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Presentation on Results for the 3rd Quarter FY2023

February 9, 2024

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, and Medical & Healthcare 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)

1 | Executive Summary

2 | Results for the 3rd Quarter FY2023

3 | Revised Forecasts for FY2023

4 | Topics

1 | Executive Summary



1. Executive Summary



Results for 3Q

Net Sales : JPY8,350mil Operating Profit : JPY1,455mil

Overview

- **The Philippine Domestic Submarine Cable Network (PDSCN), co-constructed by InfiniVAN, was completed in December 2023.**
- **The business is expanding for further growth, including the opening of a physical examination center operated by SHSC.**
- **Sales and profits declined due to the payment of a large IRU contracts on the international telecommunications lines(C2C) in the previous fiscal year, and a decrease in the number of LASIK operations due to intensified competition.**

Forecasts for Full year 2023

Net Sales : JPY14,200mil (Previous Forecast JPY14,000mil)

Operating Profit : JPY3,800mil (No change)

***Partially revised due to expected revenue recognition in Q4 related to PDSCN and other factors.**

2 | Results for the 3Q FY2023

【Operating Results for 3Q FY2023】

(JPY : Million)

	Third quarter				Third quarter cumulative total			
	FY2022	FY2023	YoY	%	FY2022	FY2023	YoY	%
Net Sales	3,012	3,102	+89	+3.0%	8,796	8,350	▲ 446	▲5.1%
Operating Profit	690	529	▲ 160	▲23.3%	2,327	1,455	▲ 872	▲37.5%
Ordinary Profit	▲65	▲3	+61	▲94.4%	2,307	1,555	▲ 751	▲32.6%
Profit attributable to owners of parent	▲103	▲3	+99	▲96.6%	1,556	951	▲ 605	▲38.9%

Analysis of Results for 3Q cumulative total of FY2023

- **Net Sales** : In Global Telecommunications business, while revenue was recorded in 1Q and 2Q of FY2022 due to the receipt of large IRU contracts, there was no revenue recognition in the same period of this year, and PDSCN did not start recording revenue until 4Q. In addition, the Medical & Healthcare business was affected by price competition. As a result, sales decreased by 5.1% yoy.
- **Operating Profit** : Profit decreased 37.5% yoy due to lower sales in Global Telecommunications and Medical & Healthcare businesses.
- **Ordinary Profit and Profit attributable to owners of parent** : Decreased by 32.6% and 38.9%, respectively, due to lower operating income. Both profit indicators were negative for the period, mainly due to a decrease in FX gains resulting from 141.82 yen/USD at the end of December 2023 (from 149.58 yen at the end of September).

Operating Results by Business Segment



■ Global Telecommunications

(JPY : Million)

	2023/3 3Q cumulative	2024/3 3Q cumulative	YoY
Net Sales	4,349	3,950	▲398 (▲9.2%)
Operating Profit	1,260	659	▲600 (▲47.7%)
OP Margin (%)	29.0%	16.7%	—

In 1Q and 2Q of FY2022, revenues from the receipt of large IRU contracts for C2C lines were recorded, and no revenues from similar large IRU contracts were recorded in the same period of the current year as planned. Therefore, despite an increase in the number of billing customers for the ISP service, both sales and profits declined.

■ Domestic Telecommunications

(JPY : Million)

	2023/3 3Q cumulative	2024/3 3Q cumulative	YoY
Net Sales	3,177	3,192	+15 (+0.5%)
Operating Profit	624	663	+38 (+6.1%)
OP Margin (%)	19.7%	20.8%	—

Services for call center operators combining “AmeyoJ” and second billing services remained strong, and in addition, construction of telecommunications equipment and system development in response to the shift to IP of telephone networks (PSTN migration) contributed to earnings. As a result, posted revenues at the same level as in the same period of the previous year, covering the decline in revenues from call centers related to COVID-19.

Operating Results by Business Segment



■ Medical & Healthcare

(JPY : Million)

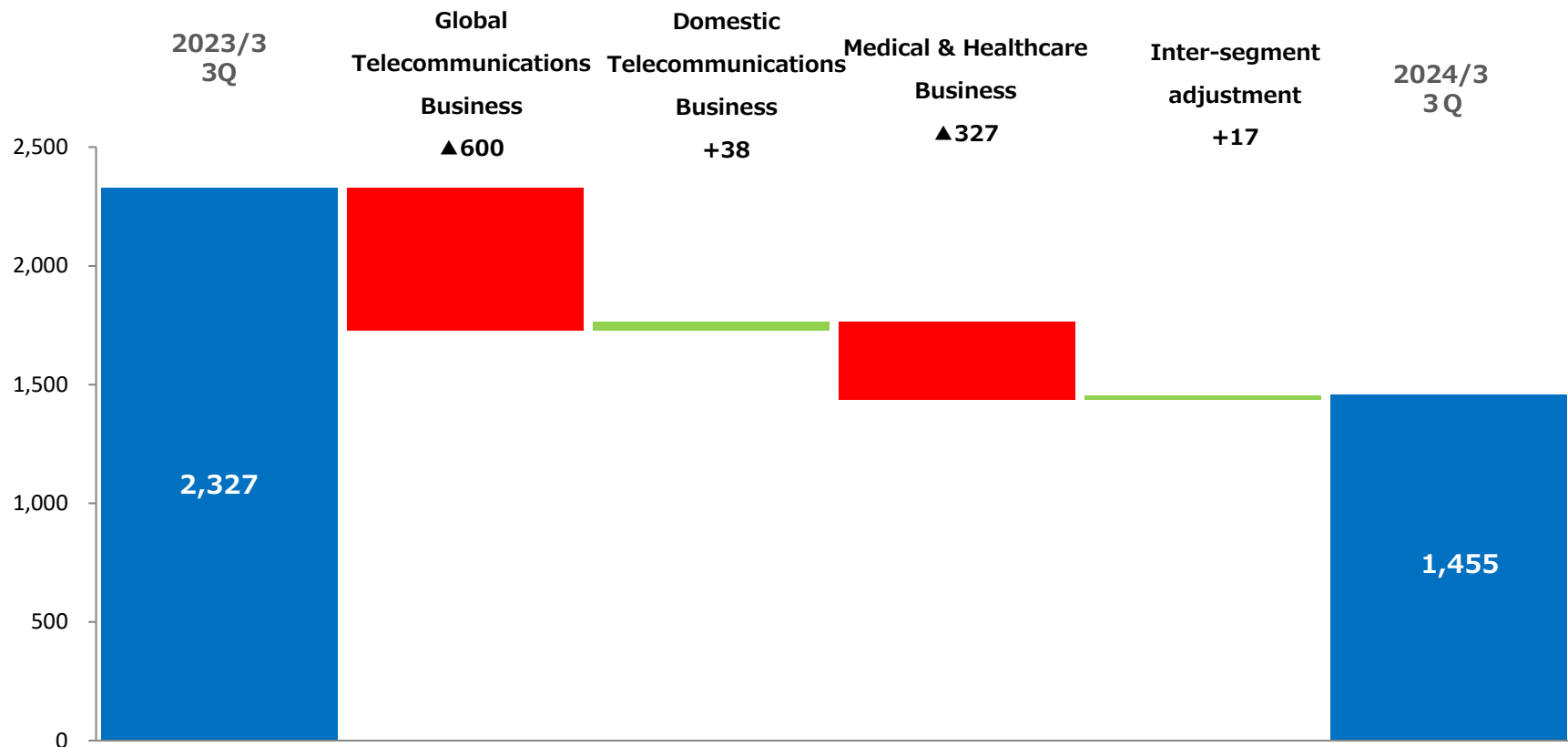
	2023/3 3Q cumulative	2024/3 3Q cumulative	YoY
Net Sales	1,270	1,207	▲62 (▲4.9%)
Operating Profit	453	126	▲327 (▲72.1%)
OP Margin (%)	35.7%	10.5%	—

The number of LASIK operations declined YoY due to intensified price competition. In addition, we need to raise awareness of preventive medicine in the local market, which has delayed the recording of revenues from physical examinations centers compared to the initial plan. As a result, both sales and profits will decline.

Operating Profit (YoY)



Profit decreased due to the fact that the Global Telecommunications recorded revenue from the receipt of a large IRU contracts in the same period of the previous year. Profit also declined in the Medical & Healthcare business due to a decrease in the number of LASIK operations and an increase in depreciation expenses associated with the launch of the new business.



Consolidated Balance Sheets (Summary)

(JPY: million)

Assets				Liabilities · Net Assets			
	March, 2023	December, 2023	Change		March, 2023	December, 2023	Change
Current assets	14,270	13,980	▲ 290	Current liabilities	12,250	11,547	▲ 703
Cash and deposits	6,881	4,619	▲ 2,261	Accounts payable	1,781	747	▲ 1,034
Accounts receivable	2,631	3,448	816	Short-term borrowings	6,170	6,436	266
Lease receivable	3,203	3,488	285	Others	4,299	4,363	63
Others	1,553	2,424	870	Non-Current liabilities	1,014	3,306	2,292
				Long-term borrowings	760	3,046	2,285
				Others	253	260	6
Non-Current assets	10,839	14,751	3,912	Total liabilities	13,265	14,854	1,588
Tangible assets	8,171	11,939	3,767	Net assets	11,864	13,920	2,056
Intangible assets	1,760	1,823	63	Shareholders' equity	8,905	9,475	570
Investments and others	907	988	81	Accumulated other comprehensive income	449	1,699	1,249
Deferred Assets	19	42	23	Share acquisition rights	263	265	2
				Non-controlling Interests	2,245	2,479	233
Total assets	25,129	28,774	3,645	Total liabilities · Net assets	25,129	28,774	3,645

3 | Forecasts for FY2023 Full year

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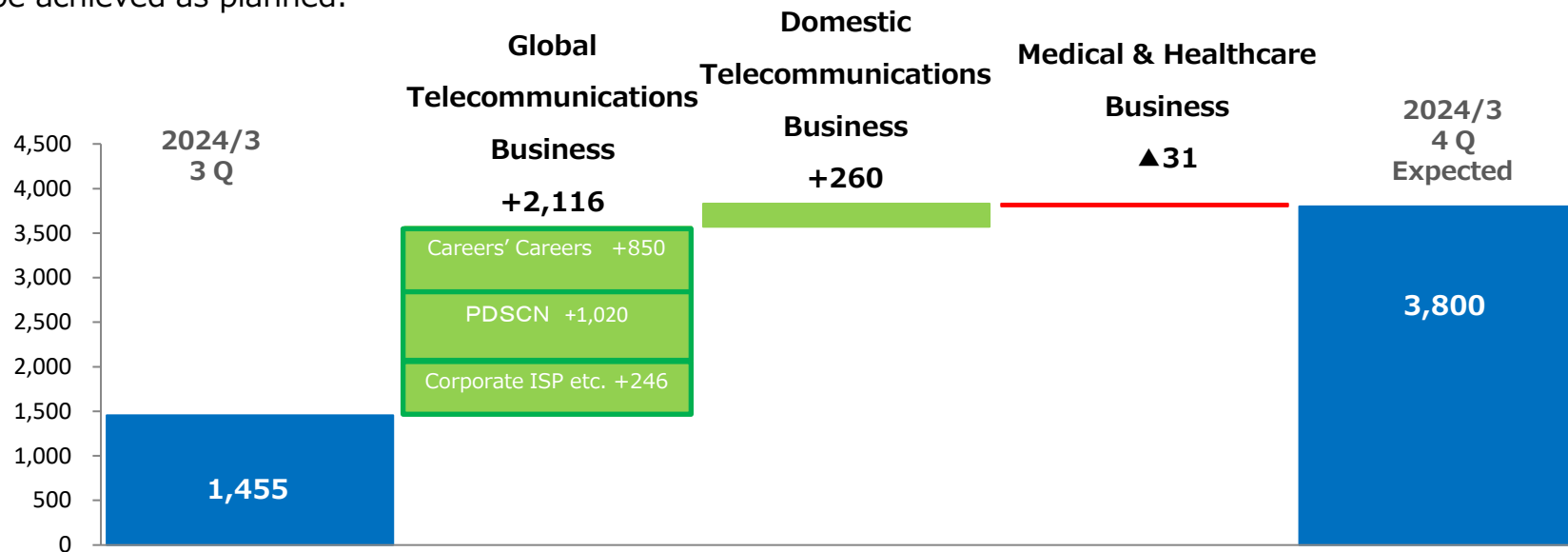
FY2023 Full year forecasts (consolidated)



(JPY : million)

	FY2023 3Q Accumulated	FY2023 4Q Forecasts	FY2023 Full year forecasts	
			Revised	Announcement in May
Net Sales	8,350	5,850	14,200	14,000
Operating Profit	1,455	2,345	3,800	3,800
Ordinary Profit	1,555	1,995	3,550	3,550
Profit attributable to owners of parent	951	1,249	2,200	2,200

With the completion of PDSCN last December, operating income of approximately 1 billion yen was recorded at InfiniVAN, Inc. and will be recorded in 4Q of the consolidated fiscal year. In addition, since revenue from a “Carrier's Carrier” transaction is also expected to be recorded, operating income of 3.8 billion yen is expected to be achieved as planned.



Revised forecasts for FY2023 full year by business segment



(JPY : million)

Business Segment		FY2022 Actual Results	FY2023 Forecasts		
			Announced in Nov	Revised	Inc./Dec.
Net Sales		12,346	14,000	14,200	200
	Global Telecommunications	6,380	8,150	8,500	350
	Domestic Telecommunications	4,275	4,300	4,150	▲ 150
	Medical & Healthcare	1,690	1,550	1,550	0
Operating Profit		3,311	3,800	3,800	0
	Global Telecommunications	1,865	2,760	2,782	22
	Domestic Telecommunications	919	920	923	3
	Medical & Healthcare	536	120	95	▲ 25
	Inter-segment adjustment	▲ 11	—	—	—
OP Margin		26.8%	27.1%	26.8%	—
	Global Telecommunications	29.2%	33.9%	32.7%	—
	Domestic Telecommunications	21.5%	21.4%	22.2%	—
	Medical & Healthcare	31.8%	7.7%	6.1%	—

(Note) 1. The figures for the previous fiscal year's segments have been restated under the new segments.

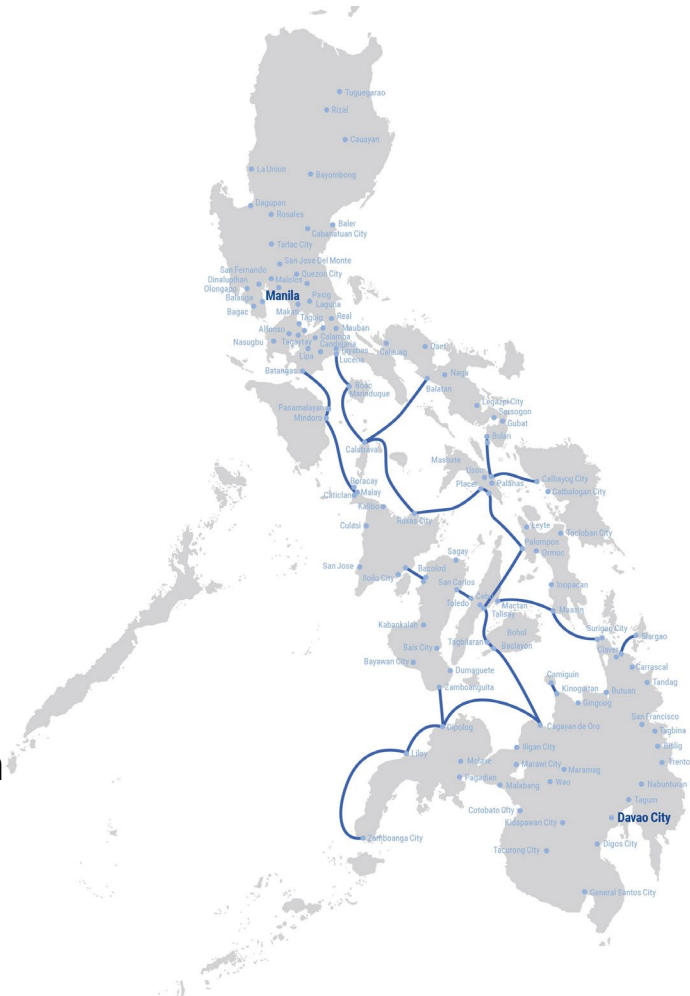
2. Inter-segment adjustment eliminations of 5 million yen recorded in the third quarter of the fiscal year ending March 2024 are included in Global Telecommunications business in the forecast for the fiscal year ending March 2024.

4 Topics (From 3Q onward)



In December 2023, Philippine Domestic Submarine Cable Network (PDSCN) was completed and started serving customers.

- In July 2022, our subsidiary InfiniVAN, Inc. started construction in collaboration with Philippine telecommunications carriers Globe Telecom, Inc. and Eastern Telecommunications Philippines, Inc. and the construction was completed in December 2023.
- The lines run through the Philippines, connecting Luzon, Visayas, and Mindanao, with 24 sections, a cable length of approximately 2,500 km, and a population coverage rate of 96%.
- With the construction of PDSCN, we will expand our business activity area in the Philippines with the aim to increase business with not only Philippine telecommunications and CATV operators, but also OTT operators and others.

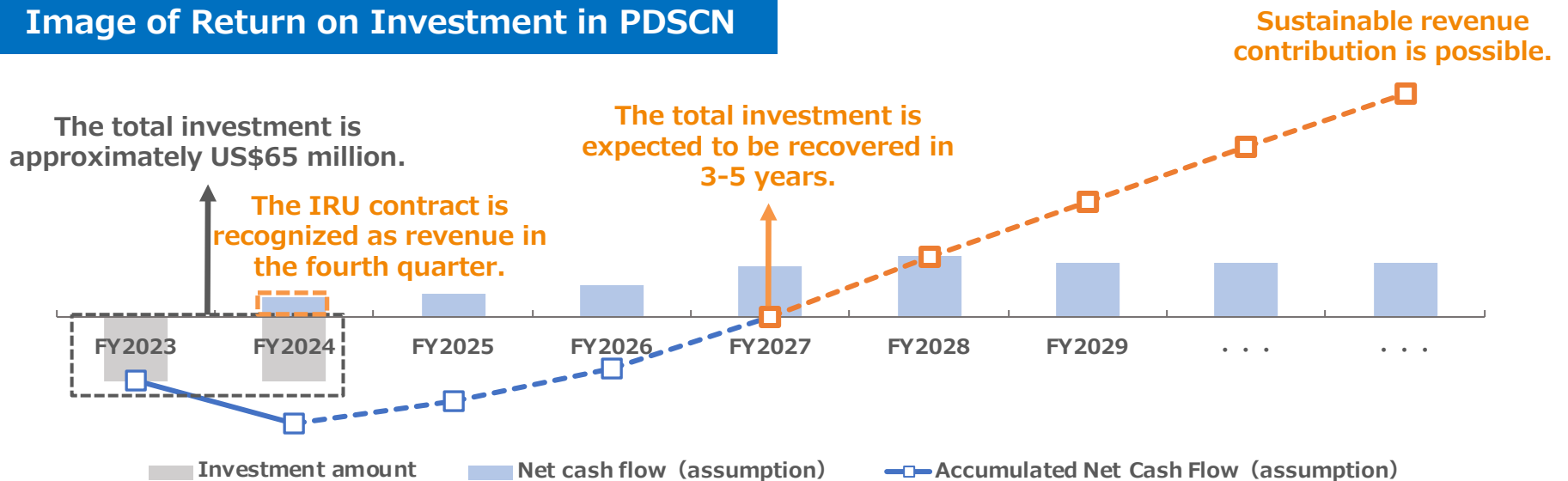


(Reference) Revenue recognition on PDSCN



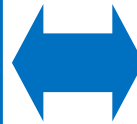
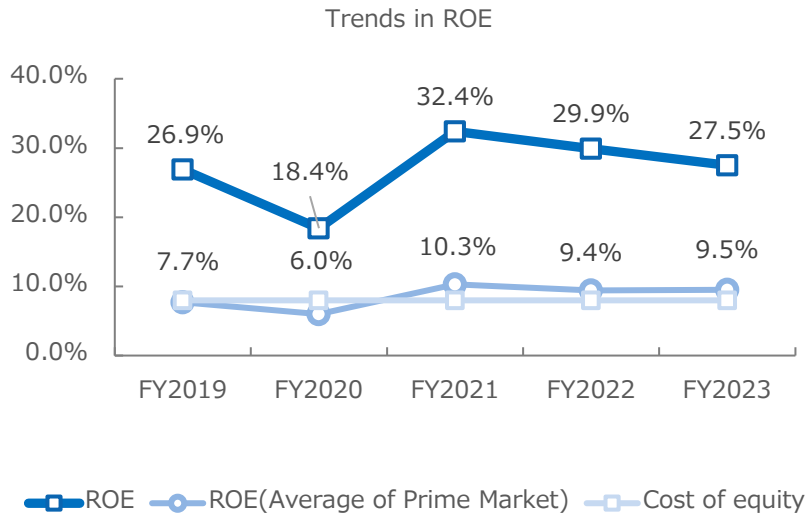
- PDSCN was completed last December and the consideration already paid under the IRU contract is recognized as revenue in the fourth quarter.
 - As with other IRU contracts, revenue is recognized on a cash basis.
 - Under the IRU contracts currently in place, the consideration for the 25-year usage right is to be paid in installments over 3-4 years.
 - Separately O&M Fee (4-4.75% of the IRU consideration) over the term of use.
- The total investment is approximately US\$65 million, which is expected to be recovered in 3-5 years.

Image of Return on Investment in PDSCN



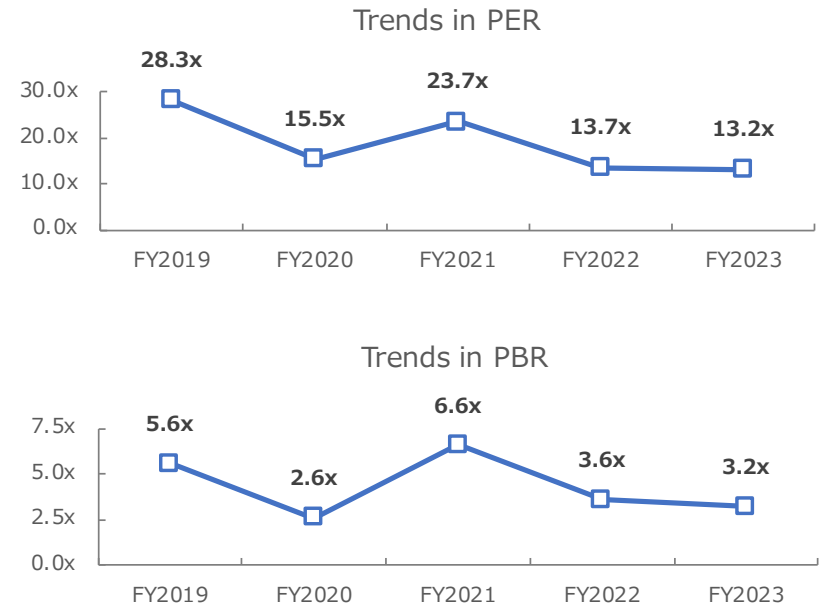
Cost of Capital and Return on Capital

Steady performance growth and high return on capital since the IPO in 2018
 ROE generally maintained above 20%, averaging about 27% over the past five years (cost of equity estimated at about 8%)



Valuation from the Stock Market

Stock price indexes have been declining, and we do not believe IPS has earned a reputation as a growth company.



Although we have achieved return on capital in excess of our cost of capital, investors may not fully understand our sustainable growth potential.
 ⇒Continue to maintain the current level of return on capital and engage in active dialogue with shareholders and investors

Maintain high return on capital

● Maintaining a 20% ROE level

- ✓ Consistently exceeds 8%, which is generally considered to be the minimum level of ROE required by investors, and will continue to maintain a high level
- ✓ Average ROE of approximately 27% over the past 5 years
- ✓ Disciplined investment decisions based on a short payback period
 - Past investments have paid off according to the plan in place at the time of investment



Increased stakeholder engagement

● Preparation and disclosure of mid-term business plan

- ✓ Plan to disclose at the announcement of FY23 financial results

● Create opportunities for active dialogue with investors

- ✓ Assigned dedicated personnel to strengthen IR activities
- ✓ Increase in the number of IR meetings held
- ✓ Report IR activities internally as appropriate and reflect them in management policies and business operations

● Continuous shareholder returns

- ✓ Maintain a dividend payout ratio of 20% as a minimum level, aiming for a higher dividend payout ratio in the future.

Aiming to increase corporate value over the medium to long term by further enhancing IR activities and implementing continuous shareholder returns while maintaining high return on capital

Company Name

IPS, Inc.

Establishment

October, 1991

Address

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

Businesses

Global Telecommunications : Providing international lines to CATV operators and Telecommunication carriers, Providing corporate ISPs in the Philippines

Domestic Telecommunications : Providing telecommunication services in Japan

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

Group companies

Major consolidated subsidiaries

IPS Pro Co., Ltd.

KEYSQUARE INC.

InfiniVAN, Inc.

ISMO Pte. Ltd.

Shinagawa Lasik & Aesthetics Center Corporation

Shinagawa Healthcare Solutions Corporation



- 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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