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December 20, 2024

Corporate Name: IPS, Inc.
Trading Name: IPS, Inc.
President/CEO: Koji Miyashita
Code Number: 4390 Prime Market of the Tokyo Stock Exchange
Contact: Hiroyasu Akatsu, General Manager, Administration Department (TEL.+81-3-3549-7719)

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Update on December 20, 2024)

We are pleased to announce that our Board of Directors, at a meeting held on December 20, 2024, again analyzed the status of our performance and resolved to update the details for improvement to implement management that is conscious of cost of capital and stock price.

1.Analysis of Current Situation

	FY2019 (Actual)	FY2020 (Actual)	FY2021 (Actual)	FY2022 (Actual)	FY2023 (Actual)	FY2024 (Forecast)
Net Sales (¥ mil)	6,508	9,515	10,728	12,346	14,117	16,500
Operating Profit (¥ mil)	1,070	1,921	2,456	3,311	3,894	4,290
OP Margin (%)	16.4%	20.2%	22.9%	26.8%	27.6%	26.0%
Net Income (¥ mil)	645	1,487	1,888	2,292	2,835	2,550
ROE (%)	18.4%	32.4%	29.9%	27.5%	27.5%	-
PBR (times) *1	2.6	6.6	3.6	3.2	2.8	-
PER (times) *1	15.5	23.7	13.7	13.2	14.1	-
Dividend Ratio	-	8.3%	16.4%	19.0%	16.5%*2	20.2%*3

*1: Calculated based on the share price at the end of each period and net assets per share and projected EPS at the end of each period.

*2: 20.1% after deduction of foreign exchange gains (after tax), which is a valuation gain.

*3: Calculated based on the profit forecast and dividend forecast for the current term.

For the Company's cost of capital, which is recognized to be around 8%, ROE continues to be well above this level. On the other hand, PBR is above 1x, which the TSE (stock market) considers problematic, but despite ROE remaining close to 30%, PER has recently remained at around 13x, which we continue to consider to be below the general level for growth companies.

We have generally made progress in each of the response policies set forth in our January 26, 2024 announcement, “Action to Implement Management that is Conscious of Cost of Capital and Stock Price,” as described below, and we will further enhance our disclosures to ensure that our shareholders and investors fully understand our performance and details, and will continue our efforts to engage in constructive dialogue with them.

2. Progress on the Response Policy

① Medium-Term Business Plan 2026

To present quantitative plans and business strategies for the next three years and to deepen investors' understanding of the company's sustainable growth over the next three years and beyond, the company has formulated a three-year “Medium-Term Business Plan 2026” starting with the fiscal year ending March 31, 2025, which was announced on May 14, 2024.

<Medium-Term Performance Targets>

	FY2024 Plan	FY2025 Plan	FY2026 Plan	Total for 3 years of Plan
Net Sales (¥ mil)	16,500	20,000	23,400	59,900
Operating Profit (¥ mil)	4,290	5,150	6,050	15,490
OP Margin (%)	26.0%	25.8%	25.9%	25.9%
ROE (%)	20% or more			–
Dividend Ratio	20%			–

<Major Growth Strategies>

- Global Telecommunications Business: Combining the international telecommunication line C2C and Philippine Domestic Submarine Cable Network (PDSCN), the company is expanding its services throughout the Philippines, including to local telecommunication carriers, CATV operators, and government and municipal entities. Internet service provider business for corporate customers will expand from approximately 1,000 billing customers in 2023 to 4,500 in 2026. The company also plans to construct an Asia international submarine cable connecting Japan, the Philippines, and Singapore.
- Domestic Telecommunications Business: To contribute to strengthening its customers´ competitiveness, the company will evolve its solutions business, which combines call center systems and second billing services. In response to the shift to IP (PSTN migration) of the telephone network, the company plans to offer 0120 and 0570 on its own lines as a new business.
- Medical & Healthcare Business: The company will achieve stable growth in the Philippines, where the population continues to increase, by providing safe LASIK of Japanese standards and regular health checkup services through a physical checkup center equipped with state-of-the-art diagnostic equipment and advanced technology.

② Financial and Capital Strategy

During the period of the Medium-Term Business Plan, we set forth our commitment to invest in growth and return stable earnings (dividends) while maintaining financial soundness. The plan calls for a cumulative operating cash flow of approximately 12 billion yen over the three-year period, which will be allocated to 1) investment for growth, 2) use for financial soundness (repayment of borrowings), and 3) return to shareholders (dividends).

③ Enhancement of IR Activities

The company is promoting the strengthening of investor relations activities with the aim of deepening understanding of its business operations and growth strategies among shareholders and investors. Specifically, we are increasing the number of financial results briefings for investors from twice to four times a year, expanding the number of 1-on-1 meetings with institutional investors, and working to enhance the content of disclosed information.

In addition, we are increasing the provision of objective information and evaluations from outside sources by adopting sponsored research reports and expanding coverage by sell-side analysts. We intend to further strengthen our communication with investors through active information disclosure and dialogue, and we will continue to appropriately feedback opinions and requests obtained through dialogue with investors within the company and utilize them in corporate management and business operations.