

FY03/2021 Q3

JTOWER

Financial Results for the 3rd Quarter of FY2020 ended December 31, 2020

February 5, 2021

J T O W E R Inc.

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Appendix

Consolidated revenue increased by 50% YoY to JPY2,588 million, continuing high growth

- Excluding Nabiq (excluded from consolidation from 2H), consolidated revenue grew by 56% YoY.
- The revenue for the Domestic IBS business increased by 69% YoY to JPY2,046 million, driving overall revenue growth.
- Infra-Sharing revenue^{*1} accounted for 87% of the total revenue, establishing a stable revenue base.

Profitability improved due to strong operating profit

- SG&A expenses decreased due to the deconsolidation of Nabiq, the postponement of recruitment and the continuation of remote work, in addition to the expansion of Infra-Sharing revenue. As a result, consolidated operating profit increased from JPY16 million in 9 months of the previous fiscal year to JPY291 million.
- Consolidated EBITDA grew almost double YoY to JPY968 million.

Steady progress in Q3

- The impact of COVID-19 remained in line with expectations, and overall results were steady compared to the forecasts.
- The number of installations in Domestic IBS progressed at a faster pace (the full year forecast is 68) and the number of pipelines (installations to be completed) is also brisk, exceeding 100.
- In growth areas such as 5G IBS and Tower, we will formulate a business model and strengthen business foundation in FY2020 in preparation for full-scale development in the next fiscal year and onwards.

*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.

Assumptions for expected impacts in 2H forecasts

Domestic IBS

Incorporate delays in service launch due to delays in construction and postponement of opening schedule. (for about one month)

International IBS

* Incorporate financial results in 3 months time lag. Some impacts will become apparent in 3Q (July-September).

Solution

Limited impact due to exclusion of Nabiq from consolidation from 2H.

SG&A

Promote recruitment activities to catch up with delays. Expenses related to offices and business trips are assumed to gradually normalize.

Impact on Q3 results

No significant impact such as delays or schedule changes that would cause delays in service launch, and **the number of installations exceeded expectations** (No significant impact as of early February (Under the latest state of emergency)).

Impact became apparent as expected in Q3 (July to September).

With the expected results.

Recruitment was delayed slightly, and remote work was continued, but SG&A expenses were **generally in line with plan.**

- Revenue increased to JPY2,588 million (+50% YoY), excluding Nabiq (excluded from consolidation from 2H), **grew by 56% YoY**. EBITDA increased to JPY968 million (**about 2x YoY**), and operating profit increased from JPY16 million in 9 months of the previous fiscal year **to JPY291 million**.

(JPY mn)	FY2019	FY2020		
	Q3 (9 Months) Results	Q3 (9 Months) Results	Change	
			Amount	%
Revenue	1,729	2,588	+858	+49.7%
EBITDA *1	487	968	+480	+98.5%
<i>EBITDA Margin</i>	28.2%	37.4%	+9.2pt	
Operating Profit	16	291	+274	+1,628.9%
<i>Operating Profit Margin</i>	1.0%	11.3%	+10.3pt	
Ordinary Profit	-36	264	+301	—
Net Income	-67	260	+327	—
Capital Expenditure *2 (Investment Cash Flow)	—	-1,981	—	—

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

*2: Unaudited figure. The calculation based on the results of Q1 FY2020 and no calculation of previous year figure.

1 FY2020 Q3 Consolidated Results – BS (1/2)

JTOWER

- Cash and Cash Equivalents increased by JPY1,583 million from the end of FY2019 to **JPY8,771 million** due to an increase in Infra-Sharing revenues, which exceeded capital investment, thereby maintaining financial soundness.

	FY2019	FY2020	
(JPY mn)	March 31, 2020	December 31, 2020	Change
Current Assets	8,032	9,335	+ 1,303
Cash and Cash Equivalents	7,188	8,771	+ 1,583
Notes and Accounts Receivable	482	418	- 64
Non-current Assets	6,614	7,539	+ 925
Tangible Fixed Assets	5,860	6,846	+ 986
Goodwill	579	343	- 236
Total Assets	14,646	16,875	+ 2,228
Financial Indicators			
Debt	1,083	1,283	+ 200
Net Debt	-6,104	-7,488	- 1,383
Equity Ratio	45.3%	40.9%	- 4.4pt

1 FY2020 Q3 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).

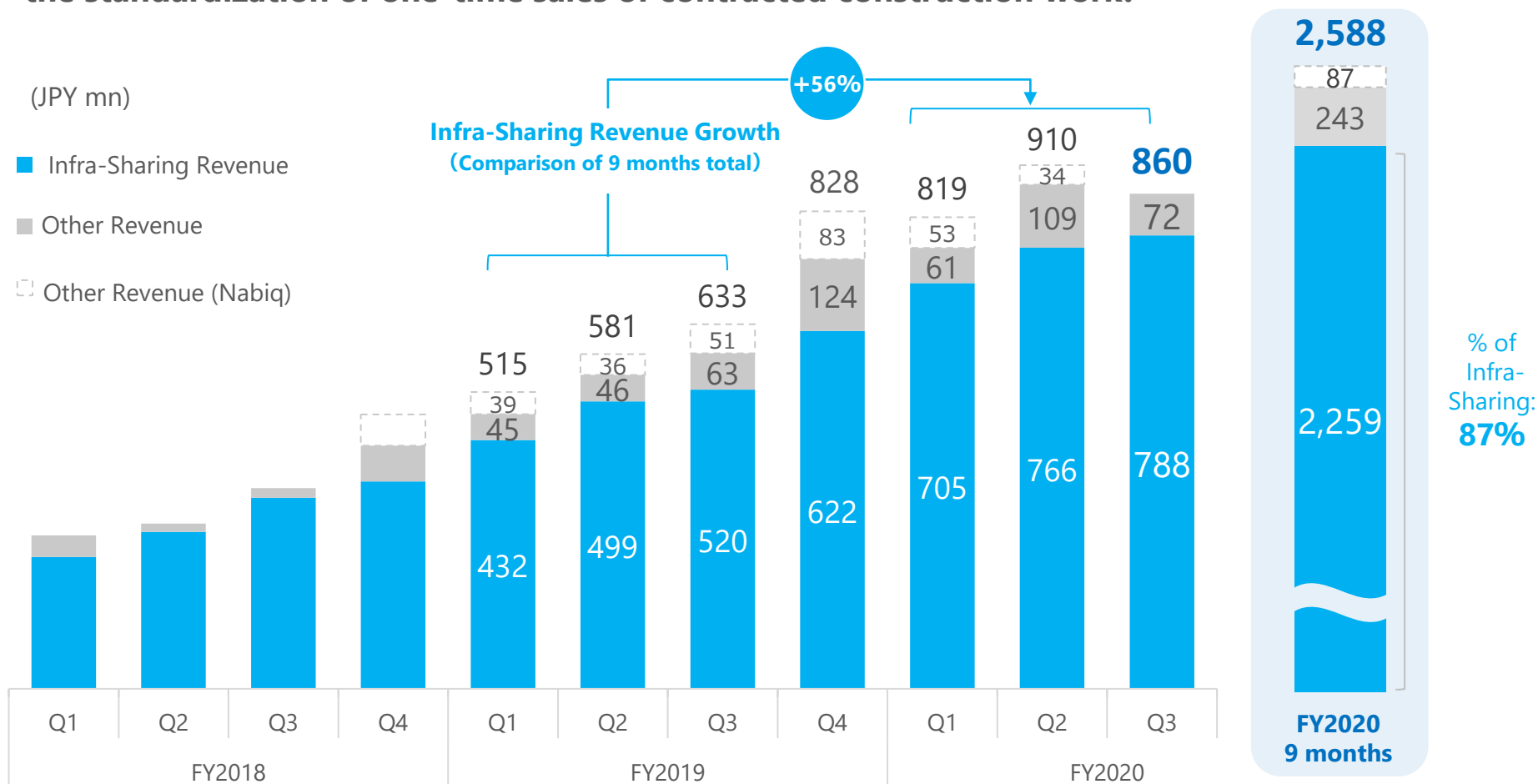
(JPY mn)	FY2019	FY2020	
	March 31, 2020	December 31, 2020	Change
Current Liabilities	3,288	3,978	+689
Accounts payable - trade	193	142	- 51
Short-term borrowings*1	45	210	+165
Accounts payable - other	1,204	870	- 333
Unearned revenue	1,525	2,355	+829
Non-current Liabilities	4,723	5,989	+1,265
Long-term borrowings	300	230	- 70
Long-term unearned revenue	3,869	5,161	+1,291
Total Liabilities	8,011	9,967	+1,955
Net Assets	6,635	6,908	+273
Share capital	4,272	4,294	+22
Capital surplus	2,433	2,456	+22
Total Liabilities and Net Assets	14,646	16,875	+2,228

*1: Including long-term borrowings due within one year.

1 Historical Consolidated Revenue

JTOWER

- Infra-Sharing revenue*¹ has grown by **56%** YoY accounting for **87%** of the total consolidated revenue and Q3 result (3 months) was exceeded expectations.
- Other revenue decreased from the previous quarter due to the deconsolidation of Nabiq and the standardization of one-time sales of contracted construction work.



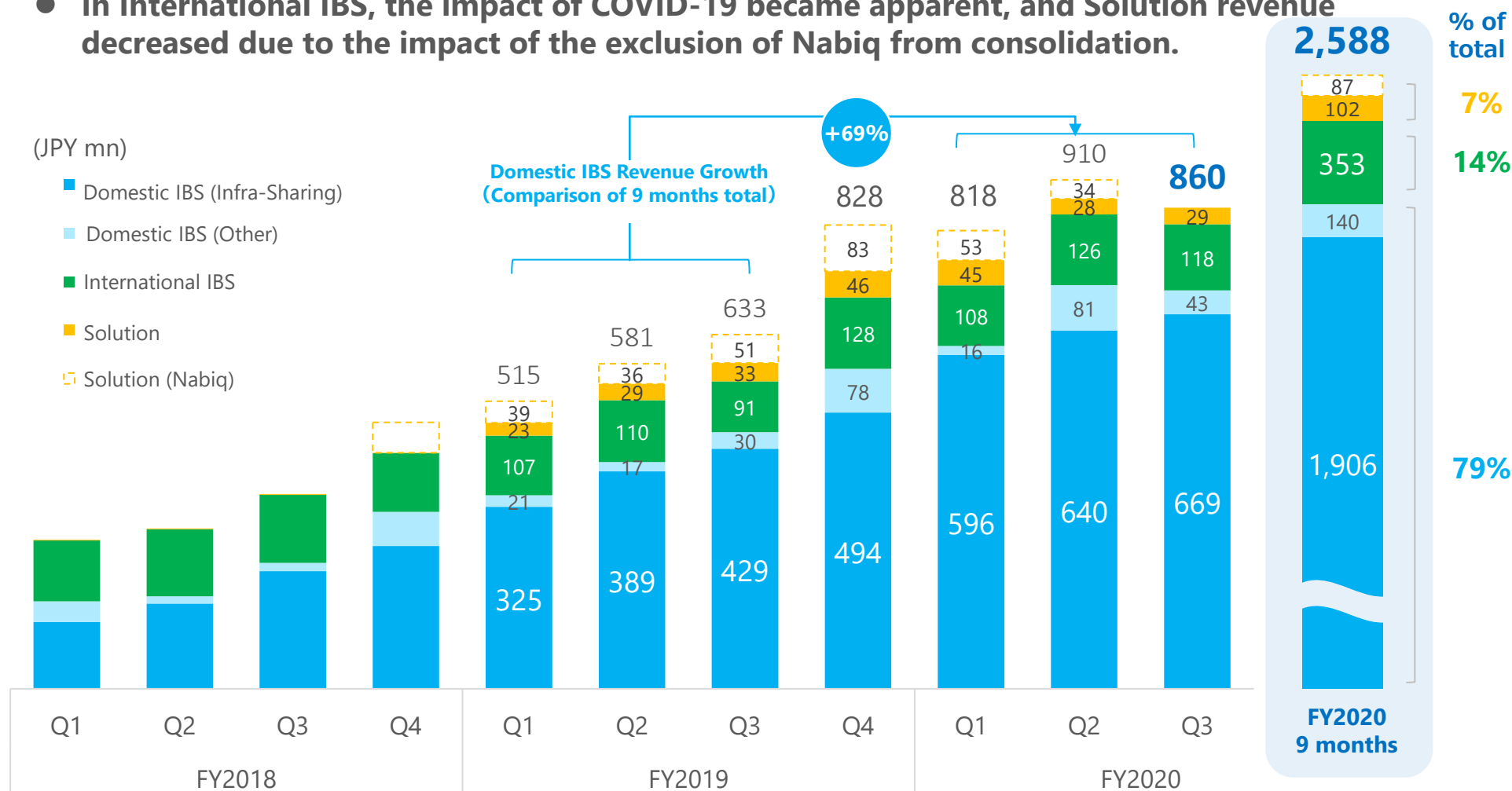
*1: Revenue from Infra-Sharing service based on long-term contracts. For details, please refer to "Breakdown of Infra-Sharing and Other Revenues by Business" in Appendix.

*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 **69%** YoY and has grown to account for **79%** of the total consolidated revenue. In Q3 results (3 months), steady growth in Infra-Sharing revenue and normalization of one-time sales of contracted construction.
- In International IBS, the impact of COVID-19 became apparent, and Solution revenue decreased due to the impact of the exclusion of Nabiq from consolidation.



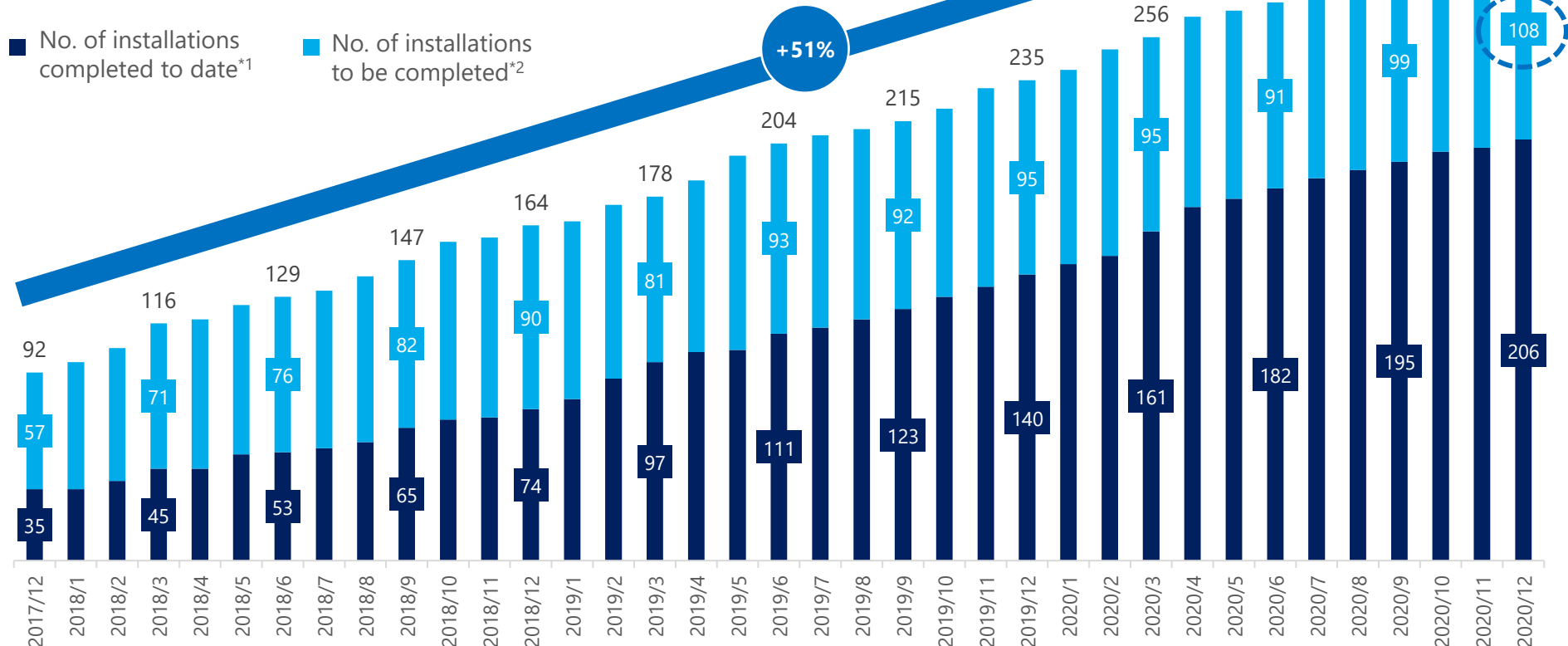
Note: Breakdown of quarterly revenue by business is unaudited.

1 Historical Number of Installations (Domestic IBS) JTOWER

- Total number of IBS installations has increased to **314** (installation completed: **206**, to be installed: **108**).
- Total number of completed IBS installations increased by **45** in 9 months. The number of pipelines **exceeded 100 for the first time**.

(Number of properties)

3-year CAGR



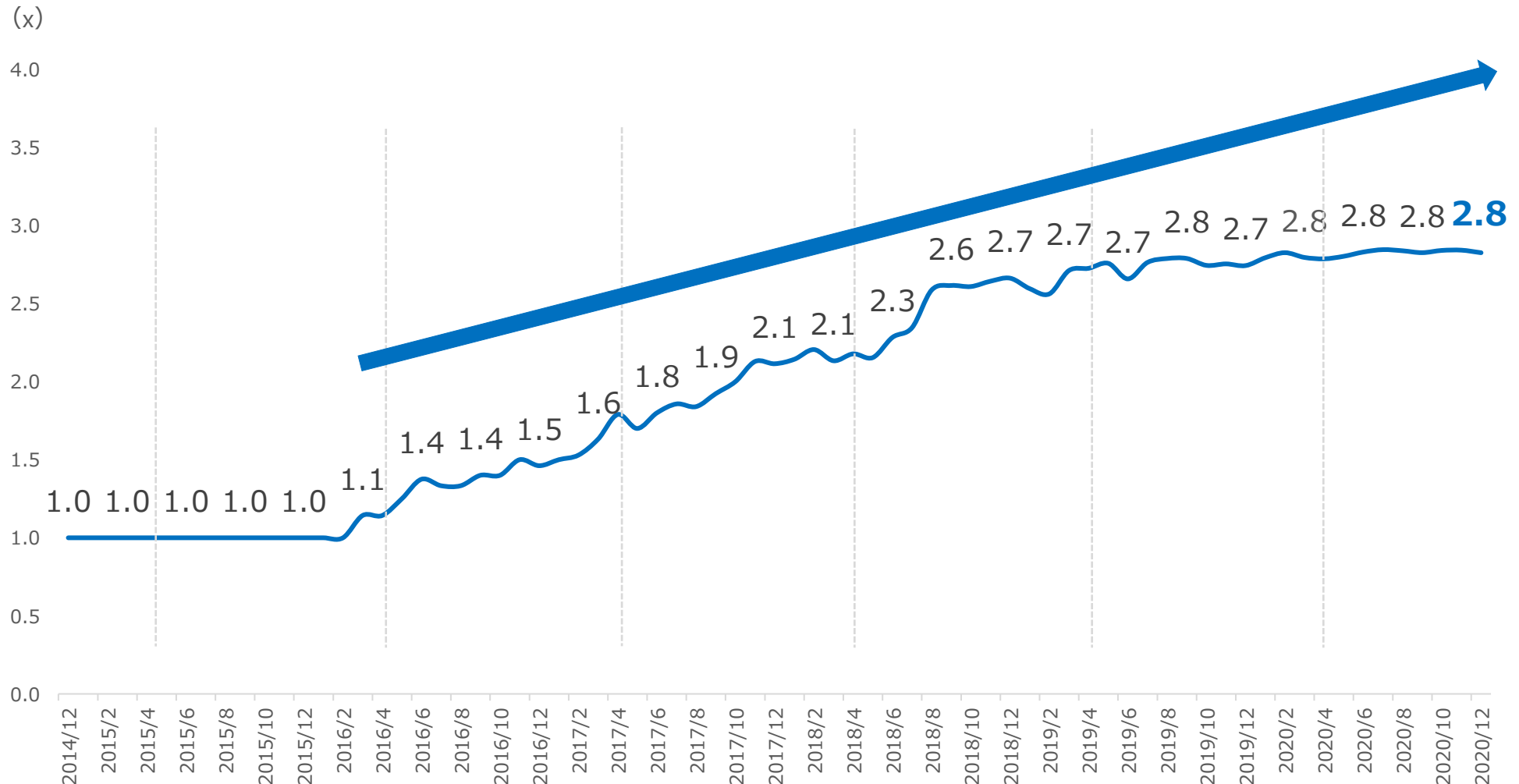
*1: Projects where radio waves have been emitted and revenues are recognized.

*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**.



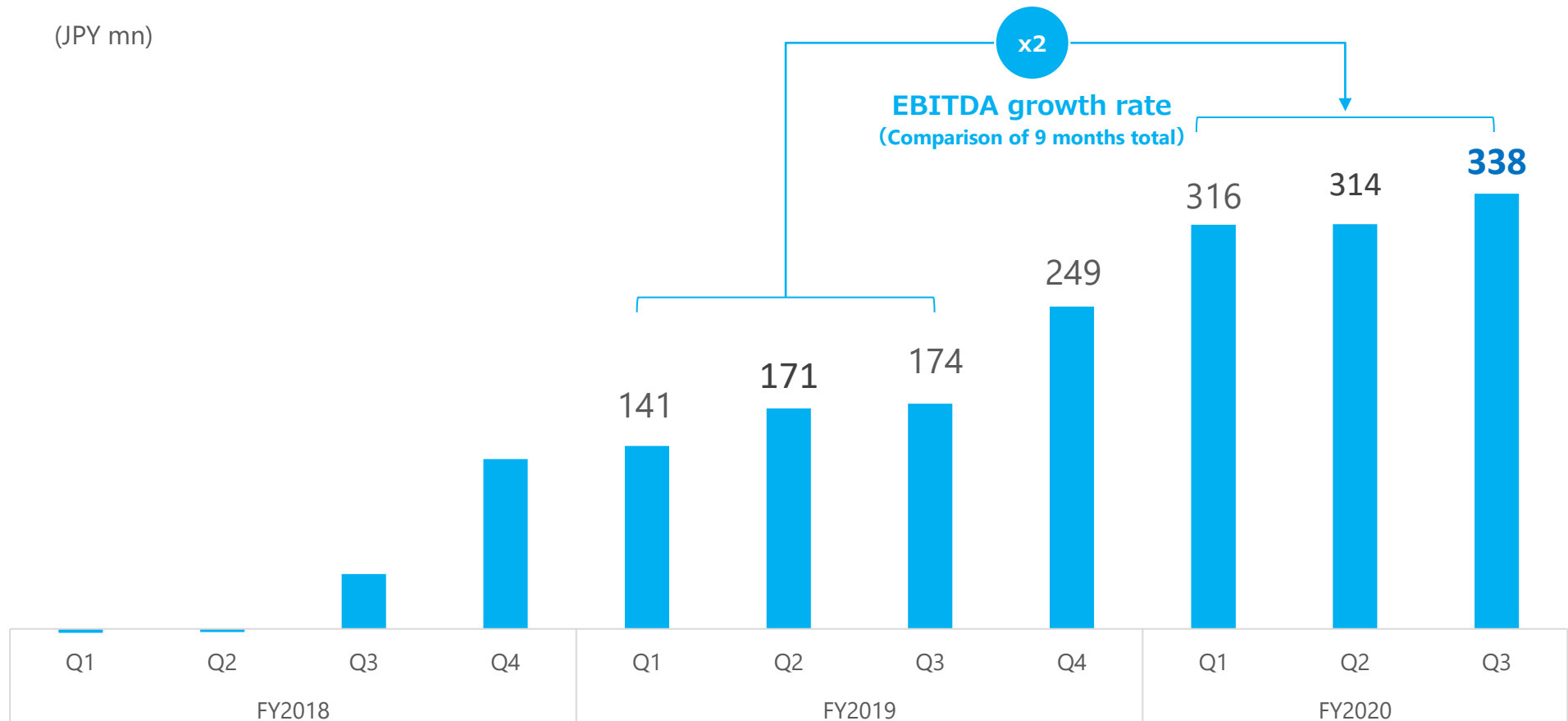
*1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

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 **almost double** YoY to JPY968 million.
- Profitability improved in Q3 (3 months) due to higher Infra-Sharing revenue and lower SG&A expenses.

(JPY mn)



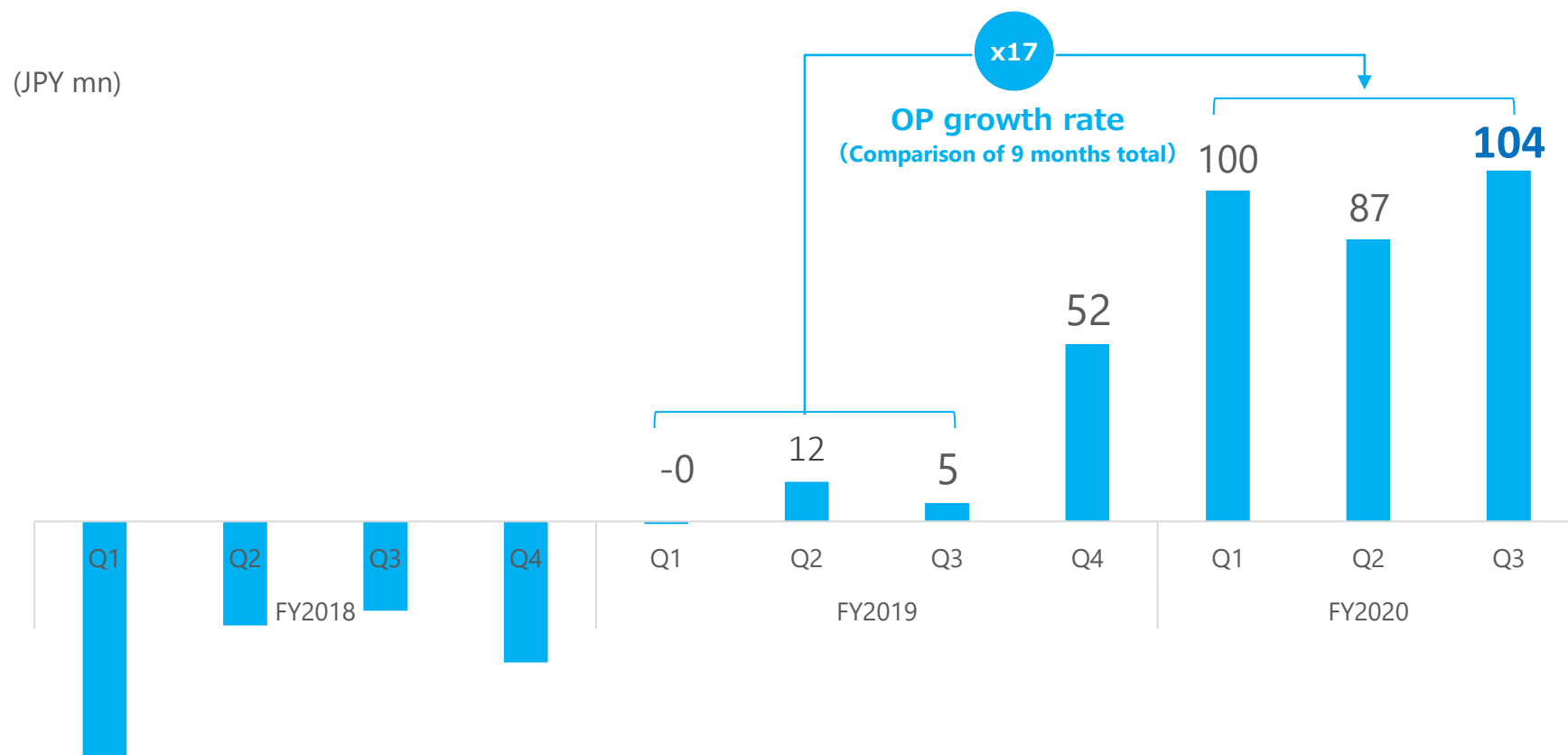
*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

*2: Figures before FY2019 are unaudited..

1 Historical Consolidated Operating Profit

JTOWER

- Operating profit increased from JPY16 million in 9 months of the previous fiscal year to **JPY291 million**.
- Profitability improved in Q3 (3 months) due to higher Infra-Sharing revenue and lower SG&A expenses.



*1: Figures before FY2019 are unaudited.

Historical Consolidated SG&A Expenses

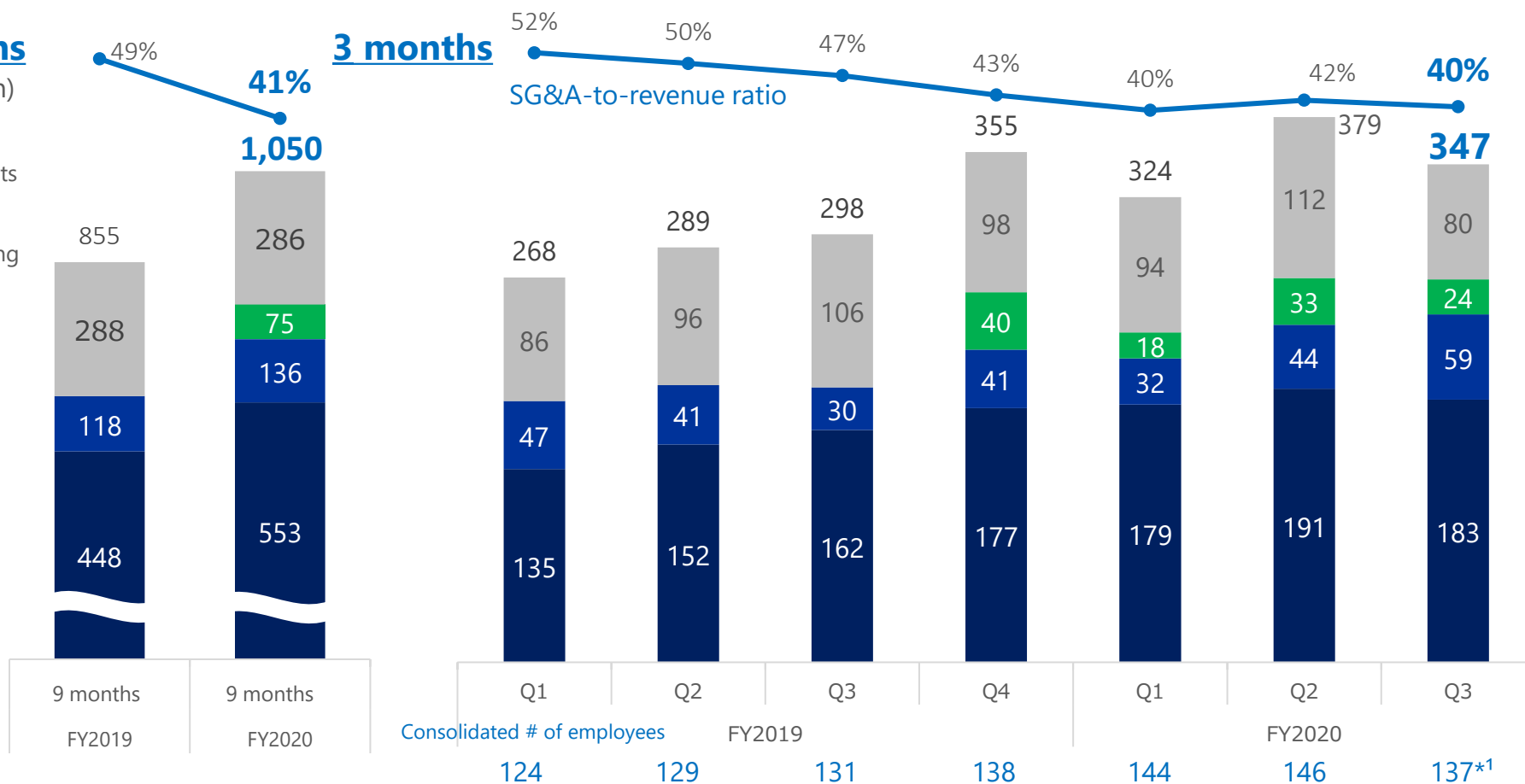
- Consolidated SG&A-to-revenue ratio in 9 months improved 8% YoY to **41%**.
- In Q3 results (3 months), consolidated SG&A-to-revenue ratio remained at the same level as Q1 at **40%** due to the impact of the deconsolidation of Nabiq and lower expenses due to the postponement of recruitment and the implementation of remote work, despite an increase in Tower business related expenses (mainly outsourcing expenses).

9 months

(JPY mn)

3 months

- Labor costs
- Use of outsourcing services
- R&D
- Others



*1: The number of employees on a consolidated basis decreased due to the deconsolidation of Nabiq from Q3 FY2020.

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2 FY2020 Full Year Forecasts

JTOWER

- In Q3, the number of installations in Domestic IBS increased by **11** (**45** in 9 months), exceeding expectations compared to the full-year forecast of an increase of **68**, and remained steady.
(In 2H forecast the number of installations is expected to be Q3<Q4)
- Considering the occurrence of costs including recruitment and outsourcing costs related to Tower and verification costs for local 5G in Q4 and uncertainties in the external environment, such as further impact of COVID-19, full-year forecasts remain unchanged.

(JPY mn)	FY2019	FY2020		
	12 Months Results	(1)12 Months Revised Forecasts (Nov.10,2020)	Change	
			Amount	%
Revenue	2,558	3,424	+866	+33.9%
EBITDA ^{*1}	737	1,272	+535	+72.6%
<i>EBITDA Margin</i>	28.8%	37.1%	+8.3pt	—
Operating Profit	69	300	+231	+334.8%
<i>Operating Profit Margin</i>	2.7%	8.8%	+6.1pt	—
Ordinary Profit	5	258	+253	+5,060.0%
Net Income	-13	300	+313	—
Capital Expenditure (Investment Cash Flow)	-2,611	-2,640	- 29	+1.1%

FY2020	
Q3 (9 Months) Results	Progress %
2,588	76%
968	76%
37.4%	—
291	97%
11.3%	—
264	102%
260	87%
-1,981	75%

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

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3 Initiatives with Tokyo Metropolitan Government JTOWER

Presentation at the second TOKYO Data Highway Summit (November 18, 2020)



Participants of the second TOKYO Data Highway Summit
* Second from left: Atsushi Tanaka, Representative Director of JTOWER

Our initiatives for Tokyo Data Highway in 2020

- Coordination of the installation of shared antennas in assets owned by TMG.
- Preliminary installation and deployment of smart poles in Nishi-Shinjuku area.
- The installation of Japan's first 5G indoor shared antennas in TMG headquarters building.

Selected as a 5G infrastructure provider for Next Generation Shared Office

(announced on February 5, 2021)

TMG*¹

Establish **Next Generation Shared Office** utilizing 5G in vacant government buildings to verify the usefulness of 5G and share related information with the aim to promote remote work as a new working style

JTOWER

As a provider of 5G related infrastructures such as 5G sharing equipment and antennas, we will strive to contribute to the development of efficient indoor 5G networks.



3 Execution of IBS Asset Purchase Agreement at Vietnamese Subsidiary

JTOWER

- On November 17, 2020, the overseas subsidiary SPN engaged in the IBS business in Vietnam, has executed IBS Asset Purchase Agreement with Thien Viet Company Limited one of the IBS operators in Vietnam.

**International IBS**

SPN executed IBS Asset Purchase Agreement with Thien Viet Company Limited one of the IBS operators in Vietnam.
(Announced on November 17, 2020)

Purchase Price (Total)
Approx. 240 million yen

Number of Projects
63 projects
(Approx. 1.8 million m²)

Transfer of ownership expected to be completed
at the end of December, 2021

* Transfer of ownership will be conducted on a property-by-property basis

Revenue contribution
Approximately **150 million yen**

* If this transaction contributes for the full fiscal year

Further promoting growth strategies in Vietnam, including M&A of local competitors and the purchase of existing operating assets

- On January 22, 2021, we made a presentation at the 3rd Radio Policy Roundtable held by the Ministry of Internal Affairs and Communications ("MIC") , to express our opinions on the further promotion of Infra-Sharing.

The Summary of our Presentation at Radio Policy Roundtable on January 22,2021

- In order to promote 5G, Beyond5G, initiatives based on the twin pillars of "competition" and "cooperation" are required.
- From the viewpoint of "cooperation," it is necessary to promote Infra-Sharing, and in particular, it is essential to design a system that focuses on Infra-Sharing operators.
- Proactive use of Infra-Sharing operators in the project related public initiatives and public areas.
- For Beyond5G, it is also efficient to consider a licensing system for Carriers' carrier, which provides an independently built network for mobile network operators.
- Promoting the overseas expansion of 5G Infra-Sharing in cooperation with industry and government.

**We will contribute to the promotion of digital transformation for society as a whole,
while cooperating with governments and related business operators**

- On December 25, 2020, MIC^{*1} released Master Plan 3.0 on the Regional Development of ICT Infrastructure. Master Plan 3.0 will further accelerate the development of 5G base stations, aiming to develop more than 280,000 5G base stations (four times the initial establishment plan) by the end of FY2023. “Promotion of 5G Base Station Development by utilizing Infra-Sharing” is included in the plan.

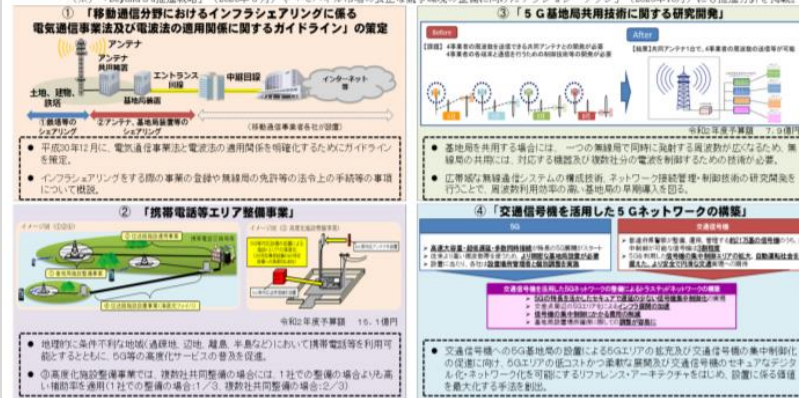
Partial excerpt from MIC's "Master Plan 3.0"

announced on December 25, 2020 ^{*1}

【図表4】 インフラシェアリングの推進に係る取組

- 従来の4G等よりも高い周波数帯域(3.7GHz帯・28GHz帯)を使う5Gでは、より多くの基地局を必要とし、効率的なエリア展開を推進するには、インフラシェアリングの取組が重要。
- 5G用周波数の割当ての際には、携帯4者は開設計画においてインフラシェアリングの取組計画を明記。
- 総務省としても、引き続き以下の施策の推進(※)をはじめ、民間シェアリング事業者の活用や公共的な施設、民間所有施設の基地局としての活用など、自治体も含め官民一体となって取り組む。

(※)「Beyond 5G推進戦略」(2020年6月)や「モバイル市場の公正な競争環境の整備に向けたアクションプラン」(2020年10月)にも推進方針を掲載。



In order to promote the development of 5G network nationwide, including in rural areas, **Infra-Sharing in which multiple operators jointly develop network facilities such as base station facilities will be promoted** in accordance with Guidelines for the Application of the Telecommunications Business Act and Radio Act Concerning Infrastructure Sharing in the Mobile Communications Field (formulated in December 2018).

The public and private sectors, including local governments, will work together to promote;

- The support for joint development by multiple operators in the development of mobile network
- R&D on shared-use technologies for network facilities of 5G base stations
- The installation of base stations on traffic signals where is physical restrictions on the space
- Utilization of private Infra-Sharing service providers**
- Utilization of public facilities and privately owned facilities for base station sites

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

*1: The Ministry of Internal Affairs and Communications

*2: English translation by JTOWER

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Domestic IBS Business (Indoor Infra-Sharing)

4G IBS

- Sustainable increase in the total number of IBS installations and expansion in new buildings.
- Upside potential with new entry of the fourth carrier.

5G IBS

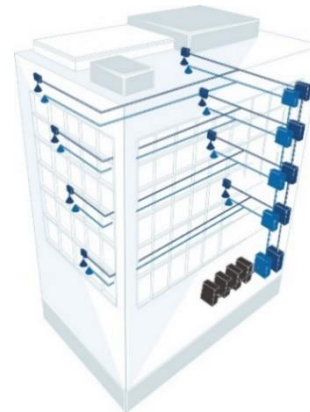
- Started providing Infra-Sharing solutions in TMG*¹ No.1 Building, using the 5G infra-sharing equipment.
- Potential to expand target markets of 5G to existing properties.
- Formulating a business model and strengthen business foundation in FY2020 in preparation for full-scale development in the next fiscal year and onwards.

Image of 5G Infra-Sharing (main target building)

4G Only

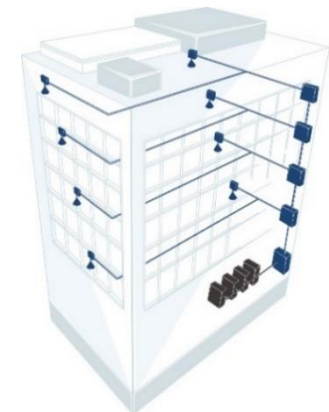


4G & 5G



New bldg.
4G/5G IBS will be installed together
Existing bldg.
4G IBS has been installed already

5G Only



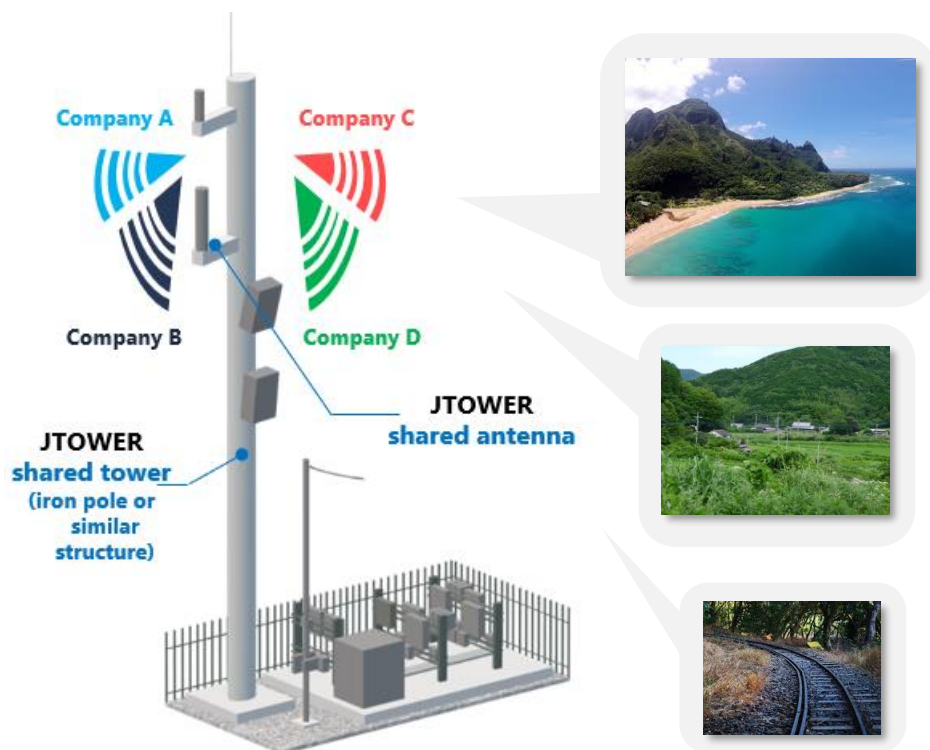
Existing bldg.
4G network has been installed separately
by MNOs

*1: The Tokyo Metropolitan Government

Tower Business (Outdoor Tower Sharing)

Tower Sharing

- Started preparations for the construction of more than 60 towers from H2 of FY2020 in rural areas.
- From FY2021 onwards, expanding coverage areas in line with the full-scale deployment of 5G.



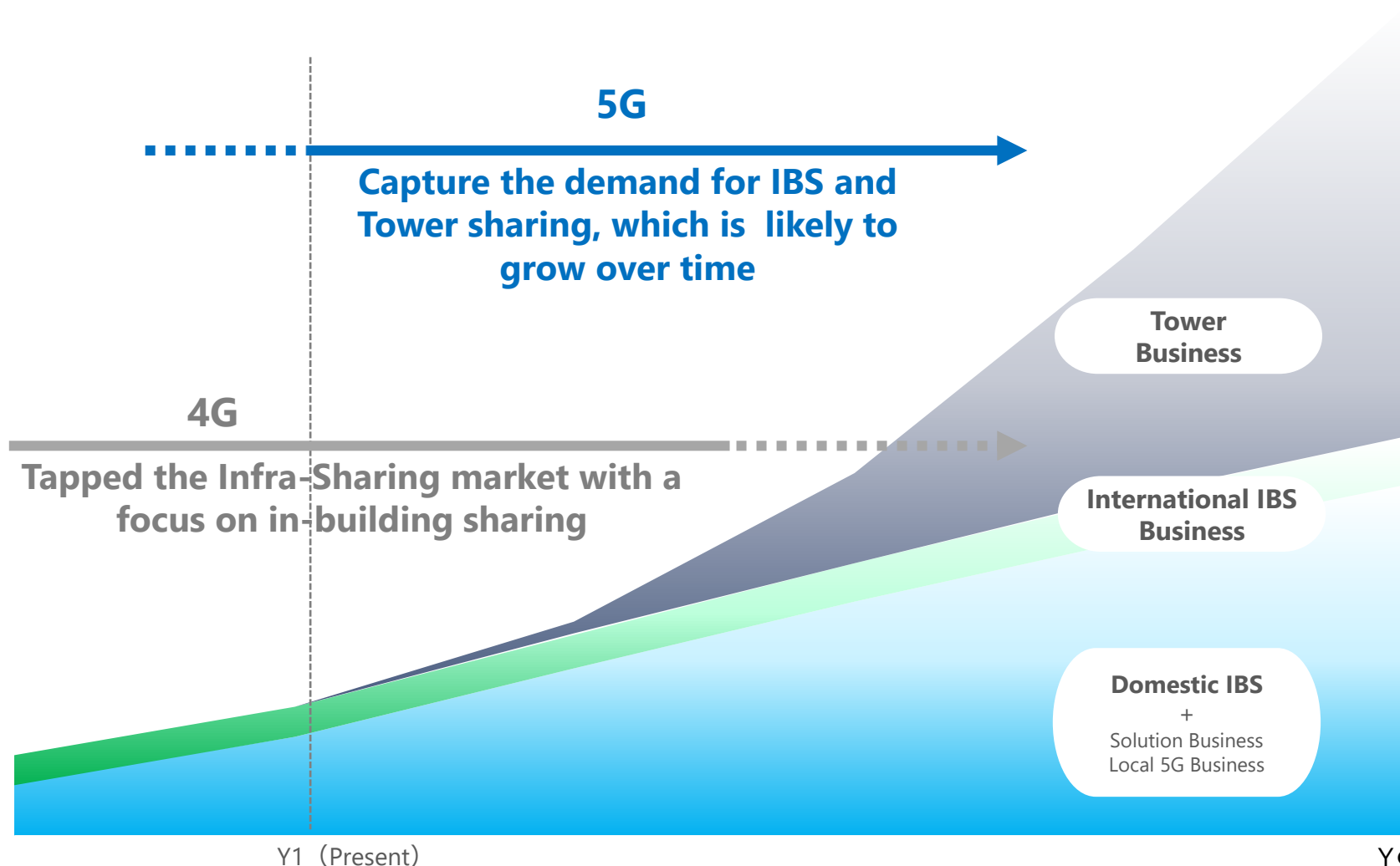
Smart Poles

- Built two smart poles in the Nishi-Shinjuku area as a 5G Smart Poles provider of TMG*¹ and verify the business model.
- Aiming to expand the coverage in the areas with smart solution demands from FY2021 onwards.



*1: The Tokyo Metropolitan Government

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



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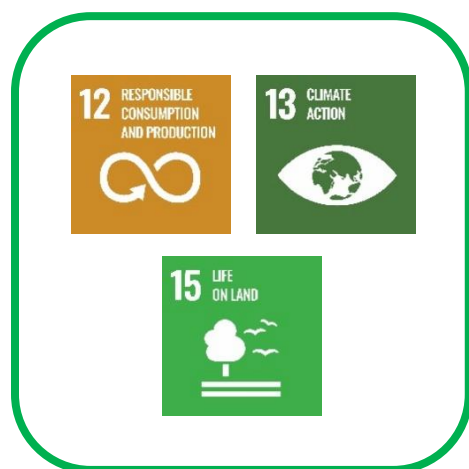
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5 Our Approach to SDGs

- As a pioneer in Infra-Sharing in Japan, we believe that the widespread adoption of Infra-Sharing in itself will lead to the realization of a sustainable society.
- As an Infra-Sharing service provider, we will strive to improve our technological capabilities and services. Aiming to realize SHARING THE VALUE, we will continue to create business with social impact that brings value to all stakeholders .

Environmental Considerations through Infra-Sharing



- Reduction of electricity consumption by indoor Infra-Sharing
- Manpower-saving and reduce accident risks by reducing redundant constructions
- Reducing the environmental impact of manufacturing, transportation, and disposal by reducing the use of equipment and materials
- Minimizing the impact on the natural environment and landscape by Tower Sharing



With our employees

JTOWER



Improvement of technological capabilities and services as an Infra-Sharing service provider



Together with our customers and business partners

Realization of Connected Society



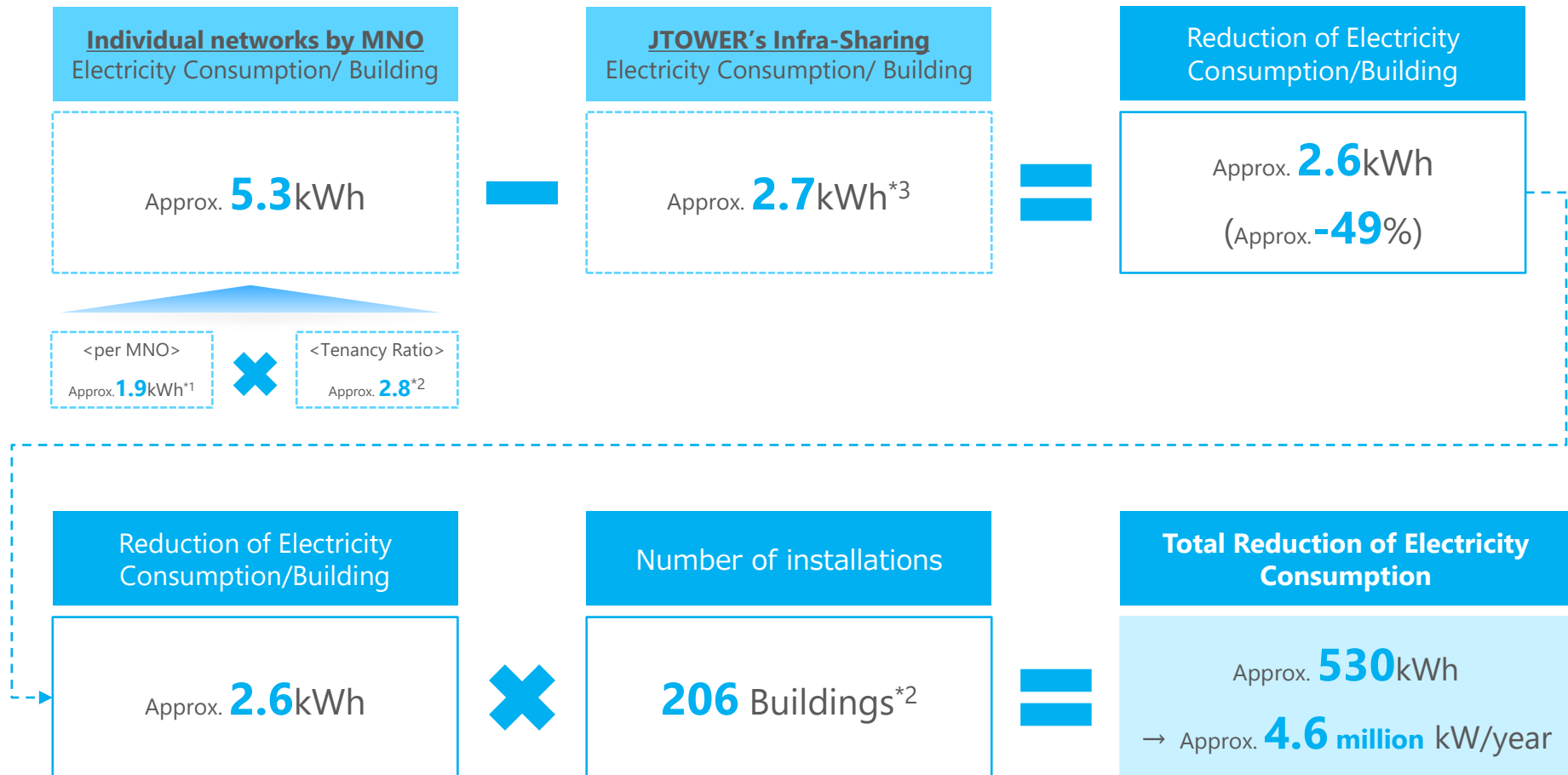
- The Improvement of the usability of mobile phones by improving the indoor and outdoor communication environment
- Promotion of Smart City
- Regional revitalization
Elimination of the digital divide

Our Approach to SDGs

5 - Reduction of Electricity Consumption (Domestic IBS)

JTOWER

- In Domestic IBS business, the installation of indoor Infra-Sharing contributes to reducing electricity consumption by **approximately 4.6 million kW/Year** (our calculation).



*1: (Estimated electricity consumption/Building) × 70%
70% is our assumed calculation and does not indicate actual electricity consumption

*2: As of December 31, 2020

*3: Estimated based on the calculation:
(The average number of units used at IBS installed properties) × (The estimated electricity consumption of our Infra-Sharing equipment based on specification) as of December 31, 2020.

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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

6 – 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.



Project Outline

- ✓ Compatible with all Sub6 frequency band of MNOs (600MHz band width)
- ✓ A total of 10 antennas are installed

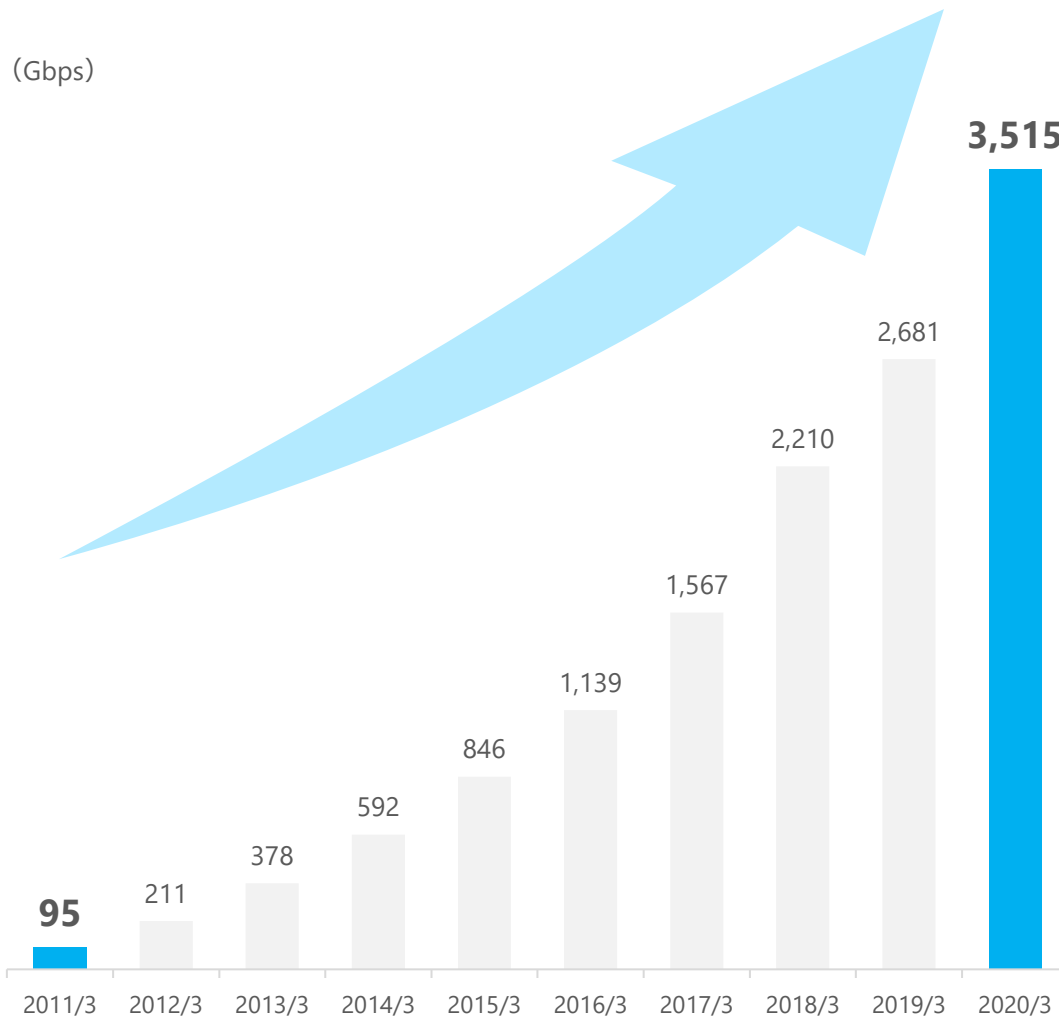
Antenna installation in TMG



<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

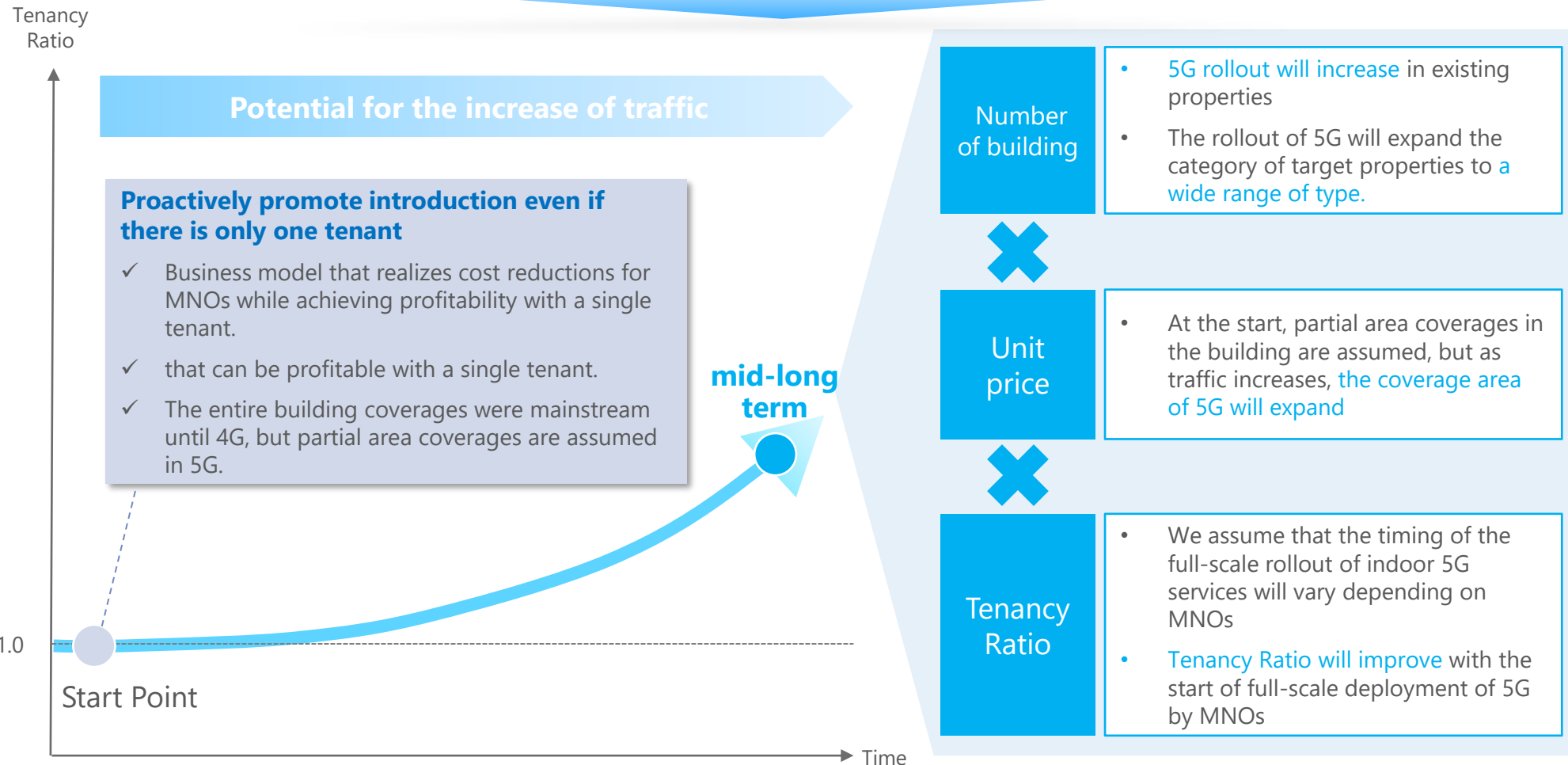
- ✓ Accelerate further growth in traffic through 5G
- ✓ Further use of 5G frequency band

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

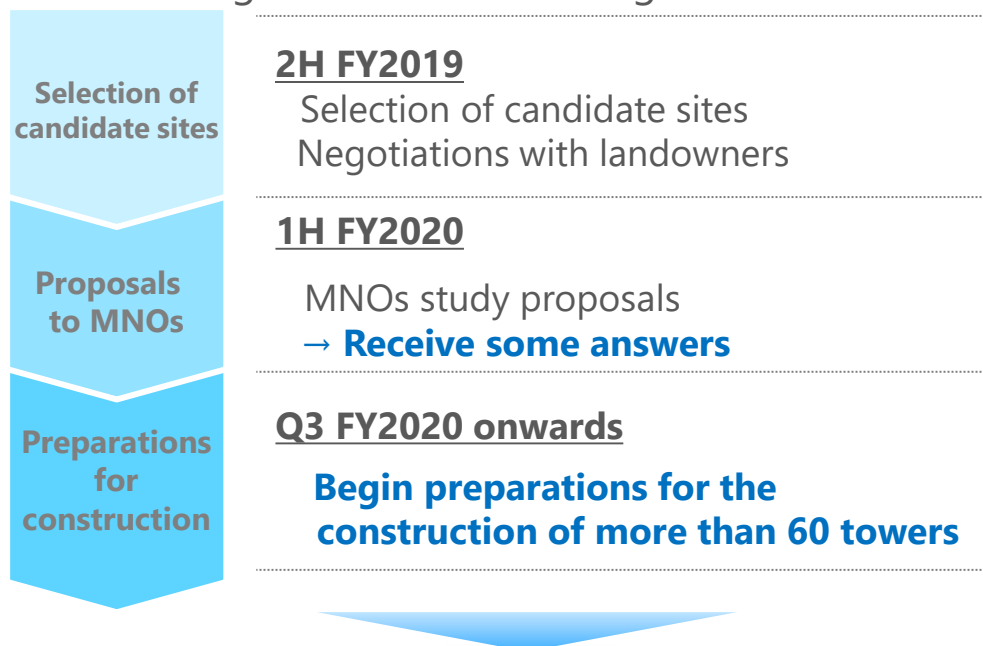
- New buildings are the main targets until 4G.
- Potential to expand target markets of 5G, not only for new buildings, but also for existing properties (including properties that we have not yet installed)



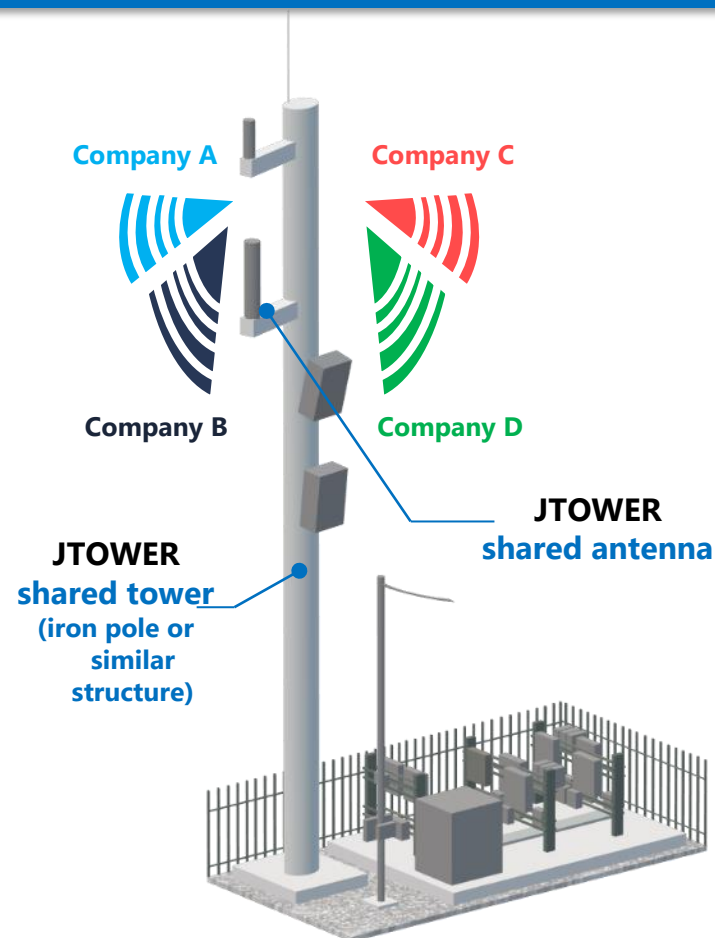
- Received some responses from MNOs regarding the use of the tower on our proposals and began preparations for the construction of more than 60 towers from Q3 of FY2020. From FY2021 onwards, as 5G becomes fully fledged, we will expand the coverage areas.

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



- 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.

6 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.

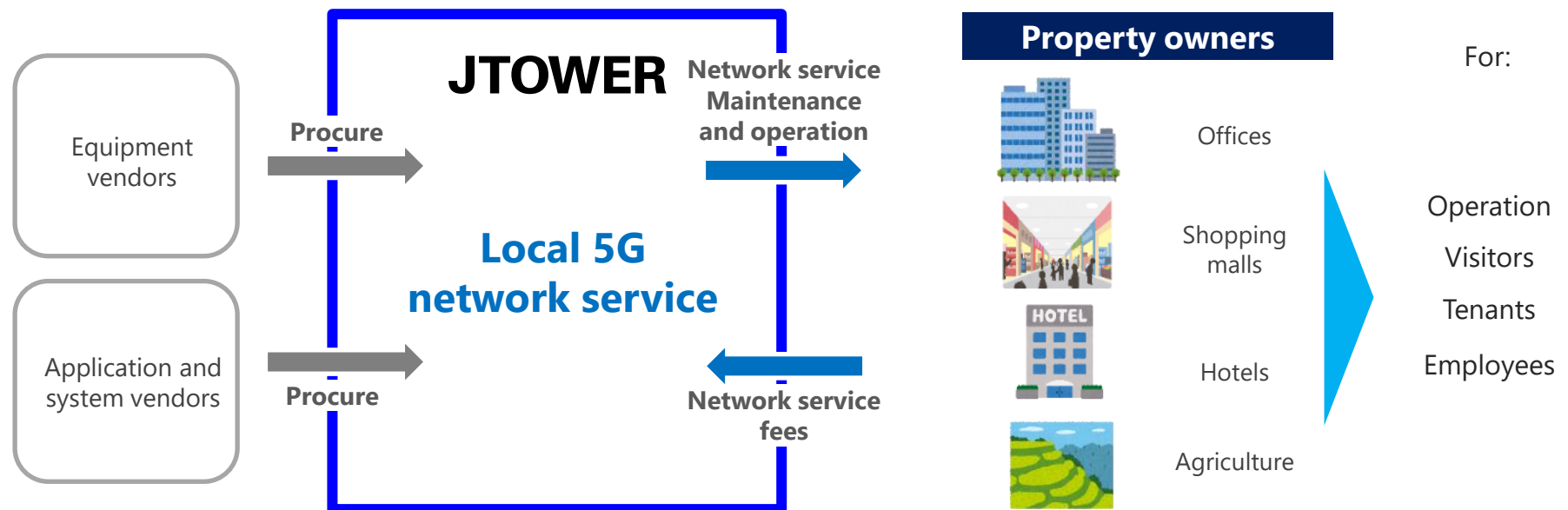
Local 5G

Obtained license for testing
(December 21,2020)

The verification of Local 5G started after obtaining a license from Kanto Bureau of Telecommunications for testing Standalone (SA) Local 5G using Sub6 frequency band.

✓ 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 and the purchase of existing operating assets.](#)



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.

SHARING THE VALUE

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

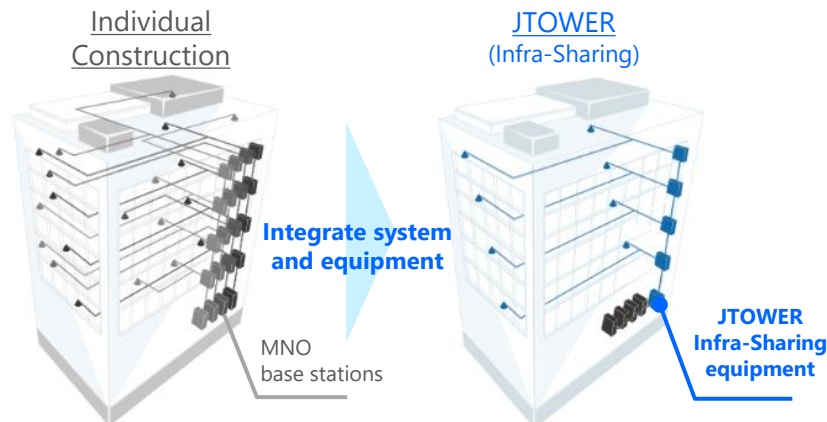
Company Name	J T O W E R I n c .
Founded	June 2012
Representative Director	Atsushi Tanaka
Head office	8-5-41 Akasaka, Minato-ku, Tokyo, Japan
Employees	137* ¹ (consolidated, as of December 31, 2020)
Capital	JPY4,294 million (as of December 31, 2020)
Business Description	Provision of telecom Infra-Sharing 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 23
The number of employees on a consolidated basis decreased due to the deconsolidation of Nabiq from Q3 FY2020.

6 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



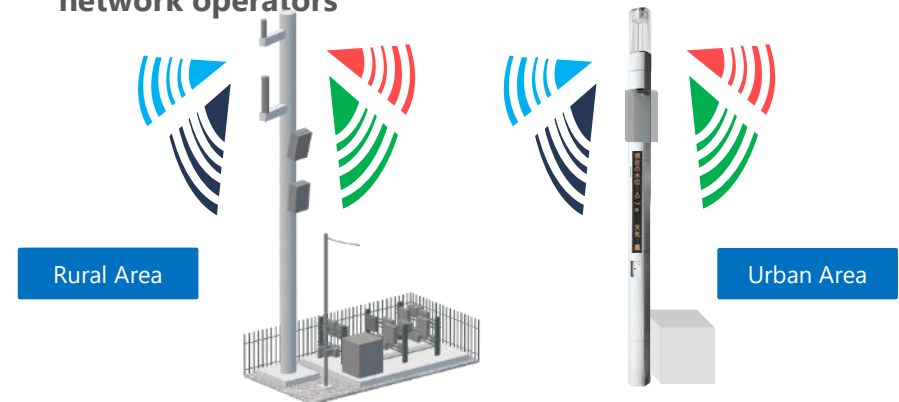
Japan

- ✓ Installation at 314 properties*2 (including the number of installations to be completed)
- ✓ Recent 3-year growth (CAGR): +51%
- ✓ Expansion in emerging markets
 - Top player in Vietnam (Installation at 165 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 December 31, 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 Arata

(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)

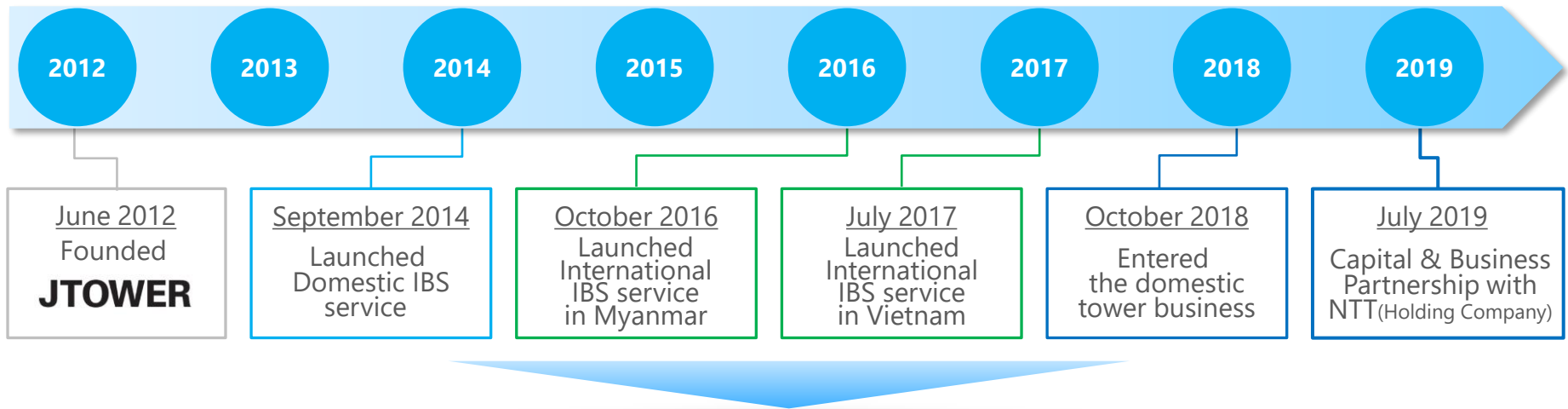
**Panasonic Mobile
Communications**

(Senior Managing
Director)

**SAMJI
ELECTRONICS**

(Advisor)

Previous
Experience

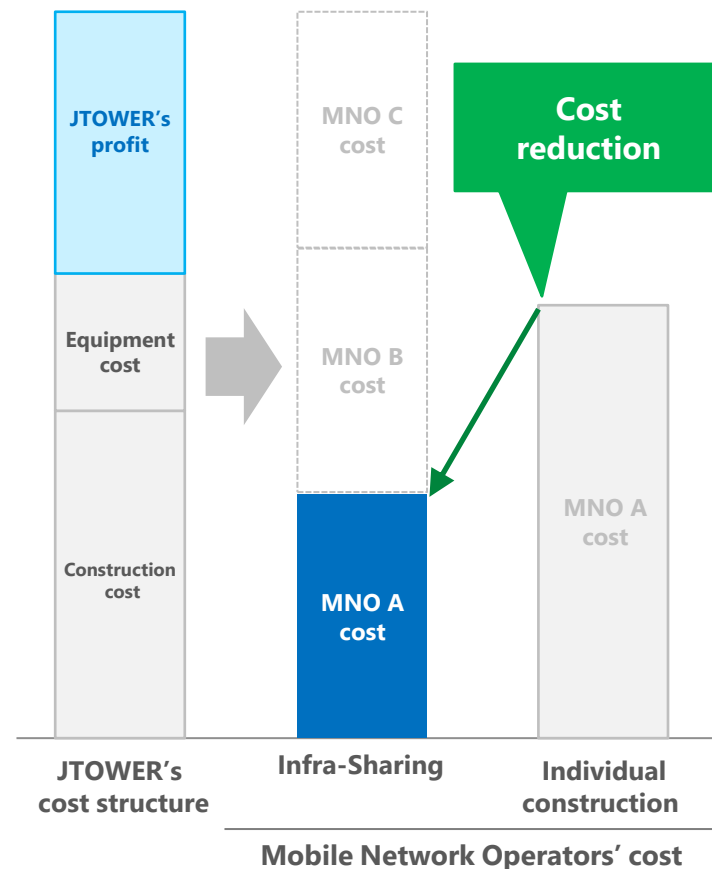
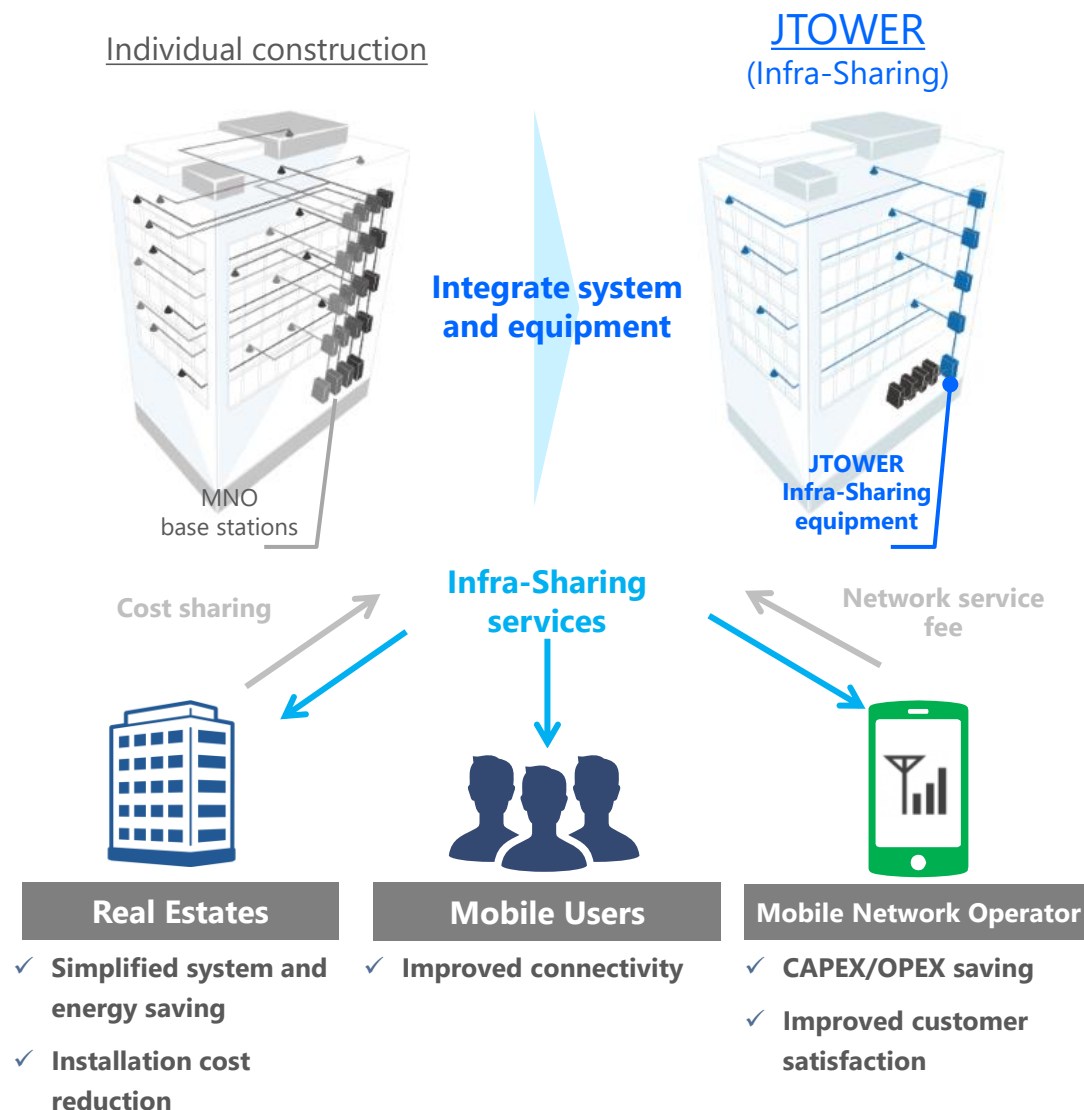


- ✓ **Established a solid position in the market with a high entry barrier**
Certified from mobile network operators
- ✓ **First-mover advantage**
Pioneer of the service with high switching cost and low churn rate
- ✓ **Strong relationships**
Established network with mobile network operators and major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



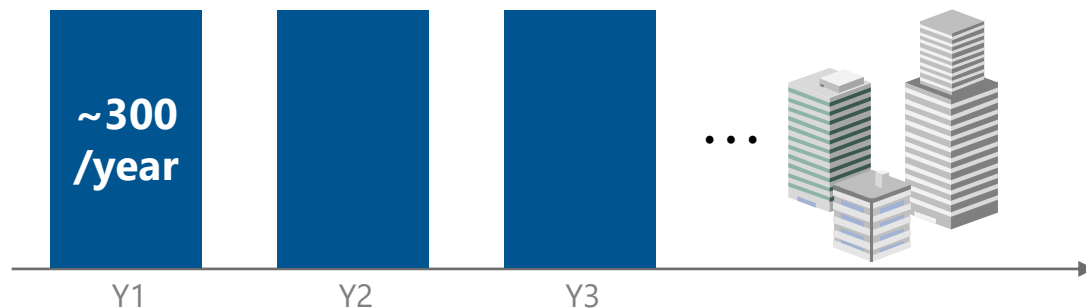
Note1:

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

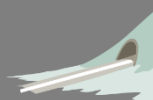
(Offices*2, commercial*3, hotels*4, hospitals*5, high-rise residence*6, etc.)

System
upgrade

③ New category (Railway tunnels etc.)*7



~5,000

New
installationNew
installation

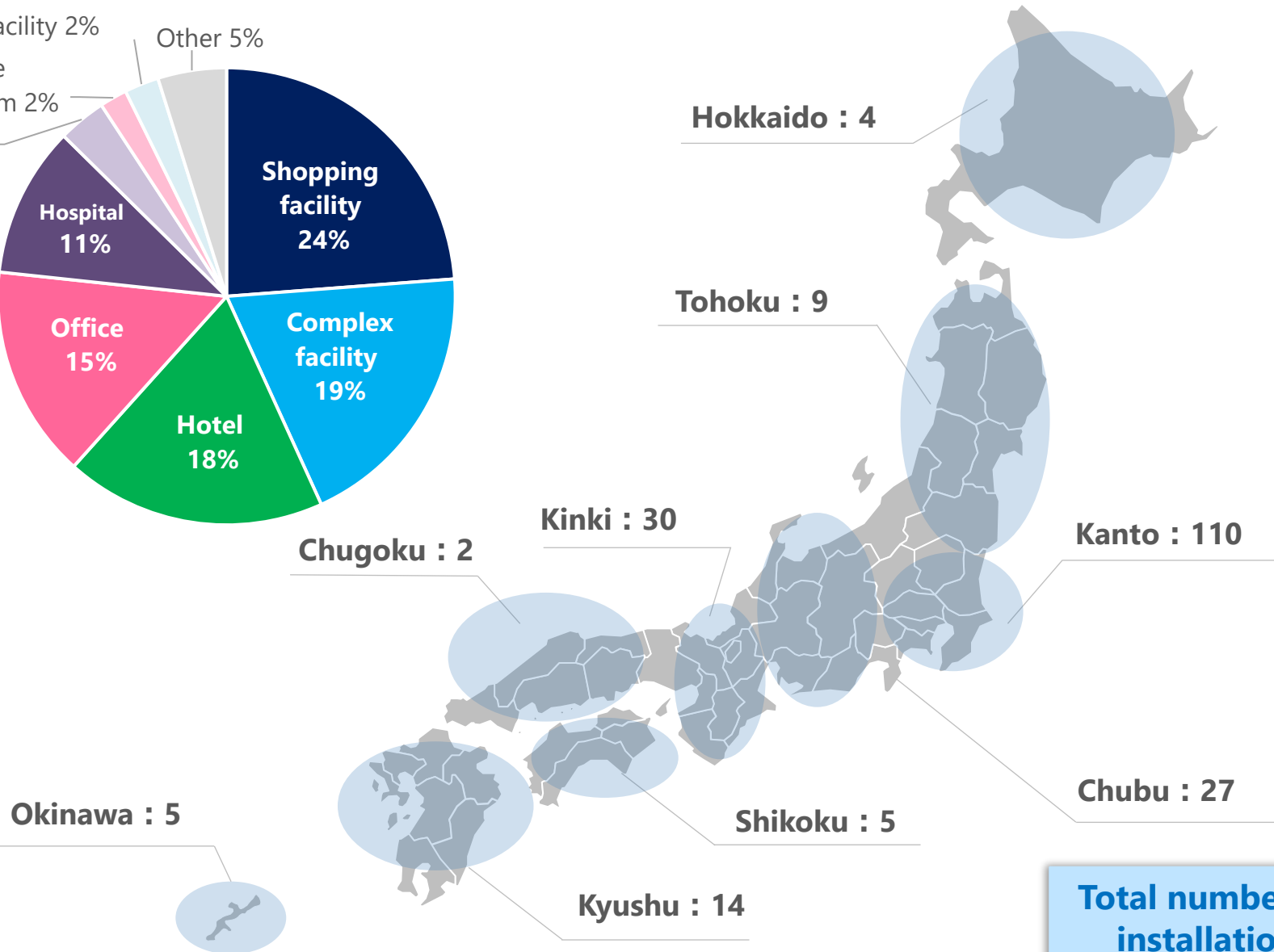
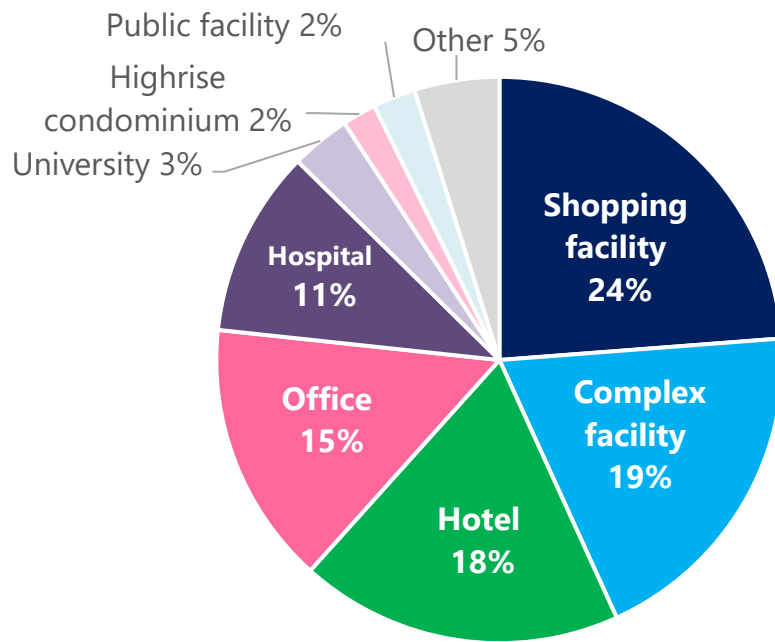
* 1 : Company estimate based on large-scale projects with floor area of >10,000m². *2 Large-scale projects with >330m² per floor (as of Sept. end 2018, office building criterion based on Sanko Estate). *3: Large-scale projects with >1,500m² retail floor space and >10 tenants, developed by a developer. *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

6

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

JTOWER

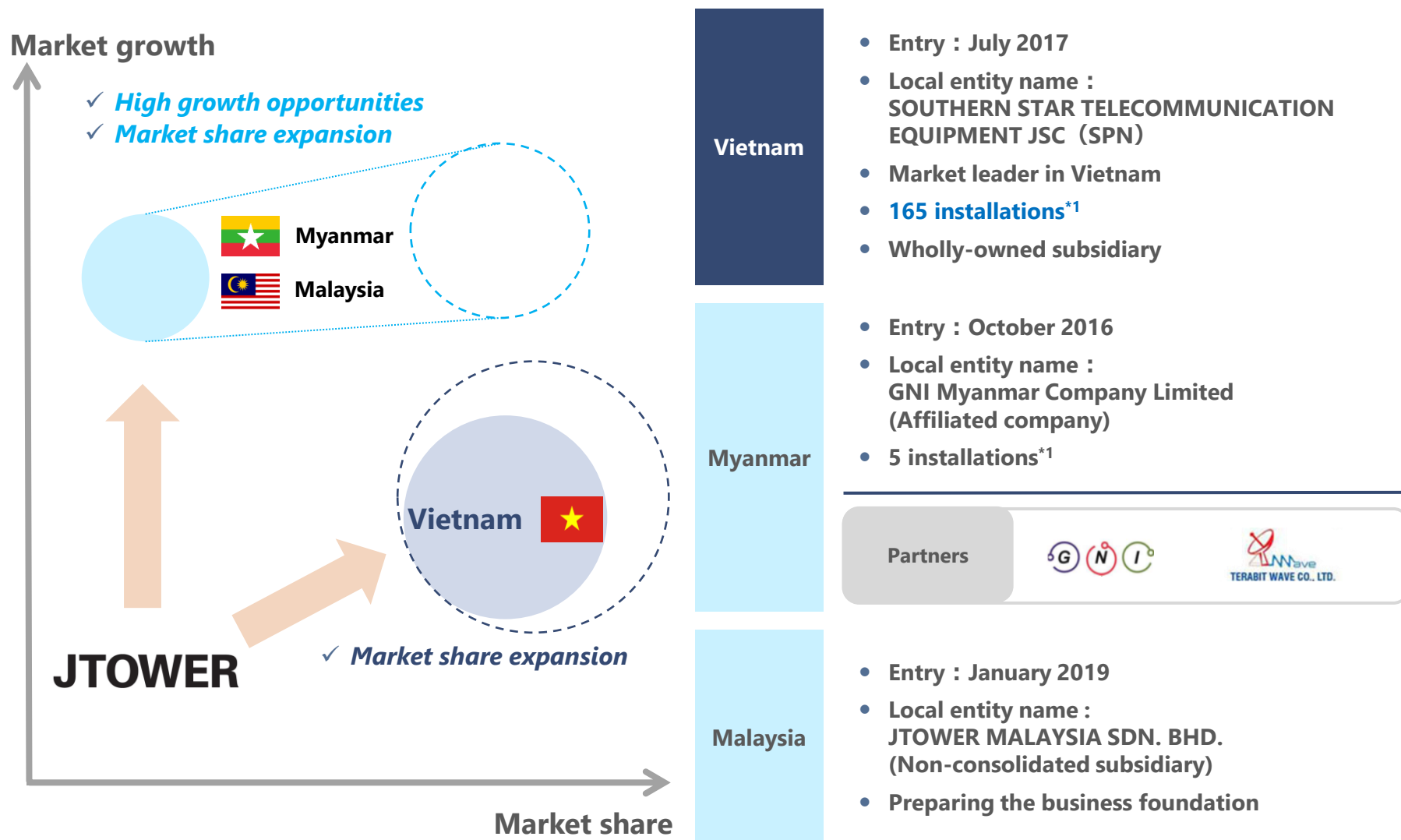


Total number of installation
206^{*1}

*1: As of December 31, 2020

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

Expansion mainly in Southeast Asia by partnering with influential local players



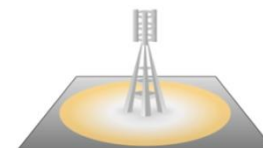
*1: As of December 31, 2020

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

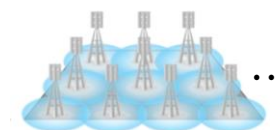
Increase in Demands Driven by 5G

<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、ビル屋上やローラ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

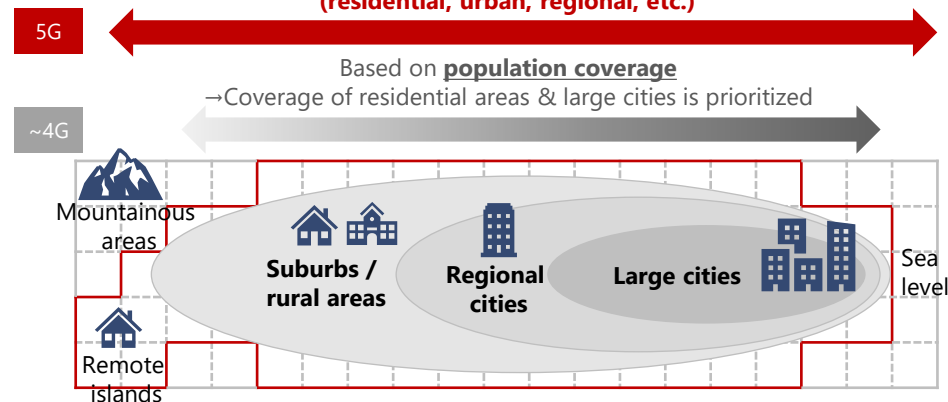
5G Base Stations Deployment Policy

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

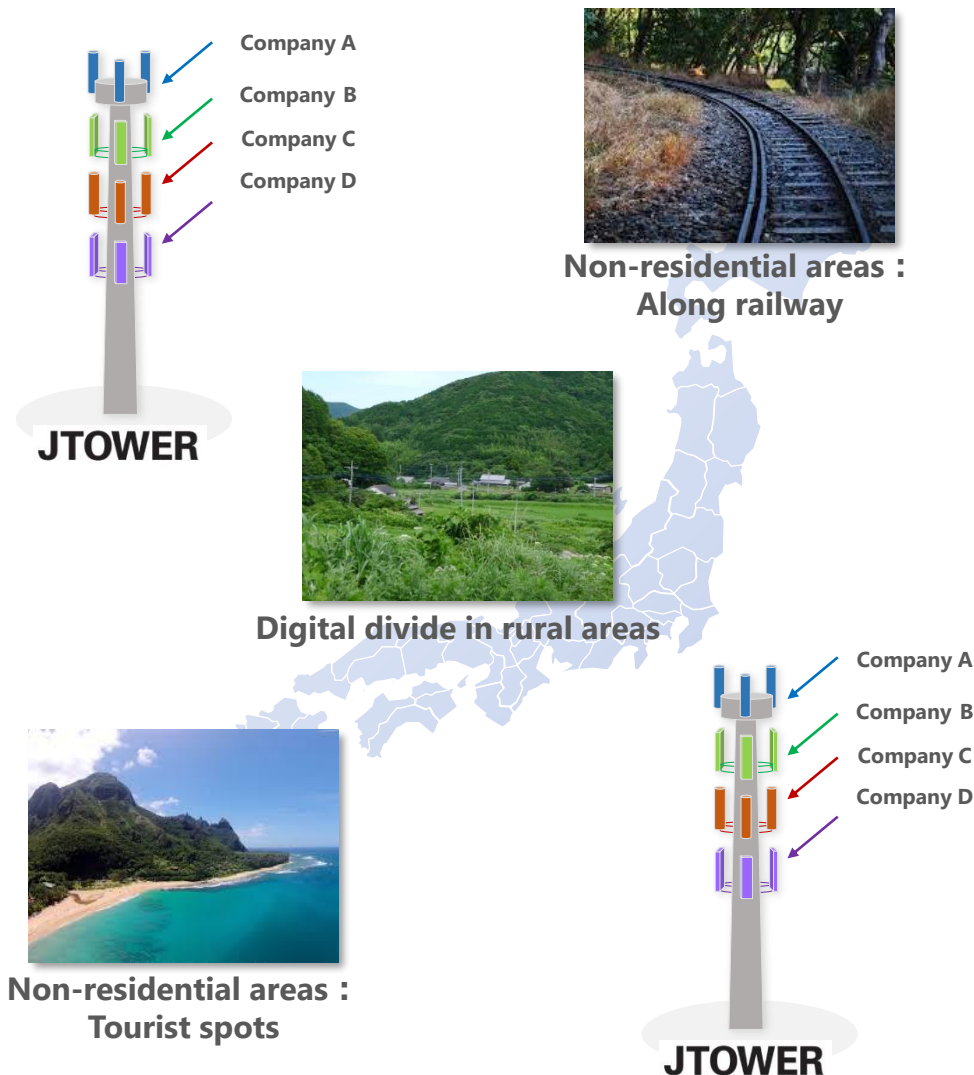
- ✓ Growing demand for **5G network rollout**
- ✓ Entry of a **new mobile network operator**
- ✓ **Infra-Sharing Guideline** by MIC*1 (December 2018)

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



6 Solution – Up-selling for Infra-Sharing

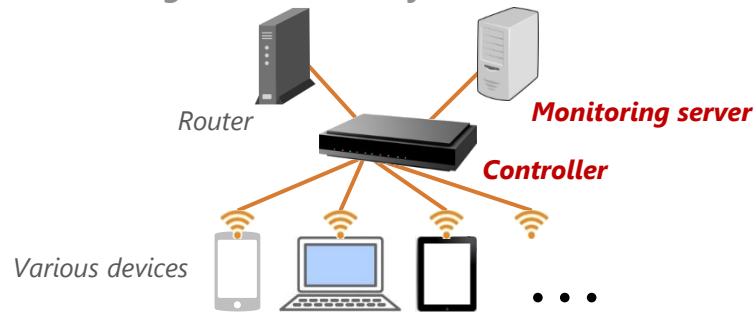
JTOWER

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

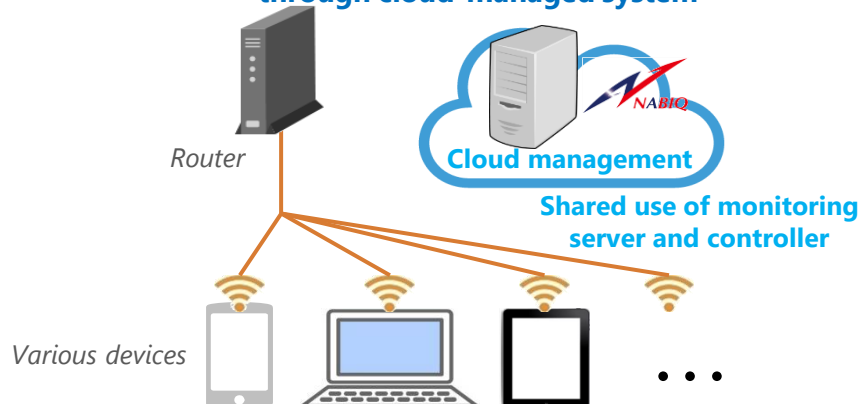
Conventional Wi-Fi

Requires much equipment and long lead time for system construction

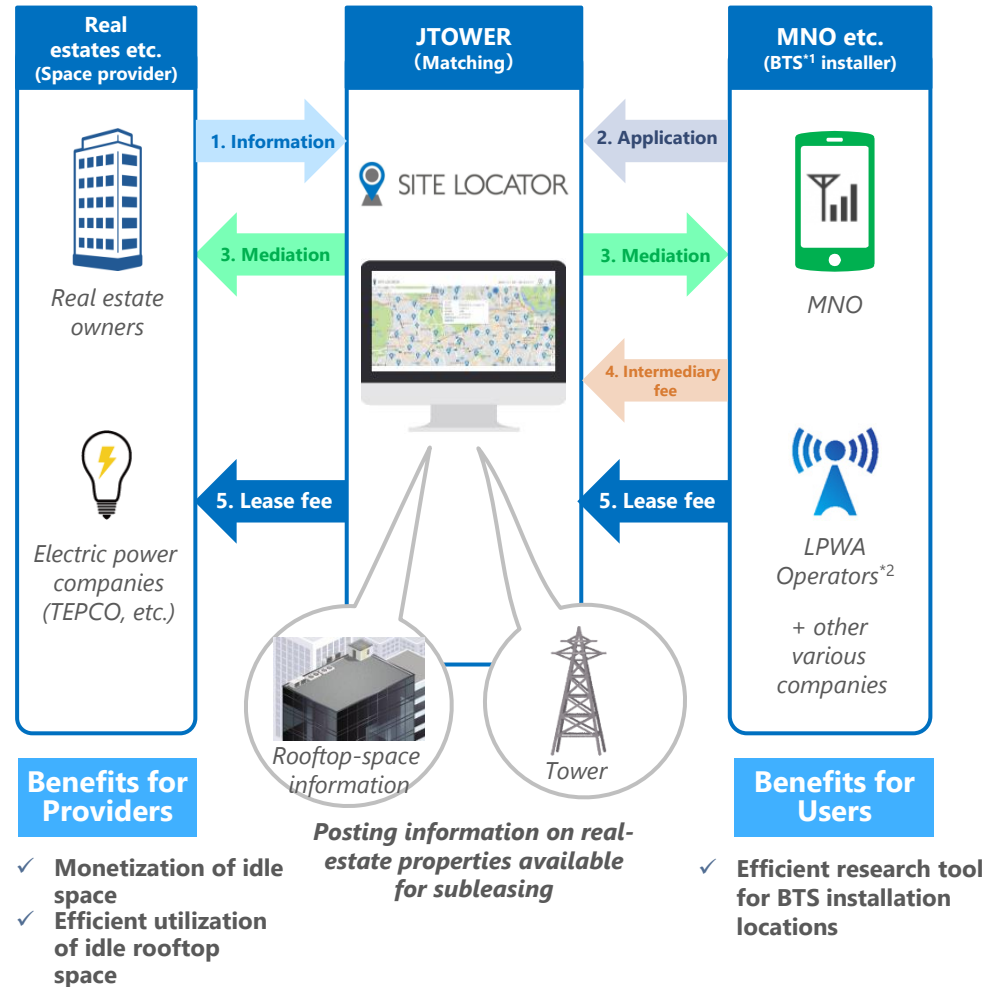


JTOWER Wi-Fi

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



Overview of SITE LOCATOR Service



*1: BTS: Base Transceiver Station

49 *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

**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.



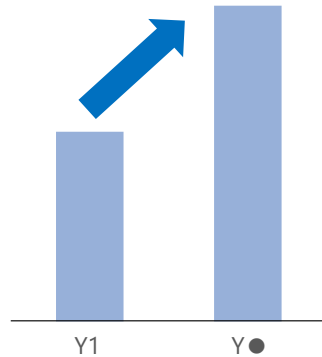
Mitsubishi UFJ Lease & Finance

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.**

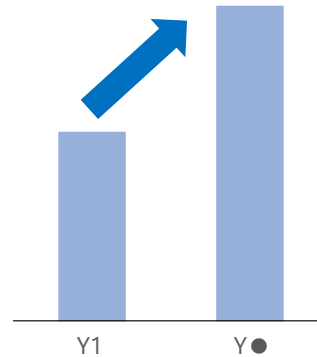
**Cooperation in the establishment of a finance scheme for capital
investment in indoor and outdoor telecommunications infrastructure.**

Number of Properties Installed



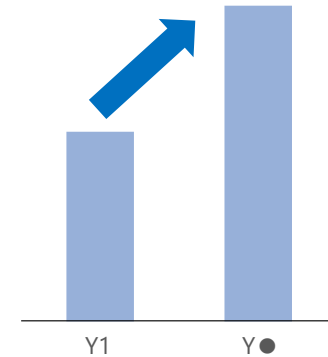
- ✓ Development demand for Tokyo Olympics and Osaka-Kansai Japan Expo etc.
- ✓ Strengthen the business foundation by Capital & Business Partnership with NTT (Holding Company)

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

 $> 10 \text{ Gbps}^{*2}$

Baud rate will be more than 100 times faster

0.01 sec

 Strong
reliability/
low latency

 $\leq 0.001 \text{ sec}$

Delay time will be shortened by up to one tenth

 10,000
devices/km²

 Massive
connectivity

 1 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

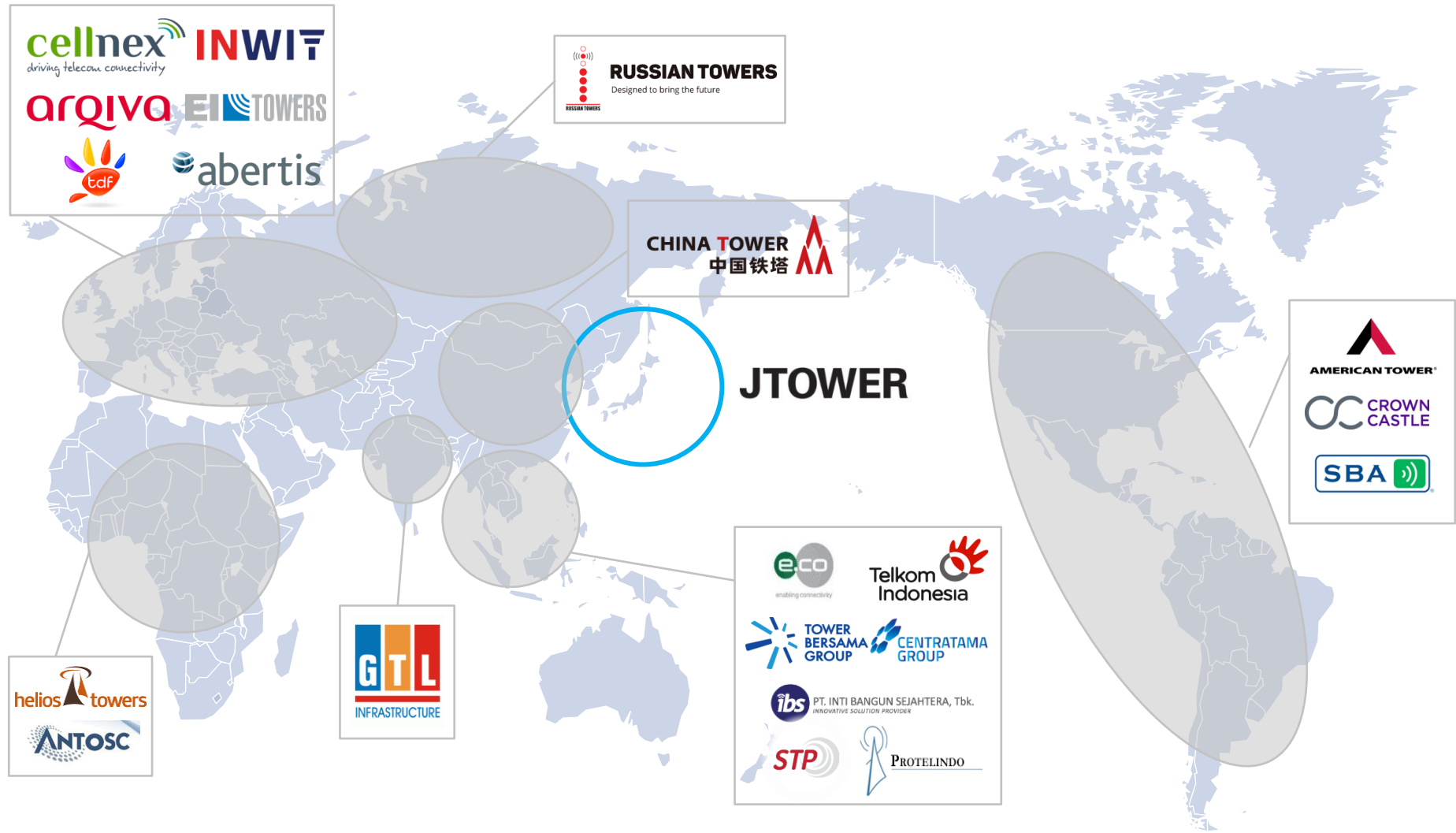
■ Radio-usage industries

 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

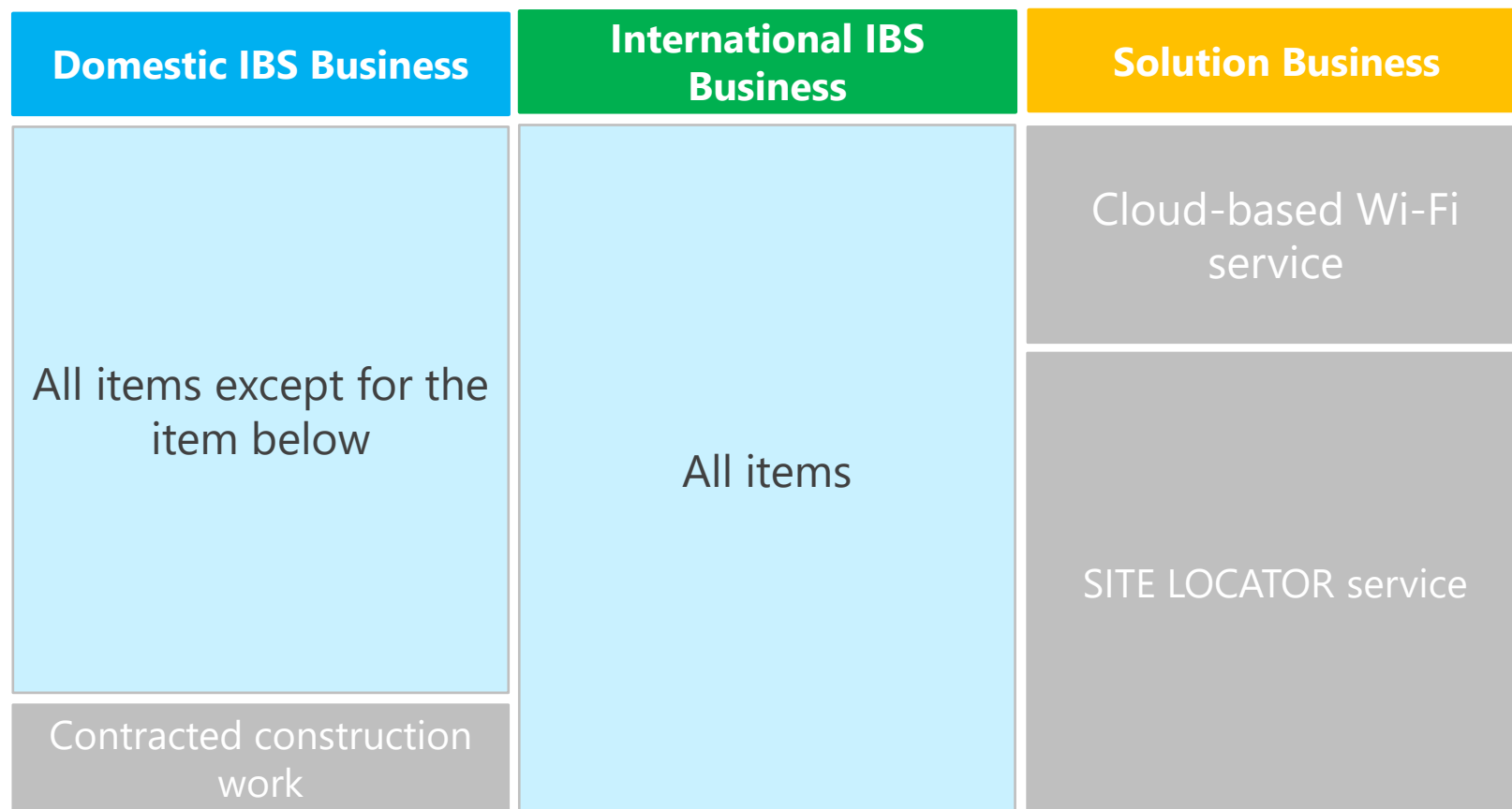
Debt	637	818	1,083
Net Debt	▲1,815	▲1,510	▲ 6,104
Capital Expenditure	913	2,441	2,787
Equity Ratio	24.1%	21.0%	45.3%

	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 December 31, 2020
(Nabiq has been removed from the above categories due to deconsolidation from Q3 FY2020)

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Any forward-looking statements, including targets, plans, estimations, forecasts and expectations, contained in this document are based on the current judgments and opinions of JTOWER as of the date of this document, and involve certain risks, uncertainties and other factors. Due to factors such as domestic or overseas economic conditions, market or industry trends, competition with others, human resources, technological innovation or other business environment, the actual results such as the performance or financial position of JTOWER may be materially different from statements contained or implied in this document.

The financial results for the 4th Quarter of FY2020 are scheduled to be released at 15:00 or later on May 12, 2021.

JTOWER

SHARING THE VALUE

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