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FY2024 Second Quarter Financial Results

Presentation Materials

November 8, 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.



※ Background: City of Makati, Philippines

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1 FY2024 Second Quarter Financial Results Summary

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Executive Summary

Results for FY2024 2Q

Net Sales	YoY	Progress
7,744 (million yen)	+47.6% (+2,496 million yen)	46.9%

Operating Profit	YoY	Progress
2,339 (million yen)	+152.8% (+1,413 million yen)	54.5%

Other Indicators

OP Margin

30.2%

Exchange rate at end of period (September 30, 2024)

1USD＝¥142.8
1PHP＝¥2.6

Forecasts for FY2024

Net Sales	Operating Profit
16,500 (million yen)	4,290 (million yen)

※No change from the beginning of the period

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Financial Highlight

Results for the second quarter of FY2024

(JPY:million)	2Q				2Q Total			
	FY2023	FY2024	YoY	%	FY2023	FY2024	YoY	%
Net Sales	2,768	4,087	1,319	+47.7%	5,248	7,744	2,496	+47.6%
Operating Profit	511	1,579	1,067	+208.6%	925	2,339	1,413	+152.8%
Ordinary Profit	513	498	▲15	▲3.0%	1,558	1,588	29	+1.9%
Profit Attributable to Owners of the Parent	314	308	▲5	▲1.8%	954	961	6	+0.7%

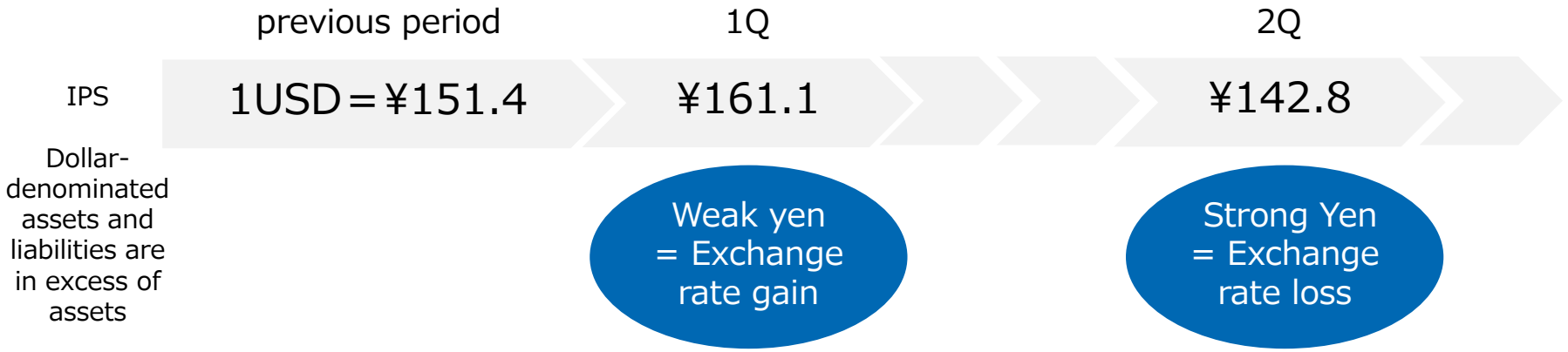
Analysis of Results

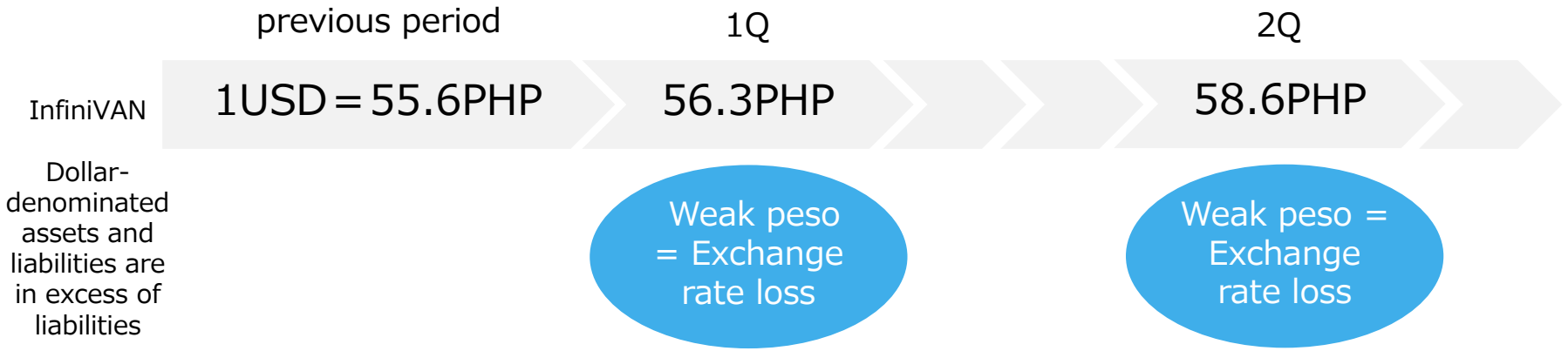
- **Net Sales** : In the Global Telecommunications Business, sales of equipment related to the Philippine Domestic Submarine Cable Network (PDSCN) were provided ahead of schedule, which absorbed the decline in sales in the Domestic Telecommunications Business and the Medical & Healthcare Business, resulting in a 47.6% year-on-year increase in sales.
- **Operating Profit** : Profit increased 152.8% YoY as a result of a significant increase in profits from the Global Telecommunications Business, offsetting a decrease in profits from the Domestic Telecommunications Business and a loss from the Medical & Healthcare Business.
- **Ordinary Profit** : Despite a foreign exchange loss of 677 million yen mainly due to the appreciation of the yen against the U.S. dollar to 142.8 yen at the end of September compared to 151.4 yen per dollar at the end of the previous period, operating income increased 1.9% YoY due to growth in operating income.
- **Profit Attributable to Owners of the Parent** : Despite the impact of foreign exchange losses, income increased 0.7% YoY.

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Foreign exchange impact for the second quarter of the FY2024

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.
On the other hand, InfiniVAN records a foreign exchange losses (gains) on the depreciation (appreciation) of the Philippine peso against the U.S.





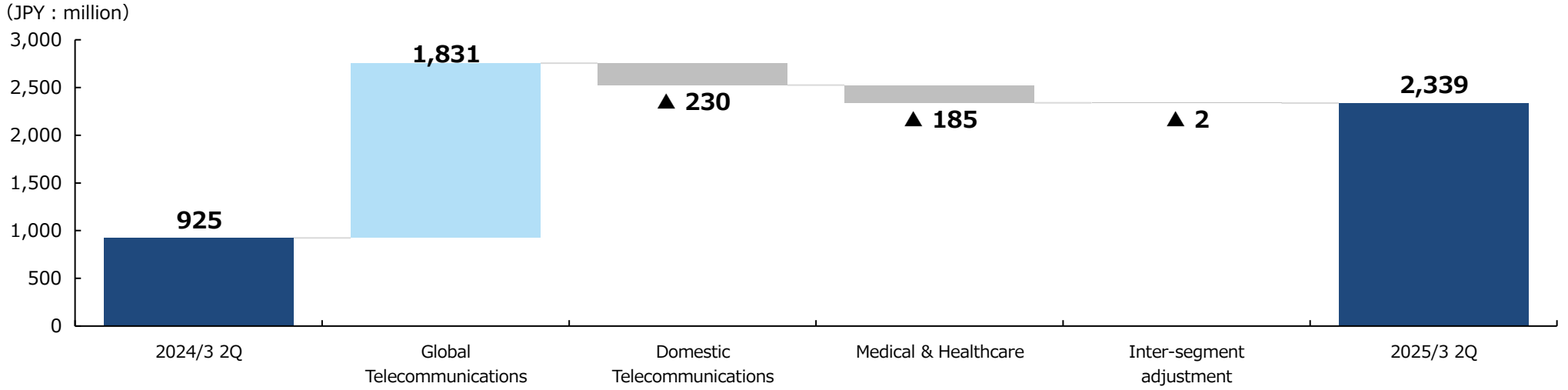
Short-term effects of currency fluctuations in one direction may occur depending on the gap between fiscal periods and the economic situation in each country. However, the Group does not currently take any foreign exchange hedging measures since the U.S. dollar is currently reinvested directly or used to repay borrowings, and foreign exchange gains and losses are valuation gains or losses.

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Results by Business Segment

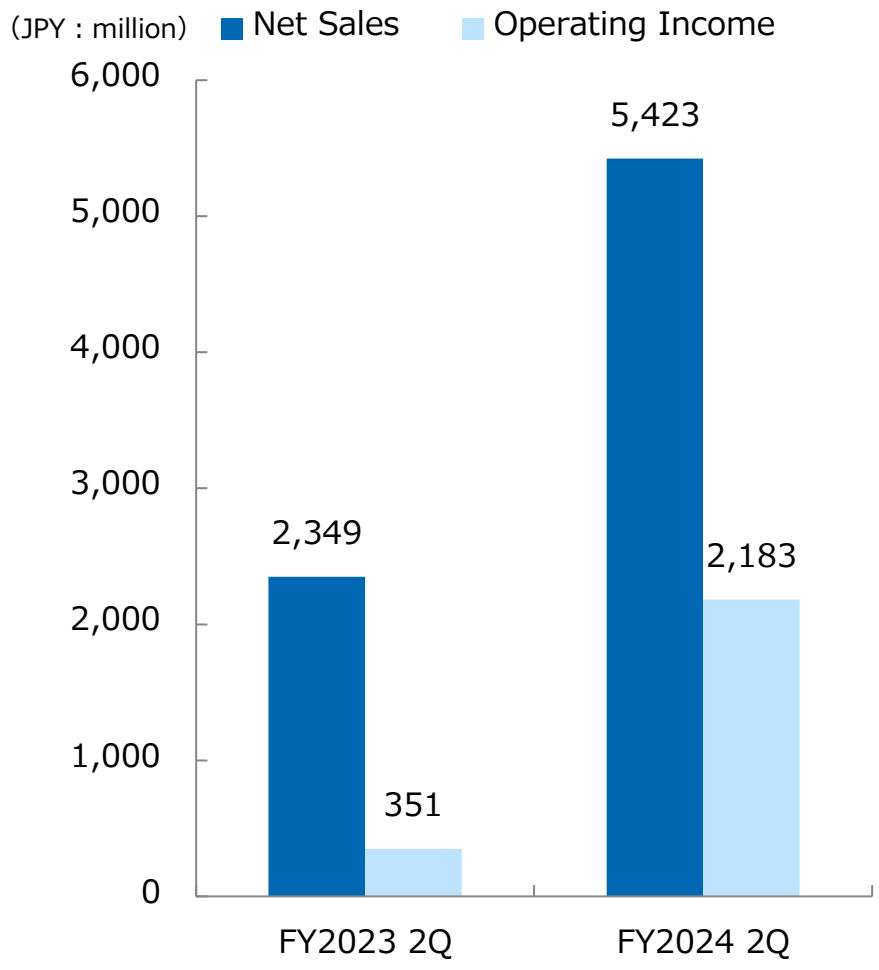
JPY : million		2Q		
		FY2023	FY2024	YoY
Global Telecommunications	Net Sales	2,349	5,423	+3,073 (+130.8%)
	Operating Profit	351	2,183	+1,831 (+521.4%)
Domestic Telecommunications	Net Sales	2,093	1,584	▲509 (▲24.3%)
	Operating Profit	438	207	▲230 (▲52.7%)
Medical & Healthcare	Net Sales	804	737	▲67 (▲8.4%)
	Operating Profit	132	▲ 53	–

Analysis of changes in operating profit



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Global Telecommunications



Strong Sales of PDSCN-Related Equipment

- **Development of Domestic Core Network and Service Expansion**

  By developing a domestic core network centered around PDSCN, we have made it possible to provide services across the Philippines, expanding our customer base primarily through small-capacity sales to regional telecom operators and others.

- **Increasing Demand for Communication Equipment Sales Due to Digitalization**

  With the advancement of digitalization and the growing demand for communication traffic, especially from CATV and ISP operators, there has been strong demand for the sale of communication equipment. As a result, we have proactively provided services ahead of schedule, continuing from the first quarter.

- **Leveraging International Communication Lines and Network as Strengths**

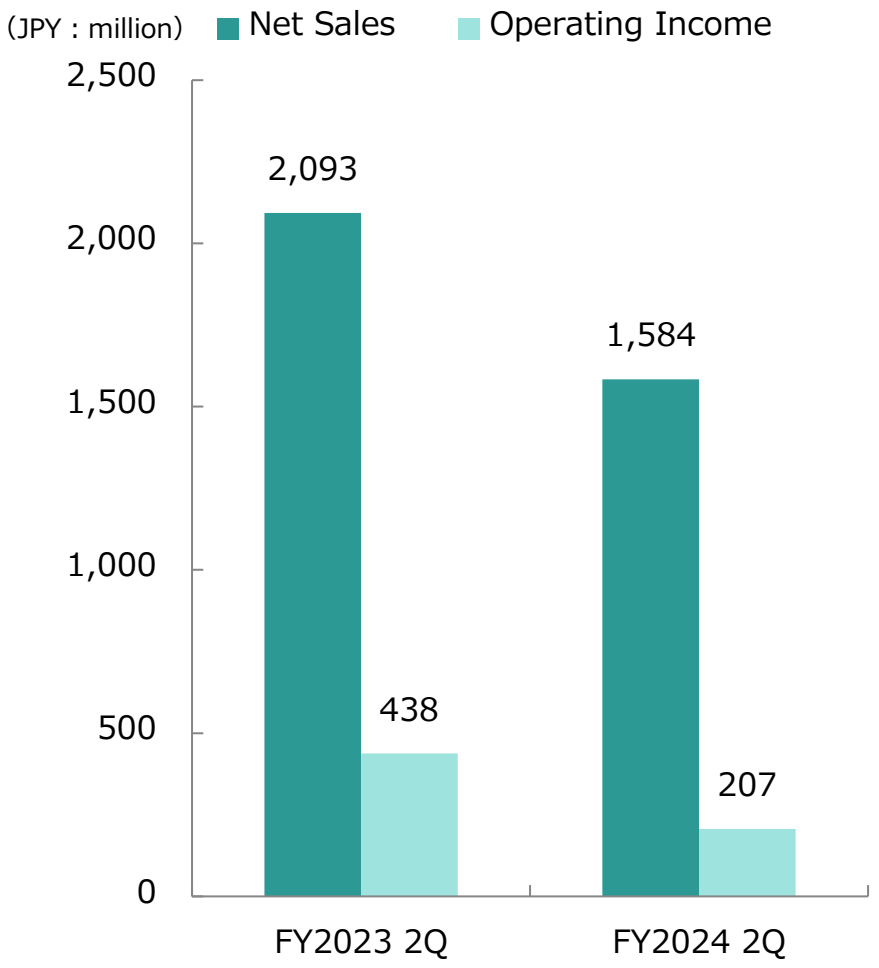
  Leveraging international communication lines (C2C) and the PDSCN network as a strength, we expect a favorable business environment to persist through the second half of the year.

- **Challenges and Countermeasures for Corporate Internet Service Activation**

  While the number of corporate internet service customers is increasing, accelerating the pace of service activation remains a challenge. To address this, we are implementing improvement measures such as increasing personnel, optimizing process management, strengthening information coordination between the sales and construction departments, and expanding the network of construction partners.

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Domestic Telecommunications



Focusing on Customer Acquisition in Solution Areas

- **Focus on Strengthening Sales of Call Center System**

  "AmeyoJ"While efforts to strengthen the sales of the call center system "AmeyoJ" have been made, some existing customers have experienced stagnation in their communication traffic.

- **Expanding New Customer Base in Solution Areas**

  InfiniVAN is concentrating on acquiring new customers in solution areas that combine AmeyoJ with per-second billing services.

- **Impact of Retroactive Adjustments on Access Charges**

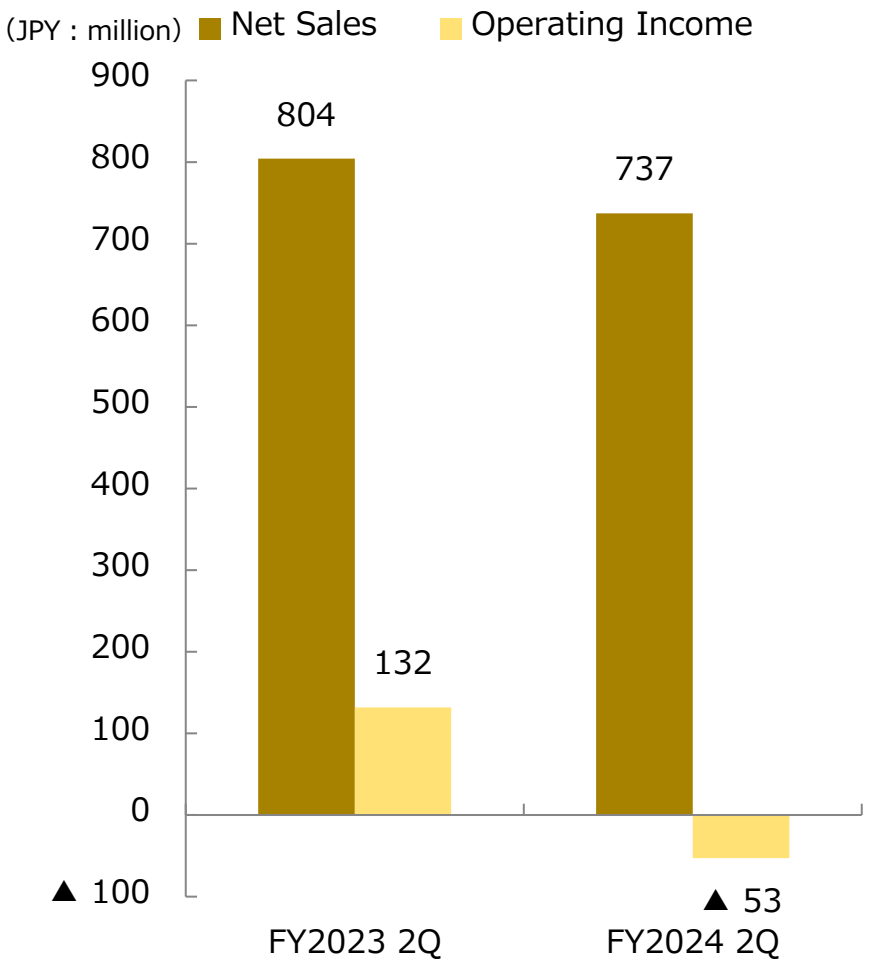
  The impact of a revenue decline due to retroactive adjustments for past communication connection fees (access charges) between telecom operators, recorded in the first quarter, continues to be felt.

- **Accelerating Development for IP Migration (PSTN Migration) Systems**

  InfiniVAN is accelerating the development of systems to support the migration of telephone networks to IP (PSTN migration).

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Medical & Healthcare



Refining Service Structure with Greater Precision

- **Refining Marketing, Services, and Pricing to Gain Customers in a Competitive LASIK Market**

  Amidst growing competition in the LASIK industry, efforts are being made to refine marketing strategies, services, and pricing structures to attract new customers.

- **Offering Long-Term Guarantees and Referral Programs to Attract Young, Eligible Patients**

  Through long-term warranties and patient referral systems, the focus is on providing reliable LASIK services, meeting high Japanese standards, with a stable supply to younger, eligible patients.

Expanding Customer Base through Corporate Health Check Services

- **Promoting Preventive Healthcare through High-Quality Japanese Standards in Health Checkups**

  The Health Checkup/Medical Examination Centers are advancing awareness efforts for the spread of preventive healthcare by offering high-quality services based on Japanese standards.

- **Expanding Customer Base with Comprehensive Health Checkup Services for Corporate and Individual Clients in the Philippines**

  A steady expansion of the customer base is being achieved by providing comprehensive regular health checkups to both corporate and individual clients in the Philippines.

- **Continued Burden of Upfront Investment in Cutting-Edge Medical Equipment during the Startup Phase**

  Due to the early stage of the operation, there is a continued burden from upfront investments in advanced medical equipment and other infrastructure.

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Financial Statements

Consolidated Balance Sheets

(JPY:million)

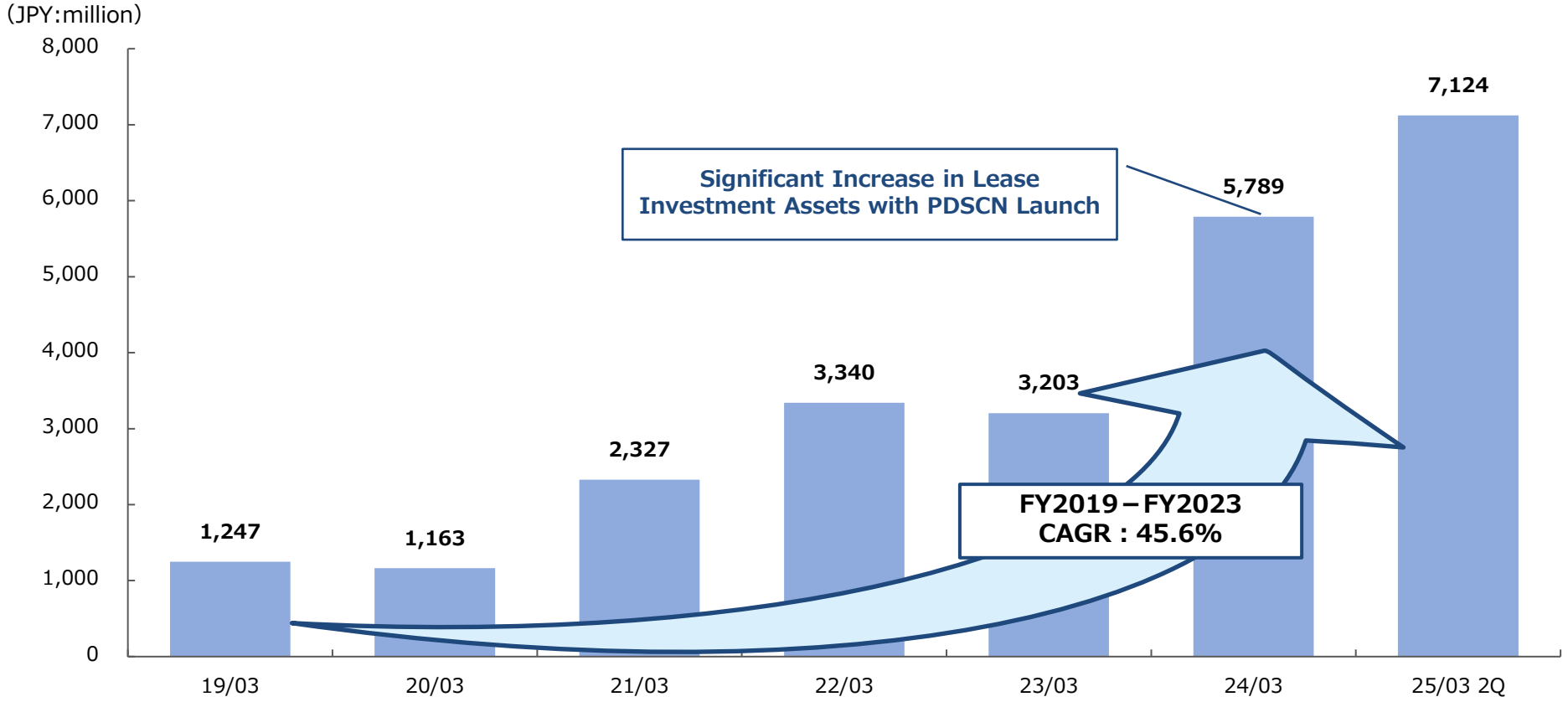
Assets				Liabilities and Net assets			
	FY2023	FY2024 2Q	Change		FY2023	FY2024 2Q	Change
Current assets	17,864	21,768	3,903	Current liabilities	12,532	14,492	1,960
Cash and deposits	4,234	4,430	195	Accounts payable – trade	670	755	85
Accounts receivable - trade	5,532	8,349	2,816	Borrowings	4,587	5,350	762
Lease receivables	5,789	7,124	1,335	Deferred payment profit	4,076	4,755	678
Others	2,307	1,863	▲ 444	Others	3,197	3,630	433
Non - current assets	15,624	16,909	1,285	Non - current liabilities	5,814	4,643	▲ 1,171
Property, plant and equipment	11,565	12,390	825	Long - term borrowings	5,514	4,331	▲ 1,183
Intangible assets	2,865	3,263	398	Others	299	311	11
Investments and other assets	1,194	1,255	61	Total liabilities	18,346	19,135	788
Deferred assets	40	35	▲ 4	Net assets	15,183	19,578	4,395
				Shareholders' equity	11,090	11,841	751
				Accumulated other Comprehensive income	210	2,747	2,536
				Share acquisition right	264	266	1
				Non - controlling interests	3,617	4,723	1,105
Total assets	33,529	38,713	5,184	Total liabilities and Net assets	33,529	38,713	5,184

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Building a Stock Income in Global Telecommunications

Trend of Lease Investment Assets

- When providing telecom services under long-term IRU (Indefeasible Right of Use) contracts, revenue is recognized on a cash basis. For contracts that have been signed but not yet paid, the IRU consideration is recorded as a lease investment asset. The payments, made in installments over 3 to 5 years, are gradually recognized as revenue once received.
- The increase in the lease asset balance indicates the accumulation of stock in Global Telecommunications, in line with the growth of the business.
- With the opening of the PDSCN network, InfiniVAN is now able to offer services to regional telecom operators. New contracts will continue to accumulate after the network is launched.



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2 | FY2024 Earnings Forecast

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Regarding earnings forecast of FY2024

	FY2023 (Actual)	FY2024		
		First half of the fiscal year (Actual)	Second half of the fiscal year (Estimate)	Forecast of FY2024
Net Sales	14,117	7,744	8,756	16,500
Operating Profit	3,894	2,339	1,951	4,290
Ordinary Profit	4,427	1,588	2,312	3,900
Profit Attributable to Owners of the Parent	2,835	961	1,589	2,550

About earnings forecast of FY2024

- In the first half of the year, the Global Telecommunications Business led the performance, offsetting the decline in the Domestic Communications Business and the Medical & Healthcare Business, through actions such as the accelerated provision of equipment sales.
- Mainly due to the appreciation of the yen, a foreign exchange loss of 677 million yen was recorded in the second quarter. However, since it is difficult to predict currency fluctuations, the full-year performance forecast does not reflect the impact of exchange rates from the beginning of the year. As a result, the full-year performance forecast remains unchanged from the initial announcement.

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Revised Forecasts of Business Segment

(JPY : million)

Business Segment		FY2023 (Actual)	Pre-Revision	Revision	Change
Net Sales		**14,117**	**16,500**	**16,500**	**0**
	Global Telecommunications	8,440	11,000	11,662	662
	Domestic Telecommunications	4,116	3,880	3,285	▲ 595
	Medical & Healthcare	1,561	1,620	1,553	▲ 67
Operating Profit		**3,894**	**4,290**	**4,290**	**0**
	Global Telecommunications	2,901	3,360	3,715	355
	Domestic Telecommunications	925	930	626	▲ 304
	Medical & Healthcare	67	0	▲51	▲ 51
	Inter-segment adjustment	0	—	—	—
OP Margin		**27.6%**	**26.0%**	**26.0%**	**—**
	Global Telecommunications	34.4%	30.5%	31.9%	—
	Domestic Telecommunications	22.5%	24.0%	19.1%	—
	Medical & Healthcare	4.3%	0.0%	—	—

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3 Topics & Appendix

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Network Provision Contract for Philippine Industrial Zones Expands to Nine Locations

InfiniVAN, Inc. (hereinafter "InfiniVAN") reached a basic agreement on October 4, 2024, for a partnership to provide internet services to an industrial park southeast of Manila, and held a signing ceremony. As a result, the number of network provision contracts with industrial parks, many of which are home to Japanese companies, **has expanded to a total of nine locations.**

Newest Industrial Park "LISP IV" in the Cluster Area

On October 4, InfiniVAN signed a partnership agreement with local major developer Science Park of the Philippines, Inc. to provide network services to the industrial park "LISP IV." Located in Batangas province in the southern Luzon region, **LISP IV is the latest industrial park in the area, home to a growing number of Japanese companies.** InfiniVAN aims to sign contracts with dozens of tenant companies within the park.



At the signing ceremony, Eugenio Milben T. Estrera (third from the left), Vice President of LISP IV Operations, and Shigeki Nakahara (fourth from the left), President of InfiniVAN, are seen shaking hands.

Approximately 10 More Locations to Be Connected

In January of this year, InfiniVAN also signed a strategic partnership agreement with the First Philippine Industrial Park (FPIP), an industrial park managed and operated jointly by a prominent local conglomerate and a Japanese trading company that holds partial ownership.

At these industrial parks, InfiniVAN has already been providing network services to companies in a wide range of industries, including automotive electronics, metal processing, and more. Moving forward, **network services are expected to be expanded to approximately 10 additional industrial parks.**

The southern Luzon region, where these parks are located, lies southeast of the Manila metropolitan area. Within this region, Batangas and Quezon provinces are home to the terrestrial landing stations of the Philippine Domestic Submarine Cable Network (PDSCN), a domestic submarine cable network completed in December last year by InfiniVAN and others.

Through the PDSCN, InfiniVAN is now able to provide network services across the Philippines and will continue to expand its offerings to industrial parks and businesses, including Japanese companies, across the country.

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About us

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）

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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.

- 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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