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Presentation on Results for FY2022

May 16, 2023

IPS, Inc.

Ticker symbol 4390

Company profile



Company Name

IPS, Inc.

Establishment

October, 1991

Address

8F, Togeki Bldg, 4-1-1 Tsukiji, Chuo-ku, Tokyo, Japan 104-0045

Businesses/
Main Group
companies

Global Telecommunications : Providing international lines to CATV operators and Telecommunication carriers

ISMO Pte. Ltd.
Carrier Domain, Inc.

Philippines Telecommunications : Providing corporate ISPs in the Philippines, laying communication lines in the Philippines

InfiniVAN, Inc.

Domestic Telecommunications : Providing telecommunication services in Japan

IPS Pro Co., Ltd.

Medical & Healthcare : Operating health and wellness business in the Philippines

Shinagawa Lasik & Aesthetics Center Corporation (SLACC)
Shinagawa Healthcare Solutions Corporation (SHSC)

Others

KEYSQUARE INC.

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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1. Executive Summary



Results for FY2022

Net Sales : ¥12,346mil
(YoY + 15.1%)

Operating Profit : ¥3,311mil
(YoY + 34.8%)

Profit Margin : 26.8%
(YoY + 3.9%)

Overview of each segment

1. **Global Telecommunications business:** Revenue increased due to payments on IRU contracts, as the provision of the international communication line (C2C) progressed. Also, there was the sale of telecom equipment, resulting in a significant increase in revenue and profit.
2. **Philippines Telecommunications business:** Although ISP sales for corporations increased due to the reinforcement of sales staff, there was a large-scale telecom equipment sale in the previous period, resulting in a decrease in revenue. We secured an increase in profit while investing for the future.
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.

Business topics

1. The construction of PDSCN, Philippines Domestic Submarine Cable Network, progresses. (The submarine cable installation was completed in April 2023.)
2. IPS Pro Co., Ltd. was established on July 1 as spin-off of domestic telecommunications business
3. Launch a preventive care business in the Philippines (The medical checkup/health examination center opened in April 2023.)

2 | Results for FY2022



(1) Financial Highlights



【Operating Results for FY2022】

(JPY: million)

	Fourth Quarter				Cumulative total for the fiscal year			
	FY2021	FY2022	YoY	%	FY2021	FY2022	YoY	%
Net Sales	4,302	3,549	▲ 753	▲ 17.5%	10,728	12,346	1,617	15.1%
Operating Profit	1,032	983	▲ 48	▲ 4.7%	2,456	3,311	855	34.8%
Ordinary Profit	1,417	1,157	▲ 259	▲ 18.3%	2,897	3,464	567	19.6%
Profit attributable to owners of parent	933	735	▲ 197	▲ 21.2%	1,888	2,292	404	21.4%

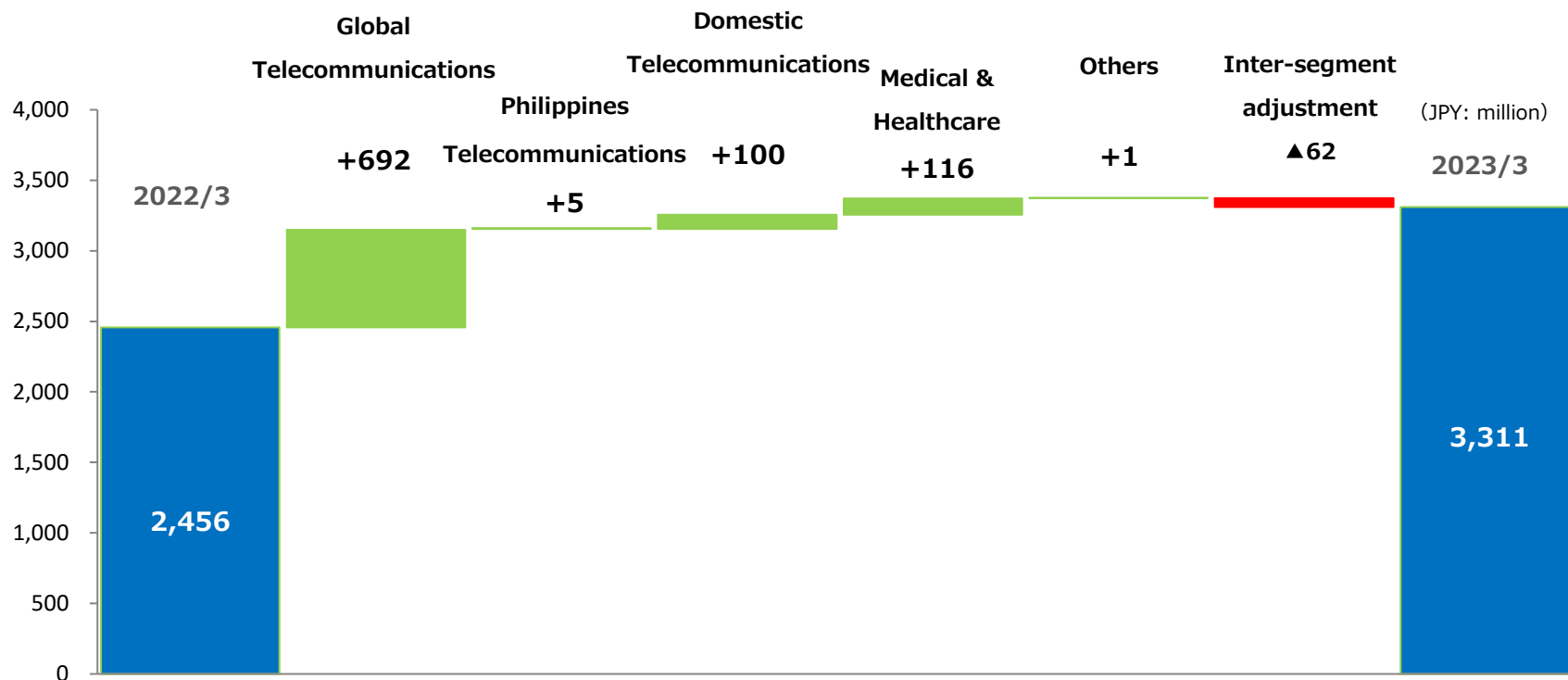
FY2022 overview

- **Net Sales** : In Global Telecommunications Business, sales increased significantly due to the recognition of revenue from IRU contracts for C2C lines and the recognition of sales of telecom equipment. In the medical and healthcare business, a significant increase in sales due to an increase in the number of LASIK operations also contributed, resulting in a 15.1% increase from the previous period.
- **Operating Profit** : Global Telecommunications Business, Domestic Telecommunications business and Medical & Healthcare business increased their profits, resulting in a 34.8% increase compared to the previous period.
- **Ordinary Profit and Profit attributable to owners of parent** : In addition to the increase in operating profit, the depreciation of the yen against the US dollar resulted in a foreign exchange gain of 210 million yen (the foreign exchange gain in the previous period was 431 million yen), which increased by 19.6% and 21.4% respectively compared to the previous term.

(2) Operating Profit (YoY)



The Global Telecommunications, Domestic Telecommunications and Medical & Healthcare performed well and increased profits.

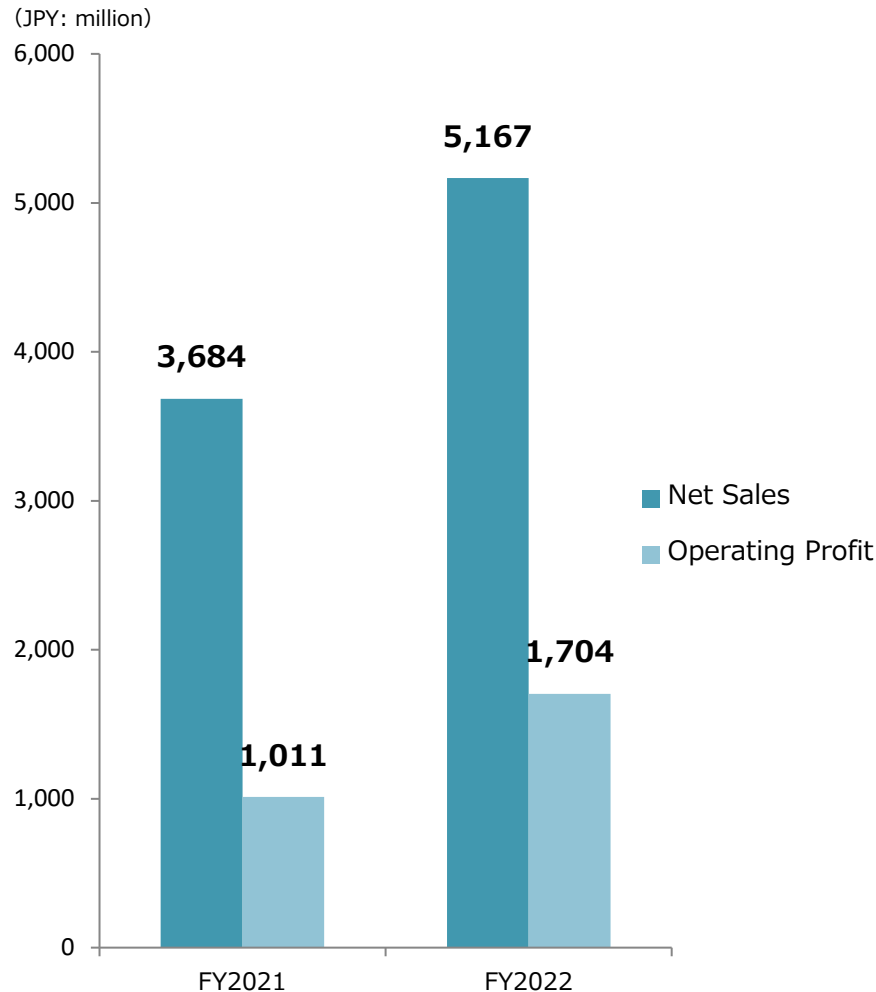


(3) Operating Results by Business Segment



(JPY: million)

		FY2021	FY2022	YoY	change
Global Telecommunications	Net Sales	3,684	5,167	1,483	40.3%
	Operating Profit	1,011	1,704	692	68.5%
Philippines Telecommunications	Net Sales	1,784	1,181	▲ 603	▲33.8%
	Operating Profit	224	229	5	2.5%
Domestic Telecommunications	Net Sales	3,988	4,275	286	7.2%
	Operating Profit	819	919	100	12.3%
Medical & Healthcare	Net Sales	1,244	1,690	446	35.9%
	Operating Profit	419	536	116	27.8%
Others	Net Sales	26	31	4	16.2%
	Operating Profit	▲ 19	▲ 17	1	—
Inter-segment adjustment	Operating Profit	—	▲ 62	▲ 62	—
Total	Net Sales	10,728	12,346	1,617	15.1%
	Operating Profit	2,456	3,311	855	34.8%

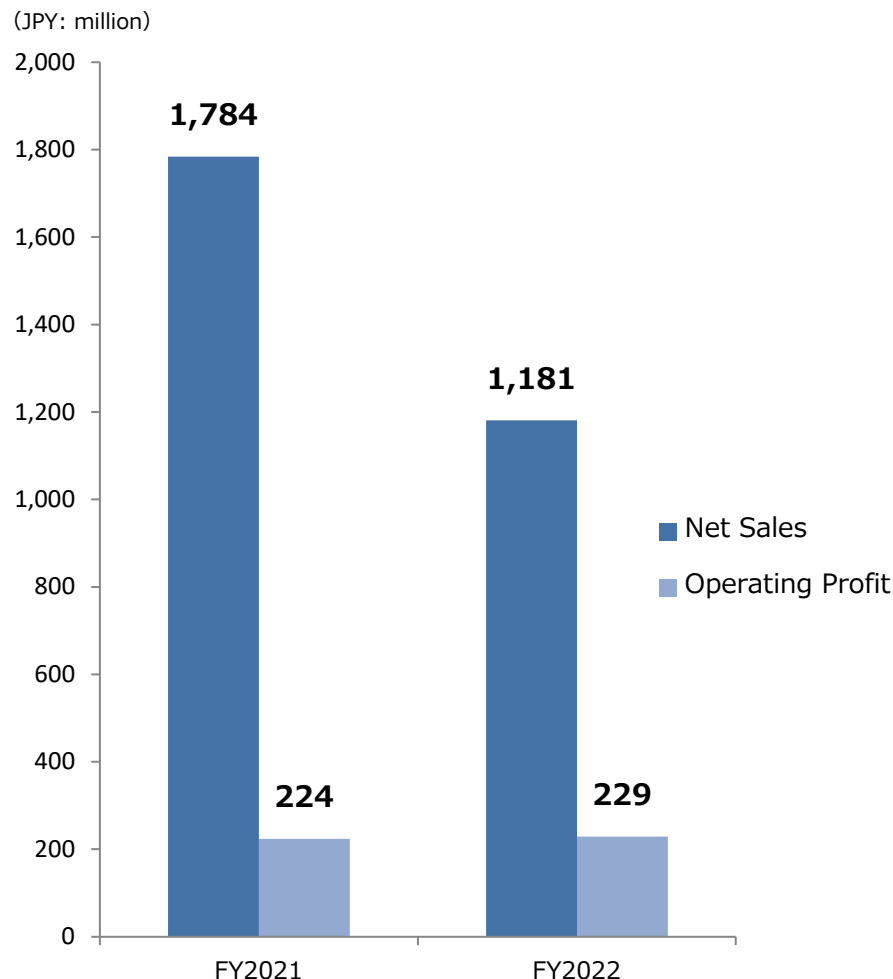


Business expansion through the provision the international submarine cable “C2C”

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

Revenues from the sale of telecom equipment to CATV operators in the Philippines were recorded, resulting in a significant increase in sales and profits

Continuously trying sales expansion of international telecommunication lines centered on C2C



Investments for future growth

◆ Development of backbone network in the Philippines

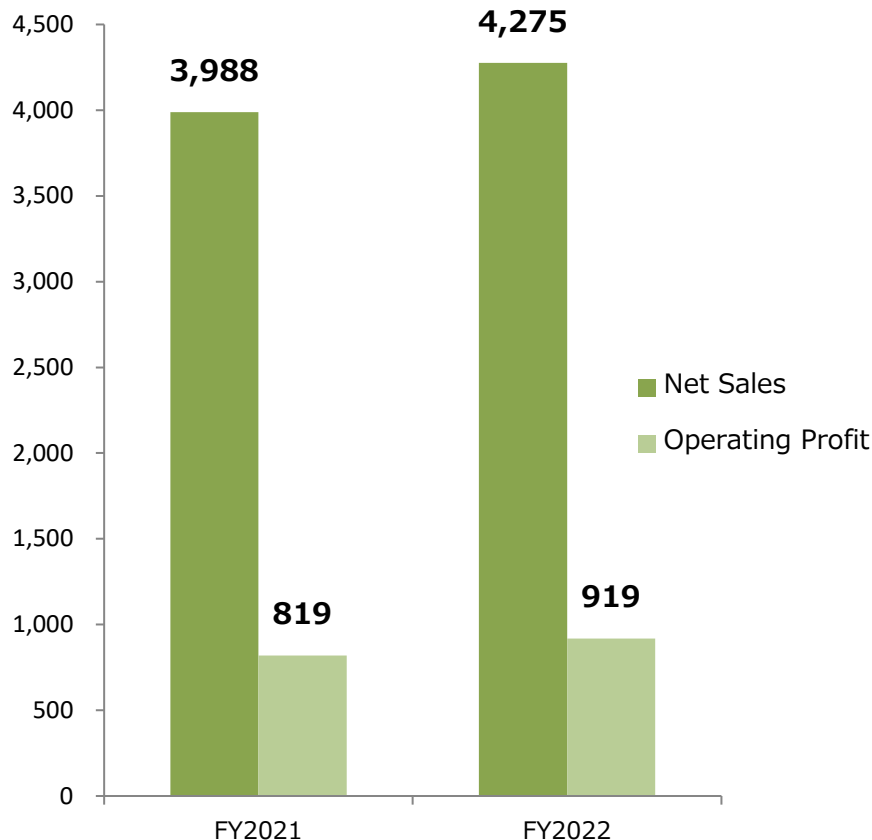
Started joint construction of PDSCN from July last year. The submarine cable installation completed this April. Aim to establish a domestic backbone network by connecting to land lines

◆ Enhancement of salesforce

Aim to acquire ISP customers in the Manila metropolitan area.

Despite the increase in ISP sales, revenue decreased due to the sales of telecom equipment in the previous fiscal year.

(JPY: million)



Establishment of IPS Pro

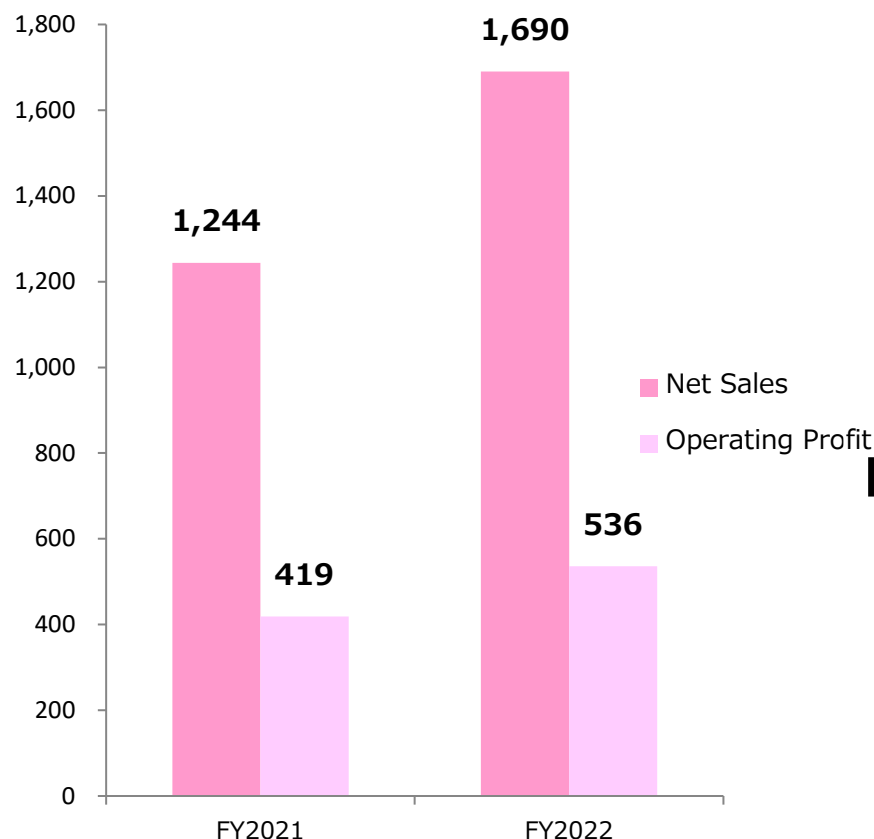
In order to speed up decision-making, strengthen flexible corporate management, and ensure the certainty and speed of business execution, the Domestic Telecommunications Business was spun off through a company split and IPS Pro was established on July 1.

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

Increase in revenue and profit due to the increased LASIK operations

(JPY: million)

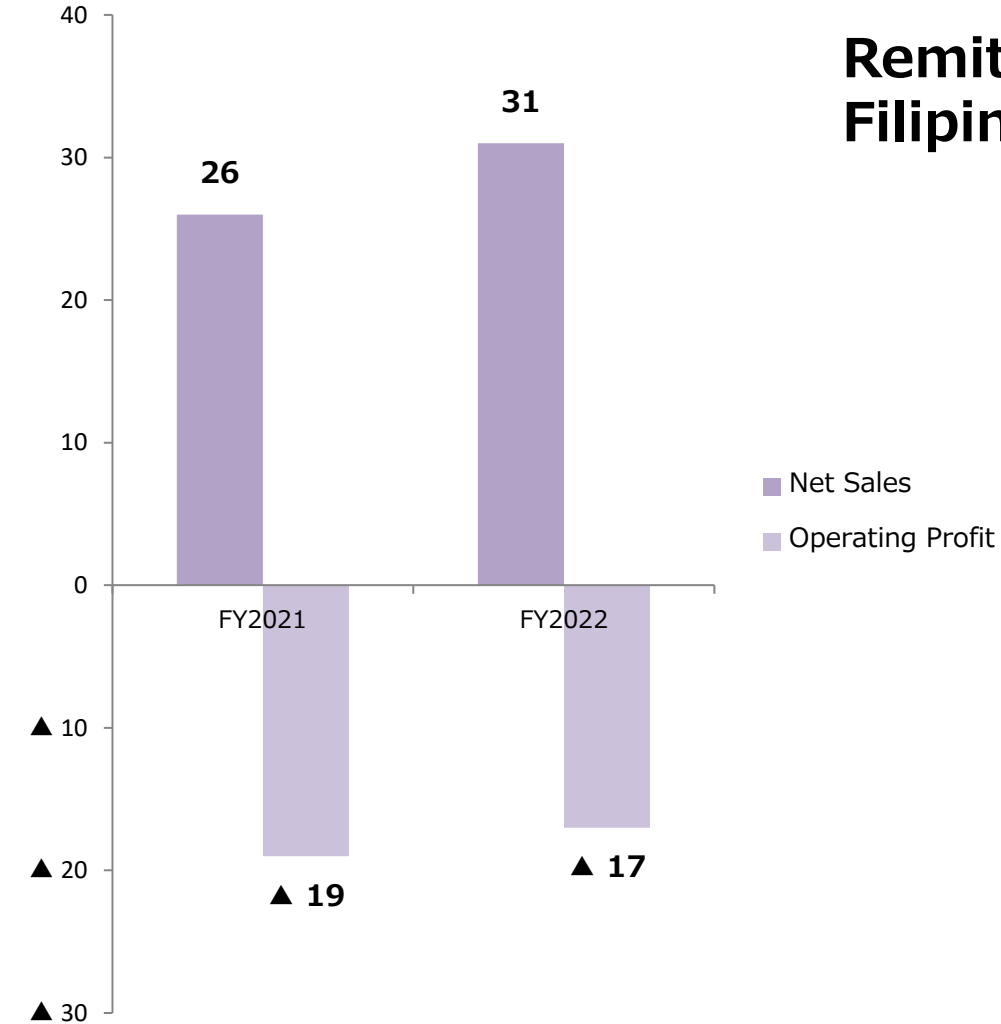


With the progress of the normalization of society regarding COVID-19, the number of LASIK operation provided by Shinagawa Lasik & Aesthetic Center Corporation (SLACC) is increasing mainly at the Bonifacio Global City clinic, third one to open.

Entry into preventive care business

Established Shinagawa Healthcare Solutions Corporation (SHSC) as a subsidiary of SLACC for the operation of a medical checkup/medical examination center to provide high-quality Japanese technology, which was opened in April 2023.

(JPY: million)



(4) Financial Condition



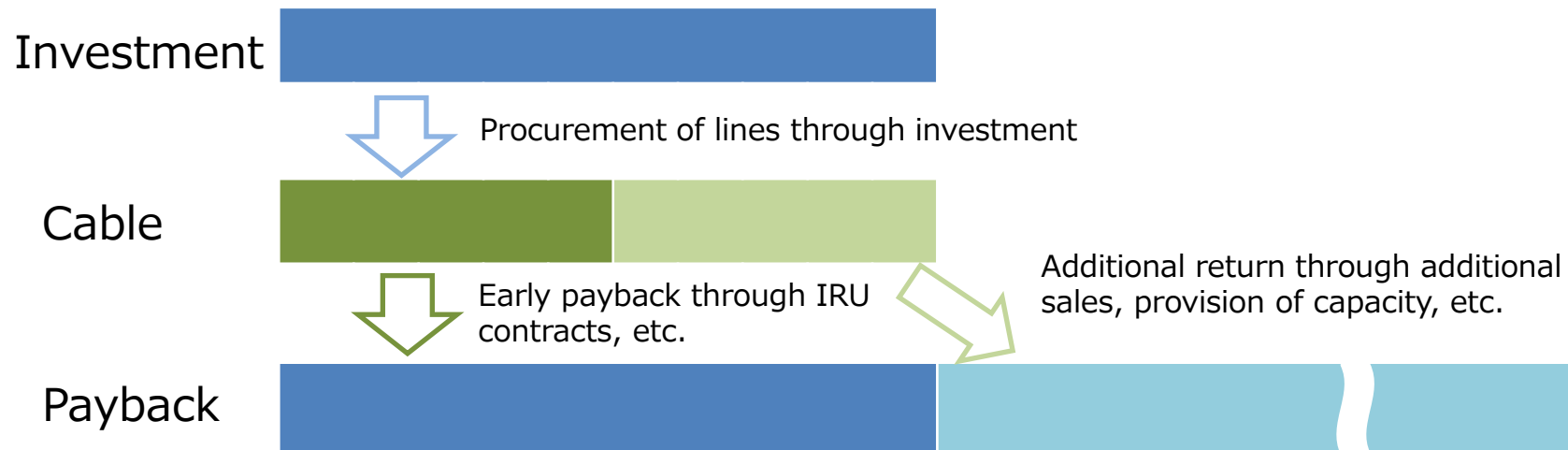
Consolidated Balance Sheets (Summary)

(JPY: million)

Assets				Liabilities · Net Assets			
	March, 2022	March, 2023	Change		March, 2022	March, 2023	Change
Current assets	12,023	14,270	2,246	Current liabilities	7,865	12,250	4,385
Cash and deposits	5,778	6,881	1,102	Accounts payable	1,032	1,781	748
Accounts receivable	2,069	2,631	562	Short-term borrowings	1,845	6,170	4,324
Lease receivable	3,340	3,203	▲ 137	Others	4,986	4,299	▲ 687
Others	834	1,553	719	Non-Current liabilities	1,418	1,014	▲ 404
				Long-term borrowings	1,203	760	▲ 443
				Others	214	253	38
Non-Current assets	6,397	10,839	4,442	Total liabilities	9,283	13,265	3,981
Tangible assets	3,776	8,171	4,395	Net assets	9,136	11,864	2,727
Intangible assets	1,721	1,760	39	Shareholders' equity	7,131	8,905	1,773
Investments and others	899	907	7	Accumulated other comprehensive income	178	449	270
Deferred assets	–	19	19	Share acquisition rights	191	263	72
				Non-controlling Interests	1,635	2,245	610
Total assets	18,420	25,129	6,708	Total liabilities · Net assets	18,420	25,129	6,708

Payback policy for major investment projects such as the acquisition of C2C line in 2020 and PDSCN joint construction.

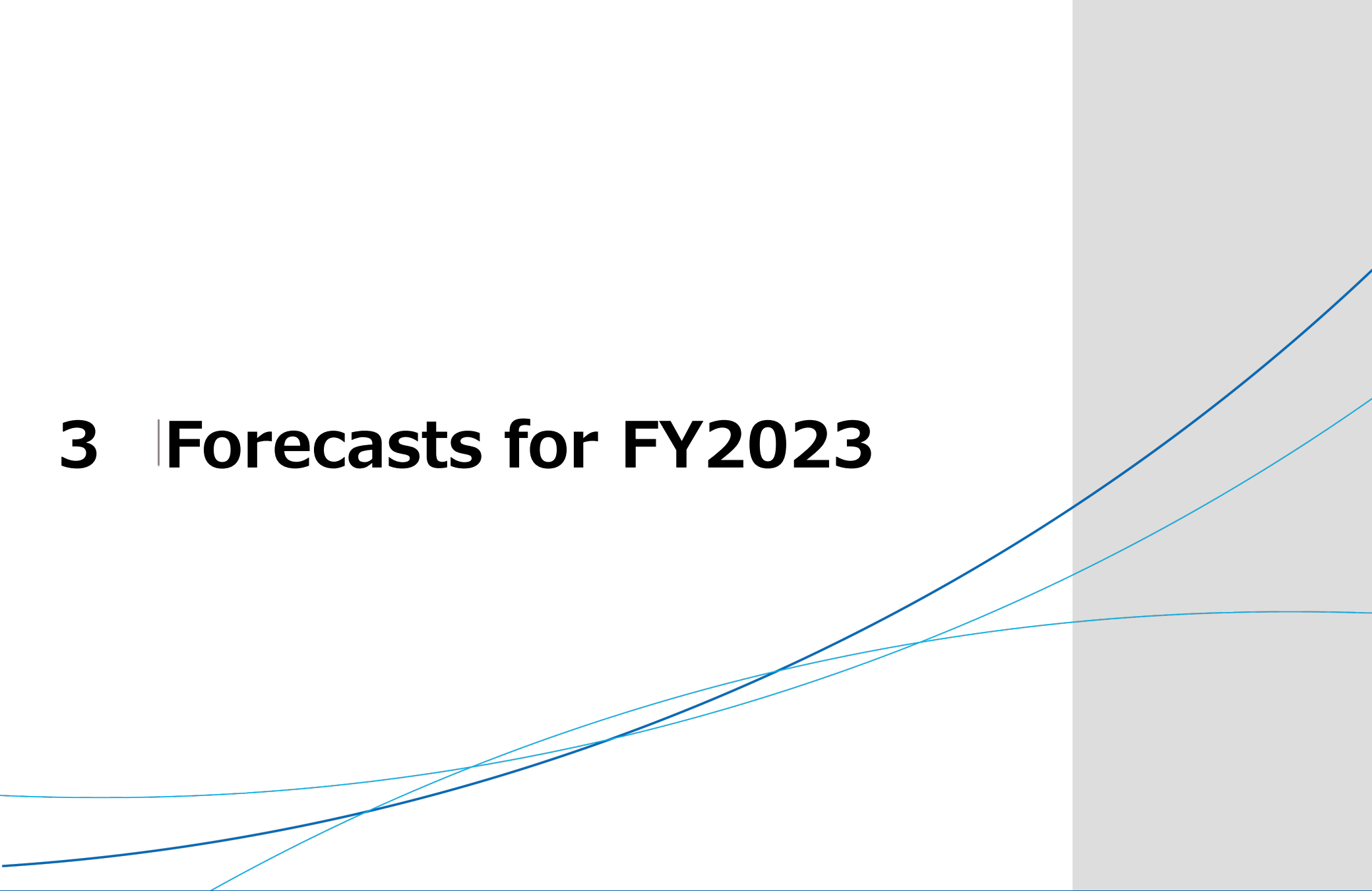
Investment and payback image



*The ratios shown in the illustration are for reference only and differ from the actual one.

We prepare for early payback of the principal investment amount in advance of the investment decision.

3 | Forecasts for FY2023



Change in reportable segment



The Company currently has four main reportable segments: Global Telecommunications Business, Philippine Telecommunications Business, Domestic Telecommunications Business, and Medical & Healthcare Business.

From the fiscal year from April 1, 2023, the Global Telecommunications Business and the Philippine Telecommunications Business will be integrated into Global Telecommunications business, as the cooperation between the current two segments is expected to increase more than ever in light of the expansion of the telecommunications business in the Philippines after the completion of PDSCN. At the same time, since the Telecommunications Business Division, which oversees the Global Telecommunications Business and Philippine Telecommunications Business, is responsible for managing the progress of the "Other" business, it will be integrated into Global Telecommunications Business.

Old Segment		New segment	Group companies
Global Telecommunications Business	}	Global Telecommunications Business	<ul style="list-style-type: none"> • InfiniVAN, Inc. • ISMO Pte. Ltd. • KEYSQUARE INC. • CarrierDomain Inc.
Philippine Telecommunications Business			
Others			
Domestic Telecommunications Business	→	Domestic Telecommunications Business	<ul style="list-style-type: none"> • IPS Pro Co., Ltd.
Medical & Healthcare Business	→	Medical & Healthcare Business	<ul style="list-style-type: none"> • Shinagawa Lasik & Aesthetics Center Corporation (SLACC) • Shinagawa Healthcare Solutions Corporation (SHSC)

Forecasts for FY2023



(JPY: million)

	FY2022 Actual results	FY2023 Forecasts			
		1H	2H	FY2023	YoY
Net Sales	12,346	5,000	9,000	14,000	13.4%
Operating Profit	3,311	1,000	2,800	3,800	14.8%
Ordinary Profit	3,464	950	2,600	3,550	2.5%
Profit attributable to owners of parent	2,292	600	1,600	2,200	▲4.1%

Overview

- Net sales and operating profit are planned 14 billion yen and 3.8 billion yen, respectively. Ordinary profit and net income attributable to shareholders of the parent company are planned 3.55 billion yen and 2.2 billion yen, respectively. Assumed exchange rates for this fiscal year are 130 yen to the dollar and 2.4 yen to the peso.
- In Global Telecommunications Business, although InfiniVAN will continue aggressive upfront investments such as hiring sales staff for ISP business, higher revenue and profit are expected due to the start of provision of PDSCN.
- In Domestic Telecommunications Business, we expect continued expansion of services for call centers.
- In Medical and Health care business, SLACC is expected to increase its sales and profits due to an expected increase in the number of LASIK operations. SHSC just launched a medical checkup/health examination center and is expected to record losses in the first year due to the depreciation cost of the initial investment.

Forecasts for FY2023 by segment



(JPY: million)

Business Segment		FY2022 Actual Results	FY2023 Forecasts	YoY	
Net Sales		12,346	14,000	1,653	13.4%
	Global Communications	6,380	6,800	419	6.6%
	Domestic Communications	4,275	4,700	424	9.9%
	Medical & Healthcare	1,690	2,500	809	47.9%
Operating Profit		3,311	3,800	488	14.8%
	Global Communications	1,865	2,200	334	17.9%
	Domestic Communications	919	1,050	130	14.2%
	Medical & Healthcare	536	550	13	2.4%
	Inter-segment adjustment	▲ 11	—	—	—
Profit Margin		26.8%	27.1%	—	—
	Global Communications	29.2%	32.4%	—	—
	Domestic Communications	21.5%	22.3%	—	—
	Medical & Healthcare	31.8%	22.0%	—	—

* Segment sales and operating profit for the fiscal year ended March 31, 2023 have been reclassified to conform to the new segmentation.

■ Global Telecommunications business

Expand provision of international communication lines, mainly C2C, to telecom and CATV operators in the Philippines and other countries.

Connection of PDSCN with the land telecommunication lines to build a domestic backbone line in the Philippines will enable InfiniVAN to expand business with local telecommunications and CATV operators.

In ISP business, InfiniVAN will continue upfront investments such as increasing sales staff to further strengthen customer acquisition.

■ Domestic Telecommunications business

The total solution package, which includes AmeyoJ, an integrated system for automated call center operations and customer management for call center operators, and a low-cost calling rate service (second-based toll-free dialing service), is expected to continuously perform well.

Business developments responding to the shift to IP for fixed-line communications and to improve the telecommunications environment in Japan.

■ Medical & Healthcare business

The number of LASIK operations is expected to continuously increase in the current fiscal year.

SHSC just launched the Shinagawa Diagnostic & Preventive Care Center (medical checkup and examination center) in April and is expected to record losses in this fiscal year.

4 | Business Strategy

A decorative graphic consisting of several thin blue lines that curve and rise from the bottom left towards the top right. A vertical grey bar is positioned on the right side of the page, partially overlapping the blue lines.

1. Growth roadmap by customer segment



We seek to develop various businesses, by accumulating large partnerships and performing as a key intermediary for the advancement of the Philippine telecommunications industry,

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.

2023 onwards

Construction of domestic submarine cable. 140 relay stations nationwide to be completed by the end of September
 ⇒ Provision for mid-sized carriers and regional CATV operators

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

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

⇒ 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

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

Since 2020

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

Personal internet connection

Corporate internet connection

Intl. line for CATV operators

Y1
 (the present)

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

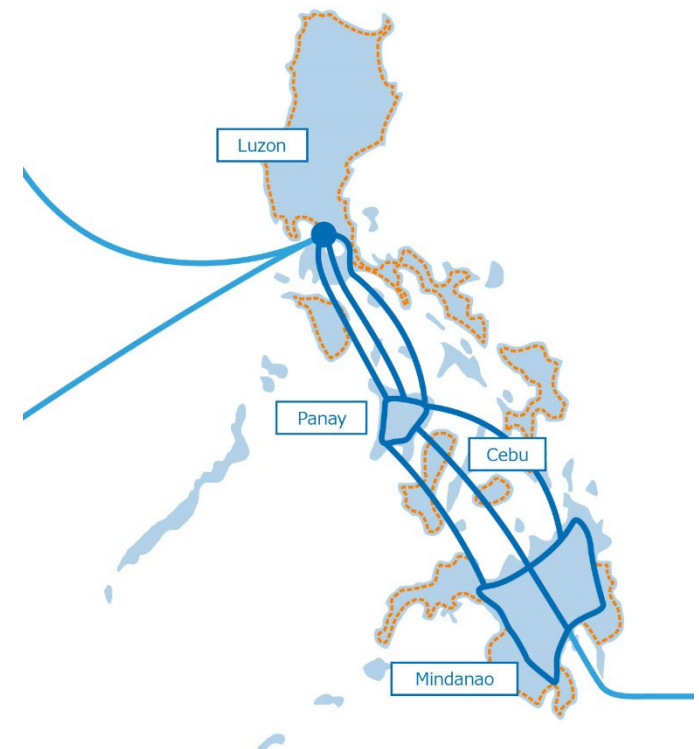
InfiniVAN, Inc. started the joint construction of PDSCN with Philippine telecommunications carriers Globe Telecom, Inc. and Eastern Telecommunications Philippines, Inc. in July 2022 and the submarine cable installation was completed in April 2023.

PDSCN will be the largest domestic submarine cable network in the Philippines with a total length of approx. 2,500Km.

Submarine cable was installed by two Japanese contractors .

By the end of September 2023, 140 relay stations will be installed nationwide, making it possible to provide telecommunication services to hyperscale operators, CATV operators, local telecommunication companies, and local corporations on a nationwide scale.

This network can be comparable to those of existing major telecommunication carriers.



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

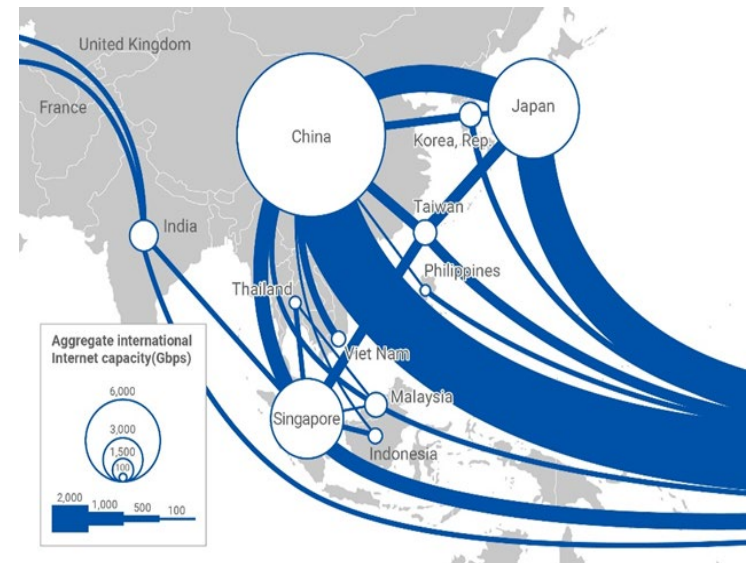
2. Creation of new business opportunities in Japan



We are seeing business opportunities in providing new cable landing stations and backhaul (relay lines from landing stations to urban areas).

Internet data exchange (IX) in Southeast Asia has been mainly conducted in Hong Kong and Singapore. Currently, due to the geopolitical issue, there is a trend to avoid Hong Kong, and a noticeable focus to Singapore. Despite the advantage of being connected to the U.S. and other Asian countries by multiple cable systems, Japan has been unable to become a hub for IX in Asia due to very high landing station and backhaul rates compared to other countries.

IPS Pro will create new business opportunities and be actively involved in bringing Southeast Asian data exchange to Japan by providing Japanese landing stations and backhaul at reasonable prices.



3. Medical & Healthcare Business (expansion into the field of preventive care)



Aiming to be the next pillar of the Medical and Healthcare business, SHINAGAWA DIAGNOSTIC & PREVENTIVE CARE CENTER (SDPCC), medical checkup/examination center, was opened in April 2023, to provide comprehensive, high-quality, Japanese-standard health care services.

This is the first medical facility in the Philippines focused on preventive care equipped with an in-house laboratory to provide results on the same day and the latest medical equipments. Maximizing the operation per day and thoroughly dropping the cost per patient. Utilizing Japanese diagnostic imaging technology, examination images are double-read by specialists in Japan and the Philippines.



Opening ceremony



➤ **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

- 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.

《Inquiries about IR》

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