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

October 11, 2023

Company name: Phil Company, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3267
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Scheduled date to file quarterly securities report: October 16, 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 nine months ended August 31, 2023 (from December 1, 2022 to August 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	
		%		%		%		%
Nine months ended August 31, 2023	3,036	23.2	(151)	—	(224)	—	(184)	—
August 31, 2022	2,464	(36.5)	(35)	—	(35)	—	(25)	—

Note: Comprehensive income For the nine months ended August 31, 2023: ¥(184) million (—%)
For the nine months ended August 31, 2022: ¥(25) million (—%)

	Basic earnings per share	Diluted earnings per share
Nine months ended August 31, 2023	Yen (34.93)	Yen —
August 31, 2022	(4.81)	—

Note: Diluted earnings per share for the nine months ended August 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 August 31, 2023	5,022	2,508	49.9%
November 30, 2022	4,750	2,443	51.3%

Reference: Equity
As of August 31, 2023: ¥2,503 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 August 31, 2023	5,778,000	As of November 30, 2022	5,778,000
As of August 31, 2023	408,180	As of November 30, 2022	635,980
Nine months ended August 31, 2023	5,289,175	Nine months ended August 31, 2022	5,245,958

Note: The number of treasury shares at the end of the period includes the Company's shares (35,500 shares as of August 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 third quarter of the year ending November 30, 2023 and 40,911 shares in the third 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 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

During the cumulative consolidated period of the third quarter (December 1, 2022, to August 31, 2023), the domestic economy in our country saw a gradual normalization of economic activities following the transition to Phase 5 of the COVID-19 pandemic. There were signs of recovery in inbound tourism and a resurgence in personal consumption. However, on the other hand, the prolonged situation in Ukraine and the impact of global financial tightening, along with the continued depreciation of the yen, have led to soaring energy and raw material prices and inflation due to wage increases. The outlook for the economy remains uncertain.

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.

During the cumulative period of the third quarter, net sales increased 23.2% year on year to ¥3,036,466 thousand and gross profit increased 27.4% year on year to ¥714,382 thousand, with a gross profit margin of 23.5% (22.8% in the same quarter of the previous year).

Our net sales has increased compared to the same period last year, primarily due to the growth in sales under the Development and Sales. Additionally, our gross profit and gross profit margin have also increased compared to the same period last year, despite the recent rise in material costs. This is attributed to our strengths in differentiation from other companies through creative planning and a reevaluation of cost efficiency.

Our operating profit and loss were affected by increased selling, general and administrative expenses due to upfront investments associated with business expansion, including increased personnel and advertising expenses, as well as higher lease expenses related to the head office relocation conducted in December 2022. As a result, operating loss was ¥151,860 thousand (¥35,280 thousand in the same quarter of the previous year), ordinary loss was ¥224,501 thousand (¥35,881 thousand in the same quarter of the previous year), and loss attributable to owners of parent was ¥184,768 thousand (¥25,236 thousand in the same quarter of the previous year).

Sales, sales breakdown, cost of sales, gross profit and gross profit margin during the cumulative period of the third quarter are as follows.

(Unit : Thousand yen)

Fiscal Year Ending November 30, 2023					
		1Q	2Q	3Q	3H
Sales		733,051	1,122,189	1,181,225	3,036,466
Sales Break-down	Contracted Orders	623,800	770,911	693,519	2,088,232
	Development and Sales	—	209,902	361,997	571,899
	Others	109,250	141,374	125,708	376,334
Cost of sales		544,422	885,530	892,130	2,322,084
Gross profit on sales		188,628	236,658	289,094	714,382
Gross profit margin		25.7%	21.1%	24.5%	23.5%

Fiscal Year Ended November 30, 2022					
		1Q	2Q	3Q	3H
Sales		545,785	853,350	1,065,556	2,464,691
Sales Break- down	Contracted Orders	450,736	757,031	956,666	2,164,434
	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%

Contracted Orders

During the third quarter of this fiscal year, the number of orders received under the Contracted Orders was 9, and the amount of orders received was ¥1,117,648 thousand (¥602,125 thousand in the same quarter of the previous year), making it the highest order amount in the third quarter of fiscal year in our company's history. The breakdown is as follows: 3 orders (3 in the same quarter of the previous year) for the Phil Park aerial shop business, totaling ¥758,754 thousand (¥443,234 thousand in the same quarter of the previous year), and 6 orders (2 in the same quarter of the previous year) for the Premium Garage House business, totaling ¥358,894 thousand (¥158,890 thousand in the same quarter of the previous year).

As a result, during the cumulative period of the third quarter, the number of orders received under the Contracted Orders was 16 (20 in the same quarter of the previous year), and the order amount was ¥2,161,520 thousand (¥1,936,881 thousand in the same quarter of the previous year). The breakdown is as follows: 7 orders (8 in the same quarter of the previous year) for the Phil Park aerial shop business, totaling ¥1,621,689 thousand (¥1,109,767 thousand in the same quarter of the previous year), and 9 orders (12 in the same quarter of the previous year) for the Premium Garage House business, totaling ¥539,830 thousand (¥827,114 thousand in the same quarter of the previous year).

In April 2023, as part of the sales reform implemented, we undertook the restructuring of our sales processes. This led to increased productivity in the sales processes, resulting in improvements in key sales performance indicators (such as the number of inquiries and proposals) during the third quarter of this fiscal year. These improvements contributed to an increase in amount of order received.

Development and Sales

During the third quarter of this fiscal year, we concluded 2 new contracts for land acquisition and sold and delivered one project.

Among the land acquisition contracts, one of the properties, as announced in a press release dated July 31, 2023, is located in the bustling downtown area of Fukuoka City, Fukuoka Prefecture. It is situated in a prime location with the potential for future development through the 'Tenjin Big Bang' redevelopment project.

The remaining number of development projects as of the end of the third quarter of this fiscal year was 8, and the amount of those development projects, which is the expected future cost of sales, was ¥4,504,548 thousand (¥2,183,285 thousand as of the end of the third quarter of the previous year).

Status of Business

Fiscal Year Ending November 30, 2023							
		Unit	1Q	2Q	3Q	4Q	Total
Contracted Orders	Amount of orders received ¹ (No. of orders received)	thousand yen (orders)	677,786 (3)	366,085 (4)	1,117,648 (9)	—	2,161,520 (16)
	Phil Park aerial shop	thousand yen (orders)	613,386 (2)	249,548 (2)	758,754 (3)	—	1,621,689 (7)
	Premium Garage House ²	thousand yen (orders)	64,400 (1)	116,536 (2)	358,894 (6)	—	539,830 (9)
	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)	1,830,054 (19)	—	—
Development and Sales	No. of projects sold and delivered	orders	0	1	1	—	2
	No. of contracts to acquire land for development ⁵	orders	1	1	2	—	4
	Balance of development projects ⁶ (Remaining no. of development projects)	thousand yen (orders)	1,953,496 (8)	3,139,478 (8)	4,504,548 (8)	—	—

Fiscal Year Ending November 30, 2022							
		Unit	1Q	2Q	3Q	4Q	Total
Contracted Orders	Amount of orders received ¹ (No. of orders received)	thousand yen (orders)	513,669 (5)	821,087 (10)	602,125 (5)	797,359 (9)	2,734,241 (29)
	Phil Park aerial shop	thousand yen (orders)	320,159 (3)	346,374 (2)	443,234 (3)	522,881 (5)	1,632,649 (13)
	Premium Garage House ²	thousand yen (orders)	193,510 (2)	474,713 (8)	158,890 (2)	274,477 (4)	1,101,591 (16)
	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)	2,113,663 (24)	1,884,005 (24)	—
	No. of projects sold and delivered	orders	0	0	0	4	4
	No. of contracts to acquire land for development ⁵	orders	5	1	1	1	8
	Balance of development projects ⁶ (Remaining no. of development projects)	thousand yen (orders)	2,073,595 (8)	1,883,301 (9)	2,183,285 (10)	1,711,451 (7)	—

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	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.

Miscellaneous Topics

As announced in the press release dated September 14, 2023, we have entered into a comprehensive business partnership agreement with Ryobi Holdings, Inc. in the real estate-related business. In the future, we will collaborate to leverage Ryobi Holdings' nationwide network, real estate expertise, and solutions, along with our strengths in space utilization, to revitalize local communities and society through the effective use of underutilized spaces throughout the country.

(2) Overview of Financial Position

Assets

Total assets at the end of the third quarter of this fiscal year increased by ¥272,761 thousand from the end of the previous fiscal year, totaling ¥5,022,810 thousand. This was mainly due to decreases of ¥885,795 thousand in cash and deposits and increases of ¥334,143 thousand in real estate for sale and ¥596,971 thousand in real estate for sale in progress and ¥212,480 thousand in property, plant and equipment.

Liabilities

Liabilities at the end of the third quarter of this fiscal year increased by ¥207,726 thousand from the end of the previous fiscal year, totaling ¥2,514,040 thousand. This was due to decreases of ¥414,636 thousand in advance received, ¥186,963 thousand in accounts payable-trade, and increases of ¥438,000 thousand in short-term borrowings, and ¥388,039 thousand in long-term borrowings.

Net assets

Net assets at the end of the third quarter of this fiscal year increased by ¥65,034 thousand from the end of the previous fiscal year, totaling ¥2,508,769 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 ¥310,263 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 August 31, 2023
Assets		
Current assets		
Cash and deposits	2,250,657	1,364,861
Accounts receivable - trade	43,826	76,398
Real estate for sale	616,347	950,491
Real estate for sale in progress	740,674	1,337,646
Costs on service contracts in progress	14,562	6,117
Income taxes refund receivable	132,382	89,056
Other	88,245	159,069
Allowance for doubtful accounts	—	(58,500)
Total current assets	3,886,695	3,925,141
Non-current assets		
Property, plant and equipment	301,477	513,957
Intangible assets		
Goodwill	135,247	115,614
Other	9,137	19,489
Total intangible assets	144,384	135,103
Investments and other assets		
Investment securities	103,141	105,227
Deferred tax assets	140,363	181,282
Other	202,688	190,799
Allowance for doubtful accounts	(28,701)	(28,701)
Total investments and other assets	417,490	448,606
Total non-current assets	863,352	1,097,668
Total assets	4,750,048	5,022,810
Liabilities		
Current liabilities		
Accounts payable - trade	458,167	271,204
Short-term borrowings	—	438,000
Current portion of long-term borrowings	70,236	83,092
Income taxes payable	94,650	120
Advances received	728,864	314,227
Provision for bonuses	—	10,740
Deposits received	18,967	21,122
Other	157,834	135,850
Total current liabilities	1,528,719	1,274,357
Non-current liabilities		
Long-term borrowings	439,220	827,259
Lease liabilities	117,196	112,736
Asset retirement obligations	50,050	112,103
Long-term guarantee deposits	140,753	158,830
Other	30,372	28,753
Total non-current liabilities	777,593	1,239,683
Total liabilities	2,306,313	2,514,040
Net assets		
Shareholders' equity		
Share capital	789,647	789,647
Capital surplus	789,647	789,647
Retained earnings	1,936,076	1,625,813
Treasury shares	(1,076,502)	(701,110)
Total shareholders' equity	2,438,868	2,503,996
Share acquisition rights	3,974	3,974
Non-controlling interests	892	799
Total net assets	2,443,735	2,508,769
Total liabilities and net assets	4,750,048	5,022,810

(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, 2022	Nine months ended August 31, 2023
Sales	2,464,691	3,036,466
Cost of sales	1,903,777	2,322,084
Gross profit	560,914	714,382
Selling, general and administrative expenses	596,194	866,243
Operating loss	(35,280)	(151,860)
Non-operating income		
Interest income	284	2,665
Dividend income	90	90
Interest on tax refund	—	678
Share of profit of entities accounted for using equity method	2,711	—
Subsidy income	2,500	—
Other	1,190	177
Total non-operating income	6,776	3,610
Non-operating expenses		
Interest expenses	6,127	7,395
Commission expenses	1,249	5,238
Share of loss of entities accounted for using equity method	—	5,094
Provision of allowance for doubtful accounts	—	58,500
Other	—	22
Total non-operating expenses	7,376	76,251
Ordinary loss	(35,881)	(224,501)
Extraordinary income		
Gain on sale of investment securities	18,953	—
Gain on reversal of asset retirement obligations	2,571	—
Total extraordinary income	21,525	—
Loss before income taxes	(14,335)	(224,501)
Income taxes - current	58,510	1,278
Income taxes - deferred	(47,553)	(40,919)
Total income taxes	10,957	(39,640)
Loss	(25,312)	(184,861)
Loss attributable to non-controlling interests	(76)	(93)
Loss attributable to owners of parent	(25,236)	(184,768)

Consolidated Statement of Comprehensive Income
For the Nine Months

(Unit: thousand yen)

	Nine months ended August 31, 2022	Nine months ended August 31, 2023
Loss	(25,312)	(184,861)
	(25,312)	(184,861)
(Breakdown)		
Comprehensive income attributable to owners of parent	(25,236)	(184,768)
Comprehensive income attributable to non-controlling interests	(76)	(93)

(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 third quarter of this fiscal year, retained earnings and treasury stock amounted to ¥1,625,813 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.