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Consolidated Financial Results for the Nine Months Ended August 31, 2022 (Under Japanese GAAP)



October 13, 2022

Company name: Phil Company, Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 3267
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 Scheduled date to file quarterly securities report: October 14, 2022
 Scheduled date to commence dividend payments: -
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended August 31, 2022 (from December 1, 2021 to August 31, 2022)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Nine months ended August 31, 2022	2,464	(36.5)	(35)	—	(35)	—	(25)	—
August 31, 2021	3,882	57.2	814	—	804	—	535	—

Note: Comprehensive income For the nine months ended August 31, 2022: ¥ (25) million (—%)
 For the nine months ended August 31, 2021: ¥535 million (—%)

	Basic earnings per share	Diluted earnings per share
Nine months ended August 31, 2022	Yen (4.81)	Yen —
August 31, 2021	94.59	93.40

Note: Diluted earnings per share for the nine months ended August 31, 2022 is not included because basic earnings per share was negative, although there are potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of August 31, 2022	4,747	2,274	47.8%
November 30, 2021	5,450	2,774	50.8%

Reference: Equity

As of August 31, 2022: ¥2,271 million
 As of November 30, 2021: ¥2,770 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Nov. 30, 2021	—	0.00	—	10.00	0.00
Fiscal year ending Nov. 30, 2022	—	0.00			
Fiscal year ending Nov. 30, 2022 (Forecast)			—	0.00	0.00

Note: Revisions from the last forecast released: None

3. Forecast for the fiscal year ending November 30, 2022 (from December 1, 2021 to November 30, 2022)

(Percentages indicate year-on-year changes)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Full fiscal year	5,500	1.2	140	(80.7)	130	(81.8)	90	(77.9)	16.18

Note: Revisions from the last forecast released: None

Notes:

- (1) Changes in significant subsidiaries during the period** (changes in specified subsidiaries resulting in a change in consolidation scope): None
Newly included: None
Excluded: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements:** None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement**
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

Note: For details, please refer to the attached document, page 13, “2. Consolidated Financial Statements and Notes, (3) Notes to Consolidated Financial Statements, Changes in Accounting Policies.”

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of August 31, 2022	5,778,000	As of November 30, 2021	5,778,000
(ii) Number of treasury shares at the end of the period	As of August 31, 2022	635,980	As of November 30, 2021	214,280
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Nine months ended August 31, 2022	5,245,958	Nine months ended August 31, 2021	5,664,895

Note: The number of treasury shares at the end of the period includes the Company's shares (35,500 shares as of August 31, 2022 and 49,000 shares as of November 30, 2021) held by Custody Bank of Japan, Ltd. as trust assets for the Stock Benefit Trust for Directors and Stock Benefit Trust for Employees. The Company's shares held by Custody Bank of Japan, Ltd. as trust assets of the Stock Benefit Trust for Directors and Stock Benefit Trust for Employees are included in the number of treasury shares deducted in calculating the average number of shares during the period (40,911 shares in the third quarter of the year ending November 30, 2022 and 49,000 shares in the third quarter of the year ended November 30, 2021).

Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Proper use of earnings forecasts, and other special matters

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a promise by the Company that they will be achieved. Actual operating results may differ significantly due to various factors. For more information on the assumptions used in forecasting business results and precautions regarding their use, please refer to this document, page 8, “1. Qualitative Information on the Nine-Month Consolidated Results, (3) Explanation of Forecast Data, including Consolidated Forecasts.”

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1. Qualitative Information on the Nine-Month Consolidated Results

(1) Overview of operating results

In the nine months ended August 31, 2022, economic activity in Japan saw signs of normalization due to policies aimed at living “with coronavirus.” However, soaring global material prices and energy prices, as well as the rapid increase in prices accompanying the depreciation of the yen, mean that the future economic outlook remains uncertain.

Under these conditions, the Phil Company Group is operating the Phil Park aerial shop business that aims to benefit all three parties involved – the landowner, tenant, and the community – and the Premium Garage House business for rental housing that includes a garage. These businesses are guided by the Phil Company Group’s corporate philosophy of prosperous coexistence. We provide solutions in two ways: through contracted orders, in which we provide landowners with proposals for Phil Park aerial shops and Premium Garage House, and through development and sales for real estate investors, in which our company performs all work from buying land to development and sales of the Phil Park aerial shop and Premium Garage House.

Operating results

In the nine months ended August 31, 2022, the Phil Company Group recorded net sales of ¥2,464,691 thousand (down 36.5% year on year), an operating loss of ¥35,280 thousand (operating profit of ¥814,209 thousand for the same quarter of the previous year), an ordinary loss of ¥35,881 thousand (ordinary profit of ¥804,685 thousand for the same quarter of the previous year), and a net loss attributable to the owners of the parent of ¥25,236 thousand (profit attributable to the owners of the parent of ¥535,864 thousand for the same quarter of the previous year).

Sales, sales breakdown, cost of sales, gross profit and gross profit margin during the first nine months of this fiscal year are as follows.

(Unit: Thousand yen)

			First quarter	Second quarter	Third quarter	First three quarters
Sales			545,785	853,350	1,065,556	2,464,691
Sales Break- down	Contracted orders	Planning and design 90 - 100%*	37,022	42,634	60,881	140,538
		Design and management 50 - 60%*	23,599	50,034	53,133	126,767
		Construction 13 - 18%*	390,114	664,362	842,652	1,897,128
	Development and sales		—	—	—	—
	Others		95,049	96,318	108,889	300,257
Cost of sales			431,980	661,241	810,556	1,903,777
Gross profit on sales			113,804	192,110	255,000	560,914
Gross profit margin			20.9%	22.5%	23.9%	22.8%

* Approximate gross profit margins

Contracted Orders

During the third quarter of this fiscal year, we completed and handed over eight properties that were contracted orders, and received five orders totaling ¥602,125 thousand. As for the breakdown, the Phil Park aerial shop business received three orders totaling ¥443,234 thousand, and the Premium Garage House business received two orders totaling ¥158,890 thousand. As a result, during the first nine months of this fiscal year, we had 20 orders totaling ¥1,936,881 thousand. As for the breakdown, the Phil Park aerial shop business received eight orders totaling ¥1,109,767 thousand, and the Premium Garage House business received 12 orders totaling ¥827,114

thousand. Both the Phil Park aerial shop business and the Premium Garage House business are steadily receiving orders.

In the Phil Park aerial shop business, as economic activity picks up due to policies aimed at living “with coronavirus,” the number of orders received is on a recovery trend compared to the previous fiscal year. In order to continue receiving orders even in the midst of unstable societal conditions such as the COVID-19 pandemic, in the Phil Park aerial shop business we will continue steadily attracting tenants by making plans and proposals which optimize site characteristics, and in the Premium Garage House business we will focus on creating a database of customer information, expanding site content, and digitally transforming the sales process.

Development and Sales

During the third quarter of this fiscal year, we concluded two contracts for land acquisition. As a result, a total of seven contracts for land acquisition were concluded during the first nine months of this fiscal year, and the total expected amount of development projects regarded as an expected cost of sales as of the end of the third quarter totaled ¥2,183,284 thousand. We intend to continue our policy of aggressively acquiring high-quality land for development and, as construction is progressing smoothly on all of our projects, we will also strengthen sales activities with an eye to sales in the future.

Status of Business

		Unit	FY Ending Nov. 30, 2022		Bracketed figures are for the previous FY		
			Q1	Q2	Q3	Q4	Total
Contracted Orders	1) No. of orders received Phil Park aerial shop	orders	3 [2]	2 [2]	3 [1]	— [0]	8 [5]
	2) No. of orders received ¹ Premium Garage House	orders	2 [4]	8 [3]	2 [6]	— [9]	12 [22]
	3) No. of orders received ¹ Total	orders	5 [6]	10 [5]	5 [7]	— [9]	20 [27]
	4) Amount of orders received ² Phil Park aerial shop	thousand yen	320,159 [1,227,283]	346,374 [370,721]	443,234 [78,328]	— [17,567]	1,109,767 [1,693,900]
	5) Amount of orders received Premium Garage House	thousand yen	193,510 [236,390]	474,713 [234,440]	158,890 [311,869]	— [577,470]	827,114 [1,360,169]
	6) Amount of orders received Total	thousand yen	513,669 [1,463,673]	821,087 [605,161]	602,125 [390,197]	— [595,037]	1,936,881 [3,054,069]
	7) Balance of orders received as of the end of period ³	thousand yen	2,400,320 [2,915,120]	2,467,324 [2,598,173]	2,114,963 [2,681,707]	— [2,587,870]	
	8) No. of properties completed and delivered	orders	3 [0]	4 [3]	8 [4]	— [9]	15 [16]
Development and Sales	9) No. of contracts to acquire land for development ⁴	orders	5 [0]	2-1 [0]	2-1 [1]	— [0]	7 [1]
	10) No. of projects making up the total expected amount ⁵	orders	8 [5]	9 [4]	10 [4]	— [3]	
	11) Total expected amount of development projects ⁵	thousand yen	2,073,595 [2,155,974]	1,883,301 [1,405,904]	2,183,284 [945,551]	— [403,381]	
	12) No. of projects sold and delivered Land	orders	0 [0]	0 [0]	0 [0]	— [0]	0 [0]
	13) No. of projects sold and delivered Land with a building	orders	0 [0]	0 [1]	0 [1]	— [1]	0 [3]
14) No. of employees	employees	59 [39]	59 [52]	58 [49]	— [48]		

1. Number of orders received for the Premium Garage House business included the number of orders received by partner companies until the end of the fiscal year ended November 30, 2021. However, number of orders received by partner companies are not included since the beginning of the fiscal year ending November 30, 2022, as it is not possible to accurately calculate the unit price per order for each premium garage house.

Therefore, in order to align the basis for the number of orders for premium garage houses in the fiscal year ended November 30, 2021 and the fiscal year ending November 30, 2022, the figures for the previous fiscal year exclude one order received in the first quarter and three orders received in the fourth quarter, for a total of four orders received by partner companies in the fiscal year ended November 30, 2021. Note that the figures for the amount of orders received and balance of orders continue to include orders received by partner companies in the fiscal year ending November 30, 2022.

2. The amount of orders received is the total amount (sales base) of new orders for construction or projects received during the fiscal year.
3. The balance of orders is the total remaining amount of orders received for construction and projects that have not yet been recorded as sales by the end of the fiscal year, and is the expected amount of sales.
4. Of the contracts for land acquisition, because delivery for one order in each of the second and third quarters was not completed so they are entered as “-1”.
5. The total expected amount of development projects is, with respect to projects to better use land which started after the conclusion of a contract to acquire the concerned land, the total estimated amount to be expended on land with a building until their completion as of the end of the period, and is the expected cost of sales.

Miscellaneous Topics

As announced on our corporate website on July 22, 2022, we have established a new wholly-owned subsidiary, Phil Business Succession & Community Revitalization Project, Inc. The Phil Company Group is working to revitalize local community from our unique perspective by encouraging tenants to move into Phil Park aerial shops, especially small and medium-sized companies opening new stores and individuals opening their own businesses, thereby creating light and liveliness in underutilized spaces.

Over the course of our business activities, we have witnessed an increase in vacant lots, vacant houses, parking lots, and other underutilized spaces due to the lack of successors for small and medium-sized businesses, which are the backbone of Japan’s economy and still account for the majority of Japanese companies. Therefore, in order to provide greater support than ever to small- and medium-sized companies dealing with succession issues, and to discover and cultivate tenant businesses which can contribute to the expansion of Phil Park aerial shops, we have established the Phil Business Succession & Community Revitalization Project.

This newly established wholly owned subsidiary provides a range of services, from co-investment to business value enhancement, through utilization of the Phil Company Group’s expertise and network of financial institution and professional contacts, as well as collaboration with companies specializing in post-merger integration (PMI) and business development. By addressing regional issues such as the lack of business successors, the Phil Company Group will work to achieve our goal of harmony between sustainable corporate growth and a sustainable society.

In addition, as announced on our corporate website on August 24, 2022, we have issued the first and second series of step-up type share acquisition rights by third party allotment as part of sustainable financing where we obtained second-party opinions from the Japan Research Institute, Ltd. from an ESG and SDG perspective.

The environment surrounding our Group is changing at a dizzying pace. In addition to the hollowing out of urban areas caused by the declining birthrate and aging population, the number of underutilized spaces in cities is increasing due to the long-term impact of the COVID-19 pandemic, and we are dealing with climate change and decarbonizing society on top of that. The funds to be raised through this sustainable financing will be used to develop Phil Park aerial shops, which make use of underutilized spaces, and environmentally friendly premium garage houses fitted with solar panels, thereby contributing to the revitalization of cities while creating new renewable energy sources.

(2) Overview of Financial Position

Assets

Total assets at the end of the third quarter of this fiscal year decreased by ¥702,872 thousand, compared to the end of the previous fiscal year, totaling ¥4,747,439 thousand. This was mainly due to a decrease of ¥1,809,327 thousand in cash and deposits, an increase of ¥287,205 thousand in real estate for sale, and an increase of ¥702,473 thousand in real estate for sale in progress.

Liabilities

Liabilities at the end of the third quarter of this fiscal year decreased by ¥203,334 thousand, compared to the end of the previous fiscal year, totaling ¥2,472,862 thousand. This was mainly due to a decrease of ¥439,267 thousand in advances received, a decrease of ¥230,782 thousand in income taxes payable, and an increase of ¥465,156 thousand in accounts payable.

Net assets

Net assets at the end of the third quarter of this fiscal year decreased by ¥499,537 thousand from the end of the previous fiscal year, totaling ¥2,274,576 thousand. This was mainly due to an increase of ¥499,879 thousand in treasury stock by repurchasing shares. Moreover, retained earnings at the beginning of this fiscal year increased ¥48,657 thousand due to the application of revenue recognition accounting standards.

(3) Explanation of Forecast Data, including Consolidated Forecasts

There has been no change to the results forecast for the full fiscal year, which was released on January 14, 2022. We will continue to carefully monitor orders received and the progress of contracted orders projects and purchases and sales conditions for development and sales, and will promptly disclose information in the event that corrections to the results forecast become necessary.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of November 30, 2021	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	4,193,330	2,384,003
Accounts receivable - trade	5,127	30,639
Real estate for sale	168,903	456,108
Real estate for sale in progress	95,760	798,233
Costs on service contracts in progress	40,022	21,283
Others	72,770	212,928
Total current assets	4,575,914	3,903,197
Non-current assets		
Property, plant and equipment	329,756	308,131
Intangible assets		
Goodwill	161,423	141,791
Others	7,347	10,162
Total intangible assets	168,771	151,953
Investments and other assets		
Investment securities	90,581	58,088
Deferred tax assets	128,719	150,583
Other	185,270	204,187
Allowance for doubtful accounts	(28,701)	(28,701)
Total investments and other assets	375,869	384,157
Total non-current assets	874,397	844,242
Total assets	5,450,312	4,747,439
Liabilities		
Current liabilities		
Accounts payable - trade	168,205	633,362
Current portion of long-term borrowings	37,280	70,236
Income taxes payable	265,419	34,636
Advances received	1,252,557	813,289
Deposits received	15,707	19,377
Provision for share awards	33,497	—
Other	355,780	101,694
Total current liabilities	2,128,446	1,672,596
Non-current liabilities		
Long-term borrowings	202,792	456,779
Lease liabilities	122,866	118,643
Asset retirement obligations	52,374	49,990
Long-term guarantee deposits	136,243	143,707
Other	33,474	31,145
Total non-current liabilities	547,750	800,266
Total liabilities	2,676,197	2,472,862
Net assets		
Shareholders' equity		
Share capital	789,647	789,647
Capital surplus	789,647	789,647
Retained earnings	1,801,442	1,768,736
Treasury shares	(609,747)	(1,076,502)
Total shareholders' equity	2,770,989	2,271,528
Share acquisition rights	2,148	2,148
Non-controlling interests	977	900

(Unit: thousand yen)

	As of November 30, 2021	As of August 31, 2022
Total net assets	2,774,114	2,274,576
Total liabilities and net assets	5,450,312	4,747,439

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income
For the Nine Months

(Unit: thousand yen)

	Nine months ended August 31, 2021	Nine months ended August 31, 2022
Net sales	3,882,457	2,464,691
Cost of sales	2,543,568	1,903,777
Gross profit	1,338,889	560,914
Selling, general and administrative expenses	524,679	596,194
Operating income (loss)	814,209	(35,280)
Non-operating income		
Interest income	279	284
Dividend income	110	90
Compensation income	1,681	—
Interest on tax refund	1,224	—
Share of profit of entities accounted for using equity method	—	2,711
Subsidy income	—	2,500
Other	30	1,190
Total non-operating income	3,326	6,776
Non-operating expenses		
Interest paid	7,987	6,127
Commission expenses	3,805	1,249
Share of loss of entities accounted for using equity method	1,057	—
Total non-operating expenses	12,850	7,376
Ordinary profit (loss)	804,685	(35,881)
Extraordinary income		
Gain on sale of investment securities	—	18,953
Gain on reversal of asset retirement obligations	—	2,571
Total extraordinary income	—	21,525
Profit (loss) before income taxes	804,685	(14,355)
Income taxes - current	242,699	58,510
Income taxes - deferred	26,223	(47,553)
Total income taxes	268,922	10,957
Profit (loss)	535,762	(25,312)
Loss attributable to non-controlling interests	(102)	(76)
Profit (loss) attributable to owners of parent	535,864	(25,236)

Consolidated Statement of Comprehensive Income
For the Nine Months

(Unit: thousand yen)

	Nine months ended August 31, 2021	Nine months ended August 31, 2022
Profit (loss)	535,762	(25,312)
Comprehensive income	535,762	(25,312)
(Breakdown)		
Comprehensive income attributable to owners of parent	535,864	(25,236)
Comprehensive income attributable to non-controlling interests	(102)	(76)

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable

Substantial Changes in the Amount of Shareholders' Equity

The Company repurchased 435,200 shares based on a resolution of the Board of Directors meeting held on January 28, 2022. As a result, treasury stock increased by ¥499,879 thousand during the nine months ended August 31, 2022, resulting in treasury stock of ¥1,076,502 thousand at the end of the third quarter of the current fiscal year.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, etc.

Effective December 1, 2021, the Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. and recognizes revenue at an amount that it expects to receive in exchange for the promised goods or services when the control of the goods or services is transferred to a customer.

As a result, effective from the beginning of the current fiscal year, the Company changed the method of revenue recognition applied to planning and design, design supervision, and construction contracts under contracted orders from the previous method of recognition upon completion of the contract to recognition over a period of time as performance obligations are satisfied.

Moreover, percentage of progress toward satisfying performance obligations is estimated primarily by the input method based on the cost incurred.

We applied the Accounting Standard for Revenue Recognition, etc. from December 1, 2021 pursuant to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, with the cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to December 1, 2021, adjusted to the beginning balance of retained earnings as of December 1, 2021.

As a result, net sales for the nine months ended August 31, 2022 increased by ¥626,588 thousand, cost of sales increased by ¥541,626 thousand, gross profit increased by ¥84,962 thousand, and operating loss, ordinary loss and loss before income taxes each decreased by ¥84,962 thousand. Moreover, the retained earnings balance at the beginning of the period increased by ¥48,657 thousand.

Pursuant to the transitional treatment provided for in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers in the nine months ended August 31, 2022 is not presented.

Application of Accounting Standard for Fair Value Measurement, etc.

Effective December 1, 2021, the Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc., and the new accounting policy provided for in the Accounting Standard for Fair Value Measurement, etc. is applied prospectively pursuant to the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There was no impact on the quarterly consolidated financial statements.

Significant Subsequent Events

Issuance of Share Acquisition Rights through Third-Party Allotment

The Company has resolved, at a meeting of the Board of Directors held on August 24, 2022, to issue the first series of step-up type share acquisition rights (with an exercise request clause, Sustainable TEP²) and second series of step-up type share acquisition rights (with an exercise request clause, Sustainable TEP²) (hereinafter, the “First Series” and “Second Series,” respectively, and the “Share Acquisition Rights,” respectively or collectively) through a third-party allotment. Payment of the total issue amount (¥1,826,000) for these Share Acquisition Rights has been completed.

Overview of these Share Acquisition Rights

(1) Date of allotment	September 9, 2022
(2) Total number of share acquisition rights	4,000 First Series: 2,000 Second Series: 2,000
(3) Issue amount	Total amount: ¥1,826,000 (First Series: 875 yen per right, Second Series: 38 yen per right)
(4) Number of potential shares resulting from the issuance	400,000 (100 per right) First Series: 200,000 Second Series: 200,000 The exercise price for either series of share acquisition rights may be revised as described in “(6) Exercise price and conditions for revision of exercise price” below, but the exercise price after revision is fixed and it has no upper or lower limit. Even if the exercise price is revised, the number of potential shares for the First Series and Second Series remains 200,000 and 200,000 shares, respectively.
(5) Amount of funds to be procured ¹	¥991,826,000*
(6) Exercise price and conditions for revision of exercise price	Initial Exercise Price First Series: ¥2,000 Second Series: ¥3,000 If the closing price of the Company’s common stock in regular trading on the Tokyo Stock Exchange, Inc. (“TSE”) (hereinafter, “Closing Price”) exceeds ¥2,200 (which may be adjusted in accordance with the terms and conditions for the issuance of the First Series [hereinafter, whether collectively with the terms and conditions for the issuance of the Second Series or individually, referred to as the “Terms and Conditions”]) for 20 consecutive trading days after the issuance of the First Series, starting on the day following the 20th such trading day (however, this applies only on or after March 13, 2023 [hereinafter, the “Revision Date”]), the exercise price of the First Series shall be revised to ¥3,500 (subject to adjustment in accordance with the Terms and Conditions of this issuance). The exercise price of the Second Series shall be revised to ¥5,000 (subject to adjustment in accordance with the Terms and Conditions of this issuance) on and after the day following the 20th trading day in the event that the Closing Price exceeds ¥3,300 for 20 consecutive trading days after the issuance of the Second Series (however, this applies only on or after March 13, 2023 [hereinafter, the Revision Date”]). The price will be revised to ¥5,000

	(subject to adjustment in accordance with the Terms and Conditions of this issuance) thereafter. A "trading day" means a day on which the TSE is open and does not include days on which the Closing Price of the Company's common stock in regular trading is not announced. However, for the purpose of this paragraph, the quotation closing day shall be included in the trading day, and the last quoted price on that day shall be deemed to be the Closing Price and the provisions of this paragraph shall apply. As stated above, the exercise price for any of the Share Acquisition Rights shall not be revised prior to March 12, 2023. Therefore, the Share Acquisition Rights do not fall under the category of moving strike convertible bonds, etc. as defined in Rule 410, Paragraph 1 of the Securities Listing Regulations set forth by the TSE.
(7) Exercise period	From September 12, 2022 to September 11, 2025
(8) Method of offering or allotment	Third party allotment
(9) Scheduled allottee	SBI Securities Co., Ltd.
(10) Other	The Company plans to enter into a third-party allotment agreement (hereinafter, the "Third-Party Allotment Agreement") with the scheduled allottee regarding the Share Acquisition Rights, conditional on the securities notice taking effect pursuant to the Financial Instruments and Exchange Act. The following details are scheduled to be stipulated in the Stock Acquisition Rights Allotment Agreement. <ul style="list-style-type: none"> • Request to exercise Share Acquisition Rights and withdrawal of request to exercise Share Acquisition Rights • Request for acquisition of the Share Acquisition Rights by the scheduled allottee In addition, the scheduled allottee must obtain the approval of the Company's Board of Directors before transferring the Share Acquisition Rights to a third party in accordance with the provisions of the Third-Party Allotment Agreement.

1. The amount of funds to be procured is the sum of the total amount to be paid in for the Share Acquisition Rights plus the amount of property to be contributed upon exercise of the Share Acquisition Rights, less an estimated amount of expenses related to the issuance of the Share Acquisition Rights. If the exercise price is revised or adjusted, the amount of funds procured may increase or decrease. The amount of funds procured will decrease if the Share Acquisition Rights are not exercised within the exercise period or if the Company cancels the acquired share acquisition rights.

2. Sustainable TEP

We have set the exercise prices for the Stock Acquisition Rights, the financing vehicle for which we obtained a second party opinion regarding an ESG and SDGs perspective from the Japan Research Institute, Inc., as our target share prices (target prices). This is set in anticipation of a future increase in the share price and with the expectation that the Share Acquisition Rights will be exercised at different target exercise prices.

The exercise prices of the First and Second Series are initially set at ¥2,000 and ¥3,000, respectively, but if the Closing Prices exceed the respective initial exercise prices by 10% for 20 consecutive business days, the exercise prices of the First and Second series will be stepped up to ¥3,500 and ¥5,000, respectively (however, no such step-up will occur prior to March 12, 2023). The initial exercise prices of ¥2,000 and ¥3,000 and the step-up target prices of ¥3,500 and ¥5,000 were set in consideration of the Company's efforts to achieve its mid-term management plan as well as the current market environment, the Company's actual profit margin on sales and actual PER.