

Phil Company, Inc.

Friday, July 14, 2023

Financial results presentation material for the first six months of
the fiscal year ending November 30, 2023

Phil Company, Inc. TSE Prime Securities code: 3267



I Company Profile and Business Overview

II H1 Topics

III H1 Results

IV Update on Progress of the Mid-Term Management Plan

I Company Profile and Business Overview

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III H1 Results

IV Update on Progress of the Mid-Term Management Plan

Phil Company, Inc.

Established June 3, 2005
1-12, 3-chome, Tsukiji, Chuo-ku, Tokyo, Japan

~Group Companies~

Phil Company, Inc.
Phil Construction, Inc.
Premium Garage House Inc.
Phil Community Development Funding, Inc.
**Phil Business Succession and
Regional Revitalization Project, Inc.**
Stolabo inc.

~Directors~

Mari Kaneko, CEO and Representative
Yuichi Nomi, Director
Nobuaki Takahashi, Director
Daisuke Yanasawa, Outside Director
Yasushi Kawano, Outside Director (Audit and Supervisory Committee Member)
Naoto Matsumoto, Outside Director (Audit and Supervisory Committee Member)
Takayuki Satoh, Outside Director (Audit and Supervisory Committee Member)

Masataka Koezuka, Executive Officer, Director, Sales Division
Shinya Azusawa, Executive Officer, Director, Strategic Business Division
Hiroaki Fukushima, Executive Officer, Manager, Sales Division
Masahiro Yoshimizu, Executive Officer, Director, Human Resources Division
Tsuyoshi Takeuchi, Executive Officer, Director, Business Administration Division

We offer two types of land-use products to take advantage of underutilized space

PhilPark Aerial shop



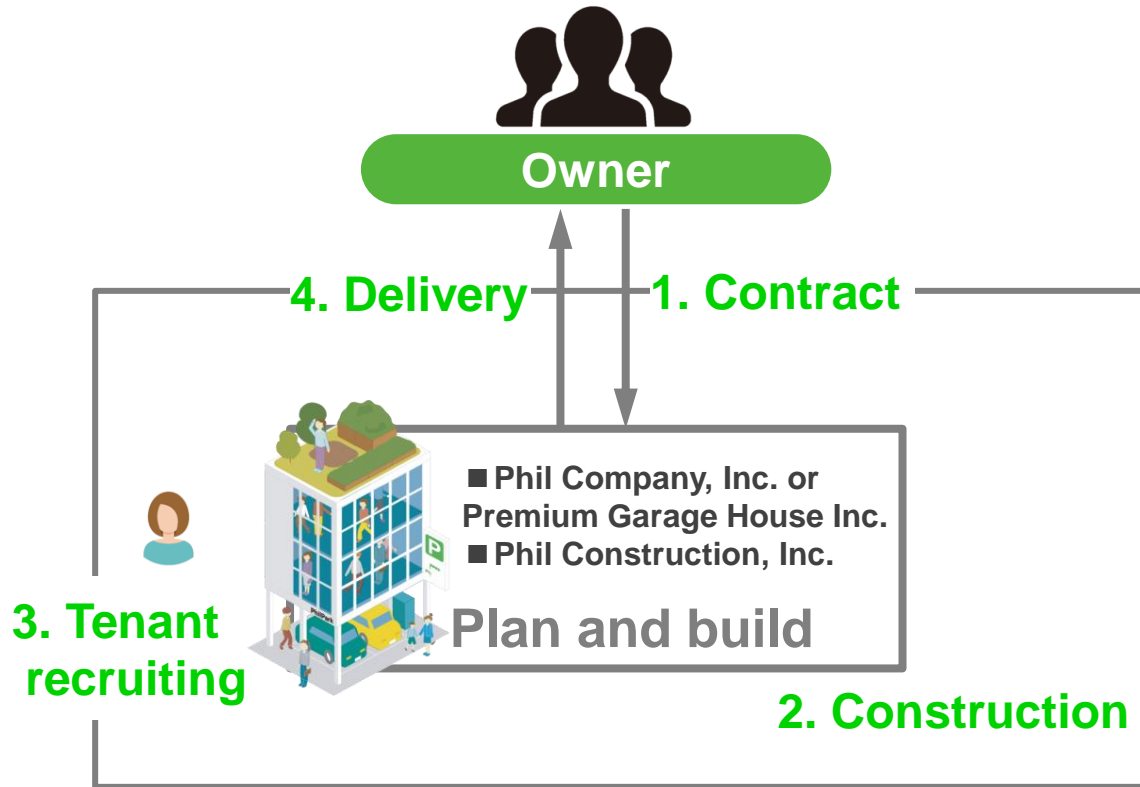
Premium Garage House
Rental housing with a garage



Specialty	Commercial facilities utilizing the space above parking areas	Rental residences with garages large enough for 2 cars
Location	Urban niche spaces with commercial potential	Suburbs or near highway on-ramps
Tenants or purpose	Restaurants, offices, beauty salons and clinics, etc.	Garage for cars, hobby room, etc.
Investment/building	80 – 150 million yen	25 – 100 million yen

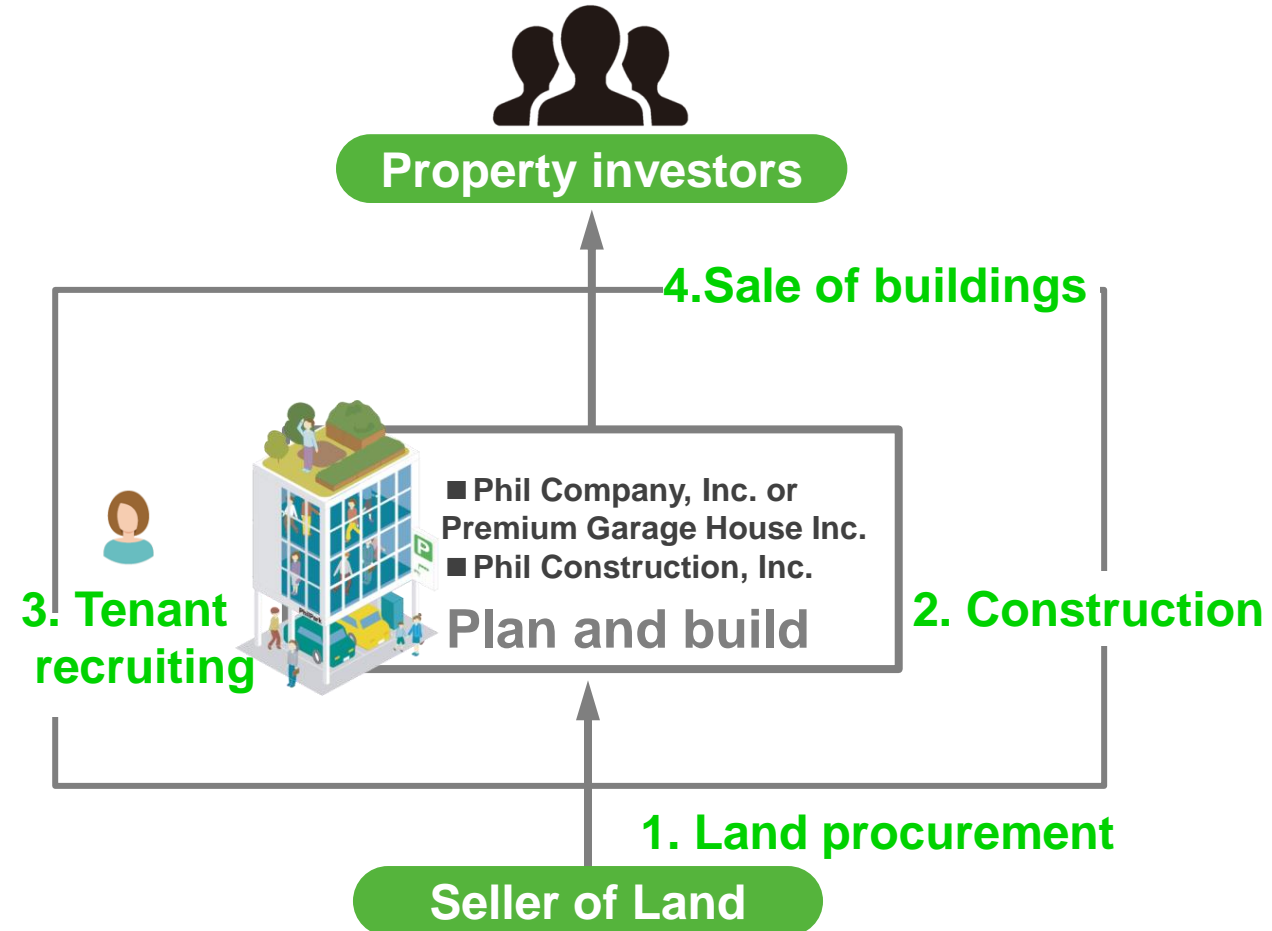
Low-capital-intensity model

Contracted Orders



High-profit model

Development and Sales



PhilPark (PP) Aerial shop

Contracted orders

- Cumulative results: 211 buildings
- Main locations: Urban [business districts](#) of Tokyo, Kanagawa, Saitama, Miyagi, Aichi, Kyoto, Osaka, Fukuoka, etc.

Our Core Business

Land utilization products mainly in urban areas. Specializing in locations that are conventionally difficult to design for, such as spaces above parking lots, land along side streets, and narrow lots. We intend to continue to [assign human resources and allocate management resources](#) to this business.

Development and Sales

- Cumulative results: 37 buildings
- Main locations: same as above

Positioned to Complement Phil Park Contracted Orders

Unlike a contracted order, we purchase the land and do the planning. This model lists buildings as inventory [on the balance sheet](#) until sales are made. Planning and designing is relatively easy because we carefully select and acquire the most suitable land for Phil Park. Also, since we can make proposals to investors other than land owners, this contributes to [expanding the base of who we sell to](#). We intend to [expand selectively](#) going forward.



Premium Garage House (PGH) Rental housing with a garage

- Cumulative results: 59 buildings (excluding pre-acquisition results)
- Main locations: Suburbs of Tokyo, Kanagawa, Saitama, Chiba, Fukushima, Osaka, etc.

Innovative Land-Use Product in Suburbs

This is a land-use product that can provide high yields even on land in suburban areas far from train stations, and has a [unique system](#) called “waiting list registration” that [pools applicants](#) for PGH. Demand is expected to grow and we intend to [aggressively pursue](#) this product.

- Cumulative results: 4 buildings
- Main locations: Areas within the above prefectures where financing is available

A Style that can be Offered Under Limited Conditions

In general land in suburban areas is more [difficult to finance](#) than land in urban areas because it is more [difficult for financial institutions to evaluate](#) the value of the land. This means there might be a limited number of buyers. When acquiring land for PGH we do so only in [limited cases](#) where there is sufficient potential for tenants and sales.

Increases value and revenue through land use.



Provides a highly flexible location to move into

Provides a vibrant town and convenient lifestyle



Premium Garage House (PGH)
Rental housing with a garage

Low-use land: about 4,000 km²

PhilPark

**Number of coin parking lots in Japan:
99,200 (1,641,700 cars) = about 20 km²**

1. Source: Japan Parking Business Association, *Fact-finding Study on Temporary-use Paid Parking (Coin-operated Parking) Market, 2021 Edition*
2. Source: Ministry of Land, Infrastructure, Transport and Tourism, "Basic Land Survey General Report"; Nomura Research Institute, "Housing Market and Issues in 2030"; unused land area = vacant houses + vacant land + parking lots + material storage areas, etc.

I Company Profile and Business Overview

II H1 Topics

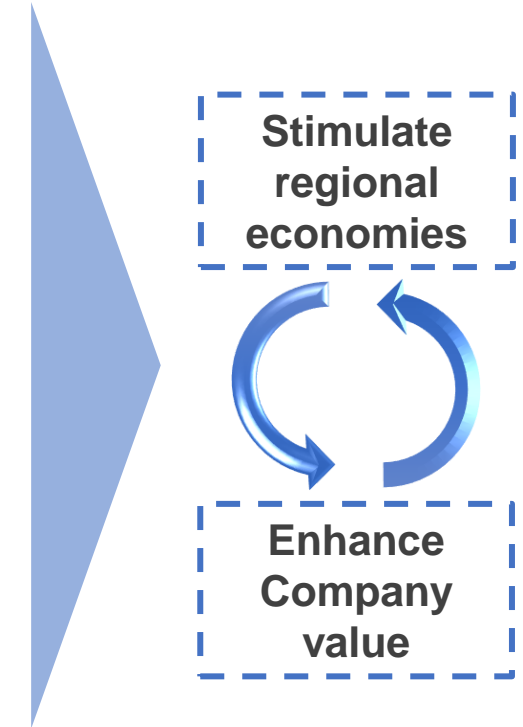
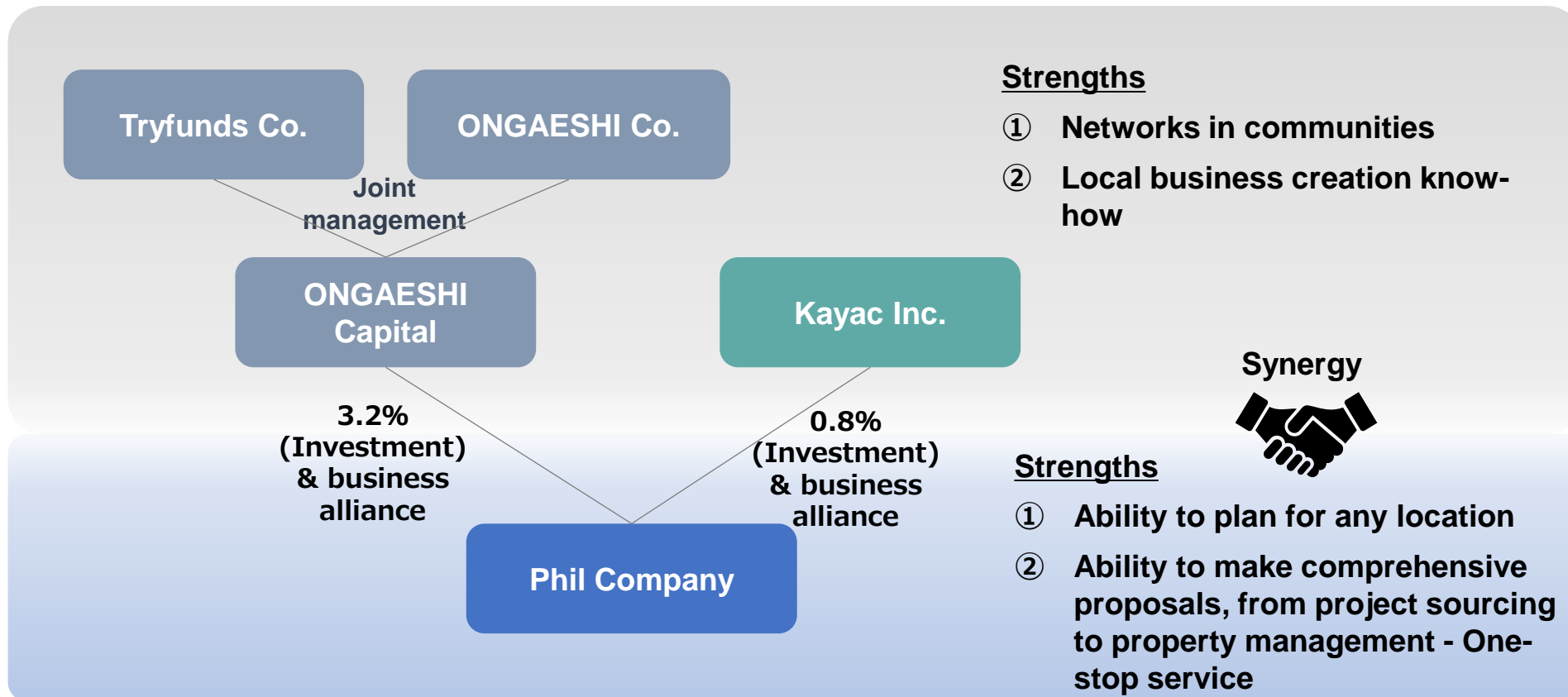
III H1 Results

IV Update on Progress of the Mid-Term Management Plan

- ✓ **Appointment of a female executive** with global business experience **as the new top executive**
- ✓ Appointment of **two** people to the Board of Directors who are **top executives of listed companies** (Including one with experience) to join the Company's founding members
 - Including major shareholders on the board of directors strengthens shareholder-oriented governance and contributes to **management decisions focused on increasing shareholder value.**
- ✓ Under the new management, we will promote sales reforms, new businesses, business improvement using digital technology, and enhancement of investor relations

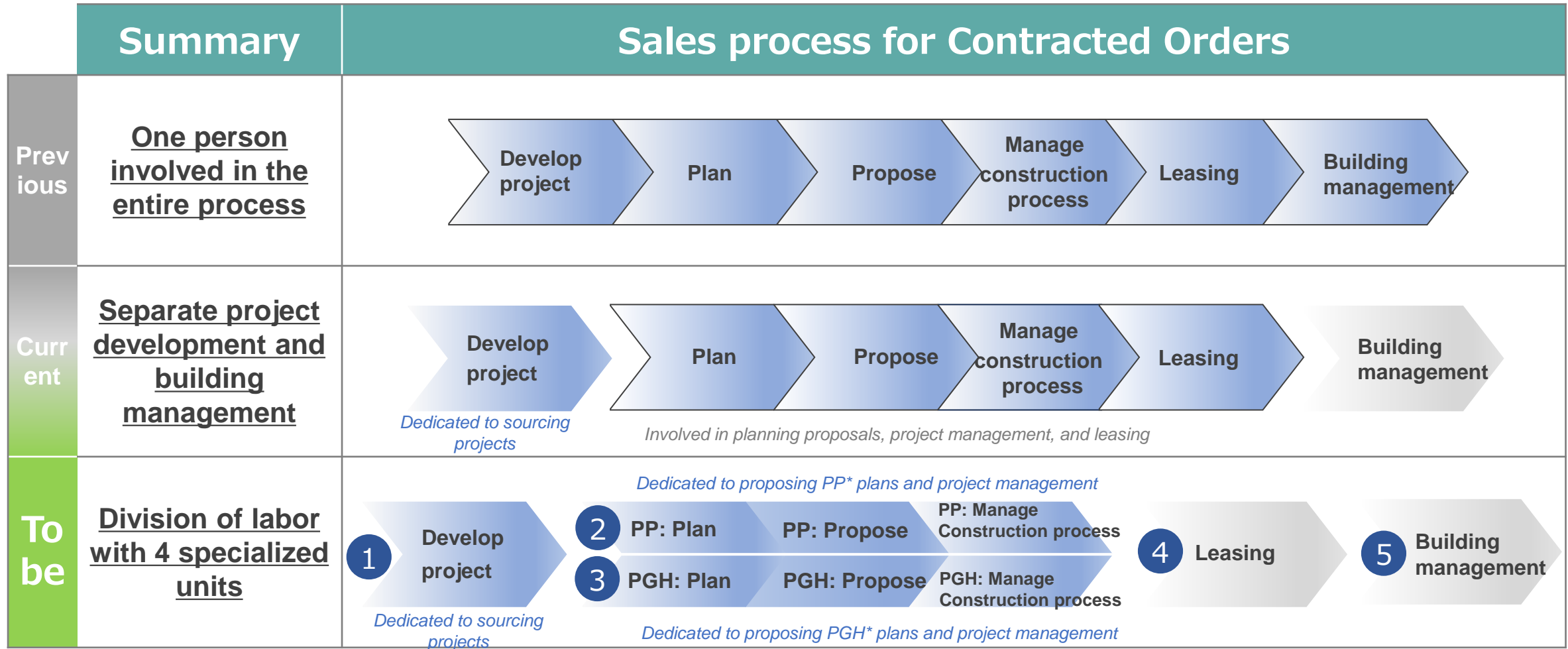


- ✓ Raised a total of 250 million yen from ONGAESHI Capital and Kayac Inc.
- ✓ Promoting regional business co-creation through collaboration with both companies



Sales Reform: Restructuring the Sales Process

- ✓ Issue: The process is so person-driven, with one person involved in all processes and completing a project that it is structurally difficult to scale up.
- ✓ Objective: Separate each process and build a system that can be scaled up as an organization.
 - Constantly allocate personnel to project development and proposals while improving productivity to increase the number of inquiries and proposals, and thus the number of orders received.



Note: PP: PhilPark
PGH: Premium Garage House

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H1 Consolidated Results

Sales: 1,855 million yen
Gross profit: 425 million yen
**Operating profit (loss) :
-140 million yen**

Highlights

- ✓ YoY increased income: sales +32%, gross profit +39%
 - Contracted Orders sales hit a record high
- ✓ YoY SG&A +47%, operating profit worsened
 - No. of employees increased to 67 (52 at the end of FY2022)

PP Contracted Orders

No. of orders received: 4
**Amount of orders received:
862 million yen**

PGH Contracted Orders

No. of orders received: 3
**Amount of orders received:
180 million yen**

Development and Sales

**Development balance:
3,139 million yen**
No. of sales and deliveries: 1

Second Quarter Consolidated Results

(Thousands of yen)	Second Quarter		First Six Months	
	Results	YoY	Results	YoY
Sales	1,122,189	+ 31%	1,855,240	+ 32%
Cost of sales	885,079	+ 33%	1,429,501	+ 30%
Gross profit	237,110	+ 23%	425,738	+ 39%
Gross profit margin	21.1%	—	22.9%	—
SG&A	289,178	+ 46%	565,981	+ 47%
—Personnel	155,931	+ 16%	291,160	+ 18%
—Outsourcing expenses	27,545	+ 69%	63,449	+ 70%
—Advertising expenses	10,577	+ 713%	20,053	+ 722%
—Others	95,124	+ 106%	191,318	+ 95%
Operating profit	-52,068	—	-140,242	—
Ordinary profit	-57,002	—	-147,463	—
Profit	-41,487	—	-109,316	—

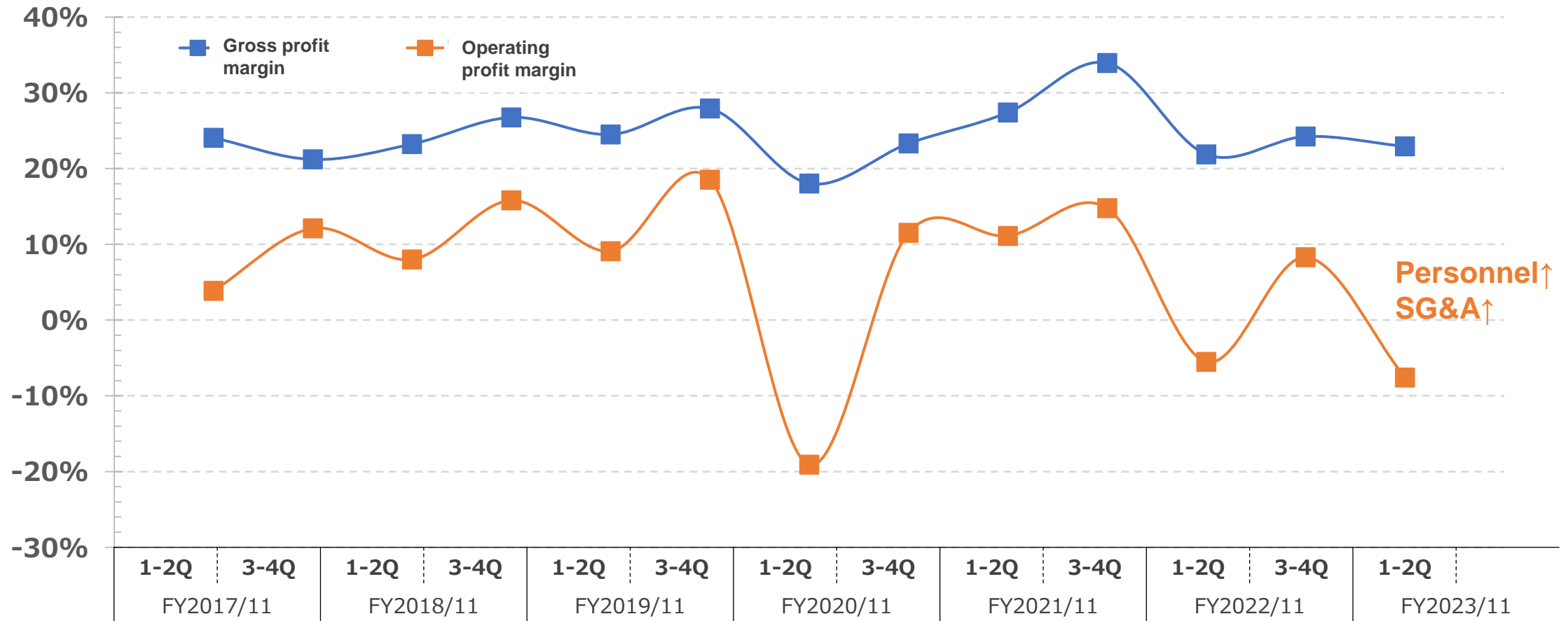
Prior investment

Personnel expenses increased due to focus on mid-career hiring

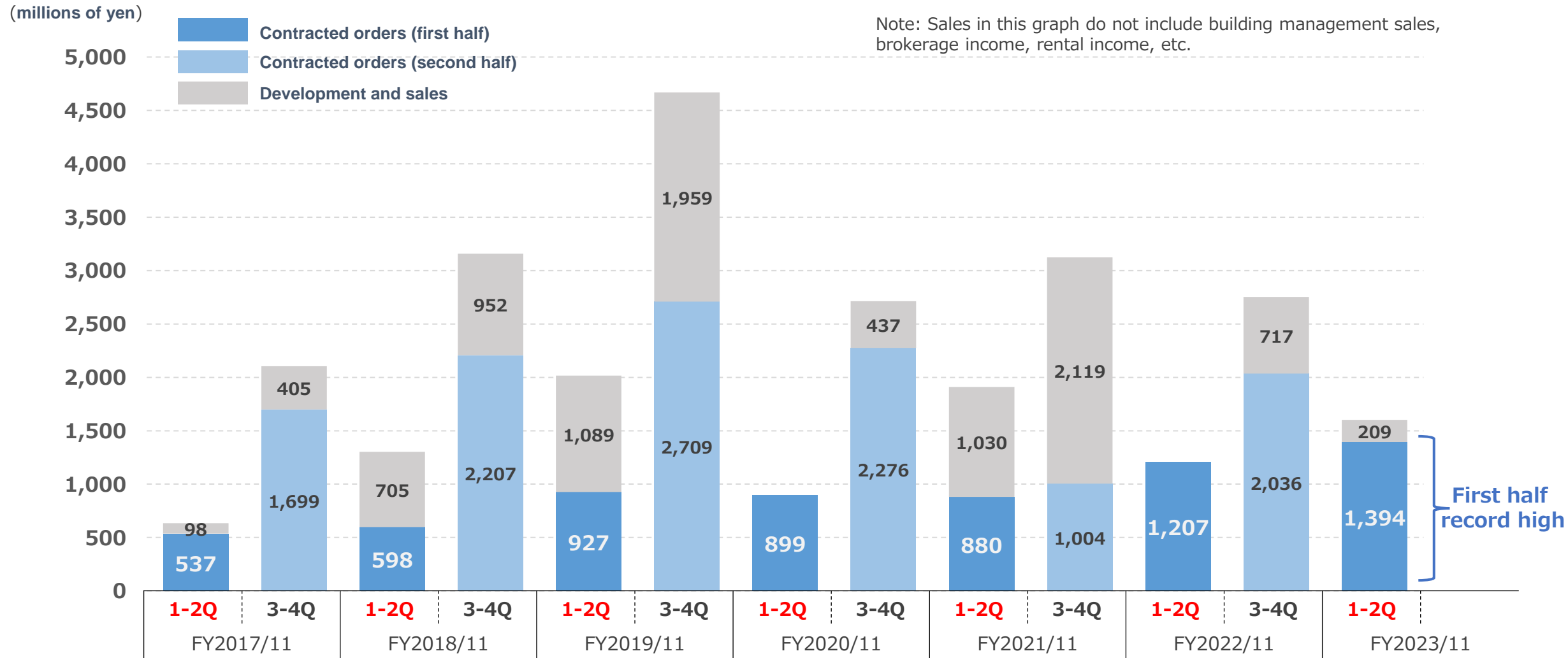
Phil Park marketing video creation leads to increased advertising expenses

Increase in rent due to relocation of head office

- ✓ Gross profit margin **stable at 20-25%**.
- ✓ Operating profit margin tends to decline in the first half of the year



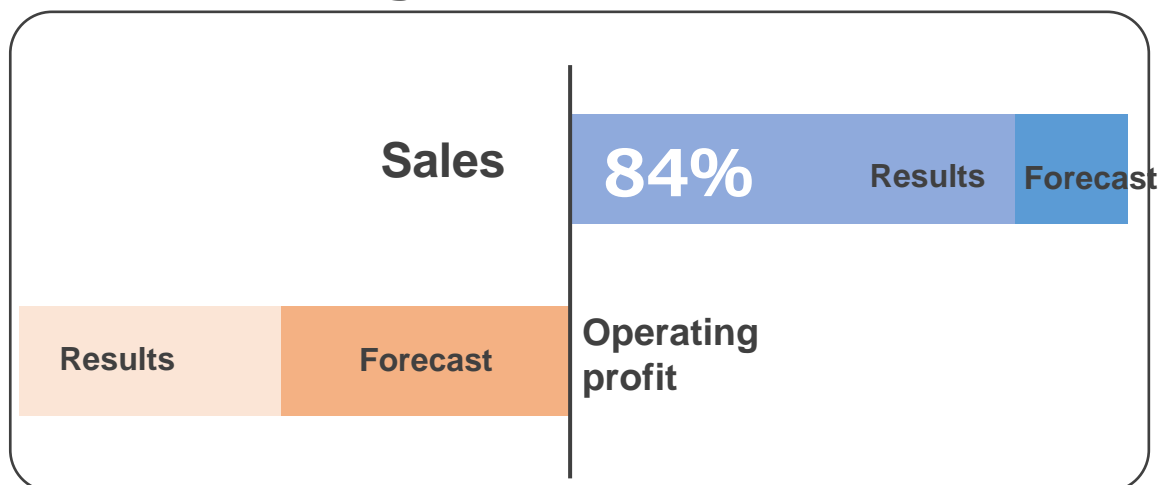
Contracted Orders recorded a record high for the first half of the year.



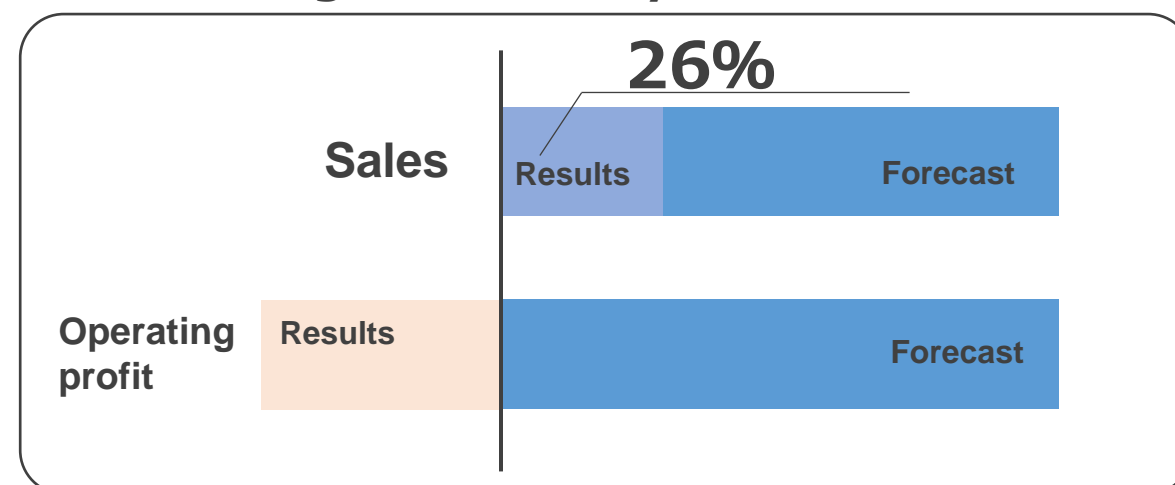
✓ Sales were 84% of the first half forecast, operating profit also below forecast

(Thousand of yen)	First half forecast		Full year forecast
	Results	Forecast	Forecast
Sales	1,855,240	2,200,000	7,000,000
Operating profit	-140,242	-75,000	250,000
Ordinary profit	-147,463	-80,000	240,000
Profit attributable to owners of parent	-109,231	-55,000	160,000

Percentage of first half forecast



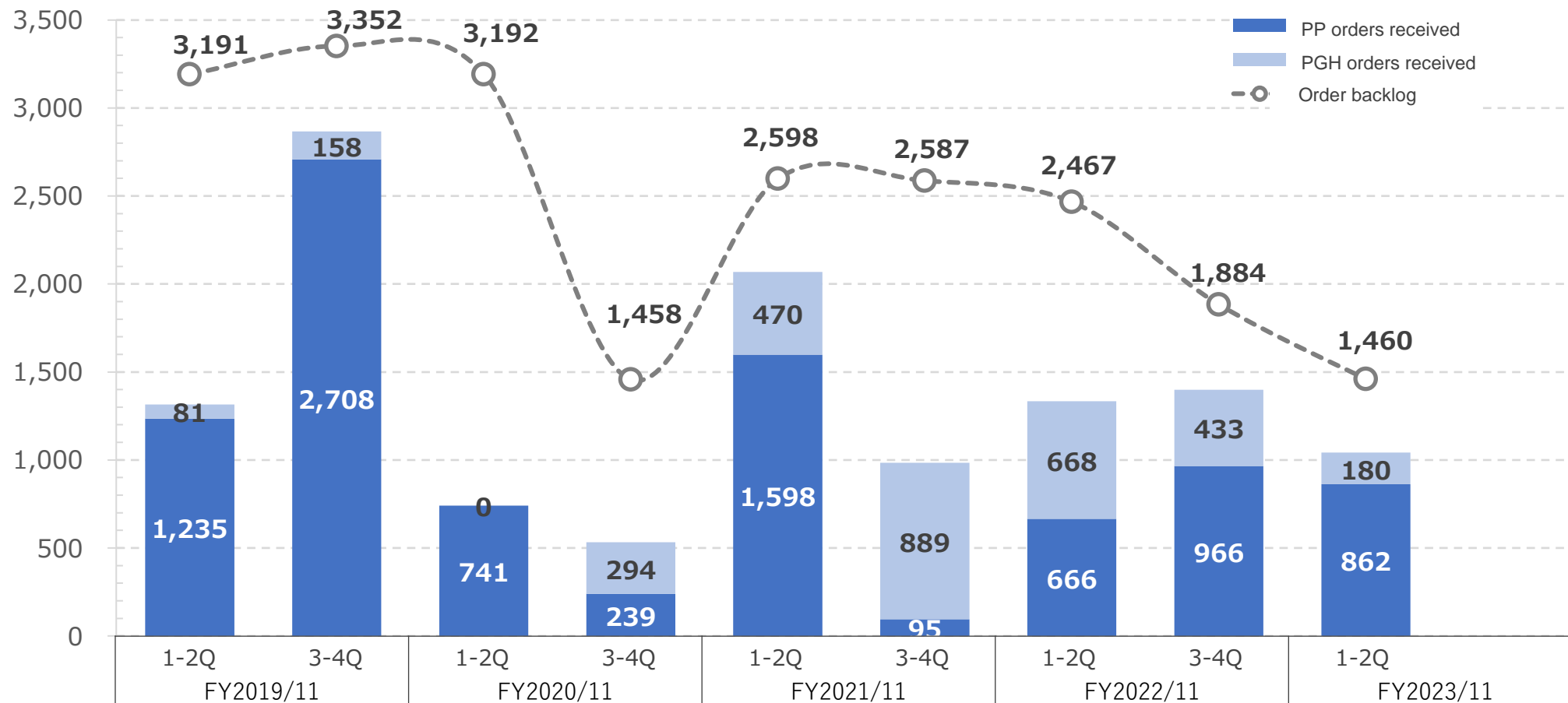
Progress on full year forecast



✓ Orders for PP held steady, but orders for PGH slowed

(millions of yen)

PGH orders received

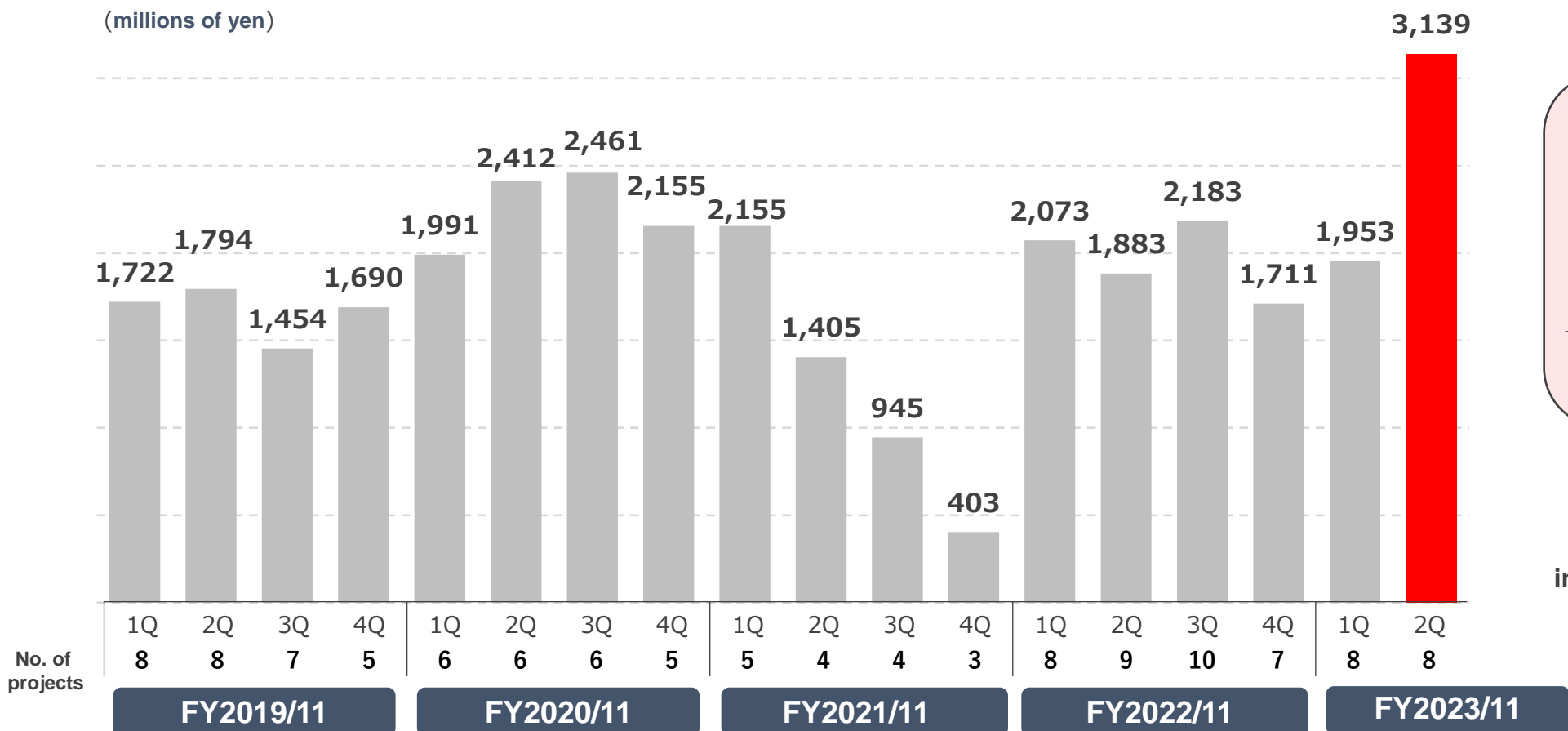


Note: PP: PhilPark
PGH: Premium Garage House

The balance of development projects, which is the future cost of sales, exceeded 3 billion yen, a record high.

Balance of development projects

(millions of yen)



1 Project sold and delivered

Sales for the first 6 months

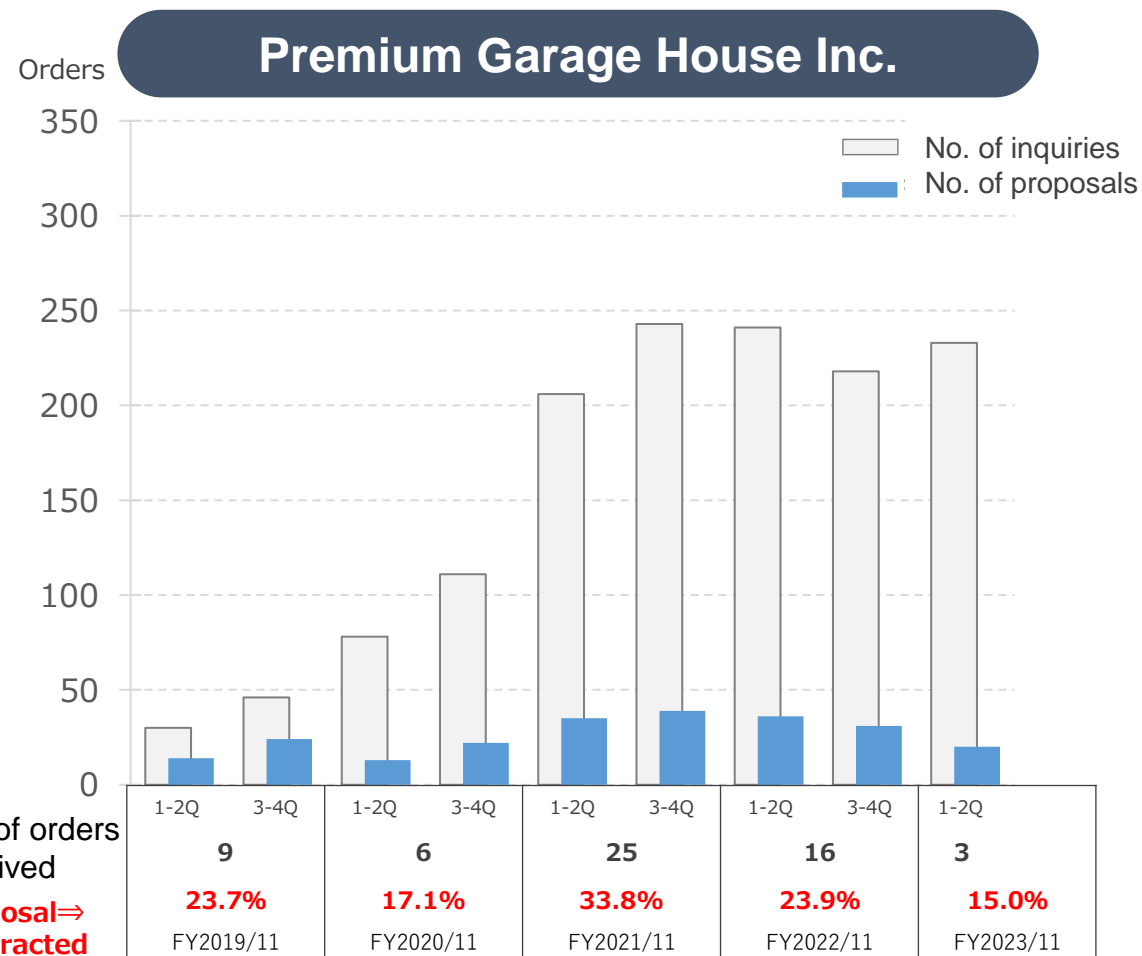
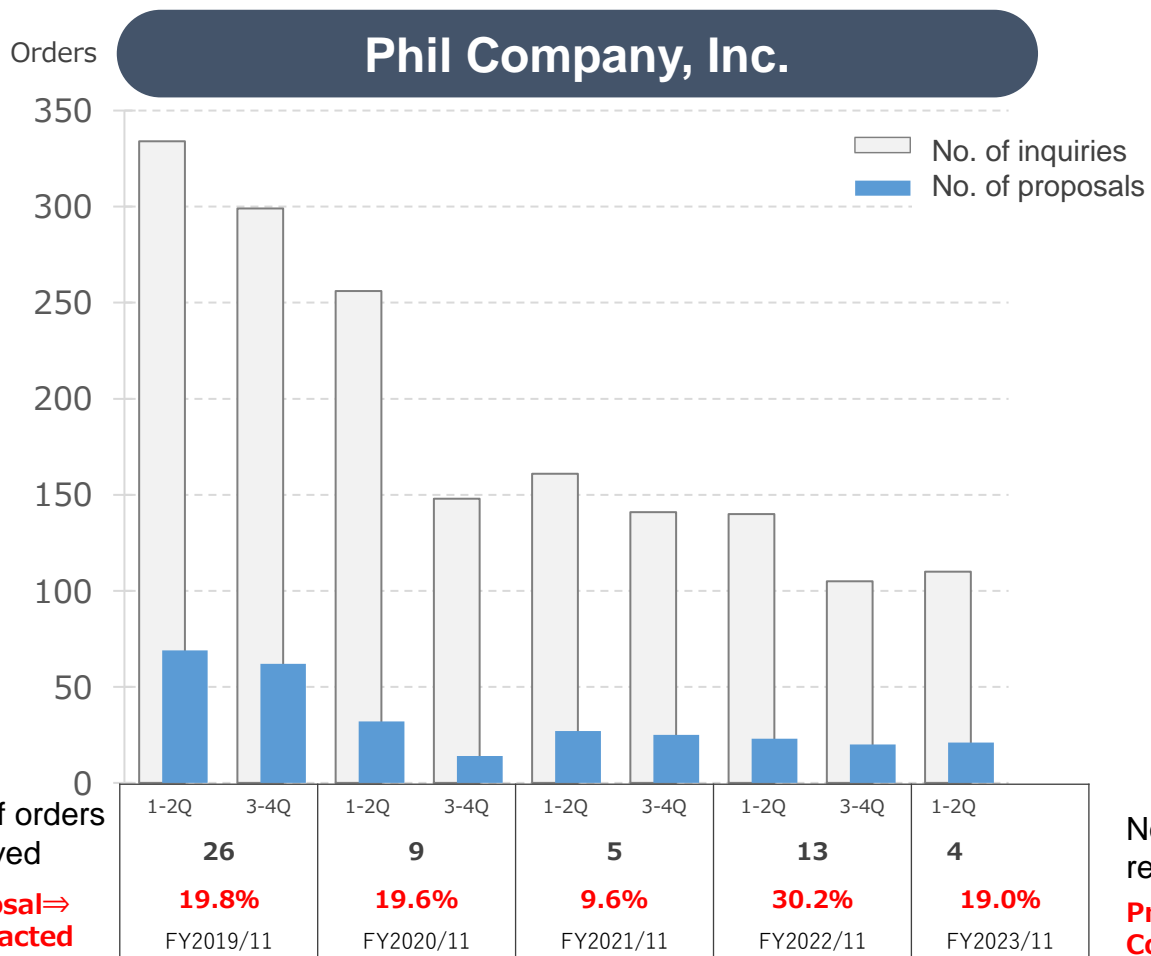
209 million yen



Completed the first PGH sale in the Development and Sales model

Changes in Operating Indicators for Contracted Orders

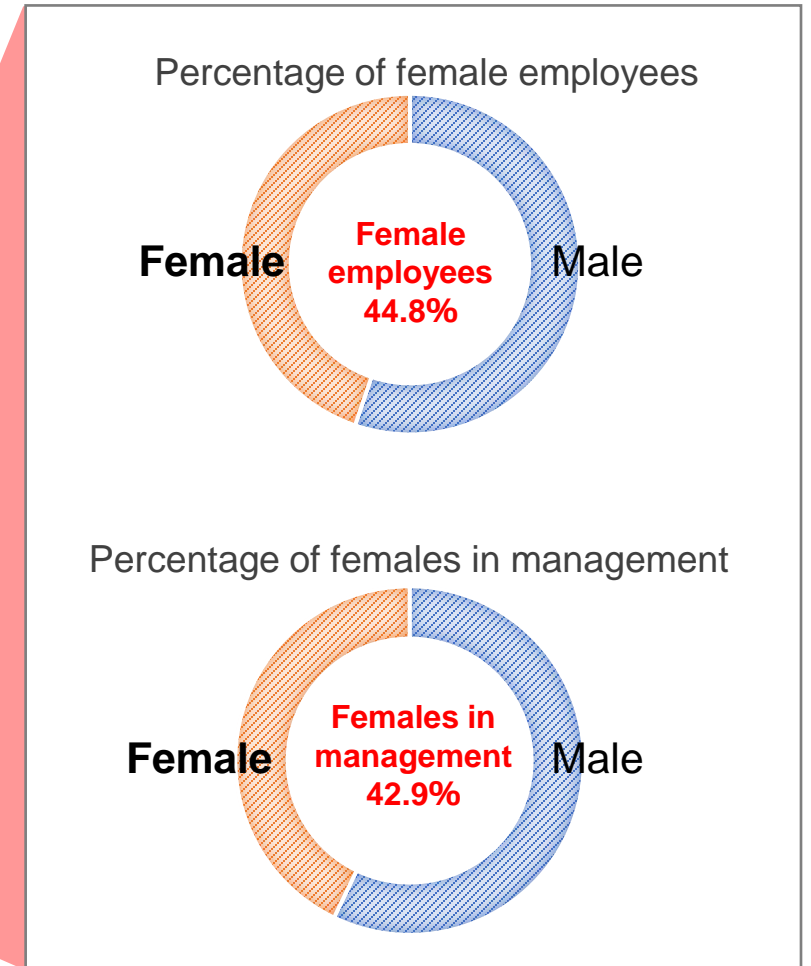
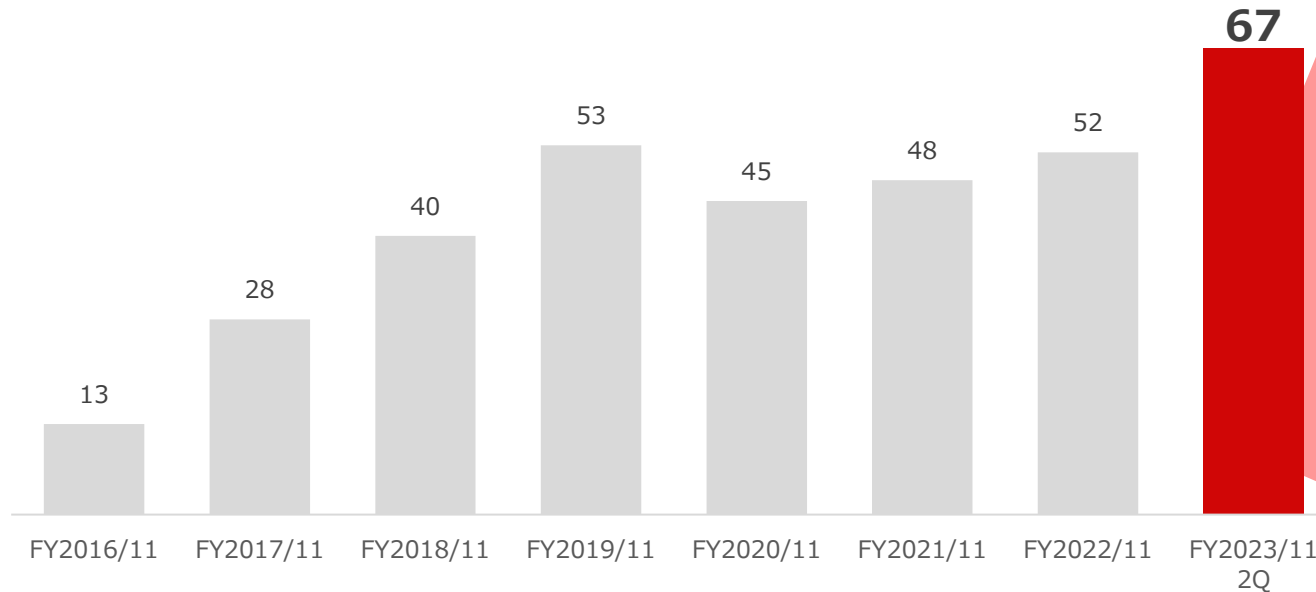
- ✓ Although inquiries for PP are on a decreasing, **the closing rate is generally stable.**
- ✓ PGH is gaining recognition and **inquiries are increasing.**



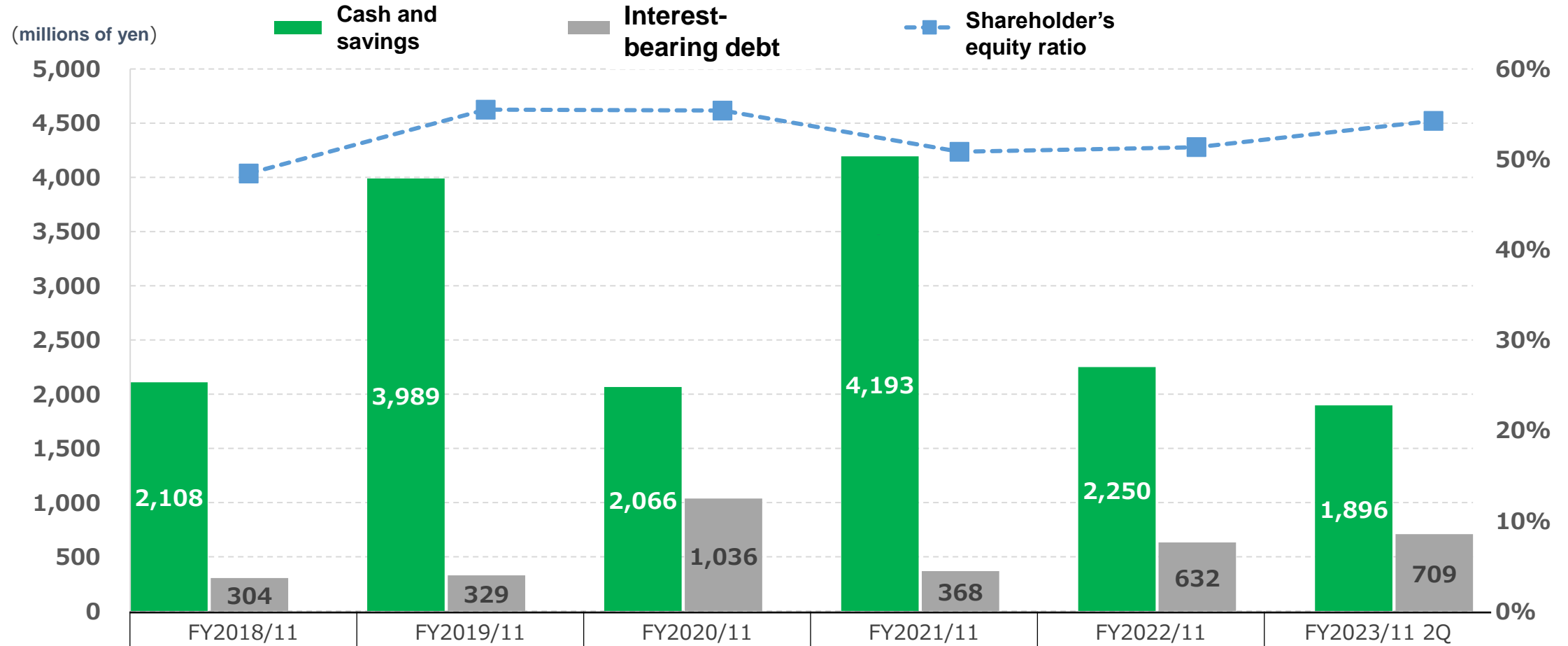
- ✓ Assigned more than half of employees to sales and construction to establish a system for recovering contracted orders.

Employees	End of FY2022	As of May end 2023
Sales*	10	23
Construction	10	14

Number of employees, consolidated



- ✓ Cash far exceeds interest-bearing debt
- ✓ Have a sound financial position with a shareholders' equity ratio of at least 50%.



As of November 30, 2022
Total assets : 4,750 millions yen

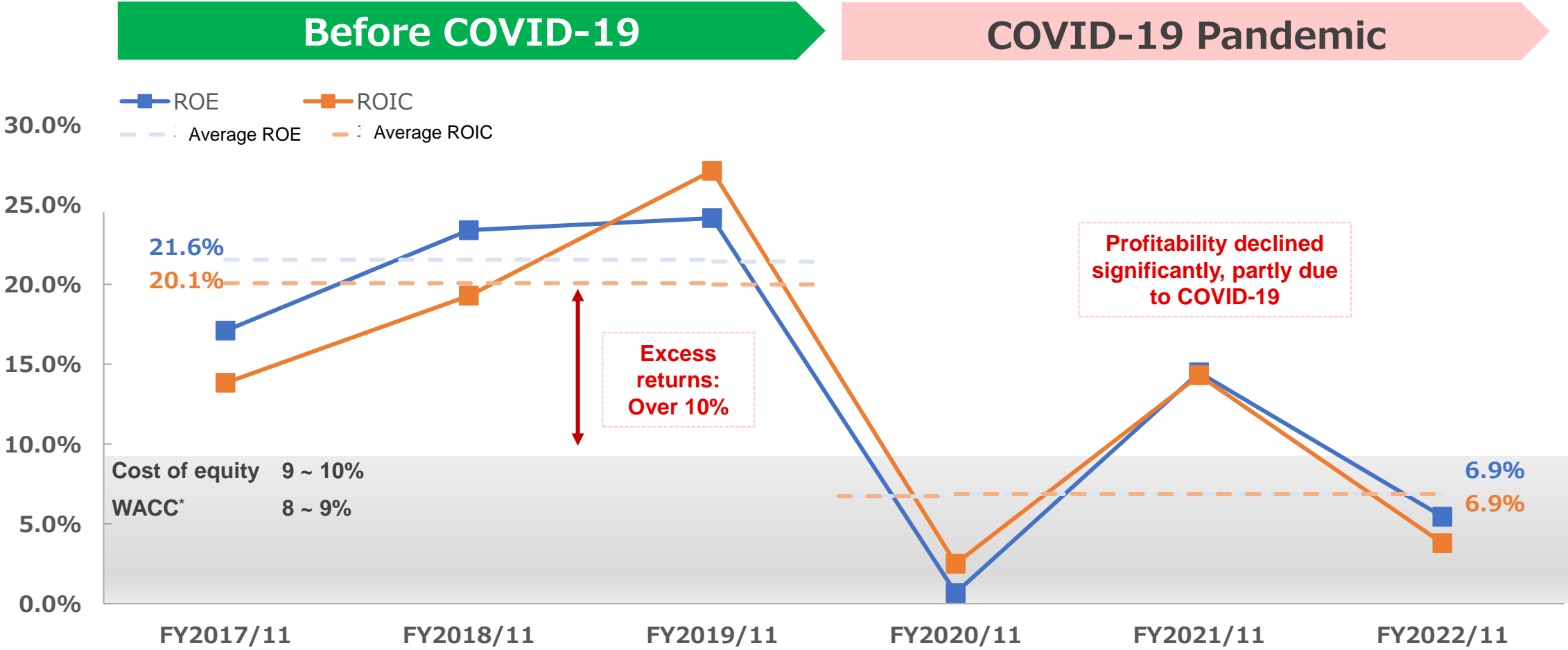
As of May 31, 2023
Total assets : 4,743 millions yen

Cash and savings 2,250	Accounts payable - trade 458
	Fees received in advance 728
	Current liabilities 341
	Fixed liabilities 777
Inventories 1,373	Net assets 2,443
Current assets 262	(millions of yen)
Fixed assets 863	

Cash and savings 1,896	Accounts payable - trade 419
	Fees received in advance 598
	Current liabilities 457
	Fixed liabilities 685
Inventories 1,604	Net assets 2,584
Current assets 176	(millions of yen)
Fixed assets 1,066	

- ✓ Cash and savings decreased and inventories increased due to strengthening of the Development and Sales model
- ✓ Fixed assets increased due to relocation of the head office and deferred tax assets
- ✓ Disposal of treasury stock through third-party allotment (P12: Capital and Business Alliance) and increased shareholders' equity.

Prior to COVID-19, the company generated returns well in excess of its cost of capital. Going forward, capital efficiency will be improved by improving profitability.



*WACC: Weighted Average Cost of Capital

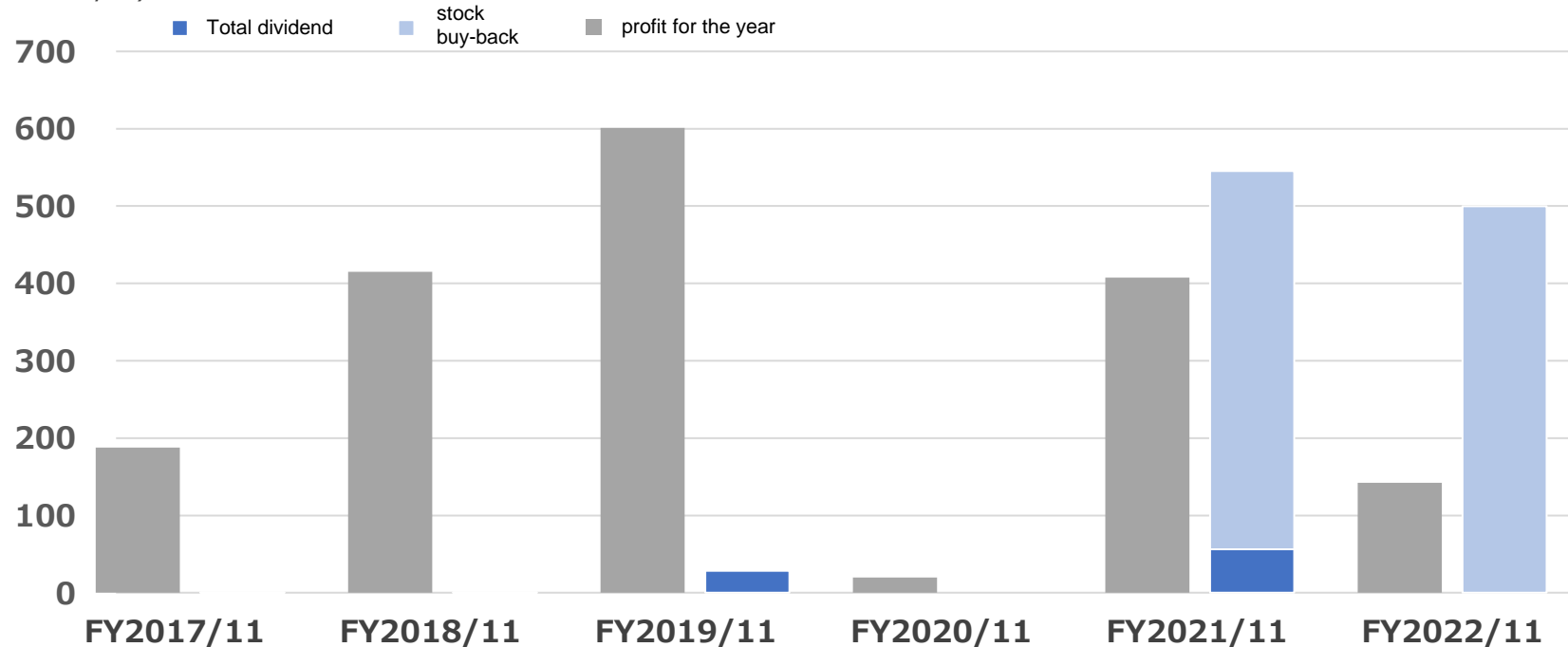
Aim to increase shareholder value (return) by raising share price (P/B Ratio) through higher performance (ROE)



Basic view on shareholder return

- ✓ We are a company in a growth phase so we will **aggressively reinvest profits**
- ✓ **Dividends and other forms of shareholder returns** are determined on a **case-by-case basis, with comprehensive consideration** given to business performance, the business environment, and opportunities for investment in growth. We will provide returns that contribute to the **sustainable enhancement of corporate value and maximization of shareholder returns over the medium to long term.**

(millions of yen)



Dividend per share (yen)

0

0

5

0

10

0

(Commemorative dividend for being listed on the First Section of TSE)

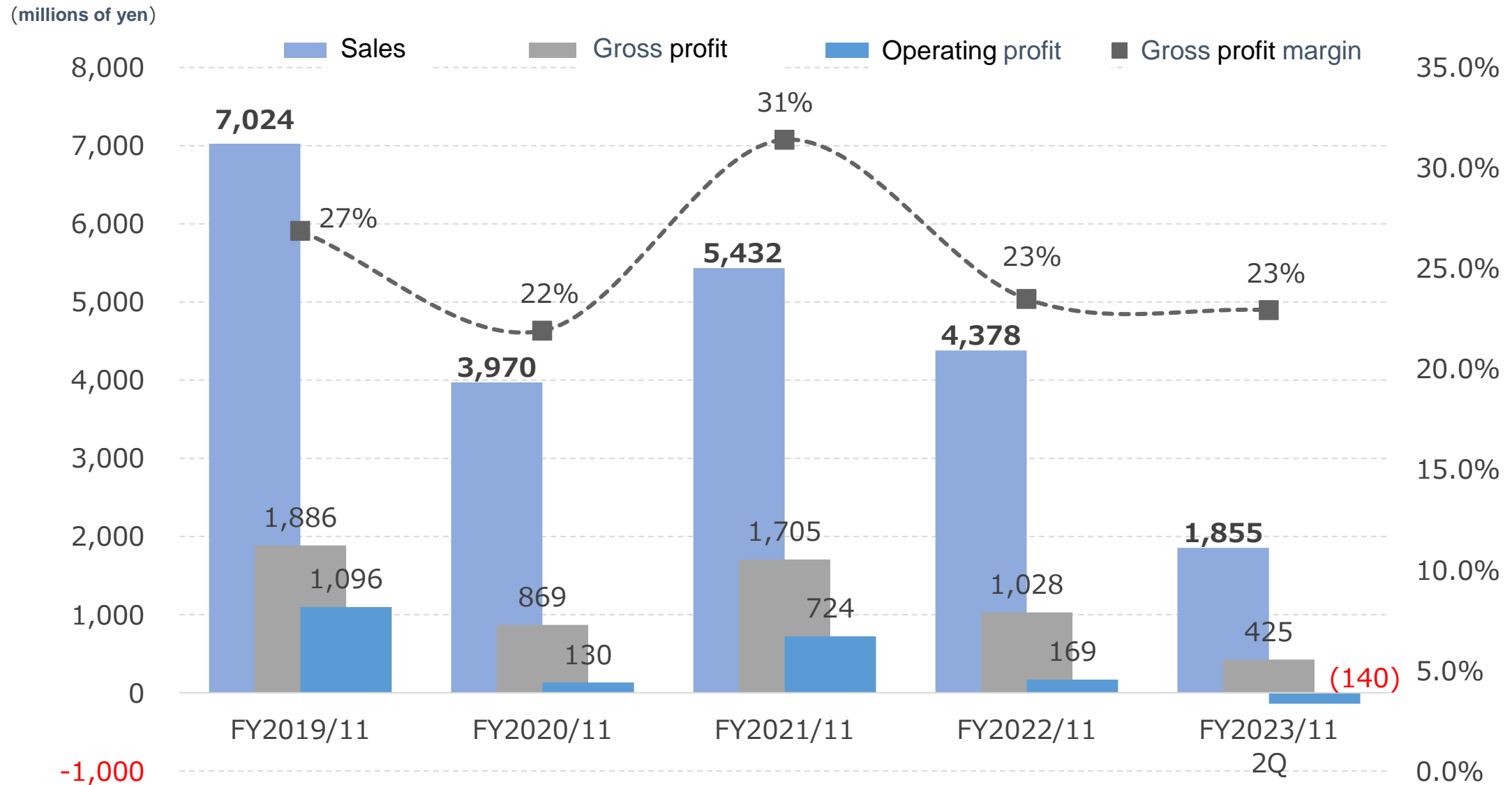
(Appreciation dividend for support during COVID-19)

Six-Year Period

Accumulated total return
About 1.1 billion yen

Accumulated profit
About 1.8 billion yen

Total return: 61%



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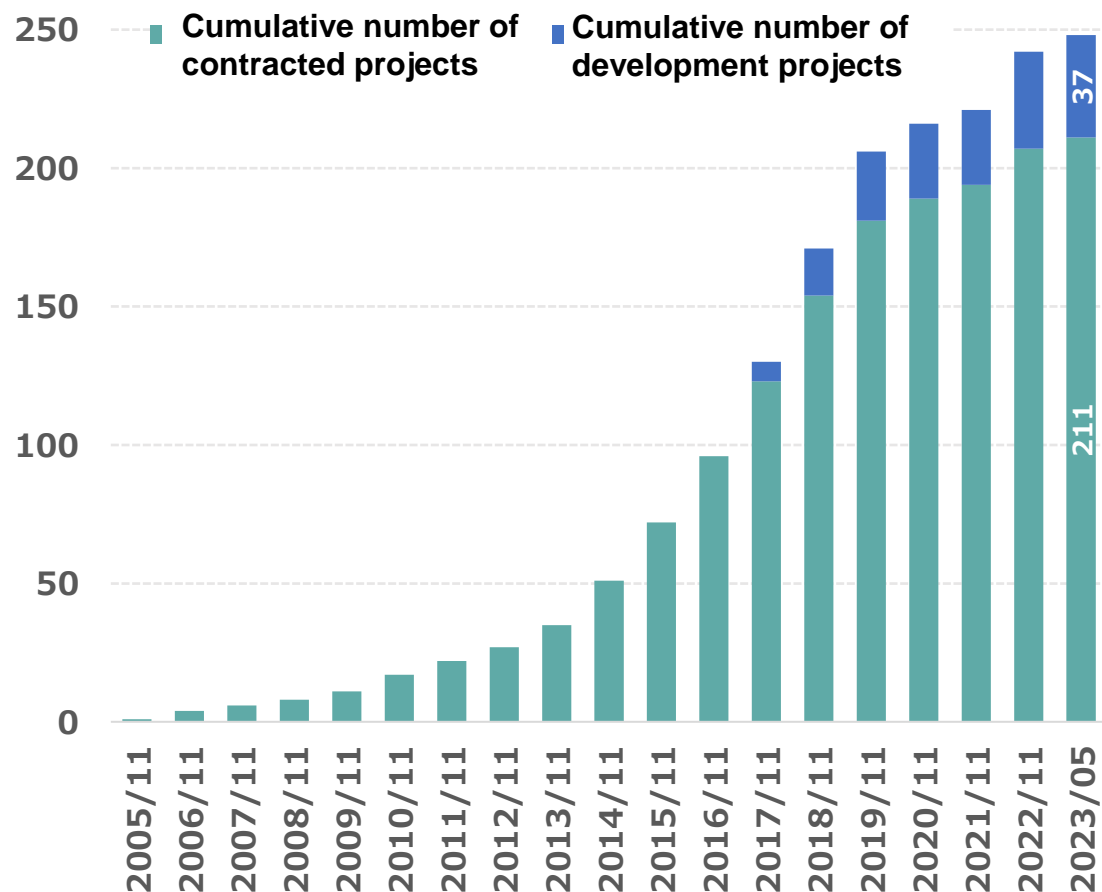
III H1 Results

IV Update on Progress of the Mid-Term Management Plan

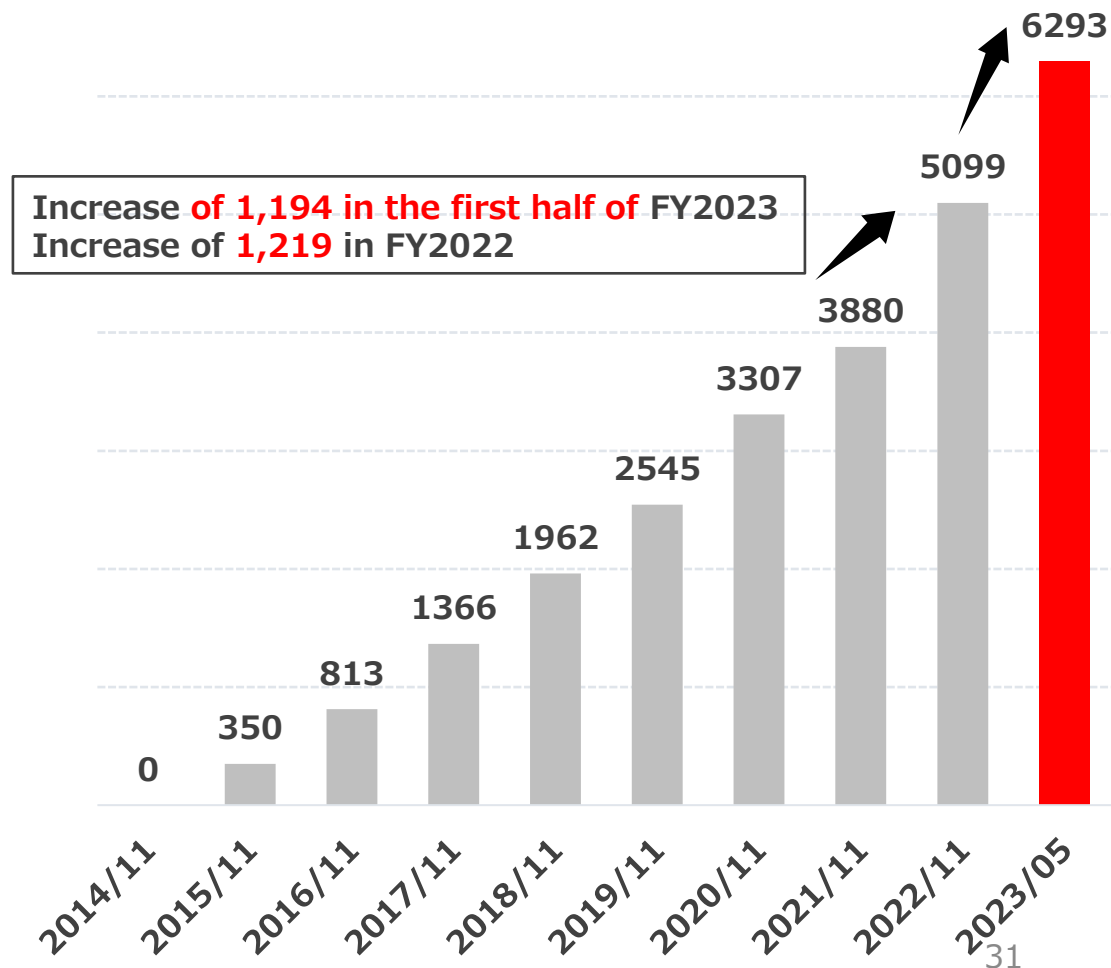
Status of Existing Businesses (PP and PGH)

- ✓ Receipt of orders and development of PP are steadily increasing in proportion to the return of cheerfulness and liveliness of cities.
- ✓ PGH waiting list registrations increased by approximately 1,200 in the first half of the year.
Excess demand continues

Cumulative number of Phil Park PJs

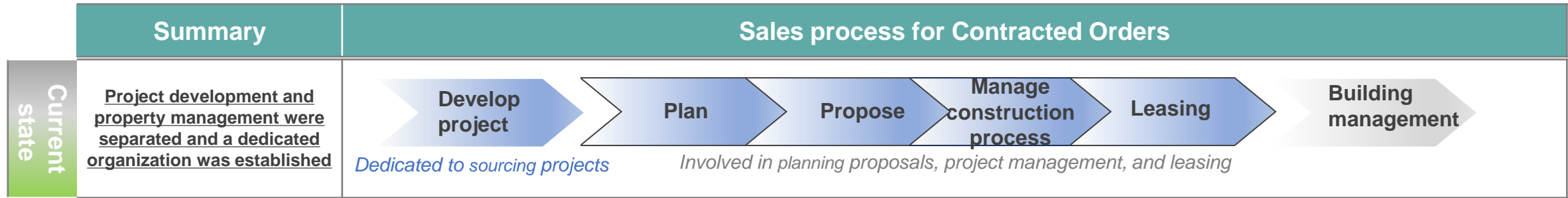


PGH cumulative waitlist registrations



Results of Sales Reform: June Monthly KPIs

- ✓ Sales reform has been showing results since June, with improvements in all KPIs: number of inquiries, number of proposals, and number of orders received.



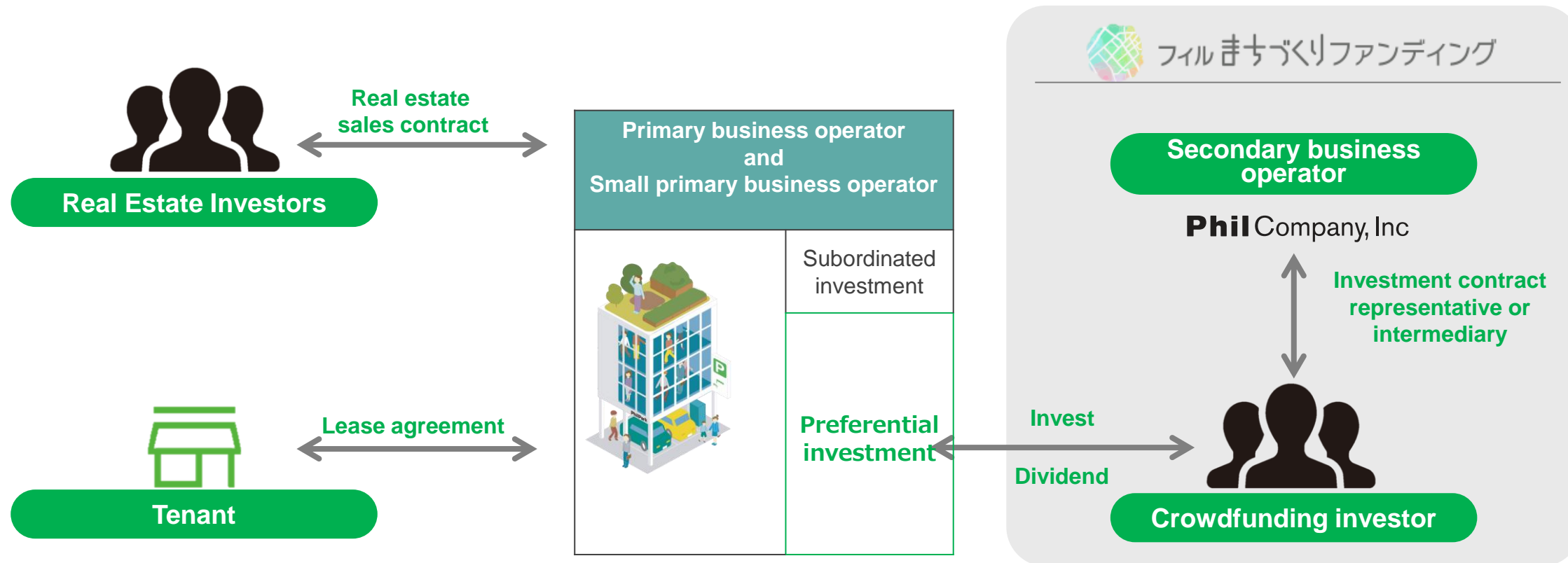
	June results	Monthly average for first 6 months	Difference	
Number of inquiries	84	57.1	↗	+ 26.9
–PP	39	18.3	↗	+20.7
–PGH	45	38.8	↗	+6.2
Number of proposals	15	6.83	↗	+8.17
–PP	8	3.5	↗	+4.5
–PGH	7	3.3	↗	+3.7
Number of orders received	4	1.16	↗	2.84
–PP orders received	1	0.66	↗	+0.34
–PGH orders received	3	0.50	↗	+2.50
Balance of orders	641,480	173,978	↗	+ 467,502
–PP orders received	530,000	143,822	↗	+386,178
–PGH orders received	111,480	30,156	↗	+81,324

Changing the structure contributed to the improvement of current KPIs



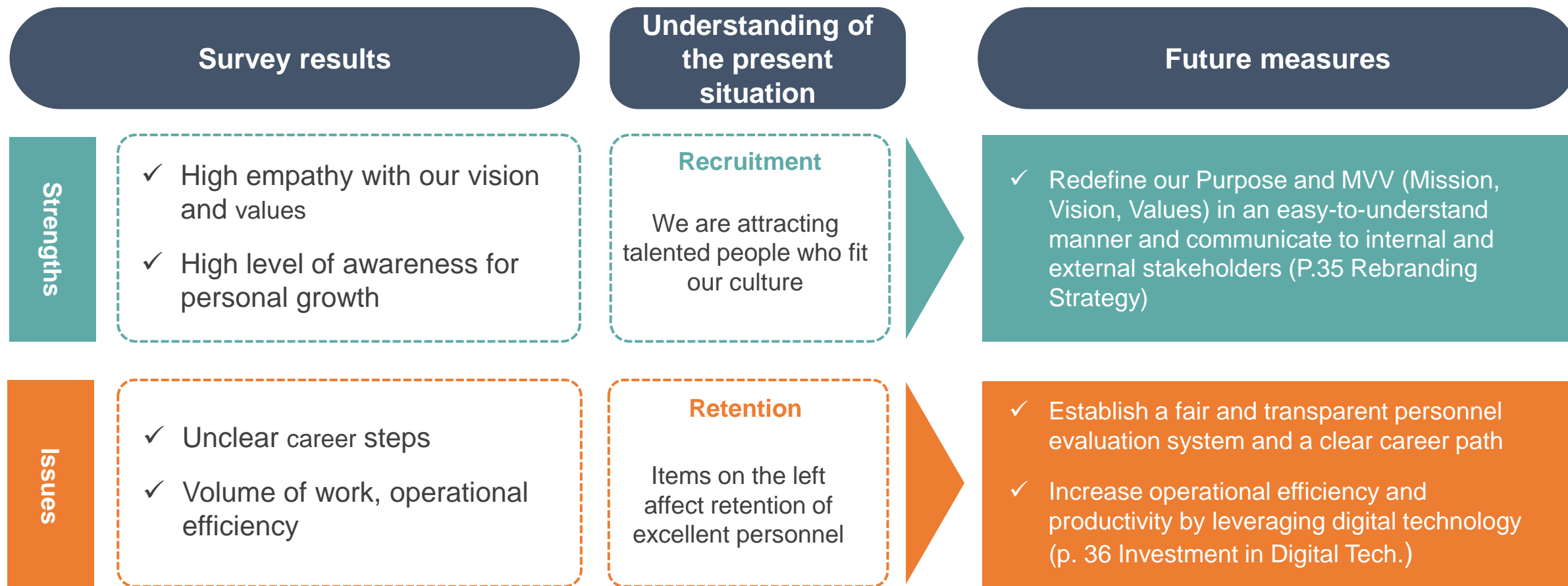
- ✓ July 2023: Application for additional electronic transaction services related to the Act on Specified Joint Real Estate Ventures
- ✓ Proceeding with the construction of a crowdfunding platform for various uses, such as collaboration with a primary business operator (ichigo jigyo-sha), fundraising support, and bridge funds

Real Estate Crowdfunding

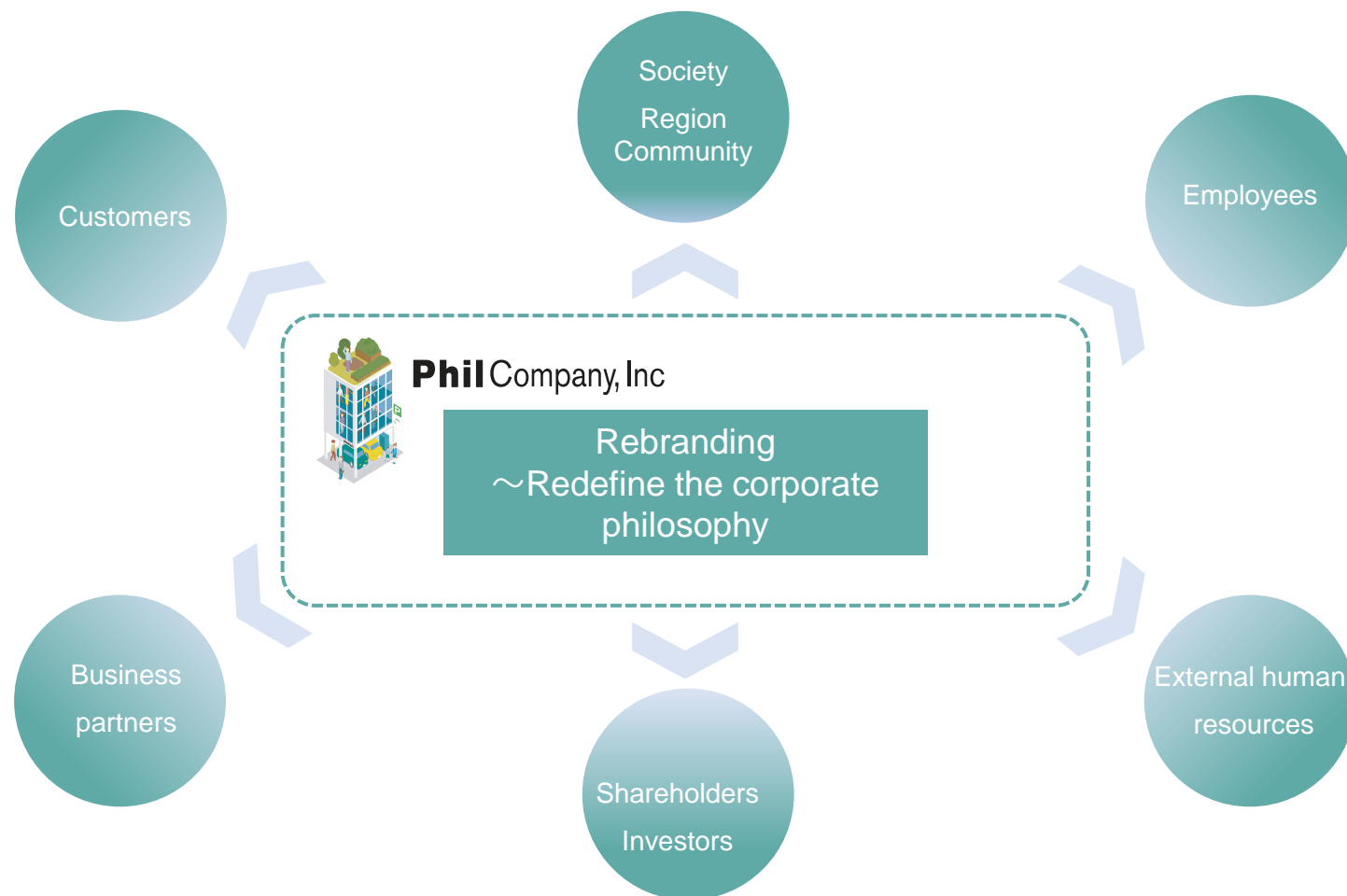


Fund formation and investor solicitation are separate jobs

- ✓ Conducted awareness survey of all employees to get quantitative data to make visual the status of engagement
- ✓ In addition, about 10 people were randomly selected for individual interviews to collect qualitative information



- ✓ Objective: To **build a stronger corporate brand and increase corporate value** by **clearly stating the company's raison d'etre and the direction in which it aims to go**, and communicating this to internal and external stakeholders.
 - Maximize human capital through enhanced recruitment and further employee engagement
 - Contribute to business activities, marketing, and investor relations



From building a foundation in 2022 to finally going on the offensive in 2023

- ✓ The digital foundation is in place, entering the phase of going on the offensive from 2023
- ✓ Started measures to discover prospects, such as advertising and effective use of existing data

Foundation	<p><u>Fiscal 2022</u> <u>Prepare digital infrastructure</u></p>	<ul style="list-style-type: none">■ Opened PGH official website■ Established a department to promote digitalization■ Integrated, and used customer data■ Prepared the foundation of the occupancy waitlist management system
Moving forward	<p><u>Fiscal 2023</u> <u>Strengthening marketing</u></p>	<ul style="list-style-type: none">■ Renew the PP official website■ Digitalize sales management■ Develop a system for the launch of a response acquisition team■ Start onboarding measures for employee training.■ Start online advertising■ Begin testing influencer advertising measures■ Start activation measures

Following the official website renewal of the PGH, renewed the official website of PP in February 2023



We create liveliness and profits
in the inactive space above the parking lot.

Parking lot + building = Phil Park aerial shop



The view and space only possible on
the aerial floor.
The community-based “hideaway style
restaurant” has been realized as
envisioned.

Phil Park Meguro Aobadai 3F Tenant
American-Italian JOLIE



A bright and open space in a safe
location near the station.
We have created an ideal school for our
children.

Phil Park Mitaka Ekimae 3F
Wisdom Academy Mitaka Kichijoji School

Eliminating "hard-to-use land" around the world.

Sustainability Declaration

We want to eliminate "hard-to-use land" all over the world.
The Phil Company Group is serious about this.

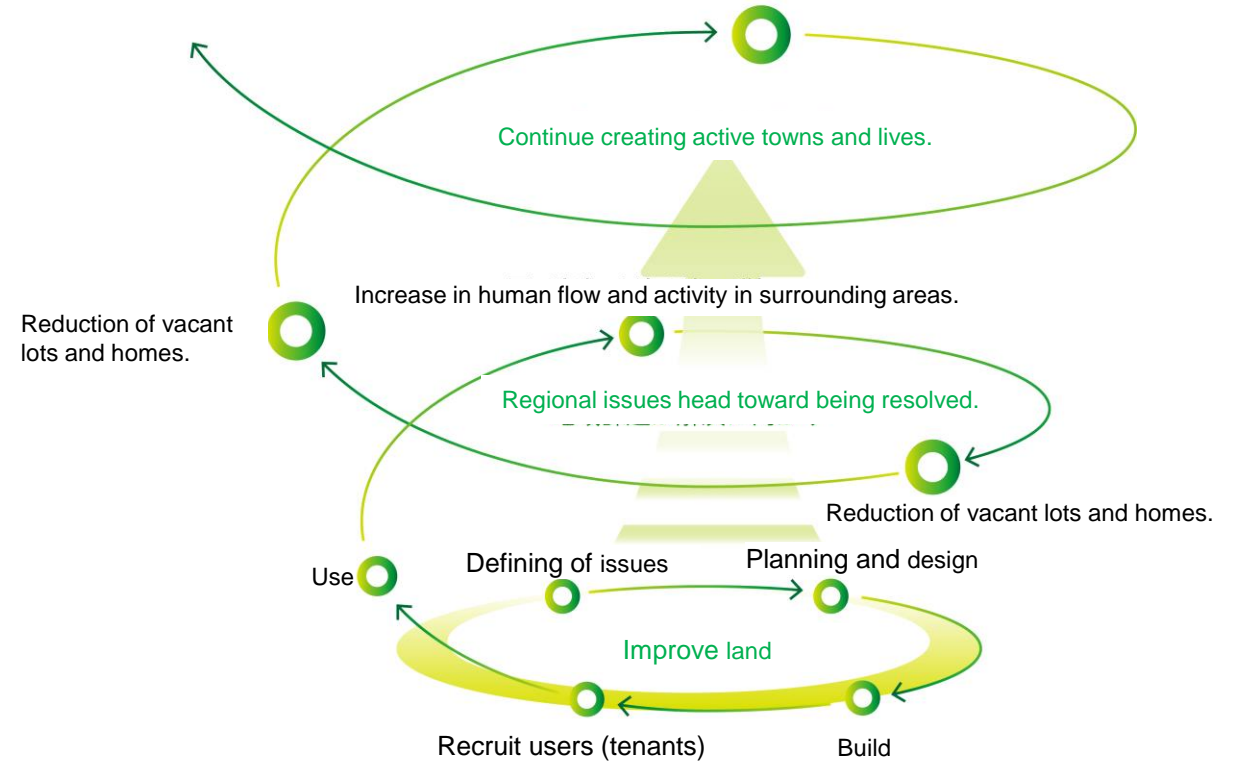
Places that are left untouched and have lost their liveliness and light because they are a little far from the train station, or the shape of the land is difficult to use, etc., so few people go by and it is difficult to use.

We have rated such locations as "hard-to-use land." We have revitalized many such places, contributing to the creation of communities where people can continue to live and people's liveliness and joy never cease.

We will repeatedly regenerate hard-to-use land, and solve community issues while taking the environment into consideration, and create sustainable liveliness and feelings of relief. This cycle of regeneration will continue to revitalize people, towns, and society, and will eventually become a great swell that will change the future of the world.

Sustainable business model

To a society and world where the liveliness of towns and the comfort of life never cease.



Collaborate with Life Design KABAYA on product development



Our premium garage houses to date have been lightweight steel construction.



We are developing a premium garage house using CLT made of Japanese timber with the aim of reducing environmental impact and effectively using forest resources in Japan.

Features of CLT

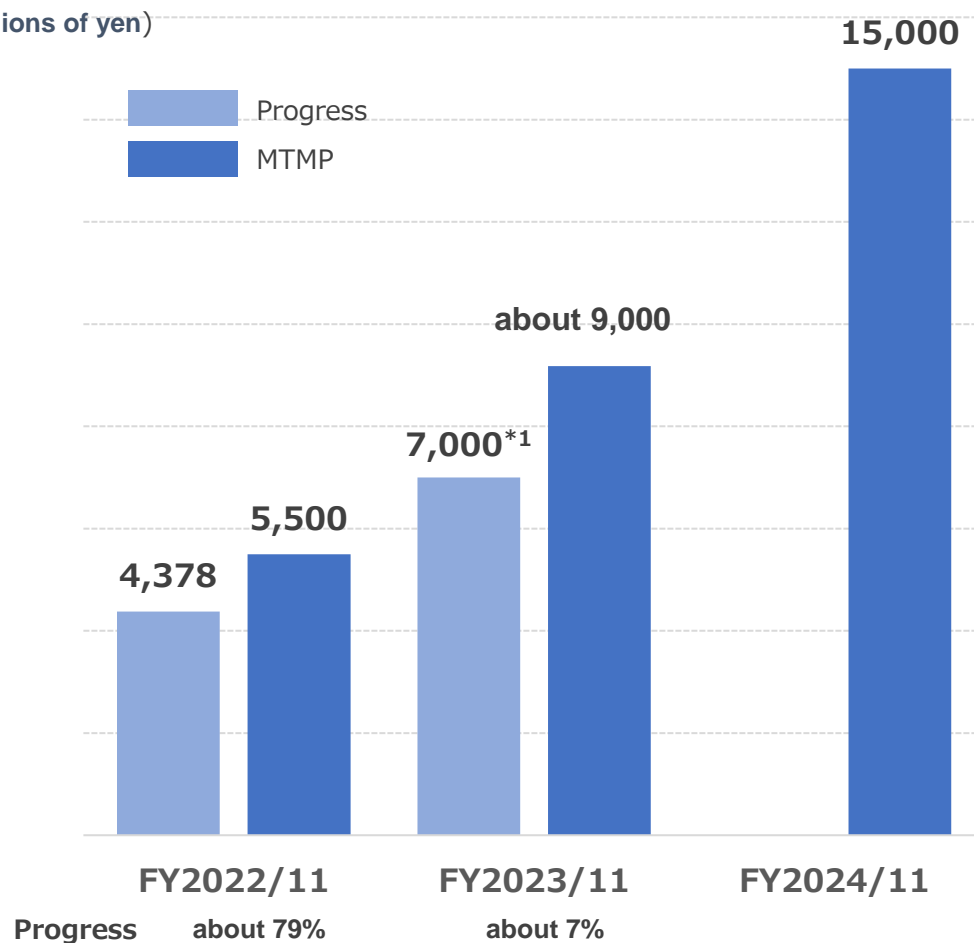
- ① Superior earthquake resistance and durability
- ② Lightweight
- ③ Excellent thermal insulation and fire resistance
- ④ Easy to process and install
- ⑤ Construction period can be shortened
- ⑥ Reduces environmental impact



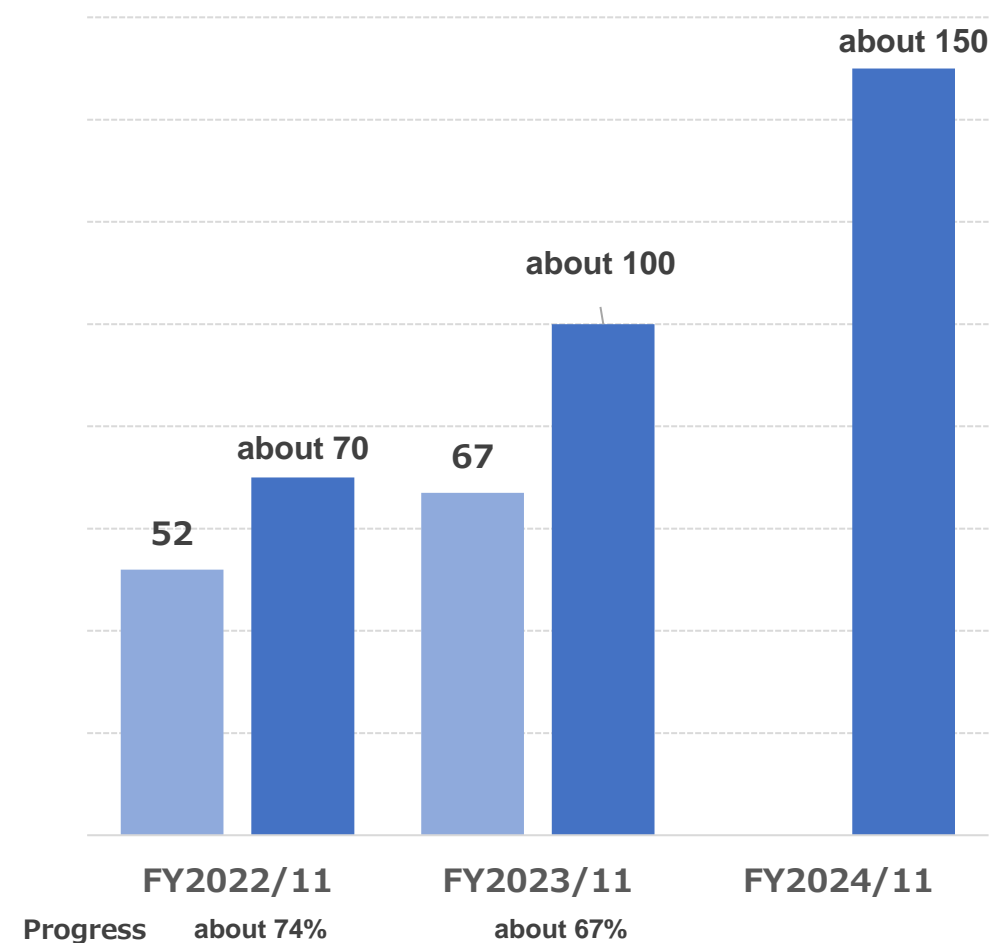
✓ Delays in hiring new employees affected business expansion plans

Sales

(millions of yen)



Number of employees



*Forecast for the full year

- ✓ A **strategic task force** will be newly established as an organization directly under the President

Role of the strategic task force

- Evaluate and review the current mid-term management plan in light of changes in the environment and progress since the plan was formulated.
- Design and support the implementation of short-, medium- and long-term strategies and growth scenarios



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 uncertainty and a variety of other reasons in the future.

Our business and results may be different from what is written here.

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