

Phil Company, Inc.

Wednesday, October 11, 2023

Financial results presentation material for the 3Q of
the fiscal year ending November 30, 2023

Phil Company, Inc. TSE Prime Securities code: 3267



I Company Profile and Business Overview

II 3Q Topics

III 3Q Results

I Company Profile and Business Overview

II 3Q Topics

III 3Q Results

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

Increases value and Sales through land use.



Provides a highly flexible location to move into

Provides a vibrant town and convenient lifestyle

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

PhilPark Aerial shop

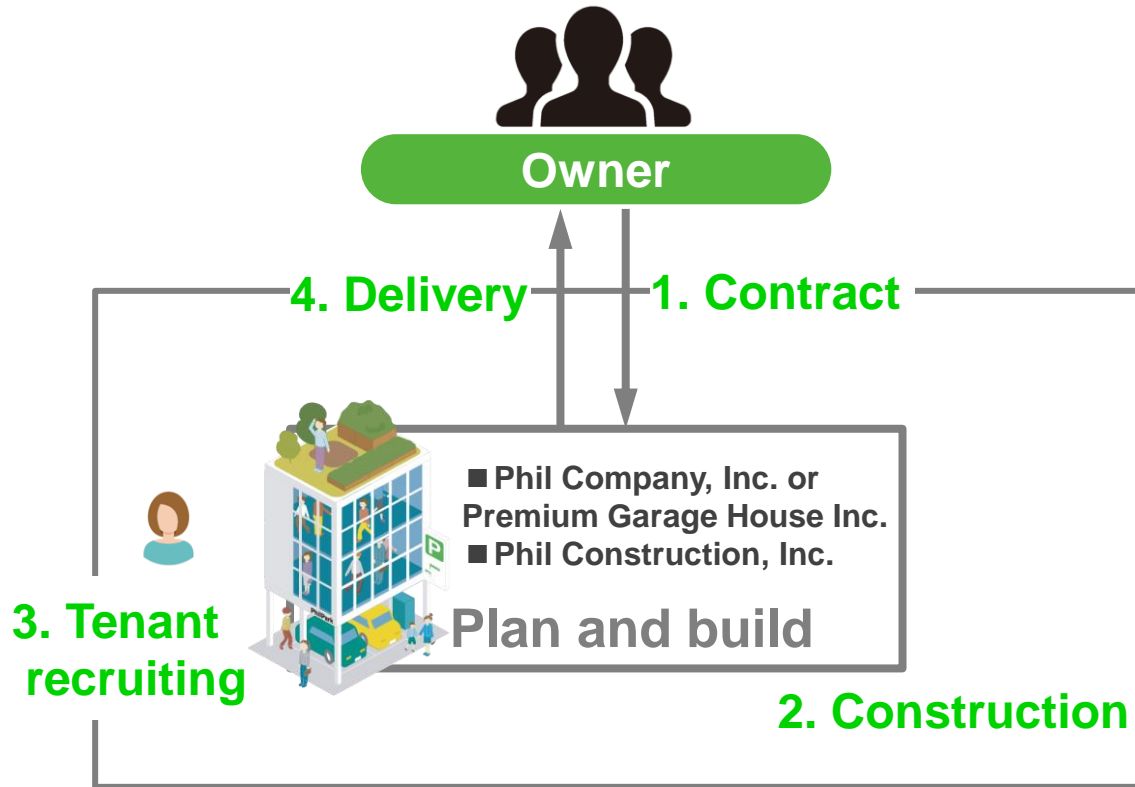
 Premium Garage House
Rental housing with a garage



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

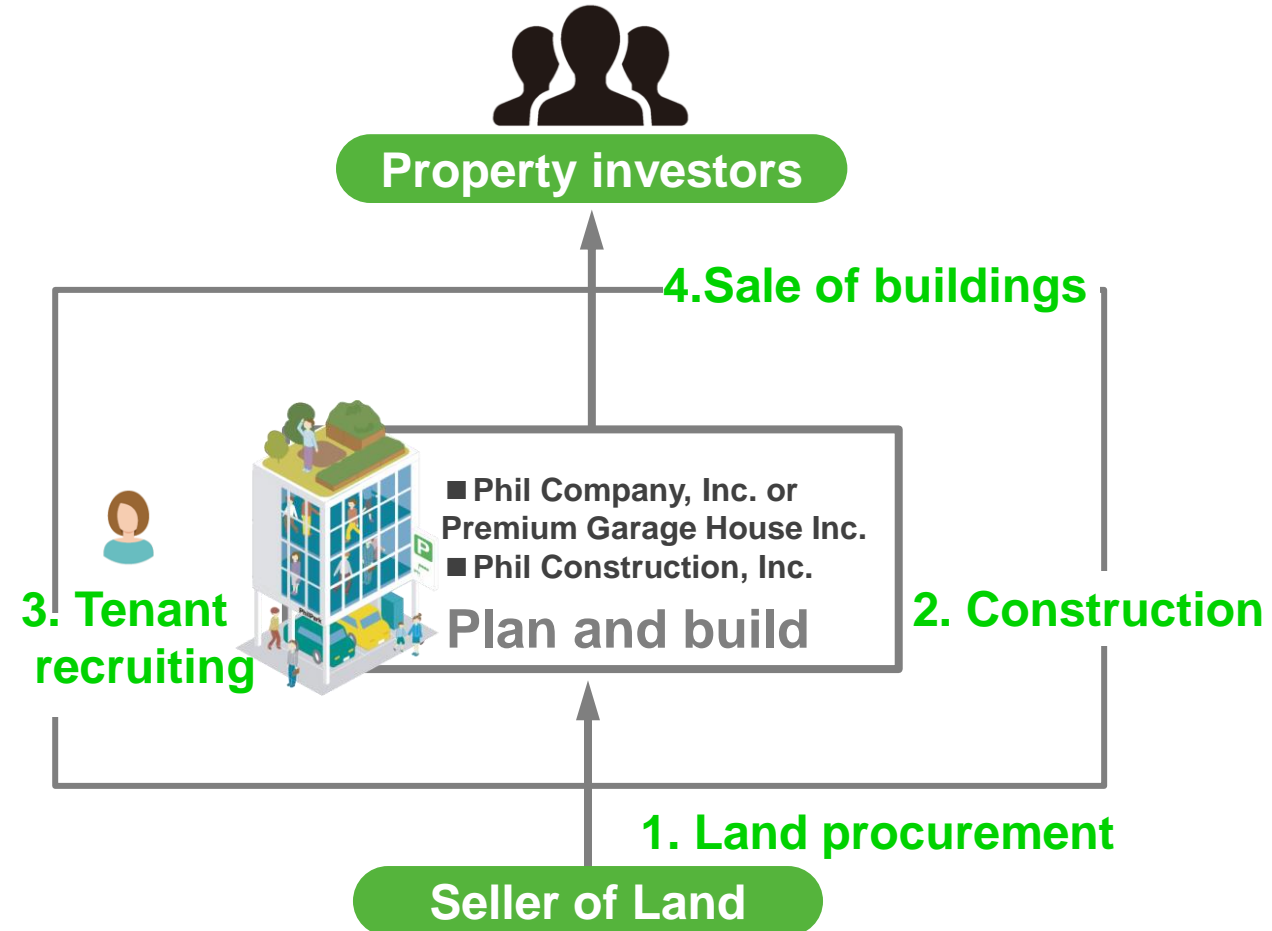
Low-capital-intensity model

Contracted Orders



High-profit model

Development and sales



PhilPark Aerial shop

Contracted orders

- Cumulative results: 214 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: 39 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 Rental housing with a garage

- Cumulative results: 65 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.



Premium Garage House
Rental housing with a garage

Low-use land*2: about 4,000 km²

PhilPark

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

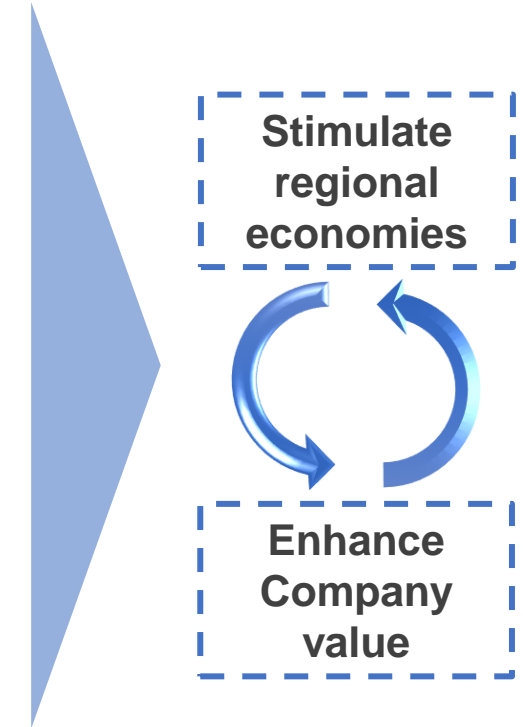
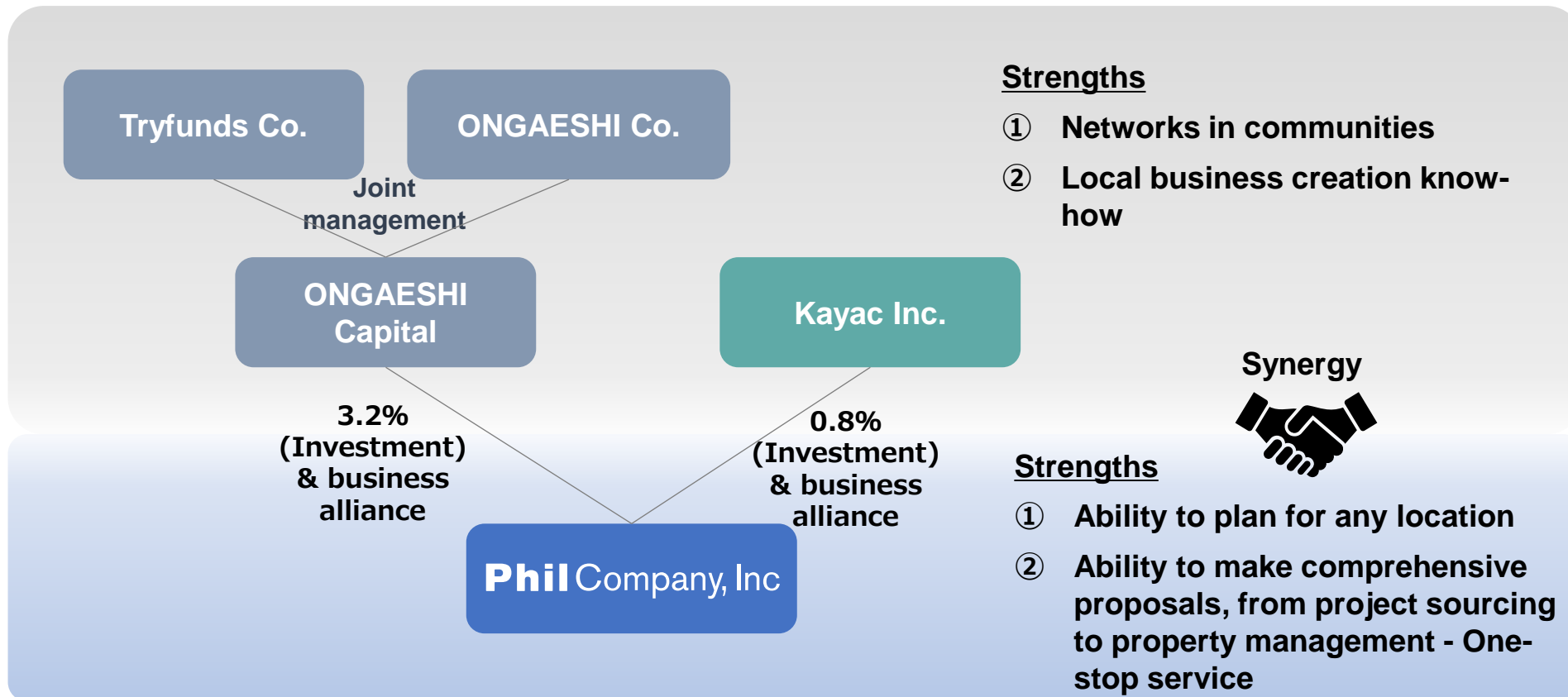
1. Source: Japan Parking Business Association, *Fact-finding Study on Temporary-use Paid Parking (Coin-operated Parking) Market, 2021 Edition*
2. Source: Ministry of Land, Infrastructure, Transport and Tourism, *"Basic Land Survey General Report"*; Nomura Research Institute, *"Housing Market and Issues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

I Company Profile and Business Overview

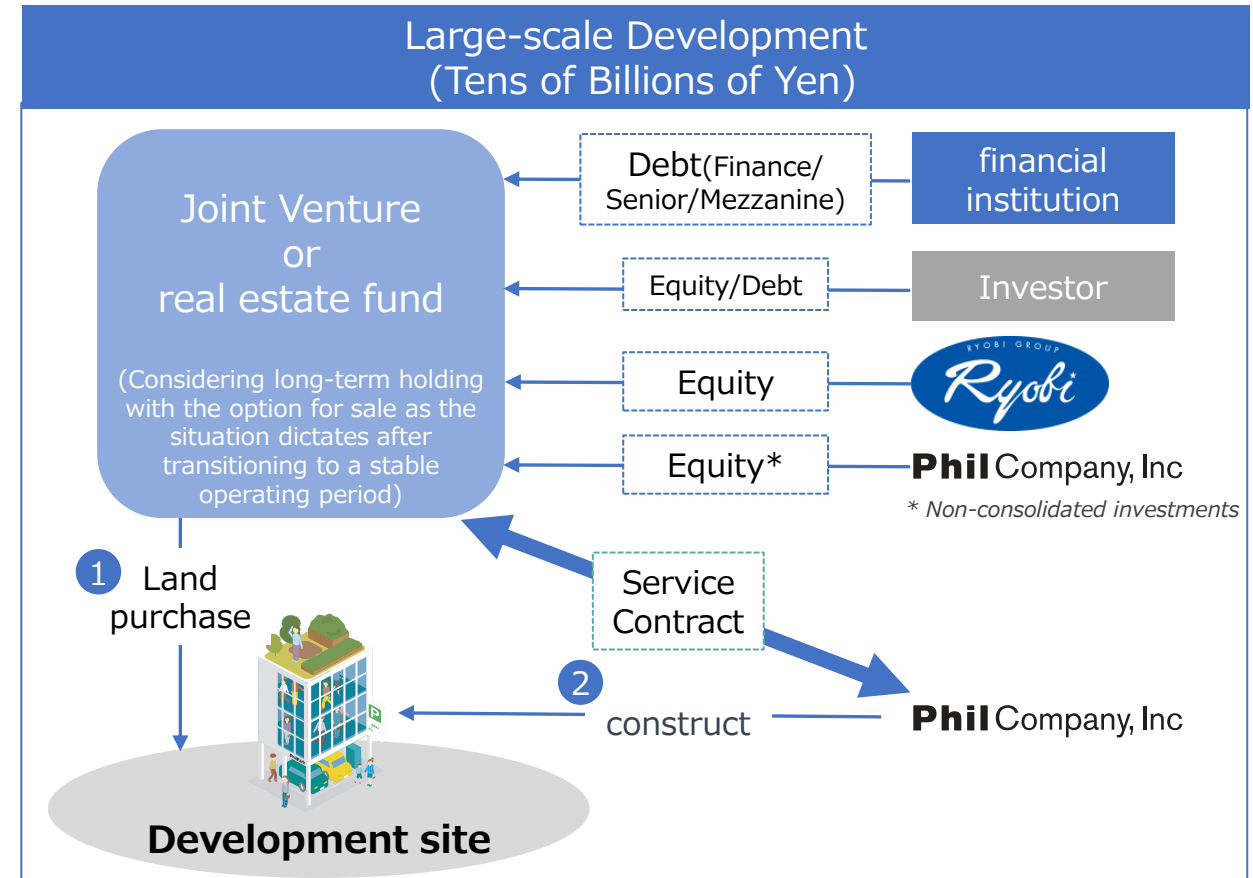
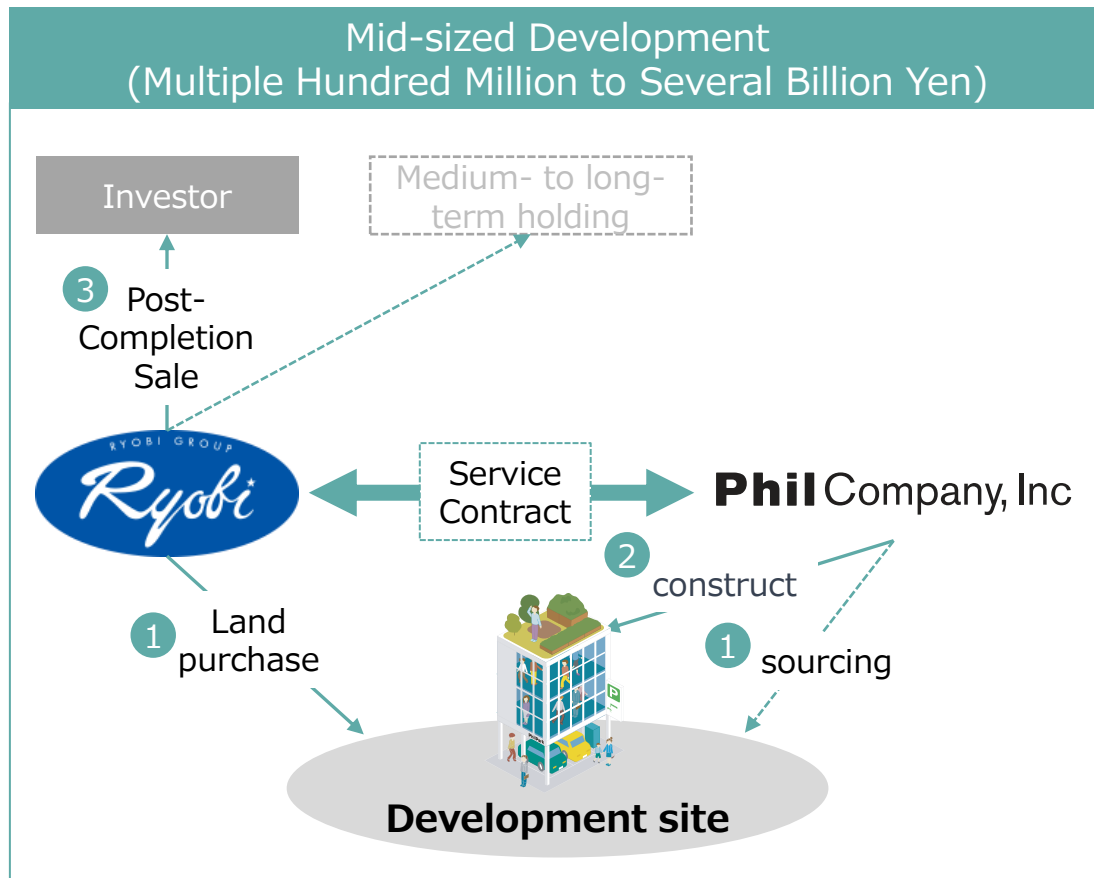
II 3Q Topics

III 3Q Results

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

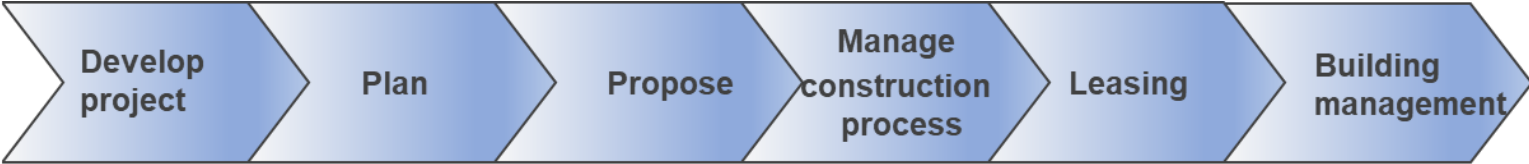
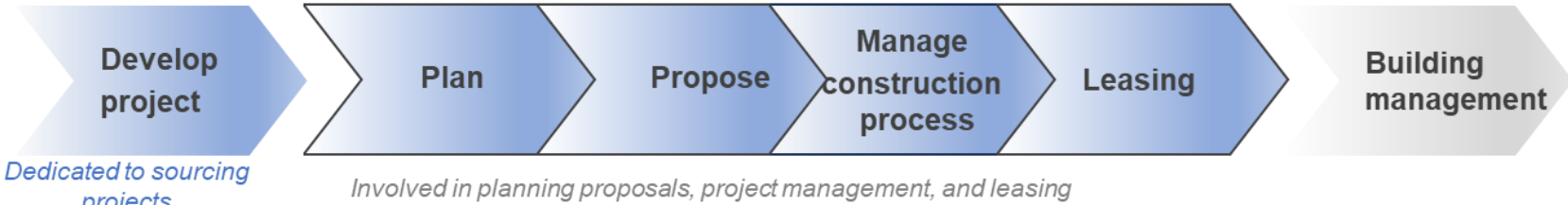
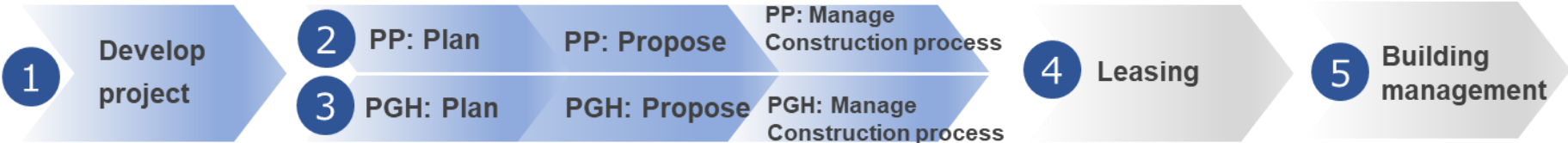


- Promote the revitalization of the local economy through joint development.
- Business benefits
 - Ryobi HD : Investment opportunity in a unique and innovative Aerial shop “Phil Park”.
 - Phil Co : Acquiring growth opportunities unrestricted by our company’s Balance Sheet.



Sales Reform: Restructuring the Sales Process

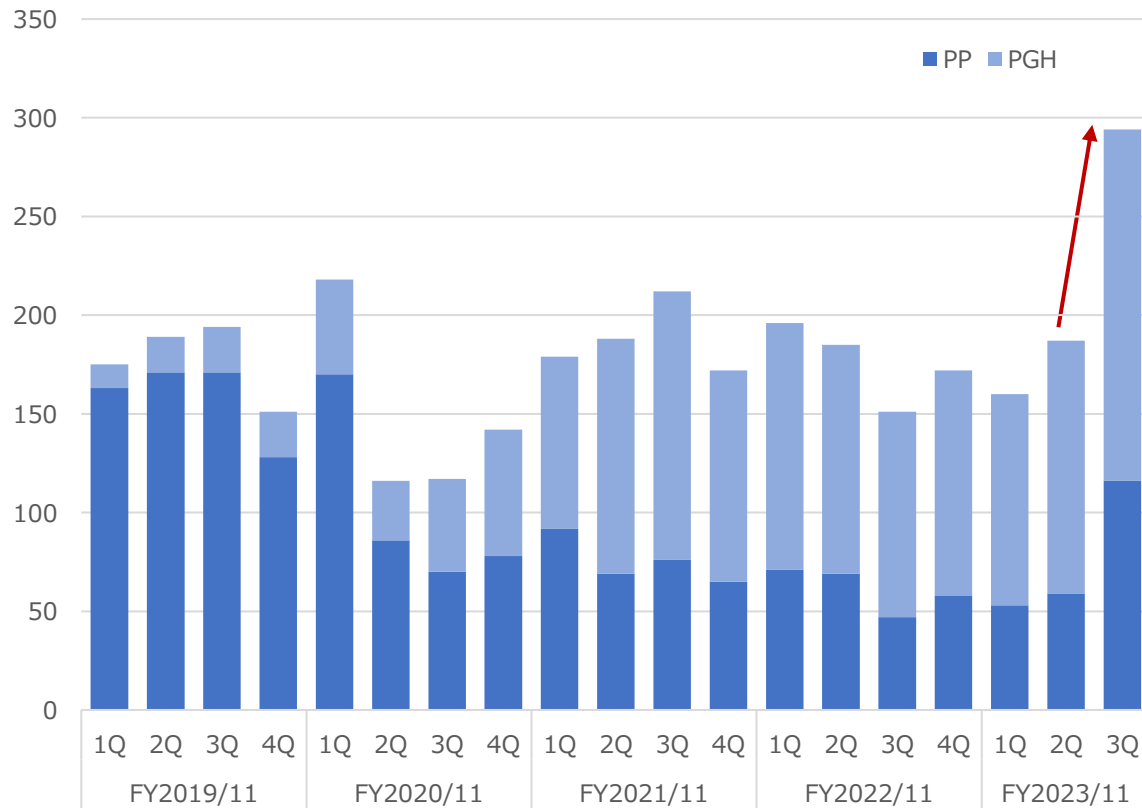
- ✓ Issue: The process is so person-driven, with one person involved in all processes and completing a project that it is structurally difficult to scale up.
- ✓ Objective: Separate each process and build a system that can be scaled up as an organization.
 - Constantly allocate personnel to project development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

	Summary	Sales process for Contracted Orders
Previous	<p><u>One person involved in the entire process</u></p>	
Current	<p><u>Separate project development and building management</u></p>	
To be	<p><u>Division of labor with 4 specialized units</u></p>	<p><i>Dedicated to proposing PP* plans and project management</i></p> 

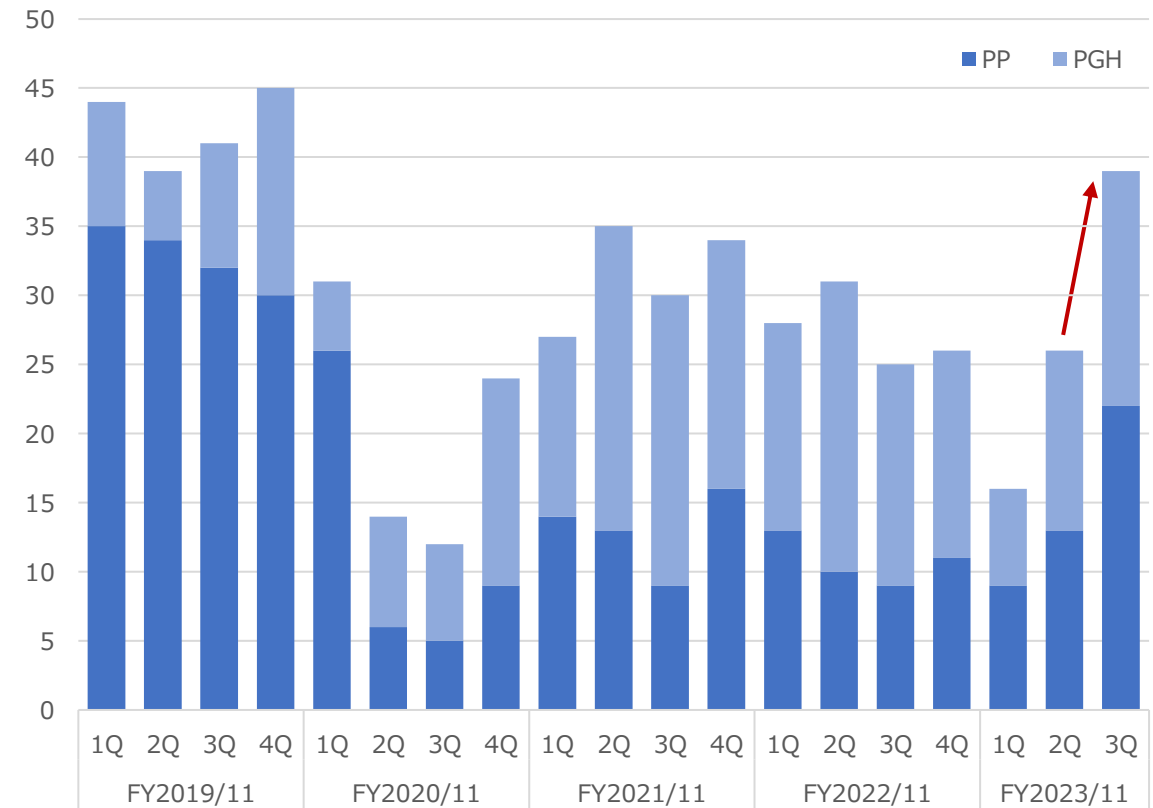
Note: PP: Phil Park
PGH: Premium Garage House

■ Significant increases in the number of inquiries and proposals due to improved productivity.

No. of inquiries



No. of proposals



PP : Phil Park, Aerial shop
PGH : Premium Garage House

I Company Profile and Business Overview

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3Q Results

Sales : 1,181million yen
Gross profit : 289 million yen
**Operating profit/loss :
-11 million yen**

Highlights

- Sales by 10% year-on-year, and gross profit saw a profit increase of 13%.
 - Amount of orders received reached 1,100 million yen, the highest in the company's history for the 3Q.
- Selling, general and administrative expense increased by 40% year-on-year, resulting in a deterioration of operating profit/loss.
 - The increase in Personnel and Lease costs had an impact. (Preemptive investment for business expansion)

The contracted orders scheme -PP

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

The contracted orders scheme -PGH

No. of orders received: 6
**Amount of orders received:
359 million yen**

The development and sales scheme

**Development balance:
4,505 million yen**
No. of sales and deliveries: 1

*Note: PP: Phil Park, Aerial shop
PGH: Premium Garage House*

3Q Consolidated performance

(Thousands of yen)	3Q Result		Cumulative for 3Q	
	Results	YoY	Results	YoY
Sales	1,181,225	+10%	3,036,466	+23%
Cost of sales	892,130	+10%	2,322,084	+21%
Gross profit	289,094	+13%	714,382	+27%
Gross profit margin	24.5%	—	23.5%	—
SG&A	300,261	+40%	866,243	+45%
—Personnel	175,692	+36%	466,852	+24%
—Outsourcing expenses	27,874	-2%	91,324	+38%
—Advertising expenses	3,383	+186%	23,436	+546%
—Others	93,311	+70%	284,629	+86%
Operating profit	-11,166	—	-151,860	—
Ordinary profit	-76,586	—	-224,501	—
Profit	-75,545	—	-184,861	—

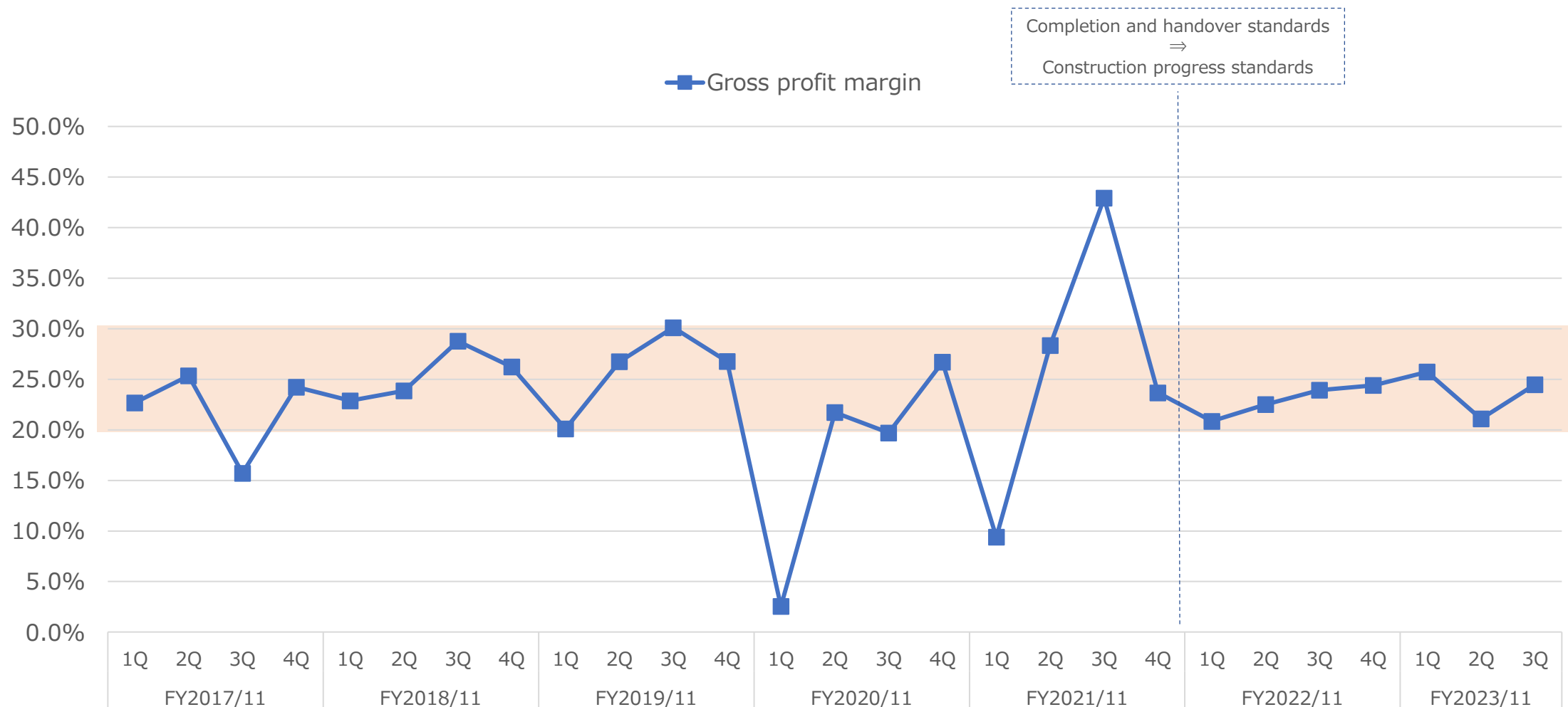
Prior investment

An increase in Personnel expenses due to the expansion of the workforce and strengthening of mid-career recruitment.

Phil Park marketing video creation leads to increased Advertising expenses

Increase in rent due to relocation of head office

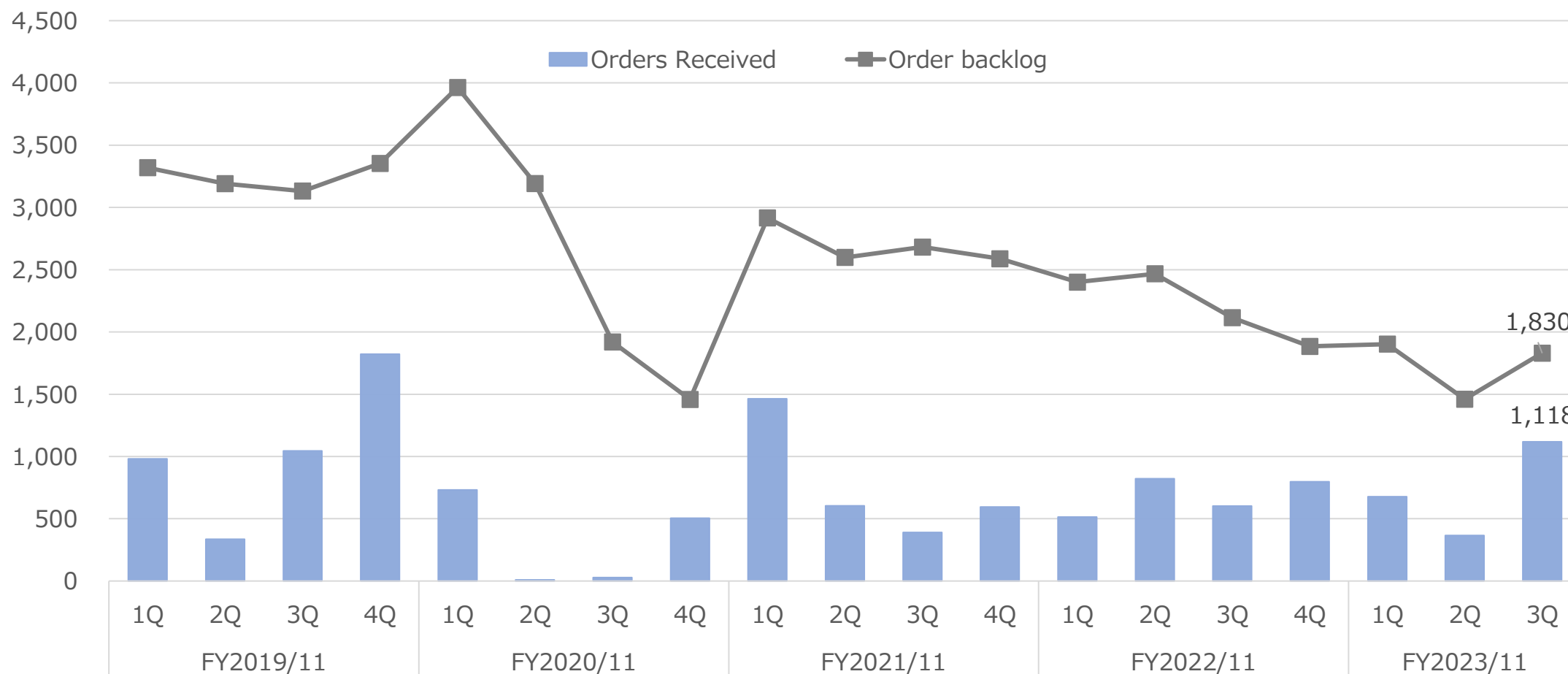
- The quarterly Gross profit margin has generally been in the range of 20% to 30%.
- Since the change in Sales recognition standards from November 2022, **it has consistently remained in the range of 20% to 25%.**



Contracted Orders received and Order backlog

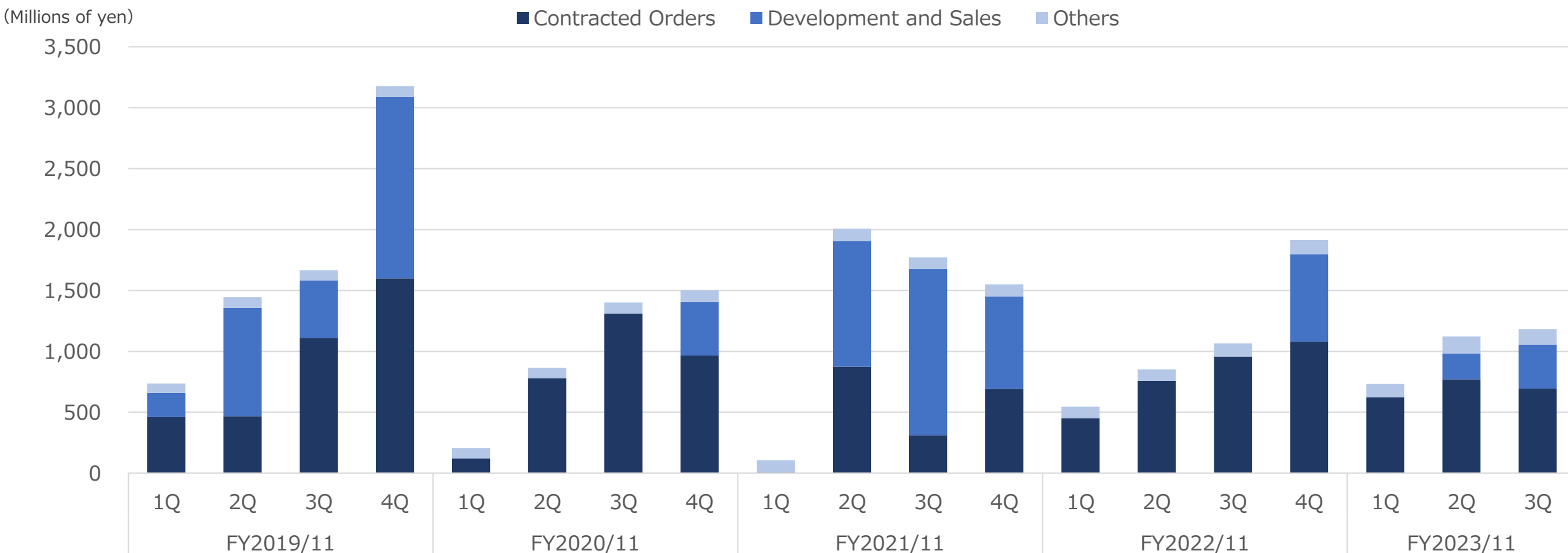
- Amount of orders received for the 3Q was **1,120 million yen**, **reaching a record high for the 3Q**.
(surpassing the 1,050 million yen in the 3Q of the 2019 November fiscal year)

(Millions of yen)



- Sales from the contracted orders in the 3Q decreased compared to the same period of the previous year.
- Total Sales was contributed to by Development and sales, **resulting in an increase compared to the previous quarter and the same period of the previous year.**

The trend in Sales



- ✓ The cumulative Sales for the 3Q is at 43% of the full year forecast, falling below the initial expectations.
 - The total number of units delivered through development and sales was only 2, and the slow growth in Sales from contracted orders also had an impact.

Progress of the Full Year Forecast

(Thousand of yen)	3Q Results	Full year forecast	Difference
Sales	3,036,466	7,000,000	3,963,534
Operating profit	-151,860	250,000	401,860
Ordinary profit	-224,501	240,000	464,501
Profit attributable to owners of parent	-184,768	160,000	344,768

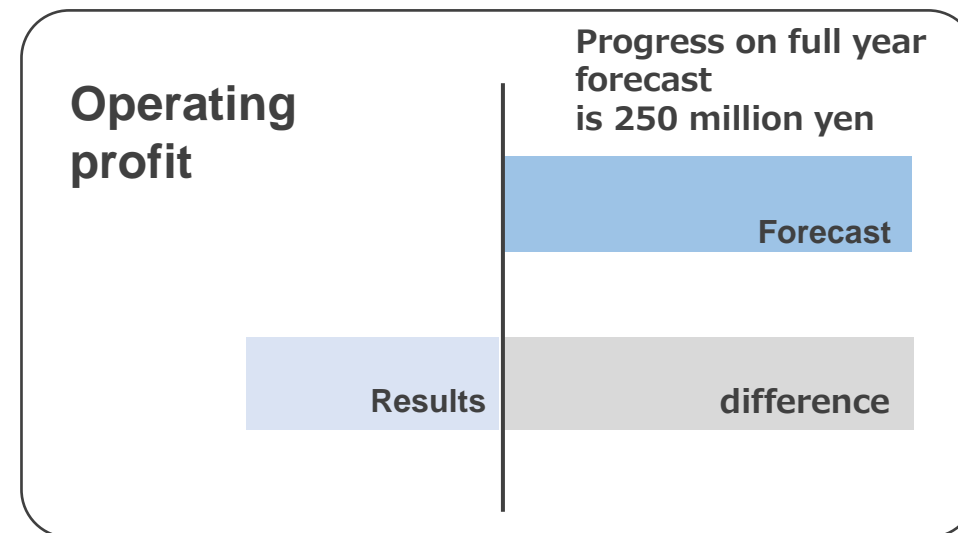
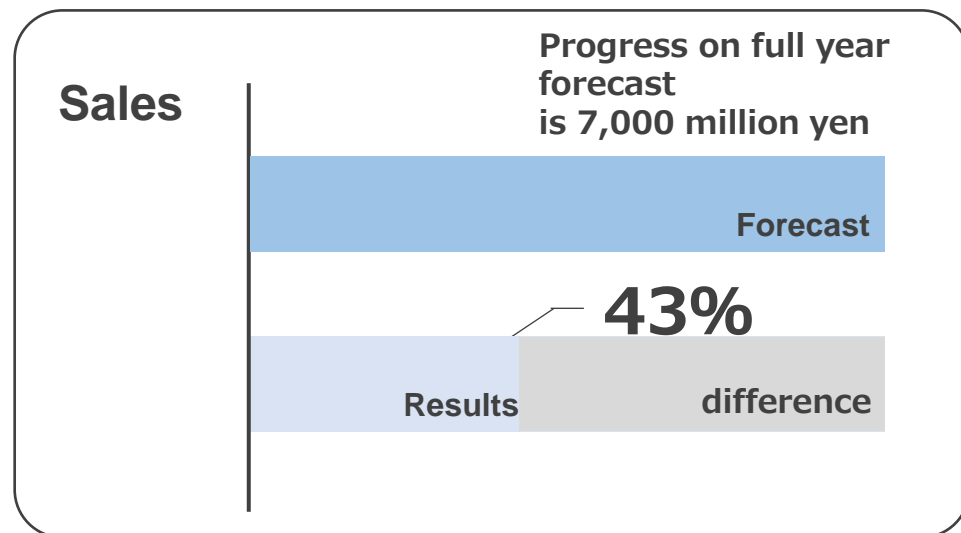


Image of achieving the full year forecast

- Contracted Orders :

Progress in the construction of existing projects is at 700 million yen.

Acquisition of new projects is at 100 million yen.

- Others : Rental income and the like are 100 million yen.

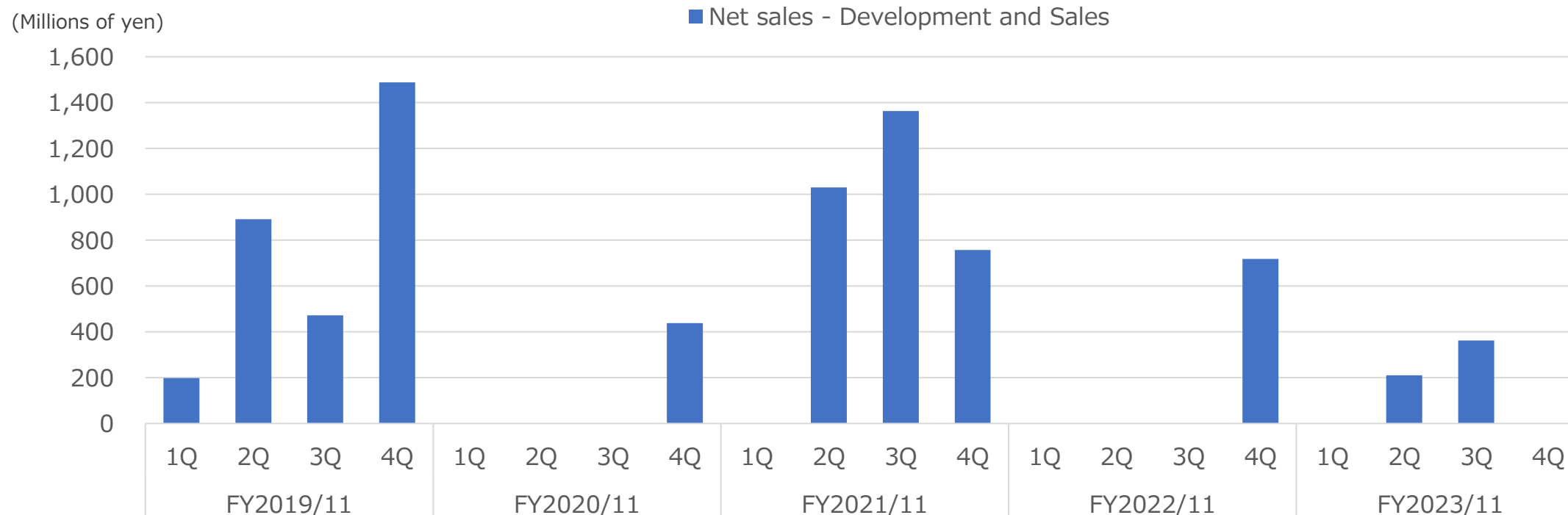
- Development and sales : In September, two properties were sold, and one property is scheduled for contract in October, totaling three properties worth 1,400 million yen. Additional properties are targeted for sale within this fiscal year.



The trend in Sales from The development and sales scheme

- In the 4Q, we will focus on selling the inventory of development projects and actively acquire land for future development in the upcoming fiscal year.
- The volatility in Sales from Development and sales is a challenge.
 - In the future, we aim to achieve a certain level of stabilization primarily by increasing the number of cases.

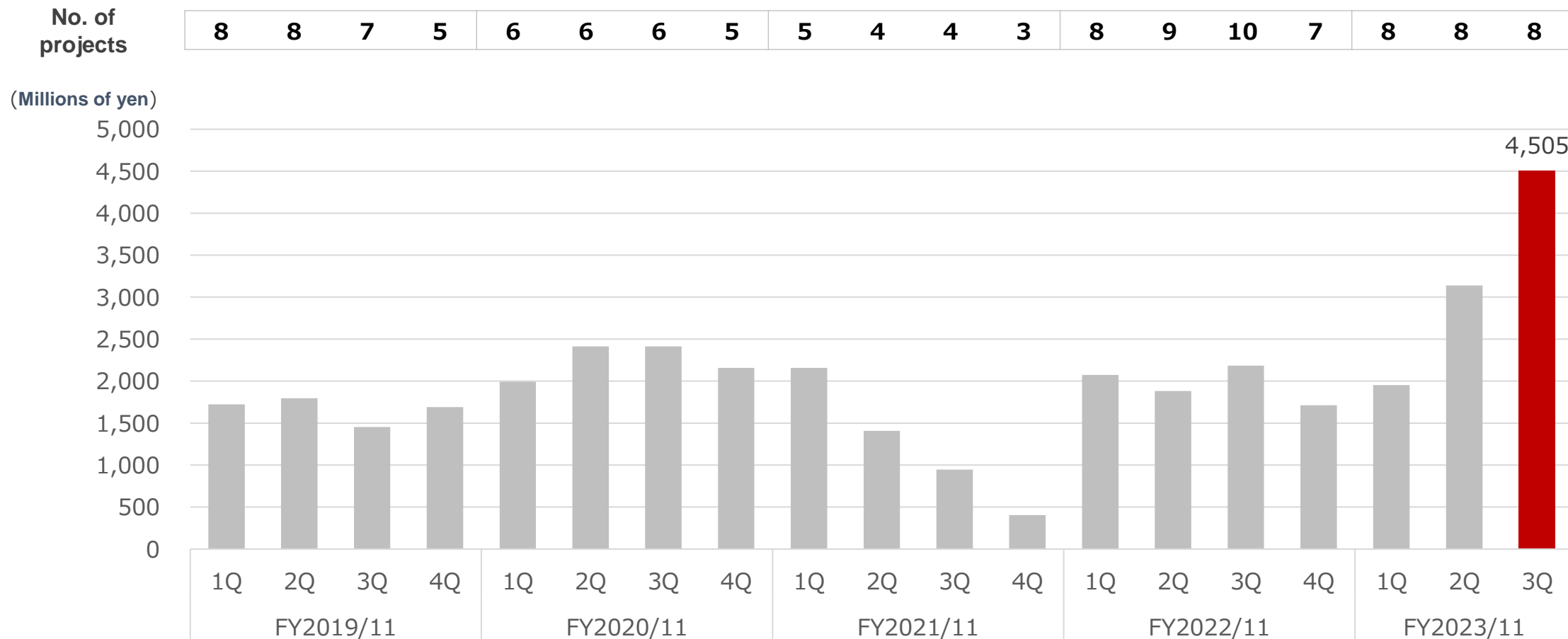
No. of Units Sold and Delivered (billions of yen)	17	18	15	17	20	24	25	22	22	14	9	4	21	19	22	17	20	31	45
No. of contracts to acquire land for development	8	8	7	5	6	6	6	5	5	4	4	3	8	9	10	7	8	8	8
No. of Units Sold and Delivered	1	3	1	6	0	0	0	1	0	1	1	1	0	0	0	4	0	1	1



The development and sales scheme

- Due to factors such as the acquisition of land in Daimyo, Fukuoka City, Fukuoka Prefecture in July 2023, **No. of Units Sold and Delivered has increased to 450 million yen.**
- As of the end of August, **out of 8 remaining development projects, 2 have been sold in September,** and among the remaining 6 projects, several (with one expected to be contracted in October) are also aimed at being sold within this fiscal year.

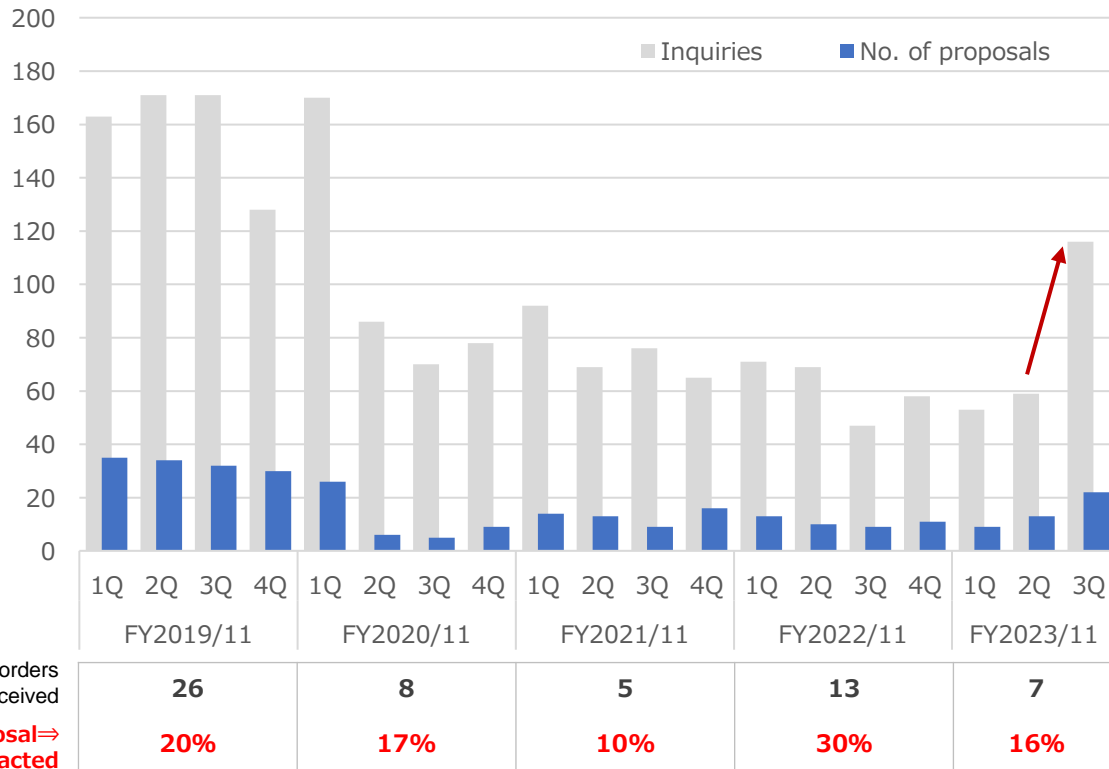
Balance of development projects



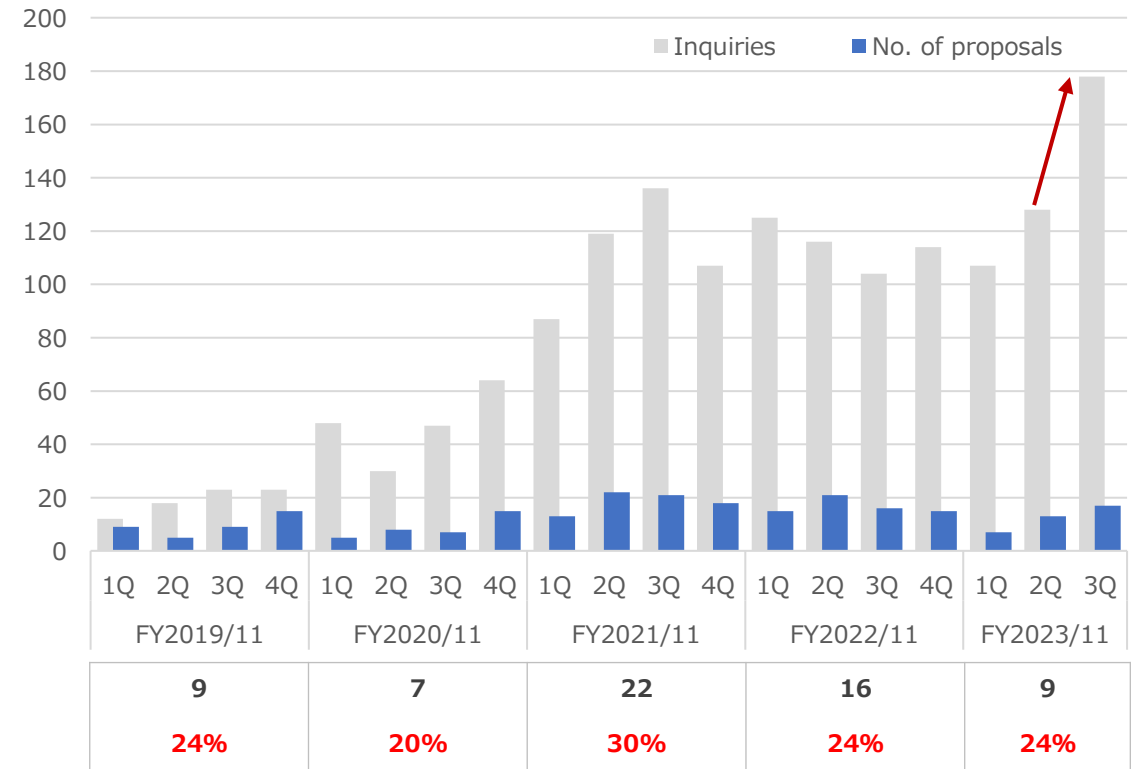
Sales KPIs related to contract orders

- ✓ Sales reform has resulted in improved productivity, leading to an increase in both the number of inquiries and proposals.
- ✓ While the conversion rate of Phil Park has decreased slightly, if the increase in the number of proposals leads to a growth in orders in the fourth quarter and beyond, it is expected to improve.

Phil Company, Inc.



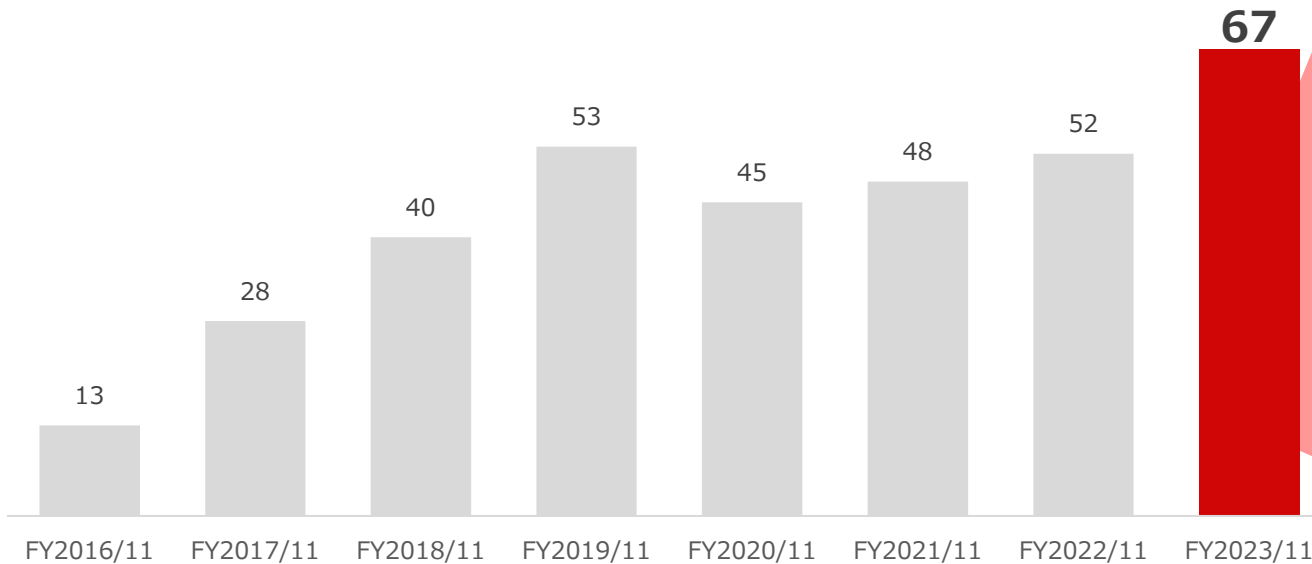
Premium Garage House Inc.



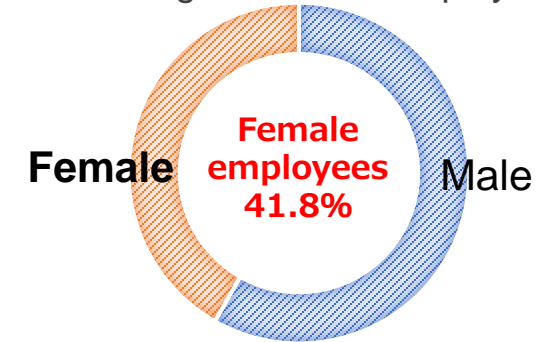
- ✓ We are allocating more than half of our employees to sales and construction to establish a recovery plan for contracted orders.

Employees	End of FY2022	As of August, end 2023
Sales*	10	24
Construction	10	14

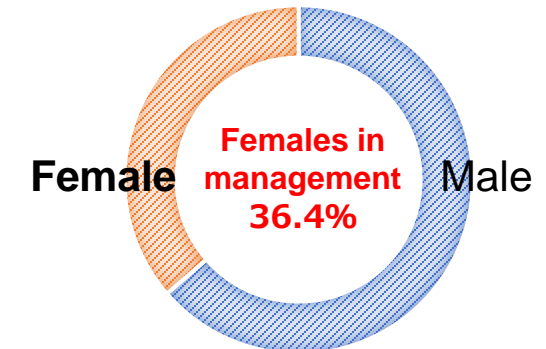
No. of employees, consolidated



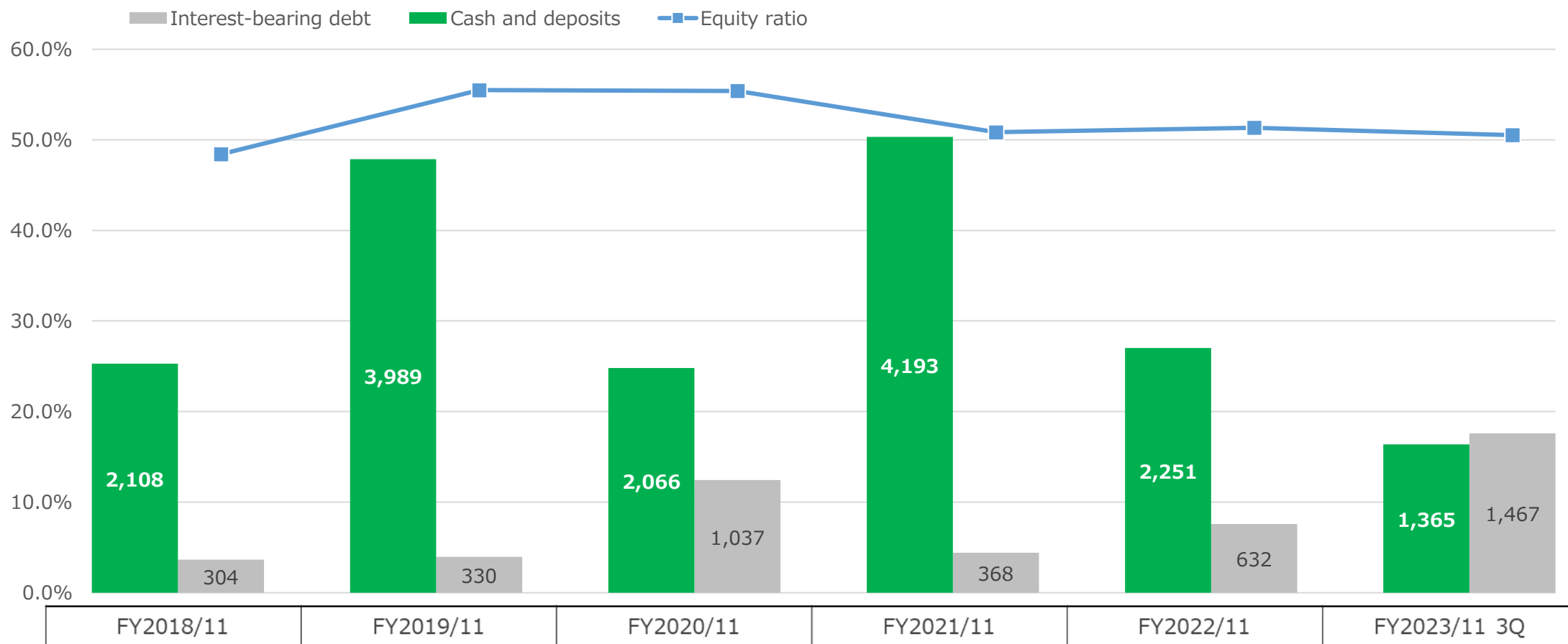
Percentage of female employees



Percentage of females in management



- ✓ The equity ratio is more than 50%, ensuring a healthy financial condition.
- ✓ Due to the accumulation of development project balances, interest-bearing debt has increased, and cash has decreased.



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

As of August 31, 2023
Total assets : 5,023 millions yen

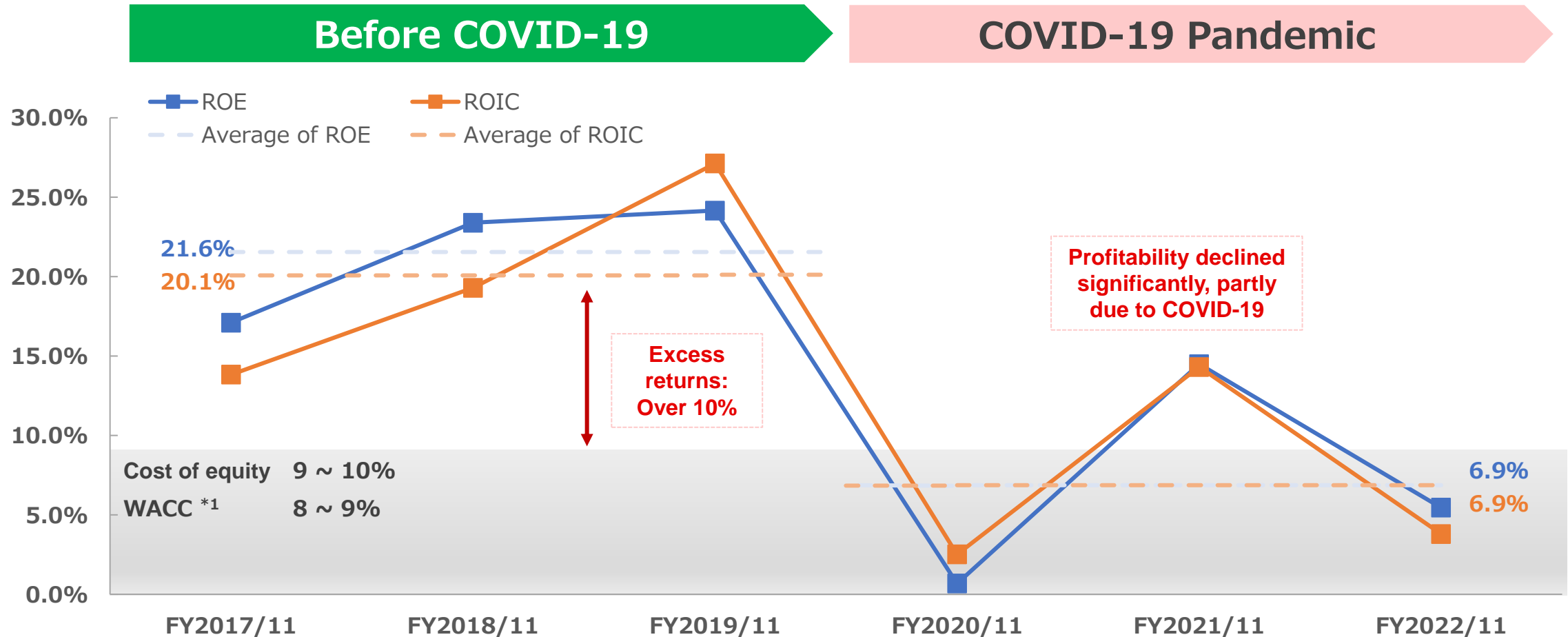
Cash and deposits 2,251	Accounts payable - trade 458
	Advance received 729
	Other current liabilities 341
	Non-current liabilities 778
Inventory assets 1,373	Net assets 2,444
Other Current assets 263	
Non-current assets 863	

(Millions of yen)

Cash and deposits 1,365	Accounts payable - trade 271
	Advance received 314
	Other current liabilities 689
	Non-current liabilities 1,240
Inventory assets 2,296	Net assets 2,509
Other Current assets 264	
Non-current assets 1,098	

- ✓ Enhancing The development and sales scheme has led to a decrease in cash on hand and an increase in inventory assets.
- ✓ Due to the increase in interest-bearing debt associated with the aforementioned enhancement, fixed liabilities have increased.
- ✓ The increase in fixed assets is due to the relocation of the headquarters and deferred tax assets.
- ✓ The disposal of treasury stock through third-party allotment capital increase (P11 capital business alliance) has led to an increase in 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.

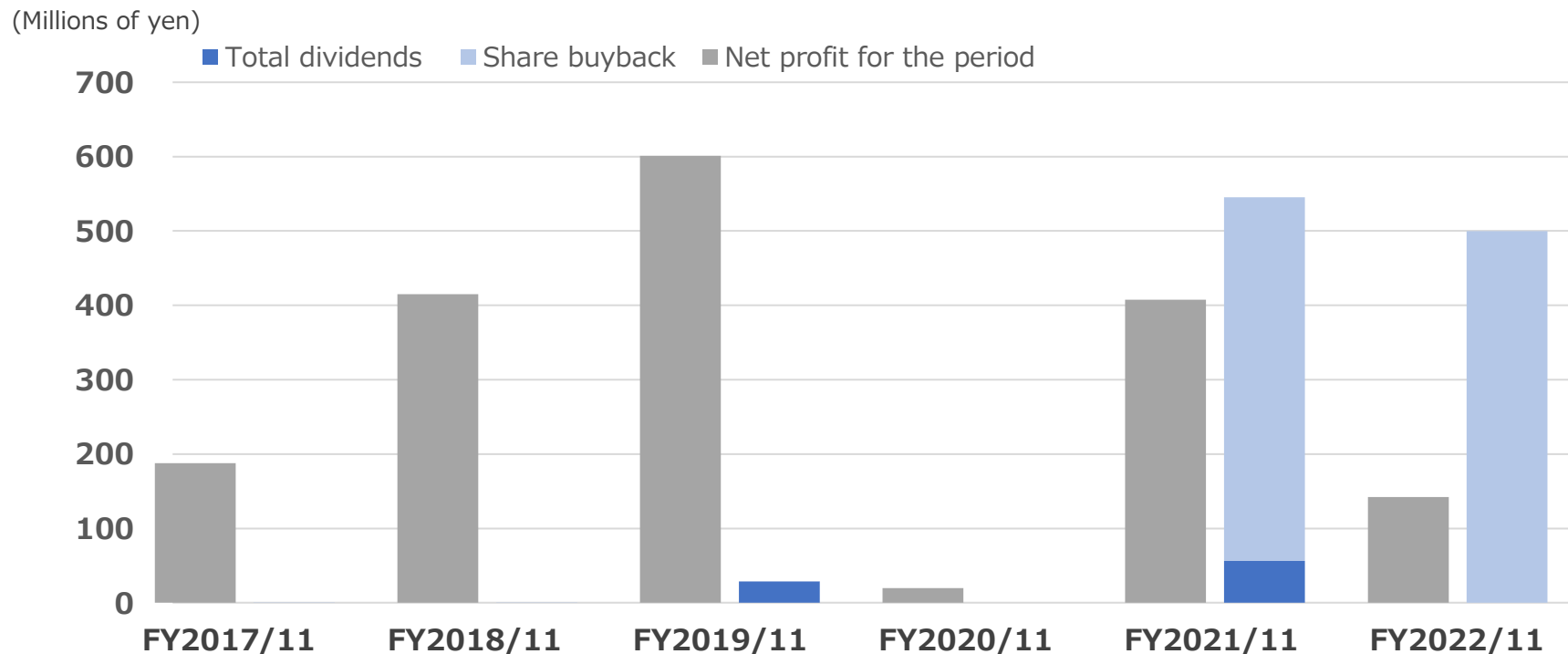


The aim is to increase the stock price (PBR) by improving performance (ROE) to enhance shareholder value (returns).



The fundamental view on shareholder return

- ✓ As a company in the growth phase, we will **actively reinvest profits**.
- ✓ **In terms of returns**, such as dividends, **we will make decisions on a case-by-case basis**, taking into account performance, business environment, and opportunities for growth investments. **We will aim to provide returns that contribute to the sustained improvement of corporate value and the maximization of long-term shareholder returns.**



Dividend per share (yen)

0

0

5

0

10

0

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

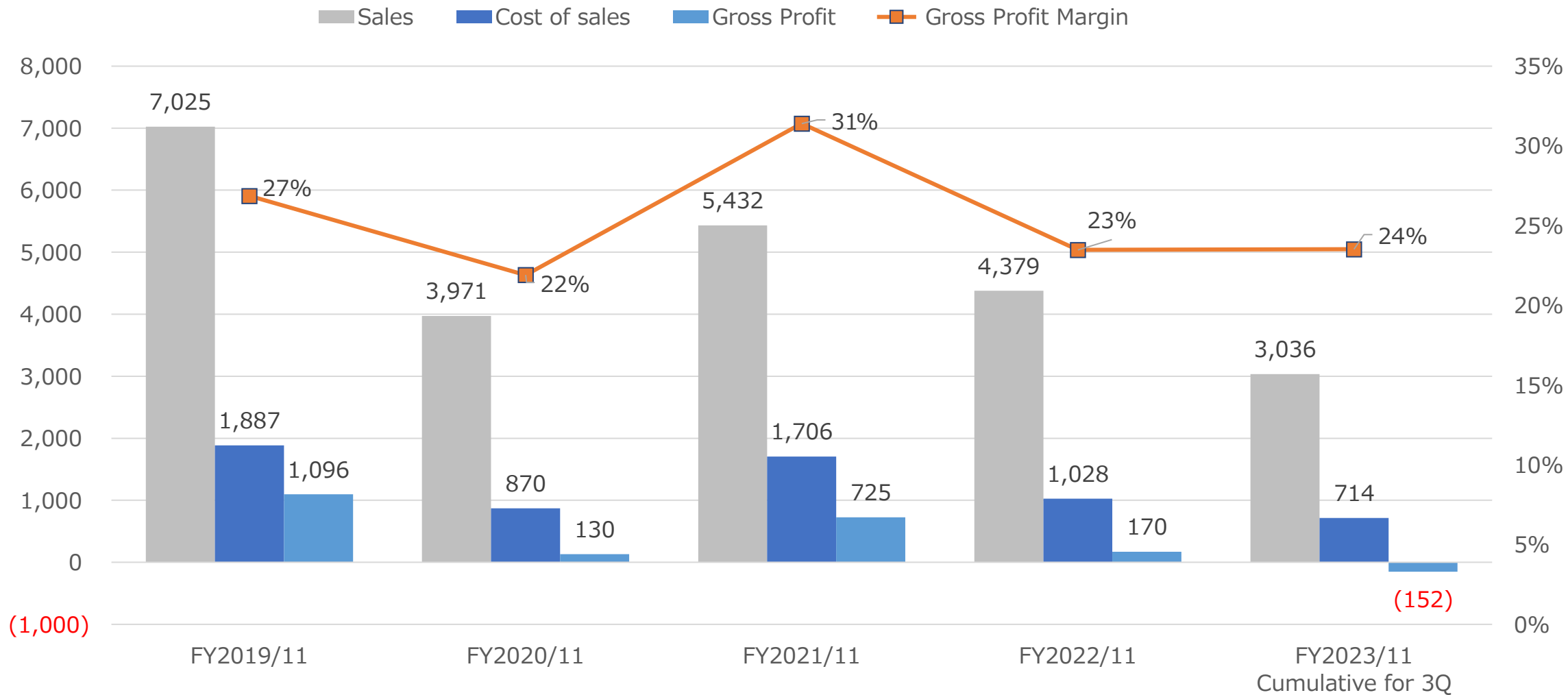
(Appreciation dividend for support during COVID-19)

Six-Year Period

Accumulated total return
About 110 million yen

Accumulated profit
About 180 million yen

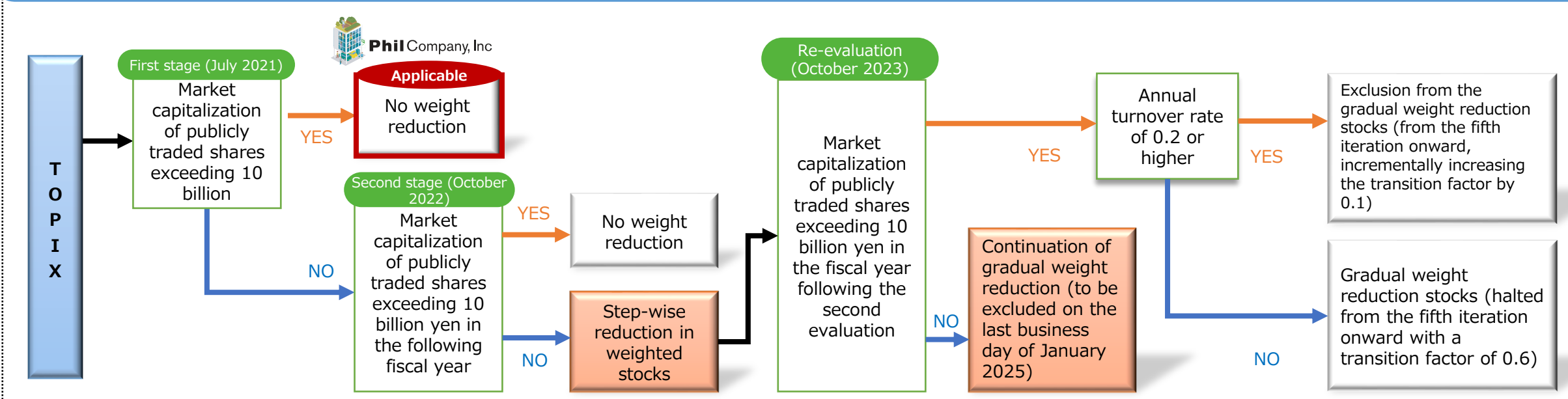
Total return: 61%



		unit	FY2019/11				FY2020/11				FY2021/11				FY2022/11				FY2023/11		
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Financial performance	Contracted orders	Thousand yen	461,075	466,894	1,110,703	1,599,262	120,900	778,582	1,310,458	965,859	6,105	874,047	311,558	693,336	450,736	757,031	956,666	1,079,680	623,800	770,911	693,519
	Development and sales	Thousand yen	198,277	891,369	471,921	1,488,005	0	0	0	437,565	0	1,030,000	1,362,826	756,807	0	0	0	717,781	0	209,902	361,997
	Others	Thousand yen	77,191	87,452	82,858	89,697	84,408	84,887	91,051	97,046	98,987	102,020	96,912	99,753	95,049	96,318	108,889	116,439	109,250	141,374	125,708
	Sales	Thousand yen	736,544	1,445,716	1,665,484	3,176,965	205,308	863,470	1,401,510	1,500,471	105,093	2,006,067	1,771,297	1,549,897	545,785	853,349	1,065,556	1,913,901	733,051	1,122,189	1,181,225
	Cost of sales	Thousand yen	588,462	1,059,012	1,163,915	2,326,422	200,072	675,896	1,125,352	1,099,761	95,210	1,437,422	1,010,935	1,183,000	431,980	661,240	810,556	1,446,725	544,422	885,530	892,130
	Gross profit	Thousand yen	148,082	386,704	501,569	850,542	5,235	187,573	276,157	400,709	9,882	568,644	760,362	366,896	113,804	192,109	255,000	467,176	188,628	236,658	289,094
	Gross profit margin	Percent	20.1%	26.7%	30.1%	26.8%	2.6%	21.7%	19.7%	26.7%	9.4%	28.3%	42.9%	23.7%	20.9%	22.5%	23.9%	24.4%	25.7%	21.1%	24.5%
	Personnel	Thousand yen	79,423	107,959	108,672	178,591	105,891	107,214	106,596	99,356	94,460	103,996	104,316	311,940	111,770	133,675	128,524	170,133	135,228	155,931	175,692
	Outsourcing expenses	Thousand yen	19,156	14,691	15,540	17,876	49,623	15,053	12,779	11,905	19,997	12,077	11,769	23,872	20,993	16,227	28,642	17,283	35,904	27,545	27,874
	Advertising expenses	Thousand yen	8,257	16,202	7,271	10,038	6,764	2,810	2,073	3,926	899	493	746	20,914	1,139	1,300	1,182	1,240	9,475	10,577	3,383
	Others	Thousand yen	36,605	53,929	53,725	62,611	64,336	45,275	50,048	55,764	49,251	62,774	63,886	99,475	52,001	46,051	54,685	73,398	96,194	95,124	93,311
	SG&A	Thousand yen	143,442	192,782	185,210	269,118	226,615	170,353	171,498	170,952	164,608	179,342	180,718	456,203	185,905	197,254	213,035	262,055	276,803	289,178	300,261
	Operating profit	Thousand yen	4,639	193,921	316,359	581,424	-221,380	17,220	104,658	229,757	-154,726	389,302	579,643	-89,307	-72,100	-5,144	41,965	205,120	-88,174	-52,519	-11,166
Ordinary profit	Thousand yen	1,597	180,714	313,431	580,860	-223,264	13,760	100,432	207,264	-157,911	385,740	576,866	-91,419	-75,335	-2,434	41,888	235,982	-90,461	-57,453	-76,586	
Profit	Thousand yen	-416	119,279	200,694	281,254	-154,216	5,290	48,871	119,714	-109,395	256,259	388,908	-128,431	-46,558	-3,671	24,917	167,332	-67,828	-41,487	-75,545	
KPI of Contracted Orders	profit	Thousand yen	980,991	335,943	1,045,354	1,821,882	731,234	9,948	28,755	505,341	1,463,673	605,161	390,197	595,037	513,669	821,087	602,125	797,359	677,786	366,085	1,117,648
	Net Profit	No. of	6	5	10	14	5	0	1	9	7	5	7	12	5	10	5	9	3	4	9
	Amount of orders received	Thousand yen	3,319,067	3,191,181	3,130,840	3,352,951	3,963,109	3,192,269	1,918,665	1,458,000	2,915,120	2,598,173	2,681,707	2,587,870	2,400,320	2,467,324	2,113,663	1,884,005	1,902,467	1,460,282	1,830,054
KPI of Development and sales	No. of orders received	No. of	1	3	1	6	0	0	0	1	0	1	1	1	0	0	0	4	0	1	1
	Order backlog	No. of	1	3	0	4	1	1	0	0	0	0	1	0	5	1	1	1	1	1	2
	No. of Units Sold and Delivered	Thousand yen	1,722,389	1,794,573	1,454,042	1,690,762	1,991,641	2,412,290	2,413,729	2,155,974	2,155,974	1,405,904	945,551	403,381	2,073,595	1,883,301	2,183,285	1,711,451	1,953,496	3,139,478	4,504,548
	No. of contracts to acquire land for development	No. of	8	8	7	5	6	6	6	5	5	4	4	3	8	9	10	7	8	8	8

- Selected to transition to the standard market on October 20, 2023, with the reason for the selection as follows:
 - Delisting risk
 - Considering a review of the medium-term business plan
- We will continue our efforts to increase corporate value and aim for an early re-listing on the prime market.
- Since we cleared the first-stage review in July 2021, **our inclusion in the TOPIX will continue until the end of January 2025.**

Regarding the assessment and re-evaluation of gradual weight reduction stocks*1



1. Source: Created by our company based on “JPX「TOPIXの段階的ウェイト低減銘柄の判定と再評価」”