



Phil Company, Inc
1st half of the fiscal year ending November 30, 2022
Results meeting material July 14, 2022

TSE PRIME stock code: 3267



01 Financial Highlights





Loss was smaller than the forecast.

(Units: Thousands yen)

	H1 FY2021 Result	H1 FY2022 Forecast	H1 FY2022 Result
Sales	2,111,160	1,200,000	1,399,135
Cost of sales	1,532,633	—	1,093,221
Gross profit	578,527	—	305,914
(Gross profit margin)	(27.4%)	—	(21.9%)
SG&A	343,951	—	383,159
Personnel	198,457	—	245,446
Outsourcing expenses	32,075	—	37,221
Taxes and dues	17,423	—	7,281
Advertising expenses	1,393	—	2,439
Payment fees	20,977	—	19,643
Others	73,627	—	71,129
Operating income	234,576	-195,000	-77,245
Ordinary income	227,828	-198,000	-77,769
Net income	146,864	-120,000	-50,229

Because construction proceeded faster than expected for some PJ in the contracted orders scheme, a portion of sales and cost of sales that we expected to record in Q3 were recorded ahead of schedule in Q2.

Although there was an increase in personnel expenses and outsourcing expenses, because we had budgeted for a high level of SG&A in order to carry out our mid-term management plan, the result was well within the budgeted margin.

Loss was smaller than the forecast which was released on Jan. 14th



1st half of the fiscal year ending Nov. 2022: Digest ①

Changes in gross profit margin resulting from application of new revenue recognition standards

(Units: Thousands yen)

			H1 FY2021 Result	H1 FY2022 Result
Sales		▼ Planned GPM	2,111,160	1,399,135
d e t a i l s	Contracted orders	① Plan and design (90 – 100%)	876,496	79,657
		② Design and management (50 – 60%)		73,634
		③ Construction (13 – 18%)		1,054,476
	Development and sales		1,030,000	0
	Others		204,664	191,367
Cost of sales			1,532,633	1,093,221
Gross profit			578,527	305,914
(Gross profit margin)			(27.4%)	(21.9%)

* Total amount is recorded at time of completion

1st half of fiscal year ending Nov. 2022

Construction accounts for 75.3% of sales.

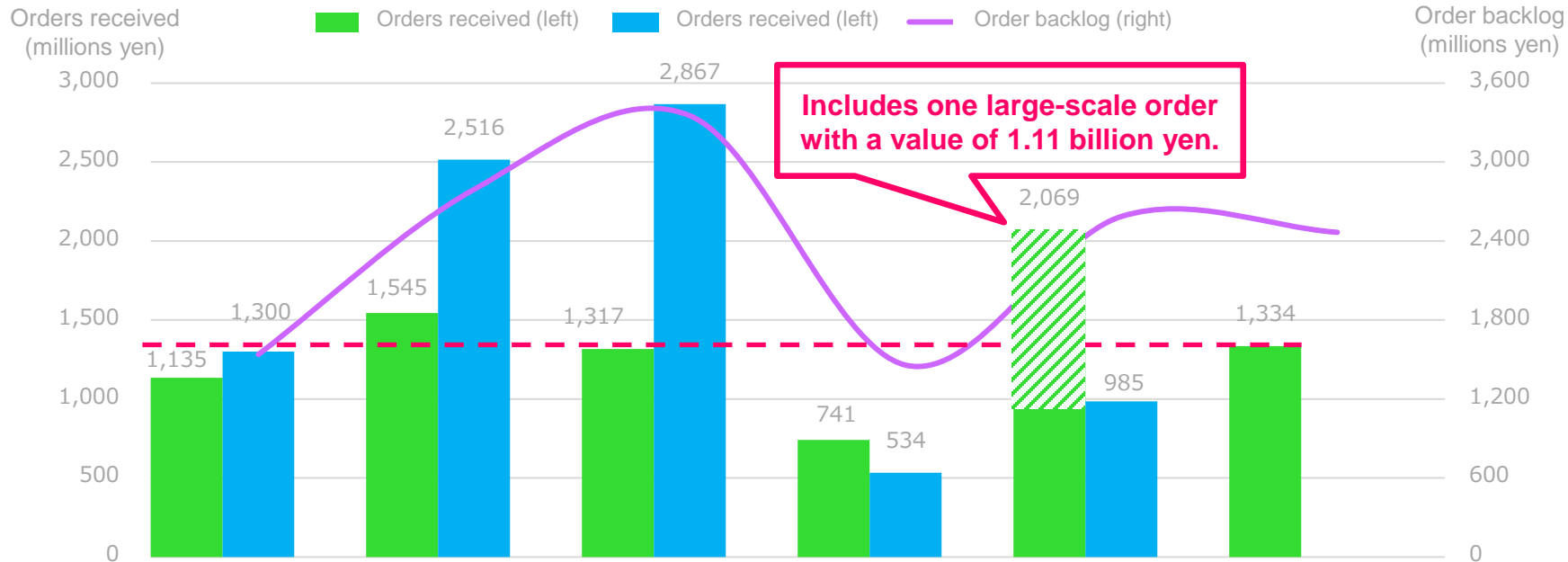
Beginning from this fiscal year, sales are recorded separately for each service in ① – ③, where the gross profit rate for each service is different. Because the percentage of construction service was high during 1st half of fiscal year ending Nov. 2022, the gross profit margin was lower.

* The new revenue recognition standard is applied beginning from the year ending Nov. 2022 (refer to P. 12.)



Recovery of orders to pre-pandemic levels and maintaining a high order backlog

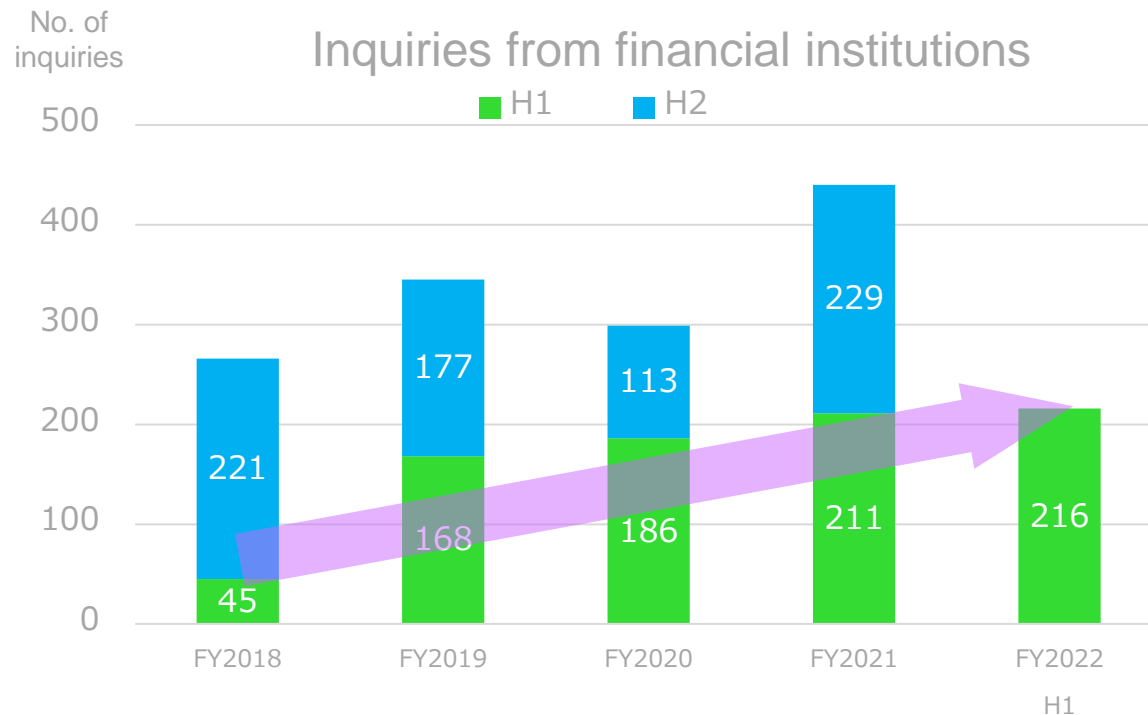
Orders received · Order backlog



millions yen	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
H1 orders received	1,134	1,544	1,316	741	2,068	1,334
H2 orders received	1,299	2,515	2,867	534	985	-
Annual orders received	2,434	4,060	4,184	1,275	3,054	-
Order backlog at year end	1,539	2,793	3,352	1,458	2,587	2,467



Stable number of inquiries from financial institutions



Contracted month	Name of bank
Jun 2016	Bank of Yokohama
Jun 2016	Mizuho Bank
Aug 2017	Johnan Shinkin Bank
Oct 2017	Higashi Nippon Bank
Nov 2017	Musashino Bank
Jan 2019	Resona Bank
Oct 2019	Sumitomo Mitsui Banking Corporation
Mar 2020	Tokyo Star Bank
Mar 2020	Juroku Bank
Sep 2020	MUFG Bank
Nov 2020	Tama Shinkin Bank
Mar 2021	SBI Securities
Nov 2021	Keiyo Bank
Apr 2022	Kitanippon 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 House 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).

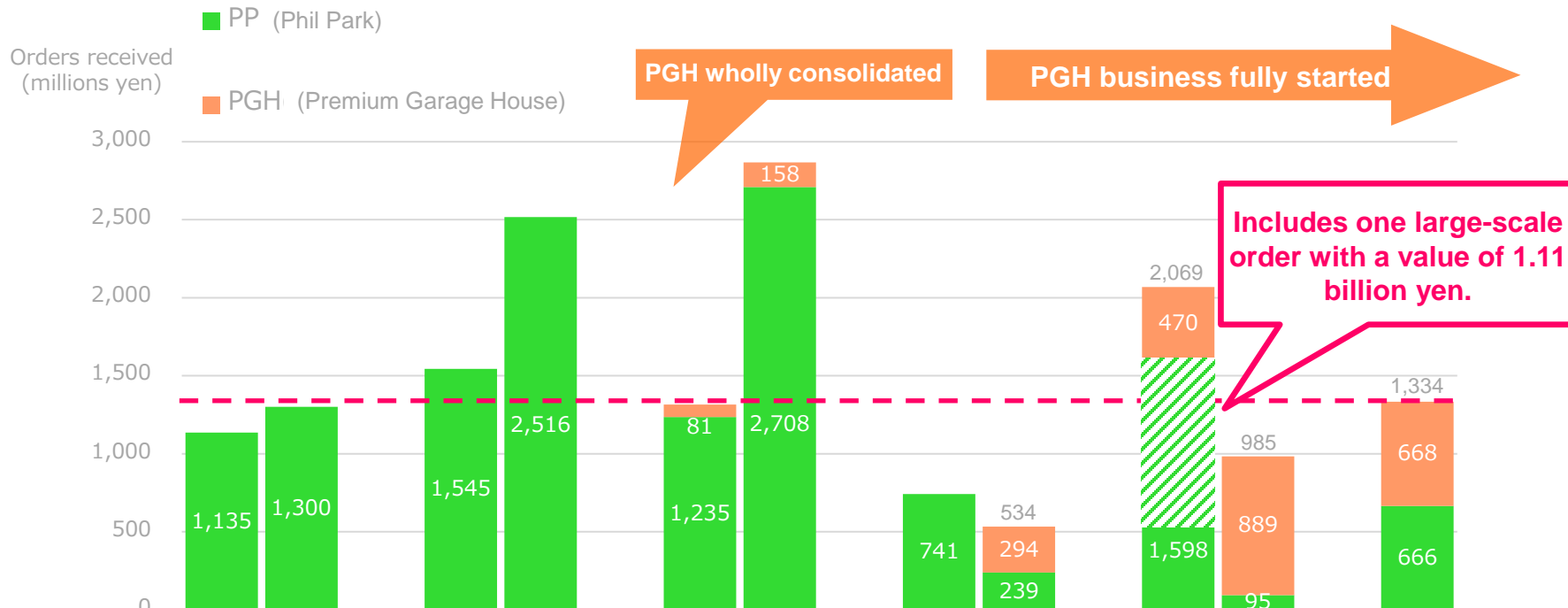
We are also receiving inquiries about business matching contracts from local banks and securities companies that want to strengthen their business with affluent individuals.



Status of orders received in the contracted order scheme

Acquiring orders with both Phil Park (PP) and PGH

Trend in amount and number of orders received



Number of properties	FY2017		FY2018		FY2019		FY2020		FY2021		FY2022	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
PP orders received	15	12	13	18	7	19	5	4	4	1	5	
PGH orders received					4	5	0	6	8	17	10	
Total	27		31		35		15		30		15	

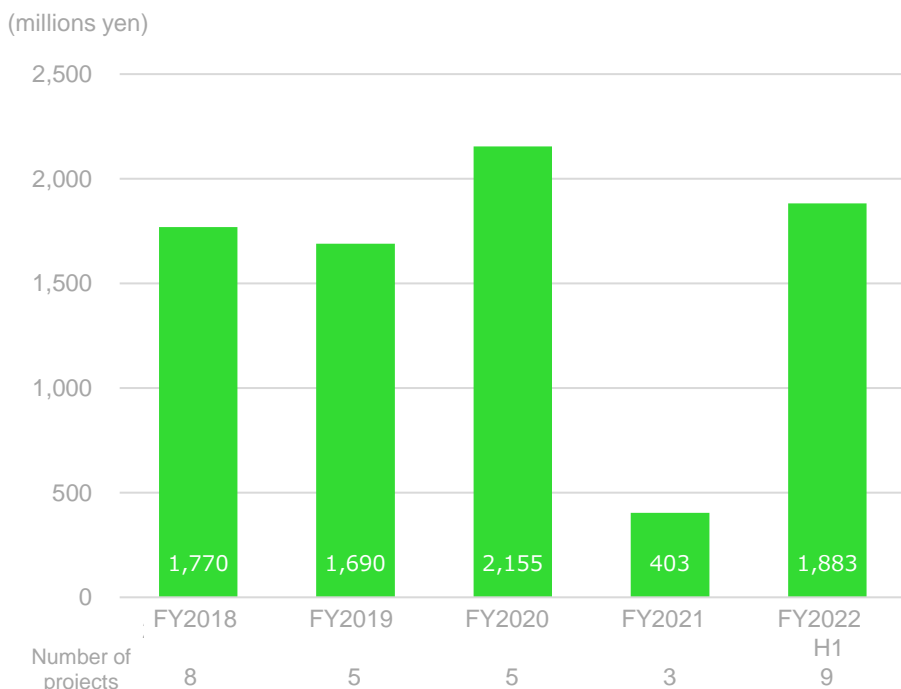
* Orders acquired by cooperating companies are included in the number of orders for PGH through the year ended Nov. 2021, however they are not included starting from the year ending Nov. 2022



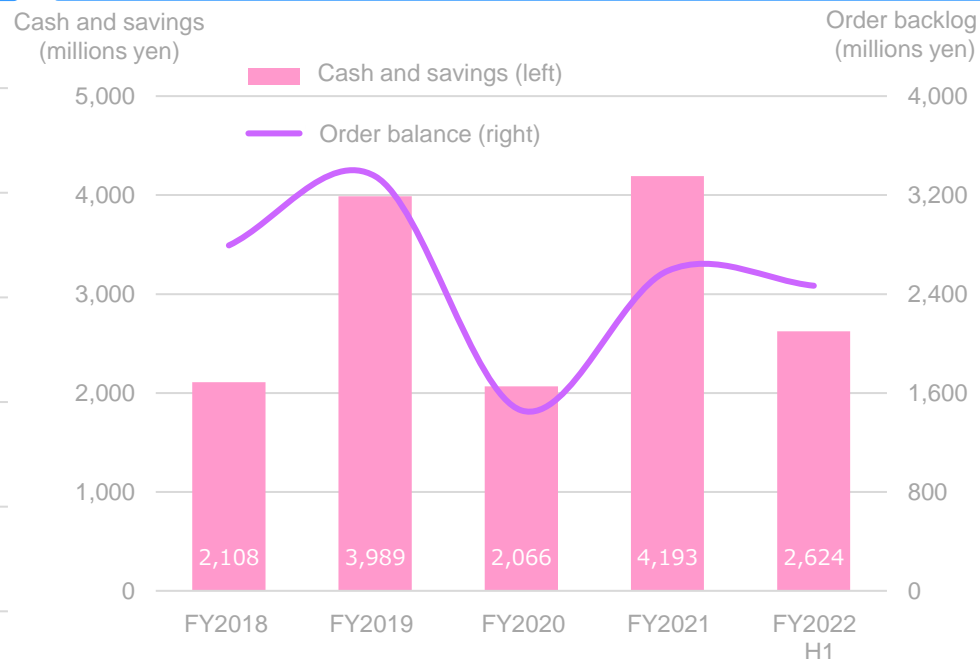
Status of the development and sales scheme

Total expected amount of development PJ as of Q2 is 1.8 billion yen.

Total expected amount of development projects



Trend of cash and savings, and order backlog



Expected total cost of land + building at time of land acquisition.

The development and sales scheme is being carried out with an expected gross profit margin of 20 – 30%.

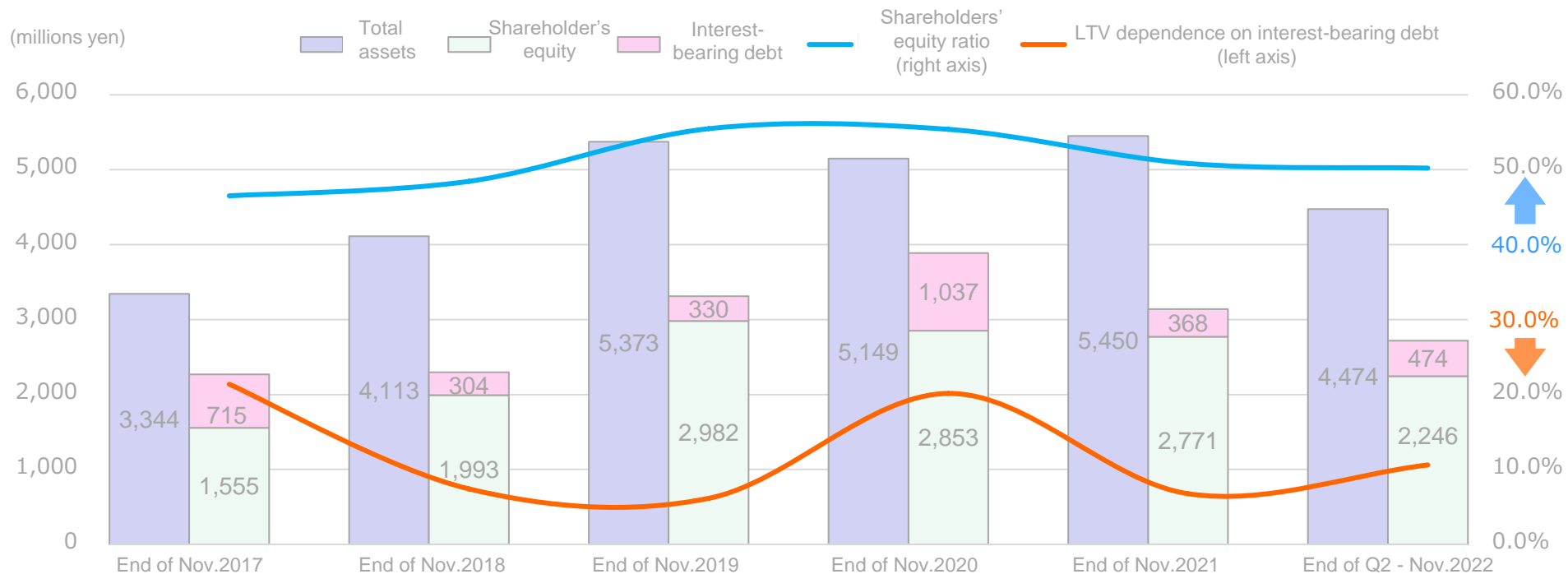
6 property acquisitions were executed during first 6 months of the year ending Nov. 2022.

During this fiscal year, the balance of cash and savings declined by 1.568 billion yen due expenditures including 625 million yen resulting from an increase in real estate for sale in progress and real estate for sale, 501 million yen for acquisition of treasury stock, and 261 million for payment of corporate and income taxes.



An ample margin of borrowing power

Changes in shareholders' equity ratio and LTV (dependence on interest-bearing debt)



As financial indicators used at Phil Company in the development and sales scheme, our standard is to maintain **shareholders' equity ratio of 40% or higher**

and **LTV (dependence on interest-bearing debt) of less than 30%.**

At the present time, we have an ample margin of borrowing power.

Status of financial situation



Phil Company, Inc.

Sound financial position and extra investment capacity

Units: Thousands yen	FY2021	End of Q2 FY2022	Difference	
Current assets	4,575,914	3,646,210	- 929,704	
Cash and savings	4,193,330	2,624,334	-1,568,996	Declined due to start of new development PJ, payment of taxes, and acquisition of treasury stock.
Inventories	264,663	889,799	625,136	Increased due to start and progress of development PJ.
Others	117,921	132,075	14,155	
Fixed assets	874,397	827,755	- 46,642	
Total assets	5,450,312	4,473,965	- 976,346	
Current liabilities	2,128,446	1,598,818	- 529,628	
Fees received in advance	1,252,557	1,031,793	- 220,763	Declined due to application of new revenue recognition standards.
Long term debt to pay within one year	37,280	70,236	32,956	
Others	838,609	496,789	- 341,820	Declined due to payment of taxes.
Fixed liabilities	547,750	625,486	77,736	
Total liabilities	2,676,197	2,224,305	- 451,892	
Shareholders' equity	2,770,989	2,246,602	- 524,386	
Treasury stock	-609,747	-1,076,502	- 466,755	Acquisition of treasury stock
Others	3,380,736	3,323,105	- 57,631	
Equity ratio	(50.8%)	(50.2%)	(- 0.6%)	
Net assets	2,774,114	2,249,659	- 524,454	
Total net assets and liabilities	5,450,312	4,473,965	- 976,346	

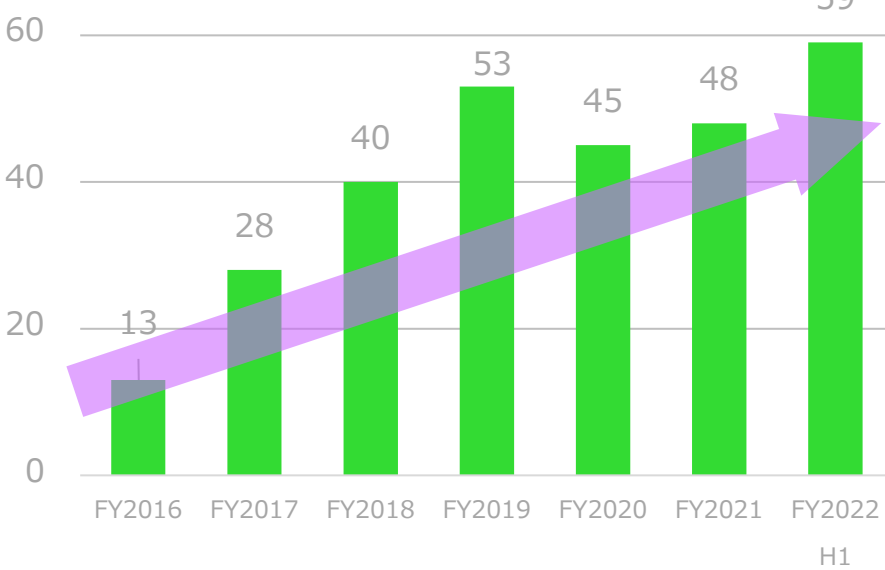


Human resources

Strengthening hiring of recent graduates, experienced personnel, and professional human resources in line with the mid-term management plan

No. of employees*

* Consolidated base, excluding executives and contractors



Division	Data Science & Technology	Strategies	Others
Business	Digital transformation and Marketing	M&A Fund composition new business	Business management
Number of outsourcing personnel	9	4	4

We continue to recognize personnel hiring as an issue of the highest priority.

At the same time, we are utilizing outsourcing to secure a wide range of personnel who support the company, and in the year ending Nov. 2022 we established new Digital transformation and Marketing divisions.

Application of new revenue recognition standards (for the contracted orders scheme)



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

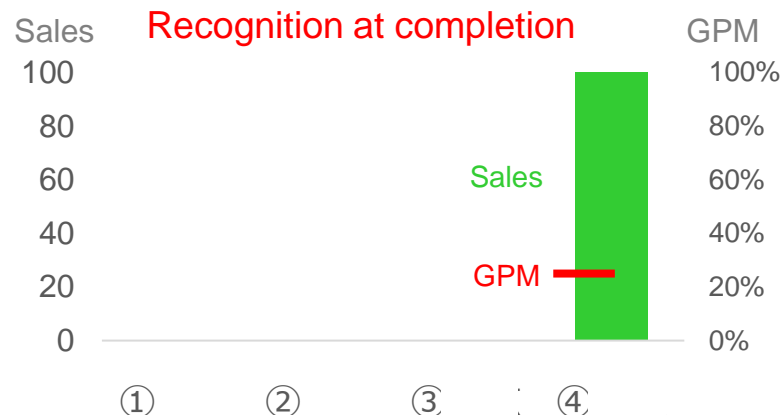
① Contract ② Confirmation ③ Construction period ④ Completion

Criteria Image of revenue recognition

Before

Completion
 • PL is recognized at the time when a building is completed

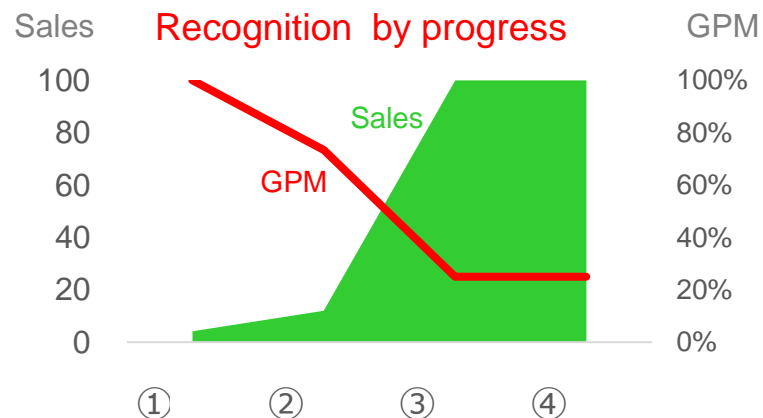
	Order	Units: Millions yen			
		PL recognition			
		①	②	③	④
Sales	100	0	0	0	100
Cost of sales	-	0	0	0	75
GP	-	0	0	0	25
<i>GPM</i>	-	0%	0%	0%	25%



Current fiscal year and after

Project progress
 • PL is recognized based on the plan contents and degree of progress for each project

	Order	Units: Millions yen			
		PL recognition			
		①	②	③	④
Sales	100	4.2	12	100	100
Cost of sales	-	0	3.2	75	75
GP	-	4.2	8.8	25	25
<i>GPM</i>	-	100%	73%	25%	25%



* Only for the contracted orders scheme

02 Progress of mid-term management plan





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
<div style="border: 2px dashed red; padding: 5px; margin-bottom: 10px;"> <ul style="list-style-type: none"> ● Human resource ● Digital infrastructure <p style="text-align: center; margin: 0;">Focused investment areas</p> </div> <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; margin: 5px 0;">+</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** within 3 years



Start of measures aimed at dramatic medium- to long-term growth

Growth investment and business strategy	Progress status	Future plans
Digital infrastructure construction	<ul style="list-style-type: none"> Established the Data Science & Technology Department (11 people including contractors) and began a project. 	<ul style="list-style-type: none"> Create sales activity data. Share knowledge. Create a platform by linking data.
Human resource construction	<ul style="list-style-type: none"> Hired recent graduates and experienced professionals. Conducted thorough training for recent graduates and assigned experienced professionals to projects. 	<ul style="list-style-type: none"> Continue hiring personnel through the use of agents and direct recruiting. Provide suitable training and assignments to hired recent graduates.
Stable growth of current businesses	<ul style="list-style-type: none"> Recovery in numbers of orders for both Phil Park (PP) and PGH Expanded business matching with financial institutions and businesses (+3 companies in this FY). 	<ul style="list-style-type: none"> Continue hiring and training personnel. Utilize systems to improve the efficiency of operations. Utilize area marketing to improve the efficiency of resource allocation.
Nationwide expansion of PGH (FC model)	<ul style="list-style-type: none"> Completed site renewal and constructed a system for content marketing operations aimed at potential residents and land owners. 	<ul style="list-style-type: none"> Acquire certification for design and construction methods. Construct an online platform. Construct a system together with cooperating companies across Japan.
Composition of fund	<ul style="list-style-type: none"> Hired new experienced professionals and began a project. Acquired a Type 2 license under the Act on Specified Joint Real Estate Ventures. 	<ul style="list-style-type: none"> Acquire additional license (electronic transactions). Collaborate with cooperating business partners.

Appendix
Business of Phil Company
(Mid-term management plan)





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

Phil Park (PP)



Premium Garage House (PGH)

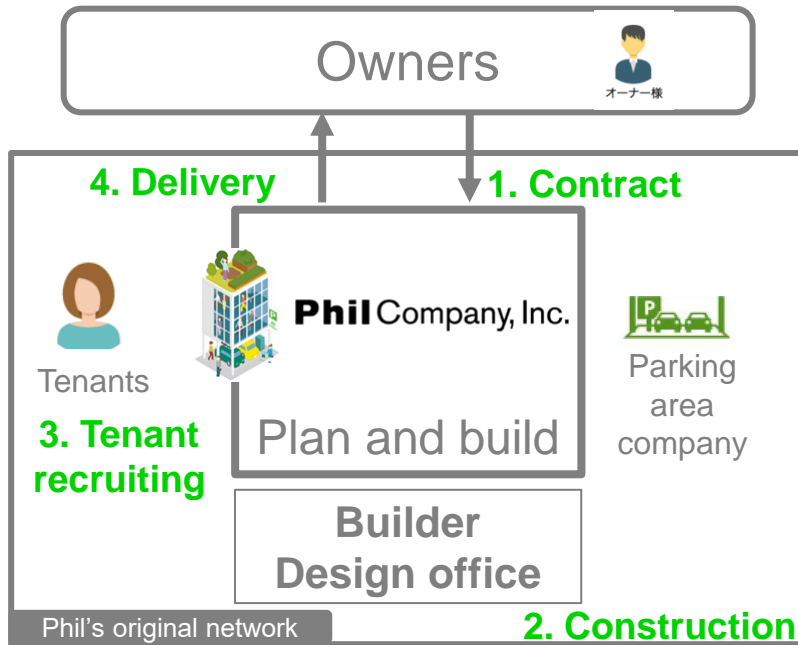


Points	Commercial facilities utilizing the space above parking areas	Residences with garages (large enough for 2 cars)
Location	Urban niche spaces with commercial potential	Suburban (far from train stations) and rural areas
Tenant leasing/ Purpose	Restaurants, office, beauty, clinic, etc.	Garage for 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

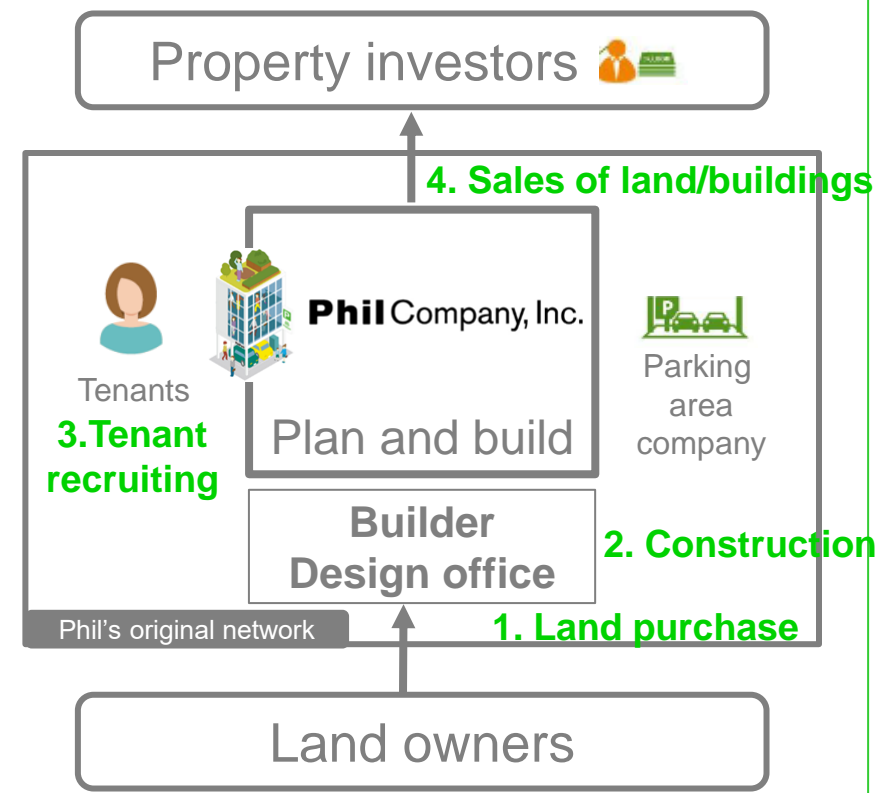
Phil Park (PP) & Premium Garage House (PGH), both are operated by two types of scheme.

Contracted orders scheme



Stable revenue

Development and sales scheme



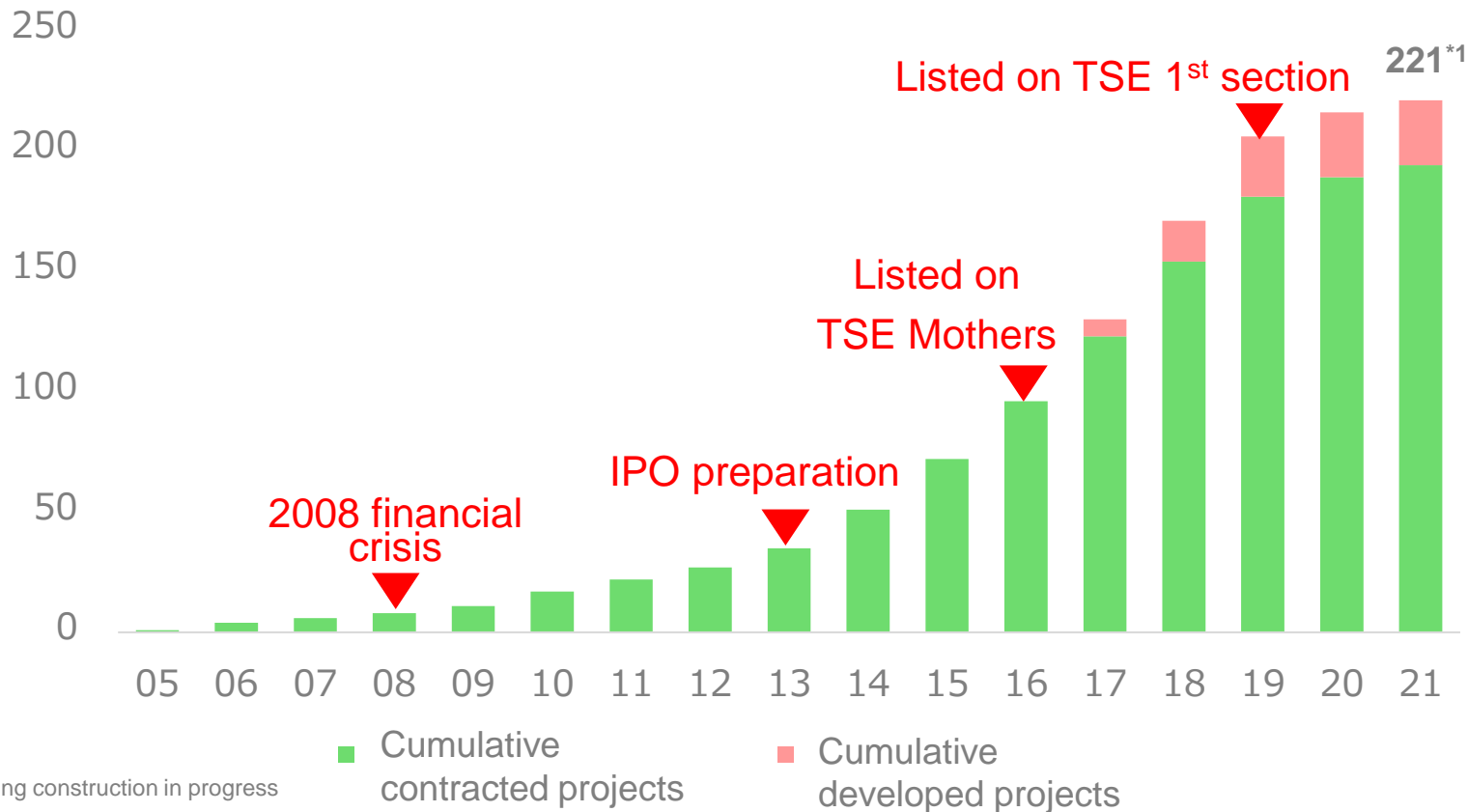
Higher revenue



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



*1: Including construction in progress



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

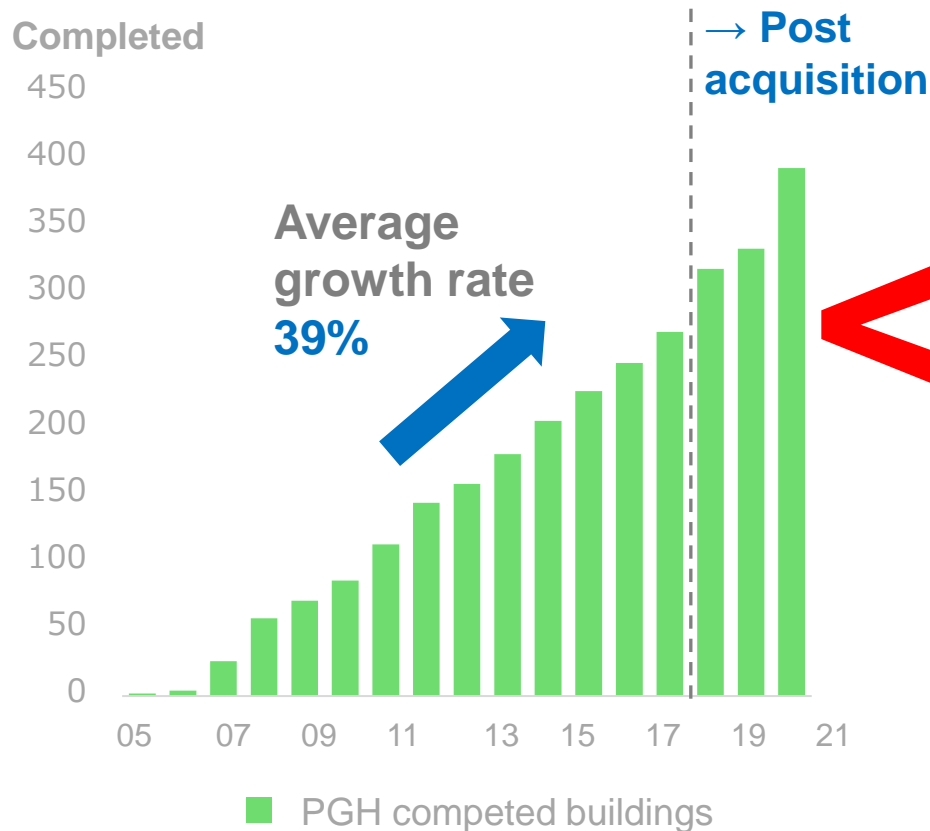
Based on more than 300 successful buildings constructed, we design properties that satisfy tenants, and are easy to move in and difficult to leave behind.

Features of Premium Garage House (PGH) 1

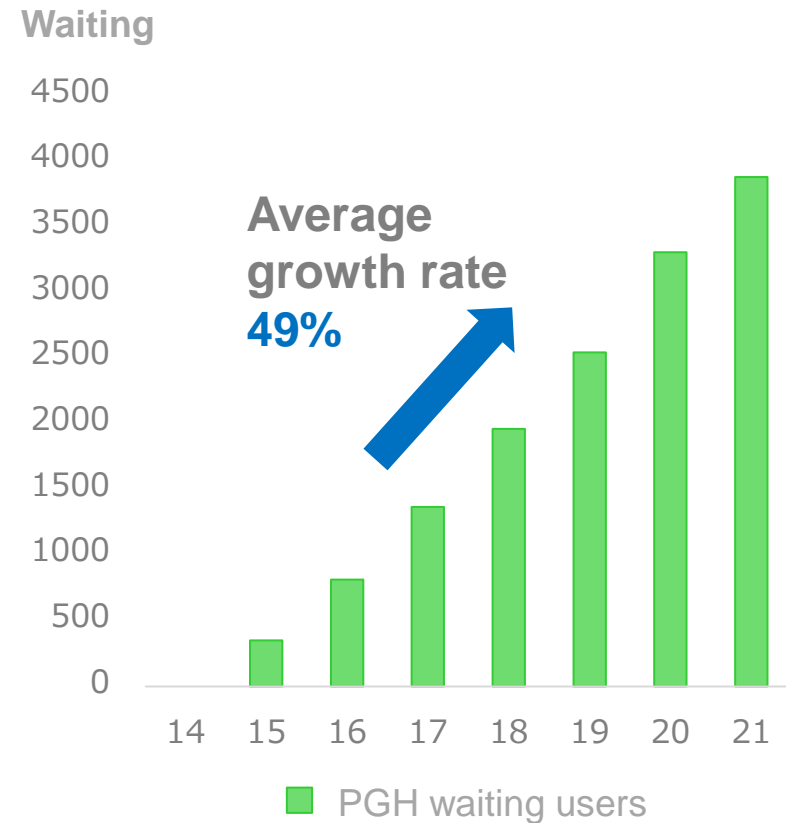


Following the acquisition, there was a rapid increase in completed buildings (more than 390) and waiting users, and the supply of PGH is unable to keep up with demand.

PGH completed buildings (cumulative)



PGH waiting users (cumulative)



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

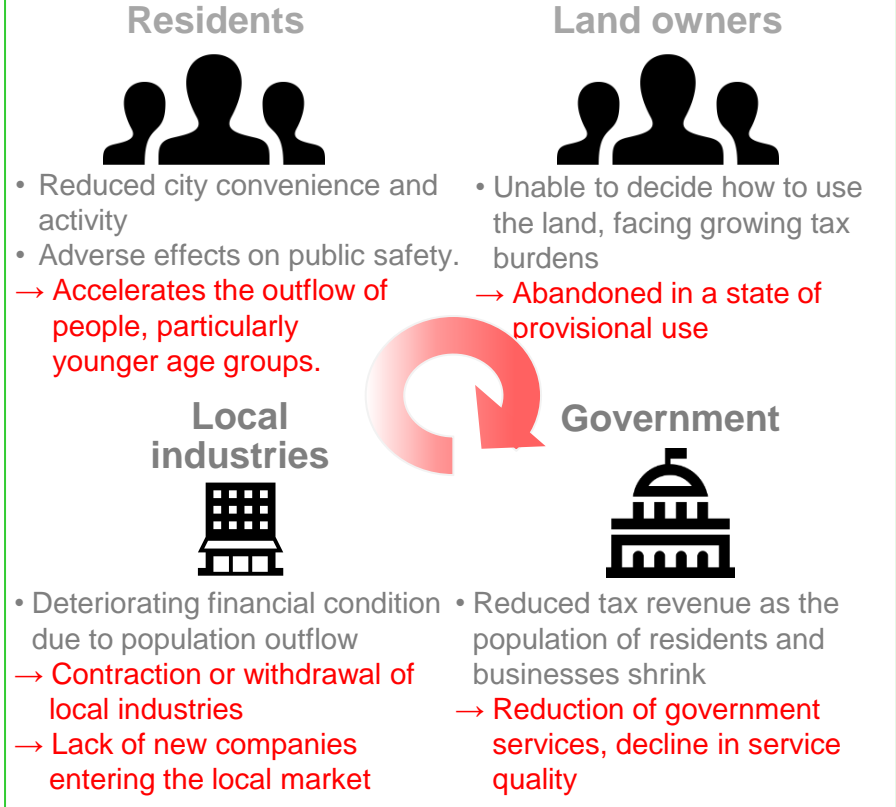
Specifically, the space above properties such as these

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



*1: Excerpted from the Basic Act for Land

Why are under-utilized spaces a problem?



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?



Phil Company, Inc.

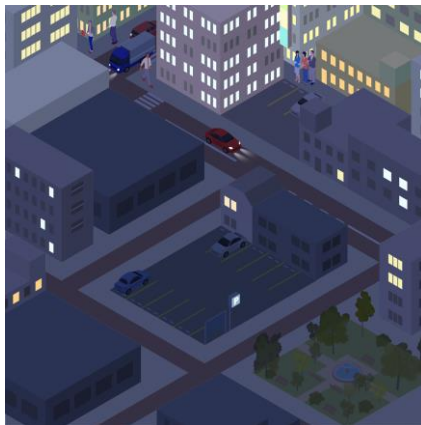
Phil Company maximizes the value of these continually growing under-utilized spaces, and generates activity in urban areas.

Before Phil



Turning unpopulated and somewhat lonesome spaces...

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

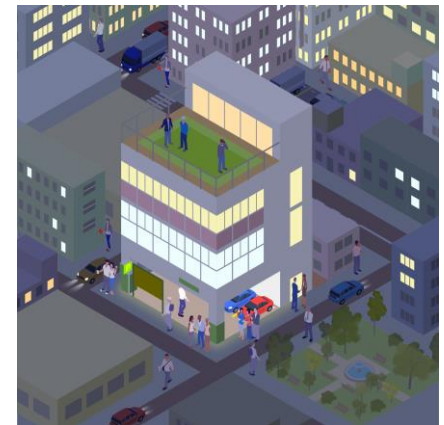


After Phil



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

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





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

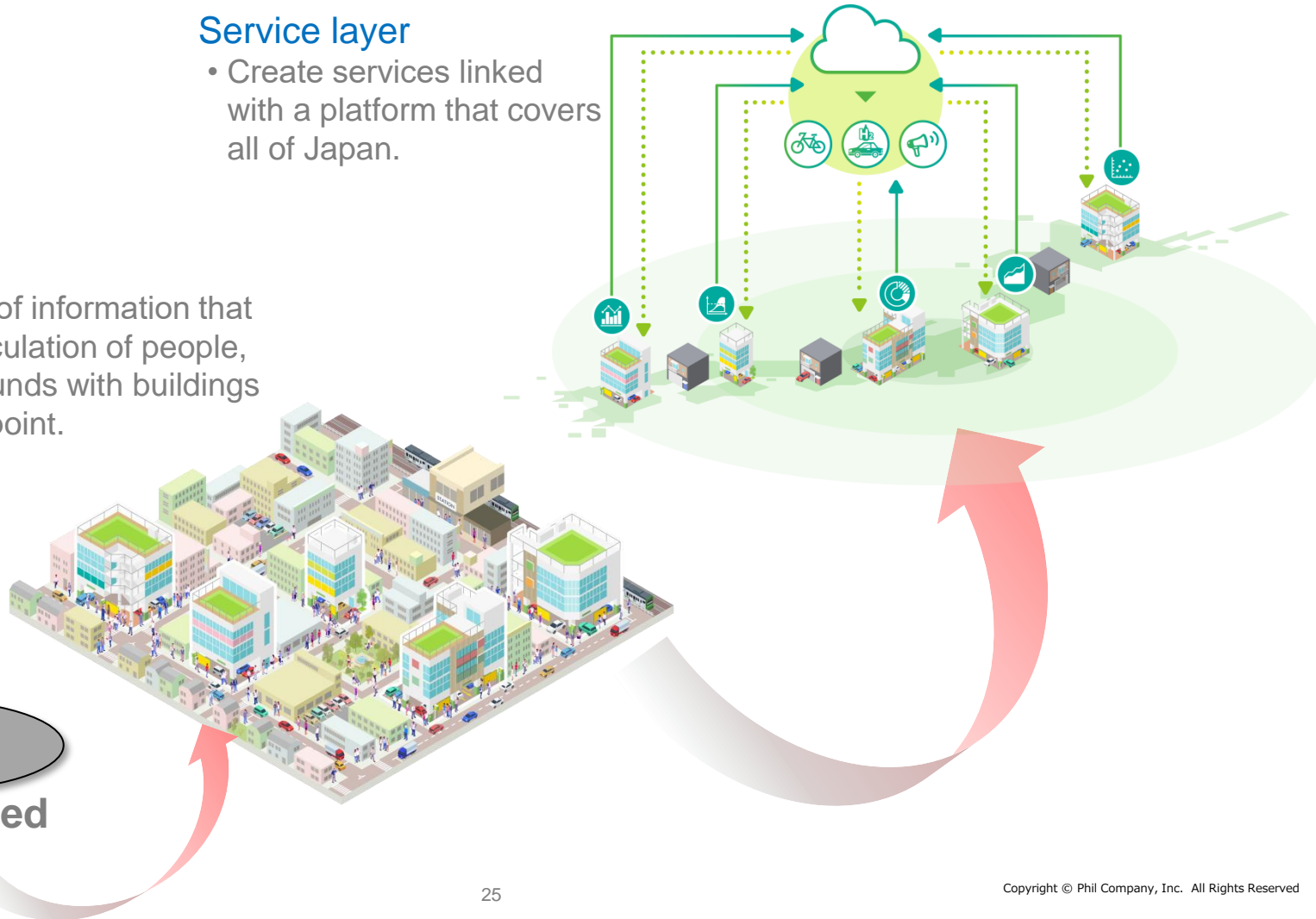
Service layer

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

Platform layer

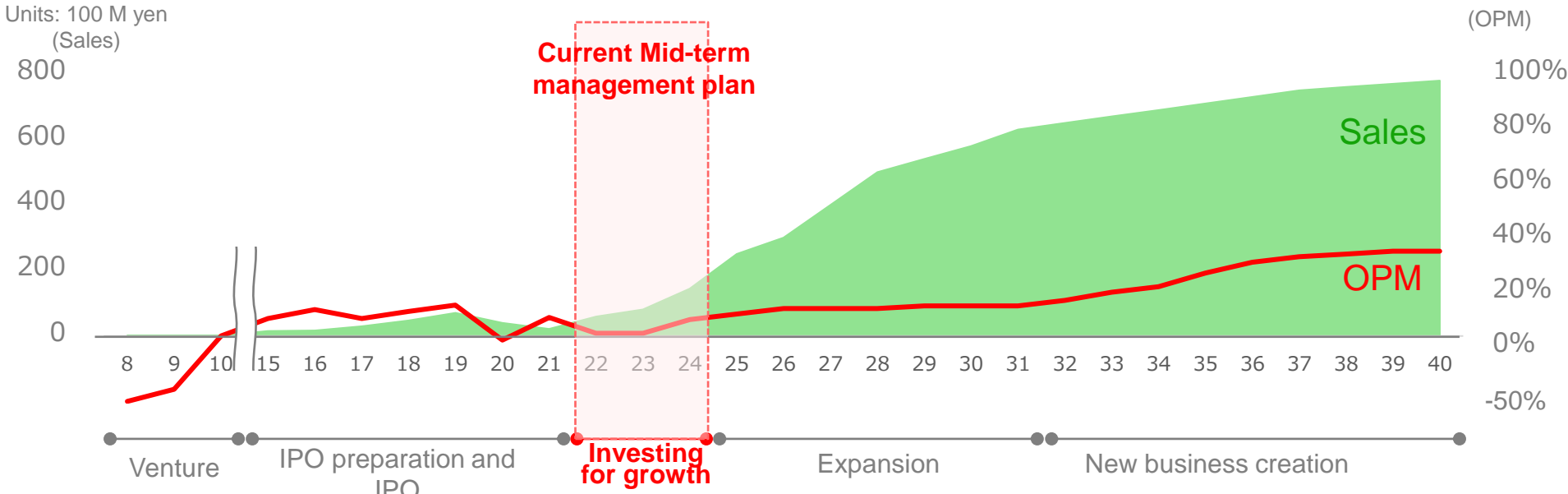
- Create centers of information that give cities a circulation of people, products, and funds with buildings as the starting point.

Under-utilized spaces





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.

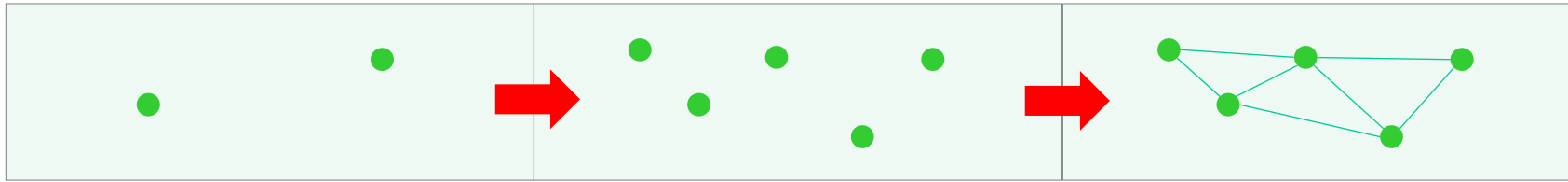


Branding phase

Constructing platform phase

Service development phase

Business



Utilizing spaces above parking lots

Platform development for under-utilized spaces

Creation of new business connecting platforms

KPIs

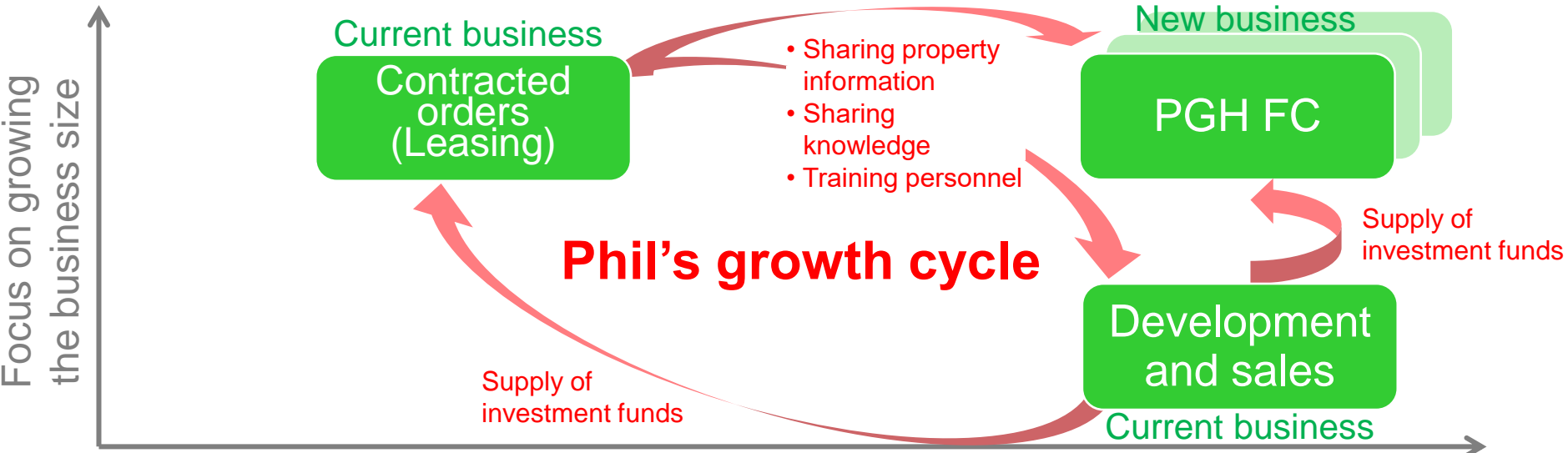
Gross return rate, number of completed projects

Sales and GP growth rate

GPM/ROIC



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
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

Business strategies

PP	PGH	PP and PGH	
Sowing seeds for new business	Rebranding and construction of a franchise (FC) model 1	Composition of Phil Company Group funds, and development of small investment 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

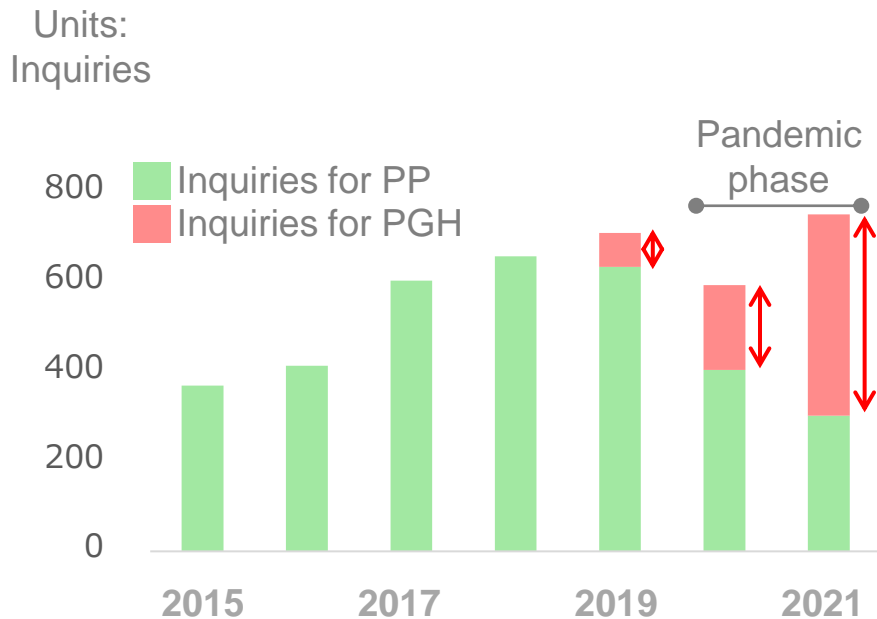
Digital infrastructure construction 3
Human resource construction (both quantity and quality) 4

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.



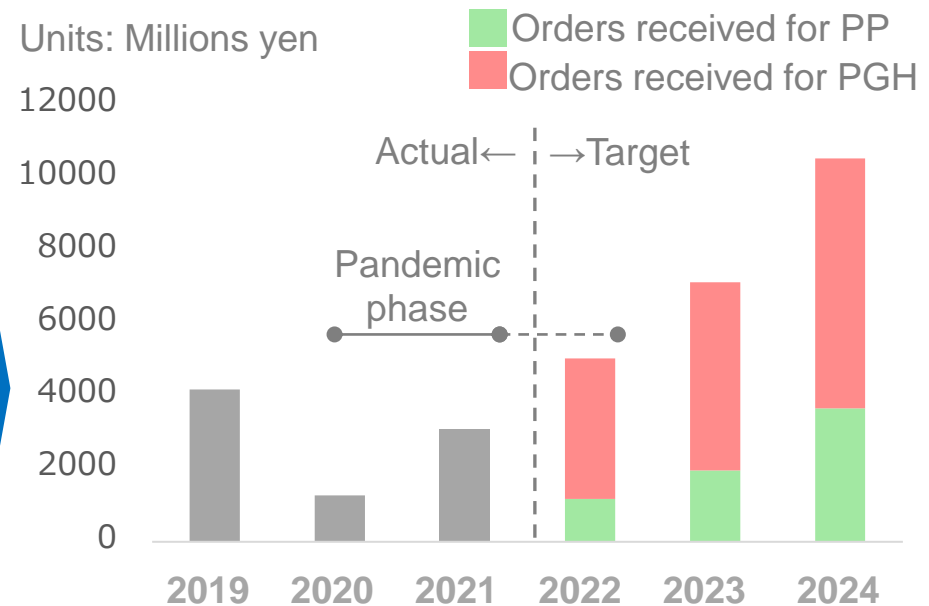
PP inquiries decreased during the pandemic. ⇔ PGH inquiries increased.
In the future we will steadily grow both the PP and PGH businesses.

Trend in inquiries (PP and PGH)



- 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.

Targets for orders received



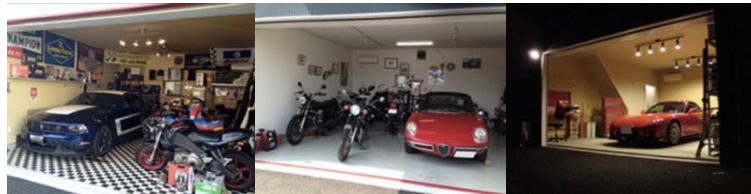
- By hiring and training personnel who are capable of creating proposals, we expect to achieve an increase in orders received.
- For PP, while a recovery from the pandemic is expected, because the environment is still uncertain, we have used a conservative estimate for the order target.



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

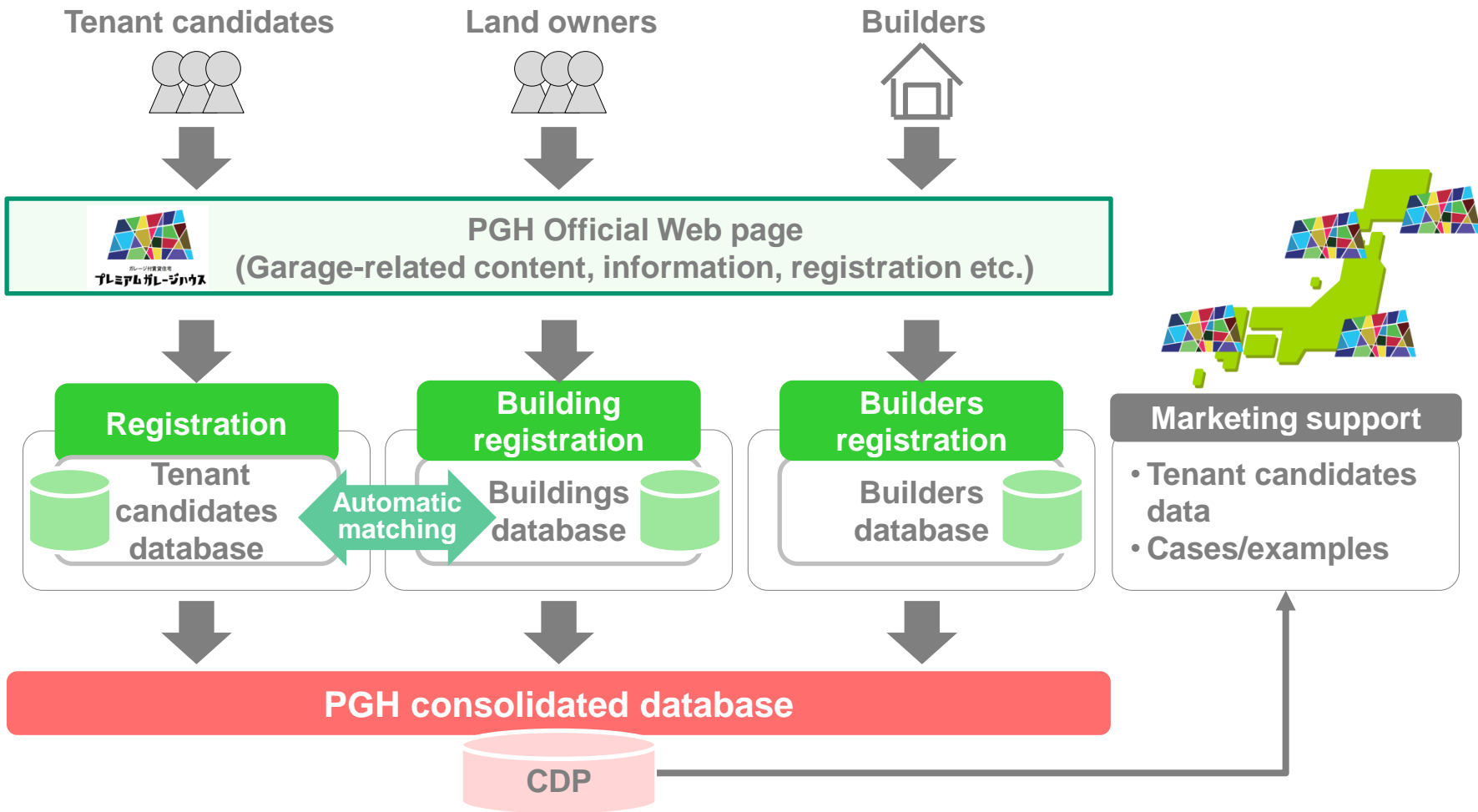
① PGH rebranding/FC



① PGH rebranding/FC



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



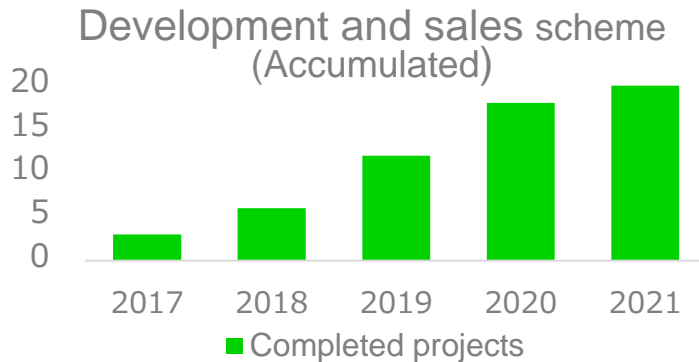
② Fund composition



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



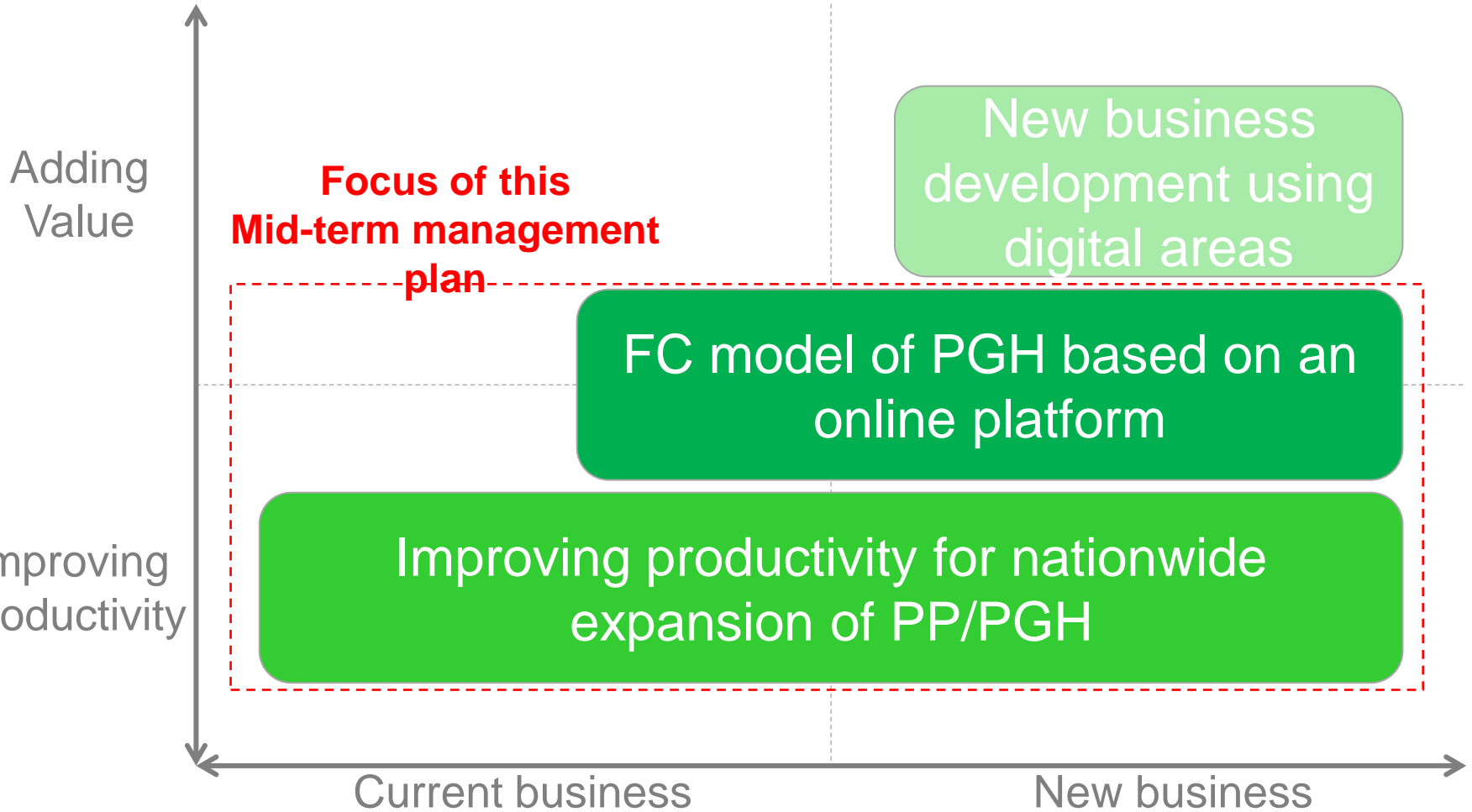
Create a fund circulation model for utilization of under-utilized spaces.

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

③ Construction of digital infrastructure



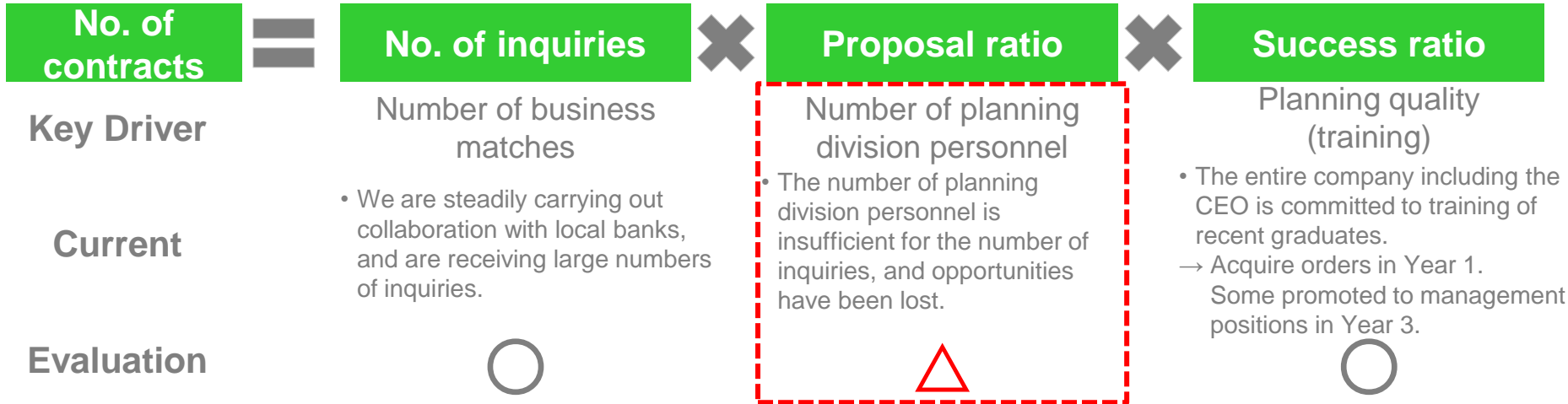
The coming 3 years are defined as a growth investment phase, and we will focus on construction of a FC model and improving the productivity of company operations.



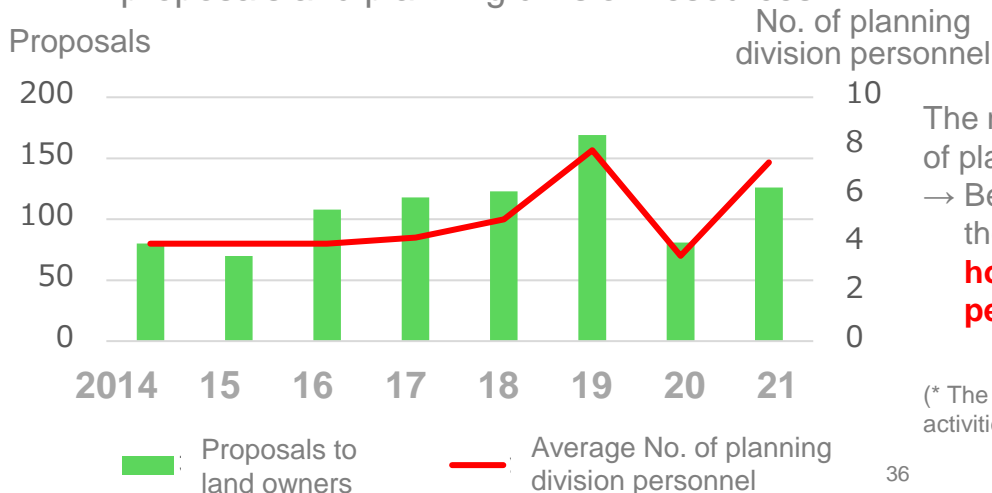
④ Construction of the base of human resource



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

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



Phil Creation Div. Phil Dev. Div. PP Management Div.

<p>Business creation through collaboration with partners</p>  <p>2</p>	<p>Development of environmentally friendly buildings/residences</p>   <p>3</p>	<p>Development of new real estate financing models</p> 	<p>Use of renewable electric power</p> 
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Promoting genderless management training



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.