

Phil Company, Inc.

TSE Growth code:3267

Feb.29, 2024

Target share price: 1,312 yen at the end of January 2025, 5 years later, possible 5,336 yen

Three reforms for business scaling. Probability of achieving 2.5 times revenue in the mid-term management plan.

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR") that emphasizes three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Corporate value analysis from the perspective of GCC Management™, which emphasizes the three

The market for parking space utilization has a blue ceiling. Sales up 2.5 times by eliminating bottlenecks.

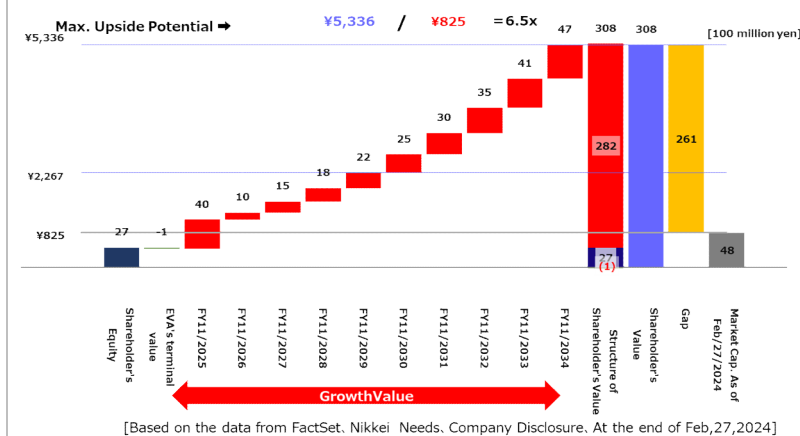
Phil Company, Inc. (Phil) operates under the philosophy of "filling the 'Sukima' in the city with 'creation'", and provides a service that utilizes parking lots to establish stores and rental housing. The appeal of Phil's business lies in the know-how of utilizing the vast untapped space above parking lots, and its target market is so large that it could be considered infinite. Phil is a pioneer in valuing attractive solutions, and by packaging regulatory compliance and complex building structural calculations, its sales grew from 1.7 billion yen in 2016 to 7.0 billion yen in 2019. Despite a recent stall in growth due to the COVID-19 pandemic and fluctuating business cycles, these bottlenecks are being resolved by the reforms of the new president. By 2026, Phil aims to boost sales by 2.5 times to reach 15 billion yen, with projected operating profits of 1.2 billion yen, as per their latest medium-term management plan.

Monopolizing the parking market with three reforms by the new president

Phil's strengths are in its ability to create custom plans and its capacity to implement them. The company has expanded its business through a small, elite team handling sales and construction. However, facing growth challenges due to its scale, the new president has launched reforms in business processes, organization, and portfolio. Furthermore, as a strategy to increase sales revenue, in addition to the existing contract orders, the company plans to expand its development sales by purchasing land, aiming to increase the number of buildings. Development sales allow for the selection of prime land, enabling the construction of high-quality buildings only, and broadening sales channels by also targeting investors as consumers. The risk is the entry of major players. However, the parking lot utilization sector is considered a minor market within the construction industry and requires considerable effort for each individual project, resulting in high barriers to entry and therefore considered to be low risk. JPR assesses these reforms as likely to succeed, forecasting that Phil will meet its mid-term goals and continue to grow in the next decade.

Target stock price: JPY1,312 at the end of Jan 2025, JPY 5,336 after 5 years

Under the above scenario, shareholder value was estimated using the "excess profit method" (see Appendix 2) based on the GCC Management™ framework, and if 10 years of growth value is factored in, shareholder value is estimated to be 30.8 billion yen, approximately 6.7 times the market capitalization based on the closing price on February 16, 2024, or 5,336 yen in terms of share price. However, this level is to be achieved over the long term, over a 3-5 year period. More realistically, shareholder value by FY Nov.2025 = shareholders' equity 27 + excess profit value in FY Nov.2023 - ¥100 million + growth value of 50 from FY Nov.2024 to FY Nov.2026, for a total of ¥ 7.6 billion, or ¥1,312 in terms of share price, is the target share price as of January 2025, when the FY Nov.2026 medium-term plan figures are incorporated. The price target is likely to be 1,312 yen as of January 2025, when the company's mid-term plan for FY Nov.2026 is incorporated.



Basic Report

Written and Edited by
J-Phoenix Research Inc.
Osamu Miyashita, Rin Komatsu

Company Profile

Location of Head Office	Tsukiji, Chuo-ku, Tokyo
Representative	Mari Kaneko
Date of Establishment	June 3, 2005
Paid-in Capital	JPY 789 millions
Date of Listing	November 18, 2016
URL	https://philcompany.jp/
Type of Business	Construction

Key Indicators As of February 27, 2024

Stock Price	JPY 825
52-week high	JPY 1,240
52-week low	JPY 493
Number of Shares Outstanding	5,778,000 stocks
Trading Unit	100 stocks
Market Capitalization	JPY 4,767 million
Company Projected Dividend	JPY 5
Estimated Net Income Base EPS	JPY 35
Forecast PER	23.32 times
Actual BPS (End of November 2023)	JPY 507.74
Actual PBR	1.62 times

Performance Trends	Sales (JPY 1 mil.)	YoY %	Operating income (JPY 1 mil.)	YoY %	Ordinary income (JPY 1 mil.)	YoY %	net income (JPY 1 mil.)	YoY %	EPS (JPY)	Stock price	
										High price (JPY)	Low price (JPY)
Results for FY Nov. 2021	5,432	36.8	724	456.5	713	626.4	407	-	72.25	3,835	1,756
Results for FY Nov. 2022	4,378	-19.4	169	-76.6	200	-71.9	142	-65.1	27.22	2,410	854
Results for FY Nov. 2023 0Q	5,963	36.2	214	26.5	135	-32.1	38	-73.2	7.16	1,240	493
Plans for FY Nov. 2024	7,550	25.8	300	40.2	280	106.2	190	399.5	35.38	-	-

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1. Investment Summary

Shareholder value analysis

Maximum upside in market capitalization estimated at 28.9 billion yen

Estimation using the excess profit method

Maximum upside 6.7x depending on realization of growth scenario

JPR estimated shareholder value using the "excess profit method" (see "Appendix 2") based on the GCC Management™ framework, taking into account the future potential of Phil Company's business development. The following chart visualizes the framework of the qualitative and quantitative story and the results of the trial calculation. Assumptions are explained on the next page and beyond. We estimate a maximum upside of 6.7x depending on the realization of the growth scenario, and a maximum market capitalization upside of 30.8 billion yen.

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method

Qualitative Story Outline

Growth: Aim for 2.5x sales growth in 3 years by expanding sales channels with value as it is

Connection: Three internal reforms streamline operations

Confidence: Sufficient stabilization of earnings for investment and high social contribution

Pioneer in parking space utilization



High growth with a small number of elite, one-stop system



Sluggish due to bottlenecks in Corona and the genus of operations



Three reforms under the president who took office in 2023



Plans to increase sales 2.5 times by 2026

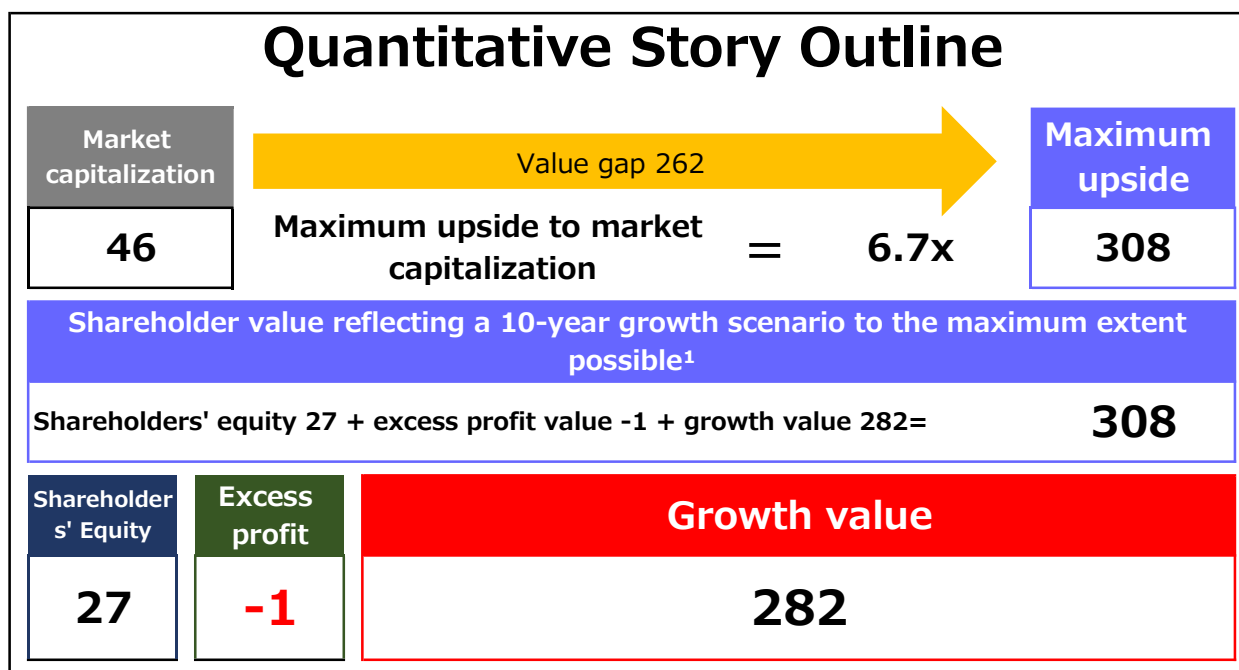


Further growth through new community-based businesses

Source: JPR

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Shareholder Value Analysis(Unit: JPY 100 million)



Source: JPR

1: Fractions do not match due to rounding.

Source: JPR

Shareholder Value Structure and Value Gap Analysis Using the Excess Profit Method (details)

[¥100mn]	Current Year	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	10 years later
	2024.11	2025.11	2026.11	2027.11	2028.11	2029.11	2030.11	2031.11	2032.11	2033.11	2034.11
Sales	75	120	150	180	216	259	311	373	448	537	645
Operating income	3	10	12	15	19	25	31	39	49	62	77
Operating margin	4.0%	8.0%	8.0%	8.5%	9.0%	9.5%	10.0%	10.5%	11.0%	11.5%	12.0%
Sales growth rate	25.8%	60.0%	25.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
NOPAT margin	2.8%	5.5%	5.5%	5.9%	6.2%	6.6%	6.9%	7.2%	7.6%	7.9%	8.3%
Invested capital turnover ratio	36.4%	34.2%	33.4%	32.9%	32.4%	32.1%	31.9%	31.9%	31.5%	31.2%	31.1%
Percentage-of-year invested capital net sales ratio	34.2%	33.4%	32.9%	32.4%	32.1%	31.9%	31.5%	31.3%	31.2%	31.1%	31.1%
WACC	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
ROIC = NOPAT margin ÷ invested capital net sales ratio	7.6%	16.1%	16.5%	17.8%	19.1%	20.4%	21.6%	23.0%	24.2%	25.5%	26.7%
ROIC / WACC (value created with the original hand of 1)	¥0.9	¥2.0	¥2.1	¥2.2	¥2.4	¥2.6	¥2.7	¥2.9	¥3.0	¥3.2	¥3.3
NOPAT	2.07	6.62	8.28	10.56	13.41	16.99	21.46	27.04	34.00	42.65	53.40
Invested capital × WACC	2.18	3.28	4.01	4.74	5.61	6.65	7.93	9.42	11.23	13.40	16.03
EVA	-0.11	3.34	4.27	5.82	7.81	10.34	13.53	17.62	22.76	29.24	37.38
EVA = NOPAT - invested capital × WACC	-0.11	3.34	4.27	5.82	7.81	10.34	13.53	17.62	22.76	29.24	37.38
Value created in each year	-1	43	12	19	25	32	40	51	64	81	102
Discount Rate	100%	93%	86%	79%	74%	68%	63%	58%	54%	50%	46%
Present value of EVA	-1	40	10	15	18	22	25	30	35	41	47
Invested capital ① Origin	27										
Over profit value (Permanent value of EVA of this term)	-1										
Growth value (Present value of increase in EVA) ②	282										
Non-business asset value ③	16										
Corporate value = ① + ② + ③ + ④	325										
Interest-bearing debt, etc.	-16										
Incremental stockholders' equity book value at the end of the immediately preceding quarter	-0										
Shareholder value	308										

Source: JPR

*For NOPAT, since it is difficult to estimate the corporate tax rate, a conservative effective corporate tax rate of 30.9% is applied.

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Three qualitative and quantitative information assumptions set for estimating shareholder value*1

Growth: Aim for 2.5x sales growth in 3 years by expanding sales channels with value as it is

Values and Worldviews	Value provided and Growth Potential	Growth
Rebirth of the parking lot	Scale main business to 2.5 times sales	CAGR of 24.0% expected
Phil's philosophy is "filling the 'Sukima' in the city with 'creation'", addressing issues like underutilized space and urban decline. Their services, such as "Phil Park aerial shop" and "Premium Garage House," provide solutions like aerial retail space and rental housing with garages, contributing to social value creation while tackling these challenges.	Phil plans to expand both Phil Park and Premium Garage House by increasing contract orders, which are its main business focus, and by developing and selling its own land. It anticipates sales to grow 2.5 times to 15 billion yen and operating profit to reach 1.2 billion yen by 2026.	FY2024.11 FY2034.11 75 ▶ 645
		High growth expected
		Growth value
		282

Connection: Three internal reforms streamline operations

Strategy	Business Model	ROIC
One-stop system	Steadily implemented business model	Expected to improve by 19.1 points
Phil's strength lies in crafting customized plans that match the characteristics of each space and fulfill landowners' requirements. They excel in executing the entire process from planning to property management. Due to the necessity of detailed solutions for each property, there's no room for reductions in personnel or time. Thus, improving operational efficiency across sales, planning, and property management will lead to increased profit margins.	Phil has implemented three measures to address workload disparities: (1) Business process reform, aiming to enhance efficiency with digital technology and project management. (2) Organizational reform involves scaling the business while maintaining quality by hiring more employees. (3) Business portfolio reform focuses on entering new areas, especially from an ESG standpoint.	FY2024.11 FY2034.11 7.6 % ▶ 26.7 %
		To a very high level
		Excess profit
		-1

Confidence: Sufficient stabilization of earnings for investment and high social contribution

Financial Sustainability	+	Contribution to Social Sustainability	=	WACC
Investment based on the premise of stable earnings		Land use and nature conservation		Maintenance of status quo
Phil's equity ratio for the fiscal year ending November 30, 2023, stands at 50.0%, ensuring long-term security. With a stable balance sheet, the company's basic policy is to maintain an equity ratio of at least 30%. It aims to stabilize existing core businesses while investing in growth areas such as expansion of development and sales, human capital and digital investments, and new ventures.		Phil's business focuses on sustainable urban development by addressing the issue of underutilized space through customized planning and space creation. Additionally, they are committed to reducing greenhouse gas emissions, aiming for 100% compliance with ZEB/ZEH standards in new constructions by 2030. These initiatives play a crucial role in regional revitalization and nature conservation, resulting in a significant social impact.		8.0 %
				Maintenance of status quo
				Shareholders' Equity
				27

*1Compiled by JPR based on its own estimates of post-company plan estimates based on company disclosed materials.

2. Overview

Company overview

Company Name	Phil Company, Inc. (In Japanese : 株式会社フィル・カンパニー)
Establishment	2005/6/3
Representative	Mari Kaneko
Head Office Location	Phil Park TOKYO GINZA Shintomi Lab. 3-1-12 Tsukiji, Chuo-ku, Tokyo
Capital	780 million yen
Number of Employees	Number of full-time employees 69 (as of November 30, 2023)
Fiscal Year End	November
Business	Spatial Solutions Business
Date of Listing	Nov. 18, 2016
Stock Exchange Listing	Tokyo Stock Exchange Standard [Securities Code: 3267]

Source: Compiled by JPR based on company data.

History

Year	Month	Contents
2005	6	Established in Setagaya-ku, Tokyo
2006	1	Head office relocated to Chiyoda-ku, Tokyo
2007	1	Obtained license as a real estate agent
	9	Head office relocated to Shibuya-ku, Tokyo (moved into Phil Park Sendagaya)
2008	11	Obtained general construction business license
2009	11	Registered as a first-class registered architect office
2010	4	Head office relocated to Meguro-ku, Tokyo (moved into Phil Park Nakameguro)
2011	7	Head office relocated to Iidabashi, Chiyoda-ku, Tokyo (moved into Phil Park Iidabashi)
2014	1	Head office relocated to Hirakawacho, Chiyoda-ku, Tokyo (moved into Phil Park Nagatacho)
	3	Establishment of Phil Construction Co.
	3	Phil Construction Co obtains specified construction business license.
2016	7	Phil Construction registered as a first-class registered architect office.
	6	Signed a Business Matching Agreement with Mizuho Bank, Ltd.
	6	Concluded a business matching agreement with The Bank of Yokohama, Ltd.
2017	11	Listed on the Mothers market of the Tokyo Stock Exchange
	8	Concluded a business matching agreement with The Johnan Shinkin Bank
	8	Developed the aerial nursery school model, Phil-Park, in cooperation with TOKYU CORPORATION
	9	Head office relocated to Fujimi, Chiyoda-ku, Tokyo (moved into Phil Park KaguLab. IIDABASHI)
	9	Using the new headquarters as a model case, developed an office with childcare function in collaboration with Mama Square Co.
	10	Signed a business matching agreement with The Higashi-Nippon Bank, Limited
	11	Capital increase through third-party allotment to Japan Post Capital Co.,Ltd. and Ichigo Inc.
	11	Concluded a business matching agreement with The Musashino Bank,Ltd.
	12	Capital and business alliance with Value Planning Corporation (now Premium Garage House Co., Ltd.)
	12	Established shared cycling in collaboration with OpenStreet Co., Ltd., using the head office as a model case

Source: Compiled by JPR based on company data.

History

Year	Month	Contents
2018	1	Completed the sale of the first fund property, Phil Park, in cooperation with SBI Money Plaza Co.
	9	Entered into a special overdraft agreement (borrowing limit of 1 billion yen) with Mizuho Bank, Ltd.
	10	Established a joint venture company, Trophy Corporation, with Centro Corporation, a group company of Ichigo Inc.
2019	1	Concluded a business matching agreement with Resona Bank, Ltd.
	1	Acquired additional shares of Value Planning Corporation (currently Premium Garage House Corporation), making it a wholly owned subsidiary
	3	Concluded a business matching agreement with The Hokuriku Bank, Ltd.
	3	Developed a crowdfunding model for Phil-Park in collaboration with Crowdport Inc.
	10	Concluded a business matching agreement with Sumitomo Mitsui Banking Corporation
2020	12	Listed on the First Section of the Tokyo Stock Exchange
	3	Concluded a business matching agreement with The Juroku Bank, Ltd.
	4	Signed a business matching agreement with The Tokyo Star Bank, Ltd.
	4	Signed a business matching agreement with SBI MONEYPLAZA Co.,Ltd.
	9	Signed a business matching agreement with Mitsubishi UFJ Personal Financial Advisors Co.
2021	11	Signed a business matching agreement with The Tama Shinkin Bank
	3	Business Matching Agreement concluded with SBI SECURITIES Co.,Ltd.
	10	Signed a business matching agreement with The Keiyo Bank, Ltd.
2022	1	Renewal of logo and service website of Premium Garage House Co.
	4	Shifted from the First Section to the Prime Market due to the reorganization of the Tokyo Stock Exchange market.
	4	Signed a business matching agreement with The Kita-Nippon Bank, Ltd.
	12	Head office relocated to Tsukiji, Chuo-ku, Tokyo (moved into Phil Park TOKYO GINZA Shintomi Lab.)
2023	12	Establishment of st.LAB Corporation (wholly owned subsidiary)
	2	Capital and business alliance with ONGAESHI Holdings Inc. and Tryfunds Inc.
	2	Capital and business alliance with Kayak Inc.
	2	Signed a business matching agreement with Saitama Resona Bank, Limited.
	4	Entered into a business matching agreement with Kiraboshi Bank, Ltd.
	9	Started comprehensive collaboration in real estate-related business with RYOBI HOLDINGS Co.,Ltd.
	10	Changed the Tokyo Stock Exchange from Prime Market to Standard Market.
	10	Concluded a business matching agreement with The Bank of Kyoto, Ltd.

Source: Compiled by JPR based on company data.

Major Consolidated Subsidiaries and Group Companies

Business Line	Company Name	Business Outline	Capital	Shareholding Ratio
Construction	Phil Construction Co.	Construction of "Phil Park aerial shop" and "Premium Garage House" rental housing with garages	20 million yen	100%
Construction	Premium Garage House Co.	Premium Garage House" rental housing with garages	35.1 million yen	100%

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3. Growth Story and Assessment through the GCC Management™ Framework

<p>Growth</p>	<p>Aiming for 2.5x sales growth in 3 years by expanding sales channels with value as it is</p> <p>Implementation Design: Using Overflowing Underutilized Space to Increase Sales 2.5 Times</p> <p><u>Continue to create "Ease of Living" that only Phil Company can provide.</u></p>
<p>Conceptual Design</p> <p>Clear mission</p>	<p>Phil's philosophy is to "filling the 'Sukima' in the city with 'creation'" In response to social issues such as the increase in underutilized space related to urban development, such as vacant houses and lots, and the decline of city centers due to the proliferation of urban areas, Phil has contributed to the creation of social value by providing space solution services. These services include "Phil Park aerial shop" an aerial retail space created above parking lots, and "Premium Garage House," rental housing equipped with garages. Through these initiatives, the company has played a role in addressing social challenges and adding value to urban spaces.</p>
<p>Progress: 90%</p>	<p>Implementation Design: Using Overflowing Underutilized Space to Increase Sales 2.5 Times</p> <p><u>From Problem Identification to Operation</u></p>
<p>Implementation Design</p> <p>Expansion of existing business with Plan for 2.5x sales in 3 years</p> <p>Progress: 70%</p>	<p>Phil identifies the potential and challenges of the space above parking lots, then uses their unique expertise to plan and design optimal land use solutions. Their architecture features distinctive glass walls. They assist owners in attracting tenants, helping them launch businesses, and manage operations from investment recovery to ongoing management. This comprehensive approach ensures high value for clients.</p> <p><u>Blue-ceiling parking market. Aiming for monopoly through operational efficiency.</u></p> <p>Phil's business utilizes the upper space of parking lots, and its potential market is a blue-ceiling. According to Phil's research, the target market is approximately 4.9 trillion yen. The company expects to increase its share of this very large market, and expects sales to increase 2.5-fold to 15 billion yen and operating income to 1.2 billion yen by 2026.</p>
<p>Progress: 70%.</p> <p>Reflection of results in Progress: 40%</p>	<p><u>Expanding the Number of Buildings by Combining Contracted Orders and Development and Sales</u></p> <p>For both Phil Park aerial shop and Premium Garage House, the company intends to expand the number of buildings by increasing both the contracted orders business, which has been its main business to date, and the development and sales business, in which the company purchases land for its own development and planning. In the development and sales business, the company is able to carefully select land, which allows it to produce only high-quality buildings and to sell to consumers for investment purposes, thereby expanding its sales channels.</p> <p>Achievements</p> <p>Sales fell to 3.9 billion yen in 2020, but recovered to 6.0 billion yen by FY Nov.2023, when the above mid-term management plan was launched. The number of contract orders received this fiscal year was the same as the previous year, but orders received increased 1.5 times from the previous year, recovering to the highest performance since FY Nov.09.</p>

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Connection

Conceptual Design

Progress: 70%

Implementation Design

Progress: 90%

Reflection of results in Progress: 30%

Three internal reforms to streamline operations

Conceptual Design: One-Stop Business Model

The challenge is to bridge the gap between busy and quiet periods

Phil's strength is its ability to execute from planning to property management in a single integrated process. According to JPR's interviews, Phil's challenge is that the timing of contracts overlap and busy periods are concentrated at certain times of the year. The new president will work to solve this issue by enhancing human capital to improve efficiency through staffing and digitization to visualize workloads and balance between busy and slow periods and order volumes.

Implementation Design: Three Pillars for Growth

(1) Business Process Reform

To expand "tailor-made city planning," digital technology will enhance precise progress tracking, decision-making, and strategy formulation. The company will implement project management for the entire sales-to-delivery process and minimize performance gaps between busy and slow periods by ensuring sales staff understand the production team's workload.

(2) Organizational Reform

In particular, human capital development will be revitalized. Investments will be made to scale up the organization from a small group of elite salespeople to a large number of salespeople. Expand the "number" of inquiries by increasing the number of sales personnel, while building a system that can operate without compromising "quality."

(3) Reform business portfolio

To achieve sustainable growth, we will continue to invest in new businesses and promote the reform of our business portfolio. In particular, we will promote challenges in new areas that incorporate ESG perspectives. As the first measure, a business that securitizes regional projects and contributes to local community development has been launched.

External connections: mergers, acquisitions, and alliance strategies

The company is expanding its business through external management resources. Currently, it has business agreements with 17 financial and construction companies, a vital means to reach its customer base. The plan is to further expand partnerships. Additionally, future M&A strategies will focus on investing in companies related to their business domain, like regional development and social issue resolution, aiming to develop new businesses cost-effectively by leveraging capital from other firms.

ROIC fell to -41.3% in FY Nov.2022, but recovered to 8.3% in FY Nov.2023. According to the medium-term management plan, operating profit and ROIC are expected to grow to 12.5 million yen and 15.3%, respectively, in FY Nov.2026.

Confidence

Financial stability rated 70%

Evaluation as social contribution 70%

Evaluation of human capital utilization 70%

Sufficient profit stabilization and high social contribution for investment

Aggressive reinvestment of profits as a company in growth phase

As a basic policy, the company states that while maintaining an equity ratio of at least 30% and stabilizing its existing core businesses, it is investing in growth investments: expansion of development and sales, human capital and digital investments, and investments in new businesses. The company has sufficient capital to expand its business.

Social Contribution: Rebirth of "Muzukashii (Difficult) " Land

Phil's business is to solve the social issue of "increasing underutilized space" through the planning and creation of space that fits the times, society, and region, and to bring sustainable revitalization to towns and lifestyles. We plan and design the best solution for land use, looking to the future, including changes in the city and even demolition, for the use of aerial space, which tends to become a parking lot and dead space.

Approach to Human Capital

Recognizing that addressing climate change is an important management issue, Minebea has established a governance structure centered on supervision by the Board of Directors and the Sustainability Committee. The company has also taken steps to create a comfortable working environment for its employees, such as by increasing the ratio of female managers to more than 30%.

ESG

The diagram below shows an overview of Phil's ESG initiatives. We can see that you are working on a very comprehensive range of fields.

ESG

Title	Target Details
Based on SPACE ON DEMAND Circular urban development	Total 1,000 buildings in Phil Park and PGH
Reduction of greenhouse gas emissions *1	Total of Scope 1 and 2 *2, 2025: Reduce by 50%.、2030: Effectively zero、 Total of Scope 3 *3, 2030 -30% reduction、2050: virtually zero
TCFD (Task Force on Climate-related Financial Disclosures)	In 2022, we endorsed the TCFD recommendations, and after reviewing and responding to the recommended disclosure items, we are disclosing information in line with the recommendations.
Compliance with ZEB and ZEH	100% ZEB/ZEH compliant for new buildings after 2030
PGH using domestic timber	At least 50% of new PGH after 2030 will use domestic wood.
Number of climate change monitoring in Sustainability Committee	At least once each year
Creation of an environment where SME tenants can play an active role	80% or more occupied by individuals and small and medium-sized tenants
Developing business management personnel and creating a diverse workplace	Ratio of female managers: 30% or more

Source: Compiled by JPR based on company data; Source: Compiled by JPR based on company data.

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4. Summary of Business Results for FY11/2023

Financial Summary

Sales and profits increased
Assets remain flat

Orders received reached a record high

Overall Overview

Financial summary

Sales were 5,963 million yen, up 36.2% y-o-y. Operating income was 214 million yen, up 25.6% from the previous year, while ordinary income was 135 million yen. Net income attributable to parent company shareholders was 38 million yen, down 32.1% and 73.2%, respectively, from the same period last year.

In terms of assets, total assets amounted to 5,450 million yen, an increase from the end of the previous year. Equity ratio was almost unchanged at 50.0%, down 1.3% YoY.

Segment information

Business segment

In the current fiscal year, the "Contracted Orders Scheme" received 29 contract orders for a total of 4,023 million yen (2,734 million yen in the same period of the previous year). Of these, 11 were for Phil Park aerial shop, with orders totaling 2.9 billion yen, and 18 were for Premium Garage Houses, with orders totaling 1,151 million yen. While the number of contract orders was the same as in the previous quarter, orders received increased by 1.5 times over the previous quarter, recovering to its best performance since FY Nov.09. In the second half of the year, in particular, orders received exceeded 1 billion yen each quarter, a new record high. This recovery is attributed to the revision of the sales process and organizational structure, which has enabled the company to secure stable orders. Key sales KPI figures have also steadily improved, and the company continues to aim to strengthen its organizational structure.

5. Financial Model

Millions of yen	Actual value	Corporate													
		Actual value	Plan	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	JPR	
			JPR	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
FY	2022.11	2023.11	2024.11	2025.11	2026.11	2027.11	2028.11	2029.11	2030.11	2031.11	2032.11	2033.11	2034.11	2035.11	
PL	Net sales	4,379	5,964	7,500	12,000	15,000	18,000	21,600	25,920	31,104	37,325	44,790	53,748	64,497	77,397
	Cost of sales	3,351	4,527	5,693	9,204	11,505	13,770	16,481	19,725	23,608	28,255	33,816	40,472	48,437	57,970
	Selling, general and administrative expenses	858	1,222	1,507	1,836	2,295	2,560	2,856	3,186	3,555	3,966	4,424	4,936	5,506	6,143
	Percentage increase in SG&A expenses				132.6%	114.3%	111.6%	111.6%	111.6%	111.6%	111.6%	111.6%	111.6%	111.6%	111.6%
	EBITDA	204	260	371	1,059	1,320	1,674	2,116	2,671	3,360	4,217	5,284	6,611	8,257	10,291
	Total depreciation and amortization	35	45	71	99	120	144	172	208	250	298	357	430	517	617
	Operating income	170	215	300	960	1,200	1,530	1,944	2,462	3,110	3,919	4,927	6,181	7,740	9,675
	Interest expenses	9	12	7	7	8	9	10	11	12	12	11	10	8	5
	Other non-operating income	40	▲ 67	▲ 13	0	0	0	0	0	0	0	0	0	0	0
	Ordinary income	200	136	280	953	1,192	1,521	1,934	2,451	3,099	3,908	4,916	6,171	7,732	9,669
	Extraordinary gains/losses	22	0	0	0	0	0	0	0	0	0	0	0	0	0
	Income before income taxes and minority interests	222	136	280	953	1,192	1,521	1,934	2,451	3,099	3,908	4,916	6,171	7,732	9,669
	Income taxes	80	98	90	296	369	471	600	760	961	1,211	1,524	1,913	2,397	2,997
	Comprehensive income attributable to owners of the parent	142	38	190	658	822	1,049	1,334	1,691	2,138	2,696	3,392	4,258	5,335	6,672
	Number of shares issued at the beginning of the period (thousand shares)			5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778
	Number of shares issued (thousand shares)			0	0	0	0	0	0	0	0	0	0	0	0
	Number of shares issued at end of period (thousand shares)	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778	5,778
	EPS (yen)	24.59	6.58	32.88	113.84	142.33	181.61	230.94	292.75	370.07	466.63	587.03	736.95	923.36	1,154.68
	Dividends	0	5	5	17	22	28	35	45	56	71	89	112	140	176
	Dividends paid	0	29	29	98	127	162	202	260	324	410	514	647	809	1,017
	Retained earnings	142	9	161	560	695	888	1,132	1,431	1,815	2,286	2,878	3,611	4,526	5,655
BS	Liquidity on hand	745	938	1,500	1,875	2,250	2,700	3,240	3,888	4,666	5,599	6,718	8,062	9,675	9,675
	Working capital	1,636	1,977	3,164	3,955	4,746	5,695	6,834	8,200	9,840	11,808	14,170	17,004	20,405	20,405
	Short-term marketable securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Depreciable property, plant and equipment	301	456	735	916	1,095	1,311	1,569	1,910	2,261	2,713	3,255	3,925	4,708	5,591
	Investment securities	103	106	106	106	106	106	106	106	106	106	106	106	106	106
	Other assets	459	455	455	455	455	455	455	455	455	455	455	455	455	455
	Total assets	4,750	5,451	5,959	7,306	8,652	10,267	12,203	14,560	17,327	20,681	24,705	29,552	35,349	40,762
	Current liabilities other than interest-bearing debt	1,529	1,094	1,751	2,189	2,627	3,152	3,783	4,539	5,447	6,536	7,843	9,412	11,295	11,295
	Short-term debt	515	527	217	567	780	982	1,155	1,324	1,369	1,347	1,186	854	242	0
	Long-term debt	439	795	795	795	795	795	795	795	795	795	795	795	795	795
	Other long-term liabilities	▲ 177	304	304	304	304	304	304	304	304	304	304	304	304	304
	Capital stock, etc.	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579	1,579
	Retained earnings, etc.	864	1,151	1,312	1,872	2,567	3,455	4,587	6,018	7,833	10,119	12,997	16,608	21,134	26,789
	Net Assets and Liabilities	4,750	5,451	5,959	7,306	8,652	10,267	12,203	14,560	17,327	20,681	24,705	29,552	35,349	40,762
CF	Liquidity on hand	▲ 192	▲ 563	▲ 375	▲ 375	▲ 450	▲ 540	▲ 648	▲ 778	▲ 933	▲ 1,120	▲ 1,344	▲ 1,612	▲ 1,612	0
	Working capital	▲ 341	▲ 1,186	▲ 791	▲ 791	▲ 949	▲ 1,139	▲ 1,367	▲ 1,640	▲ 1,968	▲ 2,362	▲ 2,834	▲ 3,401	▲ 3,401	0
	Current liabilities other than interest-bearing debt	▲ 434	657	438	438	525	630	757	908	1,089	1,307	1,569	1,882	1,882	0
	Investment in tangible fixed assets	▲ 200	▲ 350	▲ 280	▲ 300	▲ 360	▲ 430	▲ 550	▲ 600	▲ 750	▲ 900	▲ 1,100	▲ 1,300	▲ 1,500	▲ 1,500
	Depreciation of property, plant and equipment	45	71	99	120	144	172	208	250	298	357	430	517	617	617
	Short-term marketable securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Investment securities	▲ 3	0	0	0	0	0	0	0	0	0	0	0	0	0
	Other assets	4	0	0	0	0	0	0	0	0	0	0	0	0	0
	Retained earnings, etc.	287	161	560	695	888	1,132	1,431	1,815	2,286	2,878	3,611	4,526	5,655	5,655
	Operating CF	▲ 835	▲ 1,210	▲ 350	▲ 212	▲ 202	▲ 174	▲ 168	▲ 45	22	161	332	613	4,772	4,772
	Short-term debt	11	▲ 309	350	212	202	174	168	45	▲ 22	▲ 161	▲ 332	▲ 613	▲ 242	▲ 242
	Long-term debt	356	0	0	0	0	0	0	0	0	0	0	0	0	0
	Other Long-term Liabilities	481	0	0	0	0	0	0	0	0	0	0	0	0	0
	Equity financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Financial CF	848	▲ 309	350	212	202	174	168	45	▲ 22	▲ 161	▲ 332	▲ 613	▲ 242	▲ 242
	Surplus Cash and Deposits	14	▲ 1,519	0	▲ 0	0	0	0	▲ 0	▲ 0	0	0	▲ 0	4,530	4,530

Source: JPR based on company data.

TSE Growth Phil Company, Inc.[3267]Issued date: Feb.29, 2024

FY	Millions of yen	Actual value	Corporate													
			Actual value	Plan JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast	JPR Forecast		
		2022.11	2023.11	2024.11	2025.11	2026.11	2027.11	2028.11	2029.11	2030.11	2031.11	2032.11	2033.11	2034.11	2035.11	
KPI	Ratio of invested capital to sales at the beginning of		27.0%	36.4%	34.2%	33.4%	32.9%	32.4%	32.1%	31.9%	31.5%	31.3%	31.2%	31.1%	31.1%	
	Invested capital at the beginning of the period		1,613	2,732	4,102	5,012	5,919	7,009	8,315	9,915	11,775	14,039	16,755	20,034	23,948	
	Sales Growth Rate		36.2%	25.8%	60.0%	25.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	
	NOPAT			207	662	828	1,056	1,341	1,699	2,146	2,704	3,400	4,265	5,340	6,675	
	ROIC			7.6%	16.1%	16.5%	17.8%	19.1%	20.4%	21.6%	23.0%	24.2%	25.5%	26.7%	27.9%	
	Ratio of working capital to daily sales (days)		96	96	96	96	96	96	96	96	96	96	96	96	96	
	Cost of Sales Ratio		76.52%	75.91%	75.91%	76.70%	76.70%	76.50%	76.30%	76.10%	75.90%	75.70%	75.50%	75.30%	75.10%	74.90%
	SG&A to sales ratio		19.60%	20.49%	20.09%	15.30%	15.30%	15.00%	14.70%	14.40%	14.10%	13.80%	13.50%	13.20%	12.90%	12.60%
	Operating Income Ratio (%)		3.88%	3.60%	4.00%	8.00%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%	12.50%
	Current liabilities other than interest-bearing debt		53	53	53	53	53	53	53	53	53	53	53	53	53	
	Liquidity on hand monthly ratio (months)		1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
	Short-term debt interest rate		0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	
	Long-term debt interest rate		0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	
	Effective tax rate		31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%	
	Dividend payout ratio		76.0%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%	
	Gross DE ratio		48.4%	35.0%	39.5%	38.0%	35.3%	31.6%	27.9%	23.0%	18.3%	13.6%	9.1%	4.6%		
	Net DE ratio		-41.6%	-16.9%	-14.9%	-16.3%	-18.3%	-20.9%	-23.3%	-26.6%	-29.5%	-32.5%	-35.3%	-38.0%		
	Property, plant and equipment depreciation			11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	
	WACC			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
	ROIC-WACC			-0.4%	8.1%	8.5%	9.8%	11.1%	12.4%	13.6%	15.0%	16.2%	17.5%	18.7%		
	Excess profit = (ROIC - WACC) x beginning			-12	334	427	582	781	1,034	1,353	1,762	2,276	2,924	3,738		
	Permanent value of excess profit			-144	4,178	5,338	7,277	9,758	12,923	16,912	22,028	28,456	36,556	46,720		
	Estimated value of growth value at the end of each				4,322	1,161	1,939	2,481	3,165	3,989	5,115	6,428	8,100	10,165		
	Present Value Factor			100%	93%	86%	79%	74%	68%	63%	58%	54%	50%	46%		

Source: JPR based on company data.

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Reference 1. For those new to JPR reports

GCC Management™ Analysis

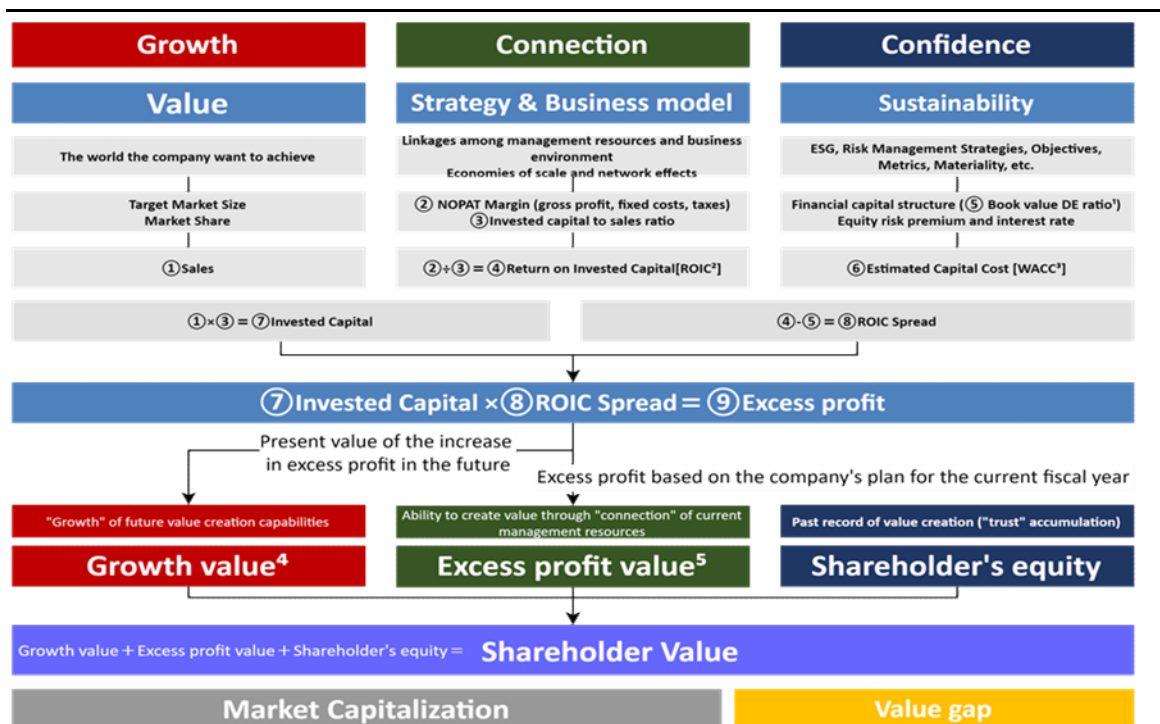
Visualize the value gap between theoretical shareholder value and market capitalization

Analyze by the three elements of Growth, Connection, and Confidence.

A framework for directly linking qualitative stories to shareholder value

This report analyzes corporate value from the perspective of GCC Management™, a framework developed by J-Phoenix Research Corporation ("JPR"), emphasizing three elements: Growth (sales growth), Connection (improved human and business connections = higher return on capital), and Confidence (improved trust = lower business risk). The following chart shows the overall picture of the GCC Management™ framework. The following diagram shows the overall picture. The qualitative future story is linked to financial indicators, which are finally integrated to estimate shareholder value. Using the excess profit method (see "Appendix 3. Basis of Calculation" at the end of this report), JPR estimates the final theoretical shareholder value and visualize the value gap by comparing it with the market capitalization.

GCC Management™ Analysis Framework



[Source: JPR] [Notes] 1. Book value DE ratio: Ratio of interest-bearing debt to shareholders' equity.
2. ROIC: Return on Invested Capital, See "Appendix 3." at the end of this document. 3. WACC: Weighted Cost of Capital, see "Appendix 3." at the end of this document. 4. growth value = cumulative present value of the perpetuity value of the excess profit increment through year X. The perpetuity value is calculated as the excess profit increment divided by WACC. The present value of that amount is discounted by the WACC. Cumulative future value up to year X as assumed by the growth scenario. 5. Excess profit value = the perpetual value of excess profit based on the current year's company plan. The excess profit value is estimated by dividing the excess profit calculated from the current year's company plan and the invested capital at the beginning of the period by the WACC.

Source: JPR

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**GCC
Management™
Evaluation
System**

Evaluate the feasibility of the Growth and Connection story of the value creation process from three perspectives

Evaluation of Growth and Connection

Evaluate the feasibility of qualitative stories from three perspectives

JPR evaluates the feasibility of the value creation process based on GCC analysis from three perspectives: conceptual design, implementation design, and actual performance. "Conceptual design" is defined as "conceptualizing the concept of the value creation process" and "implementation design" is defined as "creating and operating a system to systematize and implement the management resources necessary to realize the concept of the value creation process. Value creation becomes an "achievement" only when "conceptual design" becomes "implementation design. JPR conducts subjective evaluations of "conceptual design," "implementation design," and "performance," which are then rated in an easy-to-understand manner at 90%, 70%, 50%, 30%, and 10%. Specifics are described below.

Conceptual Design," "Implementation Design", and "Performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
"Conceptual design"	Conceptual design is very logically organized	Conceptual design is approximately logically organized	Conceptual design is about halfway organized	Conceptual design is organized to a certain degree	Conceptual design is organized to a certain degree
"Implementation design"	Conceptual design is almost implemented	Conceptual design is almost implemented	Conceptual design is about half implemented	Conceptual design is implemented to a certain degree	Conceptual design has been implemented, albeit marginally.
"Performance"	Targeted outcomes are observed as actual results almost exactly as intended by the conceptual design	Targeted outcomes are observed as actual results almost exactly as intended by the conceptual design	Targeted outcomes are observed as actual results as intended by the conceptual design about half way through	Targeted outcomes are observed as actual results to a certain degree, as intended by the design	Targeted outcomes are observed as achievements, albeit slight, as intended by the conceptual design

Source: JPR

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Evaluation of Confidence

Evaluation of financial stability and social contribution

Credibility of the value creation process

JPR evaluates the feasibility of the value creation process based on GCC analysis from three perspectives: "Conceptual Design", "Implementation Design", and "Actual Performance." "Conceptual Design" is defined as "conceptualizing the concept of the value creation process" and "Implementation Design" is defined as "creating and operating a system to systematize and implement the management resources necessary to realize the concept of the value creation process." Value creation becomes an "Actual Performance" only when "Conceptual Design" becomes "Implementation Design." JPR conducts subjective evaluations of "Conceptual Design," "Implementation Design," and "Actual Performance," which are then rated in an easy-to-understand manner at 90%, 70%, 50%, 30%, and 10%. Specifics are described below.

"Conceptual Design", "Implementation Design," and "Actual performance" Evaluation Framework

% indication	90%	70%	50%	30%	10%
Financial Stability The evaluation is based on a five-point scale from the viewpoint of sufficient experience in the value creation process, differentiated value creation capabilities that are difficult to imitate, low risk of fluctuations such as economic and seasonal fluctuations due to stockholding, and an optimized capital-liability structure.	Very Highly commendable	Highly commendable	Can be evaluated as a listed company on average	Can be commendable to a certain degree	Partially commendable
Social Contribution The social issues addressed are generally of great importance to society, the path to their solution is not yet clear, and they are tackling a challenging task that requires both the creation of a new concept and the systematic creation of the optimal governance structure for its implementation.	Very Highly commendable	Highly commendable	Can be evaluated as a listed company on average	Can be commendable to a certain degree	Partially commendable

Source: JPR

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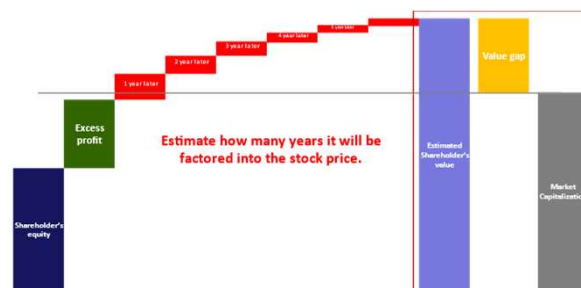
Reference 1. Basis of Calculation

Corporate value estimated by use of ROIC and excess return

Excess return analysis framework

Excess profit or economic value added is globally used as an indicator to estimate corporate value, evidenced by its adoption by Kao Corporation, a Grand Prix winner of the Tokyo Stock Exchange Fifth Corporate Value Improvement Award (FY2016). In the calculation of excess return, corporate value can be broken down into four elements: invested capital, excess return value, growth value, and non-business assets. This facilitates a better understanding of the structure that creates corporate value. A company might be overvalued or undervalued when its market cap is higher or is lower than its theoretical corporate value, respectively. The contribution of each year's corporate value can be visualized in the following figure, wherein shareholders' equity is simply represented as a sum of invested capital and non-business asset, subtracting interest-bearing debts. The figure below allows us to estimate how many years of growth might be incorporated into the stock price.

Breakdown of corporate value using excess return



[source] JPR

Estimated excess return is profit that exceeds investors' return expectations against invested capital. Its present value is "excess return value," while a potentially growing portion of excess return is "growth value." Moreover, assets not used in business are added as non-business asset value in estimating a theoretical corporate value. Theoretically, the estimated corporate value using excess return should be the same as the value estimated using the discount cash flow (DCF) model. This report calculates excess return by using the following figures in a simplified manner.

- Excess return = NOPAT – Invested capital X WACC
- Net Operating Profit After Tax (NOPAT) = Operating profit X (1 - Effective tax rate)
- Invested capital = Total assets – Non-business assets – Current liabilities excluding Interest-bearing debt
- Non-business assets = Cash and deposits exceeding 10% of sales + Short-term investment securities + Investment securities + Deferred gains or losses on hedges + Land revaluation difference + Foreign currency translation adjustments
- Weighted average cost of capital (WACC) = After-tax interest rate of interest-bearing debt X(D/ (E+D))+Cost of shareholders' equity X(E/D+E)
- Cost of shareholders' equity=0.5%+5% Xβ
- β = Slope of a linear regression line of five-year daily returns of TOPIX and the stock price of the target company

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