



Fiscal year ending November 30, 2022

Mid-term management plan

Phil Company, Inc

January 14, 2022



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01 Investment Highlights





Transforming from “a company that utilizes the space above parking areas” to “**a business creation company that maximizes the value of under-utilized spaces**”

Mid-term management plan = The following measures aimed at further dramatic growth

Growth investment phase	
Growth investment	Business strategy
<ul style="list-style-type: none"> ● Human resource ● Digital infrastructure <p>Focused investment areas</p> <ul style="list-style-type: none"> ● Advertising investment ● ESG development investment ● M&A investment 	<ul style="list-style-type: none"> ● Human resource investment for stable growth of existing business <p style="text-align: center;">+</p> <ul style="list-style-type: none"> ● Nationwide expansion of Premium Garage House ● Construction of a franchise (FC) model based on an online platform ● Composition of funds under our own brand

- **Increase in corporate value** through accumulation of intangible assets
- Focusing on the top line and aiming for **sales of 15 billion yen and an operating margin of 10% or higher** after 3 years

02 Business of Phil Company





Providing businesses and solutions that make good use of under-utilized spaces

Phil Park (PP)



Premium Garage House (PGH)

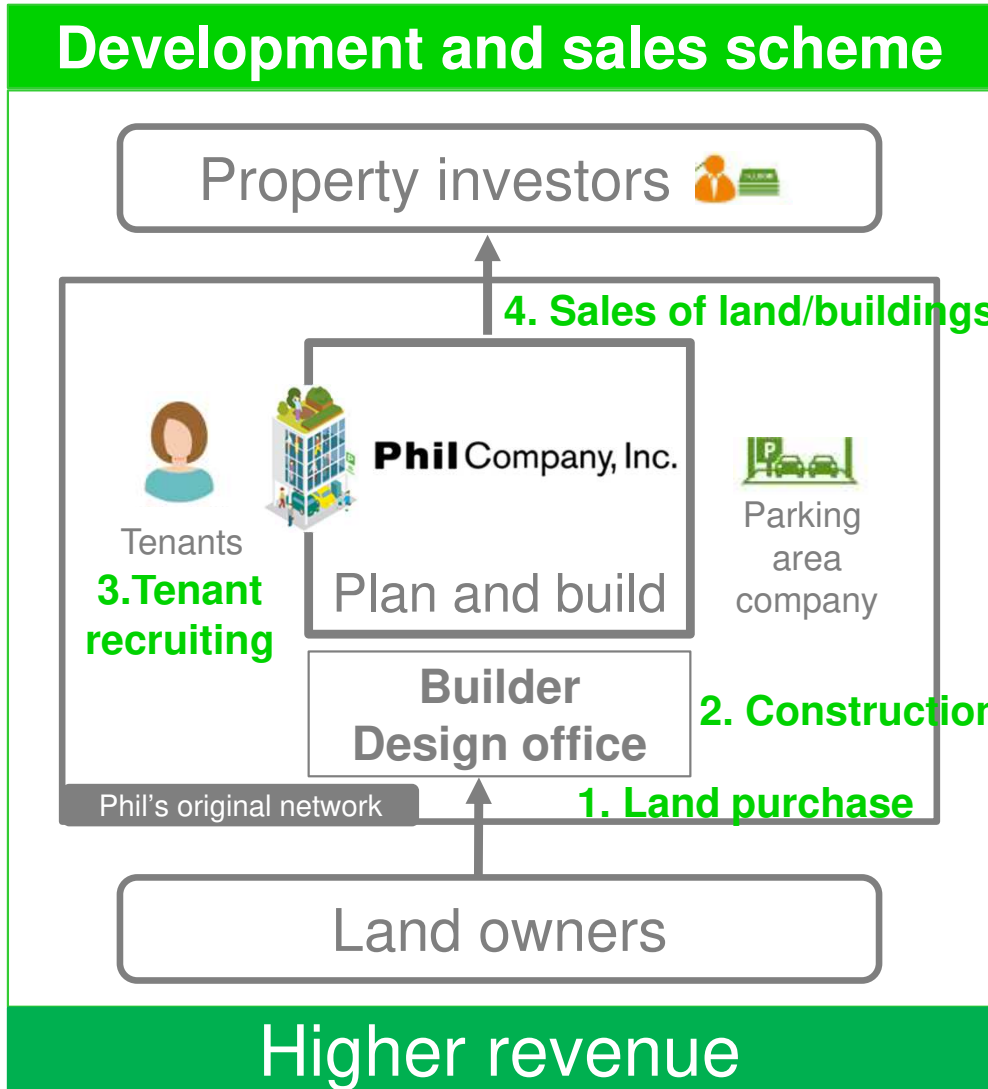
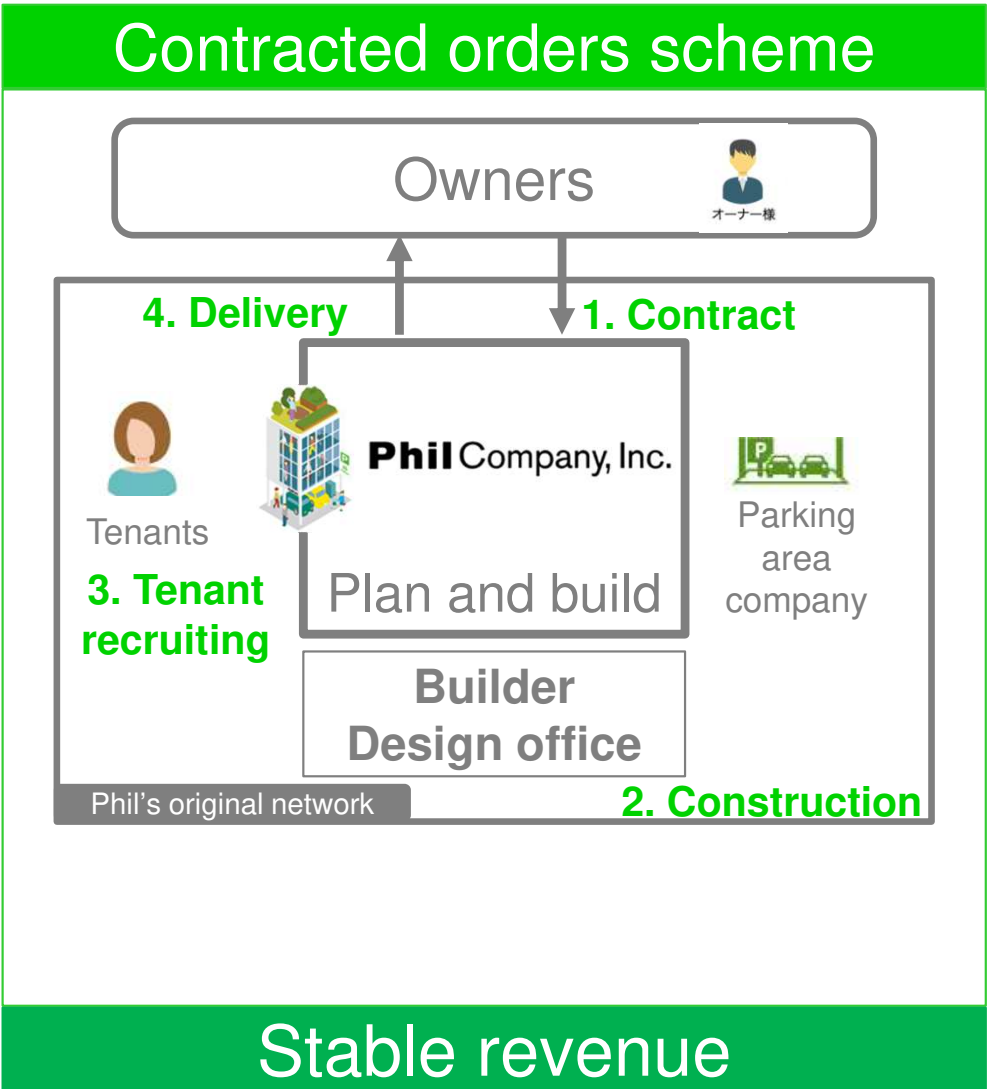


Points	Commercial facilities utilizing the space above parking areas	Residences with garages (large enough for 2 cars)
Location	Urban niche spaces with commercial potential	Suburban (far from train stations) and rural areas
Tenant leasing/Purpose	Restaurants, office, beauty, clinic, etc.	Garage for car and hobby room
Investment	80 – 150 million yen	20 – 100 million yen
Number completed	199 (as of Nov. 30, 2021)	133 (as of Nov. 30, 2021)*1

*1 : Total of new and old Premium Garage House



Fill Park (PP) & Premium Garage House (PGH), both are operated by two types of scheme.

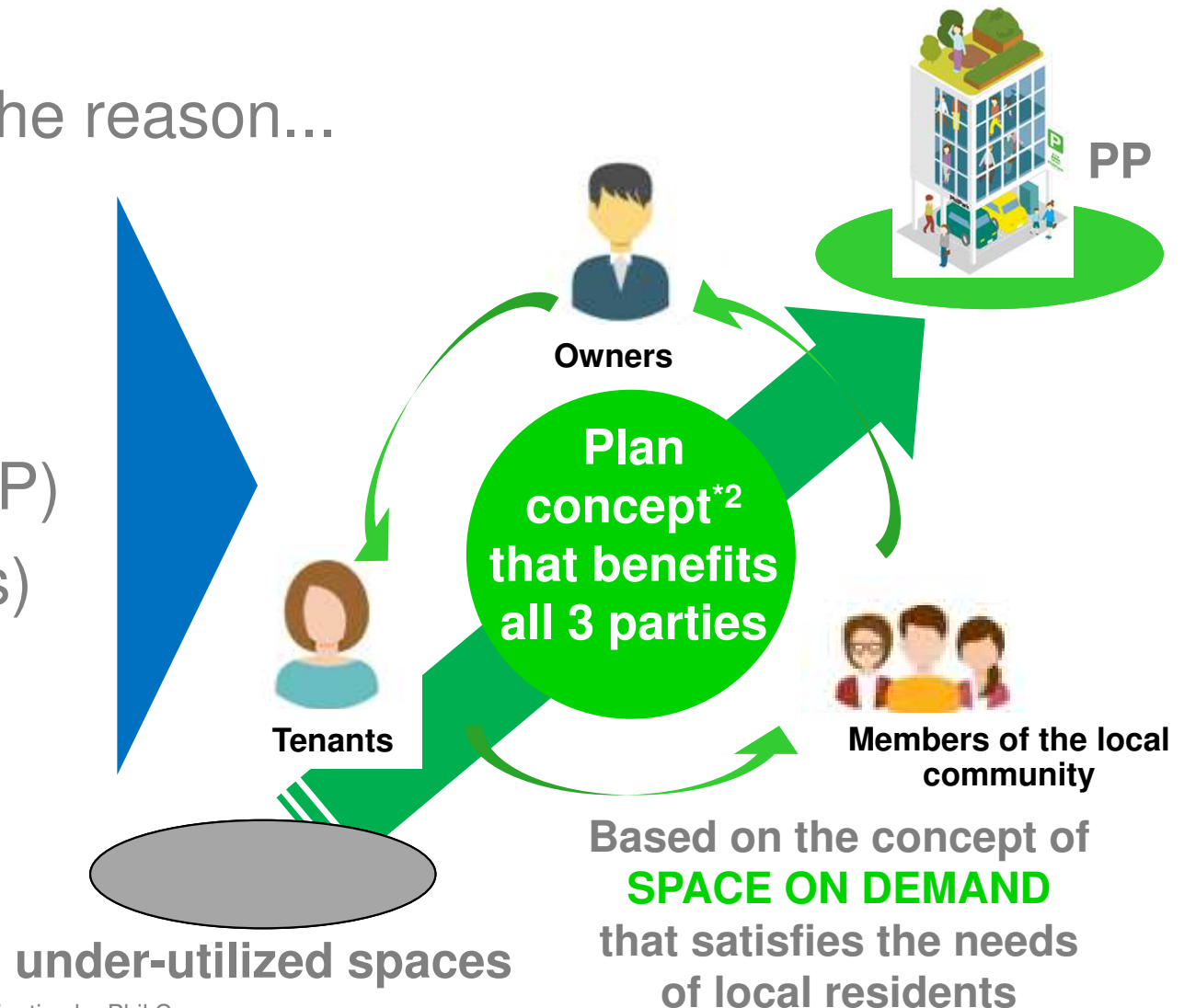




Planning → High gross rate of return that benefits all 3 parties involved (owners, tenants, and members of the community)

The reason...

We have achieved an average gross rate of return for Phil Park (PP) (based on past results) of **21.1%**.^{*1}



*1: Projects completed from Dec. 2013 to Nov. 2021, investigation by Phil Company

*2: Combined planning ability including construction design, tenant planning, and finance planning that addresses owners need



The source of our competitive advantage is the practical expertise and wide-reaching network that we have constructed over 15 years through around 200 properties.

15 years history of Phil Park (PP)

Niche space planning and design strength

Concept and design strength for buildings that are in high demand by tenants and satisfy unique local regulations even in niche spaces

Tenant assessment strength suitable for the current times

Strength to identify and attract tenants who produce activity in the area and generate profits based on the characteristics of the local area

Financing strength

Strong trust earned through highly accurate CF forecasts and tenant recruitment guarantees, backed by a large record of successful projects



Trusted network

Land owners: 4,000*1

Tenants: 340 users*2

Business matching (inquiries)

- Financial institutions: 22
- CPA/tax accountants: 12
- Real estate companies: 8

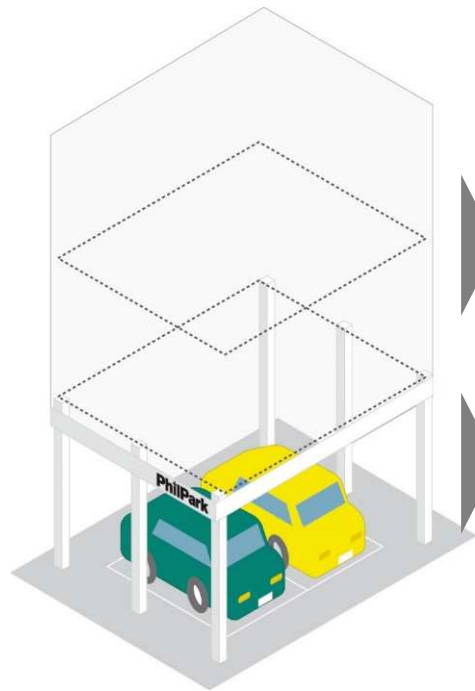
*1: Number of inquiries

*2: Number of contracted tenants (excluding owner's usage)



PP carefully selects the tenants for each floor in order to diversify risk and create an appealing investment product with a short investment recovery period.

Features as investment products



Businesses suitable for the local characteristics are attracted to 2F and 3F, acquiring more than just a parking area.

The 1F remains a parking area – a source of stable CF that is little affected by economic trends.

The building tenant configuration and rental floor space can be optimized for each floor, allowing risk to be diversified within the PP building.

Advantages for owners

1. Rapid recovery of investment

- Investments can generally be recovered in around **5 to 10 years**.

2. Recruitment guarantee for initial tenants

- Service is available that guarantees **2 years** of rent for units where the initial tenant is undecided*¹

3. Length of tenant contracts and occupancy rate

- The period of the fixed-term rental contract between the tenant and owner is in general **10 years**.
- Even during the pandemic, the occupancy rate at the end of December 2021 was **97%***².

4. Stable inheritance measures

- As land with rental buildings, there are **tax reduction benefits** for inheritance tax and stable inheritance measures based on continuing CF.

*1: It is necessary to satisfy the requirements for the Phil initial tenant recruitment guarantee contract.

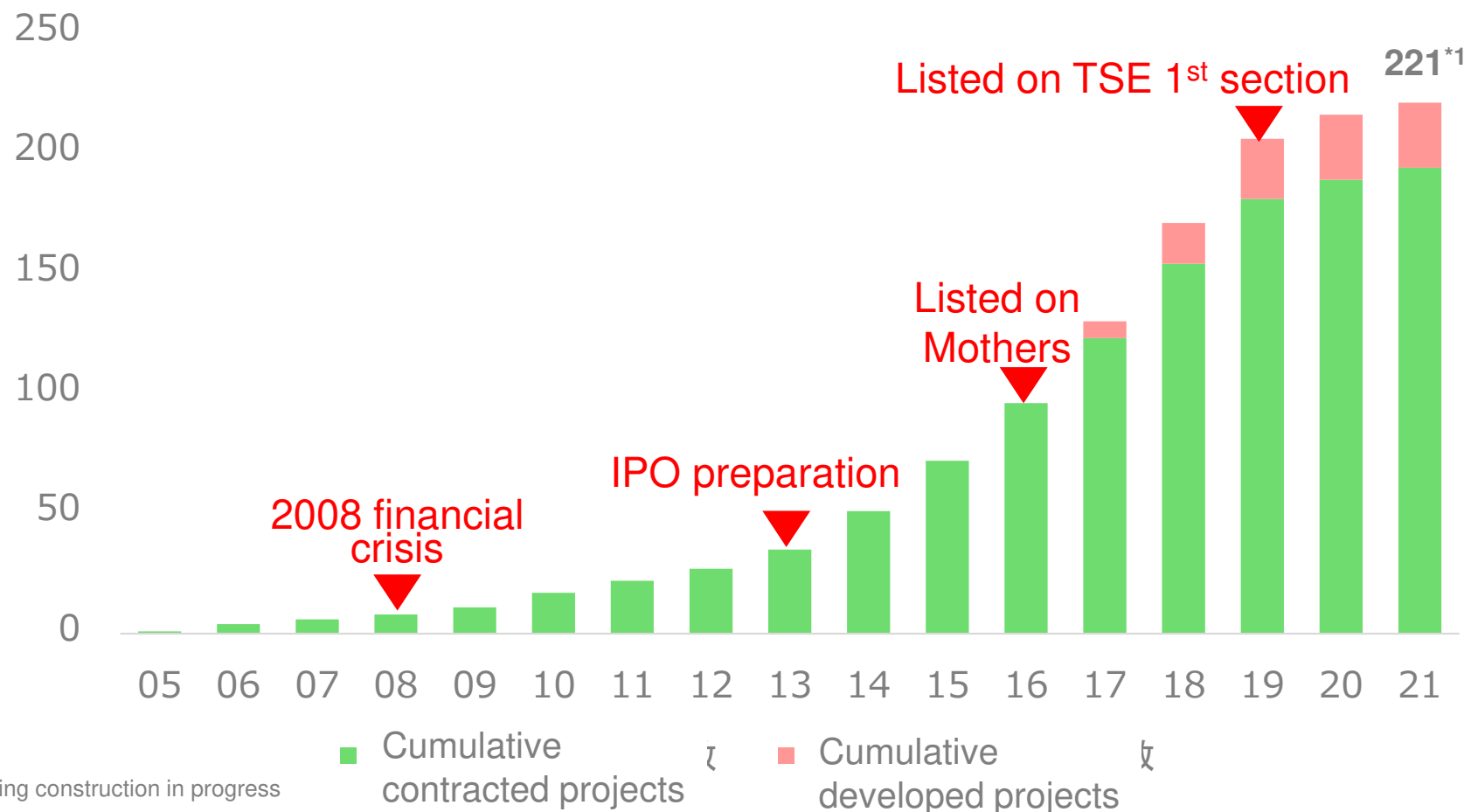
*2: Occupancy rate of all units (146 units) at properties constructed and managed by our company, excepting sub-leases.



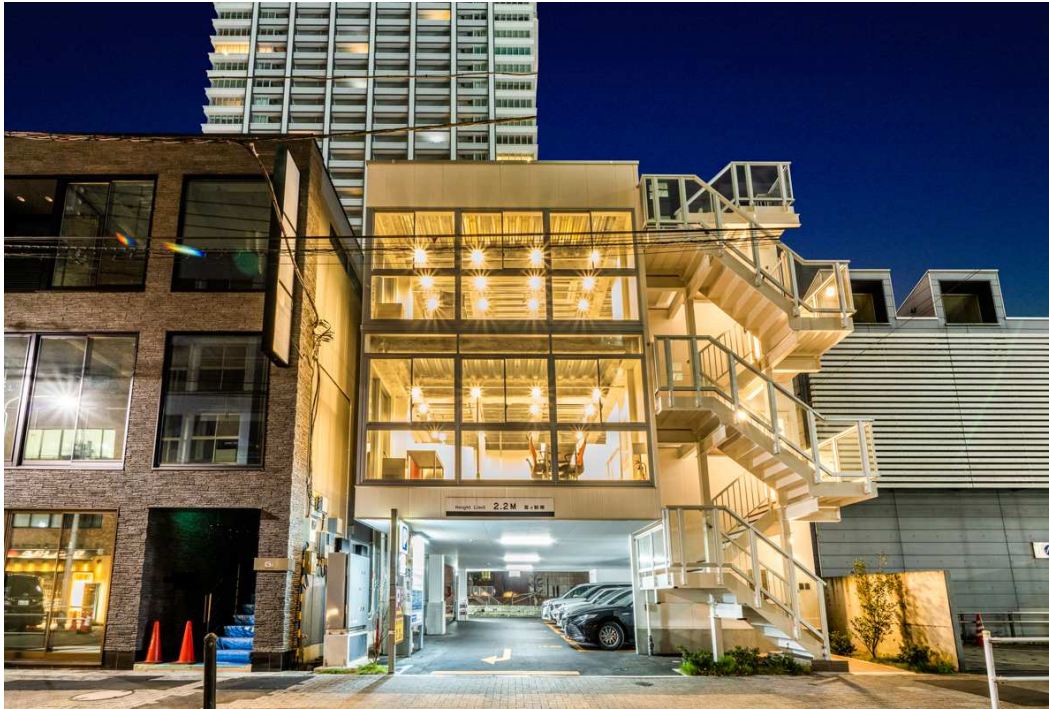
The number of Phil Park projects since our founding has continued to increase steadily, and exceeded 220 in 2021.

Cumulative number of PP projects (2005 – 2021)

Cumulative PP projects



Vision and image of Phil Park



Bringing people back to cities and restoring everyday life during the coronavirus pandemic



PGH is a business that was launched when we acquired a company which planned and operated rental garage houses.

History

January 2019

Phil Company acquired Value Planning KK, a company which plans rental garage houses and introduces tenants to them.

A variety of measures to increase value were enacted, utilizing PP design and marketing expertise.

- (1) Integrated service construction covering planning, design, construction, and tenant recruitment
- (2) Improved gross margin ratio by integrating the construction expertise gained through PP construction
- (3) Growing numbers of waiting list registrations based on an original marketing system
- (4) Revolutionary building design

Strengths of PGH



Tenant waiting list registration system

Even for properties that are fully occupied, a stock of waiting tenants is continuously maintained, allowing a new tenant to be recruited right away when there is a vacancy.



Proximity to a station not required

Premium Garage House tenants expect to use a car or motorcycle and are not particular about the location of the land.



Buildings with good design character

Based on more than 300 successful buildings constructed, we design properties that satisfy tenants, and are easy to enter and difficult to leave behind.

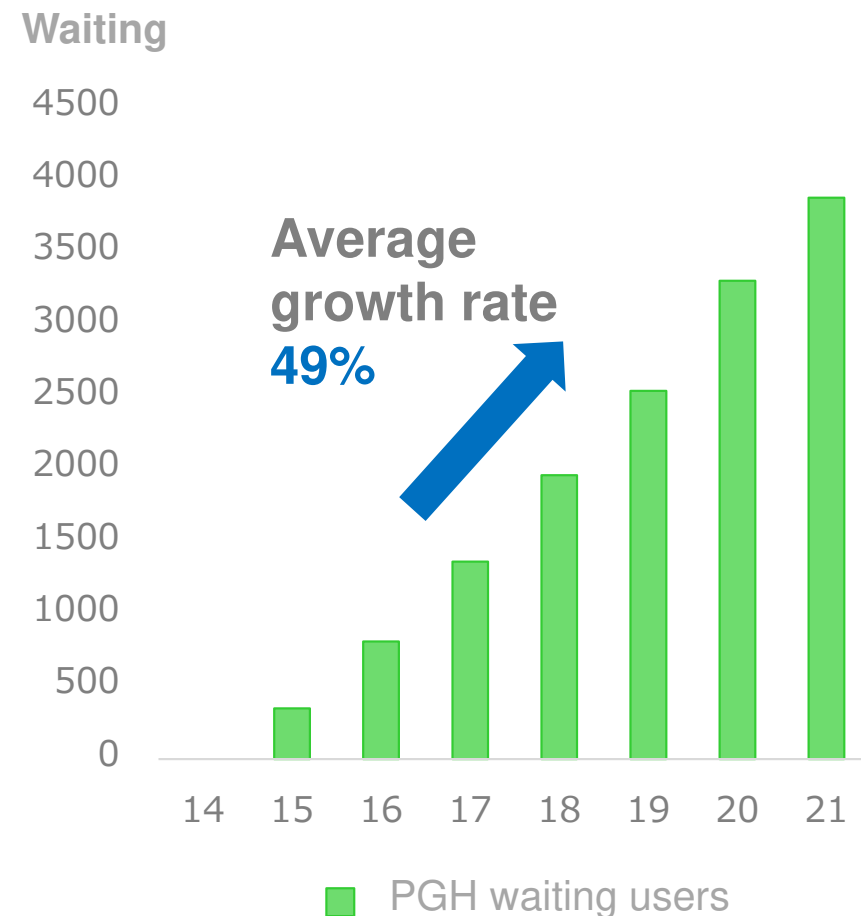
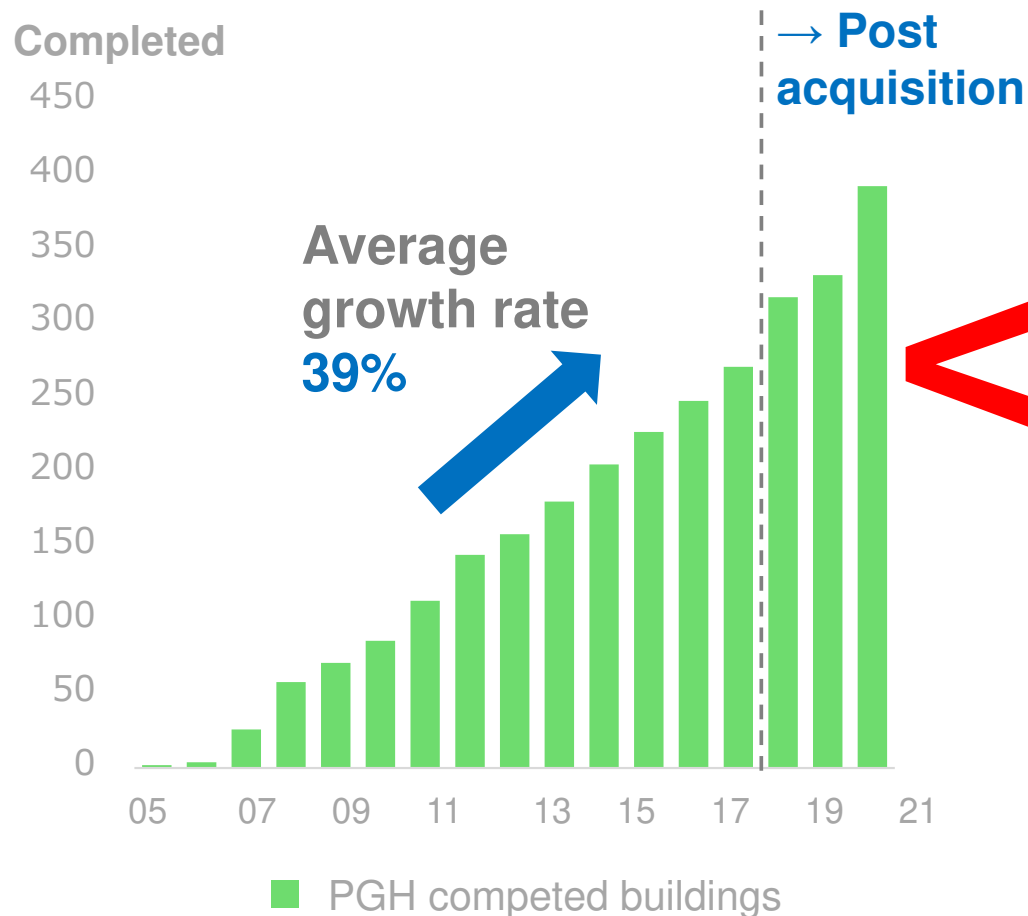
Features of Premium Garage House (PGH) 1



Following the acquisition, there was a rapid increase in completed buildings (more than 390) and waiting users, and the supply of PGH is unable to keep up with demand.

PGH completed buildings (cumulative)

PGH waiting users (cumulative)



Vision and image of Premium Garage House



Phil Company, Inc.



Creating a diverse range of lifestyles and bringing people back to cities in Japan during the pandemic

03 The "under-utilized spaces" of society that Phil Company is challenging





Under-utilized spaces are an important issue for Japanese society.

What are under-utilized spaces?

A. The space above properties such as "under-utilized spaces and unused land" prescribed in the Basic Act for Land

Basic Act for Land Article 13-4*1

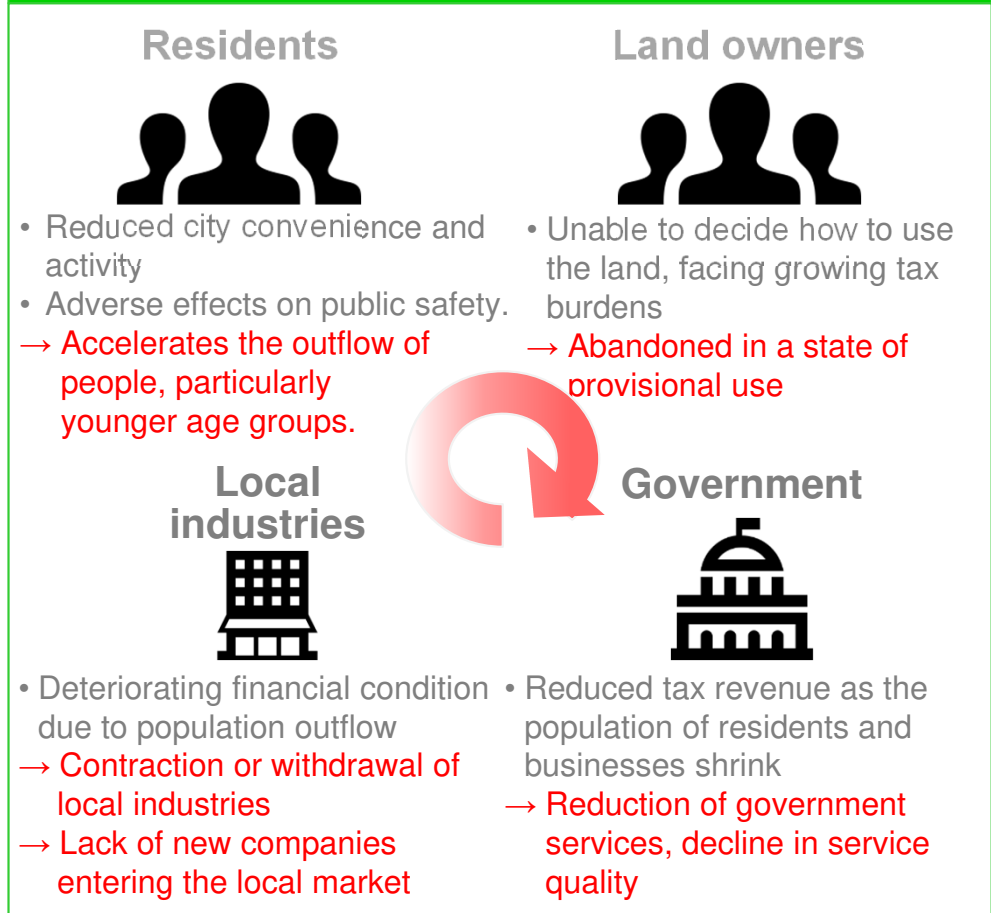
Land which is not in service for residential, commercial, or other use, or for which **the degree of use is recognized as being significantly less** than land in service for the same or similar uses in the surrounding area

Specifically, the space above properties such as these

- Unused houses
- Unused land
- Parking spaces
- Storage spaces



Why are under-utilized spaces a problem?

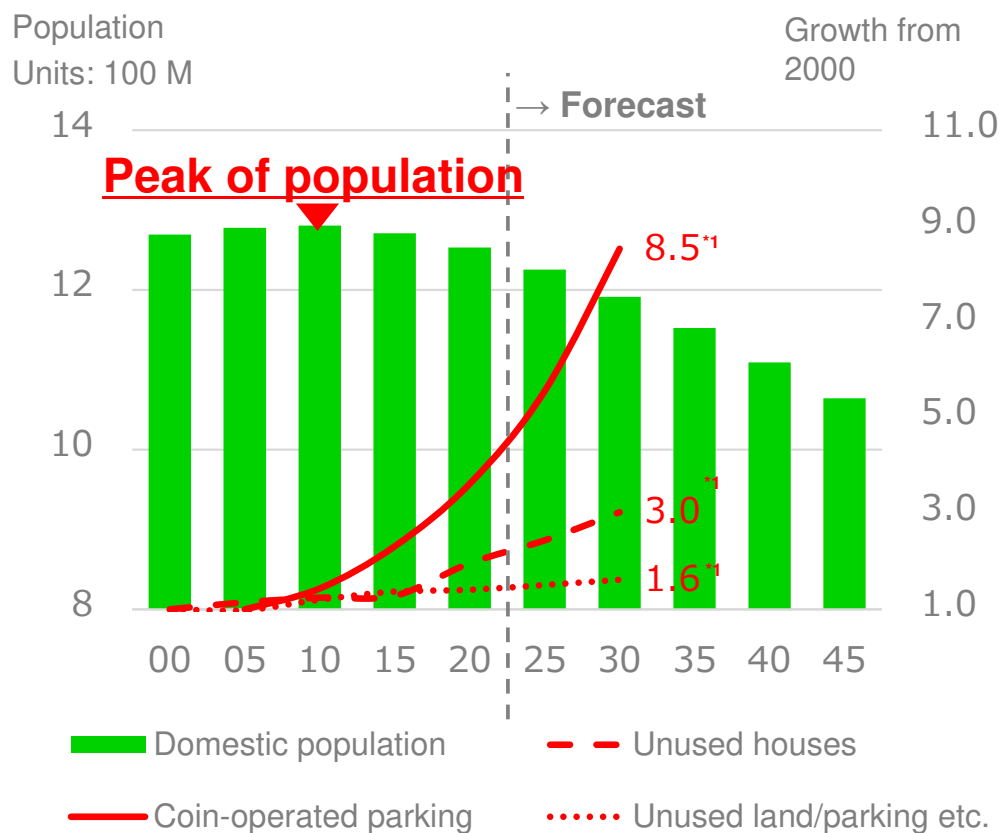


*1: Excerpted from the Basic Act for Land



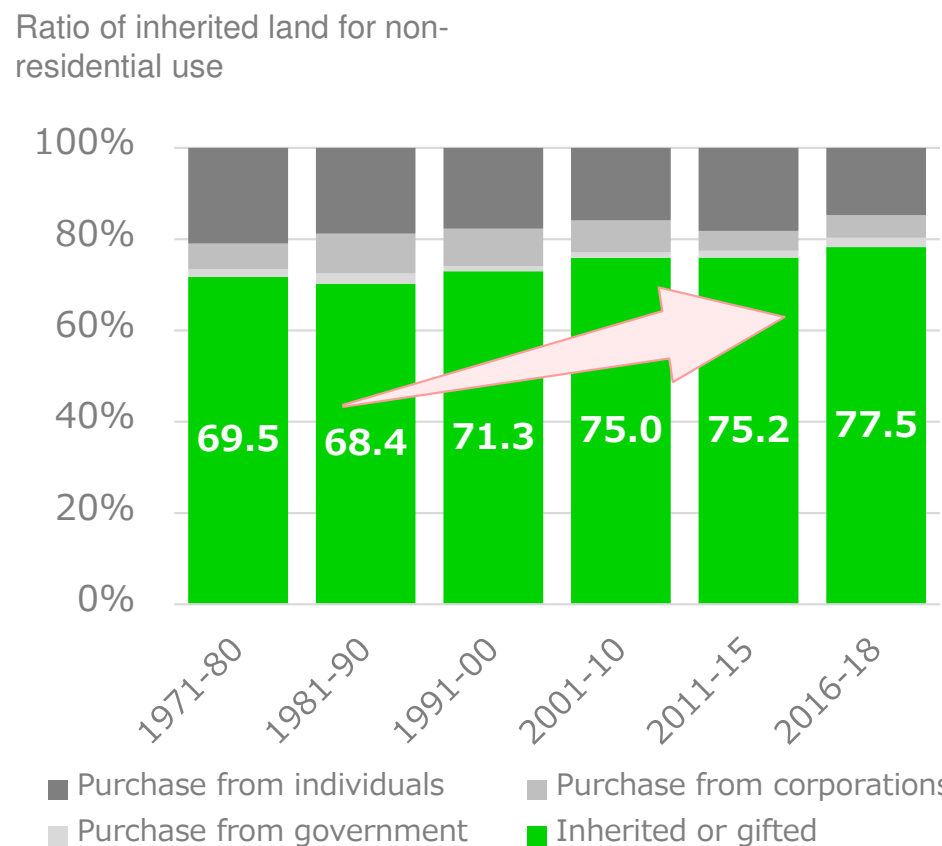
The main causes are (1) inactive buildings that were constructed assuming population growth, and (2) increase in inherited land and buildings due to the aging population

Domestic population and unused land



Source: Estimates calculated by Phil Company based on materials including Summary Results of the 2018 Basic Survey on Land (Ministry of Land, Infrastructure, Transport and Tourism), Status of Japan's Aging Society (Cabinet Office), 2020 Analysis Survey of Conditions in the Coin-Operated Parking Market (Japan Parking Business Association)

Inherited land for non-residential use



Source: Excerpted from Summary Results of the 2018 Basic Survey on Land (Ministry of Land, Infrastructure, Transport and Tourism)

*1: Rate of increase is calculated using the 2000 value as the reference value 1.



The size of the potential market for under-utilized spaces is more than 3.2 trillion yen, and is expected to grow even larger in the future.

**Potential market:
3.2 trillion yen^{*3}**

Current



**Growing
Future**



*1: Excerpted from 2020 Analysis Survey of Conditions in the Coin-Operated Parking Market (Japan Parking Business Association).

*2: Using data calculated for "The "under-utilized spaces" of society that Phil Company is challenging Itself to Achieve" on P16.

*3: Phil Park project average unit price × Number of coin-operated parking facilities × Contract conclusion rate
+ Premium Garage House average unit price × Unused and underused land × Contract conclusion rate



It is particularly difficult to generate profits from the “niche spaces” that exist scattered throughout urban areas, and these spaces are difficult for major real estate and construction companies to utilize.

Examples of niche spaces

Narrow and small properties



Back alleys



Misshapen properties



Out of commercial areas



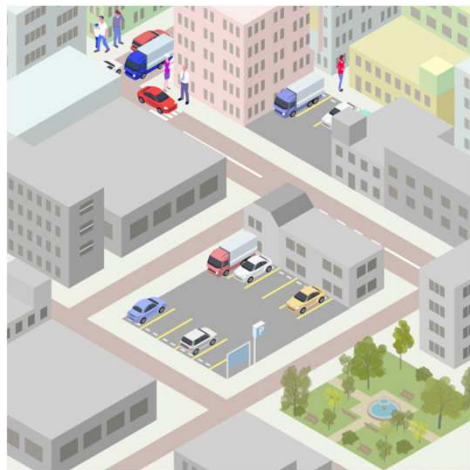
What is Phil Company's reason for existing?



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Phil Company maximizes the value of these continually growing under-utilized spaces, and generates activity in urban areas.

Before Phil



Turning unpopulated and somewhat lonesome spaces...

Turning spaces that are dark and frightening at night...



After Phil



...into warm, active spaces where there are many people coming and going.

...into spaces brightly lit by shop lights, where people can feel safe.



04 Medium- to long-term vision





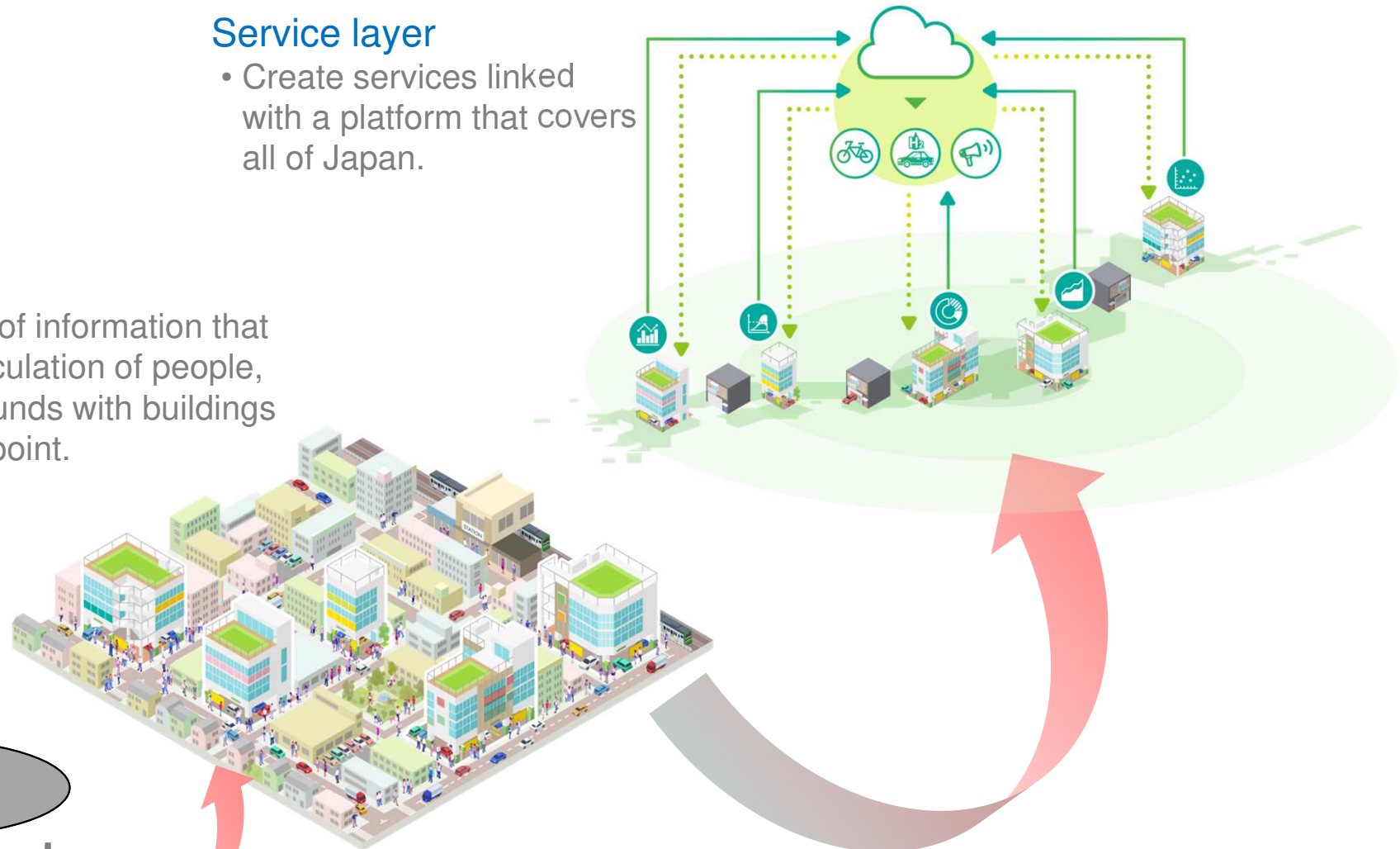
Phil Company will evolve to become a [Business Creation Company] that maximizes the value of all kinds of under-utilized spaces in Japan.

Service layer

- Create services linked with a platform that covers all of Japan.

Platform layer

- Create centers of information that give cities a circulation of people, products, and funds with buildings as the starting point.

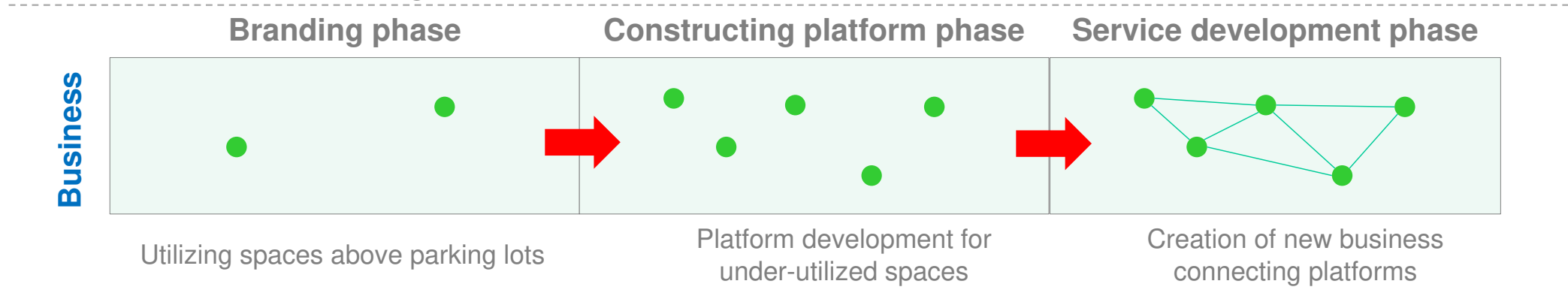
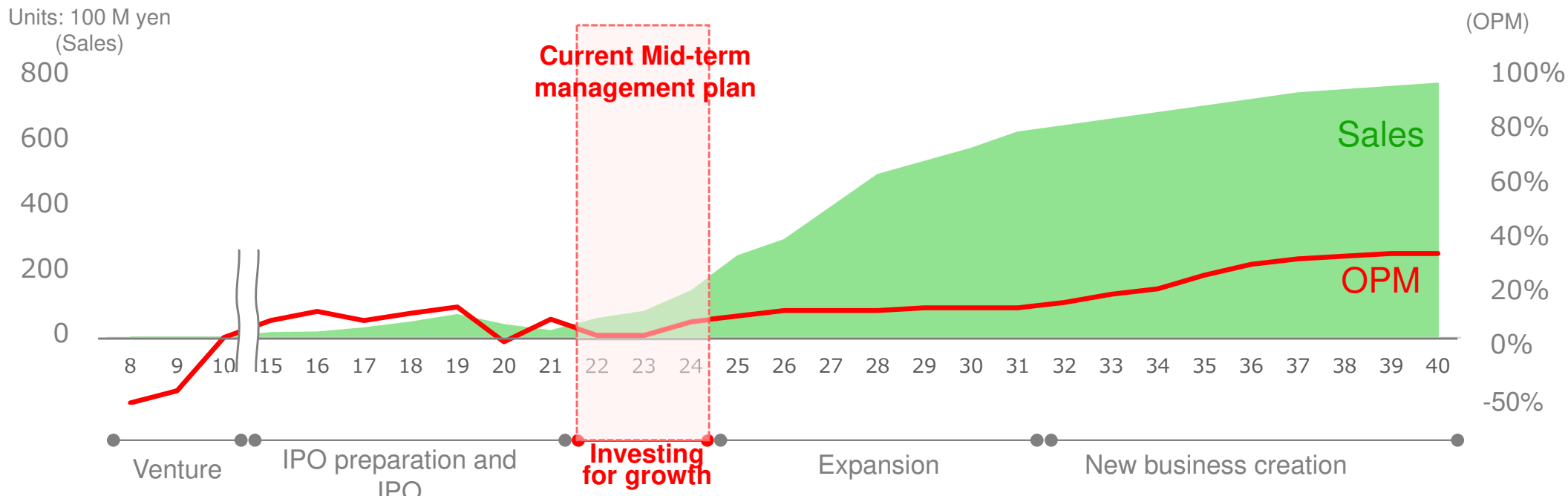


Under-utilized spaces

Roadmap for 2040



The coming 3 years are defined as a “growth investment period” and we will invest actively in preparation for the dramatic growth of our business starting in 2025.



KPIs Gross return rate, number of completed projects

Sales and GP growth rate

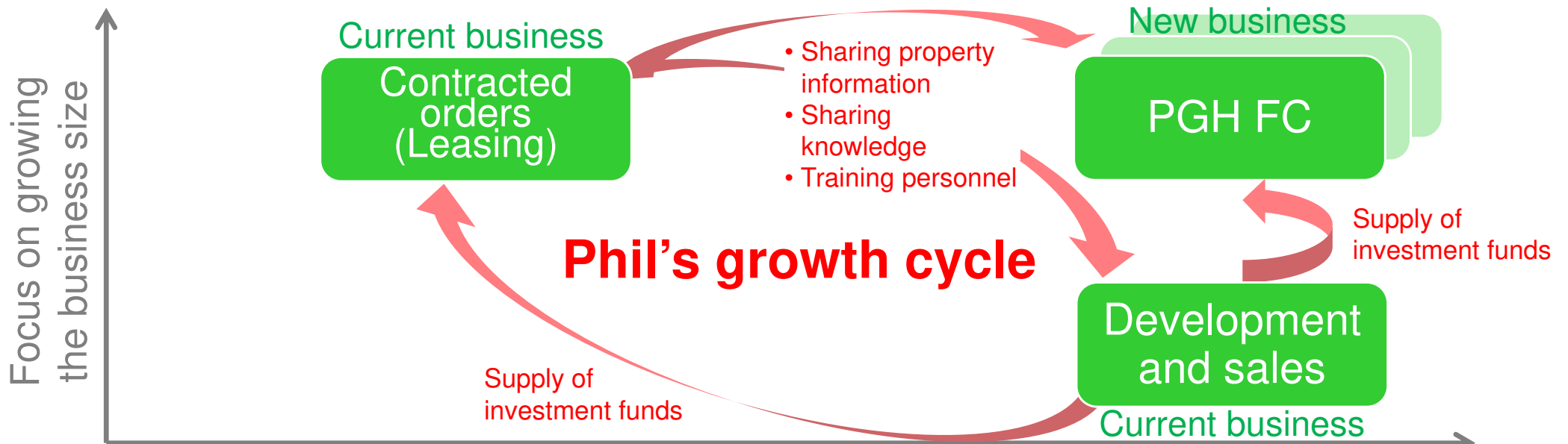
GPM/ROIC

05 Growth Strategy





Utilizing both the contracted orders scheme and the development and sales scheme, we will operate the “Phil growth cycle” and achieve growth for the entire company.



	Portfolio type	Business model	GPM Priority
Contracted Orders scheme	Focus on growing the business size	Flow type	Middle
Leasing management		Stock type	Low
Development and sales scheme	Focus on gross margin rate	Flow type	High
PGH FC	Focus on size of business and gross margin rate	Stock type	High

Growth strategy for the coming 3 years



We will focus our investment on the digital infrastructure and human resources to establish an FC model for PGH and forming original company funds.

■ ■ 3-year focus areas

	PP	PGH	PP and PGH
Business strategies	Sowing seeds for new business	Rebranding and construction of a franchise (FC) model 1	Composition of Phil Company Group funds, and development of small investments' 2
			Prepare digital and human resource, while watching for a recovery in the business environment and steadily growing the business.

Focus on business resources that can be controlled by our company and do not rely on pandemic end scenarios which involve high levels of uncertainty.

→ Steadily generate profits.

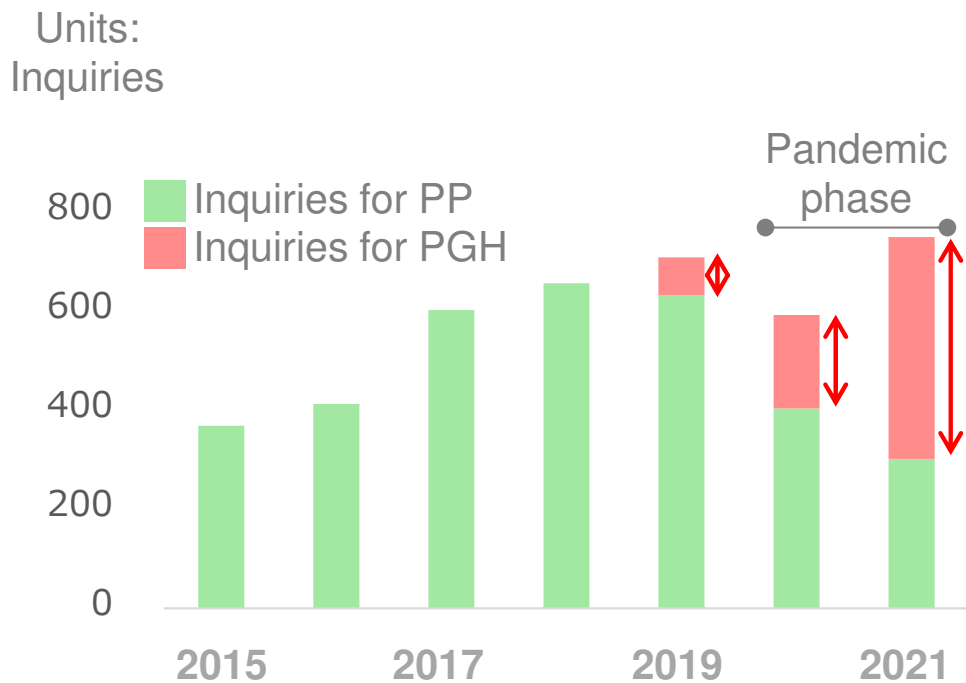
Investment for growth	Digital infrastructure construction 3
	Human resource construction (both quantity and quality) 4

Simultaneously expand the size of our business by increasing numbers of staff and apply digital infrastructure to increase productivity. Increase the mid- and long-term ability to generate cash throughout the company.

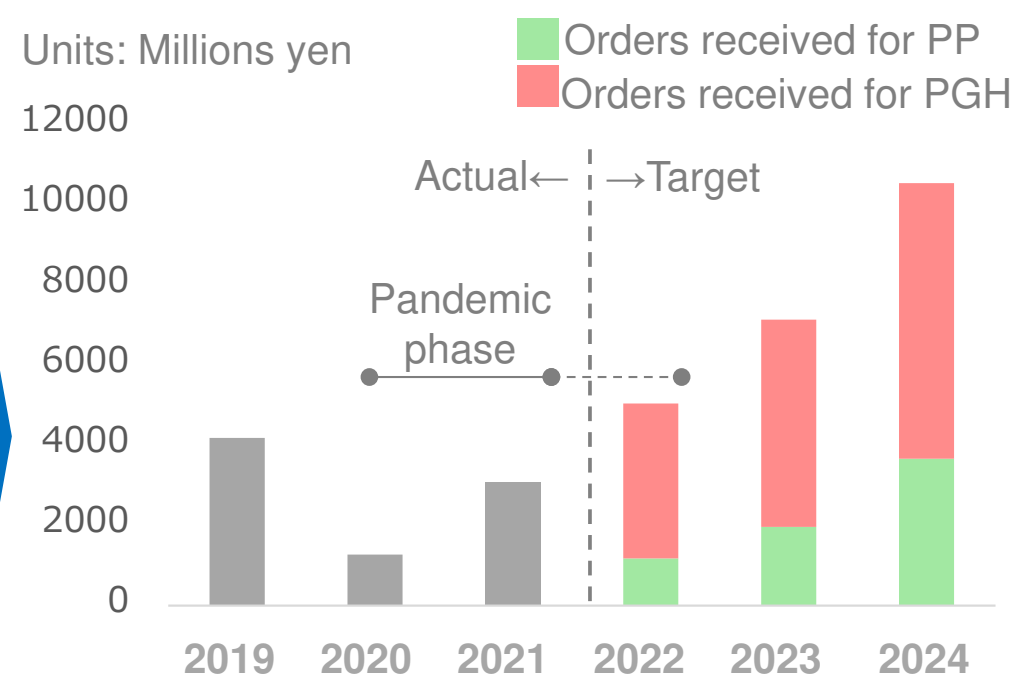


PP inquiries decreased during the pandemic. ⇔ PGH inquiries increased.
 In the future we will steadily grow both the PP and PGH businesses.

Trend in inquiries (PP and PGH)



Targets for orders received



- The number of PP inquiries was down in both 2020 and 2021 due to the effects of the pandemic. However PGH inquiries increased with the establishment of a business model following the acquisition.
- It is expected that investment sentiment regarding commercial facilities hit bottom in 2021, however caution is warranted regarding the speed of the recovery.
- PGH demand is expected to grow further.

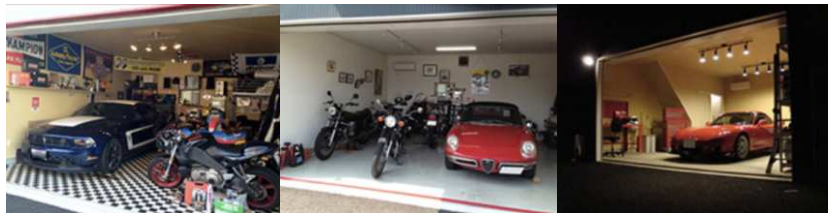
- By hiring and training personnel who are capable of creating proposals, we expect to achieve an increase in orders received.
- For PP, while a recovery from the pandemic is expected, because the environment is still uncertain, we have used a conservative estimate for the order target.



We will engage in PGH rebranding and construct a FC model in light of changing consumer values and recent PGH inquiries.

Previous business policy

Hobby spaces for car and motorcycle enthusiasts



Current business issues

Insufficient supply to meet customer expectations

- The number of users on the tenant waiting list is growing as a result of diversifying lifestyles, and we are unable to keep up with the **more than 3,000 registered users**.

Key points for growing the business

Ease of standardizing PGH construction methods

- Unlike PP, which are tailor-made for each property, PGH design and construction methods can be fully standardized.

Business policy

Accelerate nationwide expansion through “garage lifestyle” rebranding and construction of a FC model.

Actions

- **Rebranding**
 - Update of web media
 - TV CM production and other programs to strengthen advertising
- **Construction of a FC model and accelerating nationwide expansion**
 - Obtaining certification for design and construction methods
 - Measures for collaboration with builders across Japan
- **Preparing the digital infrastructure**
 - Tenant waiting list system
 - MA tools

① PGH rebranding/FC



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① PGH rebranding/FC

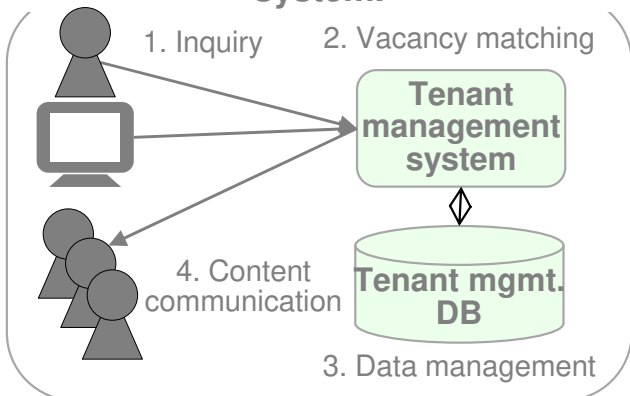
Through the “Preparation” and “Expansion” phases, we will construct a nationwide FC network and increase the number of affiliated builders in major regions across Japan over 3 years.



1. Obtain certification for our original construction methods.



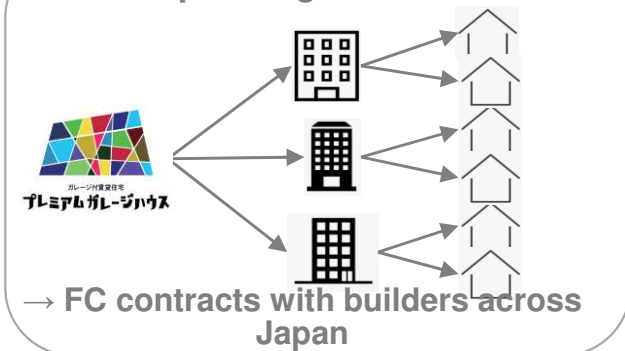
2. Construct a tenant management system.



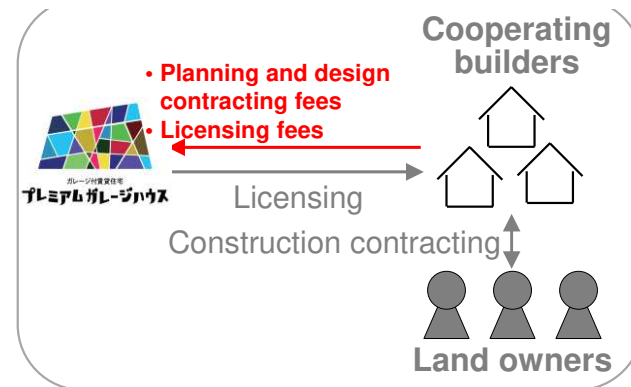
1. Broadcast TV CM across Japan.



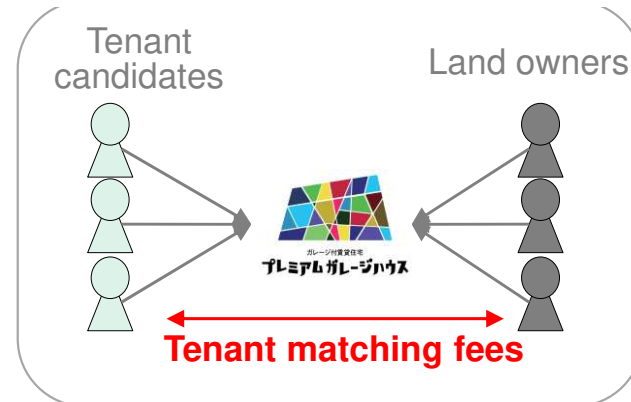
2. Expand to builders nationwide through introductions from cooperating local banks



1. Construct a FC business.



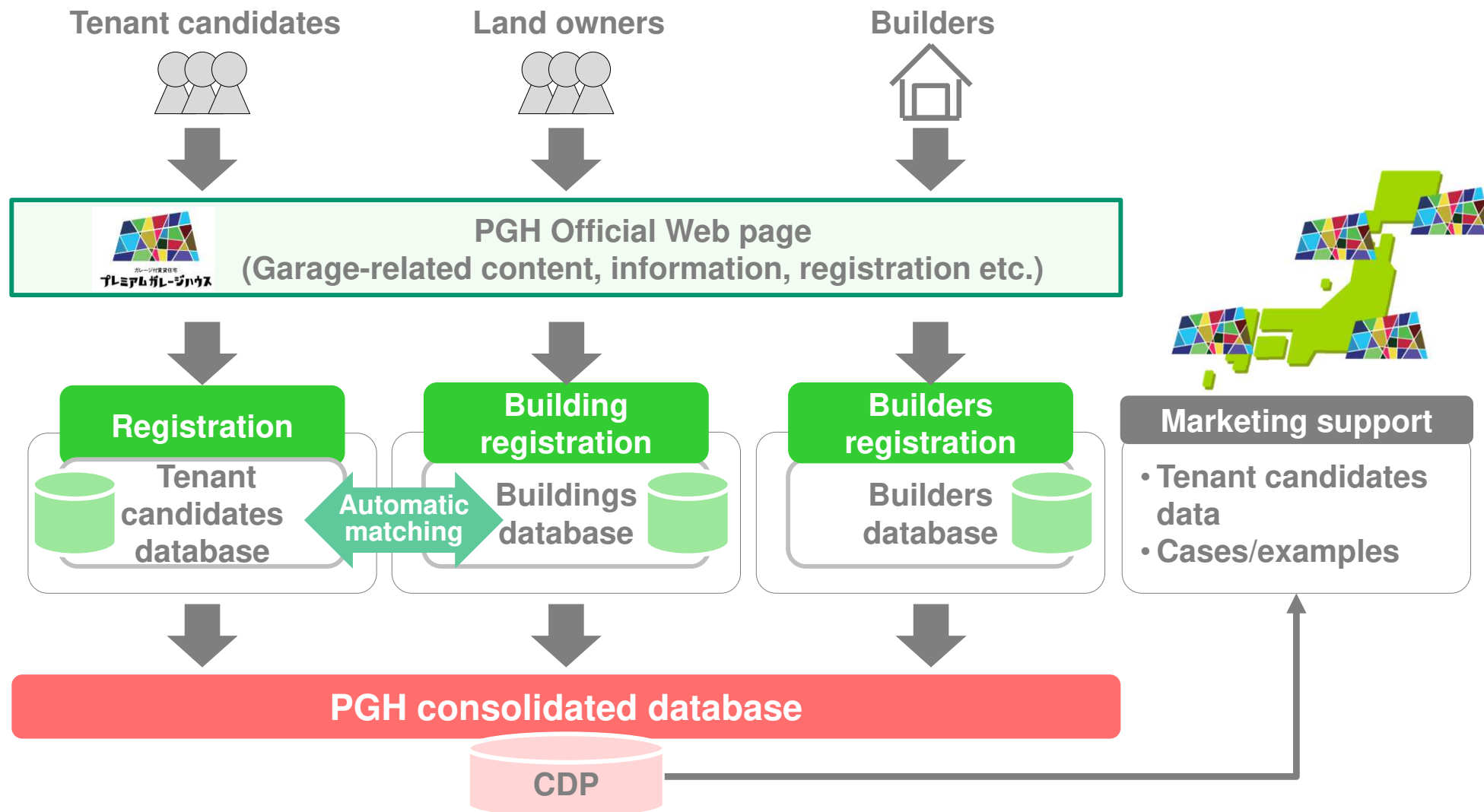
2. Tenant matching business



① PGH rebranding/FC



Starting from the PGH official website, create databases and make use of marketing support services.



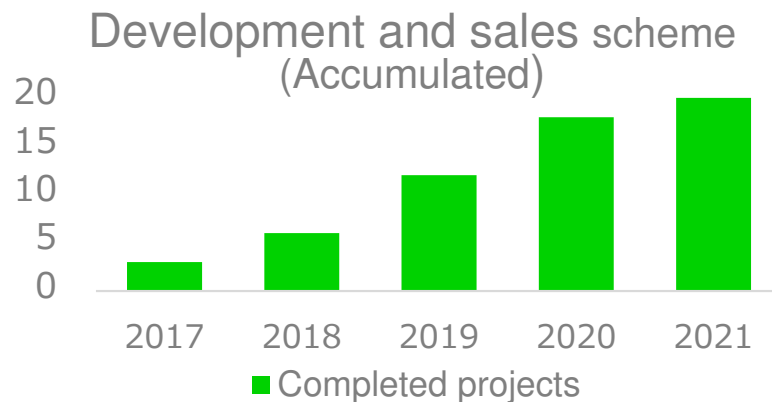
② Fund composition



We are focusing on acquiring properties in FY 2022, and are proceeding with the Composition and development of funds under the Phil Company brand.

Actions so far

1. Launch of the development and sales scheme as a new business model in Jan. 2017



2. Establishment of sales channels

- The scarcity of newly constructed small-size commercial facilities was recognized, and we constructed channels with affluent customers.

3. A variety of verification tests based on collaborations

- Feb. 2018: Test of small investment
- March 2019: Crowd-funding marketability test

Focused plans

① Strengthen acquisition of high-quality properties in FY 2022.
(To be sold starting from FY 2023)

Actions

- Strengthen collaboration with business matching partners.
- Deploy specialized acquisition staff.

② Form Phil Company Group funds and develop small investment

Actions

- Acquire certification under the Real Estate Specified Joint Enterprise Act.
- Form a specialized real estate finance team.
- Construct financing models including crowd-funding
- Construct the PGH development and sales scheme .



Aim to form 2 types of funds over 3 years.

Town Planning Fund by Phil



Small Town Sustainable Fund

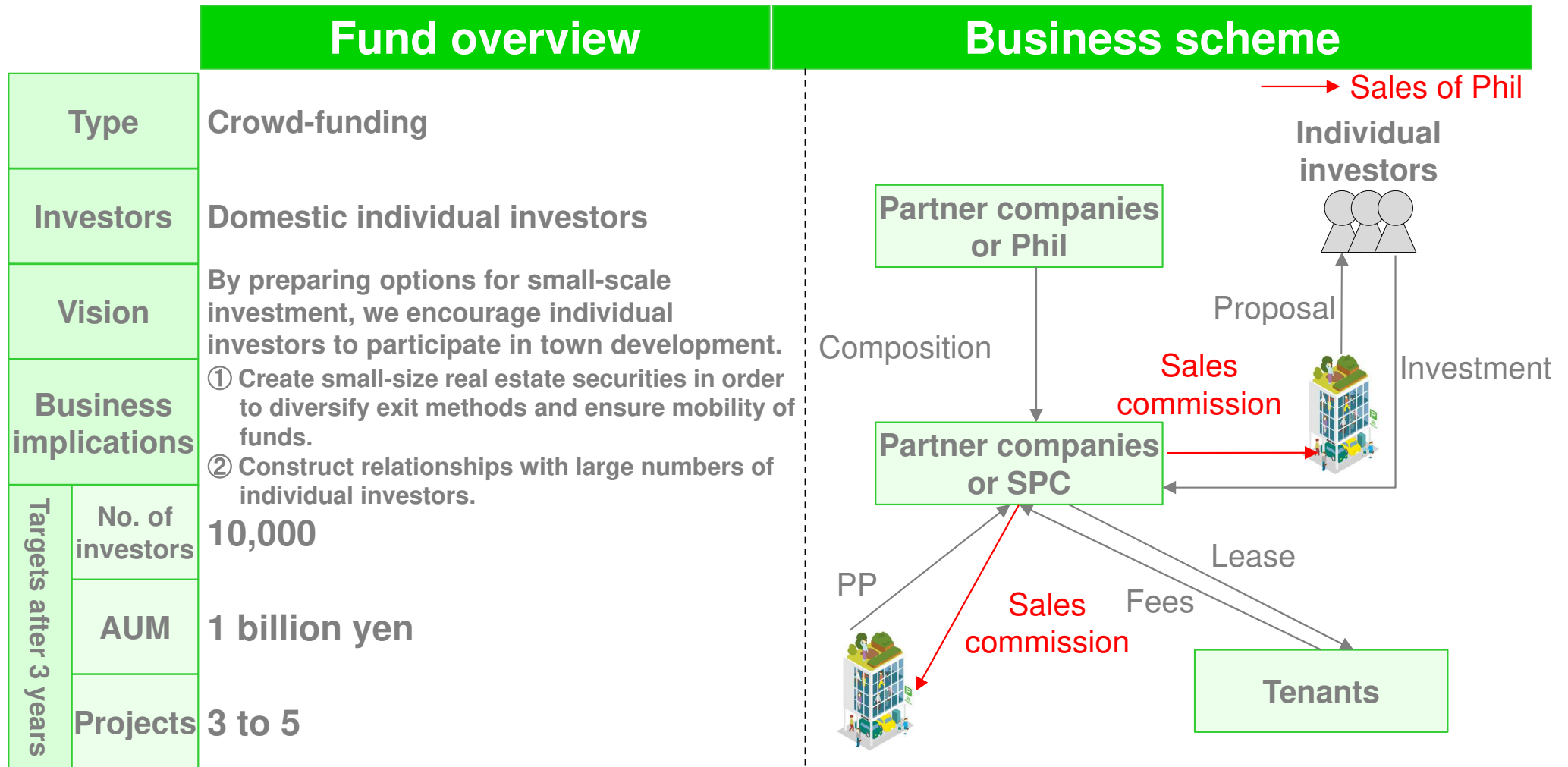


Create a fund circulation model for utilization of under-utilized spaces.

- Centered on PP and PGH, however also using other brands and plans.
- Actively form alliances and aim for regional revitalization.

② Fund composition

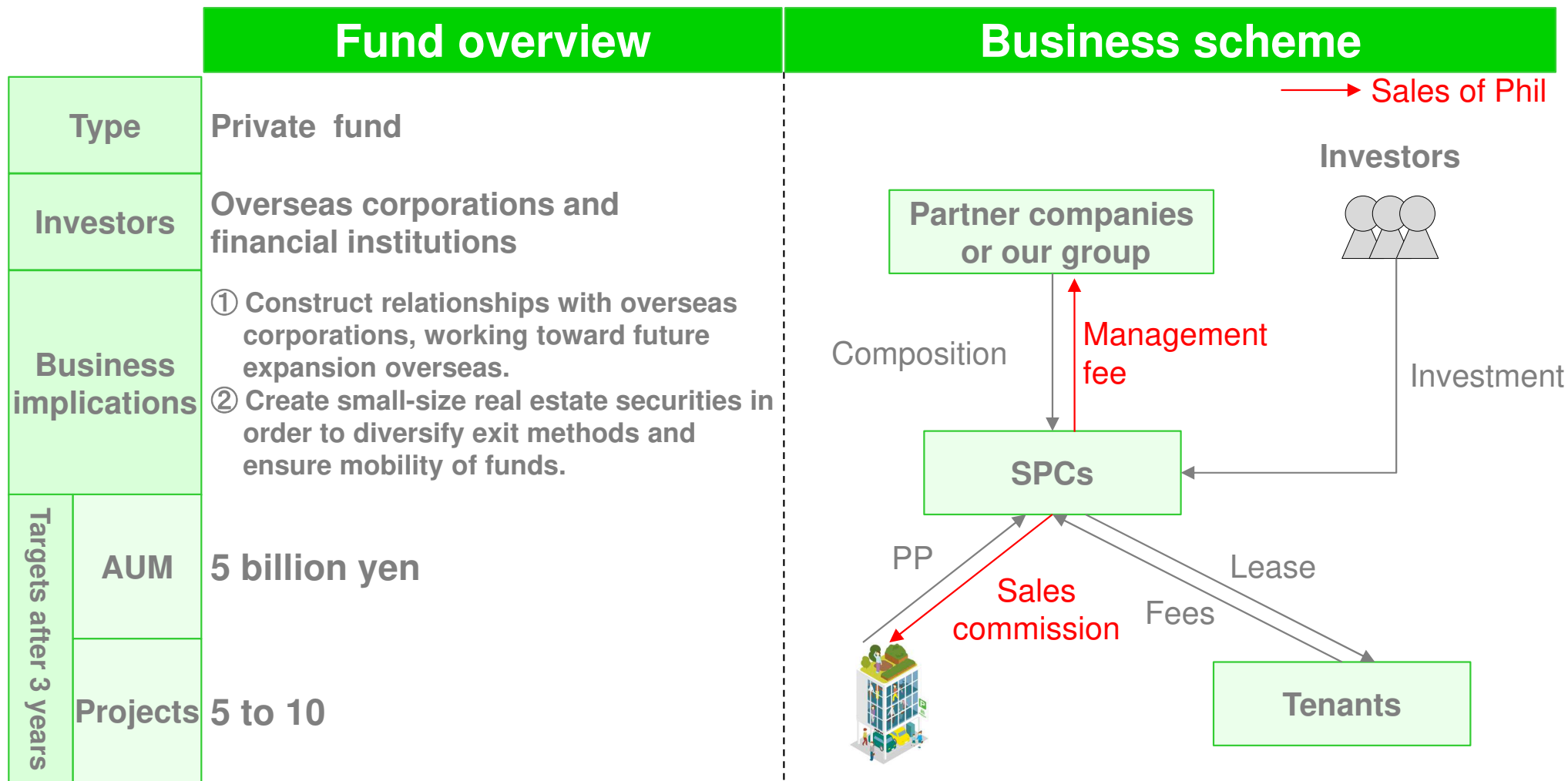
Launch crowd-funding for investment in PP, and encourage small-scale individual investors to also participate.



② Fund composition



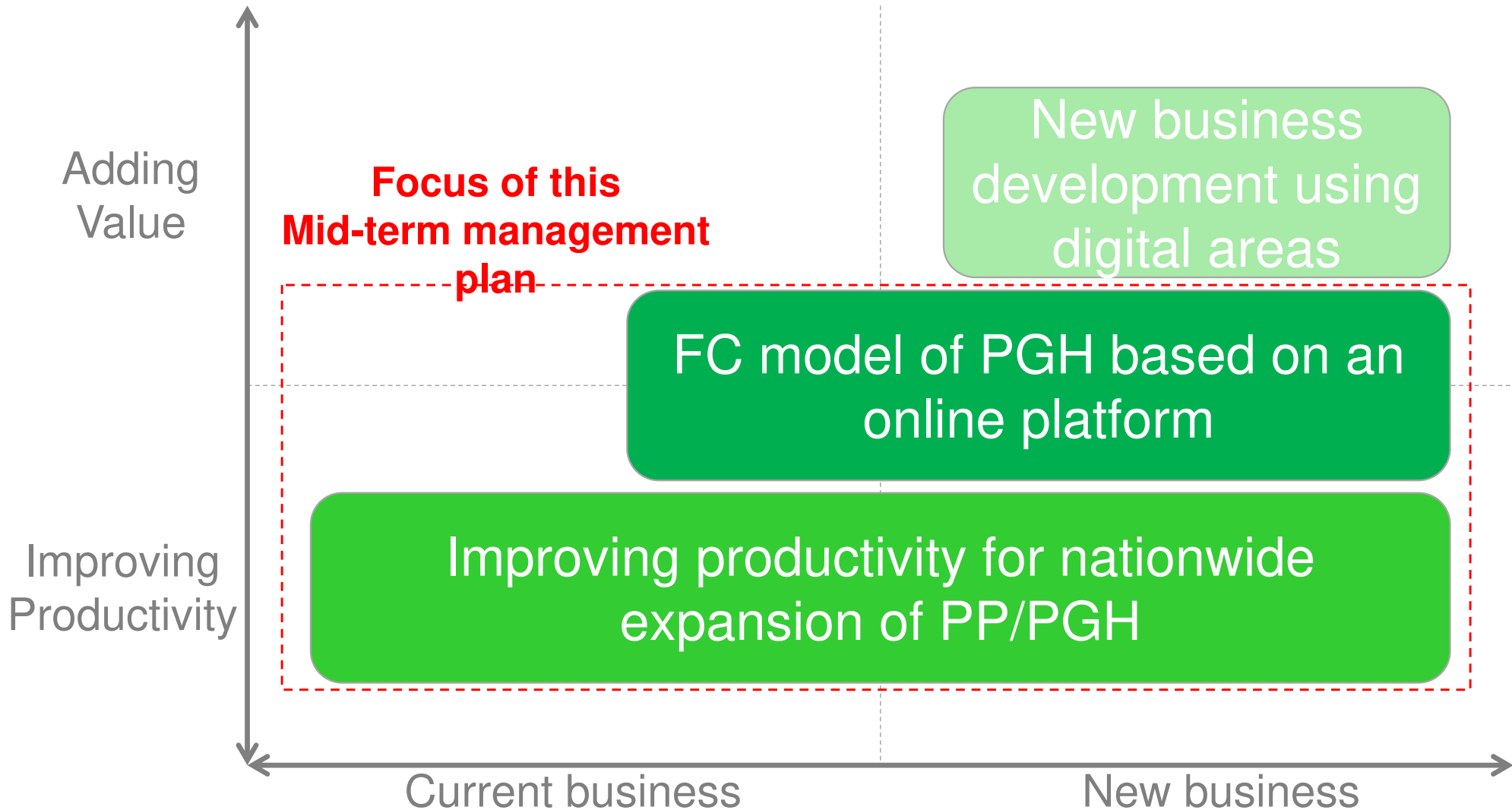
In the mid- and long-term, focus on expanding overseas, and launch a STS Fund in which partners who are alliance candidates invest.



③ Construction of digital infrastructure



The coming 3 years are defined as a growth investment phase, and we will focus on construction of a FC model and improving the productivity of company operations.

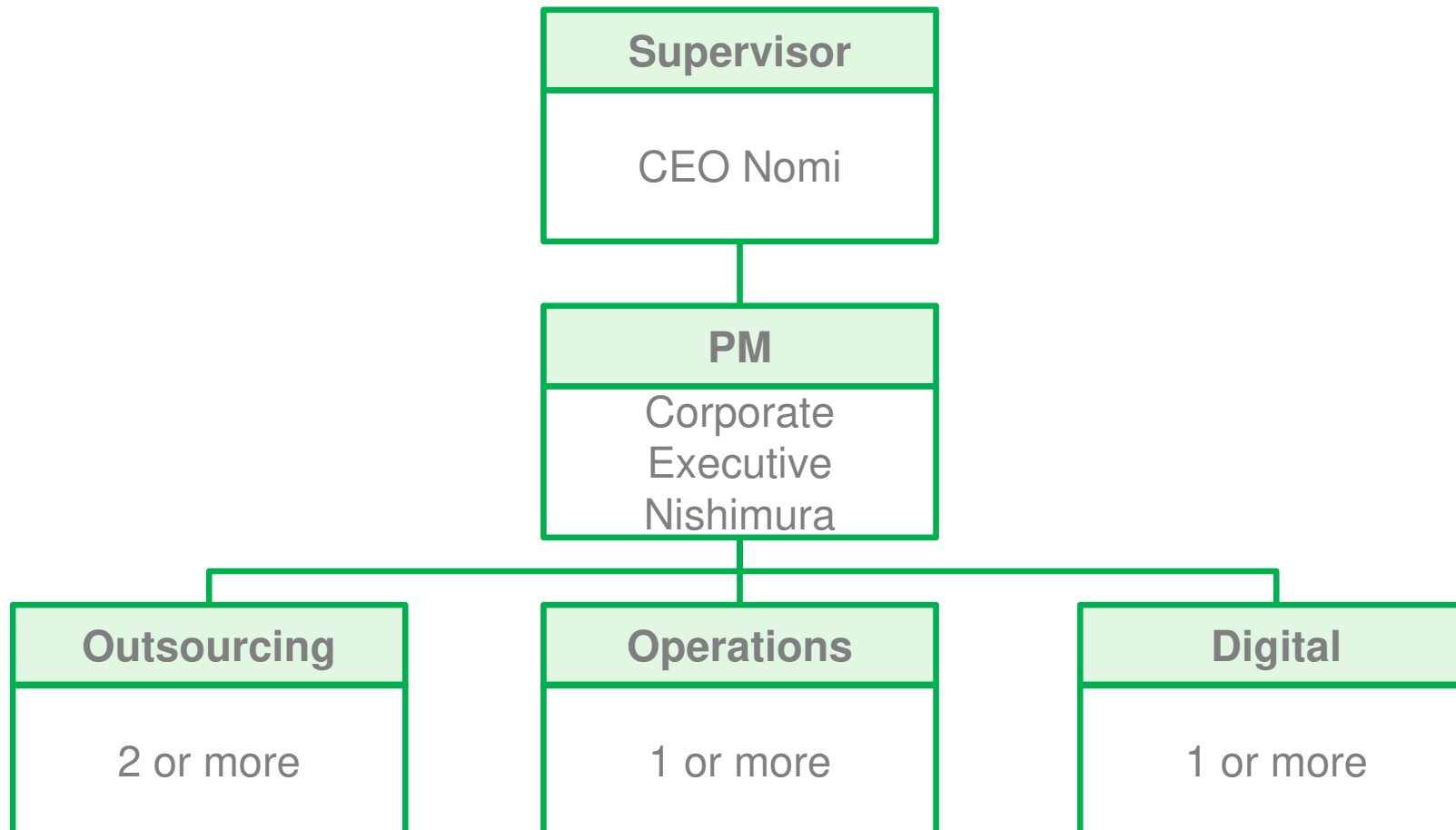


③ Construction of digital infrastructure



The CEO is committed to the construction of digital infrastructure throughout the company, with efforts being led by a team that also includes professional experts from outside the company.

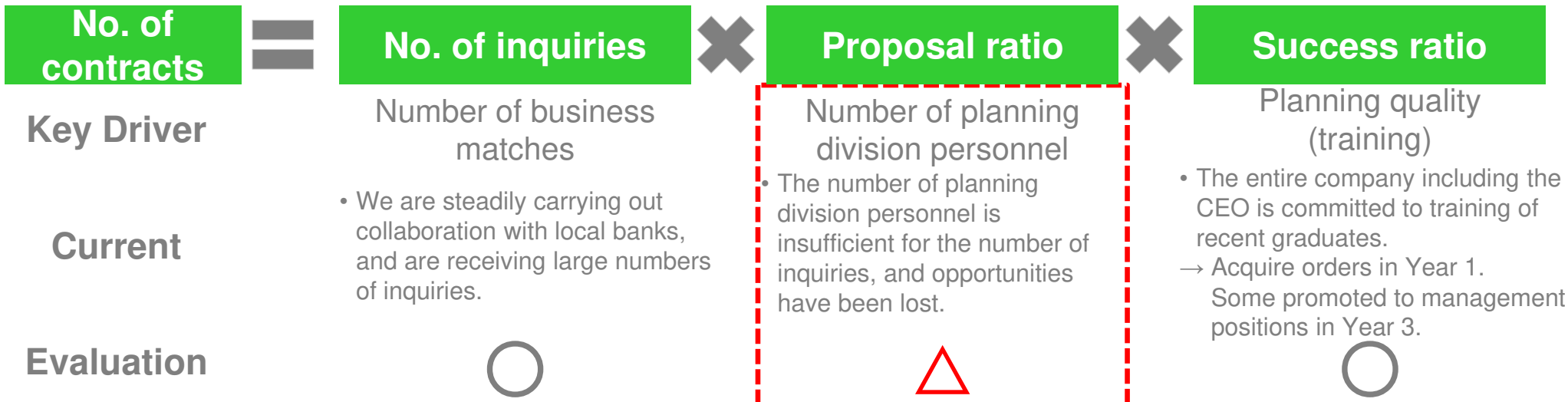
System for the construction of digital infrastructure



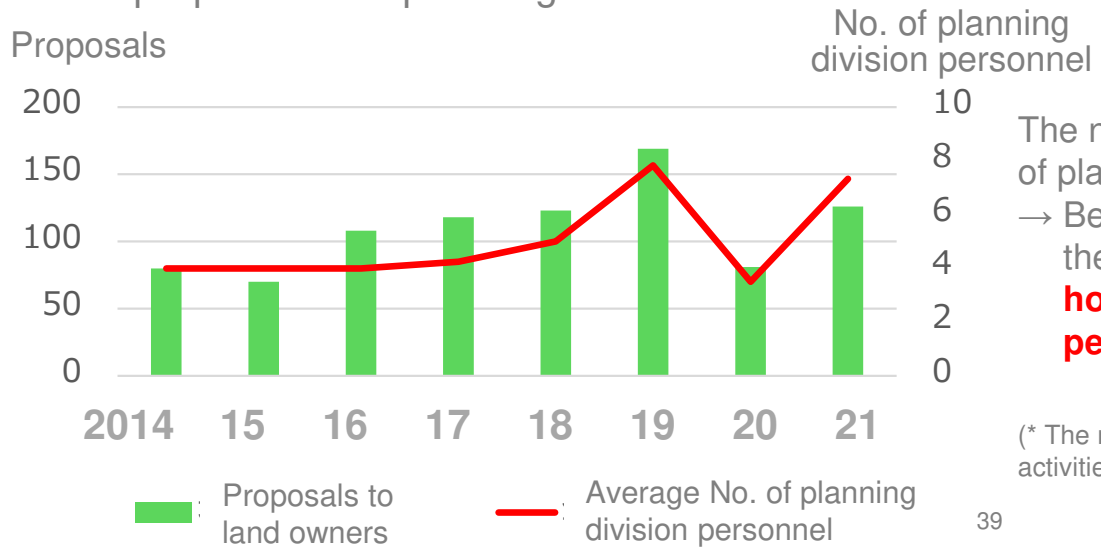
④ Construction of the base of human resource



The indicator of the most important point for increasing the number of contracts is the proposal ratio out of the number of inquiries.
 → Correlates with the number of planning division personnel



Correlation between the numbers of proposals and planning division resources



The number of proposals increases in proportion to the number of planning division personnel.
 → Because the number of inquiries is expected to increase in the future, a key point for business growth is **determining how to increase the number of planning division personnel without adversely affecting quality.**

(* The number decreased in FY 2020 due as a result of temporarily stopping sales activities due to the pandemic.)

④ Construction of the base of human resource



During the next 3 years, we will focus on recruitment of recent graduates and experienced professionals, and hire a total of more than 100 new employees.

3-year recruiting strategy

Recruiting targets

① Strengthen hiring of recent graduates.

- Focused personnel
 - Science faculty graduates
 - Graduates from local universities
- Participate in recruitment events across Japan and work together with universities to educate students about our business growth potential and social significance.
 - ⇒ Expand planning consulting/management operations.

② Strengthen hiring of experienced professionals.

- Focused personnel
 - Real estate and financial
 - Digital/IT
 - Construction
 - IR/PR, marketing, accounting/M&A
 - FC business etc.
- ⇒ Expand the support system for new business areas and specialized areas.

		Recent graduates	Experienced
Actual	2019	3	0
	2020	10	0
	2021	15	1
Plan	2022	10	10 – 15
	2023	30 – 50	10
	2024	30 – 50	10
	Total	70 – 110	30 – 35

④ Construction of the base of human resource



We will produce personnel who have “unique abilities”, with the basic principles of “generous training” and “severe evaluations”.

Evaluations and rewards

- Evaluations are based on results, unrelated to the number of years at the company or career.
- A high pay gradient that rewards results

Training and education

- Management team is committed to training of recent graduates.
- Start training of management personnel from an early stage.
(e.g. participation in Board of Director meetings, stock reward system, etc.)
- Thoroughly share a philosophy and set of values.



Assignments

- Dynamic promotions including skipping ranks
(e.g. Recent graduates promoted to manager and other management positions in Year 3)

Recruiting

- Focus specifically on recent graduates who will create the future of the company and on committed experienced professionals.

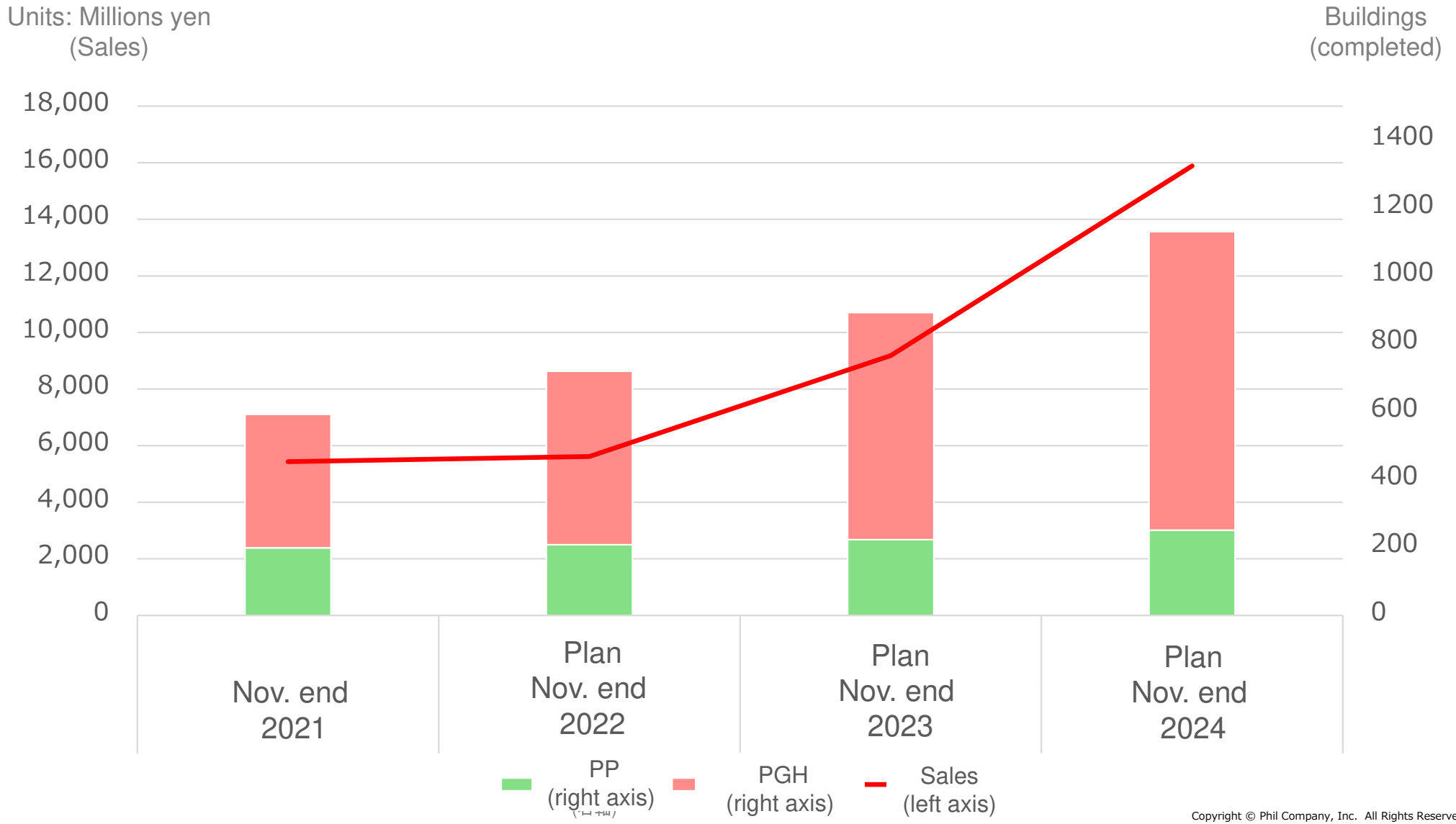
Areas of maximum focus during the next 3 years

06 Financial KPI



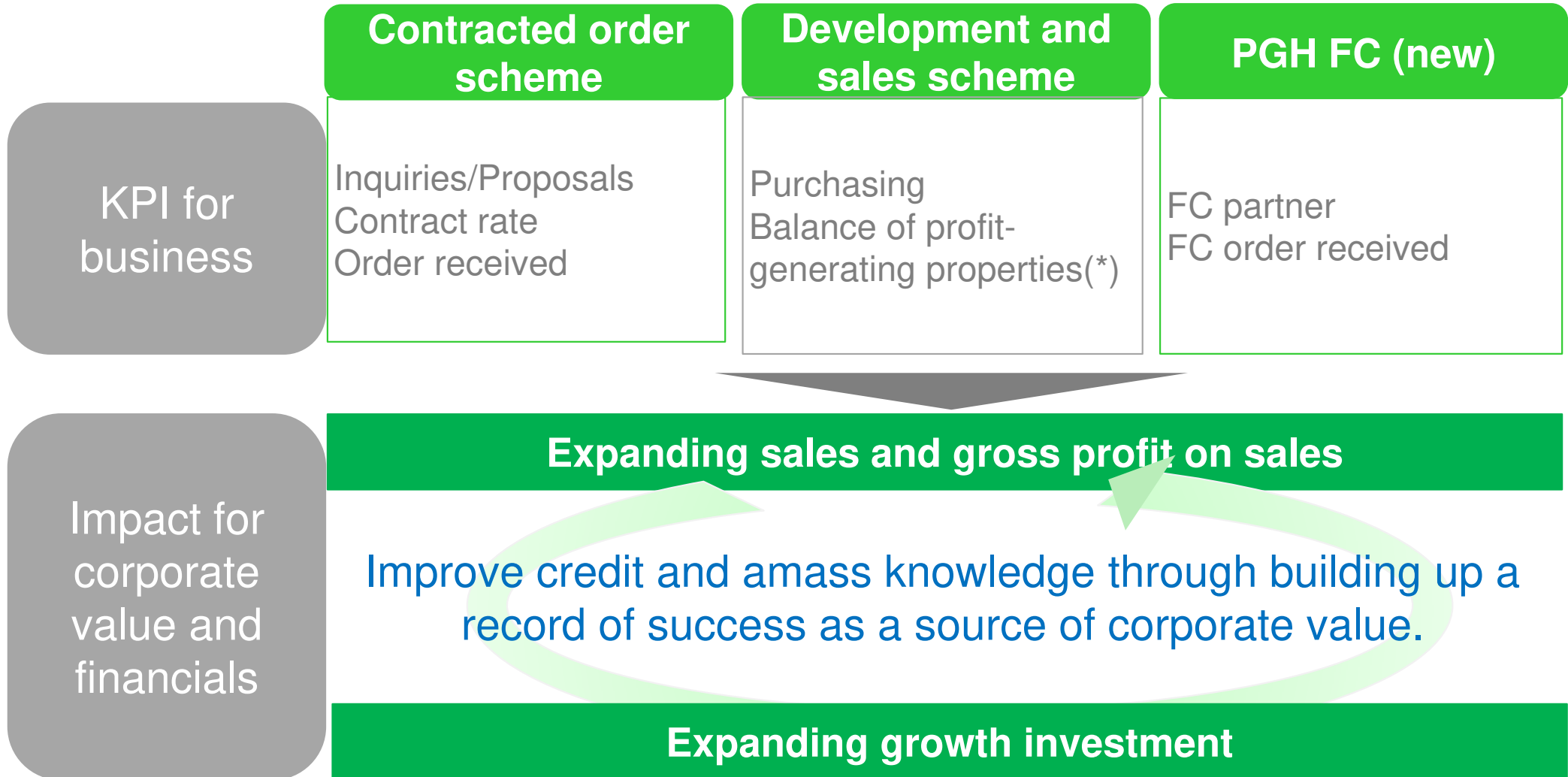


Advance investment for future growth Targeting 15 billion yen in sales by the end of Nov. 2024





**Carry out KPI management.
Operate a cycle aimed at building up a record of success and improving corporate value.**



(*): Balance of profit-generating properties: Balance of development properties where leasing revenue is obtained when leasing is completed



Invest around 3 billion yen in growth for expanding our business. Procure the necessary funds while controlling our financial position.

Expected investment for growth over 3 years

Digitalization	Up to 1 billion yen
Personnel	700 million yen to 1 billion yen
PR marketing	Up to 1 billion yen
ESG development	Up to 200 million yen
Total	Up to 3 billion yen

Procurement plan

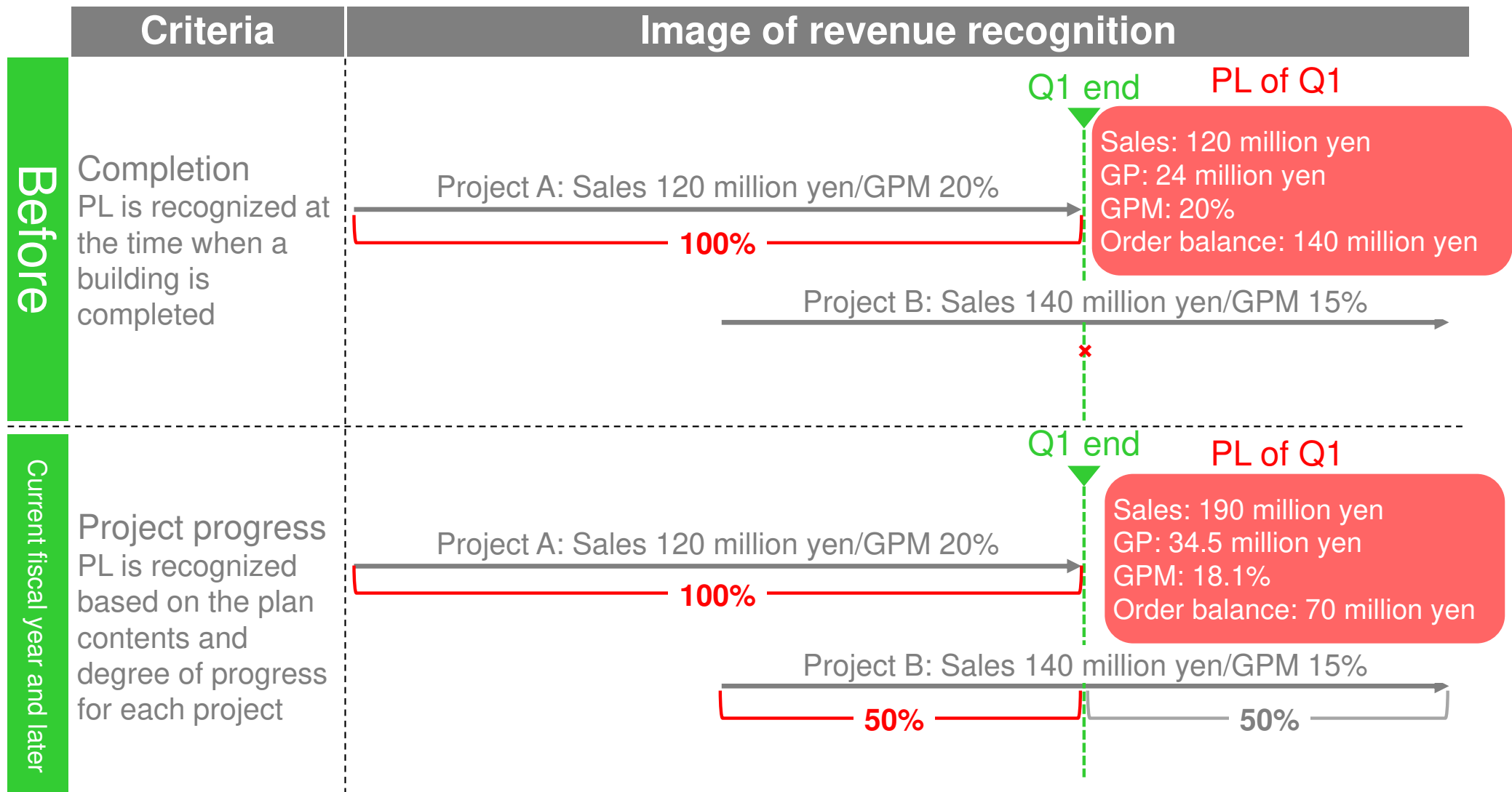
Profit	1 billion yen
Direct and indirect finance	2 billion yen

- Plan to maintain a shareholders' equity ratio of 40% or more, LTV (dependence on interest-bearing loans) of less than 30%, and ROE/ROIC of more than 10% in the final year of the Mid-term management plan.
(Reference: WACC 9.3% in year ended Nov. 2011)

Changes of revenue recognition policy



New revenue recognition standards apply beginning from the fiscal year ending Nov. 2022. The timing for calculating sales, gross profit, and order balance will be changed.

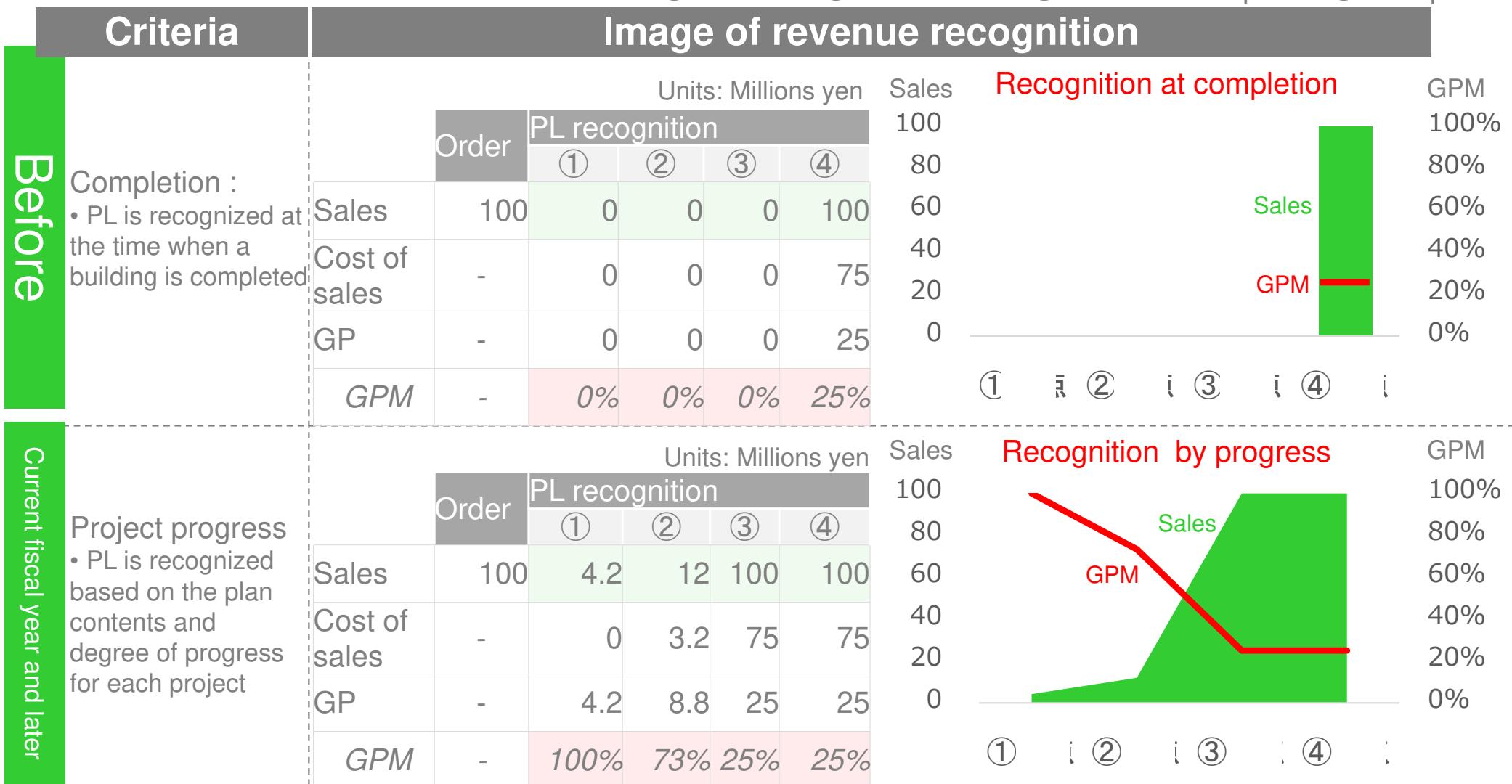


Changes of revenue recognition policy



New revenue recognition standards apply beginning from the fiscal year ending Nov. 2022. There will be changes in sales and gross profit margin.

① Contract ② Confirmation ③ Construction period ④ Completion



07 IR Materials





Phil Company Policy of Shareholder Return

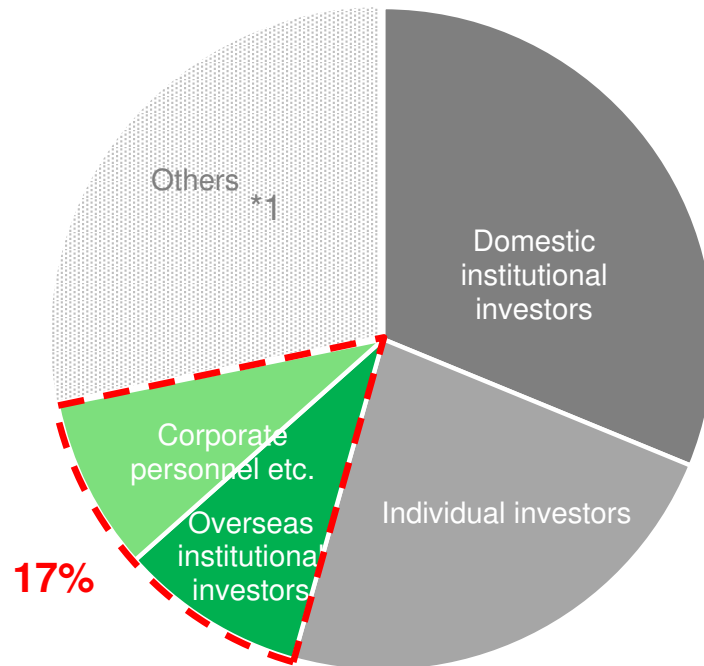
- Phil Company has defined the coming 3 years as a growth investment phase for achieving an expansion of PP and PGH in the mid- and long-term and for creating new lifestyles. For this purpose, we will carry out active investment in digital areas.
- During the most recent year in February 2020, we paid a dividend of 5 yen per share to commemorate our becoming listed on the First Section of the Tokyo Stock Exchange. In June 2021, we acquired treasury stock. In February 2022, we are planning to pay a dividend of 10 yen per share in thanks for the support received during the coronavirus pandemic. In the future, we will not be paying regular dividends or other shareholder returns based on the financial position each fiscal year; instead, we will be working to improve our corporate value in preparation for dramatic mid- and long-term growth.
- Beginning from the final fiscal year of the Mid-term management plan, when the growth investment phase ends, we will begin providing regular dividends and other shareholder returns.

Target of shareholder structure

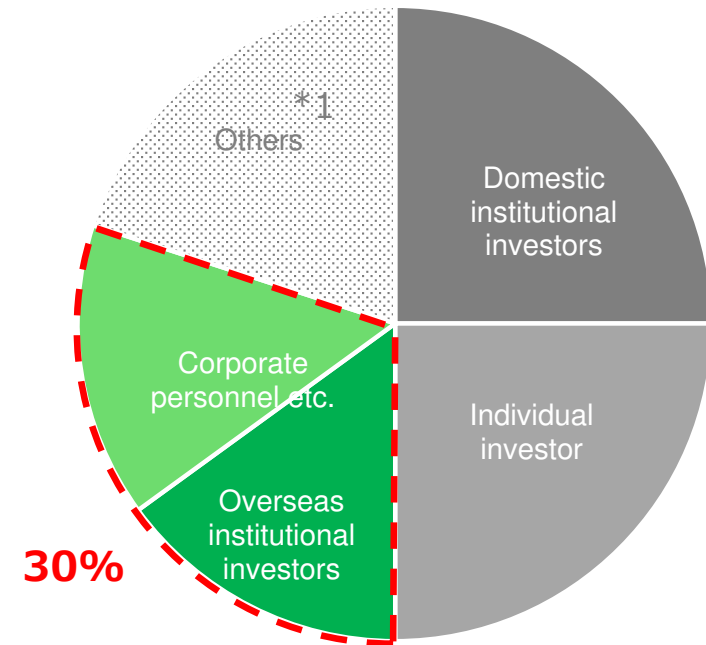


We aim to increase the ratios of overseas institutional investors, and of directors and employees, while maintaining a balance with the number of shares outstanding.

As of Nov. end 2021



Target in 3 years



Distributed shares

36,891 units^{*2}

Actions

- Interviews with institutional investors,
- Mainly domestic investors

Maintain or improve the level.
(Reference: Standard for Prime is 20,000 units)

- Overseas roadshow (Asia, Europe, USA)
- Expansion of English IR materials
- Market sale of some shares by major shareholders

*1: Including those held by the founder

*2: Number of shares outstanding as of 2021/11/30



As a company listed on the Prime market, from this fiscal year the CGC shall in general be “Comply.”

Primary changes

Policy	Current status	Plan	Timing
Supplementary rule 1-2-4: Electronic exercise of voting rights English translation of notice to convene	Not done because so far the ratio of overseas investors is low.	① Focusing on increasing the ratio of overseas investors, begin the use of a platform for electronic exercise of voting rights. ② Create English translation of the notice to convene.	① Feb. 2022 ② Nov. 2022
Supplementary rule 3-1-3: TCFD-related disclosures	-- (Applicable starting from listing on the Prime market)	Perform analysis of the current status related to TCFD, and disclose in the securities report for this fiscal year. (See P. 49.)	Nov. 2022
Supplementary rule 4-1-2/Rule 5-2: Formulation and announcement of mid-term management plan	Formulated by the board of directors and management, but not disclosed.	A plan will be formulated by the board of directors and management, and disclosed publicly (this document).	Jan. 2022
Rule 4-8: Appointment of 1/3 or more independent outside directors	-- (Applicable starting from listing on the Prime market)	Appoint 4 independent outside directors (1/3 or more) upon becoming a Company with Audit and Supervisory Committee.	Feb. 2022
Rule 4-11: Preconditions for ensuring effectiveness of the board of directors and board of auditors	No female directors have been appointed. 2 female auditors have been appointed.	Appoint 2 female directors upon becoming a Company with Audit and Supervisory Committee.	Feb. 2022
Supplementary rule 4-11-1: Approach to diversity on the board of directors	Director diversity is present in terms of knowledge, experience, and abilities, however it has not been made fully visible.	Make director skills visible. Create and disclose a skills matrix.	Feb. 2022



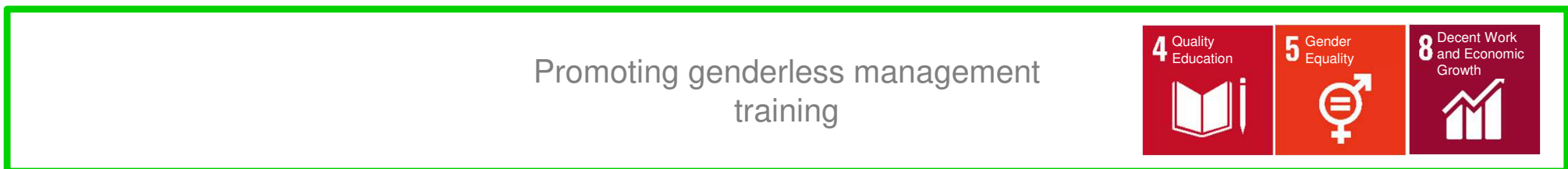
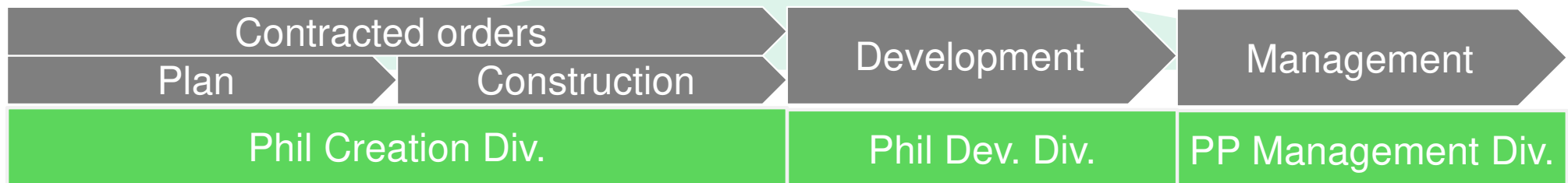
Aiming for sustainable development tailored to the value chain, beginning with resolving the societal issue of under-utilized spaces.

Identifying under-utilized spaces and city potential value, and creating business

11 Sustainable Cities and Communities



1



① Approach for the entire company



Basic Approach

The business philosophy of the Phil Company Group is “Prosperous Coexistence (= Phil)” and we operate the aerial shop Phil Park business and the Premium Garage House (rental houses with garages) business together with various partners.

By making use of under-utilized spaces ranging from the space above parking areas to places far from train stations in ways that are suitable for each location, we aim to carry out urban development that allows happiness to be shared among many people, including the land owners, Phil Park tenants, and Premium Garage House residents, and to create a sustainable society.



② Business creation with partners



Phil Company, Inc.

We will work together with a diverse range of public and private partners in order to make use of all kinds of under-utilized spaces.

Future plans

- Business matching with local financial institutions, tax accountants, and other professionals (continuing)
- Collaboration with companies that collect tenant shop information / M&A
- Collaborations among industry, academia, and government / Collaborations with start-up ventures / M&A



Investment for M&A: 1 – 2 billion yen

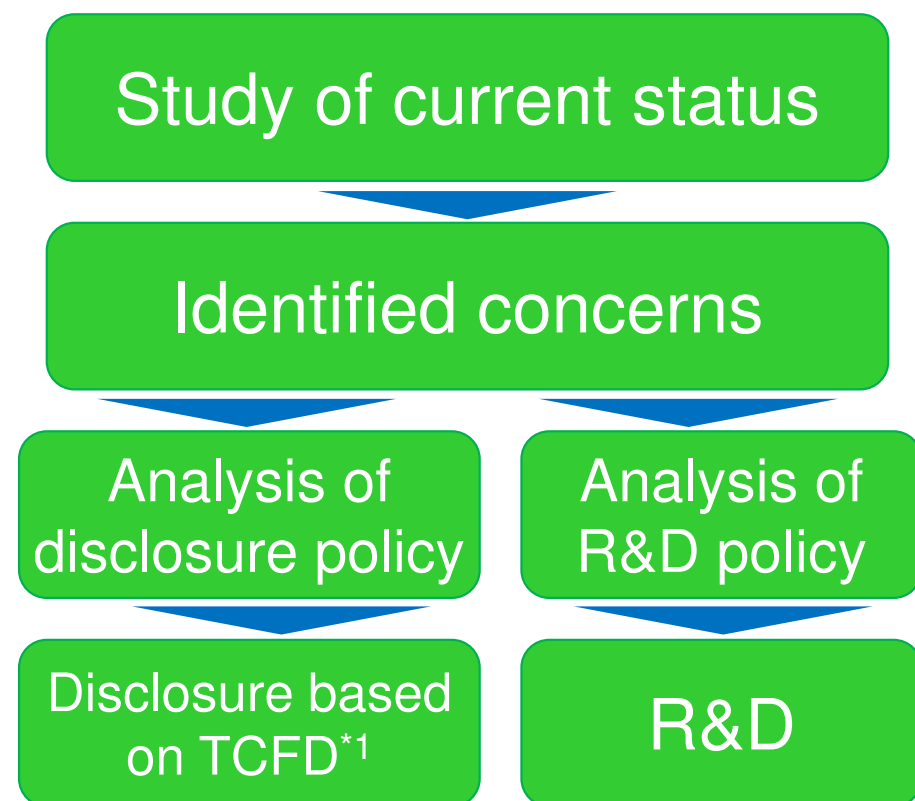


③ Development of environment-friendly buildings/houses



We will engage in information disclosure based on TCFD and also reduce building energy consumption and install energy-related facilities.

Compliance of TCFD information disclosure



Specific points to examine

① Energy saving for buildings

- ZEH development together with partners
- Utilizing energy-saving materials

② Installing energy-related facilities

- Rapid charging EV stations
- Batteries for use in case of disaster
- Solar panels



*1: We plan to begin disclosure in securities reports from February 2023.



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 that was prepared for your reference.