

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

February 27, 2020

Company name: PARK24 Co., Ltd.	Stock listing: TSE1
Code number: 4666	URL : https://www.park24.co.jp/en
Representative: Koichi Nishikawa, President	
Inquiries: Kenichi Sasaki, Director, Senior Executive Corporate Officer	
	TEL : +81-3-3491-8924
Scheduled day of submission of securities report	: March 13, 2020
Scheduled day of commencing dividend payment	: –
Preparation of Supplementary Financial Data for Quarterly Financial Results	: Yes
Information meeting for quarterly financial results to be held	: Yes (For institutional investors and analysts)

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

1. Overview of the First Quarter of Fiscal Year Ending October 31, 2020 (November 1, 2019 – January 31, 2020)

(1) Consolidated Operating Results

(Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended January 31, 2020	80,786	2.2	5,118	-6.8	4,756	-10.5	2,567	-30.2
Three months ended January 31, 2019	79,062	9.0	5,493	9.6	5,314	7.1	3,678	13.1

(Note) Comprehensive income: Term ended January 31, 2020: 5,479 million yen (331.7%)
Term ended January 31, 2019: 1,269 million yen (-72.1%)

	Net profit per share	Net income per share after dilution
	Yen	Yen
Three months ended January 31, 2020	16.63	15.69
Three months ended January 31, 2019	23.79	22.41

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2020	326,804	82,298	25.0
As of October 31, 2019	293,097	90,791	30.8

(Reference) Shareholders' equity: As of January 31, 2020 : 81,840million yen
As of October 31, 2019 : 90,407million yen

2. Dividend status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of term	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	–	0.00	–	70.00	70.00
Fiscal 2020	–				
Fiscal 2020 (forecasts)		0.00	–	70.00	70.00

(Note) Revisions to dividend projection published most recently: None

3. Consolidated Forecasts for the Fiscal Year ending October 31, 2020 (November 1, 2019 - October 31, 2020)

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

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Interim	159,700	3.6	10,100	1.3	9,600	0.8	6,100	39.47
Full year	333,000	4.9	26,700	19.6	25,500	18.2	16,500	106.73

(Note) Revisions to consolidated results projection published most recently: None

*Notes

(1) Changes in significant subsidiaries during the period : No

(2) Application of specific accounting for preparing the quarterly consolidated financial statements : No

(3) Changes in accounting policies, accounting estimates or restatements

- 1) Changes associated with the revision of accounting principles, etc. : Yes
- 2) Change other than 1) : No
- 3) Changes in accounting estimates : No
- 4) Restatement : No

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock)	First quarter ended January 2020	155,016,369 shares	Fiscal year ended October 2019	154,974,269 shares
2) Number of treasury stock at the end of the term	First quarter ended January 2020	528,203 shares	Fiscal year ended October 2019	528,203 shares
3) Average number of shares during the term (consolidated cumulative period)	First quarter ended January 2020	154,451,679 shares	First quarter ended January 2019	154,635,987 shares

* This quarterly financial results reports are not required to be subjected to quarterly reviews.

* Statement regarding the proper use of financial forecasts and other special remarks

Forward-looking statements such as the forecasts for operating results contained in this material are based on currently available information that the Company has obtained and certain assumptions that the Company deems reasonable, and therefore, actual results may differ materially from the forecasts due to various factors. For assumptions used for the forecasts and cautions for the use of forecasts, please refer to "(3) Information on the future outlook, including consolidated business performance forecasts" on page 6 of accompanying materials.

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1. Qualitative Data, Financial Statements and Other Information

(1) Qualitative data on the consolidated financial results

During the first three months of the consolidated fiscal year ending October 31, 2020 (November 1, 2019 to January 31, 2020), although the Japanese economy maintained a high level of corporate earnings and employment conditions, it is showing some signs of weakness recently, with consumer spending dampened by the impact of the consumption tax hike. Overseas, the economic outlook remains uncertain, given concerns over the direction of trade friction caused by US trade policy and concerns over US monetary policy, the upheaval caused by Brexit, and economic slowdown in Australia. In addition, a novel coronavirus, which originated in the city of Wuhan in China's Hubei province restricted economic activities in China, causing disruption to manufacturing supply chains and slowdown, and it is feared that the virus may have knock-on effects for the global economy.

In this environment, the PARK24 GROUP companies (the "Group") sought to expand the four networks of people (members), cars (mobility), communities (destinations) and parking, setting medium-term targets for 2024 of 1 million parking spaces at sites in Japan, 100,000 mobility vehicles and 10 million members, in pursuit of the new Group philosophy, "We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow" and sought to create new services that connect those networks seamlessly. To summarize, in the parking and car share businesses in Japan, net sales grew steadily due to expansion in business scale and measures in response to the consumption tax hike. Meanwhile, selling, general and administrative expenses increased, reflecting head office building depreciation expenses associated with head office relocation in the second half of the previous fiscal year and expenses associated with the installation and development of Times TOWER payment machines.

As a result, in the first three months of the consolidated fiscal year under review, the Group posted net sales of 80,786 million yen (+2.2% year on year), operating profit of 5,118 million yen (-6.8% year on year) and recurring profit of 4,756 million yen (-10.5% year on year), and profit attributable to owners of parent of 2,567 million yen (-30.2% year on year). Results by business segment are as follows:

Parking Business in Japan

In response to the consumption tax hike from October 1, 2019, the Group decided to change parking rates at all parking sites across Japan and began phasing in the new rates from October 1, 2019. As of the end of January 2020, rates had been changed at almost all parking sites. Additionally, since January, the Group has been making further optimization of rates at certain parking sites to reflect occupancy and geographical area, aiming to maximize revenue at individual parking sites. In terms of new development, the Group pushed ahead with the development of highly profitable parking through operation proposal marketing and community-based attentive marketing activities to companies that hold parking facilities.

As a result, in the first three months of the consolidated fiscal year under review, the numbers of Times PARKING facilities and parking spaces managed were 19,177, +1.4% from the end of the previous fiscal year, and 612,776, +1.4%, respectively. The total number of parking sites managed, including monthly parking and facility management services, rose 1.4% from the end of the previous fiscal year, to 20,613, and the total number of parking spaces managed increased 1.2%, to 765,099.

Net sales in this segment (including intersegment sales) stood at 44,642 million yen (+10.5% year on year), and operating profit amounted to 7,549 million yen (+8.0%).

Parking Business Overseas

The Group pursued initiatives in each country and region, such as strengthening sales personnel, developing parking sites and improving the parking operation system, and also started steering new development and development in each country progressed. The Group sought to ensure the profitability of existing facilities by making changes to parking rates based on occupancy and also continuing to focus on improving the efficiency of parking facility management.

As a result, the numbers of overseas parking sites and parking spaces managed at the end of the term under review were 2,714, +3.2% from the end of the previous fiscal year, and 690,017, +3.6%, respectively, and the total numbers of parking sites and parking spaces managed worldwide were 23,327, +1.6% from the end of the previous fiscal year and 1,455,116, +2.4%, respectively.

Net sales in this segment (including intersegment sales) was 16,466 million yen (-5.4% year on year). Operating profit was 132 million yen (operating loss on same period of last year was 103 million yen).

Mobility Business

Starting from the first three months under review, TIMES MOBILITY CO., LTD., a new company formed through the integration of rent-a-car service business entities and car sharing service business entities, has been operating the Mobility Business. This will further drive the development of Times CAR services, which combine the strengths of the rent-a-car service and the car sharing service in order to promptly provide customers with high-quality services that are more convenient and easier to use. The transfer of the car sharing service from TIMES24 CO., LTD., which is a subsidiary of the Company, to TIMES MOBILITY CO., LTD., which is also a subsidiary of the Company, led to the occurrence of further intersegment transactions in the Parking Business in Japan and Mobility Business segments.

The Group strengthened the rent-a-car-service through a range of measures including renewal of its multilingual booking website to meet growing inbound demand ahead of Tokyo 2020 and the introduction of voice-based translation devices for non-Japanese customers.

In the car sharing service, the Group steadily increased the number of vehicles deployed and also sought to expand use among corporate members. As a result, the number of stations of car sharing services at the end of the first three months under review was 12,806 stations, increasing 1.3% from the end of the previous fiscal year, the number of vehicles deployed was 27,309, edging up 0.8% from the end of the previous fiscal year, and the number of car sharing members was 1,344,648, rising 3.0% from the end of the previous fiscal year.

As a result, the total number of vehicles in the Mobility Business as a whole at the end of the first three months under review was 57,738 units, unchanged from the end of the previous fiscal year (of which, the number of vehicles in the car sharing service was 27,309 units). The net sales of this business (including intersegment net sales) were 20,907 million yen, down 2.1% year on year, and the operating profit was 913 million yen, down 34.3% year on year.

(2) Qualitative data on the consolidated financial position

(i) Assets, liabilities and net assets

Total assets at the end of the first three months of the fiscal year under view increased 33,707 million yen from the end of the previous fiscal year, to 326,804 million yen. The main changes in assets were increases of right-of-use assets of 30,606 million yen and other current assets including accounts receivable-other of 2,294 million yen and a decrease of machinery, equipment and vehicles of 2,926 million yen.

Total liabilities increased 42,201 million yen, to 244,506 million yen. The main changes in liabilities were increases of other non-current liabilities including lease obligations of 33,952 million yen and short-term and long-term loans payable of 9,134 million yen, and a decrease of income taxes payable of 2,409 million yen.

Net assets fell 8,493 million yen, to 82,298 million yen as a result of an increase of 2,567 million yen due to the posting of profit attributable to owners of parent, an increase of 2,766 million yen in foreign currency translation adjustments and a decrease of 10,811 million yen due to dividend payments out of retained earnings.

(ii) Cash flow condition

The balance of cash and cash equivalents at the end of the first three months under review increased 583 million yen from the end of the previous consolidated fiscal year, to 25,248 million yen. The cash-flow situation by category for the first three months under review was as follows:

(Net cash from operating activities)

Net cash provided by operating activities increased 2,738 million yen year on year, to 12,518 million yen. This primarily reflected the total of depreciation and amortization and profit before income taxes of 14,390 million yen

and income taxes paid of 3,441 million yen.

(Net cash from investing activities)

Net cash used in investing activities decreased 3,158 million yen year on year, to 6,131 million yen. This figure primarily reflects purchases of property, plant, and equipment of 5,460 million yen associated with the opening of Times PARKING facilities and the acquisition of vehicles for service, and purchase of long-term prepaid expenses of 799 million yen.

(Net cash from financing activities)

Net cash used in financing activities decreased 2,727 million yen year on year, to 6,160 million yen. This was chiefly attributable to a net increase in short-term loans payable of 7,611 million yen, repayments of lease obligations of 3,206 million yen and cash dividends paid of 10,823 million yen.

(3) Information on the future outlook, including consolidated business performance forecasts

The consolidated earnings forecasts for the fiscal year ending October 31, 2020 have not been changed from the figures announced on December 16, 2019 in the Consolidated Financial Report for the Fiscal Year Ended October 31, 2019.

The impact of the spread of the novel coronavirus on the Group's consolidated business performance during the fiscal year ending October 31, 2020 is currently unclear. If the need to revise the consolidated business performance forecasts announced on December 16, 2019 arises, the Group will make an announcement in a timely manner.

2. Consolidated Financial Statements and Notes

(1) Consolidated balance sheet

(Unit: million yen)

	As of October 31, 2019	As of January 31, 2020
Assets		
Current assets		
Cash and deposits	24,881	25,476
Notes and accounts receivable - trade	18,175	18,660
Inventories	1,590	1,812
Other	30,163	32,457
Allowance for doubtful accounts	-198	-183
Total current assets	74,611	78,223
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	33,783	34,150
Machinery, equipment and vehicles, net	55,803	52,876
Land	25,888	26,066
Leased assets, net	17,049	16,870
Right of use assets, net	—	30,606
Other, net	10,089	10,514
Total property, plant and equipment	142,615	171,083
Intangible assets		
Goodwill	37,377	39,442
Contract-based intangible assets	13,739	14,697
Other	3,624	3,893
Total intangible assets	54,741	58,033
Investments and other assets		
Other	21,129	19,463
Total investments and other assets	21,129	19,463
Total non-current assets	218,485	248,580
Total assets	293,097	326,804
Liabilities		
Current liabilities		
Notes and accounts payable - trade	819	731
Short-term borrowings	18,078	26,770
Lease obligations	5,385	13,915
Income taxes payable	4,395	1,985
Provision for bonuses	2,318	1,169
Other	40,224	43,232
Total current liabilities	71,222	87,805
Non-current liabilities		
Bonds with share acquisition rights	35,000	35,000
Long-term borrowings	70,698	71,141
Lease obligations	10,217	35,639
Retirement benefit liability	385	124
Asset retirement obligations	8,779	8,869
Deferred tax liabilities	2,393	2,414
Other	3,608	3,511
Total non-current liabilities	131,082	156,701
Total liabilities	202,305	244,506

(Unit: million yen)

	As of October 31, 2019	As of January 31, 2020
Net assets		
Shareholders' equity		
Share capital	20,087	20,134
Capital surplus	15,674	15,838
Retained earnings	63,004	51,386
Treasury stocks	-1,255	-1,255
Total shareholders' equity	97,511	86,104
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	140	153
Deferred gains or losses on hedges	-143	-155
Revaluation reserve for land	-1,052	-1,052
Foreign currency translation adjustment	-4,883	-2,117
Remeasurements of defined benefit plans	-1,163	-1,092
Total accumulated other comprehensive income	-7,103	-4,263
Share acquisition rights	163	145
Non-controlling interests	220	312
Total net assets	90,791	82,298
Total liabilities and net assets	293,097	326,804

(2) Consolidated statements of profit and loss, and comprehensive income
(Consolidated statement of profit and loss First quarter of Fiscal 2020)

	(Unit: million yen)	
	Three months ended January 31, 2019 (November 1, 2018- January 31, 2019)	Three months ended January 31, 2020 (November 1, 2019- January 31, 2020)
Net sales	79,062	80,786
Cost of sales	60,512	61,629
Gross profit	18,549	19,156
Selling, general and administrative expenses	13,056	14,038
Operating profit	5,493	5,118
Non-operating income		
Interest income	2	5
Dividend income	2	2
Share of profit of entities accounted for using equity method	6	—
Void ticket	47	48
Foreign exchange gains	1	—
Subsidy income	—	124
Other	52	66
Total non-operating income	114	248
Non-operating expenses		
Interest expenses	179	435
Share of loss of entities accounted for using equity method	—	64
Expense incurred for evacuation of parking facilities	65	65
Foreign exchange losses	—	1
Other	48	43
Total non-operating expenses	293	610
Recurring profit	5,314	4,756
Extraordinary income		
Gain on sales of non-current assets	—	3
Total extraordinary income	—	3
Extraordinary losses		
Impairment loss	—	56
Loss on retirement of non-current assets	—	24
Total extraordinary losses	—	81
Profit before income taxes	5,314	4,678
Income taxes - current	1,230	1,441
Income taxes - deferred	327	597
Total income taxes	1,558	2,038
Profit	3,756	2,639
Profit attributable to non-controlling interests	78	71
Profit attributable to owners of parent	3,678	2,567

(Consolidated statement of comprehensive income First quarter of Fiscal 2020)

(Unit: million yen)

	Three months ended January 31, 2019 (November 1, 2018- January 31, 2019)	Three months ended January 31, 2020 (November 1, 2019- January 31, 2020)
Profit	3,756	2,639
Other comprehensive income		
Valuation difference on available-for-sale securities	-10	13
Deferred gains or losses on hedges	-65	-12
Foreign currency translation adjustment	-2,418	2,970
Remeasurements of defined benefit plans, net of tax	50	71
Share of other comprehensive income of entities accounted for using equity method	-42	-204
Total other comprehensive income	-2,486	2,839
Comprehensive income	1,269	5,479
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,191	5,407
Comprehensive income attributable to non-controlling interests	78	71

(3) Consolidated statement of cash flows

(Unit: million yen)

	Three months ended January 31, 2019 (November 1, 2018- January 31, 2019)	Three months ended January 31, 2020 (November 1, 2019- January 31, 2020)
Cash flows from operating activities		
Profit before income taxes	5,314	4,678
Depreciation	7,507	9,711
Impairment loss	—	24
Amortization of goodwill	601	546
Interest and dividend income	-5	-8
Interest expenses	179	435
Loss (gain) on sales of non-current assets	—	-3
Loss on retirement of non-current assets	—	56
Decrease (increase) in trade receivables	193	-189
Decrease (increase) in inventories	3,677	2,019
Increase (decrease) in trade payables	274	-92
Decrease (increase) in accounts receivable - other	534	233
Decrease (increase) in prepaid expenses	-594	272
Increase (decrease) in accounts payable - other	-523	-221
Increase (decrease) in accrued expenses	-7	-1,831
Notes payable, other	74	-279
Other, net	-2,766	1,020
Subtotal	14,460	16,374
Interest and dividends received	5	8
Interest paid	-144	-423
Income taxes paid	-4,540	-3,441
Net cash provided by (used in) operating activities	9,780	12,518
Cash flows from investing activities		
Purchase of property, plant and equipment	-8,027	-5,460
Proceeds from sales of property, plant and equipment	0	4
Purchase of intangible assets	-271	-367
Purchase of long-term prepaid expenses	-742	-799
Payments for investments in capital	-169	—
Other, net	-79	490
Net cash provided by (used in) investing activities	-9,290	-6,131
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,701	7,611
Proceeds from long-term borrowings	—	218
Repayments of long-term borrowings	-1,259	-33
Repayments of lease obligations	-1,403	-3,206
Proceeds from issuance of shares	153	70
Dividends paid	-10,823	-10,820
Dividends paid to non-controlling interests	-256	—
Net cash provided by (used in) financing activities	-8,888	-6,160
Effect of exchange rate change on cash and cash equivalents	-277	357
Net increase (decrease) in cash and cash equivalents	-8,675	583
Cash and cash equivalents at beginning of period	29,785	24,664
Cash and cash equivalents at end of period	21,110	25,248

(4) Matters Related to Summary Information (Notes)

[Note on going concern assumptions]

Not applicable.

[Note when there is a considerable change in the amount of shareholders' equity.]

Not applicable.

[Changes in accounting policies]

Some foreign consolidated subsidiaries which apply IFRS applied IFRS 16 Leases starting from the first quarter under review. Accordingly, a lessee is now required to recognize assets and liabilities arising from almost all lease transactions on its balance sheet. On application of this accounting standard, the transition option of recognizing the cumulative effect of initially applying the new standard at the date of initial application was adopted.

Application of this accounting standard resulted in increases of 30,606 million yen in rights-of-use assets under property, plant and equipment, 8,571 million yen in lease obligations under current liabilities and 25,490 million yen in lease obligations under non-current liabilities in the consolidated balance sheets for the first quarter under review.

The impact of application on profit and loss for the first three months under review is insignificant.

[Segment information]

I. First quarter of fiscal 2019 (from November 1, 2018 to January 31, 2019)

Information on sales and profits or losses by reported segment

(Unit: million yen)

	Reported segments				Adjustment (Note) 2	Amount on consolidated profit and loss statement (Note) 3
	Parking Business	Parking Business Overseas (Note) 1	Mobility Business	Total		
Sales						
Sales to external customers	40,326	17,404	21,331	79,062	—	79,062
Internal sales or amount of transfer between segments	58	—	26	85	-85	—
Total	40,384	17,404	21,358	79,147	-85	79,062
Segment profit (loss)	6,991	-103	1,390	8,278	-2,785	5,493

(Note)

- 1 The segment loss 103 million yen in Parking Business Overseas includes an amortization of goodwill of -562 million yen.
- 2 An adjustment of -2,785 million yen in segment profit (loss) includes an amortization of goodwill of -38 million yen, and Company-wide expenses of -2,746 million yen. Company-wide expenses are mainly expenses that do not belong to either of the reported segments. Those expenses are relating to the administration division, including the general affairs department.
- 3 Segment profit (loss) is adjusted in accordance with operating income in the consolidated profit and loss statement.

II. First quarter of fiscal 2020 (from November 1, 2019 to January 31, 2020)

Information on sales and profits or losses by reported segment

(Unit: million yen)

	Reported segments				Adjustment (Note) 2	Amount on consolidated profit and loss statement (Note) 3
	Parking Business	Parking Business Overseas (Note) 1	Mobility Business	Total		
Sales						
Sales to external customers	43,441	16,466	20,878	80,786	—	80,786
Internal sales or amount of transfer between segments	1,201	—	29	1,230	-1,230	—
Total	44,642	16,466	20,907	82,017	-1,230	80,786
Segment profit (loss)	7,549	132	913	8,594	-3,476	5,118

(Note)

- 1 The segment profit 132 million yen in Parking Business Overseas includes an amortization of goodwill of -546 million yen.
- 2 An adjustment of -3,476 million yen in segment profit (loss) includes an amortization of goodwill of -0 million yen, and Company-wide expenses of -3,475 million yen. Company-wide expenses are mainly expenses that do not belong to either of the reported segments. Those expenses are relating to the administration division, including the general affairs department.
- 3 Segment profit (loss) is adjusted in accordance with operating income in the consolidated profit and loss statement.
- 4 During the first quarter under review, TIMES24 CO., LTD., which is a subsidiary of the Company, transferred its car sharing service to TIMES MOBILITY CO., LTD., which is also a subsidiary of the Company, in an absorption-type split. This led to the occurrence of further intersegment transactions in the Parking Business in Japan and Mobility Business segments.