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# Presentation on Results for the 2nd Quarter FY2022

November 15, 2022

IPS, Inc.

Ticker symbol 4390

## Corporate Philosophy

# OPEN DOOR

We create business opportunities ahead of anyone, develop business, change the industrial structure, and realize the ideal society in the field closely related to life where there are barriers that no one has yet overcome.

In order to contribute to the development of the Philippine economy by providing telecommunications services that utilize cutting-edge telecommunications technology, IPS Group is actively investing and working to expand its business in the Philippines.



**1 | Executive Summary**

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## Results for 1H FY2022

Net Sales : ¥5,783mil  
(YoY+41.9%)

Operating Profit : ¥1,636mil  
(YoY+97.5%)

Profit Margin : 28.3%  
(YoY+5.2%)

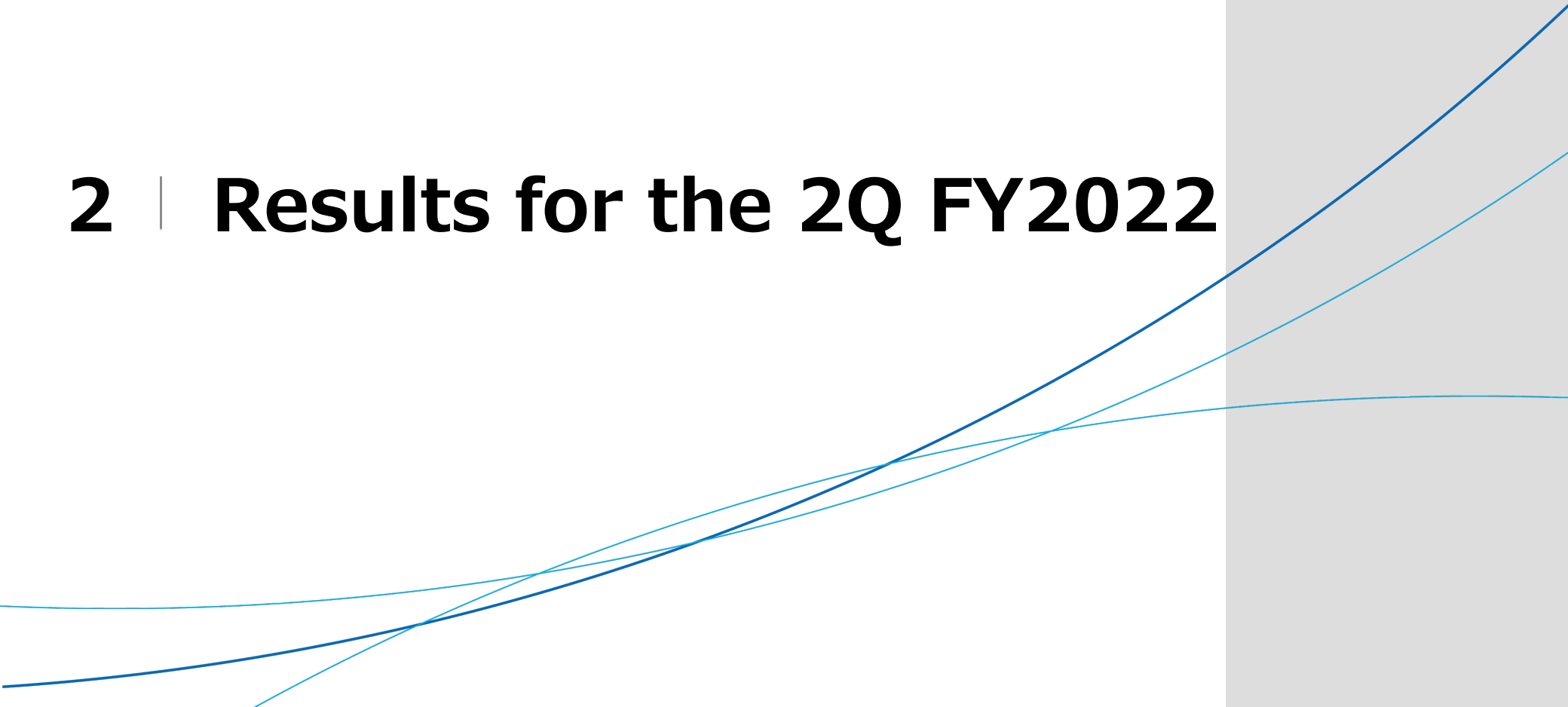
## Overview of each segment for 1H FY2022

1. Global Telecommunications business: Significant increase in revenue and profit by the payment on a new IRU contract for the international submarine cables “C2C” connecting the Philippines to Singapore and Hong Kong.
2. Philippines Telecommunications business: Decrease in revenue and profit due to the capital investment and increase in sales personnel for future growth
3. Domestic Telecommunications business: Increase in revenue and profit contributed by call center related businesses
4. Medical & Healthcare business: Increase in revenue and profit by the increase of LASIK operations

## Recent topics

1. Commencement of the construction of Philippines Domestic Submarine Cable Network
2. Establishment of “IPS Pro” by split of domestic telecommunication business
3. Establishment of a subsidiary to launch a preventive care business in the Philippines

# 2 | Results for the 2Q FY2022



## 【Operating Results for 1H FY2022】

(JPY: million)

	Second quarter				Second quarter cumulative total					
	FY2021	FY2022	YoY	%	FY2021	FY2022	YoY	%	Full-year forecast (revised)	Progress rate
Net Sales	2,115	2,960	845	39.9%	4,076	5,783	1,707	41.9%	12,000	48.2%
Operating Profit	458	808	350	76.5%	828	1,636	808	97.5%	3,300	49.6%
Ordinary Profit	439	913	474	108.0%	820	2,372	1,551	189.2%	3,900	60.8%
Profit attributable to owners of parent	300	632	332	110.9%	518	1,660	1,141	220.2%	2,700	61.5%

### 1H FY2022 overview

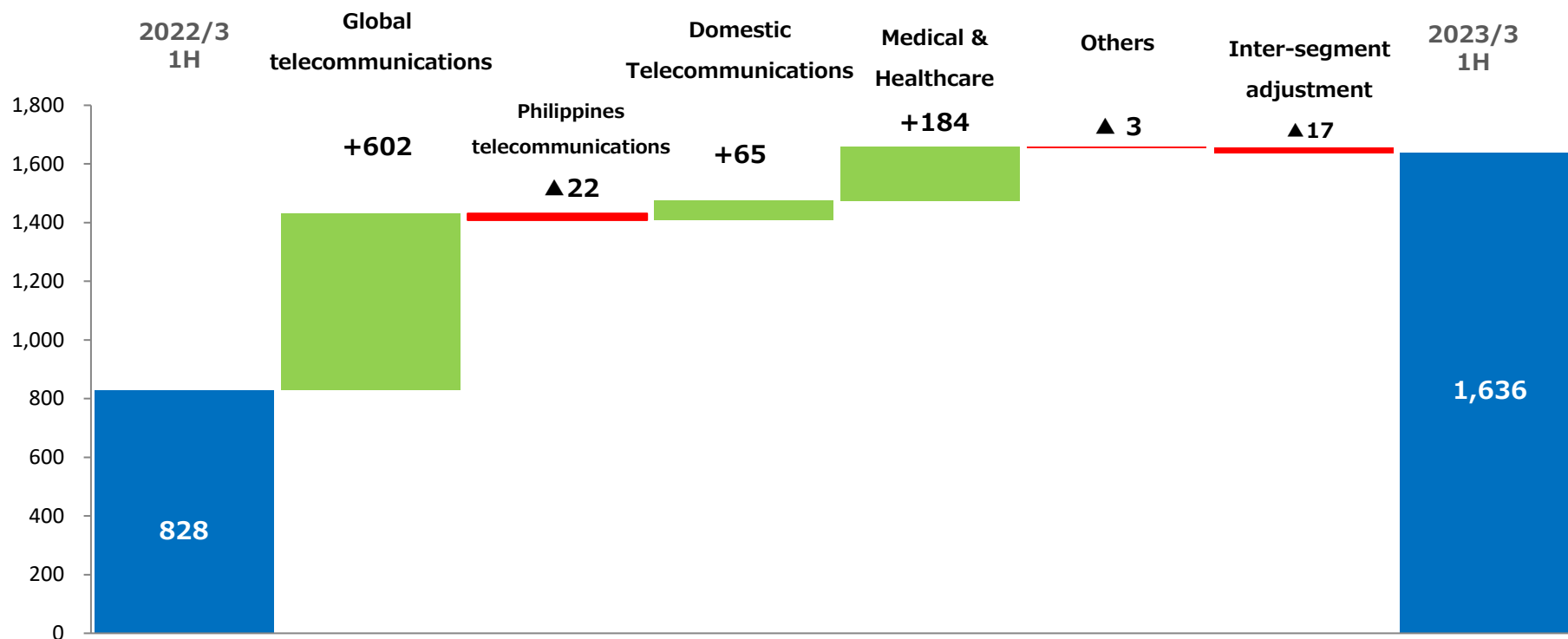
- **Net Sales** : YoY 41.9% increase mainly due to the payment on a new C2C IRU contract at Global Telecommunications business and increase in the Lasik operations at Medical and Healthcare business
- **Operating Profit** : YoY 97.5% increase mainly due to the increase in sales of Global Telecommunications business and Medical and Healthcare business
- **Ordinary Profit and Profit attributable to owners of parent** : In addition to the increase in Operating Profit, FX gain of ¥740M due to the JPY depreciation against USD resulted in YoY189.2% and 220.2% increase, respectively

## (2) Operating Profit (YoY)



### Significant growth contributed from Global/Domestic Telecommunications business and Medical & Healthcare business

(JPY: million)



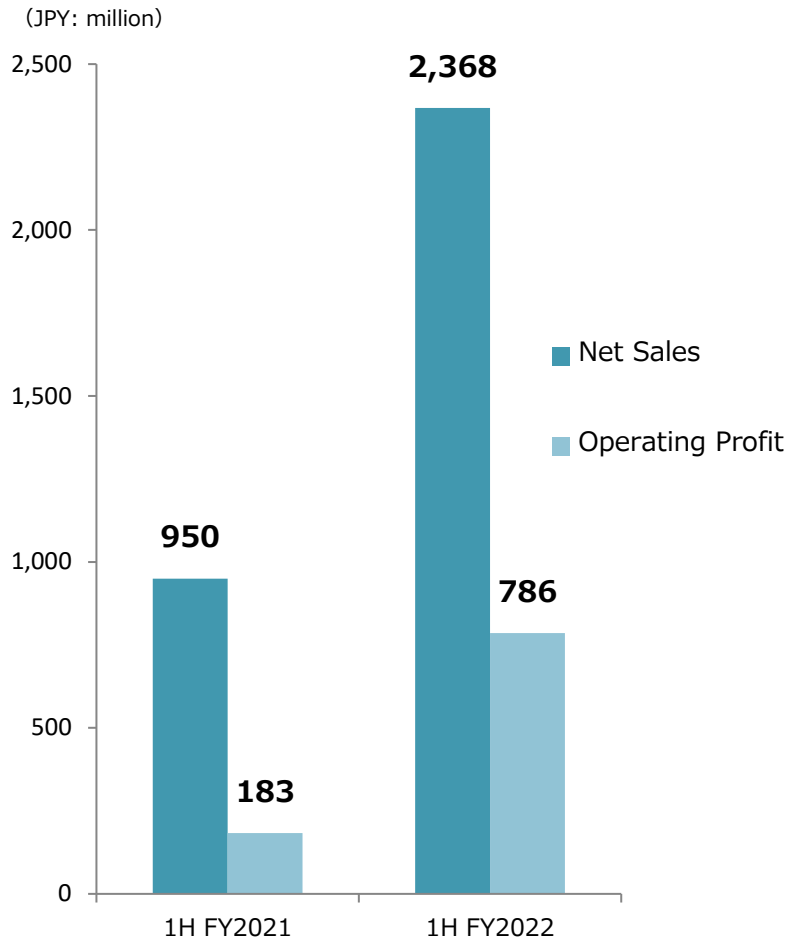
### (3) Operating Results by Business Segment



(JPY: million)

		1H FY2021	1H FY2022	YoY	change
<b>Global Telecommunications</b>	Net Sales	<b>950</b>	<b>2,368</b>	<b>1,417</b>	<b>149.1%</b>
	Operating Profit	<b>183</b>	<b>786</b>	<b>602</b>	<b>328.0%</b>
<b>Philippines Telecommunications</b>	Net Sales	<b>562</b>	<b>431</b>	<b>▲ 131</b>	<b>-23.4%</b>
	Operating Profit	<b>131</b>	<b>108</b>	<b>▲ 22</b>	<b>-17.2%</b>
<b>Domestic Telecommunications</b>	Net Sales	<b>2,024</b>	<b>2,117</b>	<b>93</b>	<b>4.6%</b>
	Operating Profit	<b>365</b>	<b>431</b>	<b>65</b>	<b>18.0%</b>
<b>Medical &amp; Healthcare</b>	Net Sales	<b>522</b>	<b>849</b>	<b>327</b>	<b>62.8%</b>
	Operating Profit	<b>156</b>	<b>340</b>	<b>184</b>	<b>118.0%</b>
<b>Others</b>	Net Sales	<b>16</b>	<b>16</b>	<b>0</b>	<b>0.9%</b>
	Operating Profit	<b>▲ 7</b>	<b>▲ 11</b>	<b>▲ 3</b>	<b>-</b>
<b>Inter-segment adjustment</b>	Operating Profit	<b>-</b>	<b>▲ 17</b>	<b>▲ 17</b>	<b>-</b>
<b>Total</b>	Net Sales	<b>4,076</b>	<b>5,783</b>	<b>1,707</b>	<b>41.9%</b>
	Operating Profit	<b>828</b>	<b>1,636</b>	<b>808</b>	<b>97.5%</b>



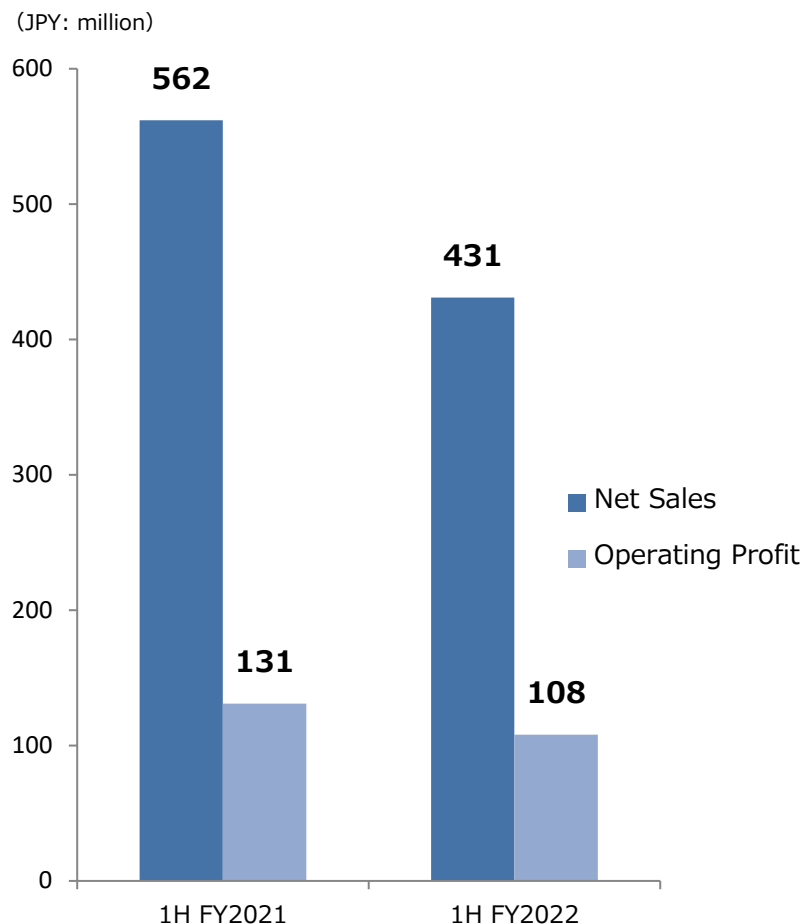


## Steady business expansion due to the provision of the international submarine cable “C2C”

Aim to expand subscription-based model by sales expansion of international telecommunication lines to CATV service providers and telecommunication carriers in the Philippines

Significant increase in revenue and profit due to the payment on a new IRU contract in 2Q followed by 1Q

Continuously trying sales expansion of international telecommunication lines centered on C2C



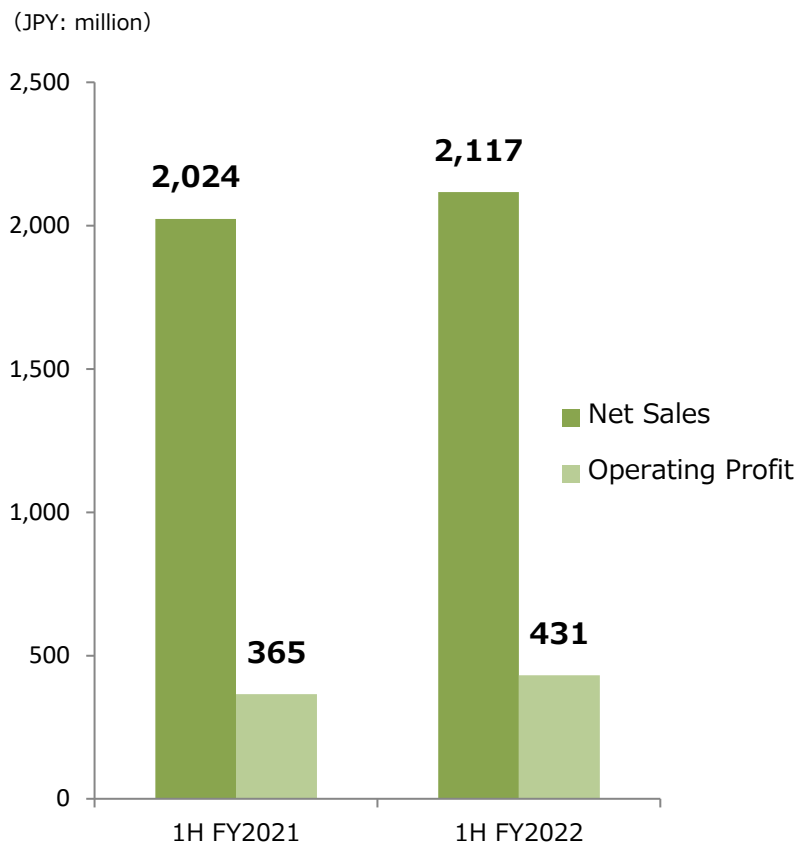
## Investments for future growth

### ◆ Development of backbone network in the Philippines

Intensive discussion with concerned parties and marine research on Philippines Domestic Submarine Cable Network from last year, resulting in successful commencement of construction in July this year.

### ◆ Enhancement of salesforce

strengthening our salesforce to acquire Internet connection service customers for corporations in the Manila metropolitan area.



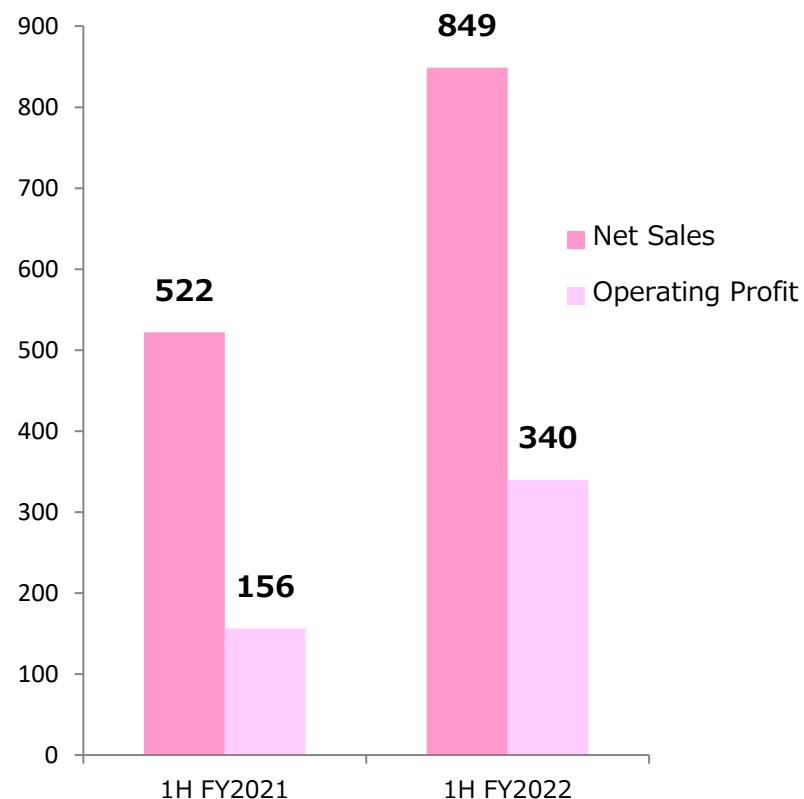
## Solution service for call center operators in good shape

Increase in revenue and profit due to the service combined “AmeyoJ” and per-second charge service

## Establishment of IPS Pro

In order to speed up decision-making, strengthen flexible corporate management, and ensure the certainty and speed of business execution, the domestic telecommunications business was spun off through a company split and IPS Pro was established on July 1.

(JPY: million)



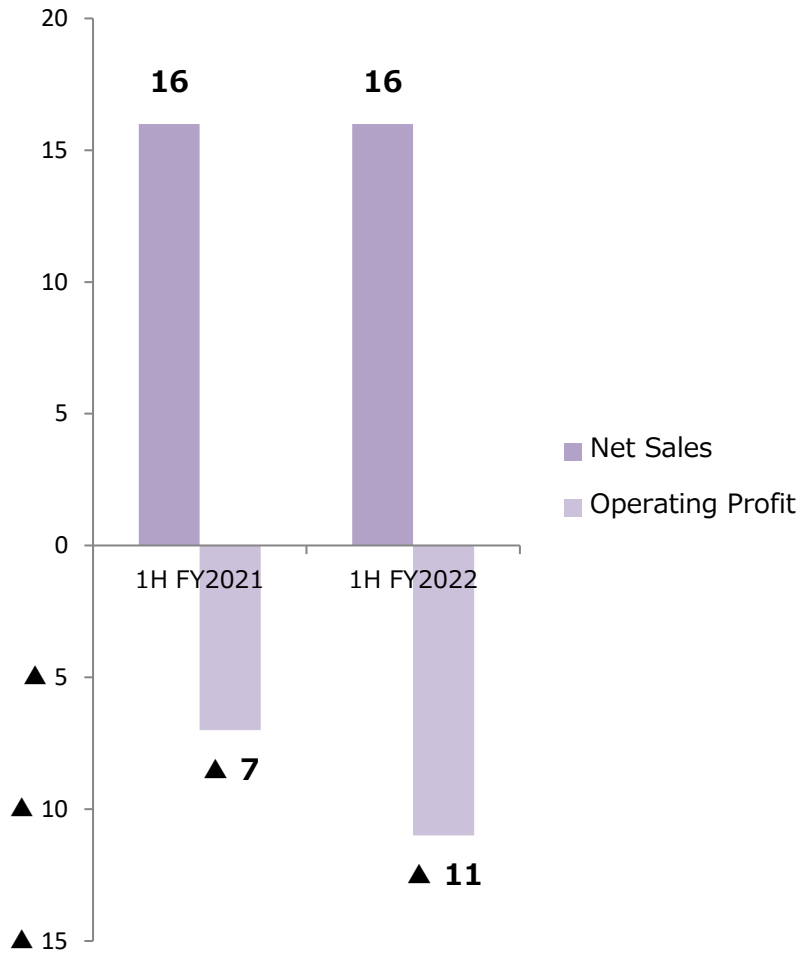
## Increase in revenue and profit due to the increased LASIK operations

With the progress of the normalization of society regarding COVID-19, the number of LASIK operation provided by Shinagawa Lasik & Aesthetic Center Corporation (SLACC) is increasing mainly at the Bonifacio Global City clinic, third one to open.

## Entry into preventive care business

Established Shinagawa Healthcare Solutions Corporation (SHSC) as a subsidiary of SLACC for the operation of a health checkup/medical examination center that introduces high-quality Japanese technology

(JPY: million)



## Remittance agency service etc for Filipino living in Japan

## (4) Financial Condition



### Consolidated Balance Sheets (Summary)

(JPY: million)

Assets				Liabilities · Net Assets			
	March, 2022	September, 2022	Change		March, 2022	September, 2022	Change
<b>Current assets</b>	<b>12,023</b>	<b>14,464</b>	<b>2,440</b>	<b>Current liabilities</b>	<b>7,865</b>	<b>9,468</b>	<b>1,603</b>
Cash and deposits	5,778	7,180	1,401	Accounts payable	1,032	2,034	1,001
Accounts receivable	2,069	2,659	590	Short-term borrowings	1,845	3,157	1,312
Lease receivable	3,340	3,542	201	Others	4,986	4,277	▲ 709
Others	834	1,082	247	<b>Non-Current liabilities</b>	<b>1,418</b>	<b>1,194</b>	<b>▲ 224</b>
				Long-term borrowings	1,203	977	▲ 226
				Others	214	217	2
<b>Non-Current assets</b>	<b>6,397</b>	<b>7,912</b>	<b>1,514</b>	<b>Total liabilities</b>	<b>9,283</b>	<b>10,663</b>	<b>1,379</b>
Tangible assets	3,776	4,947	1,171	<b>Net assets</b>	<b>9,136</b>	<b>11,712</b>	<b>2,575</b>
Intangible assets	1,721	1,936	214	Shareholders' equity	7,131	8,527	1,396
Investments and others	899	1,028	128	Accumulated other comprehensive income	178	919	740
				Share acquisition rights	191	185	▲ 5
				Non-controlling Interests	1,635	2,079	444
<b>Total assets</b>	<b>18,420</b>	<b>22,376</b>	<b>3,955</b>	<b>Total liabilities · Net assets</b>	<b>18,420</b>	<b>22,376</b>	<b>3,955</b>

# 3 | Revised forecasts for FY2022



# Revised Forecasts for FY2022



(JPY: million)

	FY2021 Actual results	FY2022 Forecasts		
		Announced in May	Revised	YoY
Net Sales	10,728	12,000	12,000	11.9%
Operating Profit	2,456	2,920	3,300	34.4%
Ordinary Profit	2,897	2,820	3,900	34.6%
Profit attributable to owners of parent	1,888	1,700	2,700	43.0%

## Overview of Revision

- Sales are expected to reach 12 billion yen, as initially planned.
- Operating profit is, in addition to exceeding the forecast in the first half, expected to be in line with the initial plan in the second half with earnings from IRU contracts for international communication lines etc.
- Ordinary profit and profit attributable to owners of parent are estimated based on the unchanged amount of foreign exchange gains, assuming that the exchange rate will remain at the same level at the fiscal year end. As a result, both are expected to greatly exceed the plan.



# Revised Forecasts for FY2022 by segment



(JPY: million)

Business Segment	FY2021 Actual Results	Announced in May	FY2022 Forecasts		
			Revised	YoY	
<b>Net Sales</b>	<b>10,728</b>	<b>12,000</b>	<b>12,000</b>	<b>1,271</b>	<b>11.9%</b>
Global Communications	3,684	4,600	4,900	1,215	33.0%
Philippines Communications	1,784	1,620	1,050	▲ 734	-41.2%
Domestic Communications	3,988	4,080	4,300	311	7.8%
Medical & Healthcare	1,244	1,685	1,720	475	38.2%
Others	26	15	30	3	11.5%
<b>Operating Profit</b>	<b>2,456</b>	<b>2,920</b>	<b>3,300</b>	<b>844</b>	<b>34.4%</b>
Global Communications	1,011	1,160	1,570	558	55.2%
Philippines Communications	224	315	220	▲ 4	-1.9%
Domestic Communications	819	950	950	130	16.0%
Medical & Healthcare	419	505	600	180	42.9%
Others	▲ 19	▲ 10	▲ 22	▲ 2	—
Inter-segment adjustment	—	—	▲ 17	▲ 17	—
<b>Profit Margin</b>	<b>22.9%</b>	<b>24.3%</b>	<b>27.5%</b>	<b>—</b>	<b>—</b>
Global Communications	27.5%	25.2%	32.0%	—	—
Philippines Communications	12.6%	19.4%	21.0%	—	—
Domestic Communications	20.5%	23.3%	22.1%	—	—
Medical & Healthcare	33.8%	30.0%	34.9%	—	—
Others	—	—	—	—	—

# Situations of each business segment in the 2H



## ■ International Telecommunications Business

We plan to continue to provide international communication lines centered on the international submarine cable C2C, which we acquired the right to use under the IRU contract, to CATV operators and telecommunications carriers. The sales form is IRU contract or lease contract, and the sales of the lease contract are divided by the period of use. For IRU contract projects, sales are made in a lump sum payment or in installments, and sales are recorded based on payment. In the future, we plan to actively provide CATV and telecommunications carriers in the Philippines with the aim of expanding our business. In the second half, in addition to an increase in leasing contract projects, we plan to record earnings from lump-sum payments for IRU contract projects.

## ■ Philippines Telecommunications Business

With the revision of the Public Service Law, restrictions on foreign investment in the telecommunication sector is expected to be relaxed. Responding to this change, we will further strengthen our business structure in the Philippines. With calming down of COVID-19, the business activities of corporate customers have gradually normalized. In the past two years, we have expanded the telecommunications network in Metro Manila, and a system for providing services throughout Metro Manila has been established. We are now strengthening sales team to acquire more corporate customers. In addition, we will build a full-fledged sales network for personal broadband. Through these initiatives, we plan to establish an even stronger subscription-based model. In response to the construction of Philippines Domestic Submarine Cable Network, we will strengthen our sales network in regional core cities, etc., to increase the number of customers. In the second half, we will continue to make investments to acquire customers and expand our business.

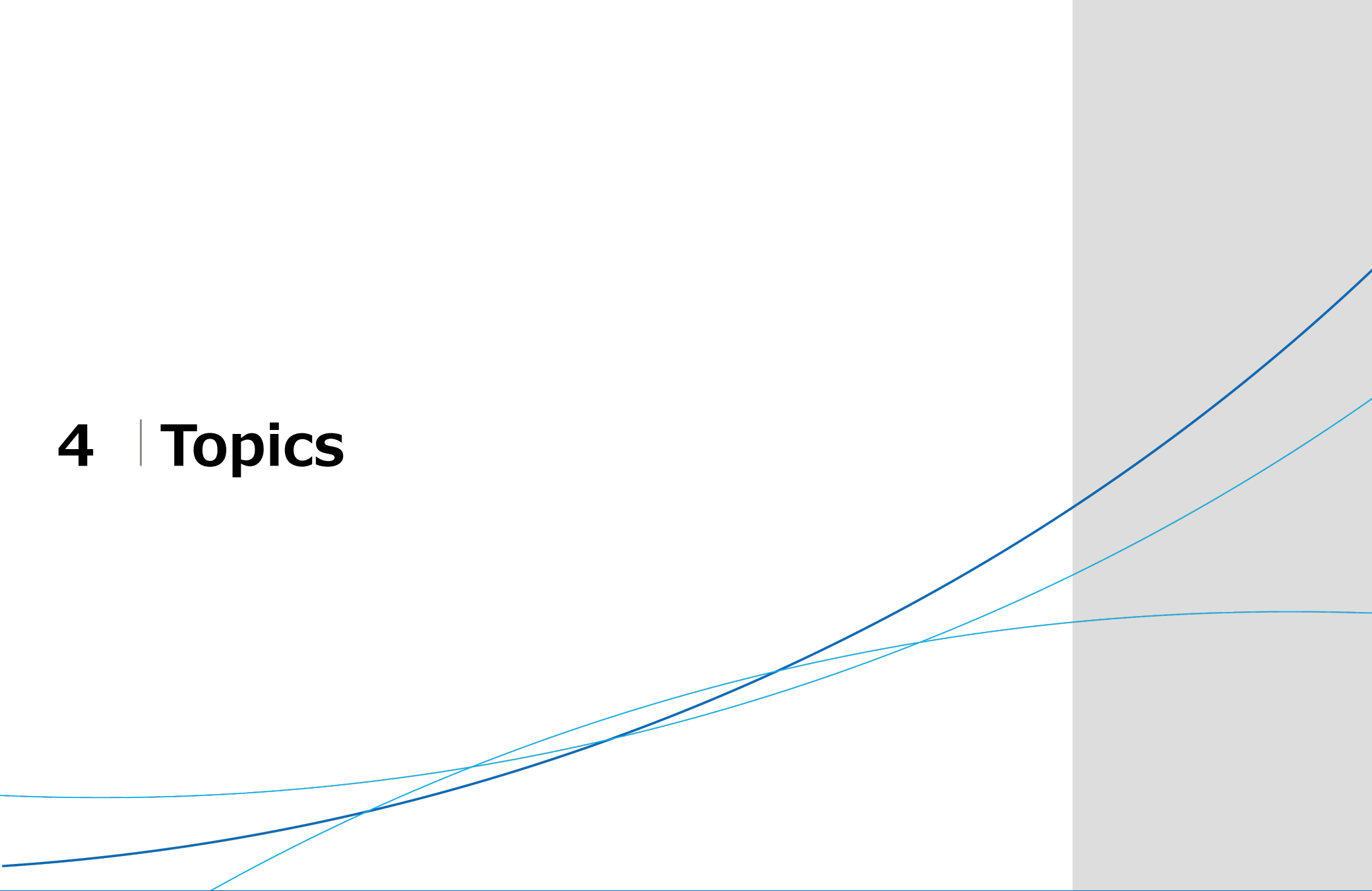
## ■ Domestic Telecommunications Business

The business is expected to continuously perform well in the second half with the total solution package, a combination of Ameyo J that integrates automatic calling and customer management and a low-cost call rate service (toll-free service by per-second charge). In order to expand the business in the future, IPS Pro was established through a company split, and expansion into new fields is being considered.

## ■ Medical & Healthcare Business

LASIK operation is expected to continuously grow with safety measures against COVID-19. We are preparing for the opening of a medical checkup and examination center in 2023. In response to the increase in the number of LASIK cases, we are taking measures such as increasing the number of personnel and expanding the capacity at the Ortigas clinic.

# 4 | Topics



# Growth roadmap by customer segment



Accumulating large partnerships and performing as a key intermediary for the advancement of the Philippine telecommunications industry, we seek to develop various businesses.

## Further outlook "OPEN-DOOR"

Construction of international submarine cable  
 ⇒ Collaborating with OTTs and major telcos outside PH to provide domestic **content delivery networks (CDN)**, etc.

⇒ To provide services of a Japanese company with experience of telecom deregulation & Filipino domestic licenses / lines / equipment

## 2022 onwards

Construction of domestic submarine cable  
 ⇒ Provision for mid-sized carriers and regional CATV operators

⇒ To have efficient own line stock run through major areas,  
 ⇒ Infrastructure capable to handle ever-increasing traffic over wide areas

## Since 2020

Acquisition of intl. line by IRU (C2C, etc.)  
 ⇒ Provision for telcos (Carrier's Carrier)

⇒ To expand the capacity of acquired lines and newly acquiring lines, followed by growth of sales  
 ⇒ To gain achievements and trust as a partner among telcos

Personal internet connection

Corporate internet connection

Intl. line for CATV operators

Ballooning expected when 5G connection service goes into full-scale operation  
 Awaiting expansion of the after-COVID 19 period

⇒ To gain more deals by supporting capacity increase and provision of next-generation services

Y1  
 (the present)

\* The graph is an image.  
 \* Future outlooks not guaranteed to achieve.

# Topics 1 . Commencement of Construction of PDSCN①



In July 2022, InfiniVAN, Inc., a subsidiary of IPS, began construction of Philippines Domestic Submarine Cable Network (PDSCN) jointly with Philippine telecommunications carriers Eastern Telecommunications Philippines, Inc. and Globe Telecom, Inc.

- PDSCN is a telecommunication line running through the Philippines connecting Luzon Island, Visayas Islands and Mindanao Island, with 24 construction sections, cable length of approximately 2,500km, population coverage rate of 96%. The completion of construction is planned in April next year.



※landing of submarine cable

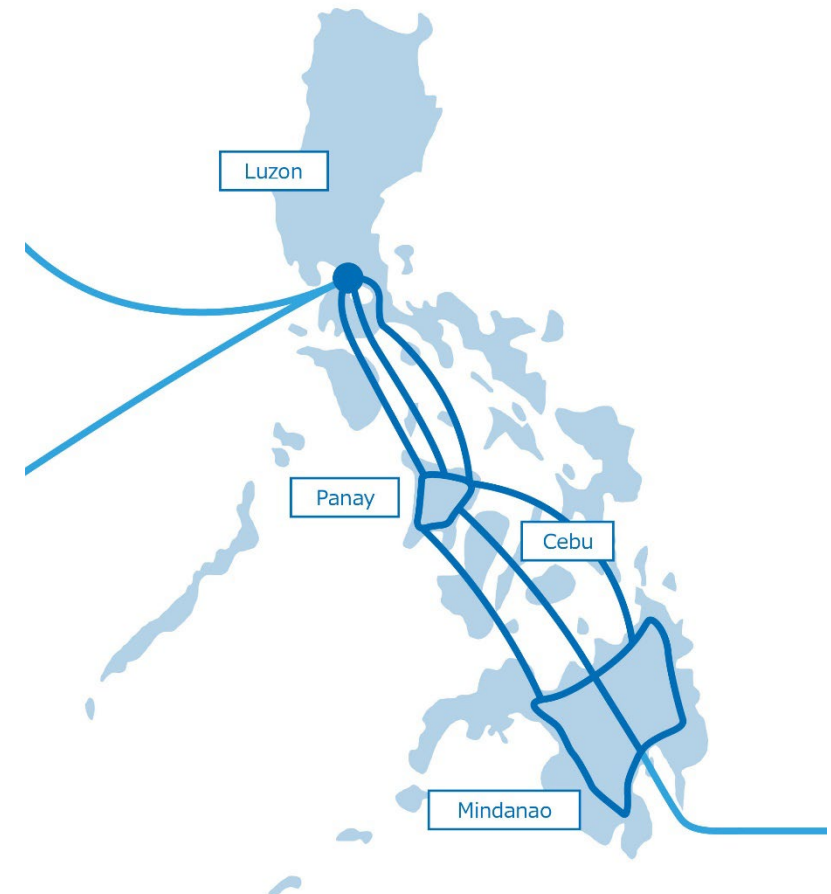
Item	Contents
Structure	Joint construction by InfiniVAN, Inc. and two major telecommunications carriers in the Philippines (Globe Telecom, Inc. and Eastern Telecommunications Philippines, Inc.)
Laying line	Cable length : approx. 2,500km Construction section : 24 Guarantee period : 25 years ※only submarine cable system
Installation	Kokusai Cable Ship Co., Ltd. (subsidiary of KDDI Corporation)
Investment amount	Total investment : USD142million (3 companies equal in principle) ※Separately, the total investment for InfiniVAN is approx. USD63 million (8.5 billion yen), including the cost of transmission equipment and the land portion. ※Plan to use own funds and bank loans

# Topics 1 . Commencement of Construction of PDSCN②



Construction of the PDSCN is progressing smoothly, and landings in Cebu and other islands are progressing according to plan. In parallel with PDSCN, construction of a domestic trunk line in the Philippines is also underway.

- **After completion in April 2023, PDSCN is expected to be provided to the following customers**
- ✓ **Local CATV operators and Internet service providers with local users whose internet charges remain high**
- ✓ **BPO companies and corporations that are advancing into rural areas in search of cheaper prices and labor costs**
- ✓ **OTT that wants to distribute high-quality in-house contents to local areas**



※ The route on the illustration is different from the actual one.



## Topics 2. Establishment of IPS Pro through company split



The domestic telecommunications business was spun off through a company split, and IPSP Pro(IPSP) was established in July 2022. IPSP will take on the challenge of making Japan a hub for data exchange in Asia.

In the Asian region, Japan has had the problem of high fees and difficulty in using landing stations and relay communication lines, so unfortunately Hong Kong and Singapore became hubs for data exchange. On the other hand, due to the recent geopolitical risk, Hong Kong tends to be avoided, and Singapore is the only choice. Although Japan has potential advantages in terms of distance from North America and connections with many existing lines, it faces the above-mentioned problems and is not making the most of its potential. As a result, we are hearing complaints from hyperscale operators who are expanding their networks around the world.

Looking at this environment as a business opportunity, IPSP will consider the following initiatives to make Japan a hub for data exchange in Asia.

### ① Provision of carrier-neutral IX (internet connection point)/ cable landing station

- Not dependent on or limited to a specific carrier
- neutral and easy to use

### ② Provision of backhaul (relay communication lines) connecting landing stations and data centers in central Tokyo

- Construction and use jointly with other companies

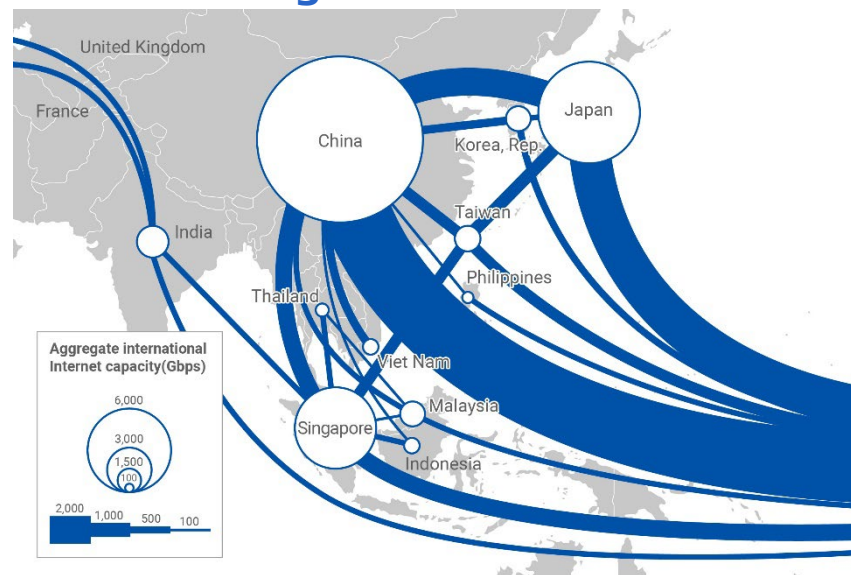


Image of telecommunication traffic

## Topics 3. Medical & Healthcare Business (LASIK)



In the medical and healthcare business, we are implementing business development aimed at improving the medical infrastructure in the Philippines.

### <LASIK>

Shinagawa Lasik & Aesthetic Center Corporation (SLACC) provides LASIK and beauty treatments at 3 clinics.

- The number of LASIK operations has increased, mainly at the Bonifacio Global City clinic (BGC clinic), and sales and profits increased.

In order to respond to the increase in the number of LASIK operations, we are strengthening the service system, such as expanding the Ortigas clinic in the second half.



Ortigas clinic



## <Entry into preventive care business>

In June 2022, Shinagawa Healthcare Solutions Corporation (SHSC) was established as a subsidiary of SLACC to operate Japanese-standard medical checkup/examination centers.

The name of the facility is planned SHINAGAWA DIAGNOSTIC & PREVENTIVE CARE (SDPC).

- **The first medical facility in the Philippines that mainly specializes in preventive care**
- **Double-interpreted of examination images by Japanese and Filipino specialists to increase the possibility of early detection.**

**In the Philippines, the spread of preventive care is yet to come. We plan to aggressively promote to corporate clients and insurance companies.**

## Partnership with Philips

We have partnered with Philips, a global leader in the field of medical tech. SDPC will be equipped with Philips MRI with helium-free technology first time in the Philippines.

Through this partnership, SHSC's mission of "Health and Well-being for all" will be accelerated through Philips' high-performance devices.



Company Name	IPS, Inc.
Establishment	October, 1991
Address	8F, Togeki Bldg, 4-1-1 Tsukiji, Chuo-ku, Tokyo, Japan 104-0045
Businesses	<p><u>Global Telecommunications</u> : Providing international lines to CATV operators and Telecommunication carriers</p> <p><u>Philippines Telecommunications</u> : Providing corporate ISPs in the Philippines</p> <p><u>Domestic Telecommunications</u> : Providing telecommunication services in Japan</p> <p><u>Medical &amp; Healthcare</u> : Operating health and wellness business in the Philippines</p>
Group companies	<p>Major consolidated subsidiaries</p> <p>IPS Pro Co., Ltd. (established on July 1, 2022 by company split)</p> <p>KEYSQUARE INC.</p> <p>InfiniVAN, Inc.</p> <p>ISMO Pte. Ltd.</p> <p>Shinagawa Lasik &amp; Aesthetics Center Corporation</p> <p>Shinagawa Healthcare Solutions Corporation (established in June, 2022)</p>

- This document contains outlooks, future plans, management goals, etc. related to the Company. These forward-looking statements are based on current assumptions about future events and trends, and there is no guarantee that those assumptions are accurate. Actual results may differ materially from those described in this document due to various factors.
- Unless otherwise stated, the financial data contained in this document is presented in accordance with generally accepted accounting principles in Japan.
- Regardless of the occurrence of future events, the Company does not necessarily revise the announcements regarding future prospects that have already been made, unless required by the disclosure rules.
- Information about companies other than our company relies on publicly known information.

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➤ **C2C**

Submarine cable connecting the Philippines with Singapore and Hong Kong (City-to-City Cable System)

➤ **Carriers' carrier**

A wholesaler of telecommunication lines for telecommunications carriers.

➤ **IRU**

Indefeasible Right of Use. Right to use a line or equipment that cannot be revoked or terminated without the agreement of the parties concerned.

➤ **AmeyoJ**

Call center system developed by Drishti-soft Solutions Pvt. Ltd. in India for which IPS have sales agency rights in Japan

➤ **Second billing service**

A service that purchases large amounts of incoming billing services (toll-free) provided by major telecommunications carriers and sells them to call center operators in seconds

➤ **CDN**

Content Delivery Network. System for quickly delivering website content to end users

➤ **OTT**

Over The Top. A general term for services and providers of contents such as video distribution, voice calls, and social media on the Internet

➤ **ARPU**

Average Revenue Per User

ips