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# Supplemental Materials on Results for the 3rd Quarter FY2022

February 10, 2023

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.



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## Result for 3Q FY2022

**Net Sales : ¥8,796mil      Operating Profit : ¥2,327mil**

## Overview

- In Global Telecommunications business, provision of C2C lines, etc. made steady progress.
- Medical and Healthcare business performed well as a result of an increase in the number of LASIK operations.
- In Philippines Telecommunication, we made upfront investments for business expansion.

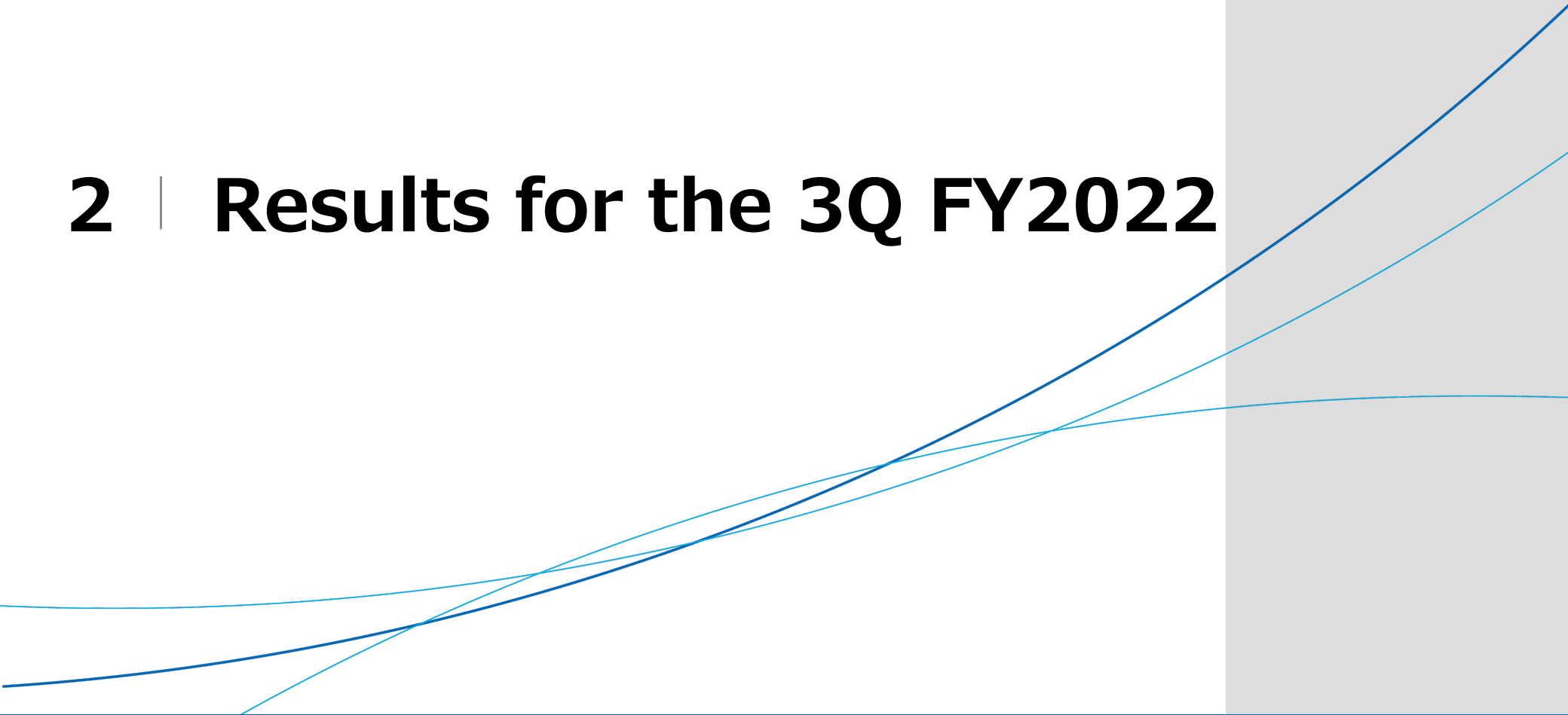
## Forecasts for FY2022 full year

**Net Sales : ¥12,000mil      Operating Profit : ¥3,300mil**

\*No change from the previous quarter

Forecasts on Ordinary Profit and Profit attributable to owners of parent were revised down due to the JPY appreciation.

## 2 | Results for the 3Q FY2022



# (1) Financial Highlights



## 【Operating Results for 3Q FY2022】

(JPY : Million)

	Third quarter				Third quarter cumulative total			
	FY2021	FY2022	YoY	%	FY2021	FY2022	YoY	%
Net Sales	2,349	3,012	663	28.3%	6,425	8,796	2,370	36.9%
Operating Profit	595	690	95	16.0%	1,423	2,327	903	63.4%
Ordinary Profit	659	▲65	▲724	▲109.9%	1,480	2,307	826	55.9%
Profit attributable to owners of parent	436	▲103	▲539	▲123.6%	954	1,556	602	63.1%

### 3Q FY2022 overview

- **Net Sales** : Significant increase in sales of Global Telecommunications business due to the payments on existing IRU contracts for C2C lines. Also, the number of LASIK operations increased in Medical & Healthcare business, resulting in a YoY 36.9%
- **Operating Profit** : YoY 63.4% increase due to the increase in operating profit of Global/Domestic Telecommunication business and Medical & Healthcare business
- **Ordinary Profit and Profit attributable to owners of parent** : The rapid appreciation of JPY resulted in FX loss of 4 million yen from FX gain of 740 million yen in 2Q, resulting in a YoY 55.9% and 63.1% respectively, which was lower growth compared to 2Q

# Operating Results by Business Segment



## ■ Global Telecommunications

(JPY : Million)

	2022/3 3Q	2023/3 3Q	YoY
Net Sales	1,729	<b>3,567</b>	+1,838 (+106.3%)
Operating Profit	370	<b>1,143</b>	+772 (+208.6%)
OP Margin (%)	21.4%	<b>32.0%</b>	—

The provision of international communication lines has expanded steadily, and sales and profits have increased significantly due to an increase in the revenue from IRU contracts for C2C lines.

## ■ Philippines Telecommunications

(JPY : Million)

	2022/3 3Q	2023/3 3Q	YoY
Net Sales	881	<b>757</b>	▲124 (▲14.1%)
Operating Profit	240	<b>165</b>	▲75 (▲31.4%)
OP Margin (%)	27.3%	<b>21.8%</b>	—

Both sales and profit decreased due to prior investment such as the domestic line network in the Philippines and the reinforcement of sales staff to acquire new contracts for Internet connection services for corporations.

# Operating Results by Business Segment



## ■ Domestic Telecommunications

(JPY : Million)

	2022/3 3Q	2023/3 3Q	YoY
Net Sales	2,961	<b>3,177</b>	+215 (+7.3%)
Operating Profit	567	<b>624</b>	+57 (+10.0%)
OP Margin (%)	19.2%	<b>19.7%</b>	—

**IPSP Co., Ltd. was established on July 1, 2022 through a company split. Call center services combining AmeyoJ and per-second billing services continued to perform well, resulting in higher sales and profits.**

(JPY : Million)

## ■ Medical & Healthcare

	2022/3 3Q	2023/3 3Q	YoY
Net Sales	831	<b>1,270</b>	+438 (+52.7%)
Operating Profit	256	<b>453</b>	+197 (+77.0%)
OP Margin (%)	30.8%	<b>35.7%</b>	—

**The number of LASIK operations continued to increase, mainly at the third clinic opened in Bonifacio Global City, leading to increases in sales and profit. Completed the expansion work at the Ortigas Clinic.**



# Operating Results by Business Segment



## ■ Other

(JPY : Million)

	2022/3 3Q	2023/3 3Q	YoY
Net Sales	21	24	2 (+12.7%)
Operating Profit	▲11	15	▲3 (-)
OP Margin (%)	-	-	-

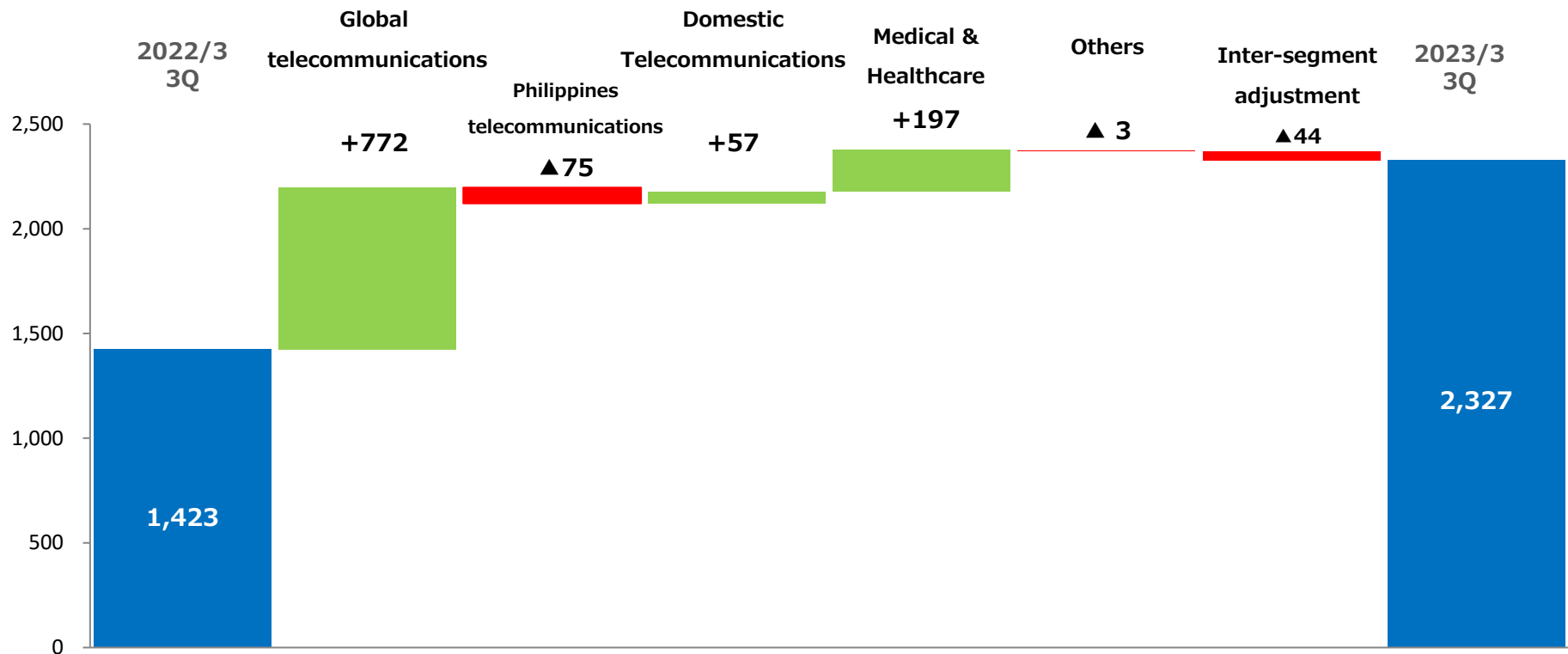
**Remittance agency service etc for Filipino living in Japan**

## (2) Operating Profit (YoY)



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

(JPY: million)



# (4) Financial Condition



## Consolidated Balance Sheets (Summary)

(JPY: million)

Assets				Liabilities · Net Assets			
	March, 2022	December, 2022	Change		March, 2022	December, 2022	Change
<b>Current assets</b>	<b>12,023</b>	<b>13,695</b>	<b>1,671</b>	<b>Current liabilities</b>	<b>7,865</b>	<b>10,365</b>	<b>2,500</b>
Cash and deposits	5,778	4,440	-1,338	Accounts payable	1,032	1,202	169
Accounts receivable	2,069	3,460	1,391	Short-term borrowings	1,845	4,262	2,416
Lease receivable	3,340	3,219	-120	Others	4,986	4,901	▲ 85
Others	834	2,574	1,739	<b>Non-Current liabilities</b>	<b>1,418</b>	<b>1,137</b>	<b>▲ 281</b>
				Long-term borrowings	1,203	900	▲ 303
				Others	214	237	22
<b>Non-Current assets</b>	<b>6,397</b>	<b>9,256</b>	<b>2,859</b>	<b>Total liabilities</b>	<b>9,283</b>	<b>11,503</b>	<b>2,219</b>
Tangible assets	3,776	6,347	2,571	<b>Net assets</b>	<b>9,136</b>	<b>11,448</b>	<b>2,311</b>
Intangible assets	1,721	2,020	299	Shareholders' equity	7,131	8,173	1,042
Investments and others	899	887	-12	Accumulated other comprehensive income	178	946	768
				Share acquisition rights	191	188	▲ 2
				Non-controlling Interests	1,635	2,139	503
<b>Total assets</b>	<b>18,420</b>	<b>22,951</b>	<b>4,530</b>	<b>Total liabilities · Net assets</b>	<b>18,420</b>	<b>22,951</b>	<b>4,530</b>

# 3 | Revised forecasts for FY2022



# Revised Forecasts for FY2022



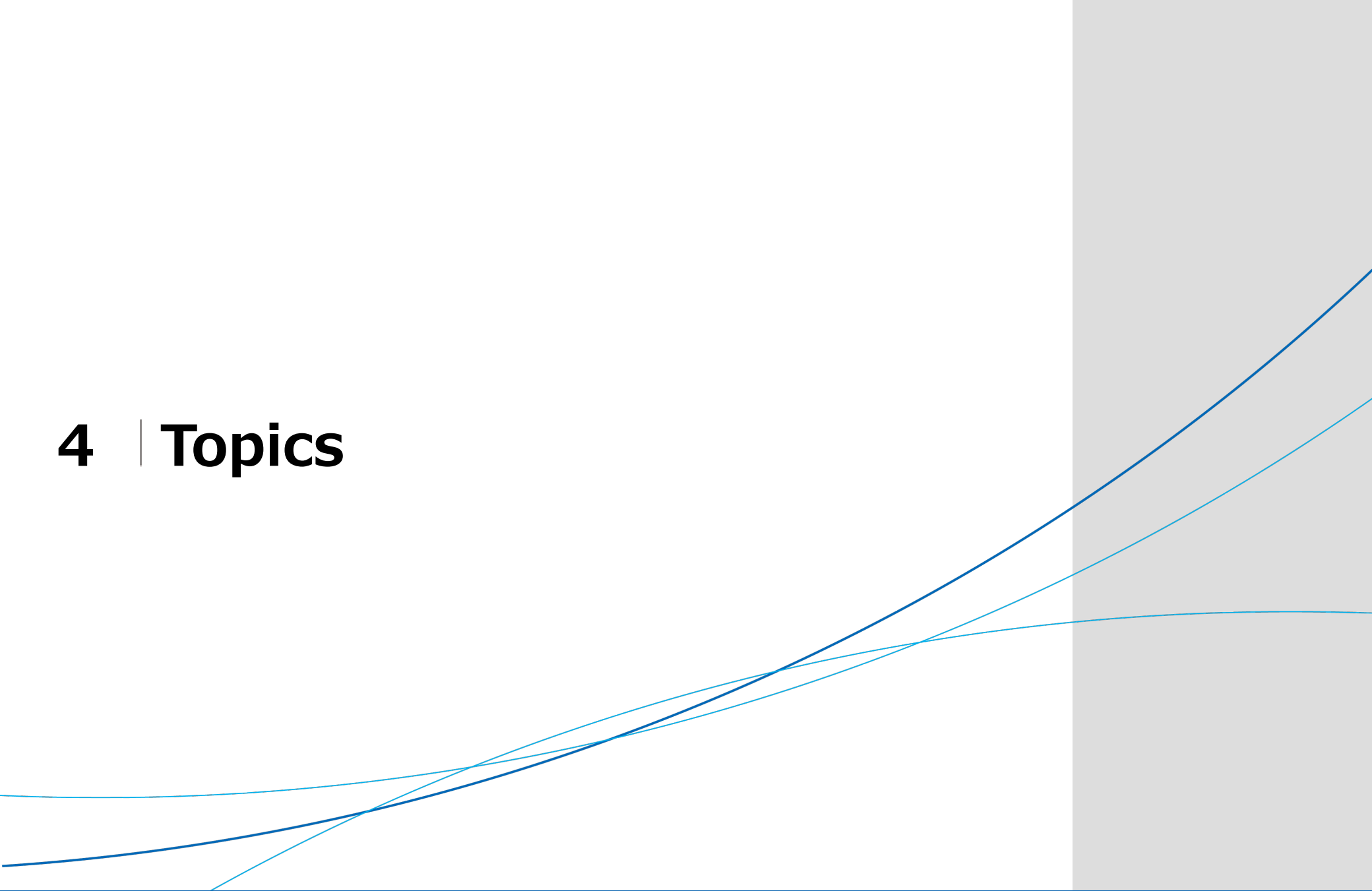
(JPY: million)

	FY2021 Actual results	FY2022 Forecasts		
		Announced in Nov.	Revised	YoY
Net Sales	10,728	12,000	12,000	11.9%
Operating Profit	2,456	3,300	3,300	34.4%
Ordinary Profit	2,897	3,900	3,300	13.9%
Profit attributable to owners of parent	1,888	2,700	2,200	16.5%

## Overview of Revision

- Sales and operating result are expected to reach 12 billion yen and 3.3 billion yen, respectively. Although there are differences in the progress of each segment, progress is generally as planned.
- Although foreign exchange gains of 740 million yen were recorded in the first half, foreign exchange gains decreased due to the appreciation of the yen in 3Q. Also, the depreciation of the Philippine peso led to an increase in foreign exchange losses on foreign currency-denominated debt at an overseas subsidiary.
- Cumulative foreign exchange losses of 4 million yen were recorded in the third quarter, and the full-year forecasts for operating profit and profit attributable to owners of parent have been revised accordingly.

# 4 | Topics



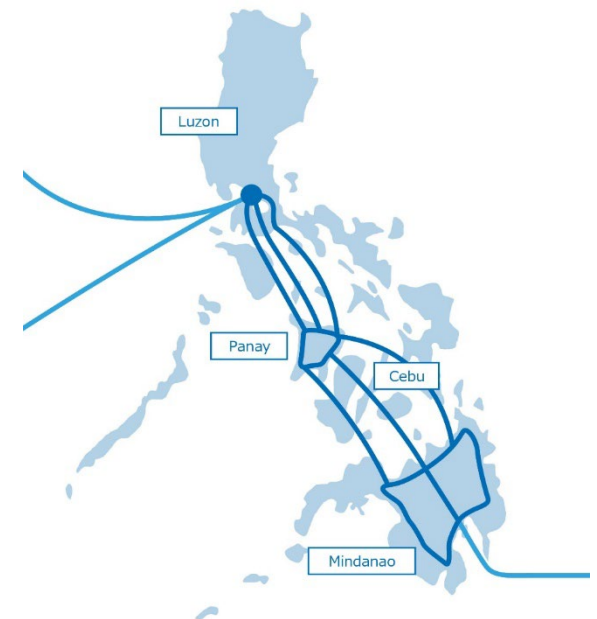
# Topics 1 .Completion of first phase Construction of PDSCN

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. and in December, the first phase of construction was completed as planned.

The second phase of construction is underway for completion in April 2023.

- 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%.
- In parallel with PDSCN, construction of a domestic trunk line in the Philippines is also underway.
- Total investment is estimated at USD142million (3 companies equal in principle). The investment for InfiniVAN is approx. USD63 million (8.5 billion yen), including the cost of transmission equipment and the land portion.
- In the future, we will aim to expand services not only to telecommunications and CATV operators in the Philippines, but also to OTT players, etc.

## Philippines Domestic Submarine Cable Network (PDSCN)



\*The route of the line in the illustration is different from the actual one.

## Topics 2. Medical & Healthcare Business



We have decided to enter the preventive care field in order to strengthen the medical infrastructure in the Philippines, and are preparing to launch the business in April.

In addition, in order to respond to the strong increase in the number of LASIK operations, we are working to expand the capacity of our business, including the expansion of the Ortigas Clinic.

- In June 2022, Shinagawa Healthcare Solutions Corporation (SHSC) was established as a subsidiary in the Philippines to operate Japanese-standard medical checkup/examination centers. Preparations are underway to open the “SHINAGAWA DIAGNOSTIC & PREVENTIVE CARE (SDPC)” in April 2023.
- Expanded the capacity of the Ortigas Clinic to accommodate the increasing number of LASIK operations.





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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