

FY03/2021 Q2

JTOWER

Financial Results for the 2nd Quarter of FY2020 ended September 30, 2020

November 10, 2020

J T O W E R Inc.

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FY2020 Q2 Financial Results

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Appendix

Consolidated revenue increased 58% YoY to JPY1,728 million, continuing high growth

- The revenue for the Domestic IBS business increased 78% YoY to JPY 1,334 million, driving overall revenue growth.
- Infra-Sharing revenue^{*1} accounted for 85% of the total revenue, establishing a stable revenue base.

Significant expansion in all the profit levels

- Consolidated EBITDA increased by more than 2 times YoY to JPY630 million.
- Consolidated operating profit increased from JPY10 million in the 1H of the previous fiscal year to JPY187 million due to the effects of holding down SG&A expenses, including the postponement of recruitment and the continuation of remote work, in addition to the steady growth in Infra-Sharing revenue.
- Net income of JPY200 million was recorded due to a gain on change in equity of JPY99 million arising from a third-party allotment of shares in subsidiary Nabiq.^{*2}

Upward revision of full year forecasts

- Full-year forecasts are revised upward in light of favorable revenue and profit due to the impact of COVID-19 being lower than expected in the initial forecast, steady progress in the number of installations in Domestic IBS and a decrease in expenses due to the implementation of remote work.
- Expected to continue to incur upfront costs in Tower and Local 5G business in 2H.

*1: Revenue from Infra-Sharing service based on long-term contracts. For details, please refer to "Breakdown of Infra-Sharing and Other Revenues by Business" in Appendix.

*2: Nabiq Inc. changed from a consolidated subsidiary to an equity-method affiliate at the end of Q2 of FY2020.

Assumptions for expected impacts in FY2020 forecasts

Domestic IBS

Continuation of a state of emergency by the end of June is assumed, and delays in the launch of services are factored in. (for up to 6 months)

International IBS

* Incorporate financial results in 3 months time lag.
Belated approvals by mobile network operators will cause the delay in service launch. (for about 3 months)

Solution

The acquisition of new contracts is expected to decline by half at the beginning of FY2020 and gradually recover.

SG&A

Impact on 1H results

Construction and other business activities were resumed promptly after a state of emergency, and **the number of installations exceeded expectations.**

The Impact on 1H results (January-June) was limited, **but we anticipate some impacts will become apparent in 3Q (July-September)**

New demand declined even after a state of emergency was lifted and **the impact continues throughout 1H.**

After a state of emergency, we resumed rotation work and business trips, but **SG&A expenses fell short of the plan** due to the implementation of remote work and postponement of recruitment.

1 FY2020 Q2 Consolidated Results – P&L

JTOWER

- Revenue increased to JPY1,728 million (+58% YoY), EBITDA to JPY630 million (**more than 2x YoY**), and operating profit increased from JPY10 million in the 1H of the previous fiscal year **to JPY187 million**.

(JPY mn)	FY2019	FY2020		
	Q2 (6 Months) Results	Q2 (6 Months) Results	Change	
			Amount	%
Revenue	1,096	1,728	+632	+57.7%
EBITDA *1	312	630	+317	+101.5%
<i>EBITDA Margin</i>	28.5%	36.5%	+8.0pt	
Operating Profit	10	187	+176	1616.3%
<i>Operating Profit Margin</i>	1.0%	10.8%	+9.8pt	
Ordinary Profit	-3	175	+178	—
Net Income	-28	200	+228	—

*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

1 FY2020 Q2 Consolidated Results – BS (1/2)

JTOWER

- Cash and Cash Equivalents increased by JPY1,578 million from the end of FY2019 to JPY8,766 million due to an increase in Infra-Sharing revenues, which exceeded capital investment, thereby improving financial soundness.

(JPY mn)	FY2019	FY2020		Effect of deconsolidation of Nabiq
	March 31, 2020	September 30, 2020	Change	
Current Assets	8,032	9,387	+1,354	-- -147
Cash and Cash Equivalents	7,188	8,766	+1,578	
Notes and Accounts Receivable	482	448	- 34	
Non-current Assets	6,614	7,226	+612	-- -8
Tangible Fixed Assets	5,860	6,505	+644	
Goodwill	579	358	- 220	
Total Assets	14,646	16,614	+1,967	-- -156
Financial Indicators				
Debt	1,083	1,316	+232	
Net Debt	-6,104	-7,450	- 1,345	
Equity Ratio	45.3%	41.2%	-4.1%	

1 FY2020 Q2 Consolidated Results – BS (2/2)

JTOWER

- Increased number of IBS installations has been reflected in increased current and long-term unearned revenue (to be reported as revenue in the future).

(JPY mn)	FY2019	FY2020		Effect of deconsolidation of Nabiq
	March 31, 2020	September 30, 2020	Change	
Current Liabilities	3,288	3,869	+580	--- -20
Accounts payable - trade	193	148	- 44	
Short-term borrowings	45	60	+15	
Accounts payable - other	1,204	996	- 207	
Unearned revenue	1,525	2,261	+735	
Non-current Liabilities	4,723	5,893	+1,170	--- -150
Long-term borrowings	300	390	+90	
Long-term unearned revenue	3,869	4,875	+1,005	
Total Liabilities	8,011	9,763	+1,751	--- -170
Net Assets	6,635	6,851	+216	--- +14
Share capital	4,272	4,282	+9	
Capital surplus	2,433	2,443	+9	
Total Liabilities and Net Assets	14,646	16,614	+1,967	--- -156

1 FY2019 Consolidated Results – CF

JTOWER

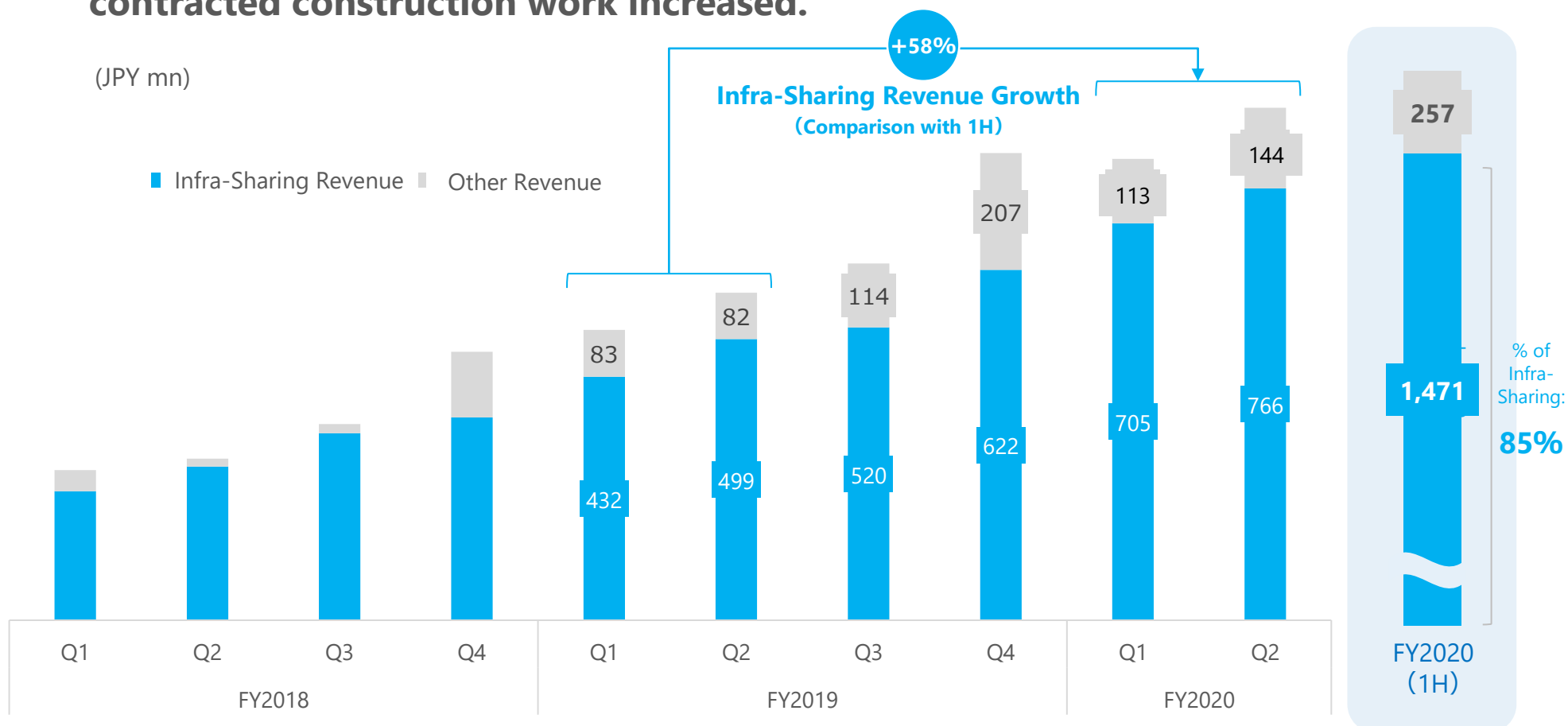
- With increased unearned revenue (to be reported as revenue in the future), cash and cash equivalents at the end of the period increased by JPY1,612 million. Free cash flow increased to JPY1,111 million.

(JPY mn)	FY2019	FY2020	
	6 Months Ended September 30, 2019	6 Months Ended September 30, 2020	Change
Cash Flows from Operating Activities	1,677	2,453	+776
Change in Unearned revenue	2,190	1,708	- 481
Depreciation	274	415	+141
Amortization of Goodwill	26	26	- 0
Cash Flows from Investing Activities	-2,200	-1,342	+857
Purchase of property, plant and equipment	-1,616	-1,282	+333
Free Cash Flow	-522	1,111	+1,633
Cash Flows from Financing Activities	-646	501	+1,148
Net Increase (Decrease "-") in Short-term Borrowings	1,024	-45	- 1,069
Proceeds from sale and leaseback transactions	—	258	+258
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-1,604	—	+1,604
Effect of exchange rate change on cash and cash equivalents	-1	-0	0
Net Increase (Decrease "-") in Cash and Cash Equivalents	-1,170	1,612	+2,783
Net Increase (Decrease) in Cash and Cash Equivalents Due to Changes in Scope of Consolidation	- 6	-117	- 111
Cash and Cash Equivalents at Beginning of Period	2,006	6,851	+4,844
Cash and Cash Equivalents at End of Period (Q2)	829	8,345	+7,516
(Reference) CAPEX	1,297	1,028	- 269

1 Historical Consolidated Revenue

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- Infra-Sharing revenue*¹ has grown **58%** YoY and is serving as a steady revenue base, accounting for **85%** of the total consolidated revenue.
- In Other revenue, sales in Wi-Fi business decreased, but one-time sales related contracted construction work increased.



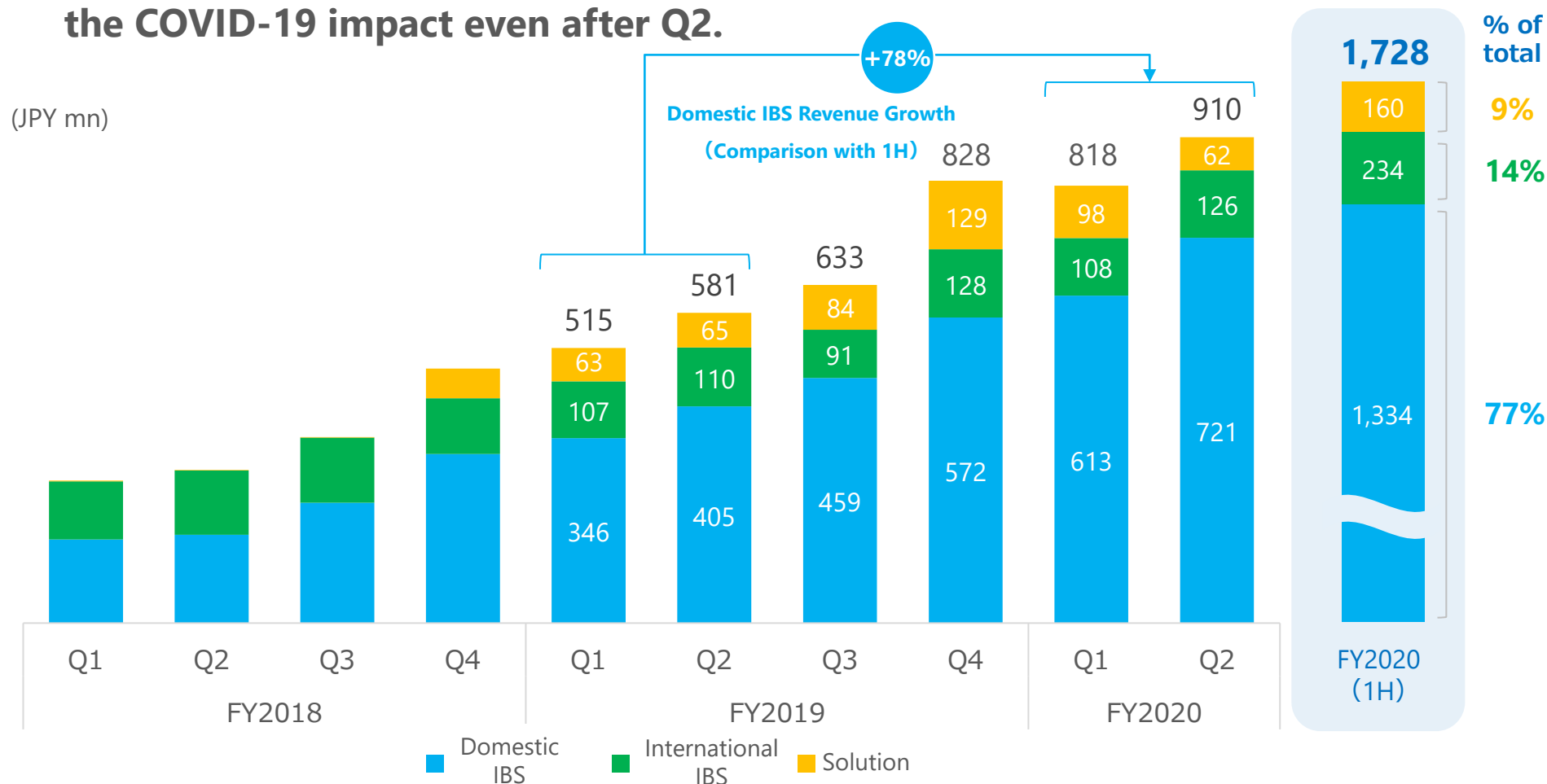
*1: Revenue from Infra-Sharing service based on long-term contracts. For details, please refer to "Breakdown of Infra-Sharing and Other Revenues by Business" in Appendix.

*2: Figures from FY2018 and before as well as the breakdown of Infra-Sharing revenue and other revenue are unaudited.

1 Historical Revenue by Business

JTOWER

- Domestic IBS revenue increased by **78%** YoY and has grown to account for **77%** of the total consolidated revenue.
- International IBS performed well, and Solution continued to be affected by the COVID-19 impact even after Q2.

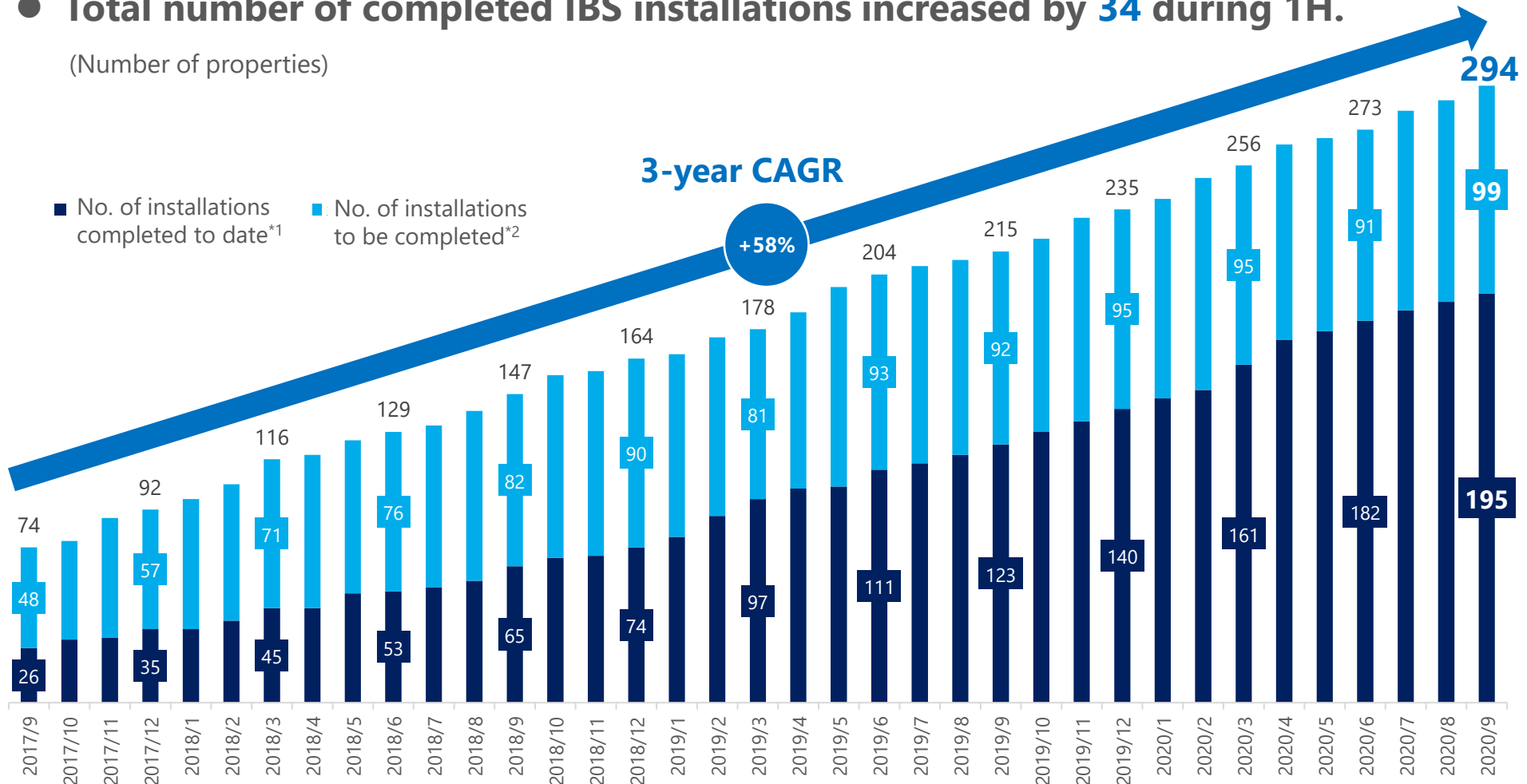


Note: Breakdown of quarterly revenue by business is unaudited.

1 Historical Number of Installations (Domestic IBS) JTOWER

- Total number of IBS installations has increased to **294** (installation completed: **195**, to be installed: **99**).
- Total number of completed IBS installations increased by **34** during 1H.

(Number of properties)



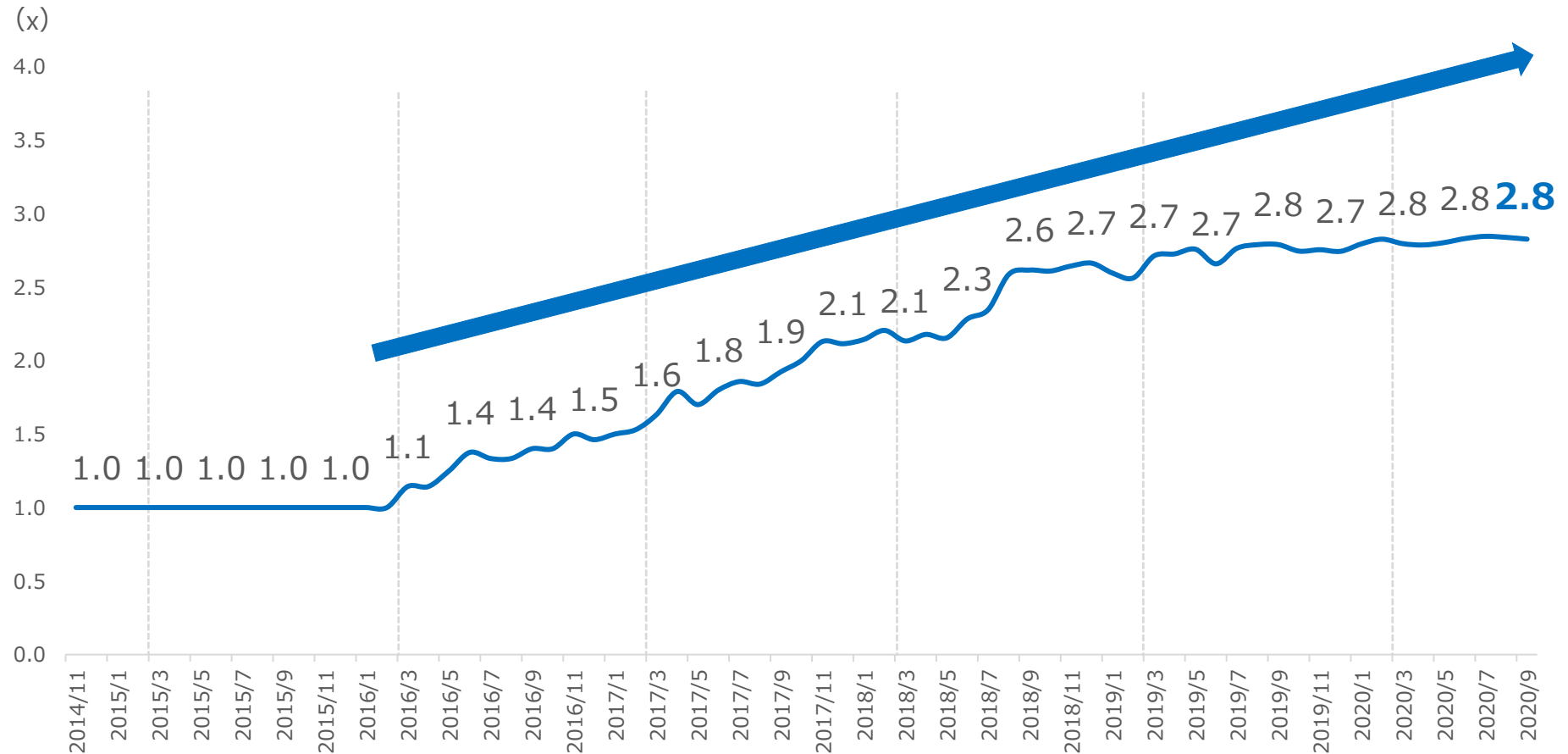
*1: Projects where radio waves have been emitted and revenues are recognized.

*2: Projects where we have reached an agreement with the property owner and mobile carriers, and radio waves emission and revenue recognition are expected in the next few years.

1 Historical Tenancy Ratio*¹ (Domestic IBS)

JTOWER

- Tenancy Ratio (average number of participating mobile network operators per property) has been steady in **the higher 2 point range**.



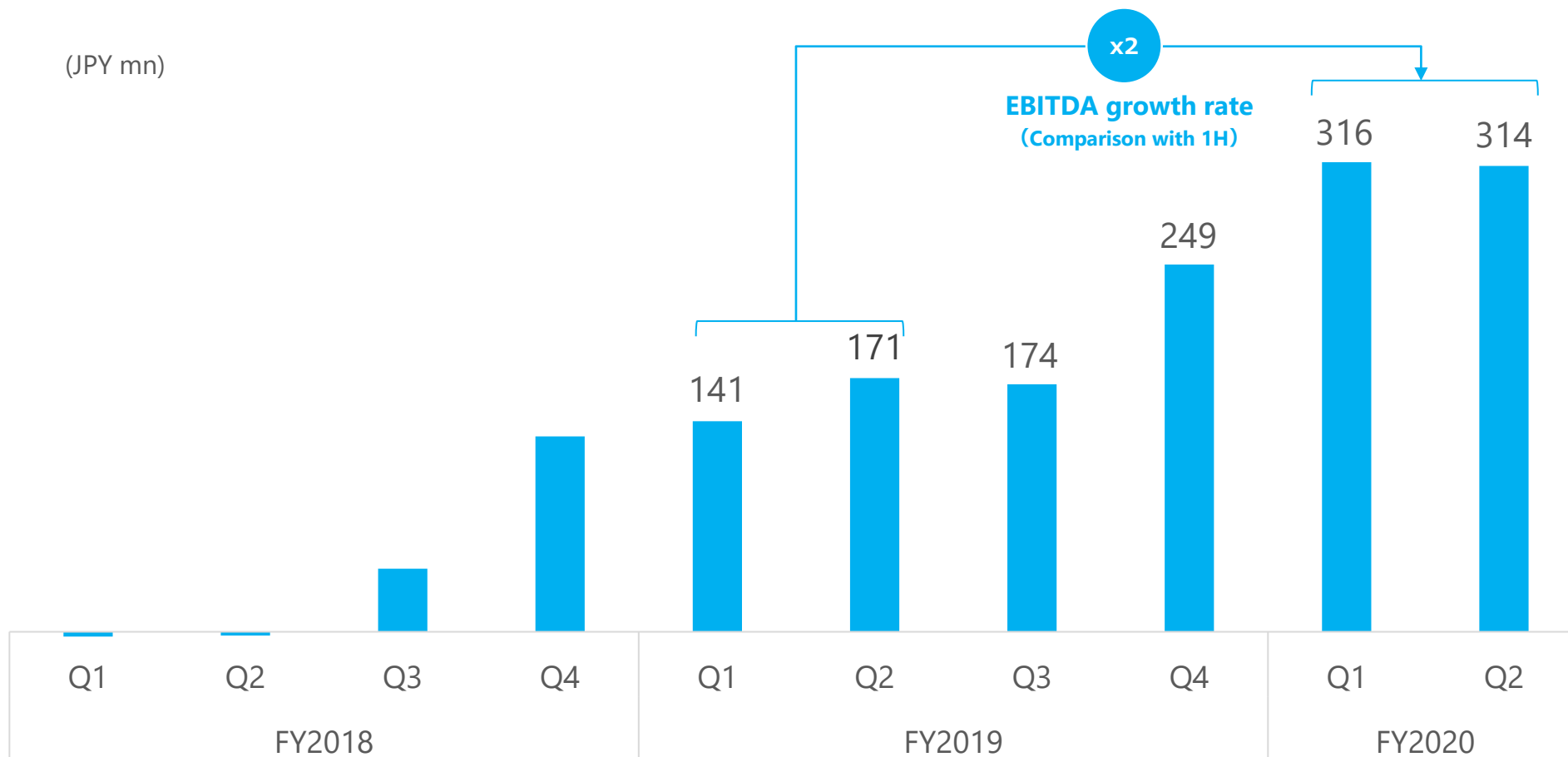
*1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

1 Historical Consolidated EBITDA*1

JTOWER

- Mainly due to a steady increase in Infra-Sharing revenue accompanying an increase in the number of installations in Domestic IBS, consolidated EBITDA grew **more than double** YoY to JPY630 million.
- In Q1, SG&A expenses decreased due to the implementation of full remote work during a state of emergency and in Q2, additional costs for the development 5G infra-sharing equipment were incurred. As a result, EBITDA increased almost the same level in Q1 and Q2.

(JPY mn)

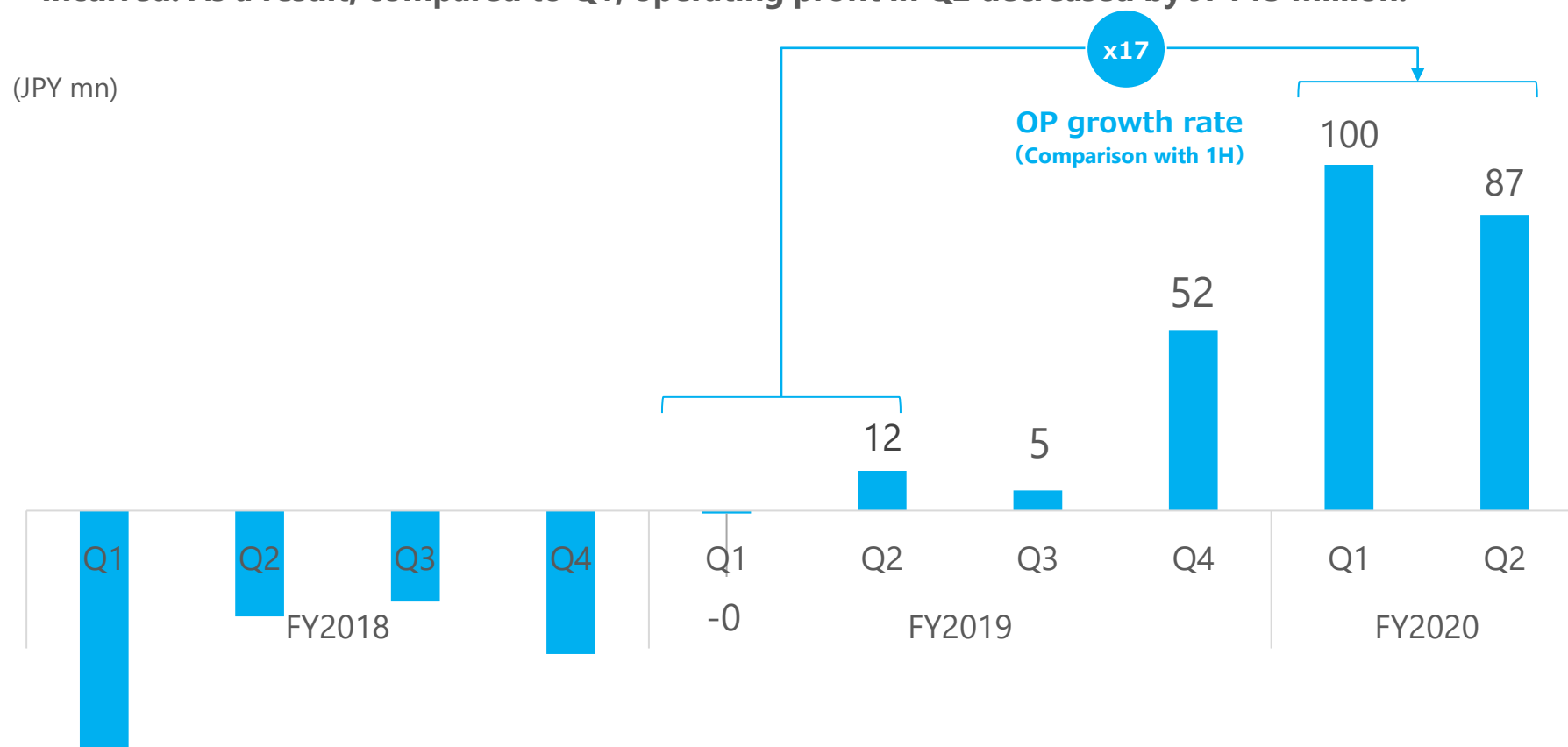


*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

*2: Figures before FY2019 are unaudited..

Historical Consolidated Operating Profit

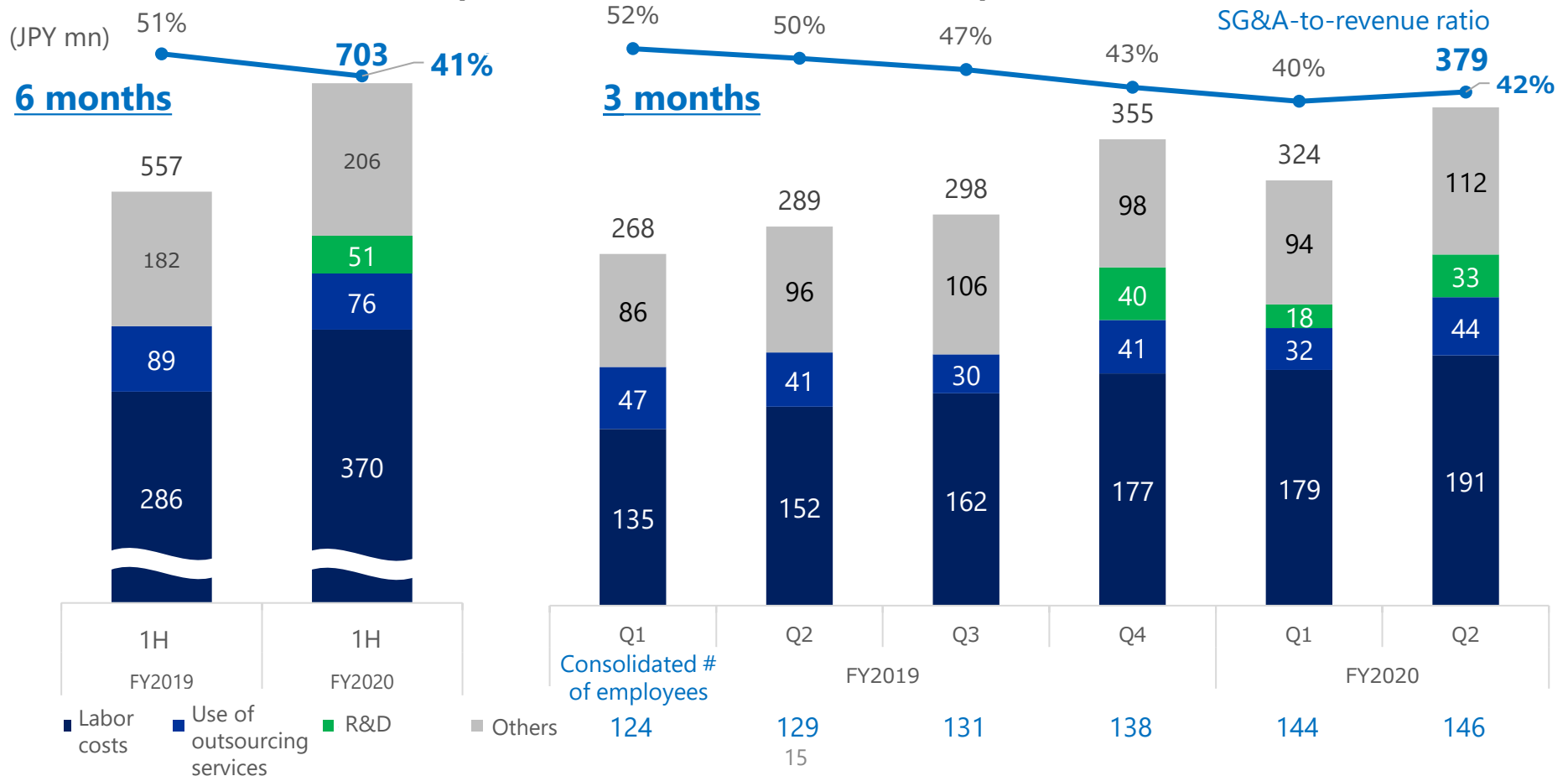
- Operating profit increased from JPY10 million in the 1H of the previous fiscal year to **JPY187 million** due to the increase in Infra-Sharing revenue, while SG&A expenses fell short of the plan, resulting in improved profitability.
- In Q1, SG&A expenses decreased due to the implementation of full remote work during a state of emergency and in Q2, additional costs for the development 5G infra-sharing equipment were incurred. As a result, compared to Q1, operating profit in Q2 decreased by JPY13 million.



*1: Figures before FY2019 are unaudited.

Historical Consolidated SG&A Expenses

- Although the use of outsourcing services expense (related to development of 5G infra-sharing equipment) increased, consolidated SG&A-to-revenue ratio improved to **41%** in 1H due to a decrease in expenses caused by implementation of remote work and postponement of recruitment and an increase in Infra-Sharing revenue.
- In Q1, SG&A expenses decreased due to the implementation of full remote work during a state of emergency and in Q2, additional costs for the development 5G infra-sharing equipment were incurred. As a result, compared to Q1, consolidated SG&A expenses increased in Q2.



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Appendix

Domestic IBS

✓ Increase number of IBS installations

- Sustainable increase in the total number of IBS installations and expansion in new buildings.
- The launch of Japan's first 5G indoor Infra-Sharing service in the Tokyo Metropolitan Government headquarters building.
- Potential for expansion of target properties through 5G.

Tower

✓ Launch tower sharing in rural areas

- Began preparations for the construction of more than 60 towers from 2H of FY2020.
- From FY2021 onwards, as 5G becomes fully fledged, we will expand the coverage areas.

✓ Launch tower sharing in urban areas

- Two smart poles were built in the Nishi-Shinjuku area, and the business model is being verified.
- Use the momentum of smart city planning initiatives to expand services in other areas, both inside and outside Tokyo.

Local 5G

✓ Development of local 5G service

- Invest in business development for commercialization of the service.

Strengthen Related Businesses

✓ Strengthen Overseas IBS and Solution Businesses

The launch of Japan's first 5G indoor Infra-Sharing service

2 – Domestic IBS

JTOWER

- On October 30, 2020, we began providing Infra-Sharing solutions in TMG*¹ No.1 Building (in some areas), using the 5G infra-sharing equipment.
- Prepare for the production of 5G infra-sharing equipment in 2H and plan to fully expand its introduction from FY2021.



TMG No.1 Building

Photo: Supplied by The Tokyo Metropolitan Government

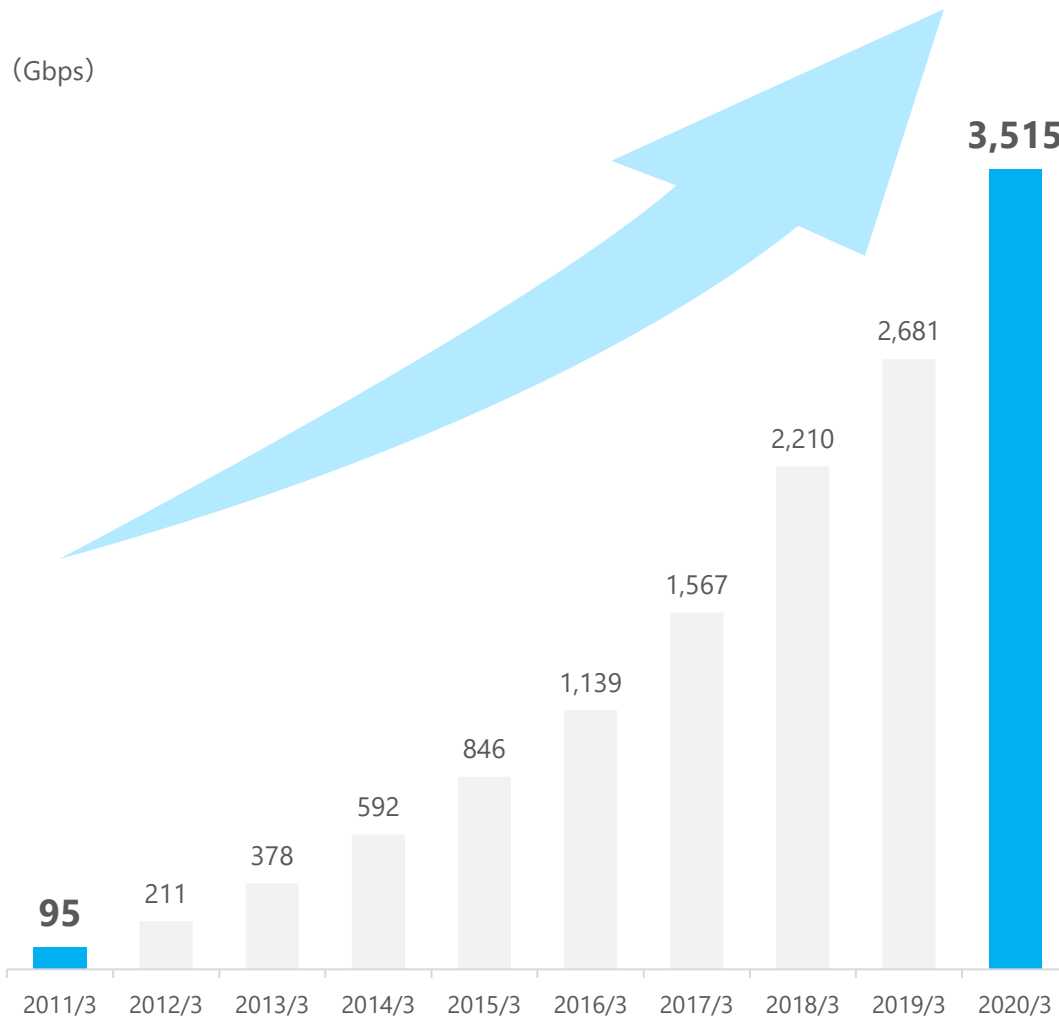
The establishment of **Japan's first** infra-shared indoor 5G network

- On October 30, 2020, we began providing Infra-Sharing solutions for mobile network operators in TMG No.1 Building (in some areas), using the 5G infra-sharing equipment.
- Starting with the introduction in the TMG headquarters building, we aim to expand 5G indoor infra-sharing solution nationwide.

<Required process and schedule for the service launch>



*1: The Tokyo Metropolitan Government



over the past 10 years

Annual increase

about 50%

(approx. 37 times)

Future Potential

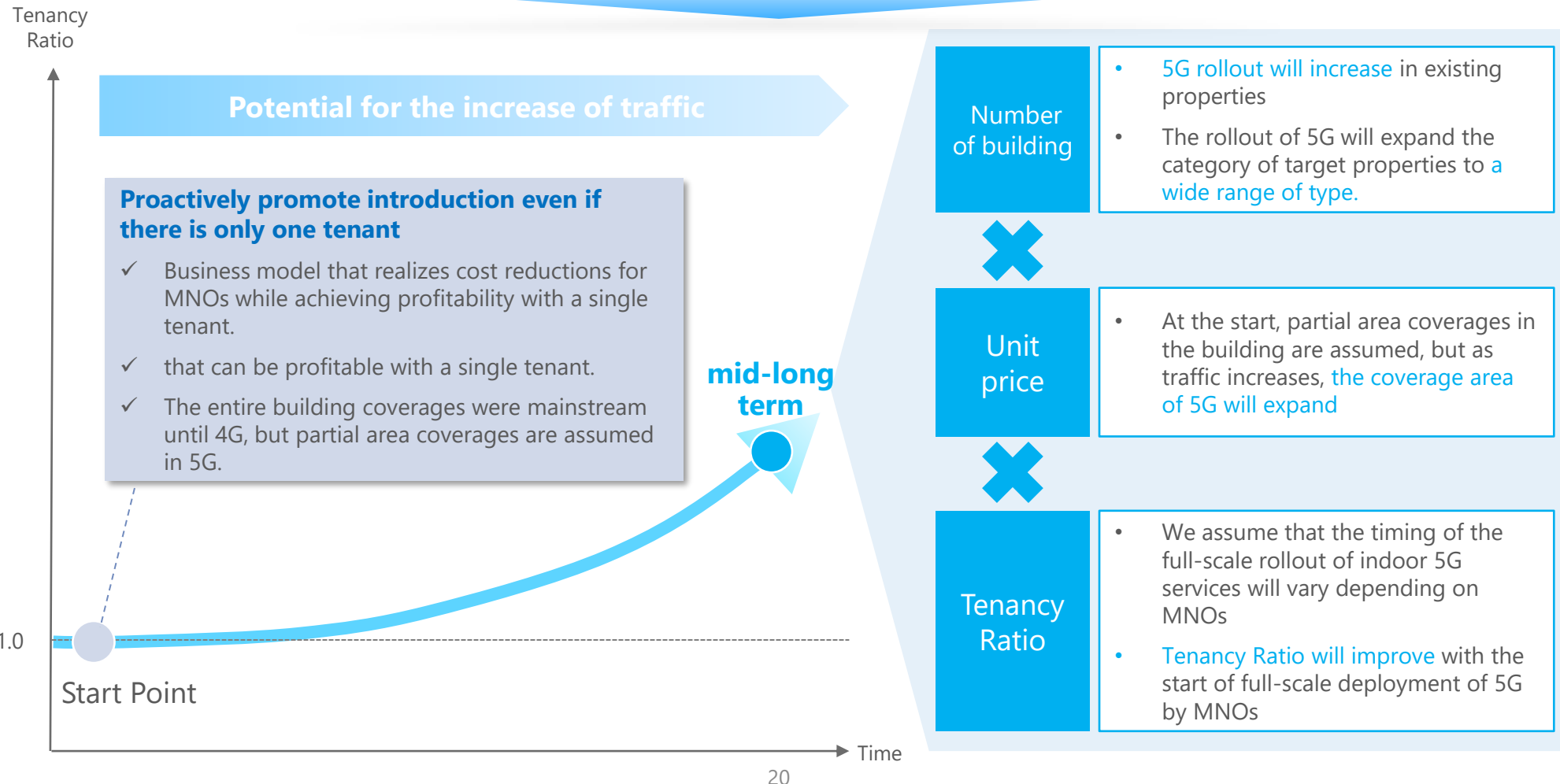
- ✓ Accelerate further growth in traffic through 5G
- ✓ Further use of 5G frequency band

Source: Information and Communications Statistics Database of Ministry of Internal Affairs and Communications

*1: The average of monthly traffic (download)

Domestic IBS - 5G target market

- New buildings are the main targets until 4G.
- Potential to expand target markets of 5G, not only for new buildings, but also for existing properties (including properties that we have not yet installed)



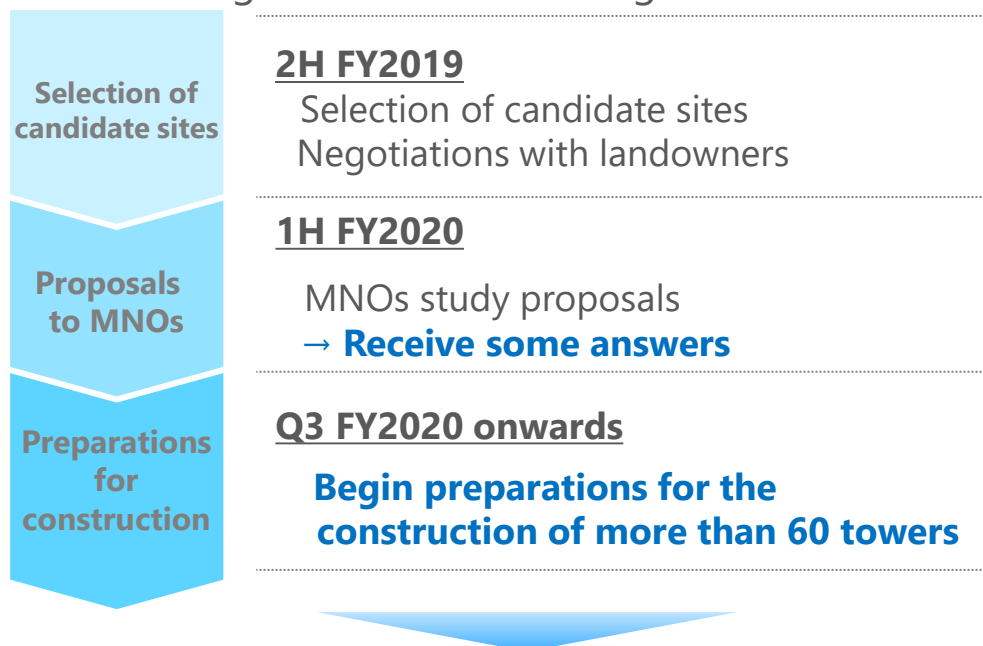
2 Sharing of New Towers in Rural Areas - Tower Business

JTOWER

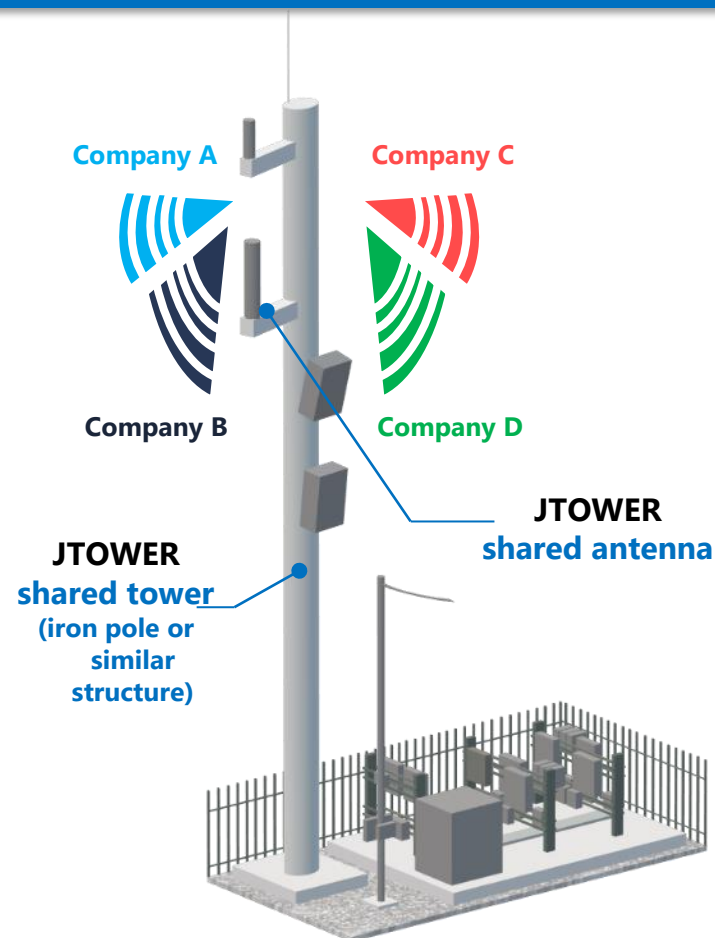
- Received some responses from MNOs regarding the use of the tower on our proposals and began preparations for the construction of more than 60 towers from Q3 of FY2020. From FY2021 onwards, as 5G becomes fully fledged, we will expand the coverage areas.

Began preparations for the construction of **more than 60 towers** as an initial initiative from Q3 of FY2020

Progress of Tower sharing in rural areas



From FY2021 onwards, expanding coverage areas in line with the full-scale deployment of 5G



2 Sharing of New Towers in Urban Areas - Tower Business

JTOWER

- As a 5G Smart Poles provider of TMG, we built two smart poles in the Nishi-Shinjuku area and have been verifying the business model. From FY2021 onwards, we aim to expand the coverage in the areas with smart solution demands.

Tower sharing in urban areas



Street light

5G Sub-6
shared antenna

5G 28GHz
antenna

Wi-Fi6

Digital Signage

Charger
(plug in)

Roadmap for tower sharing in urban areas

July 2020

- Selected as the 5G Smart Poles provider of the Tokyo Metropolitan Government (April 3, 2020)
- Entered into an agreement to install smart poles in the Nishi-Shinjuku area with TMG.
- **The four MNOs** all decided to use these smart poles to be installed in accordance with the Agreement.

from
October
2020

- Install 5G base stations including 5G infra-sharing equipment and began to share telecommunications facilities.
- **5G services by MNOs gradually started** from October 2020.

FY2021
onwards

Establish a business model through the project in the Nishi-Shinjuku area and expand the coverage in the areas with smart solution demands.

On October 27, 2020, the Ministry of Internal Affairs and Communications announced the "Action Plan" which outlines issues to be addressed in the future in order to make the mobile market more competitive. The promotion of infrastructure sharing is mentioned as one of the "concrete efforts" of the plan.

<Partial excerpt from MIC's "Action Plan" *1>

[第2の柱] 事業者間の公正な競争の促進	多様で魅力的なサービスを生み出す
<p>ア ネットワークの使用料(接続料等)は、MVNOによる料金設定を左右。適正性の十分な確保が必要。</p> <p>イ MNO間の公正な競争環境の整備が必要。</p>	<p>① データ接続料の一層の低廉化(3年間で5割減)【年度内検討開始】</p> <p>② 音声卸料金の一層の低廉化【来夏までに検証結果公表】</p> <p>③ 周波数の有効利用の促進【本年度中に検討開始】</p> <p>④ インフラシェアリングの促進【引き続き実施】</p>

In the development of 5G base stations, it is necessary to install many base stations efficiently and at low cost. However, **it is important to conduct "infrastructure sharing"** in which facilities such as steel towers are used by others or shared among multiple operators.

Therefore, the smooth development of mobile communications networks will continue to be promoted through the utilization of "infrastructure sharing" based on the "Guidelines for the Application of the Telecommunications Business Act and Radio Act Concerning Infrastructure Sharing in the Mobile Communications Field" (formulated in December 2018).

**Expansion of utilization of Infra-Sharing
in the development of 5G base stations is expected**

*1: English translation by JTOWER.

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3 FY2020 Full Year Forecasts

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- Full-year forecasts are revised upward due to the impact of COVID-19 being lower than expected in the initial forecast, steady progress in the number of installations and a decrease in SG&A expenses due to the implementation of remote work and postponement of recruitment.
- Conservatively factoring in the impact of COVID-19, the number of new installations in Domestic IBS is expected to be 68 for the full year (the number of installations in 2H is expected to be Q3<Q4)
- Expected to continue to incur upfront costs in Tower and Local 5G business in 2H.

(JPY mn)	FY2019	FY2020			FY2020	
	12 Months Results	(1)12 Months Revised Forecasts (Nov.10,2020)	Change		(2)12 Months Initial Forecasts (May 12,2020)	(1) - (2) Amount
			Amount	%		
Revenue	2,558	3,424	+866	+33.9%	3,381	+43
EBITDA *1	737	1,272	+535	+72.6%	1,128	+144
<i>EBITDA Margin</i>	28.8%	37.1%	+8.3pt	—	33.4%	+3.7pt
Operating Profit	69	300	+231	+334.8%	150	+150
<i>Operating Profit Margin</i>	2.7%	8.8%	+6.1pt	—	4.4%	+4.4pt
Ordinary Profit	5	258	+253	+5060.0%	107	+151
Net Income	-13	300	+313	—	62	+238
Capital Expenditure (Investment Cash Flow)	2,611	2,640	+29	+1.1%	3,468	- 828

*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

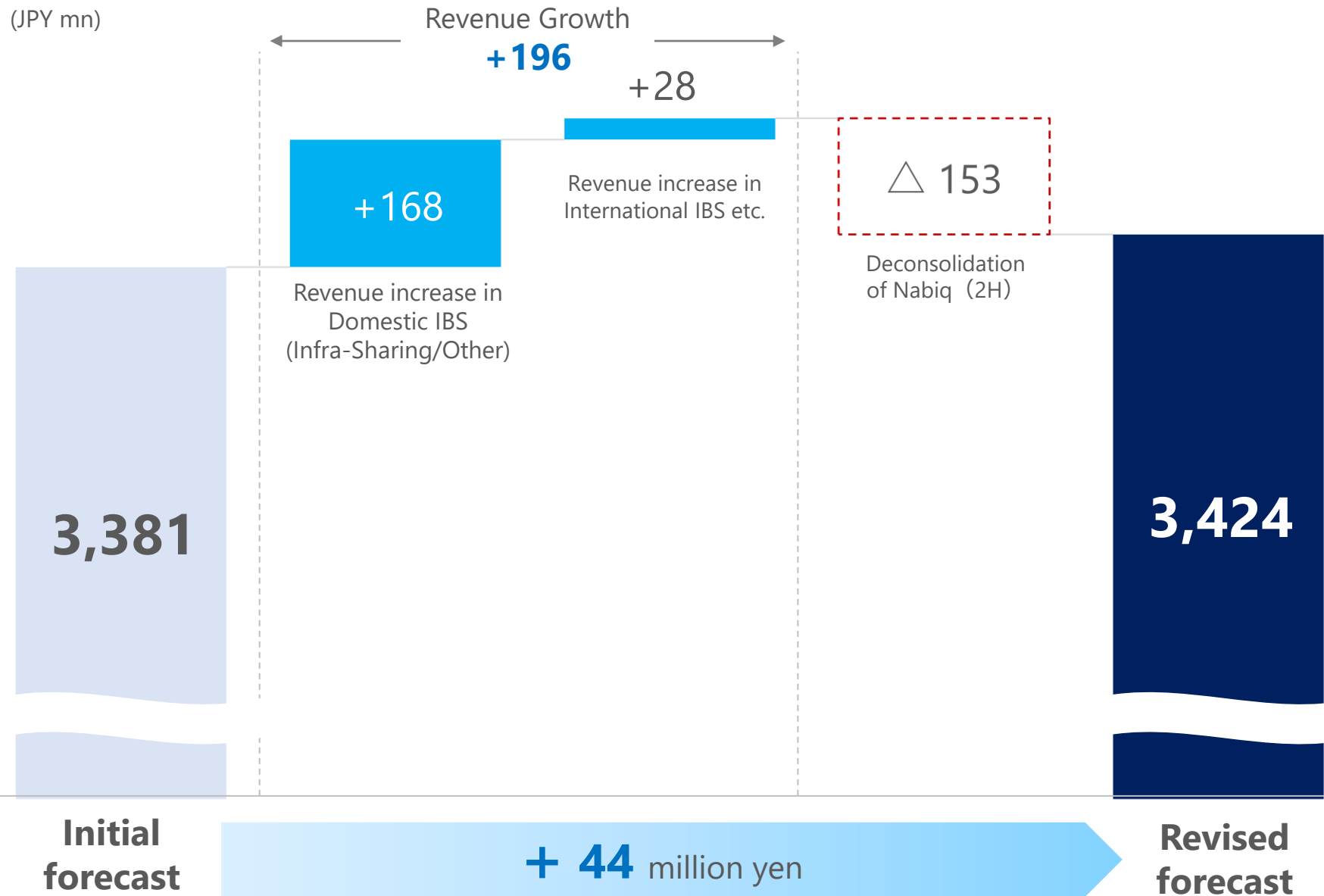
Revised Forecast:

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Factors behind Changes in Consolidated Revenue

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(JPY mn)

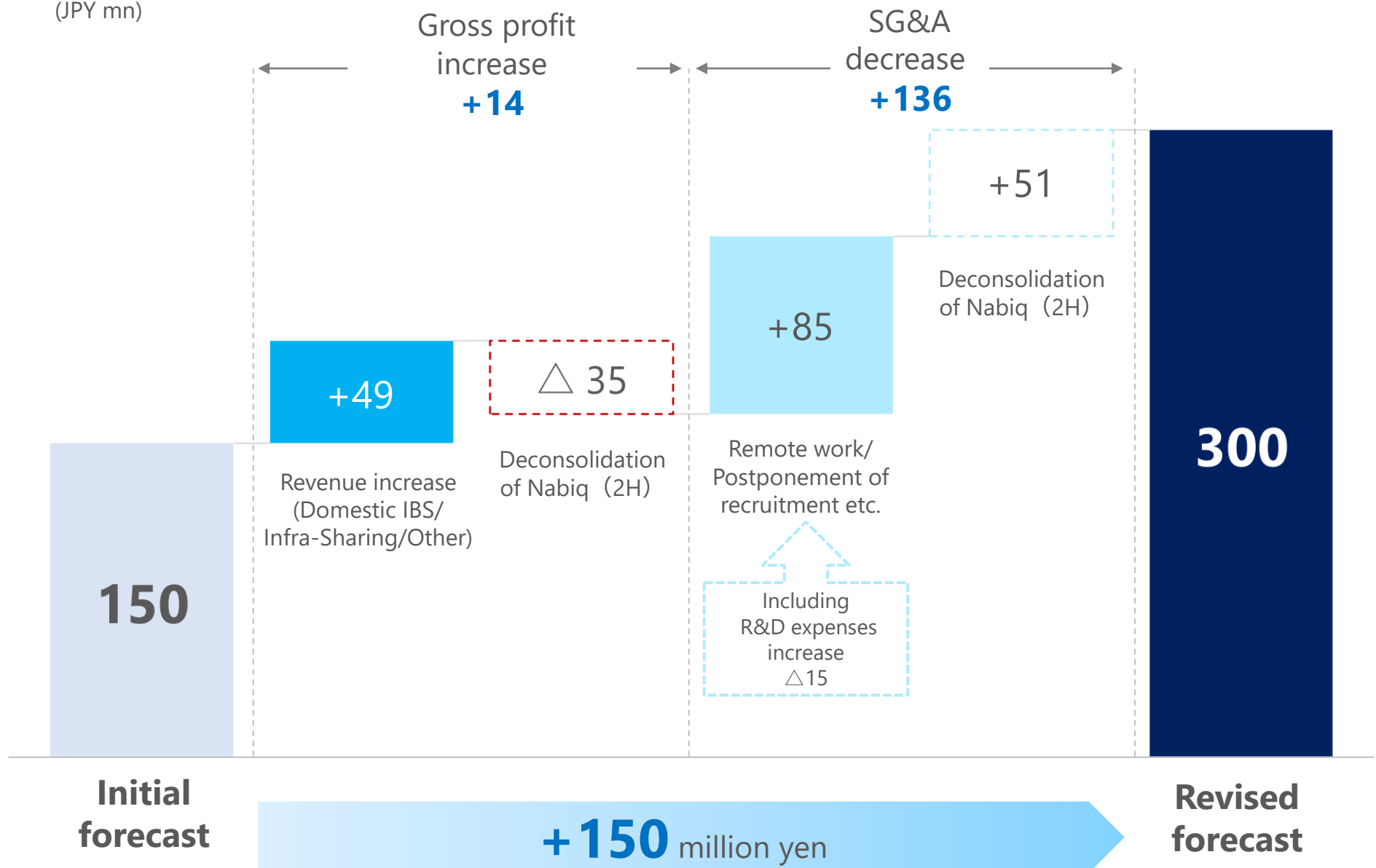


Revised Forecast:

3 Factors behind Changes in Consolidated Operating Profit

JTOWER

(JPY mn)



Q2 Results/ Full Year Forecasts

- ✓ Revenue and profit continued to grow at a high level, driven by an increase in Infra-Sharing revenue mainly in Domestic IBS.
- ✓ As a result of the upward revision to the full year forecasts, operating profit is expected to double from the previous forecast to JPY300 million.

Business Progress

- ✓ Domestic IBS : Launched Japan's first 5G Infra-Sharing service
 - Launched Japan's first 5G indoor Infra-Sharing in TMG headquarters building.
 - In addition to our strength in the new buildings market, against the backdrop of the potential market volume for existing properties and the anticipated increase in 5G traffic over the medium-to long-term, we aims to establish a business model that responds to 5G and expand our business field in new areas.
- ✓ Tower: Progressed toward full-scale development
 - Rural Tower : Began preparations for the construction of more than 60 towers for full-scale deployment.
 - Smart Pole : 5G services by MNOs gradually started.

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SHARING THE VALUE

**Creating business with social impact
that brings value to all stakeholders**

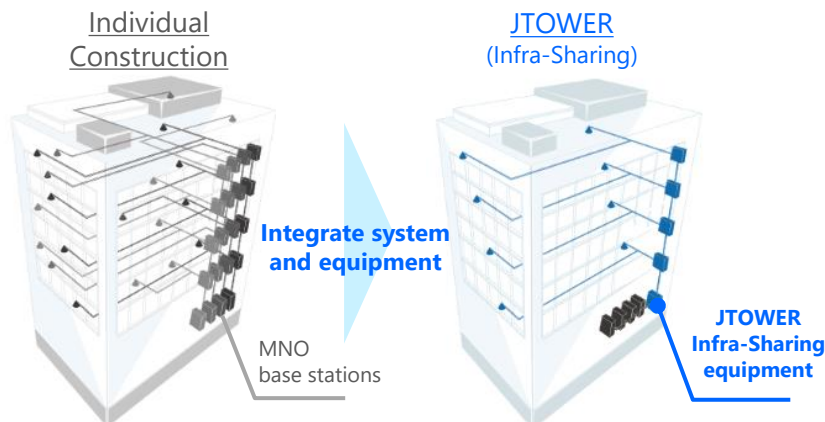
Company Name	J T O W E R I n c .
Founded	June 2012
Representative Director	Atsushi Tanaka
Head office	8-5-41 Akasaka, Minato-ku, Tokyo, Japan
Employees	146*1 (consolidated, as of September 30, 2020)
Capital	JPY4,282 million (as of September 30, 2020)
Business Description	Provision of telecom Infra-Sharing service and related services in Japan and overseas

*1: Number of employees includes the average number of temporary workers (contract workers and workers from staffing agencies) in the past year, which is 25

4 Telecom Infra-Sharing Business in Japan and Overseas JTOWER

IBS*1 Business (Indoor Infra-Sharing)

- ✓ Integrate mobile network operators' in-building infrastructure as a shared system
- ✓ Beneficial for real-estate firms, mobile users and mobile network operators
- ✓ Steady growth with a stable revenue model



Japan

- ✓ Installation at 294 properties*2 (including the number of installations to be completed)

- ✓ Recent 3-year growth (CAGR): +58%

- ✓ Expansion in emerging markets

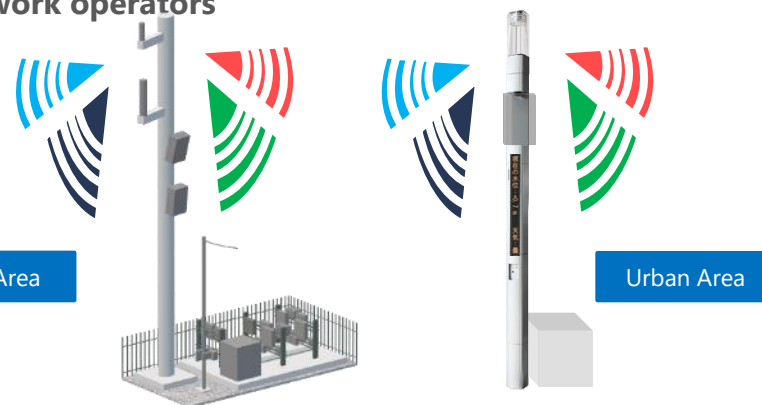
- Top player in Vietnam (Installation at 162 properties*2)
- Expanding in Myanmar and Malaysia

- ✓ Alliance with strong local partners

Overseas

Tower Business (Outdoor Tower Sharing)

- ✓ Full-scale entry in FY2020
- ✓ New market for outdoor Infra-Sharing service driven by the deployment of 5G
- ✓ Outdoor telecom infrastructure sharing among mobile network operators



Solution Business

- ✓ Value-added services for Infra-Sharing business
- ✓ Serve demand by mobile carriers and real estate companies for rooftop base station installation through SITE LOCATOR, cloud-managed Wi-Fi solution and others



*1: IBS: In-Building Solution
*2: as of September 30, 2020



Representative
Director

Atsushi
Tanaka

23



Senior
Managing
Director

Yusuke
Kiriya

17



Managing
Director
CFO

Ryosuke
Nakamura

13



Director

Nobuo
Nezu

52



Outside Director

Naoki
Ota

21



Outside Director

Hiroyuki
Mitoma

25



Advisor

Eiji
Hagiwara

46

Years of
Telecom
Industry
Experience

Goldman Sachs

(Equity analyst /
Telecom sector)

eAccess

(Head of corporate
planning div.)

eMobile

(CFO / Head of
corporate planning
div.)

M'sWorks

(Senior engineer)

PwC Aarata

(Audit / Advisory)

eAccess

(Group head of
business planning
div.)

KDDI

(Managing
executive officer /
Full time auditor /
Advisor)

**Boston
Consulting
Group**

(Senior partner /
Managing director)

**Ministry of
Internal Affairs
and
Communications**

(Advisor to Minister)

NTT WEST

(Director of
equipment div. of
Kusyu group)

**NTT(Holding
Company)**

(Director of
technical planning
div.)

NTT DOCOMO

(Director)

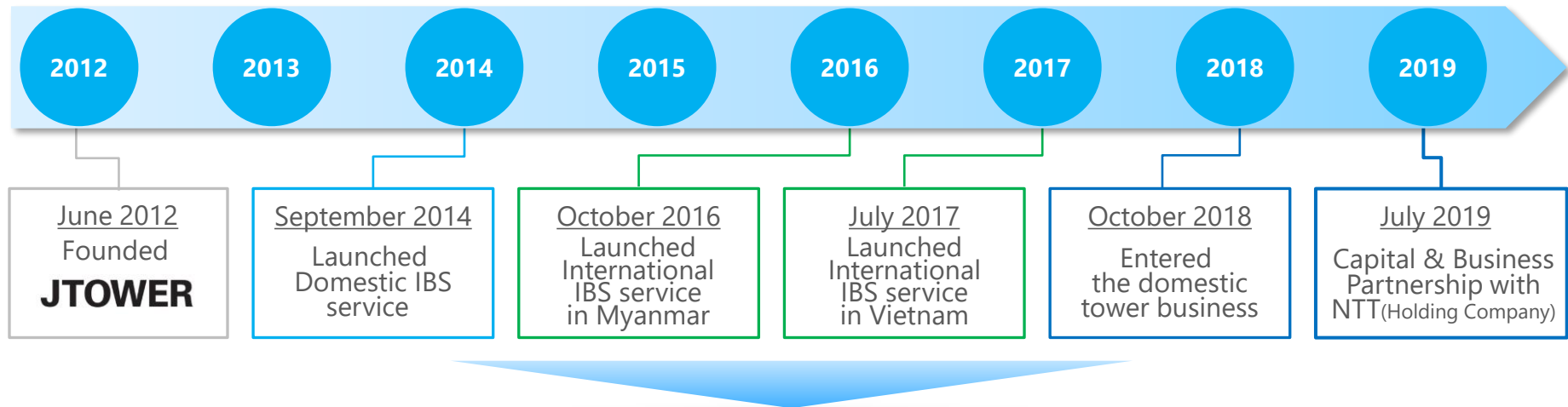
**Panasonic Mobile
Communications**

(Senior Managing
Director)

**SAMJI
ELECTRONICS**

(Advisor)

Previous
Experience

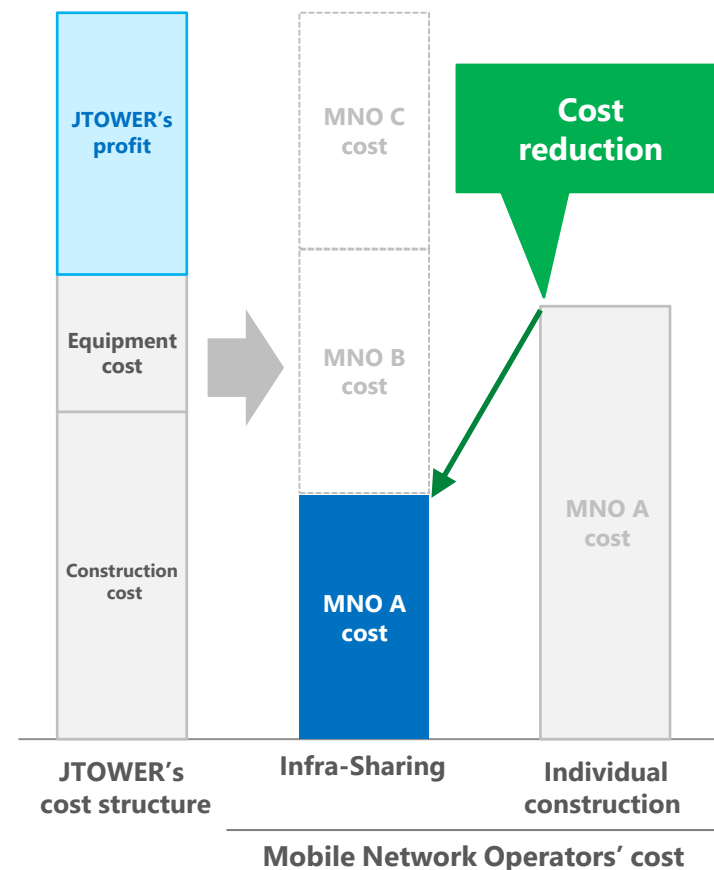
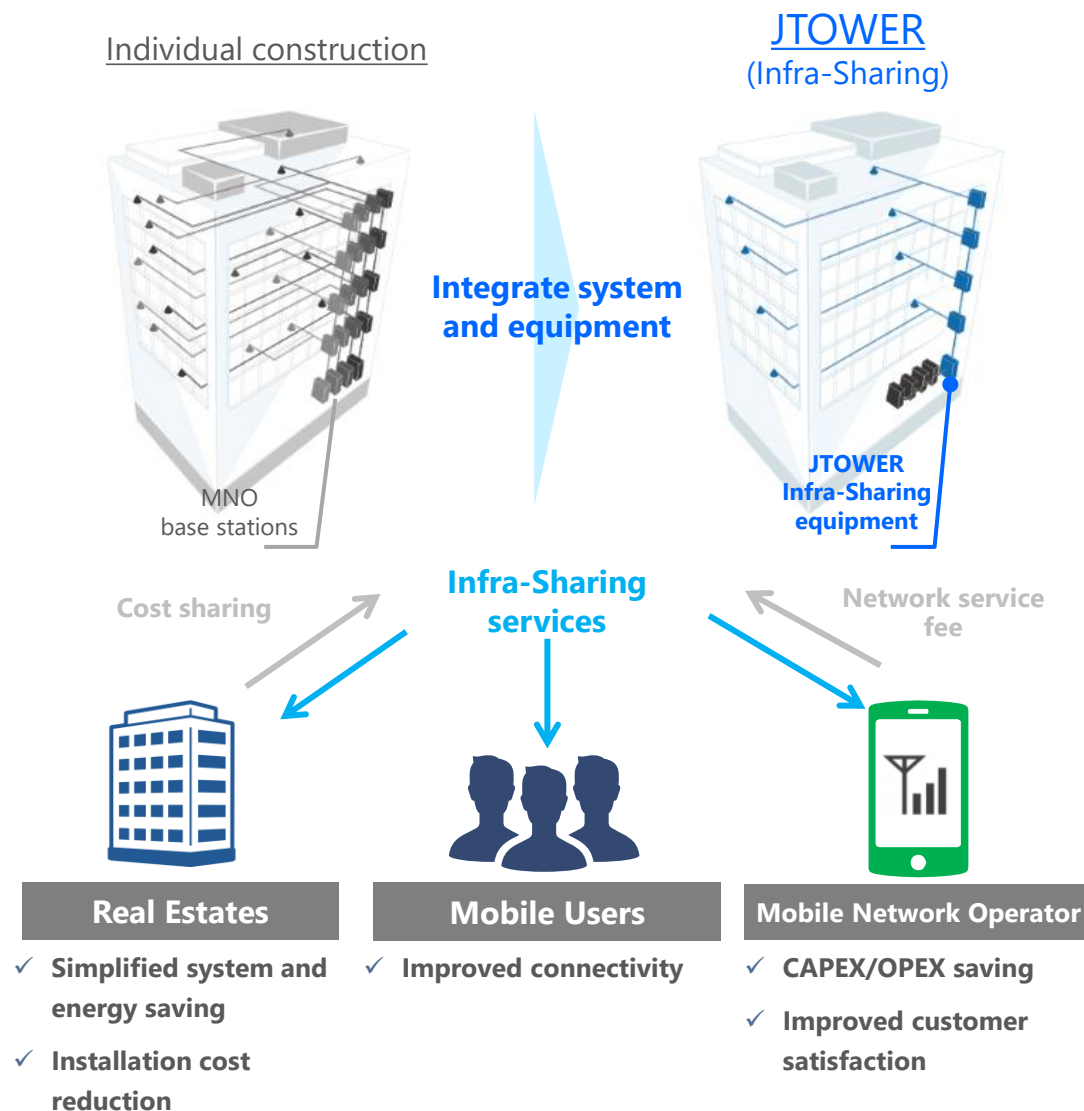


- ✓ **Established a solid position in the market with a high entry barrier**
Certified from mobile network operators
- ✓ **First-mover advantage**
Pioneer of the service with high switching cost and low churn rate
- ✓ **Strong relationships**
Established network with mobile network operators and major real estate developers

**Listed on the Tokyo Stock Exchange Mothers
on December 18, 2019**

Unique Business Model to Build Win-Win Relationships

Cost-Benefits for Mobile Network Operator*1



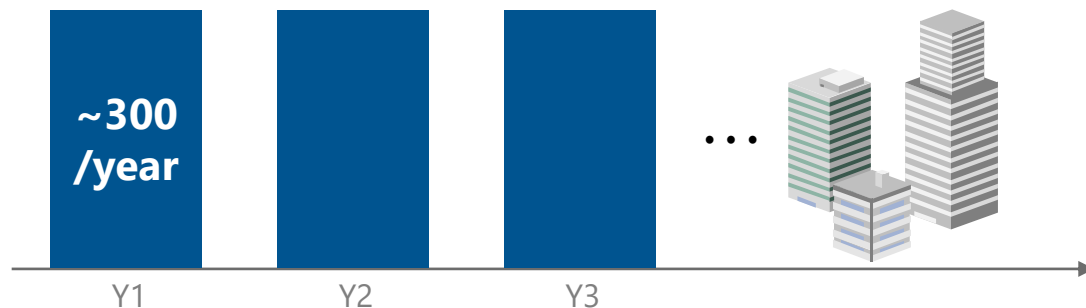
Note1:

For illustrative purposes only

Persistent Demand and Upside Potential

- Domestic IBS Business

① New buildings^{*1}



4G

New
installation

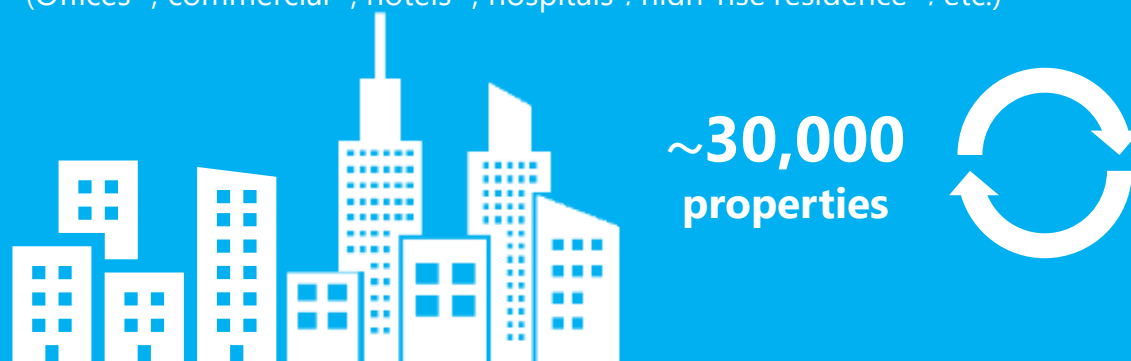
Main target

5G

New
installationMajor
Upside Factors

② Existing buildings

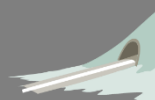
(Offices^{*2}, commercial^{*3}, hotels^{*4}, hospitals^{*5}, high-rise residence^{*6}, etc.)

System
upgrade

③ New category (Railway tunnels etc.)^{*7}



~5,000

New
installationNew
installation

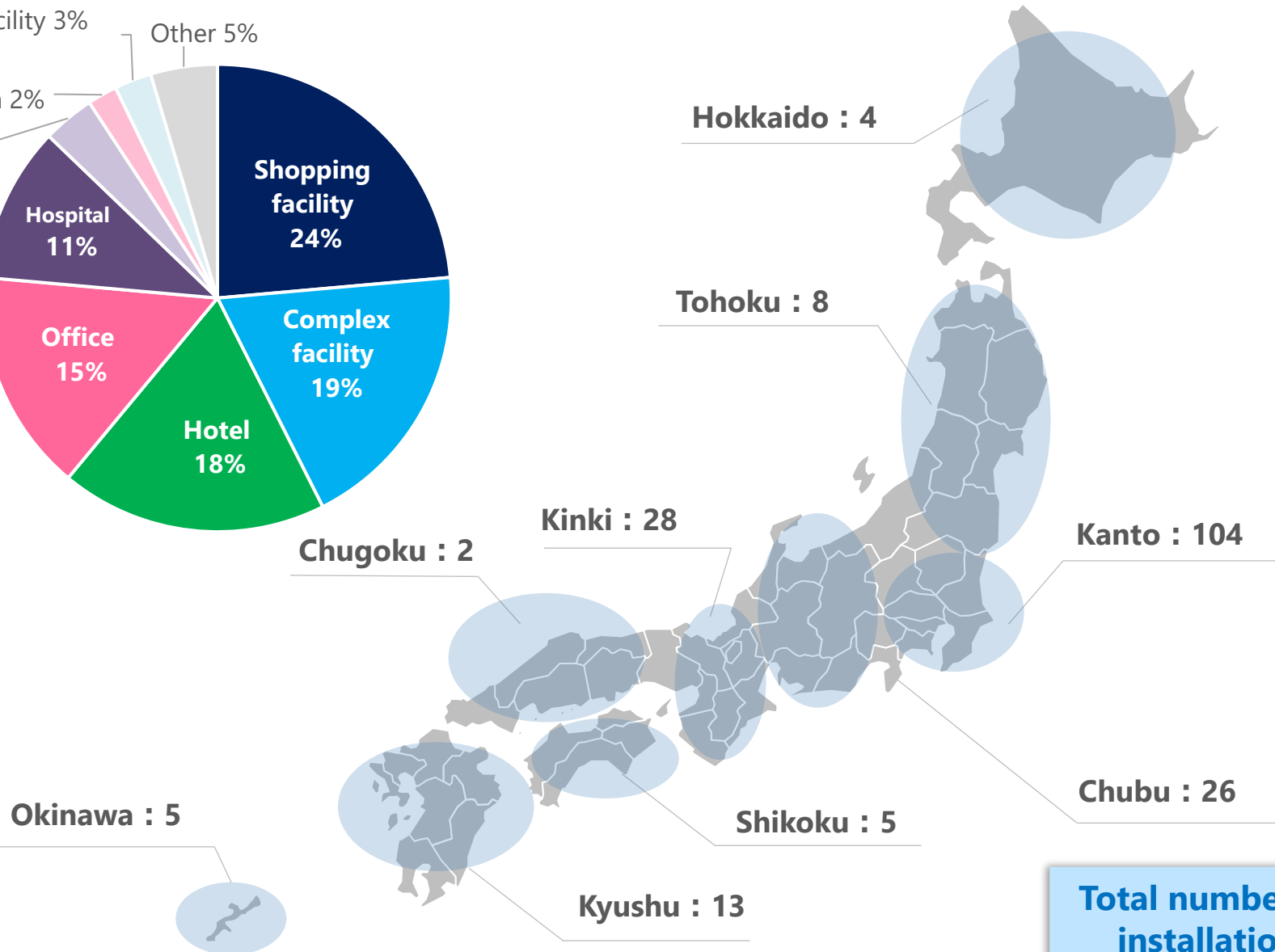
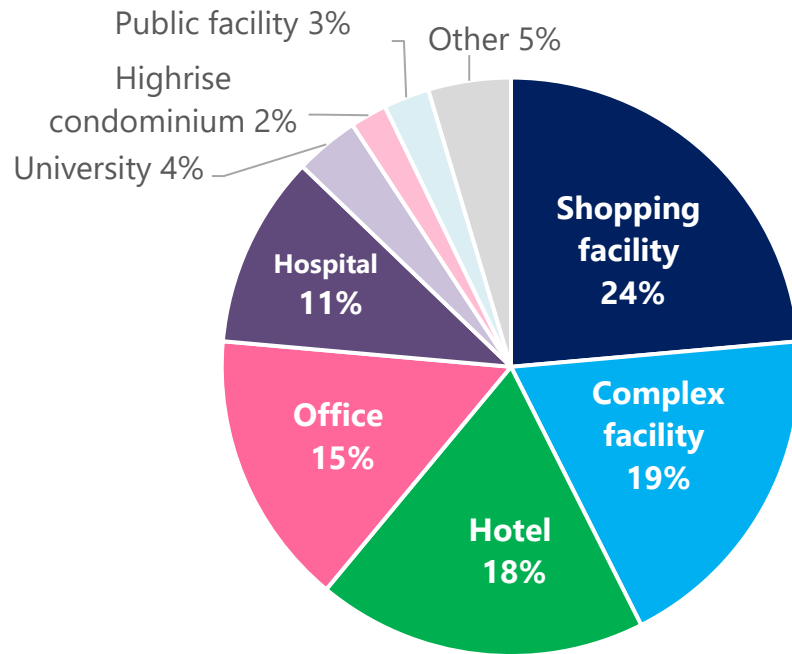
^{*1} : Company estimate based on large-scale projects with floor area of >10,000m². ^{*2} Large-scale projects with >330m² per floor (as of Sept. end 2018, office building criterion based on Sanko Estate). ^{*3} : Large-scale projects with >1,500m² retail floor space and >10 tenants, developed by a developer. ^{*4} : Based on the number of resort hotels, city hotels and business hotels in Japan (as of Dec. 31, 2018). ^{*5} : Large hospitals with >300 beds in Japan (excluding general clinics, as of Oct. 1, 2017). ^{*6} : Condominium buildings with >20 floors in Japan (estimate for 2020 as of Oct. 31, 2018). ^{*7} : Total number of tunnels used by private railway companies and Japan Railway Company based on the statistics provided by the Ministry of Land, Infrastructure, Transport and Tourism (as of 2016)
Source: "OFFICE RENT DATA 2017" by Sanko Estate Co., Ltd., Japan Council of Shopping Centers Website, TOKYO KANTEI Co., Ltd. and the Ministry of Land, Infrastructure, Transport and Tourism (Annual Railway Statistics)

Domestic IBS

4

-The number of installations around the country and type of buildings ^{*1, 2}

JTOWER

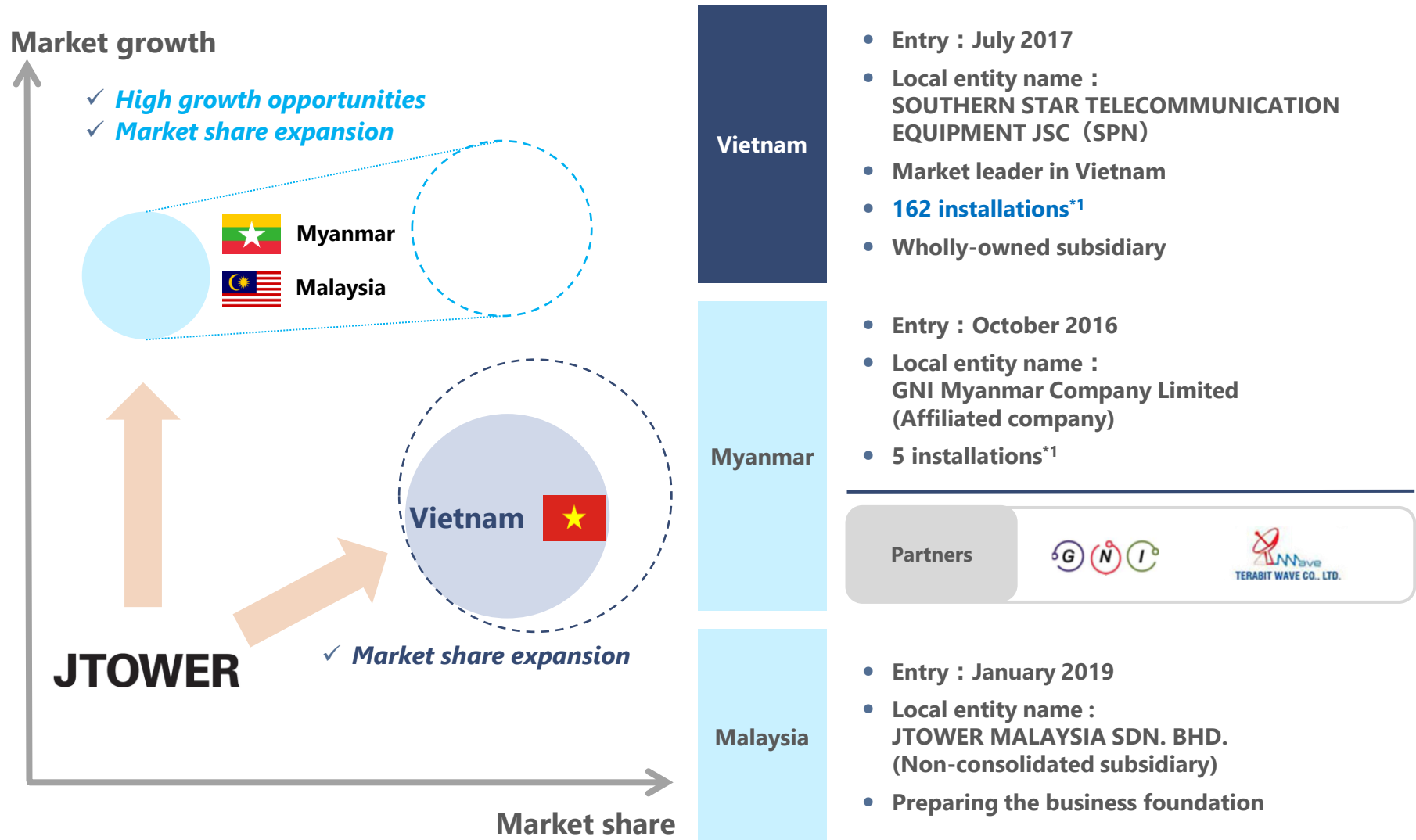


**Total number of
installation
195^{*1}**

*1: As of September 30, 2020

*2: The number of buildings where IBS installation was completed

Expansion mainly in Southeast Asia by partnering with influential local players



*1: As of September 30, 2020

4 Tower – Potential Demand Driven by 5G

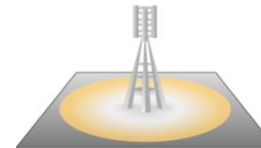
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Challenges for 5G Network Roll-out

- ✓ Smaller cells and multiple cells
- ✓ Lack of installation locations + New entry of the fourth carrier
- ✓ Concerns about degrading landscape aesthetics

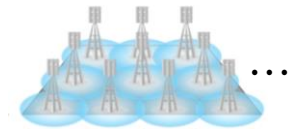
Increase in Demands Driven by 5G

<Conventional>



A few base stations cover a wide area

<Future>



5G network must be covered more frequently by a larger number of base stations

Full-scale 5G Infrastructure Investment

Infra-Sharing Guideline by MIC

移動通信分野におけるインフラシェアリングに係る電気通信事業法及び電波法の適用関係に関するガイドライン

2018年12月

1. ガイドラインの目的

携帯電話等の移動通信サービスの提供においては、広範な地域に相当多数の基地局を設置することが必要となる。

特に、第5世代移動通信システム（以下「5G」という。）の導入に当たっては、移動通信システムの高速度・大容量化や高周波数帯の利用のために基地局の小セル化や多セル化が必要となるが、空中線を設置するための鉄塔の設置場所やビル等の物理スペースは限られており、また、景観上の問題等で新たな鉄塔等の設置が制限される場合もあるため、ビルや地下街等の屋内のみならず、ビル屋上やルーラルエリア等の屋外において鉄塔等の設備を他人に使用させ、又は複数事業者間で共同で使用する「**インフラシェアリング**」がこれまで以上に重要となることが想定される

Infra-Sharing will play an even more significant role

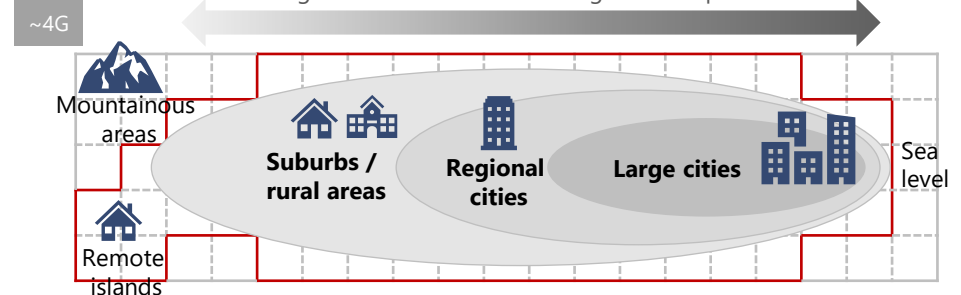
5G Base Stations Deployment Policy

Based on area coverage

→ **Development focus will be on business feasibility and not area type (residential, urban, regional, etc.)**

Based on population coverage

→ Coverage of residential areas & large cities is prioritized



※Divide country into grids of 10km² to determine areas to develop

Entry Background into Tower Business

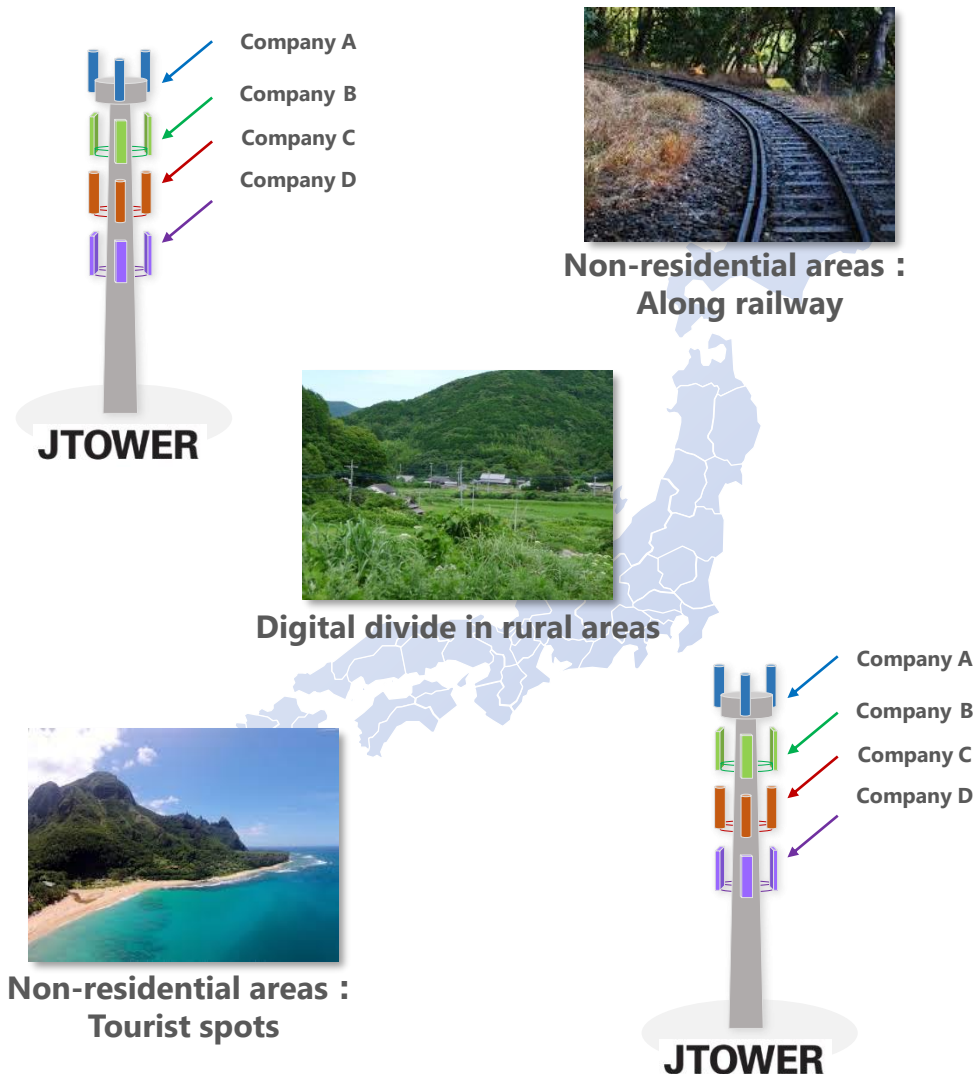
- ✓ Growing demand for **5G network rollout**
- ✓ Entry of a **new mobile network operator**
- ✓ **Infra-Sharing Guideline** by MIC*1 (December 2018)

Overview of Tower Sharing

- ✓ Share outdoor communication infrastructure among mobile network operators
- ✓ Resolve various issues such as CAPEX burden, lack of locations and landscaping
- ✓ Open not only to mobile network operators but also to IoT operators

*1: MIC: Ministry of Internal Affairs and Communications

Demands for Newly-built 5G Towers Mainly in the Rural Areas



4 Solution – Up-selling for Infra-Sharing

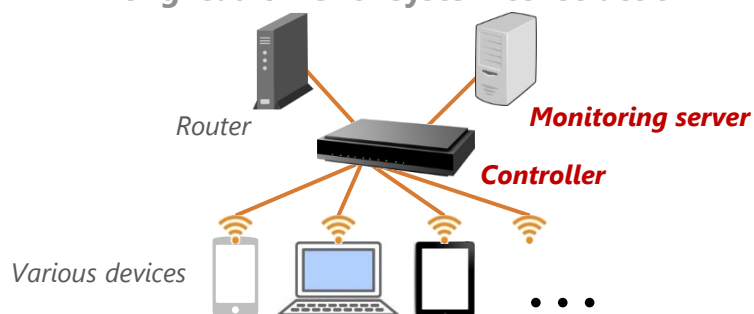
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Provide indoor Cloud-managed Wi-Fi solution and SITE LOCATOR service which match the needs for monetization of idle space of real estates and BTS installation of mobile network operator

Cloud-managed Wi-Fi Solution

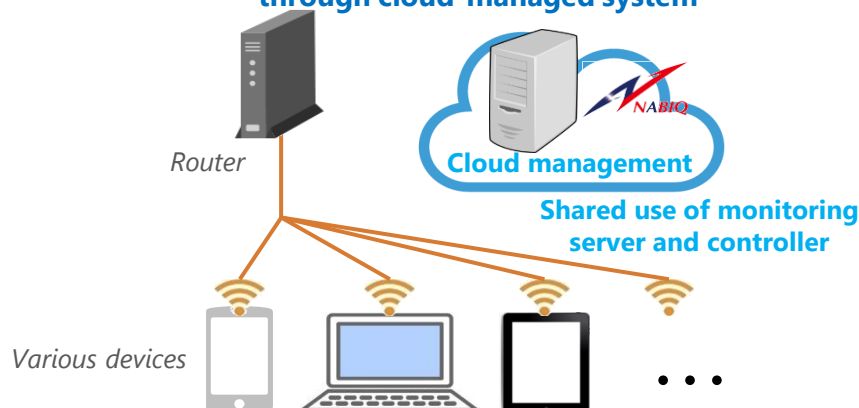
Conventional Wi-Fi

Requires much equipment and long lead time for system construction

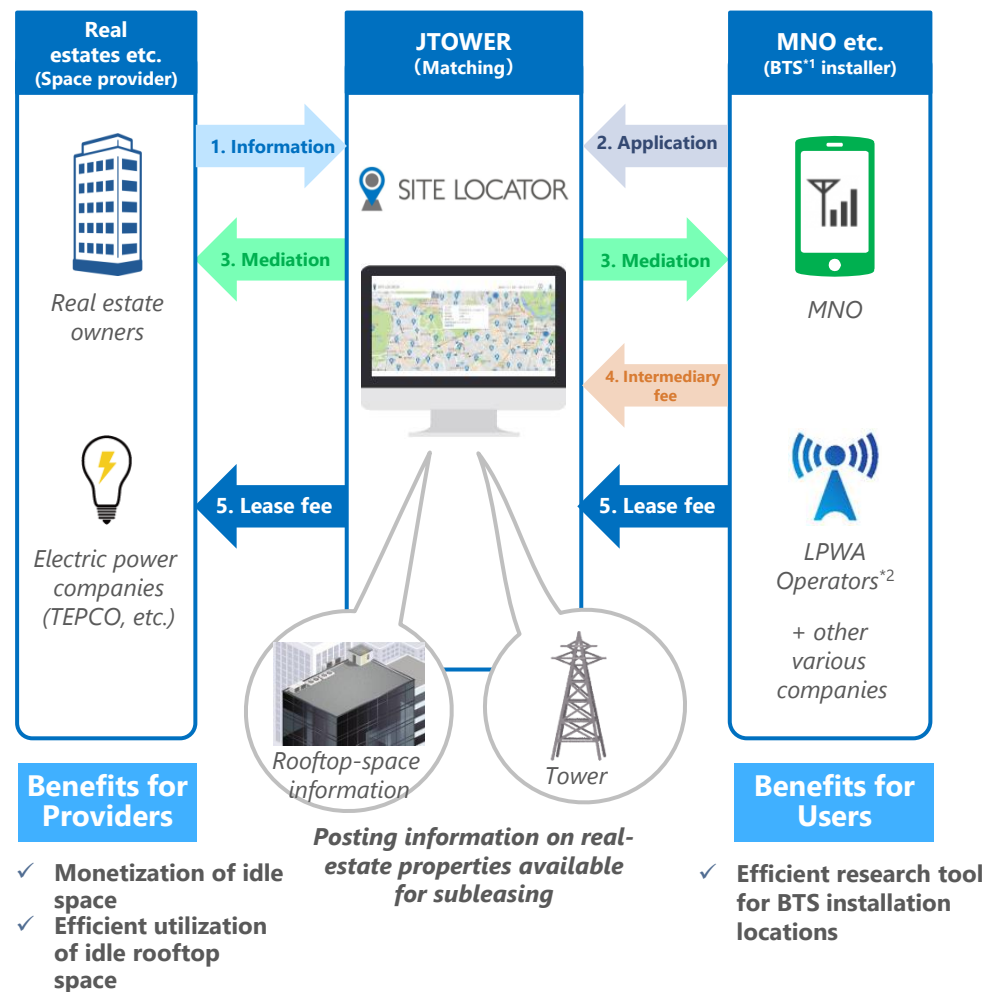


JTOWER Wi-Fi

Enables low-cost, highly secure installation through cloud-managed system



Overview of SITE LOCATOR Service



*1: BTS: Base Transceiver Station

*2: LPWA stands for Low Power Wide Area and is a type of wireless telecommunication wide area network designed to allow long range communications at a low bit rate

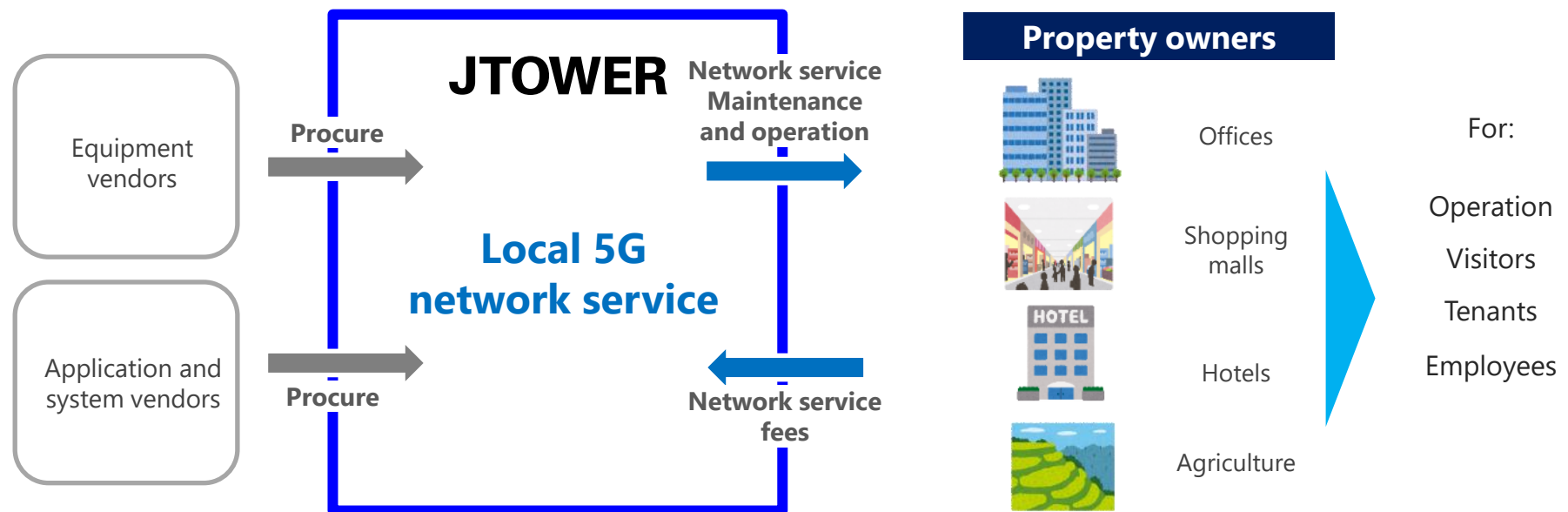
4 Development of Local 5G Service

JTOWER

- Use the management resources we have accumulated in domestic IBS Business for development of services.
- Plan to make investments in the verification process and other start-up costs.

✓ The Image of Our Local 5G Services

Expect to provide B2B2C and B2B2B services to property owners



International IBS



Vietnam

- Operating as a consolidated subsidiary (top player in Vietnam).
- [Possibility for M&A of local competitors or existing assets in operation.](#)



Myanmar

- Operating as an equity-method affiliate (Myanmar) and non-consolidated subsidiary (Malaysia).



Malaysia

- [Strengthening the business foundation](#) through the improvement of the operating system and the organizational structure.
- The improvement of profitability in mid- to long-term.

Solution

Provide following and other solutions as value-added services to the IBS and tower business:



Cloud-based
Wi-Fi solution

- Started providing an independent solution service to meet the demands of real estate companies.
- [Strengthening upsell strategies for properties where we provide our IBS service.](#)



SITE LOCATOR



SITE LOCATOR
service

- Strengthening marketing strategies including alliance with partners such as JA Mitsui Leasing to [scale up the database.](#)
- Explore opportunities to provide further value-added services.

**Announced Capital & Business Partnership with NTT(Holding Company)
on July 4, 2019. (NTT acquired approx. 20% of stake.)**

Provision of Infra-Sharing Solutions Combining the Resource of Both Companies

JTOWER

Expertise in the field of Infra-Sharing,
and related sales & technical capabilities.

NTT Group

Wealth of operational know-how
and technical capabilities
in telecommunications.

(Business Partnership example) Use of facilities owned by NTT Group and its store of know-how in areas such as construction, maintenance, and related management

Development of solutions

Issues facing the entire communications industry in the 5G era

Huge capital investment

Assurance of installation sites
for base stations

Targeting contribution to the efficiency in the early expansion of service areas and the contraction of quiet areas in the 5G era

Position of both companies in capital and business partnership

JTOWER

Expertise in the field of Infra-Sharing,
and related sales & technical
capabilities.



Mitsubishi UFJ Lease & Finance

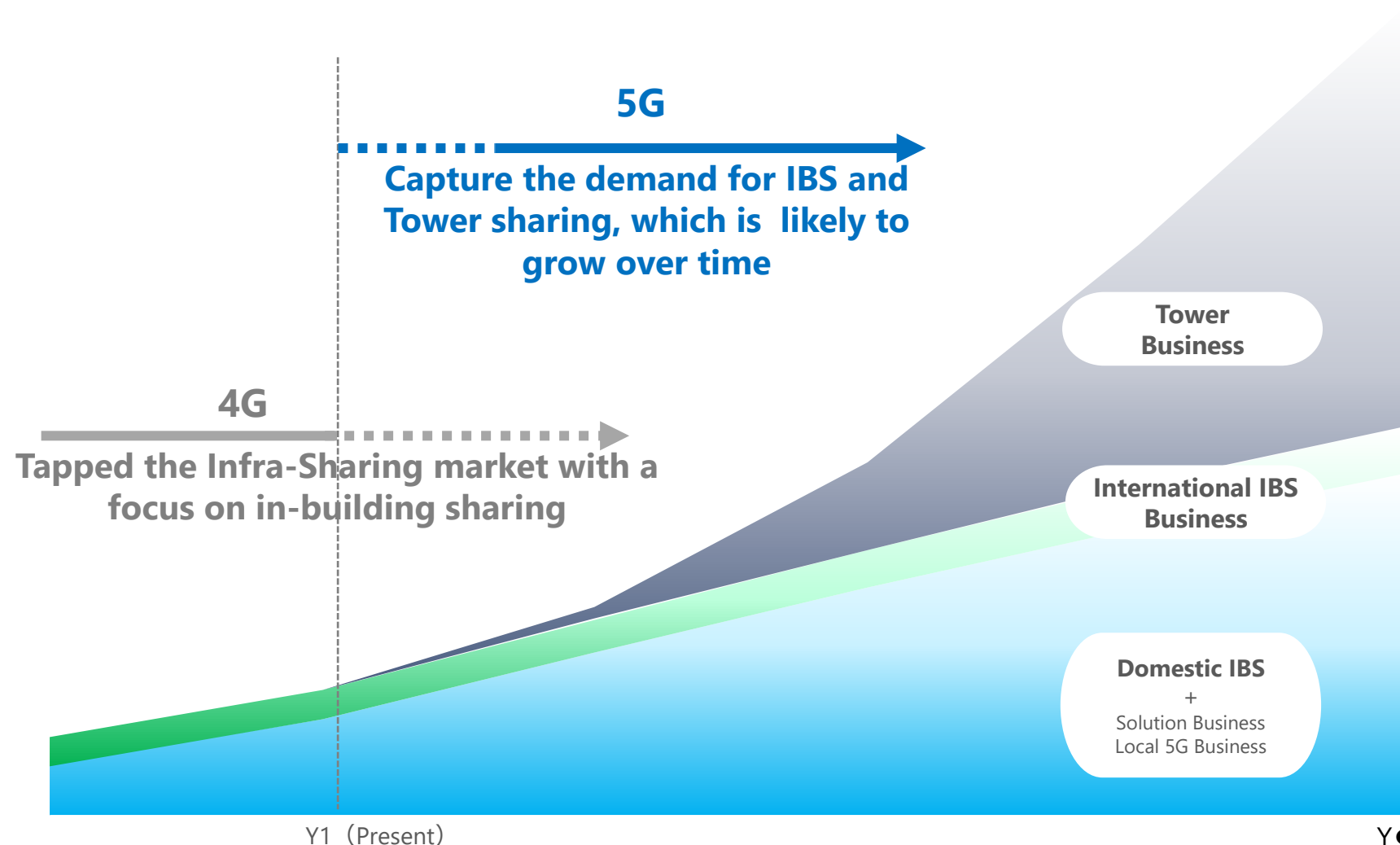
Customer base of real estate companies
and local governments, asset business
insights and financial base.

**Utilization of the customer base of Mitsubishi UFJ Lease & Finance in
sales activities to real estate companies and local governments.**

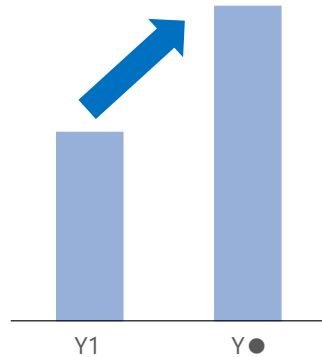
**Cooperation in the establishment of a finance scheme for capital
investment in indoor and outdoor telecommunications infrastructure.**

4 Mid-to Long-term Growth Strategy

Aiming to expand the Domestic IBS business and the Tower business supported by the increasing 5G demands for the efficient capital investments in telecom infrastructure area

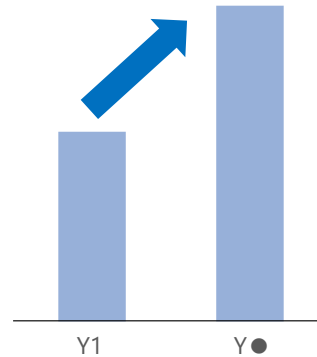


Number of Properties Installed



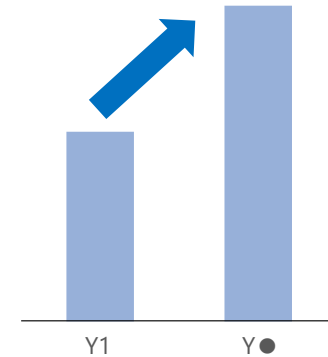
- ✓ Development demand for Tokyo Olympics and Osaka-Kansai Japan Expo etc.
- ✓ Strengthen the business foundation by Capital & Business Partnership with NTT (Holding Company)

Tenancy Ratio



- ✓ Increase in the entry of mobile network operators such as further participation on existing properties

Unit Price



- ✓ Introduction of shared equipment for 5G to the existing and new properties
- ✓ Additional value for IBS Business
 - Provide Wi-Fi solutions
- ✓ Provide local 5G-related solutions

Advancement to be Enabled by 5G

4G (LTE)

5G

100 Mbps

High
speed/
volume> 10 Gbps^{*2}

Baud rate will be more than 100 times faster

0.01 sec

Strong
reliability/
low latency

≤ 0.001 sec

Delay time will be shortened by up to one tenth

10,000
devices/km²Massive
connectivity1 million
devices/km²

Concurrent device connection limit will increase by more than 100 times

**Demand for infrastructure will increase
due to the significant impact of 5G
related services**

Estimated Market Size of the Radio Industries in the 5G Era

(JPY tn)

120

100

80

60

40

20

0

2015

2020

2030

2040

■ Radio-related industries

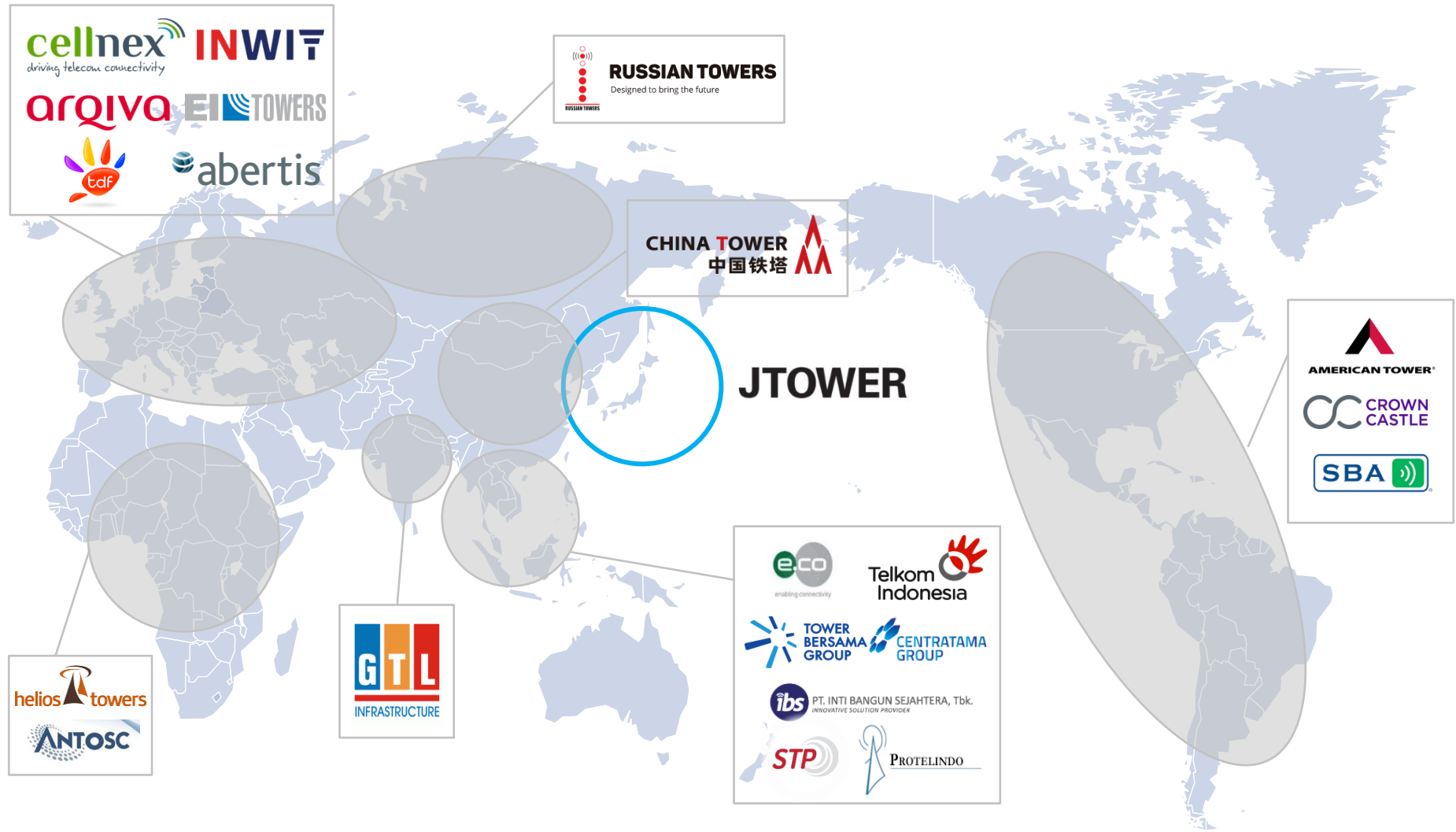
■ Radio-usage industries

Automotive infrastructure
Manufacturing (robot),
Distribution,
Info-communications
(excl. radio),
etc.

Mobile communication,
IoT infrastructure
Wireless content,
etc.

Note: "Radio-related industries" is defined as industries in which companies use radio in their main business
"Radio-usage industries" is defined as industries in which companies use radio to enhance or streamline their services (excl. radio-related industries)
Source: Mitsubishi Research Institute

*1: As of September 30, 2018
*2: "Gbps" is defined as Gigabits per second. 1Gbps is equal to 1,000,000,000 bits per second
Source: Ministry of Internal Affairs and Communications, Softbank



Notes: Based on the announcement regarding main business operating area by each global tower company

Source: Company Materials

(JPY mn)	FY2017	FY2018	FY2019
Revenue	756	1,377	2,558
Domestic IBS Business	510	863	1,783
International IBS Business	244	455	435
Solution Business	1	59	339
<i>Revenue Growth</i>	<i>356%</i>	<i>82.1%</i>	<i>86.6%</i>
Cost of Goods Sold	587	730	1,278
Gross Profit	169	647	1,279
Selling, General and Administrative Expenses	643	817	1,209
Operating Profit	▲474	▲169	69
<i>Operating Profit Margin</i>	-	-	<i>2.7%</i>
EBITDA*1	▲225	168	737
<i>EBITDA Margin</i>	-	<i>12.2%</i>	<i>28.8%</i>
Ordinary Profit	▲479	▲166	5
Net Income Before Income Taxes	▲560	▲166	▲1
Net Income Attributable to Non-Controlling Interests	1	15	2
Net Income Attributable to Owners of the Parent	▲577	▲214	▲13
Consolidated Number of Employees*2	72	116	138

*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

*2: Number of employees includes the average number of temporary workers (contract workers and workers from staffing agencies) in the past year.

(JPY mn)

	FY2017	FY2018	FY2019
Current Assets			
Cash and Cash Equivalents	2,452	2,329	7,188
Notes and Accounts Receivable	195	379	482
Total Current Assets	2,781	2,983	8,032
Non-current Assets			
Tangible Fixed Assets	1,500	3,631	5,860
Goodwill	460	638	579
Total Non-current Assets	1,994	4,412	6,614
Total Assets	4,776	7,396	14,646

Financial Indicators

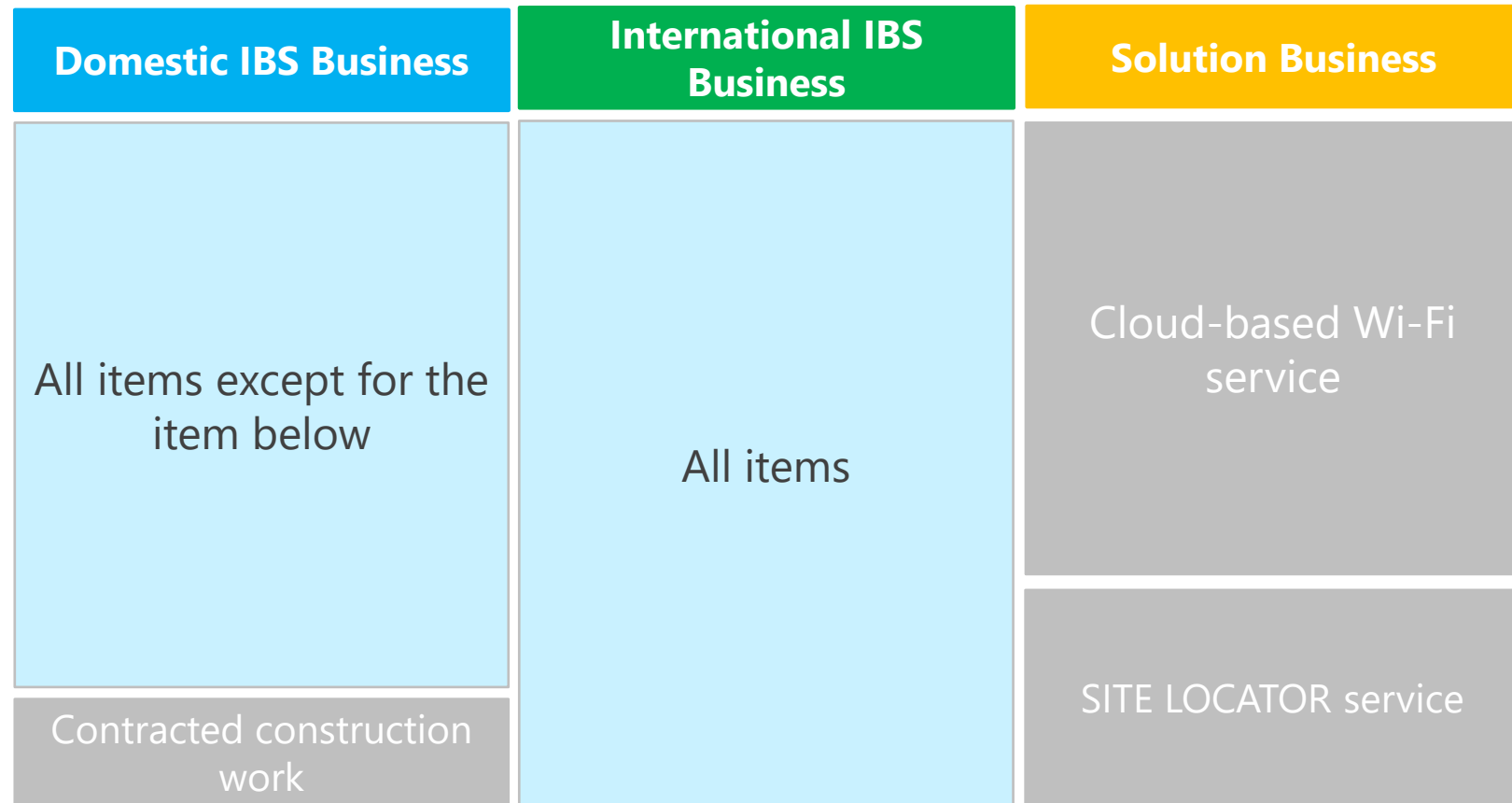
Debt	637	818	1,083
Net Debt	▲1,815	▲1,510	▲ 6,104
Capital Expenditure	913	2,441	2,787
Equity Ratio	24.1%	21.0%	45.3%

	FY2017	FY2018	FY2019
Current Liabilities			
Accounts payable - trade	68	172	193
Shor-term borrowings	15	12	45
Accounts payable - other	429	1,019	1,204
Unearned revenue	318	737	1,525
Total Current Liabilities	986	2,143	3,288
Non-current Liabilities			
Long-term borrowings	150	300	300
Long-term unearned revenue	1,024	2,042	3,869
Total Non-current Liabilities	1,580	2,744	4,723
Total Liabilities	2,566	4,887	8,011
Share capital	1,049	1,399	4,272
Capital surplus	1,341	1,658	2,433
Total Net Assets	2,209	2,508	6,635
Total Liabilities and Net Assets	4,776	7,396	14,646

(JPY mn)	FY2017	FY2018	FY2019
Cash Flows from Operating Activities	888	1,290	3,165
Change in Unearned revenue	1,002	1,437	2,565
Depreciation	233	300	612
Amortization of Goodwill	15	36	53
Cash Flows from Investing Activities	▲1,900	▲2,110	▲2,699
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	▲91	-
Purchase of property, plant and equipment	▲800	▲1,775	▲2,611
Purchase of shares of subsidiaries resulting in change in scope of consolidation	▲1,067	▲99	-
Cash Flows from Financing Activities	2,603	570	4,385
Net Increase (Decrease) in Short-term Borrowings	14	▲2	32
Proceeds from issuance of shares	1,095	697	5,725
Proceeds from Share Issuance to Non-controlling Shareholders	1,060	-	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	▲158	▲1,604
Effect of exchange rate change on cash and cash equivalents	-27	▲4	▲0
Net Increase (Decrease) in Cash and Cash Equivalents	1,563	▲254	4,851
Net Increase (Decrease) in Cash and Cash Equivalents Due to Changes in Scope of Consolidation	-	-	▲6
Cash and Cash Equivalents at Beginning of Period	697	2,261	2,006
Cash and Cash Equivalents at End of Period (Q4)	2,261	2,006	6,851

■ Infra-Sharing Revenue

■ Other Revenue



*1: Breakdown as of September 30, 2020

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The financial results for the 3rd Quarter of FY2020 are scheduled to be released at 15:00 or later on February 5, 2021.

JTOWER

SHARING THE VALUE

**Creating business with social impact
that brings value to all stakeholders**