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Business Strategy Presentation

February 23, 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 Philippines 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 Medical & Healthcare

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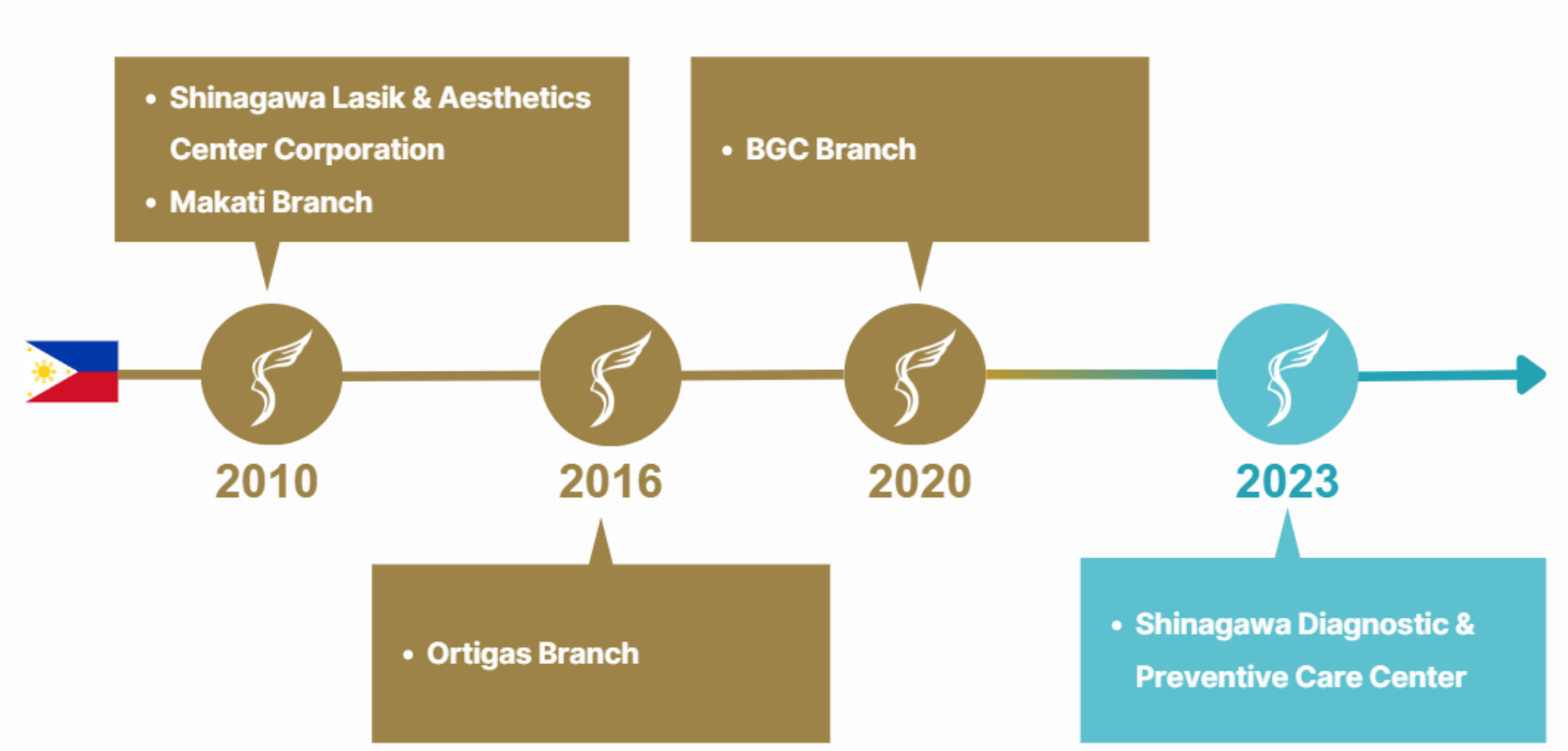
History of Medical & Healthcare



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Operation of the Medical & Healthcare

The Medical & Healthcare is operated with Japanese-style operations and the introduction of state-of-the-art equipment.

SHINAGAWA
Lasik & Aesthetics





SHINAGAWA
DIAGNOSTIC & PREVENTIVE CARE



PHILIPS MRI 5300
1.5 T



FUJIFILM ENDOSCOPY
Eluxeo Lite 6000



FUJIFILM CT SCAN
Supria 128 Slice



FUJIFILM MAMMOGRAPHY
Amulet Innovality



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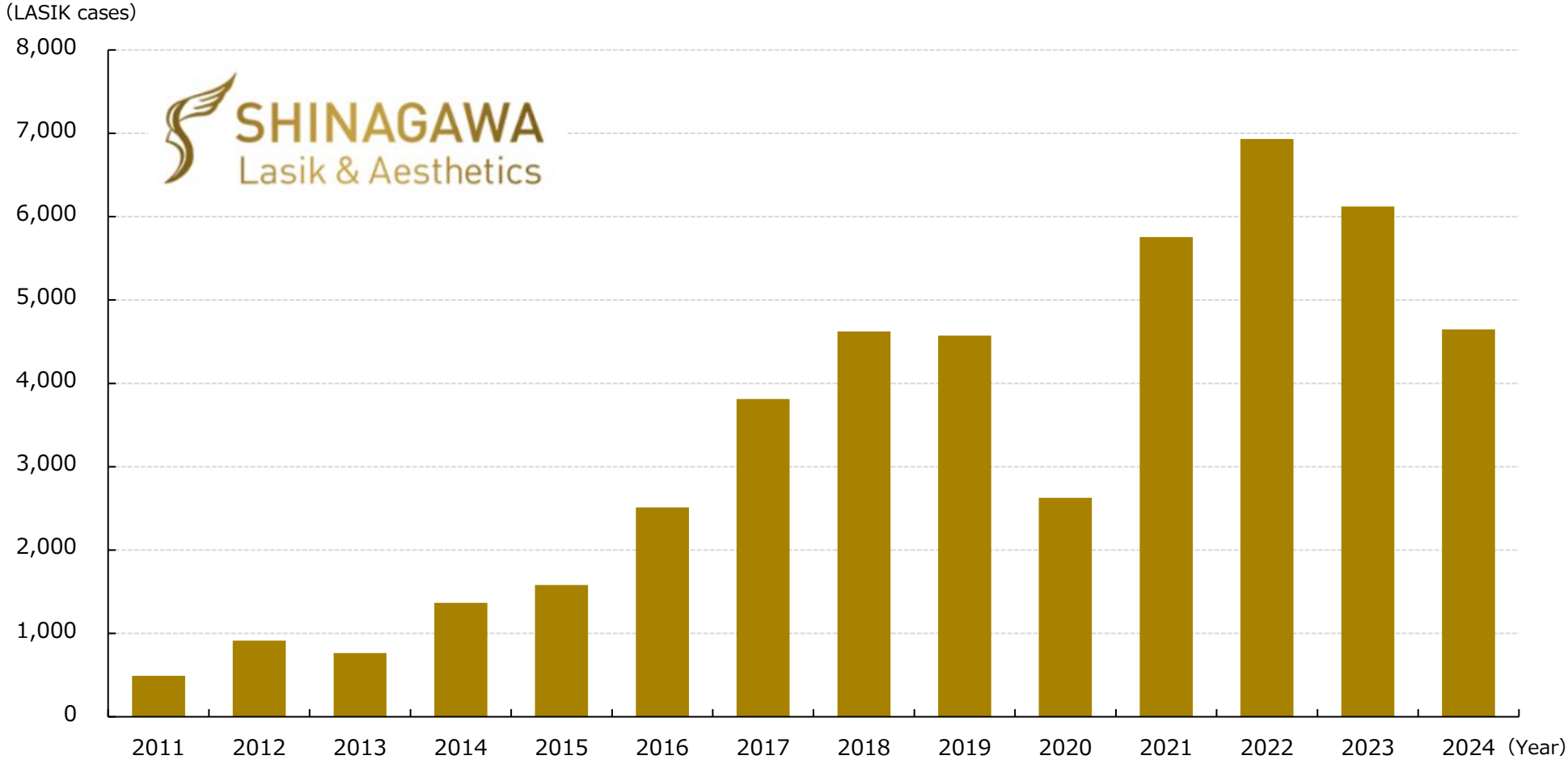
Number of LASIK cases

Trend in the Number of LASIK cases

- Since 2023, the number of surgeries has been trending back to pre-COVID levels due to intensified competition and other factors.
- Currently, we are reviewing our marketing strategies and service structure, focusing on attracting younger demographics to drive overall growth.



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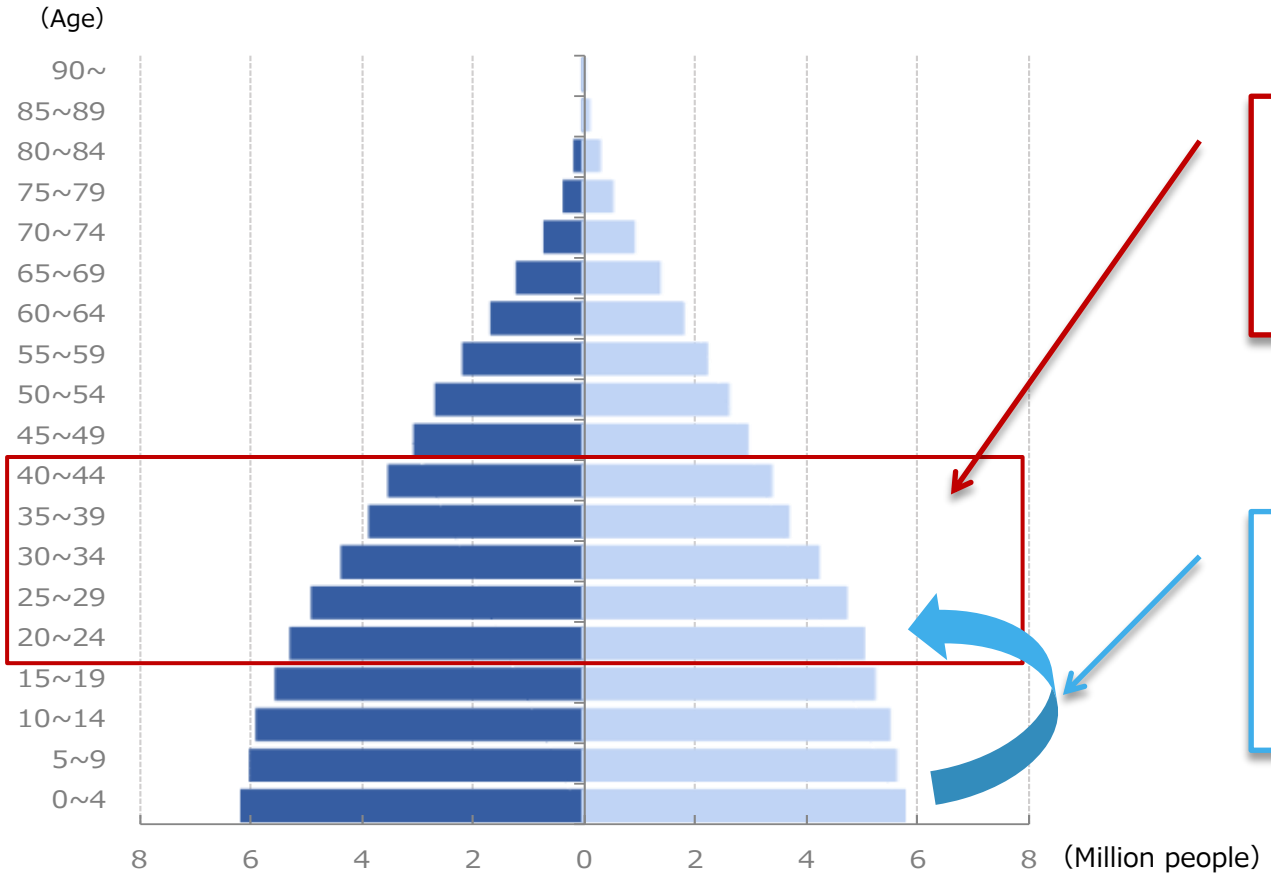
LASIK Market in the Philippines

Growth Potential of the LASIK Market

- The population of individuals in their 20s to early 40s, which is considered the suitable age range for LASIK, is approximately 43 million.
- The population of individuals under 19, who will soon fall into the suitable age range, is expected to surpass this number in the future.



The population within the suitable age range is approximately 43 million.

The population that will fall into the suitable age range in the future is approximately 45 million.

Source : UNFPA World Population Report 2023、World Population Prospects 2022

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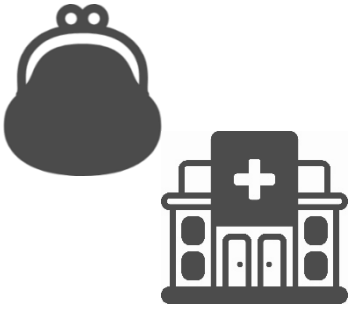
Changes in the Business Environment and Responses (LASIK)

Changes in the Business Environment

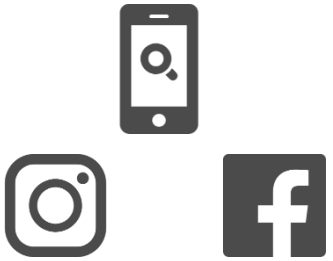


Intensification of Price Competition

Responses

Response

Launch new promotions that highlight high-value customer experiences at clinics based on Japanese standards (utilizing social media to attract younger demographics).



Response

Continue offering preferential interest rates for installment payments in collaboration with local financial institutions, as well as introducing a referral program for patient recommendations.



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Health Care Situation in the Philippines

Diagnostic Imaging Devices per Million Population 2022

- The number of imaging diagnostic devices per 1 million people in the Philippines is overwhelmingly insufficient compared to other ASEAN member countries.

(Units)

Diagnostic imaging equipment	Japan	Singapore	Malaysia	**The Phillipines**
CT	115.7	8.4	6.9	**1.1**
MRI	55.2	7.8	2.9	**0.3**
Mammography*	267.4	127.7	86.7	**13.1**

*Number per million women aged 50-69

Source : DOH Philippine Health Statistics, Philippine News Agency OECD Health Statistics 2022

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Health Care Situation in the Philippines

Leading Causes of Death in the Philippines (January – August 2024)

- Diseases requiring imaging diagnostics rank among the top causes of death, highlighting the need to promote preventive healthcare awareness, as early detection leads to more effective treatment.

Order	Name of a disease	The number of people
1	**Ischemic heart disease (angina pectoris, myocardial infarction)**	60,253
2	**Malignant neoplasms (cancer)**	33,910
3	**Cerebrovascular disease (cerebral infarction, subarachnoid hemorrhage)**	30,552
4	**Pneumonia**	19,842
5	Diabetes mellitus	19,214

*Bold: Diagnosis by diagnostic imaging equipment required

Source： Philippine Statistics Authority

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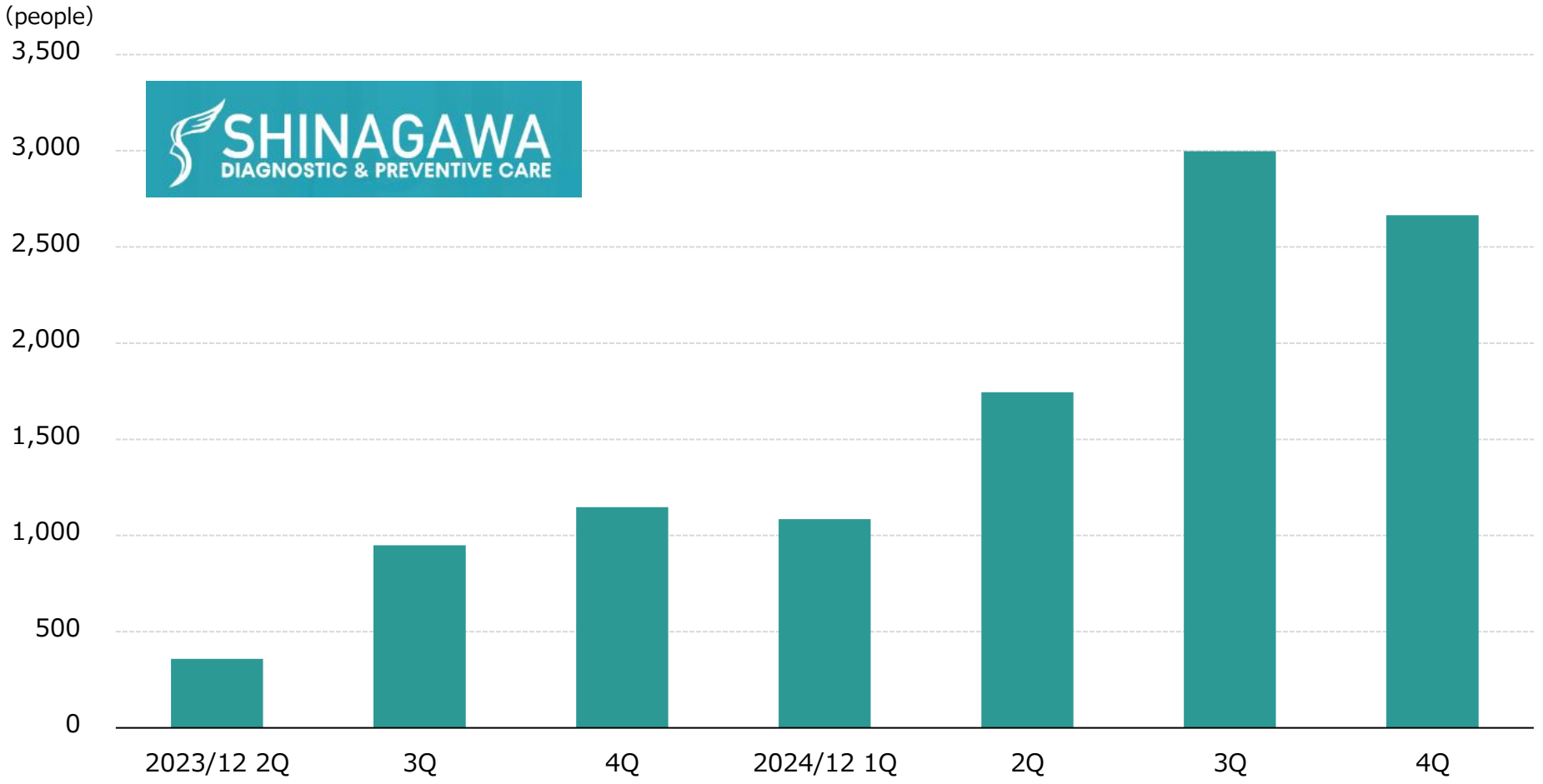
Number of Health Care cases

Trends in the Number of Visiting Patients

- From 2024 onward, the number of visiting patients has increased to approximately twice the level compared to 2023.



Note : The patient count for Q2 2023/12 reflects the numbers for May and June 2023, as it was just after the business launch.

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2 Trajectory from listing to today

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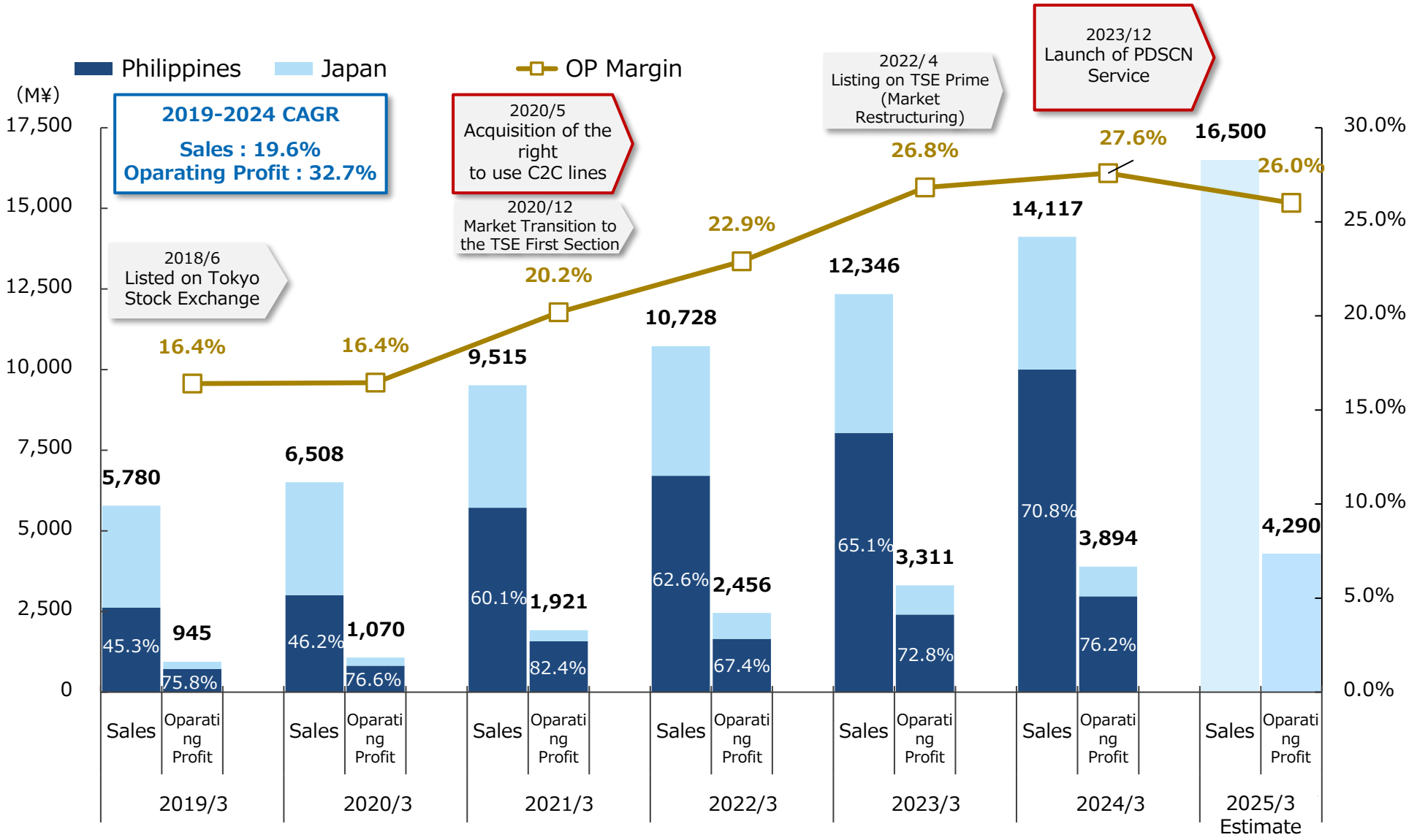
Performance Trends Since Listing

Since its listing on the TSE Mothers (now Growth) in June 2018, the company has achieved revenue and profit growth.



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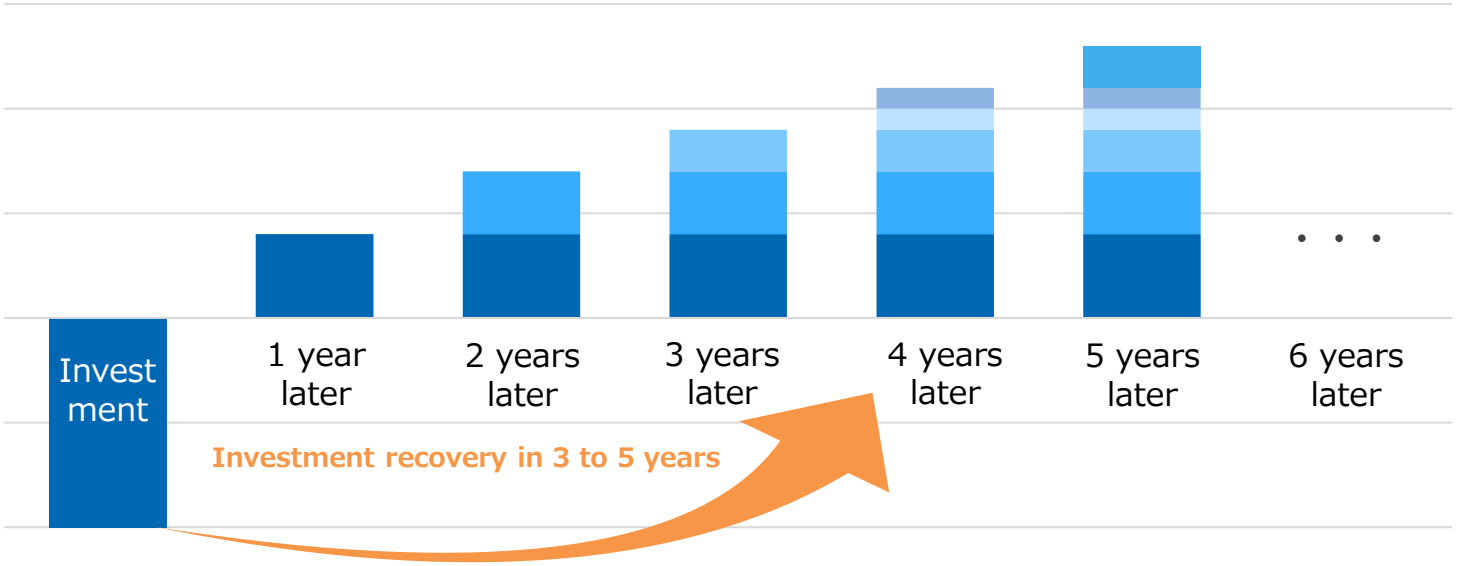
Early payback through disciplined investment decisions

Investment Recovery



C2C（2020、2021）

- The largest investment at the time. Investment decision was made with the prospect of recovery of investment in a short period of time.
- The investment has already been recovered and we are enjoying an excess return.

PDSCN（2022、2023）

- Large investment of over US$60 million, with bank loans used to finance construction
- IRU contracts are being signed during the construction phase, with the aim of achieving an early return on investment.

We will consider schemes for the next large investment that minimize our financial burden as much as possible and shorten the payback period

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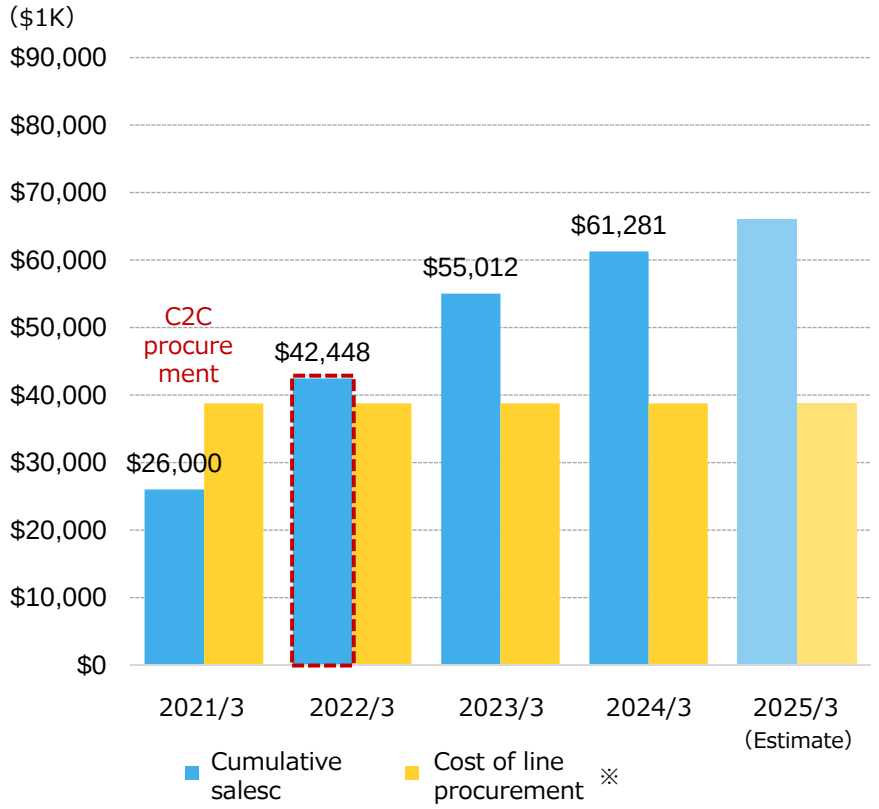
Efficient Investment Cycle

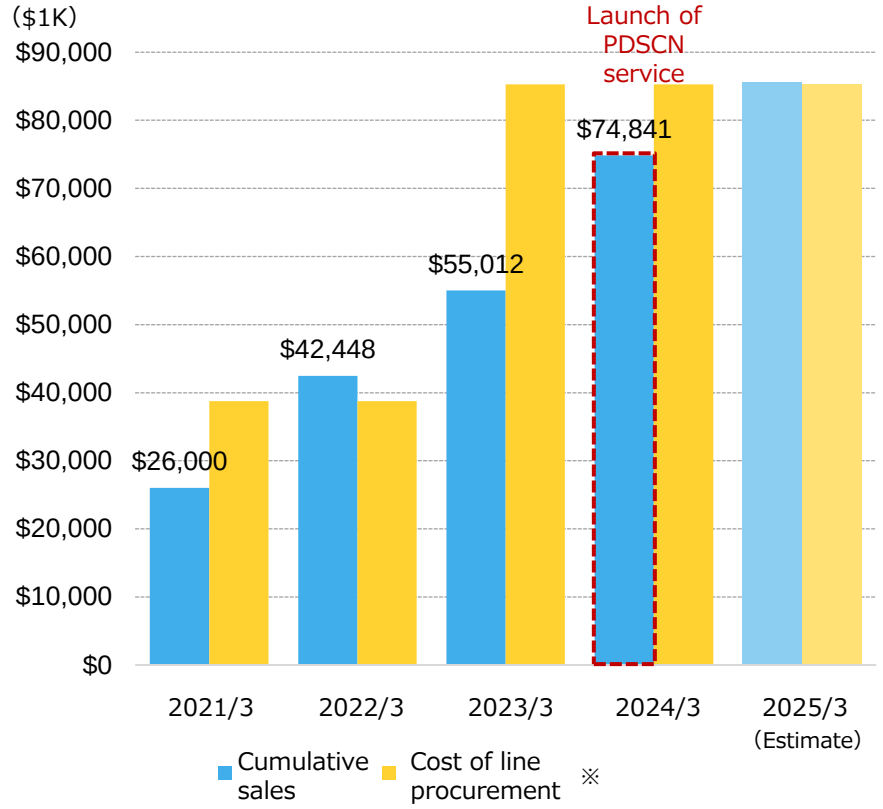
Our company covers part of the next growth investment with revenue generated from the network we have built in-house, efficiently creating cash and leveraging assets. As a result, we have been able to build a network that is on par with local major telecom operators with minimal capital and time.

Procurement cost of C2C lines and cumulative sales



- By securing sales channels at the time of procurement, the cumulative sales in the following period exceeded the procurement cost
- Not only through simple sales, but also by conducting line swaps and other activities, we have diversified methods of generating cash from assets.

Procurement cost of C2C + PDSCN lines and cumulative sales



- After the launch of PDSCN service, the plan is for cumulative sales, including C2C, to exceed the procurement cost in the following period.
- We aim to continue managing with high capital efficiency.

※The line procurement cost refers to the cost of the submarine cable portion, excluding backhaul lines and other related costs.

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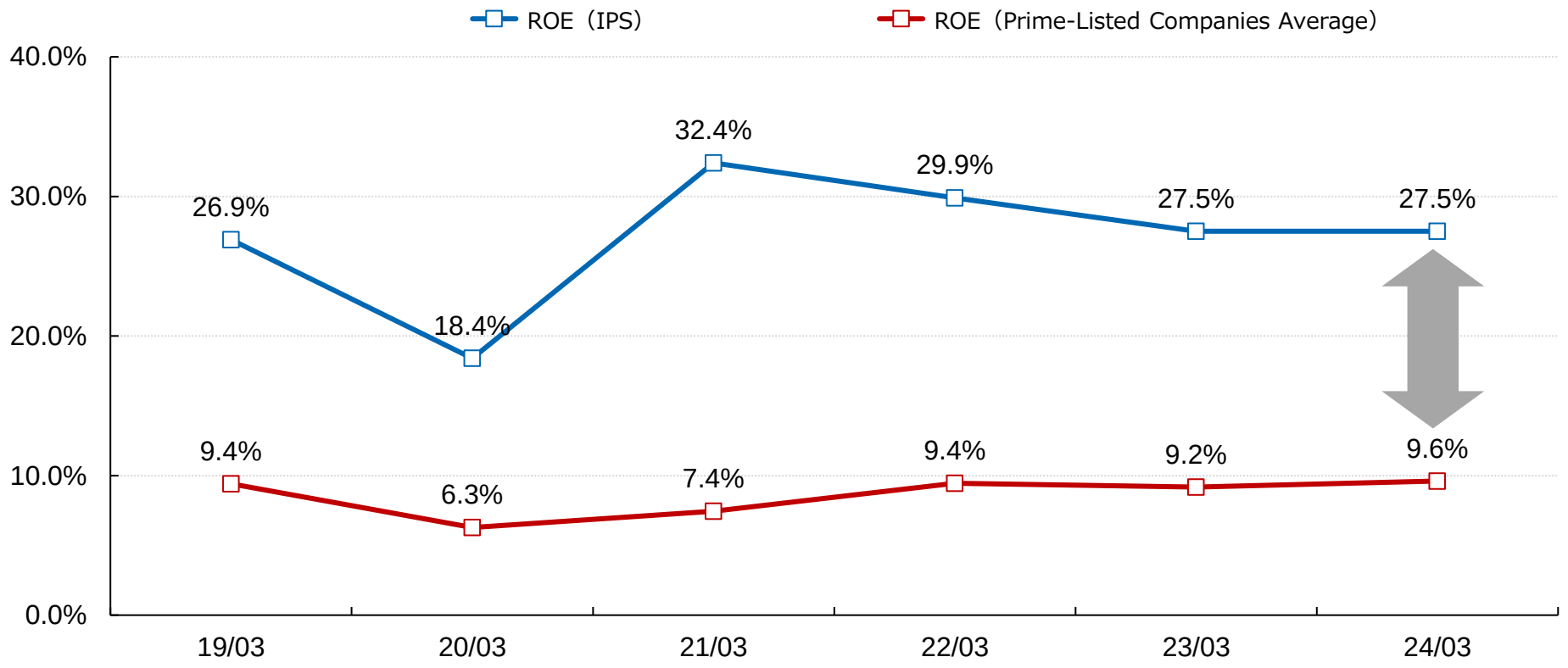
Maintain high capital profitability

Trend of ROE

- Revenue and profit growth, high profit margins, and aggressive yet disciplined and efficient investments are closely linked to high capital profitability.
- Continuing to achieve returns significantly above the average of prime-listed companies.



Note : Data prior to the Tokyo Stock Exchange market reorganization represents the average of companies listed on the First Section of the market.

Source : Tokyo Stock Exchange website 'Consolidated Financial Results Summary'

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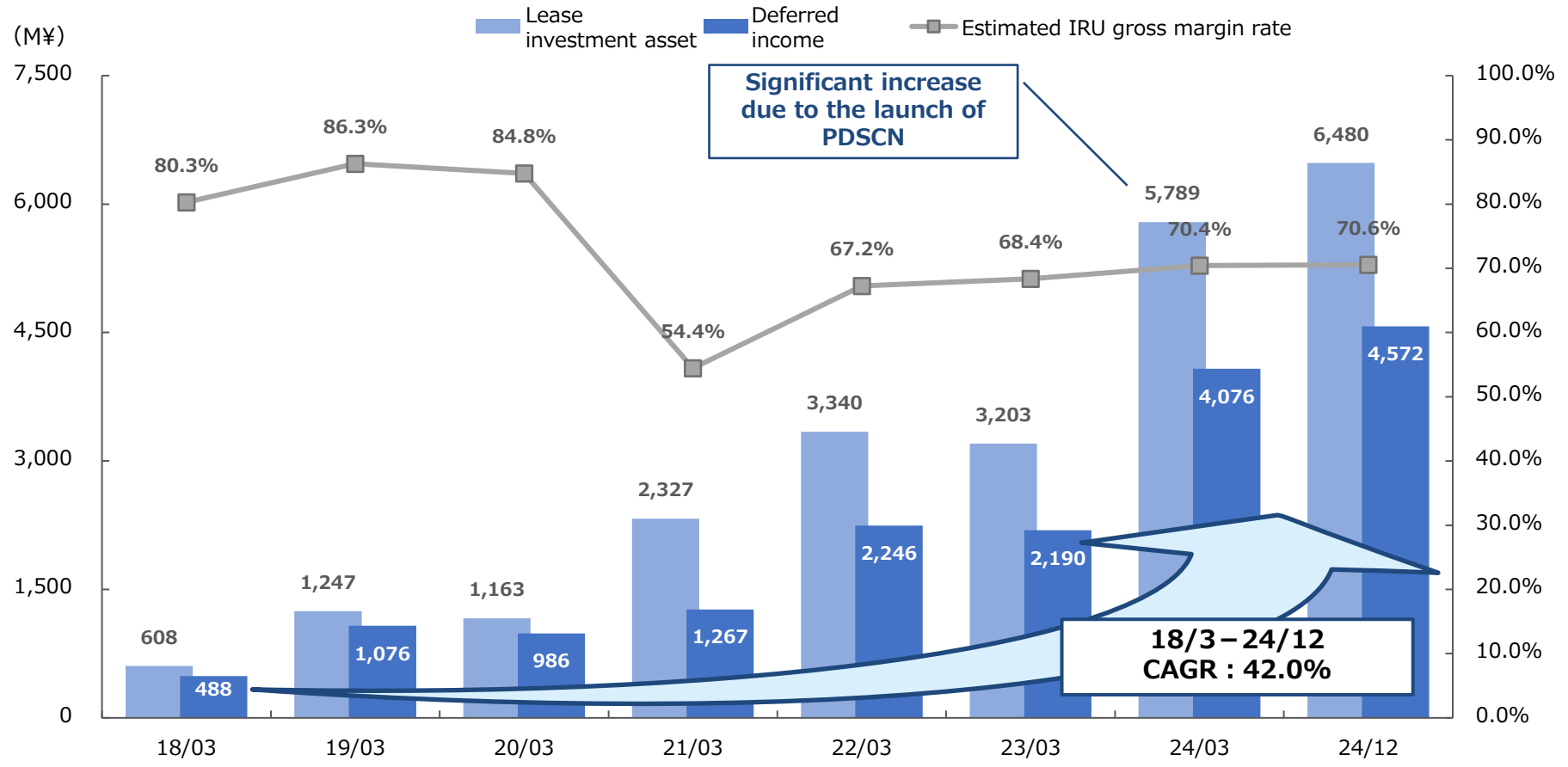
Regarding the accumulation of stock in the Global Telecommunication

Trend of lease investment assets

- At the time of signing the IRU sales contract, a lease investment asset equivalent to the sales contract amount is recorded. After payment in installments over 3 to 5 years, it is gradually recognized as revenue.
- At the same time, the corresponding amount of communication line usage rights (assets) is reduced, and the expected gross profit (the difference between sales and cost of sales) is recorded as deferred revenue (current liabilities). Therefore, the amount of deferred revenue related to the lease investment asset corresponds to the gross margin of the IRU contract.
- The increase in the lease asset balance indicates the accumulation of stock related to the growth of the Global Telecommunication business.



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3 Strategy for Global Telecommunications

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History of Global Telecommunications Business

Year	Market Environment	Business Expansion	Major Assets	Business Classification
2012～	• Expensive and slow internet from 2 major companies ⇒ Inexpensive and fast internet	• Provision of cost-effective global telecommunications lines • Fostering a fair competitive environment among telecommunications carriers	AAG Cable	Wholesale
2015～	• The Philippine Government Launched National Broadband Plan.（2017～）	• Establishment of InfiniVAN, Inc. • Installation of own fiber-optic cables in the Philippines • ISP service for corporate clients	+Own Fiber-optic Cables	Enterprise
2020～	• Amid US-China tensions, the Philippines has emerged as a new investment destination for submarine cables and data centers.	• Generating international communication line capacity in-house	+C2C Cable ※**C**ity-**to**-**C**ity Cable System	
2023～	• Following the relaxation of foreign investment regulations under the Marcos regime, we undertook additional investment in InfiniVAN.	• Providing communication capacity across the entire Philippines • Offering online Document Management Systems (DMS) and delivering DX and cloud services to government agencies and local governments	+PDSCN ※**P**hilippine **D**omestic **S**ubmarine **C**able **N**etwork	Government

Wholesale of international telecommunication lines to telecommunication carriers in the Philippines

In addition to wholesale of global telecommunication lines, ISP services are provided through our own cables.

Acquiring rights to submarine cables enabled us to generate communication capacity and provide large-scale capabilities

Aiming for further growth, we have created a Japanese-standard backbone network providing Internet access throughout the Philippines.

To contribute the improvement of the telecommunications infrastructure and economic development in the Philippines

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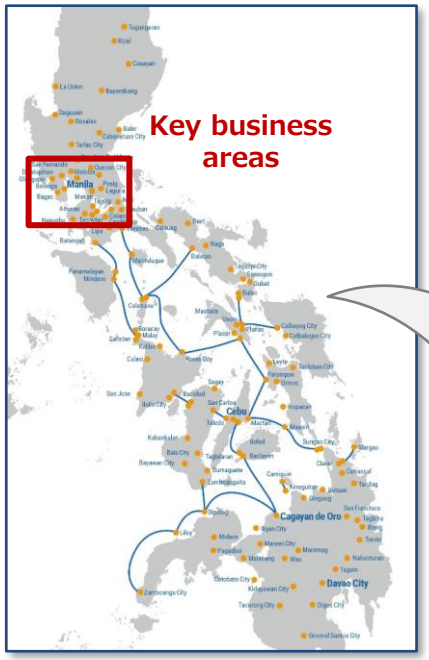
The establishment of a nationwide network in the Philippines and the expansion into rural areas are progressing

Full-scale expansion across the Philippines



C2C

PDSCN

Combination with existing lines



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

Network using PDSCN and C2C

- The launch of PDSCN, the largest domestic network, has rapidly expanded the regions with access to international circuits.
- High-quality international circuits are now available not only on Luzon Island but also in the Visayas and Mindanao Islands.
- The benefits of our communication infrastructure are extending to customers across our various business areas, starting with Wholesale.
- The network is on par with existing major telecom operators.

Promoting Regional Development through Small-Capacity Offerings in Addition to Large-Scale Clients

- In addition to expanding the regions for large-capacity circuit offerings, we are developing a customer market for small-capacity services, focusing on 10G.
- There are still many areas with underdeveloped internet infrastructure, and we contribute to addressing the regional disparities within the Philippines.
- We are quickly capturing the growing demand in rural areas driven by economic growth.

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Diversification of Global Telecommunications Business

Major Assets	Domain	Customer, Market

Major Assets

- PDSCN (2023~)
- Network Connecting the Philippines and Overseas
- C2C (2020~)

Domain

Wholesale
- CATV, ISP
- Major Telecoms and OTT
- B2C Collaboration in Regional Areas

Government
- Government Agencies
- Local Government Units

Enterprise
- Metro Manila
- Financial Institutions
- Industrial Parks
- Local Area

Customer, Market

- Expansion of Network Services Utilizing PDSCN and C2C
- The number of contracts for small-capacity sales (in 10G units) to regional telecom operators has increased to approximately 90 companies.
- Leveraging our strong network, we continue to sell telecommunications equipment.
- The balance of lease investment assets, which will contribute to future revenue, increased from approximately JPY 5.7 billion at the end of March 2024 to approximately JPY 6.4 billion by the end of December 2024.

- Providing Nationwide Telecommunication Networks and Services in Line with the Philippine Government's Infrastructure Investment Expansion
- Supporting Cebu City to Become a leading Smart City Through Telecommunications Infrastructure Delivering
- Delivering Document Management System (DMS) to Quezon City

- Building a High-Quality and Stable Network in Metro Manila by Laying Fiber Optic Cables Along Railways and Expressways
- Expanding Contracts with Major Financial Institutions and Conglomerates That Require High Reliability
- Signed Network Service Agreements with 10 Industrial Parks near Mero Manila
- The number of paying corporate customers for internet connectivity services reached 1,436 as of the end of September 2024, with a target of 4,500 by 2026

Concept

Asian International Submarine Cable Connecting Japan, the Philippines, and Singapore

- **International Submarine Cable, Becoming Our Key Asset in Place of C2C**
- **Japan and the Philippines as Hubs for International Communication Networks Between the U.S. and Asia**
- **Growing Demand for Telecommunications in AI and Data Centers, a Key Growth Area**

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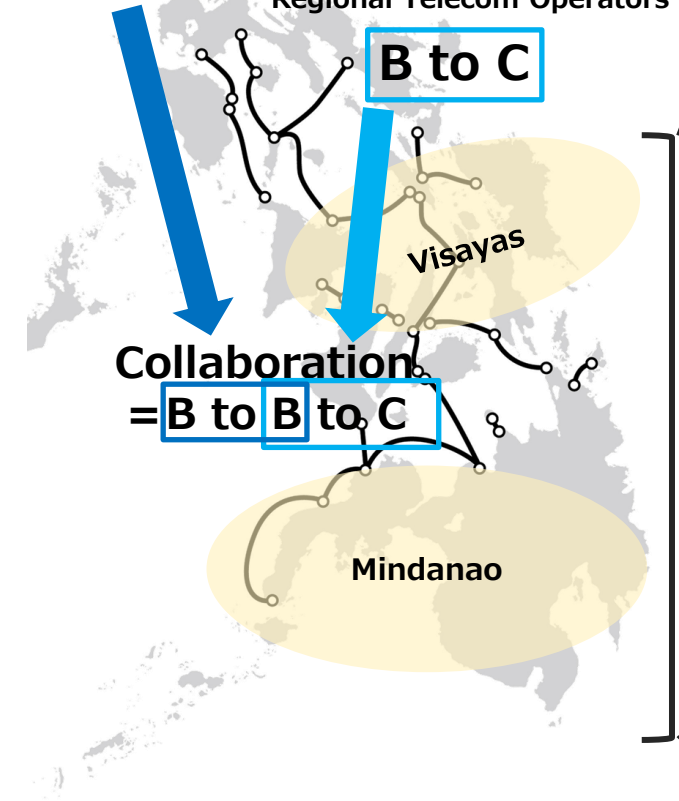
Wholesale

Full-Scale Entry into Regional B2C Markets Through Collaboration

Full-Scale Entry into Regional B2C Markets

INFINIVAN
Unlimited Fiber Broadband Experience

Leveraging the completion of PDSCN, we are accelerating our regional expansion through collaboration.



※The route of the lines depicted in the illustration differs from the actual route.

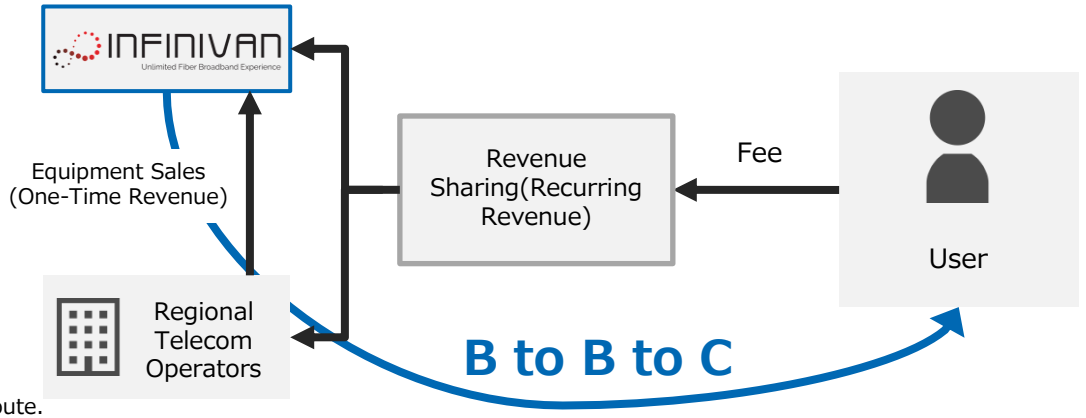
Unique Strength: Collaboration through Integrated Line and Equipment Set Offerings Not Found in Competitors.

InfiniVAN's Strengths

- Provides competitive internet connectivity in regional areas
- Offers core router operations and network security services
- Sells bundled sets of core routers that are compatible with our own systems

- Free regional operators from the cumbersome management and administration of line and equipment procurement.
- Enable regional operators to focus on core activities such as customer acquisition and network maintenance.
- Deliver services under the InfiniVAN brand, extending network quality that meets Japanese standards nationwide.

- **Revenue Model**
  - Adopting a revenue-sharing model, we accurately assess regional demand for connectivity and efficiently supply only the necessary network capacity.



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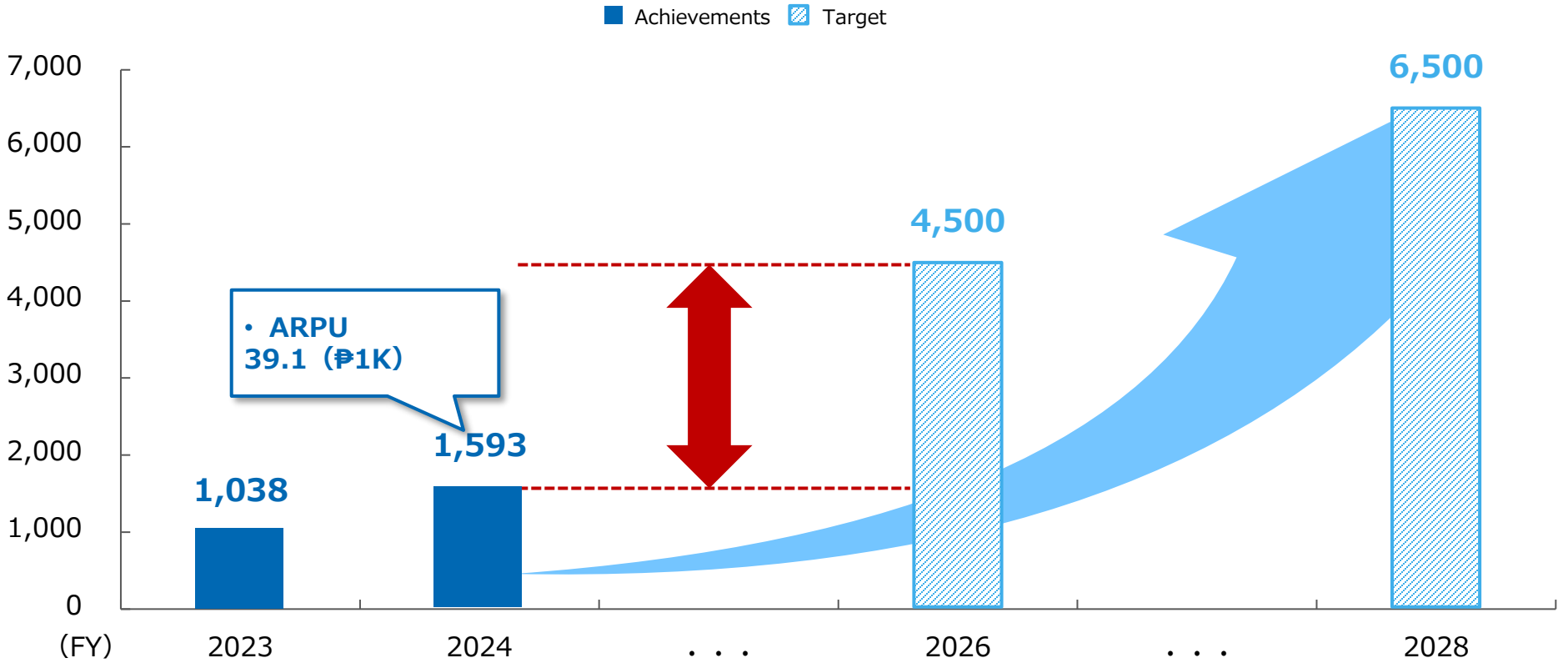
Trends in the Number of Paying Customers and Targets

- The number of paying customers for corporate internet connectivity services is expected to expand to 4,500 by 2026 and 6,500 by 2028.
- Increasing network service provision to financial institutions, conglomerates, and businesses in industrial parks, including major banks with branches nationwide.
- Accelerating the process from contract signing to network activation and billing through the strengthening of internal systems.



Note 1: The number of paying customers is based on the figures as of December 31 of each year.
Note 2: ARPU (Average Revenue Per User) refers to the average revenue per customer.

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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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Government

DMS contract with Quezon City

On June 25, 2024, our subsidiary InfiniVAN, Inc. ("InfiniVAN") completed a contract with Quezon City, the largest city in the Philippines by population, to deliver an online Artificial Intelligence (AI) based Document Management System ("DMS"). It will help Quezon City administration to boost its DX and improve the efficiency of administrative procedures.

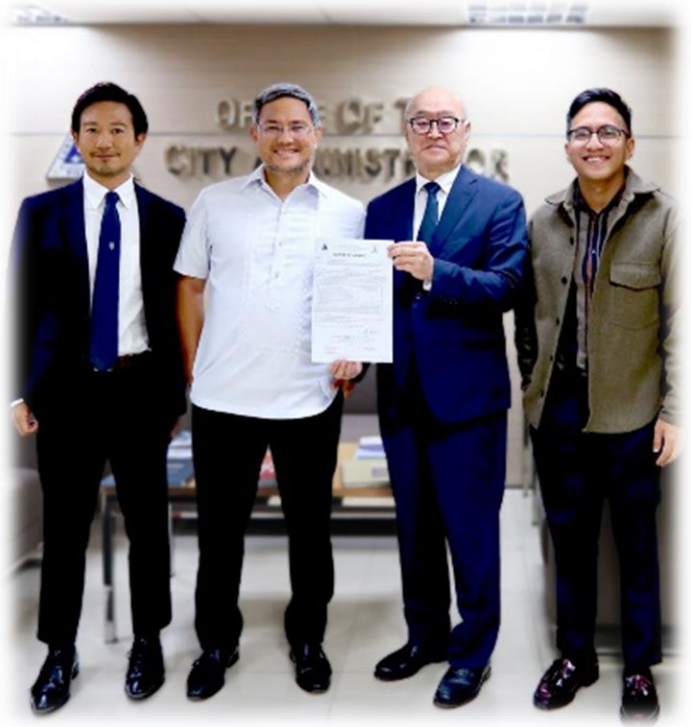
Accelerating local governments' DX

In many government agencies and municipalities in the Philippines, paper-based documentation remains the standard for administrative procedures. This has led to social challenges such as delays in administrative processes and shortages of document storage facilities. The Philippines is promoting a nationwide Digital Transformation (DX) policy, and InfiniVAN is committed to contributing to this initiative by providing its Document Management System (DMS) to national and local government entities.

Quezon City, with a population of approximately 3 million, is one of the largest cities in the Philippines. Leveraging our contract in Quezon City, we aim to expand our DMS services to other government agencies and 150 major cities.

At InfiniVAN, the completion of the Philippine Domestic Submarine Cable Network (PDSCN) in December last year has enabled us to provide services nationwide. In addition to government agencies, we also plan to expand our cloud services and DX support for local municipalities across the country.

InfiniVAN won Quezon City bid with DMS



After receiving the Notice of Award at Quezon City Hall. The City Administrator Michael Alimurung (second from left) and InfiniVAN President Shigeki Nakahara (third from left).

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Government
Supporting Cebu City's Smart City Project Through Telecommunications Infrastructure

On January 27, InfiniVAN officially received the Notice to Proceed for the Smart City Project in Cebu City, the central hub of the Visayas region in the Philippines. Aiming to establish an environmentally sustainable Smart City, Cebu City seeks to enhance its infrastructure, and InfiniVAN will strongly support this initiative by providing high-speed and reliable telecommunication services.

Improving Digital Access, Along with Advancements in Transportation, Healthcare, and Education

Through the development of a fiber loop infrastructure connecting barangays, InfiniVAN is set to enhance digital access, drive economic growth, and improve public services for Cebuanos.

This initiative aligns with Cebu's vision of becoming a fully connected and future-ready metropolis, ensuring that residents, businesses, and local government units can benefit from seamless online communication, efficient e-governance services, and advanced cybersecurity measures. By leveraging Japan-grade fiber technology, InfiniVAN is transforming Cebu's digital landscape into a model for Smart City development

InfiniVAN recognizes the regional disparities in telecommunications infrastructure as a social issue and is committed to addressing this challenge. In 2023, the completion of the Philippine Domestic Submarine Cable Network (PDSCN) marked a significant milestone, and in 2024, we established our fourth office in Cebu City. We will continue to expand our services across the Philippines, including the Visayas region, to further enhance connectivity nationwide.

Establishing a Base in Cebu City to Address and Bridge Regional Disparities

InfiniVAN recognizes the regional disparities in telecommunications infrastructure as a social issue and is committed to addressing this challenge. In 2023, the completion of the Philippine Domestic Submarine Cable Network (PDSCN) marked a significant milestone, and in 2024, we established our fourth office in Cebu City. We will continue to expand our services across the Philippines, including the Visayas region, to further enhance connectivity nationwide.



Cebu City Hall

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Outlook and Strategy for Next Growth: AI

Envisioning the Co-location of Cable Landing Stations and AI Data Centers

In line with the Philippine government's growth strategy to actively attract Artificial Intelligence (AI) data centers, we aim to expand the construction of "AI Data Centers" that enable large-scale data processing, in combination with our strength in cable landing stations.

- The government is actively encouraging investments in AI computing and data centers.
- Leveraging our expertise as a telecom operator, we are focusing on the construction of cable landing stations and connections to international submarine cables.
- Amidst the U.S.-China tensions, there is an expectation for increased cable landings in the Philippines.

Our New Business Model

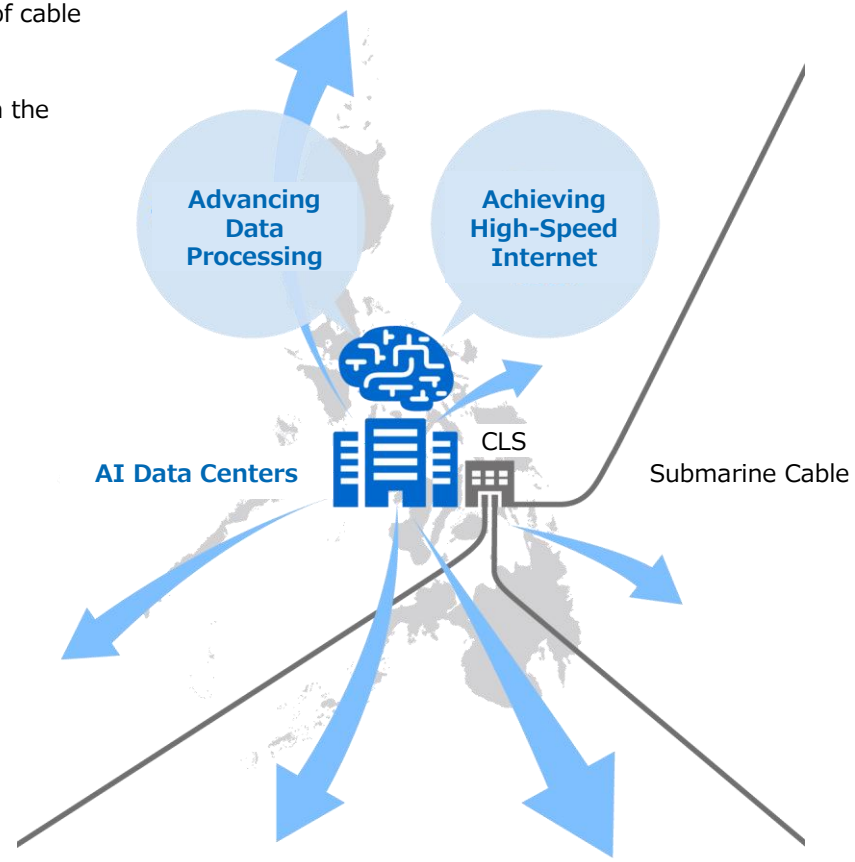
Co-location of landing stations and AI data centers

Enabling low-latency and advanced data processing for AI

Providing extensive network connections through open access※

※An operational policy that allows connectivity with any carrier's network, without being limited to a specific telecom carrier. The goal is to create an attractive location where various cables can be connected.

Comprehensively deploying submarine cables, landing stations, and AI data centers. By leveraging the Philippines as a hub, we aim to capture global data communication demand, thereby strengthening our competitive edge.



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Key Points of the President's Speech

- Attracting hyperscale data centers, AI computing, and data centers
- Providing high-speed internet in regions lacking communication infrastructure
- Digitizing government-related documents

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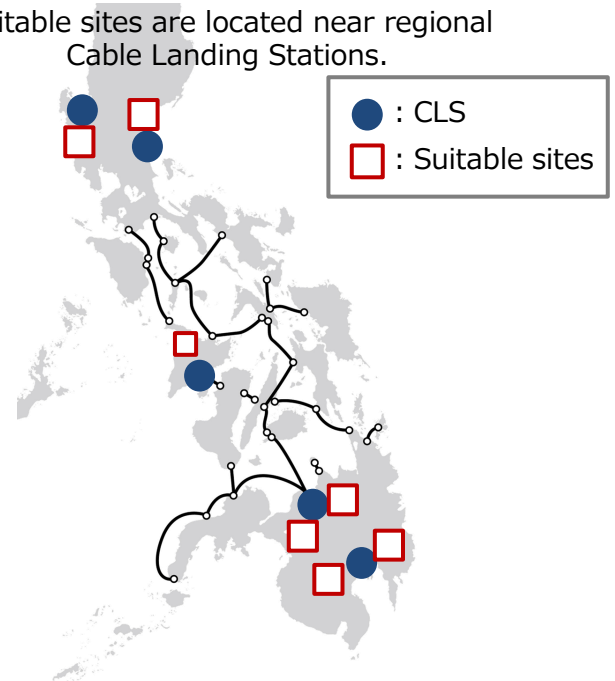
What Can Be Achieved with AI Data Centers in the Philippines

- Distributed Learning Combined with AI Data Centers in Other Countries
- AI Model Inference for Users from Foreign Countries such as the United States and Japan (Search, Social Media, E-Commerce, Image Recognition, Product Development)
- AI Deployment on Hyperscaler Cloud Services

Availability of Abundant AI Data Center Sites

Suitable sites are located near regional Cable Landing Stations.

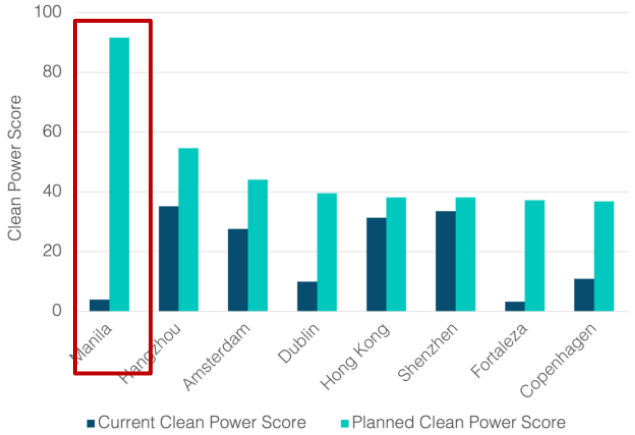


※The illustration is for reference only.

The clean energy supply plan is progressing.

Plans for large-scale solar power and other renewable energy projects in rural areas.

Manila has a competitive advantage compared to other cities.



Source : Global Energy Monitor;TeleGeography's Data Center Research Service

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Our Strengths and Direction in the Philippine AI Data Center Market

Future Goals and Direction	Transition from Telecommunications Infrastructure to AI Computing Infrastructure

Affinity Between Our Business and AI Data Centers

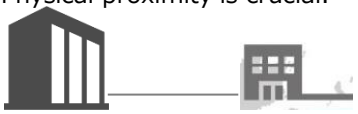
Telecommunications Infrastructure × **AI Computing Infrastructure**

AI distributed processing requires DCI (Data Center Interconnect) communication in the 400G to 800G range, which necessitates submarine cables.



The proximity of AI data centers and landing stations enables low-latency networks, accelerating the integration of infrastructure, including submarine cables.

Physical proximity is crucial.



It is necessary to address the increasing traffic in urban areas of the Philippines and the demand for edge AI data centers in the future.



Why Choose IPS ?

- ***Holding a telecommunications operator license***
  - ***– Entry barriers for foreign companies***
- ***The landing station follows an open access policy***
  - ***– Differentiation from local major telecommunications operators***



The landing station serves as a hub, making it the only entity in the Philippines capable of accelerating the development of AI data centers and submarine cable landings.

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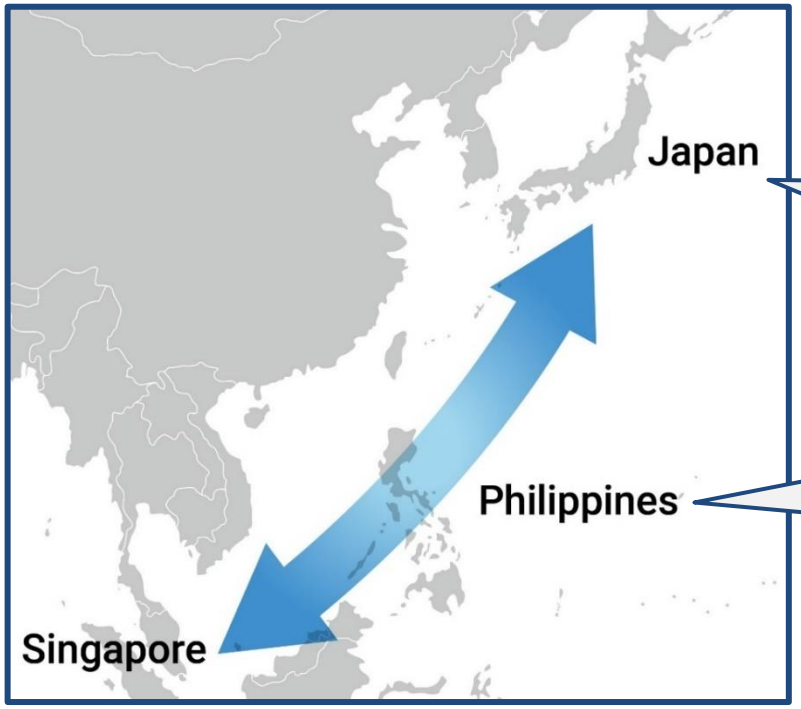
Reform of Telecommunications Infrastructure in the Philippines and Japan

Realizing the Construction Concept of the Asia International Submarine Cable

- In discussions for the joint construction of a new international submarine cable system connecting Japan, the Philippines, and Singapore.
- Aiming to build a more stable communication network across Asia.



- Establishment of landing stations.
- Development of backhaul (partially self-laid).
- Connecting to key domestic infrastructure, contributing to the improvement of Japan’s communication infrastructure and the development of data hubs.

- Constructing a larger-scale, higher-quality internet infrastructure that handles the third-largest internet data in the Philippines.
- Connecting to PDSCN and BBIX Philippines.

After completion, we aim for the benefits to extend across all of our communication customer segments, including CATV, ISPs, telecom operators, OTT, government agencies, and both corporate and individual clients.

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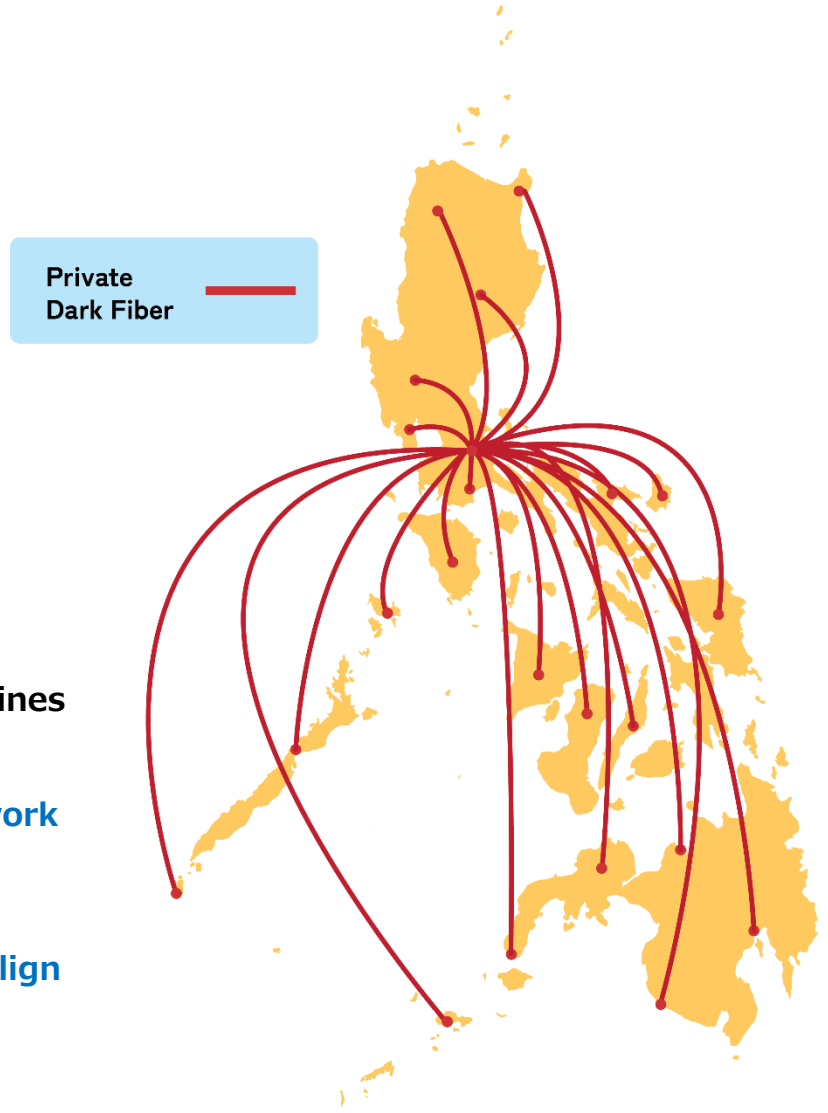
Building a secure and wide-area government network.

Dedicated network for the Philippine government.

- The security environment surrounding the Philippines is becoming increasingly severe.
- The focus of Asia's telecommunications infrastructure is shifting from Hong Kong to the Philippines.
- On the other hand, extending telecommunications infrastructure to regions where it has not yet reached remains a national challenge.

The government requires a secure and wide-area network.



- **Cybersecurity Strengthening**
- **Providing communication infrastructure across the Philippines**
- **Connecting key facilities in each region**

⇒Proposing the utilization of PDSCN's nationwide fiber network

- **Achieving stable communication environments**

⇒Addressing the challenge of submarine cable routes that align with security needs.

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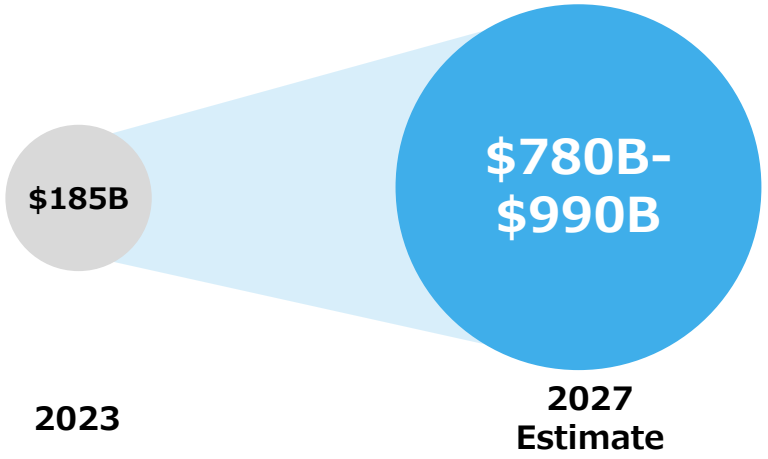
Appendix : Global Rapid Expansion of the AI Data Center Market

Immense Potential of the AI Data Center Market

1 **The AI market is estimated to be worth 990 billion USD (approximately 150 trillion yen).**



Source : Bain & Company;Technology Report 2024

2 **The revenue of global AI companies continues to grow rapidly.**

NVIDIA's revenue for the fiscal year 2024 increased by 126%, reaching $60.9 billion. (NVIDIA)

3 **Japanese tech companies and U.S. tech companies are also planning large-scale investments.**

The Stargate Project plans to invest up to $500 billion in AI-dedicated data centers in the U.S. over the next four years."(Stargate)

Globally, there is a significant increase in both investments and market expansion.

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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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