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Consolidated Financial Results
for the Three Months Ended February 28, 2023
(Under Japanese GAAP)

April 13, 2023

Company name: Phil Company, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3267
URL: <http://philcompany.jp>
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Scheduled date to file quarterly securities report: April 14, 2023
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 three months ended February 28, 2023 (from December 1, 2022 to February 28, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Three months ended February 28, 2023	733	34.3	(88)	—	(90)	—	(67)	—
February 28, 2022	545	419.3	(72)	—	(75)	—	(46)	—

Note: Comprehensive income For the three months ended February 28, 2023: ¥(67) million (—%)
For the three months ended February 28, 2022: ¥(46) million (—%)

	Basic earnings per share	Diluted earnings per share
Three months ended February 28, 2023	Yen (13.18)	Yen —
February 28, 2022	(8.51)	—

Note: Diluted earnings per share for the three months ended February 28, 2023 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 February 28, 2023	4,635	2,375	51.2%
November 30, 2022	4,750	2,443	51.3%

Reference: Equity

As of February 28, 2023: ¥2,371 million
As of November 30, 2022: ¥2,438 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, 2022	—	0.00	—	0.00	0.00
Fiscal year ending Nov. 30, 2023	—				
Fiscal year ending Nov. 30, 2023 (Forecast)		0.00	—	0.00	0.00

Note: Revisions from the last forecast released: None

3. Forecast for the fiscal year ending November 30, 2023 (from December 1, 2022 to November 30, 2023)

Preface to the consolidated earnings forecast

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
		%		%		%		%	Yen
Six months ending May 31, 2023	2,200	57.2	(75)	—	(80)	—	(55)	—	(10.70)
Fiscal year ending November 30, 2023	7,000	59.9	250	47.2	240	19.9	160	12.6	31.12

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

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

(ii) Number of treasury shares at the end of the period

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of February 28, 2023	5,778,000	As of November 30, 2022	5,778,000
As of February 28, 2023	635,980	As of November 30, 2022	635,980
Three months ended February 28, 2023	5,142,020	Three months ended February 28, 2022	5,461,429

Note: The number of treasury shares at the end of the period includes the Company's shares (35,500 shares as of February 28, 2023 and 35,500 shares as of November 30, 2022) 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 (35,500 shares in the first quarter of the year ending November 30, 2023 and 49,000 shares in the first quarter of the year ended November 30, 2022).

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 5, "1. Qualitative Information on the Three-Month Consolidated Results, (3) Explanation of Forecast Data, including Consolidated Forecasts."

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1. Qualitative Information on the Three-Month Consolidated Results

(1) Overview of Operating Results

During the first quarter of the current fiscal year (December 1, 2022 to February 28, 2023), the Japanese economy showed signs of picking up from the COVID-19 pandemic due to the easing of restrictions on activities, normalization of economic activities has progressed, and the economy has been on a gradual recovery path. On the other hand, the outlook remained uncertain due to the ongoing depreciation of the yen and soaring global resource and energy prices caused by the situation in Russia and Ukraine.

Under these conditions, the Phil Company Group provides solutions in two ways: Contracted Orders, in which we provide landowners with proposals, and Development and Sales for real estate investors, in which our company performs all work from buying land to development and sales. In both, we have two brands*: the Phil Park brand, which aims to benefit all three parties involved – the landowner, tenant, and the community – and the Premium Garage House brand for rental housing that includes a garage. These brands are based on the Phil Company Group's corporate philosophy of prosperous coexistence.

*Currently, when we report our financial data, the data is not broken down by brand, or disclosed, for Development and Sales.

In the first quarter, there were 29 projects in progress (23 in the same quarter of the previous year), more than in the same quarter of the previous year so net sales increased 34.3% year on year to ¥733,051 thousand (¥545,785 thousand in the same quarter of the previous year) and gross profit amounted to ¥188,628 thousand (¥113,804 thousand in the same quarter of the previous year), with a gross profit margin of 25.7% (20.9% in the same quarter of the previous year).

Operating loss was ¥88,174 thousand (¥72,100 thousand in the same quarter of the previous year), ordinary loss was ¥90,461 thousand (¥75,335 thousand in the same quarter of the previous year), and loss attributable to owners of parent was ¥67,750 thousand (¥46,499 thousand in the same quarter of the previous year) due to the increase in SG&A expenses caused by the head office relocation-related expenses incurred in December 2022, in addition to increased personnel and outsourcing expenses in accordance with the current mid-term management plan.

Contracted Orders

During the first quarter of this fiscal year, we received three orders (five in the same quarter of the previous year) totaling ¥677,786 thousand (¥513,669 thousand in the same quarter of the previous year). The breakdown is as follows: two orders (three in the same quarter of the previous year) for the Phil Park aerial shop business, totaling ¥613,386 thousand (¥320,159 thousand in the same quarter of the previous year), and one order (two in the same quarter of the previous year) for the Premium Garage House business, totaling ¥64,400 thousand (¥193,510 thousand in the same quarter of the previous year).

While the number of orders received decreased compared to the same quarter of the previous year, the yen total increased 32.0%. In particular, the yen total for Phil Park aerial shops increased 91.6% from the same quarter of the previous year, and the yen total has been increasing every quarter compared since the previous fiscal year.

Development and Sales

During the first quarter of this fiscal year, we concluded one new contract for land acquisition. As a result, the number of projects making up the total expected amount of development projects as of the end of the first quarter of this fiscal year was eight, and the amount of those development projects, which is the expected future cost of sales, was ¥1,953,496 thousand.

Several projects have already been completed, and sales activities are underway for some of them to be sold in the second quarter of the fiscal year.

We will continue to actively acquire land for new development, and we will also continue to acquire land for

projects to be sold through our own fund in the next fiscal year and beyond.

Status of Business

		Unit	FY Ending Nov. 30, 2023		Bracketed figures are for the previous FY		
			Q1	Q2	Q3	Q4	Total
Contracted Orders	1) No. of orders received Phil Park aerial shop	orders	2 [3]	— [2]	— [3]	— [5]	2 [13]
	2) No. of orders received Premium Garage House	orders	1 [2]	— [8]	— [2]	— [4]	1 [16]
	3) No. of orders received Total	orders	3 [5]	— [10]	— [5]	— [9]	3 [29]
	4) Amount of orders received ¹ Phil Park aerial shop	thousand yen	613,386 [320,159]	— [346,374]	— [443,234]	— [522,881]	613,386 [1,632,649]
	5) Amount of orders received ² Premium Garage House	thousand yen	64,400 [193,510]	— [474,713]	— [158,890]	— [274,477]	64,400 [1,101,591]
	6) Amount of orders received Total	thousand yen	677,786 [513,669]	— [821,087]	— [602,125]	— [797,359]	677,786 [2,734,241]
	7) Balance of orders received as of the end of period ³	thousand yen	1,902,467 [2,400,320]	— [2,467,324]	— [2,113,663]	— [1,884,005]	—
	8) No. of properties completed and delivered	orders	10 [3]	— [4]	— [8]	— [7]	10 [22]
Development and Sales	9) No. of contracts to acquire land for development	orders	1 [5]	— [1]	— [1]	— [1]	1 [8]
	10) No. of projects making up the total expected amount	orders	8 [8]	— [9]	— [10]	— [7]	—
	11) Total expected amount of development projects ⁴	thousand yen	1,953,496 [2,073,595]	— [1,883,301]	— [2,183,285]	— [1,711,451]	—
	12) No. of projects sold and delivered Land	orders	0 [0]	— [0]	— [0]	— [2]	0 [2]
	13) No. of projects sold and delivered Land and buildings	orders	0 [0]	— [0]	— [0]	— [2]	0 [2]
14) No. of employees ⁵	employees	54 [48]	— [59]	— [57]	— [52]	—	

1. The amount of orders received is the total amount (based on sales) of new orders for construction or projects received during the fiscal year.
2. The amount of orders received for the Premium Garage House business includes the number of orders received by partner companies.
3. The balance of orders received 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. 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 and buildings until their completion as of the end of the period, and is the expected cost of sales.
5. The number of employees is the number of employees at the end of the fiscal year.

Miscellaneous Topics

- Investment in human resources pool

As of February 28, 2023, we had 54 employees (52 as of November 30, 2022). As of April 13, 2023, adding new graduates and mid-career employees who joined the company thereafter, we had 63.

In the first quarter of this fiscal year, we actively recruited mid-career professional personnel, with particular emphasis on hiring mid-career professional personnel in the sales division. We are also making progress in securing professional personnel through outsourcing, which is not included in the number of employees, and we will continue to make efforts so we can hire appropriate personnel, while keeping an eye on the organization as a whole.

- Capital and Business Alliances and Disposal of Treasury Stock

On February 14, 2023, the Board of Directors resolved to form a capital and business alliance with ONGAESHI Holdings Co., Ltd., Tryfunds Inc., and Kayac Inc., and to dispose of treasury stock through a third-party allocation to ONGAESHI Capital Investment Limited Liability Partnership 1 and Kayac Inc.

With regard to the capital and business alliance, we will implement our growth strategy by working together as strategic partners with a view to dramatically expanding business and increasing corporate value in our group in the future.

Payment for the total amount of the disposal price (¥249,896,600) for the disposal of treasury stock was completed on March 7, 2023. For details, please refer to "4. Quarterly Consolidated Financial Statements, (2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income Notes (Significant Subsequent Events)."

- Sustainability

On February 21, 2023, we made our first disclosure based on the TCFD¹ recommendations, and we used scenario analysis to evaluate the impact of the risks and opportunities associated with the transition to a low-carbon society on our business. Going forward, we will promote research and development of ZEB and ZEH² and development of products using domestic timber such as CLT³ to shift to commercial products that are appropriate for the environment, aiming to both enhance corporate value and solve social issues.

We also intend to actively disclose information to our stakeholders through responses to CDP⁴ and being compliant with international initiatives.

1. TCFD (Task Force on Climate-related Financial Disclosures): A task force established by the Financial Stability Board, an international organization of central banks and financial regulators from major countries, to recommend a disclosure framework for climate-related information to investors.
2. ZEB, ZEH (net Zero Energy Building/House): A building or house with a primary energy consumption balance of zero by improving the energy-saving performance of the building and house.
3. CLT (Cross Laminated Timber): Large-sized panels of layers of boards that are laid on top of each other and glued so that the direction of the fibers of the boards is at right angles to each other. It is attracting attention as a building material that has a low environmental impact and leads to reduced CO₂ emissions.
4. CDP: An organization that sends questionnaires to companies and organizations about environmental information, and evaluates and publishes the progress of environmental stewardship based on the responses.

(2) Overview of Financial Position

Assets

Total assets at the end of the first quarter of this fiscal year decreased by ¥114,868 thousand from the end of the previous fiscal year, totaling ¥4,635,179 thousand. This was mainly due to a decrease of ¥482,134 thousand in cash and deposits, an increase of ¥257,947 thousand in real estate for sale, and an increase of ¥136,636 thousand in property, plant and equipment.

Liabilities

Liabilities at the end of the first quarter of this fiscal year decreased by ¥47,040 thousand from the end of the previous fiscal year, totaling ¥2,259,272 thousand. This was mainly due to a decrease of ¥230,035 thousand in accounts payable - trade, a decrease of ¥94,530 thousand in income taxes payable, and an increase of ¥117,885 thousand in long-term borrowings, ¥62,050 thousand in asset retirement obligations, and ¥54,792 thousand in advances received.

Net assets

Net assets at the end of the first quarter of this fiscal year decreased by ¥67,828 thousand from the end of the previous fiscal year, totaling ¥2,375,906 thousand. This was mainly due to a decrease of ¥67,750 thousand in retained earnings from loss attributable to owners of parent.

(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 13, 2023. 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, 2022	As of February 28, 2023
Assets		
Current assets		
Cash and deposits	2,250,657	1,768,523
Accounts receivable - trade	43,826	39,515
Real estate for sale	616,347	874,294
Real estate for sale in progress	740,674	606,039
Costs on service contracts in progress	14,562	24,575
Income taxes refund receivable	132,382	161,010
Other	88,245	120,145
Total current assets	3,886,695	3,594,104
Non-current assets		
Property, plant and equipment	301,477	438,113
Intangible assets		
Goodwill	135,247	128,702
Other	9,137	22,720
Total intangible assets	144,384	151,423
Investments and other assets		
Investment securities	103,141	110,412
Deferred tax assets	140,363	163,510
Other	202,688	206,317
Allowance for doubtful accounts	(28,701)	(28,701)
Total investments and other assets	417,490	451,537
Total non-current assets	863,352	1,041,074
Total assets	4,750,048	4,635,179
Liabilities		
Current liabilities		
Accounts payable - trade	458,167	228,131
Current portion of long-term borrowings	70,236	83,092
Income taxes payable	94,650	120
Advances received	728,864	783,656
Provision for bonuses	–	9,885
Deposits received	18,967	55,796
Other	157,834	145,213
Total current liabilities	1,528,719	1,305,894
Non-current liabilities		
Long-term borrowings	439,220	557,105
Lease liabilities	117,196	115,730
Asset retirement obligations	50,050	112,100
Long-term guarantee deposits	140,753	138,809
Other	30,372	29,633
Total non-current liabilities	777,593	953,378
Total liabilities	2,306,313	2,259,272
Net assets		
Shareholders' equity		
Share capital	789,647	789,647
Capital surplus	789,647	789,647
Retained earnings	1,936,076	1,868,326
Treasury shares	(1,076,502)	(1,076,502)
Total shareholders' equity	2,438,868	2,371,118
Share acquisition rights	3,974	3,974
Non-controlling interests	892	814

(Unit: thousand yen)

	As of November 30, 2022	As of February 28, 2023
Total net assets	2,443,735	2,375,906
Total liabilities and net assets	4,750,048	4,635,179

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

(Unit: thousand yen)

	Three months ended February 28, 2022	Three months ended February 28, 2023
Net sales	545,785	733,051
Cost of sales	431,980	544,422
Gross profit	113,804	188,628
Selling, general and administrative expenses	185,905	276,803
Operating loss	(72,100)	(88,174)
Non-operating income		
Interest income	98	382
Share of profit of entities accounted for using equity method	–	470
Other	50	86
Total non-operating income	148	940
Non-operating expenses		
Interest expenses	1,952	2,191
Commission expenses	1,249	1,012
Share of loss of entities accounted for using equity method	181	–
Other	–	22
Total non-operating expenses	3,383	3,226
Ordinary loss	(75,335)	(90,461)
Extraordinary income		
Gain on sale of investment securities	18,953	–
Total extraordinary income	18,953	–
Loss before income taxes	(56,381)	(90,461)
Income taxes - current	17,448	514
Income taxes - deferred	(27,271)	(23,147)
Total income taxes	(9,822)	(22,632)
Loss	(46,558)	(67,828)
Loss attributable to non-controlling interests	(59)	(77)
Loss attributable to owners of parent	(46,499)	(67,750)

Consolidated Statement of Comprehensive Income
For the Three Months

(Unit: thousand yen)

	Three months ended February 28, 2022	Three months ended February 28, 2023
Loss	(46,558)	(67,828)
Comprehensive income	(46,558)	(67,828)
(Breakdown)		
Comprehensive income attributable to owners of parent	(46,499)	(67,750)
Comprehensive income attributable to non- controlling interests	(59)	(77)

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable

Substantial Changes in the Amount of Shareholders' Equity

Not applicable

Changes in Accounting Policies

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Fair Value Measurement Accounting Standard Implementation Guidance") has been applied from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance will be applied prospectively in accordance with the transitional treatment prescribed in Section 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. There was no impact on the quarterly consolidated financial statements.

Significant Subsequent Events

Disposal of treasury stock through third-party allotment

At the Board of Directors meeting held on February 14, 2023, the Company resolved to dispose of treasury stock through a third-party allotment to ONGAESHI Capital Investment Limited Liability Partnership 1 and Kayac Inc., and the payment was completed on March 7, 2023.

(1) Payment date	March 7, 2023
(2) Number of shares disposed of	227,800 common shares
(3) Disposal price	¥1,097 per share
(4) Amount of funds raised	¥249,896,000
(5) Method of disposal	Third-party allotment.
(6) Allottee	ONGAESHI Capital Investment Limited Partnership 1: 182,300 shares Kayac Inc.: 45,500 shares