

Consolidated Financial Report for
the First Half of the Fiscal Year Ending October 31, 2019
(Japanese GAAP)

May 30, 2019

Company name: PARK24 CO., LTD. Stock listing: TSE1
Code number: 4666 URL: <https://www.park24.co.jp/en>
Representative: Koichi Nishikawa, President
Inquiries: Kenichi Sasaki, Director, General Manager of Planning Department
TEL: +81-3-3491-8924
Scheduled day of submission of report: June 14, 2019
Scheduled day of commencing dividend payment: —
Preparation of Supplementary Financial Data for Quarterly Financial Results: ☒ Yes / None
Information meeting for quarterly financial results to be held for investors: ☒ Yes / None

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

1. Overview of the First Half of Fiscal Year Ending October 31, 2019
(November 1, 2018 – April 30, 2019)

(1) Operating results for the six months period ended April 30 (Figures in percentages denote the year-on-year change)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2019	154,124	8.1	9,970	7.5	9,523	6.6	5,628	4.1
2018	142,544	32.7	9,273	8.3	8,935	4.7	5,407	(3.5)

(Note) Comprehensive income: Term ended April 30, 2019: 4,472 million yen (-6.4%)
Term ended April 30, 2018: 4,778 million yen (-8.6%)

	Net income per share	Net income per share after dilution
Six months ended	Yen	Yen
2019	36.38	34.31
2018	36.80	34.91

(Note) Consolidated operating results are based on values after reflecting an important review of the amount of acquisition cost allocated to the Company as a result of confirming the provisional accounting of the business combination in The first quarters of The FY2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of April 30 2019	294,145	88,427	29.9
October 31 2018	283,171	94,847	33.3

(Reference) shareholders' equity: Term ended April 30, 2019: 88,079 million yen Fiscal 2018: 94,321 million yen

2. Dividend status

	Dividend per share				
	End of Q1	End of Q2	End of Q3	End of term	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	0.00	—	70.00	70.00
Fiscal 2019	—	0.00			
Fiscal 2019 (forecasts)			—	70.00	70.00

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

3. Consolidated Forecasts for the Fiscal Year ending October 31, 2019(November 1, 2018-October 31,2019)

(%: changes from the same period of the previous year)

	Net sales		Operating profit		Recurring profit		Profit attributable to owners of parent	Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	Yen
Full year	320,000	7.2	22,600	0.3	23,000	2.1	12,800 (7.6)	82.68

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

*Notes

(1) Changes in important subsidiaries during the term: No
New : -- company (-)
Eliminated : -- company (-)

(2) Adoption of simplified accounting methods and: special accounting treatment: No

(3) Changes in accounting principles and procedures and the method of presentation
1) Changes associated with the revision of accounting principles, etc. No
2) Change other than 1): No
3) Changes in accounting estimates: No
4) Restatement: No

(4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term (including treasury stock)	As of April 30, 2019	154,777,469 shares	Fiscal year ended October 2018	154,623,769 shares
2) Number of treasury stock at the end of the term	As of April 30, 2019	1,323 shares	Fiscal year ended October 2018	1,323 shares
3) Average number of shares during the term (consolidated cumulative period)	As of April 30, 2019	154,700,329 shares	As of April 30, 2018	146,958,893 shares

(* Status of a quarterly review)

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements have been under review at the time of the announcement of this financial summary.

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

Forward-looking statements such as the forecasts for operating results contained in this material are based on currently available information that the Company has obtained and certain assumptions that the Company deems reasonable, and therefore, actual results may differ materially from the forecasts due to various factors. For assumptions used for the forecasts and cautions for the use of forecasts, please refer to "1. Qualitative Data, Financial Statements and Other Information, (3) Information on the future outlook, including consolidated business performance forecasts" on page 3 of accompanying materials.

Accompanying Materials – Contents

1. Qualitative Data, Financial Statements and Other Information	2
(1) Qualitative data on the consolidated financial results	2
(2) Qualitative data on the consolidated financial position.....	3
(3) Information on the future outlook, including consolidated business performance forecasts.....	3
2. Consolidated Financial Statements and Notes	4
(1) Consolidated balance sheet	4
(2) Consolidated statements of profit and loss, and comprehensive income	6
Consolidated statement of profit and loss First half of Fiscal 2019	6
Consolidated statement of comprehensive income First half of Fiscal 2019	7
(3) Consolidated statement of cash flows.....	8
(4) Matters Related to Summary Information (Notes)	
(Note on going concern assumptions).....	10
(Additional Information)	10
(Segment information).....	10
(Note when there is a considerable change in the amount of shareholders' equity)	11

1. Qualitative Data, Financial Statements and Other Information

(1) Qualitative data on the consolidated financial results

During the first six months of the consolidated fiscal year ending October 31, 2019 (November 1, 2018 to April 30, 2019), the Japanese economy maintained a high level of corporate earnings and employment conditions, although some weakness was witnessed recently. Overseas, the economic outlook became increasingly uncertain, given concerns over the direction of trade friction due to US trade and monetary policies and the Brexit issue, among other matters.

In this environment, the PARK24 GROUP companies (the “Group”) sought to expand the four networks of people (members), cars, communities (destinations) and parking in pursuit of the new Group philosophy announced in December 2018 that emphasizes efforts to meet prevailing needs and realize comfort ahead of the times. The Group also moved forward with creating new services that connect those networks seamlessly, while simultaneously taking steps to develop its business foundation in Japan and abroad.

In addition, the Group has renewed its corporate identity (Group philosophy and slogan, etc.) and brand identity after redefining them before celebrating the 50th anniversary of its founding in 2021 and relocated its head office to Gotanda (Shinagawa-ku, Tokyo), the place of birth, in May 2019. The Group will seek sustainable growth as a concerted effort under a new corporate philosophy by reaffirming the spirit of “challenge” it has been advocating since the time of its foundation.

< New Group Philosophy >

We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow.

PARK24 GROUP provides comfort and convenience in forms both familiar and entirely new. We help to make urban environments and the lives of people living and working in them richer and pleasanter. We listen carefully to our customers to create services that meet the needs of the times and enhance sustainability. This thinking underpins all our interactions with all our stakeholders.

As a result, in the first six months of the consolidated fiscal year under review, the Group posted net sales of 154,124 million yen (up 8.1% year on year), operating profit of 9,970 million yen (up 7.5% year on year) and recurring profit of 9,523 million yen (up 6.6% year on year), and profit attributable to owners of parent stood at 5,628 million yen (up 4.1% year on year).

Results by business segment are as follows:

Parking Business

At new properties, the Group, as it had done in the first quarter, sought to develop highly profitable parking through operation proposal marketing and community-based attentive marketing activities to companies that hold parking facilities, aiming to help them achieve early profitability. The Group also focused on the expansion and promotion of use of Times Business Card (credit card for exclusive use by corporate customers). In addition, it moved forward with the installation of new Times Tower payment machines that support diverse payment methods and worked to enhance the Times PAY cashless payment service, which is part of the business that supports stores operating around Times PARKING sites from the perspectives of customer attraction and business. The Group is in the process of strengthening the profitability of parking by enhancing customer convenience and promoting the establishment of community networks. It is also gradually replacing Times PARKING signboards with ones featuring the new service logo as a result of the corporate identity renewal implemented in May.

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 18,145, up 3.1% from the end of the previous fiscal year, and 589,533, up 1.5%, respectively. The total number of parking sites managed, including monthly parking and facility management services, rose 3.0% from the end of the previous fiscal year, to 19,549, and the total number of parking spaces managed increased 1.7%, to 736,836.

Net sales in this segment (including intersegment sales) stood at 80,774 million yen (rising 5.4% year on year), and operating profit amounted to 13,410 million yen (up 6.9%).

Parking Business Oversea

As it had done in the first quarter, the Group strengthened its business foundation to establish a new system that enables it to implement growth strategies, by not only improving the governance system and IT environment in each country and region, but also through other initiatives such as the strengthening of sales personnel and improvement of the parking operation system. In addition, the Group is in the process of integrating technologies and know-how cultivated in Japan with those of other countries on parking facility management on a step-by-step basis and working to maximize the profitability of its overseas parking facilities.

As a result, the numbers of overseas parking sites and parking spaces managed at the end of the term under review were 2,512, up 2.2% from the end of the previous fiscal year, and 649,429, up 0.3%, respectively, and the total numbers of parking sites and parking spaces managed worldwide include Japan were 22,061, up 2.9% from the end of the previous fiscal year and 1,386,265, up 1.1%, respectively.

Sales in this segment (including intersegment sales) stood at 33,085 million yen (increasing 3.2% year on year), and operating loss was 679 million yen (operating loss on same period of last year was 156 million yen).

Mobility Business

The Group is pursuing initiatives to create a new mobility service that will change the environment for mobility to a more convenient and comfortable one and meet mobility needs in every direction.

In the rental car segment, it implemented the renewal of foreign language-based reservation websites to meet growing inbound demand and strengthened the “Pitto Go DELIVERY” rent-a-car delivery service using cars equipped with in-vehicle devices. In the car sharing service segment, the Group continued to aggressively deploy vehicles and sought to expand services for corporate customers. In addition, the Group aimed to create an environment where people can move without stress, through a range of initiatives such as the improvement of services with respect to the placement of vehicles in transport hubs such as stations served by the shinkansen and development of tourism promotion-oriented car sharing in collaboration with governments and railway companies.

Moreover, the Group has been conducting a trial to develop “Times CAR,” a new form of mobility service that combines the unattended car sharing service with the manned rent-a-car service. By doing so, it will continue to work on environmental improvements for achieving travel via optimal means that suit the purposes of vehicle use.

As a result, the number of stations at the end of the first half under review was 11,984 and the number of vehicles distributed was 25,010 units (up 5.9% and 6.7% respectively in comparison to the end of the previous fiscal year), and the number of car sharing members also increased 8.7% from the end of the year, to 1,194,708.

As a result, the total number of vehicles in the Mobility Business segment at the end of the first half under review rose 7.1% from the end of the previous fiscal year, to 58,478 (the total number of car sharing vehicle was 25,010). Net sales in the segment (including intersegment sales) reached 40,434 million yen (increasing 19.0% year on year). On the other hand, operating profit was 3,048 million yen (increasing 69.2% year on year).

(2) Qualitative data on the consolidated financial position

(i) Assets, liabilities and net assets

Total assets at the end of the first six months of the fiscal year under review increased 10,973 million yen from the end of the previous fiscal year, to 294,145 million yen. The main changes in assets were increases in other non-current assets of 6,078 million yen and current assets including accounts receivable of 4,709 million yen and a decrease in goodwill of 2,283 million yen.

Total liabilities increased 17,393 million yen, to 205,718 million yen. The main increases were rises in non-current liabilities including short- and long-term loans payable of 13,387 million yen and other current liabilities including accounts payable of 5,324 million yen.

Net assets fell 6,420 million yen, to 88,427 million yen, mainly reflecting an increase of 5,628 million yen due to the posting of profit attributable to owners of parent, a decrease of 1,183 million yen in foreign currency translation adjustments, and a decrease of 10,823 million yen due to dividend payments out of retained earnings.

(ii) Cash flow condition

The balance of cash and cash equivalents at the end of the first six months of the fiscal year under review increased 644 million yen from the end of the previous year, to 30,430 million yen.

The cash flow situation by category for the first six months of the fiscal year under review was as follows.

(Net cash from operating activities)

Net cash provided by operating activities decreased 1,873 million yen year on year, to 24,208 million yen. This chiefly reflected the total of depreciation and amortization and income before income taxes of 23,936 million yen as well as income taxes paid of 5,119 million yen.

(Net cash from investing activities)

Net cash used in investing activities was 24,792 million yen (cash outflows increased 10,202 million yen year on year). This was mainly due to purchases of property, plant and equipment of 21,777 million yen associated with the opening of Times PARKING facilities and acquisition of vehicles for service, as well as long-term prepaid expenses of 1,971 million yen.

(Net cash from financing activities)

Net cash provided by financing activities was 1,385 million yen (cash inflow decreased 8,133 million yen year on year). This was attributable to a net increase in short-term loans payable of 1,647 million yen, the borrowing of long-term loan payable of 15,000 million yen and dividends paid of 10,811 million yen.

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

The consolidated earnings forecasts for the fiscal year ending October 31, 2019 have not been changed from the figures announced on December 17, 2018 in the Consolidated Financial Report for the Fiscal Year Ended October 31, 2018.

2. Consolidated Financial Statements and Notes

(1) Consolidated balance sheet

(Unit: million yen)

	As of October 31, 2018 Fiscal 2018 Summary	As of April 30, 2019 Q2 of Fiscal 2019
Assets		
Current assets		
Cash and deposits	30,081	30,726
Notes and accounts receivable - trade	15,584	17,618
Inventories	1,592	1,704
Other	25,271	27,198
Allowance for doubtful accounts	(218)	(225)
Total current assets	72,311	77,021
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,609	19,861
Machinery, equipment and vehicles, net	51,948	53,294
Land	24,764	24,940
Leased assets, net	17,451	16,933
Other, net	14,842	20,921
Total property, plant and equipment	127,616	135,952
Intangible assets		
Goodwill	42,331	40,048
Contract-based intangible assets	18,148	17,342
Other	2,946	3,267
Total intangible assets	63,426	60,657
Investments and other assets		
Other	19,816	20,513
Total investments and other assets	19,816	20,513
Total non-current assets	210,859	217,123
Total assets	283,171	294,145
Liabilities		
Current liabilities		
Notes and accounts payable - trade	518	870
Short-term loans payable	8,555	8,693
Income taxes payable	5,641	4,050
Provision for bonuses	2,283	2,066
Other	46,908	52,232
Total current liabilities	63,907	67,914
Non-current liabilities		
Bonds with share acquisition rights	35,000	35,000
Long-term loans payable	64,849	79,611
Net defined benefit liability	201	202
Asset retirement obligations	5,664	5,887
Deferred tax liabilities	3,338	3,037
Other	15,362	14,064
Total non-current liabilities	124,416	137,803
Total liabilities	188,324	205,718
Net assets		
Shareholders' equity		
Capital stock	19,754	19,863
Capital surplus	15,341	15,451
Retained earnings	61,480	56,284
Treasury shares	(2)	(2)
Total shareholders' equity	96,573	91,597
Accumulated other comprehensive income		

	As of October 31, 2018 Fiscal 2018 Summary	As of April 30, 2019 Q2 of Fiscal 2019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	110	111
Deferred gains or losses on hedges	(52)	(119)
Revaluation reserve for land	(1,052)	(1,052)
Foreign currency translation adjustment	(148)	(1,331)
Remeasurements of defined benefit plans	(1,110)	(1,125)
Total accumulated other comprehensive income	(2,252)	(3,518)
Share acquisition rights	251	225
Non-controlling interests	275	122
Total net assets	94,847	88,427
Total liabilities and net assets	283,171	294,145

(2) Consolidated statements of profit and loss, and comprehensive income
(Consolidated statement of profit and loss First half of Fiscal 2019)

	(Unit: million yen)	
	First six months period of previous fiscal year (November 1,2017- April 30,2018)	First six months period of fiscal year (November 1,2018- April 30,2019)
Net sales	142,544	154,124
Cost of sales	109,792	117,654
Gross profit	32,752	36,469
Selling, general and administrative expenses	23,479	26,499
Operating profit	9,273	9,970
Non-operating income		
Interest income	1	6
Dividend income	3	3
Share of profit of entities accounted for using equity	—	0
Void ticket	97	94
Foreign exchange gains	5	—
Other	294	113
Total non-operating income	403	218
Non-operating expenses		
Interest expenses	335	358
Share of loss of entities accounted for using equity	24	—
Expense incurred for evacuation of parking facilities	199	190
Foreign exchange losses	—	4
Other	181	112
Total non-operating expenses	741	665
Ordinary profit	8,935	9,523
Extraordinary losses		
Loss on retirement of non-current assets	4	23
Loss on valuation of investment securities	251	—
Head office transfer cost	—	679
Other	—	53
Total extraordinary losses	256	756
Profit before income taxes	8,679	8,766
Income taxes - current	3,228	3,212
Income taxes - deferred	(179)	(184)
Total income taxes	3,049	3,027
Profit	5,629	5,738
Profit attributable to non-controlling interests	222	110
Profit attributable to owners of parent	5,407	5,628

(Consolidated statement of comprehensive income First half of Fiscal 2019)

(Unit: million yen)

	First six months period of previous fiscal year (November 1,2017- April 30,2018)	First six months period of fiscal year (November 1,2018- April 30,2019)
Profit	5,629	5,738
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	1
Deferred gains or losses on hedges	7	(67)
Foreign currency translation adjustment	(903)	(1,125)
Remeasurements of defined benefit plans, net of tax	61	(15)
Share of other comprehensive income of entities accounted for using equity method	6	(57)
Total other comprehensive income	(851)	(1,265)
Comprehensive income	4,778	4,472
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,560	4,362
Comprehensive income attributable to non-controlling interests	217	110

(3) Consolidated statement of cash flows

(Unit: million yen)

	First six months period of previous fiscal year (November 1,2017- April 30,2018)	First six months period of fiscal year (November 1,2018- April 30,2019)
Cash flows from operating activities		
Profit before income taxes	8,679	8,766
Depreciation	14,020	15,169
Amortization of goodwill	1,225	1,194
Interest and dividend income	(5)	(10)
Interest expenses	335	358
Loss on retirement of non-current assets	4	23
Head office transfer cost	—	679
Loss (gain) on valuation of investment securities	251	—
Decrease (increase) in notes and accounts receivable - trade	361	(2,166)
Decrease (increase) in inventories	3,505	4,246
Increase (decrease) in notes and accounts payable - trade	(90)	354
Decrease (increase) in accounts receivable - other	(621)	(503)
Decrease (increase) in prepaid expenses	1,267	11
Increase (decrease) in accounts payable - other	2,741	1,752
Increase (decrease) in accrued expenses	384	1,651
Increase (decrease) in notes payable-facilities	(671)	(65)
Other, net	(1,155)	(1,787)
Subtotal	30,231	29,674
Interest and dividend income received	5	10
Interest expenses paid	(333)	(357)
Income taxes paid	(3,821)	(5,119)
Net cash provided by (used in) operating activities	26,082	24,208
Cash flows from investing activities		
Payments into time deposits	(6)	(6)
Proceeds from withdrawal of time deposits	6	6
Purchase of property, plant and equipment	(12,124)	(21,777)
Proceeds from sales of property, plant and equipment	10	1
Purchase of intangible assets	(473)	(675)
Purchase of long-term prepaid expenses	(1,950)	(1,971)
Payments for investments in capital	—	(169)
Other, net	(51)	(200)
Net cash provided by (used in) investing activities	(14,589)	(24,792)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,300)	1,647
Proceeds from long-term loans payable	27,063	15,000
Repayments of long-term loans payable	(2,156)	(1,437)
Repayments of lease obligations	(2,701)	(2,938)
Proceeds from issuance of common shares	15	182
Purchase of treasury shares	(0)	—
Cash dividends paid	(10,266)	(10,811)
Dividends paid to non-controlling interests	(135)	(256)

(Unit: million yen)

	First six months period of previous fiscal year (November 1,2017- April 30,2018)	First six months period of fiscal year (November 1,2018- April 30,2019)
Net cash provided by (used in) financing activities	9,518	1,385
Effect of exchange rate change on cash and cash equivalents	(139)	(156)
Net increase (decrease) in cash and cash equivalents	20,871	644
Cash and cash equivalents at beginning of period	17,775	29,785
Cash and cash equivalents at end of period	38,646	30,430

(4) Matters Related to Summary Information (Notes)

[Note on going concern assumptions]

Not applicable.

[Additional Information]

The PARK24 GROUP has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Corporate Accounting Standard No. 28 of February 16, 2018) and others from the beginning of the first quarter of the fiscal year under review and reported deferred tax assets in Investments and other assets and deferred tax liabilities in Non-current liabilities.

[Segment information]

I. First half of fiscal 2018 (from November 1, 2017 to April 30, 2018)

Information on sales and profits or losses by reported segment

(Unit: million yen)

	Reported segments				Adjustment (Note) 2	Amount on consolidated profit and loss statement (Note) 3
	Parking Business	Parking Business Overseas (Note)1	Mobility Business	Total		
Sales						
Sales to external customers	76,545	32,053	33,945	142,544	—	142,544
Internal sales or amount of transfer between segments	95	—	45	140	(140)	—
Total	76,641	32,053	33,991	142,685	(140)	142,544
Segment profit and loss	12,548	(156)	1,802	14,193	(4,920)	9,273

(Note) 1. The segment loss of 156 million yen in Parking Business Overseas includes an amortization of goodwill of minus 1,144 million yen.

2. An adjustment of minus 4,920 million yen in segment profit (loss) includes an amortization of goodwill of minus 76 million yen and Company-wide expenses of minus 4,843 million yen. Company-wide expenses are mainly expenses that do not belong to either of the reported segments. Those expenses relate to the administrative division, including the general affairs department.

3. Segment profit (loss) is adjusted in accordance with operating income in the consolidated profit and loss statement.

4. Segment profits are based on values after reflecting the important review of the amount of acquisition cost allocated to the Company as a result of confirming the provisional accounting of the business combination.

II. First half of fiscal 2019 (from November 1, 2018 to April 30, 2019)

Information on sales and profits or losses by reported segment

(Unit: million yen)

	Reported segments				Adjustment (Note) 2	Amount on consolidated profit and loss statement (Note) 3
	Parking Business	Parking Business Overseas (Note) 1	Mobility Business	Total		
Sales						
Sales to external customers	80,658	33,085	40,380	154,124	—	154,124
Internal sales or amount of transfer between segments	116	—	53	170	(170)	—
Total	80,774	33,085	40,434	154,294	(170)	154,124
Segment profit (loss)	13,410	(679)	3,048	15,779	(5,809)	9,970

(Note) 1 The segment loss of minus 679 million yen in Parking Business Overseas includes an amortization of goodwill of minus 1,117 million yen.

- 2 An adjustment of minus 5,809 million yen in segment profit (loss) includes an amortization of goodwill of minus 76 million yen, and Company-wide expenses of minus 5,732 million yen. Company-wide expenses are mainly expenses that do not belong to either of the reported segments. Those expenses are relating to the administration division, including the general affairs department.
- 3 Segment profit (loss) is adjusted in accordance with operating income in the consolidated profit and loss statement.

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

Not applicable.