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Presentation on Results for the 1st Quarter FY2023

August 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.



Change in reportable segment



Up until the previous fiscal year, the Company had four main reportable segments: Global Telecommunications Business, Philippine Telecommunications Business, Domestic Telecommunications Business, Medical & Healthcare Business, and Other Business.

From the fiscal year from April 1, 2023, the Global Telecommunications Business and the Philippine Telecommunications Business was 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.

As a result, the figures for the previous fiscal year's segments have been restated under the new segments.

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)

Results for 1Q

Net Sales : JPY2,479mil Operating Profit : JPY413mil

Overview

The construction of the Philippine Domestic Submarine Cable Network (“PDSCN”) is progressing, and the physical examination and health checkup center operated by SHSC has opened, and the company is on track for further growth in the future.

Regarding business performance, the company’s sales and profits declined in this quarter as planned due to the receipt under an IRU contract for international telecommunication lines and the associated revenue recognition in the same period of the previous year.

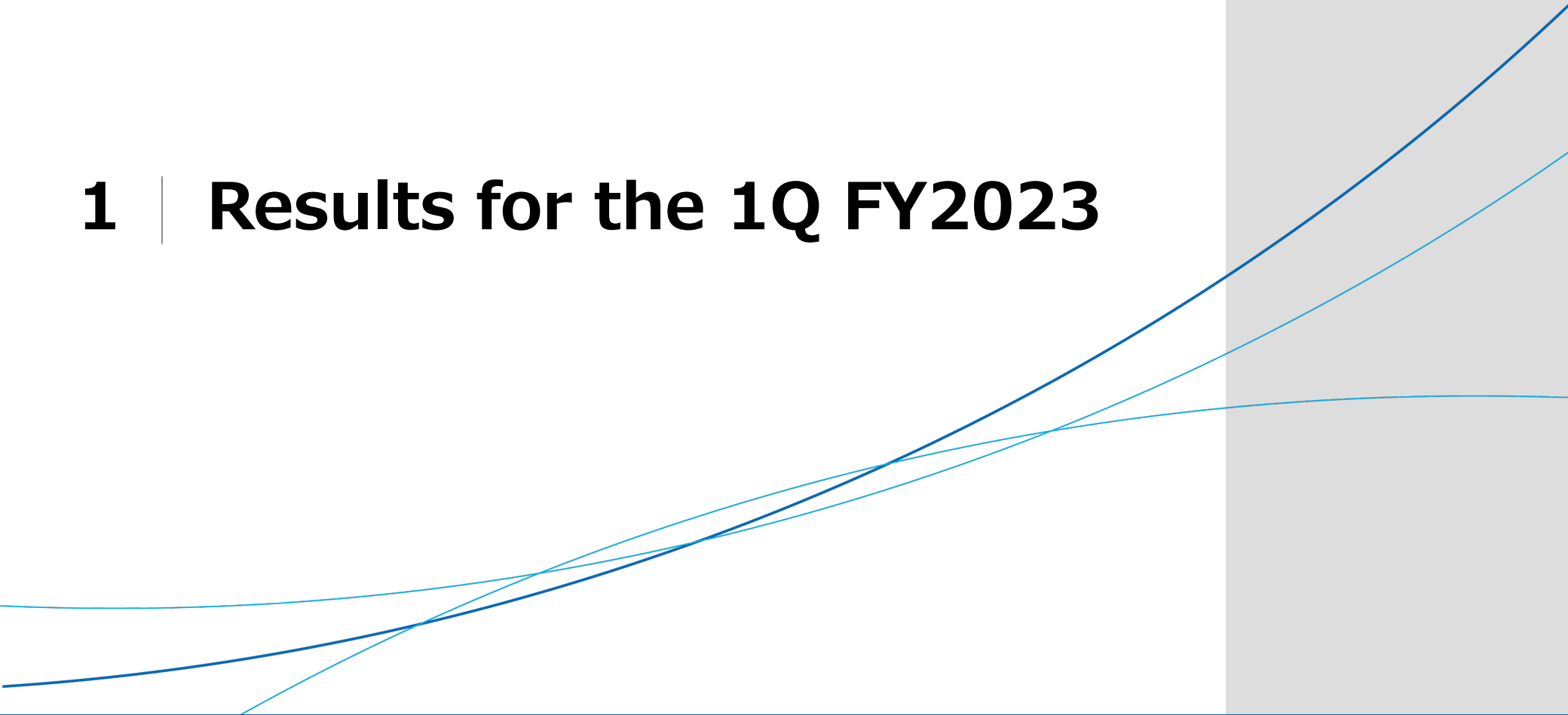
Forecasts for FY2023

Net Sales : JPY14,000mil Operating Profit : JPY3,800mil

✂No change

(Note) FY2023 will be from April 1, 2023 to March 31, 2024.

1 | Results for the 1Q FY2023



(1) Financial Highlights



【Operating Results for 1Q FY2023】

(JPY : Million)

	FY2022				FY2023				
	1Q	2Q	3Q	4Q	1Q	YoY	Forecasts	Progress	
Net Sales	2,823	2,960	3,012	3,549	2,479	▲ 343 ▲12.2%	14,000	17.7%	
Operating Profit	828	808	690	983	413	▲ 414 ▲50.0%	3,800	10.9%	
Ordinary Profit	1,458	913	▲ 65	1,157	1,045	▲ 413 ▲28.3%	3,550	29.4%	
Profit attributable to owners of parent	1,027	632	▲ 103	735	640	▲ 387 ▲37.7%	2,200	29.1%	

1Q FY2023 overview

- **Net sales** : The 12.2% YoY decline was due to the fact that the global telecommunications business recorded revenue from the receipt of a large IRU deal in the same period of the previous year, which was not recorded in the quarter under review.
- **Operating Profit** : Profit decreased by 50.0% YoY due to lower revenues in the global telecommunications business.
- **Ordinary Profit and Profit attributable to owners of parent** : Decrease of 28.3% and 37.7% YoY, respectively, due to lower operating profit despite FX gains of 609 million yen (632 million yen of FX gains in the same period of the previous year).

Operating Results by Business Segment



■ Global Telecommunications

(JPY : Million)

	1 Q FY2022	1 Q FY2023	YoY
Net Sales	1,443	1,016	▲426 (▲29.6%)
Operating Profit	507	89	▲417 (▲82.4%)
OP Margin(%)	35.2%	8.8%	—

Sales and profits declined in this quarter as planned due to the receipt under an IRU contract for international telecommunication lines and the associated revenue recognition in the same period of the previous year.

■ Domestic Telecommunications

(JPY : Million)

	1 Q FY2022	1 Q FY2023	YoY
Net Sales	1,020	1,045	+24 (+2.4%)
Operating Profit	183	208	+25 (+13.9%)
OP Margin(%)	18.0%	20.0%	—

Sales and profits increased due to strong sales of services for call centers combining AmeyoJ and second billing services.

Operating Results by Business Segment



■ Medical&Healthcare

(JPY : Million)

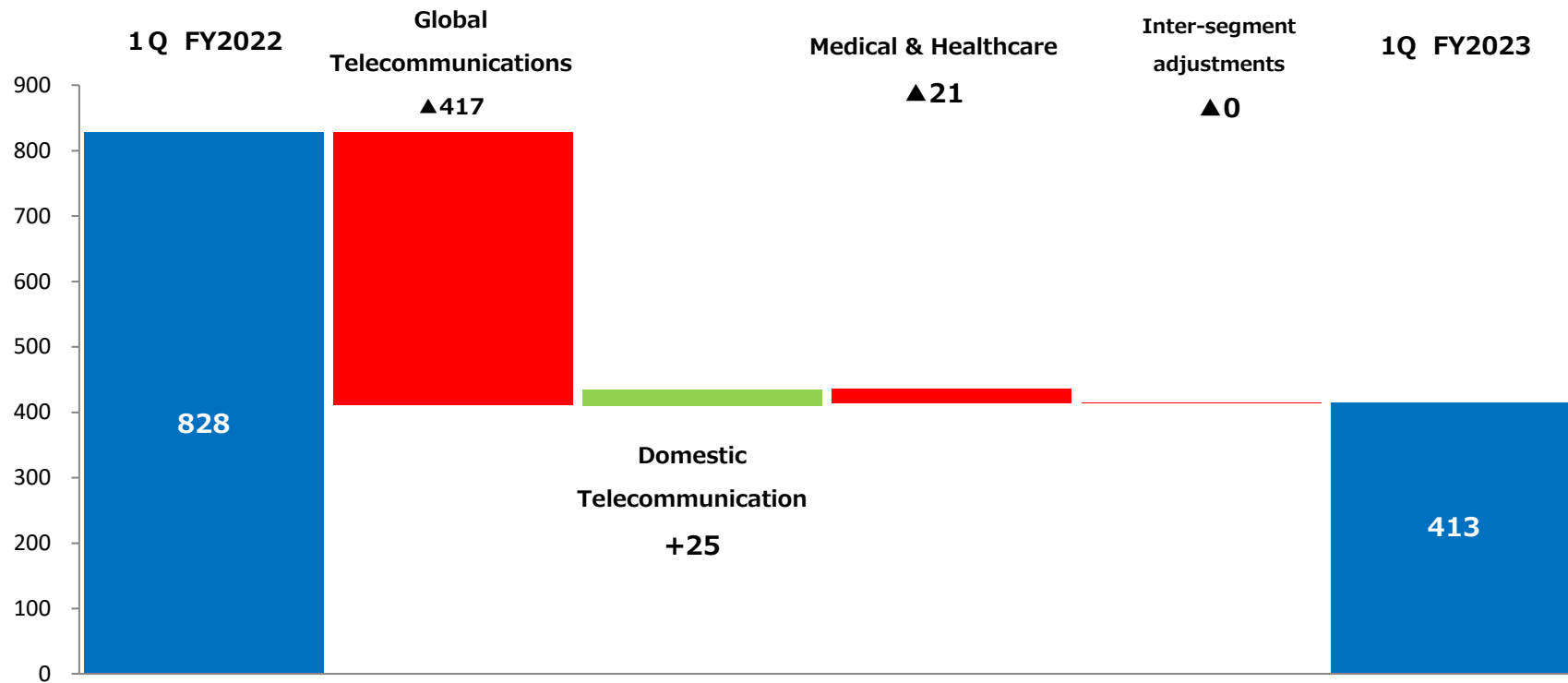
	1 Q FY2022	1 Q FY2023	YoY
Net Sales	359	418	+58 (+16.2%)
Operating Profit	137	115	▲21 (▲15.6%)
OP Margin	38.2%	27.0%	—

LASIK offerings expanded, resulting in higher revenues. Profit decreased due to higher SG&A expenses, including personnel and sales expansion costs.

(2) Operating Profit (YoY)



Decreased in profit due to the receipt under an IRU contract in the same period of the previous year



(3) Financial Condition

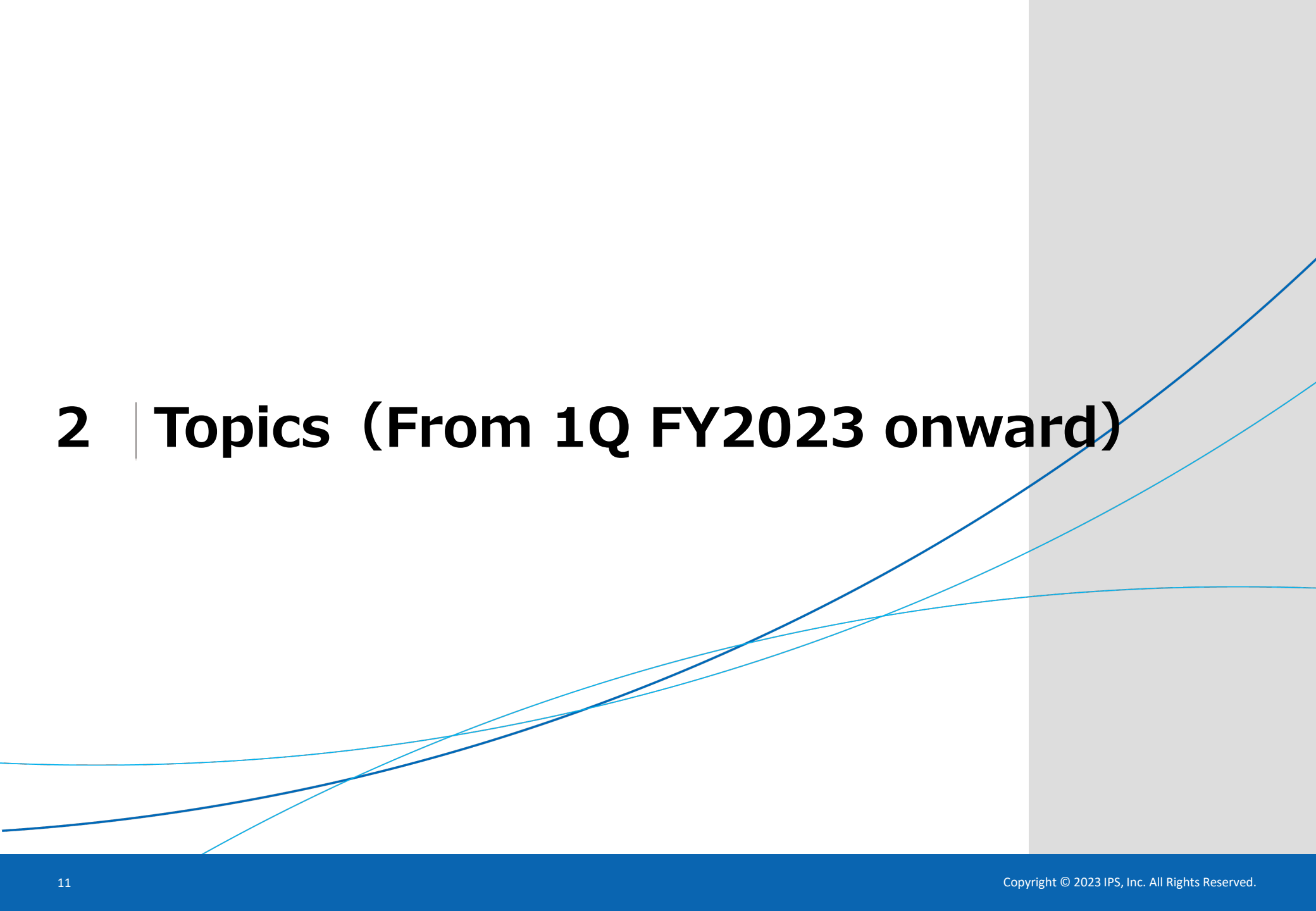


Consolidated Balance Sheets (Summary)

(JPY: million)

Assets				Liabilities · Net Assets			
	March, 2023	June, 2023	Change		March, 2023	June, 2023	Change
Current assets	14,270	13,058	▲ 1,212	Current liabilities	12,250	12,561	310
Cash and deposits	6,881	5,038	▲ 1,842	Accounts payable	1,781	1,074	▲ 706
Accounts receivable	2,631	2,847	215	Short-term borrowings	6,170	7,585	1,415
Lease receivable	3,203	3,226	23	Others	4,299	3,901	▲ 398
Others	1,553	1,945	391	Non-Current liabilities	1,014	986	▲ 28
				Long-term borrowings	760	689	▲ 70
				Others	253	296	42
Non-Current assets	10,839	12,471	1,631	Total liabilities	13,265	13,547	282
Tangible assets	8,171	9,894	1,722	Net assets	11,864	12,029	165
Intangible assets	1,760	1,741	▲ 19	Shareholders' equity	8,905	9,327	422
Investments and others	907	835	▲ 71	Accumulated other comprehensive income	449	37	▲ 411
Deferred Assets	19	47	28	Share acquisition rights	263	266	2
				Non-controlling Interests	2,245	2,397	151
Total assets	25,129	25,576	447	Total liabilities · Net assets	25,129	25,576	447

2 | Topics (From 1Q FY2023 onward)



Topics 1. Demonstration test on telecommunication infrastructure with government-affiliated organizations in the Philippines

In June 2023, our Philippine subsidiary, InfiniVAN, took a significant step in supporting the digitalization efforts of the Philippine government's communication infrastructure. Under this initiative, InfiniVAN initiated the provision of a high-capacity 200-gigabit international communication circuit for the Department of Information and Communications Technology (DICT) and its subsidiary agency, the Cybercrime Investigation and Coordinating Center, to aid their digital initiatives.



Ivan John Uy 情報通信技術大臣 (DICT)

- 'Philippine Development Plan 2023-2028' of the Ferdinand 'Bongbong' Marcos Jr. administration, released earlier this year, also places strong emphasis on digitalization. Particularly, there is a call for accelerating the digital transformation of government agencies.
- The introduction of the provided international communication circuit will enable DICT to enhance connectivity within the administrative network 'GovNet,' which interconnects approximately 900 government entities at both national and local levels.

Participating as the sole private enterprise in this pilot project, InfiniVAN is dedicated to defining the technical requisites necessary for a sophisticated and extensive government digital network. Our aim is to play a pivotal role in the substantial implementation of the network after the conclusion of this demonstration, addressing the full-scale introduction of the expansive network.

Topics 2. Mutual opening of access optical fiber between InfiniVAN and Radius Telecoms



In July 2023, InfiniVAN reached an agreement with Radius Telecoms, Inc., a wholly-owned communication subsidiary of Manila Electric Company (Meralco), Philippines' largest power distribution and retail company, to facilitate mutual access to optical fiber networks.



In the Philippines, challenges arise in laying optical fiber cables for access networks due to chronic road congestion, shortage of skilled professionals, and complex and sluggish permitting processes. Additionally, the scarcity of shared trenches and ducts capable of accommodating multiple cables within roads and buildings compounds the issue. This situation particularly impacts the installation of optical fiber cables in the access network closest to end-users.

This agreement involves the mutual opening of a portion of unused access optical fiber owned by both companies, based on the other party's requirements.

Radius holds an advantage in deploying optical fiber cables along Meralco's distribution network, while InfiniVAN, leveraging its core and metro networks, will swiftly provide access to areas and buildings that previously lacked adequate connectivity to end-users. This will facilitate the rapid expansion of InfiniVAN's key initiative, catering to corporate internet connectivity services.

Topics 3 . Provision of telecommunications infrastructure to cable television operator umbrella organizations through InfiniVAN



In July 2023, InfiniVAN entered into a Memorandum of Understanding (MoU) with the Philippine Cable and Telecommunications Association, Inc. (PCTA) – the overseeing body of cable television operators nationwide – and its subsidiary, PCTA Internet Exchange (PIXI), aimed at initiating discussions for providing communication infrastructure.



Regional CATV operators often face the challenge of selecting relatively expensive connections to central urban points due to limited options, posing issues of price competitiveness.

In pursuit of addressing this challenge, PCTA aims to leverage InfiniVAN’s PDSCN, slated for completion in September, which includes the Philippine Domestic Submarine Cable System and terrestrial lines, along with 140 relay stations. This infrastructure will enable the establishment of a redundant relay network, facilitating affordable and high-quality access for regional CATV operators to central urban points.

Through this collaboration, InfiniVAN will take the responsibility of providing core infrastructure for CATV operators. By actively developing a robust communication infrastructure within the Philippines, we aim to expand the delivery of high-quality communication services.

Topics 4. Establishment of a JV between InfiniVAN and BBIX



InfiniVAN has reached an agreement with BBIX Corporation (BBIX), a subsidiary of SoftBank Group Corp., to establish a joint venture company, BBIX Philippines, Inc. (an equity-method affiliate of our company), for providing Internet Exchange services in the Philippines. The establishment is scheduled for September 2023.



BBIX Philippines aims to advance the expansion of IX services within the Philippines and contribute to the development of the country's digital society.

Company name	BBIX Philippines, Inc.
Headquarters	Ore Central Building, 31st St., corner 9th Avenue, Bonifacio Global City, Taguig, Metro Manila, Philippines
Representative	President and CEO: Michikazu Fukuchi (also Executive Vice President, Board Director and COO of BBIX) [Please note that two directors from InfiniVAN and two directors from BBIX are also scheduled to assume positions.]
Business	Providing Internet Exchange services in the Philippines
Capital	PHP 80million
Date of establishment	September, 2023 (planned)
End of the fiscal year	March end
Ownership	BBIX 50%、InfiniVAN 50%

Topics 5. Expansion into the field of preventive care (Medical & Healthcare business)



In our Medical & Healthcare business, following the introduction of LASIK services in the Philippines, in April 2023 we have inaugurated the 'SHINAGAWA DIAGNOSTIC & PREVENTIVE CARE CENTER (SDPCC),' a comprehensive medical checkup/examination center. We are now offering preventive medical services in line with Japanese standards, providing high-quality and comprehensive healthcare services.

The distinctive features of SDPCC are as follows:

- The first-of-its-kind medical facility in the Philippines focusing on preventive healthcare.
- Equipped with an in-house laboratory for prompt results delivery and incorporation of cutting-edge medical equipment.
- Maximizing daily operations to minimize individual costs.
- Utilization of Japan's expertise in diagnostic imaging techniques, with examination images subject to double reading by specialized doctors from both Japan and the Philippines



opening ceremony



Company profile



Company Name

IPS, Inc.

Establishment
Address

October, 1991

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

InfiniVAN, Inc.

ISMO Pte. Ltd.

KEYSQUARE INC.

Carrier Domain, Inc.

Providing corporate ISPs and laying communication
lines in the Philippines

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)

- 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》

IPS, Inc.

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

TEL: +81-(0)3-3549-7719 FAX: +81-(0)3-3545-7331