



JTOWER

Financial Results for Q2 FY2023 ended September 30, 2023

November 8, 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.



<Background photos for cover, outline and vision> Acquired tower from NTT DOCOMO (Nomo town, Nagasaki)

Outline

- 1 . FY2023 H1 Financial Results
- 2 . Initiatives for Future Growth
- 3 . FY2023 Full Year Forecasts
- 4 . Q&A
- 5 . Appendix

**Infra-Sharing
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Consolidated revenue more than doubled YoY to JPY4.8 billion

- Tower transfer made steady progress, resulting in the increase of the total number of transferred towers to 4,062 and the total revenue of Tower Business to JPY2.1 billion.
- The revenue for Domestic IBS business increased by 19% YoY to JPY2.2 billion.
- Domestic IBS and Tower businesses accounted for 47% and 43% of consolidated revenue.

EBITDA increased by 2.5 times and operating profit increased by 87% YoY

- EBITDA increased by 2.5 times and operating profit increased by 87% YoY in line with revenue growth in Tower business.
- Gross profit margin decreased as expected, mainly due to the increasing the percentage of Tower business in consolidated revenue.
- SG&A expense ratio was 26% in H1, as there were almost no one-time expenses.

Full-year forecasts revised upward

- Mainly factored in revenue expansion in the Tower business and a decrease in non-operating expenses (interest expenses) .
- No change from the initial forecast for KPI of Domestic IBS and Tower as of the end of FY2023.

Tower

- ✓ Tower transfer made steady progress and the total number of transferred towers increased to **4,062**. (As of the end of September)
- ✓ On September 26, entered into the master transaction agreement to acquire the additional **1,552** towers from NTT DOCOMO.

Domestic IBS

- ✓ In H1, the number of installations in 4G and 5G IBS increased by **50** and the total number of installations in Domestic IBS*¹ increased to **479**.

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

① FY2023 H1 Consolidated Results – P&L

JTOWER

- Revenue increased to JPY4,778 million (**more than doubled YoY**).
- EBITDA increased by **2.5 times** and operating profit increased by **87% YoY**.
- Ordinary profit and net income decreased due to the recording of interest expenses for Tower financing.

(JPY mn)	FY2022	FY2023		
	6 Months Results	6 Months Results	Change	
			Amount	%
Revenue	2,284	4,778	+2,494	+109.2%
EBITDA ^{*1}	893	2,273	+1,380	+154.5%
<i>EBITDA Margin</i>	39.1%	47.6%	+8.5pt	—
Operating Profit	229	428	+198	+86.5%
<i>Operating Profit Margin</i>	10.0%	9.0%	- 1.1pt	—
Ordinary Profit	329	195	- 133	-40.6%
Profit attributable to owners of parent	223	116	- 106	-47.7%
Profit attributable to non-controlling interests^{*2}	—	7	+7	—
Capital Expenditure^{*3} (Investment Cash Flow)	-1,133	-47,697	- 46,564	—

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

*2: Accounting profit or loss attributable to preferred investors outside JTOWER.

*3: Figures for FY2023 results include the acquisition of property, plant and equipment and intangible assets.

① FY2023 H1 Consolidated Results – BS (1/2)

JTOWER

- **Tangible Fixed Assets (buildings and structures) increased due to the transfer of towers.**

	FY2022	FY2023	
(JPY mn)	March 31, 2023	September 30, 2023	Change
Current Assets	25,762	32,092	+6,329
Cash and Cash Equivalents	24,247	28,419	+4,171
Accounts Receivable	529	605	+75
Non-current Assets	26,279	83,722	+57,443
Tangible Fixed Assets	25,428	81,925	+56,497
Buildings and structures	14,605	69,526	+54,921
Machinery, equipment and vehicles	8,140	9,188	+1,048
Goodwill	338	353	+15
Total Assets	52,042	115,814	+63,772
Financial Indicators			
Debt	22,412	58,290	+35,878
Net Debt	-1,835	29,871	+31,706
Equity Ratio	24.8%	12.5%	- 12.3pt
Adjusted Equity Ratio*1	24.8%	24.8%	+0.0pt

*1: Calculated by including investment from non-controlling interests

① FY2023 H1 Consolidated Results – BS (2/2)

JTOWER

- Increase in accounts payable (other) and long-term borrowings due to tower transfer and non-controlling interests increased due to an increase in preferred investments.

	FY2022	FY2023	
(JPY mn)	March 31, 2023	September 30, 2023	Change
Current Liabilities	16,830	34,262	+17,431
Accounts payable - trade	277	363	+86
Short-term borrowings*1	930	5,054	+4,124
Accounts payable - other	7,451	18,860	+11,408
Contract liability	7,825	9,025	+1,200
Non-current Liabilities	22,318	53,383	+31,065
Long-term borrowings	21,146	52,779	+31,633
Total Liabilities	39,148	87,646	+48,497
Net Assets	12,893	28,168	+15,275
Share capital	7,994	8,001	+7
Capital surplus	6,156	6,630	+474
Non-controlling interests	0	13,731	+13,731
Total Liabilities and Net Assets	52,042	115,814	+63,772

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

① FY2023 H1 Consolidated Results – CF

JTOWER

- Increase in expenditures for tower acquisition and borrowing through financing.
- Increase in proceeds from payments from non-controlling interests due to expansion of preferred investments.

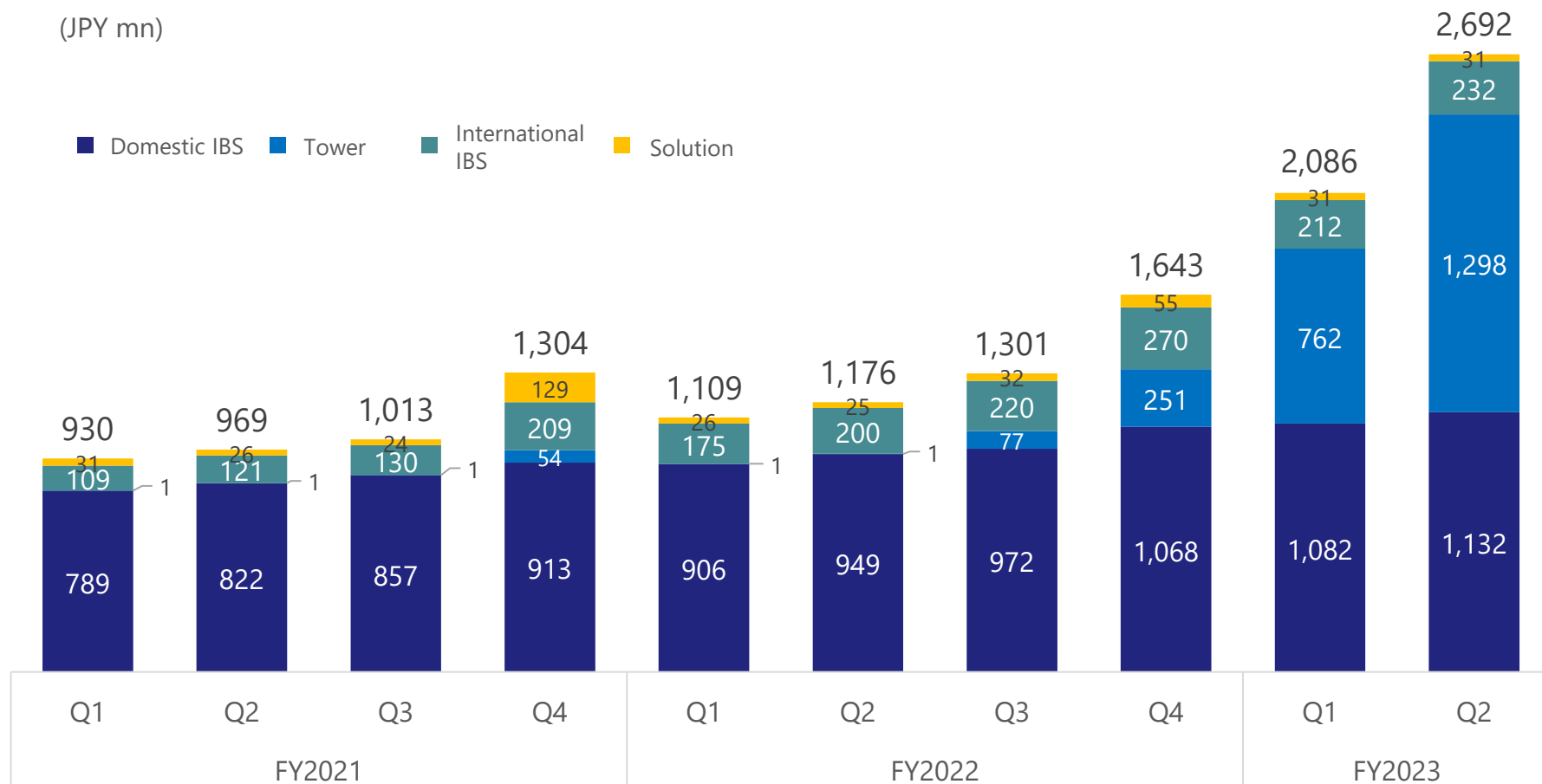
(JPY mn)	FY2022	FY2023	
	6 Months Ended September 30, 2022	6 Months Ended September 30, 2023	Change
Cash Flows from Operating Activities	1,659	1,812	+153
Change in Contract liability (Decrease "-")	842	1,199	+356
Depreciation	644	1,824	+1,179
Amortization of Goodwill	17	18	+1
Interest expenses	6	255	+249
Cash Flows from Investing Activities	-977	-47,795	- 46,818
Purchase of property, plant and equipment	-1,133	-47,084	- 45,951
Free Cash Flow	682	-45,983	- 46,665
Cash Flows from Financing Activities	-100	49,939	+50,039
Proceeds from long-term borrowings	-	32,890	+32,890
Repayments of long-term borrowings	-30	-339	- 309
Commission expenses paid	-	-212	- 212
Proceeds from payments from noncontrolling interests	0	14,260	+14,260
Effect of exchange rate change on cash and cash equivalents	101	47	-54
Net Increase (Decrease "-") in Cash and Cash Equivalents	683	4,004	+3,320
Cash and Cash Equivalents at Beginning of Period	14,375	23,603	+9,228
Cash and Cash Equivalents at End of Period (Q2)	15,058	27,608	+12,549

① Historical Revenue by Business

JTOWER

- In H1, revenue increased more than JPY2 billion in Tower and by 19% in Domestic IBS YoY.
- In H1, Domestic IBS accounted for **47%** of consolidated revenue, Tower **43%**, International IBS **9%** and Solutions **1%**.

(JPY mn)



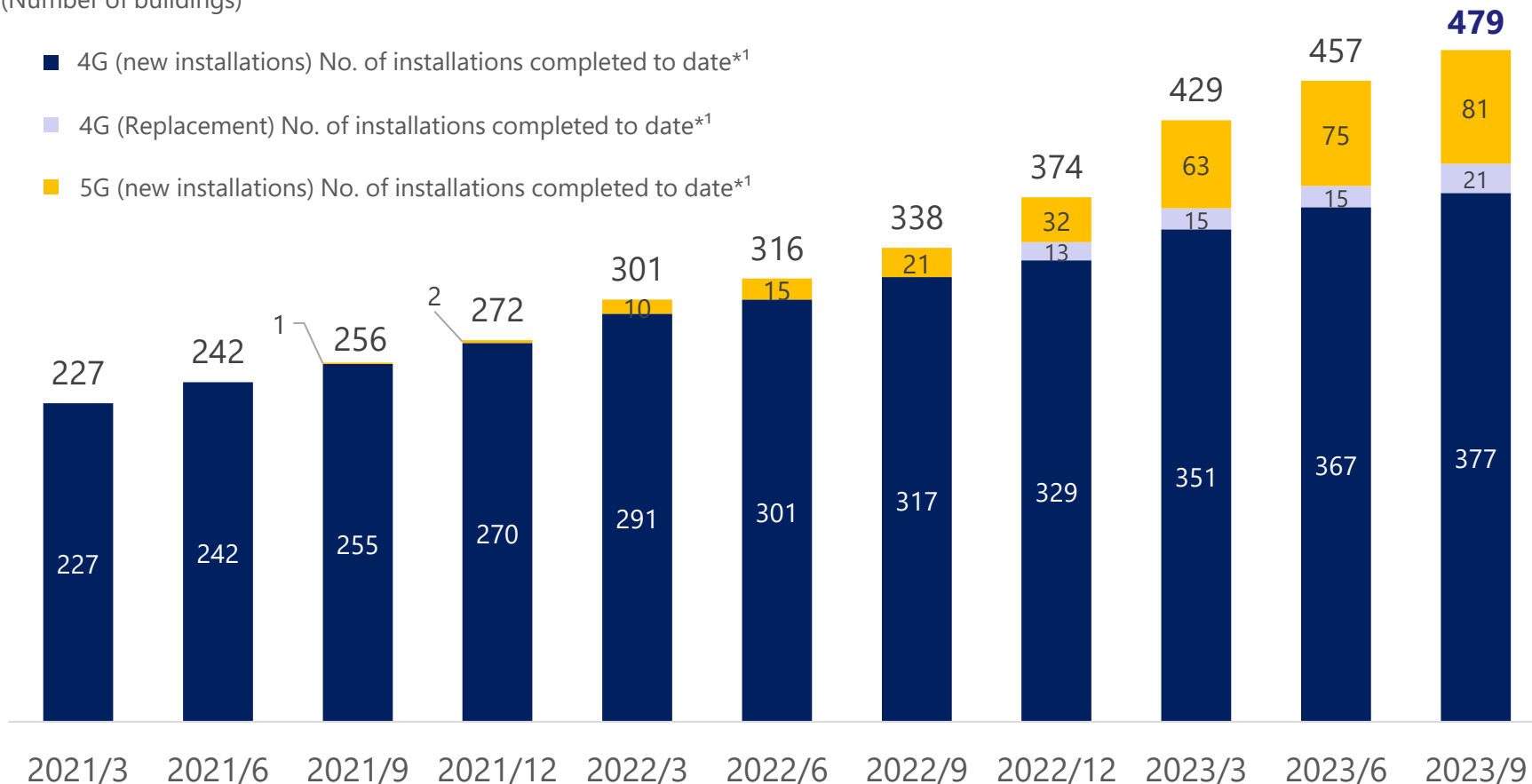
Note: Breakdown of quarterly revenue by business is unaudited.

① Historical Number of Installations (Domestic IBS)

JTOWER

- In H1, the number of installations increase **26** in 4G IBS (new installations), **6** in 4G IBS (replacement) and **18** in 5G IBS.

(Number of buildings)

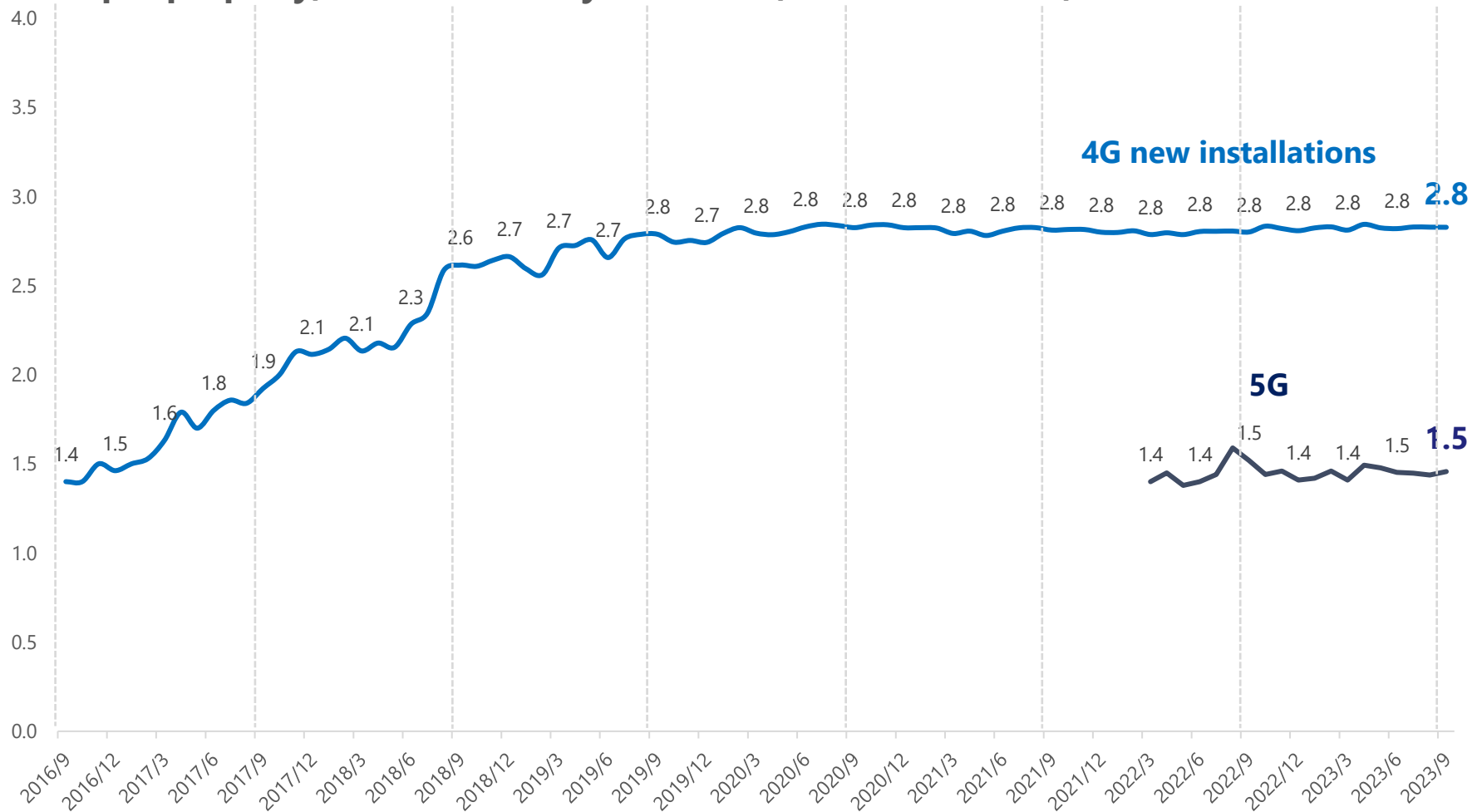


*1: Projects where radio waves have been emitted and revenues are recognized.

① Historical Tenancy Ratio*¹ (Domestic IBS)

JTOWER

- (x) ● Tenancy Ratio (average number of participating mobile network operators per property) has been steady in 4G IBS (new installations) and 5G IBS.*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.

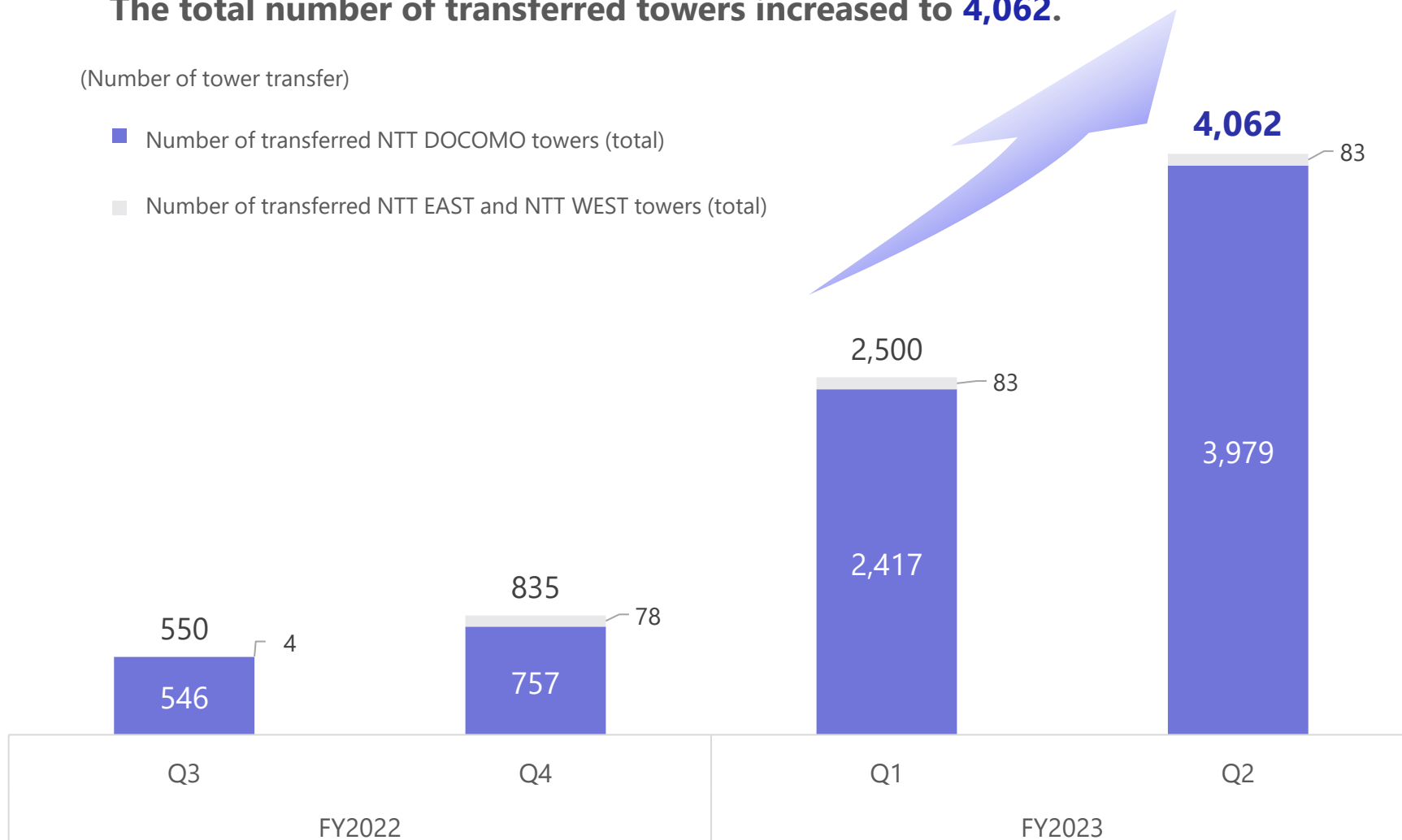
① Historical Number of Tower Transfer

JTOWER

- In H1, the total of **3,227** towers were transferred, including **3,222** NTT DOCOMO towers and **5** NTT EAST and NTT WEST towers.
The total number of transferred towers increased to **4,062**.

(Number of tower transfer)

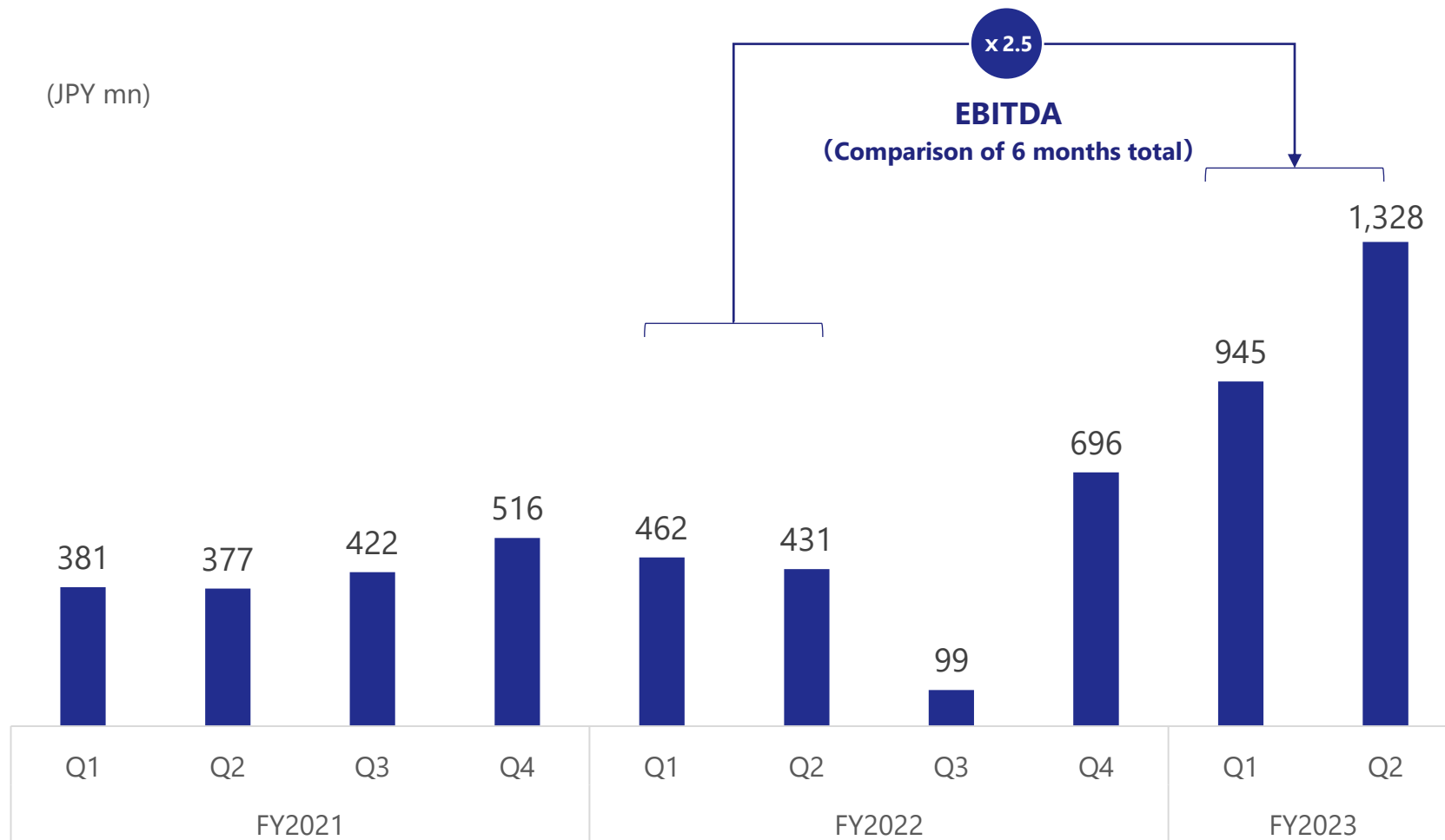
- Number of transferred NTT DOCOMO towers (total)
- Number of transferred NTT EAST and NTT WEST towers (total)



① Historical Consolidated EBITDA*¹

JTOWER

- EBITDA increased by **2.5 times** due to the expansion of tower business.



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

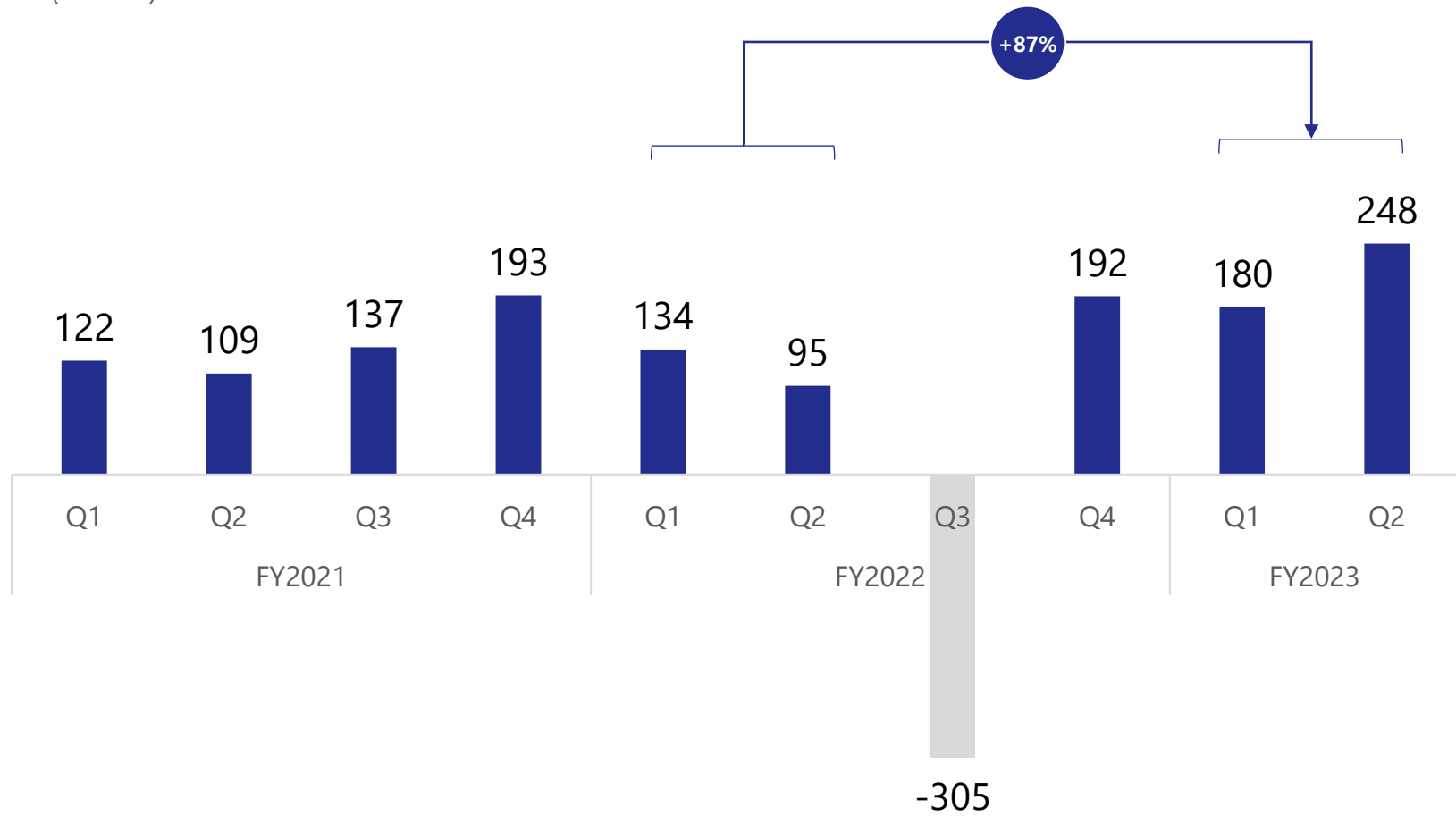
① Historical Consolidated Operating Profit

JTOWER

- Consolidated operating profit increased by **87%** YoY due to the expansion of tower business.

(JPY mn)

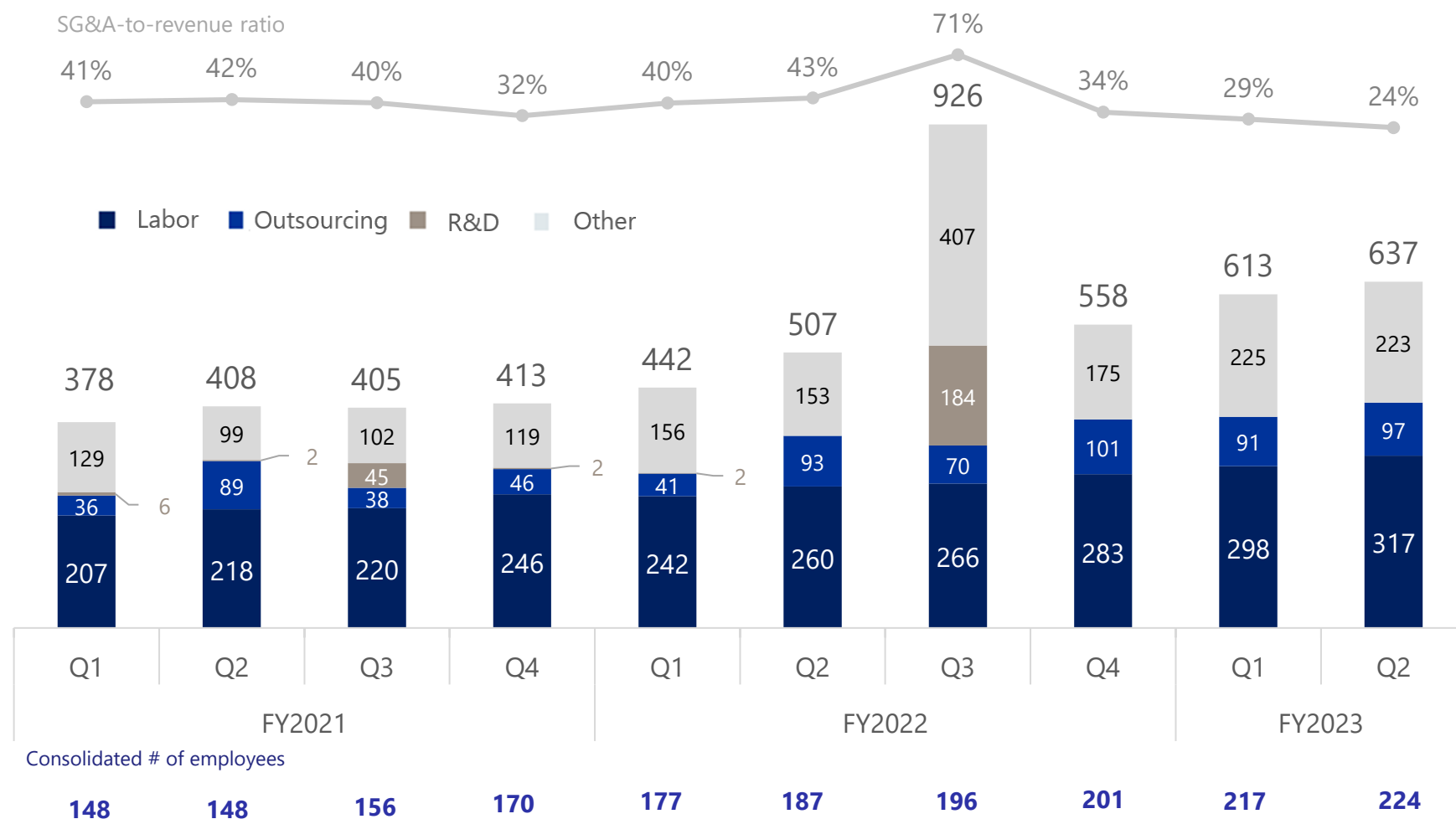
Operating Profit
(Comparison of 6 months total)



① Historical Consolidated SG&A Expenses

- In H1, there were almost no one-time expenses and all the categories of SG&A expenses remained stable.

(JPY mn)



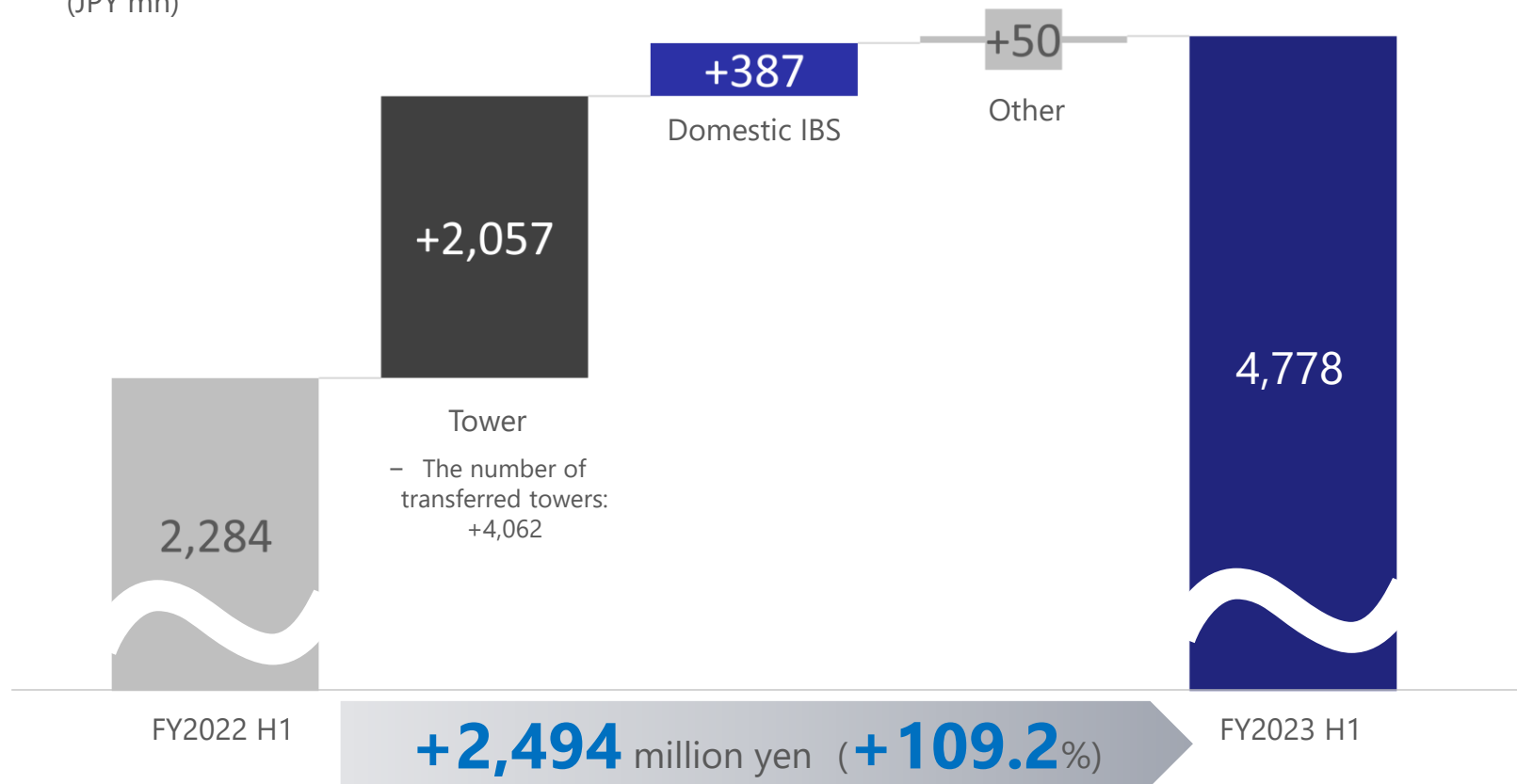
① <Reference>

Factors behind changes in consolidated revenue

JTOWER

- Revenue in tower business expanded significantly due to the steady transfer of towers.
- Domestic IBS revenue increased due to progress in the installations of 5G IBS and 4G IBS (replacement) compared to the previous fiscal year.

(JPY mn)



Note: Breakdown of quarterly revenue by business is unaudited.

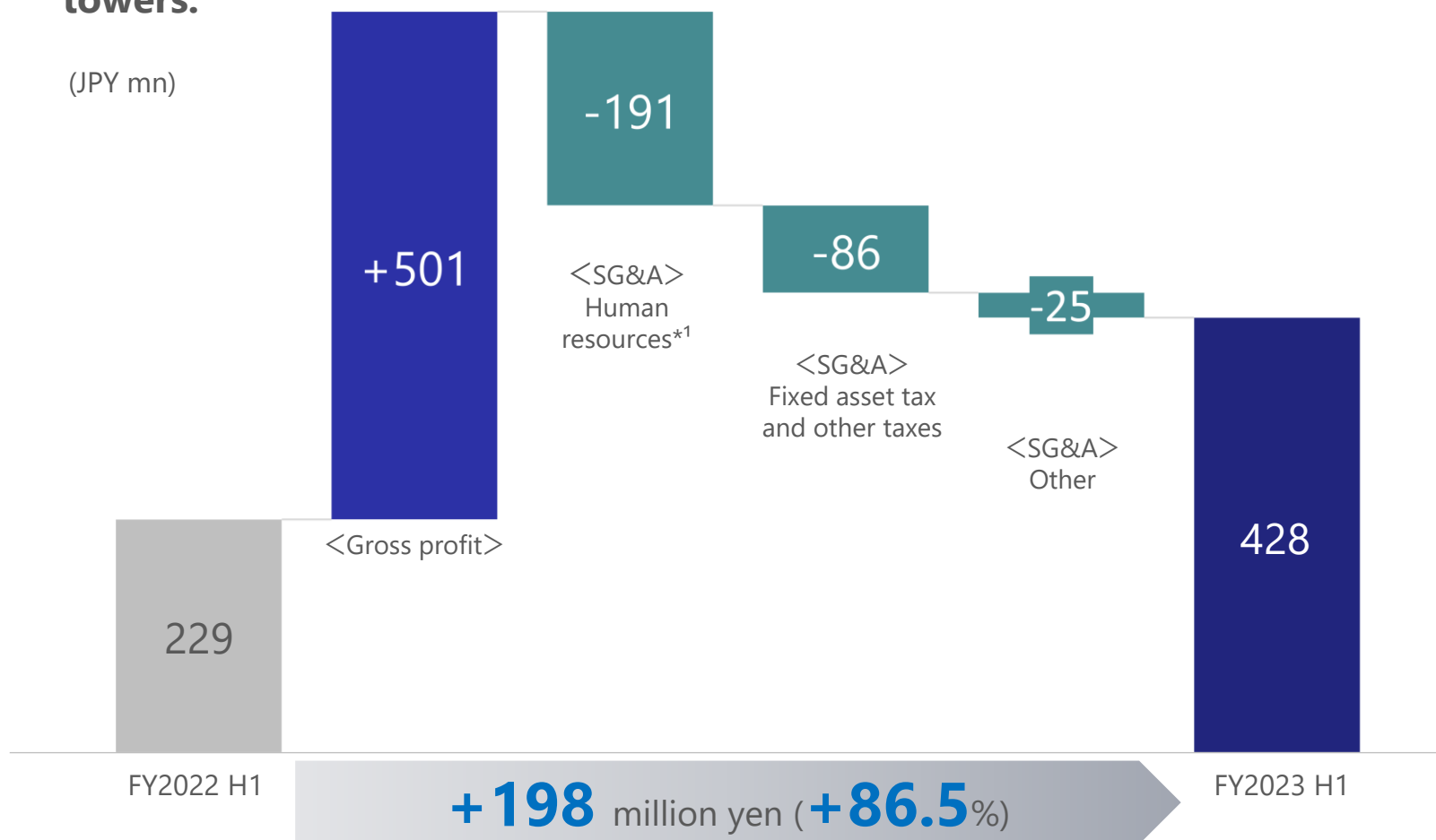
① <Reference>

Factors behind changes in consolidated operating profit

JTOWER

- Operating profit increased due to the increased revenue mainly in Tower business, despite an increase in SG&A expenses due to the increase of human resources related costs and fixed asset taxes associated with the acquisition of towers.

(JPY mn)



*1: Labor cost (total amount) and part of outsourcing cost.



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② FY2023 H1 Progress and forecast of KPI 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 Total results * ²		835	3	351	15	63
FY2023 H1 Results * ²	6 months progress	3,227	0	26	6	18
	Total	4,062	3	377	21	81
FY2023 Full year Forecasts	12 months plan	5,350 * ³	109	55	25	62
	Total	6,185	112	406	40	125
	Total by business	6,297		571		

*1: Excluding Digital Poles and 1,552 towers (decided to acquire additionally from NTT DOCOMO).

*2: Number of towers or buildings for which 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.

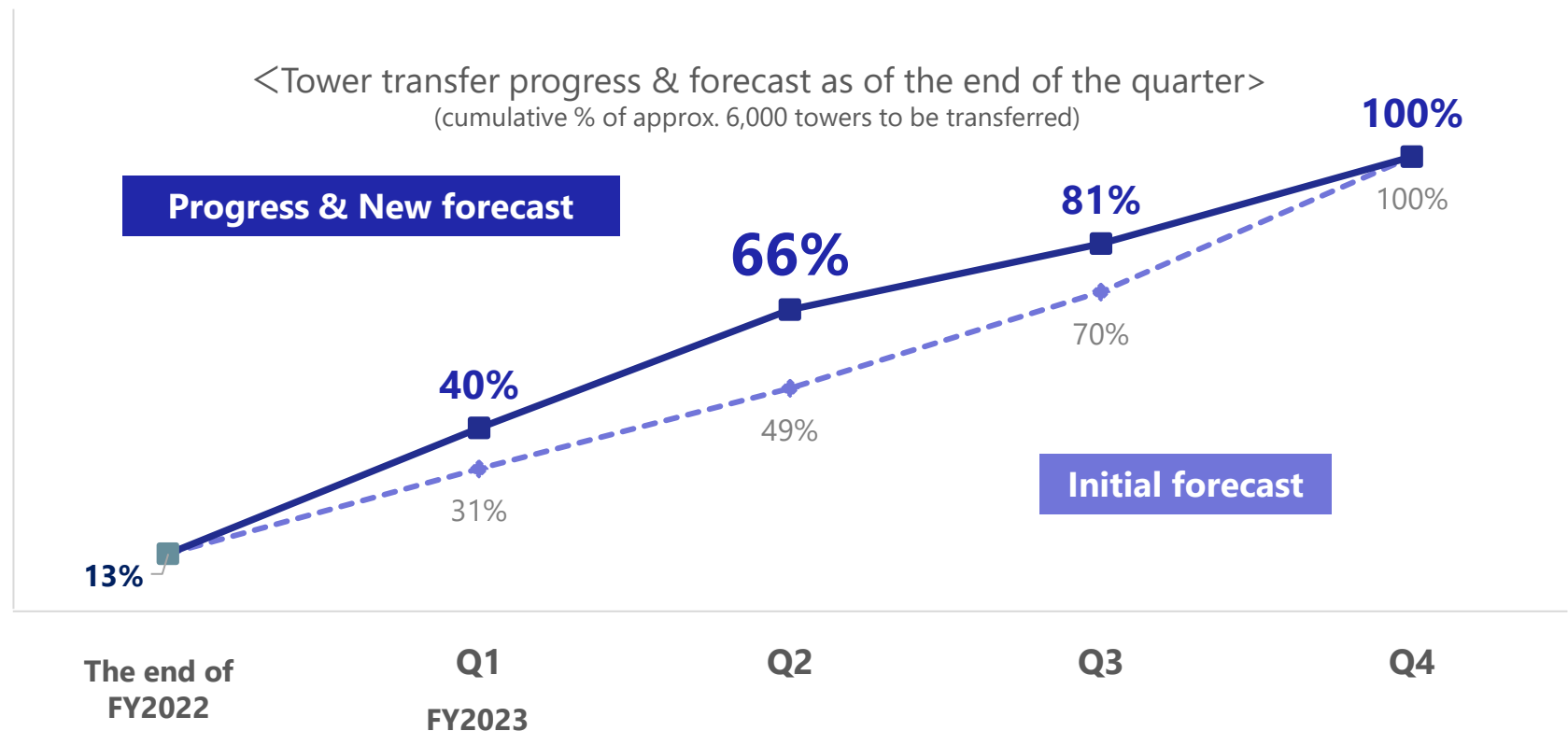
② Tower — Progress of Tower Transfer

(approx. 6,000 NTT DOCOMO towers*¹ to be transferred)

JTOWER

- In H1, the transfer of NTT DOCOMO towers progressed smoothly, and completed the transfer of **66%** of towers **exceeding the initial forecast by 17%**.
- With regard to attracting tenants, we are promoting sales activities to conduct trials in the transferred towers and conclude master lease agreements.

(% : number of transfer completed)



*1: Excluding 1,552 towers (decided to acquire additionally from NTT DOCOMO).

② Tower — Additional carve-out deal to acquire up to 1,552 towers from NTT DOCOMO **JTOWER**

- On September 26, 2023, we entered into the master transaction agreement for additional tower acquisition of up to 1,552 towers from NTT DOCOMO.

Up to 1,552 tower acquisition from NTT DOCOMO



Purchase Price	17.0 billion yen
Annual Revenue*¹	1.2-1.6 billion yen
EBITDA margin*¹	40-50%

* 1 Estimation when the tenancy ratio = 1.

- Selected the towers that can be shared by multiple tenants.
 - Locations are centered on suburban and rural areas nationwide.
-
- Planning to conclude a financing contract within Q3.
(Established SPC3 in September 2023)
 - Tower transfer scheduled to start from Q4.

② JTOWER stated opinions in the Special Subcommittee on Telecommunications Business Policy Committee of MIC

- On October 25, 2023, at the 8th Meeting of the Special Subcommittee on the Telecommunications Business Policy Committee for the Information and Communications Council held by MIC, we stated our opinions on the future of ICT infrastructure, targeting around 2030*1.

JTOWER's opinions on the future of ICT infrastructure

- ✓ Utilization of Infra-Sharing is a major advantage in realizing of efficient development of wireless networks and reducing environmental impacts.
- ✓ For the penetration of 5G and the introduction of 6G, further promotions are required such as increasing incentives for MNO to use Infra-Sharing and setting a milestone.
- ✓ Especially for telecommunications towers, where fixed costs are high, the industry-wide integration is one of the options.
- ✓ 5G penetration and the elimination of the digital divide in urban area are also issues and need to be examined.

As a leading company of Infra-Sharing, we will work closely with the government and related parties to contribute to the development of better social infrastructures.

*1: <https://www.jtower.co.jp/2023/16195/> for details.

② Development of Local 5G network by utilizing Gigaraku 5G and distributed antenna systems (DAS) with NTT EAST

- In October 2023, by connecting Local 5G system developed with Gigaraku 5G[®] provided by NTT EAST with JTOWER's distributed antenna systems (DAS) using Local 5G sharing equipment, we have succeeded to develop the first local 5G network using DAS for Gigaraku 5G in NTTe-City Labo.

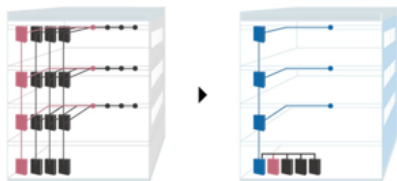
Utilization of
Local 5G and
DAS

Advantages of **enabling flexible network design** and providing stable high-speed and high-capacity communications

Promote installations to **office buildings** and **commercial facilities**

Problem-solving through the installation of DAS

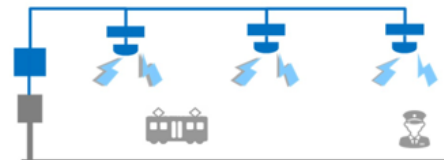
- Flexible network design (without oversight or overlap) with distributed antennas.
- Realization of a simple and cost-saving communication network by sharing (unification) of local 5G and mobile facilities.
- Improve communication quality with no handover between base stations when the access point was switched.
(Due to the antenna operation is carried out within the same base station).



Simple network through the
installation of DAS



Common use of cables and antennas
helps to keep aesthetic areas



Suitable for communications at
transportations

*1: <https://www.jtower.co.jp/2023/16126/> for details.

② Participating in IOWN Global Forum

JTOWER

- JTOWER participates in IOWN Global Forum, the organization aiming the realization and expansion of the next generation communications infrastructure.

What is IOWN technology?

IOWN technology aims to realize a high quality networks with **large capacity, high speed, and low latency**, as well as a **significant reduction in power consumption** through the next-generation telecommunications infrastructure based on the All-Photonics Network, which is centered on optical technology.



IOWN Global Forum invites partners from a wide range of industries with various specialized areas to promote the realization and spread of IOWN technology

JTOWER

JTOWER will contribute to the realization of IOWN technology, **particularly in the area of Infra-Sharing**, by advising on the specifications and standardization for the sharing of base station devices.



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③ FY2023 Full Year Forecasts (revised)

● Revenue:

Mainly the contribution from the increase of Tower revenue due to the progress of tower transfer exceeding the forecast.

● Operating profit:

- Increase in gross profit due to revenue expansion.
- SG&A expenses are almost the same as the initial forecast due to factors such as the factoring in one-time financing costs related to additional carve-outs, despite a decrease in tower sharing preparation cost.

● Ordinary profit:

Interest expense related carve-out financing decreases due to revision of interest rates during the drawdown period.

● CAPEX: Increase in payments for tower purchase in FY2023 due to the acceleration of tower transfer.

(JPY mn)	FY2022	FY2023			FY2022		
	12 Months Results	(1)12 Months Revised Forecasts (Nov. 8, 2023)	Change		(2)12 Months Initial Forecasts (May 11, 2023)	(1)-(2)	
			Amount	%		Amount	%
Revenue	5,228	11,200	+5,972	+114.2%	10,500	+700	+6.7%
EBITDA *1	1,688	5,210	+3,522	+208.5%	4,740	+470	+9.9%
<i>EBITDA Margin</i>	32.3%	46.5%	+14.2pt	—	45.1%	+1.5pt	—
Operating Profit	117	660	+543	+464.0%	560	+100	+17.9%
<i>Operating Profit Margin</i>	2.2%	5.9%	+3.7pt	—	5.3%	+0.6pt	—
Ordinary Profit	-1,238	-280	+958	-77.5%	-680	+400	-58.8%
Net Income	-1,602	-380	+1,222	-76.4%	-700	+320	-45.7%
Capital Expenditure (Investment Cash Flow)	-12,728	-92,660	- 79,932	—	-82,300	- 10,360	+12.6%

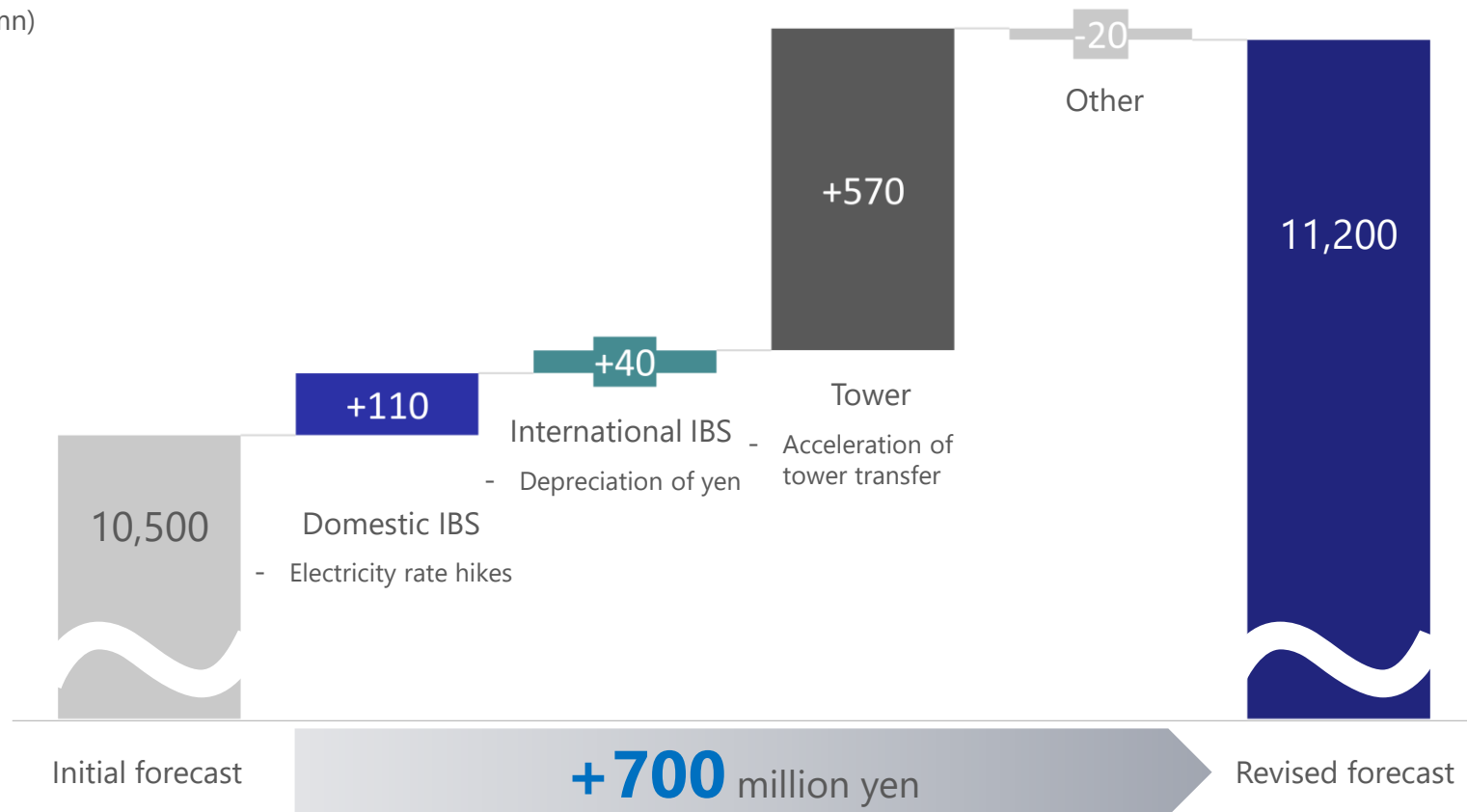
*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

③ Revised Forecast: Factors behind Changes in Consolidated Revenue

JTOWER

- **Domestic IBS:** Forecasts for the number of installation remain unchanged, but reflect the impact of electricity rate hikes.
- **International IBS:** Incorporate the impact of depreciation of yen.
- **Tower:** Incorporate higher revenue due to acceleration in tower transfer.

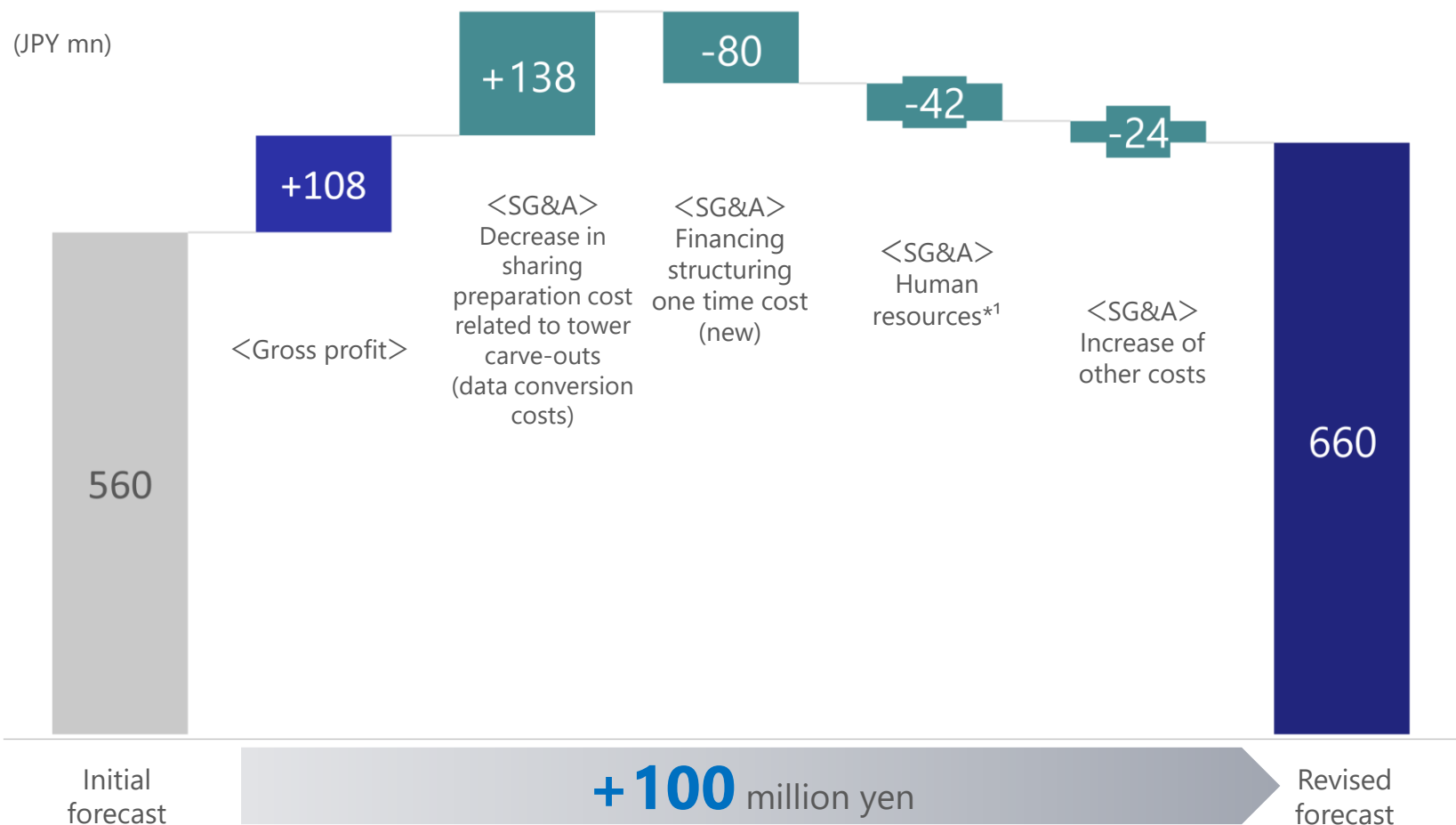
(JPY mn)



③ Revised Forecast: Factors behind Changes in Consolidated Operating Profit

JTOWER

- Operating profit is expected to increase by JPY100 million due to an increase in gross profit accompanying an increase in revenue and change in SG&A.
- In SG&A, tower sharing preparation cost is expected to decrease, while one-time financing structuring cost and costs related to human resources will increase.



*1: Labor cost (total amount) and part of outsourcing cost.



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Category	Q	A
P/L	What is profit attributable to non-controlling interests? And what is the outlook for the full year?	This is an accounting profit or loss attributable to preferred investors outside the Group, and is not the same as dividends or refunds on preferred equity. In FY2023, if the full-year forecast is achieved, it is expected to be around JPY51 million.
Carve-outs	Why does the pace of tower transfers slow down after Q3?	We factored in an increase in the number of landlords those who take time to negotiate.
Carve-outs	For the 1,552 towers (decided to acquire additionally), what is the number of towers that will be transferred during FY2023?	The transfer is scheduled to begin from Q4, but progress is expected to be limited in FY2023. (Not added to full-year KPI forecasts in P20)
Rural tower (Newly built)	Launch of service at rural tower was zero throughout H1. What is the full-year outlook?	Although MNO are still in the process of adjusting schedule for procuring access-lines required for radio-wave launch, we currently plan to launch services in H2 FY2023.
SG&A	In the revised forecast, what is the background to the significant decrease in sharing preparation cost? And what is the outlook for the next fiscal year and onwards?	We reviewed the timing of the data (of drawings of acquired towers) conversion and optimized the process. As the assumptions for the earnings forecast, the data conversion cost will be recorded at the timing of maintenance of each tower or attracting additional tenants and it is assumed that there will be no additional one-time expenses.
Non-operating expense	What is the reason for interest rates to be lower than initially expected in the revised forecast ?	In the initial forecast, we conservatively expected interest rates related to carve-outs financing during the drawdown period.



Outline

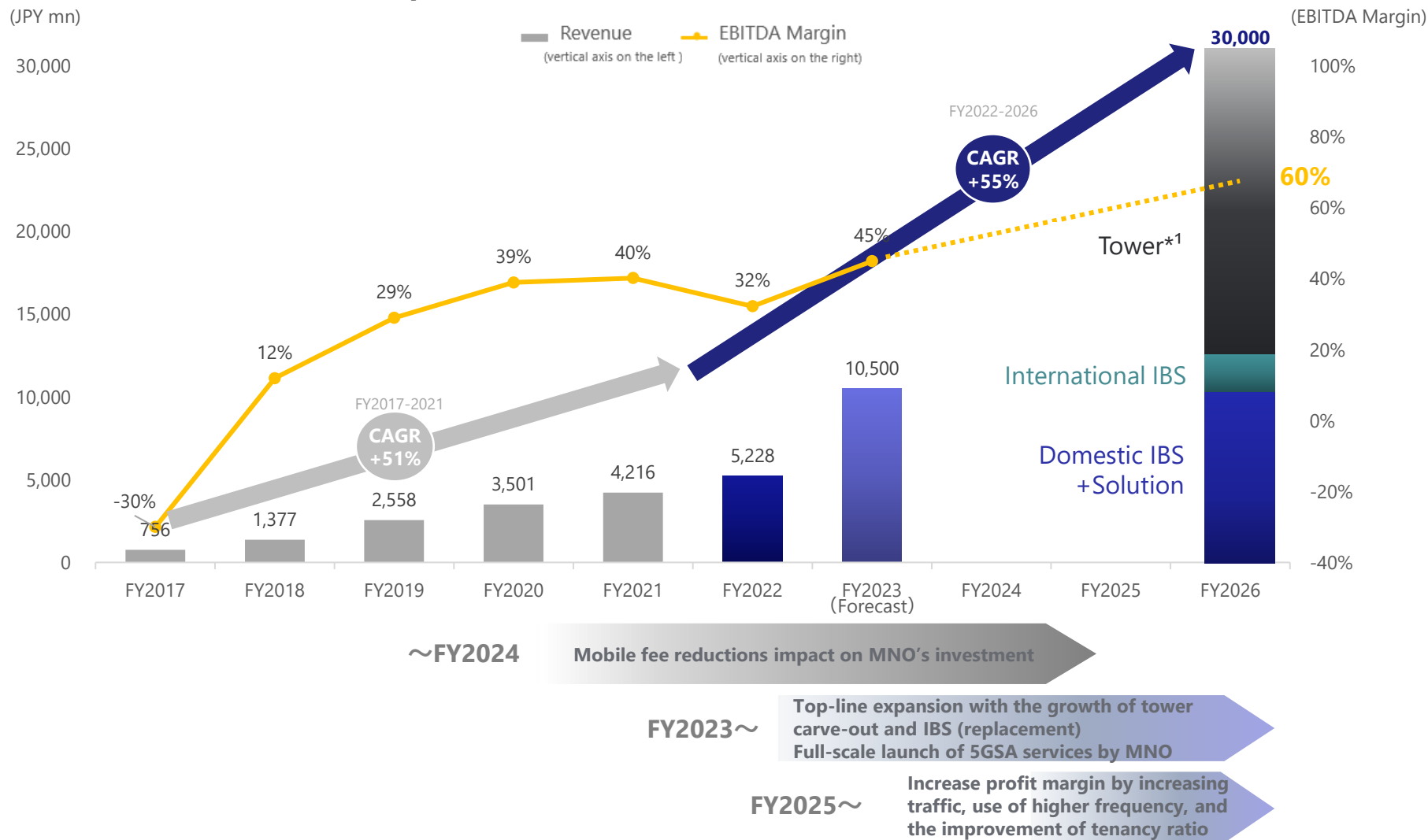
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⑤ Medium-to long-term Growth image of revenue and EBITDA margin and potentials

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- 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.

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%.

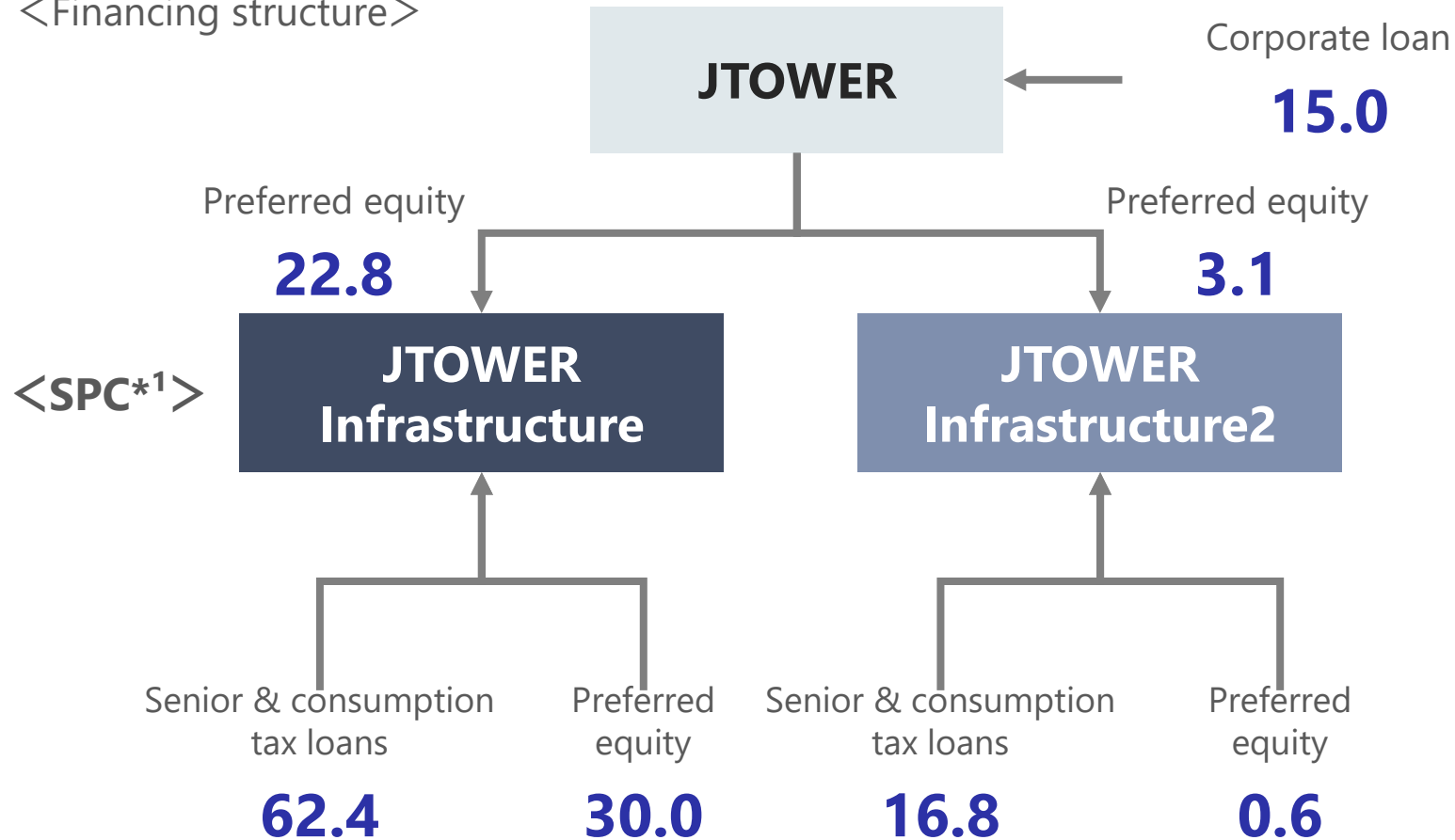
⑤ Tower – Tower carve-outs financing

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)

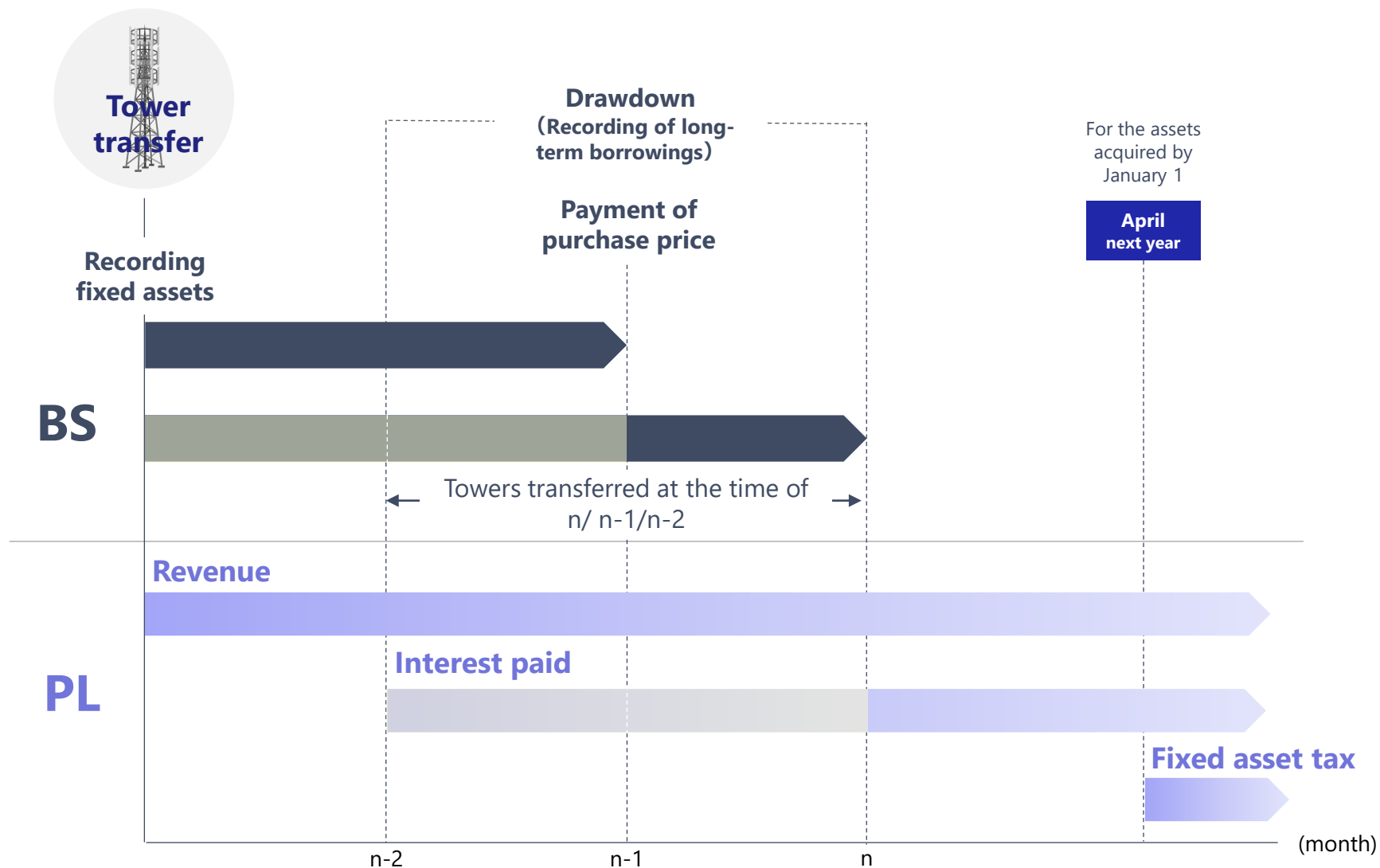
<Financing structure>



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

⑤ <Reference> Image of Accounting at the Time of Tower Transfer

- ✓ The image of the accounting process including the timing of recording to BS, PL at the time of tower transfer is as follows.



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