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Consolidated Financial Results
for the first six months of the fiscal year ending November 30, 2023
(Under Japanese GAAP)

July 13, 2023

Company name: Phil Company, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3267
URL: <https://philcompany.jp>
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Scheduled date to file quarterly securities report: July 14, 2023
Scheduled date to commence dividend payments: —
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the six months ended May 31, 2023 (from December 1, 2022 to May 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
		%		%		%		%
Six months ended								
May 31, 2023	1,855	32.6	(140)	—	(147)	—	(109)	—
May 31, 2022	1,399	(33.7)	(77)	—	(77)	—	(50)	—

Note: Comprehensive income For the six months ended May 31, 2023: ¥(109) million (—%)
For the six months ended May 31, 2022: ¥(50) million (—%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
May 31, 2023	(20.81)	—
May 31, 2022	(9.47)	—

Note: Diluted earnings per share for the six months ended May 31, 2023 is not disclosed because basic earnings per share was negative, although there are potentially dilutive common shares.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of			%
May 31, 2023	4,743	2,584	54.4
November 30, 2022	4,750	2,443	51.3

Reference: Equity
As of May 31, 2023: ¥2,579 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	—	0.00			
Fiscal year ending Nov. 30, 2023 (Forecast)			—	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
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 May 31, 2023	5,778,000	As of November 30, 2022	5,778,000
As of May 31, 2023	408,180	As of November 30, 2022	635,980
Six months ended May 31, 2023	5,248,410	Six months ended May 31, 2022	5,298,499

Note: The number of treasury shares at the end of the period includes the Company's shares (35,500 shares as of May 31, 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 second quarter of the year ending November 30, 2023 and 43,647 shares in the second 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 4, "1. Qualitative Information on the Six-Month Consolidated Results, (3) Explanation of Forecast Data, including Consolidated Forecasts."

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1. Qualitative Information on the Six-Month Consolidated Results

(1) Overview of Operating Results

During the first half of the current fiscal year (December 1, 2022 to May 31, 2023), the Japanese economy was on a steady recovery path toward the normalization of social and economic activities with the easing of social restrictions due to the COVID-19 pandemic. On the other hand, the outlook remained uncertain due to soaring global resource and energy prices caused by the prolonged situation in Ukraine and the impact of monetary tightening.

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 aerial shop 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.

In the first half, net sales increased 32.6% year on year to ¥1,855,240 thousand and gross profit increased 39.2% year on year to ¥425,738 thousand, with a gross profit margin of 22.9% (21.8% in the first half of the previous year).

The year-on-year increase in net sales was due to an increase in sales from large-value construction contracts accompanying the higher number of projects completed during the first half of this fiscal year than in the first half of the previous year, in addition to the sale and delivery of a project in Development and Sales, a factor which was absent in the first half of the previous year. In addition, despite the impact of the recent surge in material prices, gross profit and the gross profit margin improved year on year due to differentiation from competitors based on our planning capabilities and a review of cost competitiveness.

Operating loss was ¥140,242 thousand (¥77,245 thousand in the first half of the previous year), ordinary loss was ¥147,463 thousand (¥77,769 thousand in the first half of the previous year), and loss attributable to owners of parent was ¥109,231 thousand (¥50,161 thousand in the first half of the previous year) due to the increase in SG&A expenses owing to the increase in rent and other 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 second quarter of this fiscal year, we received four orders totaling ¥366,085 thousand. The breakdown is as follows: two orders (two in the same quarter of the previous year) for the Phil Park aerial shop business, totaling ¥249,548 thousand (¥346,374 thousand in the same quarter of the previous year), and two orders (eight in the same quarter of the previous year) for the Premium Garage House business, totaling ¥116,536 thousand (¥474,713 thousand in the same quarter of the previous year). As a result, in the first half of this fiscal year, we received seven orders (15 in the first half of the previous year) totaling ¥1,043,872 thousand (¥1,334,756 thousand in the first half of the previous year). The breakdown is as follows: four orders (five in the first half of the previous year) for the Phil Park aerial shop business, totaling ¥862,935 thousand (¥666,533 thousand in the first half of the previous year), and three orders (ten in the first half of the previous year) for the Premium Garage House business, totaling ¥180,936 thousand (¥668,223 thousand in the first half of the previous year).

While the yen total increased in the first half of this fiscal year compared to the first half of the previous year in the Phil Park aerial shop business, the yen total and the number of orders received in the Premium Garage House business and Contracted Orders overall were lower than in the first half of the previous year, when the yen total and the number of orders received performed strongly. This was due to the large number of projects nearing completion in the first half of this fiscal year, which meant that sales staff had to prioritize completion and leasing work and could not allocate time to winning new projects. Given this result, we implemented internal organizational changes and a review of the sales structure. More specifically, the process

of winning new projects, completing construction and leasing was previously a single sales process, but we have now separated the process of winning new projects to establish a team that specializes in finding and gaining new projects. We have already seen the effects of this. In the first half of this fiscal year, there was a trend of improvement in the numbers of project inquiries, interviews, and proposals for Contracted Orders in the second quarter compared to the previous quarter. We will work to steadily increase the number of projects gained and build up the number of orders received in a stable manner by making the team mentioned above function more effectively.

Development and Sales

During the second quarter of this fiscal year, we concluded one new contract for land acquisition.

The land acquisition for which the contract was concluded is located in Kamakura-shi, Kanagawa Prefecture and the acquisition price is equivalent to more than 30% of net assets in the previous fiscal year (ended November 2022), which is an all-time high land acquisition price in Development and Sales, and it is expected to be our largest ever project. As a result, the remaining number of development projects as of the end of the second quarter of this fiscal year was eight, and the amount of those development projects, which is the expected future cost of sales, was ¥3,139,478 thousand (¥1,883,301 thousand as of the end of the second quarter of the previous year).

In the second quarter, we also sold and delivered one project, which was the first Premium Garage House business sale in Development and Sales.

Status of Business

Fiscal Year Ending November 30, 2023					
		Unit	1Q	2Q	1H
Contracted Orders	Amount of orders received ¹ (No. of orders received)	thousand yen (orders)	677,786 (3)	366,085 (4)	1,043,872 (7)
	Phil Park aerial shop	thousand yen (orders)	613,386 (2)	249,548 (2)	862,935 (4)
	Premium Garage House ²	thousand yen (orders)	64,400 (1)	116,536 (2)	180,936 (3)
	Balance of orders received as of the end of period ³ (No. of projects underway as of the end of period) ⁴	thousand yen (orders)	1,902,467 (19)	1,460,282 (15)	—
Development and Sales	No. of projects sold and delivered	orders	0	1	1
	No. of contracts to acquire land for development ⁵	orders	1	1	2
	Balance of development projects ⁶ (Remaining no. of development projects)	thousand yen (orders)	1,953,496 (8)	3,139,478 (8)	—

Fiscal Year Ended November 30, 2022					
		Unit	1Q	2Q	1H
Contracted Orders	Amount of orders received ¹ (No. of orders received)	thousand yen (orders)	513,669 (5)	821,087 (10)	1,334,756 (15)
	Phil Park aerial shop	thousand yen (orders)	320,159 (3)	346,374 (2)	666,533 (5)
	Premium Garage House ²	thousand yen (orders)	193,510 (2)	474,713 (8)	668,223 (10)
	Balance of orders received as of the end of period ³ (No. of projects underway as of the end of period) ⁴	thousand yen (orders)	2,400,320 (21)	2,467,324 (27)	—
Development and Sales	No. of projects sold and delivered	orders	0	0	0
	No. of contracts to acquire land for development ⁵	orders	5	1	6
	Balance of development projects ⁶ (Remaining no. of development projects)	thousand yen (orders)	2,073,595 (8)	1,883,301 (9)	—

1. The amount of orders received is the total amount (based on sales) of new orders for construction or projects received during the period.
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 as of the end of period 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 period, and is the expected amount of sales.
4. The number of projects underway as of the end of period is the number of projects in Contracted Orders underway as of the end of the period.
5. The number of contracts to acquire land for development is counted as one when the contract for the acquisition of the relevant land has been concluded and the deposit has been paid.
6. The balance 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.

Number of employees				
	1Q	2Q	3Q	4Q
Fiscal year ending Nov. 30, 2023	54	67	—	—
Fiscal year ended Nov. 30, 2022	48	59	57	52

*This is the number of employees on the consolidated basis at the end of the period.

(2) Overview of Financial Position

Assets

Total assets at the end of the first half of this fiscal year decreased by ¥6,730 thousand from the end of the previous fiscal year, totaling ¥4,743,318 thousand. This was mainly due to decreases of ¥354,351 thousand in cash and deposits and ¥451,021 thousand in real estate for sale in progress and increases of ¥676,204 thousand in real estate for sale and ¥140,477 thousand in property, plant and equipment.

Liabilities

Liabilities at the end of the first half of this fiscal year decreased by ¥147,310 thousand from the end of the previous fiscal year, totaling ¥2,159,002 thousand. This was due to decreases of ¥151,188 thousand in long-term borrowings, ¥130,812 thousand in advances received, and ¥94,395 thousand in income taxes payable, and an increase of ¥218,000 thousand in short-term borrowings.

Net assets

Net assets at the end of the first half of this fiscal year increased by ¥140,580 thousand from the end of the previous fiscal year, totaling ¥2,584,315 thousand. This was mainly due to a decrease of ¥375,391 thousand in treasury shares due to the disposal of treasury shares through a third-party allotment, in addition to a decrease of ¥234,726 thousand in retained earnings due to the disposal of treasury shares and 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 May 31, 2023
Assets		
Current assets		
Cash and deposits	2,250,657	1,896,305
Accounts receivable - trade	43,826	32,129
Real estate for sale	616,347	1,292,551
Real estate for sale in progress	740,674	289,653
Costs on service contracts in progress	14,562	20,694
Income taxes refund receivable	132,382	31,977
Other	88,245	113,613
Total current assets	3,886,695	3,676,925
Non-current assets		
Property, plant and equipment	301,477	441,954
Intangible assets		
Goodwill	135,247	122,158
Other	9,137	20,878
Total intangible assets	144,384	143,037
Investments and other assets		
Investment securities	103,141	109,822
Deferred tax assets	140,363	179,397
Other	202,688	220,882
Allowance for doubtful accounts	(28,701)	(28,701)
Total investments and other assets	417,490	481,401
Total non-current assets	863,352	1,066,392
Total assets	4,750,048	4,743,318
Liabilities		
Current liabilities		
Accounts payable - trade	458,167	419,055
Short-term borrowings	—	218,000
Current portion of long-term borrowings	70,236	83,092
Income taxes payable	94,650	255
Advances received	728,864	598,051
Provision for bonuses	—	15,220
Deposits received	18,967	19,011
Other	157,834	121,276
Total current liabilities	1,528,719	1,473,963
Non-current liabilities		
Long-term borrowings	439,220	288,032
Lease liabilities	117,196	114,243
Asset retirement obligations	50,050	111,876
Long-term guarantee deposits	140,753	141,986
Other	30,372	28,900
Total non-current liabilities	777,593	685,039
Total liabilities	2,306,313	2,159,002
Net assets		
Shareholders' equity		
Share capital	789,647	789,647
Capital surplus	789,647	789,647
Retained earnings	1,936,076	1,701,350

(Unit: thousand yen)

	As of November 30, 2022	As of May 31, 2023
Treasury shares	(1,076,502)	(701,110)
Total shareholders' equity	2,438,868	2,579,533
Share acquisition rights	3,974	3,974
Non-controlling interests	892	808
Total net assets	2,443,735	2,584,315
Total liabilities and net assets	4,750,048	4,743,318

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

(Unit: thousand yen)

	Six months ended May 31, 2022	Six months ended May 31, 2023
Net sales	1,399,135	1,855,240
Cost of sales	1,093,221	1,429,501
Gross profit	305,914	425,738
Selling, general and administrative expenses	383,159	565,981
Operating loss	(77,245)	(140,242)
Non-operating income		
Interest income	178	1,499
Interest on tax refund	—	678
Share of profit of entities accounted for using equity method	3,646	—
Other	890	157
Total non-operating income	4,715	2,335
Non-operating expenses		
Interest expenses	3,990	4,876
Commission expenses	1,249	4,158
Share of loss of entities accounted for using equity method	—	498
Other	—	22
Total non-operating expenses	5,239	9,556
Ordinary loss	(77,769)	(147,463)
Extraordinary income		
Gain on sale of investment securities	18,953	—
Total extraordinary income	18,953	—
Loss before income taxes	(58,815)	(147,463)
Income taxes - current	29,337	886
Income taxes - deferred	(37,923)	(39,034)
Total income taxes	(8,585)	(38,147)
Loss	(50,229)	(109,316)
Loss attributable to non-controlling interests	(68)	(84)
Loss attributable to owners of parent	(50,161)	(109,231)

Consolidated Statement of Comprehensive Income
For the Six Months

(Unit: thousand yen)

	Six months ended May 31, 2022	Six months ended May 31, 2023
Loss	(50,229)	(109,316)
	(50,229)	(109,316)
(Breakdown)		
Comprehensive income attributable to owners of parent	(50,161)	(109,231)
Comprehensive income attributable to non- controlling interests	(68)	(84)

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable

Substantial Changes in the Amount of Shareholders' Equity

In accordance with the resolution of the Board of Directors meeting held on February 14, 2023, the Company disposed of 227,800 shares of treasury shares through third-party allotment to ONGAESHI Capital Investment Limited Liability Partnership 1 and Kayac Inc., effective March 7, 2023. As a result, in the first half of this fiscal year, retained earnings and treasury shares decreased by ¥125,495 thousand and ¥375,391 thousand respectively. At the end of the first half of this fiscal year, retained earnings and treasury stock amounted to ¥1,701,350 thousand and ¥701,110 thousand respectively mainly due to the impact of these decreases.

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.