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# Presentation on Results for FY2023

May 14, 2024

IPS, Inc.

Ticker symbol 4390

Company Name    IPS, Inc.

Establishment    October, 1991

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

Business /  
Main Group  
Companies

Global Telecommunications : Providing global telecommunication lines to CATV operators and domestic telecommunication lines, in the Philippines

ISMO Pte. Ltd.  
InfiniVAN, Inc.  
Carrier Domain, Inc.  
KEYSQUARE INC.

Domestic Telecommunications : Providing telecommunication services in Japan

IPS Pro, Inc.

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

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



## 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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# 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"> <li>▪ InfiniVAN, Inc.</li> <li>▪ ISMO Pte. Ltd.</li> <li>▪ KEYSQUARE, INC.</li> <li>▪ Carrier Domain, Inc.</li> </ul>
Philippines Telecommunications Business		
Others		
Domestic Telecommunications Business	Domestic Telecommunications Business	<ul style="list-style-type: none"> <li>▪ IPS Pro, Inc.</li> </ul>
Medical & Healthcare Business	Medical & Healthcare Business	<ul style="list-style-type: none"> <li>▪ Shinagawa Lasik &amp; Aesthetics Center Corporation (SLACC)</li> <li>▪ Shinagawa Healthcare Solutions Corporation (SHSC)</li> </ul>

# 1 . Executive Summary



## Results for FY2023

**Net Sales : ¥14,117mil**  
(YoY 14.4%)

**Operating Profit : ¥3,894mil**  
(YoY 17.6%)

**Profit Margin : 27.6%**  
(26.8% in the previous period)

## Business Overview for FY2023

**1 . Global Telecommunications Business:** Sales and profits increased due to progress in the provision of international telecommunications lines C2C and other services, the completion of Philippine Domestic Submarine Cable Network (PDSCN), and an increase in the provision of PDSCN and related services.

The corporate Internet access service (Enterprise) strengthened its structure by increasing its sales staff, and the number of such contracts steadily increased. The number of billing customers exceeded 1,000.

**2 . Domestic Telecommunications Business:** While traffic for coronavirus infection-related call center services declined significantly compared to the previous fiscal year, the construction of telecommunications equipment, system development, and provision of services in response to the shift to IP (PSTN migration) of the telephone network, in addition to strengthening new customer acquisition, resulted in a slight increase in profit despite a decline in revenue.

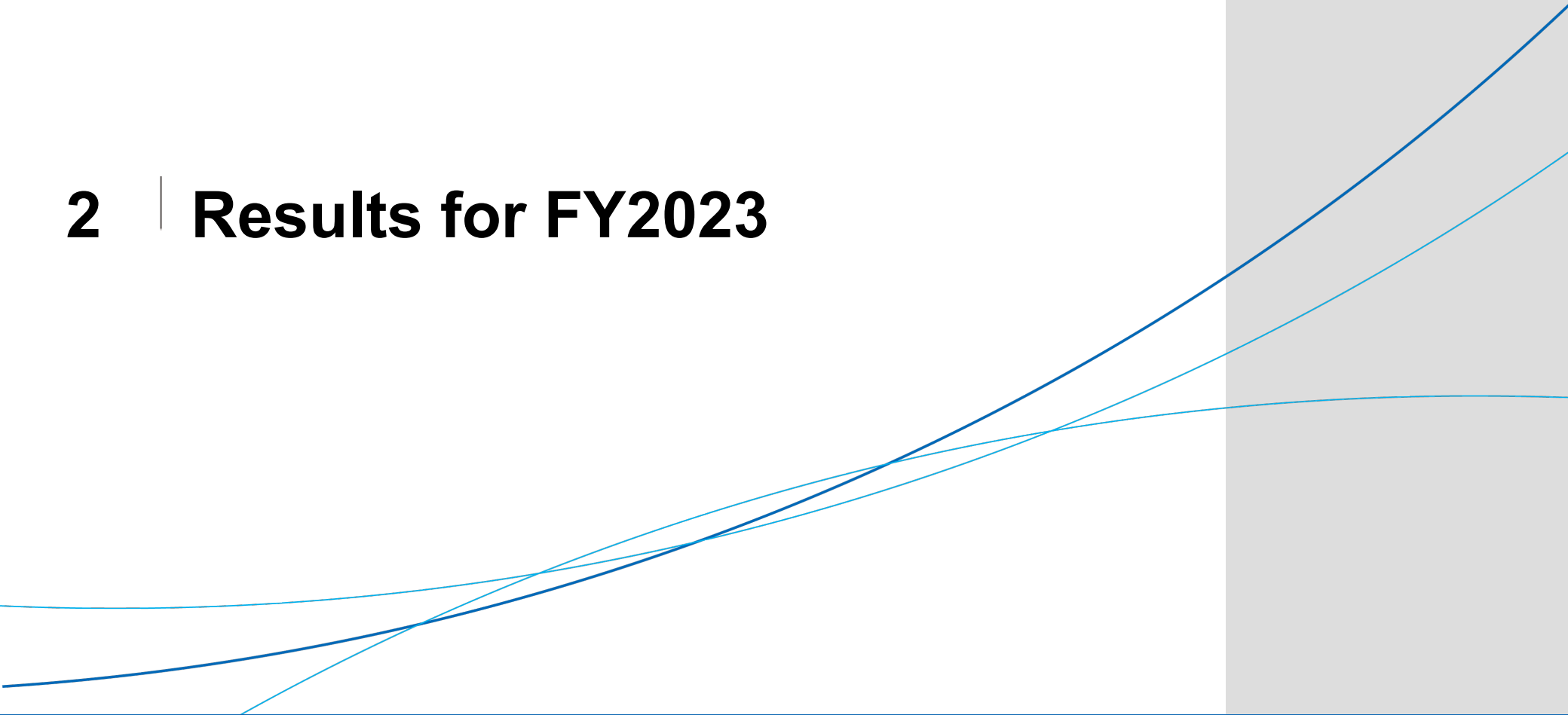
**3 . Medical & Healthcare Business:** Both sales and profits declined due to a decrease in the number of LASIK cases compared to the previous year and the burden of upfront investments related to new entries into the field of preventive medicine.

## Business Topics

**1 .** With the development of the Philippine national backbone network centered on PDSCN, it is now possible to provide services throughout the Philippines.

**2 .** We will work to raise awareness of preventive medicine in the Philippines and quickly monetize the physical checkup center business.

## 2 | Results for FY2023



# (1) Financial Highlights

## 【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%

### Summary of Results for FY2023

■ **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,

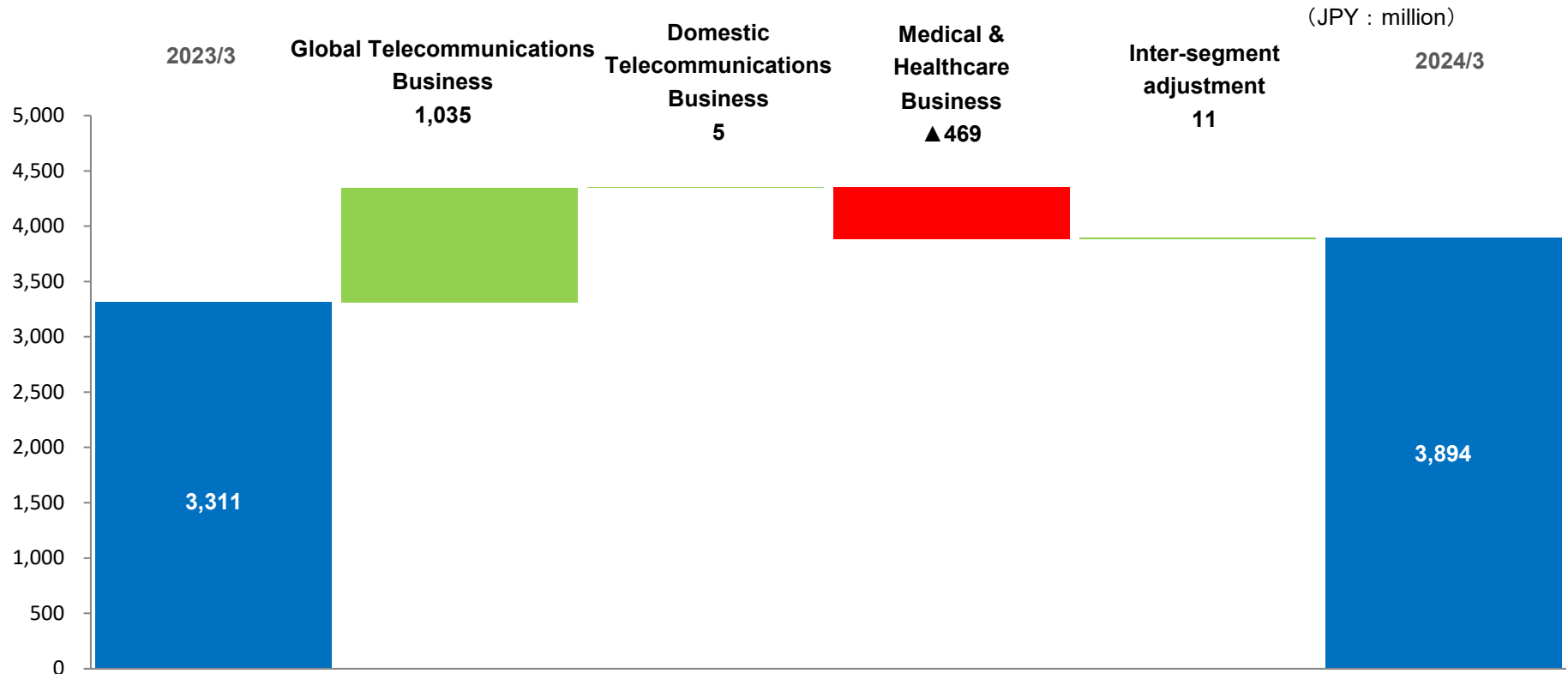
offsetting a decrease in profit due to the burden of prior investments in the Medical & Healthcare business. As a result, profit



## (2) 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.



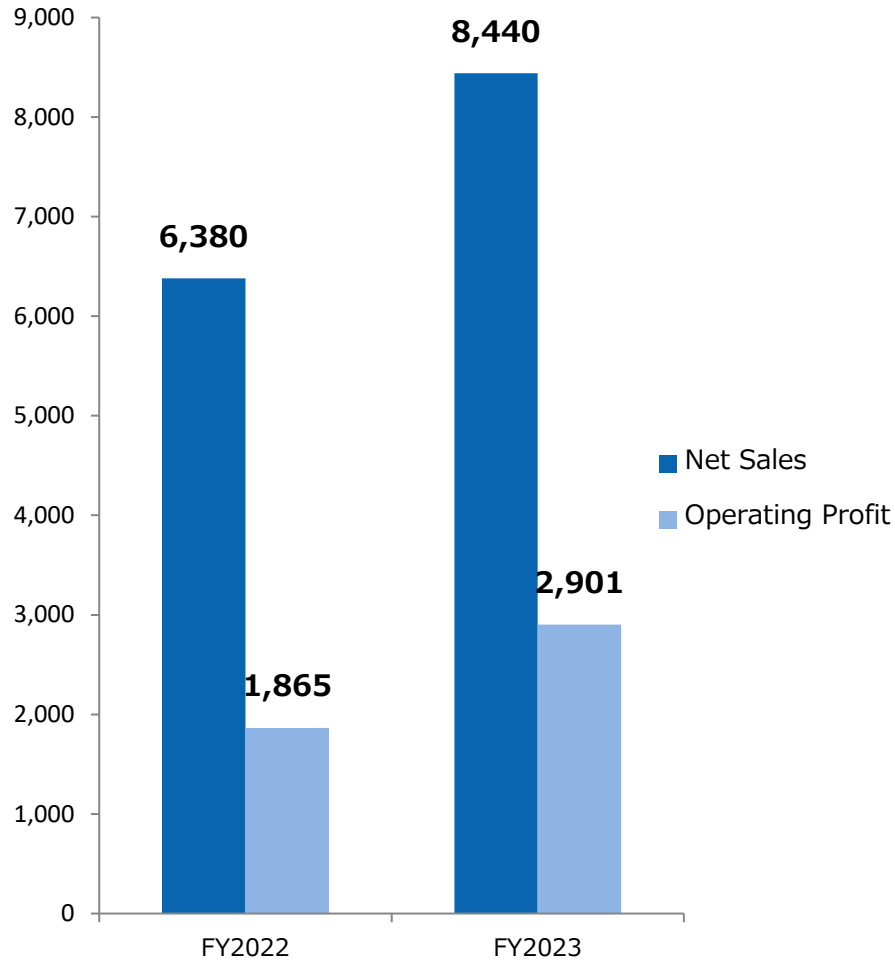
### (3) Operating Results by Business Segment



(JPY : million)

		FY2022	FY2023	YoY	change
Global Telecommunications	Net Sales	6,380	8,440	2,059	32.3%
	Operating Profit	1,865	2,901	1,035	55.5%
Domestic Telecommunications	Net Sales	4,275	4,116	▲ 159	▲ 3.7%
	Operating Profit	919	925	5	0.6%
Medical & Healthcare	Net Sales	1,690	1,561	▲ 128	▲ 7.6%
	Operating Profit	536	67	▲ 469	▲ 87.5%
Inter-segment adjustment	Operating Profit	▲ 11	0	11	—
Total	Net Sales	12,346	14,117	1,771	14.4%
	Operating Profit	3,311	3,894	583	17.6%

(JPY : million)

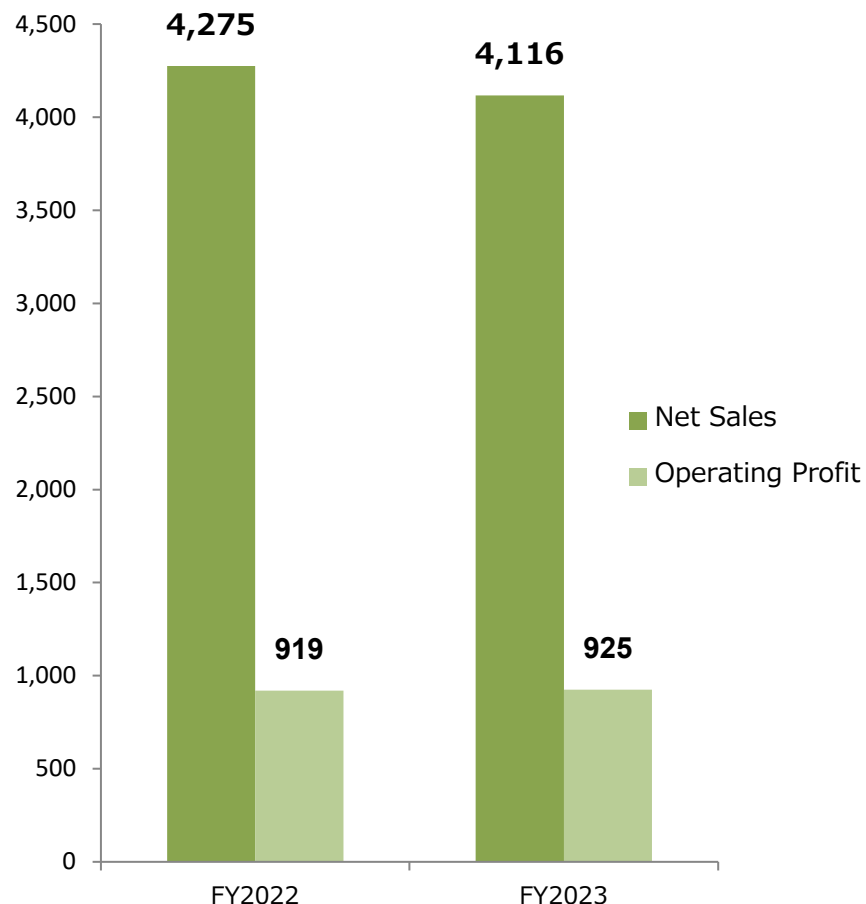


## Increased revenues from the completion of PDSCN

The Global Telecommunications Business posted higher revenues and profits, as PDSCN was completed in December 2023 and the Philippines' domestic backbone network was put in place, resulting in the recording of revenues from the provision of PDSCN itself and related services in the fourth quarter.

The stock-type business also expanded, as the number of billing customers for Internet access services for corporate customers steadily built up to over 1,000.

(JPY : million)

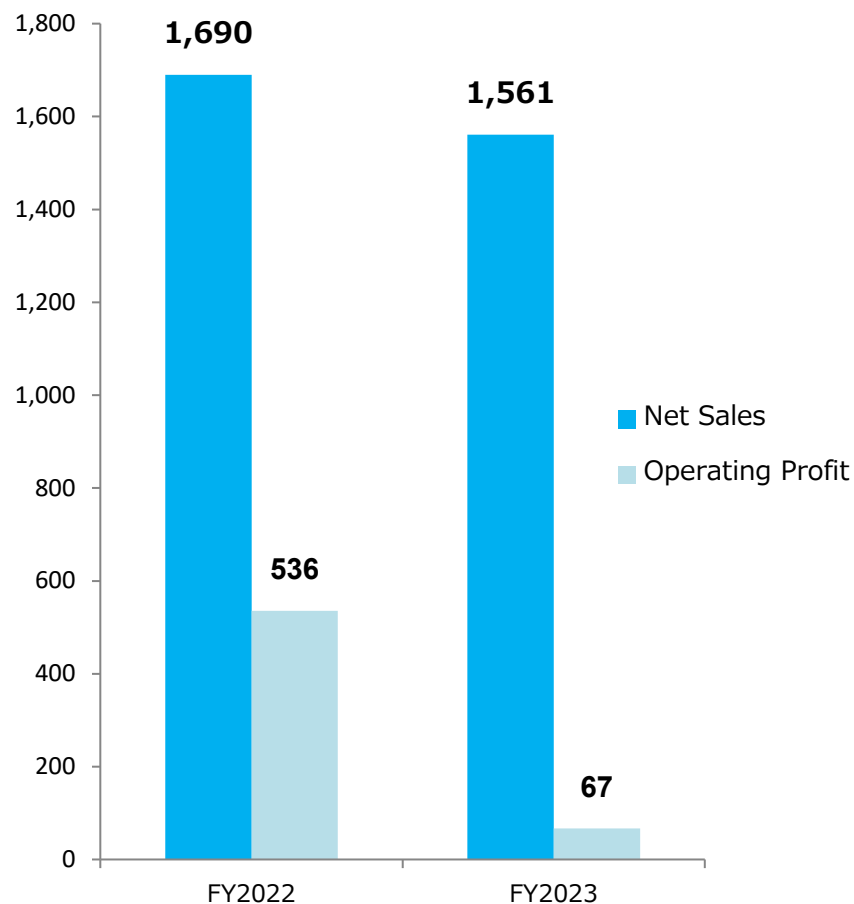


## Solutions for Call Centers

Although the company made progress in acquiring new customers for its call center operator services, which combine the AmeyoJ call center system and second billing service, sales declined due to a significant decrease in call center services and telecommunications traffic related to new coronavirus infections compared to the previous year.

The construction of telecommunications equipment to accommodate the shift to IP of telephone networks(PSTN migration) and the development of systems and provision of services offset the negative factors related to the new coronavirus infection and resulted in the same level of operating income as in the previous year.

(JPY : million)



**Despite entering the field of preventive medicine, both sales and profits declined due to an increase in upfront investments.**

Medical & Healthcare segment reported lower sales and profits, as LASIK services provided by Shinagawa Lasik & Aesthetic Center Corporation (SLACC) declined YoY due to competition for customers and other factors, and were affected by rising prices in the Philippines.

Aiming to enter the field of preventive medicine, Shinagawa Diagnostic & Preventive Care Center, a physical checkup center with high-quality Japanese technology, was opened. In order to make the center profitable, it has been necessary to raise awareness of preventive medicine in the Philippines, and the upfront investment had a significant impact on the bottom line.

## (4) Financial Condition



### Consolidated Balance Sheets (Summary)

(JPY : million)

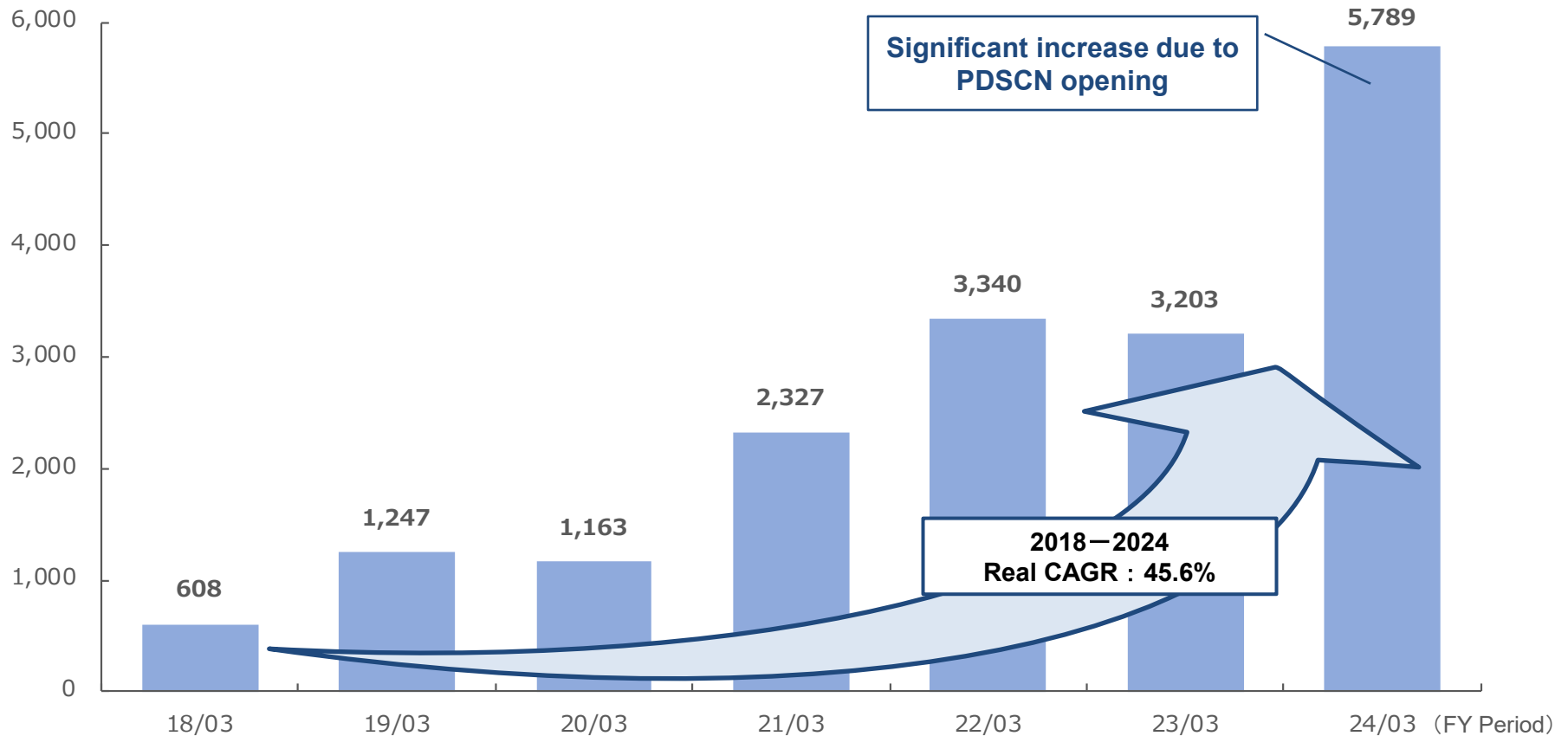
Assets				Liabilities · Net Assets			
	March, 2023	March, 2024	Change		March, 2023	March, 2024	Change
<b>Current assets</b>	14,270	17,864	3,594	<b>Current liabilities</b>	12,250	12,532	281
Cash and deposits	6,881	4,234	▲ 2,646	Accounts payable	1,781	670	▲ 1,110
Accounts receivable	2,631	5,532	2,901	Short-term 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
<b>Non-Current assets</b>	10,839	15,624	4,785	<b>Non-Current liabilities</b>	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	<b>Total liabilities</b>	13,265	18,346	5,081
Deferred assets	19	40	20	<b>Net assets</b>	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
<b>Total assets</b>	25,129	33,529	8,400	<b>Total liabilities · Net assets</b>	25,129	33,529	8,400

# (5) Stock accumulation in the Global Telecommunications Business

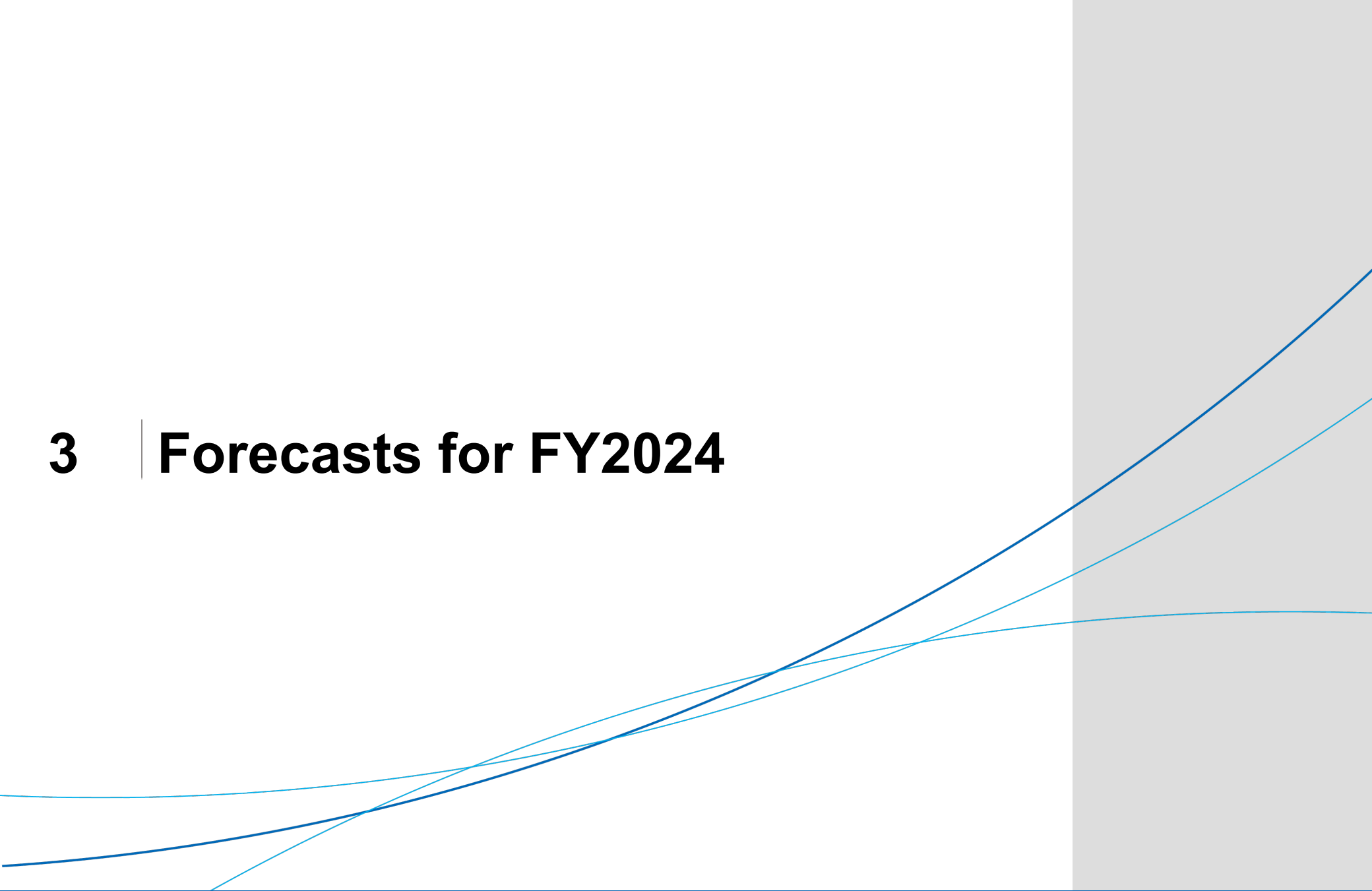
## Annual Changes in Lease receivable

- When telecommunication lines are provided under long-term IRU contracts, revenue is recognized on a cash basis.
- IRU contract consideration, contracted but not yet received, is recorded as a lease receivable and is paid in installments over 3 to 5 years, which are gradually transferred to revenue after payment is received.
- Therefore, the increase in the balance of lease receivable indicates the accumulation of stock due to the growth of the Global Telecommunications Business.
- With the opening of PDSCN, it is now possible to provide lines to local telecommunications carriers, etc. We have already signed IRU contracts over 40 companies (with a contract value of approx. 2 billion yen) and lease receivable will be accumulated after lines opened.

(JPY : million)



### 3 | 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 4.29 billion yen, respectively. Ordinary profit and Profit attributable to owners of parent are expected to be 3.9 billion yen and 2.55 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

# Forecasts for FY2024 by segment



(JPY : million)

Business Segment		FY2023 Actual Results	FY2024 Forecasts	YoY	Change
<b>Net Sales</b>		<b>14,117</b>	<b>16,500</b>	<b>2,382</b>	<b>16.9%</b>
	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%
<b>Operating Profit</b>		<b>3,894</b>	<b>4,290</b>	<b>395</b>	<b>10.2%</b>
	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	—	—	—
<b>Profit Margin</b>		<b>27.6%</b>	<b>26.0%</b>	<b>—</b>	<b>—</b>
	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 are now able to provide C2C lines to local telecommunications carriers and CATV operators, and have already signed IRU contracts with over 40 companies, which will be opened sequentially in 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

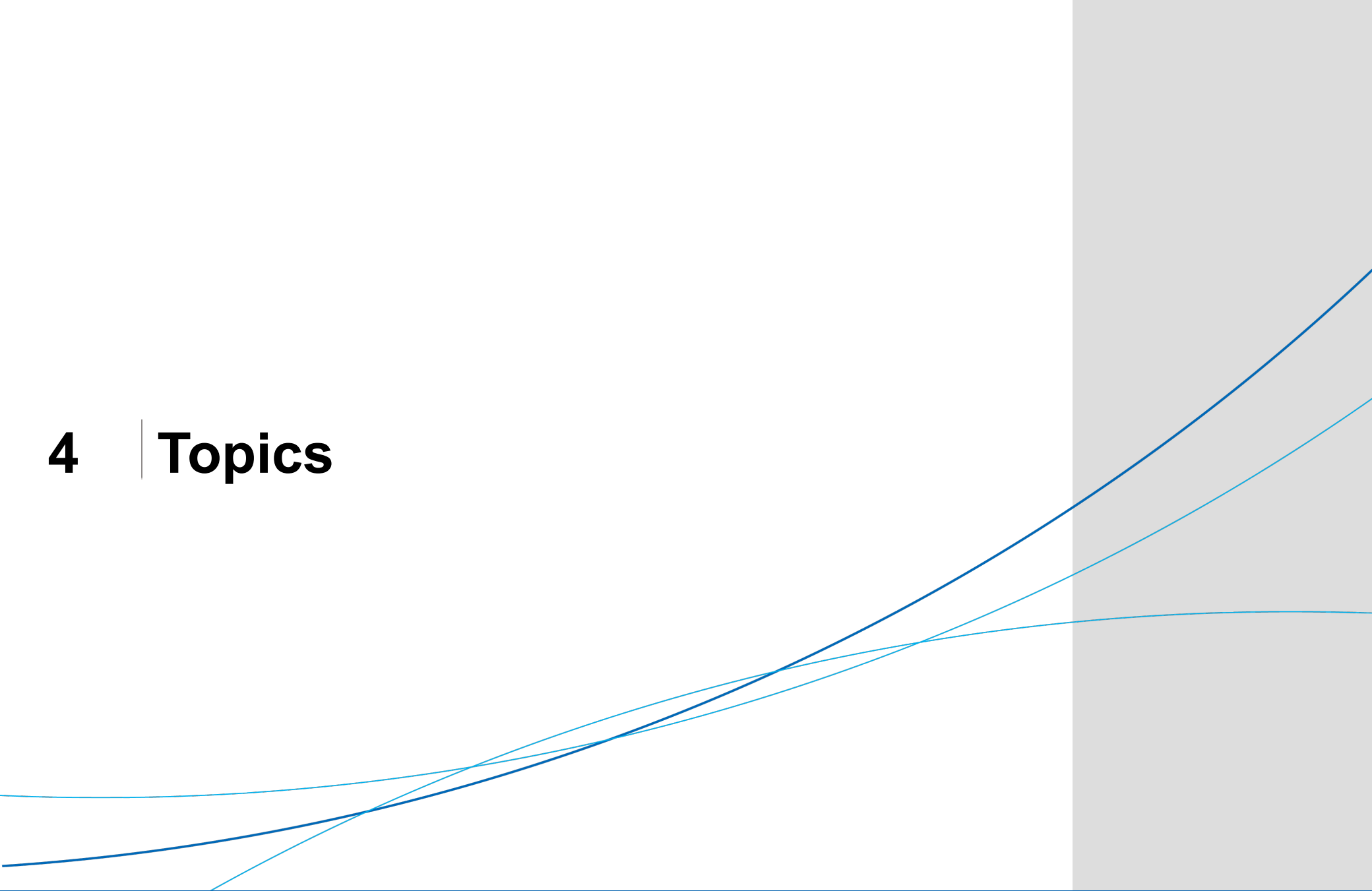
Continued expansion of call center solutions is expected, including construction of telecommunications equipment, system development, and provision of services for the IP migration of the telephone network (PSTN migration), which will be fully implemented in January 2025.

## ■ 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.

# 4 | 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.

### 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.



(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

## Capital Increase of InfiniVAN, Inc.

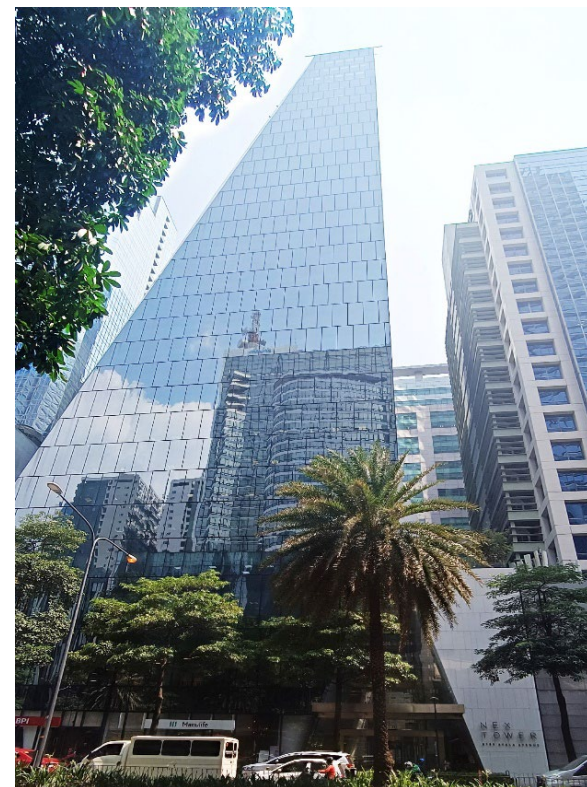


**In March 2024, our consolidated subsidiary InfiniVAN, Inc. increased its capital in response to the relaxation of foreign investment restrictions in the Philippines, and we subscribed to a portion of the increase, resulting in our direct investment ratio of 55.20%.**

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 55.20%. 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.**

# First order received for DMS for government and municipalities

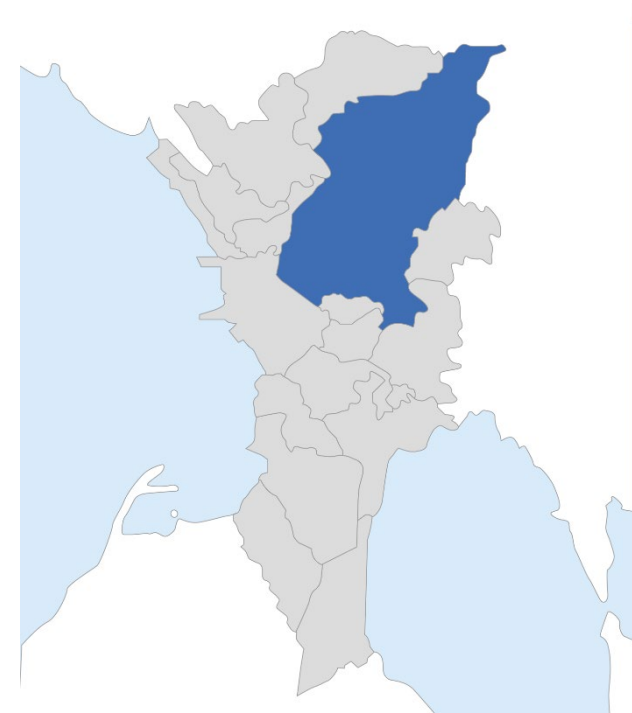


## Our subsidiary InfiniVAN, Inc. won the first DMS(Document Management System) bid in Quezon City, aiming to enter the DX promotion business for the entire Philippines.

InfiniVAN has been actively promoting the introduction of DMS to support DX promotion by the Philippine central and local governments. As a result, in May this year, InfiniVAN won a public bid from Quezon City, the largest city in the Philippines by population, the first order for a government contract.

IPS Group will use AI technology to solve social issues that the Philippine government faces, such as delays in paper document procedures and the problem of managing large volumes of documents. President Marcos intends to promote DX throughout the country, and we will aim to increase orders for DMS mainly from the government and large cities (such as the approximately 150 existing cities).

※Quezon City is the former capital of the Philippines and the largest city in the Metro Manila area. It has a population of approximately 3 million, similar to Osaka City in Japan. The city has a number of agencies, universities, and medical facilities, as well as residential areas and shopping districts.



Location of Quezon City in Metro Manila

**Starting with the DMS order in Quezon City, IPS Group will further strengthen its support for DX initiatives by the Philippine government and municipalities.**

- 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.

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