Summary of Earnings Report for the First Three Quarters of Fiscal Year Ending Nov. 2019

Oct. 11, 2019

Name of listed company: Phil Company, Inc. TSE Mothers
Code: 3267 URL: http://philcompany.jp/
Representative: CEO and Representative Yuichi Nomi
Contact: Operating Manager Yosuke Nishimura (TEL) +813-5275- 1701
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Additional material of financial result: No

Result meeting: No

(Millions yen, rounded down)

1. Consolidated Results for First 3Q of the Fiscal Year Ending Nov. 30, 2019 (Dec. 1, 2018–Aug. 31, 2019)

(1) Consolidated Business Results (%: Quarter-on-quarter comparison)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
3Q Ended Aug. 2019	3,847	81.8	514	195.6	495	199.6	319	188.1
3Q Ended Aug. 2018	2,117	39.1	174	144.6	165	139.1	110	157.6

(note) Comprehensive income 3Q Ended Aug. 2019: 319Millions yen (188.1%); 3Q Ended Aug. 2019: 110Millions yen (157.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q Ended Aug. 2019	57.19	55.81
3Q Ended Aug. 2018	20.06	—

(2) Consolidated Financial Conditions

	Total assets	Net Assets	Shareholders' Equity Ratio
	¥ millions	¥ millions	%
3Q Ended Aug. 2019	5,655	2,702	47.8
Year ended Nov. 2018	4,113	1,995	48.4

2. Dividend information

	Dividend per Share				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Year Ended Nov. 2018	—	0.00	—	0.00	0.00
Year Ending Nov. 2019	—	0.00	—		
Year Ending Nov. 2019 (plan)				—	—

3. Consolidated Business Plan for the year ending Nov. 2019 (Dec. 1, 2018 to Nov. 30, 2019)

(%: Comparison with the previous period)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of Parent		Net Income per Share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	Yen
Full year	7,000	47.7	1,050	64.8	1,000	62.4	650	56.6	117.17

4. Total number of shares issued (ordinary shares)

① Number of shares issued at quarter end (inc. treasury stock)	3Q Ended Aug. 2019	5,778,000 shares	Year Ended Nov. 2018	5,548,000 shares
② Treasury stock at quarter end	3Q Ended Aug. 2019	272 shares	Year Ended Nov. 2018	272 shares
③ Average number of shares during current quarter	3Q Ended Aug. 2019	5,587,181 shares	3Q Ended Aug. 2018	5,530,184 shares

1． Overview of business result

(1) Overview of business results for this fiscal year

During the first three quarters of this consolidated fiscal year (December 1, 2018 – Aug. 31, 2019), the economy of Japan continued a gradual recovery due to the effects of various government measures and continuing improvements to the employment and income environments. On the other hand, it is necessary to keep in mind the effects that trade problems are having on the global economy, uncertainty in overseas economies, and the effects of changes in financial and capital markets, and consequently the economic future remains unclear.

Under these conditions, the Phil Company Group operates the Phil Park aerial shop business which creates “only one” value by utilizing the unused space above parking areas (coin-operated parking). Backed by improved recognition and credit as a result of being listed on the Mothers market at the Tokyo Stock Exchange, this business has continued to steadily produce results from both its contracted orders model (services for existing land owners) and development and sales model (services for ordinary investors and institutional investors).

During the first three consolidated quarters, 16 properties were completed and delivered in the contracted orders model, and 2 land properties and 3 land+building properties were sold and ownership transferred in the development and sales model.

As a result, during the first two consolidated quarters, the Phil Company Group recorded sales of 3,847,745 thousand yen (181.1% year-on-year), operating income of 514,920 thousand yen (295.6% year-on-year), ordinary income of 495,744 thousand yen (299.6% year-on-year), and net income attributable to owners of the parent of 319,557 thousand yen (288.1% year-on-year).

Because Group sales are calculated based on a completion and delivery standard for the for the contracted orders model, sales are recorded at the time when a project property is completed and delivered. For the development and sales model, sales are recorded at the time of ownership transfer resulting from a property sale. As a result, there will be differences in the consolidated results of each quarter when the times of property completion and sale are not evenly distributed.

As indicated in “2nd half of the fiscal year ending November 30, 2019 Financial Results Explanatory Materials” (P12) that was released on the homepage on July 18, 2019, the trend of a greater percentage of sales and other income being recorded in the second half of the year has continued for the past several years. However there is no change to the forecast of full-year consolidated results, and business is proceeding as planned.

The specific amount of orders received and the order balance for “contracted orders model” which demonstrate our growth capability are shown in the table below.

(unit: thousand yen)

	Balance of order received *1			
	1Q (Dec. 1 to Feb. 28)	2Q (Mar. 1 to May 31)	3Q (June 1 to Aug. 31)	4Q (Sep. 1 to Nov. 30)
Year Ending Nov. 2019	980,991	335,943	1,045,354	—
Year Ended Nov. 2018	885,185	659,668	936,348	1,579,378

(unit: thousand yen)

Balance of order received *1	
3Q Ended Aug. 2019 (Dec. 1 2018 to Aug. 31 2019)	2,362,289
3Q Ended Aug. 2018 (Dec. 1 2017 to Aug. 31 2018)	2,481,202

Order received *2	
3Q Ended Aug. 2019	3,130,840
Year Ended Nov. 2018	2,793,195

*1: The amount of orders received is the total amount of new orders received in the “contracted orders model” of the Phil Park aerial shop business during the above consolidated period (including orders for interior work and other additional work).

*2: The order balance is the total remaining balance of orders which have not yet been completed and delivered in the “contracted orders model” of the Phil Park aerial shop business during the above consolidated period (including orders for interior work and other additional work).

The number of new contracted orders during three quarters of this fiscal year was 21.

Following on from the second quarter, in the third quarter we continued to focus on providing opportunities for experiencing a wide range of processes to the new members who joined the company within the past 2 years. These processes range from initial inquiry and first meeting to subsequent proposal and closing. As a result during this quarter, our new members have begun to make their marks one after another, leading to the simple and productive achievement of more contracts.

These new employees are involved in all the steps leading to conclusion of a contract. These include, for example, the difficult struggle that starts with discussions over the use of land that has a complicated history and currently has no future prospects, and creating a plan to develop this irregularly-shaped or small plot of land which everyone had given up on, turning it into a space for commercial facilities. They experience not only the technical parts of the job, but also the essence of Phil Park including our straightforward approach to business, such as being dedicated to understanding tenant convenience and flows of people, and constructing relationships of trust that come from giving shape to whatever it is that the land owners really want. With these experiences, these members have grown at a significantly faster speed and eventually put down their own roots as part of the organization.

This led to a total of 10 orders worth 1,045,354 thousand yen received during the consolidated third quarter of this fiscal year (June 1 – August 31, 2019). This result was 111.6% compared to the same quarter in the previous year. However even more than the numbers, as a result of this process, we gain a sense of expectation for the coming future.

In the market environment surrounding the Phil Park aerial shop business, the new land use concept of *small-size commercial facilities*, which are distinct from *small-size residences*, has begun to take hold among financial institutions. Starting from the third quarter of the fiscal year ended November 30, 2018, we have continued to receive around 80 – 100 inquiries each quarter. Of the 21 orders received through the contracted orders model during the first three consolidated quarters of this fiscal year, 10 were orders resulting from inquiries from financial institutions.

The specific amount of development and development balance for “development and sales model” which demonstrate our development status and progress are shown in the table below.

(unit: thousand yen)

Development*3	
3Q Ended Aug. 2019	1,454,042
Year Ended Nov. 2018	1,770,309

Balance of development*4	
3Q Ended Aug. 2019	1,119,939
Year Ended Nov. 2018	759,252

*3: The amount of development is the total amount expended on land and buildings for Phil Park aerial shops developed as part of the “development and sales model” during the above consolidated fiscal year[*5].

*4: The development balance is the total remaining unsold balance on the above date from the amount expended on land and buildings for Phil Park aerial shops developed as part of the “development and sales model”.

During the first three consolidated quarters, the number of sold and delivered properties was 5, exceeding the number of concluded site acquisition contracts, which was 4. As a result, the total number of expected development projects at the end of the third quarter was 7, one less than the 8 at the end of the previous fiscal year.

The development and sales model, like the contracted orders model, is also focused on development of irregularly-shaped or small plots of land to create spaces for commercial facilities. Once we have received the land information, we create the overall project plan that incorporates an image of the tenant and an image of the buyer. During the first three consolidated quarters of this fiscal year, as land prices in the inner cities continued to rise, we took a cautious approach to new acquisitions while proceeding with sales of existing development properties. As a result, we achieved results in which the number of sold and delivered properties exceeded the number of concluded site acquisition contracts.

Regarding the personnel reinforcement that was previously identified as an important issue, the number of consolidated employees at the end of the third quarter was 53 (compared to 40 at the end of November 2018).

(2) Explanation of financial status

(Assets)

Total assets at the end of these consolidated three quarters increased by 1,541,882 thousand yen from the end of the previous consolidated fiscal year to reach 5,655,078 thousand yen. This increase was primarily due to an increase of 701,745 thousand yen in cash and savings, an increase of 218,657 thousand yen in real estate for sale, an increase of 142,119 thousand yen in real estate for sale in progress, an increase of 275,707 thousand yen in uncompleted business disbursements, and an increase of 220,321 thousand yen due to goodwill generated by the acquisition of subsidiary company Premium Garage House Co,. Ltd. (trade name changed to Value Planning Co., Ltd. on January 31, 2019).

(Liabilities)

Liabilities at the end of these consolidated three quarters increased by 834,795 thousand yen from the end of the previous consolidated fiscal year to reach 2,952,225 thousand yen. Although there was a decrease in income taxes payable of 88,920 thousand yen, this increase was primarily due to an increase in accounts payable of 157,225 thousand yen, an increase in short-term loans payable of 258,000 thousand yen, an increase in fees received in advance of 345,293 thousand yen and an increase in long-term loans payable of 241, 196 thousand yen.

(Net assets)

Net assets at the end of these consolidated three quarters increased by 707,087 thousand yen from the end of the previous consolidated fiscal year to reach 2,702,852 thousand yen. This increase was primarily due to an increase in capital of 194,120 thousand yen and retained earnings of 194,120 thousand yen by executing stock option and an increase of 319,557 thousand yen resulting from the recording of net income attributable to owners of parent.

2. Consolidated financial statements and primary notes

(1) Consolidated balance sheet

(Unit: Thousand yen)

	FY ended Nov. 2018	3Q ended Aug. 2019
Assets		
Current assets		
Cash and savings	2,108,446	2,810,191
Accounts receivable	314	54,635
Real estate for sale	355,235	573,802
Real estate for sale in progress	404,017	546,136
Uncompleted business disbursements	275,169	550,877
Others	52,781	49,836
Total current assets	3,195,964	4,585,480
Fixed assets		
Tangible fixed assets	396,162	387,800
Intangible fixed assets		
Goodwill	-	220,321
Others	7,029	13,461
Total Intangible fixed assets	7,029	233,783
Investments and other assets		
Invested securities	332,191	270,632
Deferred tax assets	30,936	22,787
Others	179,612	183,296
Allowance for doubtful accounts	(28,701)	(28,701)
Total investments and other assets	514,038	448,013
Total fixed assets	917,230	1,069,597
Total assets	4,113,195	5,655,078
Liabilities		
Current liabilities		
Accounts payable	167,788	325,014
Short-term loans payable	-	258,000
Long-term loans payable within one year	78,360	102,066
Income taxes payable	139,062	50,142
Fee received in advance	1,115,529	1,460,822
Deposit	14,656	25,460
Others	201,660	90,227
Total current liabilities	1,717,057	2,311,733
Fixed liabilities		
Long-term loans payable	83,288	324,484
Lease liabilities	138,136	134,549
Asset retirement obligations	38,504	36,981
Long-term deposit	101,505	107,528
Deferred tax liabilities	38,939	36,949
Total fixed liabilities	400,373	640,492
Total liabilities	2,117,430	2,952,225
Net assets		
Shareholders' equity		
Capital	595,527	789,647
Capital surplus	595,527	789,647
Retained earnings	802,387	1,121,944
Treasury stock	(684)	(684)
Total shareholders' equity	1,992,756	2,700,554
Stock option	3,008	2,298

(Unit: Thousand yen)

	FY ended Nov. 2018	3Q ended Aug. 2019
Total net assets	1,995,764	2,702,852
Total net assets and liabilities	4,113,195	5,655,078

(2) Consolidated profit and loss statement of 3Q for the year ending Nov. 2019

(Units: Millions yen)

	3Q ended Aug. 2018 (Dec. 1, 2017-Aug. 31, 2018)	3Q ended Aug. 2019 (Dec. 1, 2018-Aug. 31, 2019)
Sales	2,117,040	3,847,745
Cost of sales	1,587,080	2,811,390
Gross profit on sales	529,959	1,036,355
Sales, general and administrative expenses		
Advertising expense	23,355	31,730
Executive Compensation	63,990	90,200
Compensation and salary	94,354	152,069
Others	174,046	247,435
Total SG&A	355,746	521,435
Operating income	174,212	514,920
Non-operating income		
Interest income	335	310
Dividend income	121	111
Income from insurance	486	-
Others	56	21
Total non-operating income	999	443
Non-operating expenses		
Interest paid	8,701	8,259
Loss from equity method affiliates	-	11,359
Others	1,030	-
Total non-operating expenses	9,731	19,619
Ordinary income	165,481	495,744
Net income before income taxes	165,481	495,744
Corporate and income tax	46,785	168,037
Income tax adjustment	7,777	8,149
Total income taxes	54,562	176,186
Net income	110,918	319,557
Net income (loss) attributable to non-controlling interests	-	-
Net income attributable to owners of the parent	110,918	319,557