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# Presentation on Results for the 2nd Quarter FY2023

November 15, 2023

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

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.

CarrierDomain Inc.

Shinagawa Lasik & Aesthetics Center Corporation

Shinagawa Healthcare Solutions Corporation



## 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.



**1 | Executive Summary**

**2 | Results for 1H FY2023**

**3 | Revised Forecasts for FY2023**

**4 | Topics**

# 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"> <li>• InfiniVAN, Inc.</li> <li>• ISMO Pte. Ltd.</li> <li>• KEYSQUARE INC.</li> <li>• CarrierDomain Inc.</li> </ul>
Philippine Telecommunications Business			
Others			
Domestic Telecommunications Business	→	Domestic Telecommunications Business	<ul style="list-style-type: none"> <li>• IPS Pro Co., Ltd.</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 1Q

**Net Sales : JPY5,248mil**  
(YoY ▲9.3%)

**Operating Profit : 925mil**  
(YoY ▲43.5%)

**OP Margin : 17.6%**  
(FY2022 28.3%)

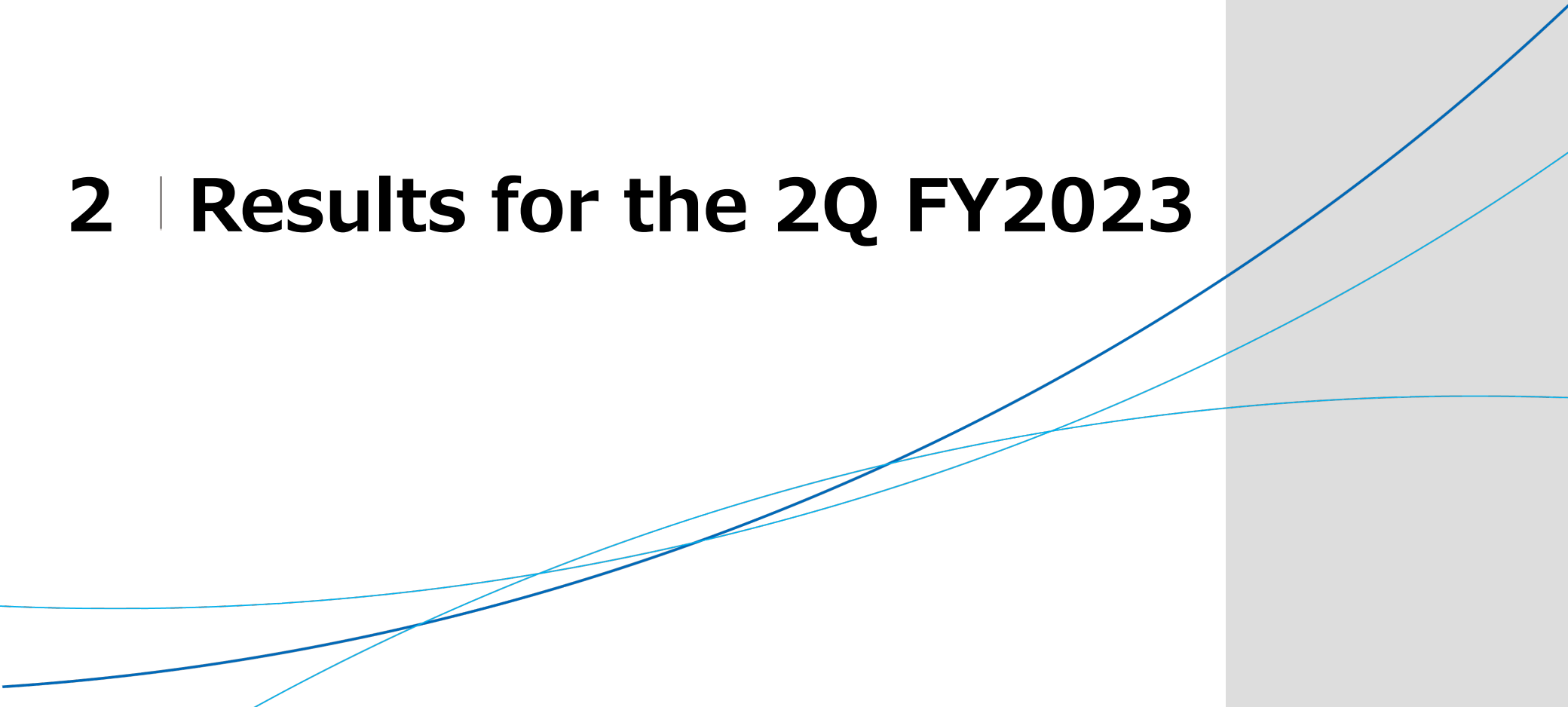
## Overview

- 1. Global telecommunications:** Despite progress in providing international telecommunications lines(C2C), sales and profits declined due to the payment of a large IRU contract in the previous fiscal year. The number of ISP corporate customers is steadily increasing. The construction of the Philippine Domestic Submarine Cable Network (PDSCN) and the development of the Philippine domestic telecommunications network are underway.
- 2. Domestic telecommunications:** While services for call centers related to COVID-19 declined, the construction of telecommunications equipment and system development in response to the shift to IP of the telephone network (PSTN migration) resulted in the same level of performance as in the same period of the previous year.
- 3. Medical & Healthcare:** Posted lower sales and profits due to a YoY declined LASIK operations and upfront investment in the preventive care space.

## Topics

- 1. The domestic telecommunication network is being developed, with the PDSCN in the final stage of construction.**
- 2. In the process of launching a medical checkup center.**

# 2 | Results for the 2Q FY2023



# ( 1 ) Financial Highlights



## 【Operating Results for 2Q FY2023】

(JPY : Million)

	Second quarter				Second quarter cumulative total			
	FY2022	FY2023	YoY	%	FY2022	FY2023	YoY	%
Net Sales	2,960	2,768	▲ 192	▲6.5%	5,783	5,248	▲ 535	▲9.3%
Operating Profit	808	511	▲ 297	▲36.7%	1,636	925	▲ 711	▲43.5%
Ordinary Profit	913	513	▲ 399	▲43.7%	2,372	1,558	▲ 813	▲34.3%
Profit attributable to owners of parent	632	314	▲ 318	▲50.3%	1,660	954	▲ 705	▲42.5%

### Analysis of Results for 2Q FY2023

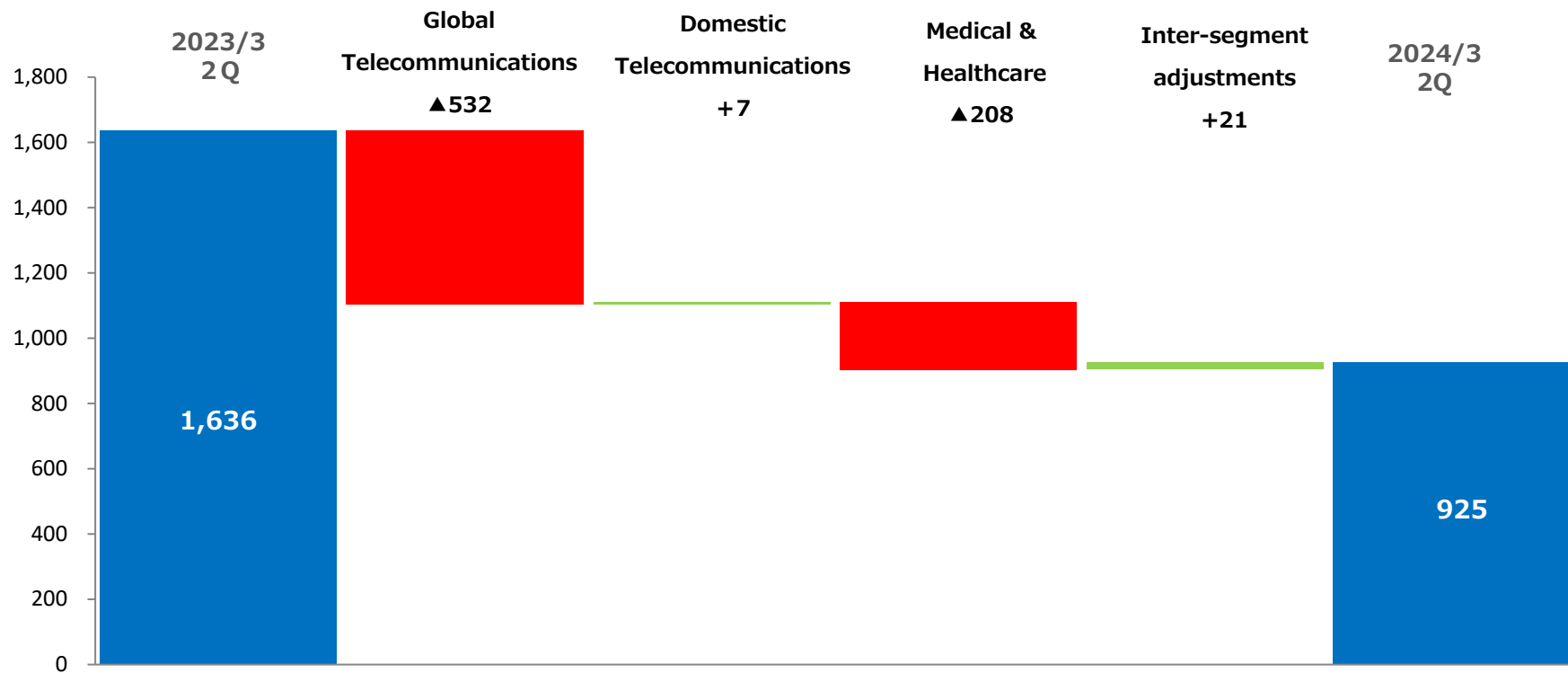
- **Net sales** : The 9.3% YoY decline was due to the fact that the Global Telecommunications recorded revenue from the receipt of a large IRU deal in the same period of the previous year. In addition, the number of LASIK operations decreased YoY due to increased competition.
- **Operating Profit** : Decreased 43.5% YoY due to lower sales in Global Telecommunications and Medical & Healthcare segments.
- **Ordinary Profit and Profit attributable to owners of parent** : Decrease of 34.3% and 42.5% YoY, respectively, due to lower operating profit despite FX gains of 687 million yen (740 million yen of FX gains in the same period of the previous year).



## (2) Operating Profit (YoY)



Profit decreased due to the fact that the Global Telecommunications recorded revenue from the receipt of a large IRU contract 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.



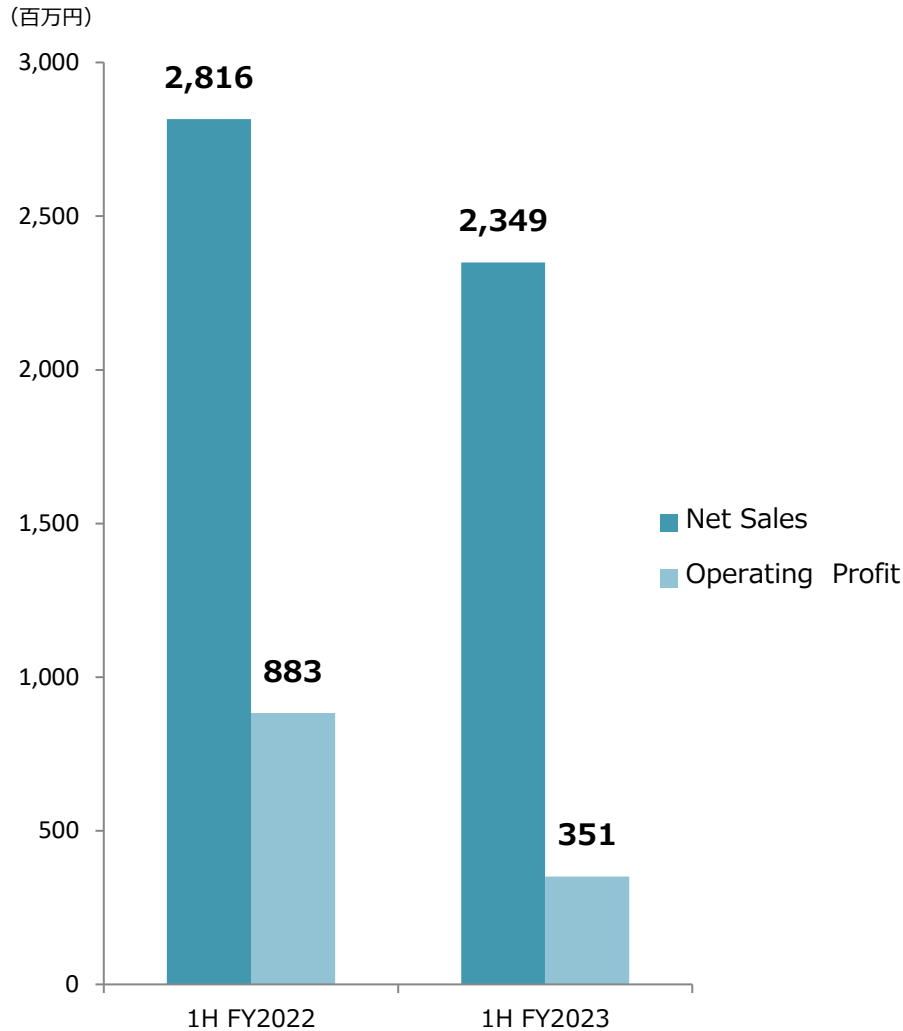
# (3) Operating Results by Business Segment



(JPY: million)

		1H FY2022	1H FY2023	YoY	change
Global Telecommunications	Net Sales	2,816	2,349	▲ 466	▲ 16.6%
	Operating Profit	883	351	▲ 532	▲ 60.2%
Philippines Telecommunications	Net Sales	2,117	2,093	▲ 23	▲ 1.1%
	Operating Profit	431	438	7	0.0
Domestic Telecommunications	Net Sales	849	804	▲ 44	▲ 5.3%
	Operating Profit	340	132	▲ 208	▲ 61.2%
Inter-segment adjustment	Operating Profit	▲ 17	3	21	–
Total	Net Sales	5,783	5,248	▲ 535	▲ 9.3%
	Operating Profit	1,636	925	▲ 711	▲ 43.5%

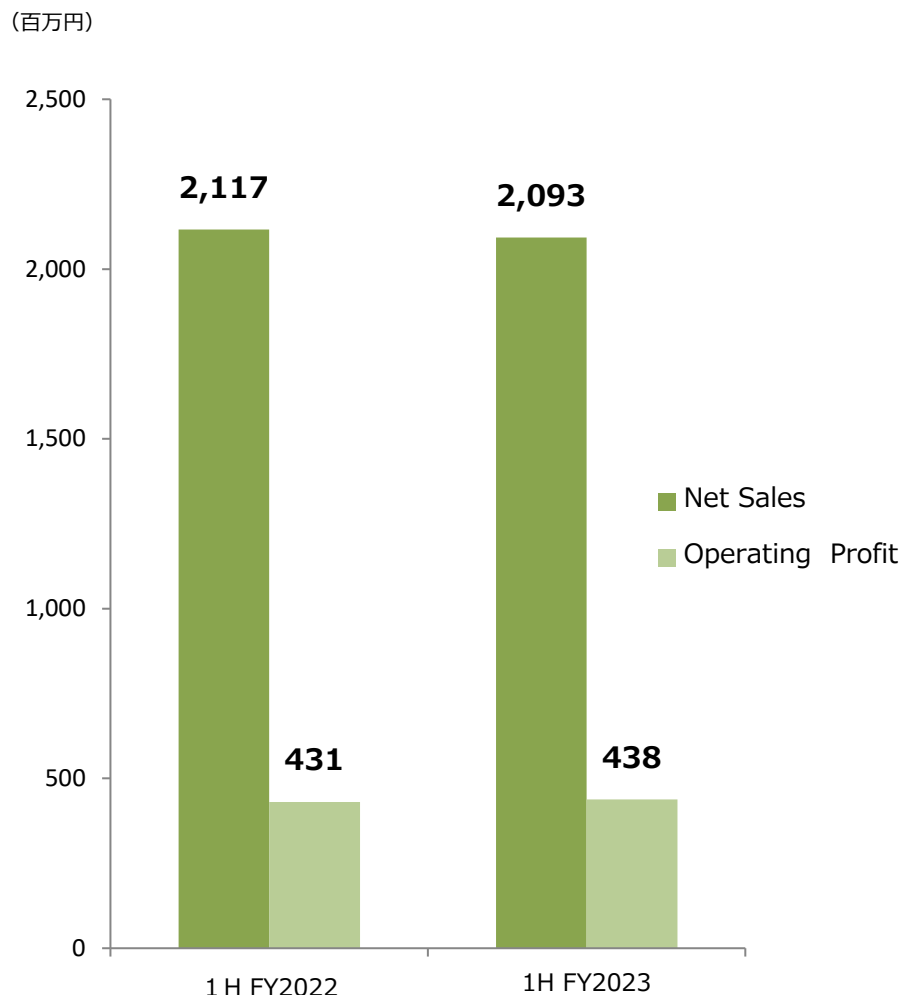
## Upfront investment for business expansion



Aggressively expanding sales of international communication lines to CATV operators/carriers in the Philippines and increase the number of corporate customers for ISP business to expand stock-type business.  
Promoting development of domestic telecommunication network by constructing PDSCN.

Exceeded our initial plan due to an increase in the number of corporate subscribers in the ISP business and sales of telecommunication equipment, in addition to the expansion of C2C line offerings. However, both sales and profits declined YoY due to the revenue from the receipt of a large IRU contract in the same period of the previous year.

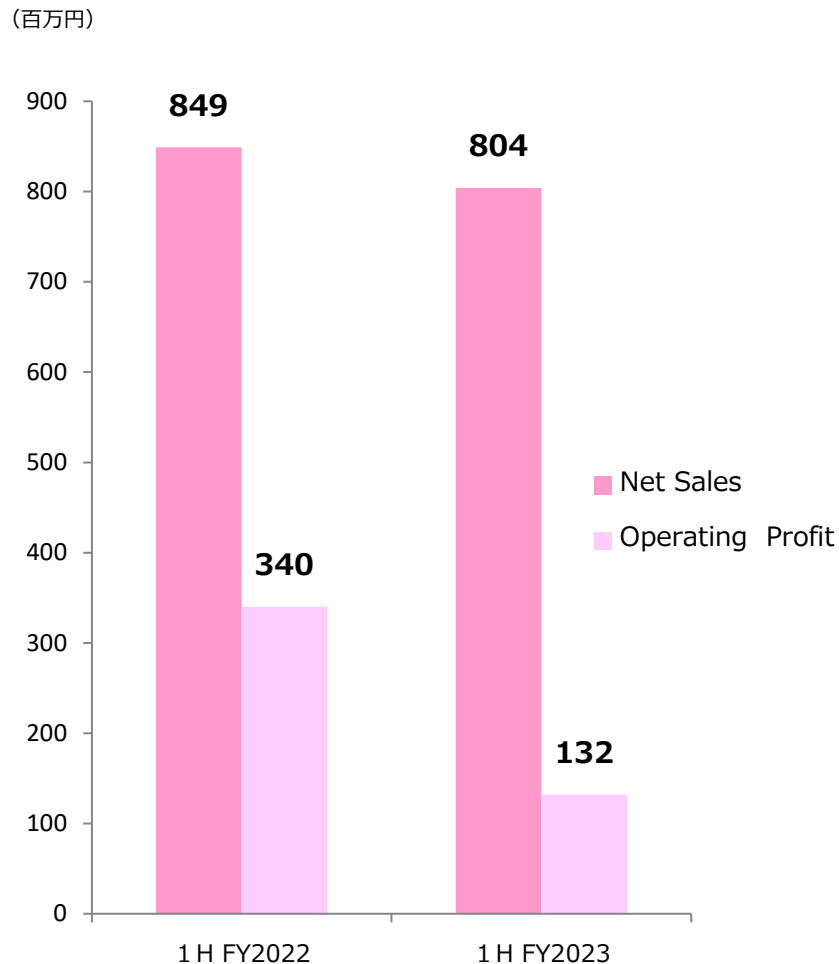
We will further expand business by developing our domestic telecommunication network in the Philippines.



## Strong performance in call center solutions.

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.



## Sales and profit decreased due to a YoY decline in the number of LASIK operations

Both sales and profit decreased from the same period of the previous year due to increased competition as well as the impact of rising prices in the Philippines.

## Entering the field of preventive care

Opened Shinagawa Diagnostic & Preventive Care, a medical checkup center introducing high quality Japanese technology.

# (4) Financial Condition

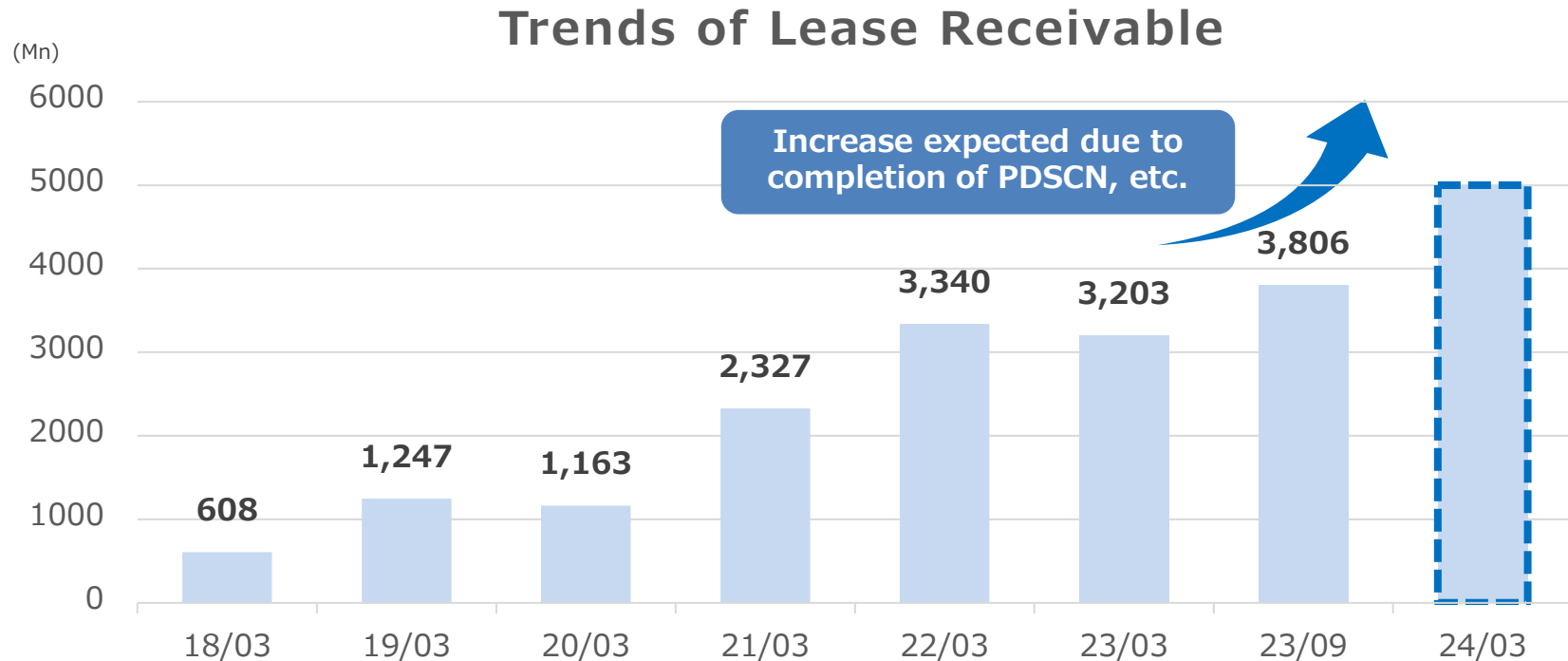


## Consolidated Balance Sheets (Summary)

(JPY: million)

Assets				Liabilities · Net Assets			
	March, 2023	September, 2023	Change		March, 2023	September, 2023	Change
<b>Current assets</b>	<b>14,270</b>	<b>15,183</b>	<b>912</b>	<b>Current liabilities</b>	<b>12,250</b>	<b>12,410</b>	<b>160</b>
Cash and deposits	6,881	5,759	▲ 1,121	Accounts payable	1,781	1,514	▲ 266
Accounts receivable	2,631	3,235	604	Short-term borrowings	6,170	6,531	361
Lease receivable	3,203	3,806	603	Others	4,299	4,364	65
Others	1,553	2,381	827	<b>Non-Current liabilities</b>	<b>1,014</b>	<b>3,703</b>	<b>2,689</b>
				Long-term borrowings	760	3,428	2,667
				Others	253	275	21
<b>Non-Current assets</b>	<b>10,839</b>	<b>14,176</b>	<b>3,336</b>	<b>Total liabilities</b>	<b>13,265</b>	<b>16,114</b>	<b>2,849</b>
Tangible assets	8,171	11,514	3,342	<b>Net assets</b>	<b>11,864</b>	<b>13,289</b>	<b>1,425</b>
Intangible assets	1,760	1,792	32	Shareholders' equity	8,905	9,656	751
Investments and others	907	869	▲ 37	Accumulated other comprehensive income	449	826	376
Deferred Assets	19	44	25	Share acquisition rights	263	266	2
				Non-controlling Interests	2,245	2,541	295
<b>Total assets</b>	<b>25,129</b>	<b>29,404</b>	<b>4,275</b>	<b>Total liabilities · Net assets</b>	<b>25,129</b>	<b>29,404</b>	<b>4,275</b>

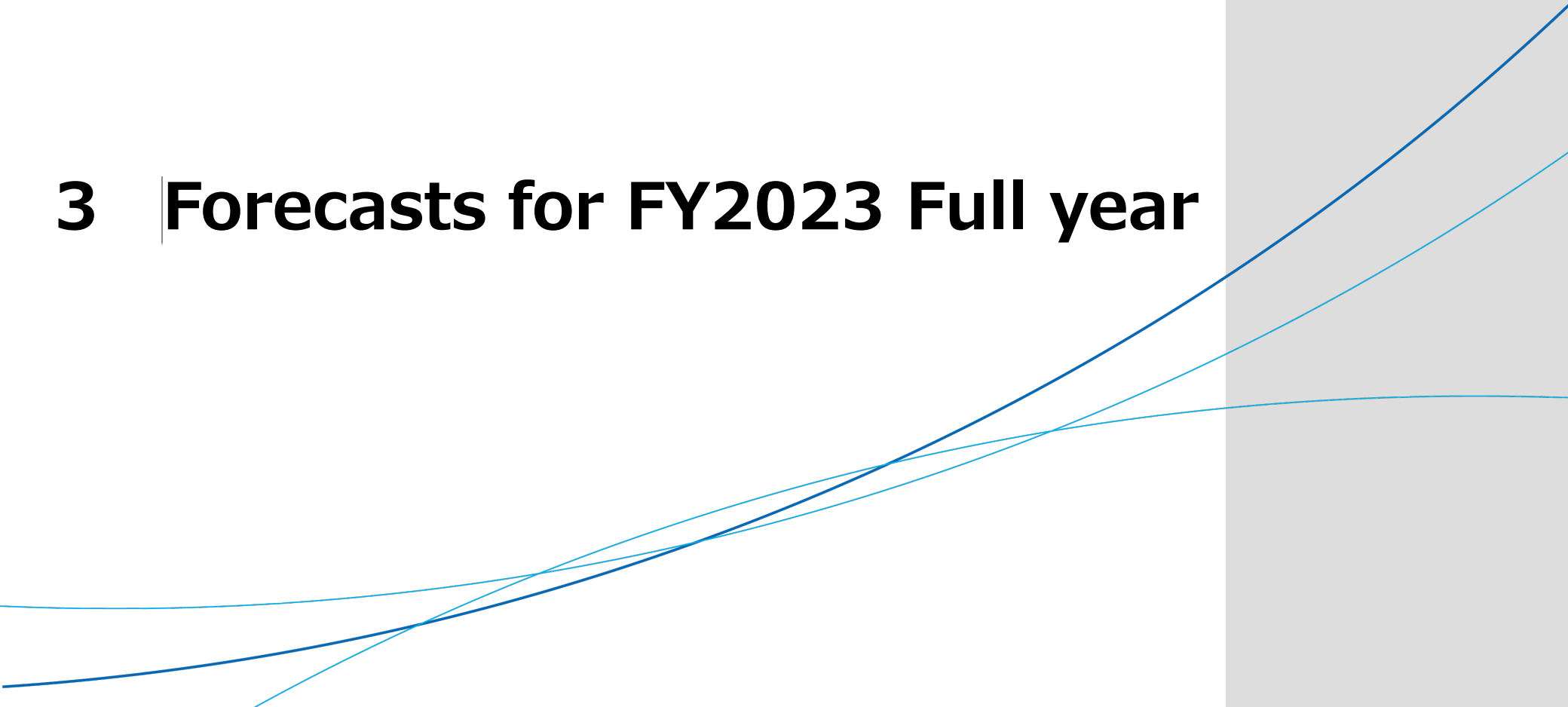
# ( 5 ) Trends of Lease Receivable



- When telecommunication lines are provided under long-term IRU contracts, revenue is recognized on a cash basis.
- The consideration that has been contracted but not yet paid is recorded as “Lease Receivable” and is reclassified to revenue on payments over 3-5 year period.
- The increase in the balance indicates the accumulation of a business base due to growth in Global Telecommunications business.

※\*The graph's height at the end of March 2024 is an approximate estimate and does not represent an exact figure.

# 3 | Forecasts for FY2023 Full year





# FY2023 Full year forecasts (consolidated)



(JPY: million)

	FY2022 Actual results	FY2023 Forecasts			
		1H actual	2H plan	Full year	YoY
Net Sales	12,346	5,248	8,752	14,000	13.4%
Operating Profit	3,311	925	2,875	3,800	14.8%
Ordinary Profit	3,464	1,558	1,992	3,550	2.5%
Profit attributable to owners of parent	2,292	954	1,246	2,200	▲4.1%

In Global Telecommunications, the plan has been revised upward as a result of progress in the development of the domestic telecommunications network in the Philippines. Medical & Healthcare has revised its plan downward due to the intensified competition in the LASIK business and rising prices, as well as a delay of business development of the medical checkup center. There is no change to the full-year earnings forecast as a whole.

Although foreign exchange gains of 687 million yen were recorded in the second quarter due to the depreciation of the yen, these gains are not reflected in the full-year forecast figures due to the difficulty of predicting exchange rate trends.

# Revised forecasts for FY2023 full year by business segment



(JPY: million)

Business Segment		FY2022 Actual Results	FY2023 Forecasts		
			Announced in May	Revised	YoY
<b>Net Sales</b>		<b>12,346</b>	<b>14,000</b>	<b>14,000</b>	<b>0</b>
	Global Telecommunications	6,380	6,800	8,150	1,350
	Domestic Telecommunications	4,275	4,700	4,300	▲ 400
	Medical & Healthcare	1,690	2,500	1,550	▲ 950
<b>Operating Profit</b>		<b>3,311</b>	<b>3,800</b>	<b>3,800</b>	<b>0</b>
	Global Telecommunications	1,865	2,200	2,760	560
	Domestic Telecommunications	919	1,050	920	▲ 130
	Medical & Healthcare	536	550	120	▲ 430
	Inter-segment adjustment	▲ 11	—	—	—
<b>OP Margin</b>		<b>26.8%</b>	<b>27.1%</b>	<b>27.1%</b>	<b>—</b>
	Global Telecommunications	29.2%	32.4%	33.9%	—
	Domestic Telecommunications	21.5%	22.3%	21.4%	—
	Medical & Healthcare	31.8%	22.0%	7.7%	—

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

# Key Points of the Forecasts for FY2024



## 1. Timing of “carriers’ carrier” transactions

**Global Telecommunications is steadily expanding due to strong inquiries backed by strong telecommunications demand in the Philippines.**

**The PDSCN project is scheduled for completion in December 2023.**

**In “carriers’ carrier” transactions, in which we provide international telecommunication lines and other services to major carriers, the timing of execution of the counterpartys’ annual capital investment plan (i.e., the recording of revenues by our group) tends to be in the third/fourth quarter. In the current fiscal year as well, these transactions will be concentrated in the third and fourth quarters.**

## 2. Medical & Healthcare Business in the Second Half of the Year

**The decline in the LASIK business is attributed to the rapid increase of operations in the previous year due to the easing of restrictions related to COVID-19, and most recently, to increased consumption for leisure and other purposes. In addition, new competition has emerged, with smaller clinics developing digital marketing similar to SLACC's. We will take appropriate measures such as reviewing marketing methods.**

**As for the physical checkup center, it has just started up and need awareness-raising activities, and is expected to contribute to revenue in the fiscal year after next.**

# 4 | Business Strategy Going forward

The background features a white space on the left and a grey vertical bar on the right. Several blue lines of varying thickness and slope are drawn across the page, starting from the bottom left and moving towards the top right, creating a sense of forward motion and growth.

# (1) Roadmap for Growth of Telecommunications Business in the Philippines

## Further outlook "OPEN-DOOR"

Construction of international submarine cable  
 ⇒ Collaborating with OTTs and major telcos outside PH  
 to provide domestic **content delivery networks (CDN)**, etc.



## 2022 onwards

Construction of PDSCN in 2022-2023; 140 relay stations (regional stations)  
 to be completed nationwide ⇒ Provided for medium-sized telecommunications carriers and regional CATV



## Since 2020

Acquisition of intl. line by IRU (C2C, etc.)  
 ⇒ Provision for telcos (Carrier's Carrier)

Personal internet connection  
 Corporate internet connection  
 Intl. line for CATV operators

⇒ To gain more deals by supporting capacity increase and provision of next-generation services

Y1  
 (the present)

⇒ To provide services of a Japanese company with experience of telecom deregulation & Filipino domestic licenses / lines / equipment

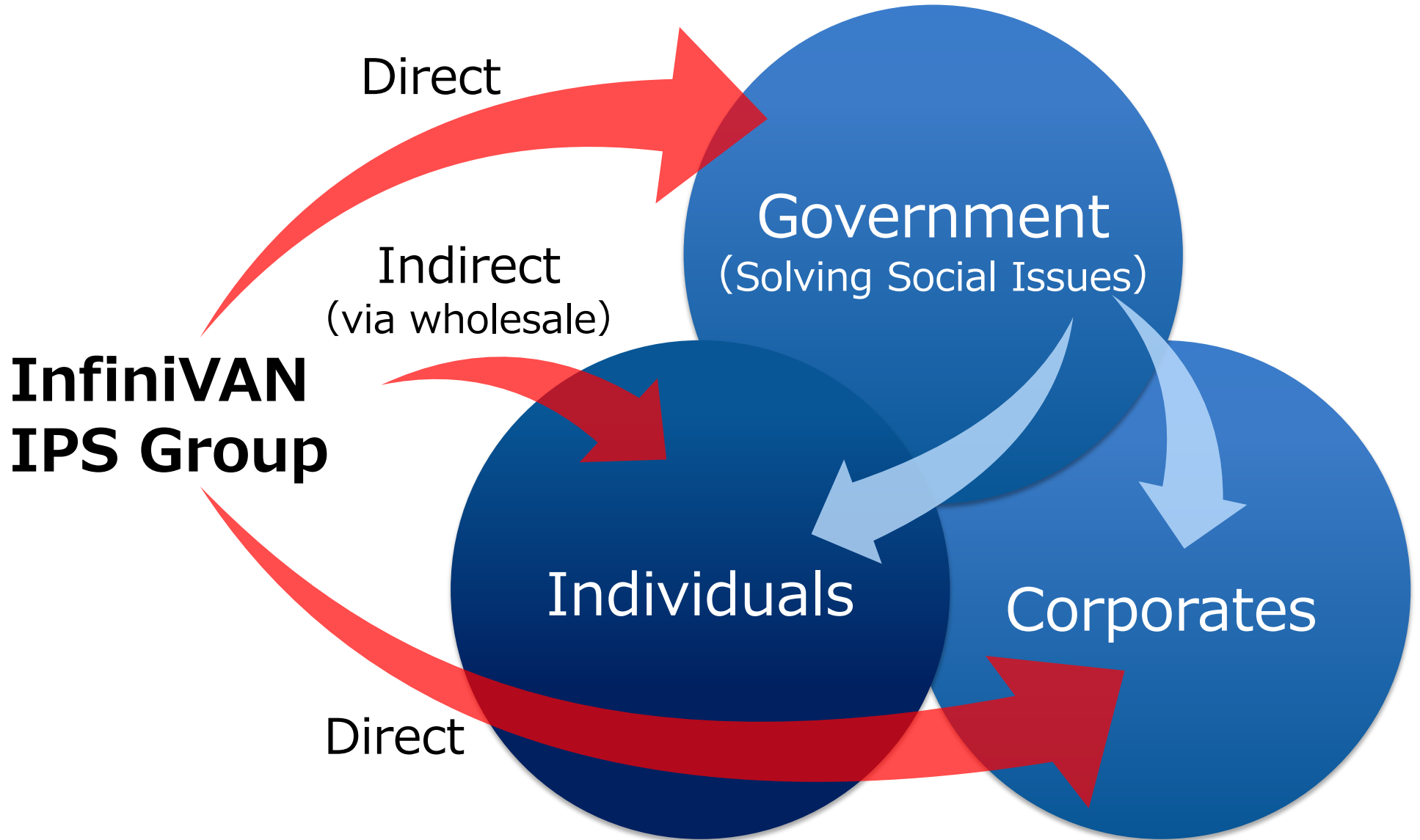
⇒ To have efficient own line stock run through major areas,  
 ⇒ Infrastructure capable to handle ever-increasing traffic over wide areas

⇒ To expand the capacity of acquired lines and newly acquiring lines,  
 followed by growth of sales  
 ⇒ To gain achievements and trust as a partner among telcos

Ballooning expected when 5G connection service goes into full-scale operation  
 expansion of the after-COVID 19 period

\* The graph is an image.  
 \* Future outlooks not guaranteed to achieve.

## (2) Target markets, approach



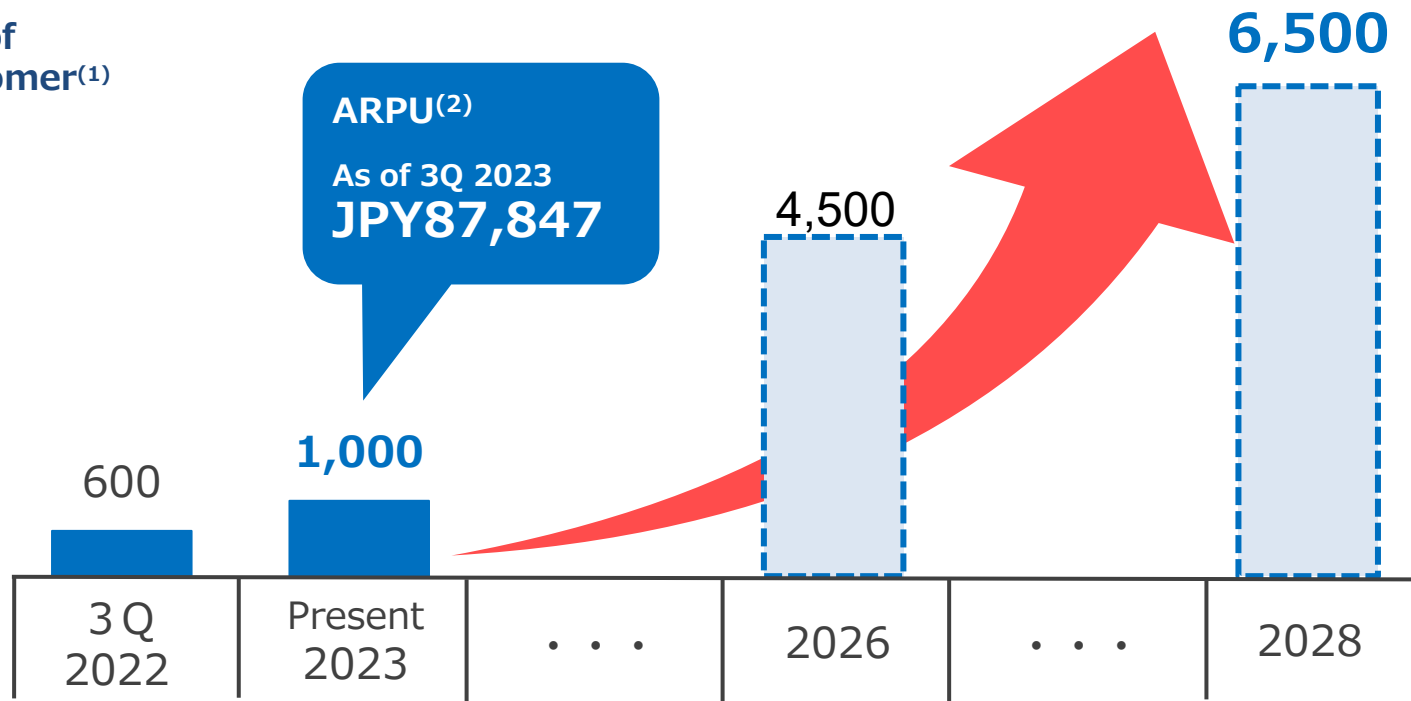
### (3) Focus on acquiring Internet customers



#### Corporates

- **Aiming to expand the number of customers to 6,500 in 5 years**
- We will expand its customer base by steadily expanding access lines through self-installation and the Radius line swaps, developing PDSCN and other nationwide networks, and expanding its sales and maintenance system to include major regional cities.

No. of customer<sup>(1)</sup>



(1) Figures are quarterly averages of the number of monthly customers (billing customers)  
(2) ARPU : Monthly Average Revenue Per User

## (4) Construction of a new Asian international submarine cable (under consideration)



### Wholesale + a



- Plans of a landing station \*Not the main one and backhaul maintenance (Some of them are self-laid)
- Connected to major domestic infrastructure. Contributing to the improvement of Japan's infrastructure and making it a data hub.

- Connected to PDSCN and BBIX Philippines
- To a large, high-quality Internet infrastructure that will handle the Philippines' third-largest Internet data

- **Discussions are underway for the joint construction of a new international submarine cable system connecting Japan to the Philippines and Singapore.**
- **Upon completion, benefits will ripple out to our entire spectrum of telecom customers (CATV, ISPs, carriers, OTTs, government agencies, and corporations and individuals).**

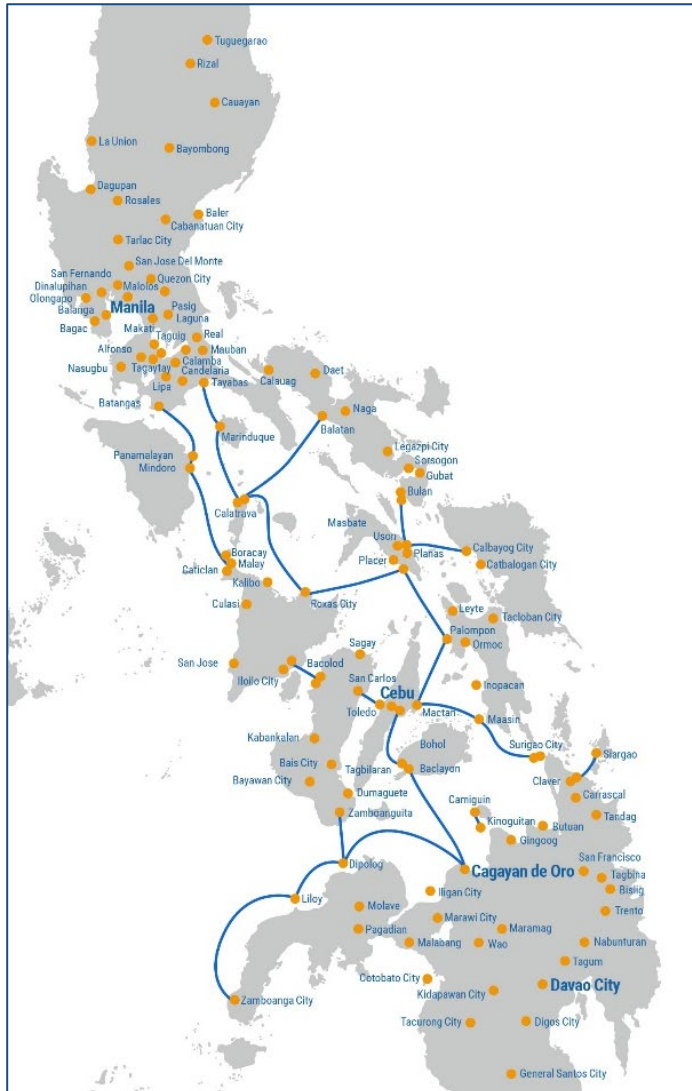


# (5) Active development of core network in the Philippines



Solving Social Issues + a

Wholesale + a



- Development of a domestic overland optical cable network and more than 140 regional stations to be connected to PDSCN.
- Expanding the network ahead of major carriers by receiving rapid approval for installation as part of a government project.
- **We will contribute to the realization of the National Broadband Plan promoted by the government (DICT) and provide broadband to those who are considered “Underserved” and “Unserved”.**
- **The benefits of the new infrastructure will spread to all of our customers, including wholesale ones.**



**We are the first to find solutions to social problems in the Philippines from Japan and around the world and customize them for our Filipino clients.**

### Paper-based government document management (conventional)

- Local governments in the Philippines have historically maintained all birth certificates and resident registration data on paper
- Inefficient storage, low retrieval, low service level

### Digital archive management (under demonstration experiment)

- Enables prompt retrieval of birth certificates and residence records, regardless of location
- Reduced storage space
- Foundation for digitization of government services



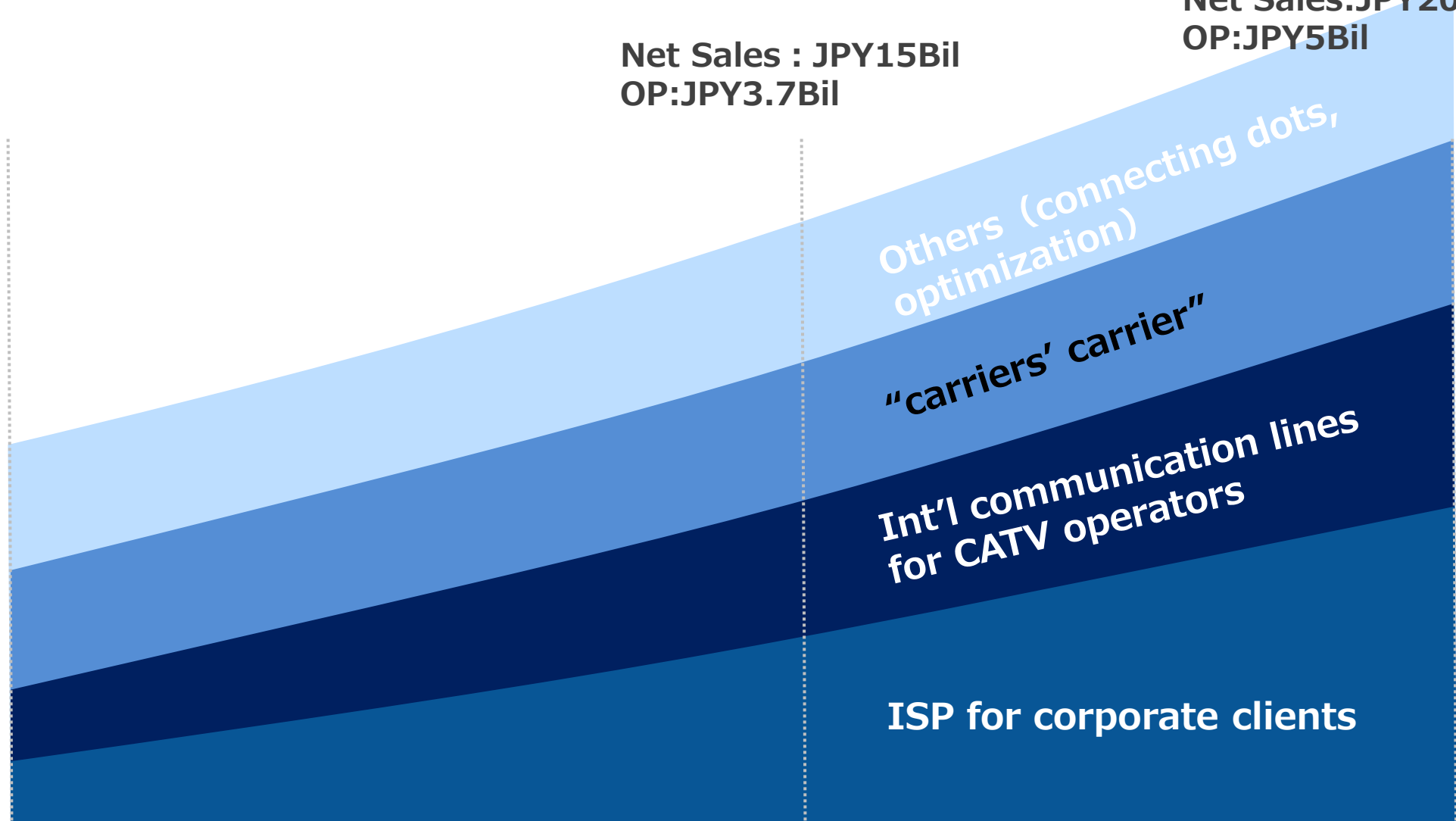
We found a digital archive management package made in the United States. Furthermore, we provide a set of backups set up in a secure data center overseas (data transmission via our international lines).

# ( 7 )Growth Image of Global Telecommunications Business



Net Sales:JPY20Bil  
OP:JPY5Bil

Net Sales : JPY15Bil  
OP:JPY3.7Bil



Y1 (Current)

3years later

5 years later

- 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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