services), which went into full-scale operation this fiscal year, and implemented initiatives to curb costs while at the same time efficiently increasing utilization of every single vehicle.

As a result, the total number of vehicles in Mobility Business as a whole at the end of the fiscal year under review was 44,841 units, down 22.3% from the end of the previous fiscal year. The Net sales of this business (including intersegment Net sales) was 73,484 million yen, down 14.4% from the end of the previous fiscal year, and the Operating loss was 2,595 million yen (operating profit of 9,112 million yen in the same period of the previous year). In addition, for Car Sharing services, 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 in Parking Business Japan and Mobility Business

segments.

(2) Overview of financial position during the fiscal year under review

Total assets at the end of the fiscal year under review amounted to 295,775 million yen, an increase of 2,678 million yen from the end of the previous fiscal year. This is primarily a result of an increase in current assets including Cash and deposits of 26,649 million yen, an increase in right of use assets of 26,834 million yen, a decrease in machinery, equipment and vehicles of 17,493 million yen, a decrease in leased assets of 3,385 million yen, a decrease in goodwill of 20,585 million yen and a decrease in contract based intangible assets of 5,062 million yen.

Total liabilities increased 62,324 million yen from the end of the previous fiscal year, to 264,629 million yen. Major contributing factors included an increase in lease obligations of 28,103 million yen and an increase in long-term and short-term borrowings of 37,735 million yen, a decrease in income taxes payable of 2,674 million yen.

Net assets decreased 59,645 million yen, to 31,146 million yen, mainly as a result of a decrease of 46,652 million yen due to the posting of a loss attributable to owners of parent, a decrease of 10,811 million yen due to dividend payments from retained earnings, and a decrease in foreign currency translation adjustment of 1,303 million yen.

(3) Overview of cash flow during the fiscal year under review

The balance of cash and cash equivalents at the end of the first nine months under review increased 30,604 million yen from the end of the previous consolidated fiscal year, to 55,269 million yen.

The status of cash flow by category at the end of the fiscal year under review was as follows:

(Cash flow from operating activities)

Net cash provided by operating activities decreased 6,294 million yen year on year, to 39,400 million yen. This primarily reflected the total of depreciation, Impairment losses, amortization of goodwill, and profit before income taxes of 22,673 million yen, a decrease in inventories of 11,250 million yen, an increase in accounts payable - other and accrued expenses of 6,218 million yen, and income taxes paid of 4,659 million yen.

(Cash flow from investing activities)

Net cash used in investing activities was 21,819 million yen (cash outflow decreased 27,634 million yen year on year). This was chiefly attributable to the expenditure of 17,788 million yen for the acquisition of property, plant and equipment associated with the opening of Times PARKING sites and the purchase of vehicles for service, and the purchase of long-term prepaid expenses of 2,210 million yen.

(Cash flow from financing activities)

Net cash used in financing activities was 12,886 million yen (cash increased 13,668 million yen year on year). This was largely a result of a net increase in long-term loans payable of 29,286 million yen, a net increase in short-term loans payable of 16,749 million yen, repayments of lease obligations of 13,669 million yen and dividend payments of 10,819 million yen.

(Changes in cash flow-related indicators)

	FY Ended Oct. 2020	FY Ended Oct. 2019	FY Ended Oct. 2018
Shareholders' equity ratio (%)	12.4	33.3	34.1
Market value equity ratio (%)	73.5	134.8	162.2
Number of years for debt redemption (years)	5.2	3.1	2.3
Interest coverage ratio (times)	22.8	60.2	65.8

(Note) Shareholders' equity ratio: shareholders' equity divided by total assets

Market value equity ratio: market capitalization divided by total assets

Number of years for debt redemption: interest-bearing debts divided by cash flow from operating activities

Interest coverage ratio: cash flow from operating activities divided by interest payment

- * All of the indicators are calculated based on consolidated financial data.
- * Market capitalization is calculated by multiplying the closing stock price at the end of the fiscal year by the number of shares outstanding (after subtracting treasury shares).
- * The cash flow from operating activities used in the calculations is the cash flow from operating activities in the consolidated statement of cash flow.
- * Interest-bearing debt includes all interest-bearing liabilities that are posted on the consolidated balance sheet.
- * The interest payment represents the amount of interest expenses paid presented in the consolidated statement of cash flow.

(4) Outlook for the future

Due to uncertain prospects for containment of COVID-19, there are concerns over the risk of a fall in the global and Japanese economies. Despite the government's plans for emergency economic measures, aggravation of employment and income condition caused by a fall in corporate earnings and impact of a decline in consumer spending on the Group's business performance are likely inevitable.

Despite a harsh business environment, the Group will eliminate deficits during the fiscal year ending October 2021, in addition to adhering to its basic policies for responses to COVID-19 established in the fiscal year ended October 2020, including "protect customer safety," "protect employee safety" and "fulfill our mission as a transportation infrastructure company." Each of its business segments will take the following measures.

Parking Business Japan assumes that people's movement will not resume to the level prior to the start of COVID-19. It will maintain the supply-demand balance to maximize earnings from individual sites by implementing marketing and operation measures such as modifying fee structures and adjusting the number of vehicle spaces at existing sites according to current demand. It will also take measures for unprofitable sites, improve parking site management and maintenance, and reduce costs and SG&A and other expenses as much as possible. Business development will carefully select and target sites that ensure profitability. By growing a lean business structure through these measures, the Group prepares for active business growth after COVID-19 subsides.

Parking Business Overseas assumes that restrictions on people's movement stricter than restrictions in Japan will continue on and off. It will cut costs and expenses to reduce deficits through rent negotiations and by actively raising management and maintenance efficiency. It will also change the current business portfolio comprising mostly of large and long-term contract parking sites to reduce business risk and raise profitability by developing short-term contract parking sites optimally suited for demand for parking sites in each country based on the strategy of minimization, diversification, and domination used in Parking Business Japan.

Mobility Business will raise profitability per vehicle by aggressively building the new mobility service, Times CAR. It will also substantially increase the number of vehicles owned to maximize earnings and improve service quality.

Through such efforts, the Group expects that, at the end of October 2021, the number of Times PARKING sites will be 20,364, the number of Times PARKING spaces will be 740,325, and the number of Times CAR vehicles will be 58,000. In the fiscal year ending October 31, 2021, the Group projects gains in sales and profits, with net sales of 282,000 million yen, operating profit of 13,500 million yen, recurring profit of 8,500 million yen, and profit attributable to owners of parent of 5,000 million yen.

(5) Business risks related to COVID-19

(i) Risk of deterioration in the Group's financial position due to decreased demand

Regarding the consolidated earnings forecasts for the fiscal year ending October 31, 2021, the Company preliminarily calculated the impact of COVID-19 on its business performance, based on the assumption that business would be impacted by the infection but would gradually recover towards the end of the fiscal year ending October 31, 2020. However, there are many uncertainties in the assumptions used for the estimates. The Group's financial condition, results of operations and cash-flow situation may be affected by the time that it takes for COVID-19 to be contained and changes in the impact on economic conditions.

In such circumstances, the Group will endeavor to minimize the decline in earnings by continuing to implement countermeasures such as restructuring of each business, improving productivity and reducing costs.

(ii) Risk of transmission among customers

The Group's mobility services are services of car sharing. Consequently, to reduce the risk of transmission among customers, employees regularly deep clean the insides of vehicles with disinfectant and put disinfectant sprays inside vehicles so that customers can also disinfect the inside of vehicles themselves. However, if a customer who uses the Company's services catches the virus, the Group's business performance may be impacted as others increasingly tend to avoid using the Company's services.

(iii) Risk of transmission among employees and business continuity risk

To ensure the health and safety of employees working at each site, the Group aims to reduce employees working onsite appropriately and has put in place systems to enable employees to stagger their working hours or work from home. The Group is also endeavoring to reduce unnecessary movement and contact by changing ways of working and conducting meetings online or via telephone. However, if an employee catches the virus or the virus spreads throughout the company through contact between employees, the Group may need to take action such as closing sites or partially suspending business operations.

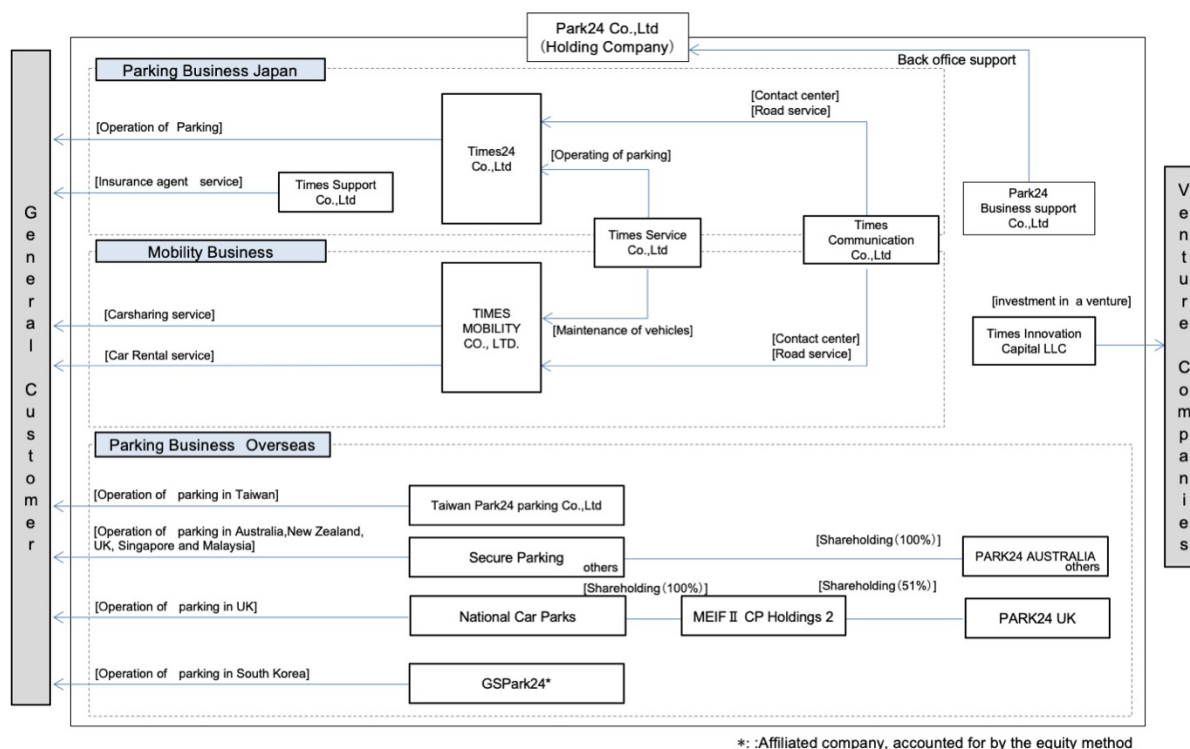
(iv) Risk of demand collapse and default due to deterioration in the financial situation of customers

If the Group's customers struggle to continue operating after their financial situation deteriorates due to COVID-19, the Group may lose previously stable business and may also struggle to recover receivables from these customers.

2. Status of the PARK24 Group

The Group (the Company and its affiliates) consists of the Company, 94 consolidated subsidiaries and one affiliate. The Group manages and operates parking sites, rents and trades vehicles, and develops related businesses.

The systematic diagram of the business is as follows.



The business lines of the Group are as follows.

- Parking Business Japan:

The Group provides pay-by-the-hour and pay-by-the-month parking sites services under sublease agreements for renting idle land lots and facilities incidental parking, and administration trustee agreements for managing parking sites on behalf of their owners as well as by using parking sites owned by the Group. The Group also operates reservation-only parking sites, and manages and operates incidental facilities of parking sites.

-Parking Business Overseas:

The Group provides pay-by-the-hour and pay-by-the-month parking sites services under sublease agreements and trustee agreements for managing parking sites in a total of seven countries comprising, Australia, New Zealand, Singapore, Malaysia, the UK, Taiwan, and South Korea.

-Mobility Business:

The Group provides a new mobility service called "Times CAR" (combining Car Rental and Car Sharing services) that allows customers to Car Rental for a specified length of hours or days at manned stores and unmanned stations nationwide. The Group also offers a roadside service that responds to accidents and breakdowns.

3. Management Policy

(1) Basic management policy

Park24 Group's philosophy is "We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow." Park24 Group provides comfort and convenience in forms both familiar and entirely new. We help to make urban environments and the lives of people living and working in them richer and pleasanter. We listen carefully to our customers to create services that meet the needs of the times and enhance sustainability.

(2) Targeted management indices

We recognize that, to create comfortable services that meet the needs of the times and enhance sustainability, it is important to expand the scale of each business and enhance and develop services and we believe that our main business challenge is achieving and ensuring strong growth and profitability. Accordingly, we place the utmost emphasis on the rate of growth in recurring profit and strive to maintain double-digit sustainable growth.

The Group posted a loss for the fiscal year ended October 31, 2020, due to the impact of COVID-19 on all of its businesses, which caused a significant decrease in shareholders' equity. The Group considers rebuilding financial health to be one of the first priorities of the management and has established the goal of an equity ratio of more than 30% as one of the financial indicators targeted by the end of the fiscal year ending October 31, 2025.

(3) Business environment and medium-term business strategies

The Group expects its management environment to continue to be harsh in the short term due to COVID-19. There are concerns over risk of a further fall in the global and Japanese economies due to the aggravation of the pandemic, and the impact of a decline in employment and income caused by a fall in corporate earnings and a decrease in consumer spending on the Group's business performance are likely inevitable.

For the medium-term business environment, Park24 Group's business environment is experiencing major changes with the emergence of new mobility concepts and rapid advances in technological innovation, including the shift from ownership to usage, automotive IoT applications, variations in vehicle fuel, and autonomous driving.

Looking to the future of the mobility society, the Group will further expand its four networks of people (members), cars (mobility), communities (destinations) and parking sites, and seamlessly connect these through the enhancement of services, thereby creating comfortable services that meet the needs of the times and enhancing sustainability both in Japan and other parts of the world.

In Parking Business, the Group will pursue expansion of its parking network by steadily developing parking sites while at the same time working to develop parking services that deliver greater levels of comfort. In particular, there are chronic shortages of parking spaces in Japan, and the Group considers the environment adequate for developing new parking sites based on a large supply-demand gap and expects stable growth.

In Mobility Business, the Group will push ahead with the integration of Car Rental and Car Sharing services to establish Times CAR, an extremely convenient new mobility service that allows customers to rent the type of car they

want to rent when and where they want to rent it for as long as they want to rent it. Car Sharing service has been steadily growing as a mobility service easily accessible in daily life. Amid COVID-19, the service began to be recognized as a means of transportation suited for avoiding contact with an unspecified large number of people and crowded places, demand for which has been growing. Based on this background, both the numbers of members and users have been steadily increasing, which are expected to continue to increase substantially in the future. The Group will actively increase vehicles for the mobility service and rental office locations to expand its mobility networks.

In the communities that are our customers' destinations, we will increase the number of affiliated stores offering the "Times PAY" cashless payment service, with the aim of delivering comfort to both affiliated stores and customers and expanding our network of communities (destinations).

To make services even more convenient for members through the seamless connection of cars (mobility), communities (destinations) and parking services respectively, we will focus on strengthening "soft" aspects through the development of apps, etc. We will also seek expansion in the scale of both corporate and private members by enhancing service convenience.

Overseas, the Group operates parking businesses in seven countries, including Australia, New Zealand, Singapore, Malaysia, the UK, Taiwan, and South Korea. As in Japan, the Group works to expand its parking site networks and to develop parking services in these countries. In Australia and the UK, constituting the core part of its overseas businesses, it will change the current business portfolio comprising mostly large and long-term contract parking sites to reduce business risk and raise profitability by developing short-term contract parking sites optimally suited for demand for parking sites in each country based on the strategy of minimization, diversification, and domination used in Parking Business Japan.

Through these measures, the Group aims to operate parking sites for 1,000 thousand vehicles and the mobility service for 100 thousand vehicles and acquire one million Times club members in Japan as targets for the fiscal year ending October 31, 2024.

The Park24 Group will aim for sustainable growth to become the world's No.1 in terms of services as well as earnings as a corporate group that provides mobility services on a global scale. We will also endeavor to enhance our corporate value by fulfilling our corporate social responsibility and repay the trust and meet the expectations of all stakeholders.

(4) Business and financial issues to be addressed on priority

As noted in the descriptions of the operating environment in section (3), COVID-19 is expected to have a major impact on the Group's financial performance. The entire Group nevertheless has been promptly taking measures since the initial stage when the impact began to appear.

A. Ensuring customers' safety

Vehicles used in Mobility Business providing Car Sharing services are cleaned more thoroughly and sanitizers are placed in the vehicles for customers to use PARK24 sites and services with peace of mind. The Group is also installing payment machines accepting a wider range of cashless payment methods at its parking sites.

B. Ensuring employees' safety

The Group determines the percentage of employees who commute to their workplace based on the number of COVID-19 positive people in Japan and encourages employees to telecommute when possible. Therefore, the Group will continue to develop a stress-free ICT environment for employees who are working from home. As part of measures to prevent COVID-19 infections, the Group encourages the use of flextime and PARK24's cars and mobility services for employees who go to the office to avoid the risk of infection as much as possible in its marketing activities.

C. Reform of business structure

Parking Business Japan is maintaining the supply-demand balance to maximize earnings from individual sites by implementing marketing and operation measures, such as modifying fee structures at existing sites and adjusting the number of vehicle spaces according to current demand. It also works to take measures for unprofitable sites, review management and maintenance, and reduce costs and SG&A and other expenses as much as possible. Business development carefully selects and targets sites by ensuring profitability. By growing a lean business structure throughout these measures, the Group prepares for active business

growth after COVID-19 subsidies.

Parking Business Overseas will cut costs and expenses to reduce deficits through rent negotiations and by actively raising management and maintenance efficiency. It will also change the current business portfolio comprising mostly of large and long-term contract parking sites to reduce business risk and raise profitability by developing short-term contract parking sites optimally suited for demand for parking sites in each country based on the strategy of minimization, diversification, and domination used in Parking Business Japan.

Mobility Business works to raise profitability per vehicle by aggressively building Times CAR, a new mobility service that combines Car Rental and Car Sharing services. It also substantially increases the number of vehicles owned to maximize earnings and improve service quality.

D. Improving financial health

As a medium-to long-term strategy, the Group acquired financing through a subordinated loan to secure long-term funds for growth investment and to improve and maintain its financial health to get the business back on a growth path in view of COVID-19 containment.

In addition, the following issues need to be addressed based on the Group's medium- to long-term corporate management strategies.

(i) Expanding the four networks

The Group will provide customers with an environment in which they can use the Group services more comfortably by expanding the scale of its four networks: people (members), cars(mobility), towns (destinations) and parking sites. To this end, besides strengthening development capabilities and service proposal capabilities within each network, the Group will also promote utilization of ICT in areas such as business data analysis and data marketing.

(ii) Connecting the four networks seamlessly

The Group will provide customers with a comfortable environment for navigating and using the Group's services by seamlessly connecting the four networks. To do this, we will promote activities such as the design of services based on marketing and the development of high value-added services using ICT.

(iii) Providing stable services

The Group recognizes that parking services and mobility services are social infrastructure. To ensure that each service can be provided in a stable manner, we will build an operating structure that allows Group services to be centrally managed and will also enact strict rules in order to maintain quality. The Group also provides services to its customers through IT systems. Accordingly, we will work to ensure stable operation by making sufficient investment in IT systems and developing and recruiting human resources with IT skills.

(iv) Expanding business globally

The Group expanded its parking business to Asia in 2006 and to Oceania and Europe through M&A in 2017. At Secure Parking and National Car Parks, which joined the Group in 2017, we will instill the Group philosophy and seek to develop a shared awareness for the achievement of sustainable growth. The Group also recognizes that developing and strengthening its business foundation and improving and enhancing profitability through expansion are issues that need to be urgently addressed. We will address these issues by making significant improvements to the parking facility management and operation structure, entering new markets through the rollout of new services and pursuing other initiatives.

(v) Strengthening corporate governance

We believe that strengthening corporate governance as part of moves to strengthen the management basis is important in order to realize improvement in the Group's corporate value through sustainable growth. We are, therefore, seeking to build a structure for accurate and speedy decision-making and business execution and an appropriate supervision and monitoring structure. Meanwhile, to further strengthen the effectiveness of corporate governance from the viewpoint of soundness and fairness, we will also endeavor to improve our self-purification ability by thoroughly implementing risk management, internal controls, and compliance initiatives across the Group, which will, in turn, help us to gain more trust from stakeholders.

(vi) Developing diverse human resources and creating an environment in which employees have job satisfaction

The Group creates a great deal of value in the form of the services its employees provide to its customers and believes that the development and recruitment of talent and the creation of an environment in which employees feel job satisfaction is essential for its sustainable development. In an age of discerning customers, employees are valuable management resources which determine a company's competitiveness and the Group will, therefore, endeavor to develop and recruit human resources based on respect for

diversity, in line with its human resources vision “human resources that can fully demonstrate their individuality and completely fulfill their expected roles while at the same time continuously developing their skills.”

(vii) Promoting health management

The Group has established a health management declaration to build a work environment that helps employees maintain good health and work vigorously for a long time. The Group aims to provide an environment that allows employees to voluntarily and actively improve their physical and mental health and to develop an active organization that achieves high performance.

4. Basic concept of the selection of accounting standards

The Group intends to prepare consolidated financial statements under the Japanese standards in the immediate future, taking into consideration the period comparability of consolidated financial statements and comparability with other companies.

The Group plans to respond appropriately to the application of the international accounting standards, taking into account the situation in Japan and overseas, among other factors.

5. Consolidated Financial Statements and Notes

(1) Consolidated balance sheet

(Unit: million yen)

	As of October 31, 2019	As of October 31, 2020
Assets		
Current assets		
Cash and deposits	24,881	55,536
Notes and accounts receivable - trade	18,175	16,146
Inventories	1,590	2,643
Prepaid expenses	16,192	15,320
Other	13,970	12,311
Allowance for doubtful accounts	-198	-697
Total current assets	74,611	101,260
Non-current assets		
Property, plant and equipment		
Buildings and structures	52,812	54,349
Accumulated depreciation	-19,029	-22,050
Buildings and structures, net	33,783	32,298
Machinery, equipment and vehicles	87,086	66,238
Accumulated depreciation	-31,282	-27,928
Machinery, equipment and vehicles, net	55,803	38,310
Tools, furniture and fixtures	41,838	29,725
Accumulated depreciation	-33,558	-26,025
Tools, furniture and fixtures, net	8,279	3,699
Land	25,888	26,272
Leased assets	56,955	56,096
Accumulated depreciation	-39,906	-42,432
Leased assets, net	17,049	13,664
Right of use assets	-	61,683
Accumulated depreciation	-	-34,849
Right of use assets, net	-	26,834
Construction in progress	1,810	2,272
Total property, plant and equipment	142,615	143,352
Intangible assets		
Goodwill	37,377	16,792
Contract-based intangible assets	13,739	8,676
Other	3,624	4,334
Total intangible assets	54,741	29,803
Investments and other assets		
Investment securities	1,866	1,199
Long-term prepaid expenses	9,331	7,469
Leasehold and guarantee deposits	5,334	4,710
Deferred tax assets	3,658	7,067
Other	939	917
Allowance for doubtful accounts	-1	-5
Total investments and other assets	21,129	21,358
Total non-current assets	218,485	194,514
Total assets	293,097	295,775

(Unit: million yen)

	As of October 31, 2019	As of October 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	819	478
Short-term borrowings	9,610	26,609
Current portion of long-term borrowings	8,468	7,094
Lease obligations	5,385	12,148
Accounts payable - other	11,984	15,213
Accrued expenses	14,230	16,048
Income taxes payable	4,395	1,720
Allowance for bonuses	2,318	1,250
Allowance for bonuses for directors (and other officers)	160	–
Notes payable - facilities	4,766	749
Other	9,081	9,114
Total current liabilities	71,222	90,428
Non-current liabilities		
Bonds with share acquisition rights	35,000	35,000
Long-term borrowings	70,698	92,808
Lease obligations	10,217	31,557
Retirement benefit liability	385	110
Asset retirement obligations	8,779	9,287
Deferred tax liabilities	2,393	1,525
Other	3,608	3,910
Total non-current liabilities	131,082	174,201
Total liabilities	202,305	264,629
Net assets		
Shareholders' equity		
Share capital	20,087	20,134
Capital surplus	15,674	15,721
Retained earnings	63,004	2,159
Treasury shares	-1,255	-1,255
Total shareholders' equity	97,511	36,761
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	140	81
Deferred gains or losses on hedges	-143	-135
Revaluation reserve for land	-1,052	-1,035
Foreign currency translation adjustment	-4,883	-3,579
Remeasurements of defined benefit plans	-1,163	-1,110
Total accumulated other comprehensive income	-7,103	-5,779
Share acquisition rights	163	164
Non-controlling interests	220	–
Total net assets	90,791	31,146
Total liabilities and net assets	293,097	295,775

(2) Consolidated statements of profit and loss, and comprehensive income

Consolidated statements of profit and loss

(Unit: million yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Net sales	317,438	268,904
Cost of sales	239,346	232,556
Gross profit	78,092	36,347
Selling, general and administrative expenses	55,770	51,045
Operating profit (loss)	22,322	-14,698
Non-operating income		
Interest income	11	10
Dividend income	8	9
Share of profit of entities accounted for using equity method	9	—
Penalty income charged to customers for cancellation of parking facilities	15	184
Void ticket	196	240
Government subsidy related to cashlessness	92	272
Government subsidy for labor costs	—	2,401
Foreign exchange gains	8	—
Other	316	321
Total non-operating income	658	3,441
Non-operating expenses		
Interest expenses	759	1,754
Share of loss of entities accounted for using equity method	—	297
Expense incurred for evacuation of parking facilities	419	878
Foreign exchange losses	—	13
Depreciation	—	549
Other	236	417
Total non-operating expenses	1,414	3,911
Recurring profit (loss)	21,566	-15,168
Extraordinary income		
Gain on sales of non-current assets	—	18
Total extraordinary income	—	18
Extraordinary losses		
Loss on retirement of non-current assets	114	991
Impairment loss	186	31,938
Loss on valuation of investment securities	191	50
Head office relocation expenses	696	—
Expense for changing brand	1,031	—
Loss on temporary closure	—	790
Business restructuring expenses	—	272
Total extraordinary losses	2,220	34,043
Profit (loss) before income taxes	19,345	-49,192
Income taxes - current	7,487	2,062
Income taxes - deferred	-713	-4,370
Total income taxes	6,774	-2,308
Profit (loss)	12,570	-46,883
Profit (loss) attributable to non-controlling interests	222	-231
Profit (loss) attributable to owners of parent	12,348	-46,652

Consolidated statement of comprehensive income

(Unit: million yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Profit (loss)	12,570	-46,883
Other comprehensive income		
Valuation difference on available-for-sale securities	29	-58
Deferred gains or losses on hedges	-91	7
Revaluation reserve for land	—	17
Foreign currency translation adjustment	-4,838	1,503
Remeasurements of defined benefit plans, net of tax	-53	53
Share of other comprehensive income of entities accounted for using equity method	102	-199
Total other comprehensive income	-4,850	1,323
Comprehensive income	7,720	-45,560
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,498	-45,329
Comprehensive income attributable to non-controlling interests	222	-231

(3) Consolidated Statements of Shareholders' Equity

Fiscal year ended October 31, 2019

(Unit: million yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	19,754	15,341	61,480	-2	96,573
Changes during period					
Issuance of new shares	332	332			665
Dividends of surplus			-10,823		-10,823
Profit attributable to owners of parent			12,348		12,348
Purchase of treasury shares				-1,252	-1,252
Net changes in items other than shareholders' equity					
Total changes during period	332	332	1,524	-1,252	937
Balance at end of period	20,087	15,674	63,004	-1,255	97,511

	Other Accumulated Comprehensive Income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans			
Balance at beginning of period	110	-52	-1,052	-148	-1,110	251	275	94,847
Changes during period								
Issuance of new shares								665
Dividends of surplus								-10,823
Profit attributable to owners of parent								12,348
Purchase of treasury shares								-1,252
Net changes in items other than shareholders' equity	29	-91	—	-4,735	-53	-88	-54	-4,993
Total changes during period	29	-91	—	-4,735	-53	-88	-54	-4,055
Balance at end of period	140	-143	-1,052	-4,883	-1,163	163	220	90,791

Fiscal year ended October 31, 2020

(Unit: million yen)

	Shareholders' Equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	20,087	15,674	63,004	-1,255	97,511
Cumulative effects of changes in accounting policies			-3,363		-3,363
Restated balance	20,087	15,674	59,641	-1,255	94,147
Changes during period					
Issuance of new shares	47	47			95
Dividends of surplus			-10,811		-10,811
Loss attributable to owners of parent			-46,652		-46,652
Reversal of revaluation reserve for land			-17		-17
Net changes in items other than shareholders' equity					
Total changes during period	47	47	-57,481	—	-57,385
Balance at end of period	20,134	15,721	2,159	-1,255	36,761

	Other Accumulated Comprehensive Income					Share acquisition rights Deferred gains or losses on hedges	Non-controlling interests Revaluation reserve for land	Total net assets Foreign currency translation adjustment
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Valuation difference on available-for-sale securities			
Balance at beginning of period	140	-143	-1,052	-4,883	-1,163	163	220	90,791
Cumulative effects of changes in accounting policies								-3,363
Restated balance	140	-143	-1,052	-4,883	-1,163	163	220	87,427
Changes during period								
Issuance of new shares								95
Dividends of surplus								-10,811
Loss attributable to owners of parent								-46,652
Reversal of revaluation reserve for land								△17
Net changes in items other than shareholders' equity	-58	7	17	1,303	53	1	-220	1,104
Total changes during period	-58	7	17	1,303	53	1	-220	-56,281
Balance at end of period	81	-135	-1,035	-3,579	-1,110	164	—	31,146

(4) Consolidated statement of cash flows

(Unit: million yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	19,345	-49,192
Depreciation	31,016	37,750
Impairment loss	186	31,938
Amortization of goodwill	2,429	2,176
Increase (decrease) in retirement benefit liability	117	-203
Interest and dividend income	-20	-19
Interest expenses	759	1,754
Loss (gain) on sales of non-current assets	-	-18
Loss on retirement of non-current assets	114	991
Head office transfer cost	696	-
Expense for changing brand	1,031	-
Loss (gain) on valuation of investment securities	191	50
Decrease (increase) in trade receivables	-2,868	2,135
Decrease (increase) in inventories	7,676	11,250
Increase (decrease) in trade payables	306	-342
Decrease (increase) in accounts receivable - other	-3,285	-67
Decrease (increase) in prepaid expenses	-516	1,005
Increase (decrease) in accounts payable - other	608	4,254
Increase (decrease) in accrued expenses	675	1,964
Notes payable, other	1,236	-2,310
Other, net	-4,161	2,651
Subtotal	55,541	45,768
Interest and dividends received	20	19
Interest paid	-759	-1,728
Income taxes paid	-9,107	-4,659
Net cash provided by (used in) operating activities	45,695	39,400
Cash flows from investing activities		
Payments into time deposits	-6	-6
Proceeds from withdrawal of time deposits	6	6
Purchase of property, plant and equipment	-42,845	-17,788
Proceeds from sales of property, plant and equipment	13	51
Purchase of intangible assets	-1,760	-1,881
Payments for asset retirement obligations	-242	-508
Purchase of long-term prepaid expenses	-4,313	-2,210
Payments for investments in capital	-295	-131
Other, net	-8	648
Net cash provided by (used in) investing activities	-49,454	-21,819

(Unit: million yen)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,334	16,749
Proceeds from long-term borrowings	15,127	29,286
Repayments of long-term borrowings	-2,664	-8,730
Repayments of lease obligations	-5,806	-13,669
Proceeds from issuance of shares	549	69
Purchase of treasury shares	-1,252	—
Dividends paid	-10,821	-10,819
Dividends paid to non-controlling interests	-248	—
Net cash provided by (used in) financing activities	-782	12,886
Effect of exchange rate change on cash and cash equivalents	-579	137
Net increase (decrease) in cash and cash equivalents	-5,120	30,604
Cash and cash equivalents at beginning of period	29,785	24,664
Cash and cash equivalents at end of period	24,664	55,269

(5) Notes to Consolidated Financial Statements

(Note on going concern assumptions)

Not applicable

(Material matters as base in preparation of consolidated financial statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 94

Times24 CO., LTD.

TIMES MOBILITY CO., LTD.

Times Service CO., LTD.

Times Communication CO., LTD.

PARK24 Business Support CO., LTD.

Times Support CO., LTD.

Times Innovation Capital LLC.

TFI CO., LTD.

PARK24 TAIWAN CO., LTD.

PARK24 AUSTRALIA PTY. LTD.

PARK24 SINGAPORE PTE. LTD.

PARK24 MALAYSIA Sdn. BHD.

Periman PTY. LTD.

Auspark Holdings PTY. LTD.

Secure Parking PTY. LTD.

Secure Parking Singapore PTE. LTD.

Secure Parking Corporation Sdn. BHD.

PARK24 UK Limited

MEIF II CP Holdings 2 Limited

National Car Parks Limited

Other consolidated subsidiaries: 74

2. Number of affiliated equity method companies: 1

GS PARK24 CO., LTD.(South Korea)

For companies accounted for using the equity method, financial statements based on the provisional settlement of accounts made on the date of consolidated settlement of accounts are used.

3. Matters related to the closing date, etc. of the consolidated subsidiaries

The consolidated subsidiaries whose account settlement dates differ from the consolidated settlement date are as follows.

Company Name	Day of settlement of accounts
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 *2
PARK24 UK Limited	September 30 *3
MEIF II CP Holdings 2 Limited	September 30 *3
MEIF II CP Holdings 3 Limited and its subsidiaries 66	September 30 *3
NATIONAL CAR PARKS (EUK) LIMITED	September 30 *3 *4
PARK24 MALAYSIA Sdn. BHD.	December 31 *2
Secure Parking Corporation Sdn. Bhd. and its subsidiaries 2	December 31 *2

- *1 The financial statements prepared on the basis of a provisional closing of accounts, which was in compliance with the standard settlement of accounts, as of the consolidated balance sheet date are used in preparing the consolidated financial statements.
 - *2 The financial statements prepared on the basis of a provisional closing of accounts, which was in compliance with the standard settlement of accounts, as of September 30, 2020 are used in preparing the consolidated financial statements. The necessary adjustments are made on consolidation for material transactions that occurred between September 30, 2020 and the consolidated balance sheet date.
 - *3 The financial statements prepared as of the end of the fiscal years of these consolidated subsidiaries are used, and necessary adjustments are made on consolidation for material transactions that occurred between the end of the fiscal years of these consolidated subsidiaries and the consolidated balance sheet date.
 - *4 The closing date is changed from December 31 to September 30.
4. Matters related to the accounting standards
- (1) Important appraisal standards and appraisal method for assets
- A. Short-term investment securities
- (a) Other securities
- Securities with a market price
We adopt the market value method based on market prices on the closing date of the consolidated accounting period. (Variances from the valuation at term end are all included directly in capital; costs of products sold during the term are calculated using the moving average method.)
- Securities without a market price
We adopt the cost method based on the moving average method.
- B. Inventories
- (a) Merchandise
The cost method from the individual method (Balance sheet values are written down in accordance with falls in profitability.)
- (b) Supplies
The last purchase method (Balance sheet values are written down in accordance with falls in profitability.)
- (2) Important method of depreciation of fixed assets
- A. Property, plant and equipment
- (a) Property, plant and equipment other than leased assets
We adopt the fixed rate method.
However, we adopt the straight line method for buildings (excluding equipment attached to buildings) acquired on and after April 1, 1998. and the overseas consolidated subsidiaries mainly use the straight-line method.
Major useful lives:
Buildings: 7 to 50 years
Structures: 2 to 46 years
- (b) Leased assets
Leased assets relating to finance lease transactions without the transfer of ownership
We adopt the straight-line method. The lease period is set to durable years, and the residual value is set to zero.
As noted in "Changes in accounting policies," some of the consolidated overseas subsidiaries that use the IFRS have adopted IFRS 16 Lease starting the fiscal year under review. As a result, lessees, in principle, post all leases on their balance sheets as assets and liabilities, and the straight-line method is used to depreciate capitalized right-of-use assets.
- B. Intangible assets
We adopt the straight-line method.
Major useful lives are as follows.
Software: 5 years
Contract-related intangible assets: 2 to 52 years
- C. Long-term prepaid expenses
We adopt primarily the straight-line method.
- (3) Important standards for appropriation of allowances
- A. Allowance for doubtful accounts
To prepare for losses incurred by defaults on accounts receivable, etc., given the loan loss ratio for general

credits and the individual collectability for specific credits such as doubtful debts, etc., we post the estimated uncollectible amount

B. Allowance for bonuses

The amount expected to be paid as bonuses is posted for the payment of bonuses

C. Allowance for directors' bonuses

The amount expected to be paid as directors' bonuses is posted for the payment of directors' bonuses.

(4) Accounting method for retirement benefits

A. Accounting method of attributing expected benefit to periods

As a method of attributing expected benefits to periods before the end of the fiscal year under review, the straight-line basis is used to calculate retirement benefit obligations.

B. Accounting method for actuarial gains and losses

Actuarial gains and losses are amortized using the straight-line method over a certain period (five years) within the average remaining working lives of the employees at the time of occurrence from the following fiscal year.

C. Use of a simple method at small companies, etc.

As a method for calculating net defined benefit liability and retirement benefit expenses, certain consolidated subsidiaries employ a simple method where the amount payable for voluntary retirement associated with retirement benefits at the end of the fiscal year is deemed retirement benefit obligations.

(5) Standard for translation of significant foreign-currency-denominated assets or liabilities into Japanese yen

Foreign-currency-denominated money claims and liabilities are translated into Japanese yen at the spot exchange rates in effect as of the consolidated balance sheet date, and the foreign exchange differences are scored as gains/losses. Meanwhile, the assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rates in effect as of the account settlement dates, and earnings and costs are converted into Japanese yen using the average market price during the period, and the translation difference is accounted for by including the amounts in the total valuation and translation adjustments account and non-controlling interests in net assets.

(6) Amortization Method and Period of Goodwill

Goodwill is equally amortized over the period of its effect

(7) Important hedge accounting method

A. Hedge accounting method

Deferred hedge accounting is used. To hedge of the risk of exchange rate fluctuations, designation accounting (furiate-shori) is applied if the requirements for the designation accounting are met. For interest rate swaps, special treatment is applied in cases where the requirements for the special treatment are met.

B. Hedging instruments and hedge items

Hedging instruments ・ ・ ・ Interest rate swaps, currency swaps

Hedge items ・ ・ ・ Borrowings, interest rates of borrowings

C. Hedging policy

To avoid the risk of interest rate and exchange rate fluctuations of borrowings, interest rate and currency swaps are used. In addition, to avoid the risk of interest rate fluctuations, interest rate swaps are used.

D. Hedging effectiveness evaluation method

The effectiveness of hedging is assessed by the correlation between the change in the aggregated amount of cash flow of the hedging instruments and the change in the aggregated amount of cash flow of the hedged items. The effectiveness evaluation is omitted for interest rate swaps to which special treatment may be applied.

(8) The scope of Funds reported on the consolidated cash flow statement

Cash and cash equivalents in the consolidated statements of cash flows are cash on hand, deposits that can be withdrawn at any time, and easily convertible into cash and consists of short-term investments with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in value.

(9) Other important matters for production of the consolidated financial statements

Accounting treatment of consumption tax

We adopt the net of tax method for consumption tax.

[Changes in accounting policies]

Some foreign consolidated subsidiaries which apply IFRS applied IFRS 16 Leases starting from the first quarter of the fiscal year under review. Accordingly, a lessee is now required to recognize assets and liabilities arising from

almost all lease transactions on its balance sheet. On application of this accounting standard, the transition option of recognizing the cumulative effect of initially applying the new standard at the date of initial application was adopted. Application of this accounting standard resulted in increases of 26,834 million yen in right-of-use assets under property, plant and equipment, 7,383 million yen in lease obligations under current liabilities and 23,270 million yen in lease obligations under non-current liabilities in the consolidated balance sheets for the fiscal year under review.

The impact of application on consolidated statements of profit and loss and per share information for the fiscal year under review is insignificant.

The initial balance of retained earnings in the consolidated statement of changes in equity decreased by 3,363 million yen due to the application of the cumulative effect to net assets as of the beginning of the fiscal year under review.

[Additional Information]

COVID-19 has caused restrictions on people's movement, a consequent decrease in traffic volume, reduced operation of parking sites in Japan and abroad, a fall in the number of mobility service users (Car Rental and Car Sharing services), and other outcomes that have a severe impact on the Group's businesses. It will continue to be difficult to forecast the timing of a decline in COVID-19, and the Group's business environment is likely to remain harsh.

Therefore, in consideration of the current status of the spread of COVID-19 up to the fiscal year under review, the GROUP reviewed the assumptions, including the timing of the convergence of COVID-19, described in [Additional Information] of the quarterly report for the third quarter. As a result, the Group has performed accounting estimates such as the recoverability of deferred tax assets and impairment losses and applied the results to its accounting process based on the assumption that COVID-19 will ease and the economy will start to normalize in the fiscal year ending October 31, 2021, and will be normalized to a degree from the fiscal year ending October 31, 2022, while a certain impact of the pandemic will remain.

However, there are many uncertainties regarding the impact from the spread of COVID-19, and the Group's financial situation, results of operations and cash-flow situation may be affected in future.

(Notes to consolidated balance sheet)

1 Breakdown of inventories

(million yen)

	As of October 31, 2019	As of October 31, 2020
Merchandise	315	1,156
Supplies	1,274	1,487
Total	1,590	2,643

2 Pledged assets and secured liability

The assets pledged as collateral for business guarantee deposits are as follows. There are no related obligations.

(million yen)

	As of October 31, 2019	As of October 31, 2020
Investment securities (claims)	10	10

3 Shares of non-consolidated subsidiaries and affiliated companies

(million yen)

	As of October 31, 2019	As of October 31, 2020
Investment securities (shares)	1,144	616

4 The land for business purposes is revalued, and the resulting variance is posted in net assets under the Act on Revaluation of Land (No. 34 promulgated on March 31, 1998) and the Law to Amend the Act on Revaluation of Land (promulgated on March 31, 1999).

• Method of revaluation

The value of land is based on the price calculated according to the method determined by the Director General of the Tax Administration Agency and announced for determining land prices that form the basis for calculating the taxable value of land value tax pursuant to Article 16 of the Land Value Tax Law (Land No. 69 of 1991) stipulated in Article 2, Item 4 of the Order for Enforcement on the Act on Revaluation of Land (Government Order No. 119 promulgated on March 31, 1998). Reasonable adjustments, including price adjustments by depth, are made to the value.

• Date of revaluation: October 31, 2000

(million yen)

	As of October 31, 2019	As of October 31, 2020
Variance between the market value of revalued land at the end of the term and the book value after revaluation	302	421

Although the revalued land includes rental property, etc., this disclosure is omitted due to the immateriality of the total amount of the rental property, etc.

5 Change in the purpose of ownership of property, plant and equipment

Previous consolidated fiscal year (as of October 31, 2019)

In Car Rental business, used vehicles are sold as part of the operating cycle. Accordingly, property, plant and equipment of 7,706 million yen was reclassified and presented under inventories (merchandise) in FY2019. The balance of property, plant and equipment at the end of the year was 34 million yen.

Current Consolidated fiscal year (as of October 31, 2020)

In Car Rental business, used vehicles are sold as part of the operating cycle. Accordingly, property, plant and equipment of 12,297 million yen was reclassified and presented under inventories (merchandise) in FY2020. The balance of property, plant and equipment at the end of the year was 833 million yen.

(Notes to Consolidated statements of profit and loss)

1 Impairment loss

The Group has recognised impairment losses on the following asset groups

Fiscal year ended October 31, 2019

(Million yen)

Purpose	Regions	Impairment losses
Parking facilities	Osaka City, Osaka, etc.	26
Parking facilities	Swansea, UK, etc.	160

Breakdown of impairment losses by type of asset (Million yen)

Buildings and structures	8
Tools, furniture and fixtures	161
Long-term prepaid expenses	17
Total	186

The Group categorizes its assets based on areas comprising the basis of classification in management. The head office and leased assets are included in shared assets. If future cash flow is significantly affected in such cases as an asset group for which operating activities continue to result in a loss and a final decision to close an individual parking site has been made, the book value is reduced to the recoverable amount and the reduced amount is posted as an impairment loss as part of extraordinary losses.

Fiscal year ended October 31, 2020

(Million yen)

Purpose	Regions	Impairment losses
Parking facilities (Overseas)	Bolton, UK, etc.	5,051
Parking facilities (Domestic)	Metropolitan area and others	340
Store facilities	Akita Prefecture, Aichi Prefecture, Tochigi Prefecture, etc.	137
Idle assets	Metropolitan area and others	476
Right of use assets	Queensland, Australia, etc.	1,703
Goodwill	UK and Australia	19,378
Contract-based intangible assets	Manchester, UK, etc.	4,850

Breakdown of impairment losses by type of asset (Million yen)

Buildings and structures	1,565
Machinery, equipment and vehicles	476
Tools, furniture and fixtures	3,723
Right of use assets	1,703
Goodwill	19,378
Contract-based intangible assets	4,850
Long-term prepaid expenses	241
Total	31,938

Among overseas parking facilities, MEIF II CP Holdings 2 Limited (UK), a consolidated subsidiary of Park24, reduced its book value to a recoverable amount as the profit assumed at the time shares were acquired could no longer be expected due to the deterioration in the business environment caused by COVID-19. The recoverable amount was calculated after a reasonable adjustment of value in use calculated by discounting future cash flow by

8.5%.

As for right-of-use assets, Secure Parking Pty Ltd. (Australia), a consolidated subsidiary of Park24, impaired its book value to a recoverable amount as the profit initially assumed could no longer be expected due to the deterioration of the business environment caused by COVID-19. The recoverable amount was calculated after a reasonable adjustment of value in use calculated by discounting future cash flow by 6.7%

Concerning goodwill, MEIF II CP Holdings 2 Limited (UK) (loss on impairment of goodwill of 16,704 million yen), a consolidated subsidiary of Park24, reduced its book value to a recoverable amount as the profit initially assumed could no longer be expected due to the deterioration of the business environment caused by COVID-19. The recoverable amount was calculated by discounting future cash flow by 9.2%.

With respect to contract-related intangible assets, MEIF II CP Holdings 2 Limited (UK), a consolidated subsidiary of Park24, reduced its book value to a recoverable amount as the profit initially assumed could no longer be expected due to the deterioration of the business environment caused by COVID-19. The recoverable amount was calculated after a reasonable adjustment of value in use calculated by discounting future cash flow by 9.2%.

The book value of assets other than the above was reduced to a recoverable amount and the reduced amount was recognized as an impairment loss. The recoverable amount was measured based on net selling price.

(Notes to statement of consolidated cash flow)

- 1 Relationship between cash and cash equivalents at the end of the fiscal year and amounts in accounts in the consolidated balance sheet

	(million yen)	
	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Cash and deposits	24,881	55,536
Time deposits whose deposit terms exceed three months	-6	-6
Deposits with withdrawal limits	-210	-261
Cash and cash equivalents	24,664	55,269

(Deferred tax accounting)

- 1 Breakdown of deferred tax assets and deferred tax liabilities by source

	(million yen)	
	As of October 31, 2019	As of October 31, 2020
Deferred tax assets		
Business tax and business office tax payable	426	285
Allowance for bonuses	713	374
Lump sum depreciable assets	137	71
Depreciation in excess of allowable limit	459	592
Deferred tax assets related to revaluation	322	316
Asset retirement obligations	2,474	2,474
loss carried forward	362	5,474
Other	1,323	2,991
Subtotal of deferred tax assets	6,220	12,579
Allowance for valuation of loss carried forward for tax purposes (note2)	-81	-2,886
Allowance for valuation of total future deductible temporary differences, etc.	-670	-905
Subtotal of allowance for valuation (note1)	-751	-3,791
Total deferred tax assets	5,468	8,788

Deferred tax liabilities

	As of October 31, 2019	As of October 31, 2020
Valuation difference on securities	-61	-36
Removal costs for asset retirement obligations	-1,703	-1,623
Intangible assets	-2,365	-1,529
Other	-73	-57
Total deferred tax liabilities	-4,203	-3,246
Net deferred tax assets (liabilities)	1,264	5,541

(Notes)

1. Allowance for valuation increased by 3,040 million yen. This increase was mainly due to the recognition of impairment losses and allowance for valuation of loss carried forward for tax purposes at consolidated subsidiaries.
2. Amount of loss carried forward for tax purposes and its deferred tax assets by carry forward period

For the fiscal year ended October 31, 2019

(million yen)

Division	Less than 1 year	More than 1 year and less than 2 years	More than 2 year and less than 3 years	More than 3 year and less than 4 years	More than 4 year and less than 5 years	More than 5 year	Total
Loss carried forward for tax purposes (a)	—	—	—	—	0	361	362
Allowance for valuation	—	—	—	—	-0	-80	-81
Deferred tax assets	—	—	—	—	—	280	280

(a) Loss carried forward for tax purposes is the amount multiplied by the statutory tax rate.

For the fiscal year ended October 31, 2020

(million yen)

Division	Less than 1 year	More than 1 year and less than 2 years	More than 2 year and less than 3 years	More than 3 year and less than 4 years	More than 4 year and less than 5 years	More than 5 year	Total
Loss carried forward for tax purposes (a)	—	—	—	0	0	5,473	5,474
Allowance for valuation	—	—	—	-0	-0	-2,885	-2,886
Deferred tax assets	—	—	—	—	—	2,587	2,587

(b) Loss carried forward for tax purposes is the amount multiplied by the statutory tax rate.

2 Breakdown of difference between the legally effective tax rate and the actual effective tax rate after applying tax effect accounting by major cause

	As of October 31, 2019	As of October 31, 2020
Legally effective tax rate	30.6%	—%
(Adjustment)		
Allowance for valuation	0.5%	—%
Non-taxable items such as entertainment expenses	0.2%	—%
Residence tax on a per capita basis	0.6%	—%
Goodwill amortization	3.7%	—%
Tax rate differences related to overseas subsidiaries	-0.4%	—%
Tax credit	-1.2%	—%
Other	1.0%	—%
Effective tax rate after applying tax effect accounting	35.0%	—%

(Notes)

Notes are not shown for the fiscal year, because the Company posted a net loss before income taxes and minority interests.

(Change display method)

Loss carried forward, which was included in "Other" under deferred tax assets in the previous fiscal year, is presented as a separate line item from the fiscal year under review due to its increased monetary importance. To reflect this change

in presentation, the notes for the previous fiscal year have been reclassified.

As a result, 1,686 million yen presented in "Other" under deferred tax assets in the previous fiscal year has been reclassified as 362 million yen in "Loss carried forward" and 1,323 million yen in "Other."

(Segment information)

[Segment information]

1. Overview of reported segments

The business of the Company is categorized into two reported segments by service: Parking Business Japan, Parking Business Overseas and Mobility Business. Separate financial information is available for each of the reported segments in accordance with the constituent units of the Company and the Group, and the Board of Directors reviews each reported segment regularly to determine the distribution of management resources and to evaluate financial results.

The following is a description of each reported segment:

- (1) Parking Business Japan: Operations relating to management and operation of parking sites in Japan
- (2) Parking Business Overseas: Operations relating to management and operation of parking sites overseas
- (3) Mobility Business: Automobile-related operations relating to Car Rental service, Car Sharing service, and road assistance service

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

The accounting treatment for reported segments is generally similar to the descriptions under "Material matters as base in preparation of consolidated financial statements." Profits of reported segments are figures based on operating profit. The Company does not allocate assets and liabilities to reported segments. However, depreciation related to unallocated assets is allocated to each reportable segment based on a reasonable allocation standard.

3. Information on sales, profits or losses and other flows by reported segment

For the fiscal year ended October 31, 2019

	Reported segments				Adjustment (Note) 1	(million yen) Amount on consolidated profit and loss statement (Note) 2
	Parking Business Japan	Parking Business Overseas	Mobility Business	Total		
Sales						
Sales to external customers	165,733	65,976	85,728	317,438	—	317,438
Internal sales or amount of transfer between segments	263	—	118	382	-382	—
Total	165,997	65,976	85,847	317,821	-382	317,438
Segment profit (loss)	27,300	-992	9,112	35,420	-13,098	22,322
Others						
Depreciation	6,586	4,490	15,220	26,296	1,323	27,620
Amortization of long-term prepaid expenses	2,773	9	612	3,395	—	3,395

(Notes)

1. An adjustment of -13,098 million yen in segment profit (loss) includes an amortization of goodwill of minus 78 million yen (unamortized balance: 1 million yen) and Company-wide expenses of 13,020 million yen. Company-wide expenses are mainly expenses relating to the administration division, including the general affairs department, which do not belong to either of the reported segments.
2. The loss of 992 million yen of Parking Business Overseas under Segment profit (loss) includes amortization of goodwill of -2,304 million yen (unamortized balance: 37,376 million yen).

3. Segment profit (loss) is adjusted in accordance with operating profit on the consolidated profit and loss statement.

For the fiscal year ended October 31, 2020

(million yen)

	Reported segments				Adjustment (Note) 1	Amount on consolidated profit and loss statement (Note) 2
	Parking Business Japan	Parking Business Overseas	Mobility Business	Total		
Sales						
Sales to external customers	150,386	45,169	73,347	268,904	–	268,904
Internal sales or amount of transfer between segments	4,829	–	136	4,966	-4,966	–
Total	155,216	45,169	73,484	273,870	-4,966	268,904
Segment profit (loss)	15,276	-14,406	-2,595	-1,725	-12,973	-14,698
Others						
Depreciation	6,711	11,817	13,266	31,795	2,037	33,833
Amortization of long-term prepaid expenses	2,838	39	490	3,367	–	3,367

(Notes)

1. An adjustment of minus 12,973 million yen in segment profit (loss) includes an amortization of goodwill of minus 1 million yen and Company-wide expenses of 12,971 million yen. Company-wide expenses are mainly expenses relating to the administration division, including the general affairs department, which do not belong to either of the reported segments.
2. The loss of 14,406 million yen of Parking Business Overseas under Segment profit (loss) includes amortization of goodwill of -2,175 million yen (unamortized balance: 16,792 million yen).
3. Segment profit (loss) is adjusted in accordance with operating profit on the consolidated profit and loss statement.
4. During the first quarter of the fiscal year under review, 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 in Parking Business Japan and Mobility Business segments.

[Relevant information]

Previous consolidated fiscal year (from November 1, 2018 to October 31, 2019)

1. Information according to product and service

Similar information is disclosed in Segment Information, and a statement is therefore omitted.

2. Information according to region

(1) Net sales

(million yen)

Dominant	Overseas	Total
251,462	65,976	317,438

(2) Property, plant and equipment

(million yen)

Dominant	Overseas	Total
130,333	12,282	142,615

3. Information according to major customer

No external customer accounts for more than 10% of net sales on the consolidated profit and loss statement, and a statement is therefore omitted.

Consolidated fiscal year (from November 1, 2019 to October 31, 2020)

1. Information according to product and service

Similar information is disclosed in Segment Information, and a statement is therefore omitted.

2. Information according to region

(1) Net sales

(million yen)

Dominant	Overseas	Total
223,734	45,169	268,904

(2) Property, plant and equipment

(million yen)

Dominant	Australia	Other	Total
110,353	25,306	7,692	143,352

3. Information according to major customer

No external customer accounts for more than 10% of net sales on the consolidated profit and loss statement, and a statement is therefore omitted.

[Information concerning impairment loss of noncurrent assets according to reported segment]

For the fiscal year ended October 31, 2019

(million yen)

	Reported segment				Total
	Parking Business Japan	Parking Business Overseas	Mobility Business	Total	
Impairment loss	26	160	—	186	186

For the fiscal year ended October 31, 2020

(million yen)

	Reported segment				Total
	Parking Business Japan	Parking Business Overseas	Mobility Business	Total	
Impairment loss	340	30,984	613	31,938	31,938

[Information concerning amortization of goodwill and amortized balance according to reported segment]

Previous consolidated fiscal year (from November 1, 2018 to October 31, 2019)

Related information is described in the segment information section, and the information is omitted here.

Consolidated fiscal year under review (from November 1, 2019 to October 31, 2020)

Related information is described in the segment information section, and the information is omitted here.

[Information concerning gain on negative goodwill according to reported segment]

Previous consolidated fiscal year (from November 1, 2018 to October 31, 2019)

Not applicable

Consolidated fiscal year under review (from November 1, 2019 to October 31, 2020)

Not applicable

(Per share information)

	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Shareholders' equity per share	585.37yen	200.55yen
Net income per share	79.79yen	-302.00yen
Net income per share after dilution	75.28yen	–yen

(Note) 1. Net income per share after dilution is not shown in the above table, because net income per share was negative although there are residual shares.

2. The grounds for the calculation of Net income per share and Net income per share after adjustment of latent shares are as follows:

Item	Fiscal year ended October 31, 2019	Fiscal year ended October 31, 2020
Net income per share		
Net income (million yen)	12,348	-46,652
Net income associated with common shares (million yen)	12,348	-46,652
Average number of shares issued during the term (thousand shares)	154,754	154,478
Net income per share after dilution		
Increase in common shares (thousand shares)	9,278	–
[Of which, equity warrants] (thousand shares)	[180]	[–]
[Of which, bonds with warrants] (thousand shares)	[9,097]	[–]
Summary of potentially dilutive shares not included in the calculation of net income per share after dilution as they do not have a dilution effect	–	–

(Significant subsequent events)

Borrowing large amounts of money

The Company announces the signing of an agreement for a subordinated syndicated loan totaling 50 billion yen (“the Subordinated Loan”).

- | | |
|---|---|
| (1) Amount of borrowing | 50,000 million yen |
| (2) Date of agreement | December 15, 2020 |
| (3) Borrowing date | December 30, 2020 |
| (4) Repayment date (term) | December 30, 2050 |
| (5) Date of first prepayment allowed | December 30, 2025 (5 years later) |
| (6) Applicable interest rate | Base rate + spread (floating rate)
1.00% is added to the initial spread after the date of the first prepayment allowed. |
| (7) Use of proceeds | Funds for general business and repayment of interest-bearing debts |
| (8) Provision for restrictions on refinancing | The Company intends not to prepay the Subordinated Loan unless it has acquired funds through securities or liabilities approved by the rating agency as having a capital nature that is equivalent to or higher than the Subordinated Loan within six |

months prior to the prepayment date.

In the event that a prepayment is to be made, if the condition (A) below is satisfied in the consolidated financial statements for the accounting period immediately preceding the repayment (*1), the amount determined by subtracting the amount satisfying the requirement of (B) from the amount resulting from multiplying the principal of the loan to be prepaid by 50% and dividing the result by the value converted to the percentage of capital nature approved by the rating agency for the refinancing securities, etc. issued as a means of refinancing can be set as the amount required for refinancing.

(A) Consolidated net debt equity ratio (*2) $\leq$ 1.56

(B) [(total shareholders' equity in the accounting period immediately preceding prepayment (*1)) - (total shareholders' equity as of October 31, 2000)] x 50%

*1 End of a fiscal year or end of a quarter

*2 Calculated using consolidated net interest-bearing debt [(borrowing + corporate bonds + bonds with share acquisition rights + lease obligations) - (cash and deposits)] as the numerator and total consolidated shareholders' equity as the denominator.

(9) Arbitrary termination of interest payment

Payment of all or part of the interest on the Subordinated Loan may be deferred at the discretion of the Company.

(10) Subordination agreement

The Subordinated Loan is subordinated in liquidation proceedings, bankruptcy proceedings, corporate reorganization procedures, civil rehabilitation proceedings in Japan, or other proceedings equivalent to these in countries outside Japan. Provisions of agreements related to the Subordinated Loan must not be changed to a condition that may be disadvantageous in any sense to creditors of senior debts.

(11) Arranger

Sumitomo Mitsui Banking Corporation

(12) Agent

Sumitomo Mitsui Banking Corporation

(13) Participating financial institutions

Sumitomo Mitsui Banking Corporation

Development Bank of Japan Inc.

MUFG Bank, Ltd.

Mizuho Bank, Ltd.

Resona Bank, Limited

(14) Evaluation of capital nature by rating agency (plan)

Rating and Investment Information, Inc.: "Class 3, 50% capital"