

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## Consolidated Financial Results for the Nine Months Ended December 31, 2023 (Under Japanese GAAP)



February 9, 2024

Company name: IPS, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4390  
 URL: <https://ipsism.co.jp>  
 Representative: President / CEO Koji Miyashita  
 Director and General Manager  
 Inquiries: Corporate Planning Unit Masamitsu Kawabuchi  
 Telephone: +81-3-3549-7621  
 Scheduled date to file quarterly securities report: February 9, 2024  
 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on financial results: Yes  
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2023	8,350	(5.1)	1,455	(37.5)	1,555	(32.6)	951	(38.9)
December 31, 2022	8,796	36.9	2,327	63.4	2,307	55.9	1,556	63.1

(Note) Comprehensive income: For the nine months ended December 31, 2023: ¥2,483 million [(6.2%)]  
 For the nine months ended December 31, 2022: ¥2,648 million [109.5%]

	Profit per share		Diluted Profit per share	
	Yen		Yen	
Nine months ended				
December 31, 2023	76.04		72.40	
December 31, 2022	125.34		119.16	

#### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of						
December 31, 2023	28,774		13,920		38.8	
March 31, 2023	25,129		11,864		37.2	

(Reference) Equity: As of December 31, 2023: ¥11,175 million  
 As of March 31, 2023: ¥9,354 million

### 2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen				
Fiscal year ended March 31, 2023	-	17.50	-	17.50	35.00
Fiscal year ending March 31, 2024	-	17.50	-		
Fiscal year ending March 31, 2024 (Forecast)				17.50	35.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

### 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentage figures show year-on-year increase or decrease.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending									
March 31, 2024	14,200	15.0	3,800	14.8	3,550	2.5	2,200	(4.1)	176.84

(Note) Revisions to the consolidated earnings forecasts most recently announced: Yes

**\* Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, refer to the attachment P.9 “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Application of special accounting for preparing quarterly consolidated financial statements)”.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other than 1): None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023:	12,857,200 shares
As of March 31, 2023:	12,440,800 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023:	395 shares
As of March 31, 2023:	395 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023:	12,512,128 shares
Nine months ended December 31, 2022:	12,422,455 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts and other special matters

(Notes on description about the future, etc.)

Descriptions about the future such as earnings outlook, which are included in these materials, are based on the information currently available to the Company and on certain conditions that the Company deems reasonable, and it does not mean that the Company promises to realize them. Also, there is a possibility that the actual earnings, etc., may differ significantly due to various factors. For matters related to earnings forecasts, refer to Attachment P.4 “1. Qualitative Information on Financial Results for the Quarter (3)Explanation of forward-looking information such as consolidated earnings forecasts”.

○ Table of Contents of Attachments

1. Qualitative Information on Financial Results for the Quarter.....	2
(1) Explanation of operating results .....	2
(2) Explanation of financial position .....	3
(3) Explanation of forward-looking information such as consolidated earnings forecasts .....	4
2. Quarterly Consolidated Financial Statements and Key Notes .....	5
(1) Quarterly consolidated balance sheet.....	5
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income .....	7
(3) Notes to quarterly consolidated financial statements .....	9
(Notes to assumptions for ongoing concerns).....	9
(Note when there is a significant change in the amount of shareholders' equity) .....	9
(Application of special accounting for preparing quarterly consolidated financial statements).....	9
(Segment information, etc.).....	10
(Revenue recognition) .....	11

## 1. Qualitative Information on Financial Results for the Quarter

### (1) Explanation of operating results

The Group is engaged in various businesses in order to create business opportunities, develop businesses, change the industrial structure, and realize the ideal society ahead of anyone else in areas closely related to daily life, beyond barriers that no one has been able to overcome, under the corporate philosophy of "Open Door". In particular, we are expanding our business in the Philippines to contribute to the development of the Philippine economy by providing a telecommunications environment that utilizes new IT technologies.

During the nine months ended December 31, 2023, in the context of tightening monetary policies for inflation control, particularly in the Western countries, uncertainties persist in the economic outlook due to factors such as the prolonged Ukraine invasion by Russia and conflicts in the Palestine-Gaza region. In Japan, the prolonged depreciation of the yen in the foreign exchange market and the impact of rising commodity and energy prices persist. However, despite being affected, the reclassification of the novel coronavirus infection to the same category as seasonal influenza, coupled with the progress in the normalization of social and economic activities, has contributed to a gradual recovery trend in the economy. In one of our major markets, the Philippines, high policy interest rates persist due to the prolonged impact of rising commodity prices and the tightening of the United States' monetary policy. However, with the recovery in government spending, the GDP growth rate for this quarter has rebounded to 5.9%, up from 4.3% in the last quarter. The cumulative GDP growth rate for the nine months in 2023 stands at 5.5%. The changes in society, such as the emergence of new working styles like remote work triggered by the COVID-19 pandemic, continue. The importance of communication through communication lines has further increased as a result. The development and expansion of telecommunication lines as a life infrastructure that supports society is an urgent need in Japan, the Philippines, and around the world, and we will continue to aggressively expand our business.

Our group has acquired an international telecommunications network ("international telecommunications network") consisting of a portion of the rights to use the submarine cable connecting the Philippines with Singapore and Hong Kong (City-to-City Cable System, "C2C lines") and landlines in various countries. We have established a position as a carrier's carrier ("wholesaler for telecommunications carriers"). To meet the growing demand for communication and expand the domestic backbone infrastructure in the Philippines, the construction of the Philippine Domestic Submarine Cable Network (PDSCN) was completed in December 2023, and we are under progress of the installation of onshore cables in the Philippines. These initiatives reflect our commitment to further expanding our business operations.

In Japan, the provision of services optimized for each customer in terms of software, communication lines, and consultation is expanding, especially for call center operators, which are experiencing increasing demand for communication traffic.

In the Medical and Healthcare Business, Shinagawa Healthcare Solutions Corporation, established in June 2022, opened the "Shinagawa Diagnostic & Preventive Care Center," a physical examination and checkup center in April 2023, and we are working towards the widespread adoption of our services through these initiatives.

As a result of the above, net sales for the nine months ended December 31, 2023, were ¥8,350 million (down 5.1% year-on-year) and operating income was ¥1,455 million (down 37.5% year-on-year). Ordinary income was ¥1,555 million (down 32.6% year-on-year) and net income attributable to owners of the parent was ¥951 million (down 38.9% year-on-year).

The financial results by segment are as follows:

Effective from the first quarter of the fiscal year ending March 31, 2024, the "Global Telecommunications Business," "Philippines Telecommunications Business," "Domestic Telecommunications Business," "Medical and Healthcare Business," and "Others" segments, which are more closely linked than ever before, have been integrated into the "Global Telecommunications Business" and "Philippines Telecommunications Business" segments, and the "Others" segment, in which business progress is managed by the same division, has been changed to the "Global Telecommunications Business" segment. The following comparisons with the same period of the previous fiscal year are based on the figures for the same period of the previous fiscal year, which have been reclassified into the segment classifications after the change.

(Global Telecommunications Business)

In the Global Telecommunications Business during the nine months ended December 31, 2023, the Group continued to strengthen sales of C2C lines, an international telecommunications network for which the Group holds usage rights, to expand stock-type business. In addition, the Group continued to strengthen sales of Internet access services for corporate customers in Metro Manila, the main earnings driver for InfiniVAN, Inc. and the number of customers increased by 114 to 962 as of September 30, 2023, compared to June 30, 2023. However, despite the recording of sales of telecommunications equipment and other items, sales and profits declined, as sales from the receipt of a large-lot C2C line IRU provision project were recorded in the same period of the

previous year.

As a result, net sales amounted to ¥3,950 million (down 9.2% year on year), and segment income was ¥659 million (down 47.7% year on year).

(Note) IRU stands for Indefeasible Right of Use and refers to a long-term stable communication line usage right that cannot be cancelled or terminated without agreement between the parties. The Company has concluded mainly a 15-year IRU contract to purchase and sell the right to use international communication lines.

(Domestic Telecommunications Business)

In the Domestic Telecommunications Business during the nine months ended December 31, 2023, we purchased a large amount of incoming call billing services (toll-free numbers) provided by major telecommunications carriers for the call center system "AmeyoJ" developed by Drishti-soft Solutions Pvt. Ltd. of India, which has sales agency rights in Japan. In our solutions for call centers, which combine a second-to-second billing service that is sold to call center operators, we have strengthened the development of new customers, built communication equipment that supports IP conversion (PSTN migration) of the telephone network, and although there was a significant decrease in traffic related to coronavirus infections recorded in the previous fiscal year, As a result of system development and service provision, it has resulted in increased revenue and profit.

As a result, net sales amounted to ¥3,192 million (up 0.5% year-on-year) and segment income amounted to ¥663 million (up 6.1% year-on-year).

(Medical & Healthcare Business)

In the Medical & Healthcare Business during the nine months ended December 31, 2023, SLACC was partially impacted by intensified competition and cost increases due to rising prices in LASIK, which is the mainstay of the business.

In addition, Shinagawa Healthcare Solutions Corporation, opened the Shinagawa Diagnostic & Preventive Care Center in April 2023, a high-quality physical checkup and health screening center that introduces diagnostic imaging and other technologies in which Japan excels. In the Philippines, there is a low awareness of preventive healthcare, and there is a need to permeate its importance among the people in the Philippines. Additionally, the company experienced an increase in depreciation expenses due to upfront investments in facilities such as CT scans and MRI for the operation of health checkups.

As a result, net sales were ¥1,207 million (down 4.9% year-on-year) and segment income was ¥126 million (down 72.1% year-on-year).

## (2) Explanation of financial position

(Status of Assets)

Current assets at the end of the third quarter of the consolidated fiscal year ending March 31, 2024, were ¥13,980 million, a decrease of ¥290 million from the end of the previous consolidated fiscal year. This was mainly due to decrease of ¥2,261 million in cash and deposits, while accounts receivable – trade increased by ¥816 million, lease receivable increased by ¥285 million, and other current assets increased by ¥908 million. Non-current assets were ¥14,751 million, an increase of ¥3,912 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥3,767 million in property, plant and equipment for capital investment.

As a result, total assets were ¥28,774 million, an increase of ¥3,645 million from the end of the previous consolidated fiscal year.

(Status of Liabilities)

Current liabilities at the end of the third quarter of the consolidated fiscal year ending March 31, 2024, were ¥11,547 million, a decrease of ¥703 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥1,034 million in accounts payable - trade. Non-current liabilities were ¥3,306 million, an increase of ¥2,292 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥2,285 million in long-term borrowings.

As a result, total liabilities were ¥14,854 million, an increase of ¥1,588 million from the end of the previous consolidated fiscal year.

(Status of net assets)

Net assets including non-controlling interests at the end of the third quarter of the consolidated fiscal year ending March 31, 2024, were ¥13,920 million, an increase of ¥2,056 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥1,249 million in foreign currency translation adjustment and recording of ¥951 million in profit attributable to owners of parent.

As a result, the equity ratio became 38.8% (37.2% at the end of the previous consolidated fiscal year).

(3) Explanation of forward-looking information such as consolidated earnings forecasts

Although there were some differences in business progress among segments and recognition of revenue from the completion of the PDSCN project delayed to the fourth quarter, the overall performance of the Group in the current fiscal year is generally in line with plans. In the fourth quarter, InfiniVAN, Inc., a consolidated subsidiary, has already recorded approximately ¥1 billion in operating profit from the PDSCN that completed in December last year. This profit will be recorded in the fourth quarter. Additionally, as transactions such as the Carriers' carrier deal are expected to be recorded, we have adjusted the forecast of net sales for the current fiscal year. However, we anticipate achieving operating profit as planned. Furthermore, during the cumulative period of the third quarter, a non-operating revenue of ¥244 million was generated due to exchange rate gains. Although the yen has depreciated since December of last year, predicting future exchange rate trends is difficult. Therefore, we have not made any changes regarding the forecast of ordinary profit. etc.

Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)  
(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previously announced forecast	14,000	3,800	3,550	2,200
Newly announced forecast	14,200	3,800	3,550	2,200
Changes	200	-	-	-
Changes (%)	1.4%	-	-	-
(Reference) Results for the fiscal year ended March 31, 2023	12,346	3,311	3,464	2,292

The above forecasts are based on information available as of the date of publication of this document, and actual results may differ from these forecasts due to various factors.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,881	4,619
Accounts receivable - trade	2,631	3,448
Lease receivable	3,203	3,488
Merchandise	35	80
Supplies	144	209
Other	1,619	2,528
Allowance for doubtful accounts	(245)	(394)
Total current assets	14,270	13,980
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles	3,016	3,932
Accumulated depreciation	(1,623)	(1,928)
Machinery, equipment and vehicles, net	1,393	2,004
Construction in progress	6,403	9,129
Land	78	86
Other, net	297	719
Total property, plant and equipment	8,171	11,939
Intangible assets		
The right to use communication lines	1,654	1,650
Goodwill	47	43
Other	58	129
Total intangible assets	1,760	1,823
Investments and other assets		
Investments in associates	—	11
Long-term prepaid expenses	256	186
Deferred tax assets	231	313
Other	423	484
Allowance for doubtful accounts	(4)	(7)
Total investments and other assets	907	988
Total non-current assets	10,839	14,751
Deferred assets	19	42
Total assets	25,129	28,774

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,781	747
Short-term borrowings	5,726	5,349
Current portion of long-term borrowings	443	1,087
Lease obligations	0	0
Accounts payable	147	97
Income taxes payable	881	220
Deferred payment profit	2,190	2,268
Provision for bonuses	39	24
Other	1,040	1,752
Total current liabilities	12,250	11,547
Non-current liabilities		
Long-term borrowings	760	3,046
Retirement benefit liability	65	69
Provision for retirement benefits for directors (and other officers)	143	-
Asset retirement obligations	17	17
Other	27	173
Total non-current liabilities	1,014	3,306
Total liabilities	13,265	14,854
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,109	1,136
Capital surplus	1,004	1,032
Retained earnings	6,791	7,307
Treasury shares	(0)	(0)
Total shareholders' equity	8,905	9,475
Accumulated other comprehensive income		
Foreign currency translation adjustment	448	1,698
Re-measurements of defined benefit plans	1	1
Total accumulated other comprehensive income	449	1,699
Share acquisition rights	263	265
Non-controlling interests	2,245	2,479
Total net assets	11,864	13,920
Total liabilities and net assets	25,129	28,774



## (2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

## Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	8,796	8,350
Cost of sales	4,805	4,709
Gross profit	3,991	3,641
Selling, general and administrative expenses	1,664	2,186
Operating profit	2,327	1,455
Non-operating income		
Interest and dividend income	50	50
Foreign exchange gains	-	244
Other	3	94
Total non-operating income	53	389
Non-operating expenses		
Interest expenses	37	274
Foreign exchange losses	4	-
Other	31	14
Total non-operating expenses	74	289
Ordinary profit	2,307	1,555
Extraordinary income		
Gain on reversal of share acquisition rights	1	0
Total extraordinary income	1	0
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Total extraordinary losses	4	0
Profit before income taxes	2,304	1,556
Income taxes	628	582
Profit	1,675	973
Profit attributable to non-controlling interests	118	22
Profit attributable to owners of parent	1,556	951

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	1,675	973
Other comprehensive income		
Foreign currency translation adjustment	970	1,509
Re-measurements of defined benefit plans, net of tax	1	0
Total other comprehensive income	972	1,509
Comprehensive income	2,648	2,483
Comprehensive income attributable to		
Owners of parent	2,326	2,201
Non-controlling interests	321	281

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for ongoing concerns)

Not applicable.

(Note when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Application of special accounting for preparing quarterly consolidated financial statements)

(Calculation of taxes)

Income tax expenses are calculated by multiplying net income before income taxes by an estimated effective tax rate, which is a reasonable estimate of the effective tax rate after applying tax effect accounting to net income before income taxes for the fiscal year that includes this third quarter.

However, if the use of this estimated effective tax rate produces significantly unreasonable results, income tax expenses are calculated by using the statutory effective tax rate.

(Segment information, etc.)

[Segment information]

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on the amount of money of net sales, and profit or loss for each reportable segment and revenue breakdown information

(Millions of yen)

	Reportable segment			Total	Adjustment amount	Quarterly Consolidated Financial statements Recorded amount (Note 1)
	Global Telecommunications Business	Domestic Telecommunications Business	Medical & Healthcare Business			
Net sales						
Revenue from contracts with customers	2,645	3,177	1,270	7,092	-	7,092
Other revenue (Note 2)	1,704	-	-	1,704	-	1,704
Net sales to external customers	4,349	3,177	1,270	8,796	-	8,796
Internal net sales or transfer amount between segments	38	-	-	38	(38)	-
Total	4,387	3,177	1,270	8,835	(38)	8,796
Segment profit	1,260	624	453	2,339	(12)	2,327

(Notes) 1. The segment profit or loss is consistent with the operating profit in the quarterly consolidated financial statements.

2. Other revenue is lease revenue based on Corporate Accounting Standards No.13 “Accounting Standards for Lease Transaction”.

3. The minus ¥12 million adjustment to segment profit (loss) is eliminations for inter-segment transactions.

2. Information on impairment losses or goodwill, etc. of non-current assets for each reported segment

[Information on impairment losses of non-current assets for each reportable segment]

Not applicable.

[Information on the amortized amount and unamortized balance of goodwill for each reportable segment]

The amount of amortization of goodwill and the total amount of undepreciated balance are not significant, so they are omitted.

Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on the amount of money of net sales, and profit or loss for each reportable segment and revenue breakdown information

(Millions of yen)

	Reportable segment			Total	Adjustment amount	Quarterly Consolidated Financial statements Recorded amount (Note 1)
	Global Telecommunications Business	Domestic Telecommunications Business	Medical & Healthcare Business			
Net sales						
Revenue from contracts with customers	3,108	2,956	1,207	7,272	-	7,272
Other revenue (Note 2)	842	236	-	1,078	-	1,078
Net sales to external customers	3,950	3,192	1,207	8,350	-	8,350
Internal net sales or transfer amount between segments	22	1	0	24	(24)	-
Total	3,973	3,194	1,207	8,374	(24)	8,350
Segment profit	659	663	126	1,449	5	1,455

(Notes) 1. The segment profit or loss is consistent with the operating profit in the quarterly consolidated financial statements.

2. Other revenue is lease revenue based on Corporate Accounting Standards No.13 "Accounting Standards for Lease Transaction".

3. The plus ¥5 million adjustment to segment profit (loss) is eliminations for inter-segment transactions.

2. Matters related to changes in reportable segments

(Change of name of reportable segment)

The "Global Telecommunications Business," "Philippines Telecommunications Business," "Domestic Telecommunications Business," "Medical & Healthcare Business," and "Others" were renamed "Global Telecommunications Business," "Domestic Telecommunications Business," and "Medical & Healthcare Business," effective from the first quarter of the current fiscal year. Segment information for the first quarter of the previous fiscal year is also disclosed based on the segment classification after the change.

3. Information on impairment losses or goodwill, etc. of non-current assets for each reported segment

[Information on impairment losses of non-current assets for each reportable segment]

Not applicable.

[Information on the amortized amount and unamortized balance of goodwill for each reportable segment]

The amount of amortization of goodwill and the total amount of undepreciated balance are not significant, so they are omitted.

(Revenue recognition)

Information breaking down revenue from contracts with customers is as presented in P.10 "2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Segment information, etc.)" .