Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

November 19, 2026

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

Responses to Frequently Asked Questions from Investors

Thank you for your continued interest in our company.

Following the announcement of our second-quarter results for the fiscal year ending March 31, 2027 on November 13, 2026, we received a number of questions from investors. In the interest of fair disclosure, we would like to provide the following responses to frequently asked questions, including questions that we were unable to address during our earnings presentation held on November 17, 2026.

Q１. Why did the Company decide to conduct the public offering at this stage, before all the details of the Wakayama Project had been finalized? In addition, given that other funding sources are available, including debt financing, customer prepayments and contributions from JV partners, why did the Company choose to raise funds through equity financing? Should we expect the Company to conduct additional equity financing for future large-scale investments?

The recent public offering was not based on the assumption that the Company would fund the entire approximately JPY 23 billion project cost of the Wakayama Project with its own funds.
For the Wakayama Project, we intend to utilize a combination of multiple funding sources in addition to the proceeds from the recent offering, including customer prepayments, contributions from JV partners, borrowings from financial institutions, operating cash flow, and government subsidies to be received following completion of the project.
At the time we decided to conduct the public offering, the final project structure and individual contractual terms had not yet been fully determined. However, in making the financing decision, we developed the overall funding plan for the project based on multiple scenarios. These included assumptions regarding the likelihood of receiving government subsidies and subsidies of a meaningful scale, as well as the likelihood of entering into agreements with customers, the potential economic terms of such agreements, and the amount and timing of customer prepayments.
With respect to government subsidies, we do not disclose the specific amount of subsidies assumed in our planning, taking into account agreements and arrangements with the relevant parties.
As for the timing of the financing, we considered not only the expected funding requirements associated with

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

upcoming large-scale investments, but also overall capital market conditions, including our share price, with a view to minimizing the dilutive impact on our existing shareholders to the extent possible.

When considering funding options, we assess not only the amount of funding available, but also the characteristics of each funding source, including when the funds become available, whether repayment is required, and whether they provide long-term support for our financial base.

Government subsidies require prescribed procedures, including formal approval, and in principle are received after completion of the relevant facilities. As a result, the Company needs to fund construction costs upfront during the construction period. Customer prepayments are also an important means of recovering investment at an early stage through IRU and other agreements, but the amount and timing of such payments vary depending on the terms of each individual contract.

We also intend to utilize borrowings from financial institutions. However, relying solely on debt to fund large-scale investments could reduce our financial flexibility and our ability to respond swiftly to subsequent growth investment opportunities.

In contrast, the equity capital raised through the recent public offering is not dependent on the timing of cash inflows from any specific project and provides long-term support for our financial base.

Accordingly, while anticipating future cash recovery through government subsidies and customer prepayments, we determined that it was appropriate to secure a certain level of equity capital in advance. This enables us to address funding requirements during the construction period while maintaining financial soundness and sufficient capacity for subsequent growth investments.

Furthermore, we believe that establishing a stable financial base in advance will itself facilitate discussions with financial institutions, business partners and prospective customers, thereby supporting the steady commercialization of the Wakayama Project.

Therefore, the purpose of the recent public offering was not simply to secure a portion of the funding required for the Wakayama Project. It was also intended to strengthen our overall financial base so that we can steadily execute the project while maintaining the capacity to pursue further growth investments beyond Wakayama.

Following the selection of our proposal for the government subsidy program announced on October 9, concrete discussions and coordination with relevant parties toward commercialization are progressing steadily. We are carefully reviewing the project structure, customer demand for the cable landing station and the Wakayama branch line, the allocation of responsibilities among project partners, construction costs, and the overall investment economics of the project as we move toward a final investment decision.

We intend to make a timely announcement once any matters requiring disclosure have been determined.

* Notice Regarding the Selection of Proposals for the International Submarine Cable Landing Station in Wakayama City, Wakayama Prefecture, and the International Submarine Cable Infrastructure Development Project
https://contents.xj-storage.jp/xcontents/AS96841/5b25576b/cf39/48cf/a67a/9315d94494a7/20261013112418594s.pdf

With respect to future equity financing, we believe that the recent public offering has provided us with the financial base necessary to execute the investment projects currently under specific consideration, including those that are still at the conceptual stage and were presented at our recent earnings briefing.

Accordingly, we do not currently plan to conduct any additional equity financing for the purpose of executing these projects.

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Q２. Given the recent slowdown in GDP growth in the Philippines, has InfiniVAN, which operates your international telecommunications business, seen any impact on its corporate telecommunications contracts or network construction projects for regional telecommunications operators, such as delays in capital expenditures, a decline in orders, or downward pressure on pricing?

We are closely monitoring economic conditions in the Philippines. At this time, however, we have not seen any material impact on InfiniVAN's corporate internet connectivity services or network construction projects for regional telecommunications operators.
We believe that demand for telecommunications infrastructure in the Philippines remains resilient, supported by continued growth in data traffic driven by AI, cloud services, video streaming and social media usage, as well as the Philippine government's initiatives to expand the country's digital infrastructure.
At the same time, we are closely monitoring the recent weakening of the Philippine peso against the U.S. dollar. As a significant portion of the contracts in our international telecommunications business are denominated in U.S. dollars, a further depreciation of the peso would effectively increase the payment burden on local customers whose revenues are primarily denominated in pesos.
In particular, for small and medium-sized telecommunications operators and corporate customers, we are closely monitoring on a case-by-case basis the potential impact of foreign exchange movements on their capital expenditure decisions and ability to make payments.

Q３. Regarding the Baler and Poro Point cable landing stations, when do you expect to enter into contracts with hyperscalers, and when do you expect these contracts to begin contributing to revenue?

Construction of the Baler cable landing station is currently underway, with completion targeted by the end of this year. The technical teams of InfiniVAN and hyperscalers are working closely together toward the commencement of cable landing services, and the contractual procedures required to begin operations are also progressing smoothly.
Services at the Poro Point cable landing station are expected to commence around the same time as Baler, with revenue contributions from both cable landing stations expected in the second half of FY2027.
Depending on the progress of the Baler cable landing station construction, technical coordination with the hyperscaler at both the east and west coast cable landing stations, and the related contractual procedures, the commencement of cable landing services could be delayed, in which case the related revenue may be recognized in the following fiscal year, FY2028.
Even in such a case, we plan to pursue our profit target by building up earnings from other areas of our international telecommunications business, including the regional expansion of PDSCN and our Carrier-to-Carrier business.
We intend to make a timely announcement once any matters requiring disclosure have been determined, including the formal execution of contracts for cable landing services.

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Q４. Could you provide an update on the progress of additional sales for Candle? Regarding recurring revenue from O&M and other services, are you now in a position to provide any indication of the expected revenue scale and profit margins?

For Candle, we continue to have available capacity for additional sales.
At the same time, through the large-scale IRU agreements already executed, we have secured a total contract value that exceeds our currently anticipated investment in the project. Accordingly, we do not believe that we necessarily need to prioritize selling the remaining capacity in the near term.
Once capacity on a submarine cable is committed under a long-term IRU agreement, that capacity cannot be used for other purposes during the term of the agreement. We will therefore take a disciplined approach to additional sales, taking into account future demand and market conditions, as well as the timing of sales, contract duration, pricing, payment terms including upfront payments, and opportunities for recurring revenue, with the aim of maximizing the overall economic value of Candle.
In addition to revenue from IRU capacity sales, we also expect Candle to generate recurring revenue from O&M and other services following completion of the cable.
Although O&M fees vary depending on the terms of each contract, they are generally expected to be equivalent to a few percent of the IRU contract value on an annual basis. However, as the actual revenue scale and profit margins will depend on individual contract terms and the scope of services provided, we would refrain from providing specific guidance at this stage.
Our strategy for Candle is to achieve early recovery of our investment through large-scale IRU agreements, while maximizing the economic value of the remaining capacity and building up recurring revenue from O&M and other services. Through this approach, we aim to generate stable earnings and cash flow from Candle over the medium to long term.

Q５. For the domestic telecommunications business, first-half revenue was JPY 1.122 billion against the full-year revenue forecast of JPY 2.9 billion. Given the loss of certain high-margin projects and lower usage by existing customers, what gives you confidence that the business can generate the remaining JPY 1.778 billion of revenue in the second half? Also, including the full-year operating profit forecast of JPY 250 million, has there been any change in your outlook for achieving the full-year targets?

The decline in revenue was primarily attributable to lower transaction volumes from existing customers and the loss of certain high-margin projects.
In response to these changes in our existing business, we are working to expand revenue by further growing our core call center solutions while also developing new services, including our “0120” toll-free service and AI-related services.
Our full-year business plan assumes a certain level of project buildup in the second half. Therefore, the full-year revenue and profit forecasts are not based on simply doubling the first-half results.
While we continue to closely monitor the impact of lower usage by existing customers and other factors, we have not changed our full-year forecast for the domestic telecommunications business at this time.

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Q６. We understand that accounts receivable have increased in line with the expansion of business with regional ISPs in the Philippines. However, given the recent slowdown in the Philippine economy, could you comment on whether the quality and collectability of these receivables remain sound? We are also concerned about the increase in the allowance for doubtful accounts. Could you explain the factors behind this increase and whether you are seeing any deterioration in customers' payment behavior or credit quality?

The increase in accounts receivable is primarily attributable to the expansion of our network construction services for regional ISPs in the Philippines.
We view the expansion of business with regional ISPs as one of our key growth strategies and are actively offering services that combine telecommunications network construction with the sale of telecommunications equipment. Through these services, we aim not only to support regional ISPs in developing their networks, but also to encourage the continued use of our telecommunications network services and create opportunities for further business expansion over time.
In these transactions, revenue from the sale of telecommunications equipment is recognized upon delivery and customer acceptance of the equipment. At the same time, in order to reduce the initial investment burden on customers, we may offer long-term installment payment arrangements. As a result, there can be a relatively long period between revenue recognition and cash collection, and the accounts receivable balance tends to increase as the scale of this business expands.
These transactions generally generate relatively high gross profit margins. Accordingly, compared with the amount of accounts receivable recognized, the actual upfront cash outlay incurred by the Group for equipment procurement and other related costs is relatively limited. Nevertheless, we fully recognize that the extended collection period makes rigorous receivables management and cash collection particularly important.
In some transactions, the timing of equipment delivery and customer acceptance may also differ from the timing of subsequent network connection, commencement of services, and contractual payment collection. As a result, there may be a certain period between the accounting recognition of revenue and the actual receipt of cash. While this may result in some receivables remaining outstanding for an extended period, we do not consider the length of the outstanding period alone to indicate that such receivables are uncollectible.
With respect to the allowance for doubtful accounts, we record provisions conservatively in accordance with the Group's accounting policies, primarily based on predetermined criteria relating to the length of time elapsed from the contractual payment due date. As noted above, the aging of certain receivables may be affected by the timing of network connections and service commencement. Therefore, an increase in the allowance for doubtful accounts does not necessarily indicate a deterioration in customers' financial condition or the collectability of the receivables. At this time, we are not aware of any collection issues that would have a material impact on the Group's financial position or results of operations.

That said, we recognize the need to closely monitor the potential impact of the slowdown in Philippine economic growth, the depreciation of the Philippine peso, and the operating environment of regional ISPs on future collections.

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

We therefore do not view the increase in accounts receivable simply as a consequence of business expansion. We continuously monitor the collection status and payment due dates of individual receivables, as well as the business conditions of our customers, and are strengthening our credit and collection management processes.
Going forward, while continuing to grow our business with regional ISPs, we will place a strong emphasis on maintaining the quality of our receivables and sound cash flow management, with the aim of achieving both profitability and financial soundness.

Q７. Could you explain how the upfront payments received from Candle customers are accounted for and when they will be recognized as revenue? Given the significance of these contracts, the accounting treatment and the timing of revenue recognition appear to be somewhat difficult for investors to understand. Do you think that the economic significance and earnings contribution of Candle may not yet be fully understood by the market, and that this could be one of the factors affecting the Company's share price?

Under Candle's IRU agreements, we receive contractual upfront payments from customers before completion of the cable.

For example, we recently received approximately JPY 6 billion in upfront payments from the customer with whom we entered into an IRU agreement in August of this year.

Because Candle is still under construction and the conditions required for revenue recognition, including delivery to the customer, have not yet been satisfied, these upfront payments are not immediately recognized as revenue or profit upon receipt. From an accounting perspective, cash increases when the payment is received, while the corresponding amount is recorded as a liability, such as a customer advance, on the balance sheet until the conditions for revenue recognition are satisfied.

An important point to understand is that although these upfront payments are presented as liabilities for accounting purposes, their economic nature is fundamentally different from that of financial liabilities such as bank borrowings or bonds.

Ordinary borrowings require repayment of principal in cash at a future date. By contrast, Candle's upfront payments represent consideration received in advance from customers under contractual arrangements. In principle, the Company fulfills its obligation by providing customers with the contractual rights to use the cable after Candle is completed. Therefore, unlike ordinary borrowings, these upfront payments are not financial liabilities that are expected to be repaid in cash in the normal course of business.

These upfront payments are also highly significant from a cash flow perspective.

The contractual structure of Candle allows us to receive upfront payments from customers during the construction period and use those funds to meet the project's capital expenditure requirements.

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

In simple terms, the process is as follows:

Execution of IRU agreements → Cash inflow through upfront payments → Funding of construction investment → Completion of Candle and provision of the contracted IRU rights→ Accounting recognition of revenue

By collecting cash from customers while the cable is still under construction, we are able to reduce the amount of investment that ultimately needs to be funded with our own capital.

For Candle, we have already secured IRU agreements with a total contract value exceeding our currently anticipated investment in the project, and the related cash inflows are already progressing.

This is one of the key characteristics of Candle: while the earnings contribution will become visible in the P/L after completion of the cable and satisfaction of the relevant revenue recognition criteria, recovery of the investment through cash flow has already begun ahead of that accounting recognition.

We believe this distinction is important in understanding both our financial position and the economic value of the project.

Although customer advances are presented as liabilities on the balance sheet, simply viewing them in the same manner as financial debt that carries a cash repayment obligation, such as bank borrowings, would not necessarily reflect the economic substance of Candle.

In particular, while Candle's earnings have not yet been reflected in the P/L, we believe it is important to assess the project not only based on our current earnings or the amount of liabilities presented on the balance sheet, but also by considering together the contracts already secured, the cash inflows received under those contracts, the future revenue recognition, and the remaining investment required to complete the project.

We also recognize that there has been room for us to explain more clearly the timing differences between accounting revenue recognition, contract execution, cash collection and investment requirements, as well as the difference in economic nature between accounting liabilities arising from customer advances and financial debt.

With respect to our share price, share prices are determined by a wide range of factors, and it is difficult to establish a direct causal relationship between the market's understanding of this business model and movements in our share price.

Going forward, our investor communications will provide a clearer and more integrated explanation of the full investment cycle, including contract awards, upfront cash receipts, the progress of investment recovery, the amount of capital ultimately funded by the Company, and the timing of revenue recognition.
We will also seek to communicate more clearly that our digital infrastructure business is not based solely on making large upfront investments and recovering them over an extended period after completion. By securing long-term customer contracts in advance and collecting cash during the construction phase, we are

Note: This document is an English translation of the original Japanese document and is provided solely for reference purposes. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

able to reduce our own funding requirements and recycle capital more efficiently into future growth investments.