



JTOWER

**Tower carve-outs from NTT DOCOMO
— A Tower Company originated in Japan —**

March 25, 2022
JTOWER Inc.



Since our foundation in 2012, we have been a pioneer of Infra-Sharing in Japan, providing indoor Infra-Sharing solutions to all four mobile network operators while establishing track records.

In 2018, we announced our entry into Tower business in anticipation of expanding demand for Infra-Sharing due to the deployment of 5G.

In recent years, we have been strengthening our position as an Infra-Sharing provider through the alliance with mobile network operators.

And on March 25, 2022, we decided to enter into the master transaction agreement for the carve-out of up to 6,002 towers owned by NTT DOCOMO.

As a tower company originated in Japan, we will continue to lead Infra-Sharing including carve-outs in the domestic market, aiming to realize “Infra-Sharing Services from Japan Lead the World”.




Highlight

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The logo for NTT docomo, with "NTT" in small red letters above the "d" and "docomo" in red lowercase letters.

Decided to enter into the master transactions agreement for carve-outs of up to 6,002 telecommunications towers owned by NTT DOCOMO ("DOCOMO")

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- ✓ **The transaction is Japan's 1st large-scale carve-outs deal from a mobile network operator.**
 - ✓ **The tower carve-out is an important growth strategy for JTOWER, and the transaction greatly expands our business foundation as a tower sharing operator.**

Transaction Summary

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Overview

- ✓ Decided to enter into the master transaction agreement for tower carve-outs of up to **6,002** towers from DOCOMO and DOCOMO will lease these towers after acquisition
- ✓ Conclusion of the agreement : March 31, 2022 (tentative)
- ✓ Purchase Price : **106.2** billion yen (maximum)

Assets

- ✓ Selected up to 6,002 towers that can be shared with other operators
- ✓ The initial tenancy ratio at the time of acquisition is 1.0x
- ✓ Steady transfer from the towers with the right condition and DOCOMO will start leasing these towers after the transfer process has been completed

Financial Impact /Economics

(Estimation when the tenant is
DOCOMO only)

- ✓ Annual Revenue (full year) : Approx. **8~10** billion yen
- ✓ EBITDA margin : Approx. **40~50**%
- ✓ Purchase price/EBITDA : Approx. **20-24**x

Schedule

- ✓ The asset transfer is planned to start gradually from FY2022.

Funding

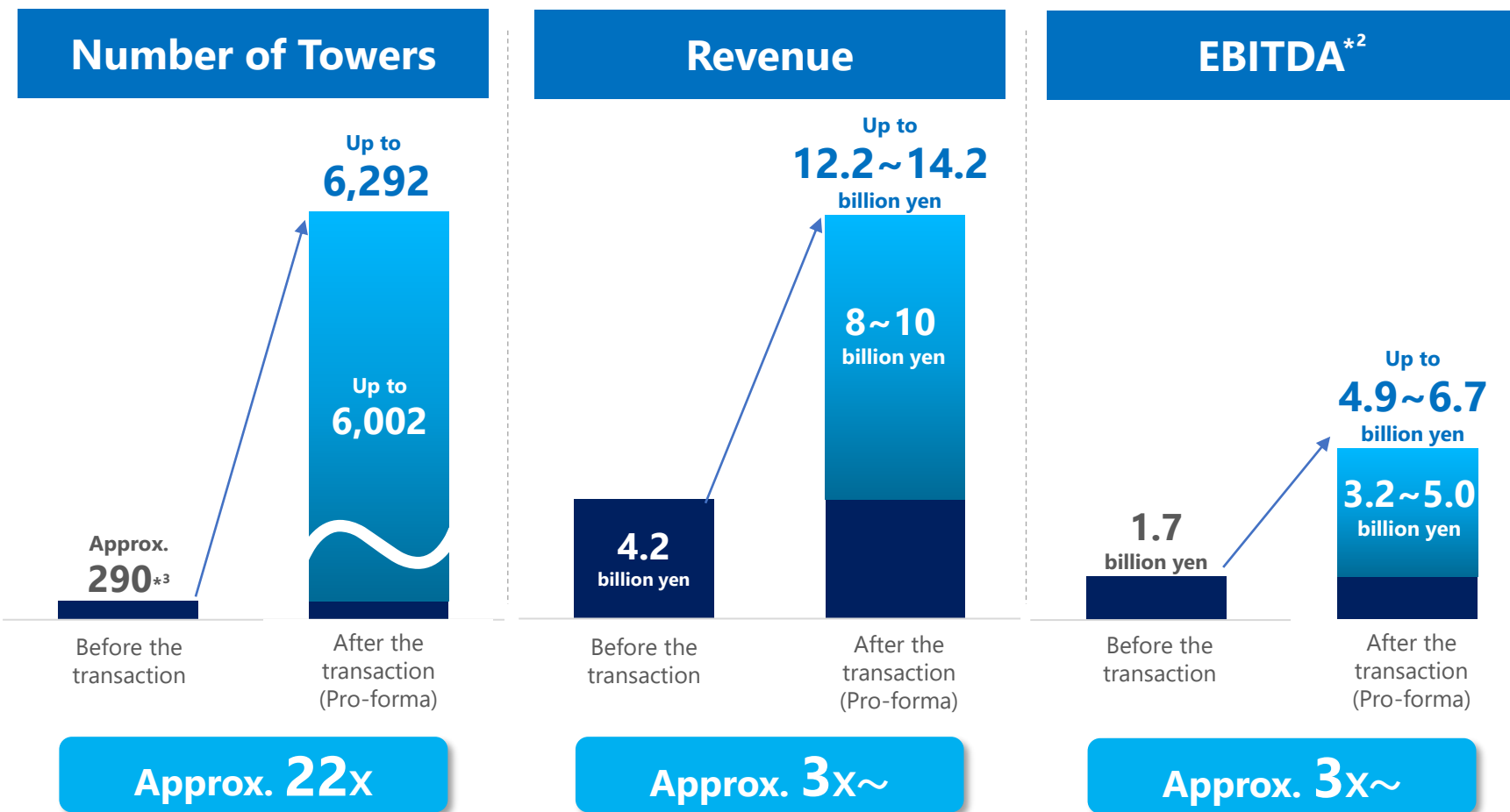
- ✓ Borrowings and self-financing
- ✓ A portion of the funds for the acquisition of telecommunications towers will be borrowed from financial institutions through a financing structure utilizing a scheme to establish a subsidiary as an SPC and, if necessary, through other funding approaches.
- ✓ Received an intention from MUFG Bank, Ltd. and Mizuho Bank, Ltd. to provide a certain amount of loans, subject to the conclusion of the master transaction agreement and certain other matters.

Financial Impact

(FY2021 full year forecasts + Pro-forma; Estimation when the transaction contributes full year)

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- Achieve more than 3 times growth in revenue and EBITDA*¹ by significantly expanding the number of towers.



*1: Estimation when the tenant is DOCOMO only in this transaction.

*2: Calculated based on the estimation of EBITDA margin 40-50% in this transaction.

*3: Total number of towers from rural towers, smart poles, carve-outs from NTT East and NTT West including the number scheduled for construction and transfer at the end of March 2022.

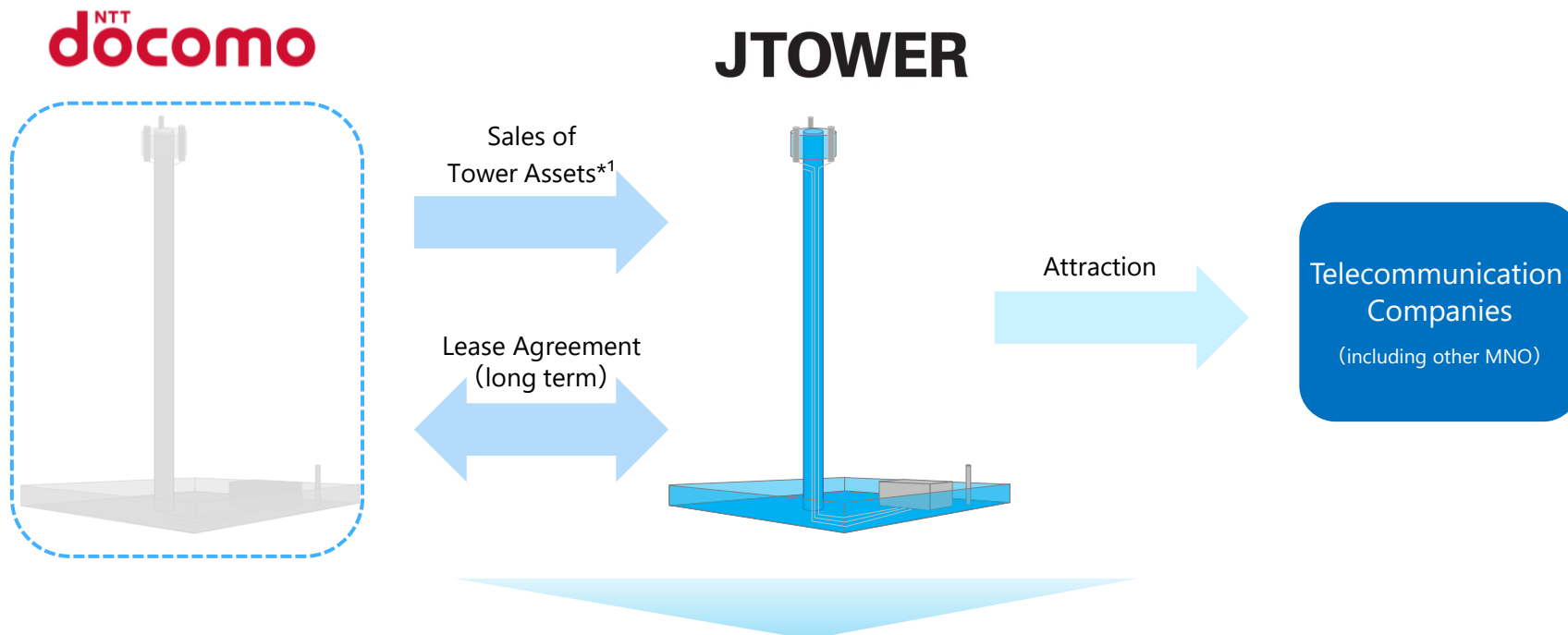


Details of the Transaction and Future Growth Scenario

Scheme image and expected effects

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<Image of tower carve-outs transaction>



Expected effects

- ✓ Realization of more efficient capital investments and operating expenses for the tenants.
- ✓ Early deployment of 4G/5G network.
- ✓ Realization of a sustainable society by reducing environmental impact through the effective use of existing infrastructure.

*1: The asset classification subject to the transaction is a set of telecommunications towers and associated facilities.

Tower image



Characteristics

- **Selected large size towers that can be shared by multiple tenants. (mostly ground stations)**
- **Locations are centered on suburban and rural areas nationwide.**
- **The initial tenancy ratio is 1.0x and we aim to improve the tenancy ratio by attracting new tenants.**

Measures to expand earnings over the medium term

Improve Tenancy Ratio

- ✓ Support for expansion of **4G/5G network coverage**.
- ✓ Promote **the decommissioning of existing towers**.



Improve OPEX efficiency

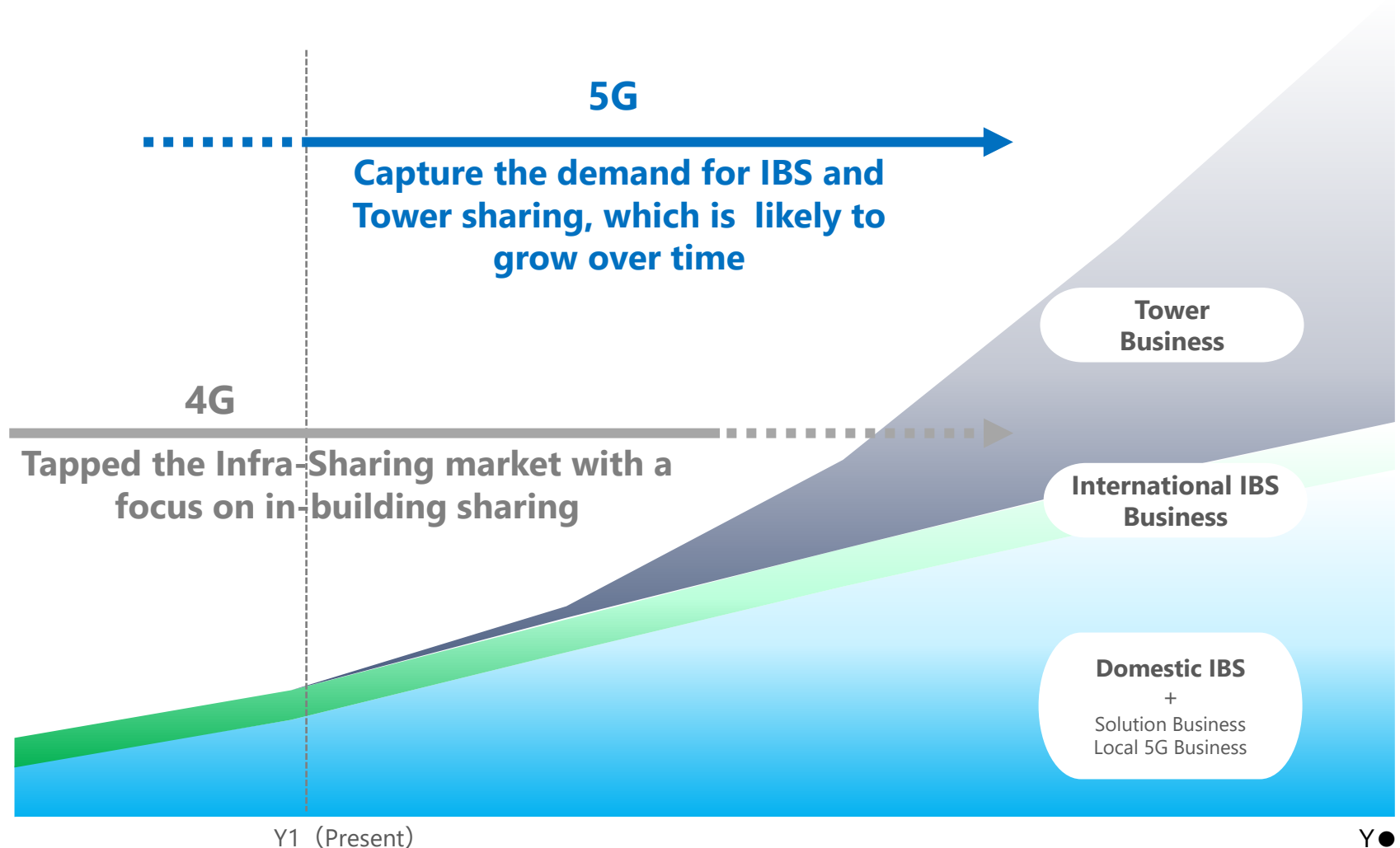
- ✓ **Improve the efficiency of OPEX** such as painting costs, operation and maintenance costs, and others.

Positioning of Tower Business after the transaction

- ✓ In new tower sharing, against the backdrop of 5G, we are promoting expansion **in rural areas where mobile networks have not been developed up to now and in urban areas with limited spaces for the installations of base stations**.
- ✓ **Build a large scale asset base across Japan**, from suburban areas to rural areas, through carve-outs from NTT West, NTT East and DOCOMO.
- ✓ Through the approach as stated above, we will promote Infra-Sharing and **aim to further expand carve-outs** from telecommunications companies, including mobile network operators.

Growth image expected since the time of IPO JTOWER

- Tower business has been expected to grow by more than the same scale as Domestic IBS business.

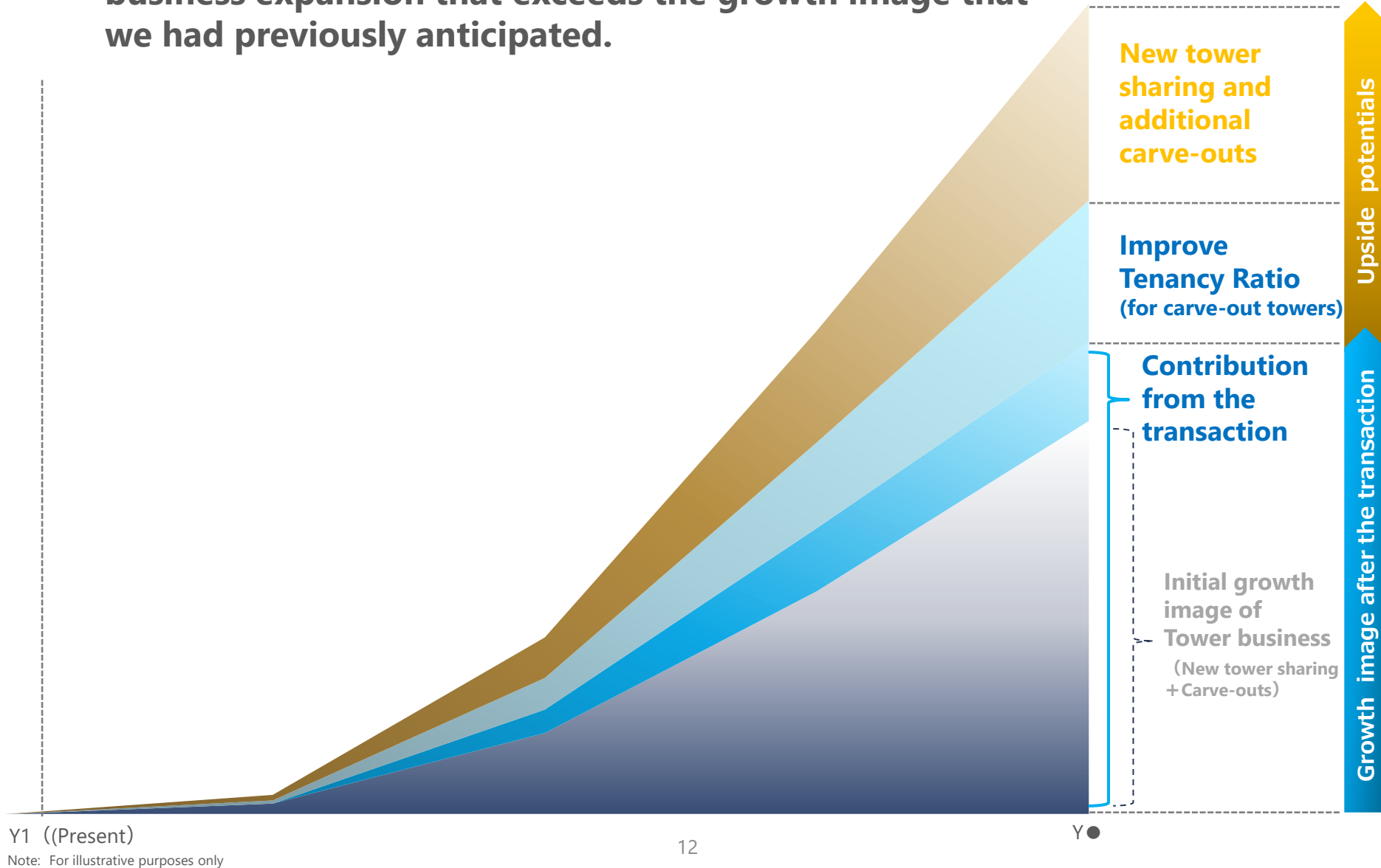


Note: For illustrative purposes only

Growth image of Tower business after the transaction

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- Through the execution of the transaction, we aim to achieve Tower business expansion that exceeds the growth image that we had previously anticipated.





FAQ

Q	A
What are the selection criteria for the 6,002 towers to be purchased?	Selected large-size towers that can be shared by multi tenants. The locations of towers are centered on suburban and rural areas nationwide.
Why do you disclose revenue and EBITDA margin in the range of numbers?	6,002 towers are the maximum number to be transferred, and the forecasts for revenue and EBITDA margin are based on estimates at the current stage. Accordingly, we have disclosed those numbers in a range.
Are there any one-time costs due to the implementation of the transaction?	Starting in FY2022, one-time costs are expected to be incurred during the transfer period, such as costs associated with the transfer of towers and financing-related costs.
When will the acquired towers be used for Infra-Sharing?	We plan to start attracting new tenants from the tower, where the transfer process has been completed.
What are the specifics of financing structures using SPC schemes?	A scheme in which an SPC (special purpose company) is established and the SPC owns 6,002 towers and raises funds based on project revenues.
Will investments in IBS and other businesses be restrained in the future because this carve-out deal will require large capital investments?	Since SPC plans to raise funds based on project revenue, JTOWER will continue to invest in each business segment based on its existing growth strategy.
Will JTOWER continue to expand carve-outs?	We position carve-outs as one of our key growth strategies, and in addition to promoting Infra-Sharing through this transaction, we will continue to aim for further carve-outs in the future.
What is the future schedule associated with the transaction?	The master transaction agreement is scheduled to be concluded in March 2022. We will promptly disclose, the schedule for the transfer of towers, details of the financing, and the establishment of the subsidiary (SPC) , after the decision is made.

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An aerial photograph of the Tokyo skyline at sunset. The Tokyo Tower is prominent on the left side, illuminated with its characteristic red and white lights. The city is filled with numerous skyscrapers and buildings, their silhouettes and lights reflecting the warm orange and yellow light of the setting sun. The sky is a mix of deep blue and orange, with wispy clouds. The overall scene conveys a sense of a bustling, modern metropolis.

Infra-Sharing Services from Japan Lead the World

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