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Medium-Term Business Plan 2026

May 14, 2024

IPS, Inc.

Ticker symbol 4390

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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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Message from the President

Our company was listed on the Tokyo Stock Exchange Mothers in June 2018, changed its market to the First Section of the Tokyo Stock Exchange in December 2020, and is currently listed on the Tokyo Stock Exchange Prime Market. Thanks to your support, we have been able to continue to increase sales and profits since our listing, and we are developing as a highly profitable company.

The reason why we formulated this Medium-Term Business Plan is that with the completion of Philippine Domestic Submarine Cable Network(PDSCN) last December, we have established a backbone network comparable to major telecommunications carriers, which has enabled us to provide services to hyperscale operators and to offer broadband services throughout the Philippines.

In the Medical & Healthcare Business, in April last year we opened the first facility in the Philippines specializing in preventive medicine, including the latest equipment for physical checkup, and we hope many people in the Philippines will use this facility.

Now that the foundation is in place to contribute to the development of the Philippines, we'd like to explain our business strategy.

The Philippines, which our group is focusing on as the core of its business, has the second highest economic growth rate in Asia after India (6.5% average forecast for 2022-2024), and future economic growth is expected as the benefits of population growth are projected to continue through the 2050s. Our group would like to provide high quality Japanese-standard services that will contribute to the development of Philippine society and economy.

The telecommunications business in the Philippines will be made more robust by building a redundant and uninterrupted network, which is the norm in Japan, and by establishing a prompt maintenance system. We will further develop the Philippine domestic backbone network centered on PDSCN and expand the provision of not only international telecommunication lines but also domestic lines. Since we became able to provide services throughout the Philippines, it is expected that we expand the provision of Internet access services for corporate customers in Metro Manila as well as in the provinces.

In addition, we will work to boost the Philippine economy by expanding the provision of telecommunication lines to rural areas, and promote new initiatives such as the provision of DMS (Document Management System) to local governments. We will continue to grow sustainably by strengthening the revenue base of our group and contributing to the development of the telecommunications infrastructure in the Philippines.

In the Medical & Healthcare Business, we would like to increase the provision of LASIK in Metro Manila and take the lead in preventive medicine in the Philippines by utilizing our Japanese-standard physical checkup center. We will continue to enhance our services so that more people can use them and contribute to the improvement of health in the Philippines.

In Japan, we will continue to develop our distinctive telecommunications business with expanding our call center service offerings and providing new services through the shift to IP for communications.

The long-term strategy of our group is to become a telecommunications infrastructure operator that connects Japan and Asia. With this communication line as the core, we will develop communication lines within Japan and the Philippines to provide convenient and secure communication services that existing operators have not been able to offer.

We’d like to contribute to the economic growth and the establishment of economic security in Japan and the Philippines.

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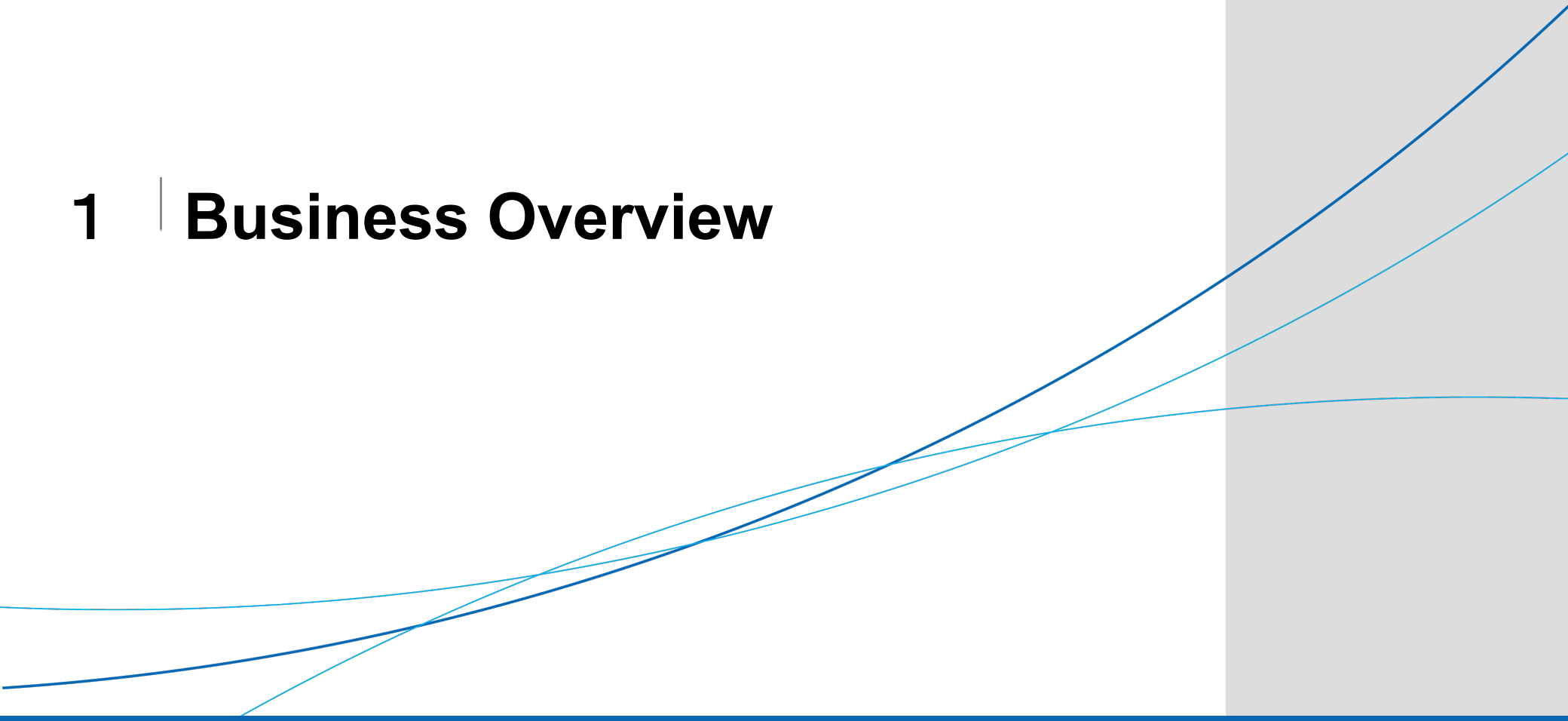
1 Business Overview



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Company Profile

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）



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Business Overview

Oversea ・Philippines

Global Telecommunications





2012

- Providing international telecommunication lines to Hong Kong for cable television operators in the Philippines.

2020 ・2021

- Acquired a portion of the C2C international submarine cable and began providing lines to telecommunications carriers as well.

2017

- Provision of Internet access services for corporate clients in Manila commercial areas by our subsidiary InfiniVAN, Inc.
- Installation, acquisition and provision of telecommunication lines in the Philippines (construction or acquisition of relay lines, domestic submarine cables, and landing stations, conceived or in progress)

2023

- Joint construction of Philippine Domestic Submarine Cable (PDSCN) with a local telecommunications operators

Medical & Healthcare



2010

- Started LASIK and cosmetic surgery clinic in a commercial area of Manila.

2020

- Third clinic specializing in LASIK opened in Bonifacio Global City.

2023

- Newly opened a physical checkup center in a commercial area of Manila.

Japan

Domestic telecommunications



1998 ※2012 Converted to corporate business

- Services for Call Centers
- Call services for MVNO operators and other telecommunications carriers

Business as a registered (authorized) telecommunications carrier (registration number: No. 214, registration date: April 1, 2004)

- Ownership of various types of equipment and provision of services

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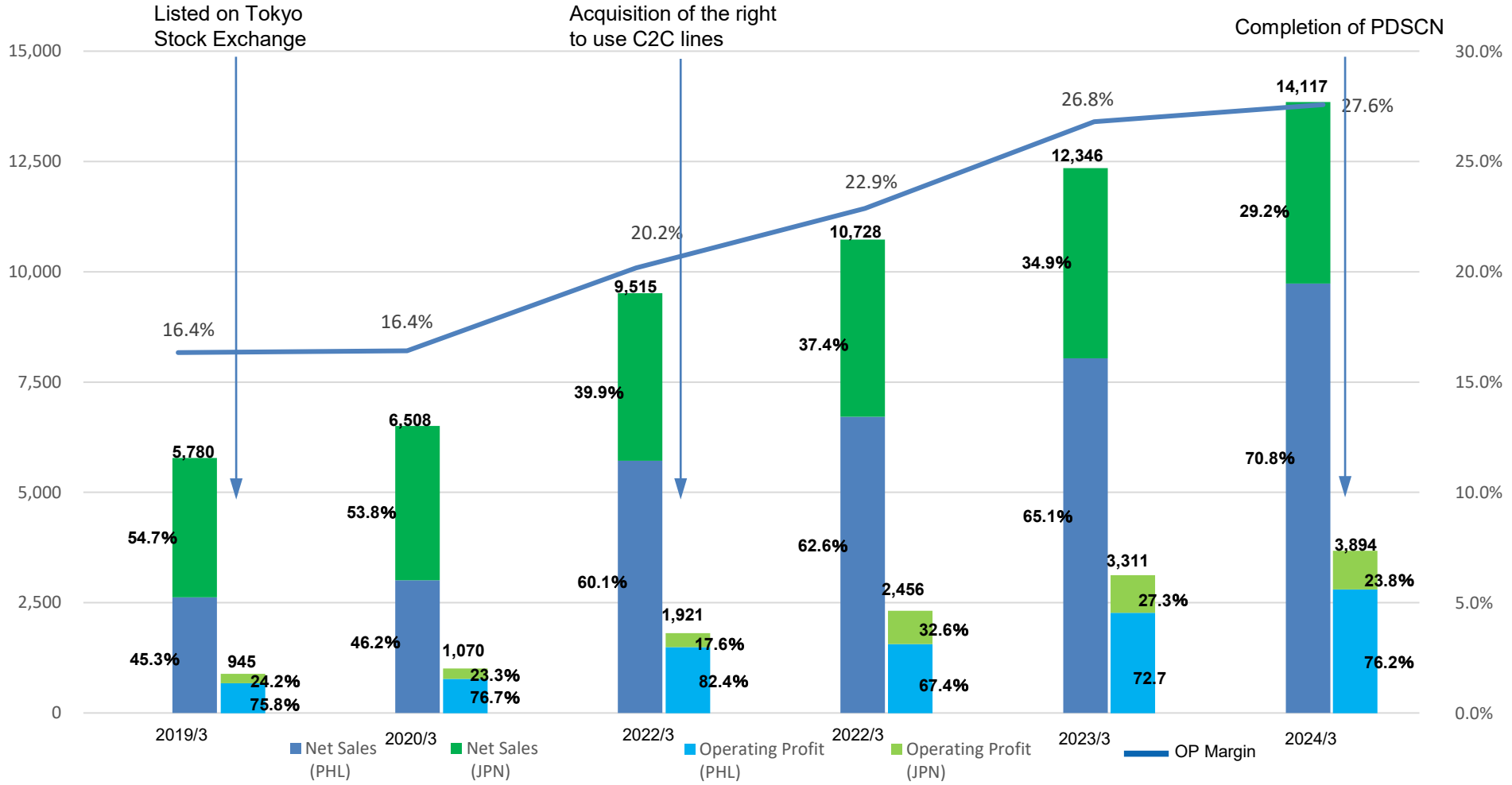
Performance since listing

After listing on Tokyo Mothers in June 2018, our group has achieved an increase in sales and profit. Both sales and operating profit in the Philippines, our group's core business, exceeded 70% of net sales and operating profit.



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2 Medium-Term Business Plan

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Medium-Term Performance Targets

①Performance Targets　To achieve high growth and profitability

（JPY：million）

	FY2023 Actual	FY2024 Plan	FY2025 Plan	FY2026 Plan	Total for 3 years of Plan	CAGR (%)	Growth rate over 3 years
Net Sales	14,117	16,500	20,000	23,400	59,900	18.3	1.66×
Operating Profit	3,894	4,290	5,150	6,050	15,490	15.8	1.55×
OP Margin	27.6%	26.0%	25.8%	25.9%	25.9%	-	-
ROE	**27.5%**	**20% or more**					
Payout Ratio	**16.4%**	**20%**					

Assumed Exchange Rates
1 USD＝140JPY
1 PHP＝2.6JPY

②Cash Flow　To maintain financial health while implementing investments for growth and distributing stable returns (dividends).

3-year cumulative operating CF

Approx. ¥12 billion

- **Investments for Growth**
- **Use for financial health (repayment of loans)**
- **Shareholder Returns (Dividends)**

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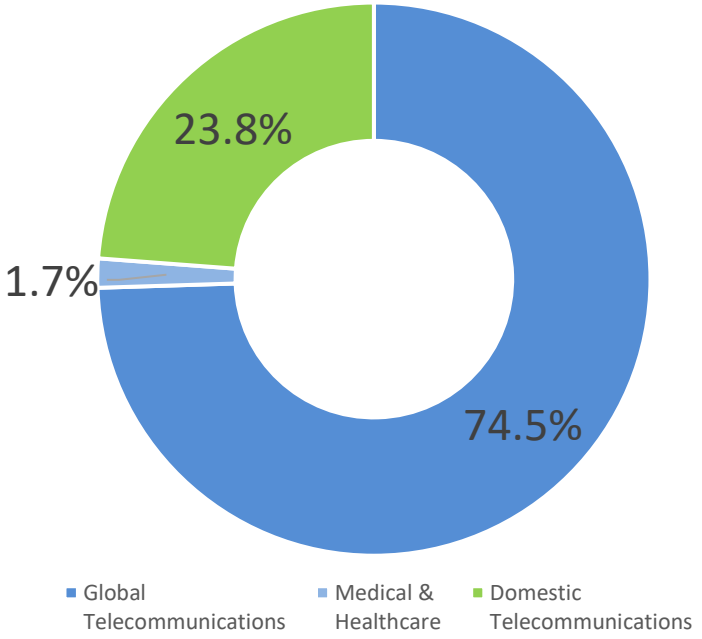
Operating Profit Growth

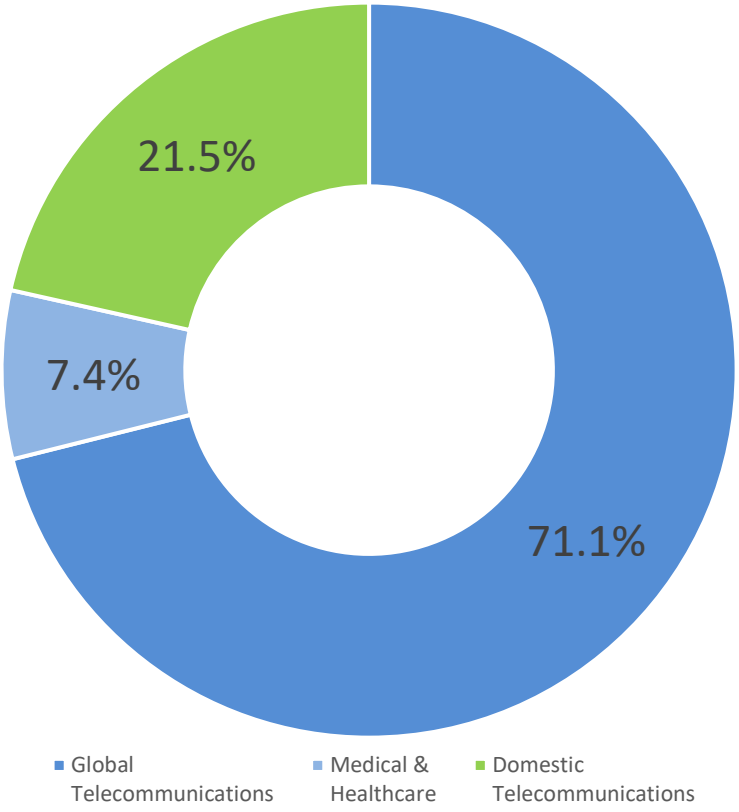
Operating profit in the final year of the Medium-Term Business Plan (FY2026) is expected to be 6.05 billion yen, 1.55 times that of FY2023.

Operating Profit for FY2023：¥3.894 billion



1.55x

Operating Profit Plan for FY2026：¥6.05 billion



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Performance targets by segment

JPY：million

		FY2023 (Actual)	FY2024 (Plan)	FY2025 (Plan)	FY2026 (Plan)	CAGR
Global Telecommunications	Net Sales	**8,440**	**11,000**	**13,700**	**16,500**	25.0%
	Operation Profit	**2,901**	**3,360**	**3,800**	**4,300**	14.0%
	OP Margin	**34.4%**	**30.5%**	**27.7%**	**26.1%**	-
Domestic Telecommunications	Net Sales	**4,116**	**3,850**	**4,150**	**4,450**	2.6%
	Operation Profit	**925**	**930**	**1,050**	**1,300**	12.0%
	OP Margin	**22.5%**	**24.2%**	**25.3%**	**29.2%**	-
Medical & Healthcare	Net Sales	**1,561**	**1,650**	**2,150**	**2,450**	16.2%
	Operation Profit	**67**	**0**	**300**	**450**	88.4%
	OP Margin	**4.3%**	**0.0%**	**14.0%**	**18.4%**	-
Inter-segment adjustment		**0**	**-**	**-**	**-**	-
Total	Net Sales	**14,117**	**16,500**	**20,000**	**23,400**	18.3%
	Operation Profit	**3,894**	**4,290**	**5,150**	**6,050**	15.8%
	OP Margin	**27.6%**	**26.0%**	**25.8%**	**25.9%**	-

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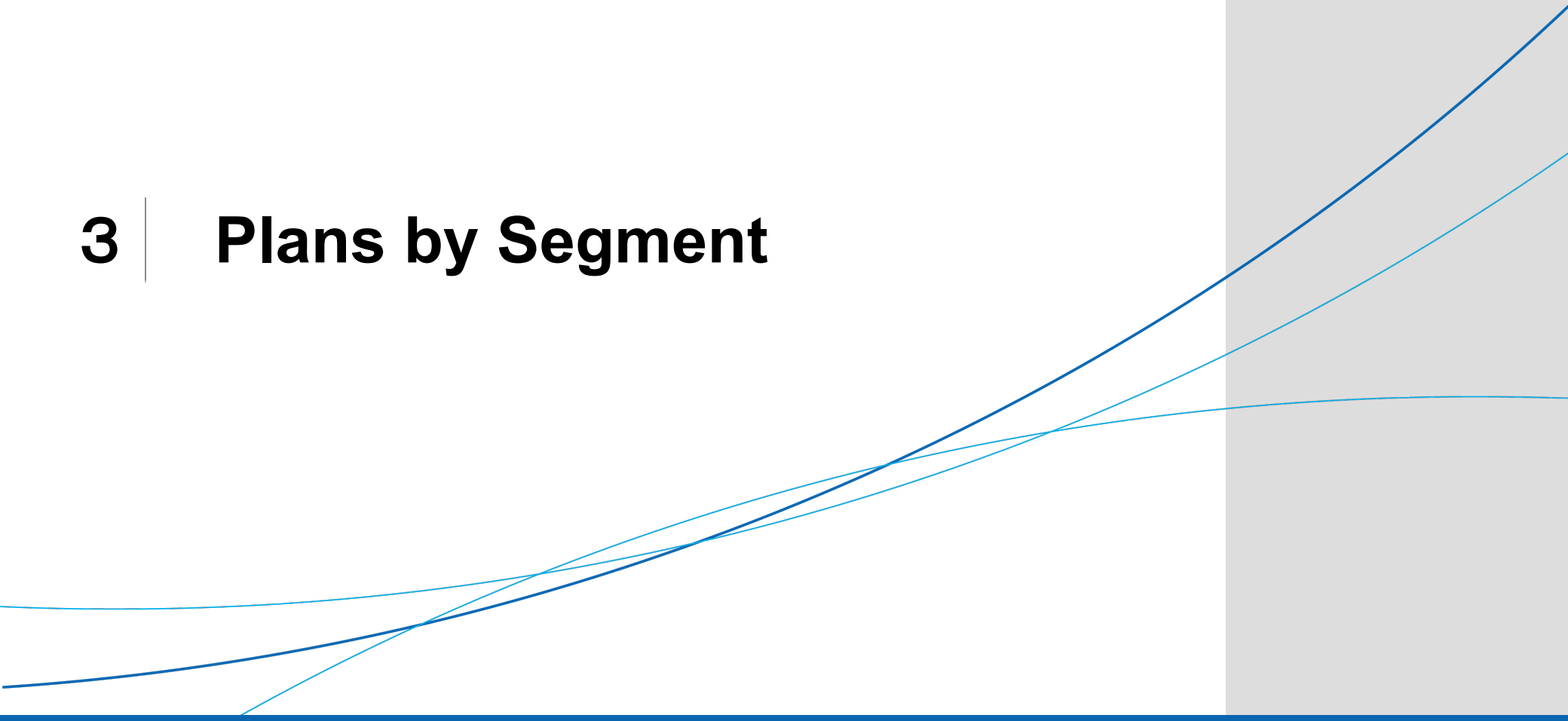
3 Plans by Segment



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Global Telecommunications Business

Our objective is to optimize the Philippine national backbone network, improve the telecommunications environment in the Philippines, and contribute to economic development.

Domestic Telecommunications in the Philippines

To grow the business by utilizing the domestic backbone network centered on PDSCN and to correct regional disparities in the Internet environment

- Further Expansion of Internet Access Services for Corporate Customers
- Sale of telecommunication lines to local telecommunication carriers, etc.
- Provision of secure central lines for government
- Provision of DMS(Document Management System) for local governments
- Sale of telecommunication lines to hyperscale operators
- Expansion of C2C line offerings
- Carrier's Carrier transaction

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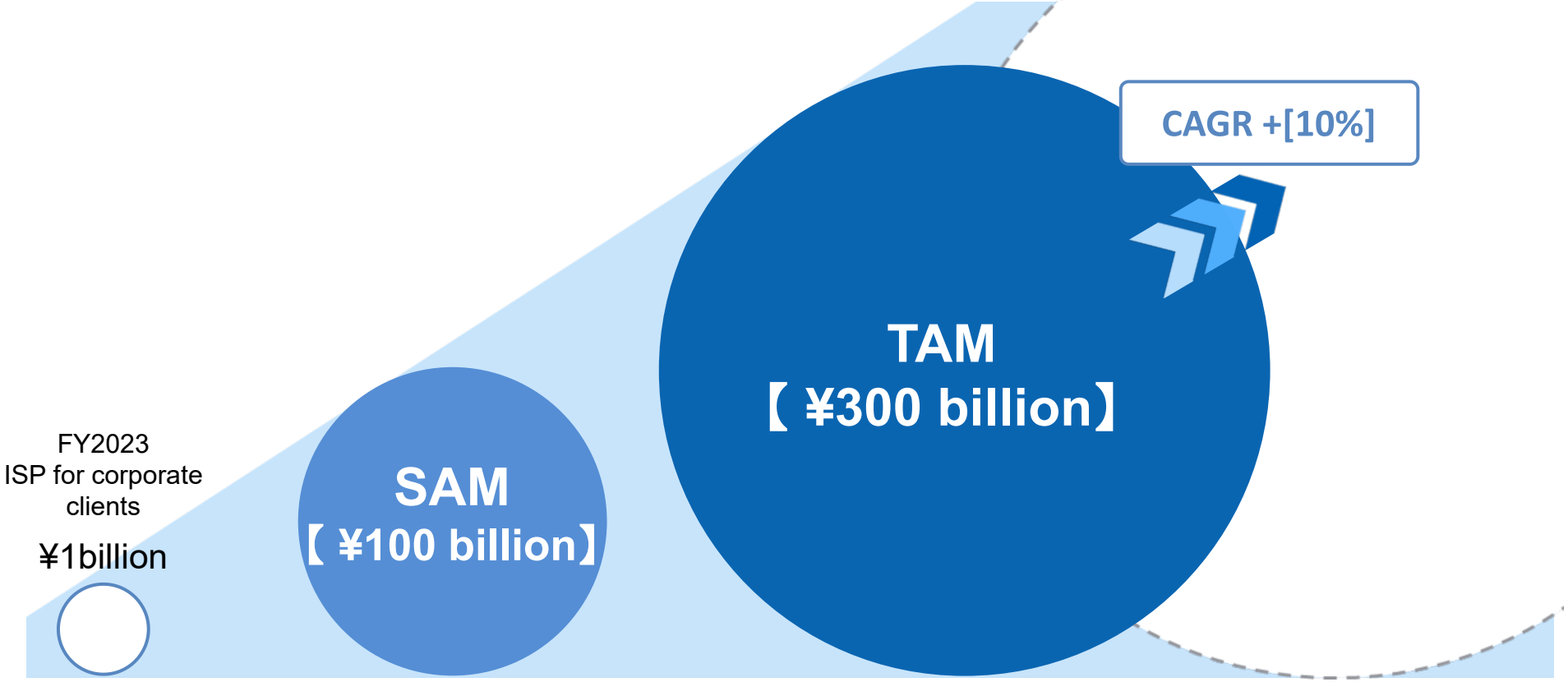
Global Telecommunications Business

Corporate Internet access services are a vast and continuously growing market

- TAM is the size of the Total Addressable Market. The Philippine market for corporate clients is 300 billion yen, and the market growth rate is more than 10% per year.
- SAM (Serviceable Addressable Market) is the largest market size that can be acquired, and is estimated to be 100 billion yen for corporate Internet access services.



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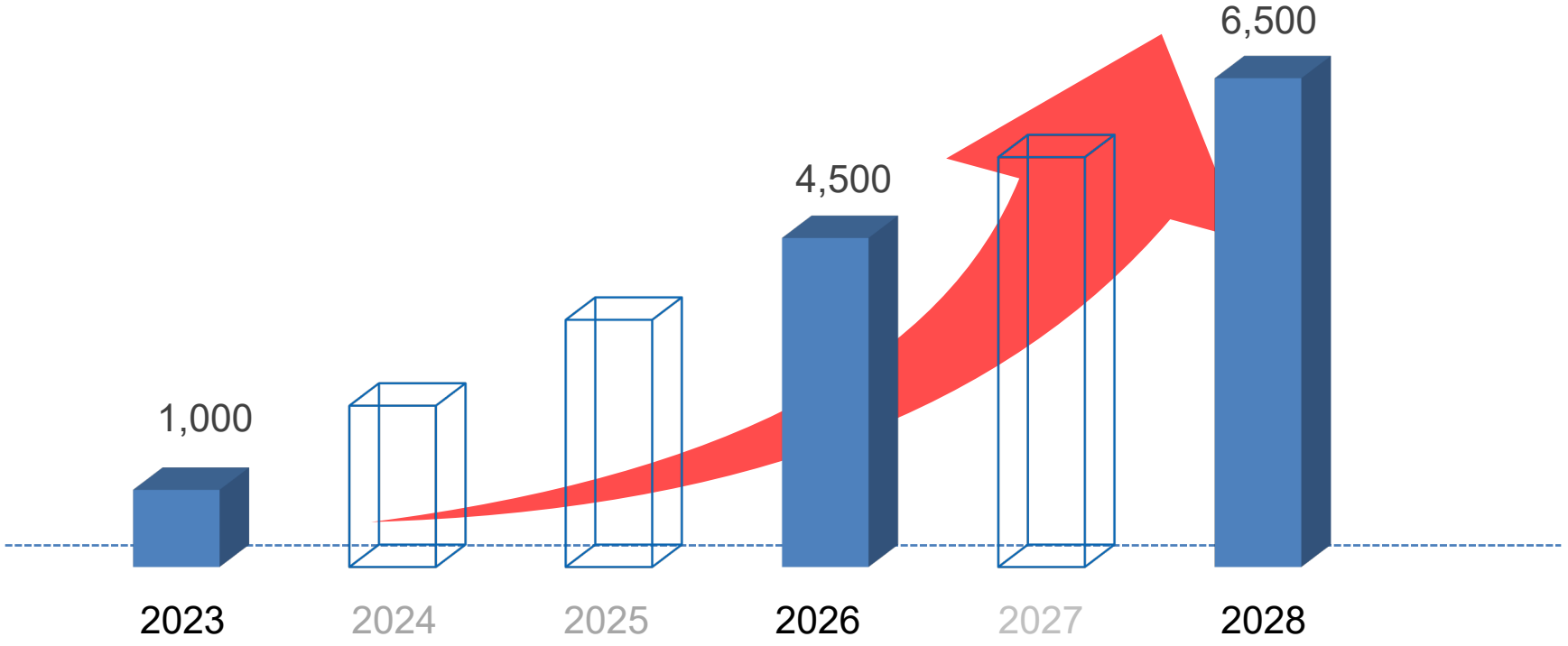
Global Telecommunications Business

We aim to expand the number of customers for our corporate Internet access service to 4,500 in three years.

Expanding stock-type business by adding more than 1,000 customers each year.

- We will continue to focus our sales efforts on the Metro Manila commercial area, where ARPU is high, and also focus on acquiring large and medium-sized enterprises that have offices nationwide.
- Expansion of sales and maintenance system including major regional cities through the development of a nationwide backbone network centered on PDSCN.



(1) The umber of customers at the end of the year
(2) ARPU is the Average Revenue Per User.

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Global Telecommunications Business

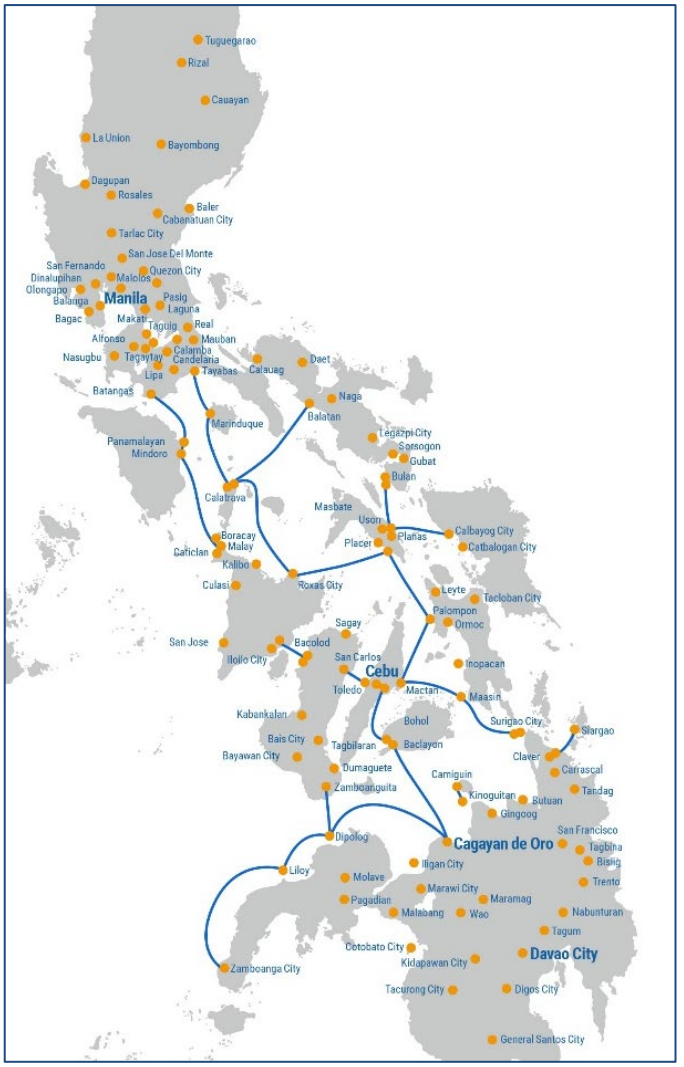
We will expand our business by developing a national backbone network in the Philippines, centered on PDSCN.

Characteristics of the Philippine National Backbone Network centered on PDSCN

- Comparable to the backbone networks of major telecommunications carriers
- 96% population coverage with more than 140 regional stations
- Uninterruptible lines due to the realization of Japanese-standard redundancy

- Provision of C2C and PDSCN lines to local telecommunications carriers/CATV operators
- Provision of telecommunication lines for hyperscale operators
- Provision of telecommunication services for government and municipalities utilizing the secure Philippine domestic backbone network
- Provision of DMS (Document Management System) for government and municipalities

With PDSCN and the Philippine domestic backbone network in place, we have already signed contracts with over 40 new local telecommunications carriers(IRU contracts totaling approximately 2 billion yen after opening).



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Medical & Healthcare Business

We will contribute to raising awareness of health prevention in the Philippines by providing LASIK and raising awareness of preventive medicine.

LASIK	**Stable growth by providing safe LASIK of Japanese standards.**

LASIK Market Environment

In the Philippines, the population between the ages of 20 and 39, which is said to be the applicable age for LASIK, is about 34 million. The number of people aged 15 to 19 and 10 to 14, who will be eligible for LASIK in the future, exceeds approximately 10 million each.

Preventive Medicine	**We will raise awareness of the importance of preventive medicine and promote the provision of Japanese-standard physical checkup, state-of-the-art diagnostic imaging equipment & in-hospital laboratories as part of regular corporate health checkups.**

In April last year, we opened the Shinagawa Diagnostic & Preventive Care Center, a physical checkup center with high-quality Japanese technology, to promote the spread of preventive medicine. High reliability is ensured by performing diagnostic imaging by Japanese medical specialists and providing information to Philippine physicians. Synergistic effects with InfiniVAN's corporate sales can be expected.

The Philippines has a working-age population of approximately 69.4 million, which is expected to continue growing until around 2050.

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State-of-the-art equipment and in-house laboratory at Shinagawa Diagnostic & Preventive Care Center





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Domestic Telecommunications Business

Through our subsidiary IPS Pro, Inc.(IPSP), we will help our clients strengthen their competitiveness. We will also build new businesses and bring about a transformation of the telecommunications business in Japan.

Call Center Solutions	**Further evolution of call center solutions combining AmeyoJ, a call center system, and a second billing services, a low-cost calling service, will help call center operators and other customers enhance their competitiveness.**
Value-Added Services	**As infrastructure services, we contribute to strengthening our clients' competitiveness by providing ICT infrastructure (data centers, CloudSigma) and other services that serve as the foundation for solutions.**

IPSP will take on the next new business challenge.

New business in response to the shift to IP of telephone networks (PSTN migration) .

The communication lines for the call center solution, which combines the AmeyoJ call center system and low-cost calling service, are provided and resold by two major companies in Japan for two nationwide unified numbers: 0120, a toll-free number paid by the person receiving the call, and 0570, a number paid by the caller.

IPSP plans to launch 0120 and 0570 services at the timing of the shift to IP of telephones network in January 2025. This will allow us to offer all of our services on our own lines. We expect an increase in profits and aim to increase the number of customers by proposing flexible solutions to meet their needs.

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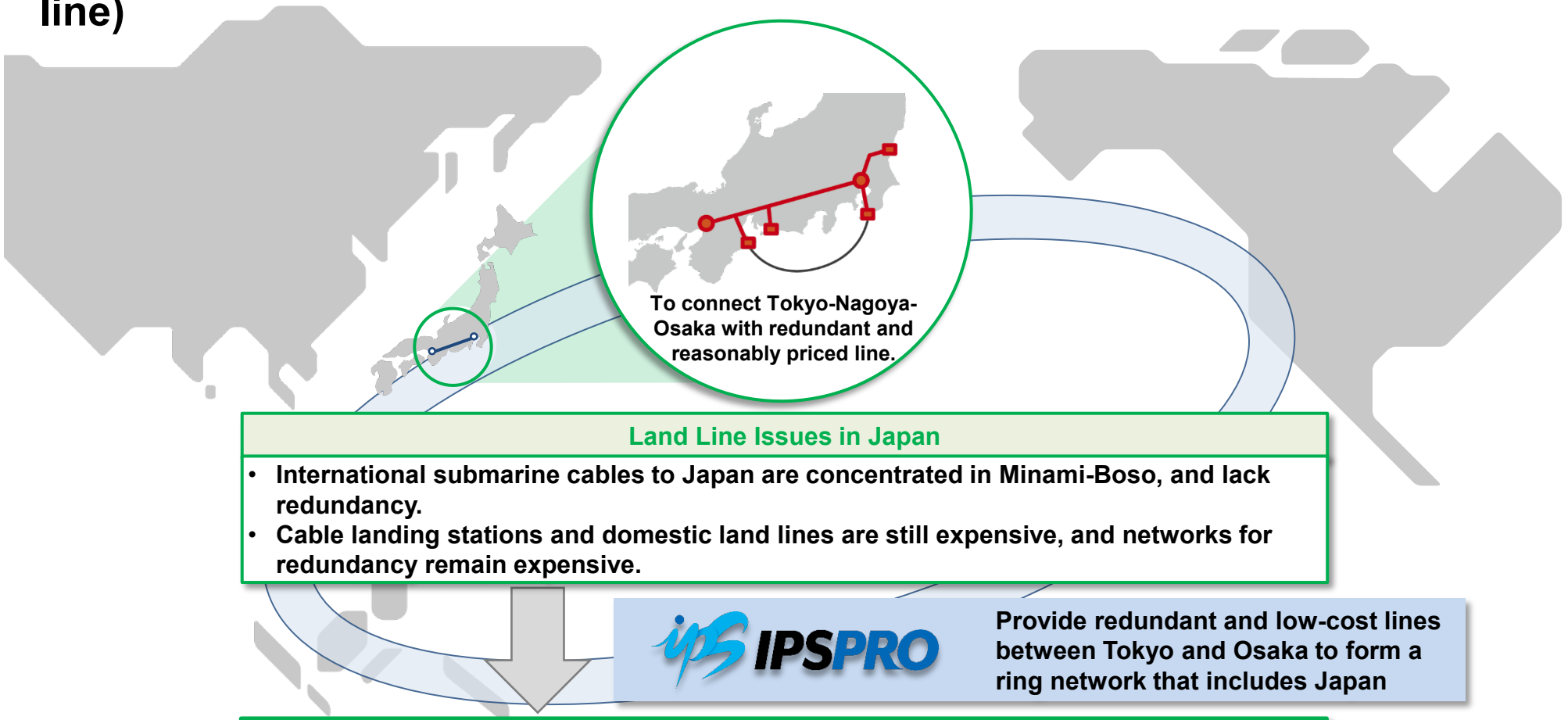
Domestic Telecommunications Business (Tokyo-Nagoya-Osaka trunk line)



Land Line Issues in Japan

- International submarine cables to Japan are concentrated in Minami-Boso, and lack redundancy.
- Cable landing stations and domestic land lines are still expensive, and networks for redundancy remain expensive.

IPSPRO

Provide redundant and low-cost lines between Tokyo and Osaka to form a ring network that includes Japan

Making Japan a hub for telecommunications infrastructure linking the Asia and U.S.

Land lines we realize

- The line between Tokyo and Osaka will have sufficient redundancy.
- To provide high quality and low cost infrastructure between distributed cable landing stations in the international submarine cable network.

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4 Long-Term Business Strategy

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Reforming of the telecommunications infrastructure

We will realize the concept of building an Asian international submarine cable to improve the telecommunications infrastructure of the Philippines and Japan, contributing to the expansion of business and the economic development of both countries.

We are discussing the joint construction of a new international submarine cable system connecting Japan, the Philippines, and Singapore. We are considering laying the cable avoiding the 9-Dash line. Aiming to provide more secure communication lines.



- **Cable Landing Station installation. ※Not a main station.**
- **Backhaul in place. (Some of which we laid ourselves.)**
- **Connected to major domestic infrastructure. Contributing to the improvement of Japan's telecommunications infrastructure and making it a**

- Building an even larger, higher quality Internet infrastructure that handles the third largest Internet in the Philippines.
- Connected to PDSCN and BBIX Philippines

Once completed, the benefits will ripple out to our entire spectrum of telecommunications customers. (CATV, ISPs, carriers, OTTs, government agencies, and corporations and individuals)

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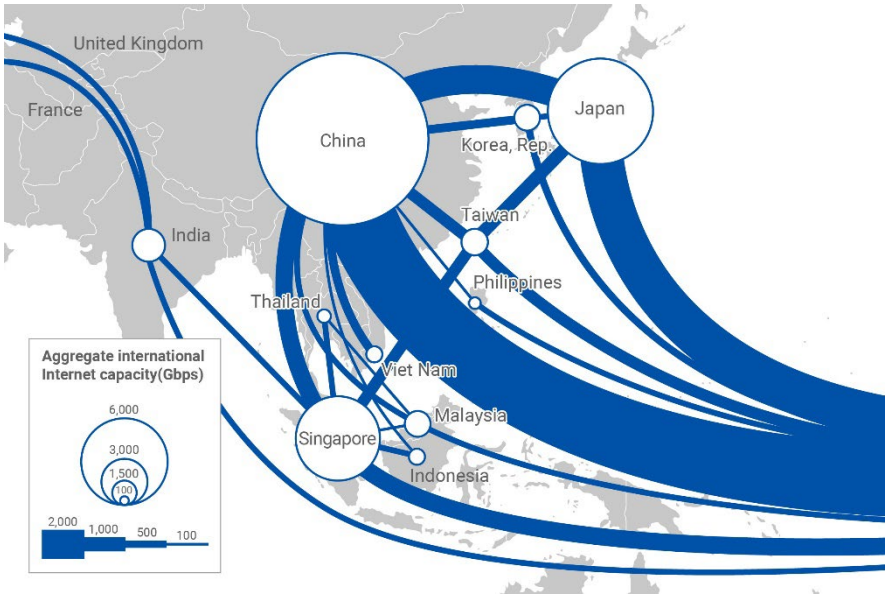
Reforming of the telecommunications infrastructure

Aiming to increase Japan's presence as a data communications hub in Asia by utilizing an international submarine cable system connecting Japan to the Philippines and Singapore.

Cable systems bound for the U.S. and out of Asia often originate in Japan. Despite this physical and geographical advantage, Japan has been losing business opportunities to exchange data (IX) for Asian internet traffic in Japan due to very high landing station and backhaul fees compared to other countries.

The current market size of data centers in the Asia-Pacific region in 2023 is Singapore in first place, Hong Kong in second, and Tokyo in fifth.



IPS Group intends to create new business opportunities to bring data exchange in Southeast Asia to Japan by providing cable landing stations and backhauls (relay lines from cable landing stations to urban areas) at reasonable prices in Japan as well as in the Philippines. We will actively work to realize this goal.

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Appendix

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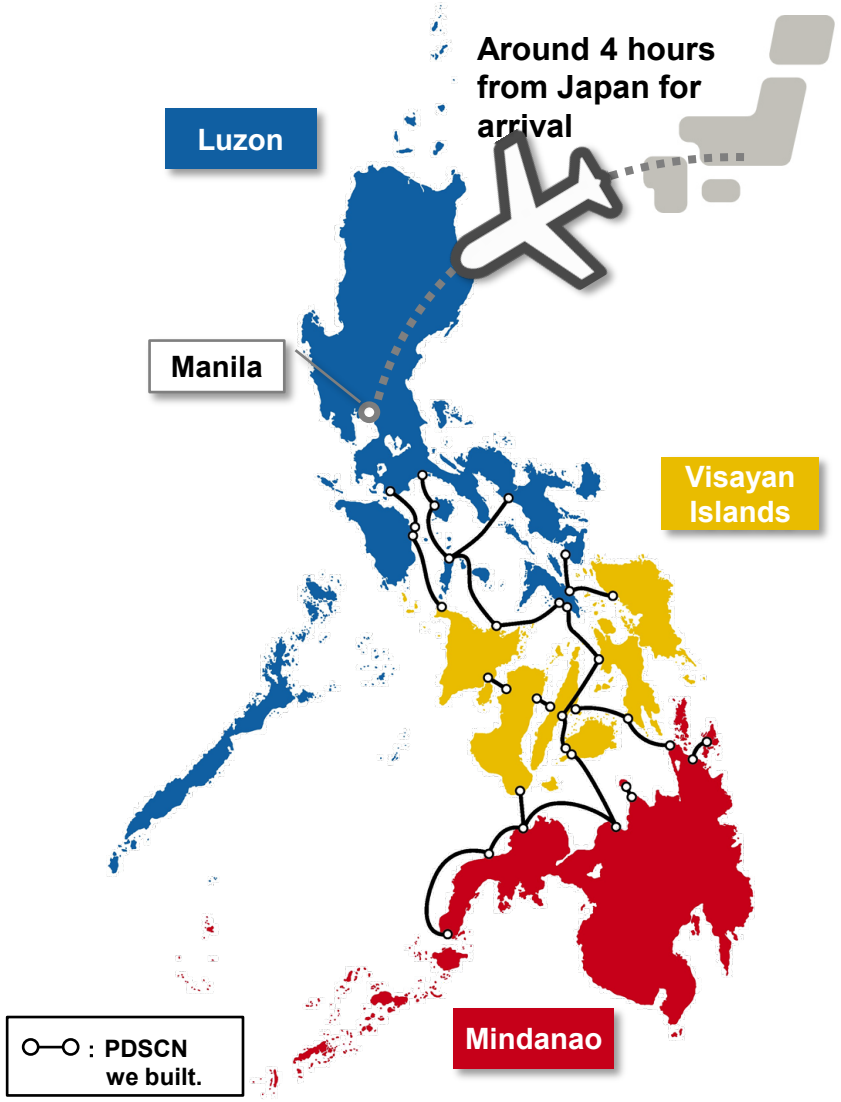
Philippines Overview



（Source） Cabinet Office, National Accounts of Japan (GDP Statistics); Philippine Statistics Authority (PSA) HP, World Population Prospects, the 2022 Revision
※BPO＝ Business Process Outsourcing

Why Philippines ?

		Philippines	Japan
Population	Total Population	119 million	122 million
	Birth Rate	2.7	1.3
	World Ranking	13th	12th
Average Age		Approx. 25	Approx. 49
Economic Growth Rate		5.6%	1.9%
Official Language		English	Japanese

※Data is as of 2023.

Since the official language is English, the Philippines has become a global BPO※ center, and is expected to realize economic growth through population growth and increasing needs for digital infrastructure.

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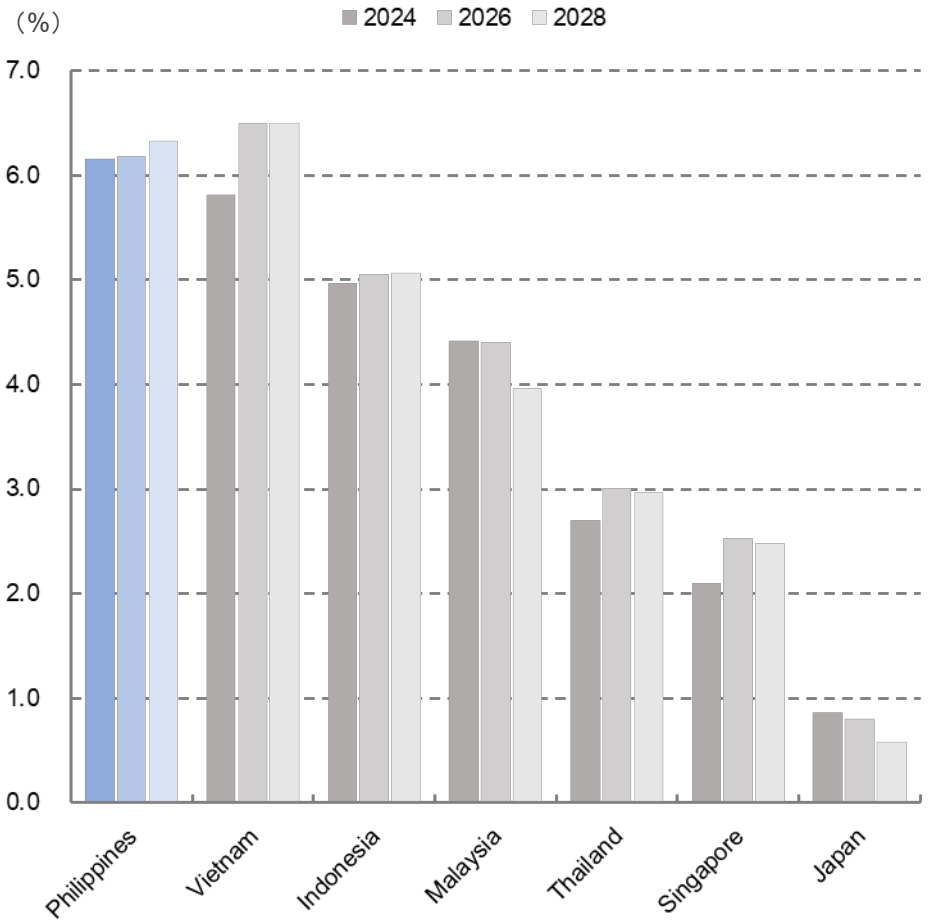
Growth potential of the Philippines (economic aspects)

Forecast GDP Growth Rate

The Philippines' projected GDP growth rate is one of the highest among major ASEAN countries.



（Source） International Monetary Fund, World Economic Outlook Database, April 2024

Economic Policy

Philippine government has made digital infrastructure development a priority policy, creating growth opportunities for related businesses.

Formulation of the Philippine Development Plan 2023-2028
Relaxation of restrictions on foreign investment, etc.

- Philippine Government Pushes for Digitization of Entire Country: All government agencies promote digital infrastructure development.
- Deregulation allows 100% foreign investment in telecommunications, railroads, highways, airports, and transportation: Speedy business development is now possible.
- The first Japan-U.S.-Philippines Summit Meeting was held in April 2024, and cooperation among the three countries, including in the economic field, is expected to further accelerate.

Our group aims to be a “Game Changer" in contributing to the development of digital infrastructure and technological innovation in the Philippines.

（Source） Ministry of Foreign Affairs of Japan HP "Recent Situation in the Philippines and Japan-Philippines Relations“, JETRO "Business Briefs - JETRO's Overseas News

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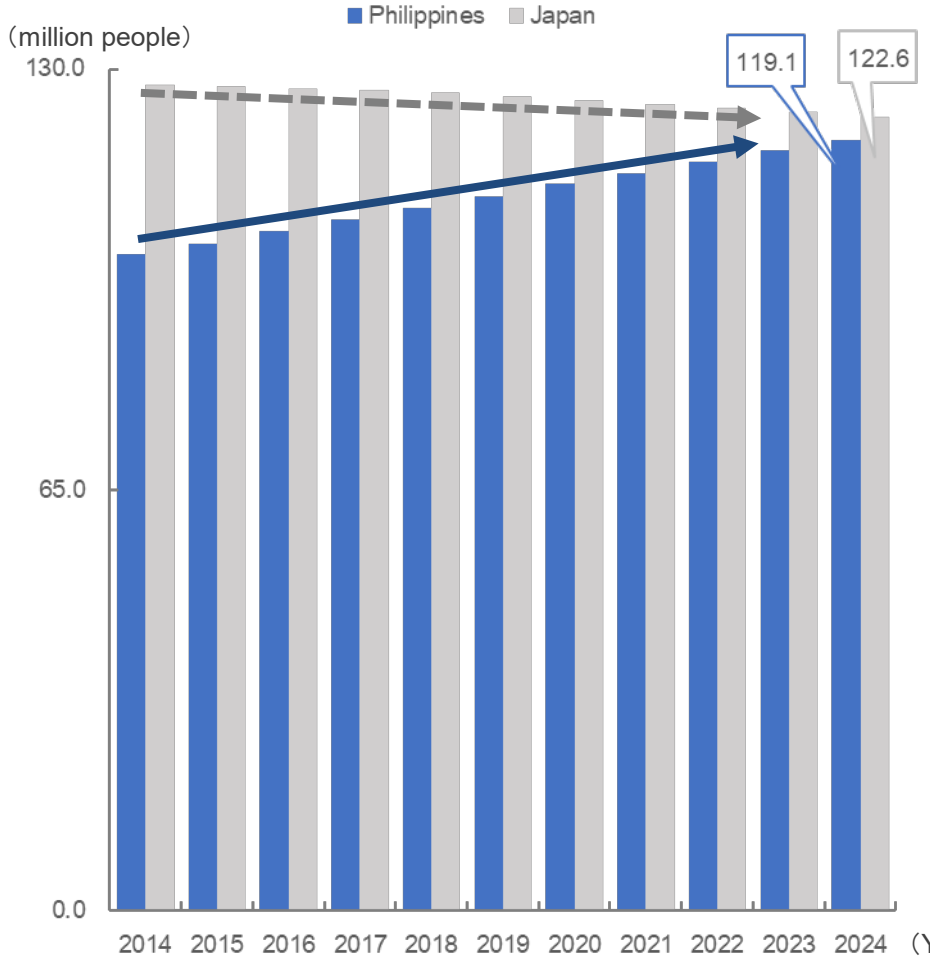
Growth potential of the Philippines (in terms of population)

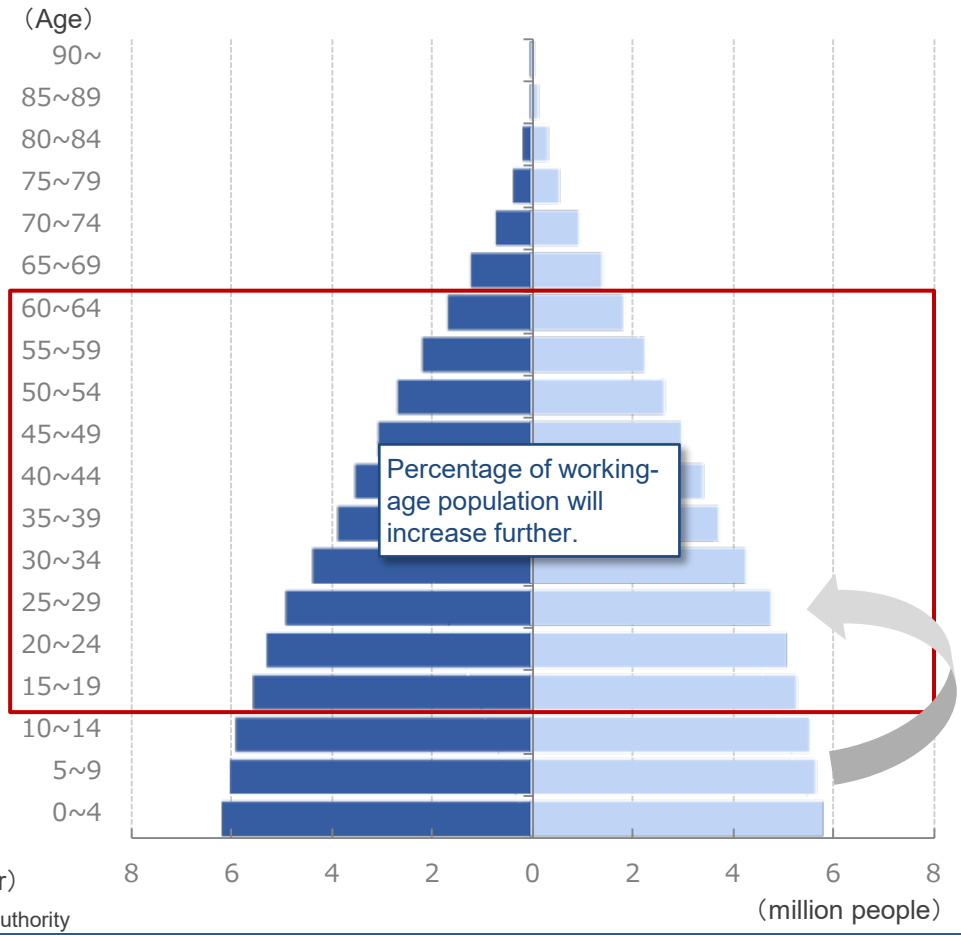
Comparison of Population Trends with Japan

The total population of the Philippines has been steadily increasing, reaching a level comparable to that of Japan.



Philippine Population Pyramid

The percentage of the working-age population aged 15-64 is expected to further increase in the Philippines in the future



(Source) State of World Population 2023, World Population Prospects 2022, Philippine Statistics Authority

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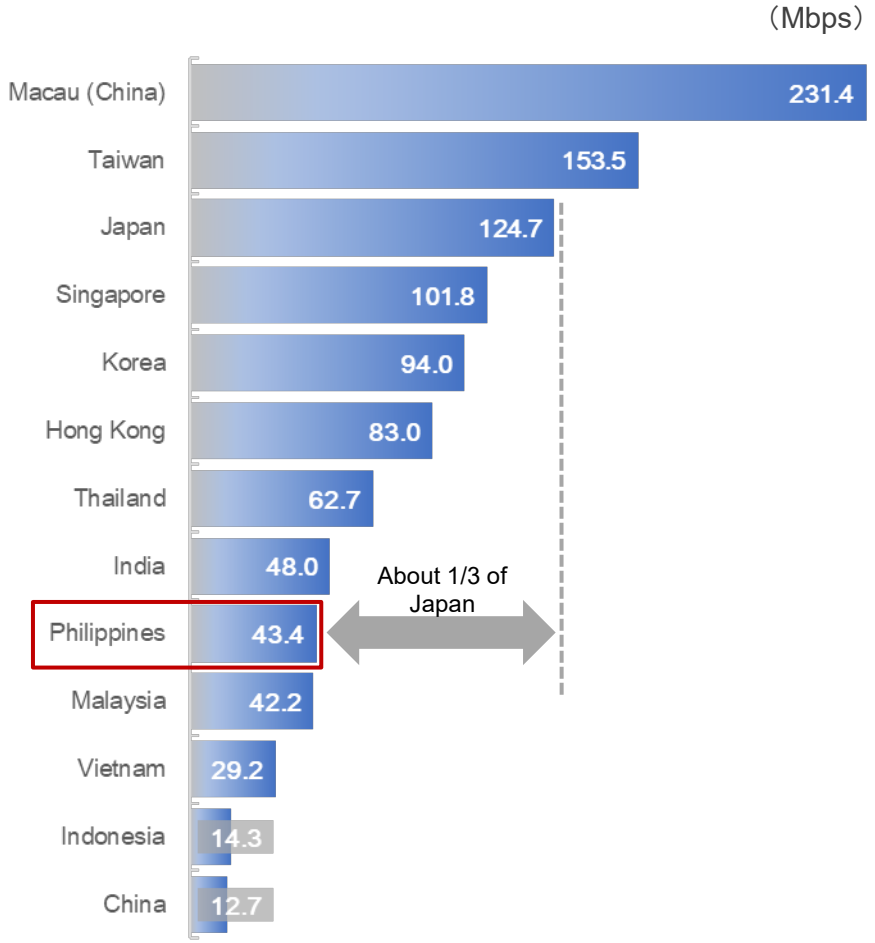
Internet Environment in the Philippines

Internet Speed Comparison with Major Asian Countries

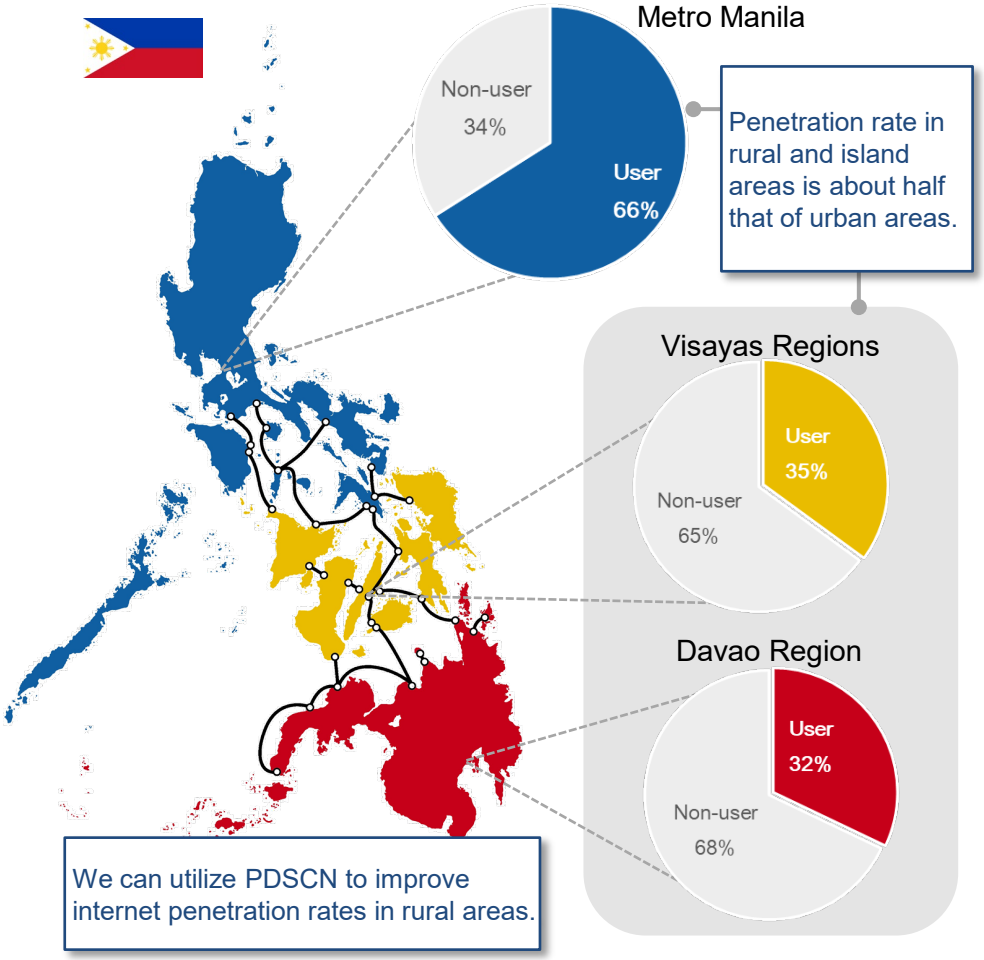
Internet speeds in the Philippines rank low among major Asian countries, with significant room for improvement.



(Source) Published data from Cable.co.uk "Worldwide broadband speed league 2023"

Internet penetration rate by region

Internet penetration rates are highly disparate among regions, especially lagging behind in rural and island areas. The Philippine government agency (DICT) is focusing on promoting the spread of the Internet.



(Source) DICT「National ICT Household Survey 2019」

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- 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.
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- 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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