Phil Company, Inc.

Phil Company, Inc.

(Securities code: 3267)

Fiscal year ended November 30, 2020

Financial Results Explanatory Materials

Phil Company, Inc.

January 25, 2020



These materials were created by Phil Company, Inc. They contain information which was current on the date they were created. The information contained herein may change as a result of many factors including the business of the company and future forecasts.

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01 Corporate Strategy During the Coronavirus Pandemic

Corporate Strategy with Coronavirus

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We offer our condolences to those who have lost family members or acquaintances during the coronavirus pandemic, and our sincere best wishes for recovery to those infected. We also would like to express our deep thanks to medical practitioners, members of government, and everyone who has made great efforts to prevent the spread of infection.
In the fiscal year ended November 30, 2020, the Phil Company Group worked to ensure the safety of our customers and employees, while preparing for future business continuity and growth. For this purpose, we refrained from new business initiatives and focused on the following three areas.

(1) Improving business value
(2) Training of employees
(3) Ensuring financial stability

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Corporate Strategy with Coronavirus (FY ended Nov. 2020)

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(1) Improving business value

- Focus on leasing of all business resources, and construct a tenant network that is resilient in the face of changes in the environment.
- Strengthen business matching contracts with financial institutions in preparation for after the end of the coronavirus pandemic.
  (Conclude the largest number of contracts ever.)
- Strengthen the supply system for “Premium Garage House” rental housing with garages.

(2) Training of employees

- Appoint a training manager who reports directly to the president.
- Conduct complete training of 10 recently hired new graduates.

(3) Ensuring financial stability

- Carry out thorough cost reductions and acquire valuable land.
- Maintain the capital adequacy ratio and secure credit in case of uncertainty.

Preparation for future full-scale resumption of business in the future is completed.

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02 Financial Highlights



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Securing profits even with severe effects from the coronavirus pandemic

	2019/11	2020/11	
	Actual	10/13 revised	Actual
Sales	7,024,711	3,500,000	3,970,760
Cost of sales	5,137,812	—	3,101,083
Gross Profit on sales	1,886,898	—	869,676
（Gross Profit Margin）	26.9%	—	21.9%
SG&A	790,553	—	739,420
Personnel	476,646	—	419,585
Outsourcing expense	67,265	—	89,362
Taxes and dues	47,991	—	24,779
Advertising expense	41,769	—	15,575
Payment fee	32,106	—	37,352
Others	124,776	—	152,767
Operating Income	1,096,344	(140,000)	130,256
Ordinary Income	1,076,605	(170,000)	98,192
Net Income	600,812	(150,000)	19,160

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Fiscal year ended Nov. 2020（digest）②

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Sales were 56.5% compared to the previous fiscal year due to the effects of voluntary reduction in sales activities.

（unit: thousand yen）

	2019/11	2020/11	
	Actual	Actual	YoY
Sales	7,024,711	3,970,760	56.5%
Contracted orders model	3,610,963	3,156,988	87.4%
# of delivered properties	24	28	
Development and sales model	3,048,287	437,566	14.4%
# of land sales	5	0	
# of land+buildings sales	6	1	
Others	365,460	376,207	102.9%

▼Contracted orders model

Sales and cost of sales are recorded on a “delivery basis” and are not recorded when the order is received. They are recorded when a property is completed and delivered.

▼Development and sales model

Sales and cost of sales are recorded at the time when ownership is transferred.

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Amount of orders received and order balance for the contracted orders model

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Trend toward resumption of new contracted orders and recovery

Quarterly trend of order



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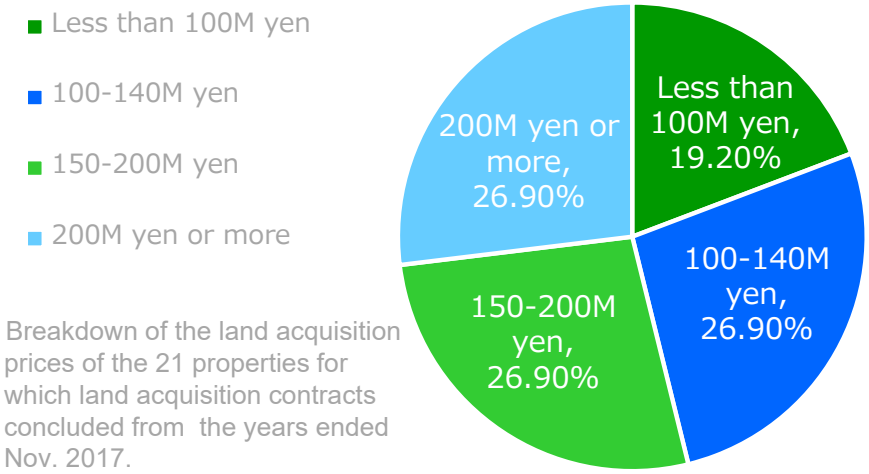
Total developed project will be up to 2.1 billion yen

Expected development site acquisitions and project cost

(Units: 1,000s yen)

	Year ended Nov. 2019	Year ended Nov. 2020
Land acquisition contracts	8	2
Expected cost of development projects	1,690,762	2,155,974
Expected total number of development projects	5	5

Development project land acquisition price



* Breakdown of the land acquisition prices of the 21 properties for which land acquisition contracts concluded from the years ended Nov. 2017.

*** Expected total cost of land + building at time of land acquisition**
The development and sales model is being carried out with an expected gross profit margin of over 20%.

The development sites acquired by our company include many small plots and irregularly shaped plots where the strengths of our planning can be put to best use. Most sites have a land acquisition price of around 100 - 200 million yen.

2 land acquisition contracts and 1 sale of land+building were concluded during this fiscal year ended Nov. 30, 2020. As we carefully work on land acquisition, sales of properties shall be focused on tenant recruiting with add-value and secured liability.

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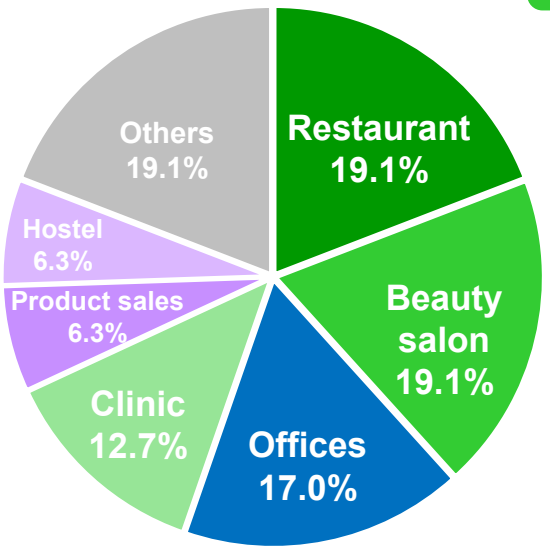
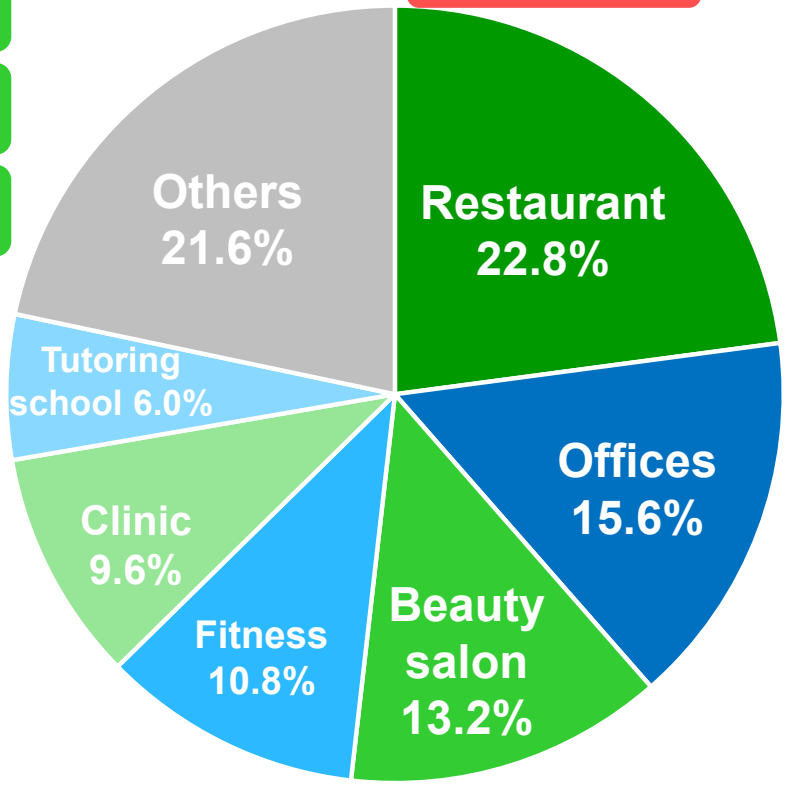
Efforts to attract tenants achieved their highest-ever results even during the pandemic.

- Easy to rent sizes (around 33 – 99 m²)
- Planning and design making best use of site characteristics
- The many windows allow business conditions to be easily seen from outside.
- Excellent ventilation, facilitating infection countermeasures

March 2019-Nov. 2019
Tenant contract
47floor



March 2020-Nov. 2020
Tenant contract
83 floor



Although there is no large change in composition compared to before the coronavirus pandemic, there were many tenants opening shops which were tailored to changes in the environment. For example, beauty salons saw more newly independent shops and private room types, while the fitness field saw more personal gym type shops.

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Forecast of full-year ending November 30, 2021

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Business results exceeding the previous fiscal year, even as no end to the pandemic is in sight

（Unit：Million yen）

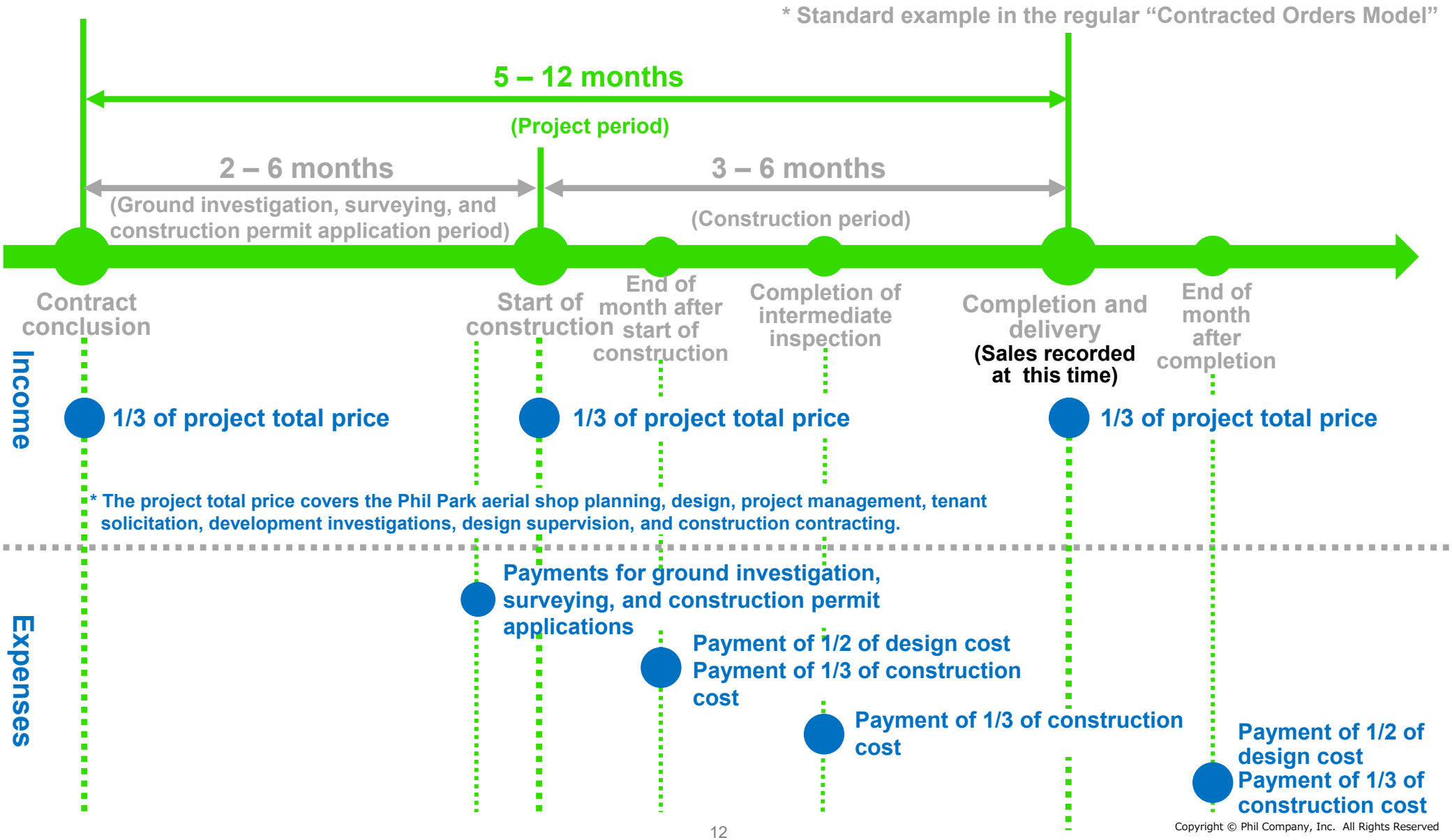
	2020/11	2021/11		
	Actual	2Q Plan	Annual Plan	YoY
Sales	3,970	2,000	4,500	113.3%
Operating Income	130	80	200	153.8%
Ordinary Income	98	70	200	204.0%
Net Income	19	45	50	263.1%

The accounting standard in our contracted orders model is based on delivery, and sales and other figures are recorded 5 – 9 months after a project order is received. Because the range of order prices is also large owing to the different project sizes, when results are categorized into quarters or consolidated fiscal years for comparison, there is large variation in the results for each period. During the most recent few years, results have continually been lopsided toward the second half of the year, with recorded sales tending to concentrate in the second half.

Phil Company cash flows

Phil Company, Inc.

Because we have constructed a mechanism that continually generates income, cash flows are never negative and even when orders increase there is no increase in financial burdens.



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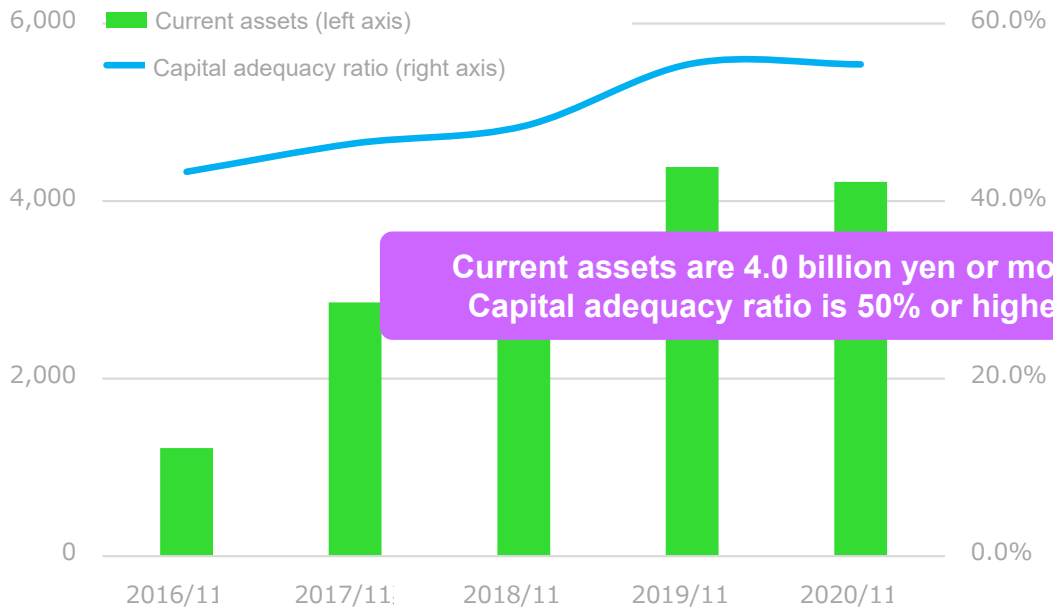
Operating with a good balance of contracted orders and development and sales

(Units: Millions yen)



Current assets are 4.0 billion yen or more. Capital adequacy ratio is 50% or higher.

Contract month	Bank name	Contract type	Limit amount
2020/04	Resona Bank	Commitment line contract	500 million yen
2020/05	Mizuho Bank	Commitment line contract	500 million yen
2020/06	MUFG Bank	Overdraft agreement	500 million yen

In addition to stable cash and savings and other current assets, we have separately secured 1.5 billion yen in operating funds as a backup line.

Contracted orders

Project funds are received in advance, improving the cash position.

Development and sales (acquisitions)

Invest new development funds while monitoring investor demand from orders and development and sales.

Development and sales (sales)

Recover development funds, improving the cash position.

The cash position was improved by the recovery in 4Q of the year ended November 2020 (contracted orders model) and property sales (development and sales model).
We intend to acquire new properties for development and sale while carefully monitoring the market conditions.

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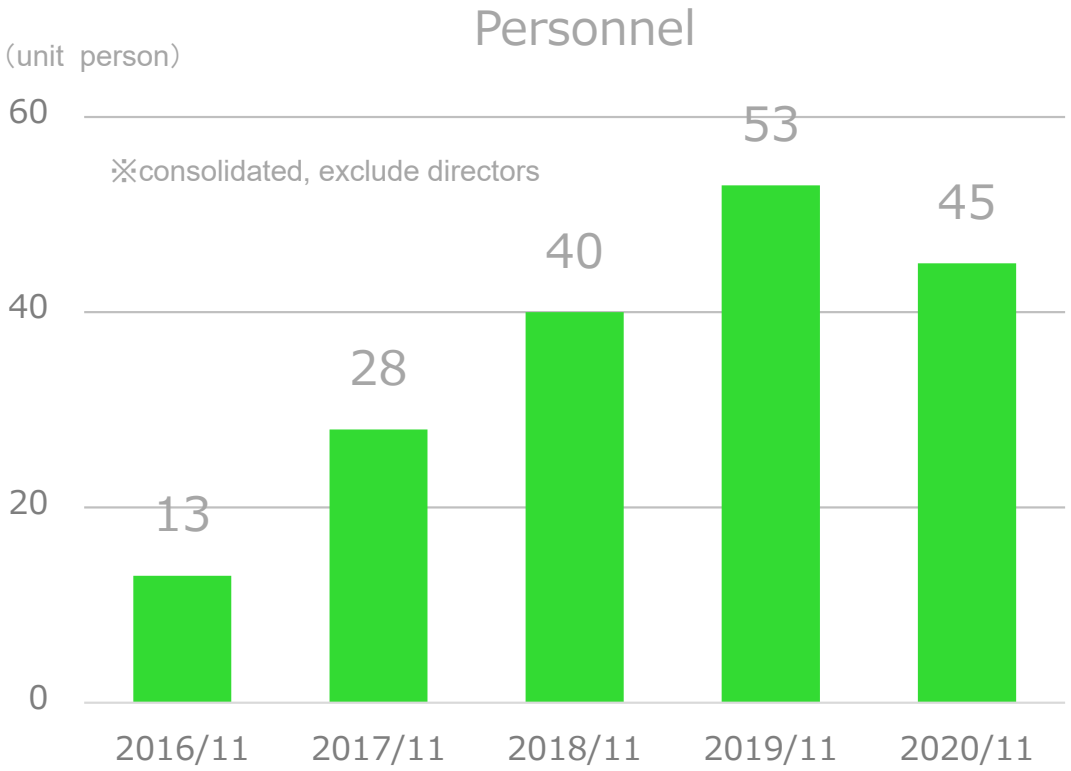
Creating a robust team system that is adapted to changes in the environment



April 2020　10 college graduate joined
April 2021　15 college graduate will join

＜As of Nov. 2020＞
Breakdown
Sales　23
Construction　14
Management　8

We are focused on training and providing opportunities to the new graduates who will be responsible for our business in the near future, and have begun steadily preparing for large advances several years ahead.

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03 Outlook and growth strategy



Growth strategy: Basic policies

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Operating dual businesses of Phil Park and Premium Garage House

Satisfying a wide range of user orders

Utilizing land in niche spaces to expand products and services
Sales system that can respond to introductions from business matching partners

Main target areas for Phil Park

- Sites where coin parking exists
- Locations with commercial potential close to stations

Main target areas for Premium Garage House

- Sites where monthly rental parking exists
- Locations with commercial potential farther from stations

Capable of meeting a diverse range of needs while distributing risk.





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Resuming sales activities utilizing our success in attracting tenants during the coronavirus pandemic

Advantages of Phil Park during the pandemic

- Easy to rent sizes (around 33 – 99 m^2)
- The many windows allow business conditions to be easily seen from outside.
- Planning and design making best use of site characteristics
- Excellent ventilation, facilitating infection countermeasures

Effects of success in attracting tenants during the pandemic

Improving the sense of security and satisfaction among existing owners
Ensuring a superior position for future new business

Future of Phil Park

Accelerating operations to coincide with a recovery in the investment mindset of land owners

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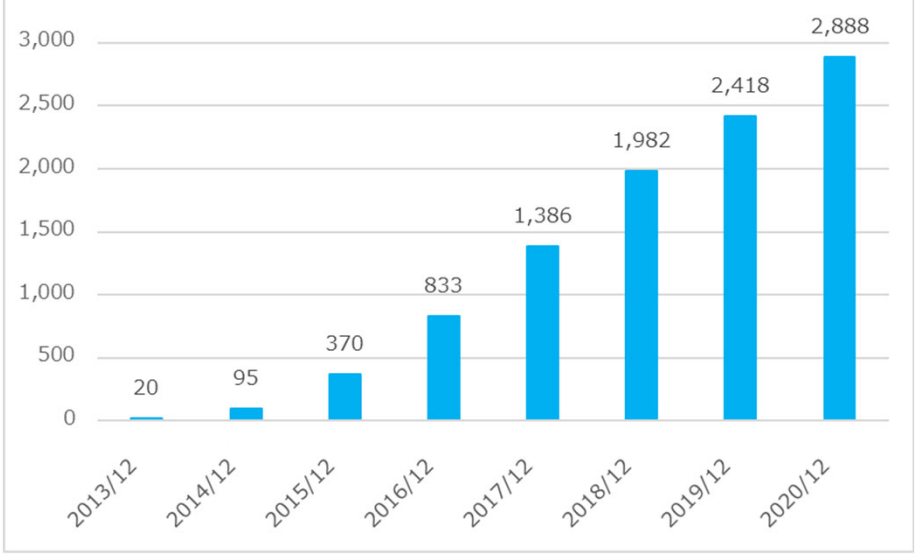
Active approach to the Premium Garage House business

Changes in number of registered tenants waiting to move in (total)



Source: Premium Garage House database



Following full acquisition as a subsidiary in January 2019

(1) Constructed a complete service covering everything from planning, design, and construction to attracting tenants.

(2) Increased the number of registered persons waiting to move in through our original marketing system.

(3) Innovated the designs.

Increase in demand during the pandemic for reasons including remote working

We are strengthening the supply system to meet the needs of more tenant applicants, and have raised the level of the business model in order to accelerate sales.

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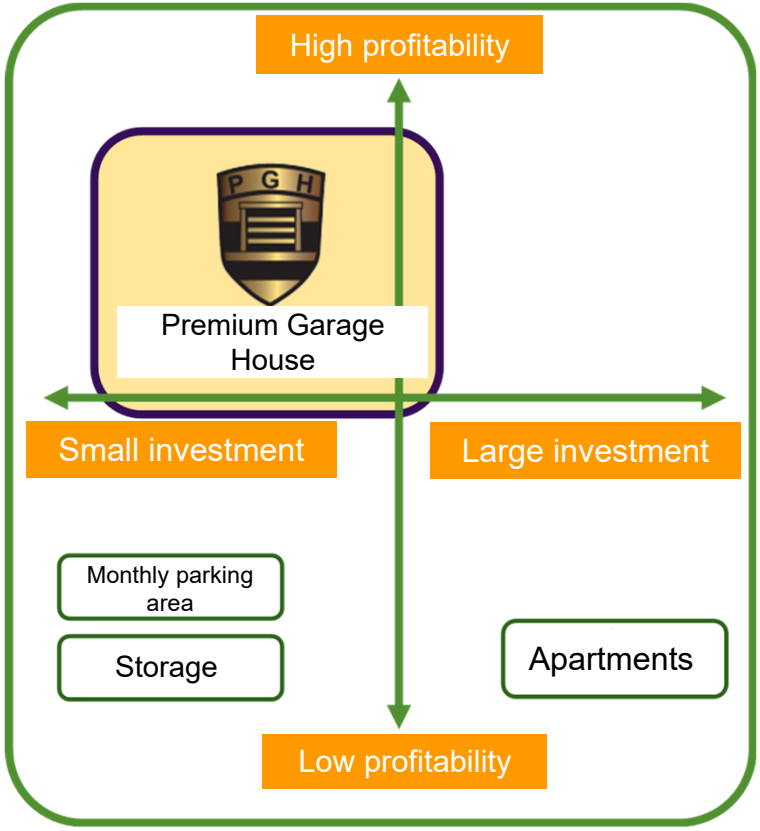
Competitive advantages of Premium Garage House

	Premium Garage House	Apartments	Monthly parking area	Storage
Stability (occupancy rate)	◎	○	△	△
Profitability (investment recovery period)	○	△	—	△
Profitability (additional income)	○	×	△	△
Tax reduction effects	◎	◎	×	△
Scope of usable properties	◎	△	○	△



Identification of targets

By limiting targets to car and motorcycle users who are not put off by relatively high rent, we create a clear difference from other land uses.

Original customer attraction channels

Because we use our own media to attract and stock tenants and provide stable tenant introductions, we can differentiate ourselves from other garage houses.

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Benefits of Premium Garage House to land owners

6 advantages of Premium Garage House

Tax reduction effects
Unlike parking areas, storage facilities, or similar investments, buildings are handled as residences, allowing tax reduction effects.

Registration of prospective tenants
When a property is fully occupied, a stock of prospective tenants is continually maintained, making it possible to quickly find new tenants when a vacancy occurs.

Low operating costs
Because buildings do not include any excess equipment, maintenance costs can be reduced.

OK even if not close to a station
The residents of Premium Share Houses are all car or motorcycle users, meaning that properties distant from a station are also viable.

Supply < Demand
Because supply has not kept up with demand, it is unlikely that rents will decline even after a tenant departs.

Properties with good designs
Based on our successful record of around 300 units, we create designs that satisfy the residents, making these residences that are easy to move into and hard to leave.

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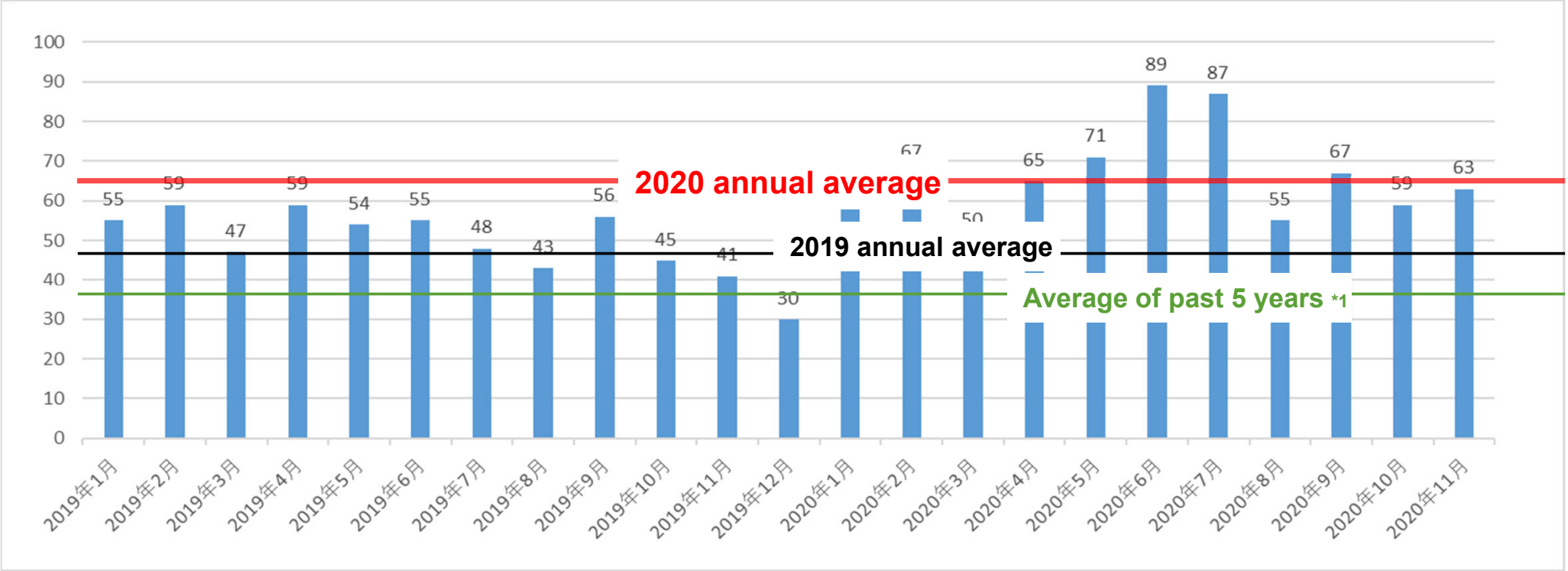
Increase in new tenant applicants during the pandemic

Monthly changes in numbers of registered tenant applicants



Source: Premium Garage House database

Monthly average of new registered applicants (average of past 5 years)	38.7
Monthly average of new registered applicants (2019)	48.6
Monthly average of new registered applicants (2020)	66.8

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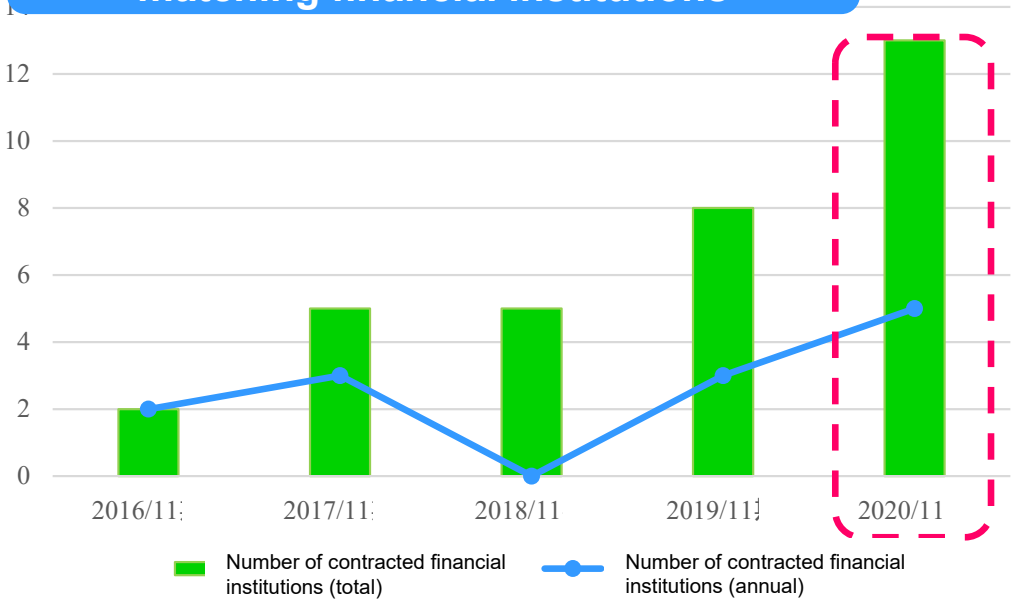
Strengthening business matching agreements focused on the post-pandemic period

Changes in numbers of business matching financial institutions



The fiscal year ended November 30, 2020 was the year of the pandemic, and even as financial institutions become more conservative, including by reducing their business matching agreements, our business model was highly evaluated and we concluded the largest annual number of new business matching agreements in our history.
We will work together with city banks, local banks, credit unions, and other financial institutions, and in addition to introductions of land owners who are struggling with land use or vacant houses, we will also work to construct new sales channels.

Future policy

We will operate our dual businesses of Phil Park and Premium Garage House in order to resolve the issues facing customers of these financial institutions, and expand our record of success.
We will also seek to work together with tax accountants, corporate accountants, lawyers, and other professionals.

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Growth strategy: Future of the development and sales model

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Challenging ourselves in new real estate investment markets

Previous programs

- Solicited investment for the Phil Park brand using crowd funding (April 2019).
- Acquired 100 million yen in 90 seconds.
- Completed verification of high product appeal.

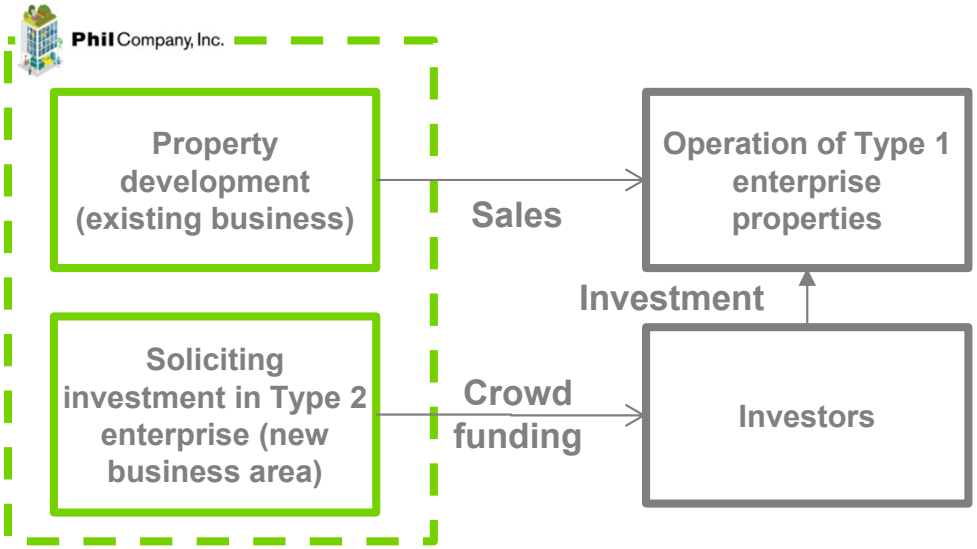
Current and future programs

- Acquire a Type 2 license under the Act on Specified Joint Real Estate Ventures, and construct a mechanism for soliciting funding using websites operated by our company.
- Increase the Phil Park sales strength in the development and sales model.



(Phil Urban Development Funding website)

Simplified image of model



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04 Appendix



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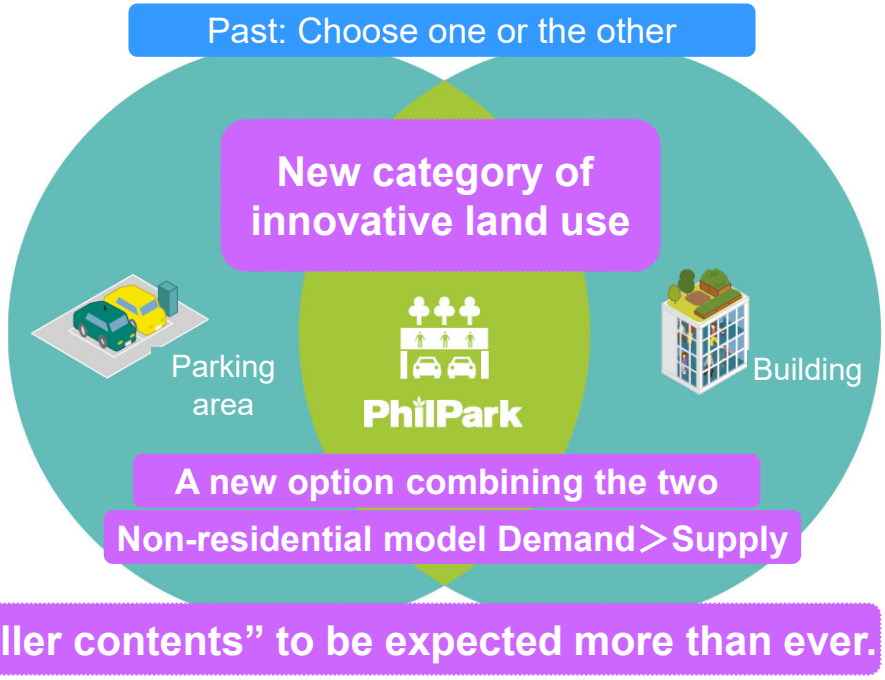
Coin-operated parking × Building ≈ Phil Park aerial shop





From “Only One” to “Number One”

Phase to store important resources for coming growth

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Originality of aerial shops

Continued income from coin-operated parking.

Additional income from aerial shops.

Optimal cost



Speedy recovery of investment
Expected period≒Real period

Actual
Gross Yield :
Avg. 21.3%

Area expansion is taken place
due to credentials and reliability of business

- Investigation by our company of projects completed
- During Dec. 2013 – Nov. 2020

Small business type | Provisional utility

Investment recovery in 5 – 10 years, revolutionizing norms of conventional real-estate investment

Business characteristics and strengths(2)

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POINT

When a building is constructed

Creating spaces that also maintain coin P income

When aerial floors (2F, 3F) are used

Creating spaces that generate high demand for tenant rentals

Creating spaces that increase tenant profitability

Special building with parking on 1F and aerial shop above

Architectural planning that satisfies all laws and achieves profitability

ALL CLEAR

Flexible semi-order type

SPACE ON DEMAND concept

The “Space On Demand” concept means creating spaces that meet the demands of modern society, and creating the optimal plans for the properties of the land owners (parking area owners). However simply creating space is not our ultimate goal, and we do not create buildings that tenants will not enter.

Previous uses of land

Creating buildings that maximize coverage ratios and floor-space ratios

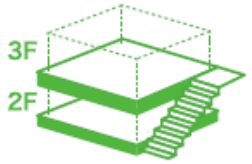
This may have been high risk under this sort of economic condition

▼

Land use proposed by Phil Company

Creating spaces that meet needs of parking areas and tenants

Creating spaces based on tenant rental demand



Optimizing the number of floors and floor area

Creating spaces that maximize parking area income



Parking area layout and building design for easy vehicle access

Creating spaces that maximize tenant shop income



- Buildings that stand out with eye-catching designs
- Stairs layout based on customer lines of movement

Maximizing the return on land owner (parking area owner) investment

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Business characteristics and strengths (3)

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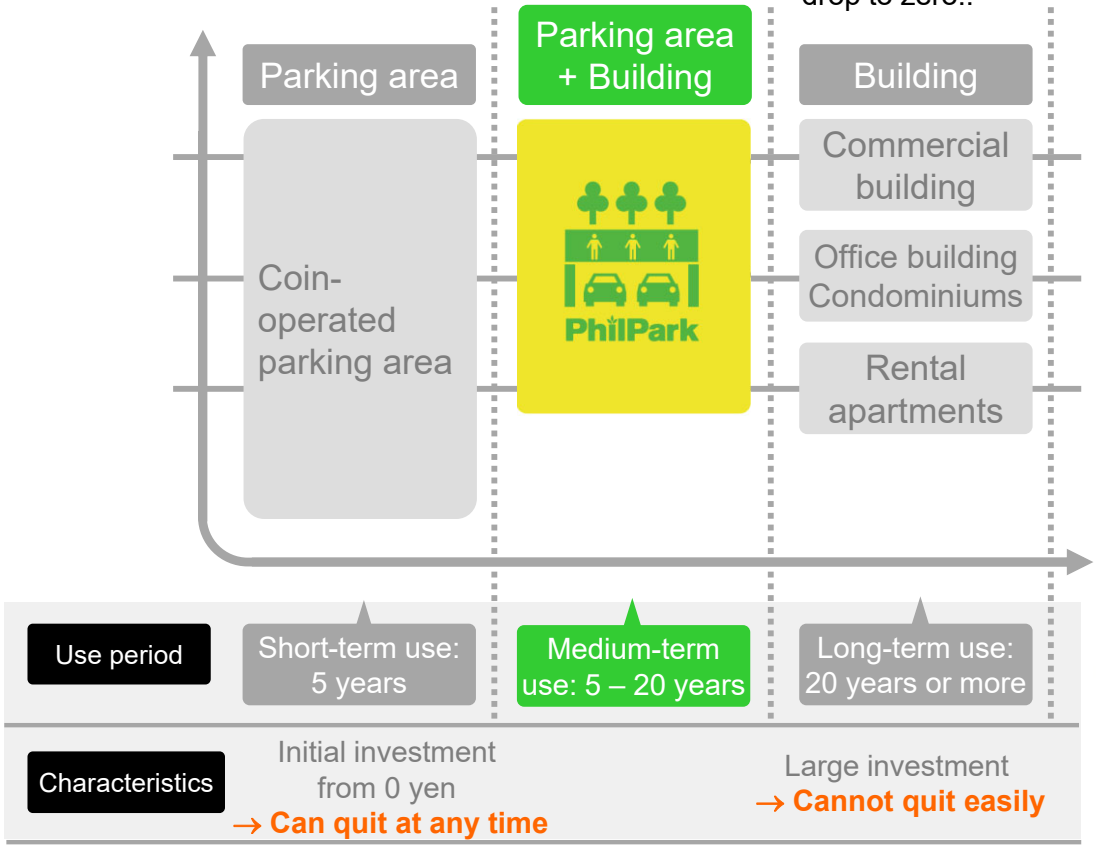
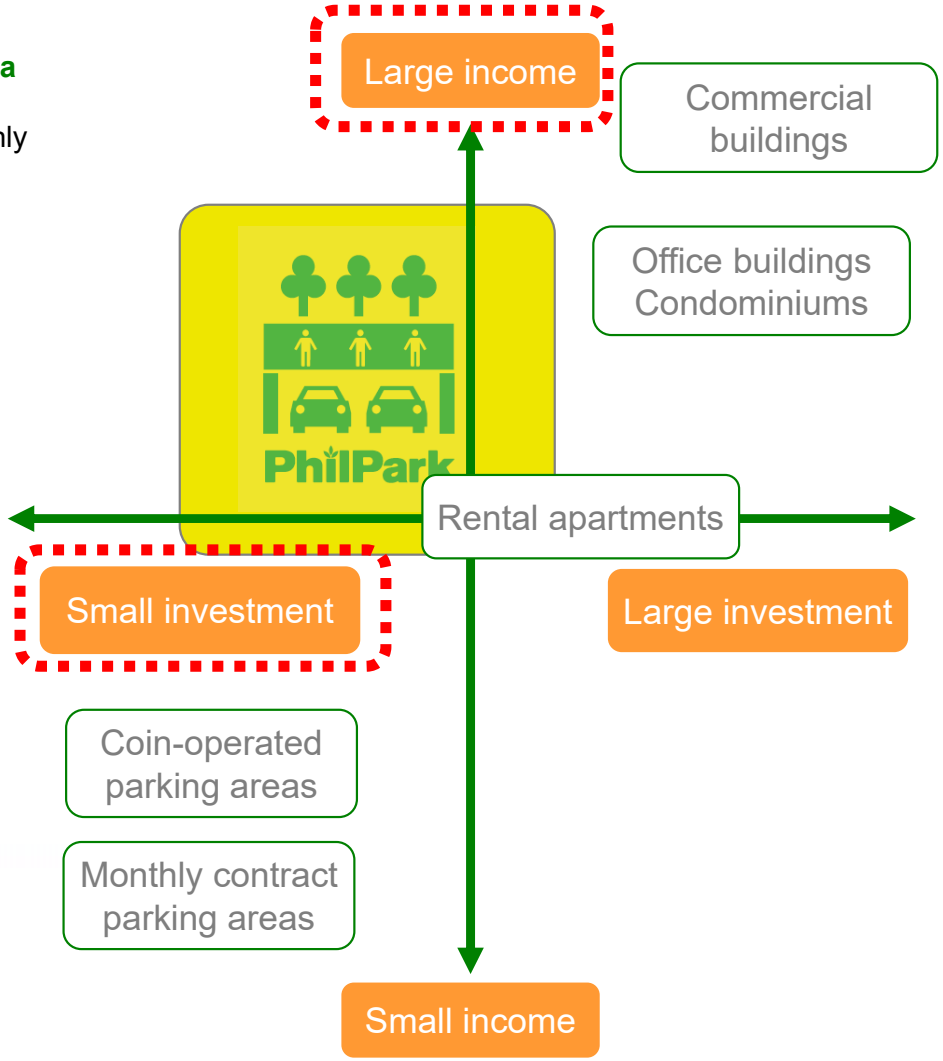
Idea: Keep the parking area.

Utilize high-valve parking area revenue!
In many cases, parking area rent ≥ Tenant rent

Utilize stable parking area revenue!
Revenue will never suddenly drop to zero!!





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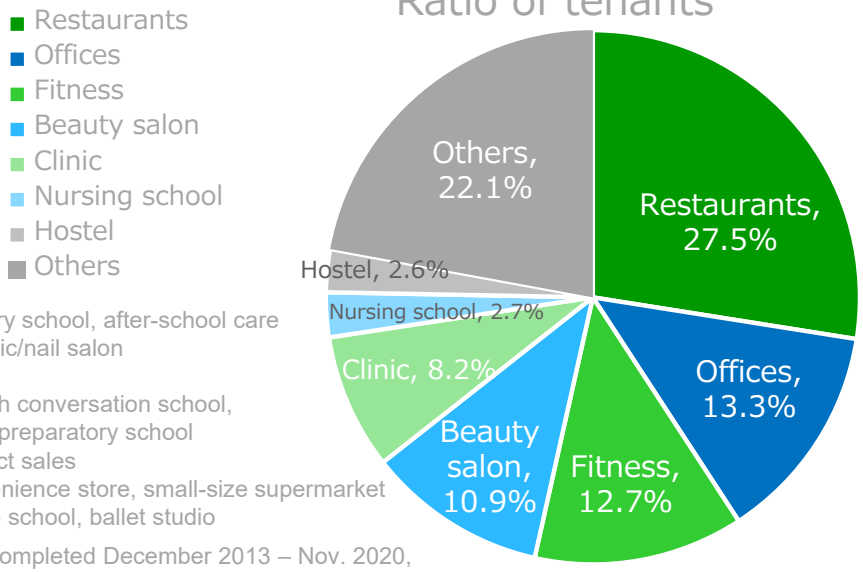
Diverse range of tenants that are an ideal match for Phil Park

Ratio of tenants

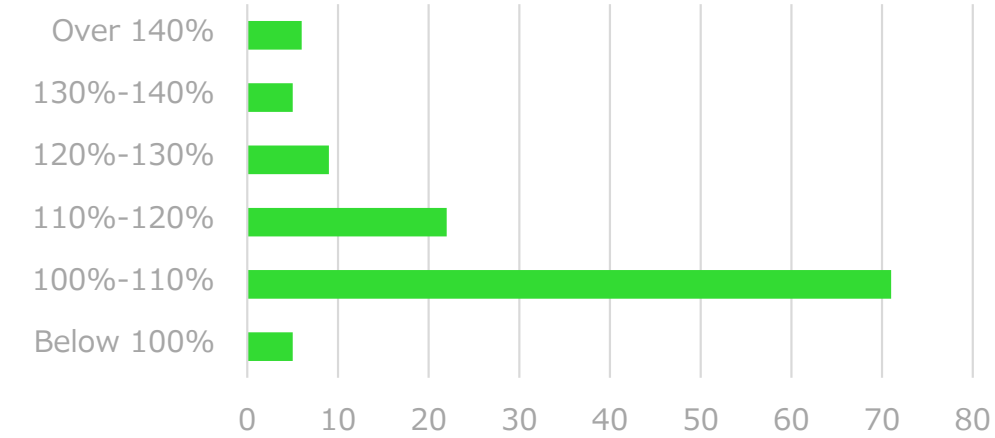


- Clinic
- Nursery school, after-school care
- Esthetic/nail salon
- Hostel
- English conversation school, exam preparatory school
- Product sales
- Convenience store, small-size supermarket
- Dance school, ballet studio

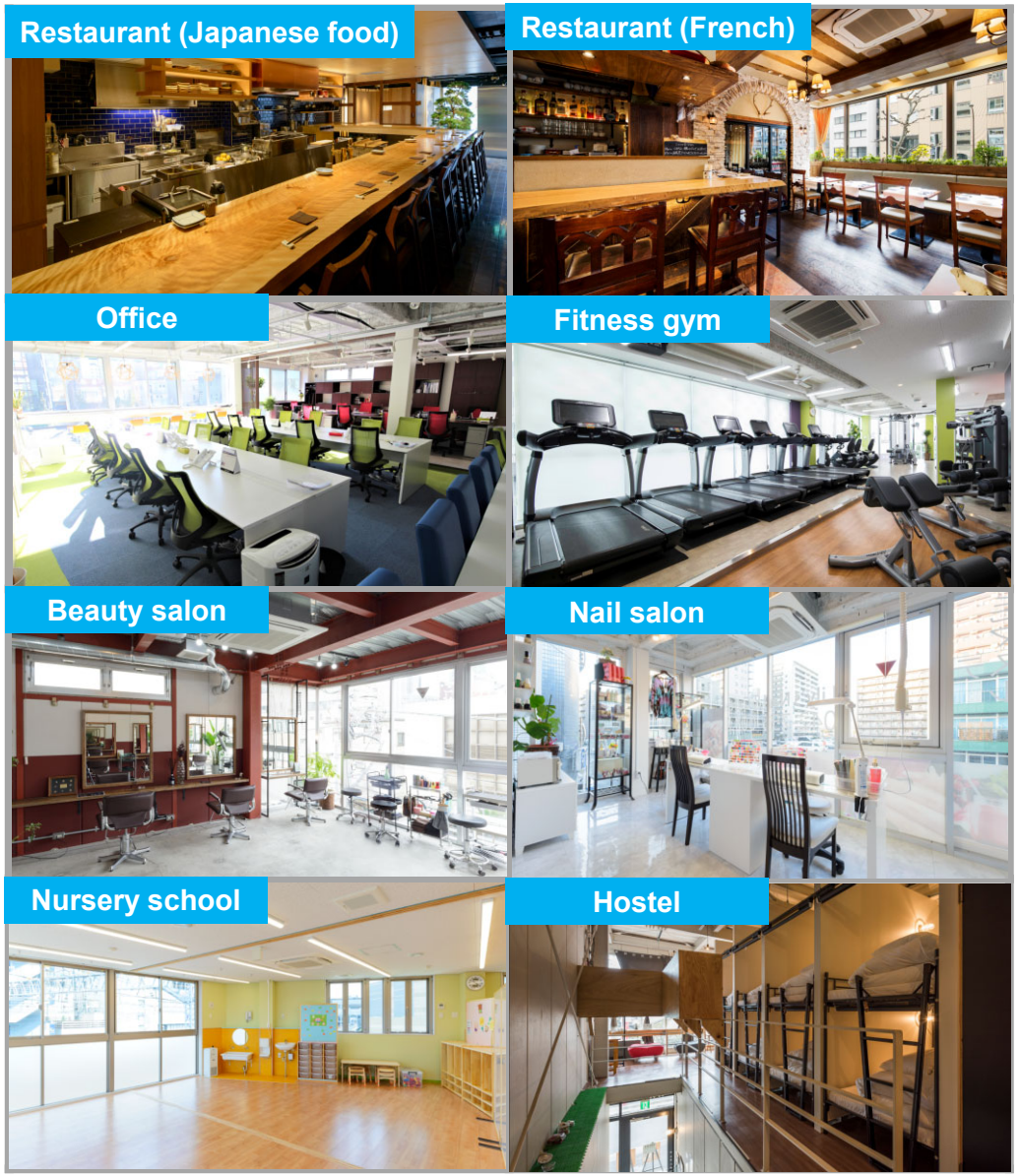
* Projects completed December 2013 – Nov. 2020, investigation by our company

Tenants leasing

(Actual rent ÷ Proposal rent)



* Projects completed December 2013 – Nov. 2020, investigation by our company



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Growth strategy: Market size and growth potential

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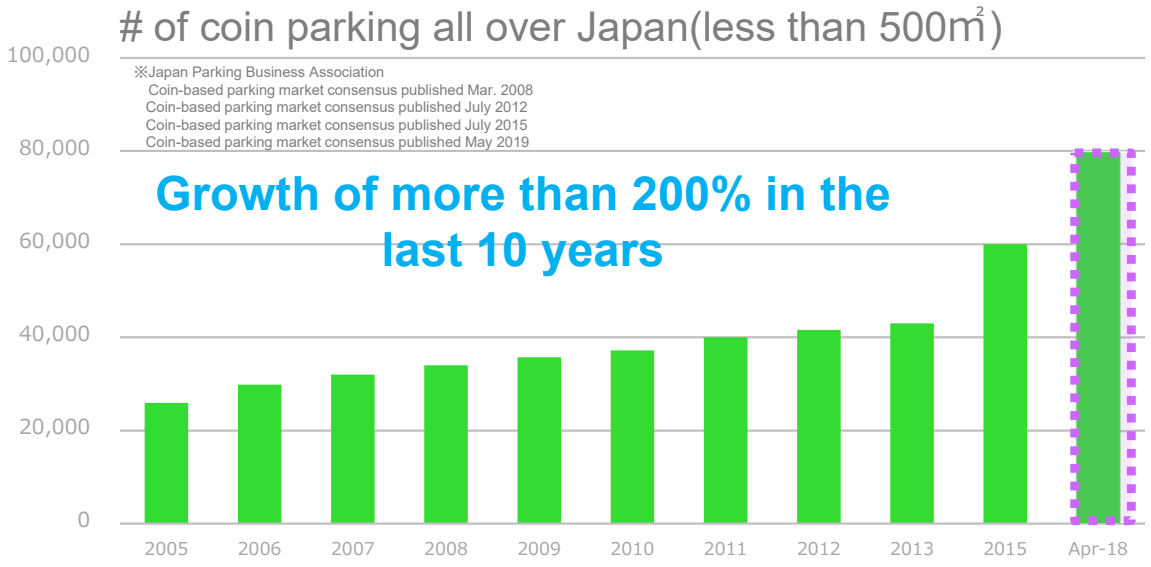
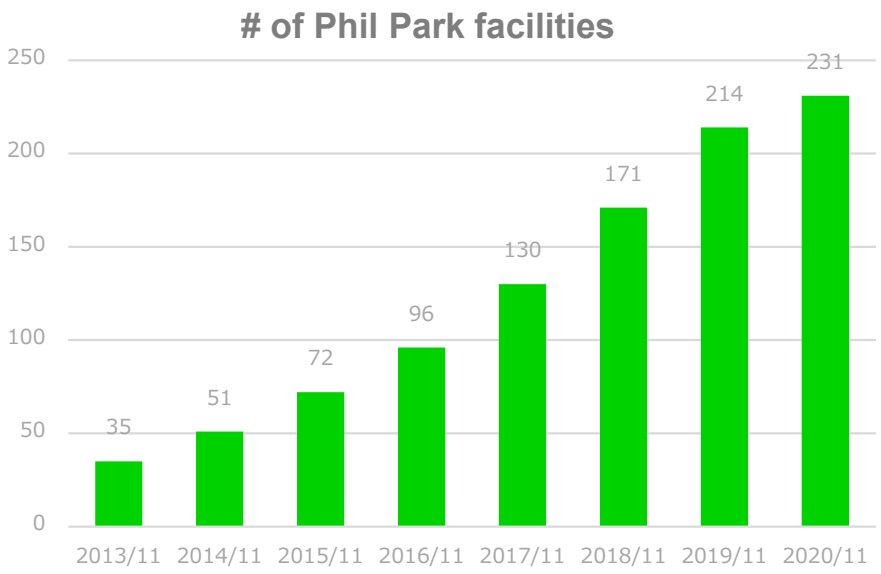
The size of the market for coin-operated parking areas exceeds 80,000!





New type of value: Selection of similar market sizes is difficult.

However a provisional estimate **shows a potential market size of 8 trillion yen.**

Avg. price of Phil Park aerial shop projects: Approx. 100 million × 80,000 coin-operated parking areas ≈ 8 trillion yen + Additional margin

Currently controlling only 0.3% of the coin-operated P market.

More than enough room for growth

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Important points concerning future forecasts

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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 a variety of uncertainty and reasons in the future.

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

All statements concerning future prospects in these materials were created by our company based on the available information. The contents of any statements herein regarding future prospects will not be updated or revised based on future events and circumstances.

This is an English translation of the original Japanese report document for your reference.

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