

August 26, 2020

Company name:	J T O W E R Inc.
Representative:	Representative Director Atsushi Tanaka (TSE Mothers Code No. 4485)
Contract:	Ryosuke Nakamura Managing Director, CFO

**Notice of Consolidated Subsidiary's Capital Increase Through Third-Party
Allotment of Shares and Changes in Consolidated Subsidiaries**

JTOWER Inc. hereby announces that at the meeting of its Board of Directors held on August 26, 2020, it adopted a resolution on a capital increase of Nabiq, Inc. ("Nabiq"), a consolidated subsidiary of the Company, by way of a third-party allotment of shares as follows. As a result, Nabiq has been excluded from the scope of consolidation due to a decrease in our ownership ratio.

Currently, Nabiq is a consolidated subsidiary in which we hold 53.0% of its shares. As a result of this third-party allocation of new shares, our shareholding ratio will be 48.2%, making Nabiq an equity-method affiliate.

1. Reason and background

Nabiq provides wireless broadband outsourcing services using Wi-Fi system utilizing the cloud-based Wi-Fi platforms developed exclusively by cutting-edge technologies to provide highly cost-competitive Wi-Fi services with certification functions and advanced security functions that meet various needs.

Nabiq will conclude a capital and business alliance in the local 5G business with Tamagawa Holdings Co., Ltd., ("Tamagawa Holdings") the subscriber of the third-party allotment of new shares. In collaboration with Tamagawa Holdings, which is primarily responsible for the development of local 5G equipment, Nabiq leverages its strengths in comprehensively managing the area of LANs, including Wi-Fi, to enter the local 5G business, and aims to provide integrated solutions encompassing local 5G licensing, construction of network, and operations.

We are making efforts to commercialize local 5G related services by utilizing our track record in large-scale buildings and management resources cultivated in our domestic IBS business. On the other hand, Nabiq plans to provide local 5G related services mainly targeting small- and medium-sized facilities, such as hospitals and hotels. Against this backdrop, we reached the decision that utilizing the external capital of its partners, who have expertise in local 5G, and making changes to its capital structure are indispensable for Nabiq in aiming for future listing of its shares and continuing to collaborate as the largest shareholder of Nabiq and increasing its corporate value would lead to JTOWER group's benefit.

2. Overview of capital increase through third-party allotment

(1)	Amount to be paid	50 million yen (planned)
(2)	Payment Date	September 11, 2020 (planned)
(3)	Amount of stated capital after the capital increase	325 million yen (planned)

3. Overview of the transferred subsidiary

(1)	Name	Nabiq, Inc.	
(2)	Address	11 Iwata Building 5F, Kanda Konoya-cho, Chiyoda-ku, Tokyo, Japan	
(3)	Name and Title of Representative	Tomohito Takatsu, Representative Director	
(4)	Summary of Business	Provision of wireless broadband outsourcing services using Wi-Fi system	
(5)	Capital Stock	300 million yen	
(6)	Date of Establishment	August 8, 2013	
(7)	Major Shareholders and their Shareholding Ratio	JTOWER Inc. 53.0% Tomohito Takatsu 10.6% MIS House Mate Co., Ltd. 4.9% Mizuho Growth Fund No.2 Limited Partnership 4.7%	
(8)	Our Relationship with the Company	Capital Relationship	Nabiq is our consolidated subsidiary.
		Human Relationship	Of Nabiq's four directors, our Representative Director serves concurrently as a director of Nabiq.
		Trading Relationship	Nabiq and JTOWER have business relationships such as procurement of Wi-Fi related equipment.
(9)	Financial Position and Operating Results of the Company in the Past 3 years		
Fiscal year ended		March 31, 2018	March 31, 2019
		March 31, 2020	
Net assets		(20) million yen	(4) million yen
Total assets		(76) million yen	124 million yen
Net assets per share		171 million yen	199 million yen
Net sales		(979.54) yen	(141.09) yen
Operating income		(2,490.16) yen	225 million yen
Ordinary income		283 million yen	139 million yen
Net income		(123) million yen	(131) million yen
Earnings Per Share		(124) million yen	(131) million yen
		(127) million yen	(72) million yen
		(7,014.60) yen	(4,727.49) yen
		(2,349.07) yen	

4. Status of share ownership after third-party allotment of shares by a subsidiary

(1)	Shares owned prior to the transaction	16,249 shares (53.0% of voting rights)
(2)	Shares owned after the transaction	16,249 shares (48.2% of voting rights)

5. Outline of the subscriber for capital increase through third-party allotment

(1)	Name	Tamagawa Holdings Co., Ltd.	
(2)	Address	VORT Hamamatsu-cho I 2F, 1-6-15 Hamamatsu-cho, Minato-ku, Tokyo, Japan	
(3)	Name and Title of Representative	Toru Masuzawa, President & CEO	
(4)	Summary of Business	Electronic and communication device business and renewable energy business	
(5)	Capital Stock	1,961 million yen	
(6)	Date of Establishment	November, 1968	
(7)	Major Shareholders and their Shareholding Ratio	BNP Paribas Securities Services Singapore/Jasdec/UOB Kay Hian Private Limited 20.16% Goldman Sachs International 4.36% Toru Masuzawa 3.62% Hiromasa Shimanuki 3.58% Yukio Kawagoe 2.19% Sekito Su 0.97% MSCO CUSTOMERS SECURITIES 0.97% JP Morgan Chase Bank 380173 0.87% Makoto Tsukura 0.83% Matsui Securities Co., Ltd. 0.81%	
(8)	Our Relationship with the Company	Capital Relationship	Not applicable.
		Human Relationship	Not applicable.
		Trading Relationship	Not applicable.
(9)	Financial Position and Operating Results of the Company in the Past 3 years		
	Fiscal year ended	March 31, 2018	March 31, 2019
			March 31, 2020
	Net assets	3,210 million yen	3,368 million yen
	Total assets	11,178 million yen	9,572 million yen
	Net assets per share	738.90 yen	762.11 yen
	Net sales	3,255 million yen	3,841 million yen
	Operating income	53 million yen	153 million yen
	Ordinary income	(63) million yen	(79) million yen
	Profit attributable to owners of parent	(146) million yen	128 million yen
	Earnings per share	(34.85) yen	29.58 yen
			96.42 yen

6. Future Outlook

As a result, Nabiq will become an equity-method affiliate from a consolidated subsidiary from the second quarter of the fiscal year ending March 2021. As a result, we expect to receive a change in interest as extraordinary gain. However, during the current period (the year ending March 2021), the impact on our group's consolidated results is currently being examined, and if there is any possibility that it will have a significant impact on the performance forecast, we will disclose it appropriately.

In addition to the information above, we are also considering the underwriting of a capital increase by one company other than Tamagawa Holdings and if the underwriting is finalized, we expect our shareholding ratio of Nabiq to be 43.4%.

(Reference)

Earnings Forecast for the Fiscal Year Under Review and Results for the Previous Fiscal Year

	Net sales (million yen)	(Reference) EBITDA* ¹ (million yen)	Operating income (million yen)	Ordinary income (million yen)	Profit attributable to owners of parent (million yen)	Earnings per share (yen)
Earnings Forecast for Current fiscal year (ended March 31, 2021)	3,381	1,128	150	107	62	3.02
Results for the previous fiscal year (ended March 31, 2020)	2,558	737	69	5	(13)	(0.94)

*1: EBITDA = Operating income + Depreciation + Amortization of goodwill + Amortization of long-term prepaid expenses