

A person is sitting on a grassy hill at sunset, using a laptop. The person is seen from the side, with their long hair flowing. The laptop is open, and the person's hands are on the keyboard. The background shows a hazy sunset over a landscape with mountains.

JTOWER

Financial Results for Q4 FY2022 ended March 31, 2023

May 11, 2023

JTOWER Inc.

**Infra-Sharing
Services
from Japan
Lead the World**

Infra-Sharing Services from Japan Lead the World

Japan is behind in the field of global telecommunications infrastructure sharing.

In 2012, when the term “Infra-Sharing” was not common in Japan, we launched our first business.

Our goal is not the same as other global tower companies; our goal is what they have never done.

Meeting the world's highest standard for network quality as required in the Japanese telecommunications industry, we will overcome challenges and improve services.

We will treat all stakeholders with respect and honesty, including mobile network operators, real-estate developers, and partner companies,

We will continue to innovate and challenge new ideas to expand business globally.

We will pursue the world's state-of-the-art technologies, services, and business models.

As a result of these efforts, we will make the Infra-Sharing services that we provide global standards and create our future through businesses expansion.

This is the vision of our company.



Outline

- 1 . FY2022 Financial Results
- 2 . Initiatives for Future Growth
- 3 . FY2023 Full Year Forecasts
- 4 . Q&A
- 5 . Appendix

Consolidated revenue increased by 24% YoY to JPY5.2 billion

- Revenue trended in line with the revised forecast announced on February 8.
- The number of tower transfers exceeded the forecast, and the total number of towers expanded to 835. Annual revenue of tower business became JPY330 million, contributing to revenue growth.
- The revenue for the Domestic IBS business increased by 15% YoY to JPY3.8 billion.

Operating profit exceeded the revised forecast by JPY120 million due to the increase in gross profit and the delay in upfront investment

- The main factors behind the difference from the revised forecast were that gross profit exceeded the forecast by JPY67 million due to the income related to demonstration project from International IBS and the amount recorded as one-time expense (tower sharing preparation cost) was lower than the forecast by JPY320 million.
- The reason for the decrease in tower sharing preparation cost was due to the revision of the consignment work volume and the adjustment to the work schedule linked to the tower transfer (delayed).

Ordinary income -1.2 billion yen, Net income -1.6 billion yen, exceeded revised forecast

- Non-operating and extraordinary income and losses remained in line with forecasts.
- Recorded non-operating expenses (financing structuring cost) of JPY1.4 billion and extraordinary loss (impairment loss) of JPY210 million mainly related to Digital Pole and Domestic IBS.

Tower

- ✓ As of the end of March, the transfer of **835 towers** (total) was completed, exceeding the revised forecast (700 towers).
- ✓ Financing contracts were concluded at the end of November 2022 and March 2023, and funds were secured for **all towers** that have been decided to be acquired.
- ✓ Completed the construction of **88 rural towers** as of the end of March.

Domestic IBS

- ✓ Started 4G IBS (replacement) service in Q3 and completed installations in **15 buildings** (total).
- ✓ Including new installations for 4G and 5G IBS, the total number of installations*¹ expanded to **429**.

*1: The total number of installations of 4G IBS (new installation), 4G IBS (replacement) and 5G IBS.

We have changed disclosure method in the financial results presentation at the following points.

● Breakdown of historical revenue (P11)

→ Terminated the disclosure of *Infra-Sharing Revenue* and the breakdown of revenue trends are unified in *Historical Revenue by Business*.

* *Infra-Sharing Revenue* will continue to disclose in EXCEL Data Book.

→ In the graph of *Historical Revenue by Business*, terminated the disclosure of break down (*Infra-Sharing/Other*) and show only the total results by business.

* Break down (*Infra-Sharing/Other*) will continue to disclose in EXCEL Data Book.

● Historical Number of Installations (P12)

→ Added 4G (replacement) results in addition to 4G (new installations) and 5G.

→ Change from monthly to quarterly basis.

→ Terminated the disclosure of *The No. of installations to be completed* (pipeline).

<Reason>

- Due to variations in the timing of MNO's participation responses, it has become difficult to disclose the number of pipelines as a definite value.

- Since 4G (replacement) is a business model in which a certain number of buildings are agreed with MNO and the construction schedules are subsequently adjusted with building owners, the progress-forecast becomes complicated.

⇒ Disclose any changes in the number of pipelines when it will affect future growth.

● Historical Tenancy Ratio (P13)

→ In addition to 4G (new installations) added 5G.

→ Change from monthly to quarterly basis.

→ Excluding 4G (replacement) since the tenancy ratio is still 1.0.

① FY2022 Consolidated Results – P&L

JTOWER

- Revenue increased to JPY5,228 million (+24% YoY).
- Compared to the revised forecasts announced on February 8, gross profit increased and one time expense (tower sharing preparation cost) was delayed, resulting exceeding forecasts in the profits.

(JPY mn)	FY2021	FY2022		
	12 Months Results	12 Months Results	Change	
			Amount	%
Revenue	4,216	5,228	+1,012	+24.0%
EBITDA *1	1,696	1,688	- 7	-0.5%
<i>EBITDA Margin</i>	40.2%	32.3%	- 7.9pt	—
Operating Profit	560	117	- 443	-79.1%
<i>Operating Profit Margin</i>	13.3%	2.2%	- 11.0pt	—
Ordinary Profit	555	-1,238	- 1,794	—
Net Income	644	-1,602	- 2,247	—
Capital Expenditure*2 (Investment Cash Flow)	-2,585	-12,728	- 10,143	+392.4%

FY2022		
12 Months Forecasts (revised on Feb. 8, 2023)	vs. Forecast	
	Amount	%
	5,200	+28 +0.5%
	1,290	+398 +30.9%
	24.8%	+7.5pt —
	-290	+407 —
	-5.6%	+7.8pt —
	-1,730	+492 -28.4%
	-1,970	+368 -18.7%
	-13,830	+1,102 -8.0%

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

*2: Figures for FY2022 results include the acquisition of property, plant and equipment and intangible assets.

① FY2022 Consolidated Results – BS (1/2)

JTOWER

- **Tangible fixed assets increased due to the transfer and new construction of towers.**

	FY2021	FY2022	
(JPY mn)	March 31, 2022	March 31, 2023	Change
Current Assets	15,782	25,762	+9,980
Cash and Cash Equivalents	14,835	24,247	+9,412
Accounts Receivable	592	529	- 62
Non-current Assets	9,222	26,279	+17,056
Tangible Fixed Assets	8,317	25,428	+17,110
Goodwill	339	338	- 1
Total Assets	25,005	52,042	+27,037
Financial Indicators			
Debt	733	22,412	+21,679
Net Debt	-14,102	-1,835	+12,266
Equity Ratio	60.9%	24.8%	- 36.1pt

① FY2022 Consolidated Results – BS (2/2)

JTOWER

- Increase in long-term borrowings due to financing for tower acquisition.

	FY2021	FY2022	
(JPY mn)	March 31, 2022	March 31, 2023	Change
Current Liabilities	9,215	16,830	+7,615
Accounts payable - trade	294	277	- 17
Short-term borrowings*1	60	930	+870
Accounts payable - other	975	7,451	+6,476
Contract liability	7,473	7,825	+351
Non-current Liabilities	569	22,318	+21,748
Long-term borrowings	150	21,146	+20,996
Total Liabilities	9,785	39,148	+29,363
Net Assets	15,219	12,893	- 2,326
Share capital	7,989	7,994	+5
Capital surplus	6,150	6,156	+5
Total Liabilities and Net Assets	25,005	52,042	+27,037

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

① FY2022 Q3 Consolidated Results – CF

JTOWER

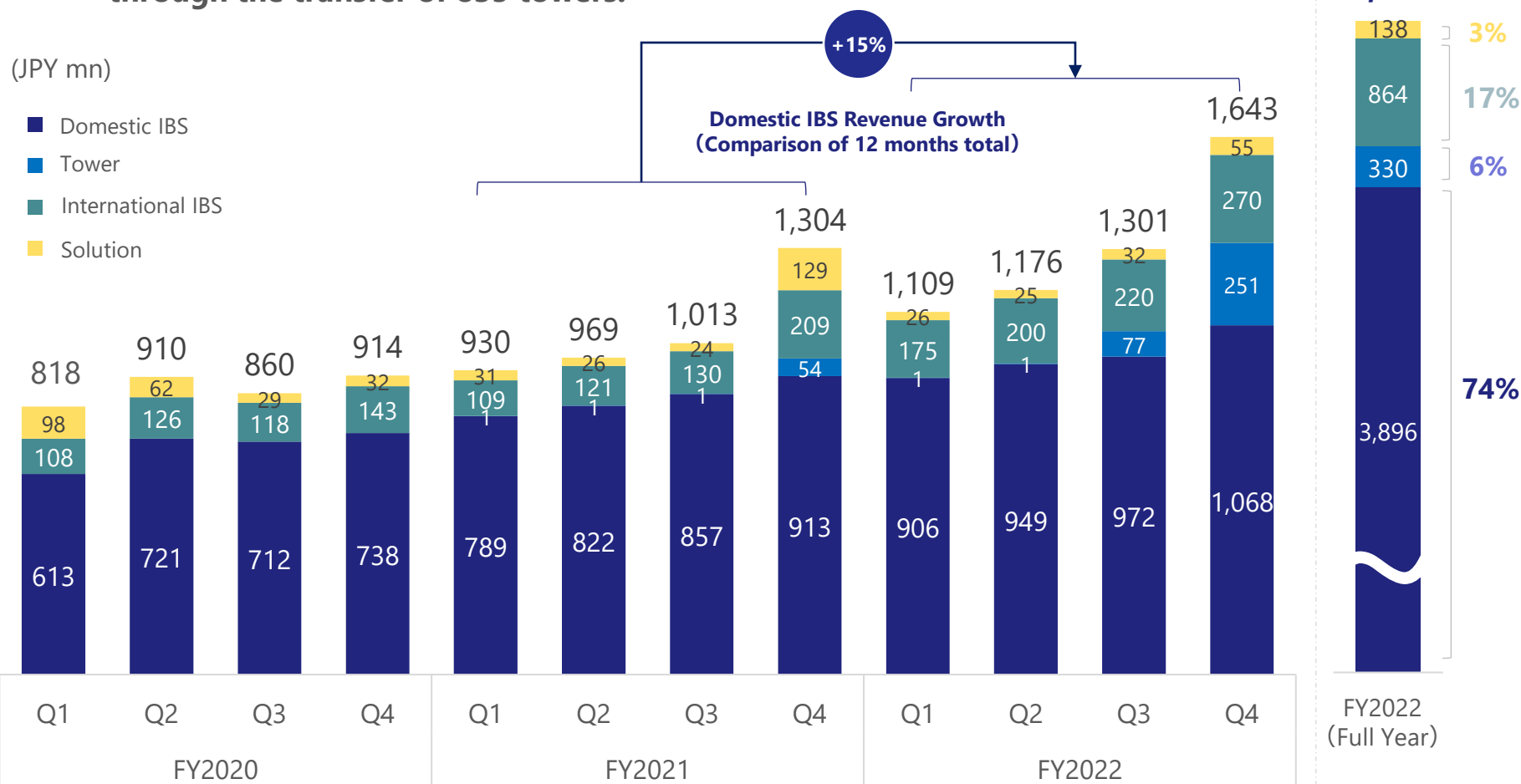
- Increase in expenditures for tower acquisition and borrowing through financing.

(JPY mn)	FY2021	FY2022	
	12 Months Ended March 31, 2022	12 Months Ended March 31, 2023	Change
Cash Flows from Operating Activities	1,949	1,445	- 504
Change in Contract liability (Decrease "-")	316	350	+34
Depreciation	1,102	1,532	+429
Amortization of Goodwill	30	36	+5
Cash Flows from Investing Activities	-2,378	-12,715	- 10,336
Purchase of property, plant and equipment	-2,585	-12,732	- 10,146
Subsidies received	-	150	+150
Free Cash Flow	-429	-11,270	- 10,840
Cash Flows from Financing Activities	6,781	20,445	+13,663
Proceeds from long-term borrowings	-	21,926	+21,926
Repayments of long-term borrowings	-210	-60	+150
Commission expenses paid	-	-1,245	- 1,245
Proceeds from issuance of shares	7,343	11	- 7,332
Repayments of lease obligations	-268	-233	+35
Effect of exchange rate change on cash and cash equivalents	32	53	21
Net Increase (Decrease "-") in Cash and Cash Equivalents	6,384	9,228	+2,843
Cash and Cash Equivalents at Beginning of Period	7,990	14,375	+6,384
Cash and Cash Equivalents at End of Period (Q4)	14,375	23,603	+9,228

① Historical Revenue by Business

JTOWER

- Domestic IBS revenue increased by **15%YoY** and accounts for **74%** of the total consolidated revenue.
- In International IBS, the income related to demonstration projects of JPY41 million was recorded in Q4. Tower business expanded to full-year revenue of JPY330 million through the transfer of 835 towers.

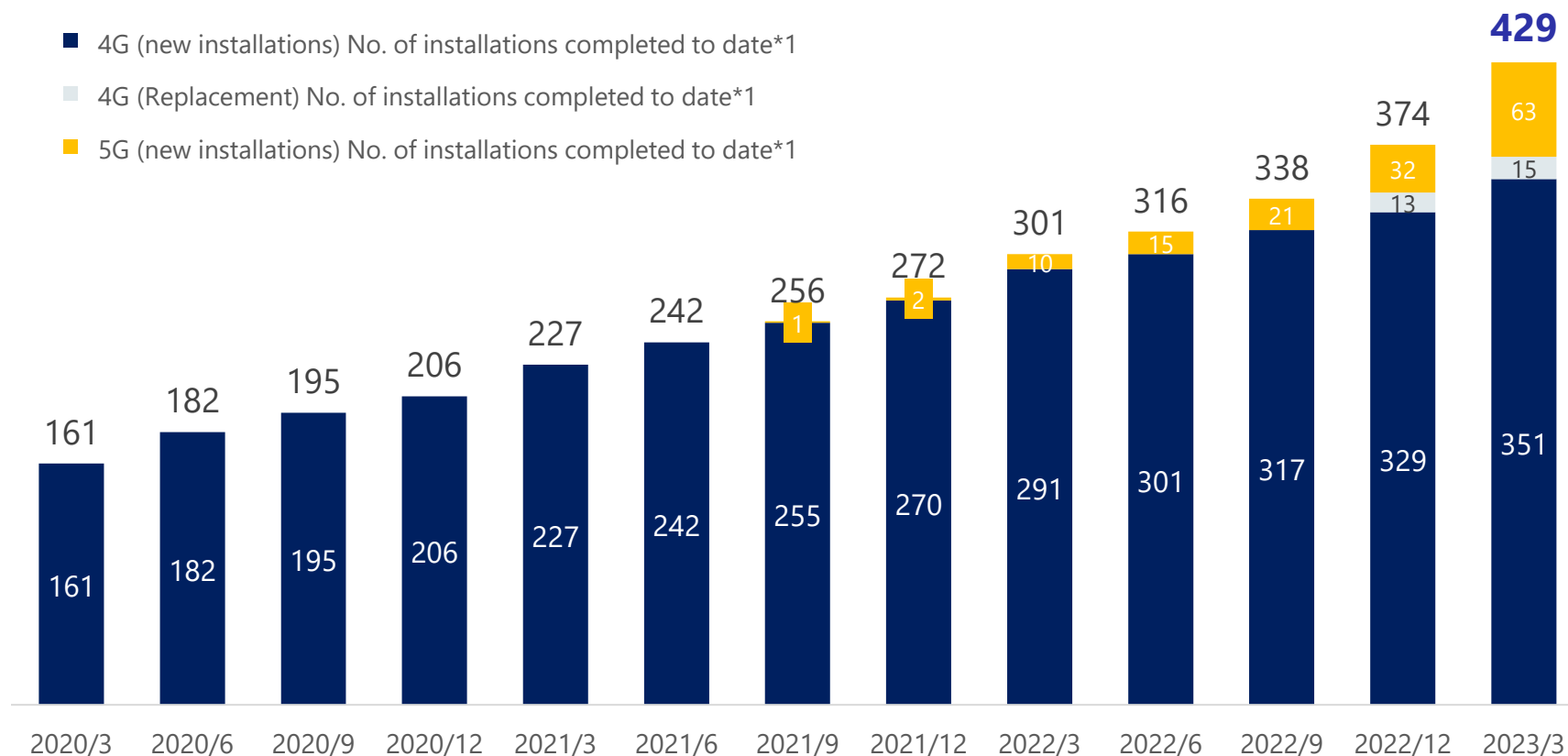


Note: Breakdown of quarterly revenue by business is unaudited.

① Historical Number of Installations (Domestic IBS) JTOWER

- In FY2022, the number of installations increase **60** in 4G IBS (new installations) and **53** in 5G IBS. 4G IBS (replacements) launched service in Q3 and installed in **15** buildings (total).
Total number of installations increased by **128** in FY2022.

(Number of buildings)

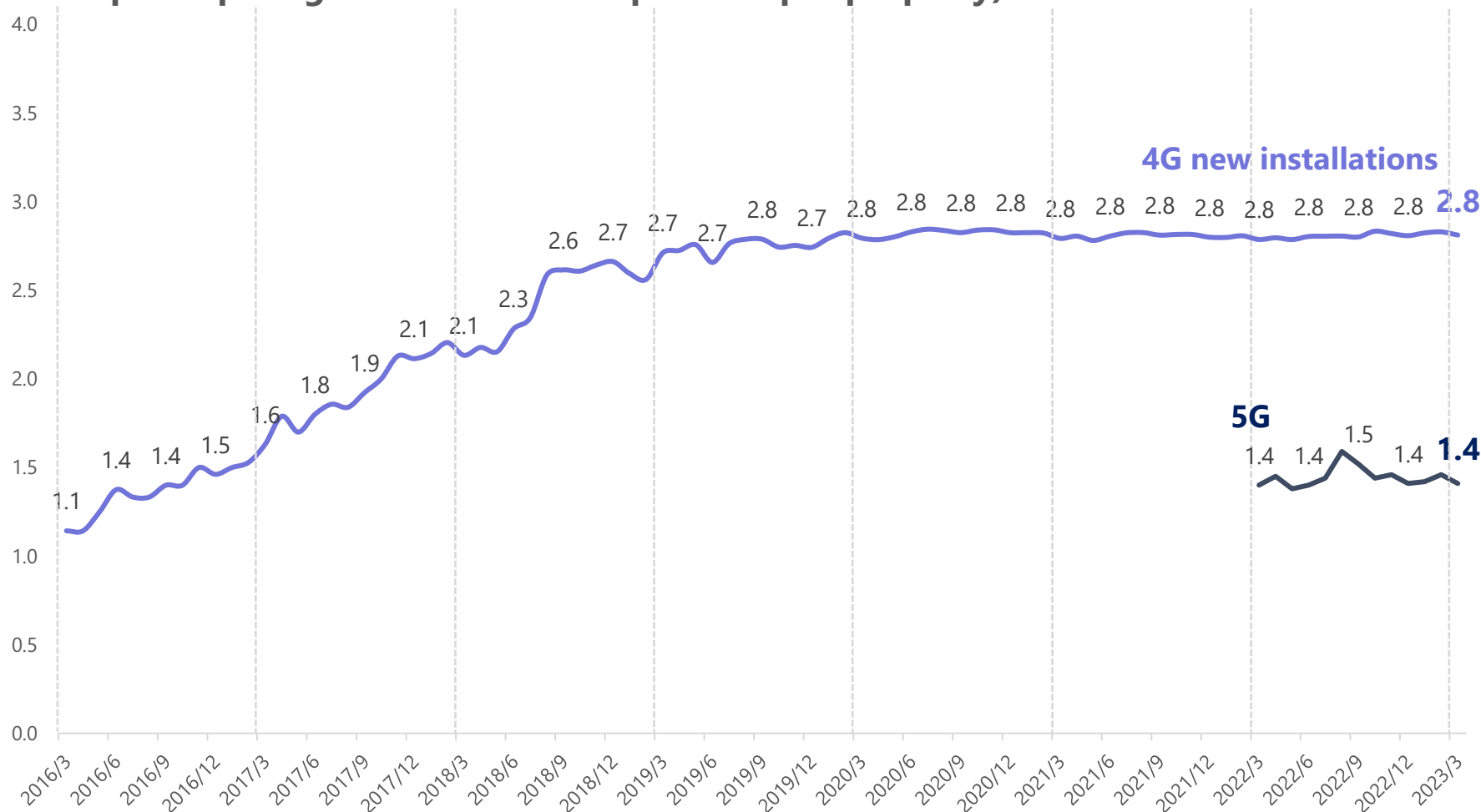


*1: Projects where radio waves have been emitted and revenues are recognized.

① Historical Tenancy Ratio*¹ (Domestic IBS)

JTOWER

- (x) ● In addition to 4G IBS new installations, Tenancy Ratio (average number of participating mobile network operators per property) of 5G IBS was added*².



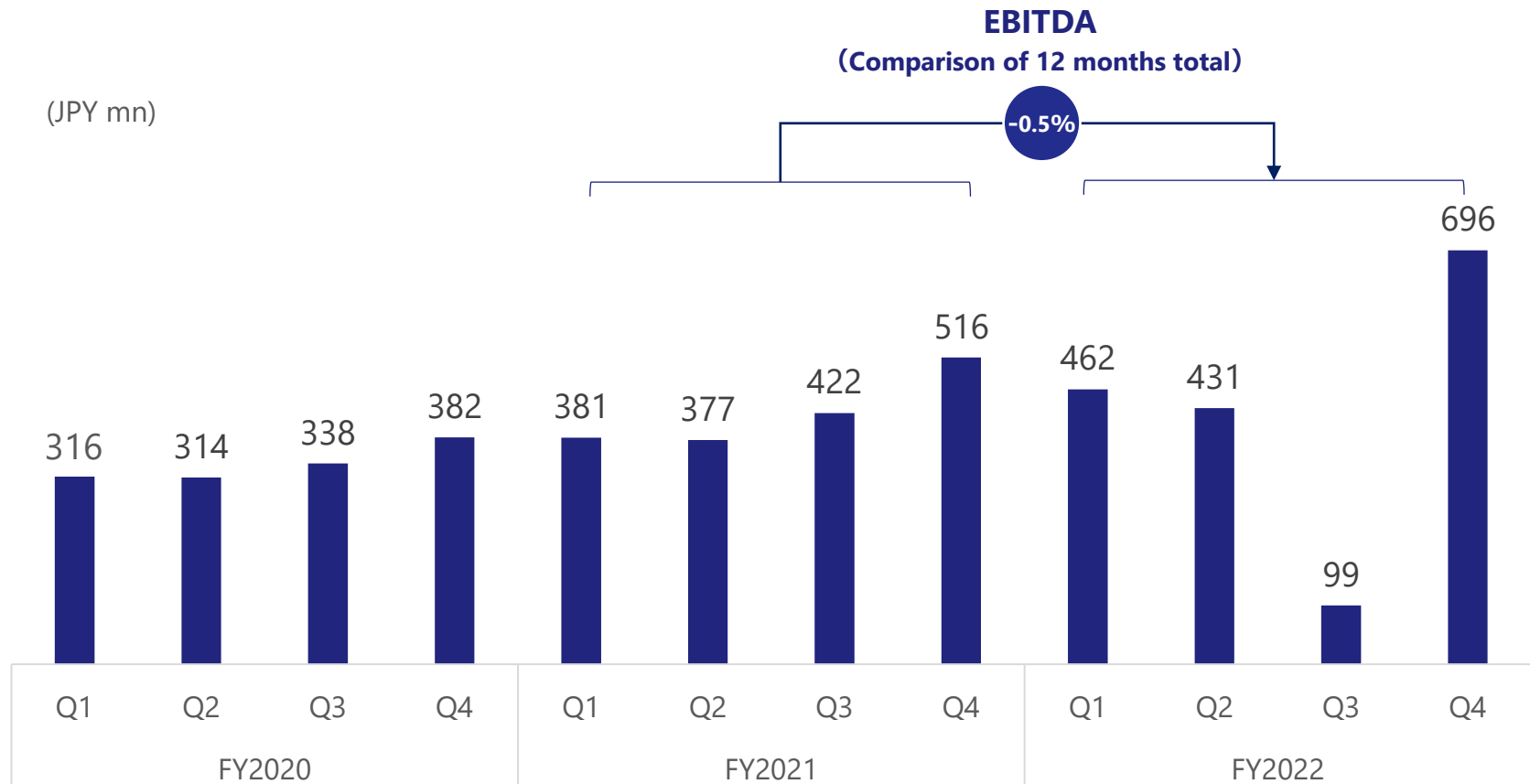
* 1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

* 2: 4G IBS (replacement) has been shortly after the service was launched, and the tenancy ratio is still for only anchor tenant (1.0), for this reason it is not included in the current table.

① Historical Consolidated EBITDA*1

JTOWER

- Consolidated EBITDA decreased by **-0.5%** YoY, due to the recording of one-time expenses in H2 (JPY450 million in Q3, JPY63 million in Q4)

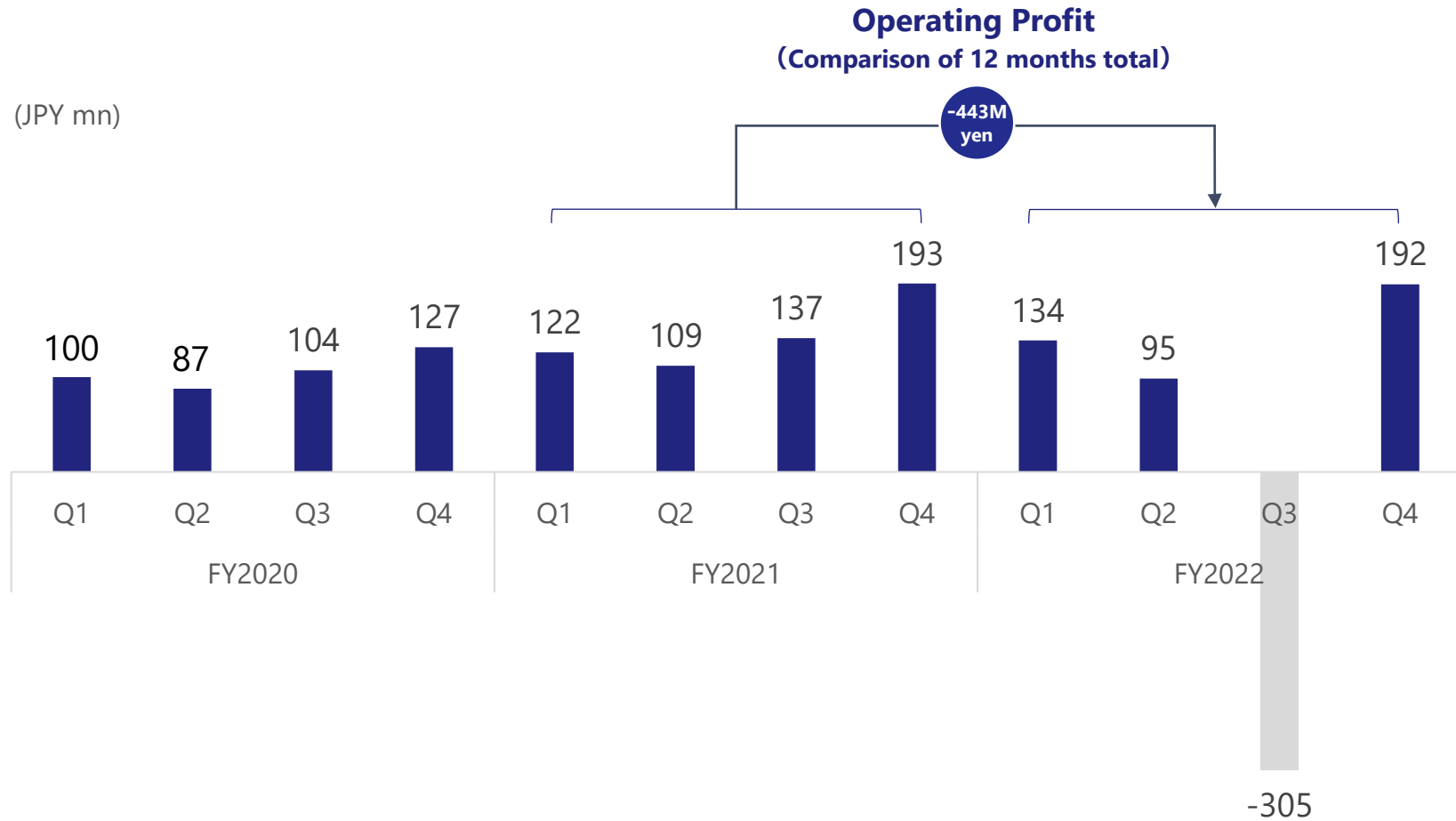


*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

① Historical Consolidated Operating Profit

JTOWER

- Consolidated operating profit decreased by **JPY443 million** YoY, due to the recording of one-time expenses in H2 (JPY450 million in Q3, JPY63 million in Q4)



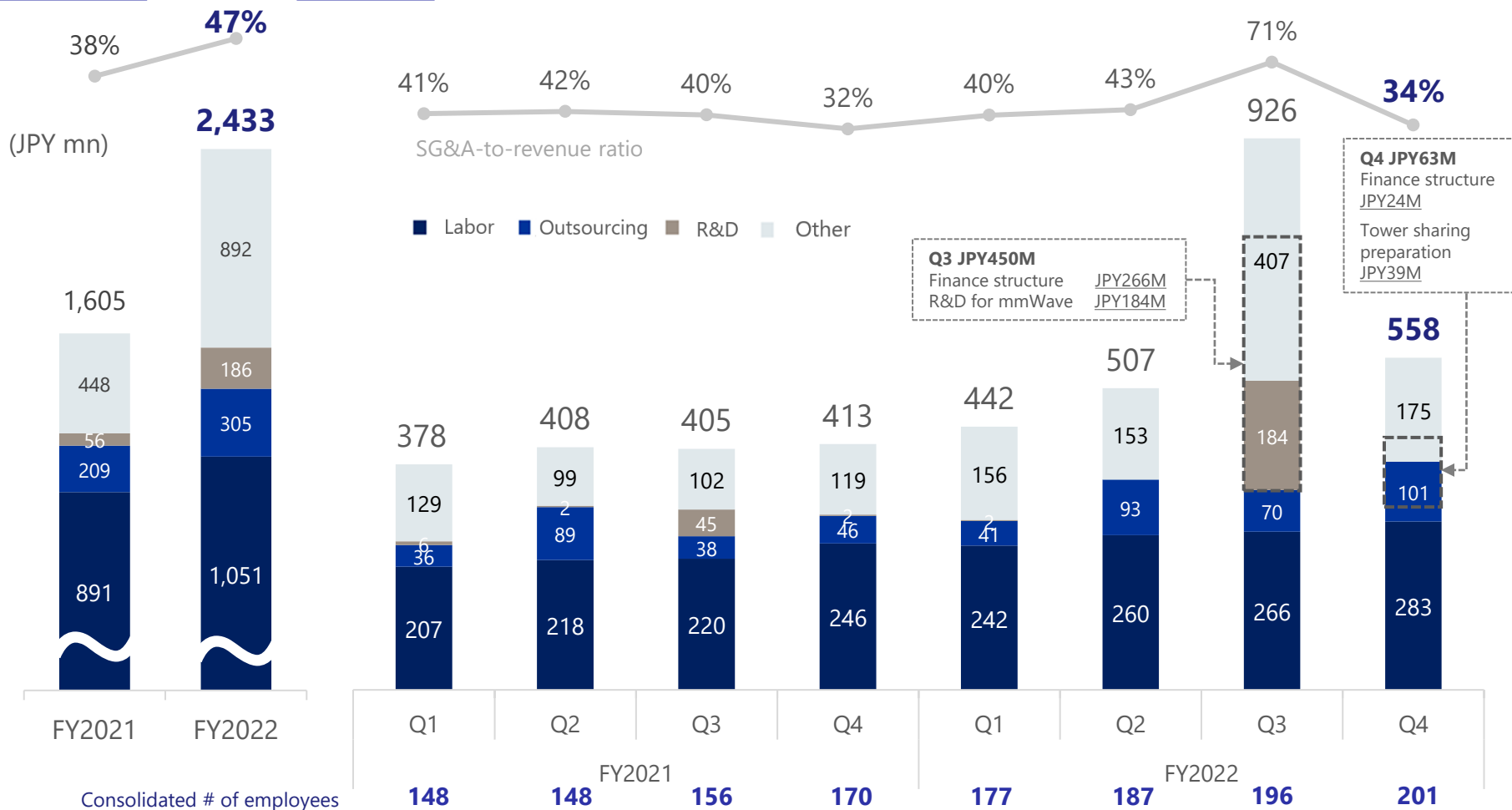
① Historical Consolidated SG&A Expenses

JTOWER

- Recorded one-time expenses*¹ of JPY513 million in H2 (JPY450 million in Q3, JPY63 million in Q4).
- Part of the tower sharing preparation cost, which was planned as upfront investment was carried over to the next fiscal year.

12 months

3 months



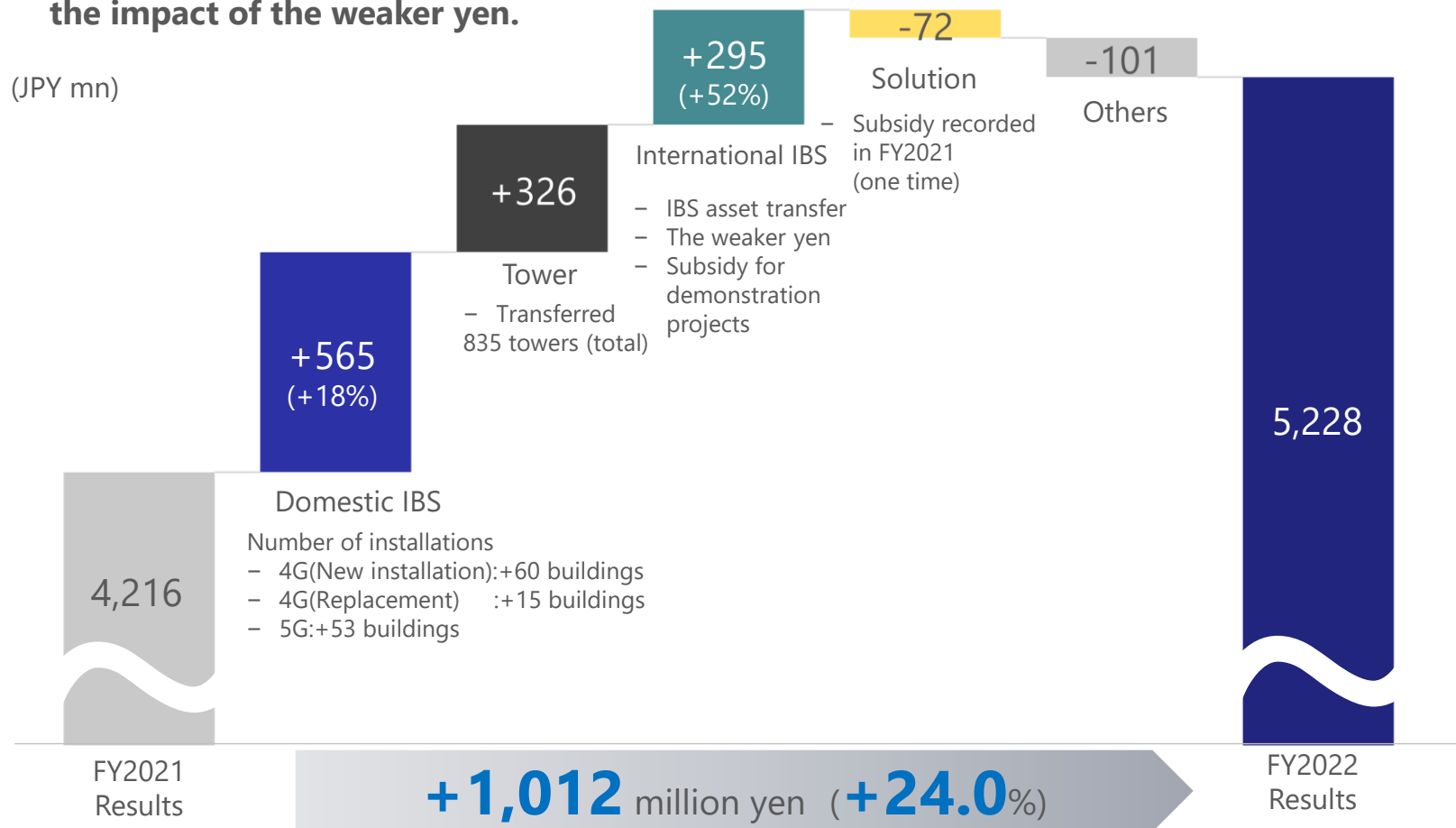
*1: Include; Development of 5G mmWave shared radio unit (R&D), Tower sharing preparation (Outsourcing), Finance structure (Other)

① <Reference>

Factors behind changes in consolidated revenue

JTOWER

- In Domestic IBS, revenue increased due to the expansion of 5G IBS and the launch of 4G replacement.
- In Tower, revenue related to tower carve-outs began to be recorded.
- In International IBS, revenue increased due to contributions from the IBS asset transfer and the impact of the weaker yen.



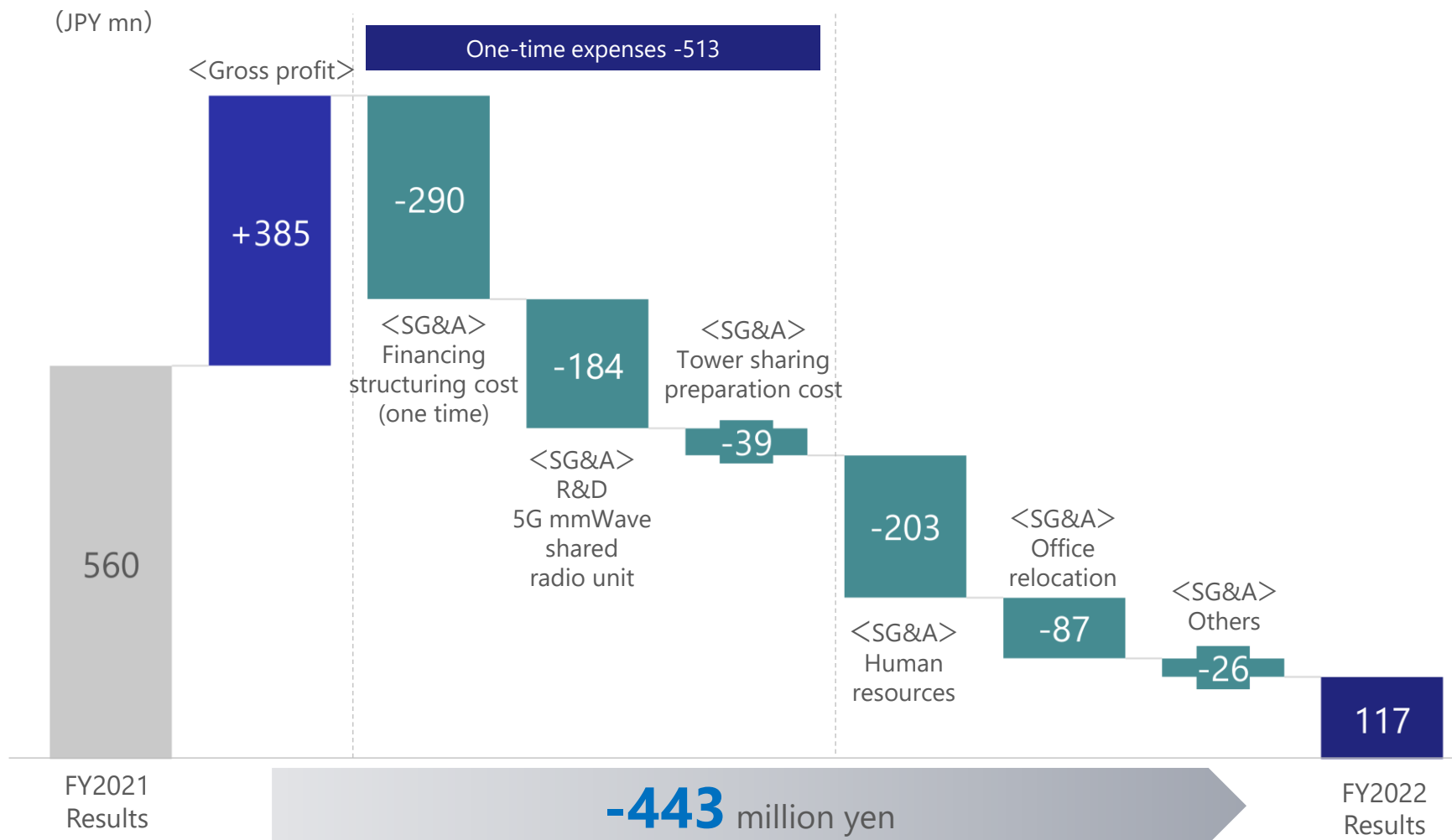
Note: Breakdown of quarterly revenue by business is unaudited.

① <Reference>

Factors behind changes in consolidated Operating profit

JTOWER

- SG&A expenses increased due to the one-time financing structuring cost for tower carve-outs, R&D cost for 5G mmWave shared radio unit and the increase of human resources, mainly in Domestic IBS and Tower.

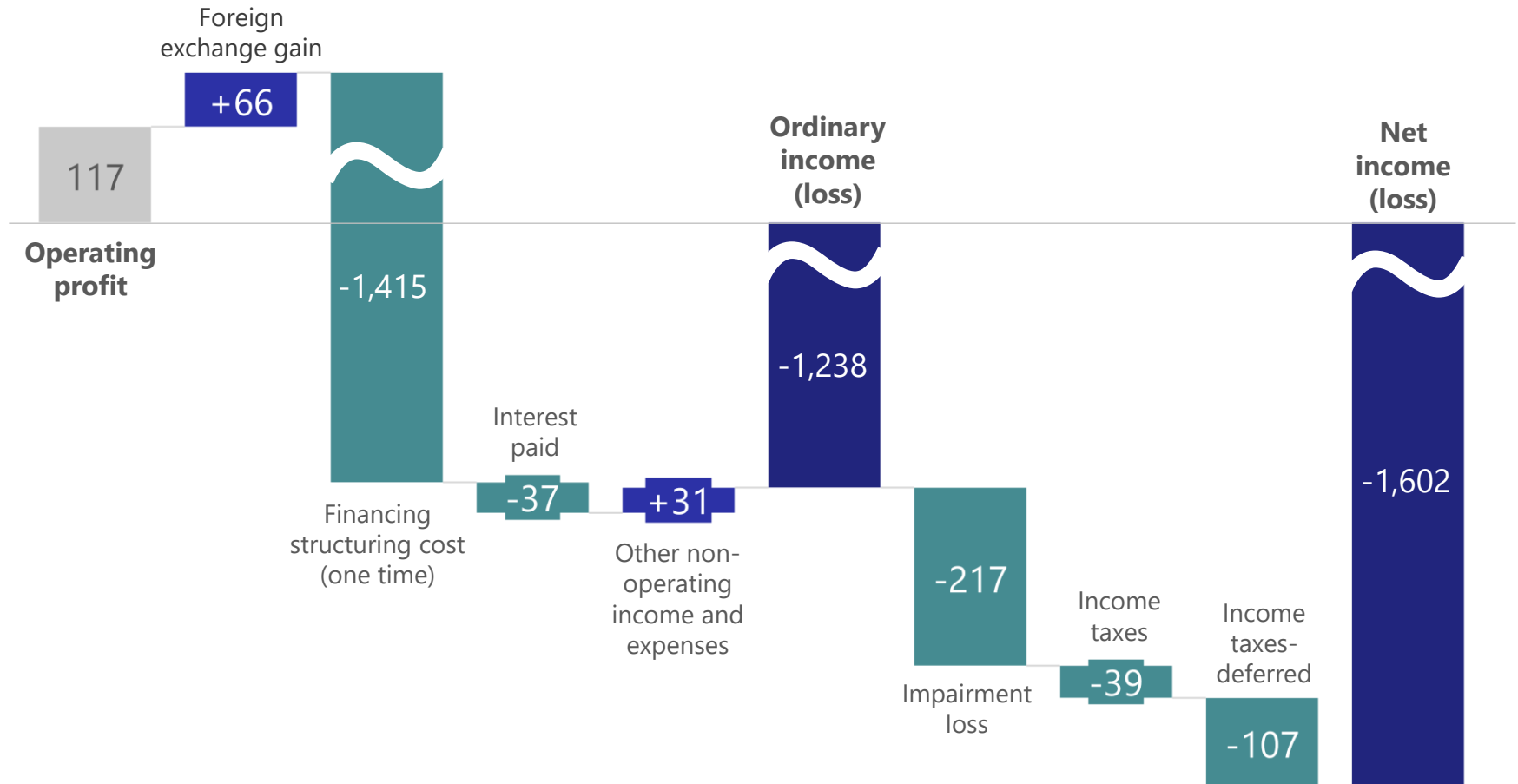


① Details of profit and loss items after non-operating JTOWER

● Details of profit and loss items after non-operating

- Recorded the financing structuring cost as one-time cost.
- Impairment losses related to Digital Pole and Domestic IBS were recorded.

(JPY mn)





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② FY2023 KPI Forecasts for Core Business

JTOWER

	Tower* ¹ (number of towers)		Domestic IBS (number of installations)		
	Tower carve-out (transferred)	New construction (rural)	4G new installation	4G replacement	5G
Until FY2022 (1) Completed * ¹	835	3	351	15	63
FY2023 (2) Planned	5,350 * ²	109	55	25	62
As of the end of FY2023 (1)+(2)	6,185	112	406	40	125
As of the end of FY2023 Total by business	6,297		571		

*1: Excluding Digital Poles.

*2: Number of towers or buildings for which Infra-Sharing service has been provided and revenues are recognized.

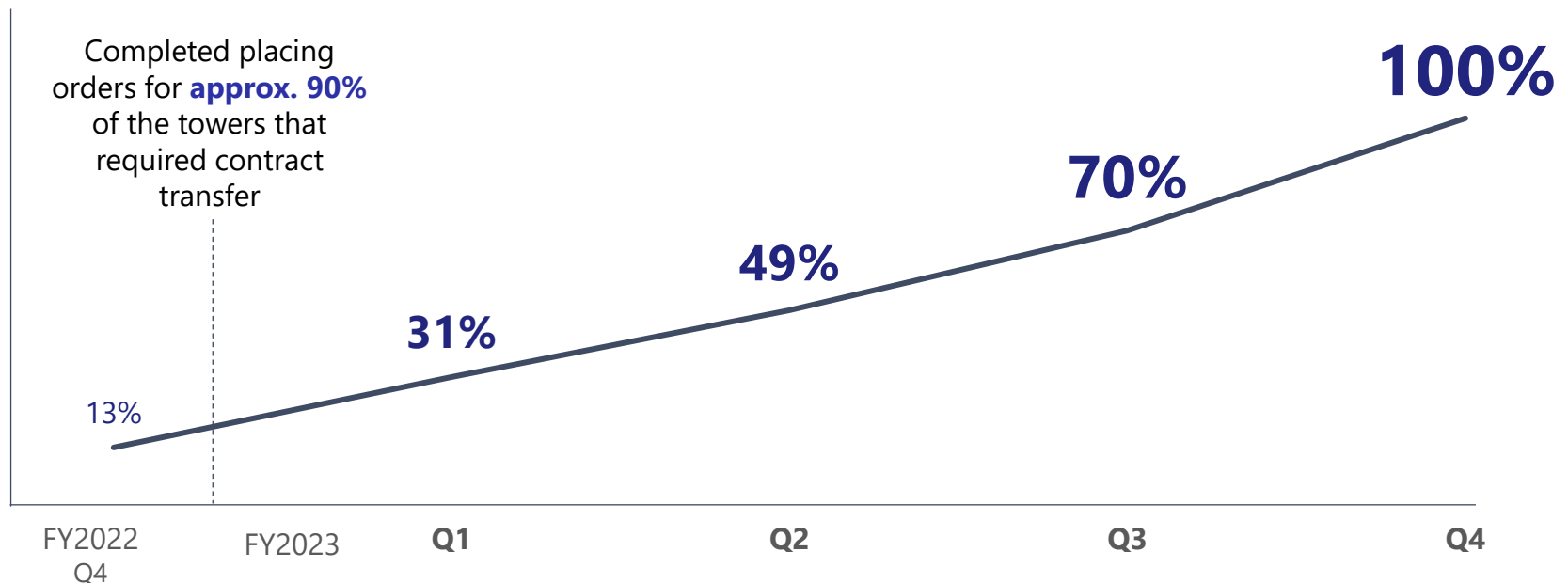
*3: Regarding the transfer of towers from NTT West and NTT East, some of the towers are scheduled to be transferred from FY2024 due to specific reasons.

② Tower – Outlook for Tower Transfer (NTT DOCOMO towers) JTOWER

- ✓ As of April 2023, we had completed placing order to outsourcing partners for transfer work of approx. 90% of the towers that required the transfer of tower-site leasing contract with landowner.
- ✓ Although lead times vary by tower, we plan to accelerate the transfer pace toward the end of the fiscal year and aim to complete the entire transfer (approx. 6,000 towers) by the end of FY2023.
- ✓ Continue the attraction of additional tenants in parallel with the transfer process.

<Tower transfer forecast as of the end of the quarter (cumulative % of approx. 6,000 towers to be transferred)>

(% : number of transfer completed)



*1: Period from order placement to outsourcing partners to conclusion of contract with landowner.

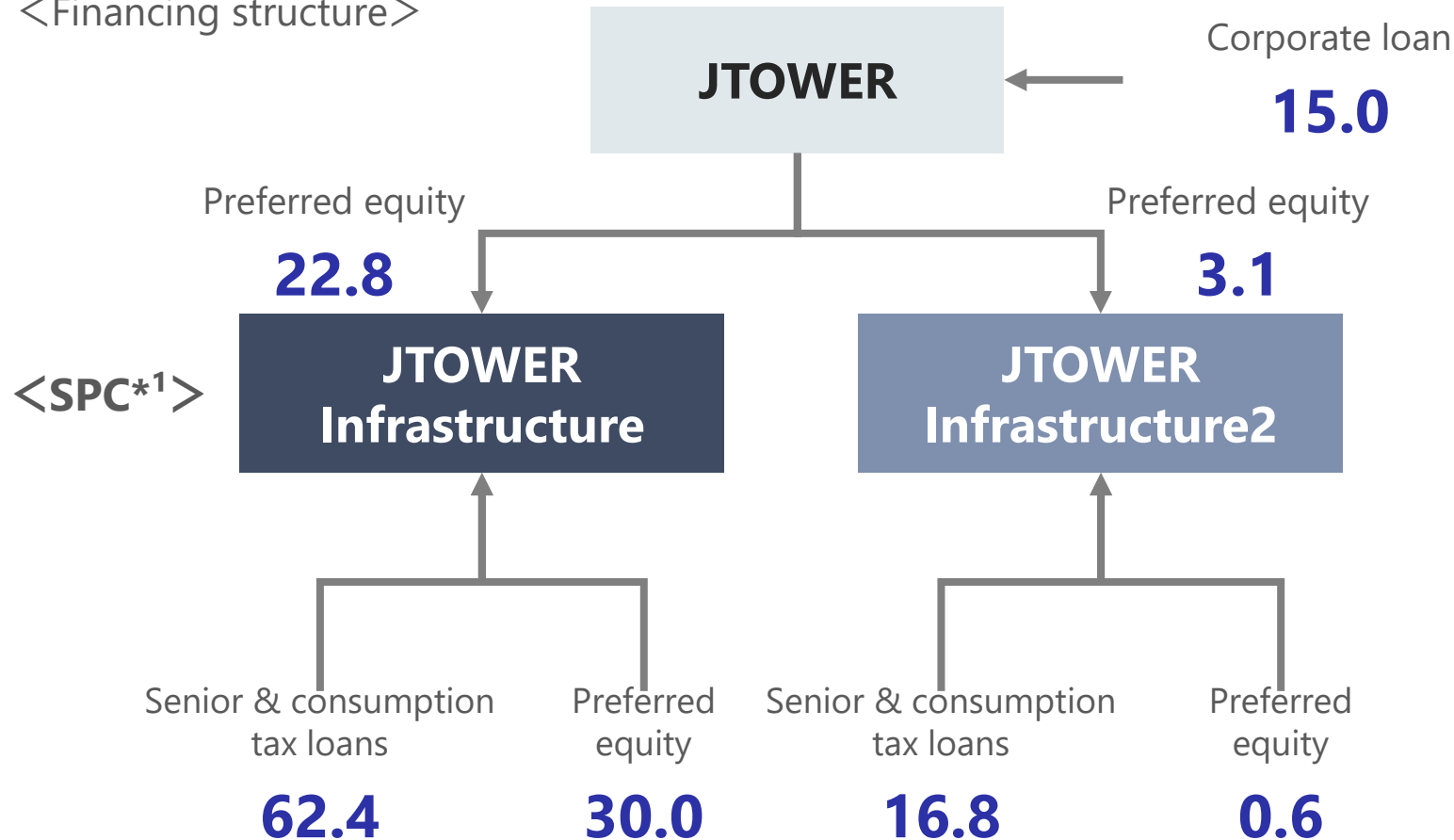
② Tower – Tower carve-outs financing

JTOWER

- Financing contracts were concluded at the end of November 2022 and March 2023, and funds were secured for all towers that have been decided to be acquired.

(JPY bn)

<Financing structure>



*1: JTOWER Infrastructure and JTOWER Infrastructure2 are both 100% subsidiaries of JTOWER Inc. and special-purpose companies for tower ownership and financing.

② Tower — Progress of new tower sharing in rural areas

JTOWER

- Construction of 88 towers (total) was completed in FY2022.
- In FY2023, construction will be completed on approx. 150 towers (total) and 112*¹ towers (total) will start service. Apply for additional subsidies and plan to utilize the subsidies in most of the towers where services are launched.



Rural tower in Kunigami-gun, Okinawa, where the service launched

Progress of rural tower sharing

Decided construction of
approx. **150** rural towers

FY2022

Completed construction on 88 towers (total)

FY2023 (plan)


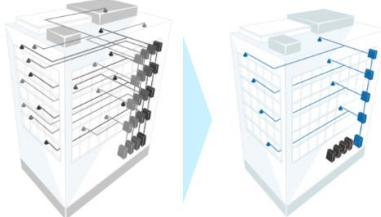
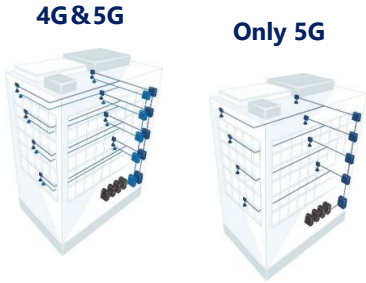
Complete construction on approx. 150 towers (total)
Service launch in 112 towers (total)
(Utilize the subsidies in most of the towers)

*1: For some towers where the construction will be completed by FY2023, launch of services are planned in FY2024 in view of the schedule for optical fiber procurement.

*2: The subsidy system in which 2/3 of 5G base station installation costs are subsidized. When multiple operators, including Infra-Sharing, jointly install base station, the subsidy rate is raised (1/2 → 2/3).

② Domestic IBS – Forecast of the number of installations and future growth image

- Temporary slowdown in the increase of new installations due to the impact of restrained investment by MNO.
- In the future, the potential for 4G replacement will expand due to the replacement demand of existing 4G networks installed by MNO, and this will drive business growth.

		4G IBS (New installation)	4G IBS (Replacement)	5G IBS
Installation Image				
# of installations	FY2023 forecast	55	25	62
Future growth image		<p>New installations are affected by restrained investment, but are expected to recover gradually.</p> <p>MNO's demand for replacement of existing 4G networks will increase the potential of replacement services and drive growth.</p>		<p>Gradually expand with the increase of 5G services and the spread of 5G SA (Standalone).</p>

② Development Status of 5G mmWave Shared Radio Unit

JTOWER

- Development schedule has been delayed mainly due to shortage of semiconductors and extended defects of software.
- The impact of the shortage of semiconductors has been resolved, and the development of hardware has generally been completed.
Software defects has been resolved and development is ongoing.
- Started technical discussions with MNO aiming to complete the development in Q4.

Development Status of 5G mmWave Shared Radio Unit



Progress

1. Impact of shortage of semiconductor ⇒ **Resolved**
2. Impact of software defects ⇒ **Resolved (obvious parts)**
3. Development of software ⇒ **Continuing**
4. Discussions with MNO for verification and connection testing ⇒ **Started**



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③ FY2023 Full Year Forecasts

- **Revenue** : Tower revenue will increase 15 times YoY, and consolidated revenue is expected to exceed JPY10 billion for the first time.
- **Operating profit** : Although one-time costs of JPY339 million scheduled to be posted in FY2022 were carried over, consolidated operating profit will greatly increase.

(JPY mn)	FY2022	FY2023		
	12 Months results	12 Months forecasts	Change	
			Amount	%
Revenue	5,228	10,500	+5,272	+100.8%
EBITDA *¹	1,688	4,740	+3,052	+180.8%
<i>EBITDA Margin</i>	32.3%	45.1%	+12.9pt	—
Operating Profit	117	560	+443	+378.6%
<i>Operating Profit Margin</i>	2.2%	5.3%	+3.1pt	—
Ordinary Profit	-1,238	-680	+558	—
Net Income	-1,602	-700	+902	—
Capital Expenditure (Investment Cash Flow)	-12,728	-82,300	- 69,572	+546.6%

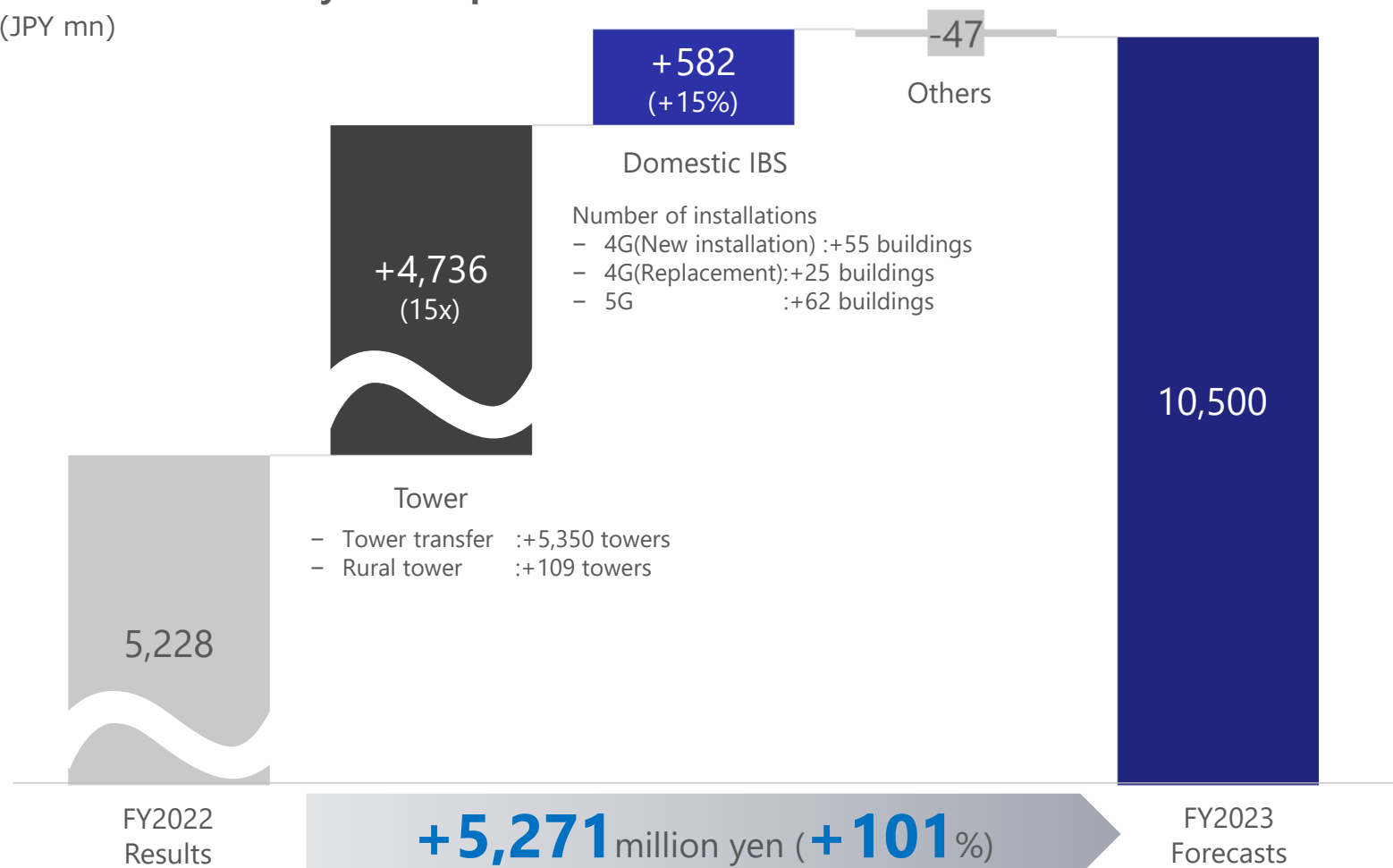
*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

③ FY2023 Forecast: Factors Behind Changes in Consolidated Revenue

JTOWER

- **Tower:** Revenue is expected to increase significantly, mainly due to an increase in the number of transferred towers.
- **Domestic IBS:** Expected to increase due to an increase in the number of installations, mainly in 4G replacement and 5G.

(JPY mn)

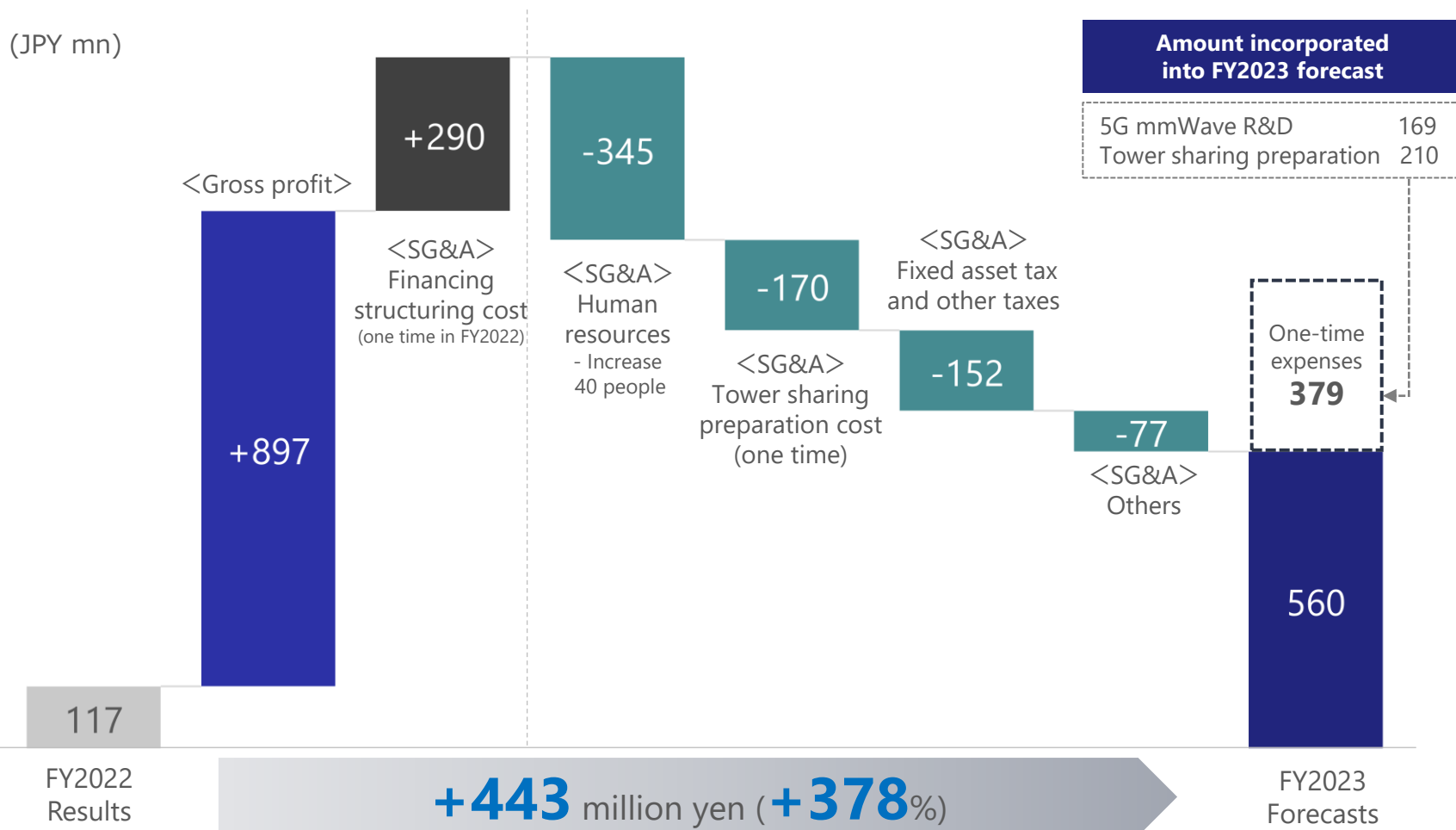


③ FY2023 Forecast:

Factors Behind Changes in Consolidated Operating profit

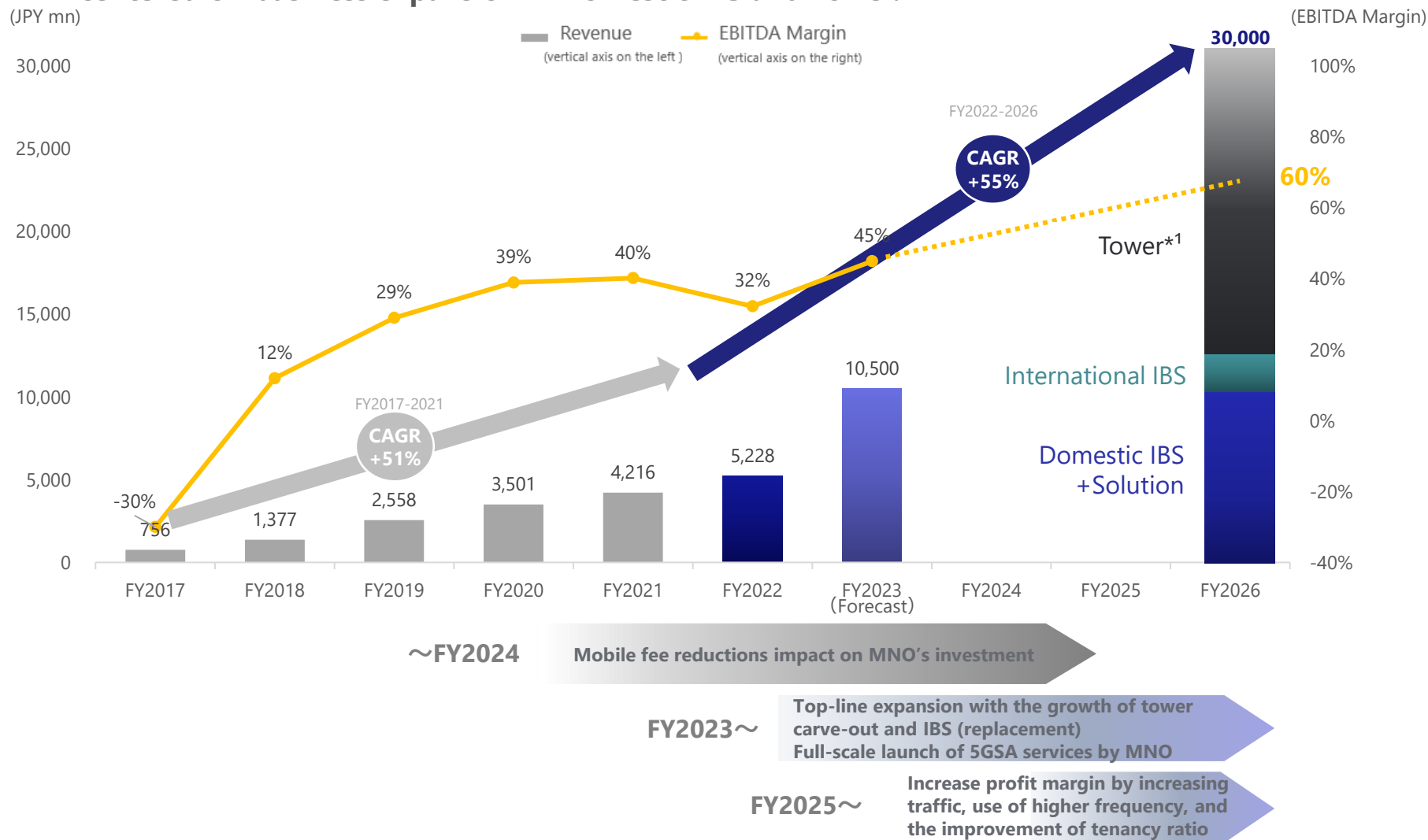
JTOWER

- SG&A is expected to increase due to the increase of human resources, mainly in Domestic IBS and Tower, recording of tower sharing preparation cost for tower carve-outs, and increase of fixed asset taxes, despite a decrease in one-time financing costs incurred in FY2022.
- As in FY2022, we plan to incur JPY169 million in R&D investments for 5G mmWave shared RU.



③ Growth image of revenue and EBITDA margin and potentials **JTOWER**

- Current business has been performing steadily in line with the medium-term business plan and we aim to achieve the financial target with the improvement of revenue growth rate, centered on business expansion in Domestic IBS and Tower.



*1: In the tower carve-out, the number of towers transferred from FY2023 onward is not disclosed because discussions are underway.



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Category	Q	A
FY2022 results	What is the income related demonstration project for International IBS?	The subsidy from MIC for the demonstration project of "FY2022 demonstration project of indoor Infra-Sharing in the Socialist Republic of Vietnam".
Tower transfer	As of April 2023, how many towers have been ordered for transfer work?	Approx. 4,500 towers.
Tower transfer	Are the lead times for tower transfers completely different for each tower? The trend values cannot be shown in the future?	Since there are landowners for each tower, and there are individual situations, it seems difficult to show trend values in the future, but it is assumed that the pace of transfer will gradually accelerate due to the improvement of operational efficiency.
Domestic IBS	At what pace will the number of installations be expanded in FY2023?	For 4G (new installations), 4G (replacement) and 5G, the number of installation will increase 50% in H1, 50% in H2. (almost the same pace in H1 and H2)
FY2023 forecasts	When is the timing for the recording of R&D cost for 5G mmWave shared radio unit and tower sharing preparation cost, which were carried over from the previous fiscal year?	R&D cost for 5G mmWave shared radio unit will be recorded in Q4 and tower sharing preparation cost will be recorded throughout the year, in conjunction with tower transfers.
FY2023 forecasts	What is the factor behind the reduction in tower sharing preparation cost?	Mainly because the number of drawings requiring conversion was less than expected.
FY2023 forecast	What is the forecast for the interest paid in FY2023?	Approx. 1.2 billion yen. (Interest rate: Approx. 2%)



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⑤ Medium-to long-term financial targets and KPI*¹ (FY2026) JTOWER

■ FY2026 (FY03/2027) financial targets

Revenue
30 billion yen

Revenue CAGR*¹
(FY2022-2026)
+55 %

EBITDA margin
60 %
EBITDA
18 billion yen

■ FY2026 (FY03/2027) KPI

Domestic IBS

The total number of
4G installations
1,000

New building : **600**
Replacement : **400**

Tenancy ratio of 4G
(excluding replacement)

3.0 x

The total number of
5G installations
450

Tenancy ratio of 5G

2.0 x

Tower

The total number of
towers

10,000 towers

Tenancy ratio

1.8 x

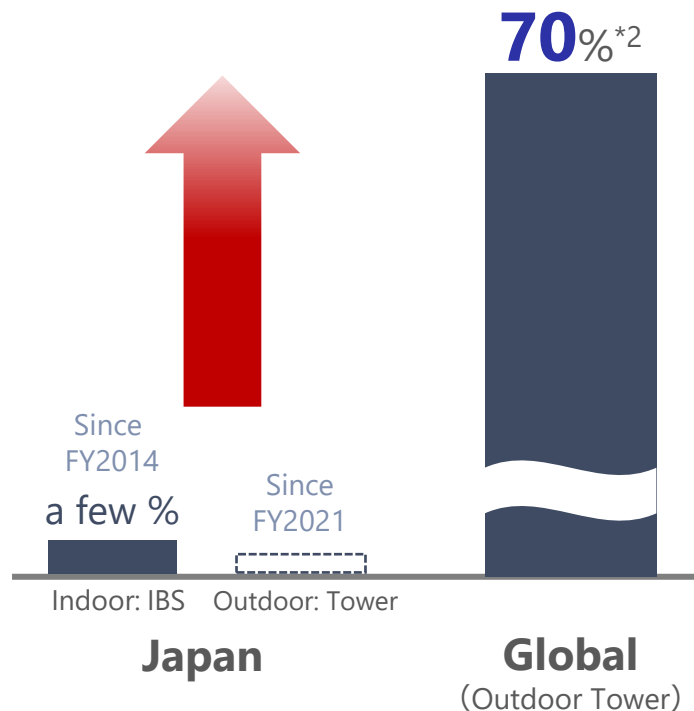
*1: The average annual revenue growth rate (CAGR) was initially estimated at FY2022 forecast (JPY5.8 billion), but since it was replaced with FY2022 actual result (JPY5.2 billion), the rate has been changed to 51%→55%.

⑤ Market development and room for expansion for Infra-Sharing in Japan

JTOWER

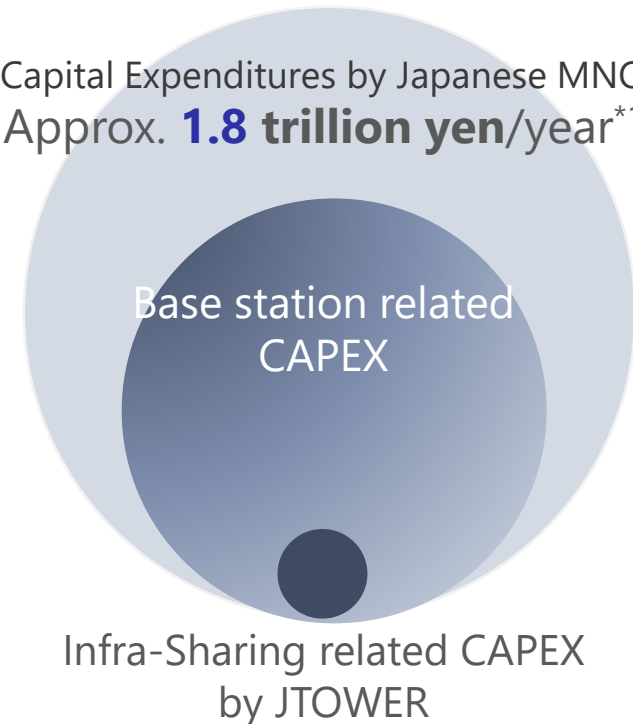
- In Japan, JTOWER has been leading Infra-Sharing market as a pioneer.
- On the other hand, compared to the global market, Japanese Infra-Sharing market seems to be a market with considerable room for future expansion.

Infra-Sharing Penetration



Investment in telecommunications infrastructure in Japan

Capital Expenditures by Japanese MNO
Approx. **1.8 trillion yen/year***1



Source:

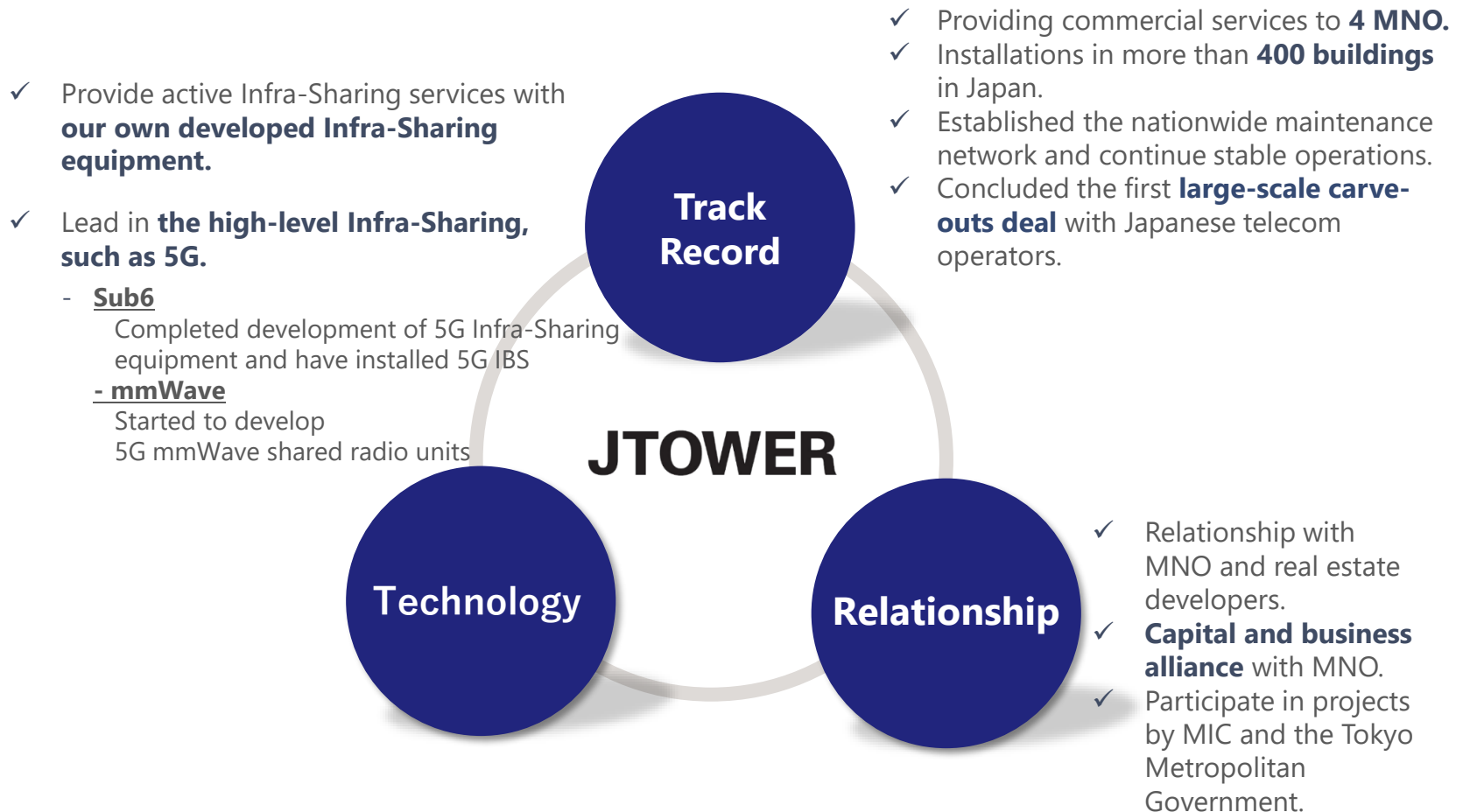
*1: Based on Current Status and Future Forecast of the Mobile Phone Base Station Market and Peripheral Materials Market (2019-2024 Version) by MCA

*2: Based on TowerXchange

⑤ Our strengths in Infra-Sharing market

JTOWER

- As a leading company of Infra-Sharing, JTOWER has established a solid position in the market with a high entry barrier.



⑤ Major transactions of tower carve-outs from telecom companies in the global tower market

Date	Telecom companies (Seller)	Tower companies (Buyer)	# of sites	Deal value (\$ billion)
2012/9	T-Mobile (US)	Crown Castle (US)	7,200	2.4
2013/10	AT&T (US)	Crown Castle (US)	9,700	4.9
2015/2	Verizon (US)	American Tower (US)	11,324	5.1
2018/6	Vodafone india Idea Cellular (India)	American Tower (US)	20,000	1.4
2019/7	Arqiva Group (UK)	Cellnex (ES)	7,400	2.5
2020/11	CK Hutchison (6 European countries)	Cellnex (ES)	24,600	8.5
2021/1	Telefonica (ES, DE, Latin America)	American Tower (US)	30,722	9.4
2021/2	Altice (FR)	Cellnex (ES)	10,500	6.3
2022/4	PLDT (PH)	edotco Group (MY)	2,973	0.8
2022/12	Globe (PH)	Frontier Tower Associates (PH)	3,539	0.8

Source: TowerXchange, press search

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Infra-Sharing Services from Japan Lead the World

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