

1st half of the Fiscal year ending November 30, 2021 Financial Results Explanatory Materials

Phil Company, Inc.

July 21, 2021



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01 Financial Highligh



1st half of the Fiscal year ending Nov. 2021 digest ①

Setting income records in all categories during the first 2Q

(unit : thousand yen)

	2019/11 2Q	2021/11 2Q	
	Actual	4/13 revised plan	Actual
Sales	1,068,778	2,080,000	2,111,160
Cost of sales	875,968	—	1,532,633
Gross Profit on sales	192,809	—	578,527
(Gross Profit Margin)	18.0%	—	27.4%
SG&A	396,969	—	343,951
Personnel	213,633	—	198,457
Outsourcing expense	64,677	—	32,075
Taxes and dues	6,077	—	17,423
Advertising expense	9,575	—	1,393
Payment fee	21,172	—	20,977
Others	81,835	—	73,627
Operating Income	(204,159)	200,000	234,576
Ordinary Income	(209,503)	195,000	227,828
Net Income	(148,925)	128,000	146,864

Record high at 2Q



Boosted by development and sales, there is a large increase this fiscal year over the previous year.

(unit: thousand yen)

	2020/11	2021/11
	2Q Actual	2Q actual
Sales	1,068,778	2,111,160
Contracted orders model	891,849	876,496
# of delivered properties	8	3
Development and sales model	0	1,030,000
# of land sales	0	0
# of land+buildings sales	0	1
Others	176,929	204,664

Record high in sales

Not only in planning and design, but also in enhancing the appeal of the new building as an income-producing property with tenants.



▼ Contracted orders model

Sales and cost of sales are recorded on a “delivery basis” and are not recorded when the order is received. They are recorded when a property is completed and delivered.

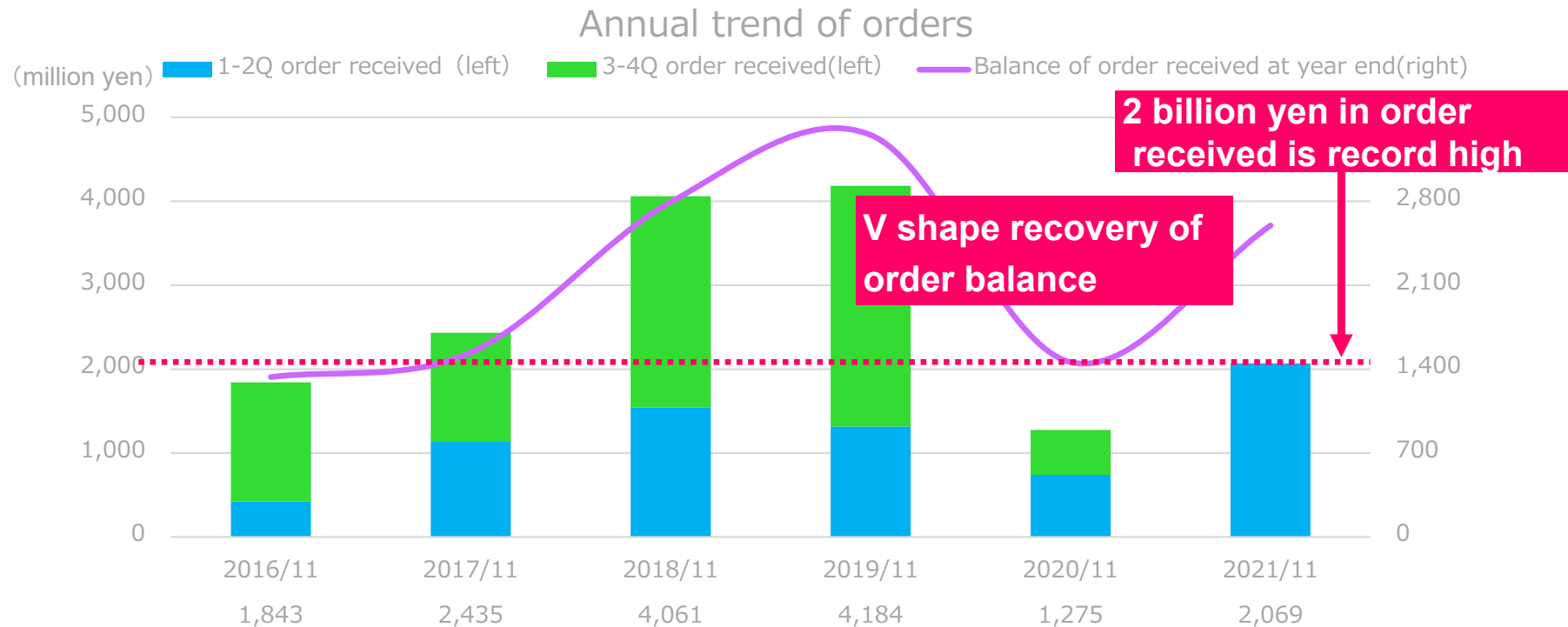
▼ Development and sales model

Sales and cost of sales are recorded at the time when ownership is transferred.

Amount of orders received and order balance for the contracted orders model



Recovery in contracted orders and a growing order balance



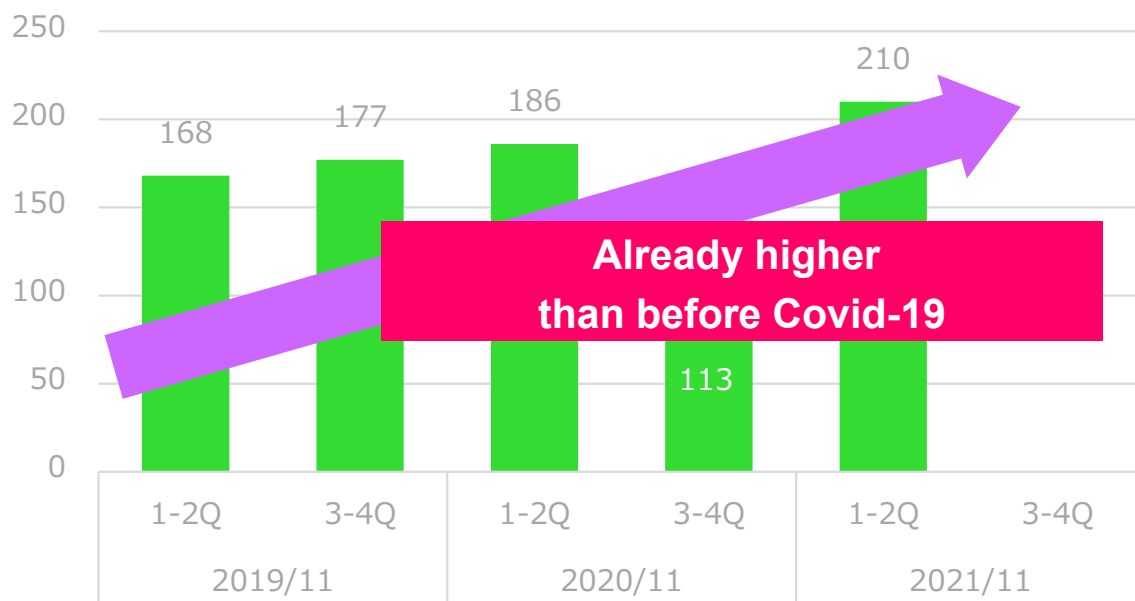
	2016/11	2017/11	2018/11	2019/11	2020/11	2021/11
1-2Q order received ■	425	1,135	1,545	1,317	741	2,069
3-4Q order received ■	1,418	1,300	2,516	2,867	534	
Annual order received	1,843	2,435	4,061	4,184	1,275	
Balance of order received at year end —	1,334	1,539	2,793	3,353	1,458	



Current situation of contracted orders model

Inquiries from financial institutions are growing at the fastest pace ever

Inquiry from financial institutions



Contracted banks of business matching

Contracted months	Name of the banks
Jun-16	Yokohama Bank
Jun-16	Mizuho Bank
Aug-17	Jonan Shinkin Bank
Oct-17	Higashi Nihon Bank
Nov-17	Musashino Bank
Jan-19	Risona Bank
Oct-19	Mitsu Sumitomo Bank
Mar-20	Tokyo Star Bank
Mar-20	Juroku Bank
Sep-20	Mitsubishi UFJ Bank
Nov-20	Tama Shinkin Bank

- (1) We added to the institutions with which we have concluded business matching contracts, and are continuing activities to educate financial institutions about our business.
- (2) The Premium Garage Housing business also produced results, and we expanded the lineup which is available for project proposals.
- (3) Financial institutions are changing to a focus on income generated through fees (matching fees),

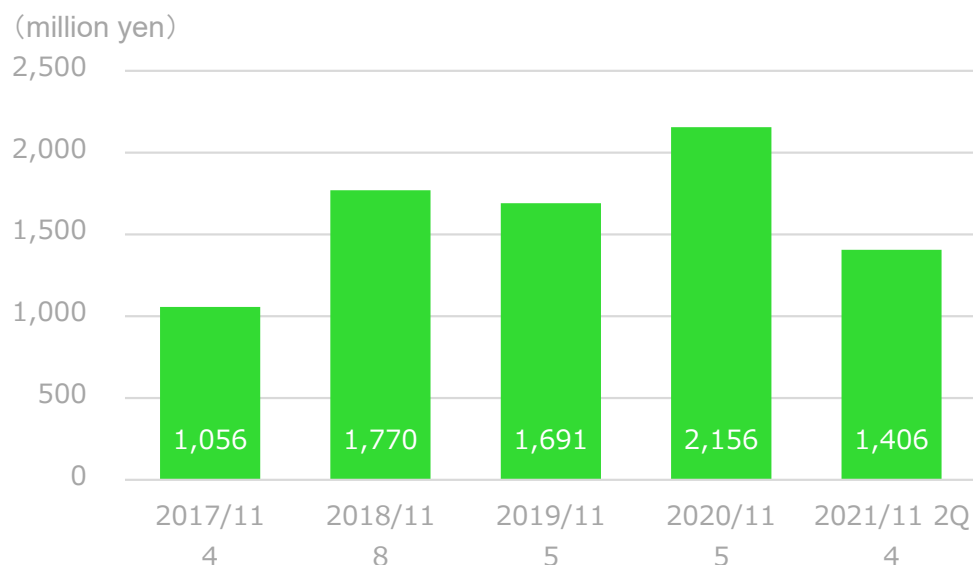
We are also receiving inquiries about business matching contracts from local banks and from securities companies that want to strengthen their business with affluent individuals.



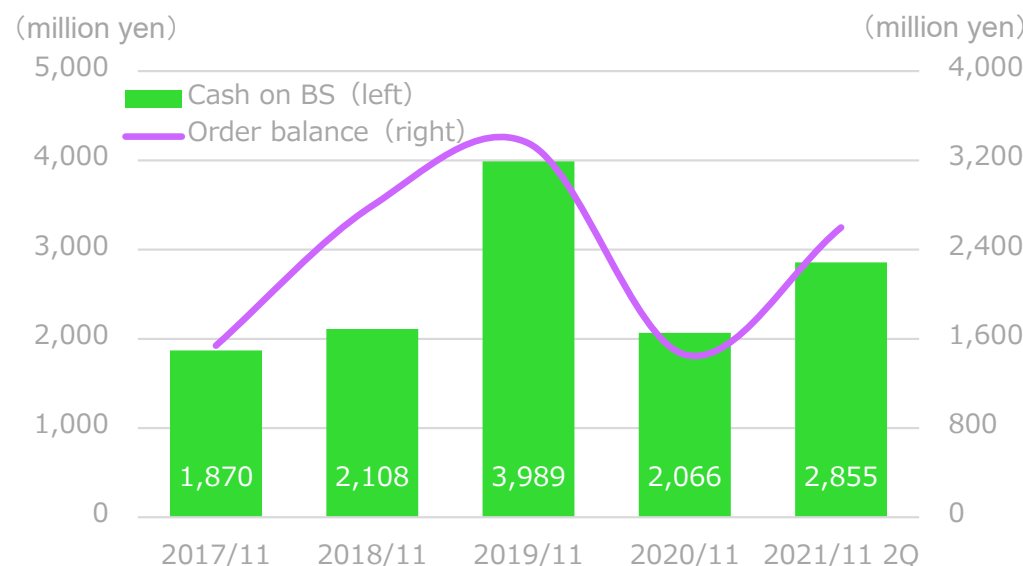
Progress in the development and sales model

1.4 billion yen predicted total value of development PJ (4 PJ) at the end of 2Q

Planned amount of development project



Trend of cash and order balance



- Expected total cost of land + building at time of land acquisition
- The development and sales model is being carried out with an expected gross profit margin of over 20%.

The cash position was improved by a recovery in new contracted orders and the sale of one property in the 1st half of the fiscal year. We are resuming activities aimed at acquiring properties.

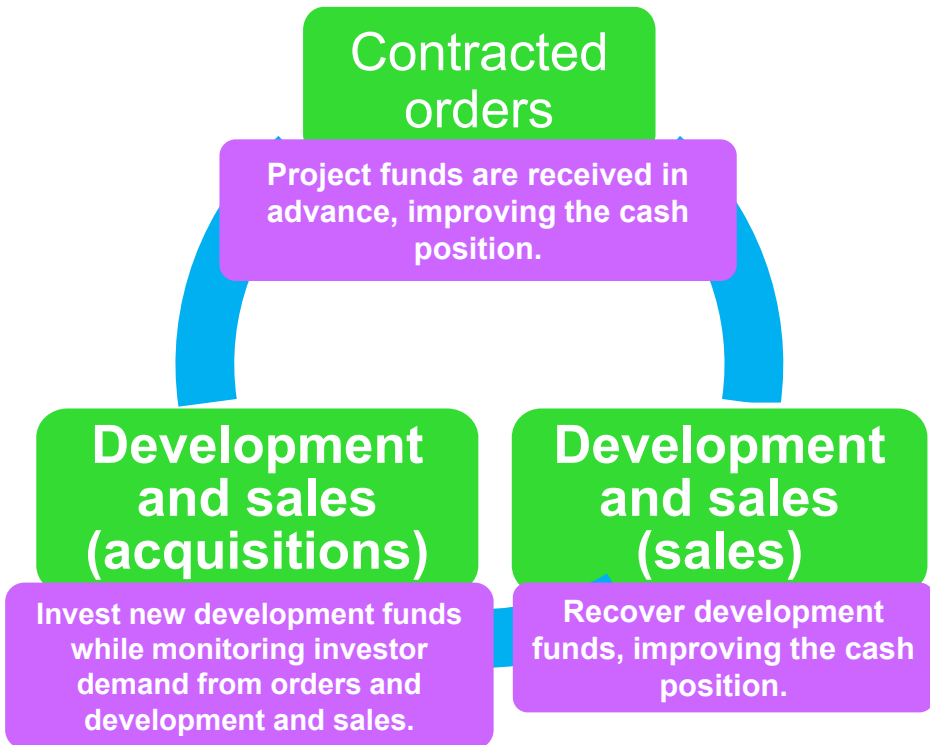
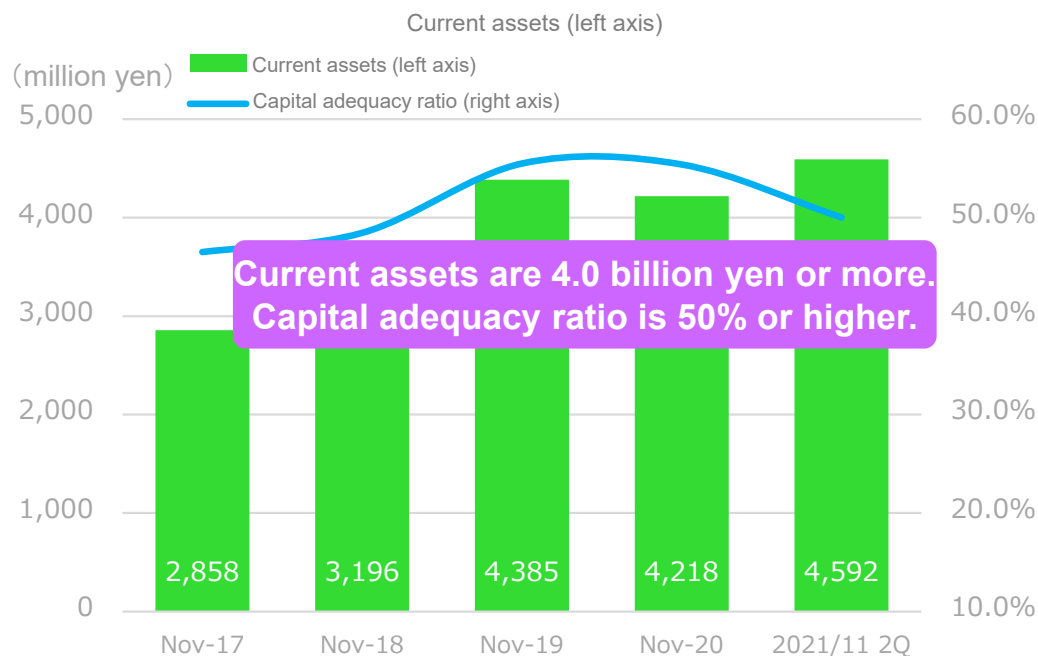
1 sale of land+building was concluded during this 1st half of the fiscal year ending Nov. 30, 2021 and 1 more sales was completed in June (3Q) As for property sales, we carefully work on tenant recruiting so that we are able to sell those as valuable properties.



Financial situation

Balanced operation of contracted orders with development and sales

Trend of current assets and capital ratio



In addition to stable cash and savings and other current assets, because we have concluded a special overdraft agreement with Mizuho Bank (1.0 billion yen) for property acquisition, and because we are able to borrow when needed through real estate business financing, we believe we are at a stage when we can carry out new development using a combination of cash on hand and borrowing.

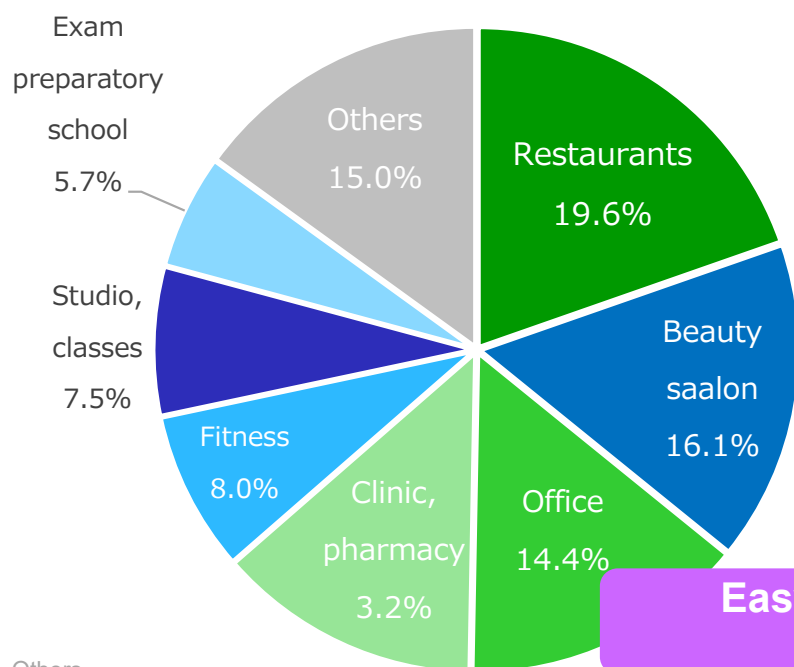
- (1) Recovery in contracted orders
→ Increase in deposits received improves the cash position.
- (2) Sales in the development and sales business
→ Collection of development funds improves the cash position.
- (3) Acquisitions for development and sales
→ New development utilizing a combination of cash on hand and borrowing



Tenant leasing result

Easy to rent small-size commercial buildings are rare finds

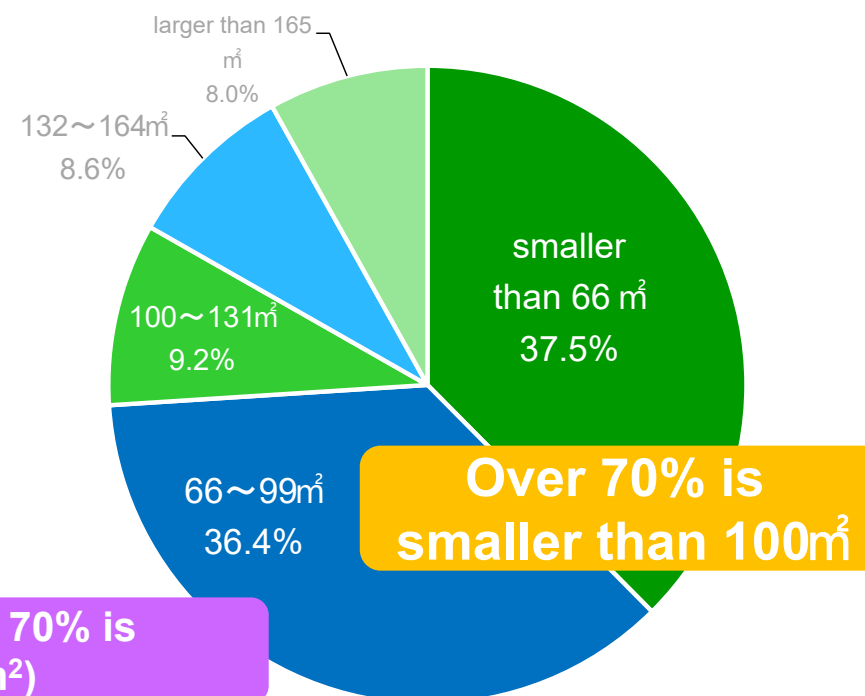
Tenant breakdown



- Others
- Esthetic/nail salon
 - Nursery school/After-school care
 - Product sales/Convenience store
 - Apparel
 - Rental space

173 floor tenants completed
December 2018-May 2021

Space of each floor



Over 70% is smaller than 100m²

Easy to rent sizes (over 70% is smaller than 99 m²)

Planning and design making best use of site characteristics

The many windows allow business conditions to be easily seen from outside.

Excellent ventilation, facilitating infection countermeasures

173 floor tenants completed
December 2018-May 2021



Forecast of full-year ending November 30, 2021

Large increase in results over the previous year is expected through a combination of contracted orders and development in the 2nd half of the year

(Unit : Million yen)

	2020/11	2021/11	
	Actual	Annual Plan	YoY
Sales	3,970	5,000	125.9%
Operating Income	130	520	400.0%
Ordinary Income	98	500	510.2%
Net Income	19	240	—

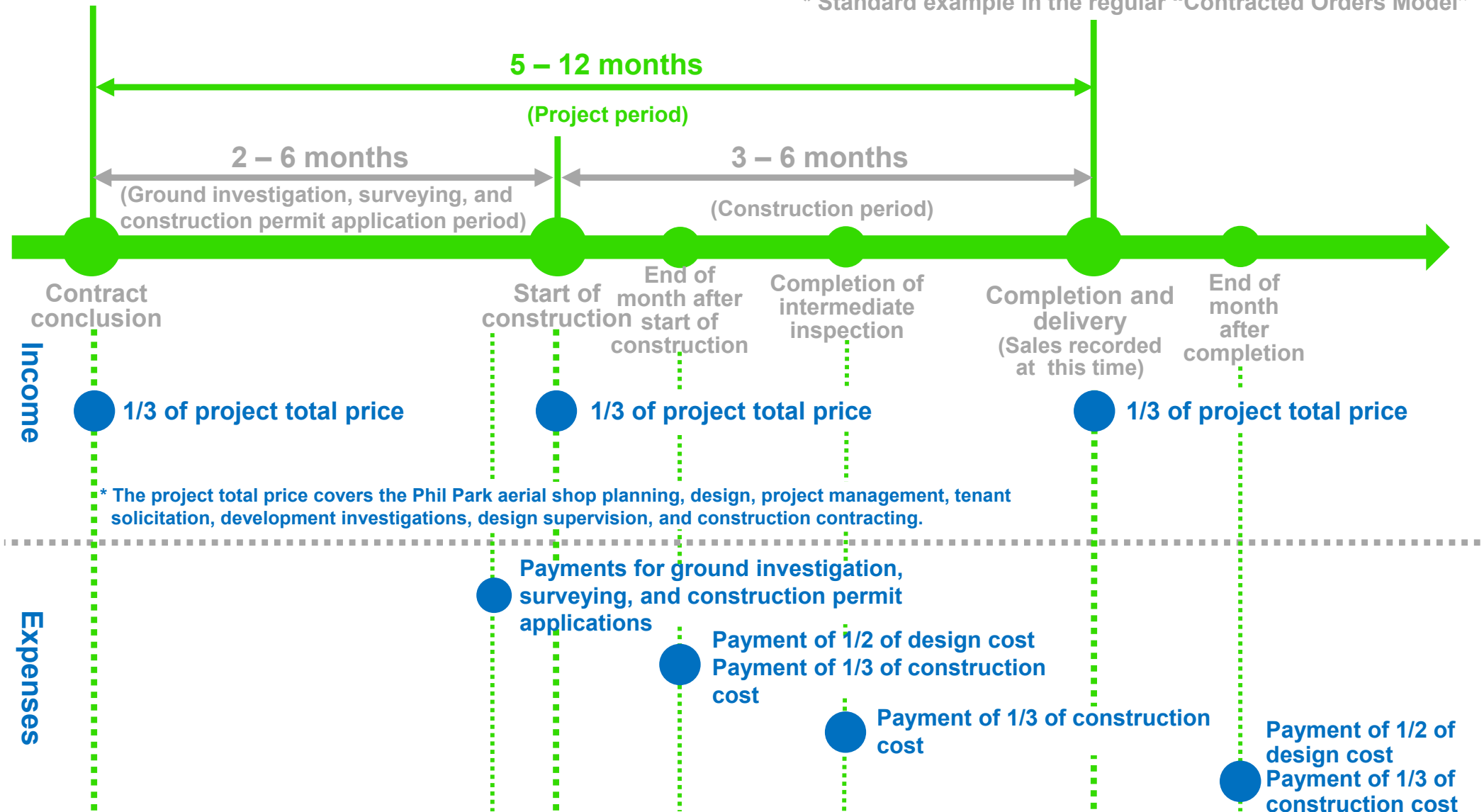
The accounting standard in our contracted orders model is based on delivery, and sales and other figures are recorded 5 – 9 months after a project order is received. Because the range of order prices is also large owing to the different project sizes, when results are categorized into quarters or consolidated fiscal years for comparison, there is large variation in the results for each period. During the most recent few years, results have continually been lopsided toward the second half of the year, with recorded sales tending to concentrate in the second half.



Phil Company cash flows

Because we have constructed a mechanism that continually generates income, cash flows are never negative and even when orders increase there is no increase in financial burdens.

* Standard example in the regular "Contracted Orders Model"



02 Outlook and growth strategy





Growth strategy: Basic policies

Operating dual businesses of Phil Park and Premium Garage House

Satisfying a wide range of user orders

Utilizing land in niche spaces to expand products and services
Sales system that can respond to introductions from business matching partners

Main target areas for Phil Park

- Sites where coin parking exists
- Locations with commercial potential close to stations

Main target areas for Premium Garage House

- Sites where monthly rental parking exists
- Locations with commercial potential farther from stations

Capable of meeting a wide range of needs while diversifying risk.





Growth strategy: Phil Park business

Resuming sales activities utilizing our success in attracting tenants during the coronavirus pandemic

Advantages of Phil Park during the pandemic

Easy to rent sizes (around 33 – 99 m²)

The many windows allow business conditions to be easily seen from outside.

Planning and design making best use of site characteristics

Excellent ventilation, facilitating infection countermeasures

Effects of success in attracting tenants during the pandemic

Improving the sense of security and satisfaction among existing owners

Ensuring a superior position for future new business

Future of Phil Park

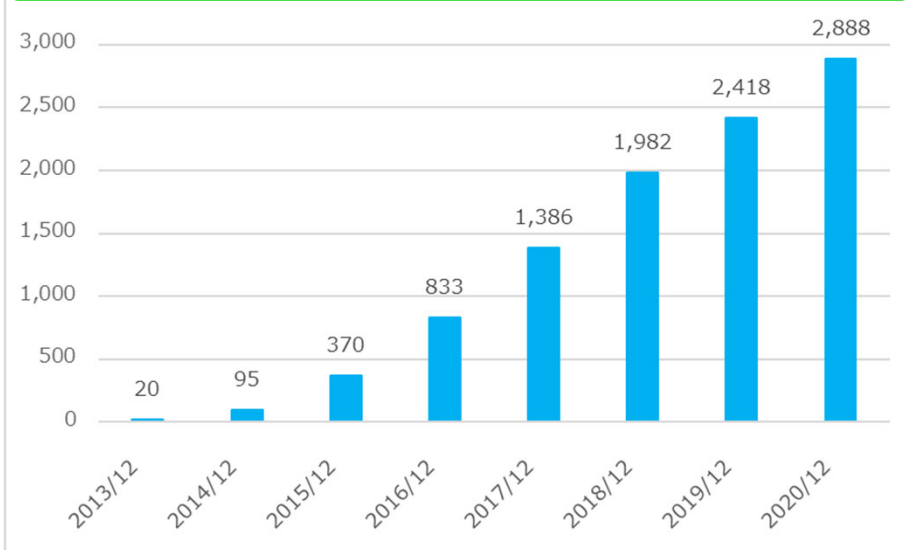
Accelerating operations to coincide with a recovery in the investment mindset of land owners



Growth strategy: Premium Garage House business

Active approach to the Premium Garage House business

Changes in number of registered tenants waiting to move in (total)



Source: Premium Garage House database

Following full acquisition as a subsidiary in January 2019

- (1) Constructed a complete service covering everything from planning, design, and construction to attracting tenants.
- (2) Increased the number of registered persons waiting to move in through our original marketing system.
- (3) Innovated the designs.

Increase in demand during the pandemic for reasons including remote working



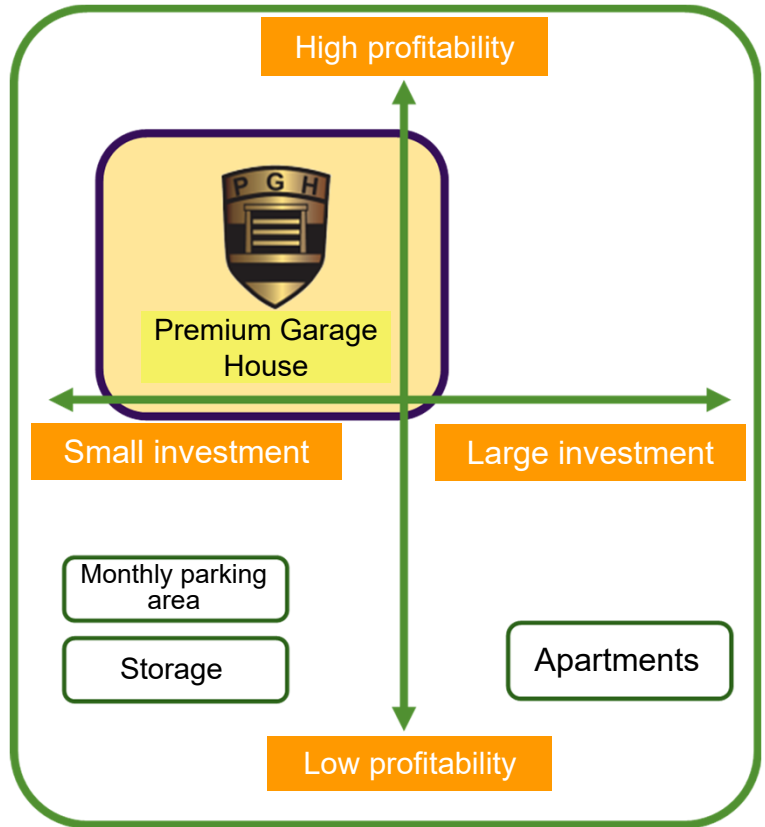
We are strengthening the supply system to meet the needs of more tenant applicants, and have raised the level of the business model in order to accelerate sales.



Growth strategy: Advantages of Premium Garage House

Competitive advantages of Premium Garage House

	Premium Garage House	Apartments	Monthly parking area	Storage
Stability (occupancy rate)	●●	○	△	△
Profitability (investment recovery period)	●	△	—	△
Profitability (additional income)	●	×	△	△
Tax reduction effects	●●	◎	×	△
Scope of usable properties	●●	△	○	△



Identification of targets

By limiting targets to car and motorcycle users who are not put off by relatively high rent, we create a clear difference from other land uses.



Original customer attraction channels

Because we use our own media to attract and stock tenants and provide stable tenant introductions, we can differentiate ourselves from other garage houses.



Benefits of Premium Garage House to land owners



6 advantages of Premium Garage House



Tax reduction effects

Unlike parking areas, storage facilities, or similar investments, buildings are handled as **residences**, allowing **tax reduction effects**.



Registration of prospective tenants

When a property is fully occupied, a **stock of prospective tenants is continually maintained**, making it possible to quickly find new tenants when a vacancy occurs.



Low operating costs

Because buildings do not include any excess equipment, maintenance costs can be reduced.



OK even if not close to a station

The residents of Premium Share Houses are all car or motorcycle users, meaning that **properties distant from a station** are also viable.



Supply < Demand

Because supply has not kept up with demand, it is **unlikely that rents will decline** even after a tenant departs.



Properties with good designs

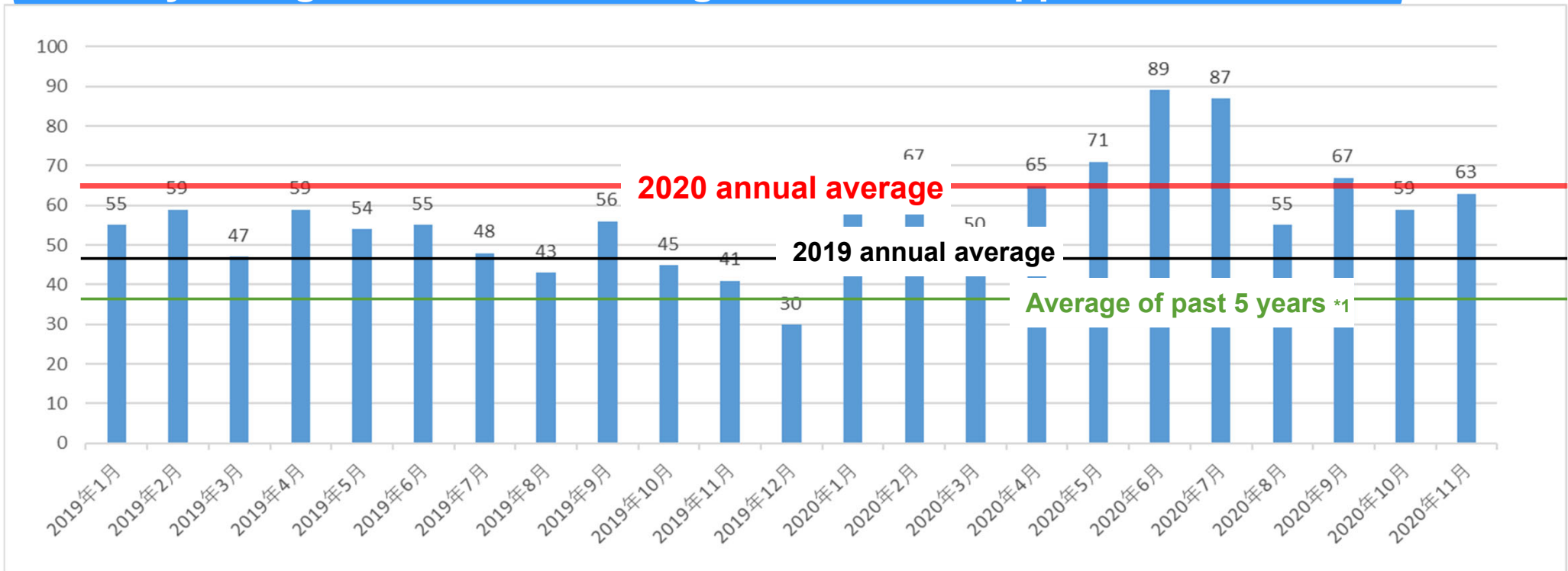
Based on our **successful record of around 300 units**, we create **designs that satisfy the residents**, making these residences that are easy to move into and hard to leave.



Growth strategy: Value of Premium Garage House ②

Increase in new tenant applicants during the pandemic

Monthly changes in numbers of registered tenant applicants



Source: Premium Garage House database

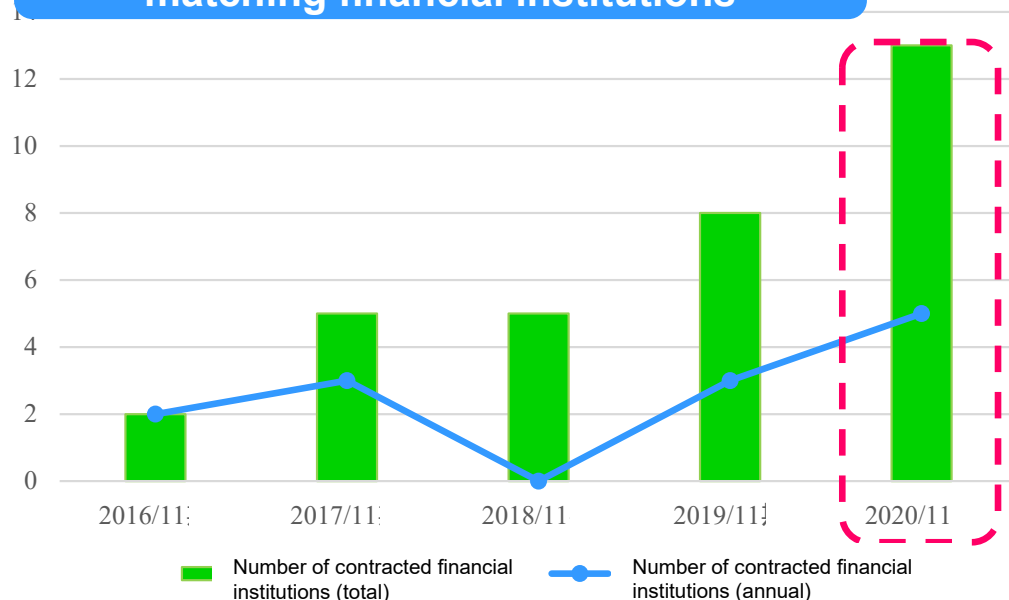
Monthly average of new registered applicants (average of past 5 years)	38.7
Monthly average of new registered applicants (2019)	48.6
Monthly average of new registered applicants (2020)	66.8



Growth strategy: Business matching agreements

Strengthening business matching agreements focused on the post-pandemic period

Changes in numbers of business matching financial institutions



The fiscal year ended November 30, 2020 was the year of the pandemic, and even as financial institutions become more conservative, including by reducing their business matching agreements, our business model was highly evaluated and we concluded the largest annual number of new business matching agreements in our history. We will work together with city banks, local banks, credit unions, and other financial institutions, and in addition to introductions of land owners who are struggling with land use or vacant houses, we will also work to construct new sales channels.

Future policy

We will operate our dual businesses of Phil Park and Premium Garage House in order to resolve the issues facing customers of these financial institutions, and expand our record of success. We will also seek to work together with tax accountants, corporate accountants, lawyers, and other professionals.

Growth strategy: Future of the development and sales model

Challenging ourselves in new real estate investment markets

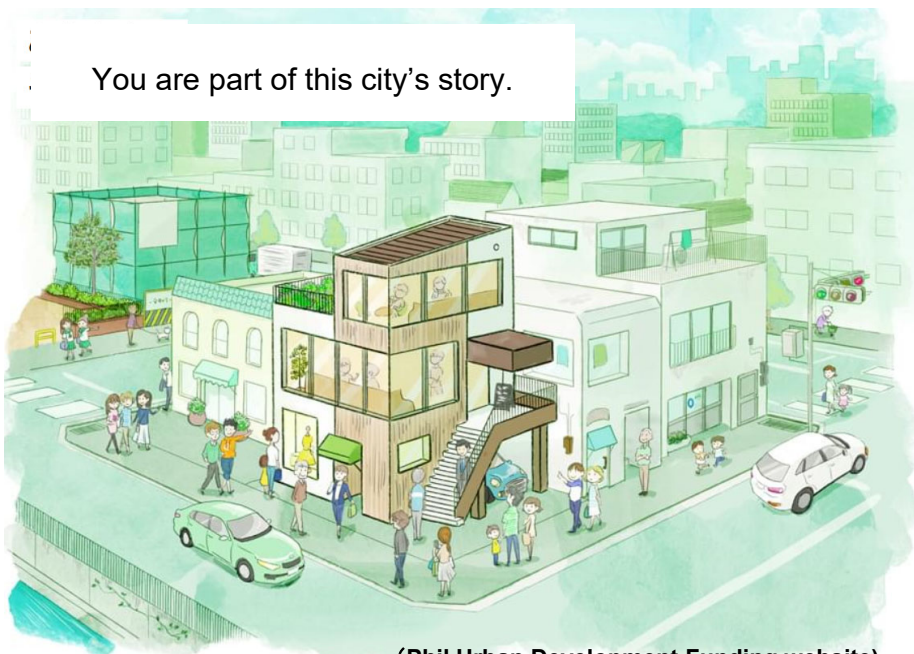
Previous programs

- Solicited investment for the Phil Park brand using crowd funding (April 2019).
- Acquired 100 million yen in 90 seconds.
- Completed verification of high product appeal.

Current and future programs

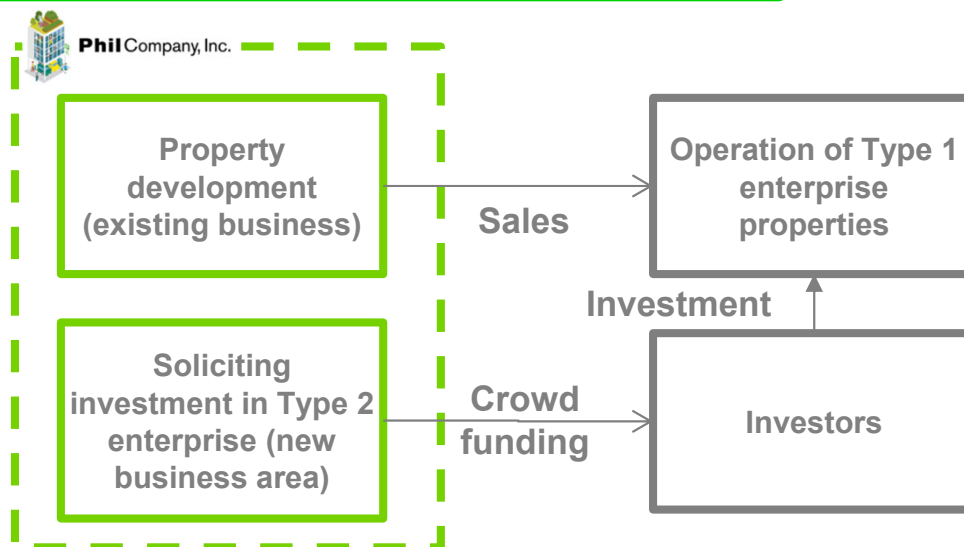
- Acquire a Type 2 license under the Act on Specified Joint Real Estate Ventures, and construct a mechanism for soliciting funding using websites operated by our company.
- Increase the Phil Park sales strength in the development and sales model.

You are part of this city's story.



(Phil Urban Development Funding website)

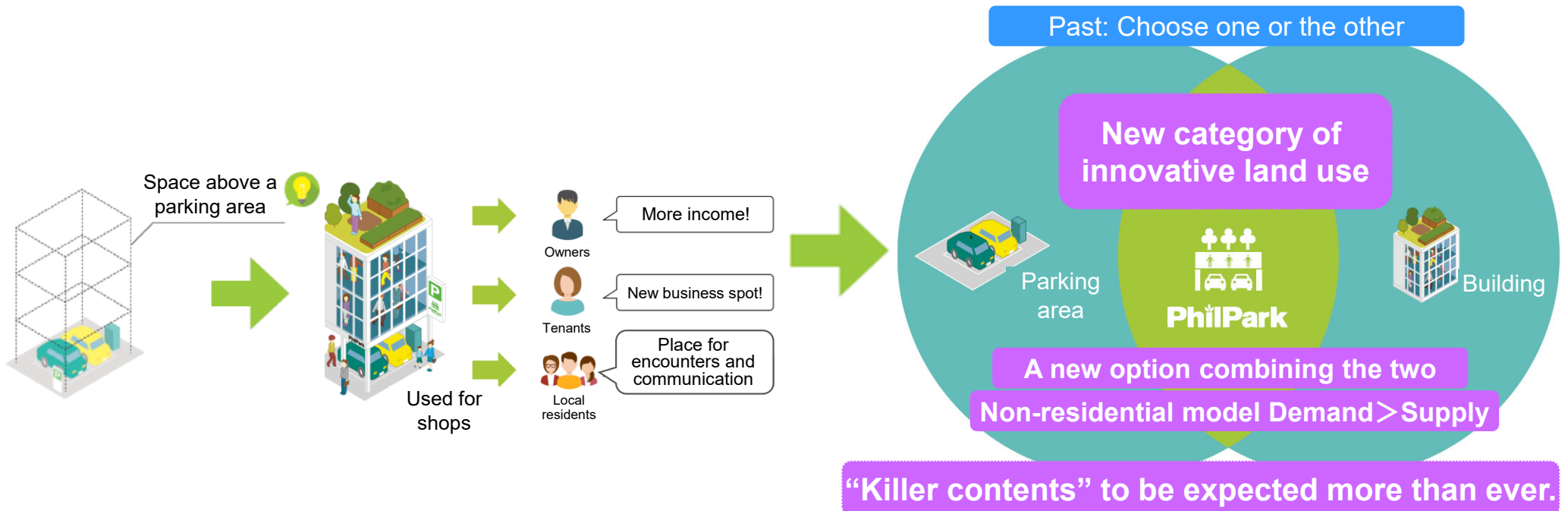
Simplified image of model



03 APPENDIX



Coin-operated parking × Building ≈ Phil Park aerial shop



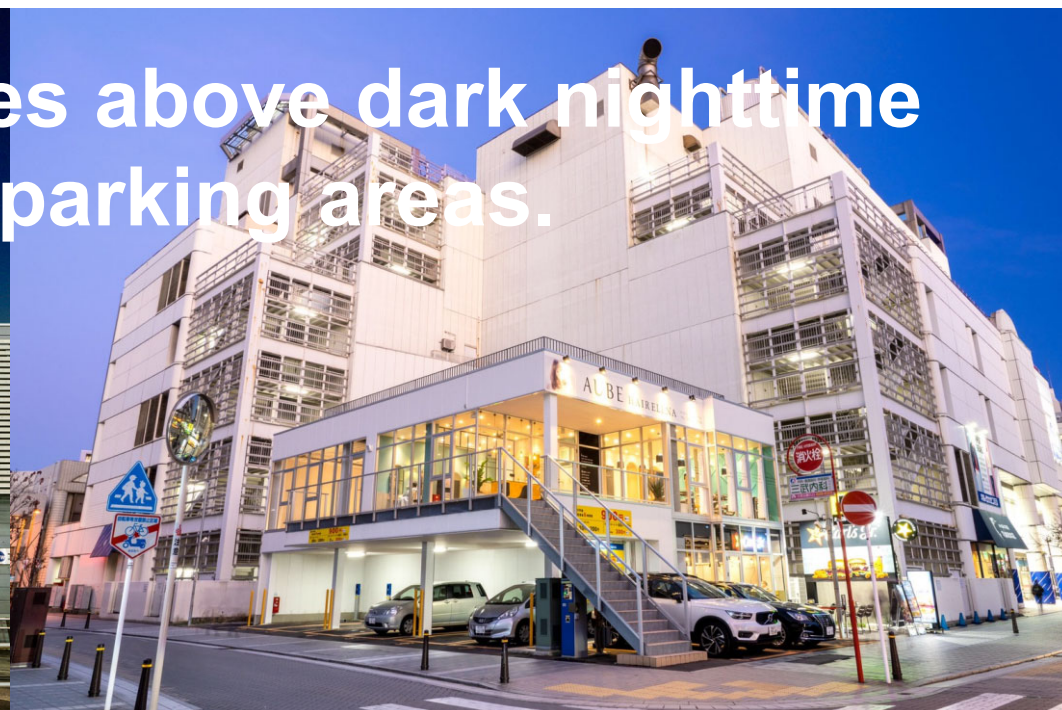
From “Only One” to “Number One”

Phase to store important resources for coming growth



World vision of Phil Park

Bring lights to the spaces above dark nighttime coin-operated parking areas.



Create a new flow of people under suffering corona virus and recover to normal life.



Business characteristics and strengths(1)

Originality of aerial shops

Continued income from coin-operated parking.



Additional income from aerial shops.



Speedy recovery of investment
Expected period \neq Real period

Actual
Gross Yield :
Avg. **21.3%**

Area expansion is taken place
due to credentials and reliability of business

Optimal
cost



- Investigation by our company of projects completed
- During Dec. 2013 – Nov. 2020

Small business type

Provisional utility

Investment recovery in 5 – 10 years, revolutionizing norms of conventional real-estate investment



Business characteristics and strengths(2)

POINT

When a building is constructed

Creating spaces that also maintain coin P income

When aerial floors (2F, 3F) are used

Creating spaces that generate high demand for tenant rentals

Creating spaces that increase tenant profitability

Special building with parking on 1F and aerial shop above

Architectural planning that satisfies all laws and achieves profitability

ALL CLEAR

Flexible semi-order type

SPACE ON DEMAND concept

The "Space On Demand" concept means creating spaces that meet the demands of modern society, and creating the optimal plans for the properties of the land owners (parking area owners). However simply creating space is not our ultimate goal, and we do not create buildings that tenants will not enter.

Previous uses of land

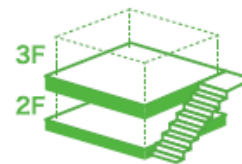
Creating buildings that maximize coverage ratios and floor-space ratios

This may have been high risk under this sort of economic condition

Land use proposed by Phil Company

Creating spaces that meet needs of parking areas and tenants

Creating spaces based on tenant rental demand



Optimizing the number of floors and floor area

Creating spaces that maximize parking area income



Parking area layout and building design for easy vehicle access

Creating spaces that maximize tenant shop income



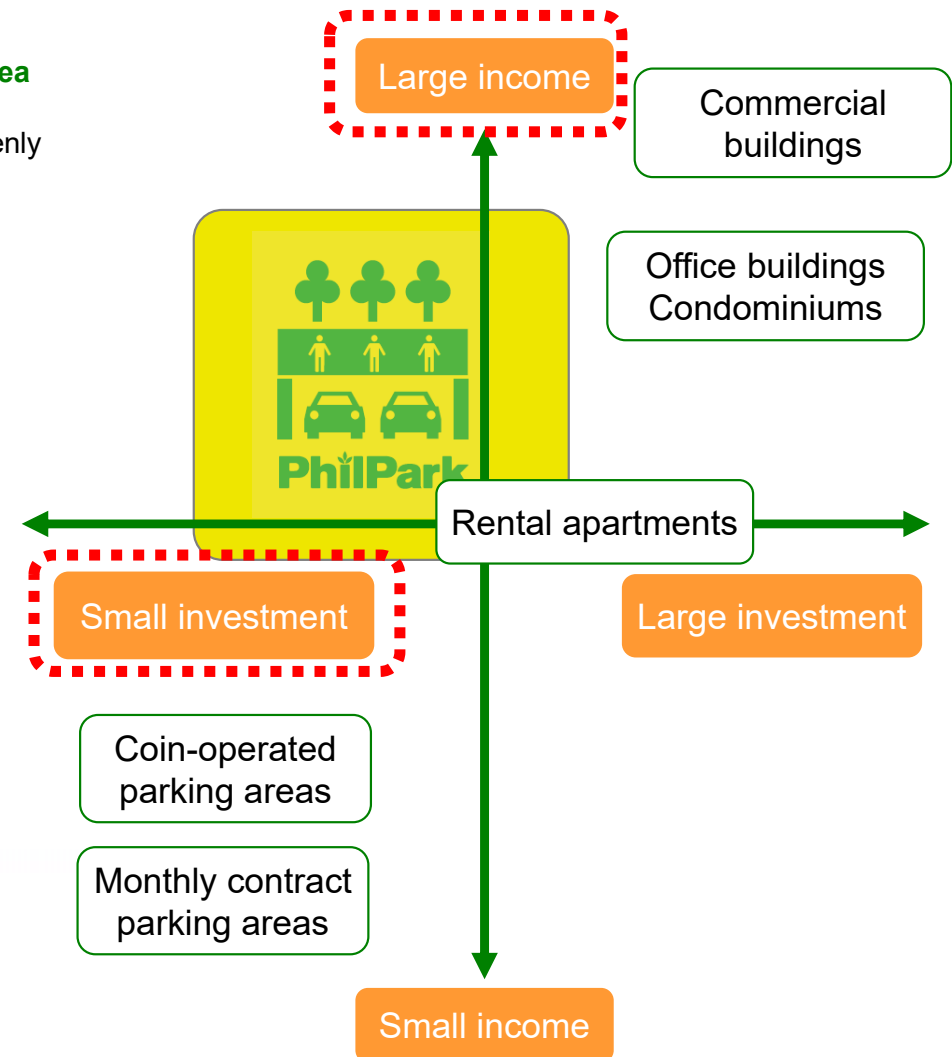
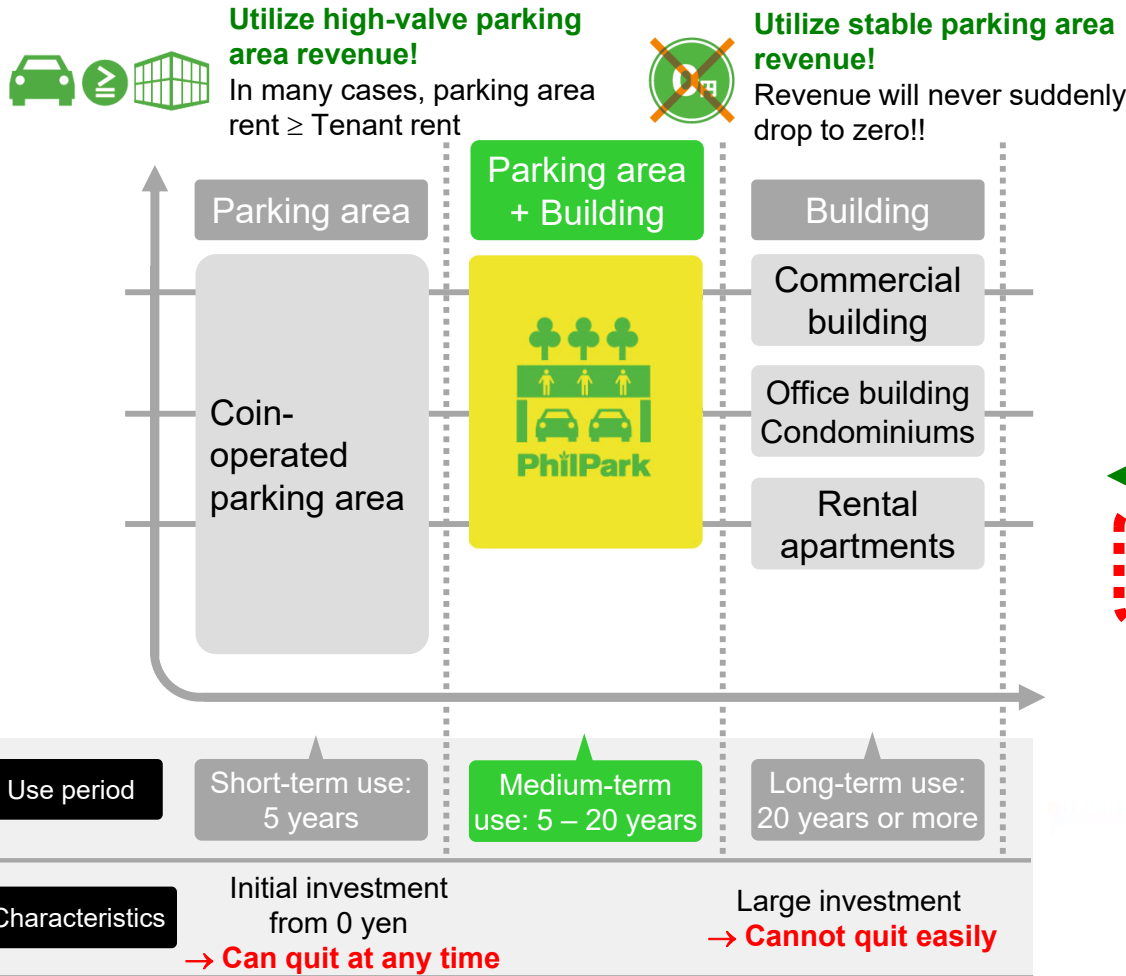
• Buildings that stand out with eye-catching designs
• Stairs layout based on customer lines of movement

Maximizing the return on land owner (parking area owner) investment



Business characteristics and strengths (3)

Idea: Keep the parking area.

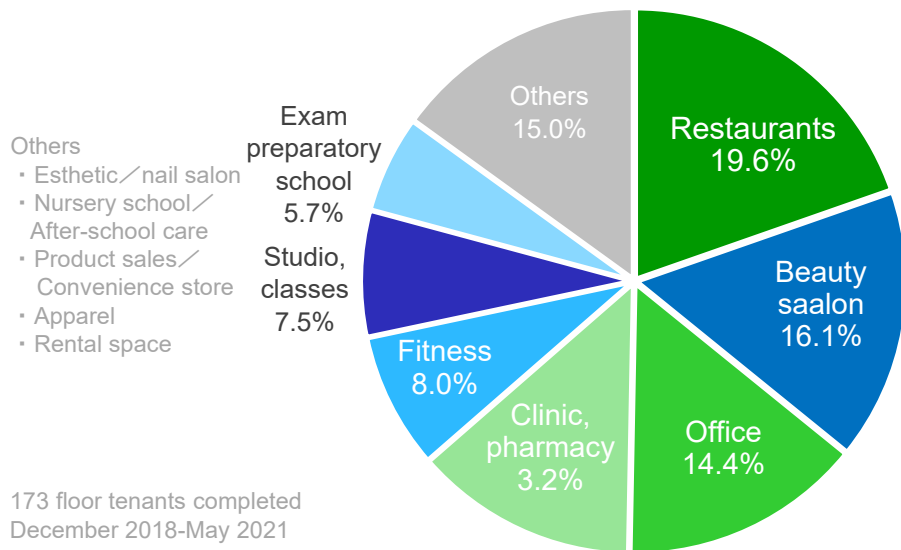




Tenant recruitment results

Diverse range of tenants that are an ideal match for Phil Park

Ratio of tenants



Restaurant (Japanese food)



Restaurant (French)



Office



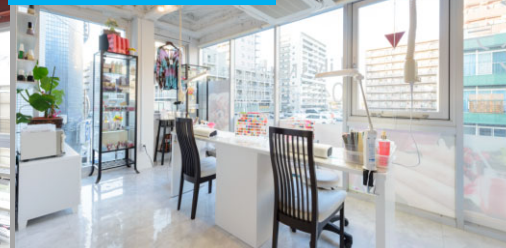
Fitness gym



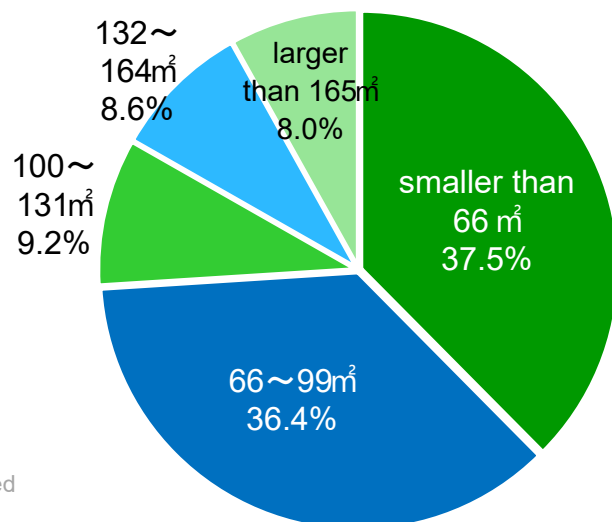
Beauty salon



Nail salon



Space of tenants



Nursery school



Hostel

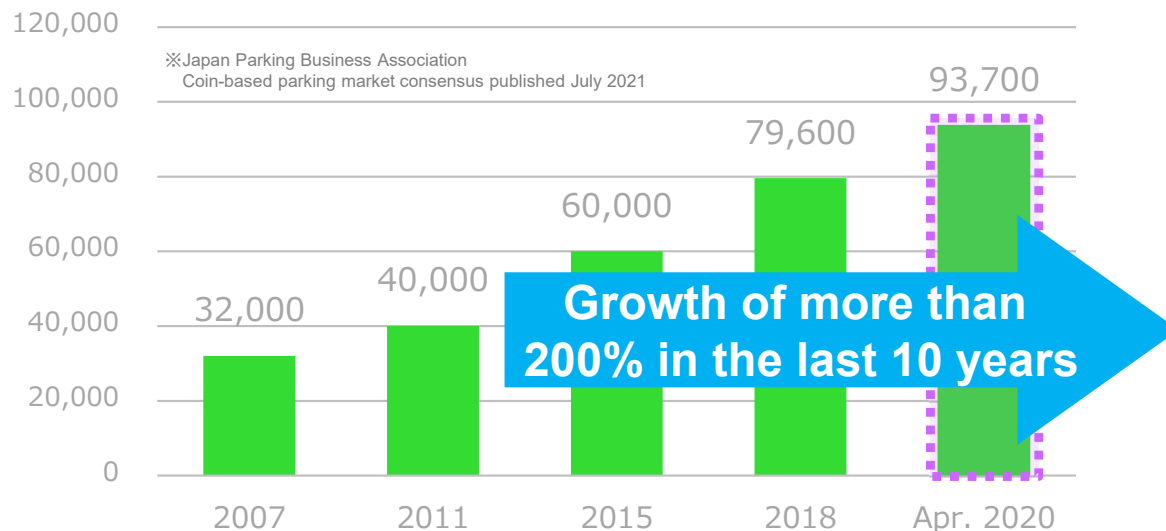




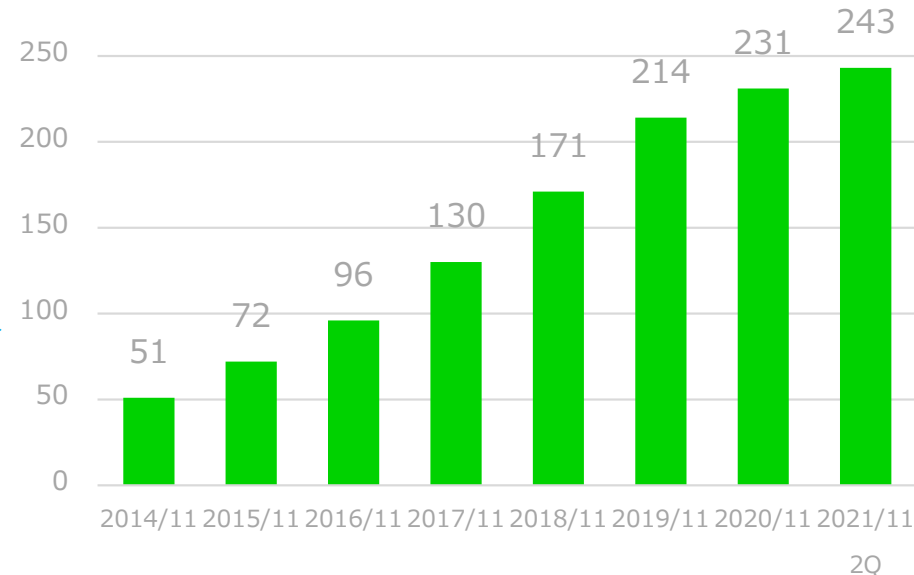
Growth strategy: Market size and growth potential

The size of the market for coin-operated parking areas exceeds 100,000!

of coin parking all over Japan (less than 500m²)



of Phil park facilities



New type of value: Selection of similar market sizes is difficult.

However a provisional estimate shows a potential market size of 10 trillion yen.

Avg. price of Phil Park aerial shop projects: Approx. 100 million × 100,000 coin-operated parking areas ≈ 8 trillion yen + Additional margin

Currently controlling only 0.3% of the coin-operated P market.

More than enough room for growth



Important points concerning future forecasts

These materials contain statements regarding the future prospects of industry trends and our company's business that are based on predictions, estimates, expectations, and forecasts which were created by our company at the current time.

Statements related to future prospects include a variety of risks and uncertainties. Actual outcomes may differ from future prospects listed in this documents as a result of known and unknown risks due to a variety of uncertainty and reasons in the future.

Our business and result may be different from what is written here.

All statements concerning future prospects in these materials were created by our company based on the available information. The contents of any statements herein regarding future prospects will not be updated or revised based on future events and circumstances.

This is an English translation of the original Japanese report document for your reference.