

SEMI-ANNUAL REPORT 2020

Six months ended April 30, 2020



PARK24 CO.,LTD.

Consolidated Financial Highlight (Unaudited)

For the six-month periods ended April 30, 2019 and 2020

Results	Millions of yen		Thousands of U.S. dollars*
	2019	2020	2020
For the period:			
Net sales	¥ 154,124	¥ 145,680	\$ 1,363,024
Gross profit	36,469	25,558	239,128
Operating profit (or loss)	9,970	(1,229)	(11,499)
Recurring profit (or loss)	9,523	(2,020)	(18,900)
Profit (or loss) attributable to owners of parent	5,628	(2,590)	(24,233)
Capital investment	26,547	21,571	201,824
Depreciation and amortization	16,364	20,221	189,194
At end of the period:			
Total net assets	¥ 90,792*	¥ 74,039	\$ 692,730
Total assets	293,097*	317,327	2,969,003
Interest-bearing debt	138,402*	185,194	1,732,728
Per share data (yen and U.S. dollars):			
Profit—Basic	¥ 36.38	¥ (16.77)	\$ (0.16)
—Diluted	34.31	-	-
Cash dividends	70.00*	0.00**	0.00**
Net assets	569.08	476.40	4.46
Other data (number):			
Employees	5,465	5,870	
Parking sites managed worldwide	22,061	23,592	
Parking spaces managed world wide	1,386,265	1,465,074	
Times PARKING sites	18,145	19,442	
Times PARKING spaces	589,533	616,095	
Time CAR vehicles	58,478	55,585	

*As of October 31, 2019

**Plan

Results by Segment	Millions of yen		Thousands of U.S. dollars*
	2019	2020	2020
Net sales	¥ 154,124	¥ 145,680	\$ 1,363,024
Parking Business Japan	80,774	81,383	761,443
Parking Business Overseas	33,085	30,193	282,494
Mobility Business	40,434	36,579	342,244
Adjustment	(170)	(2,475)	(23,157)
Operating profit (or loss)	¥ 9,970	¥ (1,229)	\$ (11,499)
Parking Business Japan	13,410	7,969	74,560
Parking Business Overseas	(679)	(1,810)	(16,935)
Mobility Business	3,048	(671)	(6,278)
Adjustment	(5,809)	(6,717)	(62,846)

* The U.S. dollar amounts represent translations of yen amounts at the rate of ¥106.88=U.S.\$1.00, the approximate rate of exchange prevailing on April 30, 2020.

* Recurring profit is operating profit plus or minus other income or expenses of a recurring nature. Such other income or expenses, therefore, do not include one-time charges.

1. Qualitative data on the consolidated financial results

During the first six months of the consolidated fiscal year ending October 31, 2020 (November 1, 2019 to April 30, 2020), the Japanese economy remained on a moderate recovery path, with robust corporate earnings and a better employment environment as well as improvements in the situation overseas, including expectations for political stability in the US in addition to an easing of trade tensions between the US and China and a calmer atmosphere in the Middle East. However, in the second quarter, economic activity slowed sharply due to the COVID-19 pandemic (“COVID-19”).

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

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

To sum up, during the first quarter of the consolidated fiscal year under review, the Group performed solidly. However, during the second quarter, decline in the movement of people to prevent the spread of COVID-19 led to reduced usage of all services both in Japan and overseas and net sales were severely affected.

As a result, in the first six months of the consolidated fiscal year under review, the Group posted net sales of 145,680 million yen (down 5.5% year on year), an operating loss of 1,229 million yen (compared with an operating profit of 9,970 million yen in the same period of the previous year), and a recurring loss of 2,020 million yen (compared with a recurring profit of 9,523 million yen in the same period of the previous year), and loss attributable to owners of parent stood at 2,590 million yen (compared with profit attributable to owners of parent of 5,628 million yen in the same period of the previous year).

Results by business segment are as follows:

(1) Parking Business Japan

The changes in parking rates introduced in response to the consumption tax hike last year were gradually phased in and net sales also held firm. However, from around February onwards, parking site operations started being impacted as people stayed at home and businesses scaled back their operating activities to prevent the spread of COVID-19 and this impact worsened after the government’s declaration of a state of emergency in April. In view of this situation, the Group curbed costs mainly by further improving the efficiency of parking facility management and maintenance. In terms of new development, the Group focused on the development of parking which would be profitable even under these conditions.

As a result, in the first six months of the consolidated fiscal year under review, the numbers of Times PARKING facilities and parking spaces managed were 19,442, +2.8% from the end of the previous fiscal year, and 616,095, +1.9%, respectively. The total number of parking sites managed, including monthly parking and facility management services, rose 2.3% from the end of the previous fiscal year, to 20,807, and the total number of parking spaces managed increased 1.2%, to 764,857. Net sales in this segment (including intersegment sales) stood at 81,383 million yen (+0.8% year on year), and operating profit amounted to 7,969 million yen (-40.6%).

(2) Parking Business Overseas

The impact of COVID-19 in the countries in which the Group operates started being felt in Asia (Singapore, Malaysia, Taiwan and South Korea) from around February, and in Oceania and Europe (Australia and UK) from around March and the lockdowns and restrictions enforced by governments in some countries had a huge impact on parking site operations around the world. In light of this situation, the Group implemented a range of measures similar to those taken in Japan, including increasing the efficiency of parking facility management and maintenance.

As a result, the numbers of overseas parking sites and parking spaces managed at the end of the term under review were 2,785, +5.9% from the end of the previous fiscal year, and 700,217, +5.2%, respectively, and the total numbers of parking sites and parking spaces managed worldwide were 23,592, +2.7% from the end of the previous fiscal year and 1,465,074, +3.1%, respectively. Net sales in this segment (including intersegment sales) was 30,193 million yen (-8.7% year on year). Operating loss was 1,810 million yen (operating loss on same period of last year was 679 million yen).

* The results of parking business overseas for the first six months of the consolidated fiscal year under review are the results of overseas consolidated subsidiaries for the period from October 1, 2019 to March 31, 2020.

(3) Mobility Business

Car rental services and car sharing services began being affected by measures to curb the spread of COVID-19 from around late January and February respectively and the number of rentals dropped sharply after the declaration of a state of emergency in April. Car rental services were especially hard hit by a slump in tourism demand in addition to sharp decline in inbound demand associated with entry restrictions on foreign travelers, and the Group therefore sought to reduce its fleet of vehicles to a reasonable level in line with demand. In car sharing services, the number of members still rose steadily even under such conditions and the Group, therefore, continued to deploy vehicles in potentially profitable areas. The Group also stepped up promotion of the “Times CAR” service (combining car rental and car sharing services), which went into full-scale operation this fiscal year, and implemented initiatives to curb costs while at the same time efficiently increasing utilization of every single vehicle.

As a result, the total number of vehicles in the Mobility Business as a whole at the end of the first six months under review was 55,585 units, down 3.7% from the end of the previous fiscal year (of which, the number of vehicles in the car sharing service was 27,870 units, +2.9%). The net sales of this business (including intersegment net sales) were 36,579 million yen, down 9.5% year on year, and the operating loss was 671 million yen (operating profit on same period of last year was 3,048 million yen). In addition, the transfer of business from TIMES24 CO., LTD., which is a subsidiary of the Company, to TIMES MOBILITY CO., LTD., which is also a subsidiary of the Company, gave rise to intersegment transactions between the Parking Business in Japan and Mobility Business segments.

2. Qualitative data on the consolidated financial position

(1) Assets, liabilities and net assets

Total assets at the end of the first six months of the fiscal year under review increased 24,229 million yen from the end of the previous fiscal year, to 317,326 million yen. The main changes in assets were increases of right-of-use assets of 28,560 million yen and cash and deposits of 6,527 million yen and decreases of machinery, equipment and vehicles of 4,237 million yen, notes and accounts receivable-trade of 3,291 million yen and other current assets including accounts receivable-other of 2,571 million yen.

Total liabilities increased 40,982 million yen, to 243,287 million yen. The main changes in liabilities were increases of lease obligations of 31,131 million yen and short-term and long-term borrowings of 14,683 million yen, and a decrease of income taxes payable of 2,686 million yen.

Net assets fell 16,752 million yen, to 74,039 million yen as a result of a decrease of 2,589 million yen due to the posting of a loss attributable to owners of parent, a decrease of 466 million yen in foreign currency translation adjustments and a decrease of 10,811 million yen due to dividend payments out of retained earnings.

(2) Cash flow condition

The balance of cash and cash equivalents at the end of the first six months under review increased 6,487 million yen from the end of the previous consolidated fiscal year, to 31,152 million yen.

The cash flow situation by category for the first six months under review was as follows:

(Net cash from operating activities)

Net cash provided by operating activities decreased 1,613 million yen year on year, to 22,594 million yen. This primarily reflected the total of depreciation and amortization and profit before income taxes of 16,790 million yen, a decrease in trade receivables of 3,241 million yen and a decrease of inventories of 2,206 million yen.

(Net cash from investing activities)

Net cash used in investing activities decreased 11,628 million yen year on year, to 13,163 million yen. This was chiefly attributable to the expenditure of 11,102 million yen for the purchase of property, plant and equipment associated with the opening of Times PARKING facilities and the purchase of vehicles for service, and the purchase of long-term prepaid expenses of 1,638 million yen.

(Net cash from financing activities)

Net cash used in financing activities increased 4,268 million yen year on year, to 2,883 million yen. This was largely a result of repayments of lease obligations of 6,715 million yen and dividend payments of 10,808 million yen, which offset proceeds from long-term borrowings of 10,419 million yen.

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

With concern growing over a second wave of infection, forecasting how soon demand for parking facilities and mobility services will recover is extremely difficult, but the Company preliminarily calculated the impact of COVID-19, based on the assumptions mentioned below for the six-month period of the second half, while also reflecting the recent trend in business performance. Then, it factored the impact into the initial projections.

Actual results may differ significantly from the above-mentioned forecast if businesses do not recover according to the assumptions made for the preliminary calculation.

[Assumptions for the preliminary calculation]

Net sales

- Decrease of approx. 70 billion yen due to the COVID-19 impact
- Sales in May (in April for the overseas business), in the second half, were approximately 50% of the initial forecast. A recovery of approx. 5 to 10% is expected monthly from June, reaching approx. 85% of the initial forecast in October, which is the end of the current fiscal year.

Operating expenses

- Decrease of approx. 19 billion yen through a decline in expenses due to decreased net sales (variable expenses) and the simultaneous implementation of a range of initiatives, such as improved efficiency in the management of expenses in each business unit and the aggressive reduction of internal costs.

4. Business risks related to COVID-19

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

As stated in “(3) Information on the future outlook, including consolidated business performance forecasts”, the Company preliminarily calculated the impact of COVID-19 on its business performance, based on the assumption that business would be impacted by the infection but would gradually recover towards the end of the fiscal year ending October 31, 2020. However, there are many uncertainties in the assumptions used for the estimates. The Group's financial condition, results of operations and cash-flow situation may be affected by the time that it takes for COVID-19 to be contained and changes in the impact on economic conditions.

In such circumstances, the Group will endeavor to minimize the decline in earnings by continuing to implement countermeasures such as developing carefully selected parking facilities, improving productivity and reducing costs.

(2) Risk of transmission among customers

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

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

To ensure the health and safety of employees working at each site, the Group aims to reduce employees working onsite to 50% and has put in place systems to enable employees to stagger their working hours or work from home. The Group is also endeavoring to reduce unnecessary movement and contact by changing ways of working and conducting meetings online or via

telephone. However, if an employee catches the virus or the virus spreads throughout the company through contact between employees, the Group may need to take action such as closing sites or partially suspending business operations.

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

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

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2020 and October 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31	April 30	April 30
	2019	2020	2020
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 24,881	¥ 31,409	\$ 293,872
Notes and accounts receivable, trade	18,176	14,884	139,259
Less: allowance for doubtful accounts	(198)	(149)	(1,394)
Inventories	1,590	2,033	19,021
Other	30,163	27,591	258,149
Total current assets	74,612	75,768	708,907
Property, plant and equipment:			
Buildings and structures	52,813	53,934	504,622
Machinery and vehicles	87,087	84,868	794,049
Lease assets	56,956	59,479	556,503
Right Of use assets	-	32,056	299,925
Land	25,888	26,262	245,715
Other property, plant and equipment	43,648	44,691	418,142
	266,392	301,290	2,818,956
Less: accumulated depreciation	(123,777)	(133,500)	(1,249,064)
Total property, plant and equipment, net	142,615	167,790	1,569,892
Intangible assets and other assets:			
Goodwill	37,378	35,608	333,159
Contract related intangible assets	13,740	13,520	126,497
Other	24,752	24,641	230,548
Total investments and other assets	75,870	73,769	690,204
Total assets	¥ 293,097	¥ 317,327	\$ 2,969,003

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2020 and October 31, 2019

	Thousands of U.S. dollars (Note 2)	
	Millions of yen	
	October 31 2019	April 30 2020
		April 30 2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes and accounts payable, trade	¥ 820	¥ 529
Short -term borrowings	9,611	29,067
Provision for bonuses	2,318	1,300
Accrued income taxes	4,396	1,709
Other current liabilities	54,077	52,078
Total current liabilities	71,222	84,683
Long-term liabilities:		
Bonds with share acquisition rights	35,000	35,000
Long-term debt	70,699	74,393
Net defined benefit liability	386	110
Asset retirement obligations	8,779	8,892
Deferred tax liabilities	2,393	2,370
Other long-term liabilities	13,826	37,840
Total long-term liabilities	131,083	158,605
Net assets:		
Shareholders' equity:		
Common stock	20,087	20,135
Authorized :		
2019 and 2020 — 283,680,000 shares		
Issued		
2019 — 154,974,269 shares,		
2020 — 155,016,369 shares		
Capital surplus	15,674	15,567
Retained earnings	63,005	46,582
Treasury stock, at cost (2019 — 528,203 shares, 2020 — 528,203 shares)	(1,255)	(1,255)
	97,511	81,029
Accumulated other comprehensive income:		
Net unrealized gains on securities	140	90
Revaluation reserve for land	(1,052)	(1,036)
Deferred losses on hedges	(143)	(134)
Foreign currency translation adjustments	(4,884)	(5,350)
Accumulated adjustments for retirement benefits	(1,164)	(1,002)
Total accumulated other comprehensive income	(7,103)	(7,432)
Stock acquisition rights	163	151
Net assets attributable to owners of the parent	90,571	73,748
Non-controlling interests	221	291
Total net assets	90,792	74,039
Total liabilities and net assets	¥ 293,097	¥ 317,327
		\$ 2,969,003

CONSOLIDATED STATEMENT OF INCOME (Unaudited)
For the six-month periods ended April 30, 2019 and 2020

	Thousands of U.S. dollars (Note 2)	
	2019	2020
Net sales:	¥ 154,124	¥ 145,680
Cost of sales:	117,655	120,122
Gross profit	36,469	25,558
Selling, general and administrative expenses:	26,499	26,787
Operating profit	9,970	(1,229)
Other expenses (income):		
Interest expense	358	871
Interest and dividend income	(10)	(13)
Expenses incurred for evacuation of parking facilities	191	195
Void parking ticket income	(95)	(98)
Equity in loss (earnings) of affiliates	(1)	106
Foreign exchange loss (gain) , net	4	4
Loss on disposal of property and equipment	23	126
Subsidy income	-	(225)
Gain on sales of non-current assets	-	(15)
Impairment loss on fixed assets	-	32
Loss on temporary closure	-	170
Head office transfer cost	680	-
Other, net	54	(49)
	1,204	1,104
Profit before income taxes	8,766	(2,333)
Income taxes:		
Current	3,212	869
Deferred	(184)	(684)
	3,028	185
Profit	5,738	(2,518)
Profit attributable to:		
Non-controlling interests	110	72
Shareholder of PARK24 CO., LTD.	¥ 5,628	¥ (2,590)
		\$ (24,233)
	Yen	U.S. dollars (Note 2)
	2019	2020
Per share of common stock :		
Profit		
Basic	¥ 36.38	¥ (16.77)
Diluted	¥ 34.31	¥ -
Cash dividends	¥ -	¥ -

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
For the six-month periods ended April 30, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Profit	¥ 5,738	¥ (2,518)	\$ (23,559)
Other comprehensive income			
Net unrealized gains (losses) on securities	1	(50)	(468)
Deferred gains (losses) on hedges	(67)	9	84
Revaluation reserve for land	-	17	159
Foreign currency translation adjustments	(1,126)	(225)	(2,105)
Adjustments for retirement benefit	(15)	162	1,516
Share of other comprehensive income (losses) of affiliates accounted for using the equity method	(58)	(242)	(2,264)
Total other comprehensive income	(1,265)	(329)	(3,078)
Comprehensive income	<u>¥ 4,473</u>	<u>¥ (2,847)</u>	<u>\$ (26,637)</u>
Comprehensive income attribute to:			
Non-controlling interests	110	72	674
Shareholder of PARK24 CO., LTD.	¥ 4,363	¥ (2,919)	\$ (27,311)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the six-month periods ended April 30, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 8,766	¥ (2,333)	\$ (21,828)
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	16,364	20,221	189,194
Impairment loss on fixed assets	-	32	299
Interest and dividend income	(10)	(13)	(122)
Interest expense	358	871	8,149
Loss on disposal of property and equipment	23	126	1,179
Head office transfer cost	680	-	-
Changes in assets and liabilities:			
Notes and accounts receivable, trade	(2,166)	3,241	30,324
Inventories	4,246	2,207	20,649
Prepaid expenses	12	1,630	15,251
Notes and accounts payable, trade	354	(291)	(2,723)
Notes payable, other	(66)	(705)	(6,596)
Accounts payable, other	1,752	1,765	16,514
Other	(639)	197	1,843
Subtotal	29,674	26,948	252,133
Interest and dividend income received	10	13	121
Interest expense paid	(357)	(870)	(8,140)
Income taxes paid	(5,119)	(3,497)	(32,719)
Net cash provided by operating activities	24,208	22,594	211,395
Cash flows from investing activities:			
Increase in time deposits due over three months	(6)	(6)	(56)
Decrease in time deposits due over three months	6	6	56
Payments for purchase of property, plant and equipment	(21,777)	(11,103)	(103,883)
Proceeds from sale of property, plant and equipment	1	33	309
Payments for purchase of intangible assets	(676)	(848)	(7,934)
Payment of long-term prepaid expenses	(1,971)	(1,638)	(15,325)
Payment for investments in capital	(169)	-	-
Other	(200)	392	3,667
Net cash used in investing activities	(24,792)	(13,164)	(123,166)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	1,648	4,258	39,839
Increase in long-term borrowings, net	15,000	10,420	97,492
Repayment of long-term debt	(1,437)	(105)	(982)
Repayment of lease obligations	(2,939)	(6,716)	(62,837)
Proceeds from issuance of additional shares of common stock	182	69	646
Dividends paid to shareholder of PARK24 CO., LTD.	(10,812)	(10,809)	(101,132)
Dividends paid to non-controlling interests	(257)	-	-
Net cash provided by financing activities	1,385	(2,883)	(26,974)
Effect of exchange rate changes on cash and cash equivalents	(156)	(60)	(561)
Net increase in cash and cash equivalents	645	6,487	60,694
Cash and cash equivalents at beginning of year	29,785	24,665	230,773
Cash and cash equivalents at end of year	¥ 30,430	¥ 31,152	\$ 291,467

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 ¥106.88=U.S.\$1, the rate of exchange on April 30, 2020, 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.

Company Information

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