

ANNUAL REPORT 2022

Year ended October 31, 2022

Management's Discussion and Analysis

Overview of the Fiscal Year Ended October 31, 2022

Results of Operations

During the fiscal year ended October 31, 2022 (the “fiscal year under review”), while many countries were on track toward a recovery from the COVID-19 pandemic, there were mounting concerns over the slowdown of the global economy due to the increasing inflationary pressure caused by surging energy prices stemming from the prolonged Russia-Ukraine conflict and the resultant monetary tightening in Western countries. The Japanese economy moderately picked up at the beginning of the fiscal year under review thanks to a low level of new COVID-19 cases. However, the number of new COVID-19 cases began spiking again in January 2022, and the nationwide enforcement of the priority preventive measures resulted in another slowdown in the economic recovery. Subsequently, since the priority preventive measures were lifted in March 2022, the economic activity has been trending toward recovery but the business environment has remained difficult to predict due to protracted concerns about the negative impact of the upward pressure on prices due to the rapid depreciation of the yen and other factors.

In this environment, the Group focused on securing profitability as a must-achieve goal even under the assumption that the impact of COVID-19 would linger to a certain extent in the fiscal year under review. To this end, we worked on to strengthen its business foundation that could generate profits even in these difficult circumstances and to develop a foundation for future growth.

In terms of results of operations, the Group's businesses in both Japan and overseas were significantly affected by restrictions on activities due to COVID-19 during the second quarter of the fiscal year under review. However, all of our businesses recovered slowly but steadily in the third quarter and thereafter, during which the impact of COVID-19 was insignificant.

As a result, during the fiscal year under review, the Group posted net sales of ¥290,254 million (up 15.6% year on year), operating profit of ¥20,672 million (compared with operating loss of ¥8,040 million a year earlier), and profit before income taxes of ¥14,623 million (compared with loss before income taxes of ¥9,950 million a year earlier). Meanwhile, profit attributable to owners of parent stood at ¥2,477 million (compared with loss attributable to owners of parent of ¥11,658 million a year earlier) as TIMES MOBILITY CO., LTD. (“TM”), which engages in the Mobility Business, recognized deferred income taxes of ¥3,540 million as a tax expense resulting from a partial reversal of deferred tax assets.

Results of Operations by Segment

1. Parking Business Japan

The traffic volume rose to a near pre-COVID-19 level at the beginning of the fiscal year under review thanks to a continuous decrease in new COVID-19 cases, and the parking site occupancy remained steady. In mid-January 2022, the priority preventive measures took effect across Japan in response to a spike in COVID-19 cases, causing a fall in traffic volume and parking site occupancy. A recovery has been achieved since the priority preventive measures were lifted in March. Subsequently, a new wave of COVID-19 that began in early July reduced parking site occupancy, although this was less significant than the impact of the activity restrictions. The trend toward recovery resumed in September.

Under this environment, the Group continued to reduce unprofitable parking sites and carefully selected and developed sites capable of generating a profit even in the situation affected by COVID-19 in an effort to establish lean business operations. In addition, as part of its efforts to improve profitability going forward, the Group has diversified payment methods using applications and other means, and promoted to develop a next-generation parking service that enables easier entry and exit of parking spaces.

As a result, the numbers of Times PARKING sites and parking spaces managed at the end of the fiscal year under review were 17,399 (down 2.7% from the end of the previous fiscal year), and 552,042 (down 1.8% from the end of the previous fiscal year). The total number of parking sites and spaces managed, including monthly parking and facility management services, were 25,246 (down 1.2% from the end of the previous fiscal year), and 732,868 (down 1.7% from the end of the previous fiscal year). Net sales of this segment (including intersegment sales) were ¥158,858 million (up 5.6% year on year), and operating profit was ¥34,222 million (up 60.2% year on year).

2. Parking Business International

During the reporting period for the Group's consolidation purpose in the subsidiaries overseas, which spans from October 1, 2021 through September 30, 2022, the parking site occupancy began to pick up in the U.K. in line with a recovery of the flow of people following the lifting of restrictions in England in February 2022, despite movement restrictions such as the stay-at-home advisory issued in December 2021. In Australia, the parking site occupancy remained strong since February as the city lockdown and activity restrictions enforced at the beginning of the fiscal year under review were gradually eased. Subsequently, movement restrictions such as the stay-at-home advisory were imposed in response to an increase in the number of new COVID-19 infections in July, but the impact was insignificant. In other countries, the overall business was stable despite the continuing impact of new waves of COVID-19 infections in some regions.

In new parking site development as part of business restructuring, the Group promoted to develop short-term contract parking sites named Localized Times PARKING in line with the conditions in each country based on the "small, distributed, and dominant" features of Times PARKING in Japan. In the U.K., the Group reviewed the cost structure by terminating contracts and revising rents through individual negotiations with land owners. In other countries, the Group aggressively worked to reduce the cost of managing parking sites by, for instance, increasing operation and maintenance efficiency to establish lean business operations.

As a result, the numbers of overseas parking sites and parking spaces managed at the end of the fiscal year under review were 2,363 (up 6.8% from the end of the previous fiscal year), and 559,891 (down 5.3% from the end of the previous fiscal year). The total numbers of parking sites and parking spaces managed worldwide including Japan were 27,609 (down 0.6% from the end of the previous fiscal year), and 1,292,759 (down 3.3% from the end of the previous fiscal year). Net

sales of this segment (including intersegment sales) were ¥57,984 million (up 50.6% year on year), while operating loss was ¥5,050 million (compared with operating loss of ¥16,595 million in the previous fiscal year).

3. Mobility Business

In the Times CAR (combination of car sharing and rental car services) segment, the operation of the Mobility Business vehicles remained steady at the beginning of the fiscal year under review as in the case of Parking Business Japan. However, the strong impact of the COVID-19 priority preventive measures taken nationwide in mid-January 2022 in response to a resurgence in COVID-19 caused the occupancy rate to remain low, then, the occupancy rate went upward since the lifting of the priority preventive measures in March. Another rise in COVID-19 that began in early July affected the use of vehicles, particularly by corporate customers, although less significantly than the impact during the period when the priority preventive measures were in effect. The segment as a whole performed steadily supported by robust demand from individual customers.

Under this environment, the Group sold vehicles ahead of schedule and worked on building an operation system to meet demand more flexibly in light of the environment surrounding the used car market during the fiscal year under review. More specifically, the Group has been building an operation system to provide the optimal number of vehicles for consumer demand through a variable model (renting out multiple vehicles from a single parking space) for the mobility service, Times CAR. In addition, the Group opened 743 renting stations to strengthen the network and added functions to the Times CAR mobile application to allow the user to use the service from reservation to unlocking and locking of a car and payment without presenting a membership card in an effort to raise user convenience. The Group also worked to enhance marketing to corporate customers, distributed service coupons, implemented promotional campaigns, and took other steps to promote the use of the service and maximize profitability per vehicle.

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 53,062 vehicles (up 1.0% from the end of the previous fiscal year), and the number of members was 2,040,639 (up 18.3% from the end of the previous fiscal year). Regarding the number of vehicles, the Group focused on maintaining the same level as at the end of the fiscal year ended October 31, 2021, and increasing the occupancy rate per vehicle during the fiscal year under review. Net sales of this segment (including intersegment sales) were ¥78,289 million (up 17.2% year on year), and operating profit was ¥4,772 million (compared with operating loss of ¥41 million in the previous fiscal year).

The Group posted deferred income taxes in the fiscal year under review under the following circumstances: TM's financial results for the fiscal year ended October 31, 2022 were projected to be net positive at the beginning of the fiscal year based on the assumption that no COVID-19-linked movement restrictions would be imposed. In fact, although the number of new COVID-19 cases remained at high levels since July, TM continued to perform strongly due to the absence of movement restrictions, etc., and aided by seasonally strong consumer spending. However, the impact of COVID priority preventive measures implemented nationwide during the period from January to March 2022 was so significant that TM was unable to make up for losses generated during the period and posted losses for the three consecutive years. In light of that situation, and after careful consideration of the recoverability of deferred tax assets, TM decided to reverse a part of its deferred tax assets and to recognize deferred income taxes of ¥3,540 million as a tax expense.

Looking ahead to the fiscal year ending October 31, 2023, with the impact of COVID-19 expected to decline further, TM will be able to generate profit sustainably by reforming its cost structure while also focusing on business growth. Through these efforts, the Company expects that the Mobility Business as a whole will grow steadily.

Analysis of Results of Operations

Net sales and operating profit

In the fiscal year ended October 31, 2022, net sales increased by ¥39,151 million, or 15.6%, over the previous fiscal year's result to ¥290,254 million, while operating profit was ¥20,672 million (compared with operating loss of ¥8,040 million a year earlier).

The above results are attributable primarily to a slow yet steady recovery of all our businesses. In fact, while activity and other restrictions implemented in the wake of the COVID-19 pandemic had a material impact on both our domestic and overseas businesses during the second quarter of the fiscal year under review, the impact of these restrictions was insignificant in the third quarter onwards. Please refer to Results of Operations by Segment for more details on net sales and operating profit.

Other expenses (income), and profit attributable to owners of parent

During the fiscal year under review, a U.K.-based subsidiary implemented measures to turn around its loss-making business, including the termination of contracts or revision of contract terms for unprofitable parking sites, and recognized loss on lease contracts, including compensation for cancellation of lease contracts and gain on rent concession, in other expenses. As a result, the Group recorded profit before income taxes of ¥14,623 million (compared with loss before income taxes of ¥9,950 million a year earlier), and profit attributable to owners of parent of ¥2,477 million (compared with loss attributable to owners of parent of ¥11,658 million a year earlier).

Analysis of Financial Position

Assets

Total assets at the end of the fiscal year under review decreased ¥12,002 million from the end of the previous fiscal year to ¥307,627 million. This is primarily a result of an increase in intangible assets, including goodwill by ¥2,881 million, offset by a decrease in property, plant and equipment, including machinery and vehicles by ¥10,170 million, and a decrease in investments and other assets, including deferred tax assets by ¥3,642 million.

Liabilities

Total liabilities decreased ¥35,611 million from the end of the previous fiscal year to ¥267,585 million. This is primarily a result of a decrease in long- and short-term borrowings, including current portion of long-term borrowings, by ¥28,848 million, and a decrease in accrued expenses by ¥5,102 million.

Net assets

Net assets increased ¥23,609 million from the end of the previous fiscal year to ¥40,042 million. This is primarily a result of an increase in retained earnings due to the posting of profit attributable to owners of parent of ¥2,477 million, and an increase in common stock and capital surplus by ¥25,136 million in connection with the issuance of new shares in a public offering overseas, partially offset by a decrease in foreign currency translation adjustments by ¥3,163 million.

Analysis of Cash Flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥85,065 million, a decrease of ¥6,730 million from the end of the previous fiscal year. The cash flow situation by category for the fiscal year under review was as follows:

Cash flow from operating activities

Net cash provided by operating activities decreased ¥5,449 million compared with the previous fiscal year to ¥29,370 million. This primarily reflected the total of profit before income taxes and depreciation of ¥44,897 million, a decrease in accrued expenses of ¥5,737 million, a decrease in accounts payable, other of ¥5,265 million and interest paid of ¥3,323 million.

Cash flow from investing activities

Net cash used in investing activities was ¥17,357 million (cash flow decreased ¥5,008 million year on year). This primarily reflected capital expenditures for Times PARKING and purchase of Mobility vehicles.

Cash flow from financing activities

Net cash used in financing activities was ¥20,116 million (cash flow decreased ¥33,284 million year on year). This primarily reflected proceeds from issuance of shares, which were more than offset by expenditure for the repayments of long-term borrowings and lease obligations.

Liquidity and Capital Resources

The Group has secured funds for operating activities out of cash flow from operating activities, financial institution borrowings, and issuance of bonds with share acquisition rights. However, in April 2022, the Group raised ¥25,136 million through the issuance of new shares, which is aimed to ensure that it will move forward with its growth strategy in the years ahead. The funds will be appropriated for the development of mobile apps and other solutions to enhance the convenience its services and improve its operational efficiency; the investment in digital technologies, including reforms of its business infrastructure system; and the purchase of Mobility Business vehicles required for the expansion of mobility services.

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. During the fiscal year under review, the impact of COVID-19 became weaker than the previous fiscal year both in Japan and overseas. In fact, the profitability of the Parking Business and the Mobility Business has been improving, backed by a range of measures, including establishing leaner business operations.

However, based on the conviction that achieving financial soundness is a critical management issue, we have decided not to pay dividends at the end of the fiscal year under review.

Going forward, we will make decisions as to the payment of dividends with a paramount aim of achieving the equity ratio of 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 2023 Forecast

The Group's highest priority is profitability and it has consistently promoted the establishment of lean business operations since it has experienced a serious impact as a result of the drastic decrease in movement of people since the beginning of the pandemic on all of its businesses. The impact of COVID-19 has gradually become less severe, and its severity is expected to decrease in the fiscal year ending October 31, 2023. In these circumstances, the Group will return to a growth track, and achieve its medium- to long-term business strategy and the expansion and seamless integration of its four networks. In addition, the Group advocates the acceleration of its digital strategy as a policy for promoting seamless integration more strongly for the acceleration of growth investments.

For the Parking Business Japan, the Group will strive to expand parking sites that help maintain its profitability through the type of development tailored to the conditions of each area. To this end, we will make the most of our expertise cultivated in the course of addressing unprofitable parking facilities amid the COVID-19 crisis, a review of their management and maintenance, and the careful selection of development projects focusing only on properties that will certainly generate profit. Further, as part of the efforts to improve profitability going forward, we are building next-generation parking services that enable easier entry, exit and payment, and promoting collaborations between Group services.

For the Parking Business International, the Group will review the current business portfolio, which concentrates heavily on large and long-term contract parking sites, to reduce business risk and make it profitable as quickly as possible by developing short-term contract parking sites optimally suited for parking demand in each country based on the strategy of minimization, diversification, and domination used in the Parking Business in Japan. Also, as an initiative to improve customer convenience and satisfaction through the enhancement of the content of our services, we will continue to facilitate cashless payments, whose ubiquity has rapidly increased during the COVID-19 pandemic.

For the Mobility Business, the number of members has steadily increased in spite of the COVID-19 pandemic. In the fiscal year ending October 31, 2023, we will increase the number of vehicles while maintaining the occupancy per vehicle in accordance with the accelerating increase of the number of members and with the recovery of sightseeing and business trip demand. In addition, the business aims to continue to acquire members and increase the service use by leveraging apps and other tools to encourage people to become members, quickly capturing user demand and improving convenience.

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
As of October 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2021	2022	2022
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 8 and 11)	¥ 92,045	¥ 85,782	\$ 578,512
Notes and accounts receivable, trade (Note 11)	18,606	—	—
Accounts receivable, trade (Note 11)	—	20,783	140,161
Less: allowance for doubtful accounts	(1,243)	(1,138)	(7,678)
Investments in leases	3,761	4,407	29,718
Inventories (Note 31)	1,997	2,497	16,843
Prepaid expenses	13,268	16,137	108,830
Other	10,750	9,347	63,036
Total current assets	139,184	137,815	929,423
Property, plant and equipment:			
Buildings and structures	52,097	52,585	354,634
Machinery and vehicles (Note 31)	60,901	56,594	381,670
Equipment, furniture and fixtures	32,152	36,312	244,888
Leased assets	57,379	55,254	372,635
Right-of-use assets	67,878	76,835	518,177
Land (Note 16)	25,747	25,748	173,641
Construction in progress	1,853	1,665	11,232
	298,006	304,994	2,056,877
Less: accumulated depreciation	(170,179)	(187,336)	(1,263,392)
Total property, plant and equipment, net	127,828	117,658	793,485
Intangible assets:			
Goodwill	17,006	18,148	122,388
Contract-related intangible assets	9,196	9,454	63,757
Other	4,976	6,458	43,549
Total intangible assets	31,178	34,059	229,694
Investments and other assets:			
Investment securities (Notes 9 and 11)	598	532	3,585
Long-term prepaid expenses	5,445	4,067	27,429
Lease deposits	4,509	4,592	30,968
Deferred tax assets (Note 15)	9,812	7,064	47,639
Retirement benefit asset	—	211	1,426
Other	1,104	1,356	9,146
Less: allowance for doubtful accounts	(29)	(25)	(171)
Total investments and other assets	21,439	17,797	120,023
Deferred assets	—	298	2,010
Total assets	¥ 319,629	¥ 307,627	\$ 2,074,635

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED BALANCE SHEETS
As of October 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2021	2022	2022
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable, trade	¥ 561	¥ 650	\$ 4,386
Short-term borrowings (Notes 10 and 11)	16,035	17,310	116,735
Current portion of long-term borrowings (Notes 10 and 11)	30,533	16,002	107,916
Current portion of lease obligations (Notes 10 and 11)	12,058	11,047	74,503
Notes payable, other	1,195	1,137	7,665
Accounts payable, other	18,570	13,805	93,099
Accrued expenses	24,589	19,487	131,423
Provision for bonuses	2,197	2,447	16,500
Provision for directors' bonuses	56	41	279
Accrued income taxes	3,164	7,302	49,246
Other current liabilities	8,951	11,459	77,283
Total current liabilities	117,910	100,687	679,036
Long-term liabilities:			
Convertible bonds	35,000	35,000	236,040
Long-term borrowings (Notes 10 and 11)	111,990	96,398	650,109
Lease obligations (Notes 10 and 11)	22,679	19,159	129,206
Retirement benefit liability (Note 13)	22	—	—
Asset retirement obligations (Note 23)	9,453	9,474	63,895
Deferred tax liabilities (Note 15)	1,619	1,658	11,183
Other long-term liabilities	4,523	5,208	35,122
Total long-term liabilities	185,286	166,897	1,125,554
Net assets:			
Shareholders' equity (Note 30):			
Common stock	20,171	32,739	220,793
Authorized:			
2021 and 2022—283,680,000 shares			
Issued:			
2021—155,048,369 shares,			
2022—171,048,369 shares			
Capital surplus	15,758	28,326	191,032
Retained earnings	(9,498)	(7,051)	(47,550)
Treasury stock, at cost			
2021—528,313 shares			
2022—528,434 shares	(1,255)	(1,256)	(8,468)
Total shareholders' equity	25,176	52,759	355,806
Accumulated other comprehensive income:			
Net unrealized gains on securities	131	121	814
Revaluation reserve for land (Note 16)	(1,035)	(1,035)	(6,981)
Deferred losses on hedges	(83)	(27)	(185)
Foreign currency translation adjustment	(5,955)	(9,117)	(61,488)
Accumulated adjustments for retirement benefits	(1,865)	(2,720)	(18,342)
Total accumulated other comprehensive income	(8,807)	(12,779)	(86,181)
Share acquisition rights (Note 14)	64	62	419
Total net assets	16,433	40,042	270,044
Total liabilities and net assets	¥ 319,629	¥ 307,627	\$ 2,074,635

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2021	2022	2022
Net sales (Note 33)	¥ 251,102	¥ 290,254	\$ 1,957,470
Cost of sales	210,409	219,660	1,481,386
Gross profit	40,693	70,594	476,083
Selling, general and administrative expenses (Note 26)	48,733	49,921	336,668
Operating profit (loss)	(8,040)	20,672	139,415
Other expenses (income):			
Interest expenses	3,541	3,321	22,399
Interest and dividend income	(19)	(19)	(126)
Foreign exchange loss	57	489	3,297
Expenses incurred for evacuation of parking facilities	528	412	2,776
Loss (gain) on disposal of non-current assets, net	(706)	408	2,750
Loss (gain) on sale of shares of subsidiaries and associates (Note 18)	(1,732)	—	—
Void parking ticket income	(202)	(203)	(1,370)
Impairment losses (Note 17)	139	389	2,625
Equity in loss of associates	173	—	—
Loss (gain) on sale of investment securities	—	(20)	(138)
Loss on temporary closure (Note 19)	405	—	—
Business restructuring expenses (Note 20)	106	—	—
Penalty income charged to customers for cancellation of parking facilities	(3)	(7)	(47)
Government subsidy for labor costs (Note 21)	(1,196)	(133)	(898)
Depreciation	13	—	—
Loss on lease contracts (Note 22)	208	1,571	10,596
Gain on reversal of share acquisition rights	(89)	—	—
Other, net	687	(158)	(1,066)
	1,911	6,049	40,797
Profit (loss) before income taxes	(9,950)	14,623	98,618
Income taxes (Note 15):			
Current	4,505	9,277	62,563
Deferred	(2,797)	2,869	19,351
	1,708	12,146	81,914
Profit (loss)	(11,658)	2,477	16,704
Profit (loss) attributable to owners of parent	¥ (11,658)	¥ 2,477	\$ 16,704
	Yen		U.S. dollars (Note 7)
Per share of common stock (Note 29):			
Basic profit (loss) per share	¥ (75.45)	¥ 15.22	\$ 0.10
Net assets per share	105.93	234.46	1.58

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2021	2022	2022
Profit (loss)	¥ (11,658)	¥ 2,477	\$ 16,704
Other comprehensive income (Note 24):			
Net unrealized gains (losses) on securities	49	(10)	(69)
Deferred gains (losses) on hedges	53	56	375
Adjustments for retirement benefit	(754)	(855)	(5,765)
Foreign currency translation adjustment	(2,500)	(3,163)	(21,331)
Share of other comprehensive income of associates accounted for using the equity method	125	—	—
Total other comprehensive income	(3,027)	(3,972)	(26,790)
Comprehensive income	¥ (14,685)	¥ (1,496)	\$ (10,086)
Comprehensive income attributable to owners of parent	¥ (14,685)	¥ (1,496)	\$ (10,086)

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, 2021 and 2022

		Millions of yen				
		Shareholders' equity				
	Number of shares of common stock issued and outstanding	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at November 1, 2020	154,488,166	¥20,135	¥15,722	¥2,160	¥(1,255)	¥36,761
Issuance of new shares	32,000	36	36	—	—	73
Profit (loss) attributable to owners of parent	—	—	—	(11,658)	—	(11,658)
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
Cumulative effects of changes in accounting policies	—	—	—	(29)	—	(29)
Restated balance at November 1, 2021	154,520,056	20,171	15,758	(9,528)	(1,255)	25,146
Issuance of new shares	16,000,000	12,568	12,568	—	—	25,136
Profit (loss) attributable to owners of parent	—	—	—	2,477	—	2,477
Purchase of treasury stock	(121)	—	—	—	(0)	(0)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2022	170,519,935	¥32,739	¥28,326	¥(7,051)	¥(1,256)	¥52,759

	Accumulated other comprehensive income						Share acquisition rights	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, 2020	¥82	¥(1,035)	¥(136)	¥(3,580)	¥(1,111)	¥(5,779)	¥164	¥31,146
Issuance of new shares	—	—	—	—	—	—	—	73
Profit (loss) attributable to owners of parent	—	—	—	—	—	—	—	(11,658)
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
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(29)
Restated balance at November 1, 2021	131	(1,035)	(83)	(5,955)	(1,865)	(8,807)	64	16,403
Issuance of new shares	—	—	—	—	—	—	—	25,136
Profit (loss) attributable to owners of parent	—	—	—	—	—	—	—	2,477
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Net changes of items other than shareholders' equity	(10)	—	56	(3,163)	(855)	(3,972)	(2)	(3,974)
Balance at October 31, 2022	¥121	¥(1,035)	¥(27)	¥(9,117)	¥(2,720)	¥(12,779)	¥62	¥40,042

PARK24 Co., Ltd. and Consolidated Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended October 31, 2021 and 2022

	Number of shares of common stock issued and outstanding	Thousands of U.S. dollars (Note 7)				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at October 31, 2021	154,520,056	\$136,034	\$106,274	\$(64,056)	\$(8,467)	\$169,784
Cumulative effects of changes in accounting policies	—	—	—	(198)	—	(198)
Restated balance at November 1, 2021	154,520,056	136,034	106,274	(64,254)	(8,467)	169,587
Issuance of new shares	16,000,000	84,759	84,759	—	—	169,517
Profit (loss) attributable to owners of parent	—	—	—	16,704	—	16,704
Purchase of treasury stock	(121)	—	—	—	(1)	(1)
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2022	170,519,935	\$220,793	\$191,032	\$(47,550)	\$(8,468)	\$355,806

	Accumulated other comprehensive income						Share acquisition rights	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 comprehensi ve income		
Balance at October 31, 2021	\$883	\$(6,981)	\$(559)	\$(40,157)	\$(12,577)	\$(59,392)	\$429	\$110,822
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(198)
Restated balance at November 1, 2021	883	(6,981)	(559)	(40,157)	(12,577)	(59,392)	429	110,625
Issuance of new shares	—	—	—	—	—	—	—	169,517
Profit (loss) attributable to owners of parent	—	—	—	—	—	—	—	16,704
Purchase of treasury stock	—	—	—	—	—	—	—	(1)
Net changes of items other than shareholders' equity	(69)	—	375	(21,331)	(5,765)	(26,790)	(10)	(26,800)
Balance at October 31, 2022	\$814	\$(6,981)	\$(185)	\$(61,488)	\$(18,342)	\$(86,181)	\$419	\$270,044

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 7)
	2021	2022	2022
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (9,950)	¥ 14,623	\$ 98,618
Adjustments to reconcile profit (loss) before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization	33,681	30,274	204,166
Impairment losses	139	389	2,625
Amortization of goodwill	1,112	1,214	8,190
Increase (decrease) in retirement benefit liability	(601)	(883)	(5,955)
Interest and dividend income	(19)	(19)	(126)
Interest expenses	3,541	3,321	22,399
Loss (gain) on sale of non-current assets	(923)	(0)	(2)
Loss on disposal of property, plant and equipment	217	408	2,752
Loss on lease contracts	208	1,571	10,596
Loss (gain) on sale of shares of subsidiaries and associates	(1,732)	—	—
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(2,205)	(1,781)	(12,009)
Inventories	6,225	3,980	26,842
Accounts receivable, other	(802)	(1,805)	(12,172)
Prepaid expenses	2,649	(2,908)	(19,612)
Notes and accounts payable, trade	69	58	393
Notes payable, other	(90)	87	584
Accounts payable, other	1,865	(5,265)	(35,506)
Accrued expenses	5,703	(5,737)	(38,690)
Other	2,421	(2,954)	(19,919)
Subtotal	41,508	34,575	233,174
Interest and dividends received	19	19	126
Interest paid	(2,642)	(3,323)	(22,411)
Income taxes paid	(4,067)	(1,901)	(12,821)
Net cash provided by (used in) operating activities	34,818	29,370	198,068
Cash flows from investing activities:			
Increase in time deposits due over three months	(6)	(6)	(40)
Decrease in time deposits due over three months	6	6	40
Payments for purchase of property, plant and equipment	(12,413)	(13,131)	(88,554)
Proceeds from sale of property, plant and equipment	1,691	13	84
Payments for purchase of intangible assets	(2,175)	(2,905)	(19,594)
Payments for fulfillment of asset retirement obligations	(716)	(304)	(2,049)
Proceeds from sale of shares of subsidiaries and associates	2,040	—	—
Payments of long-term prepaid expenses	(929)	(1,048)	(7,069)
Payments for investments in capital	(111)	—	—
Other	263	18	124
Net cash provided by (used in) investing activities	(12,350)	(17,357)	(117,058)

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	Millions of yen		Thousands of U.S. dollars (Note 7)
	2021	2022	2022
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(12,994)	(275)	(1,854)
Proceeds from long-term borrowings	49,904	189	1,272
Repayment of long-term borrowings	(9,421)	(31,116)	(209,849)
Repayment of lease obligations	(14,377)	(13,673)	(92,208)
Proceeds from issuance of shares of common stock	60	24,766	167,023
Dividends paid to shareholders of PARK24 Co., Ltd.	(4)	(7)	(47)
Purchase of treasury stock	(0)	(0)	(1)
Net cash provided by (used in) financing activities	13,167	(20,116)	(135,666)
Effect of exchange rate changes on cash and cash equivalents		1,374	9,268
	891		
Net increase (decrease) in cash and cash equivalents	36,526	(6,730)	(45,387)
Cash and cash equivalents at beginning of year	55,269	91,795	619,067
Cash and cash equivalents at end of year (Note 8)	<u>¥ 91,795</u>	<u>¥ 85,065</u>	<u>\$ 573,680</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, 2021 and 2022

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.

Amounts of less than one million yen and one thousand U.S. dollars have been rounded up or down to the nearest million yen and thousand U.S. dollars, respectively, in the presentation of the accompanying consolidated financial statements. As a result, the totals in yen and U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. Summary of significant accounting policies

(1) Basis of consolidation

a) Scope of consolidation

The consolidated financial statements for the fiscal year ended October 31, 2022 (the “fiscal year under review”) include the accounts of the Company and all of its 90 (95 as of October 31, 2021) 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, 2022 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

Periman Pty. Ltd. and Auspark Holdings Pty. Ltd. and three other companies were excluded from the scope of consolidation due to liquidation.

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 amortized on a straight-line basis over 20 years.

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended October 31, 2021 and 2022

c) Consolidation and elimination

For the purposes of preparing the consolidated financial statements, all significant inter-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.	September 30	*2, 3
TIMES24 SINGAPORE PTE. LTD.	September 30	*2, 3, 4
PARK24 TAIWAN CO., LTD.	September 30	*2
PARK24 AUSTRALIA PTY LTD	September 30	*2
SECURE PARKING PTY LTD and its 3 subsidiaries	September 30	*2
PARK24 UK LIMITED	September 30	*2
MEIF II CP Holdings 2 Limited	September 30	*2
MEIF II CP Holdings 3 Limited and its 66 subsidiaries	September 30	*2
NATIONAL CAR PARKS (EUK) LIMITED	September 30	*2
PARK24 MALAYSIA SDN. BHD.	September 30	*2
TIMES24 MALAYSIA SDN. BHD. and its 1 subsidiary	September 30	*2, 4

Notes:

- *1 Provisional financial statements as of the closing date of the consolidated financial statements are used in consolidation.
- *2 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.
- *3 The fiscal year end was changed from March 31 to September 30.
- *4 SECURE PARKING SINGAPORE PTE. LTD. changed its name to TIMES24 SINGAPORE PTE. LTD. on October 1, 2022, and SECURE PARKING CORPORATION SDN. BHD. changed its name to TIMES24 MALAYSIA SDN. BHD. on October 3, 2022.

e) Investments in associates

The Company had no associates accounted for using the equity method as of October 31, 2022.

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 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:

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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- 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, and
- 4) Cancellation of the fair value model accounting for property, plant, and equipment and investment properties, and incorporation of the cost model accounting.
- 5) Reclassification adjustments in the case of electing to present subsequent changes in the fair value of equity instruments in other comprehensive income

(2) Recognition of significant revenues and expenses

The Group is engaged in the Parking Business in Japan and overseas and the Mobility Business. Revenues generated from these businesses are recorded primarily in accordance with contracts with customers, and transaction prices are calculated based on the contractual consideration received from the customers. The consideration for contracts with customers is received in a short period of time after the satisfaction of performance obligations and does not include a significant financing component.

a) Parking Business (Japan and International)

This business generates revenue mainly from pay-by-the-hour and pay-by-the-month parking sites services. The Group has performance obligations to provide parking sites based on contractual clauses with customers. The Group deems that such performance obligations are satisfied at the time of completing the provision of the services, and therefore recognizes revenue. The Group recognizes revenue from the pay-by-the-month parking sites service in accordance with the *Accounting Standard for Lease Transactions* (ASBJ Statement No. 13, March 30, 2007).

b) Mobility Business

This business generates revenue mainly from car rental and sharing services. The Group has a performance obligation to rent out cars based on contractual clauses with customers. The Group deems that such performance obligation is satisfied at the time of completing the provision of the service, and therefore recognizes revenue.

In addition, the Group has customer loyalty programs. The Group recognizes the points awarded to customers as a performance obligation, allocates the transaction price to it based on the stand-alone selling price calculated by taking into account the points expected to be expired in the future and other factors, and calculates the amount of a contract liability. The Group deems that such performance obligation is satisfied at the time when the points are redeemed or expired, and therefore transfers the contract liability to revenue and recognizes it.

(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.

PARK24 Co., Ltd. and Consolidated Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(4) Financial instruments

“Other securities” other than shares, etc. that do not have market prices 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.

Shares, etc. that do not have market prices are stated at cost, except in cases where they have declined significantly and such impairment of the value is not deemed temporary. Such shares, etc. 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 mainly by the specific identification method or net realizable value. Supplies are stated at cost, cost being determined mainly 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 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.

Items of property, plant and equipment other than leased assets are depreciated mainly using the straight-line method. The useful lives of major items such as buildings and structures are 3 to 50 years and 2 to 46 years, respectively.

Leased assets are depreciated mainly using the straight-line method over the lease term with the residual value of zero.

(7) Intangible assets and amortization

Intangible assets are carried at cost and amortized using the straight-line method.

Specifically, 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) Deferred assets and amortization

Deferred assets (specifically, share issuance costs presented as of October 31, 2022) are carried at cost and amortized on a straight-line basis over the estimated useful life of 3 years.

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(9) Impairment of fixed assets

The Group reviews their fixed assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or an asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or an asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or an asset group. 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.

(10) 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 (15 years in most cases). 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.

(11) 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.

(12) 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.

(13) 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.

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(14) 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 share 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.

(15) 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, 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.

(16) 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.

(17) Reclassifications

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

3. Significant accounting estimates

(1) Valuation 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
October 31	2021	2022	2022
Goodwill	¥ 7,121	¥ 7,163	\$ 48,307
Contract-related intangible assets	9,196	9,454	63,757

(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 a portion of contract-related intangible assets attributable to PARK24 UK LIMITED due to the deterioration of profitability resulting from changes in the

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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 has been attributed and the asset group to which the contract-related intangible assets have been attributed exceeded the carrying amount of each of the said asset groups. The undiscounted future cash flows were estimated based on the business plan approved by the Board of Directors while cash flows beyond the period covered by the business plan were estimated based on the corresponding growth rate.

The following three major assumptions were used to estimate the undiscounted future cash flows: the number and gross profit of Times PARKING sites in operation that are included in the parking sites 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 Times PARKING sites included in the parking sites within the UK was estimated based on the track record of parking site operations and the plan for opening new sites, whereas gross profit of Times PARKING sites in operation that are included in the parking sites 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 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) Valuation of goodwill attributable to PARK24 AUSTRALIA PTY LTD

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

October 31	Millions of yen		Thousands of
	2021	2022	U.S. dollars
Goodwill	¥ 5,241	¥ 5,733	\$ 38,663

- (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

PARK24 Co., Ltd. and Consolidated Subsidiaries
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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.

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.

(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

October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets	¥ 5,736	¥ 2,195	\$ 14,803

(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 approved by the Board of Directors. The following two major assumptions were used to estimate the future taxable income: net sales and expenses per vehicle as a basis for the business plan. Net sales and expenses 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 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, despite the difficulty in predicting when COVID-19 will be contained or how likely a rebound of the infections is to occur, 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 the impact on the Company's operations for the fiscal year ending October 31, 2023 will be less than that for the fiscal year under review.

4. Changes in accounting policies

(1) Application of the *Accounting Standard for Revenue Recognition*, etc.

The Company has applied the *Accounting Standard for Revenue Recognition* (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Accounting Standard for Revenue Recognition") and the *Implementation Guidance on Accounting Standard for Revenue Recognition* (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the good or service. The Company previously recognized revenue at the time of providing services because it awarded points to customers under its customer loyalty program at

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the time of providing services. However, as a result of the application, the Company changed to the method of recognizing the points awarded as a performance obligation and allocating the transaction price to it based on the stand-alone selling price calculated by taking into account the points expected to be expired in the future and other factors.

The Company applies the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative impact of retrospectively applying the new accounting policies to prior periods is reflected as an adjustment to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year under review in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Accounting Standard for Revenue Recognition, contract modifications that occurred prior to the beginning of the fiscal year under review were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact reflected as an adjustment to retained earnings at the beginning of the fiscal year under review.

Furthermore, “Notes and accounts receivable, trade,” which was presented under “Current assets” in the consolidated balance sheet as of October 31, 2021, is included in and presented as “Accounts receivable, trade” from the fiscal year under review. However, in accordance with the transitional measures prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the Company did not implement a reclassification that reflects the new method of presenting the results of the previous fiscal year.

As a result of this change, compared with the figures before the application of the Accounting Standard for Revenue Recognition, etc., net sales decreased by ¥357 million (\$2,408 thousand), cost of sales decreased by ¥174 million (\$1,173 thousand), and gross profit, operating profit, and profit before income taxes decreased by ¥183 million (\$1,234 thousand), respectively, in the consolidated statement of income for the fiscal year under review.

In the consolidated statement of cash flows for the fiscal year under review, profit before income taxes decreased by ¥183 million (\$1,234 thousand).

The cumulative effect of this change has been reflected on net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings decreased by ¥29 million (\$196 thousand) in the consolidated statement of changes in net assets.

The effect of this change on per share information is described in the relevant section.

Note that, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes for the previous fiscal year are not presented in “Revenue recognition.”

(2) Application of the *Accounting Standard for Fair Value Measurement*, etc.

The Company has applied the *Accounting Standard for Fair Value Measurement* (ASBJ Statement No. 30, July 4, 2019; hereinafter the “Fair Value Measurement Standard”) and *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the *Accounting Standard for Financial*

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Instruments (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In addition, the Company has decided to provide notes on items including the breakdown of the fair value of financial instruments by level in the notes on “Financial Instruments.” However, in accordance with the transitional treatment prescribed in Paragraph 7-4 of the *Guidance on Disclosures about Fair Value of Financial Instruments* (ASBJ Guidance No. 19, July 4, 2019), notes for the previous fiscal year are not presented.

5. Accounting standards, etc. issued but not yet adopted

On June 17, 2021, the ASBJ issued *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31; hereinafter the “Guidance”).

(i) Overview

The Guidance stipulates the treatment of the determination of and notes on fair value of investment trusts and notes on the fair value of investments in partnerships for which the net amount equivalent to equity interest is recognized on the balance sheet.

(ii) Effective date

The Group will start applying the Guidance from the beginning of the fiscal year ending October 31, 2023.

(iii) Effects of application of the Guidance

The application of the Guidance has no effect on the consolidated financial statements.

6. Reclassification

(1) Presentation on the consolidated balance sheets

“Investments in leases,” which was included in “Other” under “Current assets” 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 balance sheet for the previous fiscal year has been reclassified.

As a result, ¥14,511 million presented in “Other” under “Current assets” in the consolidated balance sheet for the previous fiscal year has been reclassified into ¥3,761 million in “Investments in leases” and ¥10,750 million in “Other.”

(2) Presentation on the consolidated statements of income

“Government subsidy related to cashlessness,” “Gain on cancellation of leases,” and “Commission expenses,” which were separately presented under “Other expenses (income)” in the previous fiscal year, are included in and presented as “Other, net” from the fiscal year under review due to the decreased 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, a negative ¥6 million presented in “Government subsidy related to cashlessness,” a negative ¥799 million presented in “Gain on cancellation of leases,” a positive ¥1,599 million presented in “Commission expenses,” and a negative ¥106 million presented in “Other, net” under “Other expenses (income)” in the consolidated statement of income for the previous fiscal

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year have been reclassified into a negative ¥687 million in “Other, net.”

(3) Presentation on the consolidated statements of cash flows

“Loss on lease contracts,” which was included in “Other” under “Cash flows from operating activities” in the previous fiscal year, is separately presented from the fiscal year under review due to the increased materiality of the amount. On the other hand, “Gain on cancellation of leases,” which was separately presented under “Cash flows from operating activities” in the previous fiscal year, is included in and presented as “Other” from the fiscal year under review due to the decreased materiality of the amount. To reflect these changes in presentation, the consolidated statement of income for the previous fiscal year has been reclassified.

As a result, a negative ¥799 million presented in “Gain on cancellation of leases” and a positive ¥3,428 million presented in “Other” under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year have been reclassified into a positive ¥208 million in “Loss on lease contracts” and a positive ¥2,421 million in “Other.”

7. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥148.28 = U.S. \$1, the rate of exchange on October 31, 2022, 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.

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, 2021 and 2022 were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash on hand and in banks	¥ 92,045	¥ 85,782	\$ 578,512
Time deposits due over three months	(6)	(6)	(40)
Compulsory deposits	(243)	(710)	(4,788)
Cash and cash equivalents	<u>¥ 91,795</u>	<u>¥ 85,065</u>	<u>\$ 573,680</u>

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9. Investment securities

Investment securities classified as “other securities” at October 31, 2021 and 2022 were as follows:

(1) Other securities for which market quotations are available

October 31	Millions of yen						Thousands of U.S. dollars		
	2021			2022			2022		
	Cost	Carrying amount	Difference	Cost	Carrying amount	Difference	Cost	Carrying amount	Difference
Securities for which market value exceeds cost:									
Stocks	¥ 113	¥ 261	¥ 147	¥ 82	¥ 212	¥ 129	\$ 553	\$ 1,430	\$ 870
Bonds	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
	<u>113</u>	<u>261</u>	<u>147</u>	<u>82</u>	<u>212</u>	<u>129</u>	<u>553</u>	<u>1,430</u>	<u>870</u>
Securities for which market value does not exceed cost:									
Stocks	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	<u>¥ 113</u>	<u>261</u>	<u>147</u>	<u>¥ 82</u>	<u>212</u>	<u>129</u>	<u>\$ 553</u>	<u>\$ 1,430</u>	<u>\$ 870</u>

(2) Redemption schedule of other securities with maturity

There were no other securities with maturity for the fiscal years ended October 31, 2021 and 2022.

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

Short-term borrowings at October 31, 2021 and 2022 comprised the following:

October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Loans from banks with weighted average interest rates of 3.05%			
- Unsecured	¥ 16,035	¥ 17,310	\$ 116,735
	<u>¥ 16,035</u>	<u>¥ 17,310</u>	<u>\$ 116,735</u>

Long-term debt and lease obligations at October 31, 2021 and 2022 comprised the following:

October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unsecured zero coupon convertible bonds due 2025 (Note)	¥ 35,000	¥ 35,000	\$ 236,040
Unsecured loans, principally from banks, with weighted average interest rates of 1.89% due 2023–2050	142,523	112,400	758,025
Lease obligations with weighted average interest rates of 1.90% due 2023–2031	34,737	30,206	203,709
Subtotal	<u>212,260</u>	<u>177,606</u>	<u>1,197,774</u>
Less current portion	<u>(42,592)</u>	<u>(27,049)</u>	<u>(182,418)</u>
Total	<u>¥ 169,669</u>	<u>¥ 150,557</u>	<u>\$ 1,015,356</u>

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Note: Unsecured zero coupon convertible bonds are referred to as convertible bond-type bonds with share acquisition rights.

The annual maturities of convertible bonds at October 31, 2022 were as follows:

<u>Years ending October 31</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2024	¥ —	\$ —
2025	35,000	236,040
2026	—	—
2027	—	—
2028 and thereafter	—	—
Total	<u>¥ 35,000</u>	<u>\$ 236,040</u>

The aggregate annual maturities of long-term borrowings and lease obligations at October 31, 2022 were as follows:

<u>Years ending October 31</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2024	¥ 35,999	\$ 242,776
2025	5,071	34,200
2026	3,072	20,720
2027	19,607	132,227
2028 and thereafter	51,808	349,391
Total	<u>¥ 115,557</u>	<u>\$ 779,315</u>

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

As the calculation of fair values of financial instruments involves fluctuating factors, these values are subject to change when different assumptions are used.

The carrying amount, fair value and unrealized gain or loss on major financial instruments as of October 31, 2021 and 2022 were mainly as follows. Note that the disclosure of cash on hand is

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omitted. The disclosure of cash in banks, trade accounts receivable, and short-term borrowings is also omitted as these items are settled in a short period of time, and therefore, their carrying amount approximates fair value.

	Millions of yen		
	2021		
	Carrying amount	Fair value	Unrealized gain (loss)
Other securities in investment securities	¥ 261	¥ 261	¥ –
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

	Millions of yen		
	2022		
	Carrying amount	Fair value	Unrealized gain (loss)
Other securities in investment securities	¥ 212	¥ 212	¥ –
Convertible bonds	35,000	32,690	(2,310)
Long-term borrowings (including current portion)	112,400	113,410	1,010
Lease obligations (including current portion)	30,206	28,876	(1,330)

	Thousands of U.S. dollars		
	2022		
	Carrying amount	Fair value	Unrealized gain (loss)
Other securities in investment securities	\$ 1,430	\$ 1,430	\$ –
Convertible bonds	236,040	220,461	(15,579)
Long-term borrowings (including current portion)	758,025	764,837	6,811
Lease obligations (including current portion)	203,709	194,742	(8,967)

Notes:

- Carrying amounts of financial instruments that do not have market prices as of October 31, 2021 and 2022 were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unlisted stocks	¥ 336	¥ 319	\$ 2,151

The equity securities that do not have market prices are not included in “investment securities.”

- Maturities of monetary receivables and securities with maturity dates held as of October 31, 2021 and 2022 were as follows:

	Millions of yen			
	2021			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Cash on hand and in banks	¥ 6	¥ –	¥ –	¥ –
Notes and accounts receivables, trade	18,606	–	–	–
	¥ 18,612	¥ –	¥ –	¥ –

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	Millions of yen			
	2022			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Cash on hand and in banks	¥ 6	¥ –	¥ –	¥ –
Accounts receivables, trade	20,783	–	–	–
	<u>¥ 20,789</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
	Thousands of U.S. dollars			
	2022			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Cash on hand and in banks	\$ 40	\$ –	\$ –	\$ –
Accounts receivables, trade	140,161	–	–	–
	<u>\$ 140,202</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

The fair value of financial instruments is categorized into the following three levels based upon the observability and significance of inputs used to measure their fair value.

Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured using inputs, other than those included within Level 1, that are either directly or indirectly observable

Level 3: Fair value measured using significant unobservable inputs

If the Group uses multiple inputs that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(4) Financial instruments presented at fair value on the consolidated balance sheets

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Other securities in investment securities:				
Equity securities	¥ 212	¥ –	¥ –	¥ 212
	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Other securities in investment securities:				
Equity securities	\$ 1,430	\$ –	\$ –	\$ 1,430

(5) Financial instruments other than those presented at fair value on the consolidated balance sheets

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Convertible bonds	¥ –	¥ 32,690	¥ –	¥ 32,690
Long-term borrowings	–	113,410	–	113,410
Lease obligations	–	28,876	–	28,876

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	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Convertible bonds	\$ –	\$ 220,461	\$ –	\$ 220,461
Long-term borrowings	–	764,837	–	764,837
Lease obligations	–	194,740	–	194,740

Note:

The description of valuation techniques and inputs used for the fair value measurement is as follows:

Investment securities

Listed stocks are valued using quoted prices. As listed stocks are traded in active markets, their fair value is categorized as Level 1.

Convertible bonds

The fair value of convertible bonds is measured using prices provided by counterparty financial institutions, and is categorized as Level 2.

Long-term borrowings

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, and is categorized as Level 2.

Lease obligations

The fair value of lease obligations is measured based on the current total amount of future payments, discounted by the expected interest rate if similar new lease transactions were entered into, and is categorized as Level 2.

12. Derivatives and hedging activities

Derivative transactions as of October 31, 2021 and 2022 for which hedge accounting was applied were as follows:

(1) Currency-related transactions

October 31, 2021

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

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

October 31, 2022

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

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

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October 31, 2022

Type of transaction	Major hedged item	Thousands of U.S. dollars		
		Notional amount	Due after one year	Fair value (Note)
Interest rate and currency swap contracts	Long-term borrowings			
Pay fixed and receive floating		\$71,615	\$71,615	–
Pay JPY and receive USD				

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

(2) Interest-related transactions

October 31, 2021

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

October 31, 2022

Type of transaction	Major hedged item	Millions of yen		
		Notional amount	Due after one year	Fair value
Interest rate swap contracts	Long-term borrowings			
Pay fixed and receive floating		¥7,080	¥7,080	¥(39)

October 31, 2022

Type of transaction	Major hedged item	Thousands of U.S. dollars		
		Notional amount	Due after one year	Fair value
Interest rate swap contracts	Long-term borrowings			
Pay fixed and receive floating		\$47,748	\$47,748	\$(263)

13. Retirement benefit plans

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

The Group has funded pension plans or termination allowance plans mainly as 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, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of retirement benefit obligation	¥ 11,238	¥ 12,144	\$ 81,899
Service cost	1,083	1,092	7,364
Interest cost	116	160	1,079
Actuarial loss (gain)	584	(1,736)	(11,708)
Retirement benefits paid	(877)	(586)	(3,952)
Ending balance of retirement benefit obligation	¥ 12,144	¥ 11,076	\$ 74,697

The changes in plan assets during the fiscal years ended October 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of plan assets	¥ 11,128	¥ 12,122	\$ 81,751
Expected return on plan assets	180	346	2,333
Actuarial gain (loss)	(39)	(2,448)	(16,509)
Contributions by the Company	1,732	1,852	12,490
Retirement benefits paid	(877)	(586)	(3,952)
Ending balance of plan assets	¥ 12,122	¥ 11,287	\$ 76,120

The following table sets forth the funded status of plans and the amounts recognized in the consolidated balance sheets as of October 31, 2021 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded retirement benefit obligation	¥ 12,144	¥ 11,076	\$ 74,697
Plan assets at fair value	(12,122)	(11,287)	(76,120)
	22	(211)	(1,426)
Net liability (asset) presented in the consolidated balance sheets	22	(211)	(1,426)
Retirement benefit liability	22	—	—
Retirement benefit asset	—	(211)	(1,426)
Net liability (asset) presented in the consolidated balance sheets	¥ 22	¥ (211)	\$ (1,426)

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The components of retirement benefit expense for the fiscal years ended October 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service cost	¥ 1,083	¥ 1,092	\$ 7,364
Interest cost	116	160	1,079
Expected return on plan assets	(180)	(346)	(2,333)
Amortization of actuarial loss	87	14	94
Retirement benefit expense	¥ 1,106	¥ 920	\$ 6,204

Actuarial loss (gain) included in other comprehensive income (before tax effect) for the fiscal years ended October 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Actuarial loss (gain)	¥ (706)	¥ (929)	\$ (6,265)
Total	¥ (706)	¥ (929)	\$ (6,265)

Unrecognized actuarial loss (gain) included in accumulated other comprehensive income (before tax effect) as of October 31, 2021 and 2022 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2022
Unrecognized actuarial loss (gain)	¥ 67	¥ (75)	\$ (506)
Total	¥ 67	¥ (75)	\$ (506)

The fair value of plan assets, by major category, as a percentage of total plan assets as of October 31, 2021 and 2022 were as follows:

	2021	2022
Life insurance company general accounts	70%	97%
Other	30%	3%
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 major assumptions used in accounting for the above plans were as follows:

	2021	2022
Discount rates	0.299–2.9%	0.491–5.5%
Expected rates of return on plan assets	3.5%	2.6%

(3) Defined contribution plan

Contributions to defined contribution plans of certain subsidiaries for the fiscal years ended October 31, 2021 and 2022 were ¥191 million and ¥351 million (\$2,367 thousand), respectively.

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14. Stock option plans

Summarized information on the stock options granted as of October 31, 2022 was as follows:

(1) 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)	614,500
Exercise price	¥2,319 (\$15.64)
Exercisable period	Feb. 1, 2018–Jan. 31, 2023

(2) 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)	257,500
Exercise price	¥3,025 (\$20.40)
Exercisable period	Jan. 1, 2021–Dec. 31, 2026

(3) 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	¥2,622 (\$17.68)
Exercisable period	Apr. 1, 2021–Mar. 31, 2027

Note: The exercise prices have been adjusted due to the issuance of new shares through an overseas offering with a payment date of April 27, 2022.

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15. Income taxes

At October 31, 2021 and 2022, significant components of deferred tax assets and liabilities were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets:			
Accrued enterprise taxes	¥ 216	¥ 705	\$ 4,755
Accrued bonuses	723	785	5,294
Excess of tax depreciation over book depreciation	586	555	3,743
Revaluation of land	316	316	2,131
Asset retirement obligations	2,728	2,721	18,350
Tax loss carryforward	11,807	14,775	99,643
Impairment losses	1,673	1,848	12,463
Other	1,026	1,112	7,499
Less: valuation allowance (Note 1)	(7,403)	(13,657)	(92,103)
Total deferred tax assets	11,675	9,164	61,802
Deferred tax liabilities:			
Intangible assets	1,602	1,647	11,735
Asset retirement cost	1,783	1,740	11,107
Other	97	370	2,495
Total deferred tax liabilities	3,483	3,758	25,344
Net deferred tax assets (liabilities)	¥ 8,192	¥ 5,405	\$ 36,451

- Notes 1. The valuation allowance increased by ¥6,253 million (\$ 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, 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 (a)	—	—	1	0	0	11,805	11,807
Valuation allowance	—	—	(1)	(0)	(0)	(5,674)	(5,676)
Deferred tax assets	—	—	—	—	—	6,130	6,130

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

As of October 31, 2022

	(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)	—	0	0	0	100	14,674	14,775
Valuation allowance	—	(0)	(0)	(0)	(87)	(11,500)	(11,589)
Deferred tax assets	—	—	—	—	12	3,173	(c) 3,186

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

(c) Deferred tax assets of ¥3,186 million have been recognized for a portion of tax loss carryforward of ¥14,775 million (obtained by multiplying the statutory effective tax rate) of the consolidated subsidiaries. As we have assessed that the tax loss carryforward for which the deferred tax assets is recoverable based on the estimated future taxable income and therefore have not recognized valuation allowance.

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As of October 31, 2022

(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)	—	0	0	0	674	98,961	99,643
Valuation allowance	—	(0)	(0)	(0)	(587)	(77,556)	(78,156)
Deferred tax assets	—	—	—	—	81	21,399	(c) 21,486

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

(c) Deferred tax assets of \$21,486 thousand have been recognized for a portion of tax loss carryforward of \$99,643 thousand (obtained by multiplying the statutory effective tax rate) of the consolidated subsidiaries. As we have assessed that the tax loss carryforward for which the deferred tax assets is recoverable based on the estimated future taxable income and therefore have not recognized valuation allowance.

(Reclassification)

“Impairment losses,” which was included in “Other” under “Deferred tax assets” in the previous fiscal year, is separately presented from the fiscal year under review due to the increased materiality of the amount. On the other hand, “Assets subject to group depreciation,” which was included in and separately presented as “Depreciation” under “Deferred tax assets” and “Unrealized gains on securities,” which was separately presented under “Deferred tax liabilities” in the previous fiscal year, are included in and presented as “Other” under “Deferred tax assets” and “Other” under “Deferred tax liabilities,” respectively from the fiscal year under review due to the decreased materiality of the amount. To reflect these changes in presentation, the notes for the previous fiscal year has been reclassified.

As a result, a positive ¥35 million presented in “Assets subject to group depreciation” and a positive ¥2,663 million presented in “Other” under “Deferred tax assets” in the notes the previous fiscal year have been reclassified into a positive ¥1,673 million presented in “Impairment losses” and a positive ¥1,026 million presented in “Other,” while a negative ¥8 million presented in “Unrealized gains on securities” and a negative ¥88 million presented in “Other” under “Deferred tax liabilities” have been reclassified into a negative ¥97 million in “Other.”

For fiscal years ended October 31, 2021 and 2022, reconciliations of the difference between the statutory income tax rates and the effective income tax rates were as follows:

Fiscal years ended October 31	2021	2022
Statutory income tax rates	—	30.6%
Valuation allowance	—	36.2
Per capita levy of inhabitants' taxes	—	0.9
Amortization of goodwill	—	2.8
Difference in tax rates applied to consolidated subsidiaries	—	12.2
Other	—	0.4
Effective income tax rates	—	83.1%

Note: The disclosure for the fiscal year ended October 31, 2021 is omitted as the Group reported loss before income taxes for the fiscal year.

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 amount of this land after the revaluation was down from its fair value as of October 31, 2021 and 2022 by ¥438 million and ¥473 million (\$3,190 thousand), respectively.

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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, 2021 and 2022 were as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Related assets			
Buildings and structures	¥ 37	¥ 23	\$ 155
Equipment, furniture and fixtures	58	317	2,138
Right-of-use assets	—	48	324
Long-term prepaid expenses	42	—	—
Total	¥ 139	¥ 389	\$ 2,625

18. 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.

19. Loss on temporary closure

In the fiscal year ended October 31, 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).

20. Business restructuring expenses

In the fiscal year ended October 31, 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).

21. Government subsidy for labor costs

In the fiscal years ended October 31, 2021 and 2022, 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.

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22. Loss on lease contracts

In the fiscal years ended October 31, 2021 and 2022, 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).

23. 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, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Beginning balance of asset retirement obligations	¥ 9,287	¥ 9,453	\$ 63,751
New obligations by acquisition of fixed assets	744	440	2,967
Accretion expense	137	98	661
Decrease due to the fulfilment of asset retirement obligations	(716)	(517)	(3,487)
Ending balance of asset retirement obligations	¥ 9,453	¥ 9,474	\$ 63,895

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24. Other comprehensive income

The components of other comprehensive income for the fiscal years ended October 31, 2021 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net unrealized gains on securities			
Gains (losses) arising during the year	¥ 29	¥ (18)	\$ (121)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	29	(18)	(121)
Income tax effect	19	8	54
Total	49	(10)	(69)
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	76	80	540
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	76	80	540
Income tax effect	(23)	(24)	(162)
Total	53	56	375
Foreign currency translation adjustments			
Adjustments arising during the year	(2,500)	(3,163)	(21,331)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(2,500)	(3,163)	(21,331)
Income tax effect	—	—	—
Total	(2,500)	(3,163)	(21,331)
Share of other comprehensive income of associates accounted for using the equity method			
Gains (losses) arising during the year	(14)	—	—
Reclassification adjustments to profit or loss	139	—	—
Amount before income tax effect	125	—	—
Income tax effect	—	—	—
Total	125	—	—
Accumulated adjustments for retirement benefit			
Adjustments arising during the year	(760)	(838)	(5,651)
Reclassification adjustments to profit or loss	54	(90)	(607)
Amount before income tax effect	(706)	(929)	(6,265)
Income tax effect	(47)	74	499
Total	(754)	(855)	(5,765)
Total other comprehensive income	¥ (3,027)	¥ (3,972)	\$ (26,790)

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25. 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 International and Mobility Business. Main services of each reportable segment are as follows.

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

(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.

As described in "4. Changes in accounting policies," the Company has applied the *Accounting Standard for Revenue Recognition* and other related accounting standards from the beginning of the fiscal year under review, and has changed its accounting method for revenue recognition. Therefore, the calculation method of profit or loss by business segment has been changed in the same manner.

As a result of this change, compared with the previous method, net sales of the Parking Business Japan decreased by ¥88 million (\$593 thousand) while its segment profit increased by ¥85 million (\$573 thousand). Meanwhile, net sales and segment profit of the Mobility Business decreased by ¥269 million (\$1,844 thousand), respectively, in the fiscal year under review.

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- (3) Information on operating results and depreciation and amortization by reportable segment and disaggregated revenue for the fiscal years ended October 31, 2021 and 2022 were as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
I. Operating results:			
Net sales (Note 1)			
(1) External customers (Note 5)			
Parking Business Japan	¥ 145,926	¥ 154,115	\$ 1,039,348
Parking Business International	38,499	57,984	391,043
Mobility Business	66,677	78,155	527,079
Total	251,102	290,254	1,957,470
Adjustment	—	—	—
Consolidated	251,102	290,254	1,957,470
(2) Inter-segment			
Parking Business Japan	4,521	4,743	31,990
Parking Business International	—	—	—
Mobility Business	130	134	901
Total	4,651	4,877	32,891
Adjustment	(4,651)	(4,877)	(32,891)
Consolidated	—	—	—
Total operating revenue (Note 1)			
Parking Business Japan	150,446	158,858	1,071,338
Parking Business International	38,499	57,984	391,043
Mobility Business	66,808	78,289	527,980
Total	255,753	295,131	1,990,361
Adjustment	(4,651)	(4,877)	(32,891)
Consolidated	251,102	290,254	1,957,470
Operating expenses			
Parking Business Japan	129,082	124,635	840,541
Parking Business International	55,094	63,033	425,098
Mobility Business	66,849	73,517	495,796
Total	¥ 251,025	¥ 261,186	\$ 1,761,435
Adjustment	8,117	8,396	56,620
Consolidated	259,142	269,581	1,818,054
Operating profit (loss)			
Parking Business Japan	21,364	34,222	230,796
Parking Business International (Note 3)	(16,595)	(5,050)	(34,055)
Mobility Business	(41)	4,772	32,184
Total	4,728	33,945	228,926
Adjustment (Note 2)	(12,768)	(13,273)	(89,511)
Consolidated (Note 4)	¥ (8,040)	¥ 20,672	\$ 139,415
II. Depreciation and amortization:			
Parking Business Japan	¥ 8,423	¥ 7,213	\$ 48,644
Parking Business International	11,671	11,327	76,389
Mobility Business	11,192	9,779	65,950
Total	31,286	28,319	190,983
Adjustment	2,381	1,955	13,183
Consolidated	¥ 33,668	¥ 30,274	\$ 204,166

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Notes 1. “Total operating revenue” is the total of “(1) External customers” and “(2) Inter-segment” under “Net sales.”

2. The adjustment to segment profit (loss) represents corporate expenses that are not allocated to any reportable segments. Corporate expenses are mainly expenses relating to the administration division, including the general affairs department.
3. Operating loss of ¥5,050 million (\$34,055 thousand) (operating loss of ¥16,595 million in 2021) in the Parking Business International includes the amortization of goodwill of ¥1,214 million (\$8,190 thousand) with unamortized balance of ¥18,148 million (\$122,388 thousand) (¥1,112 million with unamortized balance of ¥17,006 million in 2021).
4. Operating profit (loss) is adjusted in accordance with operating profit (loss) in the consolidated statements of income.
5. Net sales from external customers for the fiscal year ended October 31, 2022 are the total of revenue from contracts with customers and other revenues. Other revenues mainly consist of lease revenue recognized under the Accounting Standard for Lease Transactions (ASBJ Standard No. 13). The breakdown of net sales from external customers is shown as follows:
(Millions of yen)

	Revenue from contracts with customers	Other revenues	Net sales from external customers
Parking Business Japan	142,032	12,083	154,115
Parking Business International	55,828	2,156	57,984
Mobility Business	76,086	2,069	78,155
Total	273,946	16,307	290,254
Adjustment	—	—	—
Consolidated	273,946	16,307	290,254

(Thousands of U.S. dollars)

	Revenue from contracts with customers	Other revenues	Net sales from external customers
Parking Business Japan	957,863	81,485	1,039,348
Parking Business International	376,503	14,539	391,043
Mobility Business	513,126	13,953	527,079
Total	1,847,492	109,978	1,957,470
Adjustment	—	—	—
Consolidated	1,847,492	109,978	1,957,470

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(1) Geographical information

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Total operating revenue			
Japan	¥ 212,603	¥ 232,269	\$ 1,566,422
UK	15,976	29,966	202,091
Other regions	22,522	28,017	188,947
Total	251,102	290,254	1,957,466
Property and equipment			
Japan	¥ 98,751	¥ 90,412	\$ 609,738
Australia	20,461	19,637	132,432
Other regions	8,614	7,608	51,308
Total	¥ 127,827	¥ 117,658	\$ 793,485

(Reclassification)

“UK,” which was included in “Other regions” in the previous fiscal year, is separately presented from the fiscal year under review due to the increased materiality of the amount. To reflect this change in presentation, “Total operating revenue” for the previous fiscal year has been reclassified.

As a result, ¥38,498 million presented in “Other regions” for the previous fiscal year has been reclassified into ¥15,976 million presented in “UK” and ¥22,522 million presented in “Other regions.”

(2) Impairment losses on property, plant and equipment

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Impairment losses			
Parking Business Japan	¥ 58	¥ —	\$ —
Parking Business International	80	389	2,625
Mobility Business	—	—	—
Total	¥ 139	¥ 389	\$ 2,625

26. Selling, general and administrative expenses

The major items of selling, general and administrative expenses for the fiscal years ended October 31, 2021 and 2022 are as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Salaries and bonuses	¥ 18,366	¥ 20,356	\$ 137,283
Provision for bonuses	3,144	2,447	16,500
Retirement benefit expenses	962	867	5,845
Remuneration and commission	7,609	7,061	47,619

(Reclassification)

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The disclosures of “Advertising and sales promotion expenses,” “Transfer and transportation expenses,” “Provision (reversal) of allowance for doubtful accounts,” “Directors’ and corporate auditors’ compensations and salaries,” “Provision for directors’ and corporate auditors’ bonuses,” “Legal welfare expenses,” “Rental expenses,” “Depreciation and amortization,” and “Amortization of goodwill,” which was presented as major items for the previous fiscal year have been omitted due to the decreased materiality of the amount.

27. Lease transactions

(1) Finance lease transactions

(As lessee)

1) Finance lease transactions without the transfer of ownership

The leased assets are mainly equipment, furniture and fixtures used for the parking business. For the depreciation method of leased assets, please refer to “(6) Property, plant and equipment and depreciation” of “2. Summary of significant accounting policies.”

2) Right-of-use assets of subsidiaries applying IFRS 16

The right-of-use assets are mainly the right of use for land under the lease agreement. For the depreciation method of right-of-use assets, please refer to “(14) Leases” of “2. Summary of significant accounting policies.”

(2) Operating lease transactions

(As lessee)

Future minimum lease payments for the fiscal years ended October 31, 2021 and 2022 for noncancelable operating lease were summarized as follows:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
2023	¥ 13,807	¥ 13,067	\$ 88,124
2024 and thereafter	227,300	212,532	1,433,315
Total	¥ 241,108	¥ 225,600	\$ 1,521,446

(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.

28. Related party transactions

There were no material related party transactions for the fiscal years ended October 31, 2021 and 2022.

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29. Per share information

The amounts of basic profit (loss) per share, net assets per share, and diluted profit (loss) per share for the fiscal years ended October 31, 2021 and 2022 are calculated as follows. Although there were potential shares of common stock, the amounts of diluted profit (loss) per share for the previous fiscal year are not presented because the Company posted loss attributable to owners of parent.

As described in “Changes in accounting policies,” the Company has adopted the *Accounting Standard for Revenue Recognition* and other related accounting standards from the beginning of the fiscal year ended October 31, 2022. As a result, basic profit per share and diluted profit per share for the fiscal year decreased by ¥ 2.11 (\$0.01) and ¥2.00 (\$0.01), respectively.

Fiscal years ended October 31	Yen		U.S. dollars
	2021	2022	2022
Net assets per share	105.93	¥ 234.46	1.58
Basic profit (loss) per share	¥ (75.45)	15.22	\$ 0.10
Diluted profit (loss) per share	—	14.41	0.10

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

Basic profit (loss) per share:

Fiscal years ended October 31	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Profit (loss) attributable to owners of parent	¥ (11,658)	¥ 2,477	\$ 16,704
Profit (loss) attributable to common shareholders of parent	(11,658)	2,477	16,704

Fiscal years ended October 31	Thousands of shares	
	2021	2022
Weighted average number of shares of common stock	154,512	162,717

Diluted profit (loss) per share:

Fiscal years ended October 31	Thousands of shares	
	2021	2022
Increase in shares of common stock	—	9,126
[Of which, share acquisition rights]	[—]	[—]
[Of which, convertible bonds]	[—]	[9,126]

30. 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.

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31. 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 ¥5,515 million and ¥4,385 million (\$29,572 thousand) in the fiscal years ended October 31, 2021 and 2022, respectively.

32. 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, 2021 and 2022 were as follows:

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

Millions of yen				
Carrying amount on the consolidated balance sheet				
	November 1, 2021	Change during the period	October 31, 2022	Market value as of October 31, 2022
Rental properties	¥ 32,400	¥ (600)	¥ 31,800	¥ 52,713

Thousands of U.S. dollars				
Carrying amount on the consolidated balance sheet				
	November 1, 2021	Change during the period	October 31, 2022	Market value as of October 31, 2022
Rental properties	\$ 218,506	\$ (4,046)	\$ 214,459	\$ 355,496

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, 2021 and 2022 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, 2021 and 2022 were as follows:

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

Millions of yen			
2022	Revenues	Expenses	Difference
Rental properties	¥ 4,066	¥ 1,481	¥ 2,584

Thousands of U.S. dollars			
2022	Revenues	Expenses	Difference
Rental properties	\$ 27,421	\$ 9,988	\$ 17,426

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33. Revenue recognition

- (1) Regarding net sales, revenue from contracts with customers and other revenues are not stated separately. The amount of revenue from contracts with customers is stated in “3. Information on operating results and depreciation and amortization by reportable segment and disaggregated revenue” in “Segment information.”
- (2) Useful information in understanding revenue is as stated in “(2) Recognition of significant revenues and expenses” in “2. Summary of significant accounting policies.”
- (3) Information on the reconciliation of satisfaction of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers that existed as of October 31, 2022 was as follows:

(i) Balance of contract liabilities, etc. as of October 31, 2022

	Millions of yen	
	November 1, 2021	October 31, 2022
Receivables arising from contracts with customers	¥ 18,606	¥ 20,783
Contract liabilities	464	708

	Thousands of U.S. dollars	
	November 1, 2021	October 31, 2022
Receivables arising from contracts with customers	¥ 125,477	¥ 140,161
Contract liabilities	3,131	4,772

The above amount of contract liabilities represents the balance of points awarded to customers for which performance obligations have not yet been satisfied as of October 31, 2022. Contract liabilities are reversed upon recognition of revenue.

Of the revenue recognized for the fiscal year ended October 31, 2022, the amount included in the beginning balance of contract liabilities was ¥464 million (\$3,131 thousand). The amount of revenue recognized for the fiscal year ended October 31, 2022 from the performance obligations that were satisfied in the past periods is immaterial.

(ii) Transaction price allocated to the remaining performance obligations

As there were no significant transactions for which an individual estimated contract period exceeds one year, the Group has applied the practical expedient and omitted the disclosure of remaining performance obligations. In addition, there was no significant consideration from contracts with customers that was not included in the transaction price.

34. Significant subsequent events

Not applicable.