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FY2024 First Quarter Financial Results

Presentation Materials

August 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.



※ Background: City of Makati, Philippines

Executive Summary



Results for FY2024 1Q

Net Sales

3,657 (million yen)

YoY

+47.5% (+1,178 million yen)

Progress

22.2%

Operating Profit

760 (million yen)

YoY

+83.7% (+347 million yen)

Progress

17.7%

- The Global Telecommunications will post **higher revenues and profits due to strong business operations and the early booking of equipment sales related to the Philippine Domestic Submarine Cable Network** (PDSCN).
- In the Domestic Telecommunications, revenues decreased due to retroactive settlement of Access charges for interconnection with major telecommunications carriers (260 million yen).
- In the Medical & Healthcare, LASIK sales showed a recovery trend from the decline in the second half of last year, but sales declined YoY. In the Healthcare, the company is developing new customers, mainly for regular health checkups for corporate clients, and the impact of depreciation of prior investments continues to be felt.

Forecasts for FY2024

Net Sales

16,500 (million yen)

Operating Profit

4,290 (million yen)

No change from the beginning of the period
Upwardly revised first half forecast



1 | FY2024 First Quarter Financial Results Summary

Financial Highlights



Results for the first quarter of FY2024

(JPY : million)

	FY2023				FY2024				
	1 Q	2 Q	3 Q	4 Q	1 Q	YoY	Forecast	Progress	
Net Sales	2,479	2,768	3,102	5,767	3,657	+1,178	+47.5%	16,500	22.2%
Operating Profit	413	511	529	2,439	760	+347	+83.7%	4,290	17.7%
Ordinary Profit	1,045	513	▲3	2,872	1,089	+44	+4.3%	3,900	27.9%
Profit Attributable to Owners of the Parent	640	314	▲3	1,884	652	+12	+1.9%	2,550	25.6%

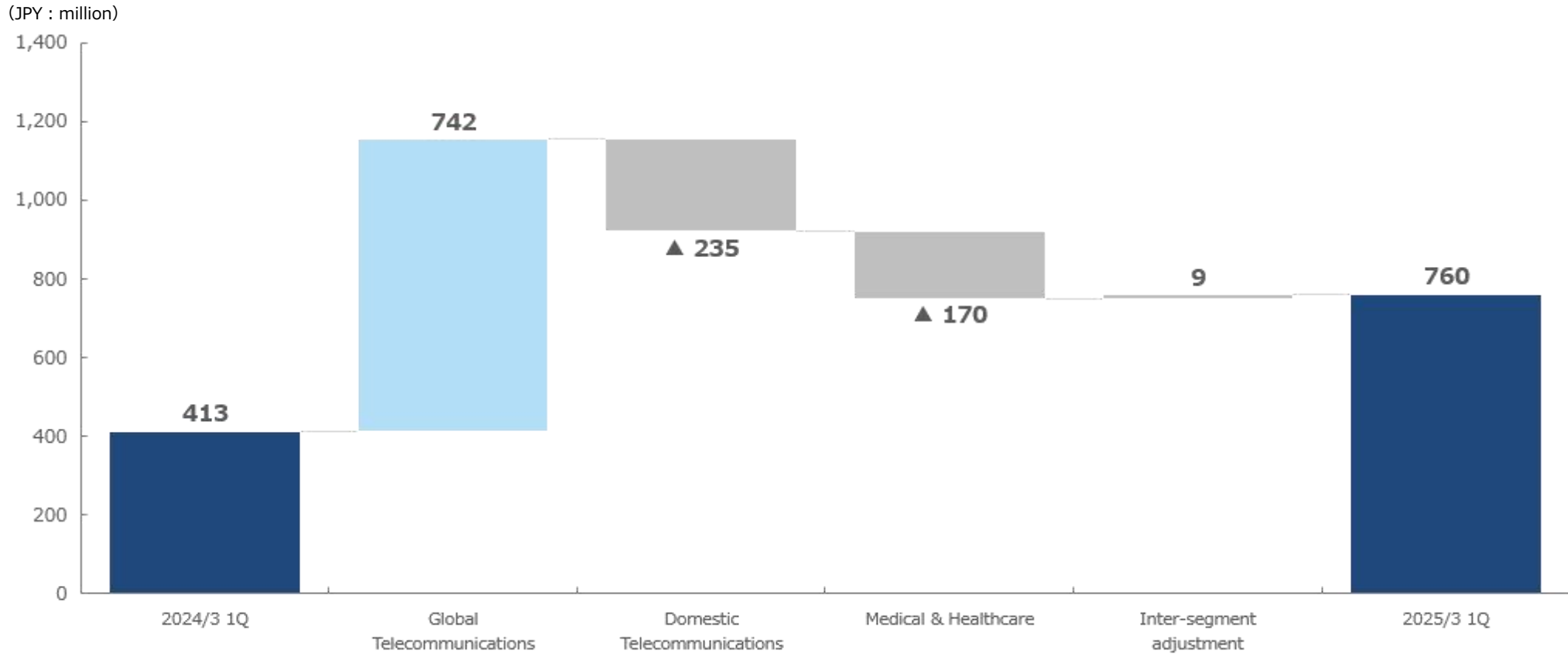
Analysis of Results

- Net Sales** : In the Global Telecommunications, revenue increased 47.5% YoY, mainly due to the early booking of telecommunications equipment sales, which offset the decline in revenue in the Domestic Telecommunications and Medical & Healthcare.
- Operating Profit** : The increase in profit was due to higher revenues in the Global Telecommunications, which offset losses in the Domestic Telecommunications and the Medical and Healthcare , an increase of 83.7% YoY.
- Ordinary Profit** : In addition to the increase in operating profit, we recorded a foreign exchange gain of 350 million yen due to the depreciation of the yen against the U.S. dollar to 161.14 yen per dollar at the end of June 2024 (609 million yen foreign exchange gain was recorded in the same period of the previous year), a 4.3% increase YoY.
- Profit Attributable to Owners of the Parent** : It is increased by 1.9% YoY due to higher operating profit and ordinary profit.

Analysis of Operating Profit (YoY)



The increase in profit was due to higher revenues in the Global Telecommunications, which offset losses in the Domestic Telecommunications and the Medical and Healthcare , an increase of 83.7% YoY.



Results by Business Segment



		JPY : million	1Q	
			FY2023	FY2024
■ Global Telecommunications	Net Sales	1,016	2,644	+1,628 (+160.2%)
	Operating Profit	89	832	+742 (+829.5%)
■ Domestic Telecommunications	Net Sales	1,045	696	▲348 (▲33.4%)
	Operating Profit	208	▲26	▲235 (▲112.7%)
■ Medical & Healthcare	Net Sales	418	316	▲101 (▲24.4%)
	Operating Profit	115	▲54	▲170 (▲147.4%)

Analysis of Business Segment

■ Global Telecommunications :

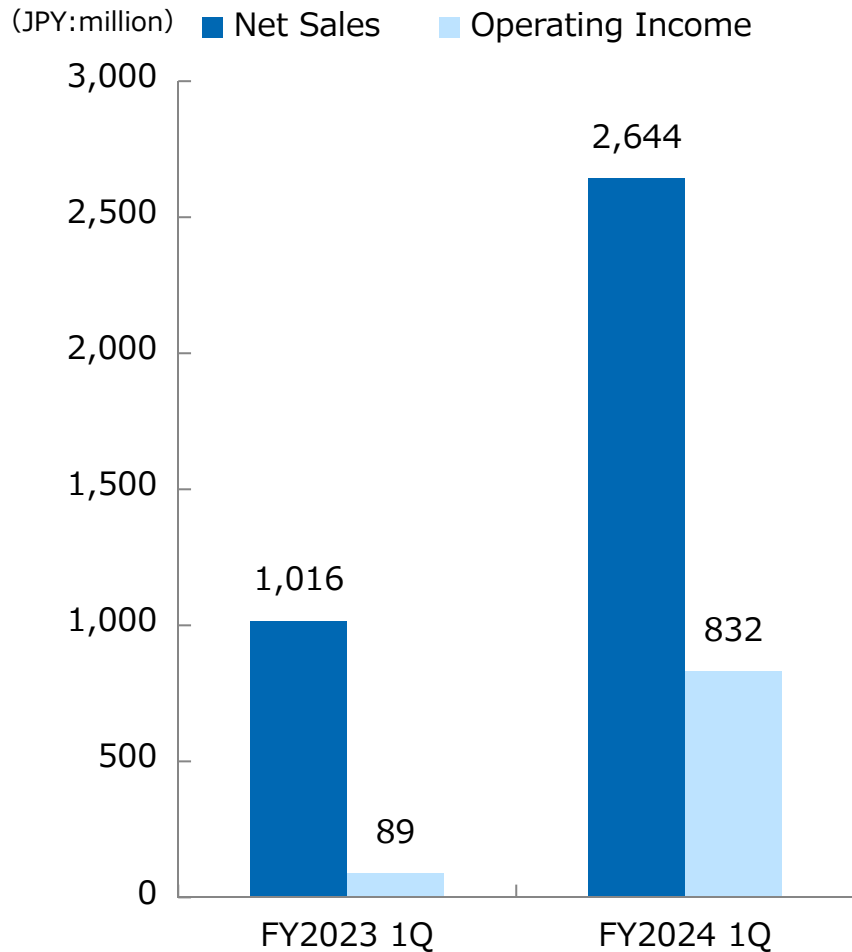
With the completion of the PDSCN, we are developing customers in rural areas as the backbone network covering the entire Philippines is now in place. Business operations have been favorable, and the early booking of telecommunications equipment sales in the first quarter of the current fiscal year will lead to a significant increase in sales and profit.

■ Domestic Telecommunications :

Although **services for call center operators combining AmeyoJ and second billing services remained strong**, sales declined and operating loss was recorded due to retroactive settlement **of Access charges for interconnection with major telecommunications carriers (260 million yen) for the past fiscal year**.

■ Medical & Healthcare :

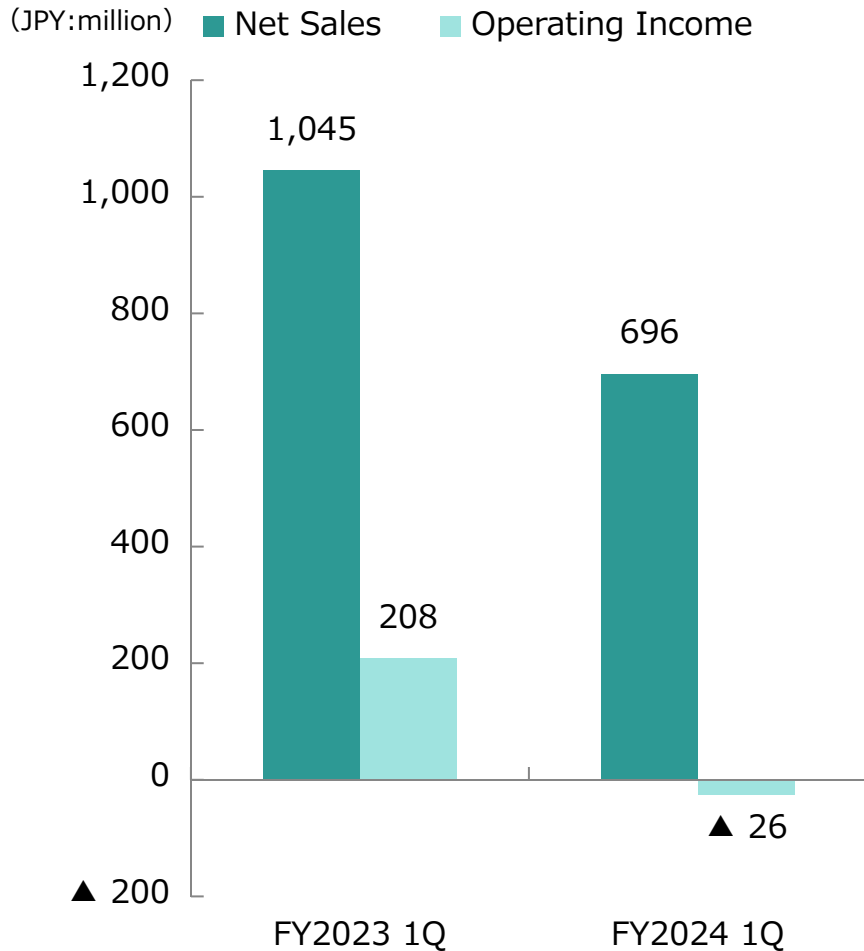
LASIK performance is recovering from the decline in the second half of last year. In the Healthcare, **demand for regular medical checkups for corporate clients is steadily developing**, but the segment as a whole will post lower sales and operating loss due to the impact of depreciation of prior investments continues to be felt.



Contribution from accelerated recording of PDSCN-related equipment sales

Amid growing demand for telecommunications against the backdrop of economic growth in the Philippines, the provision of international telecommunications lines, mainly C2C lines, expanded steadily, and **in the first quarter under review, sales of telecommunications equipment related to PDSCN were recorded early, resulting in a significant increase in both sales and profit.**

With the completion of PDSCN, **we are now able to provide services throughout the Philippines** and is expanding its service offerings to local telecom and cable TV operators. Although the number of customers for ISP services for corporate customers has been increasing, there are issues such as delays in opening the service after signing a contract, and we will work to accelerate the pace of opening the service, including increasing the number of personnel.

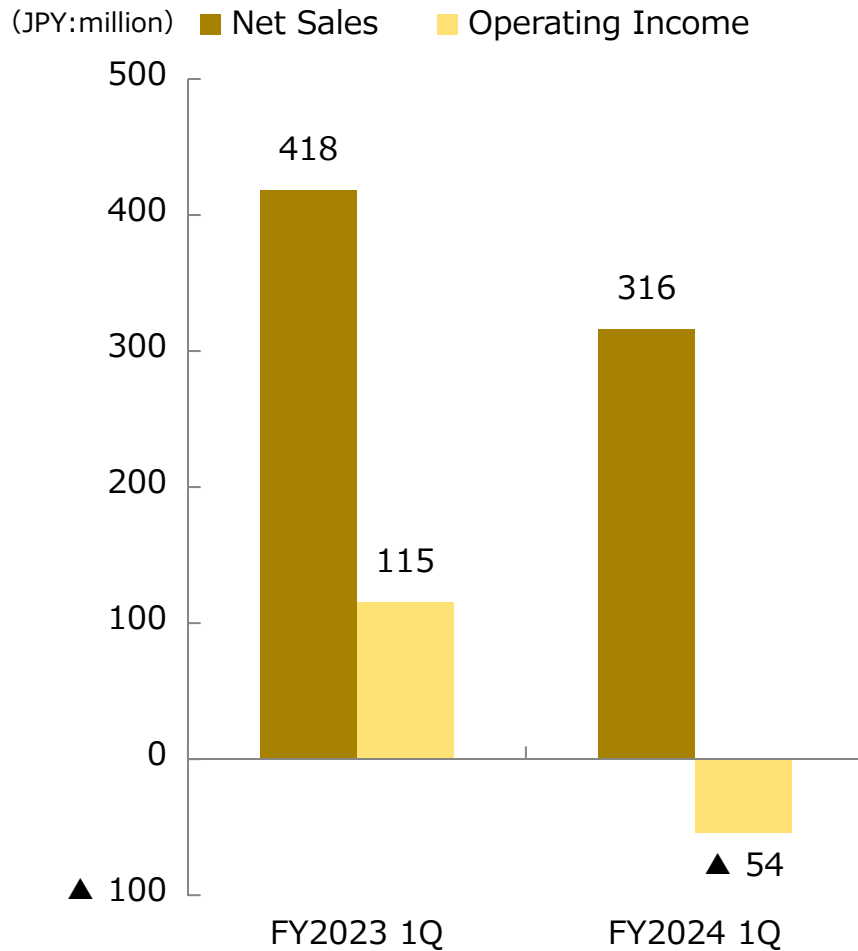


Business remained strong, impacted by retroactive settlement of Access charges

Services for call center operators, which combine the "AmeyoJ" call center system and second billing service, remained strong.

The company also encountered a revenue decrease due to a retrospective settlement of past communication connection fees (access charges) amounting to 260 million yen. These fees arose from interconnection agreements for voice communication lines with major telecommunications operators. The communication connection fees are negotiated annually between operators, and the transition to IP-based connection fees is scheduled for completion in December 2024. Despite this, significant differences arose between the company and other operators regarding the communication connection fees for fiscal years 2022 and 2023. An agreement was reached on the communication connection fees for the past two years in this year, leading to the recognition of the difference in the financial statements. As a result, net sales were 696 million yen (down 33.4% year-on-year), and segment loss was 26 million yen (segment profit of 208 million yen in the same period last year).

※Access charges...A charge that is settled between the originating and receiving carriers of voice communications when they use a communications network. Also called an access charge, it is determined on a relative basis between carriers.



Recovering from the decline in the second half of last year

LASIK services provided by Shinagawa Lasik & Aesthetic Center Corporation (SLACC) are recovering from a decline in the second half of last year due to competition for customers and other factors, thanks to a review of marketing methods and pricing.

Healthcare continues to bear the burden of upfront investment despite progress in customer development

Shinagawa Diagnostic & Preventive Care Center (SDPCC), a physical checkup/health screening center with high-quality Japanese technology and state-of-the-art diagnostic equipment, continues to develop demand for regular medical checkups for corporate clients, but the burden of amortization of prior investments continues.

Consolidated Balance Sheets

(JPY:million)

Assets				Liabilities · Net Assets			
	FY2023	FY2024 1Q	Change		FY2023	FY2024 1Q	Change
Current assets	17,864	19,213	1,349	Current liabilities	12,532	13,515	983
Cash and deposits	4,234	4,493	258	Accounts payable – trade	670	755	85
Accounts receivable - trade	5,532	6,696	1,163	Borrowings	4,587	5,403	815
Lease receivables	5,789	6,141	352	Deferred payment profit	4,076	4,131	55
Others	2,307	1,882	▲ 424	Others	3,197	3,224	26
Non - current assets	15,624	16,570	946	Non - current liabilities	5,814	5,627	▲ 186
Property, plant and equipment	11,565	12,055	489	Long - term borrowings	5,514	5,322	▲ 192
Intangible assets	2,865	3,300	435	Others	299	305	5
Investments and other assets	1,194	1,215	21	Total liabilities	18,346	19,142	796
Deferred assets	40	37	▲ 2	Net assets	15,183	16,679	1,496
				Shareholders' equity	11,090	11,492	402
				Comprehensive income	210	581	370
				Share acquisition right	264	262	▲ 1
				Non - controlling interests	3,617	4,342	725
Total assets	33,529	35,822	2,293	Total liabilities and net assets	33,529	35,822	2,293

Foreign Exchange Impact



Company	Impact Destination	Details of Foreign Exchange Impact
IPS Consolidated	Operating Profit	For the budgeted rate (140 yen/USD), a yen depreciation (appreciation) of 1 yen/USD results in a positive (negative) operating profit of over 10 million yen per year. For the Philippine peso yen (budgeted rate of 2.6 yen/PHP), a yen depreciation (appreciation) of 0.1 yen would result in an annual operating profit gain (loss) of about 25 million yen.
IPS	Ordinary Profit (Non-operating profit/loss)	This is mainly caused by the translation of U.S. dollar denominated assets and liabilities (foreign currency deposits, accounts receivable, invested assets in leases, etc.) at the end of each quarter. Currently, since there is a net excess of assets, foreign exchange gains (losses) are recorded when the yen depreciates (appreciates) against the U.S. dollar.
InfiniVAN	Ordinary Profit (Non-operating profit/loss)	This is mainly caused by the translation of assets and liabilities denominated in US dollars (foreign currency deposits, accounts receivable, assets invested in leases, borrowings, etc.) at the end of each quarter. Currently, since there is a net excess of liabilities, a foreign exchange loss (gain) is recorded when the Philippine peso depreciates (appreciates) against the U.S. dollar.
Other subsidiaries	–	No (small) foreign exchange risk basically because the majority of transactions are denominated in the local currency or in a foreign currency (U.S. dollar) as the functional currency

- A foreign exchange gain of 350 million yen was recorded in the first quarter, which mainly resulted from the translation of IPS's non-consolidated assets denominated in U.S. dollars.
- If the yen continues at its current level (around ¥147/USD) until the end of the second quarter due to the recent rapid appreciation of the yen, a foreign exchange loss will be recorded from IPS on a non-consolidated basis, assuming the same size of assets denominated in foreign currencies. In addition, since the Philippine peso depreciated against the U.S. dollar from January to June (1H), InfiniVAN will also incur a foreign exchange loss in the second quarter.
- In the medium to long term, the yen and the Philippine peso will tend to move in the same direction against the U.S. dollar, and the U.S. dollar positions of IPS and InfiniVAN will be reversed for the time being (IPS asset side and InfiniVAN liability side), offsetting the currency impact to some extent. However, in the short term, exchange rate effects could occur in one direction depending on the difference in fiscal periods and macroeconomic conditions in each country.
- However, the IPS Group does not take currency hedging measures since the U.S. dollar is currently reinvested or used to repay borrowings, and foreign exchange gains/losses are valuation gains/losses.



2 | **FY2024 Revised Forecasts of consolidated financial results**

Revised Forecasts of consolidated financial results



(JPY:million)

	FY2023 Actual of the first half	FY2024 Forecast of the first half		
		As of May 2024	Revised this time	YoY
Net Sales	5,248	6,500	7,250	+2,002
Operating Profit	925	950	1,500	+575
Ordinary Profit	1,558	750	1,270	▲288
Profit Attributable to Owners of the Parent	954	350	760	▲194

Summary of Revisions to First-Half Forecasts

- The company continues strong performance in the Global Telecommunications Business, driven by the expanded provision of PDSCN-related services. We also expect steady progress in the Domestic Telecommunications Business and the Medical & Healthcare Business according to plan. Therefore, we are revising upwards our consolidated earnings forecast for the cumulative period of the second quarter, which was announced on May 10, 2024. Regarding the full-year consolidated earnings forecast, we do not intend to change the figures announced on May 10, 2024, at this point. This is because we expect the strong performance in the Global Telecommunications Business to offset the impact of the retroactive settlements in the Domestic Telecommunications Business.
- We recorded ¥350 million in foreign exchange gains under non-operating income. This gain primarily resulted from the comparison of the valuation of foreign currency-denominated receivables and payables held by the group at the end of the previous fiscal year (exchange rate of 151.40 yen) with the exchange rate at the end of the first quarter consolidated accounting period. Since this may fluctuate depending on future exchange rate conditions, the earnings forecasts for the second quarter cumulative period and the full year have been prepared assuming no foreign exchange gains or losses, except for the confirmed amounts in overseas subsidiaries.

Revised Forecasts of Business Segment



(JPY:million)

		FY2023 Actual of the first half	FY2024 Forecast of the first half		
			(Revised)	YoY	Change
Net Sales		5,248	7,250	+2,002	38.1%
	Global Telecommunications	2,349	4,918	+2,569	109.4%
	Domestic Telecommunications	2,093	1,600	▲493	▲ 23.6%
	Medical & Healthcare	804	732	▲72	▲ 9.0%
Operating Profit		925	1,500	+575	62.2%
	Global Telecommunications	351	1,382	+1,031	293.7%
	Domestic Telecommunications	438	191	▲247	▲ 56.4%
	Medical & Healthcare	132	▲73	▲205	▲ 155.3%
	Inter-segment adjustment	3	-	-	-
Operating Profit margin		17.6%	20.7%	-	-
	Global Telecommunications	14.9%	28.1%	-	-
	Domestic Telecommunications	20.9%	11.9%	-	-
	Medical & Healthcare	16.4%	-	-	-

3 | Topics (FY2024 First Quarter)

Topic 1. DMS contract with Quezon City



On June 25, 2024, our subsidiary InfiniVAN, Inc. ("InfiniVAN") completed a contract with Quezon City, the largest city in the Philippines by population, to deliver an online Artificial Intelligence (AI) based Document Management System ("DMS"). It will help Quezon City administration to boost its DX and improve the efficiency of administrative procedures.

Accelerating local governments' DX

In the Philippines, government agencies and many local governments are still using paper-based documents, and delays in administrative procedures have become a social issue. **The Philippines is promoting the policy of digital transformation (DX) throughout the country, and InfiniVAN will contribute to the DX of the national and local governments by providing DMS.**

Quezon City, with a population of approximately 3 million, is one of the largest cities in the Philippines. **With the order from Quezon City, we will aim to expand our services to other government agencies and about 150 large cities.**

As for InfiniVAN, Philippine Domestic Submarine Cable Network ("PDSCN") was completed last December and the company has been able to provide stable telecommunications services of Japanese standards throughout the Philippines. Taking advantage of this opportunity, InfiniVAN will deploy cloud services and DX services throughout the Philippines.

InfiniVAN won Quezon City bid with DMS



After receiving the Notice of Award at Quezon City Hall. The City Administrator Michael Alimurung (second from left) and InfiniVAN President Shigeki Nakahara (third from left).

Topic 2. New Cebu office opened



InfiniVAN established its Cebu office in JEG Tower, Cebu City on July 15, 2024. This is InfiniVAN's fourth office in the Philippines, following Makati City, Taguig City (Bonifacio Global City Area), and Davao City.

About Cebu office

Name	InfiniVAN CEBU OFFICE
Establishment	July 15, 2024
Location	Archbishop Reyes Ave, corner Acacia St, Cebu City, 6000 Cebu, Philippines
Employees	14 persons
Purpose	<ul style="list-style-type: none">• With the completion of the PDSCN (Philippine Domestic Submarine Cable Network) in December 2023 and the establishment of the Philippine domestic backbone network, a structure that enables the provision of services to telecommunications and CATV operators in areas outside Metro Manila and its suburbs• The Davao office and others are already expanding rapidly as they gain access to customers in rural areas that they had not been able to reach before, although there is a latent need.• Cebu office opened to further strengthen sales capabilities in rural areas• Efficient coverage of the entire Philippines with offices in Metro Manila in the north, Cebu in the center, and Davao in the south

Picture of Cebu office



Company Name	IPS, Inc.
Establishment	October 1991
Location	8F, Togeki Bldg, 4-1-1 Tsukiji, Chuo-ku, Tokyo, Japan 104-0045
Business	Global Telecommunications Provision of international telecommunication lines to major telecommunication carriers etc., provision of ISP services for corporate clients , and installation of telecommunication lines in the Philippines
	Domestic Telecommunications Sell software licenses for call centers and provide second billing services in Japan.
	Medical & Healthcare Providing LASIK, cosmetic dermatology and preventive medicine related services in the Philippines
Major consolidated subsidiaries	ISMO Pte. Ltd. InfiniVAN, Inc. Carrier Domain, Inc. KEYSQUARE INC.
	IPS Pro, Inc.
	Shinagawa Lasik & Aesthetics Center Corporation (SLACC) Shinagawa Healthcare Solutions Corporation (SHSC)

OPEN DOOR



Tokyo



Philippines



Philippines

- 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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