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Supplemental Materials on Results for FY2023

May 10, 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

Until the previous period, there were five reportable segments: "Global Telecommunications Business," "Philippines Telecommunications Business," "Domestic Telecommunications Business," "Medical & Healthcare Business," and "Others."

From the fiscal year ending March 31, 2024, the Global Telecommunications Business and the Philippines Telecommunications Business has been integrated into Global Telecommunications Business, as the cooperation between the 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 Philippine Domestic Submarine Cable Network (PDSCN). At the same time, since the Telecommunications Business Division, which oversees the Global Telecommunications Business and Philippines Telecommunications Business, is responsible for managing the progress of the "other" business, it has been integrated into Global Telecommunications Business.

(Previous segment)	(New segment)	Consolidated subsidiaries
Global Telecommunications Business	Global Telecommunications Business	<ul style="list-style-type: none"> • InfiniVAN, Inc. • ISMO Pte. Ltd. • KEYSQUARE, INC. • Carrier Domain, Inc.
Philippines Telecommunications Business		
Others		
Domestic Telecommunications Business	Domestic Telecommunications Business	<ul style="list-style-type: none"> • IPS Pro, Inc.
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 FY2023

Net Sales: ¥14,117mil Operating Profit: ¥ 3,894mil

Business Overview

In the Global Telecommunications Business, Philippine Domestic Submarine Cable Network (PDSCN) was completed, and revenues from the provision of PDSCN and related services were recorded in the fourth quarter, resulting in a significant increase in both sales and profit.

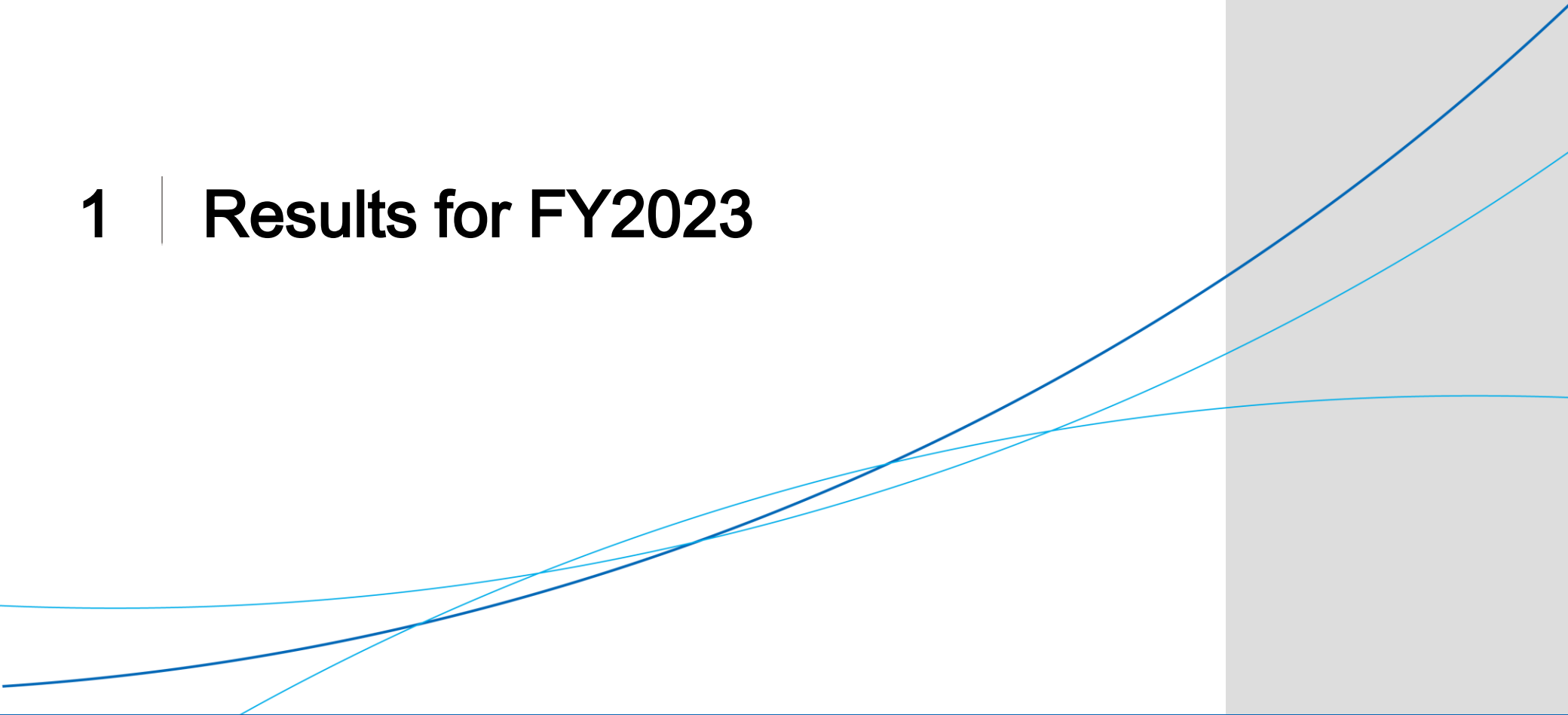
In the Domestic Telecommunications Business, a decrease in new coronavirus infection vaccine-related traffic recorded in the previous fiscal year was offset by the provision of services corresponding to the shift to IP (PSTN migration) of the telephone network.

In the Medical & Healthcare business, both sales and income declined due to a decrease in the number of LASIK cases and prior investments for entering the field of preventive medicine.

Forecasts for FY2024

Net Sales: ¥16,500mil Operating Profit: ¥ 4,290mil

1 | Results for FY2023



【Operating Results for FY2023】

(JPY : million)

	Fourth Quarter				Cumulative total for the fiscal year			
	FY2022	FY2023	YoY	%	FY2022	FY2023	YoY	%
Net Sales	3,549	5,767	2,218	62.5%	12,346	14,117	1,771	14.4%
Operating Profit	983	2,439	1,455	148.0%	3,311	3,894	583	17.6%
Ordinary Profit	1,157	2,872	1,714	148.1%	3,464	4,427	962	27.8%
Profit attributable to owners of parent	735	1,884	1,148	156.0%	2,292	2,835	542	23.7%

FY2023 Overview

- **Net Sales** : The Global Telecommunications Business reported an increase in revenue due to the completion of PDSCN and the recording of revenue in the fourth quarter from the provision of PDSCN and related services. On the other hand, the Medical & Healthcare Business posted a revenue decline due to a decrease in the number of LASIK cases. Overall, sales increased 14.4% y-o-y.
- **Operating Profit** : The international telecommunications business posted an increase in profit mainly due to sales of PDSCN, offsetting a decrease in profit due to the burden of prior investments in the Medical & Healthcare business. As a result, profit increased by 17.6% y-o-y.
- **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 FX gain of 730 million yen (210 million yen of FX gain were recorded in the previous year) , which increased by 27.8% and 23.7% respectively compared to the previous term.

Operating Results by Business Segment



■ Global Telecommunications

(JPY : million)

	2023/3	2024/3	YoY
Net Sales	6,380	8,440	+2,059 (+32.3%)
Operating Profit	1,865	2,901	+1,035 (+55.5%)
OP Margin (%)	29.2%	34.4%	-

The completion of PDSCN in December 2023 and the revenue generated from the provision of its lines and related services, as well as the increase in the number of billing customers for the provision of international telecommunications lines and Internet access services for corporate customers, led to a significant increase in revenue and profit in this segment.

■ Domestic Telecommunications

(JPY : million)

	2023/3	2024/3	YoY
Net Sales	4,275	4,116	▲159 (▲3.7%)
Operating Profit	919	925	+5 (+0.6%)
OP Margin (%)	21.5%	22.5%	-

Despite a decrease in revenues related to call centers for coronavirus infections, which were recorded in the previous year, this segment recorded profits similar to the previous year as a result of the development of new services for call centers combining AmeyoJ and second billing services, and the construction of telecommunications equipment to support the shift to IP (PSTN migration) of the telephone network.

Operating Results by Business Segment



■ Medical & Healthcare Business

(JPY : million)

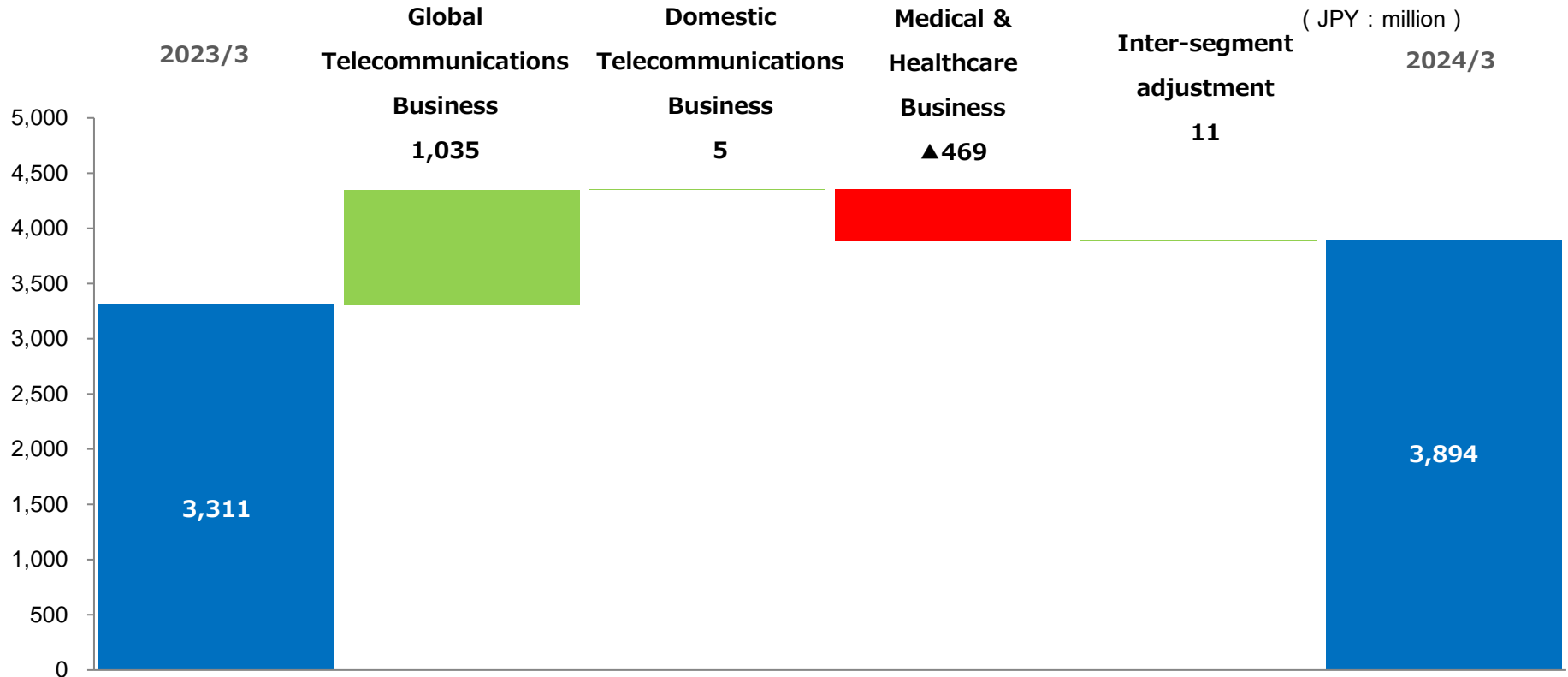
	2023/3	2024/3	YoY
Net Sales	1,690	1,561	▲128 (▲7.6%)
Operating Profit	536	67	▲469 (▲87.5%)
OP Margin (%)	31.8%	4.3%	-

The number of LASIK cases declined from the previous fiscal year due to intensified price competition, and the delayed recognition of revenue from the physical checkup center meant that this business was unable to absorb the burden of upfront investment in the preventive medicine field, resulting in lower sales and profits.

Operating Profit (YoY)

Profit in the Global Telecommunications Business increased significantly due to the sales of PDSCN and the provision of related services.

The Medical & Healthcare Business posted lower income due to a decrease in the number of LASIK cases and an increase in depreciation expenses due to prior investments for the launch of the preventive medicine business.

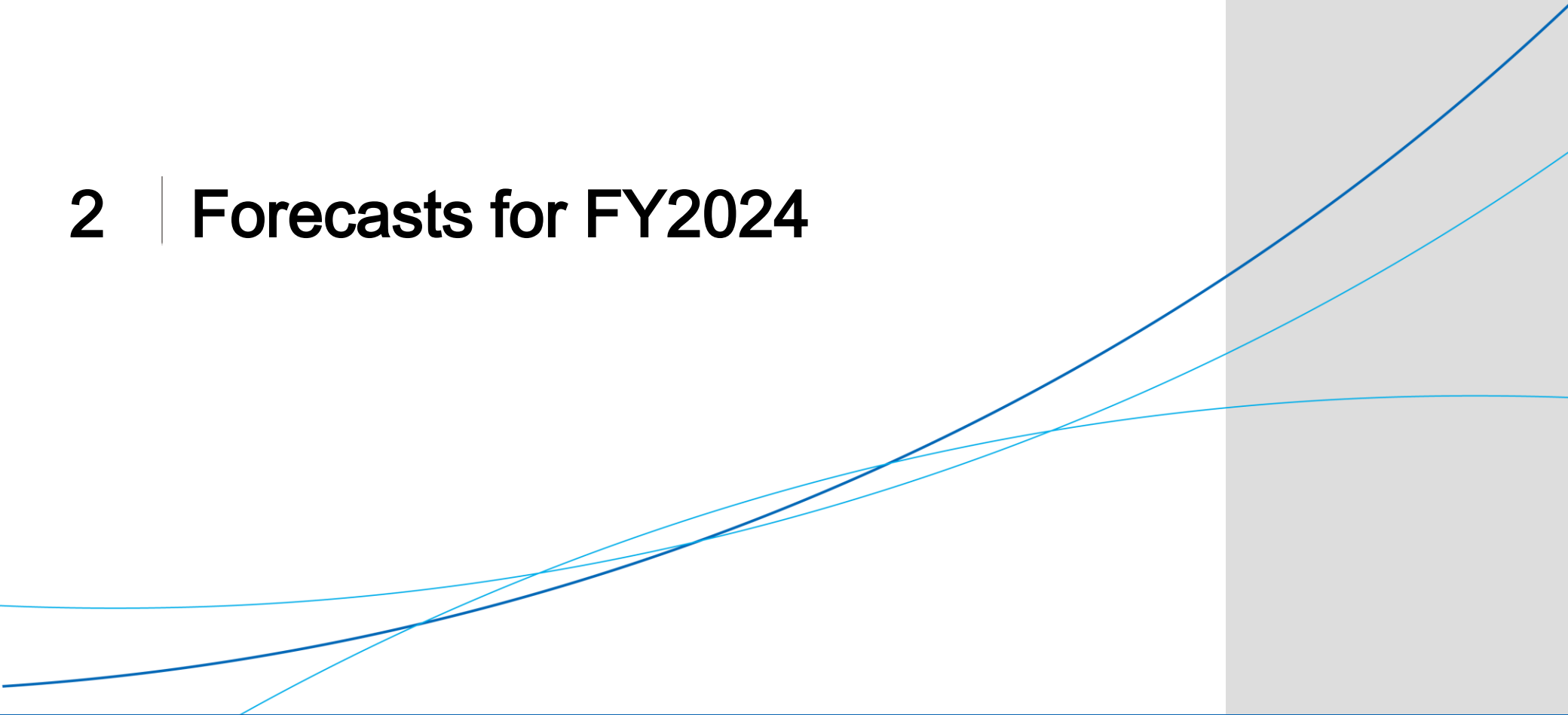


Consolidated Balance Sheets (Summary)

(JPY : million)

Assets				Liabilities · Net Assets			
	March, 2023	March, 2024	Change		March, 2023	March, 2024	Change
Current assets	14,270	17,864	3,594	Current liabilities	12,250	12,532	281
Cash and deposits	6,881	4,234	▲ 2,646	Accounts payable	1,781	670	▲ 1,110
Accounts receivable	2,631	5,532	2,901	Short-term borrowings	6,170	4,587	▲ 1,582
Lease receivable	3,203	5,789	2,586	Deferred payment profit	2,190	4,076	1,885
Others	1,553	2,307	753	Others	2,108	3,197	1,088
Non-Current assets	10,839	15,624	4,785	Non-Current liabilities	1,014	5,814	4,799
Tangible assets	8,171	11,565	3,393	Long-term borrowings	760	5,514	4,753
Intangible assets	1,760	2,865	1,104	Others	253	299	45
Investments and others	907	1,194	287	Total liabilities	13,265	18,346	5,081
Deferred assets	19	40	20	Net assets	11,864	15,183	3,319
				Shareholders' equity	8,905	11,090	2,185
				Accumulated other comprehensive income	449	210	▲ 238
				Share acquisition rights	263	264	0
				Non-controlling Interests	2,245	3,617	1,371
Total assets	25,129	33,529	8,400	Total liabilities · Net assets	25,129	33,529	8,400

2 | Forecasts for FY2024



Forecasts for FY2024



(JPY : million)

	FY2023 Actual results	FY2024 Forecasts			
		1H	2H	FY2024	YoY
Net Sales	14,117	6,500	10,000	16,500	16.9%
Operating Profit	3,894	950	3,340	4,290	10.2%
Ordinary Profit	4,427	750	3,150	3,900	▲11.9%
Profit attributable to owners of parent	2,835	350	2,200	2,550	▲10.1%

Overview

- Net sales and operating profit are expected to be 16.5 billion yen and 4.3 billion yen, respectively. Ordinary profit and Profit attributable to owners of parent are expected to be 3.9 billion yen and 2.6 billion yen, respectively, reflecting interest on borrowings related to the construction of PDSCN.
- The Global Telecommunications Business is expected to post higher revenues and profits due to an increase in the provision of InfiniVAN to local telecommunications carriers as a result of the development of the Philippine domestic backbone network centered on PDSCN, and an increase in the number of corporate Internet access service customers.
- In the Domestic Telecommunications Business, we expect continued expansion of services for call centers.
- In the Medical & Healthcare Business, increase sales and decrease profits are planned. Although a recovery in the number of LASIK cases is expected in SLACC, depreciation expenses are expected in SHSC due to the operation of the physical checkup center.

Forecasts for FY2024 by segment



(JPY : million)

Business Segment		FY2023 Actual Results	FY2024 Forecasts	FY2024	
				YoY	Change
Net Sales		14,117	16,500	2,382	16.9%
	Global Telecommunications	8,440	11,000	2,559	30.3%
	Domestic Telecommunications	4,116	3,880	▲236	▲5.7%
	Medical & Healthcare	1,561	1,620	58	3.7%
Operating Profit		3,894	4,290	395	10.2%
	Global Telecommunications	2,901	3,360	458	15.8%
	Domestic Telecommunications	925	930	4	0.5%
	Medical & Healthcare	67	0	▲67	▲100.0%
	Inter-segment adjustment	0	—	—	—
Profit Margin		27.6%	26.0%	—	—
	Global Telecommunications	34.4%	30.5%	—	—
	Domestic Telecommunications	22.5%	24.0%	—	—
	Medical & Healthcare	4.3%	0.0%	—	—

■ Global Telecommunications Business

With the completion of PDSCN last December and the establishment of the Philippine domestic backbone network, it will be possible to provide services to telecommunications carriers and CATV operators in areas outside Metro Manila and its suburbs. In conjunction with this, PDSCN itself is expected to expand its offerings, as well as the provision of related services of PDSCN.

In addition, we will be able to provide C2C lines to local telecommunications carriers and CATV operators, and have already signed over 40 IRU contracts, which will be opened sequentially this fiscal year and revenues will be recorded.

In the area of Internet access services for corporate customers, we are making progress in the development and procurement of lines in Metro Manila, and expect to acquire a steady stream of customers.

Demand for telecommunications continues to grow due to the strong economy in the Philippines, and expansion of international telecommunications lines can also be expected.

■ Domestic Telecommunications Business

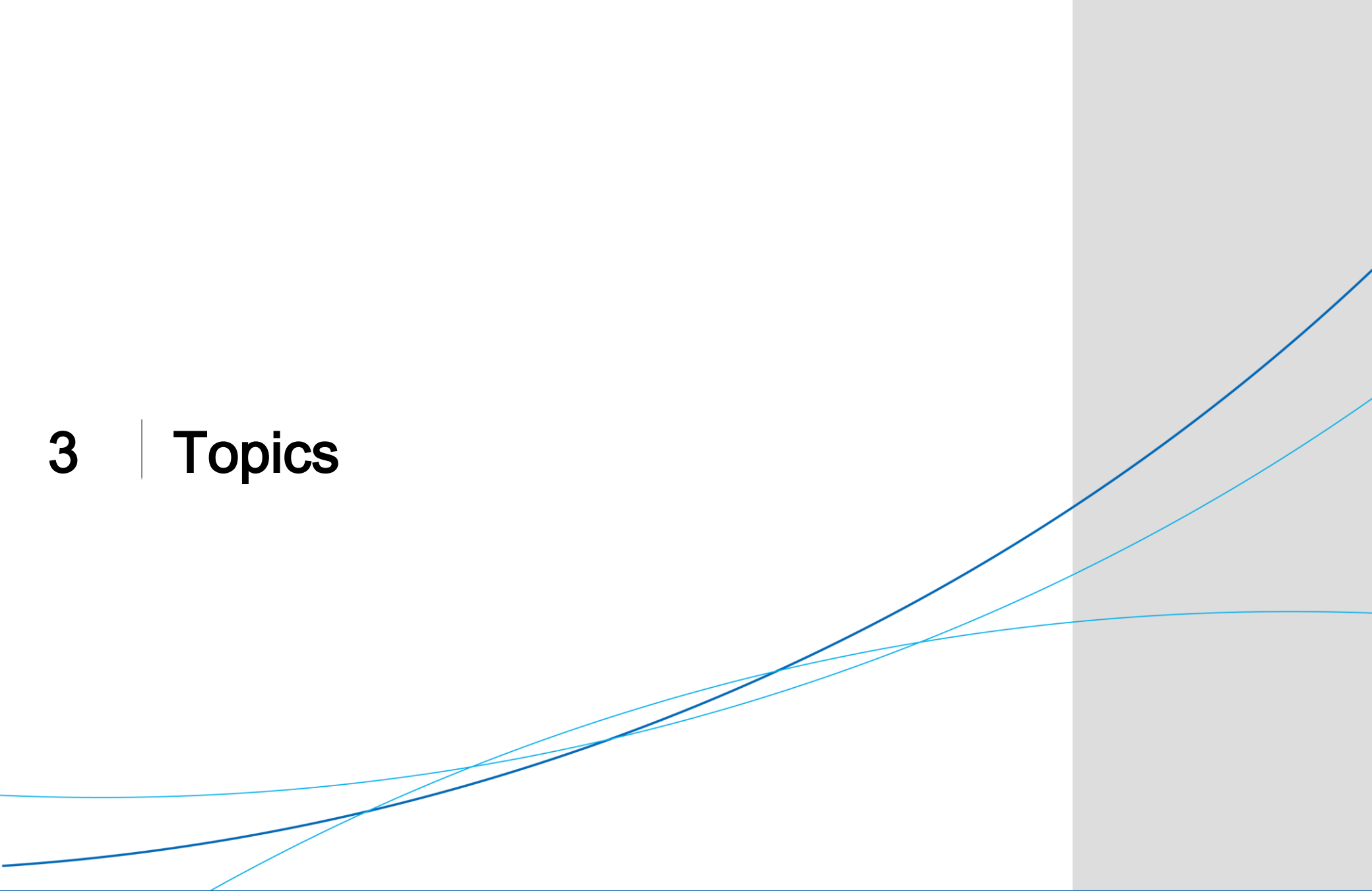
Continued expansion of call center solutions is expected, including construction of telecommunications equipment, system development, and provision of services for the IP migration of the telephone network (PSTN migration), which will be fully implemented in January 2025.

■ Medical & Healthcare Business

In the LASIK business, competition intensified every quarter last year and our earnings deteriorated, but by the end of the year we had improved our pricing and promotions, and we are gradually recovering. In the current fiscal year, the company will pay attention to demand trends, build an optimal system to meet demand, and improve profitability.

In the area of the physical checkup center, we will strengthen our efforts to educate the public about preventive medicine, expand the use of our services by corporate clients, and aim to return to profitability in a single month at the end of the year.

3 | Topics



Philippines Domestic Submarine Cable Network Lighting Up Ceremony

Philippines Domestic Submarine Cable Network Lighting Up Ceremony was held in February 2024 for PDSCN, which was completed in December 2023.

PDSCN has been highly anticipated in the Philippines, and the ceremony was attended by President Ferdinand Marcos, Jr., Executive Secretary Lucas Bersamin, Secretary of Information and Communication Technology Ivan John Uy, and Ambassador of Japan to the Philippines Kazuhiko Koshikawa.



(From left) Ambassador of Japan to the Philippines Kazuhiko Koshikawa, Executive Secretary Lucas Bersamin, President Ferdinand Marcos, Jr., Secretary of Information and Communication Technology Ivan John Uy, President and CEO of IPS, Inc. Koji Miyashita

PDSCN is introduced by The Philippine Board of Investment(BOI) as an example of foreign investment realization.

In February 2024, PDSCN was introduced by the BOI, an affiliate of the Philippine Department of Trade and Industry, as an example of foreign investment realization in the Philippines. The BOI identified Japan as a key source of foreign direct investments(FDI) in the Philippines, also highlighted PDSCN as a concrete achievement that will further solidify the important economic partnership between Japan and the Philippines, which was enhanced by the visit of President Ferdinand Marcos, Jr. to Japan.

In addition, last December, InfiniVAN applied to the BOI for registration regarding PDSCN, which was approved by the BOI as contributing to the development of the Philippines. As a result, PDSCN was granted a 5-year tax exemption.

Capital Increase of InfiniVAN, Inc.



In March 2024, our consolidated subsidiary InfiniVAN, Inc. increased its capital in response to the relaxation of foreign investment restrictions in the Philippines, and we subscribed to a portion of the increase, resulting in our direct investment ratio of 55.2%.

In the Philippines, until the Public Service Law Amendment Act was passed on March 21, 2022, telecommunications business was considered a category of public utilities, and foreign investment was capped at 40%.

In order to speed up our telecommunications business in the Philippines, we had been planning to increase our stake in InfiniVAN to more than 50%.

Following the enactment of the Public Service Law Amendment Act, the implementation guidelines of which were promulgated on March 20, 2023 and went into effect on April 4, 2023, InfiniVAN's capital increase was implemented, raising our direct stake from 40% to 55.2%. As a result, our direct and indirect stake became 69.7% in total.



Building where InfiniVAN, inc. is located

Our Group will continue to invest aggressively in the telecommunications business in the Philippines, which is expected to continue to grow at a high rate.

- 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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