

Park24 Co., Ltd.

A BETTER BRIDGE

among People, Cars, Communities, and...



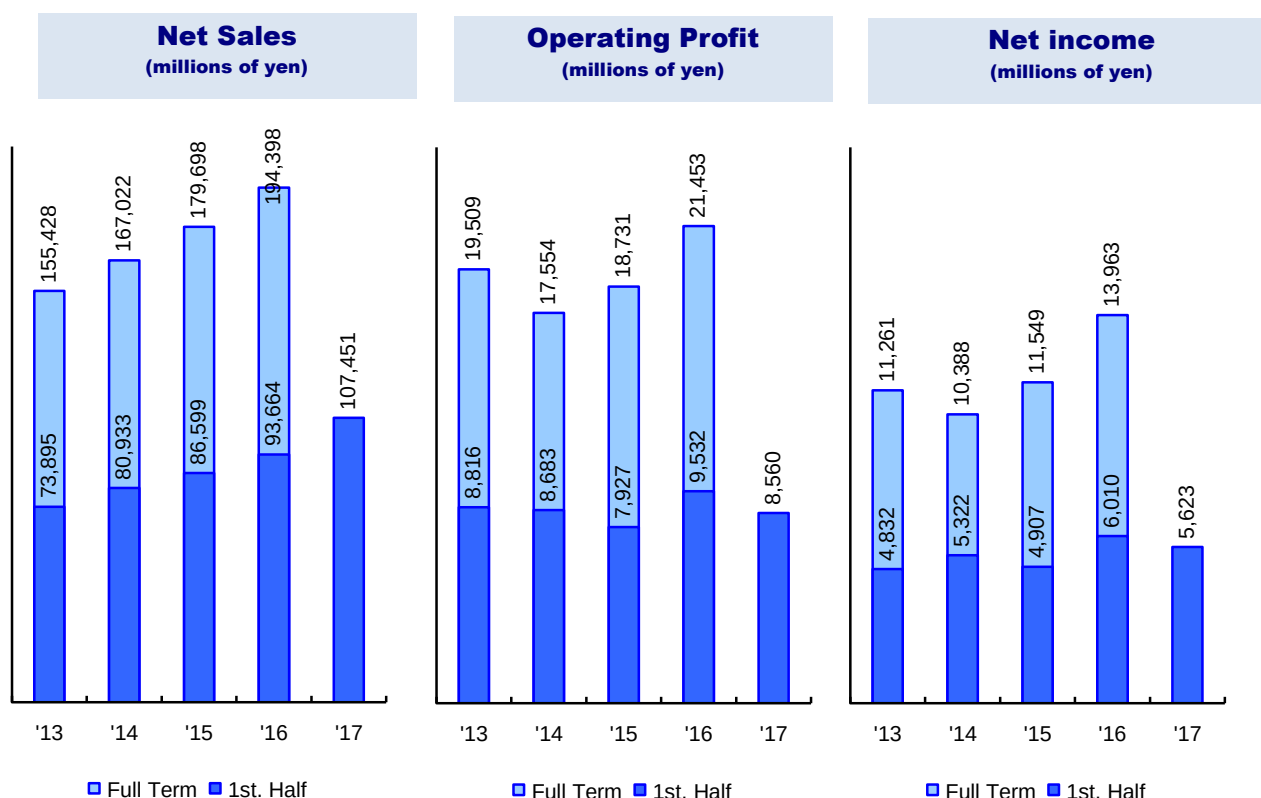
Semi Annual Report 2017

Year ended April 30, 2017

CONSOLIDATED FINANCIAL HIGHLIGHT (Unaudited)
For the six-month periods ended April 30, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note)
	2016	2017	2017
For the period:			
Net sales	¥ 93,664	¥ 107,451	\$ 966,199
Parking business	68,691	72,258	649,744
Parking business Overseas	954	7,844	245,922
Mobility business	24,020	27,349	70,533
Operating profit	9,532	8,560	76,971
Net income	6,010	5,623	50,562
At the end of the period:			
Total Net Assets	¥ 73,271*	¥ 69,426	\$ 624,278
Total Assets	152,939*	184,318	1,657,387
Per share data (Yen and U.S. dollars) :			
Net income			
Basic	¥ 41.25	¥ 38.24	\$ 0.34
Diluted	38.92	36.23	0.33
Shareholders' equity	438.75	469.76	4.22
Number of parking spaces managed worldwide	683,726*	1,038,760	
Number of employees:	2,448*	3,421	

*As of October 31, 2016



TO OUR SHAREHOLDERS

[Qualitative Data, Financial Statements and Other Information]

1. Qualitative data on the consolidated financial results

During the first half of the consolidated fiscal year under review (from November 1, 2016 to April 30, 2017), the Japanese economy continued to see an improved employment and income environment and stable consumer spending backed by a moderate recovery in corporate performance. Meanwhile, considerable uncertainty about the future of overseas economies remains, given factors such as the policies of the new U.S. administration and tension in the Asian region, despite the moderate recovery.

In this environment, the Group sought to achieve a comfortable automobile society by aiming to expand its parking facilities and network of mobility services, which form the base of its services. Meanwhile, the Group sought to win over driver's support by introducing new services and enhancing its point program. The Group also acquired 80% shares of Secure Parking Pty. Ltd, a company operating a parking business in Australia, New Zealand, and the U.K., Secure Parking Singapore Pte. Ltd., operating a parking business in Singapore, and Secure Parking Corporation Sdn. Bhd., a parking business operator in Malaysia, as the basis of the Group's full-fledged overseas expansion.

As a result, in the first six months under review, the Group posted net sales of 107,451 million yen (up 14.7% year on year), operating profit of 8,560 million yen (down 10.2%) and recurring profit of 8,533 million yen (down 8.3%). Comprehensive income attributable to owners of the parent stood at 5,604 million yen (down 6.8%).

Results by business segment are as follows:

Parking Business

Since the fiscal year before last, the Group has sought dominance in the parking industry through comprehensive, community-based development and sales by increasing its office locations and providing consulting services to major companies. The Group has also been working to enhance convenience for customers by such means as increasing the use of B-Times, a parking site matching and reservation system, promoting a card that allows corporate customers to pay in arrears for parking at Times parking, rent-a-car service, and car sharing service with the same card, responding to diversified means of payments including electric money.

As a result, the numbers of Times parking facilities and parking spaces managed at the end of the term under review were 16,404, up 3.9% from the end of the previous fiscal year, and 543,242, up 2.3%, respectively. The total number of parking facilities managed, including monthly parking and facility management services, rose 3.5% from the end of the previous fiscal year, to 17,779, and the total number of parking spaces managed increased 3.1%, to 666,119. Net sales in this segment (including intersegment sales) stood at 72,321 million yen (rising 5.2% year on year), and operating profit amounted to 11,964 million yen (up 1.6%).

Parking Business Overseas

As part of its growth strategy for the future, the Group acquired shares of overseas parking business operators in January 2017, which has added operation in five countries, including Australia, New Zealand, the U.K., Singapore, and Malaysia, to the initial two countries, Taiwan and Korea. As a result, the numbers of overseas parking sites and parking spaces managed at the end of the first quarter under review were 1,534, and 372,641, respectively, and the total numbers of parking sites and parking spaces managed worldwide were 19,313 and 1,038,760, respectively.

The Group plans to grow its business and expand services utilizing its expertise in Asia, Oceania and the rest of the world in the future to create a comfortable automobile society.

Sales in this segment (including intersegment sales) stood at 7,844 million yen (increasing 722.5% year on year), and operating profit was 56 million yen (up 14.9%) due to the amortization of goodwill.

Mobility Business

To develop an environment where users can feel greater affinity with the Group's rent-a-car service, the Group opened stores in locations that are easy for customers to access and provided car models suited to their needs, and also expanded the card for its simplified rent-a-car service, PitGo. PitGo is a service whereby car sharing members are able to rent cars simply by placing their membership card on a scanner at rent-a-car premises. In the car sharing service, we actively developed stations for the target of vehicles to be distributed at the end of the consolidated fiscal year under review, 20,000 units, and promoted the deferred payment card by offering additional functions for parking for corporate customers, among other activities. As a result, the number of stations at the end of the term under review was 9,380 and the number of vehicles distributed was 18,380 units (up 9.2% and 13.1% respectively in comparison to the end of the previous fiscal year), and the number of car sharing members also increased 11.3% from the end of the previous fiscal year, to 800,958.

In addition, the Group emphasized activities for future benefits, including the development of an environment that helps prevent accidents by improving vehicles' safety equipment, in which the Group has been engaged since the previous fiscal year, and participation in the social experiment of car sharing using road space conducted by the Ministry of Land, Infrastructure, Transport, and Tourism.

As a result, the total number of vehicles in the Mobility Business segment at the end of the term under review rose 8.5% from the end of the previous fiscal year, to 46,607. Net sales in the segment (including intersegment sales) reached 27,363 million yen (increasing 13.8% year on year). On the other hand, operating income was 1,104 million yen (decreasing 23.0% year on year) due to cost growth caused primarily by the investment in safety devices and an accelerated increase in the number of cars.

TO OUR SHAREHOLDERS

2. Qualitative data on the consolidated financial position

(i) Assets, liabilities and net assets

Total assets at the end of the second quarter under review rose 31,378 million yen from the end of the previous fiscal year, to 184,318 million yen. This primarily reflected increases of 16,550 million yen in goodwill, 2,591 million yen in lease assets, 2,435 million yen in notes and accounts receivable-trade and 2,162 million yen in machinery, equipment and vehicles, mainly due to the acquisition of the shares of the overseas parking business operators, and a decrease of 1,284 million yen in cash and deposits.

Total liabilities increased 35,223 million yen, to 114,892 million yen. Major contributing factors included increases of 22,548 million yen in long- and short- term loans payable, mainly due to the funds for the acquisition of the shares of the overseas parking business operators and consolidation, 4,588 million yen in accounts payable and 3,834 million yen in “Other,” including deposits received, in current liabilities.

Net assets fell 3,844 million yen, to 69,426 million yen, as a result of an increase of 5,604 million yen due to the posting of a profit attributable to owners of parent, an increase of 216 million yen in non-controlling interests, and a decrease of 9,518 million yen due to dividend payments out of retained earnings.

(ii) Cash flow condition

Cash and cash equivalents at the end of the first six months of the consolidated fiscal year under review fell 1,284 million yen from the end of the previous consolidated fiscal year, to 18,177 million yen.

The cash-flow situation by category for the six months was as follows.

(Net cash from operating activities)

Net cash provided by operating activities decreased 1,055 million yen year on year, to 17,284 million yen. This primarily reflected the total of depreciation and amortization and income before income taxes and minority interests of 20,191 million yen and income taxes paid of 4,695 million yen.

(Net cash from investing activities)

Net cash used in investing activities was 28,885 million yen (cash outflows increased 16,871 million yen year on year). This figure primarily reflects the expenditure of 15,276 million yen for the acquisition of shares of the overseas parking business operators (net amount after offsetting the cash and cash equivalents of the companies acquired), purchases of property, plant, and equipment of 10,873 million yen associated with the opening of Times parking facilities and the acquisition of vehicles for service, and long-term prepaid expenses of 2,084 million yen.

(Net cash from financing activities)

Net cash used in financing activities was 10,341 million yen (cash inflows increased 20,849 million yen year on year). This was chiefly attributable to dividend payments of 9,508 million yen and the repayment of long-term loans payable of 2,713 million yen due to the acquisition of shares of the overseas parking business operators and proceeds from issuance of common stock of 241 million yen, offsetting a net increase in short-term loans payable of 24,874 million yen.

3. Qualitative data on the consolidated earnings forecasts

The consolidated earnings forecasts for the fiscal year ending October 31, 2017 have not been changed from the figures announced on December 15, 2016 in the Consolidated Financial Report for the Fiscal Year Ended October 31, 2016.

4. Others

(1) Changes of important subsidiaries during the term

During the first quarter of the fiscal year under review, Park24 Australia Pty Ltd., Park24 Singapore Pte. Ltd., and Park24 Malaysia Sdn. Bhd., are companies founded as subsidiaries of the Company in December 2016, and included in the scope of consolidation from the fiscal year under review.

In addition, the Company has indirectly acquired Secure Parking Pty. Ltd, 50 % of which equity is held by Periman Pty. Ltd and Auspark Holdings Pty. Ltd respectively, its six subsidiaries, and the two subsidiaries of Secure Parking Corporation Sdn. Bhd.

Secure Parking Pty. Ltd corresponds to a specified subsidiary.

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting policies and changes or restatement of accounting estimates

(Application of the Accounting Standard for Business Combinations Etc.)

Not applicable

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(4) Additional Information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied to the consolidated results since the first quarter of the fiscal year under review.

August 2017

A handwritten signature in black ink, reading "K. Nishikawa". The signature is written in a cursive, flowing style.

Koichi Nishikawa
President

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2017 and October 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31	April 30	April 30
	2016	2017	2017
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 19,477	¥ 18,193	\$ 163,591
Notes and accounts receivable, trade	8,815	12,638	113,641
Less: allowance for doubtful accounts	(75)	(104)	(935)
Inventories	1,013	1,443	12,975
Prepaid expenses	8,589	8,322	74,831
Deferred tax assets	1,240	1,181	10,620
Other current assets	2,963	4,937	44,394
Total current assets	42,022	46,610	419,117
Property, plant and equipment:			
Buildings and structures	23,139	25,301	227,507
Machinery and vehicles	61,614	68,894	619,495
Equipment, furniture and fixtures	14,918	16,158	145,293
Lease assets	35,255	41,089	369,472
Land	24,304	24,308	218,577
Construction-in-progress	1,360	4,211	37,865
	160,590	179,961	1,618,209
Less: accumulated depreciation	(69,016)	(79,509)	(714,945)
Total property, plant and equipment, net	91,574	100,452	903,264
Investments and other assets:			
Investment securities	2,479	2,587	23,262
Intangible assets	2,061	2,562	23,038
Goodwill	387	16,937	152,297
Long-term prepaid expenses	7,946	8,544	76,828
Lease deposits	4,765	4,850	43,611
Net defined benefit assets	-	-	-
Deferred tax assets	1,181	1,244	11,186
Other assets	539	546	4,910
Less: allowance for doubtful accounts	(15)	(14)	(126)
Total investments and other assets	19,343	37,256	335,006
Total assets	¥ 152,939	¥ 184,318	\$ 1,657,387

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2017 and October 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31	April 30	April 30
	2016	2017	2017
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes and accounts payable, trade	¥ 562	¥ 704	\$ 6,330
Short term borrowings	300	572	5,143
Current portion of long term debt	4,850	4,537	40,797
Current portion of lease obligation	3,993	4,854	43,647
Notes payable, other	4,078	4,717	42,415
Accounts payable, other	5,415	10,004	89,956
Accrued expenses	6,035	7,164	64,419
Accrued income taxes	4,603	3,520	31,652
Other current liabilities	3,521	6,262	56,308
Total current liabilities	33,357	42,334	380,667
Long-term liabilities:			
Long-term debt	31,901	54,490	489,974
Lease obligation	7,895	10,766	96,808
Net defined benefit liability		154	1,385
Asset retirement obligations	4,841	4,982	44,798
Other long-term liabilities	1,520	2,166	19,477
Total long-term liabilities	46,311	72,558	652,442
Net Assets:			
Shareholders' equity:			
Common stock	9,367	9,515	85,559
Authorized :			
2015 and 2016—283,680,000 shares			
Issued and outstanding:			
2015—145,429,204 shares,			
2016—145,925,704 shares			
Capital surplus	11,120	11,268	101,322
Retained earnings	53,977	50,063	450,166
Treasury stock, at cost (2015—977 shares, 2016—1,185 shares)	(2)	(2)	(18)
	74,462	70,844	637,029
Accumulated other comprehensive income:			
Net unrealized gains on securities	87	115	1,034
Revaluation surplus for land	(1,053)	(1,053)	(9,468)
Deferred losses on hedges	-	(96)	(863)
Foreign currency translation adjustment	(153)	(533)	(4,793)
Accumulated adjustments for retirement benefit	(438)	(381)	(3,426)
Total accumulated other comprehensive income	(1,557)	(1,948)	(17,516)
Stock acquisition rights	366	314	2,823
Non-controlling interests	-	216	1,942
Total net assets	73,271	69,426	624,278
Total liabilities and net assets	¥ 152,939	¥ 184,318	\$ 1,657,387

CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the six-month periods ended April 30, 2016 and 2017

Thousands of U.S.
dollars
(Note 2)

	Millions of yen		
	2016	2017	2017
Net sales:	¥ 93,664	¥ 107,451	\$ 966,199
Cost of sales:	69,146	80,736	725,978
Gross profit	24,518	26,715	240,221
Selling, general and administrative expenses:	14,986	18,155	163,250
Operating profit	9,532	8,560	76,971
Other expenses (income):			
Interest expense	35	95	854
Interest and dividend income	(4)	(9)	(81)
Expenses incurred for evacuation of parking facilities	179	178	1,600
Void parking ticket income	(84)	(87)	(782)
Equity in loss (earnings) of affiliates	(1)	2	18
Foreign exchange loss (gain)	111	(110)	(989)
Losses on disposal of property and equipments	-	-	-
Other, net	(12)	(42)	(378)
	224	27	242
Income before income taxes	9,308	8,533	76,729
Income taxes:			
Current	3,191	2,932	26,365
Deferred	107	(22)	(198)
	3,298	2,910	26,167
Net Income	6,010	5,623	50,562
Net income attributable to:			
Non-controlling interests	-	19	171
Shareholder of PARK24 Co.,Ltd.	¥ 6,010	¥ 5,604	\$ 50,391
	Yen		U.S. dollars
	2016	2017	(Note 2)
			2017
Per share of common stock :			
Net income			
Basic	¥ 41.25	¥ 38.24	\$ 0.34
Diluted	¥ 38.92	¥ 36.23	\$ 0.33
Cash dividends	¥ -	¥ -	\$ -

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the six-month periods ended April 30, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2017	2017
Net Income	¥ 6,010	¥ 5,623	\$ 50,562
Other comprehensive income			
Net unrealized gains on securities	(47)	27	243
Deferred losses on hedges	-	(96)	(863)
Foreign currency translation adjustments	(52)	(451)	(4,055)
Accumulated adjustments for retirement benefit	40	57	512
Share of other comprehensive gain in affiliated companies	(97)	70	629
Total other comprehensive income	(156)	(393)	(3,534)
Comprehensive income	¥ 5,854	¥ 5,230	\$ 47,028
Comprehensive income attribute to:			
Shareholders of PARK24 Co., Ltd.	5,854	5,212	46,866
Non-controlling interests	¥ -	¥ 18	\$ 162

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the six-month periods ended April 30, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2017	2017
Cash flows from operating activities:			
Income before income taxes	¥ 9,308	¥ 8,533	\$ 76,729
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,523	11,658	104,829
Retirement benefit costs	33	-	-
Increase in net defined benefit liabilities	-	82	737
Interest and dividend income	(4)	(9)	(81)
Interest expense	35	96	863
Losses on disposal of property and equipments	-	-	-
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(89)	(727)	(6,537)
Inventories	1,524	1,503	13,515
Prepaid expenses	161	486	4,370
Notes and accounts payable, trade	(26)	(23)	(207)
Notes payable, property and equipment	(27)	(97)	(872)
Accounts payable, other	1,780	1,510	13,578
Other	(234)	(956)	(8,597)
Subtotal	22,984	22,056	198,327
Interest and dividend income received	4	9	81
Interest expense paid	(36)	(86)	(773)
Income taxes paid	(4,613)	(4,695)	(42,217)
Net cash provided by operating activities	18,339	17,284	155,418
Cash flows from investing activities:			
Increase in time deposits with deposit term of over three months	(6)	(6)	(54)
Decrease in time deposits with deposit term of over three months	6	6	54
Payments for purchase of property and equipment	(8,706)	(10,873)	(97,770)
Proceeds from sales of property and equipment	11	1	9
Payments of intangible assets	(423)	(473)	(4,253)
Payments for purchase of investment securities	(248)	-	-
Payments for purchase of subsidiary involving change in scope of consolidation	-	(15,277)	(137,371)
Payment of long-term prepaid expenses	(1,910)	(2,085)	(18,748)
Other	(738)	(178)	(1,600)
Net cash used in investing activities	(12,014)	(28,885)	(259,733)
Cash flows from financing activities:			
Increase in short-term borrowings, net	2,500	(441)	(3,966)
Proceeds from long-term debt	-	24,875	-223,676
Repayment of long-term debt	(3,606)	(2,713)	(24,395)
Repayment of lease obligations	(2,071)	(2,113)	(19,000)
Dividends paid	(7,995)	(9,508)	(85,496)
Proceeds from issuance of additional shares of common stock	664	241	2,167
Payments for purchase of treasury stock	0	-	-
Net cash provided by (used in) financing activities	(10,508)	10,341	(92,986)
Foreign currency translation adjustments on cash and cash equivalents	(36)	(24)	(216)
Net increase in cash and cash equivalents	(4,219)	(1,284)	(11,545)
Cash and cash equivalents at beginning of year	20,064	19,461	174,993
Cash and cash equivalents at end of year	¥ 15,845	¥ 18,177	\$ 163,448

CORPORATE DATA

As of April 30, 2017

1. Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements of PARK 24 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. U.S. dollar amounts:

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥111.21=U.S.\$1, the rate of exchange on April 28, 2017, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen has been or could be readily converted, realized or settled in U.S. dollars at this or any other rate.

CORPORATE DATA

As of April 30, 2017

CORPORATE INFORMATION

Corporate Name

PARK24 Co., Ltd.

Stock Listing

First Section of the Tokyo Stock Exchange

Share Code/Ticker Symbol

4666/PKCOY

Date of Founding

August 26, 1971

(Date of Establishment: February 3, 1973)

Paid-in Capital

¥9,515 million

Fiscal Year-end

October 31

Number of Employees

293 (3,421 on a consolidated basis)

Overview of Operations

Parking Business

Running Parking Sites Business

Management and operation of 24-hour, unmanned hourly parking facilities "Times"

Facility Management and Other Businesses

*Outsourced management of parking sites,
Operation of monthly parking sites, etc.*

Parking Business Overseas

Management and operation of 24-hour hourly parking facilities in Taiwan, South Korea, Australia, New Zealand, UK, Singapore and Malaysia

Mobility Business

*Rent-a-car Service, Car Sharing Service,
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.

Accounting Auditor

Ernst & Young ShinNihon LLC

Main Group Companies

Times24 Co., Ltd.

Times Service Co., Ltd.

Times Communication Co., Ltd.

Times Mobility Networks Co., Ltd.

Times Rescue Co., Ltd.

Times Support Co., Ltd.

Times Innovation Capital Co., Ltd.

Taiwan Park24 Parking Co., Ltd. (Taiwan)

Secure Parking Pty. Ltd (Australia, New Zealand and UK)

Secure Parking Singapore Pte.Ltd. (Singapore)

Secure Parking Corporation Sdn.Bhd. (Malaysia)

GS Park24 Co., Ltd. (South Korea)

Board of Directors

Koichi Nishikawa

President and Representative Director
(Corporate Officer)

Kenichi Sasaki

Director
(Corporate Officer
General Manager of Planning and Administration Division)

Norifumi Kawakami

Director
(Corporate Officer
General Manager of Business Propulsion Division)

Keisuke Kawasaki

Director

Yoshimitsu Oura

Outside Director

Seishi Uenishi

Director
(Audit and Supervisory Committee Members)

Kyosuke Kano

Outside Director
(Audit and Supervisory Committee Members)

Tsunekazu Takeda

Outside Director
(Audit and Supervisory Committee Members)