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Consolidated Financial Results for the Nine Months Ended Dec 31, 2024 (Under Japanese GAAP)

February 7, 2025

Company name: IPS, Inc.
Listing: Tokyo Stock Exchange
Securities code: 4390
URL: https://ipsism.co.jp
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of quarterly financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	11,233	34.5	3,213	120.8	3,377	117.1	2,425	154.9
Nine months ended December 31, 2023	8,350	(5.1)	1,455	(37.5)	1,555	(32.6)	951	(38.9)

(Note) Comprehensive income: Nine months December 31,2024: ¥1,880 million [(24.3%)]

Nine months December 31,2023: ¥2,483 million [(6.2%)]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	188.06	183.93
December 31, 2023	76.04	72.40

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	36,955	17,736	34.6
March 31, 2024	33,529	15,183	33.7

(Reference) Equity: As of December 31, 2024: ¥12,802 million

As of March 31, 2024: ¥11,301 million

2. Cash Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	-	17.50	-	19.50	37.00
Year ending March 31, 2025	-	20.00	-		
Year ending March 31, 2025(Forecast)				20.00	40.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	16,500	16.9	4,290	10.2	3,900	(11.9)	2,550	(10.1)	198.17

(Note) Revisions to the consolidated earnings forecasts most recently announced: None

*** Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, refer to the attachment page 9 "2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Application of special accounting for preparing quarterly consolidated financial statements)"

(3) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
(ii) Changes in accounting policies due to other than (i): None
(iii) Changes in accounting estimates: None
(iv) Retrospective restatement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2024:	12,929,400 shares
As of March 31, 2024:	12,867,800 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2024:	426 shares
As of March 31, 2024:	395 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2024:	12,895,774 shares
Nine months ended December 31, 2023:	12,512,128 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(Cautionary statement concerning forward-looking statements)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary materially from forecasts due to a variety of factors. For matters concerning earnings forecasts, please refer to page 4 of the attached materials "1. Overview of Financial results (3) Explanation of consolidated earnings forecasts and other forward-looking statements."

(How to access supplementary explanations and details of briefing on financial results)

The Company is scheduled to hold a financial result briefing via the web on Monday, February 10, 2025. Please check our website for details. Additionally, the materials to be used at this financial results meeting will be posted on the TDnet (Timely Disclosure Network) and the Company's homepage.

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1. Overview of Financial results

(1) Overview of operating results

Forward-looking statements in this document are based on the judgment of the Group (the Company and its consolidated subsidiaries) as of the end of the quarterly consolidated accounting period.

Under the corporate philosophy of "Open Door," our group aims to create business opportunities, develop businesses, transform industrial structures, and realize an ideal society in areas closely related to daily life, where barriers have not yet been overcome by anyone. We are engaged in various businesses with a particular focus on addressing social issues in the Philippines through the provision of communication environments utilizing new IT technologies. In doing so, we contribute to the SDGs while striving to expand our business.

In the third quarter of this fiscal year, the outlook remains uncertain due to the impact of global monetary easing in consideration of economic stability, as well as high levels of caution about geopolitical risks such as the situation in Ukraine and the situation in the Middle East, while commodity and energy prices continue to remain high. In Japan as well, the outlook remains uncertain due to factors such as fluctuations in foreign exchange rates and price trends.
In the Philippines, one of the Group's major markets, interest rates were cut by the central bank amid slowing inflation, and real GDP growth in the July-September period of 2024 was 5.2% year-on-year, down from 6.4% in the previous period, but with sustained growth expected in Southeast Asia. With the acceleration of digitalization, active investment in AI and data centers is spreading, and the importance of communication via communication lines is increasing. The development and expansion of communication lines as the infrastructure for daily life that supports society is an urgent need in Japan, the Philippines, and around the world, and we will continue to aggressively expand our business.

Our group has acquired a portion of the usage rights for the submarine cable connecting the Philippines with Singapore and Hong Kong (City-to-City Cable System, hereinafter "C2C Cable") and the international communication network comprising land lines in each country (hereinafter "International Communication Network"). By doing so, we are establishing our position as a carrier's carrier (wholesale provider for telecom operators) to meet the growing demand for communication services.
Additionally, with the completion of the Philippine Domestic Submarine Cable Network (hereinafter "PDSCN") in December 2023, we are expanding the core network within the Philippines to offer services nationwide, thereby striving to further expand our business. Additionally, by utilizing the domestic backbone network centered around the Philippine Domestic Submarine Cable Network (hereinafter "PDSCN"), which was completed in December 2023, we aim to expand our services across the entire Philippines and further grow our business.
In Japan, we continue to provide optimized services for each customer, including software, communication lines, and consultation, mainly targeting call center operators with significant communication traffic needs.
In the medical and healthcare business, Shinagawa Lasik & Aesthetics Center Corporation (hereinafter "SLACC") continues to provide stable LASIK services, while Shinagawa Healthcare Solutions Corporation (hereinafter "SHSC") promotes preventive healthcare in the Philippines through the "Shinagawa Diagnostic & Preventive Care Center" (hereinafter "SDPCC"), a health screening and human dock center that meets Japanese standards, which opened in April last year.

As a result, for the third quarter consolidated cumulative period, net sales were ¥11,233 million (up 34.5% year-on-year) and an operating profit was ¥3,213 million (up 120.8% year-on-year). Additionally, with the yen depreciation leading to a foreign exchange gain of ¥241 million (¥244 million in the same period last year), ordinary profit was ¥3,377 million (up 117.1% year-on-year), and quarterly net profit attributable to owners of parent was ¥2,425 million (up 154.9% year-on-year).

The financial results by segment are as follows:

(Global Telecommunications Business)

Our Group continued to strengthen the provision of the C2C cable, for which we have the right of use, and the PDSCN, which is the core of the domestic backbone network in the Philippines. Sales of small-capacity network services and telecommunications equipment, which leverage the strengths of our network, remained steady. The corporate internet connectivity service provided by InfiniVAN, Inc. in the Metro Manila area saw an increase in the number of customers, with 1,436 customers as of the end of 2024, an increase of 155 customers from June 2024. As a result, revenues and earnings increased across the business.
As a result, net sales were ¥7,812 million (up 97.8% year-on-year), and segment profit was ¥2,949 million (up 347.1% year-on year).

(Domestic Telecommunications Business)

In our solution service that combines the call center system “AmeyoJ,” for which our group holds the sales agency rights in Japan, and per-second billing for telephone lines purchased from major telecommunications carriers, offered to call center operators with a per-second billing system, we continued to engage in new customer acquisition and system development to accommodate IP conversion (PSTN migration).

On the other hand, due to the impact of retrospective settlements from previous fiscal years, recorded during the first quarter of the consolidated accounting period, to interconnection charges (access charges) for voice communication lines based on interconnection agreements with major telecommunications operators, overall revenues and earnings decreased across the business.

As a result, net sales were ¥2,307 million (down 27.7% year-on-year), and segment profit was ¥334 million (down 49.5%)

(Medical & Healthcare Business)

Amid ongoing intensified competition in LASIK, which is SLACC's core service, the company has been working to flexibly revising its marketing strategies and service offerings. As a result, the number of procedures performed slightly lower than planned.

Additionally, SHSC, we have been working to promote regular health check-ups for corporations and encourage individual usage through SDPCC, a health check-up center that offers advanced imaging diagnostics based on Japanese standards.

While depreciation of advanced equipment such as CTs and MRIs continues to have an impact, efforts were made to reduce costs, and health and prevention in the Philippines We continue to raise awareness and promote preventive healthcare in the Philippines.

As a result, net sales were ¥1,114 million (down 7.7% year-on-year), and the segment loss was ¥80 million (segment profit of ¥126 million in the same period last year).

(2) Overview of financial position

(Status of Assets)

Current assets at the end of the third quarter of the consolidated fiscal year ending March 31, 2025, were ¥20,922 million, an increase of ¥3,057 million compared to the end of the previous consolidated fiscal year. This increase was mainly due to an increase in accounts receivable – trade by ¥3,378 million and lease investment assets increasing by ¥690 million.

Additionally, non-current assets were ¥15,999 million, an increase of ¥375 million compared to the end of the previous consolidated fiscal year. This was mainly attributed to an increase in intangible assets of ¥284 million and an increase in investments and other assets of ¥221 million, while property, plant, and equipment assets decreased by ¥130 million due to capital investment.

As a result, total assets were ¥36,955 million, an increase of ¥3,425 million compared to the end of the previous consolidated fiscal year.

(Status of Liabilities)

Current liabilities at the end of the third quarter of the consolidated fiscal year ending March 31, 2025, were ¥14,296 million, an increase of ¥1,764 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥1,530 million in short-term borrowings and ¥495 million in deferred payment profit, while income taxes payable decreased by ¥327 million. Non-current liabilities amounted to ¥4,922 million, a decrease of ¥891 million compared to the end of the previous consolidated fiscal year. This was primarily due to a decrease of ¥854 million in long-term borrowings.

As a result, total liabilities amounted to ¥19,218 million, an increase of ¥872 million compared to the end of the previous consolidated fiscal year.

(Status of net assets)

Net assets at the end of the third quarter of the consolidated fiscal year were ¥17,736 million, an increase of ¥2,553 million compared to the end of the previous consolidated fiscal year. This was mainly due to the recording of quarterly net income attributable to owners of parent amounting to ¥2,425 million, an increase of ¥1,038 million in non-controlling interests, a decrease of ¥508 million in the foreign currency translation adjustment account, and a decrease of ¥250 million due to dividend payments.

As a result, the equity ratio was 34.6% (compared to 33.7% at the end of the previous consolidated fiscal year).

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

Regarding the Group's consolidated earnings forecast for the full fiscal year, they are expected to be achieved as planned. This is mainly due to the steady progress anticipated in the international telecommunications business, such as the provision of circuits and the sale of telecommunications equipment. In the third quarter of the current consolidated fiscal year, although there have been differences in progress among segments, we expect overall steady progress thanks to the favorable business environment in the international telecommunications business.

In addition, in the consolidated cumulative period of the third quarter of this fiscal year, foreign exchange gains of 241 million yen were recorded as non-operating income. This was mainly due to the valuation of foreign currency-denominated receivables and liabilities held by the Group at the exchange rate at the end of the third quarter consolidated accounting period. However, since exchange rates are subject to fluctuations and difficult to predict, these gains are not factored into the full-year earnings forecast.

Please note that the above forecasts are based on information available as of the date of publication of this document, and actual results may differ from these forecasts due to various factors.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	4,234	3,390
Accounts receivable - trade	5,532	8,911
Lease receivables	5,789	6,480
Merchandise	53	104
Supplies	176	163
Other	2,624	2,880
Allowance for doubtful accounts	(546)	(1,007)
Total current assets	17,864	20,922
Non-current assets		
Property, plant and equipment		
Buildings and structures	937	946
Accumulated depreciation	(320)	(401)
Buildings and structures, net	617	544
Machinery, equipment and vehicles	8,942	9,031
Accumulated depreciation	(1,976)	(2,385)
Machinery, equipment and vehicles, net	6,965	6,645
Tools, furniture and fixtures	301	331
Accumulated depreciation	(205)	(239)
Tools, furniture and fixtures, net	95	92
Land	83	—
Leased assets	47	47
Accumulated depreciation	(40)	(41)
Leased assets, net	6	5
Construction in progress	3,795	4,146
Total property, plant and equipment	11,565	11,434
Intangible assets		
The right to use communication lines	2,623	2,337
Goodwill	38	28
Other	203	783
Total intangible assets	2,865	3,150
Investments and other assets		
Shares of subsidiaries and affiliates	111	109
Long-term prepaid expenses	193	164
Deferred tax assets	393	586
Other	502	558
Allowance for doubtful accounts	(7)	(4)
Total investments and other assets	1,194	1,415
Total non-current assets	15,624	15,999
Deferred assets	40	32
Total assets	33,529	36,955

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable – trade	670	542
Short-term borrowings	2,720	4,250
Current portion of long-term borrowings	1,867	1,858
Lease obligations	0	—
Accounts payable	220	395
Income taxes payable	560	232
Deferred payment profit	4,076	4,572
Provision for bonuses	39	28
Other	2,377	2,416
Total current liabilities	12,532	14,296
Non-current liabilities		
Long-term borrowings	5,514	4,660
Retirement benefit liability	69	69
Asset retirement obligations	17	17
Other	212	175
Total non-current liabilities	5,814	4,922
Total liabilities	18,346	19,218
Net assets		
Shareholders' equity		
Share capital	1,145	1,196
Capital surplus	753	775
Retained earnings	9,191	11,129
Treasury shares	(0)	(0)
Total shareholders' equity	11,090	13,100
Accumulated other comprehensive income		
Foreign currency translation adjustment	211	(297)
Re-measurements of defined benefit plans	(0)	(0)
Total accumulated other comprehensive income	210	(297)
Share acquisition rights	264	277
Non-controlling interests	3,617	4,656
Total net assets	15,183	17,736
Total liabilities and net assets	33,529	36,955

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	8,350	11,233
Cost of sales	4,709	5,187
Gross profit	3,641	6,046
Selling, general and administrative expenses	2,186	2,833
Operating profit	1,455	3,213
Non-operating income		
Interest and dividend income	50	161
Foreign exchange gains	244	241
Other	94	99
Total non-operating income	389	502
Non-operating expenses		
Interest expenses	274	314
Other	14	24
Total non-operating expenses	289	338
Ordinary profit	1,555	3,377
Extraordinary income		
Gain on reversal of share acquisition rights	0	—
Total extraordinary income	0	—
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Total extraordinary losses	0	—
Profit before income taxes	1,556	3,377
Income taxes	582	290
Profit	973	3,086
Profit attributable to non-controlling interests	22	661
Profit attributable to owners of parent	951	2,425

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Profit	973	3,086
Other comprehensive income		
Foreign currency translation adjustment	1,509	(1,198)
Re-measurements of defined benefit plans, net of tax	0	0
Share of other comprehensive income of affiliates accounted for using equity method	—	(7)
Total other comprehensive income	1,509	(1,205)
Comprehensive income	2,483	1,880
Comprehensive income attributable to		
Owners of parent	2,201	1,292
Non-controlling interests	281	587

(3) Notes to quarterly consolidated financial statements

(Notes to assumptions for ongoing concerns)

Not applicable.

(Note when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Changes in Accounting Policies)

Application of the “Accounting Standard for Current Income Taxes”

The "Accounting Standard for Current Income Taxes " (Accounting Standard No. 27, October 28, 2022, hereinafter referred to as the "2022 Revised Accounting Standard") has been applied from the beginning of the first quarter of the current consolidated accounting period.

Regarding the revisions to the classification of corporate taxes, etc. (taxation on other comprehensive income), we are following the transitional treatment stipulated in Paragraph 20-3 proviso of the 2022 Revised Accounting Standard and the transitional treatment stipulated in Paragraph 65-2 (2) proviso of the "Guidance on the Application of Accounting Standards for Tax Effect Accounting" (Guidance No. 28, October 28, 2022, hereinafter referred to as the "2022 Revised Guidance"). There is no impact on the quarterly consolidated financial statements due to this change in accounting policy.

Additionally, concerning the revisions related to the handling in consolidated financial statements of deferred tax treatment for gains and losses arising from the sale of subsidiary shares between consolidated companies, we have applied the 2022 Revised Guidance from the beginning of the first quarter of the current consolidated accounting period. There is no impact on the quarterly consolidated financial statements due to this change in accounting policy.

(Application of special accounting for preparing quarterly consolidated financial statements)

(Calculation of taxes)

Income tax expenses are calculated by multiplying net income before income taxes by an estimated effective tax rate, which is a reasonable estimate of the effective tax rate after applying tax effect accounting to net income before income taxes for the fiscal year that includes this third quarter.

However, if the use of this estimated effective tax rate produces significantly unreasonable results, income tax expenses are calculated by using the statutory effective tax rate.

(Notes to the quarterly consolidated Statement of cash flows)

The quarterly consolidated statement of cash flows for the third quarter of the current consolidated cumulative period has not been prepared. However, the depreciation expenses for the third quarter consolidated cumulative period (including amortization expenses for intangible fixed assets excluding goodwill) and the amortization amount of goodwill are as follows.

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Depreciation expenses	367	768
Amortization of goodwill	9	10

(Segment information, etc.)

[Segment information]

Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on Sales and Profits or Losses by Reportable Segment and Revenue Breakdown

(Millions of yen)

	Reportable segment			Total	Adjustment amount	Consolidated Financial statements Recorded amount (Note 1)
	Global Telecommunications Business	Domestic Telecommunications Business	Medical & Healthcare Business			
Net sales						
Revenue from contracts with customers	3,108	2,956	1,207	7,272	—	7,272
Other revenue (Note 2)	842	236	—	1,078	—	1,078
Net sales to external customers	3,950	3,192	1,207	8,350	—	8,350
Internal net sales or transfer amount between segments	22	1	0	24	(24)	—
Total	3,973	3,194	1,207	8,374	(24)	8,350
Segment profit (loss)	659	663	126	1,449	5	1,455

(Notes) 1. The segment profit or loss is consistent with the operating profit in the consolidated financial statements.

2. Other revenue is lease revenue based on Corporate Accounting Standards No.13 “Accounting Standards for Lease Transaction”.

3. The plus ¥5 million adjustment to segment profit (loss) is eliminations for inter-segment transactions.

2. Information on Impairment Losses on Fixed Assets or Goodwill by Reportable Segment

Not applicable.

Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information on Sales and Profits or Losses by Reportable Segment and Revenue Breakdown

(Millions of yen)

	Reportable segment			Total	Adjustment amount	Consolidated Financial statements Recorded amount (Note 1)
	Global Telecommunications Business	Domestic Telecommunications Business	Medical & Healthcare Business			
Net sales						
Revenue from contracts with customers	6,448	2,246	1,114	9,809	—	9,809
Other revenue (Note 2)	1,364	60	—	1,424	—	1,424
Net sales to external customers	7,812	2,307	1,114	11,233	—	11,233
Internal net sales or transfer amount between segments	25	14	2	42	(42)	—
Total	7,837	2,321	1,116	11,276	(42)	11,233
Segment profit (loss)	2,949	334	(80)	3,203	9	3,213

(Notes) 1. The segment profit or loss is consistent with the operating profit in the consolidated financial statements.

2. Other revenue is lease revenue based on Corporate Accounting Standards No.13 “Accounting Standards for Lease Transaction”.

3. The plus ¥9 million adjustment to segment profit (loss) is eliminations for inter-segment transactions.

2. Information on Impairment Losses on Fixed Assets or Goodwill by Reportable Segment

Not applicable.

(Revenue recognition)

Information breaking down revenue from contracts with customers is as presented in page 10 “2. Quarterly Consolidated Financial Statements and Key Notes (3) Notes to quarterly consolidated financial statements (Segment information, etc.)”