

Park24 Co., Ltd.

Park24 Co., Ltd.
Annual Report 2015



MAKING CITIES MORE COMFORTABLE

Annual Report 2015

Year ended October 31, 2015



Guided by the corporate slogan “People, Cars, and Communities,” the Park24 Group operates convenient hourly parking facilities available 24 hours a day, 365 days a year, and provides mobility services that utilize these parking sites, such as car rental and car sharing services. The Group aspires to be a “Transportation infrastructure service company” essential to Japan’s automobile society.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements regarding the Company’s plans, strategies, and outlook for the future. All forward-looking statements are based on judgements derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company’s actual results to differ materially from any projections presented in this report.

President's Message

Our ambition to take on new challenges, a key component of Park24's DNA ever since the Company was founded, has provided the impetus for the Park24 Group to attain its current business scale. The Group has grown into the leader in the hourly parking facility market and car sharing market in Japan and, with safety, convenience, and environmental friendliness as our watchwords, will continue to embrace new challenges with the aim of creating a comfortable automobile society.

We hope that this annual report will give our stakeholders a better understanding of the Park24 Group and its activities.



K. Nishikawa

KOICHI NISHIKAWA

President and Representative Director

President's Message

Sales and Profit Increases in Fiscal 2015

I am pleased to report to our shareholders the Company's business results in fiscal 2015, ended October 31, 2015.

In fiscal 2015, the first year of the medium-term management plan announced last year for the three-year period from fiscal 2015 to 2017, the Company got off to a solid start toward achieving recurring profit of ¥24.0 billion, the most important target in the plan, thanks in part to higher profits from the car sharing service.

To achieve the Park24 Group's aspirational goal of creating a comfortable automobile society, we continued efforts to strengthen the earnings foundation by increasing the total number of parking sites and spaces managed in the Parking Business, increasing the scale and achieving profitability from the car sharing service, and improving the service quality of the rent-a-car service.

As a result, the Company posted sales and profit increases for a second consecutive year, recording net sales of ¥179.7 billion (a 7.6% increase year on year), operating profit of ¥18.7 billion (a 6.7%

increase), recurring profit of ¥18.6 billion (a 6.2% increase), and record-high net income of ¥11.5 billion (an 11.2% increase).

Steady Progress with Business Strategies

In the Parking Business, the Group developed *Times* parking facilities by finely tuning operational focus on individual markets to clearly identify local circumstances and engage in business operations rapidly and meticulously. This has made it possible to improve operating efficiency and implement measures optimized for each operating area.

In the *Times Car PLUS* car sharing service, part of the Mobility Business, the Group continued efforts to make the service easier for members to use by deploying vehicles at Shinkansen stations, airports, and other traffic nodes. In addition, a steady increase in the number of members contributed to sales growth. Profit increased substantially as a result of successful cost reduction measures, such as fuel efficiency improvement.

The Company established Times Innovation

**"The Company achieved a profit increase from
the car sharing business and record-high net income."**

Capital Co., Ltd., the Group's corporate venture capital farm, with the aim of creating new services by maximally leveraging the business infrastructure the Group has established to date.

Aiming for Record-High Earnings in Fiscal 2016

The Company considers fiscal 2016, the second year of the three-year medium-term management plan, an important year for achieving the plan objectives. In the Parking Business, the Group will increase the number of parking sites developed and continue to engage in operations closely attuned to local needs. We will also foster loyalty among corporate customers by increasing the number of contracts for the Times Business Card, a corporate payment card that enables customers to defer payment of fees when using *Times* parking facilities, the rent-a-car service, and the car sharing service.

In the Mobility Business, the Group will seek to bolster the profitability of the car sharing service, which delivered substantial profit growth in fiscal

2015. Specifically, we will work to expand the fleet, including actively deploying vehicles at locations other than *Times* parking facilities in collaboration with companies in other industries.

The Company aims to post record-high net sales and earnings in fiscal 2016 by achieving consolidated net sales of ¥192.0 billion (a 6.8% increase year on year) and recurring profit of ¥21.0 billion (a 13.0% increase).

Returning Profits to Shareholders

The Park24 Group emphasizes dividends as a means of returning profits to shareholders. We pay dividends to shareholders to ensure the maximum level of profit distribution from surplus funds that remain beyond internal reserves required as investment capital.

The Company raised the dividend for fiscal 2015 by ¥5 to ¥55 per share, representing a dividend payout ratio of 69.2%. Since the Company anticipates further profit growth in fiscal 2016 (ending October 31, 2016), we forecast an additional dividend increase of ¥5 to ¥60 per share, for a dividend payout ratio of 64.7%.

"The most important target is recurring profit of ¥24.0 billion in the final year of the medium-term management plan."

Our History

The history of Park24 began with the establishment in 1971 of Nishikawa Shokai, the forerunner of today's Park24 Group. The fledgling company started out selling No Parking signs and subsequently entered the parking facility equipment sales business.

Park24 was later spun off from Nishikawa Shokai and opened the first *Times* 24-hour unmanned hourly parking facility in Tokyo's Ueno district in 1991. Since then, the Company has continued to expand the Parking Business, setting a

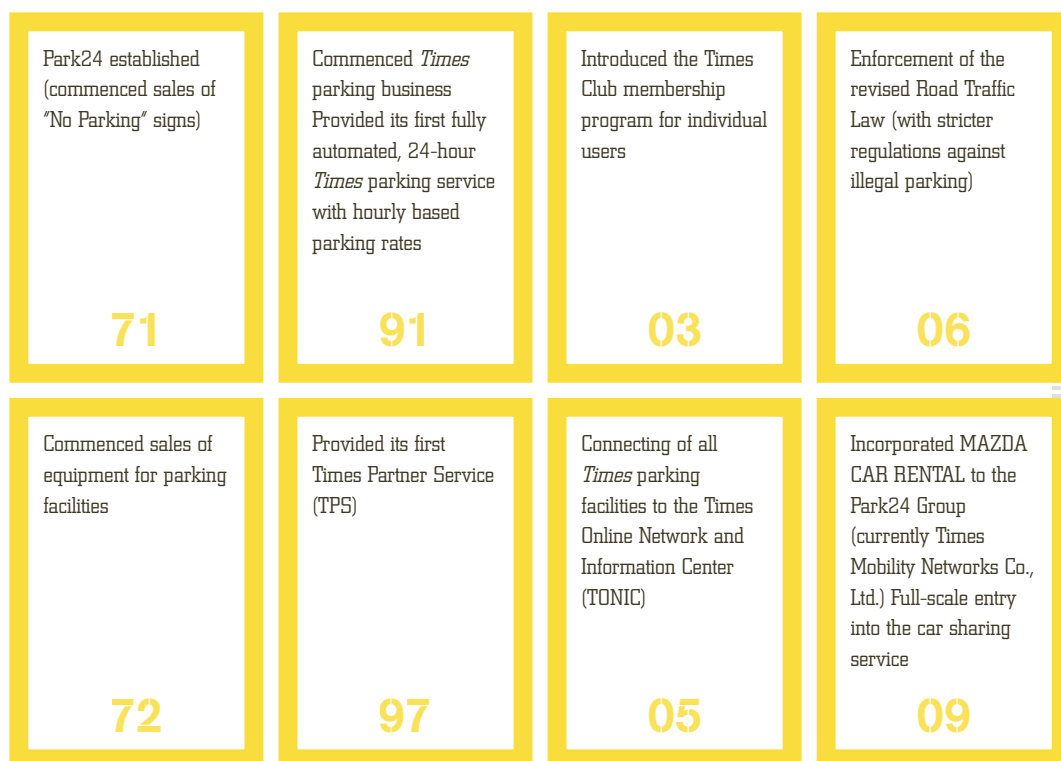
new sales record in fiscal 2015. We are far and away the market share leader for hourly parking facilities in Japan and constantly lead the way in the market.

In 2009, the Group entered the Mobility Business, consisting of a car rental service and car sharing service, building on the solid foundation established in the Parking Business. *Times Car PLUS* is the only car sharing service to achieve profitability in the Japanese market, and it is driving market growth.

150

100

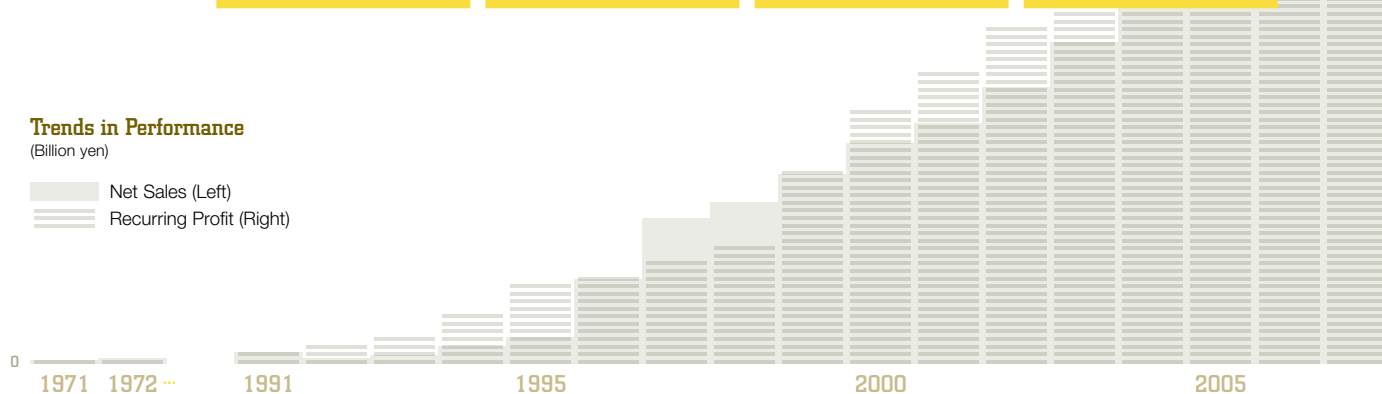
50



Trends in Performance

(Billion yen)

Net Sales (Left)
Recurring Profit (Right)



Number of Park24
parking facilities
surpassed 10,000

11

Renamed the rental
car service brand
Times Car RENTAL
and the car sharing
service brand *Times
Car PLUS*

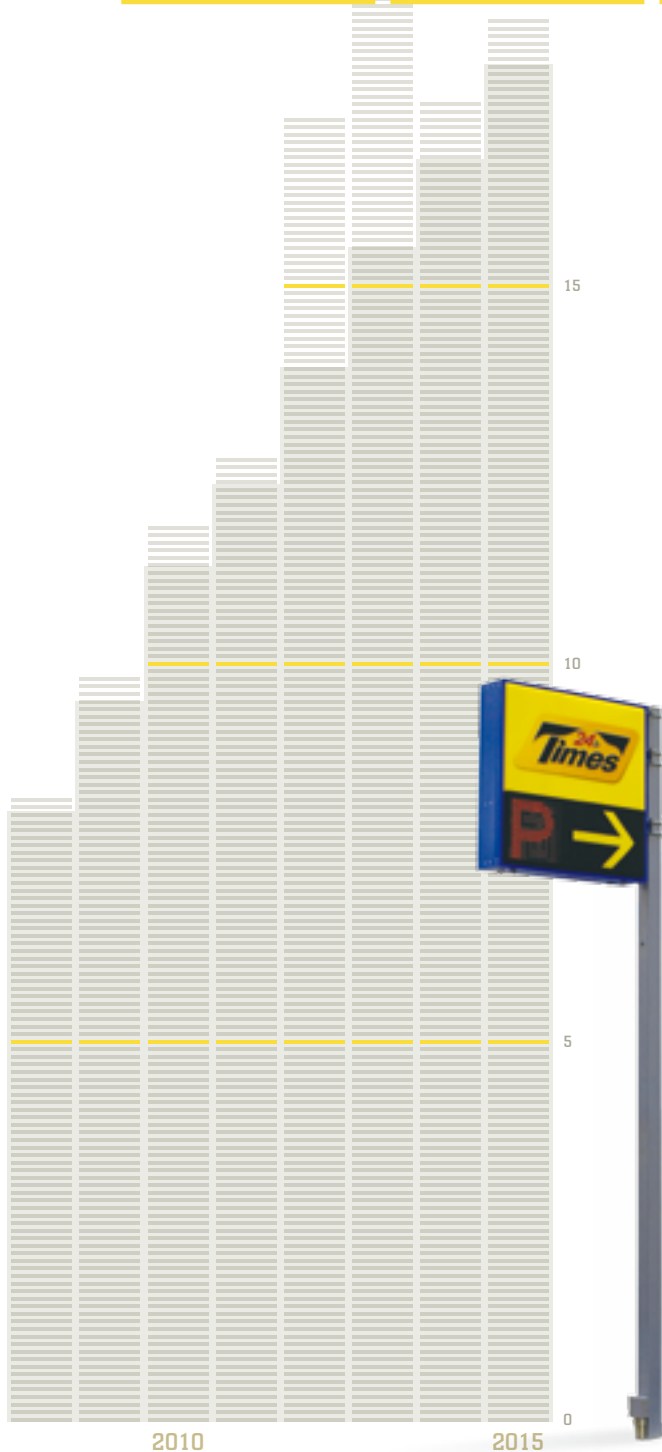
13

Japan's pioneer car
sharing service
reaches profitability
for the first time

14

The Company
establishes Times
Innovation Capital Co.,
Ltd.

15



SPECIALIST



An aerial, high-angle photograph of a highway interchange at night, illuminated by yellow streetlights. The image shows multiple lanes of traffic flowing in different directions. Below the highway, there is a large parking lot filled with numerous cars, mostly white and dark-colored. A 'STOP' sign is visible on the right side of the parking lot. The overall scene conveys a sense of urban infrastructure and transportation.

Our Sustainable Growth Story

ACTIVIST



To create a comfortable automobile society, the Park24 Group rents from individual and corporate landowners vacant lots that are unsuited to building construction and difficult to utilize for other purposes and effectively utilizes them to provide hourly parking facilities and various other services. In Japan, a chronic shortage of parking facilities leads to nuisance parking and illegal parking that cause traffic jams and other problems. The Park24 Group has made relieving this source of stress in Japan's automobile society its mission and has focused on and grown the hourly parking facilities business.

One factor that supports the Group's growth is the introduction of information technology at all managed parking facilities, which has made it possible to utilize enormous volumes of accumulated data, such as parking facility utilization, to develop and operate more convenient parking facilities. We also apply this data in the car sharing business, which is rapidly growing in Japan, to achieve a growth rate that far outstrips competitors.

Our Vision for the Future Society

A photograph taken from the driver's perspective inside a car. The car is driving on a multi-lane bridge with a large suspension structure in the background. The sky is a mix of orange, pink, and blue, indicating sunset or sunrise. Several other cars are visible on the bridge, including a white SUV in the left lane. The car's dashboard and side mirror are visible in the foreground.

Through its business operations, the Park24 Group aspires to serve as a bridge linking “people, cars, and communities” and realize a “comfortable automobile society for everyone,” or in other words, to create a stress-free, worry-free environment in which people can use cars anytime and anywhere. By carrying on the ambition to take on new

challenges that has been a key component of the corporate DNA ever since Park24 was founded and continuing to create new mobility services marked by comfort and environmental friendliness, we aim to contribute to development of Japan’s automobile society and realize a sustainable automobile society.

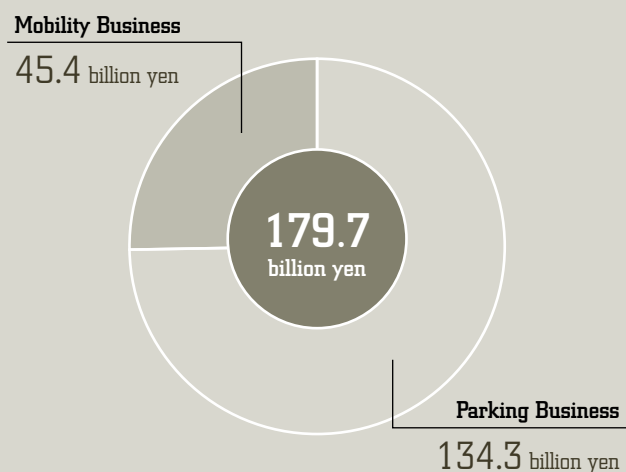


BONDS

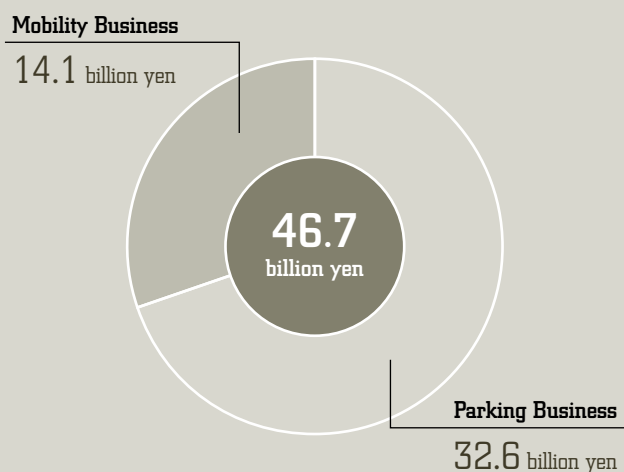
Highlights

FY2015	Medium-Term Plan Targets	FY2015	Medium-Term Plan Targets
Recurring Profit 18.6 billion yen	Recurring Profit 24.0 billion yen	Net Income 11.5 billion yen	Net Income 14.5 billion yen
EPS 79.45	EPS 100	Number of Times Parking Sites 14,987	Number of Times Parking Sites 18,000
Number of Mobility Vehicles 39,020	Number of Mobility Vehicles 50,000	Number of Times Parking Spaces 499,473	Number of Times Parking Spaces 600,000

Sales by Segments

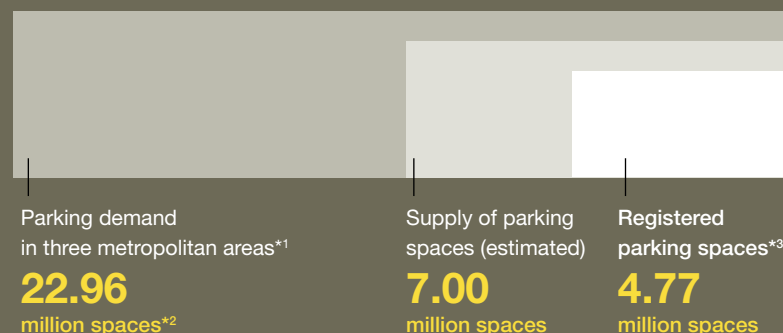


Gross Profit by Segments



Market Environment

Parking Sites Supply and Demand

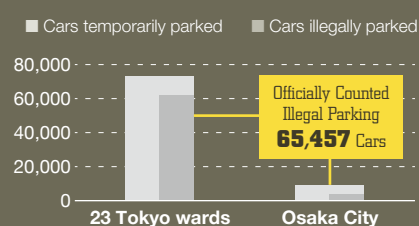


*1 The three metropolitan areas are the Tokyo area (Saitama, Chiba, Tokyo, and Kanagawa), the Chukyo area (Aichi and Mie), and the Kansai area (Osaka, Kyoto and Hyogo).

*2 The number of trips, excluding those for returning home and to the company. Only private automobiles are counted.
Source: Japan Parking Facilities Promotion Organization "Parking Facilities Guide Book"

*3 The figure is not the number of spaces in the entire parking market. (Small hourly parking spaces are not included.)
The only official number of parking spaces available is the number covering parking sites registered by the law: 4.77 million spaces. They include fee-charging parking sites exceeding 500 square meters, parking sites attached to residential or commercial buildings, and parking meters on the streets.

Number of Cars Temporarily Parked



* Number of automobiles counted on roads satisfying fixed standards in a fixed daytime period on a weekday.

* Metropolitan Police Department, Osaka Prefectural Police (2014)

Management of Parking Facilities on Idle Land

Unused land and potential parking spaces in the two largest urban areas

	Unused land*1	Unused land translated into parking spaces	ST spaces*2	Share in unused land
23 wards in Tokyo	16.7 km ²	668,000	24,349	3.5%
5 wards in central Tokyo*3	1.8 km ²	71,320	5,301	6.9%
Osaka Prefecture	9.9 km ²	397,332	22,688	5.4%

*1 Source: Tokyo Statistical Yearbook 2012, land areas and weather (Research Section, Statistics Division, Bureau of General Affairs, Tokyo Metropolitan Government).
Osaka Statistical Report for 2012 (calculated based on "Other" of land used for purposes other than buildings)

*2 Number of spaces (as the end of Oct. 2015)

*3 Chuo-ku, Minato-ku, Chiyoda-ku, Shinjuku-ku, and Shibuya-ku

Management of Parking Sites on Commercial Facilities

	②/①	① Number of stores*1	② TPS sites*2
Nationwide	3.2%	29,607	958
Tokyo area*3	6.0%	8,405	503
Tokyo Metropolis	4.9%	3,124	154
Kansai area*4	8.9%	3,330	295
Osaka Prefecture	10.7%	1,601	172

	②/①	① Number of parking spaces*1	② TPS parking spaces*2
Nationwide	8.3%	2,432,533	201,350
Tokyo area*3	17.5%	570,819	99,614
Tokyo Metropolis	20.6%	104,304	21,513
Kansai area*4	20.3%	248,262	50,635
Osaka Prefecture	20.7%	113,532	23,445

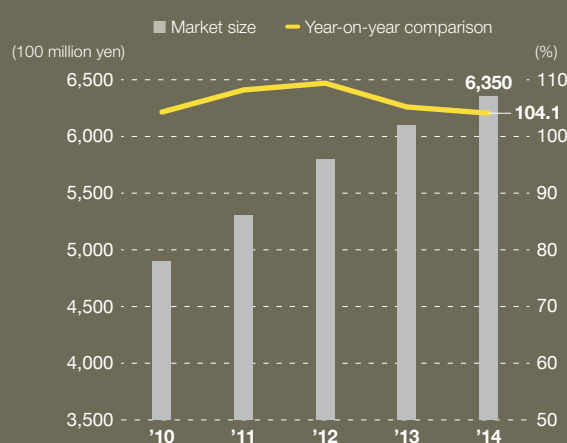
*1 Source: All Japan supermarket information (as the end of Oct. 2010)

*2 TPS spaces for retail sites (as the end of Oct. 2015), is the sum of spaces at supermarkets, drug stores, department stores, and commercial complexes

*3 Tokyo area: Saitama, Chiba, Tokyo, and Kanagawa

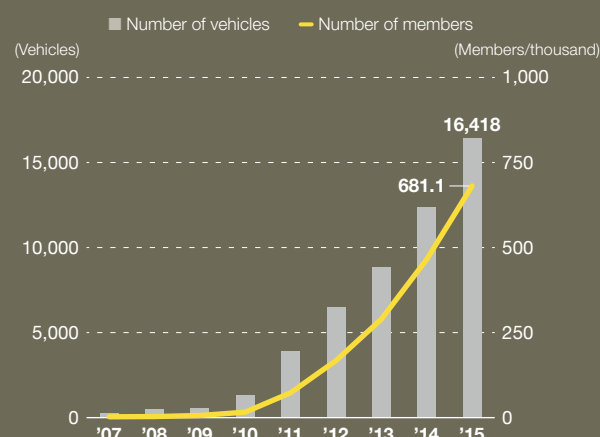
*4 Kansai area: Osaka, Kyoto and Hyogo

Change in Size of Rent-a-Car Market



* Source: Present and Future of Rental Car and Carsharing Industry 2015 (Yano Research Institute Ltd.)

Change in Size of Car Sharing Market



* Numbers in 2007-2014 were researched in January each year. Numbers in 2015 were in March;
Source: Foundation for Promoting Personal Mobility and Ecological Transportation





POWER

The Parking Business, the Park24 Group's core business, consists of Standard Times (ST), the leasing of land from owners and operation of parking facilities, and Times Partner Service (TPS), the operation of customer parking facilities at commercial facilities and other locations. The Group is the industry leader in both parking sites and parking spaces, operating approximately 15,000 sites and 500,000 spaces.

The Park24 Group is a pioneer in the Japanese parking industry, having opened the first 24-hour, fully automated

hourly parking facilities. The Group has improved its business model by developing various types of parking facilities and associated services to provide convenience and profits to parking facility users, parking site landowners, and other stakeholders. The Group has established a position of overwhelming leadership in the parking industry in terms of both scale of operations and business results.

Parking Business



FY2015 Overview & Outlook

Overview of Consolidated Business Performance in Fiscal 2015

In fiscal 2015, the Group continued to concentrate on developing the area management system in the Parking Business, newly opening 10 sales bases to bring the total number to 29 bases at the end of the fiscal year. We also steadily captured outsourcing demand from medical corporations and other commercial facilities.

During fiscal 2015, 1,697 *Times* parking sites and 61,037 parking spaces were newly developed. The number of managed parking sites and managed parking spaces at the end of the fiscal year, the foundation for future earnings, rose to 14,987 sites (a 7.1% increase from the end of the previous term) and 499,473 spaces (a 6.1% increase), respectively. As a result, net sales from the Parking Business were ¥134.3 billion, and operating profit was ¥23.0 billion.

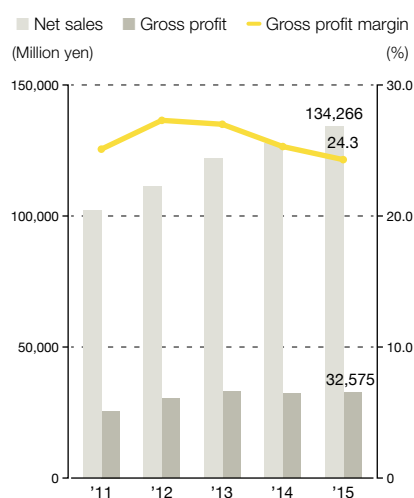
Outlook for Fiscal 2016

In fiscal 2016, the Park24 Group will continue to focus on operations closely attuned to local needs and engage in meticulous development and management of parking sites and facilities operation measures. We will also build loyalty among corporate customers by increasing the number of contracts for the *Times* Business Card, a corporate payment card that enables corporate customers to defer payment of fees when using *Times* parking facilities, the rent-a-car service, and the car sharing service. Furthermore, we will step up efforts to prepare an environment to enable customers to use electronic money and seek further diversification of settlement methods in order to increase customer convenience.

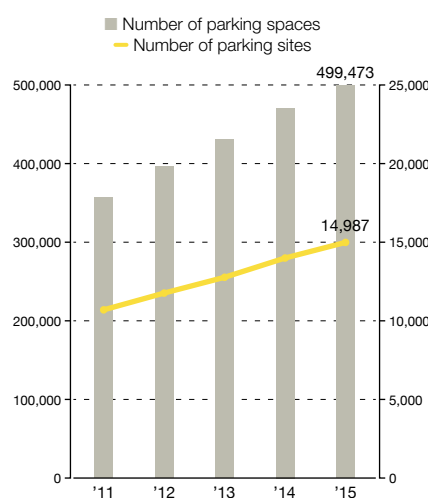
The Group will continue to accelerate parking site development and plans to increase the numbers of managed *Times* parking sites and managed parking spaces to 15,987 and 531,473, respectively, in fiscal 2016.

Through these initiatives, the Company plans to generate net sales of ¥141.0 billion and operating profit of ¥24.8 billion from the Parking Business.

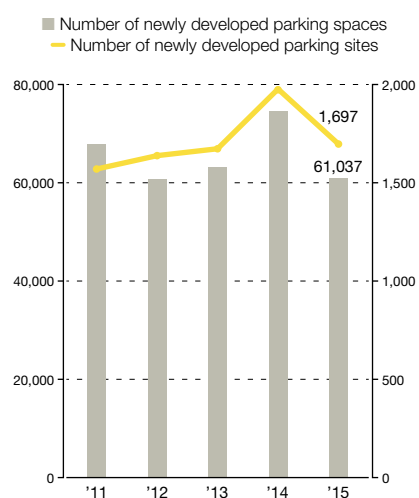
Net Sales and Gross Profit and Gross Profit Margin



Number of Parking Spaces and Parking Sites



Number of Newly Developed Parking Spaces and Sites



Our Strengths

Strength 1

Largest Numbers of Development and Sales Staff and Office Locations in Japan

1. Know-how

Know-how developed from operating the first Japanese 24-hour, unmanned hourly parking facility, started by Park24 in 1991.

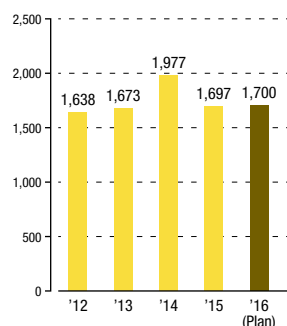
2. Original Strategies

Sales staff in 85 teams are deployed to collect information by walking around towns all over the country.

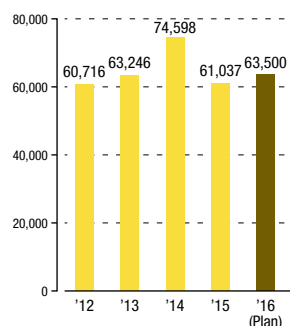
3. Sales Staff

The industry's largest sales staff of approximately 450 people.

Developed Sites



Developed Spaces



Strength 2

IT System

Introduction of highly sophisticated IT is essential to enable the Park24 Group to manage approximately 500,000 parking spaces. Park24 was the first in the industry to introduce an IT network with complete coverage of its parking spaces. The IT network provides vital data that is used every day in the Group's marketing activities and to enhance customer services.

1. Industry Pioneer

The Japanese parking industry's first comprehensive IT network.

2. Efficient Management

Two-way online communication with parking sites nationwide enhances management efficiency.

3. Marketing

Detailed data on parking site operating status enhances our marketing power.

4. Customer Service

The industry's first credit card payment capability, introduction of the membership point program, and the electronic money payment system.

Strength 3

Enhanced Maintenance and Emergency Response by Group Companies

Park24 Group companies conduct all auxiliary services, including facility maintenance, collection of payments, cleaning, call center management, and other activities, and enable the Group to provide parking sites that are safe and secure, clean, and easy to use 24 hours a day, 365 days a year.

1. Backup

Thirty-four maintenance locations around the country regularly implement maintenance, parking fee collection, cleaning and emergency response.

2. 24/7

Contact centers and service staff respond to inquiries and provide services even on holidays and at night in emergencies.

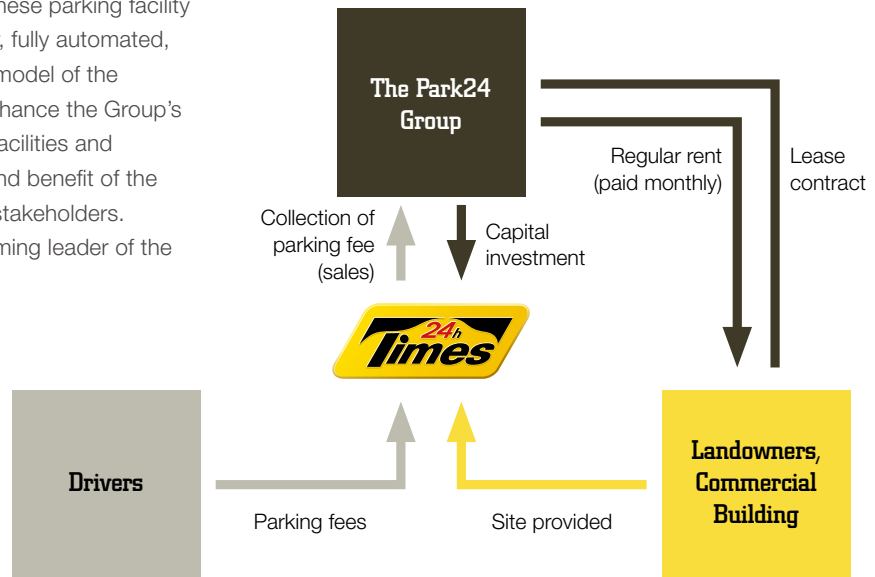


Parking Business

Parking Business Model

The Park24 Group is a pioneer in the Japanese parking facility industry opening the country's first 24-hour, fully automated, and hourly parking facilities. The business model of the Parking Business has been improved to enhance the Group's ability to develop various types of parking facilities and associated services to offer convenience and benefit of the parking site users, landowners, and other stakeholders. Park24's Parking Business is the overwhelming leader of the Japanese parking industry.

- Land is leased, with a basic contract term of two years, after which the contract is automatically renewed annually.
- The Park24 Group assumes the cost of capital investment for signage, etc.
- Running costs (rent, the cost of leasing parking equipment, operation and maintenance costs) are mostly fixed costs, so increasing utilization of a parking facility is linked to higher revenue.
- Run as a 24-hour unmanned hourly parking facility, thanks to the use of automated equipment.



1 Payment Machine

Parking fees are paid at payment machines, which accept cash and credit cards. Some parking facilities have payment machines where IC cards that can electronically store money can be used. Times Club members can also collect and save loyalty program points on their Times Club Card.



2 Parking Lock System

Once a vehicle is parked in a space, the parking flap-lock rises and locks the vehicle in the space. Once the parking fee is paid at the payment machine, the parking flap-lock lowers automatically and the car can exit the space.

Business Model 1

Standard Times (ST)



The ST business rents unused sites and other properties from individual and corporate landowners and converts them to *Times* parking facilities. The ST business excels in providing numerous small-scale parking sites in both residential districts and urban centers to enhance parking convenience for drivers.

Format	Management of <i>Times</i> parking facilities on idle sites and other sites
Contract Term	2 years (after which the contract is automatically renewed annually)
Contracting Party	Individual or corporate landowner
Earnings	All sales belong to the Park24 Group
Characteristics	ST is mainly located on sites measuring around 100 sq. meters in size to prevent them from being converted to building Sites.

Business Model 2

Times Partner Service (TPS)

The TPS business manages the existing customer parking lots of commercial facilities, financial institutions, hospitals, hotels, and other establishments with its *Times* brand. Businesses possessing land used for customer parking are able to outsource their parking-related services, allowing them to concentrate on their core business while receiving additional lease income. The Park24 Group's expertise can also be utilized to offer various services to the parking facility users.

Format	Management of parking facilities for customers of commercial buildings as <i>Times</i> parking facilities
Contract Term	2–5 years (after which the contract is automatically renewed annually)
Contracting Party	Commercial buildings (financial institutions, retailers, etc.), Public buildings (hospitals, government-related facilities, etc.)
Earnings	Free parking service for users of the building is not counted as sales; sales from overtime use and parking use belong solely to the Park24 Group
Characteristics	TPS has a lower risk of cancellation and therefore contributes to a stable business portfolio.

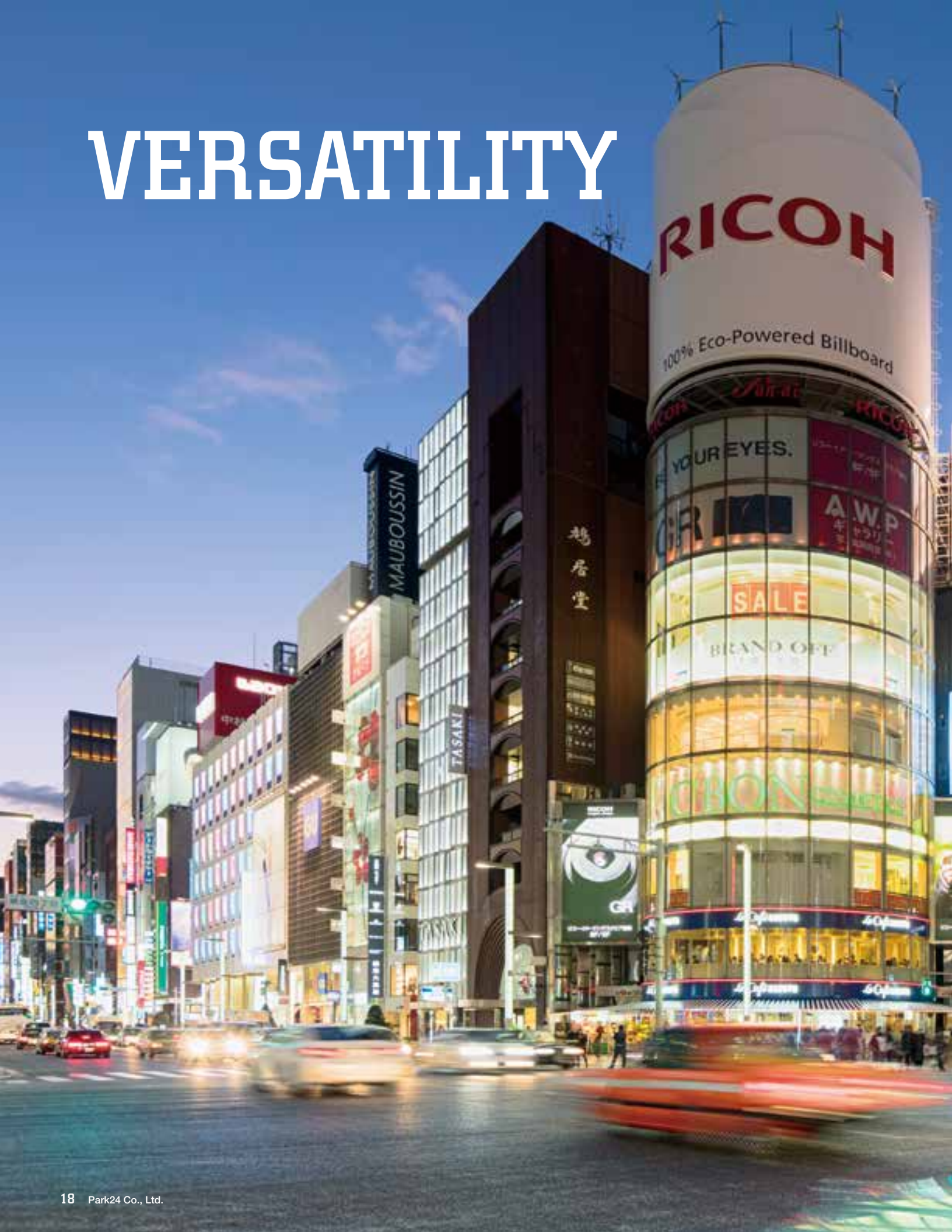
Benefits for Shop Owners

- Prevents parking lot abuse (non-customer cars parked for long periods).
- Reduces parking lot costs (management costs, such as security guards and attendants employment; investment expenses including maintenance and repair work).
- Improves marketing capability with data on parking facility use from Park24 Group.
- Enhances parking facility service quality.

Benefits for Park24

- Reduces contract cancellation risk as sites are likely to be used for a long time without conversion to other use.
- Enables to locate parking sites in prime customer focus areas, such as near train stations.

VERSATILITY





The Park24 Group has positioned the Mobility Business as its second core business, alongside the Parking Business. It comprises three services: the *Times Car Rental* rent-a-car service, the *Times Car PLUS* car sharing service, and a road assistance service.

The car sharing service, in particular, is showing rapid growth in both the number of vehicles and membership. It is said to be extremely difficult for a car sharing business to achieve early profitability, for reasons including the need for up-front investment in parking spaces and vehicles. In that regard, the Group's approximately 15,000 managed parking sites are a powerful management resource that we have leveraged to become the only car sharing service operator in Japan to achieve profitability and open a wide lead over competitors. The Park24 Group's car sharing service is the largest in Japan, currently deploying 13,149 shared vehicles for use by 549,058 members, and is driving market growth.

Mobility Business



FY2015 Overview & Outlook

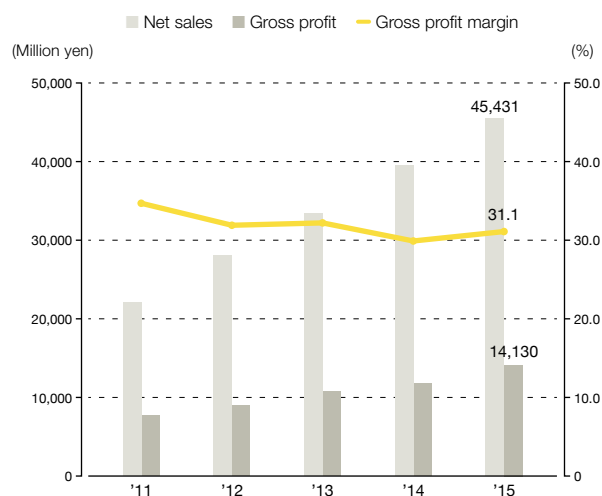
Overview of Consolidated Business Performance in Fiscal 2015

In fiscal 2015, the Group continued initiatives to aggressively expand the scale and user convenience of Mobility Business services. In the car sharing service, the number of vehicles rose to 13,149 (up 3,088 from the end of the previous fiscal year), and membership reached 549,058 (up 134,093). Efforts to increase the weekday fleet utilization rate by attracting corporate members progressed steadily, and sales growth, coupled with cost reductions due to factors such as lower gasoline prices and conversion to more fuel-efficient hybrid vehicles, resulted in a huge increase in operating profit from the car sharing service to ¥12.6 billion, from ¥16 million in fiscal 2014. We promoted use of the rent-a-car service by individual customers by enhancing the web-based reservation function and offering PitGo, a simple rental service that utilizes the car sharing service membership card. As a result, net sales from the Mobility Business were ¥45.4 billion, and operating profit was ¥2.8 billion.

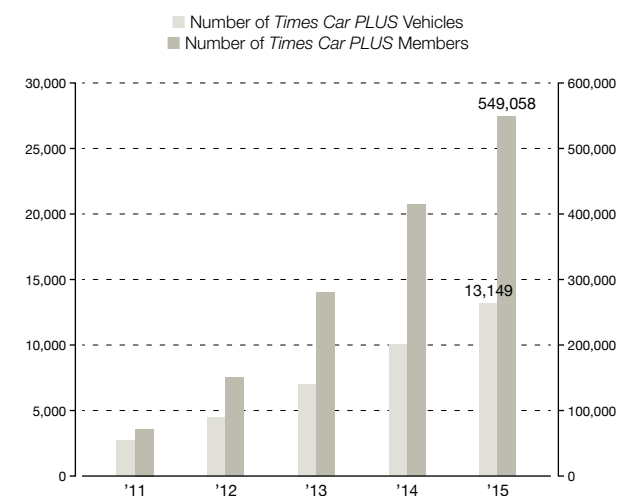
Outlook for Fiscal 2016

In fiscal 2016, to further boost the profitability of the car sharing service, the Park24 Group will aim to increase the fleet size to 16,000 and actively deploy vehicles at locations other than *Times* parking facilities in collaboration with third parties such as convenience store operators and railway companies. In this way, we will promote acquisition of corporate customers and use of the service. We will also work to increase customer convenience by integrating the rent-a-car service and car sharing service. Through these initiatives, the Company plans to generate net sales of ¥51.0 billion and operating profit of ¥4.1 billion from the Mobility Business.

Net Sales and Gross Profit and Gross Profit Margin



Number of *Times Car PLUS* Vehicles and Members



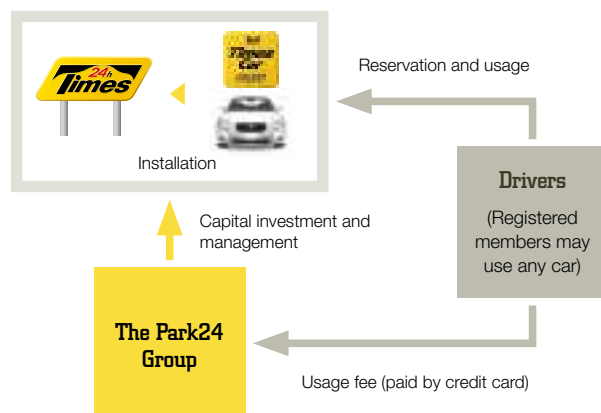
Our Strengths

Strength 1

Car Sharing

Car Sharing Service

Since the inception of the car sharing service in May 2009, the service has grown to about 13,000 vehicles. Its strengths are its ability to rapidly develop operations because of accessibility to the Group's parking site network, large numbers of corporate and individual members, the widely recognized *Times* brand name, and high profitability attainable from not incurring parking fees for its fleet. The Park24 Group



is actively working to promote development of the car sharing market in Japan and create a society with easy access to shared vehicles.

Times Car PLUS Strategy

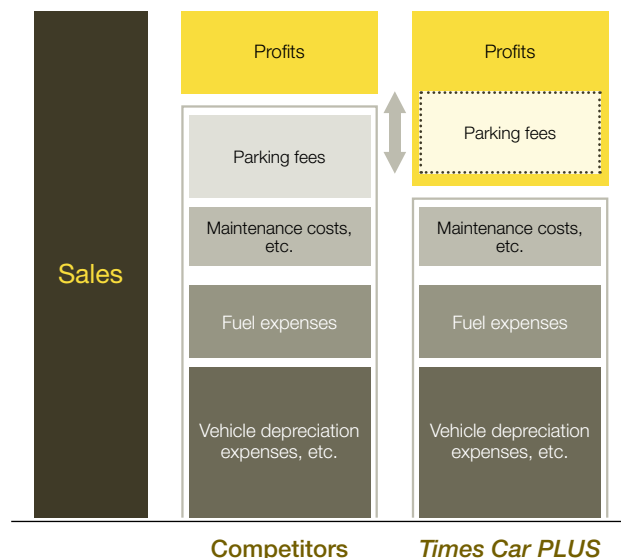
Establish Branches at *Times* Parking Facilities

- Quickly secure operating sites.
- High profitability from availability of no-cost parking.

Promote Membership and Vehicle Usage

- Enable to offer customers additional services available in the Group.
- Easy to understand and convenient fee structure.
- Profitability quickly achievable through precision advertising in target areas.

Account Structure Compared to Competitors



Major Car Sharing Companies

	Company [Name of operation]	Vehicles*	Members*
1	Park24 Group [Times Car PLUS]	13,149	549,058
2	ORIX Auto Corporation [Orix Car Sharing]	2,172	129,591
3	Car Sharing Japan (Mitsui Fudosan Realty) [careco]	759	34,423
4	Meitetsu Kyosho [cariteco]	311	12,500
5	Nippon Parking Development [ecoloca]	228	2,627

* Times Car PLUS: as the end of Oct. 2015. Others: end of March 2015, Foundation for Promoting Personal Mobility and Ecological Transportation.

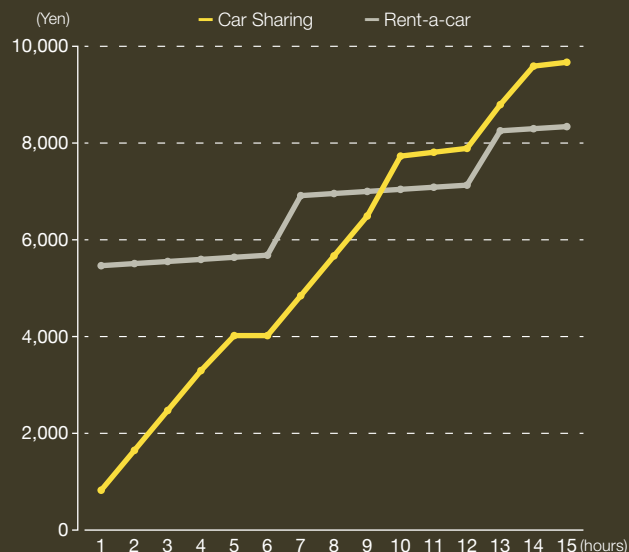
Comparison of Rent-a-Car to Car Sharing

System Comparison

	Car sharing	Rent-a-car
Registration as a member	Yes	No
Initial cost	Initiation fee	No
Expense	Usage fee	Monthly membership fee + charge for use
Minimum amount of time that a car can be used	15 minutes	6 hours
Management system	Unmanned	Manned

Our car sharing service is more cost effective for short usage times and our rent-a-car service is more cost effective for long usage times.

Fee Comparison



* The rent-a-car fee plot is based on the standard usage price for a compact car at Times Car RENTAL along with a gasoline charge.

* The car sharing fee plot is based on the short plan usage fee at Times Car PLUS (this calculation does not include a package charge).

Worldwide Car Sharing Markets

Overseas Markets

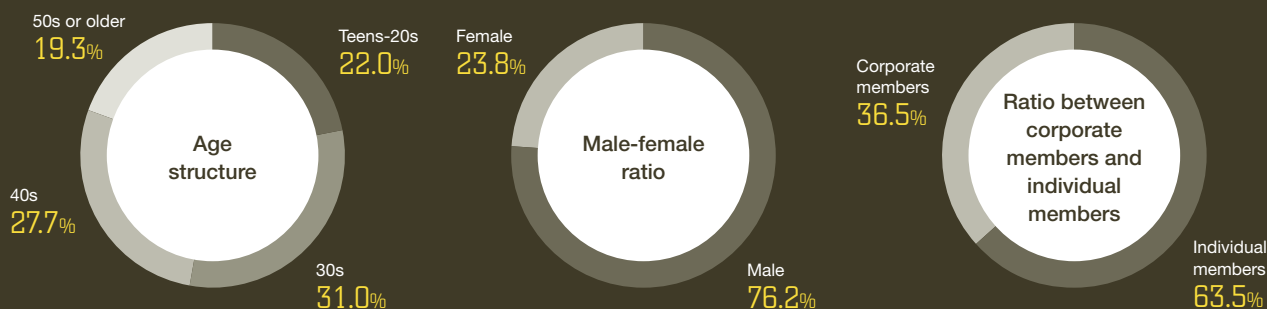
	Start year	Number of vehicles	Number of members	Date of survey
U.S.	1998	17,179	1,228,573	Jan. 2014
Canada	1994	4,174	224,523	Jan. 2014
Germany	1988	Approx. 9,000	Approx. 380,000	Jan. 2015
Japan	2002	12,373	465,280	Jan. 2014

For reference:

U.S. and Canada: University of California Berkeley, Transportation Sustainability Research Center

Germany: Bundesverbands CarSharing e.V.

Attributes of Times Car PLUS Members

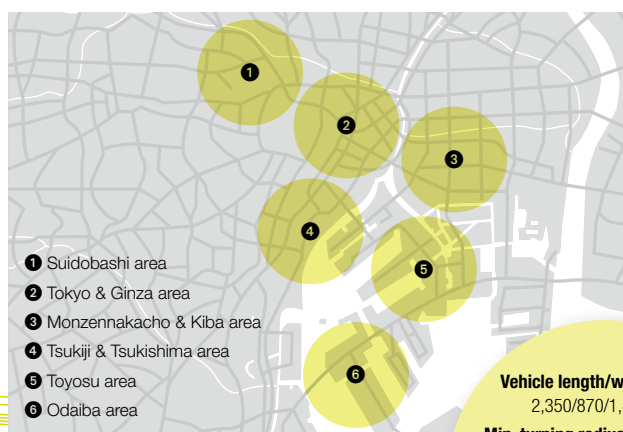


A New Approach to Car Sharing Required by Today's Automobile Society

Mobility Business Topics

The Park24 Group has expanded the scope and scale of an experimental one-way car sharing service in cooperation with Toyota Motor Corporation. Initiated in April 2015, the service uses Toyota's i-ROAD ultra-compact personal mobility vehicle to increase the utility of the Group's car sharing service. Since October 2015, the Group has deployed COMS, a super-compact electric vehicle made by Toyota Auto Body, in addition to the initially deployed i-ROAD ultra-compact EVs. The vehicles are used for a one-way sharing service that enables users to drop off vehicles at any of approximately 30 designated *Times* parking facilities in central Tokyo. The Group will continue to test demand for a one-way car sharing service in large cities and optimize the utility of the service.

Areas Served in Tokyo



Vehicle length/width/height:
2,350/870/1,445 mm
Min. turning radius: approx. 3.0 m
No. of seats: 1 (driver)
Max. speed: 60 km/h
Travel distance per charge:
approx. 30 km
i-ROAD rental charge:
¥412 per 15 min.

i-ROAD

Times Car PLUS
×
Ha:mo

Vehicle length/width/height:
2,395/1,095/1,500 mm
Min. turning radius: approx. 3.2 m
No. of seats: 1 (driver)
Max. speed: 60 km/h
Travel distance per charge:
approx. 50 km
COMS rental charge:
¥206 per 15 min.

COMS

Mobility Business

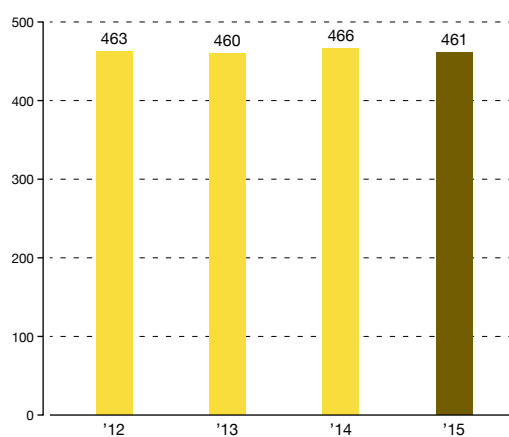
Strength 2

Rent-a-Car Service

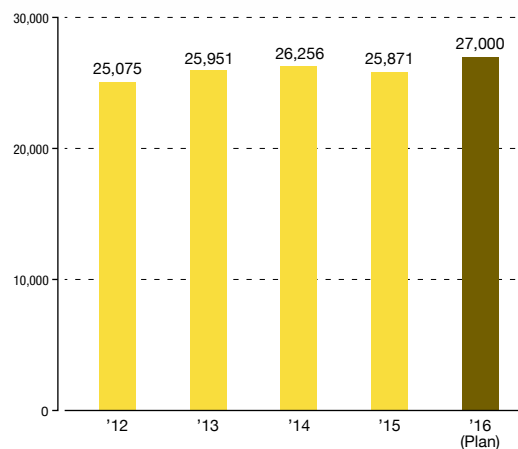
The Park24 Group's rent-a-car service provides highly attentive service from our staff, which is not possible with automated systems, at our approximately 460 locations nationwide covering all 47 prefectures. The Mobility Business is also strengthening ties with *Times* parking facilities, setting up booths at parking facilities with ST and TPS services, and rolling out the "PitGo" service, which simplifies the car sharing procedure for members, based on using existing resources.



Total Locations



Total Vehicles



Corporate Governance

Basic Concept of Corporate Governance

Employing a corporate slogan of “People, Cars, Communities, and (Times),” the Park24 Group operates based on a corporate philosophy of creating a secure, safe, and comfortable new motorized society. Under this policy, the Park24 Group will expand and develop its businesses by broadening the parking network, creating new value centering on its core Parking Business, and making full use of the management resources of the Group. To that end, we aim for fair and transparent management, recognizing that enhancing corporate governance will be the key to building a relationship of trust with all of our stakeholders and increase our corporate value on an ongoing basis. The Company set out its basic framework and concept of corporate governance in Corporate Governance Guidelines.

Overview of Corporate Governance System and Reasons for its Adoption

The Company previously adopted the Board of Corporate Auditors governance structure. However, following the approval of amendments to the Articles of Incorporation at the Annual General Meeting of Shareholders held on January 27, 2016, the Company made the transition to a company with an Audit and Supervisory Committee. By adopting the Audit and Supervisory Committee system, the Company aims to continuously enhance corporate value by ensuring

management transparency and fairness and strengthening supervisory functions. The Company also introduced a corporate officer system to rationalize and facilitate the execution of duties by directors, with the intention of speeding up management decision-making.

Following the transition to a company with an Audit and Supervisory Committee, the Company’s Board of Directors consists of eight directors (three of whom are Audit and Supervisory Committee Members), including three outside directors (two of whom are Audit and Supervisory Committee members). Consequently, outside directors account for more than one-third of the total number of directors, and the majority of the Audit and Supervisory Committee are outside directors. The outside directors further strengthen the corporate governance system by more actively voicing opinions from an independent perspective based upon consideration of the views of shareholders and other stakeholders, and by seeking increased transparency and objectivity in decision-making.

Status of Internal Audits, Audits of Audit and Supervisory Committee members and Accounting Audits

Internal Audit Status

A department that is responsible for company-wide compliance has been established, with the department verifying the legality of major decision-making items in

Corporate Governance System



Corporate Governance

advance and educating and providing guidance to directors and employees. In addition, internal audits are being conducted within all departments of the Group based on internal audit rules as a way to verify to see whether the compliance system is operating appropriately.

Audit Status of the Audit and Supervisory Committee

The Audit and Supervisory Committee shall receive a report on the status of internal audits and their results on a regular basis from the Internal Audit Department, in addition to recommending or instructing additional audits and investigations, as necessary. Moreover, it shall audit and supervise the status of the execution of duties of directors as well as those of corporate officers by coordinating with accounting auditors at any time.

Audit and Supervisory Committee members shall attend a meeting of the Board of Directors and other important meetings, request a report from the relevant department executing duties, as needed, and gather information on the status of the Company's execution of duties. The Company shall secure sufficient human resources and a system to support the duties of the Audit and Supervisory Committee, and is working on strengthening its management and supervisory function.

Status of Accounting Audit

Park24 has appointed Ernst & Young ShinNihon LLC as the accounting auditor for accounting audits under the Companies Act and the Financial Instruments and Exchange Act. The name of certified public accountants who provided auditing services in the current fiscal year and the structure of assistants for auditing services are as described below.

The name of certified public accountants who executed audit work and the number of years when they continuously executed the audit of the Company:

Designated Limited Liability Partner, Managing Partner:
Manabu Kurihara, 4 years

Designated Limited Liability Partner, Managing Partner:
Seiichiro Suyama, 2 year

Structure of assistants for accounting audit services:
12 certified public accountants and other 9 persons.

Status of Other Corporate Governance

Outside Directors

The Company has appointed one outside director (excluding directors who are Audit and Supervisory Committee

members) to strengthen the supervisory functions of the Board of Directors and to ensure highly transparent management. The Company has also appointed two outside directors who are Audit and Supervisory Committee members, to strengthen the corporate governance system and to enhance the audit system.

The Company's basic policy when appointing independent directors is to adhere to the standards for independence set forth by the Tokyo Stock Exchange. It has also established its own standards as more specific standards for judging materiality, and elects candidates only if it judges that there is no possibility of a conflict of interest arising between the candidate and general shareholders.

The two outside directors who are Audit and Supervisory Committee members are registered as independent directors with the Tokyo Stock Exchange.

Appointment of Directors and Audit and Supervisory Committee Members

Appointment of Directors

Believing that effective and flexible management comes from close familiarity with the Company's business, the Company appoints individuals who understand and can implement the Group's management philosophy, who have good knowledge and character, and who can fulfill the responsibilities.

The Representative Director and the Director for Personnel Affairs assess candidates, who are then extensively reviewed by the Board of Directors, including the outside directors. New appointments are detailed in the Convocation Notice of the Ordinary General Meeting of Shareholders, etc., and on the website. The Company maintains a similarly transparent and fair system for nominating the successor of the Chief Executive Officer, etc.

Appointment of Audit and Supervisory Committee Members

The Company appoints outside and full-time directors from the Audit and Supervisory Committee as Audit and Supervisory Committee members, seeking to combine the objectivity and strong knowledge of outside directors with the information gathering capacity of full-time directors.

Independent Outside Directors

Outside directors advise and supervise management of Board of Directors meetings to promote sustainable corporate growth and increase corporate value in the medium and long

term. At other meetings, they exchange objective opinions and information. They are appointed according to the independence requirements of the Tokyo Stock Exchange and the Company's own standards. Appointment is based on corporate management experience and specialist knowledge. Details of important concurrent positions are disclosed annually in the securities report, the corporate governance report, etc.

Criteria for Independence of Outside Directors

Park24 Co., Ltd. believes that, when establishing an appropriate framework concerning corporate governance, outside directors should be as independent as possible to ensure management transparency and objectivity.

The Company has set out its own Criteria for Independence of Outside Directors as follows, and any outside director (including candidate; hereinafter the same shall apply) who falls under any of the following shall be deemed as not being sufficiently independent from the Company.

1. A person who previously belonged to the Company or one of its consolidated subsidiaries (hereinafter referred to collectively as "the Group") (see Note 1)
2. A major shareholder of the Company (see Note 2)
3. A person executing the business operations of a company, etc. that falls under any of the following:
Major business partner of the Group (see Note 3)
Major lender of the Group (see Note 4)
Company, etc. in which the Group holds 10% or more of the voting rights

4. A Certified Public Accountant who belongs to the audit corporation that is the accounting auditor of the Group.
5. A consultant, certified accountant, tax accountant, legal professional, judicial scrivener, patent attorney or other person providing a specialist service who received from the Group a large amount (see Note 5) of monetary consideration or other properties;
6. A person who has received a large donation from the Group (see Note 6);
7. A person executing the business operations of another company from which a person executing its business operations assumes the office of Outside Director of the Company (see Note 7);
8. A person whose close relative (see Note 8) falls under any of 1 to 7 above (with the exception of 4. and 5., only a person in an important position (see Note 9));
9. A person who falls under any of (2) to (8) above in the past five years;
10. Notwithstanding the foregoing, any other person in relation to whom special grounds that could give rise to a conflict of interests with the Company are deemed to exist.

(Notes)

1. Refers to an executive director, corporate officer or other employee who currently belongs to the Group (referred to collectively in these Criteria as "a person executing business operations") or a person executing business operations who belonged to the Group in the past.
2. A major shareholder shall mean a shareholder who at the end of the fiscal year concerned holds 10% or more of the voting rights of the Company in his or her own name or in the name of another person, or, where the major shareholder

	Total Compensation (¥ million)	Total Compensation by Category (¥ million)			
		Base Salary	Bonuses	Stock Options	No. of People
Directors	207	98	65	43	4
Corporate Auditors (excluding Outside Corporate Auditors)	22	15	3	4	1
Outside Directors and Outside Corporate Auditors	17	14	1	1	2
Total	246	127	69	48	7

Corporate Governance

is a corporation, association or other organization, a major shareholder shall mean a person executing business operations who belongs to said organization.

3. A major business partner shall mean a supplier of products, etc., that contribute to the Group's provision of services whose annual transactions with the Company exceed 1% of the Company's consolidated sales or such business partner's consolidated sales.
4. A major lender shall mean a financial institution from whom the Group borrows and whose outstanding loans to the Group at the end of the fiscal year concerned exceeds 1% of the consolidated total assets of the Company or the consolidated total assets of such financial institution.
5. A large sum is defined as follows according to the involvement of the specialist in question in the provision of services.
 - (i) Where such specialist provides services to the Group as an individual, a large sum means when the annual consideration (excluding officers' remuneration) such specialist receives from the Group exceeds ten (10) million yen in a year.
 - (ii) Where a corporation, association or other organization to which such specialist belongs provides services to the Group, a large amount shall mean when the total amount of consideration such organization receives from the Group exceeds 1% of the total annual revenue of such organization, provided, however, that an amount which does not exceed 1% shall still be regarded as a large amount if the amount such organization receives as consideration for the provision of services in which such specialist is directly involved exceeds ten (10) million yen in a year.
6. A person who has received a large donation means a person who has received a donation of more than ten (10) million yen in a year from the Group. Where the person who received such donation is a corporation, association or other organization, a person who received a large donation shall mean a person who belongs to such organization and is directly involved in research, education or other activities relating to such donation.
7. Refers to a relationship where a person executing the business operations of the Group is the Outside Officer of another Company and a person executing the business activities of such other company is an Outside Director of the Company.
8. A close relative means spouse or relative within the second degree of kinship.

9. A person with an important position means a director, executive, corporate officer, person executing business operations of general manager rank or above, or any other person executing business operations with authority equivalent to the foregoing.

Matters to be Resolved at the Shareholders Meeting That Can be Resolved at a Meeting of the Board of Directors

(a) Acquisition of treasury stock

The Articles of Incorporation of Park24 stipulate that the Company may acquire its own shares in market and other transactions by resolution of a meeting of the Board of Directors, in accordance with the provision of Article 165, Paragraph 2 of the Companies Act, for the purpose of operating a flexible capital policy for its shareholders.

(b) Interim dividends

The Articles of Incorporation also stipulate that the Company may pay interim dividends with April 30 every year as the record date by resolution of a meeting of the Board of Directors for the purpose of executing a flexible dividend policy.

Number of Directors

The Articles of Incorporation stipulate that the Company shall have no more than ten directors (excluding directors who are Audit and Supervisory Committee members), and that it shall have no more than five directors who are Audit and Supervisory Committee members.

Requirements for Resolutions for the Election of Directors

The Articles of Incorporation stipulate that the resolution to elect directors shall be made by a majority of the eligible votes of shareholders present at a shareholders' meeting, where shareholders holding at least one-third or more of the votes with voting rights are present. The Articles of Incorporation also stipulate that resolutions to elect directors shall not be by cumulative voting.

Requirements for Special Resolutions of the General Meeting of Shareholders

To facilitate General Meetings of Shareholders, the Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders pursuant to the provisions of Article 309, Paragraph 2 of the Companies Act shall be adopted by not less than two-thirds of the votes when shareholders that hold not less than one-third of the voting rights of all of the shareholders that may exercise voting rights are present.

Risk Management System

Regarding the Company's risk management system, under the leadership of the Representative Director, the Company identifies, analyzes and assesses uncertainties and exposures to loss (hereinafter "risks") associated with the Group's business, and establishes sections responsible for managing individual risks. For matters that require a cross-functional response within the Company or across the Group, the

Company has established a Risk Management Committee with risk oversight functions directly under the Representative Director, and promptly puts in place systems to manage risks and implement preventive measures.

Agreements Limiting Liability

The Articles of Incorporation of Park24 stipulate that, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may enter into agreements with non-executive directors to limit their liability. In accordance with these provisions, the Company has entered into agreements with three directors who are Audit and Supervisory Committee members and one director who is not an Audit and Supervisory Committee member, limiting their liability under Article 423, Paragraph 1 of the Companies Act, and the maximum amount of the compensation for damage under such agreement shall be the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

Board of Directors and Auditors

(As of January 27, 2016)

Board of Directors and Auditors



Koichi Nishikawa
President and
Representative Director
President of Times24 Co., Ltd.



Kenichi Sasaki
Director, General Manager of
Planning and Administration
Division



Norifumi Kawakami
Director, General Manager of
Business Development Division



Keisuke Kawasaki
Director
President of
Times Mobility Networks Co., Ltd.



Yoshimitsu Oura
Outside Corporate Auditor
Outside Director



Seishi Uenishi
Standing Corporate Auditor
Director (Audit and Supervisory
Committee Members)



Kyosuke Kano
Outside Corporate Auditor
Outside Director (Audit and
Supervisory Committee Members)



Tsunekazu Takeda
Outside Corporate Auditor
Outside Director (Audit and
Supervisory Committee Members)

Corporate Officers

Koichi Nishikawa
President and Representative Director

Kenichi Sasaki
Director, General Manager of
Planning and Administration Division

Norifumi Kawakami
Director, General Manager of
Business Development Division

Our Corporate Social Responsibility

Our CSR Approach and Measures

The Park24 Group aims to help achieve a comfortable automobile society guided by its slogan “People, Cars, and Communities.” The Group considers the development of its business as a provider of time-based parking facilities and car sharing services to be its greatest contribution to society.

The Group is working to provide a positive contribution to society and the environment, such as by eliminating roadside parking, promoting the symbiotic existence of automobiles and railways, and supporting the proliferation of electric vehicles.

Corporate Philosophy

—Creating a Comfortable Automobile Society—



The Park24 Group has designated August 9 as an annual “Parking Day” to encourage drivers to consider social problems caused by illegal roadside parking, and organizes educational activities to help alleviate traffic congestion and reduce the number of accidents.

CSR activities by the Park24 Group include distribution of *Times* parking facilities maps to drivers in *Times* parking facilities and donation of a portion of August 9th's sales to *Foundation for Orphans from Automobile Accidents*, helping young children who have lost parents in automobile accidents.



Park24 operates about 12,000 Standard Times (ST) parking facilities. The Park24 Group is seeking to reduce the environmental impact of its facilities by installing LED lighting at these Times sites.

Conserving Energy with LED Lighting



Advances with Park & Charge

Electric charging infrastructure must be available in all urban areas for the successful proliferation of electric vehicles. The Park24 Group has been installing electric charging stations at its parking sites since 1998 as its Park & Charge service, enabling drivers to extend their vehicle's cruising range while the vehicle is parked.



Japan's extensive rail system lets transport users easily make train and automobile connections with no extra burden on users while also reducing the impact on the environment and easing traffic congestion, particularly in urban centers. The Park24 Group developed the Traffic IC Park & Ride Service to provide parking fee discounts to customers who have parked before and after using trains with the train IC card system. The service is currently offered in cooperation with 25 railway companies nationwide.

Car sharing helps improve the environment by reducing the excessive use of vehicles as drivers can use cars only for short but necessary time, and also by providing eco-friendly models. In recognition of offering drivers a stress-free and environmentally friendly car sharing option, the Park24 Group's car sharing service was the first in the industry to receive Eco Mark certification from the Japan Environmental Association.



エコマーク認定
カーシェアリング
第12502001号
タイムズ24株式会社

Car Sharing Business Receives the Eco Mark

Park & Ride Discount Service



Our Corporate Social Responsibility



Parking Fare Machine for People with Disabilities/Multilingual Sign Boards



We have installed a wheelchair-friendly exit fare machine as well as signboards written in Japanese, and according to surrounding neighborhoods, English, Chinese or Korean to provide people-friendly parking sites.



Introduction of Vehicles with a Lower Environmental Burden

Reducing environmental pollution by using vehicles with a lower environmental burden in our rent-a-car and car sharing services.

Times Parking Lessons

People can become familiarized with automated parking thorough free parking lessons at *Times* parking lots. We provide technical guidance on how to use the parking facilities and give lessons on the proper protocols to make it easier for people to use them.



Holding Judo School for Children

The Park24 judo team holds a free judo school for elementary school children every week to help support youth development and get more people practicing judo.



FINANCIAL SECTION

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Consolidated Six-Year Summary

PARK24 Co., Ltd. and Consolidated Subsidiaries
For the years ended October 31

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2010	2011	2012	2013	2014	2015	2015
For the year:							
Net sales	¥113,249	¥124,080	¥139,548	¥155,428	¥167,022	¥179,699	\$1,486,836
Parking business	94,588	102,011	111,461	122,034	127,516	134,267	1,110,930
Mobility business	18,661	22,069	28,087	33,394	39,506	45,432	375,906
Gross profit	31,409	33,254	39,423	43,643	44,092	46,707	386,455
Operating profit	12,840	13,292	17,810	19,509	17,555	18,731	154,981
Recurring profit	11,880	12,711	17,318	19,508	17,509	18,589	153,814
Net income	6,487	6,547	9,670	11,261	10,388	11,549	95,557
Capital investment	14,525	22,909	22,574	21,595	26,008	27,543	227,896
Depreciation and amortization	10,697	12,245	14,150	16,529	18,470	20,383	168,650
At year-end:							
Total net assets	¥ 39,228	¥ 41,686	¥ 47,893	¥ 54,968	¥ 60,190	¥ 65,882	\$ 545,110
Total assets	94,981	108,935	117,809	126,575	135,294	145,462	1,203,558
Interest-bearing debt	39,538	45,598	41,886	46,093	46,461	51,208	423,701
Per share data (Yen and U.S. dollars):							
Net income—Basic	¥ 45.60	¥ 45.94	¥ 67.37	¥ 78.11	¥ 71.66	¥ 79.45	\$ 0.66
—Diluted	44.90	45.81	66.98	75.22	67.63	75.01	0.62
Cash dividends, historical	30.00	30.00	35.00	40.00	50.00	55.00	0.46
Net assets	274.47	290.70	330.44	377.91	411.86	449.33	3.72
Management indexes:							
Recurring profit year on year (%)	120.3	107.0	136.2	112.7	89.8	106.2	
Operating profit margin (%)	11.3	10.7	12.8	12.6	10.5	10.4	
Recurring profit margin (%)	10.5	10.2	12.4	12.6	10.5	10.3	
Return on assets (%)	7.0	6.4	8.5	9.2	7.9	8.2	
Return on equity (%)	17.1	16.2	21.7	22.1	18.2	18.5	
Equity ratio (%)	41.3	38.0	40.4	43.1	44.2	44.9	
Dividend payout ratio (%)	65.8	65.3	52.0	51.2	69.8	69.2	
Other data:							
Number of employees	1,350	1,523	1,617	1,784	2,010	2,248	
Number of <i>Times</i> parking sites	9,646	10,697	11,764	12,769	13,994	14,987	
Number of <i>Times</i> parking spaces	314,069	357,129	395,784	431,039	470,675	499,473	
Number of vehicles	22,599	26,235	29,578	32,974	36,317	39,020	

Note: The U.S. dollar amounts represent translations of yen amounts at the rate of ¥120.86=U.S.\$1, the approximate rate of exchange prevailing on October 31, 2015.

Management's Discussion and Analysis

Overview of the Fiscal Year Ended October 31, 2015

Management Environment and Business Results for the Fiscal Year Ended October 31, 2015

During the consolidated fiscal year under review, the Japanese economy experienced a moderate recovery as a result of the impact of a number of policies implemented by the government and the Bank of Japan, in addition to improvements in corporate earnings and the employment environment. Personal spending, which had remained weak because of a delay in the recovery after the consumption tax hike and a rise in prices on the back of the weak yen, showed signs of gradually bottoming out.

In this environment, the Group sought to achieve a comfortable automobile society by expanding its network of parking facilities and mobility services. Meanwhile, the Group sought to win over drivers by creating new services and promoting meticulous operations. As a result, in the fiscal year under review, the Group posted net sales of 179,699 million yen (up 7.6% year on year), operating profit of 18,731 million yen (up 6.7%) and recurring profit of 18,589 million yen (up 6.2%). Net income stood at 11,549 million yen (up 11.2%).

Outline of Business Results by Segment

1. Parking Business

The Group improved the area-based system, according to which the development and management of parking facilities in an area is carried out as one unit, by developing it into a more sophisticated area-oriented system through the establishment of 10 office locations during the term (29 office locations at the end of the fiscal year under review), and it reinforced its system for capturing demand for the contracted operation of large-scale parking facilities mainly from government and medical corporations. Consequently, the number of *Times* parking facilities managed at the end of the fiscal year under review was 14,987, up 7.1% from the end of the previous fiscal year, and the number of parking spaces was 499,473, up 6.1%. The total number of parking facilities managed, including monthly

parking and facility management services, rose 6.4% from the end of the previous fiscal year, to 16,414, and the total number of parking spaces managed increased 5.8%, to 609,479. By utilizing this structure, the Group also focused on area-oriented management measures such as the revision of parking fees and associations with stores in areas surrounding parking facilities. As a result, net sales in this segment (including intersegment sales) stood at 134,348 million yen (up 5.3% year on year), and operating profit amounted to 23,044 million yen (down 2.4%).

2. Mobility Business

The Group has been striving to create a user-friendly environment for users to actively use more than 39,000 *Times Car* vehicles, primarily by promoting consultation sales to corporations through the analysis of the company car usage situation, introducing PitGo, a simple car rental service, and reducing non-operating hours by improving maintenance functions.

Looking at the car sharing service, membership of which exceeded 540,000 (414,965 at the end of the previous fiscal year), weekday utilization grew in association with the installation of cars at key transportation connection points, such as stations where Shinkansen bullet trains stop and airports, and an increase in usage by corporate members. In addition, a fall in gasoline prices and improved fuel consumption due to the recommendation of eco-driving also contributed to revenues. As a result, the total number of vehicles in the Mobility Business segment at the end of the fiscal year under review rose 7.4% from the end of the previous fiscal year, to 39,020 (of which the number of vehicles in the car sharing service was 13,149). Net sales in the segment (including intersegment sales) reached 45,506 million yen (increasing 15.1% year on year) and operating profit was 2,843 million yen (up 69.8% year on year).

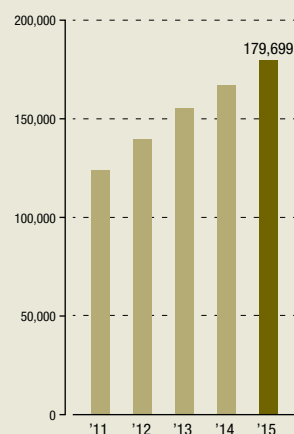
Analysis of Operating Results

Net Sales and Operating Profit

For the fiscal year ended October 31, 2015, the Company recorded net

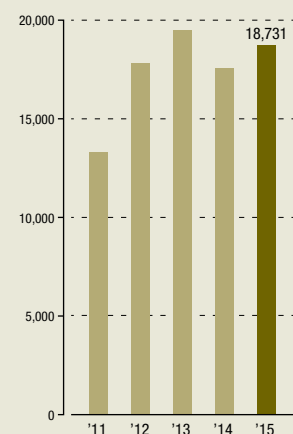
Net Sales

(Millions of yen)



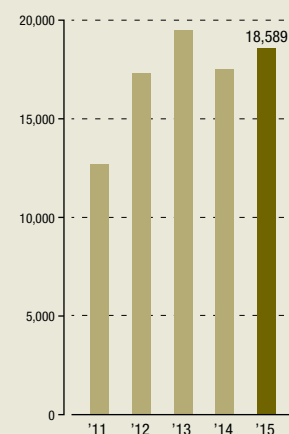
Operating Profit

(Millions of yen)



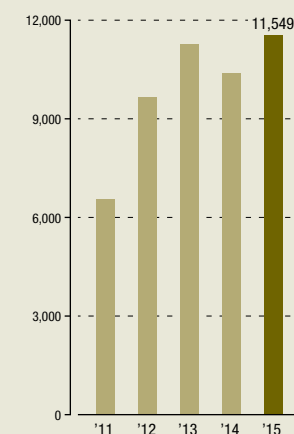
Recurring Profit

(Millions of yen)



Net Income

(Millions of yen)



sales of 179,699 million yen (an increase of 12,677 million yen, or 7.6%, year on year) and operating profit of 18,731 million yen (an increase of 1,176 million yen, or 6.7%). The sales and profit increases resulted mainly from an increase in the number of parking spaces managed, expansion of the rental car and car sharing vehicle fleets, and an increase in the number of car sharing service members. The ratio of operating profit to sales declined by 0.1 percentage points from 10.5% in fiscal 2014 to 10.4% in fiscal 2015.

Non-operating Expenses (Income) and Recurring Profit

Non-operating income decreased by 150 million yen year on year to 391 million yen, and non-operating expenses decreased by 54 million yen to 532 million yen. Interest expense decreased by 27 million yen, and penalty income charged to customers for cancellation of parking facilities and loss on disposal of parking equipment associated with cancellations of *Times* parking sites decreased as well.

Consequently, recurring profit increased by 1,080 million yen, to 18,589 million yen, and the ratio of recurring profit to net sales decreased by 0.2 percentage points from 10.5% the previous fiscal year, to 10.3%.

Extraordinary Income (Loss) and Net Income

Income before income taxes and minority interests increased by 1,362 million yen, or 8.0%, year on year, to 18,486 million yen, partly as a result of a decrease in impairment loss recorded as an extraordinary loss. Net income increased by 1,160 million yen, or 11.2%, to 11,549 million yen.

Analysis of Financial Position

Assets

Total assets rose 10,168 million yen from the end of the previous fiscal year, to 145,462 million yen. The rise was primarily attributable to an increase of 4,371 million yen in cash on hand and in banks, an increase

of 1,162 million yen in notes and accounts receivable-trade and an increase of 5,373 million yen in machinery and vehicles.

Liabilities

Total liabilities increased 4,476 million yen, to 79,580 million yen. Major contributing factors included an increase of 5,071 million yen in Short-term borrowings, Current portion of long-term debt and Long-term debt and decreases of 911 million yen in accounts payable-other and 1,195 million yen in liability for retirement benefits due to the revision of accounting standards.

Net Assets

Net assets rose 5,691 million yen, to 65,882 million yen as a result of an increase of 881 million yen in retained earnings at the beginning of the term due to the revision of the accounting standard for retirement benefits as mentioned in the section on total liabilities, an increase of 11,549 million yen due to the posting of net income, and a decrease of 7,258 million yen due to dividend payments out of retained earnings.

Analysis of Cash Flows

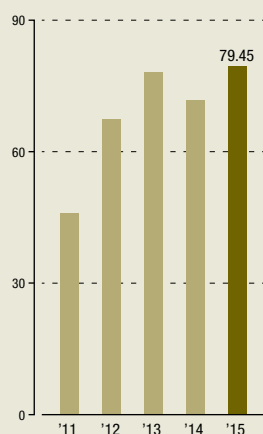
Cash and cash equivalents at the fiscal year-end amounted to 20,063 million yen, a 4,370 million yen increase from the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities increased 2,053 million yen from a year ago, to 35,155 million yen. The major positive factor was the total of depreciation and amortization and impairment loss and income before income taxes and minority interests of 38,926 million yen, offsetting the major negative factor of income taxes paid of 5,873 million yen.

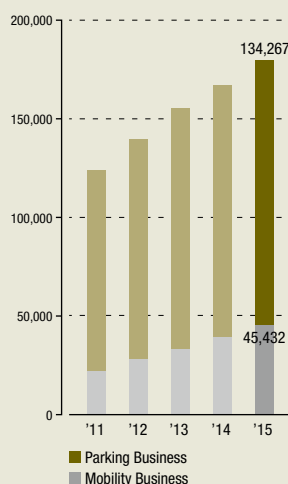
Net Income per Share

(Yen)



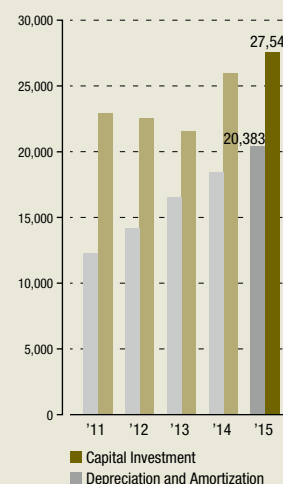
Net Sales by Business Segment

(Millions of yen)



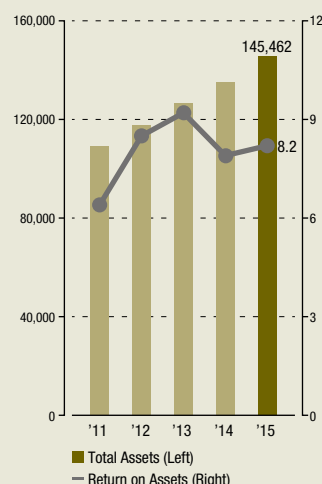
Capital Investment/Depreciation and Amortization

(Millions of yen)



Total Assets/Return on Assets

(Millions of yen/%)



Cash Flows from Investing Activities

Net cash used in investing activities was 24,628 million yen (up 1,697 million yen year on year). This figure primarily reflects purchases of property, plant, and equipment of 20,452 million yen associated with the acquisition of vehicles for rent mainly in the rent-a-car service, the opening of *Times* parking facilities and long-term prepaid expenses of 3,222 million yen.

Net Cash from Financing Activities

Net cash used in financing activities was 6,163 million yen (down 3,636 million yen year on year). This was attributable primarily to dividend payments of 7,252 million yen, repayment of long-term loans payable of 5,279 million yen, and repayments of lease obligations of 4,259 million yen, offsetting proceeds from long-term loans payable of 11,150 million yen and proceeds from issuance of common stock of 256 million yen.

Capital Policy

The Group engages in capital investment for the purpose of increasing cash flow by expanding the number of managed *Times* parking sites and vehicles and by providing parking services using the Group's TONIC system infrastructure. Moreover, the Group has also put its capital to use in capital investments in order to strengthen the Parking Business revenue base, and to create a new Mobility Business model integrating *Times* parking spaces with a particular focus on enhancing the car sharing service.

Funds are procured primarily through loans from financial institutions, which affords the Group flexibility in responding to changes in financial conditions.

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

The Group believes that its chief responsibility is to raise enterprise value through earnings growth. In accordance with this belief, the Group

makes it its fundamental policy to return profits to shareholders primarily through dividend payments, while securing the retained earnings needed for the capital investment necessary for future growth.

The basic policy is to conduct dividend payments once at the end of the fiscal year, with the year-end dividend amount determined at the General Meeting of Shareholders. Internal reserves are allocated to R&D and capital investment for the purpose of creating a new automobile society and the maximizing of enterprise value. To this end, the Group will actively pursue business alliance opportunities and carry out investments when favorable opportunities arise.

Based on this policy, for the fiscal year ended October 2015, Park24 distributed no interim dividend and ¥55.00 per share as a year-end dividend.

Fiscal 2016 Forecast

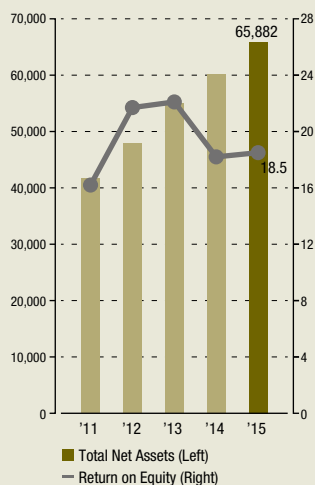
Although corporate business confidence and the employment situation are recovering moderately, the outlook for the economy remains unclear.

In this environment, the Group will expand business bases and further segment area-based operations in the Parking Business. The Group will also focus on sales to large corporations and administrative and medical corporations. In the Mobility Business, the Group will seek to expand the scale of the car sharing service and increase the service's earnings power. The Group will also integrate the car sharing service and the rent-a-car service to diversify sales channels and improve service levels and customer retention.

Through these initiatives, at the end of October 2016, we expect to have 536,000 *Times* parking spaces under management and 43,000 *Times Car* vehicles (including 16,000 vehicles for the car sharing service). In the fiscal year ending October 31, 2016, the Group expects to increase both sales and profits, posting net sales of 192,000 million yen, an operating profit of 21,200 million yen, a recurring profit of 21,000 million yen, and net income of 13,500 million yen.

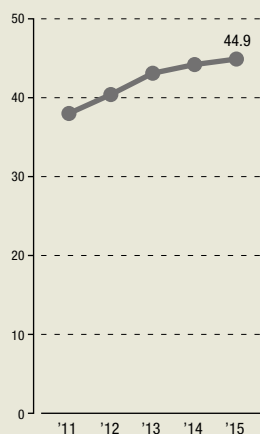
Total Net Assets/ Return on Equity

(Millions of yen/%)



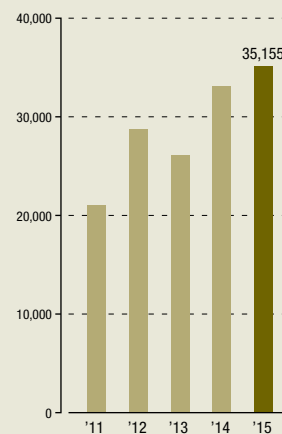
Equity Ratio

(%)



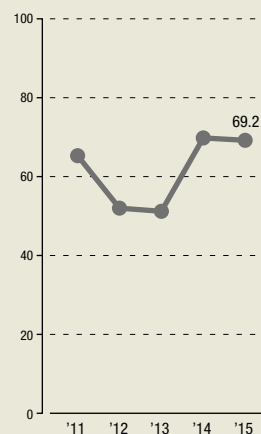
Cash Flows from Operating Activities

(Millions of yen/%)



Dividend Payout Ratio

(%)



Business and Other Risks

Risks Associated with Lease Contract Cancellation

In the ST Business, the Company's core operation, lease contracts are subject to cancellation by landowners for various reasons. Accordingly, to go along with the ST Business, the Park24 Group is moving ahead with the TPS Business, in which parking sites are managed under long-term, stable contracts with small cancellation risk. By expanding the TPS Business, the Group is working to build an optimal business portfolio to maintain a stable business base. However, the Group's results could be significantly affected if the TPS Business is unable to offset lease contract cancellations for reasons such as a delay in the establishment of the business portfolio.

Risks Associated with Rising Land Prices

A sharp rise in land prices has the potential to affect the strategy of expanding the number of *Times* parking sites and spaces, by encouraging landowners to sell land (contract cancellations) and by increasing rents for new projects at the development stage. The Park24 Group is rigorously developing operations in areas that are less susceptible to rising land prices, and the Group has not experienced cases of higher land prices leading to an increase in rents. Nevertheless, increases in the contract cancellation rate or in rents in the future could significantly affect the Group's results.

Risks Associated with Developing the Mobility Business

The Mobility Business competes in terms of quality, pricing, and service not only with other rental car companies, but with automobile leasing companies, taxi companies, and others in the personal mobility market. Thus, the situation at these companies could significantly affect the results of the Mobility Business. In addition, because used vehicles are sold as a part of an operating cycle, a rapid change in the size of the used vehicle market could affect the Group's results.

Risks Associated with Changes in Economic Conditions

An economic recession in Japan has the potential to negatively affect traffic volume in the major cities that form the Group's key markets, leading to a decline in parking demand. In addition, the Group's results could be significantly affected if future economic conditions have an impact on such matters as fuel and energy prices, interest rates, and tax rates.

Risks Associated with Systems Disruption

Technical problems or viruses could compromise the TONIC system. While such an event would not prevent the operation of parking facilities, it could have an adverse effect on the provision of the high value added services that are an essential part of the Group's growth strategy of customer retention, which could significantly affect the Group's results.

Risks Associated with Natural Disasters and Other Events

If the transportation infrastructure is immobilized due to heavy snowfall, earthquakes, or other natural disasters, the number of cars using parking sites could decrease and slow down operation of *Times* sites. In response to this risk, the Park24 Group is working to secure revenues through geographic dispersion of *Times* sites. However, in the event of severe damage to the Group's administrative centers, data centers, or similar facilities, the consequent deterioration in customer service, restoration costs, or other related factors could significantly affect the Group's results.

Risks Associated with the Management of Personal Information

Personal information necessary for member registration in the Times Club membership point program and *Times Car PLUS* car sharing service are processed and administered in the Group's databases. Strict attention is paid to information management and to ensuring the proper handling of personal information. The Group has acquired PrivacyMark® certification, has provided comprehensive education and training to ensure data administrators are fully informed about the importance of information management, and has enforced advanced system security measures. Despite these precautions, a leak of personal information due to unforeseen circumstances could compromise the credibility of the Park24 Group, and the Group's results could subsequently be significantly affected.

Consolidated Balance Sheets

PARK24 Co., Ltd. and Consolidated Subsidiaries
As of October 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
ASSETS			
Current assets:			
Cash on hand and in banks (Notes 4 and 7)	¥ 15,709	¥ 20,080	\$ 166,143
Notes and accounts receivable, trade (Note 7)	7,338	8,500	70,329
Less: allowance for doubtful accounts	(74)	(68)	(563)
Inventories (Note 20)	768	889	7,356
Prepaid expenses	7,593	7,952	65,795
Deferred tax assets (Note 10)	1,075	1,250	10,343
Other current assets	2,740	2,326	19,245
Total current assets	35,149	40,929	338,648
Property, plant and equipment:			
Buildings and structures	21,448	22,118	183,005
Machinery and vehicles (Note 20)	49,115	54,488	450,836
Equipment, furniture and fixtures	12,876	13,926	115,224
Leased assets	26,836	30,825	255,047
Land (Note 11)	24,304	24,304	201,092
Construction in progress	705	1,162	9,614
	135,284	146,823	1,214,818
Less: accumulated depreciation	(52,778)	(60,172)	(497,865)
Total property, plant and equipment, net	82,506	86,651	716,953
Investments and other assets:			
Investment securities (Notes 5 and 7)	2,275	2,410	19,940
Intangible assets	1,461	1,615	13,363
Goodwill	694	540	4,468
Long-term prepaid expenses	7,308	7,520	62,221
Lease deposits	3,604	3,820	31,607
Net defined benefit assets (Note 8)	—	99	819
Deferred tax asset (Note 10)	1,500	1,055	8,729
Other assets	812	838	6,934
Less: allowance for doubtful accounts	(15)	(15)	(124)
Total investments and other assets	17,639	17,882	147,957
Total assets	¥135,294	¥145,462	\$1,203,558

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable, trade	¥ 618	¥ 543	\$ 4,493
Short-term borrowings (Notes 6 and 7)	1,100	300	2,482
Current portion of long-term debt (Notes 6 and 7)	5,135	6,512	53,881
Current portion of lease obligations (Notes 6 and 7)	3,966	3,967	32,823
Notes payable, other	3,595	3,143	26,005
Accounts payable, other	6,208	5,297	43,828
Accrued expenses	4,810	5,551	45,929
Accrued income taxes	3,726	4,509	37,308
Other current liabilities	3,117	3,398	28,115
Total current liabilities	32,275	33,220	274,864
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	28,288	32,781	271,231
Lease obligations (Notes 6 and 7)	7,972	7,648	63,280
Net defined benefit liability (Note 8)	1,196	—	—
Asset retirement obligations (Note 13)	4,248	4,617	38,201
Other long-term liabilities	1,125	1,314	10,872
Total long-term liabilities	42,829	46,360	383,584
Net assets:			
Shareholders' equity (Note 19):			
Common stock	8,219	8,378	69,320
Authorized:			
2014 and 2015—283,680,000 shares			
Issued and outstanding:			
2014—145,171,904 shares,			
2015—145,468,004 shares			
Capital surplus	9,972	10,131	83,824
Retained earnings (Note 22)	42,842	48,014	397,270
Treasury stock, at cost (2014—977 shares, 2015—1,117 shares)	(1)	(2)	(17)
	61,032	66,521	550,397
Accumulated other comprehensive income:			
Net unrealized gains on securities	97	130	1,076
Revaluation reserve for land (Note 11)	(1,053)	(1,053)	(8,713)
Foreign currency translation adjustments	14	54	447
Accumulated adjustments for retirement benefit	(300)	(290)	(2,399)
Total accumulated other comprehensive income	(1,242)	(1,159)	(9,589)
Stock acquisition rights (Note 9)	400	520	4,302
Total net assets	60,190	65,882	545,110
Total liabilities and net assets	¥135,294	¥145,462	\$1,203,558

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

PARK24 Co., Ltd. and Consolidated Subsidiaries
For the years ended October 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Net sales	¥167,022	¥179,699	\$1,486,836
Cost of sales	122,930	132,992	1,100,381
Gross profit	44,092	46,707	386,455
Selling, general and administrative expenses (Note 16)	26,537	27,976	231,474
Operating profit	17,555	18,731	154,981
Other expenses (income):			
Interest expense	96	68	563
Interest and dividend income	(10)	(8)	(66)
Foreign exchange gain, net	(80)	(35)	(290)
Expenses incurred for evacuation of parking facilities	426	388	3,210
Loss on disposal of property, plant and equipment, and other assets	44	38	314
Penalty income charged to customers for cancellation of parking facilities	(122)	—	—
Void parking ticket income	(169)	(164)	(1,357)
Loss on a sale of investment securities	—	8	66
Impairment loss on fixed assets (Note 12)	341	57	472
Equity in earnings of affiliates	(52)	(29)	(240)
Other, net	(43)	(78)	(645)
	431	245	2,027
Income before income taxes and minority interests	17,124	18,486	152,954
Income taxes (Note 10):			
Current	6,697	7,133	59,019
Deferred	39	(196)	(1,622)
	6,736	6,937	57,397
Income before minority interests	10,388	11,549	95,557
Net income	¥ 10,388	¥ 11,549	\$ 95,557

	Yen		U.S. dollars (Note 3)
Per share of common stock:			
Net income (Note 18):			
Basic	¥ 71.66	¥ 79.45	\$ 0.66
Diluted	67.63	75.01	0.62
Cash dividends	50.00	55.00	0.46
Net assets	411.86	449.33	3.72

	Millions of yen		Thousands of U.S. dollars (Note 3)
Income before minority interests	¥ 10,388	¥ 11,549	\$ 95,557
Other comprehensive income (Note 14):			
Net unrealized gains on securities	27	33	273
Adjustments for retirement benefit	—	10	83
Foreign currency translation adjustments	31	16	132
Share of other comprehensive income of affiliates accounted for using the equity method	96	24	199
Total other comprehensive income	154	83	687
Comprehensive income	¥ 10,542	¥ 11,632	\$ 96,244
Comprehensive income attributable to (Note 14):			
Shareholders of PARK24 Co., Ltd.	¥ 10,542	¥ 11,632	\$ 96,244

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

PARK24 Co., Ltd. and Consolidated Subsidiaries
For the years ended October 31, 2014 and 2015

	Number of common shares	Millions of yen				
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at November 1, 2013	150,790,504	¥7,676	¥ 9,429	¥47,877	¥(9,343)	¥55,639
Exercise of stock options	1,001,400	543	543	—	—	1,086
Net income	—	—	—	10,388	—	10,388
Cash dividends	—	—	—	(5,773)	—	(5,773)
Purchase of treasury stock	—	—	—	—	(308)	(308)
Retirement of treasury stock	(6,620,000)	—	—	(9,650)	9,650	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2014	145,171,904	¥8,219	¥ 9,972	¥42,842	¥ (1)	¥61,032
Cumulative effect of change in accounting policies (Note 2)	—	—	—	881	—	881
Restated balance at November 1, 2014	145,171,904	8,219	9,972	43,723	(1)	61,913
Exercise of stock options	296,100	159	159	—	—	318
Net income	—	—	—	11,549	—	11,549
Cash dividends	—	—	—	(7,258)	—	(7,258)
Purchase of treasury stock	—	—	—	—	(1)	(1)
Retirement of treasury stock	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2015	145,468,004	¥8,378	¥10,131	¥48,014	¥ (2)	¥66,521

	Millions of yen						
	Accumulated other comprehensive income						
	Net unrealized gains on securities	Revaluation reserve for land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Stock acquisition rights	Total net assets
Balance at November 1, 2013	¥ 70	¥(1,053)	¥(113)	¥ —	¥(1,096)	¥425	¥54,968
Exercise of stock options	—	—	—	—	—	—	1,086
Net income	—	—	—	—	—	—	10,388
Cash dividends	—	—	—	—	—	—	(5,773)
Purchase of treasury stock	—	—	—	—	—	—	(308)
Retirement of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	27	—	127	(300)	(146)	(25)	(171)
Balance at October 31, 2014	¥ 97	¥(1,053)	¥ 14	¥(300)	¥(1,242)	¥400	¥60,190
Cumulative effect of change in accounting policies (Note 2)	—	—	—	—	—	—	881
Restated balance at November 1, 2014	97	(1,053)	14	(300)	(1,242)	400	61,071
Exercise of stock options	—	—	—	—	—	—	318
Net income	—	—	—	—	—	—	11,549
Cash dividends	—	—	—	—	—	—	(7,258)
Purchase of treasury stock	—	—	—	—	—	—	(1)
Retirement of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	33	—	40	10	83	120	203
Balance at October 31, 2015	¥130	¥(1,053)	¥ 54	¥(290)	¥(1,159)	¥520	¥65,882

	Thousands of U.S. dollars (Note 3)					
	Shareholders' equity					
	Number of common shares	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at November 1, 2014	145,171,904	\$68,004	\$82,508	\$354,477	\$ (9)	\$504,980
Cumulative effect of change in accounting policies (Note 2)	—	—	—	7,289	—	7,289
Restated balance at November 1, 2014	145,171,904	68,004	82,508	361,766	(9)	512,269
Exercise of stock options	296,100	1,316	1,316	—	—	2,632
Net income	—	—	—	95,557	—	95,557
Cash dividends	—	—	—	(60,053)	—	(60,053)
Purchase of treasury stock	—	—	—	—	(8)	(8)
Retirement of treasury stock	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	—
Balance at October 31, 2015	145,468,004	\$69,320	\$83,824	\$397,270	\$(17)	\$550,397

	Thousands of U.S. dollars (Note 3)						
	Accumulated other comprehensive income						
	Net unrealized gains on securities	Revaluation reserve for land	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income	Stock acquisition rights	Total net assets
Balance at November 1, 2014	\$ 803	\$(8,713)	\$116	\$(2,482)	\$(10,276)	\$3,309	\$498,013
Cumulative effect of change in accounting policies (Note 2)	—	—	—	—	—	—	7,289
Restated balance at November 1, 2014	803	(8,713)	116	(2,482)	(10,276)	3,309	505,302
Exercise of stock options	—	—	—	—	—	—	2,632
Net income	—	—	—	—	—	—	95,557
Cash dividends	—	—	—	—	—	—	(60,053)
Purchase of treasury stock	—	—	—	—	—	—	(8)
Retirement of treasury stock	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	273	—	331	83	687	993	1,680
Balance at October 31, 2015	\$1,076	\$(8,713)	\$447	\$(2,399)	\$(9,589)	\$4,302	\$545,110

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

PARK24 Co., Ltd. and Consolidated Subsidiaries
For the years ended October 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 17,124	¥ 18,486	\$ 152,954
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	18,470	20,383	168,650
Impairment loss on fixed assets	341	57	472
Increase in net defined benefit liability	18	—	—
Increase (decrease) in accrued retirement benefits for directors and corporate auditors	(279)	—	—
Interest and dividend income	(10)	(8)	(66)
Interest expense	96	68	562
Loss on disposal of property, plant and equipment, and other assets	44	38	314
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(601)	(1,176)	(9,730)
Inventories	2,458	2,485	20,561
Prepaid expenses	(576)	(357)	(2,954)
Notes and accounts payable, trade	125	(75)	(621)
Notes payable, other	591	(574)	(4,749)
Accounts payable, other	1,847	(99)	(819)
Other	1,036	1,857	15,365
Subtotal	40,684	41,085	339,939
Interest and dividend income received	10	8	66
Interest expense paid	(102)	(64)	(529)
Income taxes paid	(7,491)	(5,874)	(48,602)
Net cash provided by operating activities	33,101	35,155	290,874
Cash flows from investing activities:			
Increase in time deposits due over three months	(16)	(16)	(133)
Decrease in time deposits due over three months	16	16	133
Payments for purchase of property, plant and equipment	(17,359)	(20,452)	(169,221)
Proceeds from sale of property, plant and equipment	59	35	290
Payments for purchase of intangible assets	(679)	(616)	(5,097)
Payments for purchase of investment securities	(500)	(51)	(422)
Payments of long-term prepaid expenses	(3,311)	(3,222)	(26,659)
Other	(1,141)	(322)	(2,664)
Net cash used in investing activities	(22,931)	(24,628)	(203,773)
Cash flows from financing activities:			
Decrease in short-term borrowings, net	(50)	(800)	(6,619)
Proceeds from long-term debt	7,400	11,150	92,255
Repayment of long-term debt	(7,866)	(5,279)	(43,679)
Repayment of lease obligations	(4,086)	(4,259)	(35,239)
Proceeds from issuance of additional shares of common stock	888	256	2,118
Dividends paid	(5,777)	(7,252)	(60,003)
Purchases of treasury stock	(308)	0	0
Other	—	21	174
Net cash used in financing activities	(9,799)	(6,163)	(50,993)
Effect of exchange rate changes on cash and cash equivalents	12	7	58
Net increase in cash and cash equivalents	383	4,371	36,166
Cash and cash equivalents at beginning of year	15,310	15,693	129,844
Cash and cash equivalents at end of year (Note 4)	¥ 15,693	¥ 20,064	\$ 166,010

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

PARK24 Co., Ltd. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of PARK24 Co., Ltd. (the "Company") and its consolidated subsidiaries 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 Law of Japan.

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

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

2. Summary of significant accounting policies

(1) Basis of consolidation

a) Scope of consolidation

The consolidated financial statements as of October 31, 2015 include the accounts of the Company and its 11 significant (10 in 2014) subsidiaries (collectively, the "Companies"). Investments in 2 (2 in 2014) non-consolidated subsidiaries and 4 (4 in 2014) affiliated companies over which the Companies have the ability to exercise significant influence are accounted for using the equity method.

Under the control or influence concept, those companies in which the Company and/or its consolidated subsidiaries, directly or indirectly, are able to exercise control over operations are fully consolidated, and those companies over which the Company and/or its consolidated subsidiaries have the ability to exercise significant influence are accounted for using the equity method.

b) Names of consolidated subsidiaries and non-consolidated subsidiaries

The consolidated subsidiaries and non-consolidated subsidiaries as of October 31, 2015 were as follows:

Consolidated subsidiaries

Times24 Co., Ltd.
Times Service Co., Ltd.
Times Communication Co., Ltd.
TPF1 Limited
Taiwan Park24 Parking Co., Ltd.
Times Mobility Networks Co., Ltd.
Times Support Co., Ltd.
TPF3 Co., Ltd.
Times Rescue Co., Ltd.
TFI Co., Ltd.

Times Innovation Capital Co., Ltd.

Non-consolidated subsidiaries

Times Mobility Fukuoka Corporation
(Subsidiary of Times Mobility Networks Co., Ltd.)
Times Mobility Oita Corporation
(Subsidiary of Times Mobility Networks Co., Ltd.)

c) Goodwill

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

d) Consolidation and elimination

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Companies have been eliminated.

e) Fiscal periods of consolidated subsidiaries

Except for Taiwan Park24 Parking Co., Ltd. and TFI Co., Ltd., the accounts of the consolidated subsidiaries are prepared as of the same date as the consolidated financial statements and are included in the consolidated financial statements.

The fiscal year ends of Taiwan Park24 Parking Co., Ltd. and TFI Co., Ltd. are the ends of September and March, respectively. With respect to the preparation of the accompanying consolidated financial statements, Taiwan Park24 Parking Co., Ltd. uses financial statements as of its fiscal year-end, and adjustments are made for important transactions that occurred during the period from September 30 to October 31, and TFI Co., Ltd. uses provisional financial statements as of October 31.

f) Investments in affiliated companies

The Company had 4 affiliated companies as of October 31, 2014 and 2015. All affiliated companies were accounted for using the equity method.

The fiscal year-end of these affiliated companies differs from that of the Company. Provisional financial statements as of October 31 were utilized in the preparation of the consolidated financial statements.

g) 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 requires: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (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, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

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

(2) Revenue recognition

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

(3) Cash and cash equivalents

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

(4) Financial instruments

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

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

(5) Inventories

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

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

(6) Property, plant and equipment and depreciation

Property, plant and equipment, including significant renewals, additions and betterments, are carried at cost. When retired or otherwise disposed of, the cost and the related depreciation are cleared from the respective accounts and the net difference, less the amount of any proceeds, is charged to income. Maintenance and repairs, including minor renewals and betterments, are charged to income as incurred.

Except for buildings acquired on or after April 1, 1998, lease assets, and rent-a-car, depreciation is computed using the

declining-balance method over the estimated useful lives of which the range is principally from 4 to 45 years. Depreciation of buildings acquired on or after April 1, 1998 and rent-a-car are computed by the straight-line method over the estimated useful lives of which the range is principally from 4 to 50 years.

Depreciation of leased assets is computed by the straight-line method over the period of the lease contracts.

(7) Long-lived assets

The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or 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 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.

(8) 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 tangible fixed asset.

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

(9) Intangible assets and amortization

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

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

(10) Allowance for doubtful accounts

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

(11) Retirement benefits for employees

The Companies have primarily a defined benefit pension plan covering substantially all of the employees. The defined benefit plan provides for a lump-sum payment and, in certain cases, an annuity payment to terminated employees. In calculating

retirement benefit obligation, the benefit formula basis method is used to attribute expected benefit to the period extending up to the end of fiscal year. Actuarial differences are amortized on a straight-line basis over a period of 5 years from the year following the year in which they arise. Prior service cost is charged to income when incurred.

(12) Stock options

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

(13) Leases

The accounting standard for lease transactions requires the Companies to capitalize leased assets and lease obligations.

(14) Deferred charges

Stock issuance costs and bond issuance costs are charged to income as incurred.

(15) Income taxes

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

(16) Consumption taxes

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

(17) Reclassifications

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

(18) Accounting changes and error corrections

The accounting standard for accounting changes and error corrections requires the followings:

a) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless revised accounting standards include specific transitional provisions. When revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

b) Changes in presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

c) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

d) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

(19) Changes in accounting policies

Effective from November 1, 2014, the Company and its consolidated subsidiaries in Japan adopted the main clause of Article 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and the main clause of Article 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015). As a result, the method for determining the retirement benefit obligations and current service costs have been revised from the straight-line basis to the benefit formula basis as the method for attributing the expected retirement benefit to periods. Also the method for determining the discount rate has been changed to use a single weighted average discount rate reflecting the estimated timing and amount of benefit payments.

In accordance with the transitional accounting treatment as stipulated in Article 37 of Statement No. 26, the cumulative effect of changing the methods for determining the retirement benefit obligations and current service costs has been reflected in retained earnings as of November 1, 2014.

As a result, net defined benefit asset increased by ¥173 million (\$1,431 thousand) and net defined benefit liability decreased by ¥1,196 million (\$9,896 thousand) and retained earnings increased by ¥881 million (\$7,289 thousand). The impact of this change on income for the fiscal year ended October 31, 2015 was immaterial.

3. U.S. dollar amounts

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥120.86 = U.S.\$1, the rate of exchange on October 31, 2015, 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.

4. Cash and cash equivalents

Reconciliations of cash on hand and in banks to cash and cash equivalents at October 31, 2014 and 2015 were as follows:

October 31	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash on hand and in banks	¥15,709	¥20,080	\$166,143
Time deposits due over three months	(16)	(16)	(133)
Cash and cash equivalents	¥15,693	¥20,064	\$166,010

5. Investment securities

Investment securities classified as “other securities” at October 31, 2014 and 2015 were as follows:

(1) Other securities for which market quotations are available

October 31	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	Cost	Fair value (Carrying amount)	Difference	Cost	Fair value (Carrying amount)	Difference	Cost	Fair value (Carrying amount)	Difference
Securities for which market value exceeds cost:									
Equity securities	¥104	¥240	¥136	¥ 93	¥261	¥168	\$769	\$2,159	\$1,390
Debt securities	10	10	0	10	11	1	83	91	8
	114	250	136	103	272	169	852	2,250	1,398
Securities for which market value does not exceed cost:									
Equity securities	—	—	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
Total	¥114	¥250	¥136	¥103	¥272	¥169	\$852	\$2,250	\$1,398

(2) Debt securities with maturity

October 31	Millions of yen						Thousands of U.S. dollars		
	2014			2015			2015		
	Within 1 year	1-5 years	More than 5 years	Within 1 year	1-5 years	More than 5 years	Within 1 year	1-5 years	More than 5 years
Government bonds	¥—	¥—	¥10	¥—	¥—	¥11	\$—	\$—	\$91

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

Short-term borrowings at October 31, 2014 and 2015 comprised the following:

	Millions of yen		Thousands of U.S. dollars
October 31	2014	2015	2015
Loans from banks with weighted average interest rates of 0.4% for the years ended October 31, 2014 and 2015:			
—Unsecured	¥1,100	¥300	\$2,482
	¥1,100	¥300	\$2,482

Long-term debt and lease obligations at October 31, 2014 and 2015 comprised the following:

	Millions of yen		Thousands of U.S. dollars
October 31	2014	2015	2015
Unsecured zero coupon convertible bonds due 2026	¥ 1,000	¥ 1,000	\$ 8,274
Unsecured zero coupon convertible bonds due 2018	20,000	20,000	165,481
Unsecured loans, principally from banks, with weighted average interest rates of 0.2% due 2015—2019	12,423	18,293	151,357
Lease obligations	11,938	11,615	96,103
	45,361	50,908	421,215
Less current portion	(9,101)	(10,479)	(86,704)
Total	¥36,260	¥ 40,429	\$334,511

The aggregate annual maturities of long-term debt and lease obligations at October 31, 2015 were as follows:

Years ending October 31	Millions of yen	Thousands of U.S. dollars
2016	¥10,479	\$ 86,704
2017	7,969	65,936
2018	26,569	219,833
2019	4,127	34,147
2020	652	5,394
2021 and thereafter	1,112	9,201
Total	¥50,908	\$421,215

The conversion price of the unsecured zero coupon convertible bonds due 2026 is ¥2,480.1 (\$20.52) as of October 31, 2015 (¥2,470.8 (\$20.44) after November 1, 2015). Convertible bonds outstanding at October 31, 2015 would have been convertible into 403,210 shares of common stock of the Company.

Bondholders of the unsecured zero coupon convertible bonds due 2026 have the right to require the Company to redeem the bonds on April 10, 2018, and 2022 at 100% of their principal amount.

The conversion price of the unsecured zero coupon convertible bonds due 2018 is ¥2,636.4 (\$21.81) as of October 31, 2015 (¥2,630.5 (\$21.76) after November 1, 2015). Convertible bonds outstanding at October 31, 2015 would have been convertible into 7,586,102 shares of common stock of the Company.

Bondholders of the unsecured zero coupon convertible bonds due 2018 have the right to require the Company to redeem the bonds on April 26, 2016 at 100% of their principal amount.

7. 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 Companies have 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 Companies do not undertake derivative transactions for speculative purposes.

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

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

(3) Supplemental explanation regarding fair value of financial instruments

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

The carrying amount, fair value and unrealized gain or loss on financial instruments as of October 31, 2014 and 2015 were as follows:

	Millions of yen		
	2014		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash on hand and in banks	¥15,709	¥15,709	¥ —
Notes and accounts receivables, trade	7,338	7,338	—
Other securities in investment securities	250	250	—
Short-term borrowings	1,100	1,100	—
Convertible bonds	21,000	21,171	(171)
Long-term debt (including current portion)	12,423	12,340	83
Lease obligations (including current portion)	11,938	11,683	255

	Millions of yen		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash on hand and in banks	¥20,080	¥20,080	¥ —
Notes and accounts receivables, trade	8,500	8,500	—
Other securities in investment securities	272	272	—
Short-term borrowings	300	300	—
Convertible bonds	21,000	23,163	(2,163)
Long-term debt (including current portion)	18,293	18,270	23
Lease obligations (including current portion)	11,615	11,475	140

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash on hand and in banks	\$166,143	\$166,143	\$ —
Notes and accounts receivables, trade	70,329	70,329	—
Other securities in investment securities	2,250	2,250	—
Short-term borrowings	2,482	2,482	—
Convertible bonds	173,755	191,651	(17,896)
Long-term debt (including current portion)	151,357	151,167	190
Lease obligations (including current portion)	96,103	94,945	1,158

Cash on hand and in banks

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

Notes and accounts receivables

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

Other securities in investment securities

The fair value of these items is based on quoted market prices.

Short-term borrowings

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

Convertible bonds

The fair value of convertible bonds is based on the quoted market price, if available. Otherwise the fair value of the bonds is the present value of the discounted cash flows using the interest rate determined by the remaining period and current credit risk.

Long-term debt (including current portion)

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

Lease obligations (including current portion)

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

The carrying amounts of financial instruments whose fair value can not be reliably determined as of October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
October 31	2014	2015	2015
Investment securities	¥2,025	¥2,138	\$17,690

Maturities of financial assets and securities were as follows:

	Millions of yen			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Time deposit	¥ 66	¥—	¥—	¥—
Notes and accounts receivables, trade	8,500	—	—	—
Other securities with contractual maturities	—	—	10	—
	¥8,566	¥—	¥10	¥—

	Thousands of U.S. dollars			
	Within 1 year	1-5 years	5-10 years	More than 10 years
Time deposit	\$ 546	\$—	\$—	\$—
Notes and accounts receivables, trade	70,329	—	—	—
Other securities with contractual maturities	—	—	83	—
	\$70,875	\$—	\$83	\$—

8. Retirement benefit plans

The Companies have funded pension plans or termination allowance plans as part of their defined benefit plans.

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

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

The changes in the retirement benefit obligation during the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Beginning balance of retirement benefit obligation	¥1,957	¥ 2,610	\$ 21,595
Cumulative effect of change in accounting policies	—	(1,369)	(11,327)
Restated balance	—	1,241	10,268
Service cost	289	325	2,689
Interest cost	29	17	141
Actuarial loss	372	146	1,208
Retirement benefits paid	(37)	(30)	(248)
Ending balance of retirement benefit obligation	¥2,610	¥ 1,699	\$ 14,058

The changes in plan assets during the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Beginning balance of plan assets	¥1,075	¥1,414	\$11,699
Expected return on plan assets	10	11	91
Actuarial gain	4	15	124
Contributions by the Company	362	386	3,194
Retirement benefits paid	(37)	(28)	(231)
Ending balance of plan assets	¥1,414	¥1,798	\$14,877

The following table sets forth the funded status of plans and the amounts recognized in the consolidated balance sheets as of October 31, 2014 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Funded retirement benefit obligation	¥ 2,610	¥ 1,699	\$ 14,058
Plan assets at fair value	(1,414)	(1,798)	(14,877)
	1,196	(99)	(819)
Net (asset) liability for retirement benefits in the balance sheet	1,196	(99)	(819)
Net defined benefit liability	1,196	—	—
Net defined benefit asset	—	(99)	(819)
Net (asset) liability for retirement benefits in the balance sheet	¥ 1,196	¥ (99)	\$ (819)

The components of retirement benefit expense for the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥289	¥325	\$2,689
Interest cost	29	17	141
Expected return on plan assets	(9)	(11)	(91)
Amortization of actuarial loss	91	146	1,208
Retirement benefit expense	¥400	¥477	\$3,947

Actuarial loss included in other comprehensive income (before tax effect) for the year ended October 31, 2015 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Actuarial loss	¥15	\$124
Total	¥15	\$124

Unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized actuarial loss	¥466	¥452	\$3,740
Total	¥466	¥452	\$3,740

The fair value of plan assets, by major category, as a percentage of total plan assets as of October 31, 2014 and 2015 were as follows:

	2014	2015
Life insurance company general accounts	100%	100%
Total	100%	100%

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

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

	2014	2015
Discount rates	1.5%	1.0%
Expected rates of return on plan assets	0.9%	0.9%

Contributions to defined contribution plans of a certain subsidiary for the years ended October 31, 2014 and 2015 were ¥64 million and ¥69 million (\$571 thousand), respectively.

9. Stock options plan

Summarized information on the stock options granted as of October 31, 2015 was as follows:

(1) Stock option plan approved by the Board of Directors on June 18, 2009

	Stock options granted on July 8, 2009
Number of shares for options granted	1,134,500
Number of shares for options outstanding	171,800
Exercise price	¥888 (\$7.35)
Exercisable period	December 1, 2011—January 31, 2017

(2) Stock option plan approved by the Board of Directors on June 15, 2011

	Stock options granted on July 4, 2011
Number of shares for options granted	1,519,500
Number of shares for options outstanding	561,700
Exercise price	¥867 (\$7.17)
Exercisable period	December 1, 2013—January 31, 2019

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

	Stock options granted on August 6, 2013
Number of shares for options granted	989,200
Number of shares for options outstanding	957,700
Exercise price	¥1,884 (\$15.59)
Exercisable period	December 1, 2015—January 31, 2021

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

	Stock options granted on June 22, 2015
Number of shares for options granted	1,224,000
Number of shares for options outstanding	1,224,200
Exercise price	¥2,342 (\$19.38)
Exercisable period	February 1, 2018—January 31, 2023

The number of shares of common stock to be newly issued or to be transferred from treasury stock of the Company, which had been approved by the shareholders in the previous years, decreased by 296,100 shares due to the exercise of options and also decreased by 7,000 shares due to the resignation of the directors and employees of the Company and its subsidiaries who had been granted stock options.

10. Income taxes

At October 31, 2014 and 2015, significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
October 31	2014	2015	2015
Deferred tax assets:			
Accrued enterprise taxes	¥ 312	¥ 404	\$ 3,343
Accrued bonuses	459	495	4,095
Net defined benefit liability	437	—	—
Depreciation	479	476	3,938
Revaluation of land	375	340	2,813
Asset retirement obligations	1,504	1,441	11,923
Other	1,017	1,022	8,456
Less: valuation allowance	(935)	(895)	(7,405)
Total deferred tax assets	3,648	3,283	27,163
Deferred tax liabilities:			
Net defined benefit asset	—	25	207
Unrealized gains on securities	54	62	513
Asset retirement cost	980	917	7,587
Other	46	15	124
Total deferred tax liabilities	1,080	1,019	8,431
Net deferred tax assets	¥2,568	¥2,264	\$18,732

For the years ended October 31, 2014 and 2015 reconciliations of the difference between the statutory income tax rates and the effective income tax rates were as follows:

Years ended October 31	2014	2015
Statutory income tax rates	38.0%	35.6%
Valuation allowance	0.6	0.2
Non-deductible expenses for tax purposes	0.5	0.4
Per capita levy of inhabitants' taxes	0.5	0.4
Effect of changes in tax laws and corporate tax rates in Japan	0.4	0.1
Loss carry forward	(1.4)	—
Other	0.7	0.8
Effective income tax rates	39.3%	37.5%

In assessing the realizability of deferred tax assets, management of the Companies considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is entirely dependent upon the generation of future taxable income in specific tax jurisdictions during the periods in which these temporary differences become deductible. Although realization is not assured, management considered the projected future taxable income in making this assessment. Based on these factors, management believes it is more likely than not that the Companies will realize the benefits of these deductible differences,

net of the existing valuation allowance.

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Amendment of the Local Tax Law, etc.” (Act No. 2 of 2015) were promulgated on March 31, 2015.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.1% for the temporary differences expected to be realized or settled from the fiscal year beginning November 1, 2015 and to 32.3% for those expected to be realized or settled from the fiscal year beginning November 1, 2016.

11. Revaluation of land

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

The carrying value of this land after the revaluation was down from its fair value as of October 31, 2014 and 2015 by ¥21 million and ¥49 million (\$405 thousand), respectively.

12. Impairment loss on fixed assets

The Companies review their long-lived assets in operation for impairment by asset group. An asset group consists of the lowest level of geographical area under business classification. Mainly headquarters' assets and leased assets are allocated to a single group as corporate common assets. When the above asset group makes continuing loss in operation, the Companies reduce the carrying amount of the asset group to the recoverable amount.

The related assets which incurred impairment losses for the years ended October 31, 2014 and 2015 were as follows:

Years ended October 31	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Related assets			
Buildings and structures	¥ 7	¥15	\$124
Other tangible fixed assets	1	—	—
Long-term prepaid expenses	29	42	348
Goodwill	304	—	—
Total	¥341	¥57	\$472

13. Asset retirement obligations

(1) General information about asset retirement obligations

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

(2) Calculation method of 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 matures corresponding periods.

(3) Asset retirement obligations for the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Beginning of year	¥4,033	¥4,248	\$35,148
New obligations by acquisition of fixed assets	486	409	3,384
Accretion expense	63	64	529
Settlement payment	(334)	(104)	(860)
End of year	¥4,248	¥4,617	\$38,201

14. Other comprehensive income

The components of other comprehensive income for the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net unrealized gains on securities			
Gains arising during the year	¥ 42	¥ 33	\$ 273
Reclassification adjustments to profit or loss	—	8	66
Amount before income tax effect	42	41	339
Income tax effect	(15)	(8)	(66)
Total	27	33	273
Foreign currency translation adjustments			
Adjustments arising during the year	31	16	132
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	31	16	132
Income tax effect	—	—	—
Total	31	16	132
Share of other comprehensive income of affiliates accounted for using the equity method			
Gains arising during the year	96	24	199
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	96	24	199
Income tax effect	—	—	—
Total	96	24	199
Accumulated adjustments for retirement benefit			
Adjustments arising during the year	—	(131)	(1,084)
Reclassification adjustments to profit or loss	—	146	1,208
Amount before income tax effect	—	15	124
Income tax effect	—	(5)	(41)
Total	—	10	83
Total other comprehensive income	¥154	¥ 83	\$ 687

15. Segment information by business category

	Millions of yen		Thousands of U.S. dollars
Years ended October 31	2014	2015	2015
I. Operating revenues and operating profit:			
Operating revenues			
(1) Outside customers			
Parking business	¥127,516	¥134,267	\$1,110,930
Mobility business	39,506	45,432	375,906
Total	167,022	179,699	1,486,836
Reconciliations	—	—	—
Consolidated	167,022	179,699	1,486,836
(2) Inter-segment			
Parking business	103	81	670
Mobility business	31	75	621
Total	134	156	1,291
Reconciliations	(134)	(156)	(1,291)
Consolidated	—	—	—
Total operating revenue			
Parking business	127,619	134,348	1,111,600
Mobility business	39,537	45,507	376,527
Total	167,156	179,855	1,488,127
Reconciliations	(134)	(156)	(1,291)
Consolidated	167,022	179,699	1,486,836
Operating expenses			
Parking business	104,004	111,304	920,933
Mobility business	38,483	42,664	353,004
Total	142,487	153,968	1,273,937
Reconciliations	6,980	7,000	57,918
Consolidated	149,467	160,968	1,331,855
Operating profit			
Parking business	23,615	23,044	190,667
Mobility business	1,054	2,843	23,523
Total	24,669	25,887	214,190
Reconciliations	(7,114)	(7,156)	(59,209)
Consolidated	¥ 17,555	¥ 18,731	\$ 154,981
II. Depreciation and amortization:			
Parking business	¥ 7,746	¥ 8,543	\$ 70,685
Mobility business	10,052	11,090	91,759
Total	17,798	19,633	162,444
Reconciliations	672	750	6,206
Consolidated	¥ 18,470	¥ 20,383	\$ 168,650

Notes: 1. Business category and main services in each category

Business Category	Main Services
Parking business	24-hour self-service parking lot ("Times") Parking facility management
Mobility business	Lending and sales of automobiles Roadside assistance

2. Geographical information

The operating revenues and tangible fixed assets outside Japan were immaterial.

16. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended October 31, 2014 and 2015 were principally as follows:

Years ended October 31	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Advertising and sales promotion	¥ 1,731	¥ 1,744	\$14,430
Transfer and transportation expenses	664	712	5,891
Salaries and bonuses	10,836	11,859	98,122
Retirement benefit expenses	311	382	3,161
Rental expenses	1,968	2,090	17,293
Remuneration and commission	2,410	2,477	20,495
Amortization of goodwill	357	154	1,274
Provision of allowance for doubtful accounts	55	20	165
Directors' and corporate auditors' compensations and salaries	287	279	2,308
Provision for bonuses	870	726	6,007
Provision for directors' and corporate auditors' bonuses	71	66	546
Legal welfare expenses	1,392	1,515	12,535
Depreciation and amortization	793	879	7,273

17. Related party transactions

Material transactions of the Company with related companies and individuals for the years ended October 31, 2014 and 2015 were as follows:

					Millions of yen / Thousands of U.S. dollars			
					Transactions		Resulting account balance	
Name of related company or individual	Paid-in capital	Principal business	Percentage of the Company's ownership held by related company or individual	Description of the Company's transactions	For the year ended October 31,		At October 31,	
					2014	2015	2014	2015
LTK Reisebüro Japan Co., Ltd.	¥34 million	Travel agency	—	Purchase of ticket for business trip	¥19	¥ 16 (\$132)	¥2	¥— (\$—)

- The terms and conditions of the above transactions were on an arm's-length basis.
- LTK Reisebüro Japan Co., Ltd. is owned by Tsunekazu Takeda, the Company's corporate auditor.

18. Net income per share

The reconciliations of the difference between basic and diluted net income per share for the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended October 31	2014	2015	2015
Net income available to the common stockholders	¥10,388	¥11,549	\$95,557
Effect of dilutive securities	—	—	—
Net income available to the common stockholders for diluted net income per share	¥10,388	¥11,549	\$95,557

	Thousands of shares	
Years ended October 31	2014	2015
Weighted-average number of shares	144,958	145,364
Effect of dilutive securities:		
Common stock warrants	8,651	8,606
Weighted-average number of shares for diluted net income per share	153,609	153,970

	Yen		U.S. dollars
Years ended October 31	2014	2015	2015
Basic net income per share	¥71.66	¥79.45	\$0.66
Diluted net income per share	¥67.63	¥75.01	\$0.62

Potential common stock upon the exercise of a common stock warrant, which was excluded from the computation of diluted net income per share since it had an exercise price in excess of the average market value of the common stock during the years ended October 31, 2014 and 2015, were 964,700 shares and nil, respectively.

19. Shareholders' equity

The Corporation Law 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.

20. Vehicles reclassified as inventories

The rent-a-car business includes sales of used cars as an operating cycle. For the years ended October 31, 2014 and 2015, the Companies reclassified ¥2,534 million and ¥2,606 million (\$21,562 thousand) of vehicles to inventories. The balance of these inventories as of October 31, 2014 and 2015 were nil and ¥36 million (\$298 thousand), respectively.

21. Investments and rental properties

The Companies own properties for parking facilities in Tokyo, Kanagawa and other areas. The carrying amount on the consolidated balance sheets, any increase or decrease during the year, as well as the market value of the properties as of October 31, 2014 and 2015 were as follows:

	Millions of yen			
	Amount on the consolidated balance sheet			
	November 1, 2013	Increase (Decrease)	October 31, 2014	Market value as of October 31, 2014
Rental properties	¥29,394	¥(505)	¥28,889	¥33,697

	Millions of yen			
	Amount on the consolidated balance sheet			
	November 1, 2014	Increase (Decrease)	October 31, 2015	Market value as of October 31, 2015
Rental properties	¥28,889	¥(355)	¥28,534	¥34,178

	Thousands of U.S. dollars			
	Amount on the consolidated balance sheet			
	November 1, 2014	Increase (Decrease)	October 31, 2015	Market value as of October 31, 2015
Rental properties	\$239,028	\$(2,937)	\$236,091	\$282,790

(1) Amount on the consolidated balance sheet is calculated as acquisition cost deducting accumulated depreciation and cumulative impairment losses.

(2) Market values as of October 31, 2014 and 2015 were principally established in accordance with the "Real estate evaluation standards," and were adjusted using official indices.

Revenues and expenses related to investment and rental properties for the years ended October 31, 2014 and 2015 were as follows:

	Millions of yen			
	Revenues	Expenses	Difference	Other
2014				
Rental properties	¥3,930	¥1,375	¥2,555	¥—

	Millions of yen			
	Revenues	Expenses	Difference	Other
2015				
Rental properties	¥4,253	¥1,422	¥2,831	¥—

	Thousands of U.S. dollars			
	Revenues	Expenses	Difference	Other
2015				
Rental properties	\$35,189	\$11,765	\$23,424	\$—

22. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended October 31, 2015, was approved at an ordinary general meeting of shareholders held on January 27, 2016.

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥55=U.S.\$0.46 per share)	¥8,001	\$66,201

Report of Independent Auditors



Independent Auditor's Report

The Board of Directors
PARK24 Co., Ltd.

We have audited the accompanying consolidated financial statements of PARK24 Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at October 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PARK24 Co., Ltd. and its consolidated subsidiaries as at October 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young Shi Nihon LLC

January 27, 2016
Tokyo, Japan

A member firm of Ernst & Young Global Limited

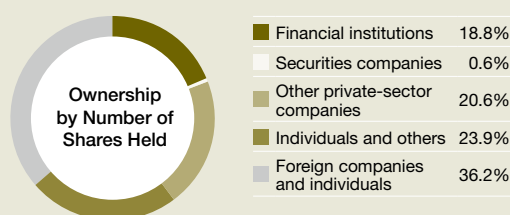
Stock Information

As of October 31, 2015

Share Data

Number of shares:	
Authorized	283,680,000 shares
Issued and outstanding	145,468,004 shares
Number of shares per trading unit	100 shares
Number of shareholders	36,641

Shareholders Composition



Note: Number of shares in treasury stock after cancellation is 1,117 shares.

Major Shareholders

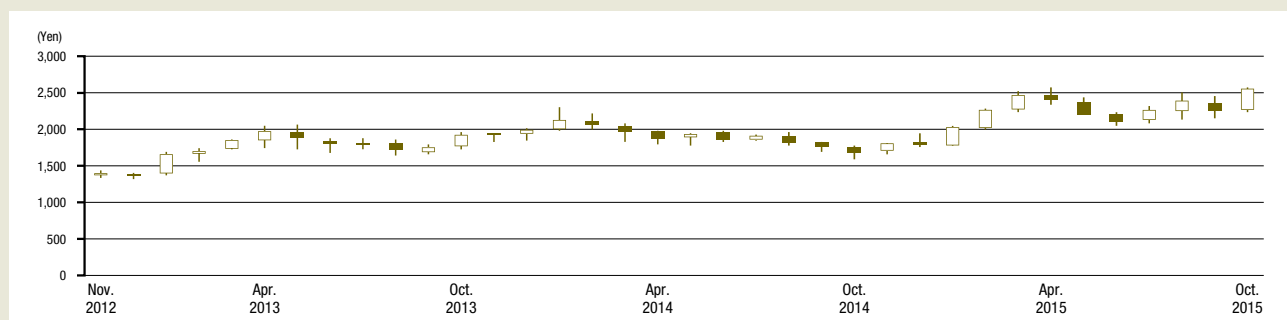
	Number of shares (Thousand shares)	Shareholding ratio (%)
Senju Co., Ltd.	21,746	14.95
Japan Trustee Services Bank, Ltd. (trust account)	11,211	7.71
Koichi Nishikawa	8,110	5.58
MSCO CUSTOMER SECURITIES	7,529	5.18
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,138	4.91
Isao Nishikawa	6,194	4.26
STATE STREET BANK and TRUST COMPANY	4,520	3.11
The Nippon Signal Co., Ltd.	3,853	2.65
Kyoko Nishikawa	3,200	2.20
Chizu Asai	2,558	1.76

Note: The number of shares is rounded down to the nearest thousand. The shareholding is rounded off to two decimal places.

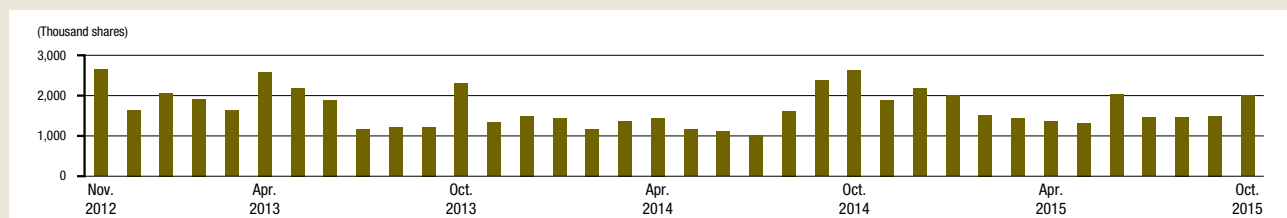
Stock Acquisition Rights (SARs) / Stock Options

	Date of issue	Exercise period (deadline)	Total number of SARs to be issued	Exercise price	Outstanding balance	Percentage of SARs exercised
1	June 18, 2009	January 31, 2017	11,345	¥888	1,718	84.9%
2	June 15, 2011	January 31, 2019	15,195	¥867	5,617	63.0%
3	July 16, 2013	January 31, 2021	9,647	¥1,884	9,577	0.7%
4	May 28, 2015	January 31, 2023	12,240	¥2,342	12,240	—

Stock Price Range on Tokyo Stock Exchange



Trading Volume



Corporate Data

As of October 31, 2015

Corporate Name	PARK24 Co., Ltd.
Head Office	2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-8424, Japan TEL 81-3-3213-8910 FAX 81-3-3213-8914
Stock Listing	First Section of the Tokyo Stock Exchange
Stock Code	4666
Date of Founding	August 26, 1971 (Date of Establishment: February 3, 1973)
Paid-in Capital	¥8,377 million
Fiscal Year-end	October 31
Number of Employees	2,248

Main Businesses	Parking Business: Management of parking facilities Mobility Business: Rent-a-car service, Car sharing service and Road assistance service
Leading Banks	Sumitomo Mitsui Banking Corp. Resona Bank, Ltd. Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd. Mitsubishi UFJ Trust and Banking Corp.
Transfer Agent	Mitsubishi UFJ Trust and Banking Corp.
Independent Auditor	Ernst & Young ShinNihon LLC

Subsidiaries and Affiliates

Company Name	Principal Business Activities	Percentage of Voting Rights (%)
Times24 Co., Ltd.	Management of parking facilities and car sharing service	100.0
Times Service Co., Ltd.	Maintenance of parking facilities	100.0
Times Communication Co., Ltd.	Contact center	100.0
Times Mobility Networks Co., Ltd.	Rent-a-car service	100.0
Times Rescue Co., Ltd. (Note)	Roadside assistance service	100.0
Times Support Co., Ltd.	Insurance agent service	100.0
Times Innovation Capital Co., Ltd.	Corporate venture capital	100.0
Taiwan Park24 Parking Co., Ltd.	Management of parking (Taiwan)	100.0
GS Park24 Co., Ltd.	Management of parking (South Korea)	50.0

Note: Park24 Co., Ltd. holds all the shares in TPF3 Ltd., which holds all the shares in Times Rescue Co., Ltd.

IR Guide

Home Page	http://www.park24.co.jp/en/
Division	Planning Dept. Planning and Administration Div.
Telephone	+81-3-3213-8910
E-mail	ir@park24.co.jp

Principal Investor Relations Activities

General Meeting of Shareholders: ordinary shareholders are welcomed.	Ordinary shareholders are welcome to attend the management briefings on recent developments held after the General Meeting of Shareholders. Time is allotted for question-and-answer sessions after the Company President (as the Company representative) reports on business policies and other items.
Regularly Scheduled Results Announcement Meeting	The Company President (as the Company representative) reports on performance results, future management and business strategies, and other items at the biannual financial results briefings held in late May and mid December.
Active Schedule of Investor Relations Meetings	In the fiscal year ended in October 2015, Park24 held 290 IR meetings with analysts and institutional investors, which included holding one-on-one meetings, group conferences, and an overseas tour of IR presentations.
Actively approaching overseas investors	The Company conducts overseas IR presentations once a year, primarily to individual investment firms in Europe, the United States, and Asia. The Company also distributes videos in English showing footage of its biannual financial results briefings.

Park24 Co., Ltd.

2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-8424, Japan

TEL: 81-3-3213-8910

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