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FY2024 Third Quarter Financial Results

Presentation Materials

February 7, 2025

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 Third Quarter Financial Results Summary

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Executive Summary

Results for FY2024 3Q

Net Sales	YoY	Progress
11,233 (million yen)	+34.5% (+2,883 million yen)	68.1%

Operating Profit	YoY	Progress
3,213 (million yen)	+120.8% (+1,758 million yen)	74.9%

Other Indicators

OP Margin

28.6%

Exchange rate at end of period (December 31, 2024)

1USD＝¥158.2
1PHP＝¥2.7

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 third quarter of FY2024

(JPY:million)	3Q				3Q Total			
	FY2023	FY2024	YoY	%	FY2023	FY2024	YoY	%
Net Sales	3,102	3,488	+386	+12.5%	8,350	11,233	+2,883	+34.5%
Operating Profit	529	873	+344	+65.0%	1,455	3,213	+1,758	+120.8%
Ordinary Profit	▲3	1,788	+1,792	—	1,555	3,377	+1,821	+117.1%
Profit Attributable to Owners of the Parent	▲3	1,463	+1,467	—	951	2,425	+1,473	+154.9%

Analysis of Results

- **Net Sales** : The increase in revenue from the Global Telecommunications Business contributed significantly, resulting in a 34.5% year-on-year revenue growth.
- **Operating Profit** : With the revenue growth of the Global Telecommunications Business, profits also increased significantly, offsetting the decline in profits from the Domestic Telecommunications Business and the deficit in the Medical & Healthcare Business, resulting in a 120.8% year-on-year profit growth.
- **Ordinary Profit** : Along with the growth in operating profit, a foreign exchange gain of 241 million yen was recorded due to the depreciation of the yen, as the USD/JPY exchange rate at the end of December was 1 USD = 158.2 JPY, compared to 1 USD = 151.4 JPY at the end of March. As a result, profit increased by 117.1% year-on-year.
- **Profit Attributable to Owners of the Parent** : Due to the growth in operating profit and the recording of foreign exchange gains, profit increased by 154.9% year-on-year.

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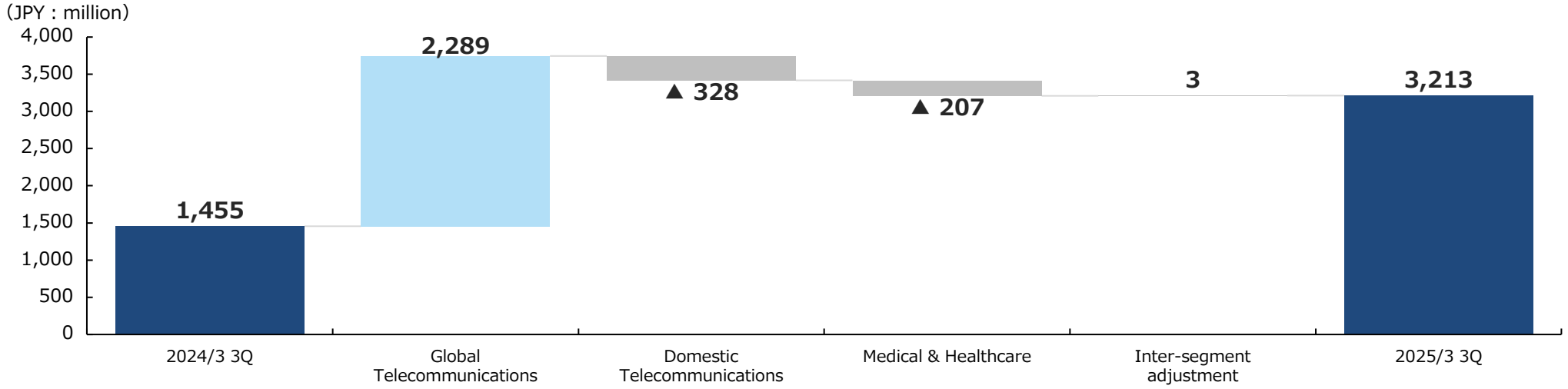
Results by Business Segment

JPY : million		3Q		
		FY2023	FY2024	YoY
Global Telecommunications	Net Sales	3,950	7,812	+3,861 (+97.8%)
	Operating Profit	659	2,949	+2,289 (+347.1%)
Domestic Telecommunications	Net Sales	3,192	2,307	▲885 (▲27.7%)
	Operating Profit	663	334	▲328 (▲49.5%)
Medical & Healthcare	Net Sales	1,207	1,114	▲93 (▲7.7%)
	Operating Profit	126	▲80	▲207 (—)

Analysis of changes in operating profit



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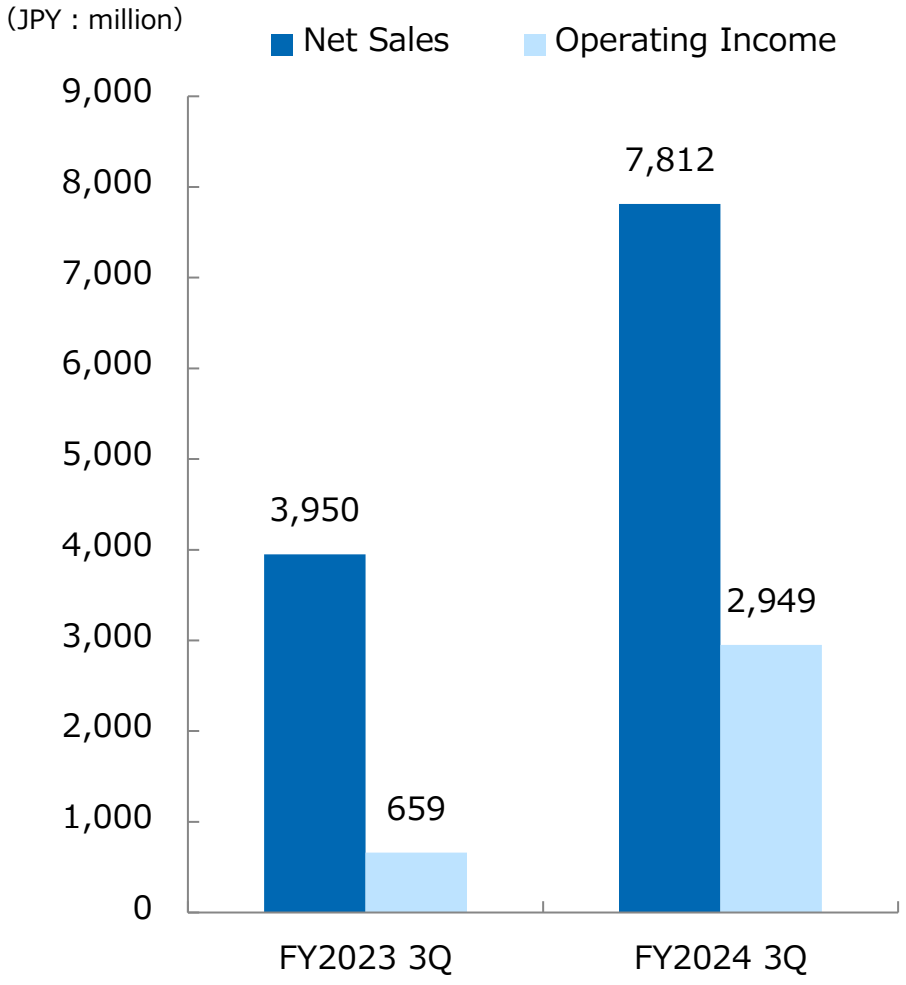
Global Telecommunications



Diversifying Revenue with PDSCN as the Core

- By focusing on PDSCN [*1], we are able to offer services across the Philippines, driving the diversification of revenue sources for growth. The overall business has significantly increased in both revenue and profit
- Leveraging the strengths of the combined C2C [*2] and PDSCN network, the provision of lines and services, including small-capacity sales, has expanded from the Metro Manila area to regional telecom operators with strong demand.
- The provision of network lines and telecommunications equipment as a set continues to perform steadily. Demand is expected to remain strong as one of the key sources of revenue moving forward.
- As of the end of September 2024, the number of billed corporate internet service customers increased to 1,436. By introducing a new evaluation system in the sales department and optimizing customer support and process management, we will continue to focus on accelerating the pace of service activation. We are also expanding contracts with key customers, including major banks, financial institutions, conglomerates, and large industrial parks.

Note1: PDSCN = Philippine Domestic Submarine Cable Network, a domestic submarine cable system in the Philippines.

Note2: C2C = City-to-City Cable System, an international submarine cable connecting Manila to Hong Kong and Manila to Singapore.

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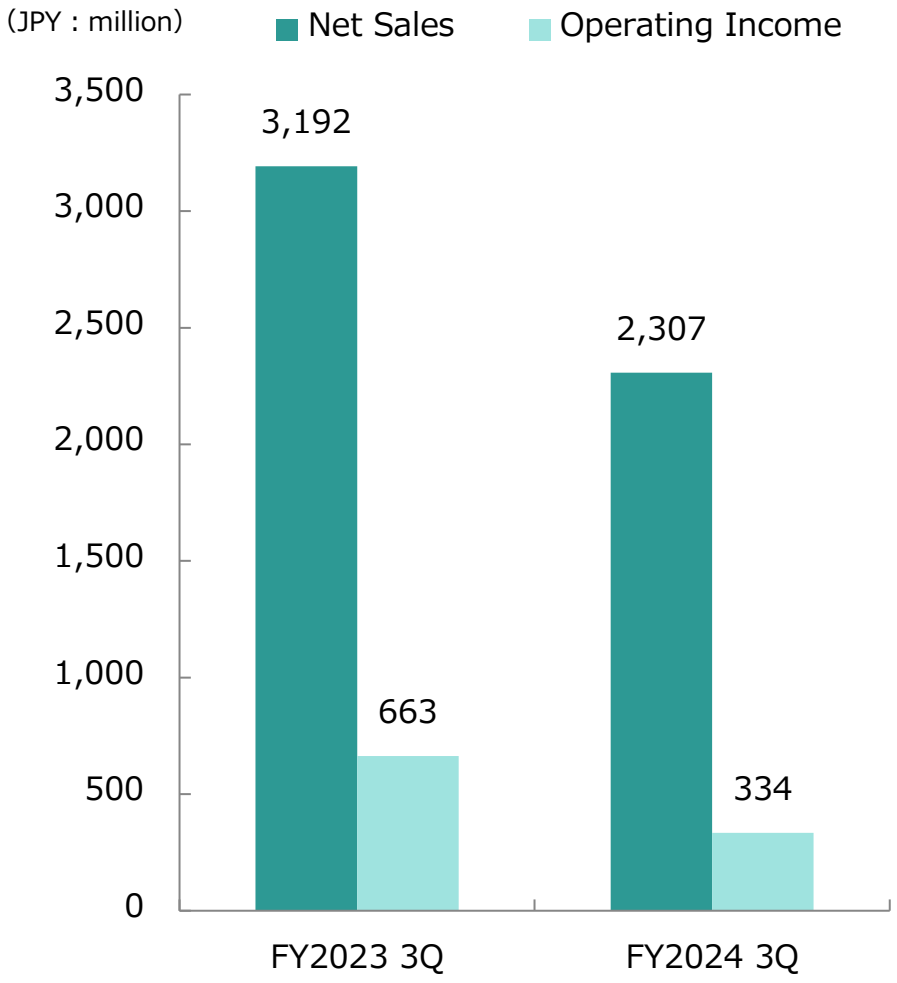
Domestic Telecommunications



Revenue decrease due to the revision of access charges.

- Regarding communication connection fees (access charges) based on interconnection agreements with major telecom operators, we took proactive measures in line with new guidelines set by the government. Following revisions, including the discontinuation of some transactions, the overall business experienced a decline in both revenue and profit.
- In the solution services for call center operators, customer support related to the IP migration of the telephone network (PSTN migration) has been mostly completed as planned.
- Starting around June 2025, we plan to begin providing our own 0120 [*1] services, which were previously procured from major telecom operators. By mid-2026, we expect to offer similar services for 0570 [*2] numbers, aiming for more flexible customer support and planned profit margin improvement.
- We aim to expand new customer acquisition by launching a flat-rate calling service for cloud-based CTI for call center operators, while strengthening integration with AI-related services such as speech recognition and LLM (large language models).

Note 1: A number with a “toll-free function,” where charges are borne by the recipient rather than the caller.

Note 2: A number with the "unified number function," where the caller is charged. A single 0570 number allows phone reception at multiple locations nationwide. This is often used by businesses or service providers to centralize their inquiry channels and enable efficient handling of calls.

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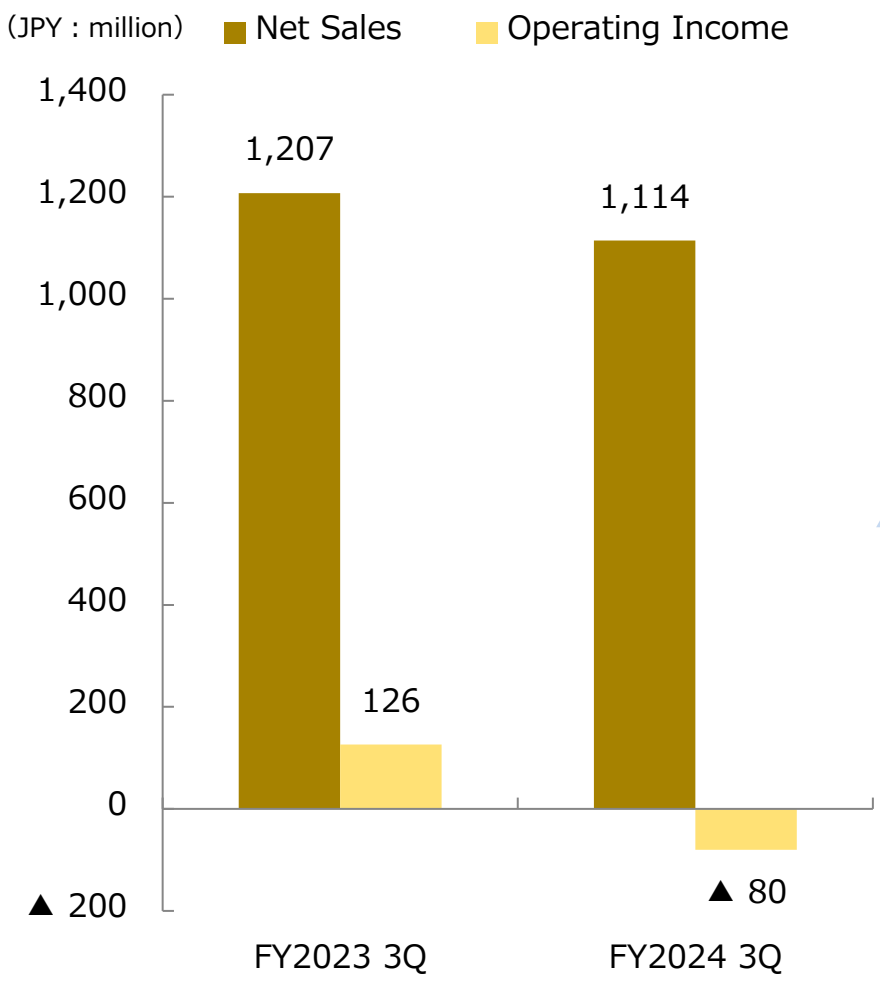
Medical & Healthcare



LASIK and targeting youth for growth

- As the competitive environment for LASIK becomes tougher, the number of procedures slightly falls short of plans. We aim to boost growth by revising marketing strategies and service structures, while focusing on targeting younger demographics expected to expand due to population growth.
- We will introduce a new promotional campaign utilizing short videos on social media, showcasing high-value customer experiences at clinics with Japanese standards, ranging from examinations and consultations to surgeries and various unique services.
- We will continue offering benefits such as interest-free installment payments in collaboration with local financial institutions and referral incentives for patient introductions.

Healthcare drives growth in regular health checkup revenue

- We are steadily increasing revenue by offering comprehensive health checkups in the Japanese style, primarily to corporations and individuals in the Philippines. We are working to solidify a customer base for continued use.
- We aim to target high-profit demand from foreign-affiliated companies, ranging from a few dozen to hundreds of employees. We will continue to promote preventive healthcare through awareness activities on social media and other platforms.
- The ongoing burden of upfront investment in advanced medical equipment such as CT scans and MRIs will continue during the startup phase.

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Financial Statements

Consolidated Balance Sheets

(JPY:million)

Assets				Liabilities and Net assets			
	FY2023	FY2024 3Q	Change		FY2023	FY2024 3Q	Change
Current assets	17,864	20,922	3,057	Current liabilities	12,532	14,296	1,764
Cash and deposits	4,234	3,390	▲ 844	Accounts payable – trade	670	542	▲ 128
Accounts receivable - trade	5,532	8,911	3,378	Borrowings	4,587	6,108	1,521
Lease receivables	5,789	6,480	690	Deferred payment profit	4,076	4,572	495
Others	2,307	2,140	▲ 166	Others	3,197	3,072	▲ 124
Non - current assets	15,624	15,999	375	Non - current liabilities	5,814	4,922	▲ 891
Property, plant and equipment	11,565	11,434	▲ 130	Long - term borrowings	5,514	4,660	▲ 854
Intangible assets	2,865	3,150	284	Others	299	262	▲ 36
Investments and other assets	1,194	1,415	221	Total liabilities	18,346	19,218	872
Deferred assets	40	32	▲ 7	Net assets	15,183	17,736	2,553
				Shareholders' equity	11,090	13,100	2,009
				Accumulated other Comprehensive income	210	▲297	▲ 508
				Share acquisition right	264	277	12
				Non - controlling interests	3,617	4,656	1,038
Total assets	33,529	36,955	3,425	Total liabilities and Net assets	33,529	36,955	3,425

※Since each account item is rounded down to the nearest million yen, the total amounts in the table may not match the sum of the individual items.

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2 | FY2024 Earnings Forecast

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Regarding earnings forecast of FY2024

(JPY:million)

	FY2024 3Q (Actual)	Forecast of FY2024	
		Initial announcement	This time (no revisions)
Net Sales	11,233	16,500	16,500
Operating Profit	3,213	4,290	4,290
Ordinary Profit	3,377	3,900	3,900
Profit Attributable to Owners of the Parent	2,425	2,550	2,550

■ Due to factors such as the depreciation of the yen, a foreign exchange gain of 241 million yen was recorded in the third quarter. However, since it is difficult to predict exchange rate trends, this is not reflected in the full-year earnings forecast.

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Revised Forecasts of Business Segment

(JPY : million)

Business Segment		FY2023 (Actual)	Forecast of FY2024		
			Pre-Revision	Revision	Change
Net Sales		**14,117**	**16,500**	**16,500**	**+0**
	Global Telecommunications	8,440	11,662	11,943	+281
	Domestic Telecommunications	4,116	3,285	2,999	▲286
	Medical & Healthcare	1,561	1,553	1,557	+4
Operating Profit		**3,894**	**4,290**	**4,290**	**+0**
	Global Telecommunications	2,901	3,715	3,863	+148
	Domestic Telecommunications	925	626	483	▲143
	Medical & Healthcare	67	▲ 51	▲ 56	▲5
	Inter-segment adjustment	0	0	—	—
OP Margin		**27.6%**	**26.0%**	**26.0%**	—
	Global Telecommunications	34.4%	31.9%	32.3%	—
	Domestic Telecommunications	22.5%	19.1%	16.1%	—
	Medical & Healthcare	4.3%	—	—	—

※Since each item is rounded down to the nearest million yen, the total amounts in the table may not match the sum of the individual items.

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3 Topics & Appendix

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Full-Scale Entry into the Regional B2C Market through Collaboration

Expansion into the Regional B2C Market

INFINIVAN
Unlimited Fiber Broadband Experience

Previously

Metro Manila

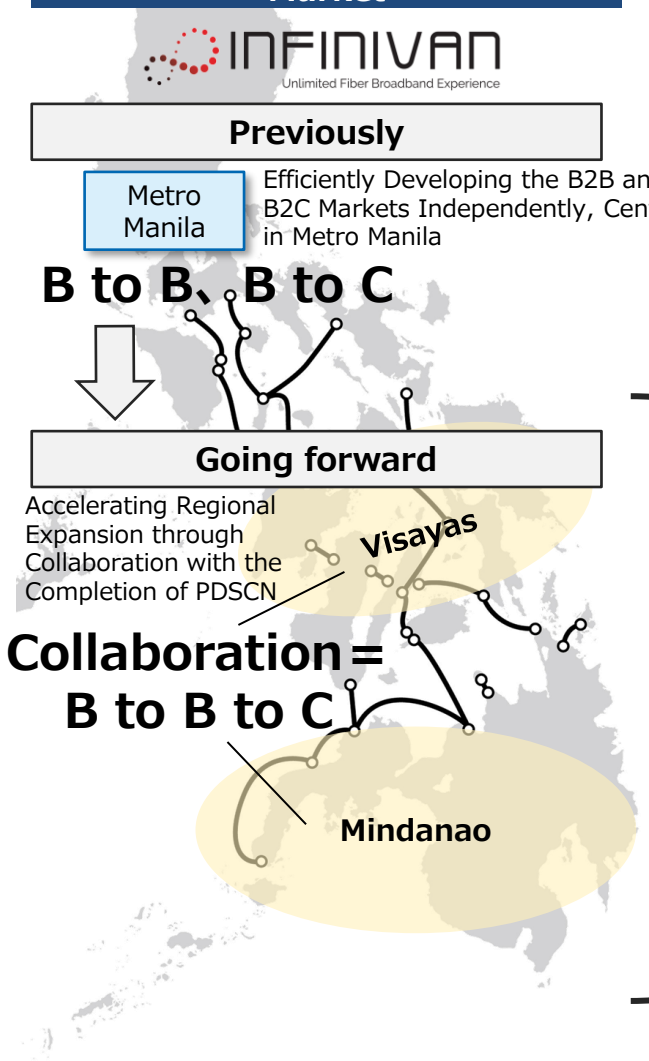
Efficiently Developing the B2B and B2C Markets Independently, Centered in Metro Manila

B to B、B to C

Going forward

Accelerating Regional Expansion through Collaboration with the Completion of PDSCN

Collaboration＝ B to B to C



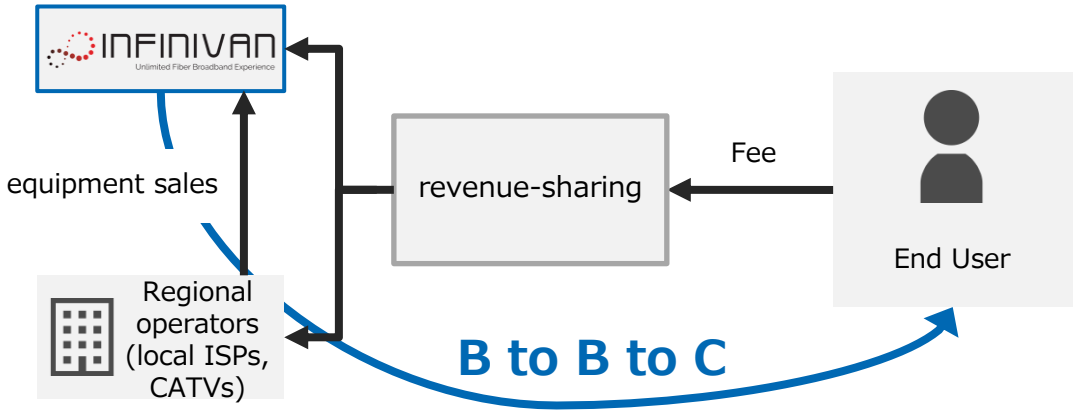
※The route of the network lines in the illustration is different from the actual one.

Unique Strength: Collaboration through Bundled Network and Equipment Provision

- **Role of InfiniVAN**
  - Provide competitive internet lines to regional areas.
  - Operate core router equipment and provide network security services.
  - **Sell core routers compatible with our routers as a package when providing network lines.**

- Relieving Regional Operators from the Complex Management and Operations of Network and Equipment Procurement
- Regional Operators Can Focus on Core Activities Such as Customer Acquisition and Network Maintenance
- Providing Services under the InfiniVAN Brand, Expanding Japan-Standard Network Quality Nationwide

- **Revenue Model**
  - A revenue-sharing model will be adopted. By accurately understanding the demand for network lines in each region, we will efficiently supply only the necessary line capacity."



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Partnerships Increase with Major Banks and Industrial Parks as an ISP

In January, Philippine telecommunications subsidiary InfiniVAN, Inc. (“InfiniVAN”) signed a partnership agreement with major bank Maybank Philippines, Inc. (“Maybank Philippines”) to improve digital financial services and other services. In addition, InfiniVAN also signed a new agreement to provide lines to the Cavite Economic Zone, a major industrial park in the Philippines.

Addressing the enhancement of security

Maybank Philippines is a major bank with about 60 branches in the Philippines, and InfiniVAN will meet the needs of Maybank Philippines for online banking and other services and security enhancement through its backbone network centered on PDSCN, which provides stable telecommunication infrastructure service of Japanese standards throughout the Philippines. We will continue to expand our services to financial institutions.



Maybank Philippines’ Mr. Bernie Talimban - Chief Information Officer (in the center), InfiniVAN’s Mr. Shigeki Nakahara – President (second from the right) and others at the signing ceremony.

Supporting innovation and growth

Cavite Economic Zone is a growing industrial park, located within a nearly 300-hectare property. Through a partnership agreement with the local cooperative, InfiniVAN will provide high-quality Internet access services.

InfiniVAN has also formalized a contract to provide connectivity to Laguna Technopark, expanding the number of industrial park contracts to 10, and will continue to support the innovation and growth of the companies that occupy these parks.



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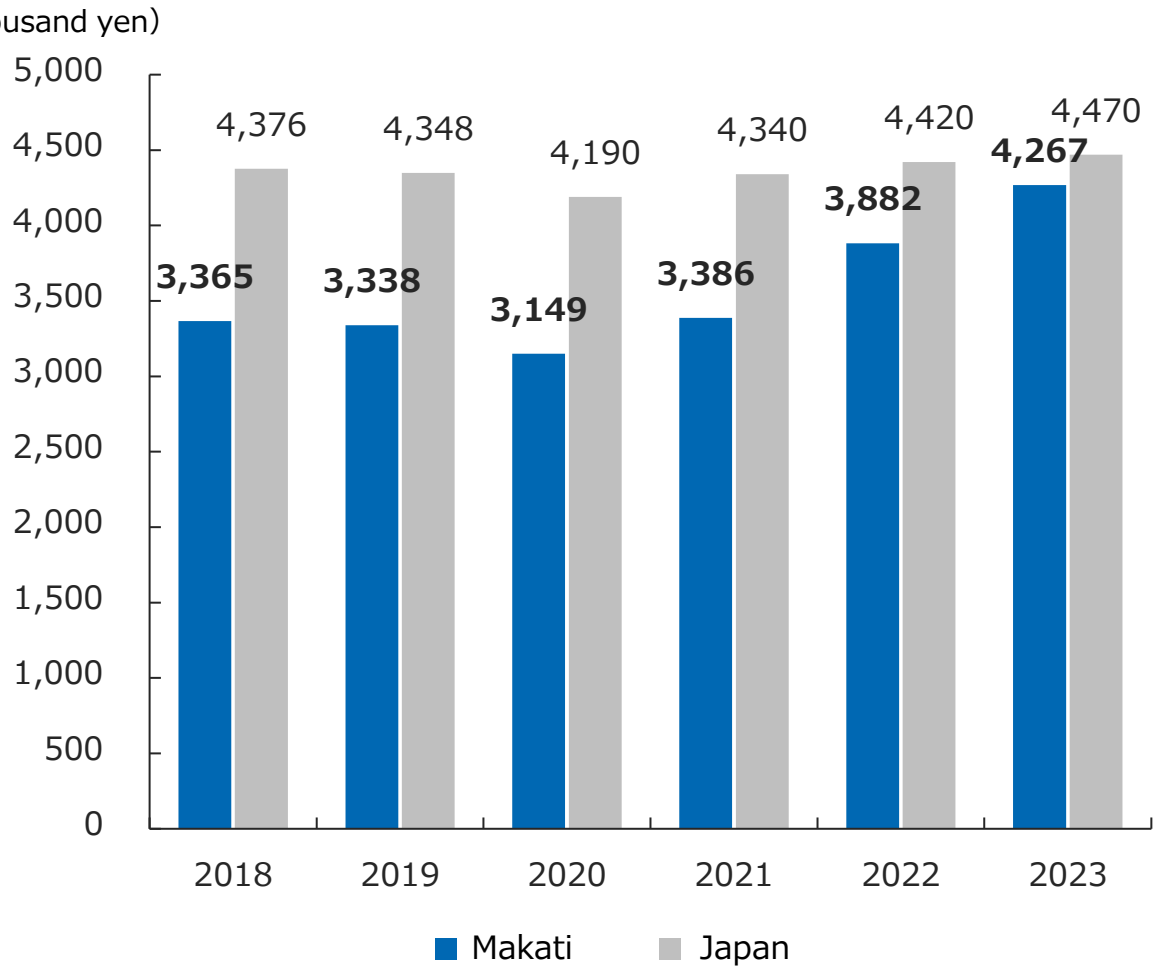
Trends in Real GDP per Capita of Makati City and Japan

Makati City, located in the Metro Manila area, is the economic center of the Philippines and home to InfiniVAN's main office. While the real GDP per capita of Makati City temporarily declined during the COVID-19 pandemic, it has continued to grow steadily and is now rapidly approaching that of Japan.

Location of Makati City





Note: The data for Makati City is converted into yen using the average exchange rate (PHP/JPY) for each year.
Source: PSA (Philippine Statistics Authority) website, Cabinet Office Economic and Social Research Institute website.

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About us

Company Name **Code**	IPS, Inc. 4390・TSE Prime
Establishment	October 1991
Location	8F, Togeki Bldg, 4-1-1 Tsukiji, Chuo-ku, Tokyo, Japan 104-0045
Representative Director	Koji Miyashita
Business	Global Telecommunications Medical & Healthcare Domestic Telecommunications
Consolidated subsidiary	7 overseas subsidiaries • InfiniVAN, Inc. • ISMO Pte. Ltd. • Carrier Domain, Inc. • KEYSQUARE INC. • CorporateONE, Inc. • Shinagawa Lasik & Aesthetics Center Corporation（SLACC） • Shinagawa Healthcare Solutions Corporation（SHSC） 1 domestic subsidiary. • IPS Pro, Inc.







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- 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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