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Consolidated Financial Results for the first six months of the fiscal year ending November 30, 2024 (Under Japanese GAAP)

July 11, 2024

Company name: Phil Company, Inc.
Listing: Tokyo Stock Exchange
Securities code: 3267
URL: https://philcompany.jp
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Scheduled date to file quarterly securities report: July 12, 2024
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 six months of the fiscal year ending November 2024 (from December 1, 2023 to May 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended		%		%		%		%
May 31, 2024	1,326	(28.5)	(184)	—	(197)	—	(143)	—
May 31, 2023	1,855	32.6	(140)	—	(147)	—	(109)	—

Note: Comprehensive income For the six months ended May 31, 2024: ¥(143) million (—%)
For the six months ended May 31, 2023: ¥(109) million (—%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
May 31, 2024	(26.75)	—
May 31, 2023	(20.81)	—

Note: Diluted earnings per share for the quarter, adjusted for potential common stock dilution, is not provided as it results in a per-share quarterly net loss despite the existence of potential common stock dilution.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of			%
May 31, 2024	7,025	2,562	36.4
November 30, 2023	5,450	2,730	50.0

Reference: Equity
As of May 31, 2024: ¥2,555 million
As of November 30, 2023: ¥2,726 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, 2023	–	0.00	–	5.00	5.00
Fiscal year ending Nov. 30, 2024	–	0.00			
Fiscal year ending Nov. 30, 2024 (Forecast)			–	5.00	5.00

Note: Revisions from the last forecast released: None

3. Forecast for the fiscal year ending November 30, 2024 (from December 1, 2023 to November 30, 2024)

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal year ending November 30, 2024	7,500	25.8	300	39.7	280	106.2	190	399.5	35.38

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: None

(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)	As of May 31, 2024	5,778,000	As of November 30, 2023	5,778,000
(ii) Number of treasury shares at the end of the period	As of May 31, 2024	408,180	As of November 30, 2023	408,180
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Six months ended May 31, 2024	5,369,820	Six months ended May 31, 2023	5,248,410

Note: The number of treasury shares at the end of the period includes the Company's shares (35,500 shares as of May 31, 2024 and 35,500 shares as of November 30, 2023) 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 second quarter of the year ending November 30, 2024 and 35,500 shares in the second quarter of the year ended November 30, 2023).

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 Six-Month Consolidated Results, (3) Explanation of Forecast Data, including Consolidated Forecasts.”

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1. Qualitative Information on the Six-Month Consolidated Results

(1) Overview of Operating Results

During the cumulative consolidated period of the second quarter (from December 1, 2023 to May 31, 2024), the Japanese economy has shown a gradual recovery trend due to the normalization of social and economic activities and the expansion of inbound demand. However, uncertainties persist in the economic outlook due to unstable international situations, soaring prices of raw materials and energy, and the progress of yen depreciation.

In such circumstances, our group has been pursuing the purpose of "Filling the “SUKIMA” in the town with “creation”" and has been engaged in business initiatives such as the "Phil Park aerial shop " and the rental housing with garages, "Premium Garage House," which are mutually beneficial for landowners, tenants, and the community. We provide solution services through two schemes: the "contracted orders scheme (for existing landowners)" where we propose land utilization products to landowners, and the "development and sales scheme (for real estate investors)" where we purchase land and handle everything from development to sales of land utilization product.

During the cumulative period of the second quarter, net sales decreased 28.5% year on year to ¥1,326,709 thousand and gross profit decreased 0.3% year on year to ¥424,530 thousand, with a gross profit margin of 32.0% (22.9% in the same quarter of the previous year).

Net sales and gross profit decreased compared to the same period last year, as the number of projects reaching completion during the cumulative second quarter was lower. This led to a decrease in sales revenue in the contracted orders scheme, and the absence of sales handovers in the development and sales scheme also contributed to the decline compared to the previous year. However, the gross profit margin improved compared to the previous year, as the high-margin sales at the time of contracting increased due to the rise in the number of new orders in the contracted orders scheme.

Operating profit was impacted by increased selling, general, and administrative expenses due to upfront investments for business expansion, increased personnel expenses due to strengthening recruitment, increased outsourcing expenses due to business process and organizational reform initiatives, and increased advertising expenses due to the renewal of the corporate website. Operating loss amounted to ¥184,014 thousand (compared to an operating loss of ¥140,242 thousand in the previous year), ordinary loss was ¥197,068 thousand (compared to an ordinary loss of ¥147,463 thousand in the same period of the previous year), and the quarterly loss attributable to owners of parent was ¥143,632 thousand (compared to a quarterly loss attributable to owners of parent of ¥109,231 thousand in the same period of the previous year).

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

(Unit: thousand yen)

Fiscal Year Ending November 30, 2024				
		1Q	2Q	1H
Sales		606,083	720,625	1,326,709
Sales Break-down	Contracted Orders	488,212	597,533	1,085,746
	Development and Sales	—	—	—
	Others	117,871	123,091	240,963
Cost of sales		398,395	503,783	902,179
Gross profit		207,688	216,842	424,530
Gross profit margin		34.3%	30.1%	32.0%

(Unit: thousand yen)

Fiscal Year Ended November 30, 2023				
		1Q	2Q	1H
Sales		733,051	1,122,189	1,855,240
Sales Break-down	Contracted Orders	623,800	770,911	1,394,712
	Development and Sales	—	209,902	209,902
	Others	109,250	141,374	250,625
Cost of sales		544,422	885,079	1,429,501
Gross profit		188,628	237,110	425,738
Gross profit margin		25.7%	21.1%	22.9%

Contracted orders

During the second quarter of this fiscal year, the number of orders contracted under the contracted orders scheme was 11, and the amount of orders contracted was ¥872,793 thousand, marking the highest number of orders contracted and amount of orders contracted for the same quarter. The breakdown is as follows: 2 orders (2 in the same quarter of the previous year) for the Phil Park aerial shop business, totaling ¥363,498 thousand (¥249,548 thousand in the same quarter of the previous year), and 9 orders (2 in the same quarter of the previous year) for the Premium Garage House, totaling ¥509,294 thousand (¥116,536 thousand in the same quarter of the previous year). As a result, in the first half of this fiscal year, we contracted 21 orders (7 in the first half of the previous year) totaling ¥1,963,432 thousand (¥1,043,872 thousand in the first half of the previous year). The breakdown is as follows:

7 orders (4 in the first half of the previous year) for the Phil Park aerial shop business, totaling ¥1,085,149 thousand (¥862,935 thousand in the first half of the previous year), and 14 orders (3 in the first half of the previous year) for the Premium Garage House business, totaling ¥878,282 thousand (¥180,936 thousand in the first half of the previous year).

With the increase in the number of new orders, the balance of orders contracted, which represents future expected sales amounts, has also increased to approximately 2.5 times that of the previous year at the end of the second quarter consolidated accounting period, reaching ¥3,698,936 thousand (¥1,460,282 thousand as the end of the second quarter of the previous year).

Development and sales

During the second quarter of this fiscal year, we concluded 2 new contracts for land acquisition.

The remaining number of development projects as of the end of the second quarter of this fiscal year was 9, and the balance of development projects, which is the expected future cost of sales, was ¥4,475,951 thousand (¥3,139,478 thousand as of the end of the second quarter of the previous year).

Status of Business

Fiscal Year Ending November 30, 2024							
		Unit	1Q	2Q	3Q	4Q	Total
Contracted Orders	Amount of orders contracted [1] (No. of orders contracted)	thousand yen (orders)	1,090,639 (10)	872,793 (11)	—	—	1,963,432 (21)
	Phil Park aerial shop	thousand yen (orders)	721,650 (5)	363,498 (2)	—	—	1,085,149 (7)
	Premium Garage House[2]	thousand yen (orders)	368,988 (5)	509,294 (9)	—	—	878,282 (14)
	Balance of orders contracted as of the end of period[3] (No. of projects underway as of the end of period)[4]	thousand yen (orders)	3,470,658 (28)	3,698,936 (37)	—	—	—
Development and Sales	No. of units sold and delivered	orders	0	0	—	—	0
	No. of contracts to acquire land for development [5]	orders	3	2	—	—	5
	Balance of development projects[6] (Remaining no. of development projects)	thousand yen (orders)	3,916,753 (7)	4,475,951 (9)	—	—	—

Fiscal Year Ended November 30, 2023							
		Unit	1Q	2Q	3Q	4Q	Total
Amount of orders contracted [1] (No. of orders contracted)		thousand yen (orders)	677,786 (3)	366,085 (4)	1,117,648 (9)	1,861,712 (13)	4,023,232 (29)
	Phil Park aerial shop	thousand yen (orders)	613,386 (2)	249,548 (2)	758,754 (3)	1,250,451 (4)	2,872,141 (11)
	Premium Garage House[2]	thousand yen (orders)	64,400 (1)	116,536 (2)	358,894 (6)	611,260 (9)	1,151,091 (18)
Balance of orders contracted 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)	2,863,962 (26)	—
No. of units sold and delivered		orders	0	1	1	5	7
No. of contracts to acquire land for development [5]		orders	1	1	2	1	5
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)	2,903,515 (4)	—

1. The amount of orders contracted is the total amount (based on sales) of new orders for construction or projects contracted during the period.
2. The amount of orders contracted for the Premium Garage House business includes the number of orders contracted by partner companies.
3. The balance of orders contracted as of the end of period is the total remaining amount of orders contracted 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, 2024	69	73	—	—
Fiscal year ended Nov. 30, 2023	54	67	67	69

*This is the number of employees on the consolidated basis at the end of the period.

(2) Overview of Financial Position

Assets

Total assets at the end of the second quarter of this fiscal year increased by ¥1,574,997 thousand from the end of the previous fiscal year, totaling ¥7,025,773 thousand. This was mainly due to increase by ¥457,444 thousand in cash and deposits and increase by ¥910,345 thousand in real estate for sale.

Liabilities

Liabilities at the end of the second quarter of this fiscal year increased by ¥1,742,537 thousand from the end of the previous fiscal year, totaling ¥4,462,847 thousand. This was due to decrease of ¥192,968 thousand in accounts payable, an increase by ¥1,208,091 thousand in advance received, and an increase by ¥627,476 thousand in long-term borrowings.

Net assets

Net assets at the end of the second quarter of this fiscal year decreased of ¥167,539 thousand from the end of the previous fiscal year, totaling ¥2,562,925 thousand. This was mainly due to decrease of ¥27,026 thousand in retained earnings resulting from dividend payments, and decrease of ¥143,632 thousand in retained earnings of attributable to quarterly loss attributable to owners of parent.

(3) Explanation of Forecast Data, including Consolidated Forecasts

As announced on May 31, 2024, in the "Notice Regarding the Revision of the Consolidated Performance Forecast for the Cumulative Period of the Second Quarter of the Fiscal Year Ending November 2024," we have revised the performance forecast for the second quarter cumulative period due to the delay in the sales handover of projects expected to be sold in the first half of the development and sales scheme to the second half.

Regarding the full-year consolidated performance forecast, the order situation in the contracted orders scheme is improving, and although there were no sales handovers in the first half of the development and sales scheme, land acquisition is progressing smoothly, and the balance of development projects is accumulating. Therefore, we are maintaining the performance forecast figures currently disclosed without any revisions. We will continue to carefully monitor the order status in the contracted orders scheme, the progress of ongoing projects, as well as land acquisition and sales status in the development and sales scheme. If there is a need to revise the performance forecast, we will promptly disclose it.

2. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of November 30, 2023	As of May 31, 2024
Assets		
Current assets		
Cash and deposits	2,456,383	2,913,828
Accounts receivable - trade	65,461	46,430
Real estate for sale	836,026	1,746,371
Real estate for sale in process	925,864	1,179,024
Costs on service contracts in progress	20,612	22,516
Short-term loans receivable	58,500	75,000
Income taxes refund receivable	49,269	—
Other	82,458	75,818
Allowance for doubtful accounts	(60,900)	(60,900)
Total current assets	4,433,676	5,998,089
Non-current assets		
Total property, plant and equipment	504,647	487,698
Intangible assets		
Goodwill	109,070	95,981
Other	32,811	28,382
Total intangible assets	141,881	124,364
Investments and other assets		
Investment securities	105,869	104,280
Deferred tax assets	103,577	160,324
Other	189,824	179,716
Allowance for doubtful accounts	(28,701)	(28,701)
Total investments and other assets	370,569	415,620
Total non-current assets	1,017,098	1,027,683
Total assets	5,450,775	7,025,773
Liabilities		
Current liabilities		
Accounts payable - trade	389,720	196,751
Short-term borrowings	437,500	582,500
Current portion of long-term borrowings	83,092	94,738
Income taxes payable	29,758	7,746
Advances received	483,003	1,691,094
Deposits received	21,104	23,623
Other	176,884	146,254
Total current liabilities	1,621,062	2,742,708
Non-current liabilities		
Long-term borrowings	683,986	1,311,462
Lease liabilities	111,209	108,090
Asset retirement obligations	112,330	107,686
Long-term guarantee deposits	163,722	166,581
Other	27,998	26,318
Total non-current liabilities	1,099,247	1,720,139
Total liabilities	2,720,309	4,462,847
Net assets		
Shareholders' equity		
Share capital	789,647	789,647
Capital surplus	789,647	789,647
Retained earnings	1,848,148	1,677,490
Treasury shares	(700,951)	(700,951)
Total shareholders' equity	2,726,491	2,555,832
Share acquisition rights	3,974	7,092
Total net assets	2,730,465	2,562,925
Total liabilities and net assets	5,450,775	7,025,773

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

For the Six Months

(Unit: thousand yen)

	Six months ended May 31, 2023	Six months ended May 31, 2024
Net sales	1,855,240	1,326,709
Cost of sales	1,429,501	902,179
Gross profit	425,738	424,530
Selling, general and administrative expenses	565,981	608,544
Operating loss	(140,242)	(184,014)
Non-operating income		
Interest income	1,499	407
Interest on tax refund	678	280
Gain on sale of non-current assets	—	1,999
Other	157	186
Total non-operating income	2,335	2,874
Non-operating expenses		
Interest paid	4,876	12,499
Commission expenses	4,158	1,685
Share of loss of entities accounted for using equity method	498	1,588
Other	22	156
Total non-operating expenses	9,556	15,928
Ordinary loss	(147,463)	(197,068)
Loss before income taxes	(147,463)	(197,068)
Income taxes - current	886	3,310
Income taxes - deferred	(39,034)	(56,747)
Total income taxes	(38,147)	(53,436)
Loss	(109,316)	(143,632)
Loss attributable to non-controlling interests	(84)	—
Loss attributable to owners of parent	(109,231)	(143,632)

Consolidated Statement of Comprehensive Income

For the Six Months

(Unit: thousand yen)

	Six months ended May 31, 2023	Six months ended May 31, 2024
Quarterly net loss	(109,316)	(143,632)
Quarterly comprehensive income	(109,316)	(143,632)
(Breakdown)		
Quarterly comprehensive income attributable to parent company shareholders	(109,231)	(143,632)
Quarterly comprehensive income attributable to non-controlling interests	(84)	—

(3) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable

Substantial Changes in the Amount of Shareholders' Equity

Six months ended May 31, 2023

1 .Dividend payment amount

Not applicable

2 .The ex-dividend date falls after the last day of the second quarter consolidated accounting period, which is the effective date for dividends that belong to the second quarter cumulative period.

Not applicable

3 .Substantial Changes in 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 first half of this fiscal year, retained earnings and treasury stock amounted to ¥1,701,350 thousand and ¥701,110 thousand respectively mainly due to the impact of these decreases.

Six months ended May 31, 2024

1 .Dividend payment amount

Resolution	Types of shares	Source of dividends	Total amount of dividends (Unit: thousand yen)	Dividend per share (Unit: yen)	Ex-dividend date	Effective date
Board of Directors on January12, 2024	Common stock	Retained earnings	27,026	5.00	November 30, 2023	February 22, 2024

(Note) The total amount of dividends approved by the Board of Directors on January 12, 2024, includes 177,000 yen in dividends for the company's own shares held in trust.

2 .The ex-dividend date falls after the last day of the second quarter consolidated accounting period, which is the effective date for dividends that belong to the second quarter cumulative period.

Not applicable

3 .Substantial Changes in Shareholders' Equity

Not applicable