

SEMI-ANNUAL REPORT 2022

Six months ending April 30, 2022



PARK24 CO.,LTD.

Consolidated Financial Highlight (Unaudited)

For the six-month periods ended April 30, 2021 and 2022

Results	Millions of yen		Thousands of U.S. dollars*
	2021	2022	2022
For the period:			
Net sales	¥ 121,865	¥ 135,892	\$ 1,054,568
Gross profit	17,209	29,684	230,360
Operating profit (or loss)	(6,516)	5,556	43,118
Recurring profit (or loss)	(8,998)	3,949	30,646
Profit (or loss) attributable to owners of parent	(8,960)	(631)	(4,897)
Capital investment	8,741	8,257	64,077
Depreciation and amortization	16,894	15,792	122,552
At end of the period:			
Total net assets	¥ 16,433*	¥ 38,792	\$ 301,043
Total assets	319,629*	309,383	2,400,922
Interest-bearing debt	228,295*	202,327	1,570,130
Per share data:			
Profit—Basic	¥ (57.99)	¥ (4.08)	\$ (0.03)
—Diluted	-	-	-
Cash dividends	0.00*	0.00**	0.00**
Net assets	128.49	227.12	1.76
Other data (number):			
Employees	5,029*	4,953	
Parking sites managed worldwide	21,575*	27,570	
Parking spaces managed world wide	1,317,116*	1,311,112	
Times PARKING sites	17,879*	17,569	
Times PARKING spaces	562,077*	553,517	
Time CAR vehicles	52,552*	52,083	

*As of October 31, 2021

**Plan

Results by Segment	Millions of yen		Thousands of U.S. dollars*
	2021	2022	2022
Net sales	¥ 121,865	¥ 135,892	\$ 1,054,568
Parking Business Japan	75,315	77,314	599,984
Parking Business International	17,514	25,641	198,983
Mobility Business	31,498	35,382	274,577
Adjustment	(2,462)	(2,446)	(18,982)
Operating profit (or loss)	¥ (6,516)	¥ 5,556	\$ 43,118
Parking Business Japan	8,281	15,341	102,258
Parking Business International	(7,649)	(3,438)	(26,672)
Mobility Business	(836)	(99)	17,050
Adjustment	(6,311)	(6,248)	(47,160)

* The U.S. dollar amounts represent translations of yen amounts at the rate of ¥128.86=U.S.\$1.00, the approximate rate of exchange prevailing on April 28, 2022.

* 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 fiscal year ending October 31, 2022 (November 1, 2021, to April 30, 2022), the outlook for the global economy grew uncertain due to the impact of surges in energy and raw material prices caused by the aggravation of the Russia-Ukraine conflict, while many countries sought ways to simultaneously resume economic activities and reduce the number of COVID-19 cases. Activities in the Japanese economy resumed moderately at the beginning of the fiscal year under review thanks to a significantly low level of new COVID-19 cases backed by progress in COVID-19 vaccination. However, a new COVID-19 variant began to emerge in January 2022, and the nationwide enforcement of the Priority Preventive Measures resulted in another slowdown in the economic recovery. Subsequently, the Priority Preventive Measures were lifted in March 2022 and the economic activity has been on a recovery trend. The countries in which the PARK24 GROUP companies (the “Group”) operate has been generally recovering despite the continuous impact of COVID-19 in some regions.

In this environment, the Group set the goal of achieving absolute profitability, while assuming that the impact of COVID-19 will continue to a certain extent in the fiscal year under review, and is working to strengthen its business base to make it profitable even under such circumstances and to develop a foundation for future growth.

In terms of financial results, both operations in Japan and overseas were affected by restrictions on activities due to COVID-19, but in general, the business remained steady.

As a result, in the first six months of the consolidated fiscal year under review, the Group posted net sales of 135,892 million yen (+11.5% year on year), an operating profit of 5,556 million yen (operating loss of 6,516 million yen in the same period of the previous year), and a recurring profit of 3,949 million yen (recurring loss of 8,998 million yen in the same period of the previous year), and loss attributable to owners of parent stood at 631 million yen (loss attributable to owners of parent of 8,960 million yen in the same period of the previous year).

Results by business segment are as follows:

(1) Parking Business Japan

The traffic volume rose to a near pre-COVID-19 level at the beginning of the fiscal year under review thanks to a continuous decrease in new COVID-19 cases, and the parking site occupancy remained steady. Subsequently in mid-January 2022, the Priority Preventive Measures took effect across Japan in response to a resurgence in COVID-19 cases. This caused a fall in traffic volume and parking site occupancy, which began recovering again in mid-March and remained on a recovery trend as of April.

The Company continues to reduce unprofitable parking sites and carefully selects and develops sites capable of turning a profit while being affected by COVID-19 in an effort to streamline the business. In addition, as part of efforts to improve profitability going forward, the Company is diversifying payment methods using applications and other means, and is building a next-generation parking service that enables easier entry and exit of parking spaces.

As a result, in the first six months of the consolidated fiscal year under review, the numbers of Times PARKING sites and parking spaces managed were 17,569 (-1.7% of the end of the previous fiscal year), and 553,517 (-1.5% of the end of the previous fiscal year). The total number of parking sites managed, including monthly parking and facility management services,

was 25,272 (-1.1% of the end of the previous fiscal year), and the total number of parking spaces managed was 740,127 (-0.7% of the end of the previous fiscal year). Net sales in this segment (including intersegment sales) stood at 77,314 million yen (+2.7% year on year), and operating profit amounted to 15,340 million yen (+85.3% year on year).

(2) Parking Business International

The consolidation period of the Parking Business International during the first six months of the fiscal year under review was from October 1, 2021, to March 31, 2022. With regards to the situation in the major countries of deployment, the parking site occupancy in Australia remained strong as the city lockdown and activity restrictions enforced at the beginning of the fiscal year under review were gradually eased despite the impact of flooding in some regions caused by torrential rains. Parking site occupancy resumed in the UK in line with a recovery in people flow following the lifting of regulations in England in February 2022, despite activity regulations such as stay-at-home advisory issued in December 2021. In other countries, too, operation remained steady according to the level of deregulation, and the international business as a whole was stable during the first six months of the fiscal year under review.

In new parking site development as part of business restructuring, the Group developed short-term contract parking sites, Localized Times PARKING, in line with the conditions in each country based on the "small, distributed, and dominant" features of Times PARKING in Japan. In the UK, the Group reduced cost by terminating contracts and revising rents through individual negotiations with land owners. In other countries, the Group aggressively worked to reduce the parking site management cost by, for instance, raising operation and maintenance efficiency to streamline the business.

As a result, in the first six months of the consolidated fiscal year under review, the numbers of overseas parking sites and parking spaces managed were 2,298 (+3.8% of the end of the previous fiscal year), and 570,985 (-3.5% of the end of the previous fiscal year). The total numbers of parking sites and parking spaces managed worldwide, including Japan were 27,570 (-0.7% of the end of the previous fiscal year), and 1,311,112 (-1.9% of the end of the previous fiscal year). Net sales in this segment (including intersegment sales) were 25,641 million yen (+46.4% year on year). Operating loss was 3,437 million yen (operating loss of 7,649 million yen in the same period of the previous year).

(3) Mobility Business

In the Times CAR (combination of car sharing and rental car services) segment, the operation of the Mobility Business vehicles remained steady at the beginning of the fiscal year under review as in the case of Parking Business Japan. However, the strong impact of the Priority Preventive Measures taken nationwide in March 2022 in response to a resurgence in COVID-19 caused the occupancy rate to remain low. The business gradually recovered from late March to April following the lifting of the preventive measures.

In the first six months of the fiscal year under review, the Group sold vehicles ahead of schedule and worked on building an operation system to meet demand more flexibly. More specifically, the Group has been building an operation system to provide the optimal number of vehicles for consumer demand through a variable model (renting out multiple vehicles from a single parking space) of the mobility service, Times CAR. In addition, the Group opened 307 renting stations to strengthen the network and added functions to the Times CAR mobile application to allow the user to use the service from reservation to unlocking and locking of a car and payment without

presenting a membership card in an effort to raise convenience and maximize profitability per vehicle.

As a result, in the first six months of the consolidated fiscal year under review, the total number of vehicles in Mobility Business as a whole was 52,083 (-0.9% of the end of the previous fiscal year), and the number of members was 1,845,260 (+7.0% of the end of the previous fiscal year). With regard to the number of vehicles, the Company intends to maintain the level at the end of FY2021, and increase the occupancy rate per vehicle during the fiscal year under review. Net sales of this segment (including intersegment sales) were 35,381 million yen (+12.3% year on year), and operating loss was 98 million yen (operating loss of 836 million yen in the same period of the previous year).

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 decreased 10,245 million yen from the end of the previous fiscal year, to 309,383 million yen. The main decreases in assets were cash on hand and in banks of 8,577 million yen and machinery, equipment and vehicles of 5,032 million yen.

Total liabilities decreased 32,605 million yen, to 270,590 million yen. The decrease was caused primarily by long- and short-term borrowings of 23,929 million yen and other current liabilities including accounts payable-other of 8,415 million yen.

Net assets increased 22,359 million yen to total 38,792 million yen as a result chiefly of an increase of 25,136 million yen in share capital and capital surplus received by issuing new shares offered internationally, which more than offset a decrease of 630 million yen due to the posting of a loss attributable to owners of parent and a decrease of 1,362 million yen in re-measurements of defined benefit plans.

< Issuance of new shares through an overseas offering >

The Group had set a medium- to long-term growth target, “the expansion and seamless connection of four networks,” prior to the breakout of COVID-19 and maintained this policy through the pandemic.

The Group performance turned a profit in each quarter from the fourth quarter of the fiscal year ended October 31, 2021, after serious damage suffered due to the pandemic, and all businesses are on a recovery trend.

On April 12, 2022, the Group passed a resolution to issue new shares through an overseas offering for the purpose of making flexible growth investments and consistently implementing medium- to long-term growth targets in expectation of a full recovery in all businesses in the coming months. Approximately 10 billion yen will be appropriated for the development of mobile applications to increase the convenience of services provided by the Group and operation efficiency required for seamless networks, and investment in digital technologies, including reforms of business infrastructure system, and approximately 15 billion yen for the purchase of Mobility Business vehicles (including electric cars) required for the expansion of Mobility services among the “expansion of four networks.”

The shareholder's equity as of the end of the first six months of the fiscal year under review was 49,651 million yen, and the equity ratio was 16.0% respectively.

(2) Cash flow condition

The balance of cash and cash equivalents at the end of the first six months under review decreased 8,613 million yen from the end of the previous consolidated fiscal year, to 82,873 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 (used in) operating activities decreased 10,669 million yen year on year, to 4,985 million yen. This primarily reflected the total of profit before income taxes and depreciation of 17,625 million yen, a decrease of accounts payable, other of 6,972 million yen and a decrease of accrued expenses of 5,081 million yen.

(Net cash from investing activities)

Net cash provided by (used in) investing activities increased 98 million yen year on year, to 7,535 million yen. This was mainly attributable to capital expenditures for Times PARKING and purchase of mobility vehicles.

(Net cash from financing activities)

Net cash provided by (used in) financing activities was 7,414 million yen (increased 42,706 million yen year on year). This was attributable primarily to proceeds from issuance of shares, which were more than offset by expenditure for the repayments of long-term borrowings and lease obligations.

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

The consolidated earnings forecasts for the fiscal year ending October 31, 2022 have not been changed from the figures announced on December 15, 2021 in the Consolidated Financial Report for the Fiscal Year Ended October 31, 2021.

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2022 and October 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31	April 30	April 30
	2021	2022	2022
ASSETS			
Current assets			
Cash on hand and deposits	¥ 92,045	¥ 83,136	\$ 645,162
Notes and accounts receivable - trade	18,606	19,222	149,168
Allowance for doubtful accounts	(1,243)	(1,194)	(9,266)
Inventories	1,997	2,183	16,942
Other	27,779	27,259	211,542
Total current assets	139,184	130,606	1,013,547
Property, plant and equipment, net			
Buildings and structures, net	30,408	29,771	231,030
Machinery, equipment and vehicles, net	32,902	30,419	236,062
Land	25,747	25,747	199,809
Leased assets, net	10,336	8,776	68,104
Right of use assets, net	22,389	22,109	171,572
Other, net	6,046	5,974	46,357
Total property, plant and equipment	127,828	122,795	952,934
Intangible assets			
Goodwill	17,006	18,111	140,545
Contract-based intangible assets	9,196	9,621	74,663
Other	4,976	5,706	44,277
Total intangible assets	31,178	33,437	259,485
Investments and other assets			
Other	21,439	22,185	172,165
Total investments and other assets	21,439	22,185	172,165
Total non-current assets	180,445	178,417	1,384,584
Deferred assets	-	360	2,791
Total assets	¥ 319,629	¥ 309,383	\$ 2,400,922

CONSOLIDATED BALANCE SHEETS (Unaudited)
As of April 30, 2022 and October 31, 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	October 31 2021	April 30 2022	April 30 2022
LIABILITIES			
Current liabilities			
Notes and accounts payable - trade	¥ 561	¥ 543	\$ 4,214
Short-term borrowings	16,035	16,974	131,725
Current portion of long-term borrowings	30,533	20,901	162,197
Lease obligations	12,058	11,508	89,306
Income taxes payable	3,164	4,243	32,926
Provision for bonuses	2,197	2,382	18,482
Other	53,363	44,948	348,809
Total current liabilities	117,910	101,498	787,659
Non-current liabilities			
Bonds with share acquisition rights	35,000	35,000	271,613
Long-term borrowings	111,990	96,754	750,842
Lease obligations	22,679	21,190	164,446
Retirement benefit liability	22	-	-
Asset retirement obligations	9,453	9,455	73,376
Deferred tax liabilities	1,619	1,708	13,257
Other	4,523	4,985	38,687
Total non-current liabilities	185,286	169,093	1,312,220
Net assets			
Shareholders' equity			
Share capital	20,171	32,739	254,067
Authorized:			
2021 and 2022 – 283,680,000 shares			
Issued:			
2021 – 155,048,369 shares,			
2021 – 171,048,369 shares			
Capital surplus	15,758	28,326	219,822
Retained earnings	(9,498)	(10,159)	(78,834)
Treasury stock, at cost (2021 – 528,313 shares, 2022 – 528,393 shares)	(1,255)	(1,256)	(9,744)
Total shareholders' equity	25,176	49,651	385,311
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	131	123	952
Deferred gains or losses on hedges	(83)	(37)	(290)
Revaluation reserve for land	(1,035)	(1,035)	(8,033)
Foreign currency translation adjustment	(5,955)	(6,744)	(52,340)
Remeasurements of defined benefit plans	(1,865)	(3,228)	(25,049)
Total accumulated other comprehensive income	(8,807)	(10,922)	(84,760)
Share acquisition rights	64	63	491
Total net assets	16,433	38,792	301,043
Total liabilities and net assets	¥ 319,629	¥ 309,383	\$ 2,400,922

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
For the six-month periods ended April 30, 2021 and 2022

	Thousands of U.S. dollars (Note 2)	
	2021	2022
Net sales	¥ 121,865	¥ 135,892
Cost of sales	104,656	106,207
Gross profit	17,209	29,684
Selling, general and administrative expenses	23,725	24,128
Operating profit (loss)	(6,516)	5,556
Non-operating expenses		
Interest expenses	1,546	1,640
Interest and dividend income	(9)	(9)
Foreign exchange gains (loss)	(41)	121
Commission fee	1,595	1
Expenses incurred for evacuation of parking facilities	212	240
Gain (loss) on retirement of non-current assets	25	36
Void ticket	(90)	(92)
Impairment loss	59	-
Share of loss of entities accounted for using equity method	113	-
Loss on temporary closure	230	-
Business restructuring expenses	75	-
Loss on lease contracts	-	1,499
Subsidy income related to cashlessness	(3)	-
Subsidy income for labor costs	(762)	(117)
Depreciation	13	-
Gain on sales of non-current assets	(14)	-
Gain on reversal of share acquisition rights	(89)	-
Other	(92)	(177)
	2,768	3,143
Profit (loss) before income taxes	(9,284)	2,413
Income taxes:		
Current	1,443	4,160
Deferred	(1,767)	(1,116)
	(324)	3,044
Profit (loss)	(8,960)	(631)
Profit (loss) attributable to owners of parent	¥ (8,960)	¥ (631)
		\$ (4,897)
	Yen	U.S. dollars (Note 2)
	2020	2021
Per share of common stock:		
Net income per share	¥ (57.99)	¥ (4.08)
Net assets per share	128.49	227.12
		\$ (0.03)
		1.76

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
For the six-month periods ended April 30, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
Profit (loss)	¥ (8,960)	¥ (631)	\$ (4,897)
Other comprehensive income			
Valuation differences on available-for-sale securities	16	(8)	(64)
Deferred gains (losses) on hedges	31	46	354
Foreign currency translation adjustments	(1,479)	(790)	(6,131)
Accumulated adjustments for retirement benefits	(844)	(1,363)	(10,577)
Share of other comprehensive income of entities accounted for using equity methods	35	-	-
Total other comprehensive income	(2,241)	(2,116)	(16,417)
Comprehensive income	¥ (11,201)	¥ (2,747)	\$ (21,314)
Comprehensive income attributable to owners of parent	¥ (11,201)	¥ (2,747)	\$ (21,314)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the six-month periods ended April 30, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2021	2022	2022
Cash flows from operating activities			
Profit (loss) before income taxes	¥ (9,284)	¥ 2,413	\$ 18,727
Adjustments to reconcile profit (loss) before income taxes to net cash provided by operating activities:			
Depreciation	16,349	15,213	118,055
Impairment loss	59	-	-
Amortization of goodwill	544	579	4,497
Interest and dividend income	(9)	(9)	(69)
Interest expenses	1,546	1,640	12,726
Gain (loss) on sale of non-current assets	(14)	(0)	(2)
Loss on retirement of non-current assets	25	37	284
Changes in assets and liabilities:			
Increase (decrease) in trade receivables	19	(289)	(2,246)
Increase (decrease) in inventories	3,346	2,082	16,153
Increase (decrease) in trade payables	61	(34)	(261)
Increase (decrease) in accounts receivables - other	940	551	4,272
Increase (decrease) in prepaid expenses	2,558	(2,915)	(22,619)
Increase (decrease) in accounts payable - other	(2,651)	(6,972)	(54,108)
Increase (decrease) in accrued expenses	4,523	(5,081)	(39,434)
Notes payable - other	70	35	269
Other, net	2,128	(790)	(6,134)
Subtotal	20,211	6,457	50,110
Interest and dividends received	9	9	69
Interest paid	(895)	(1,654)	(12,838)
Income taxes refund (paid)	(3,671)	173	1,346
Net cash provided by (used in) operating activities	15,654	4,985	38,687
Cash flows from investing activities			
Increase into time deposits	(6)	(6)	(47)
Proceeds from withdrawal of time deposits	6	6	47
Purchase of property, plant and equipment	(5,735)	(5,557)	(43,123)
Proceeds from sales of property, plant and equipment	36	8	59
Purchase of intangible assets	(1,036)	(1,339)	(10,389)
Payment of long-term prepaid expenses	(634)	(483)	(3,745)
Other, net	(68)	(165)	(1,279)
Net cash provided by (used in) investing activities	(7,437)	(7,535)	(58,476)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	2,134	(45)	(346)
Proceeds from long-term borrowings	49,299	121	941
Repayments of long-term borrowings	(8,849)	(25,586)	(198,555)
Repayments of lease obligations	(7,350)	(7,033)	(54,578)
Proceeds from issuance of shares	60	25,135	195,053
Purchase of treasury shares	(0)	(0)	(1)
Dividends paid	(2)	(7)	(51)
Net cash provided by (used in) financing activities	35,292	(7,414)	(57,537)
Effect of exchange rate changes on cash and cash equivalents	1,067	1,042	8,086
Net increase (decrease) in cash and cash equivalents	44,576	(8,922)	(69,240)
Cash and cash equivalents at beginning of period	55,269	91,795	712,364
Cash and cash equivalents at end of period	¥ 99,845	¥ 82,873	\$ 643,124

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 ¥128.86=U.S.\$1, the rate of exchange on April 28, 2022, 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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