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July 30, 2025

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)

Notice Regarding Capital Investment in a New International Submarine Cable (Acquisition of Fixed Assets) and Receipt of a Large Order (Provision of partial usage rights)

We hereby announce that, as of today, our Board of Directors has resolved to make a capital investment (acquisition of fixed assets) in a new international submarine cable as described below, and that we have decided to participate in the joint construction of the cable, in the form of a consortium, connecting Japan, the Philippines, and Singapore.
Furthermore, we have received a large order related to the cable through the provision of partial usage rights.

1. Capital Investment in a New International Submarine Cable (Acquisition of Fixed Assets)

(1) Reasons for Acquisition

Our ownership allocated in the new cable consists of three fiber pairs (FPs) of the main trunk and FPs in applicable branches. The primary reason for this acquisition is to establish a fundamental business asset enabling us to broaden our telecommunications business in Asia, in addition to existing City- to-City Cable System (C2C Cable) where we already hold partial usage rights in routes connecting the Philippines, Hong Kong and Singapore.

In relation to the said new cable, we will be involved in the constructions or acquisitions of relevant regional telecom assets such as cable landing stations (CLSs) and backhaul fiber cables connecting the CLSs and data centers, etc. These will contribute to the expansion of our business, too. It is also expected that the countries and regions in which our partners in above projects are based, their business scopes and the possible types of deals with them will expand.

By entering into this joint construction agreement of the international submarine cable and other related agreements, our company will obtain and maintain the relevant permits and licenses granting us rights and obligations relating to the projects for a long period of time.

In the regions of the submarine cable where our company and its subsidiaries are directly involved in a hands-on manner, an ecosystem of virtuous profit cycle is expected to develop through the effective utilization of cutting-edge, high-quality products, services, and technologies originating from countries such as Japan, in addition to external funds and funds from customers, which are discussed later in this disclosure document under "3. Financial Plan."

The construction of the submarine cable is also expected to contribute to the development of data hubs and AI infrastructure in the Philippines and Japan, as well as to the enhancement of economic security. It is anticipated that this will bring significant benefits to relevant global tech companies, major telecommunications carriers, cable TV operators, ISPs, enterprise and individual customers, and government agencies and local authorities in the Philippines.

This project represents the largest capital investment in our history — a highly strategic initiative that not only contributes to social value and economic security, but also significantly strengthens our business foundation across Asia. It is expected to drive sustainable growth and enhance our corporate value. With this initiative, we are taking an important step toward a new phase of growth.

(2) Details of the Acquired Assets

(i) Summary of Assets

Consortium: Confidential, due to a confidentiality agreement. We will make a prompt disclosure once allowed under the consortium agreement or equivalent arrangements.
Main Routes: Among Japan, the Philippines, and Singapore
Service Life: For 25 years
Commercial Use Commencement: March 2028 (scheduled)

(ii) Acquisition cost

For our allocated ownership: USD 131 million (approximately JPY 19 billion, calculated at an exchange rate of 1 USD = 145 JPY).
This amount exceeds 30% of the consolidated net assets of our company as of the end of the most recent consolidated fiscal year.
The total investment amount for the entire submarine cable will not be disclosed due to the confidentiality agreement.

(3) Acquisition Schedule

(i) Date of Board of Directors′ resolution: July 30, 2025

(ii) Date of asset handover: March 2028 (scheduled)

2. Receipt of a Large Order (Provision of partial usage rights)

(1) Reasons for Provision

Regarding our ownership allocated in the new international submarine cable, we will provide partial usage rights under a long-term 25-year IRU* contract. In connection with the conclusion of the IRU contract, during the construction period, we will receive progressive payments from the customer as advances for their respective shares of the construction costs; however, these payments will not be recognized as revenue until completion of the construction.
It is expected that the IRU revenue will be recognized in a lump sum upon the handover scheduled for March 2028. Thereafter, during the IRU contract period, we anticipate continuously recognizing revenue related to operations and maintenance. This arrangement is expected to help suppress our net investment amount and enable early recovery of the investment funds.
It should be noted that this agreement covers only a portion of the acquired asset. We expect to recover our investment in stages going forward through the continued sales and provisions of other lines, including fiber pairs, wavelengths, and capacity on both the trunk and branch segments.

*IRU (Indefeasible Right of Use): A type of long-term lease agreement for telecommunications infrastructure, which cannot be unilaterally terminated by either party without mutual consent.

(2) Outline of Provision

(i) Recipient: Confidential, due to a confidentiality agreement.

(ii) Provision Details: Partial usage rights of our allocated ownership in the new submarine cable (under a 25-year IRU contract)

(iii) Provision Amount: USD 45 million (approximately JPY 6.5 billion, calculated at an exchange rate of 1 USD = 145 JPY).

3. Financial Plan

Regarding the funds required for this capital investment, in addition to our available cash and operating cash flow, we are in discussions with multiple financial institutions to secure external financing. While aiming to balance capital efficiency and financial soundness, we will establish a flexible and stable funding framework.

Moreover, as mentioned above, we have already concluded parts of the IRU contracts under which we receive advance payments from customers according to construction progress. By applying these payments to construction costs, we strive to stabilize cash flow and reduce our own financial burden.

4. Future Outlook

We believe that this matter will contribute to the improvement of our group's performance and corporate value over the medium to long term; however, its impact on our consolidated results for the fiscal year ending March 2026 is expected to be minimal.

This announcement is made as a timely disclosure to provide information available at this time. Additional information regarding this matter is currently under discussion and coordination among the relevant parties, and we will provide updates as soon as it becomes available.

(Reference) Consolidated Earnings Forecast for the Current Fiscal Year (Announced on May 9, 2025) and Consolidated Results for the Previous Fiscal Year

(Millions of yen)

	Consolidated Net Sales	Consolidated Operating Profit	Consolidated Ordinary Profit	Profit Attributable to Owners of the Parent
Forecast for the Fiscal Year Ending March 2026	18,000	5,250	4,900	3,000
Results for the Fiscal Year Ended March 2025	15,264	4,413	4,073	2,544

Supplemental Materials

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Summary

Overview of Our Investments and Orders	
• Investment Assets	• New International Submarine Cable (Japan, The Philippines, and Singapore)
• Our Allocated Ownership	• Three fiber pairs (FPs) of the main trunk and FPs in applicable branches.
• Commercial Use Commencement	• March 2028 (scheduled)
• Acquisition Cost	• USD 131 million (approximately JPY 19 billion)
• Large Order IRU Agreement	• USD 45 million (approximately JPY 6.5 billion) , 25-year IRU contract • Stabilize cash flow and control net investment amount through staged advance payments aligned with construction progress.

Medium- to Long-Term Impact

- Upfront revenue recognition is expected in the first fiscal year through the IRU contract, followed by stable recurring incomes from operations.
- Ownership of a new fundamental business asset in a high-growth region for telecommunications demand broadens future opportunities for additional IRU sales and service offerings.
- Reduces international telecommunications costs for the IPS Group as a whole.
- Accelerates the strengthening of international partnerships.

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Image of Financial Plan and Investment Recovery

Funding Method

Planned funding sources: our own funds and bank loans.

Expected Sales Method

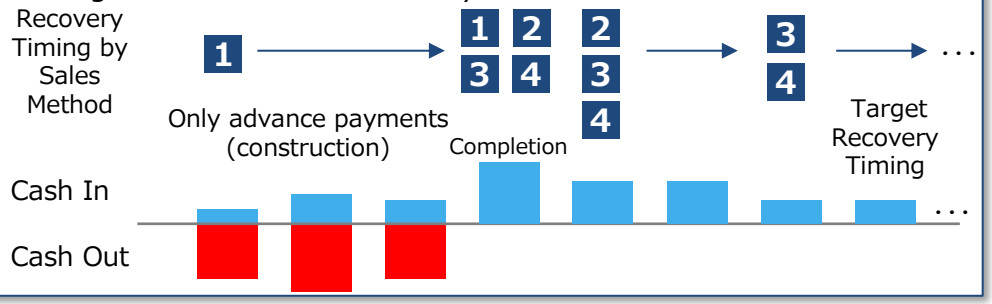
Sales are expected to be structured through IRUs and capacity leases.

1. Through pre-completion sales of IRU (Reduction of initial investment burden by advance payments)
2. Through post-completion sales of IRU(Acceleration of investment recovery)
3. Through post-completion sales of capacity lease(Generating recurring revenue)
4. Continuous O&M (operation and maintenance) fees expected to receive from IRU customers (for up to 25 years)

Investment Recovery

- As our policy, we aim to recover our capital investment in approx. 5 years after construction (cumulative cash flow > CAPEX amount).
- Same principle applied in past projects such as C2C Cable and Philippine Domestic Submarine Cable Network (PDSCN).

※Image of Investment Recovery



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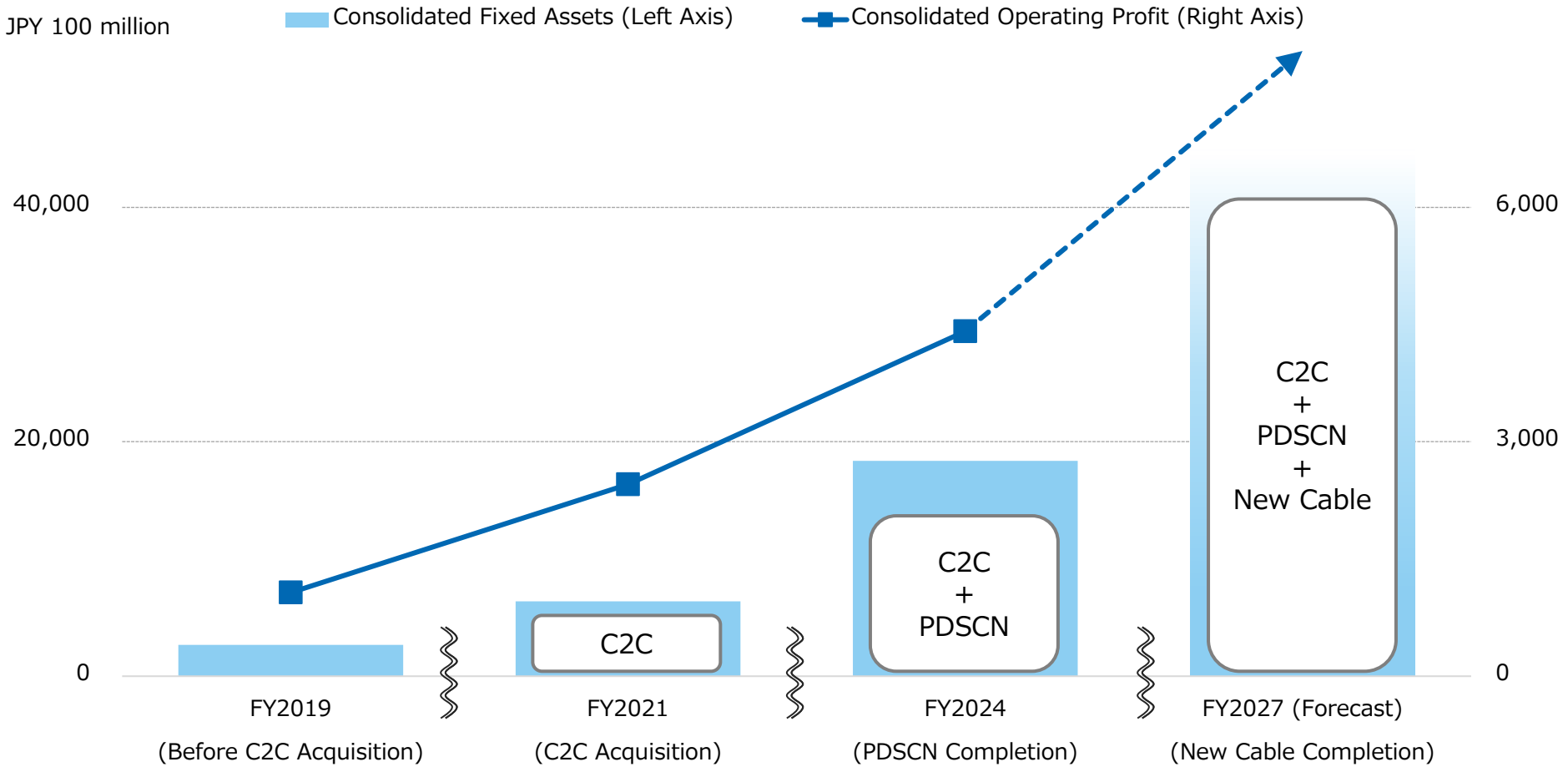
Track Record of Major Investments and Our Growth Model

Through large-scale investments and asset accumulation, we have built a solid earnings base and steadily expanded our business. With this new investment in the international submarine cable, we are poised to elevate our earnings to the next stage.

Trends in Consolidated Fixed Assets and Operating Profit Before and After Large-scale Investments



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