

JTOWER

Our Growth Potential

December 2019

J T O W E R I n c .

✓ Who We Are?

✓ Company Highlights

- 1 The Leading Telecom Infra-Sharing Company in Japan
- 2 Up-selling for Infra-Sharing and Growth Opportunities by Tower Business
- 3 High Growth Potential of the Target Market
Driven by the Increasing Demands for Efficient Investments
- 4 Long-term and Stable Business Model and Further Upside Potential

✓ Appendix

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✓ Appendix

SHARING THE VALUE

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

Company Overview

JTOWER

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
Employees	129* ¹ (consolidated, as of September 30, 2019)
Capital	1,399 million yen (as of September 30, 2019)
Business Description	Provision of telecom Infra-Sharing inside and outside Japan and the related solutions

Note: Employees include the annual average number of 29 temporary employees (incl. outsourced employees and dispatch employees)

Management with Telecom Expertise

JTOWER



Representative
Director

**Atsushi
Tanaka**



Senior
Managing
Director

**Yusuke
Kiriya**



Managing
Director
CFO

**Ryosuke
Nakamura**



Director

**Nobuo
Nezu**



Outside
Director

**Naoki
Ota**



Outside
Director

**Hiroyuki
Mitoma**



Advisor

**Eiji
Hagiwara**

Years of
Telecom
Industry
Experience

22

16

12

51

20

24

23

Previous
Experience

**Goldman
Sachs**

(Equity analyst /
Telecom sector)

eAccess

(Head of
corporate
planning div.)

eMobile

(CFO / Head of
corporate
planning div.)

M'sWorks

(Senior engineer)

Motorola

(Temporary
transfer)

KDDI

(Temporary
transfer)

PwC Aarata

(Audit / Advisory)

eAccess

(Group head of
business planning
div.)

KDDI

(Managing
executive officer /
Full time auditor /
Advisor)

**Boston
Consulting
Group**

(Senior partner /
Managing
director)

**Ministry of
Internal
Affairs and
Communications**
(Advisor to
Minister)

NTT WEST

(Director of
equipment div. of
Kyusyu group)

**NTT(Holding
Company)**

(Director of
technical planning
div.)

NTT DOCOMO

(Director)

**Panasonic
Mobile**

Communications
(Director)

**SAMJI
ELECTRONICS**
(Advisor)

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✓ Appendix

IBS*1 Business

- ✓ Integrate mobile carriers' in-building infrastructure as a shared system
- ✓ Provide real-estate firms, mobile users, and mobile carriers with cost benefits
- ✓ Steady growth by stable revenue model

Individual construction



Integrate system and equipment

JTOWER (Infra-Sharing)



Number of installed properties 215
(as of September 30, 2019)
2 year CAGR +67%

Inter-national

- ✓ Expand the IBS Business to emerging markets
- ✓ Alliances with influential local companies



Myanmar



Vietnam



Malaysia

Market leader in Vietnam
Expanding markets in other countries

Solution Business

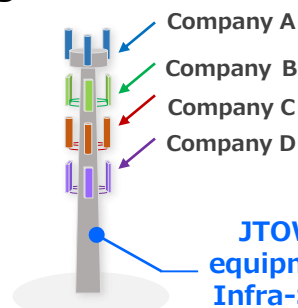
- ✓ Expand various solutions as value-added services for the Infra-Sharing
- ✓ Meet the demands for the services from mobile carriers and real estates such as base installation on the rooftop by SITE LOCATOR and cloud-managed Wi-Fi solution



To be promoted as an up-sell for the Infra-Sharing

Tower Business (New Business)

- ✓ Increasing demand for Outdoor Tower Sharing driven by 5G Network Roll-out
- ✓ Share outdoor communication infrastructure among mobile carriers

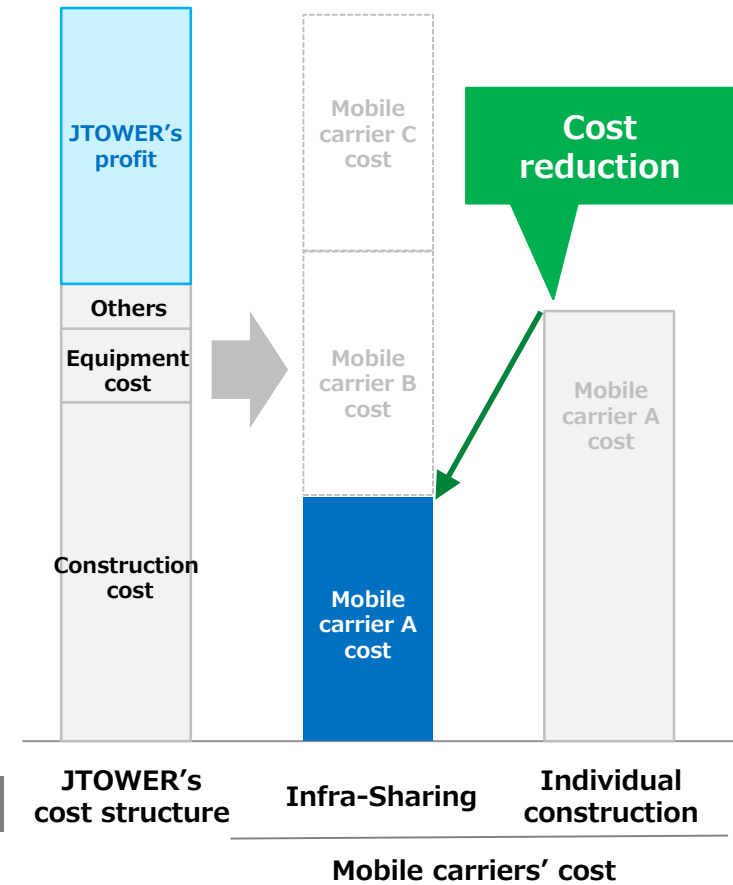
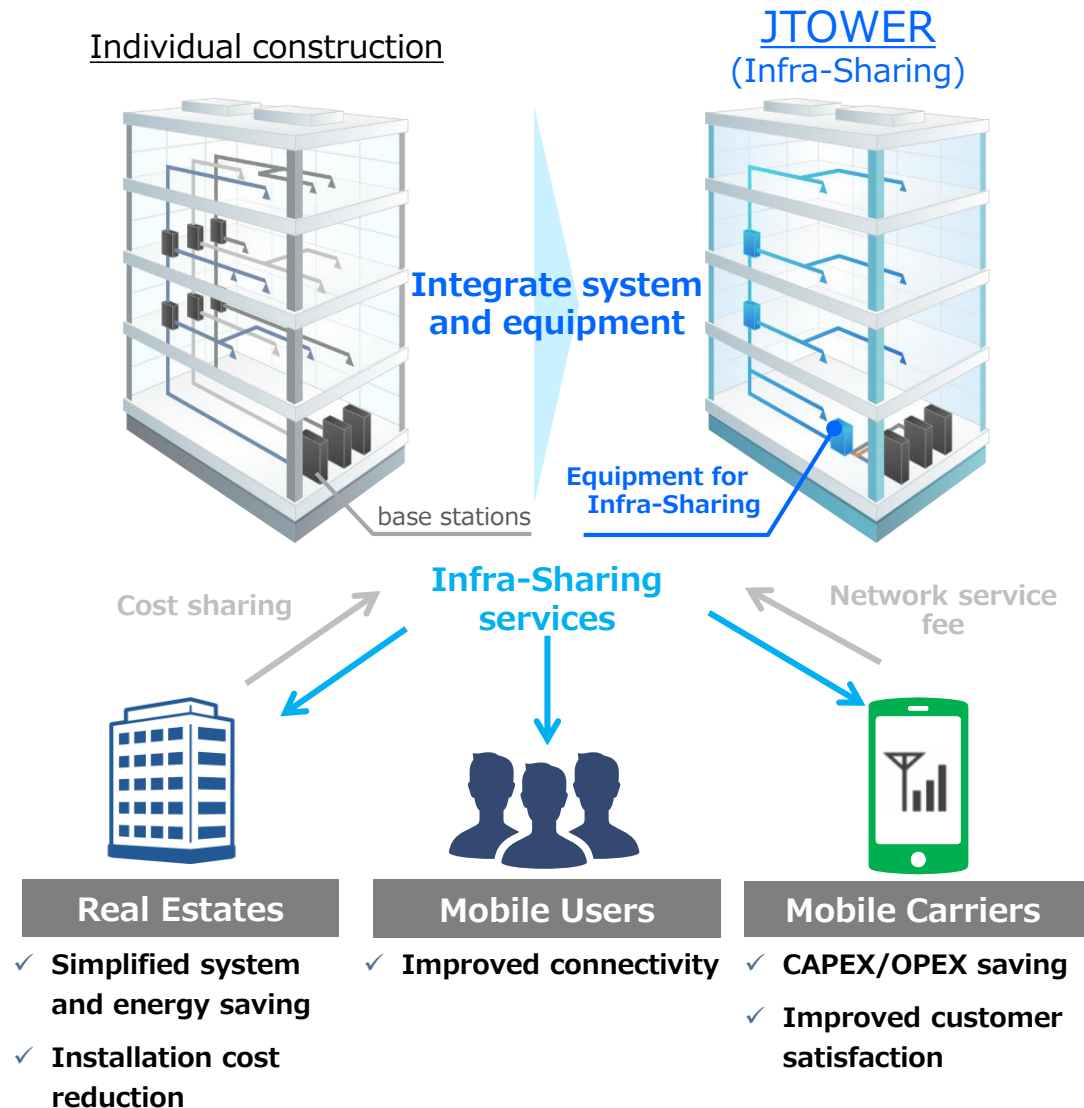


To be driven by 5G and in preparation for the full-scale implementation

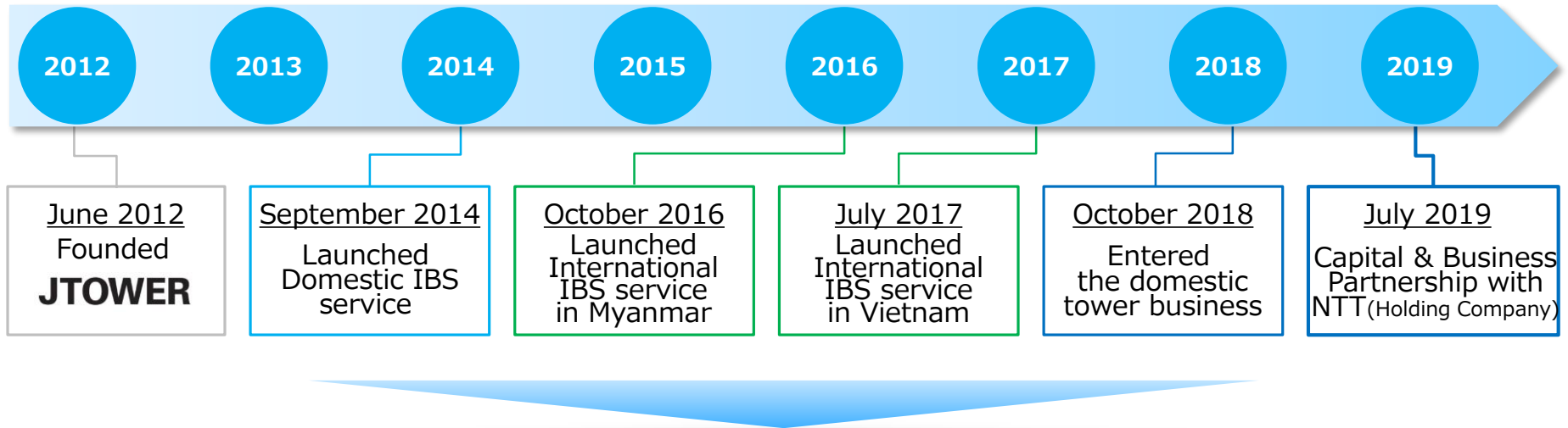
1 Domestic IBS – Win-Win Business Model JTOWER

Unique Business Model to Build Win-Win Relationships

Cost-Benefits for Mobile Carriers*1



Note1: For illustrative purposes only



✓ **Established a solid position in the market with a high barrier of entry:**
Certified by mobile carriers

✓ **First-mover advantage:**
Leading the market with low churn rate due to high switching costs

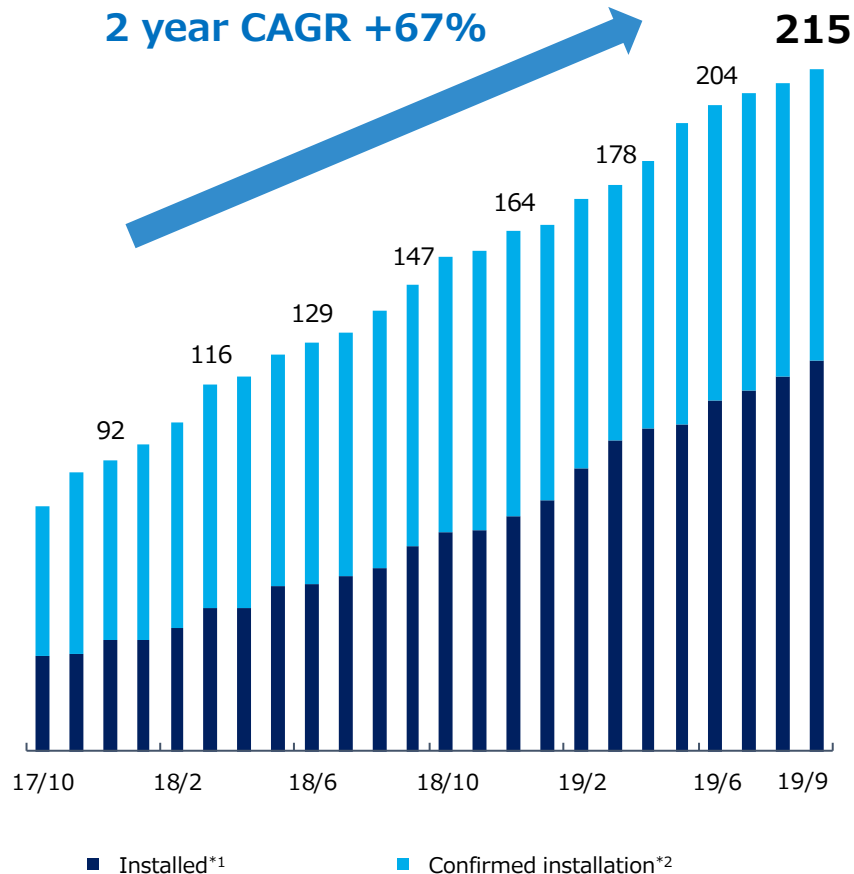
✓ **Strong relationships:**
Relationships with mobile carriers and major developers

1 Steady Track Record – Transition of the Installations JTOWER

Number of Installed Properties (Domestic IBS)

(Number)

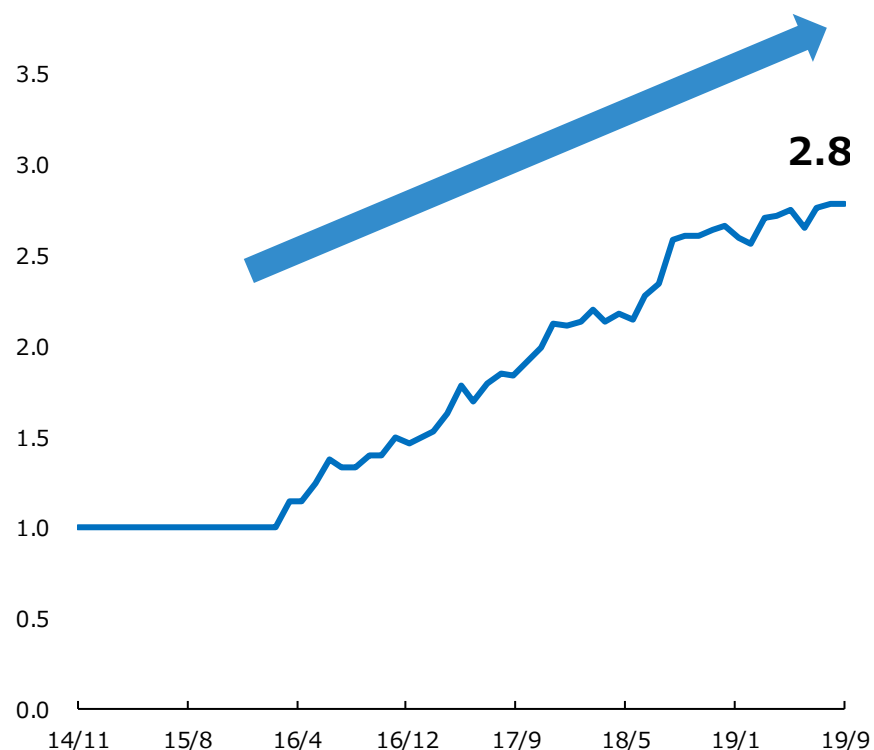
2 year CAGR +67%



Tenancy Ratio*3 (Domestic IBS)

(X)

Tenancy Ratio increased to 2.8x

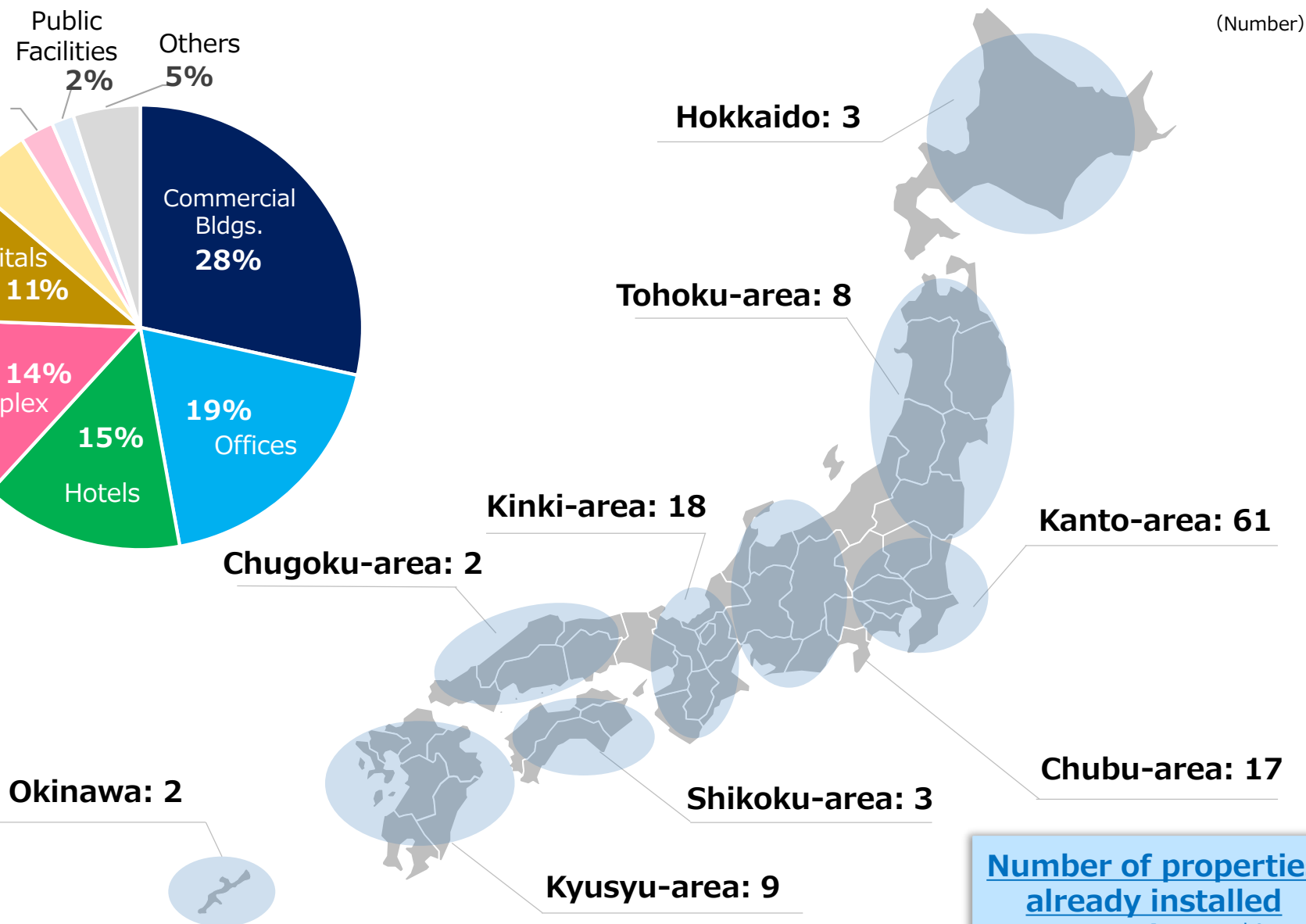
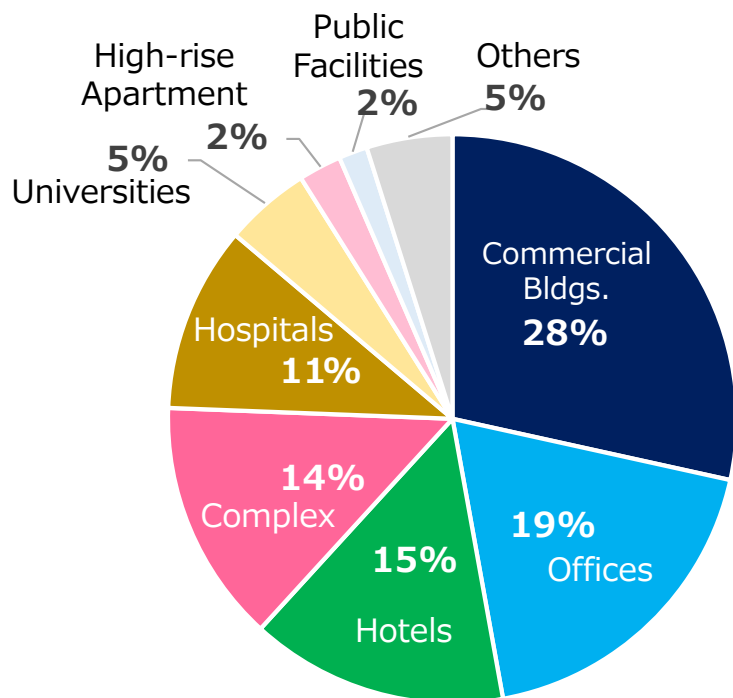


*1: Properties which have already started emission of radio waves and revenue recognition

*2: Properties which have received the consent of the real estate owners and the intention to participate from mobile carriers, and are expected to be recorded as revenue within the next few years

*3: Number of participating mobile carriers per property

1 Steady Track Record – Categorized by Property Type and Area*1,2 JTOWER



**Number of properties
already installed
In total: 123*1**

*1: As of September 30, 2019

*2: All of the above data is on a cumulative basis

Expansion mainly in Southeast Asia by partnering with influential local players



*1: As of September 30, 2019

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✓ Appendix

2 Solution Business – Up-selling for Infra-Sharing

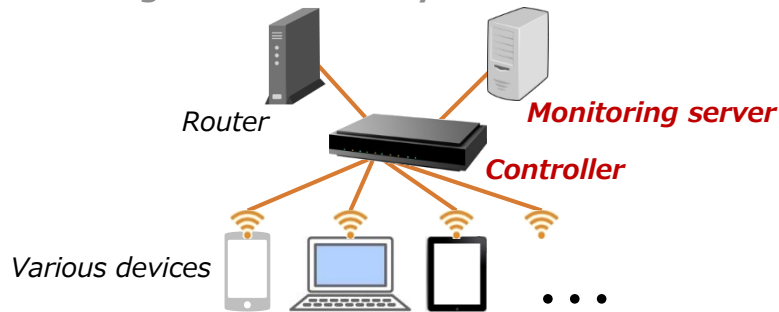
JTOWER

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 carriers

Cloud-managed Wi-Fi Solution

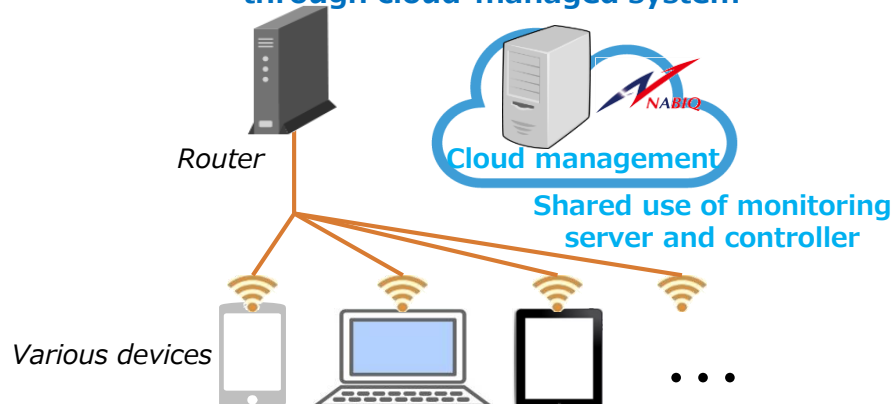
Conventional Wi-Fi

Requires much equipment and long lead time for system construction

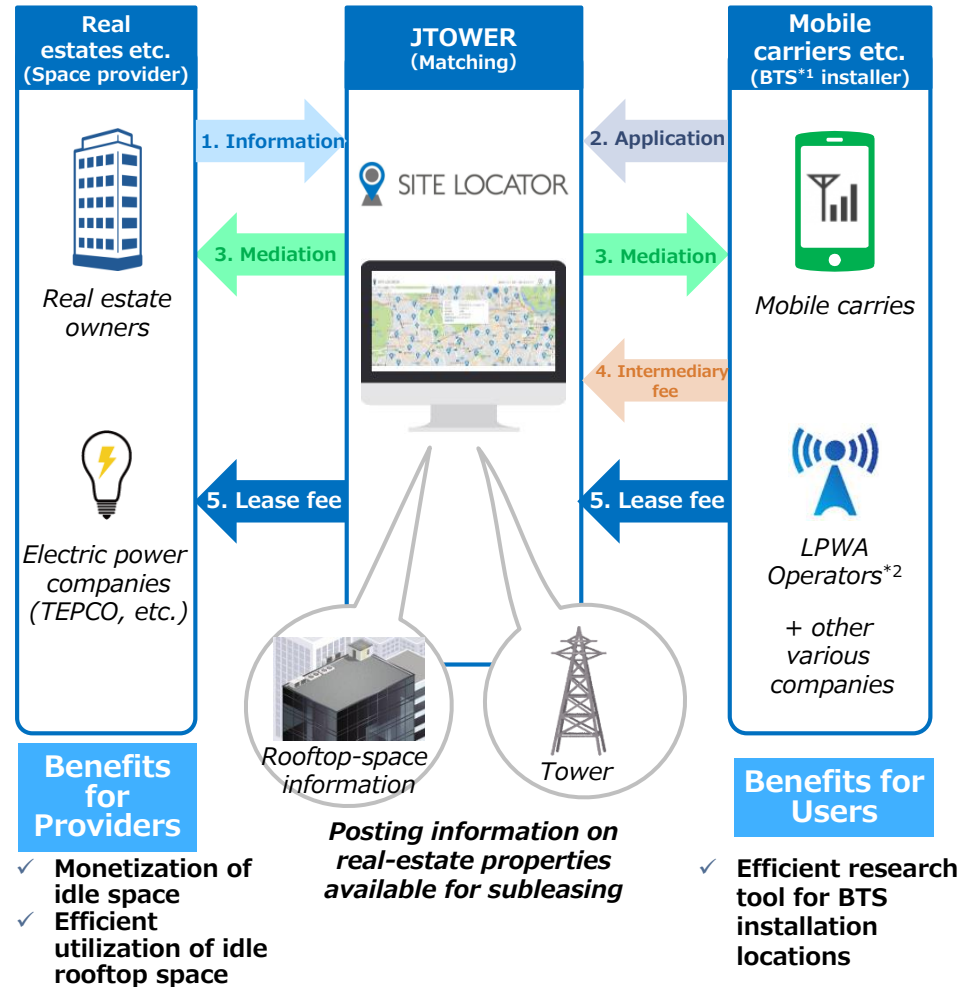


JTOWER Wi-Fi

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



Overview of SITE LOCATOR Service



*1: BTS: Base Transceiver Station

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

2 Tower Business – Create New Market by Full-scale Investments **JTOWER**

Entry Background into Tower Business

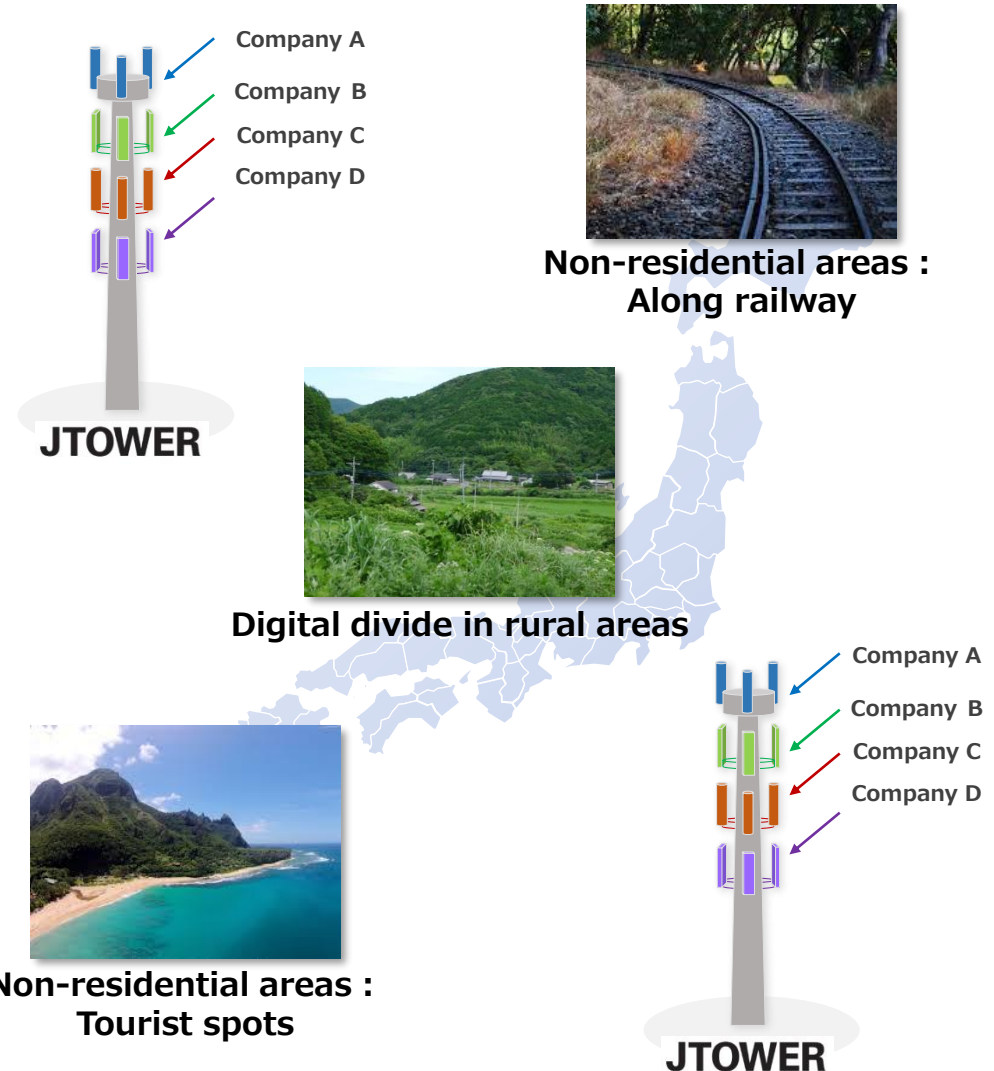
- ✓ Growing demand for **5G network rollout**
- ✓ Entry of a **new mobile carrier**
- ✓ **Infra-Sharing Guideline** by MIC*1 (December 2018)

Overview of Tower Sharing

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

*1: MIC: Ministry of Internal Affairs and Communications

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



2 Significance of Capital & Business Partnership with NTT JTOWER

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

✓ Who We Are?

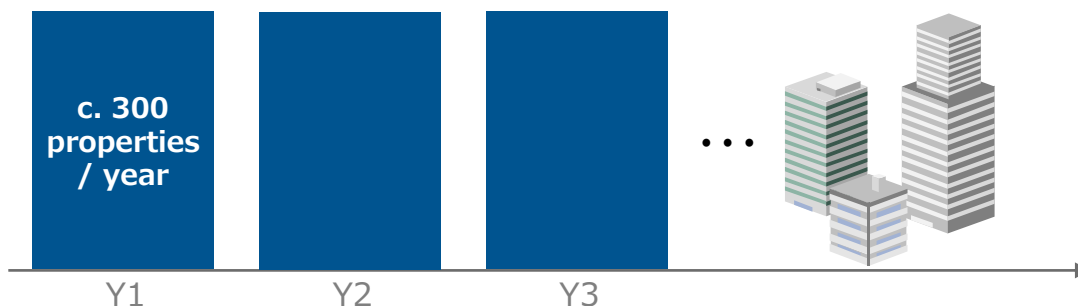
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✓ Appendix

Number of properties with JTOWER's Domestic IBS already installed*1: 123 / to be installed*1: 92

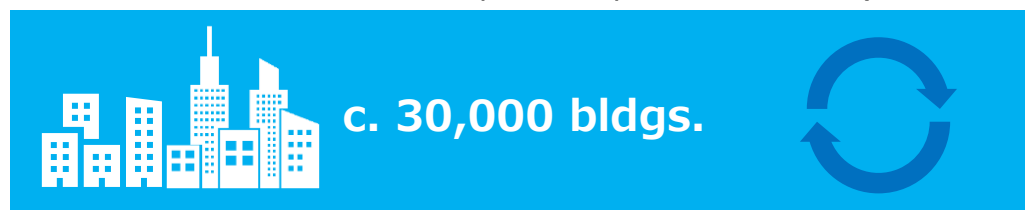
(1) Newly-constructed buildings*2



Demand for additional equipment installation

(Main Target)

(2) Existing buildings (office*3, commercial bldg.*4, hotel*5, hospital*6, apartment*7, etc.)



Replacement demand

(3) Contracts in newly installed categories (railway tunnel etc.)*8



Demand for additional installation / replacement

(Upside)

*1: As of September 30, 2019

*2: Includes large-scale real estates with more than 10,000m² total floor space (as of December 31, 2018)

*3: Includes large-scale buildings with no less than 100 tsubo (c. 330.6m²) floor space per floor. (The scale standard for office buildings conforms to the Sanko Estate's classification as of September 30, 2018.)

*4: Includes large-scale commercial facilities with no less than 1,500m² retail-store floor space and with no less than 10 tenant stores, developed by partner developers

*5: Includes "Resort Hotels", "City Hotels" and "Business Hotels" across Japan as of December 31, 2018

*6: Includes large hospital with more than 300 beds across Japan as of October 1, 2017 (excl. general practice)

*7: Includes apartment with more than twenty-stories (as of October 31, 2018, estimate of 2020)

*8: The total number of tunnels by private railway companies and JR written in "List of stations, over-track buildings, overhead crossings, railway sleepers, track beds" aggregated by Ministry of Land, Infrastructure, Transport and Tourism ("MLIT") (As of FY2016)

Source: Sanko Estate "OFFICE RENT DATA 2017," Japan Council Of Shopping Centers' web site, Tokyo Kantei, MLIT (Yearly report on railway statistics)

3 Potential Demand Driven by 5G – Tower Business

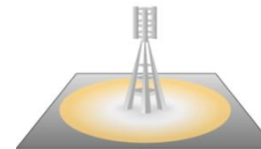
JTOWER

Challenges for 5G Network Roll-out

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

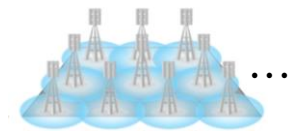
Increase in Demands Driven by 5G

<Conventional>



A few base stations cover a wide area

<Future>



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

Full-scale 5G Infrastructure Investment

Infra-Sharing Guideline by MIC

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

2018年12月

1. ガイドラインの目的

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

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

→ **Infra-Sharing will play an even more significant role**

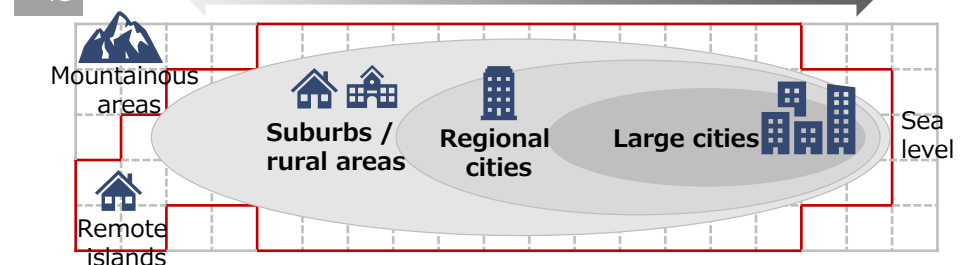
5G Base Stations Deployment Policy

Based on **area coverage**

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

Based on **population coverage**

→ Coverage of residential areas & large cities is prioritized

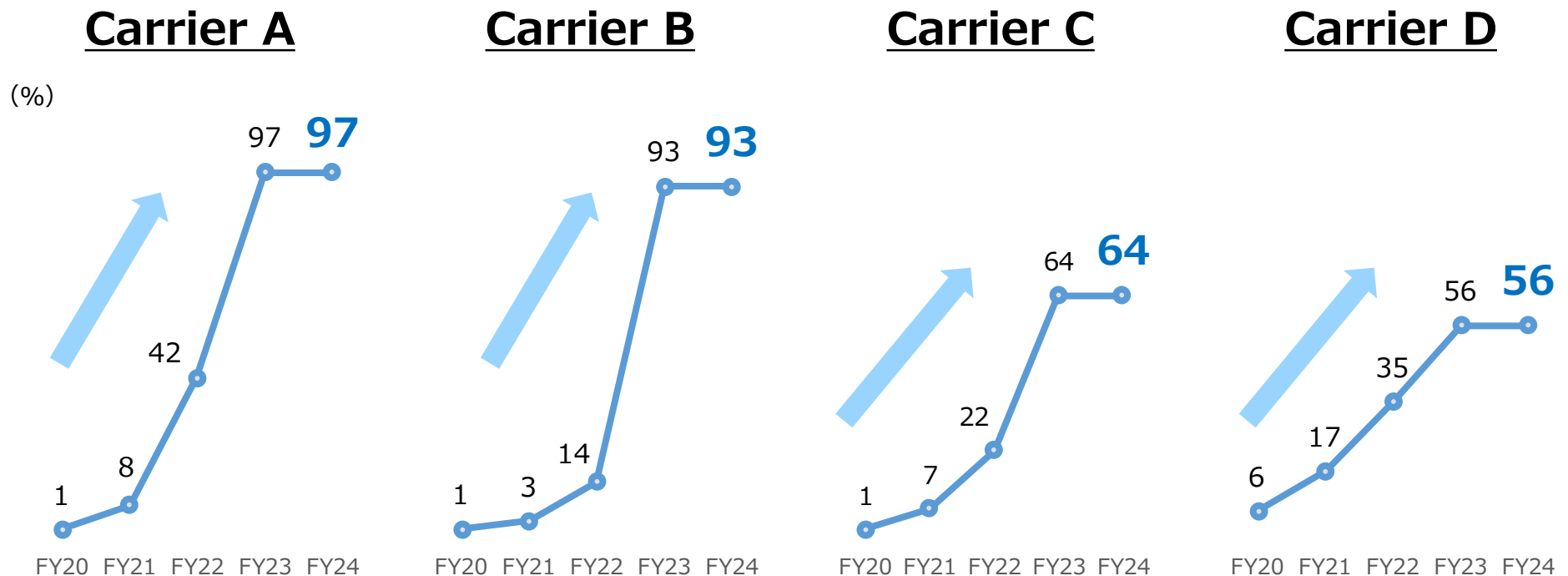


※Divide country into grids of 10km² to determine areas to develop

3 Potential Demand Driven by 5G – Tower Business JTOWER

Japanese mobile carriers plan to deploy a considerable number of 5G base stations by the end of FY2024

Mobile Carriers' 5G Base Station Deployment Plans (5G Rollout Rate*1)
- 3.7GHz, 4.5GHz, 28GHz



⇒ They are currently planning to accelerate the deployment schedule to the end of FY2023.

*1: The rollout rate represents the percentage of 5G specified base station rollout per 10km square grid including non-residential areas (4,464 grids in total). Japanese mobile carriers are obliged to deploy 5G specified base stations to achieve at least 50% of their 5G infrastructure rollout rates in each area by the end of FY2024.

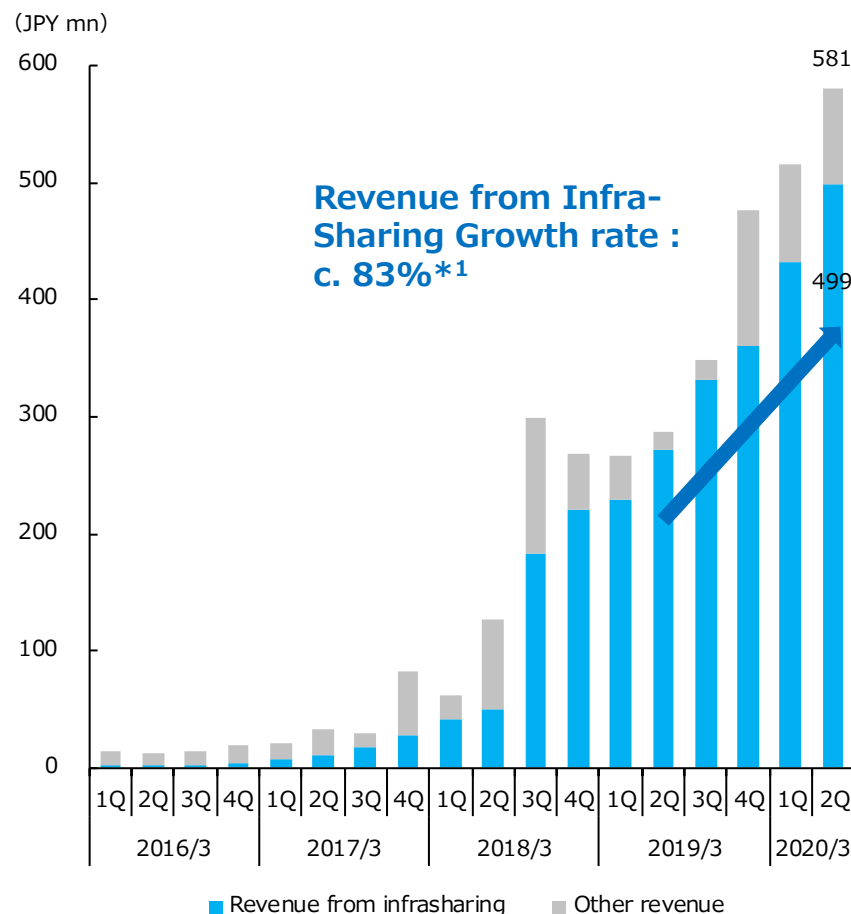
✓ Who We Are?

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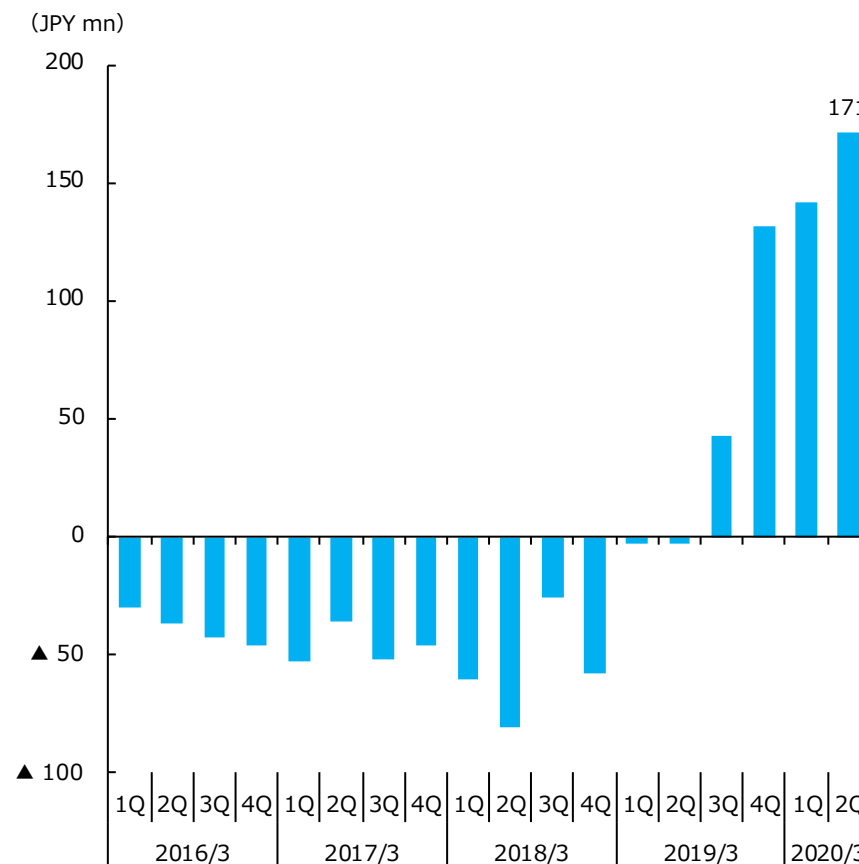
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✓ Appendix

Quarterly Revenue (Consolidated)



Quarterly EBITDA (Consolidated)



*Revenue from Infra-Sharing = Installation Revenue + Maintenance Revenue

*Other Revenue = Revenue from one-time projects such as construction engagements

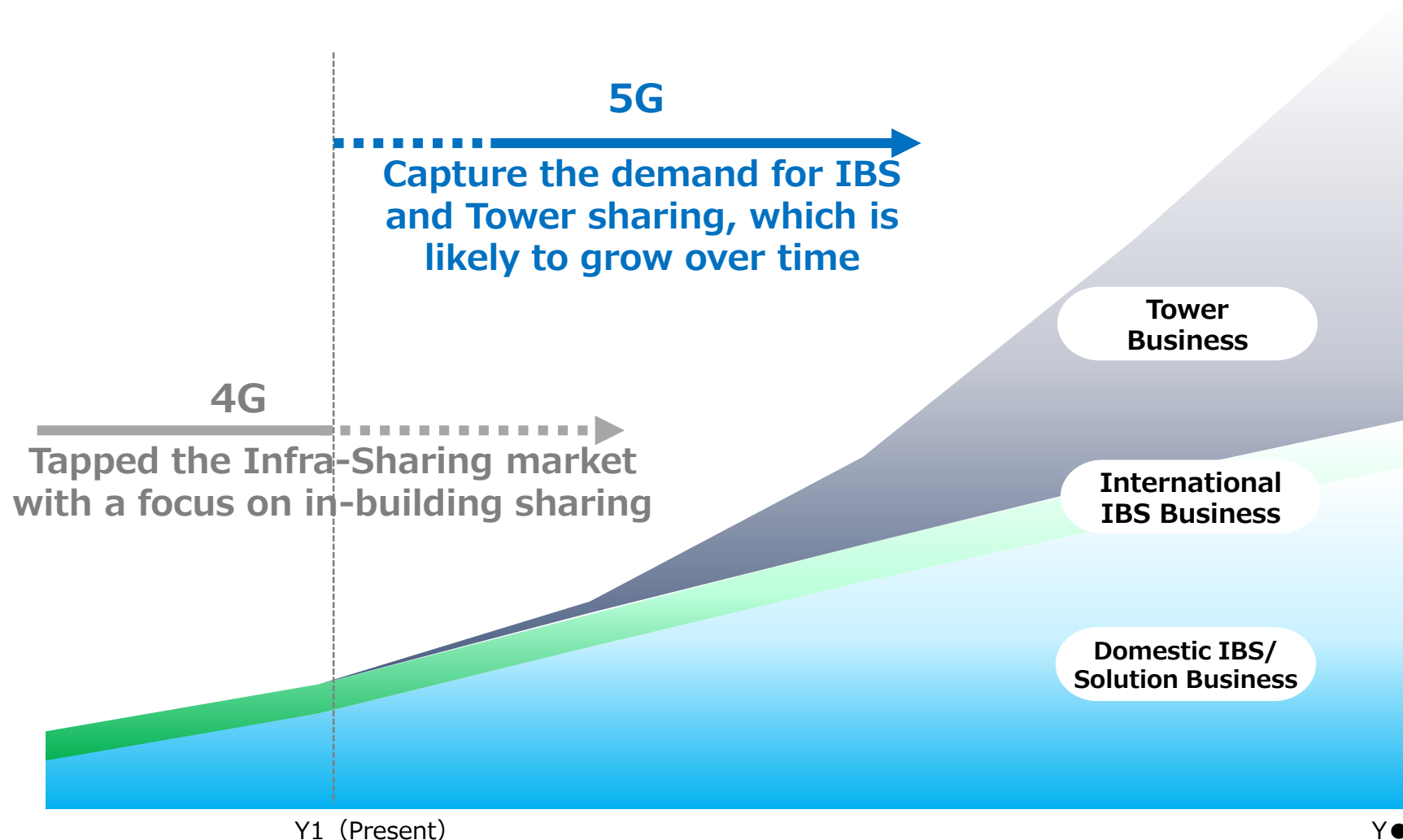
*1: Revenue growth rate is calculated comparing figures in the second quarter revenue from Infra-Sharing of FY ending March 31, 2019 to FY ending March 31, 2020

*2: Figures before year ended March 31, 2019 and breakdown of sales figures are not audited

4 Growth Strategy for the Future

JTOWER

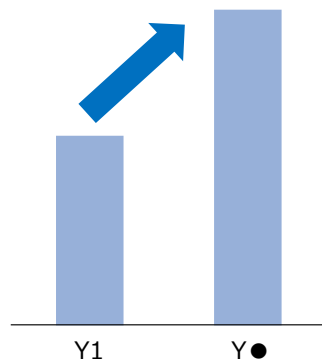
Aiming to expand the domestic IBS business and the tower business supported by the increasing 5G demands for the efficient capital investments in telecom infrastructure area



Note: For illustrative purposes only

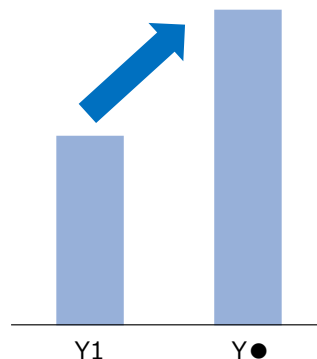
4 Important Indicators to Improve Enterprise Value and Upsides JTOWER

Number of Properties Installed



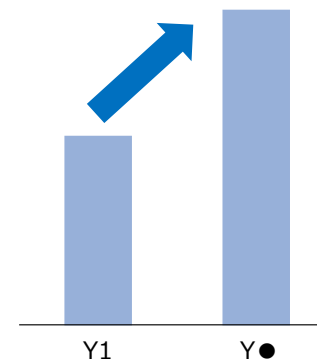
- ✓ Development demand for Tokyo Olympics and Osaka-Kansai Japan Expo etc.
- ✓ Strengthen the business foundation by Capital & Business Partnership with NTT (Holding Company)

Tenancy Ratio



- ✓ Increase in the entry of mobile carriers 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

1

Expanding demand driven by **5G Network Roll-out**

2

Entry of **New Mobile Carriers** into the mobile carrier market

3

Infra-Sharing Guideline established by MIC^{*1}

4

Growing **Development Demand** due to upcoming events such as Tokyo Olympics, Osaka Expo and Integrated Resorts (IR)

*1: MIC: Ministry of Internal Affairs and Communications

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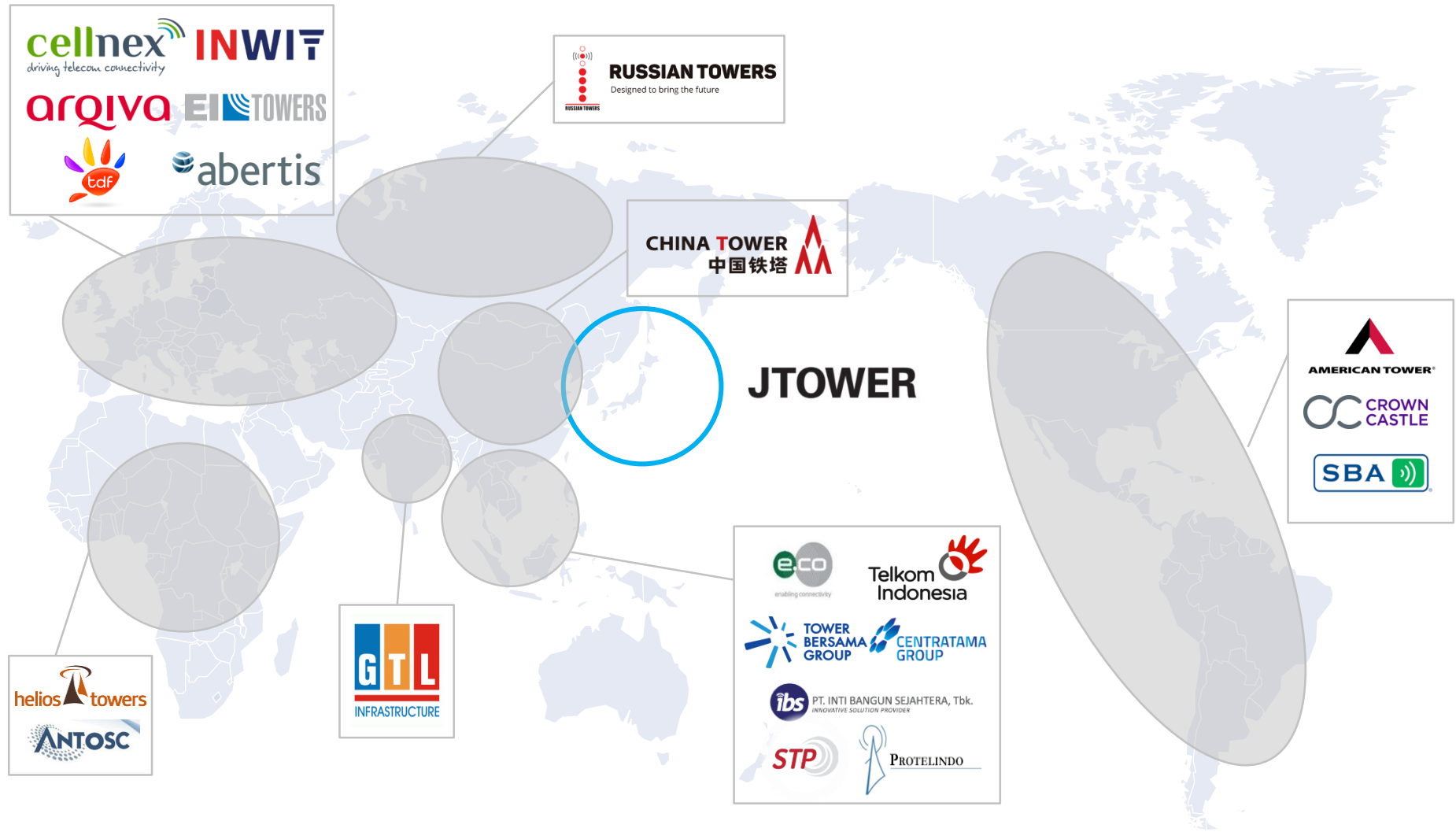
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✓ Appendix

Operating Area of Global Tower Companies

JTOWER



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

Advancement to be Enabled by 5G

4G (LTE)

5G

100 Mbps

High
speed/
volume

> 10 Gbps*2

Baud rate will be more than 100 times faster

0.01 sec

Strong
reliability/
low latency

≤ 0.001 sec

Delay time will be shortened by up to one tenth

10,000
devices/km²

Massive
connectivity

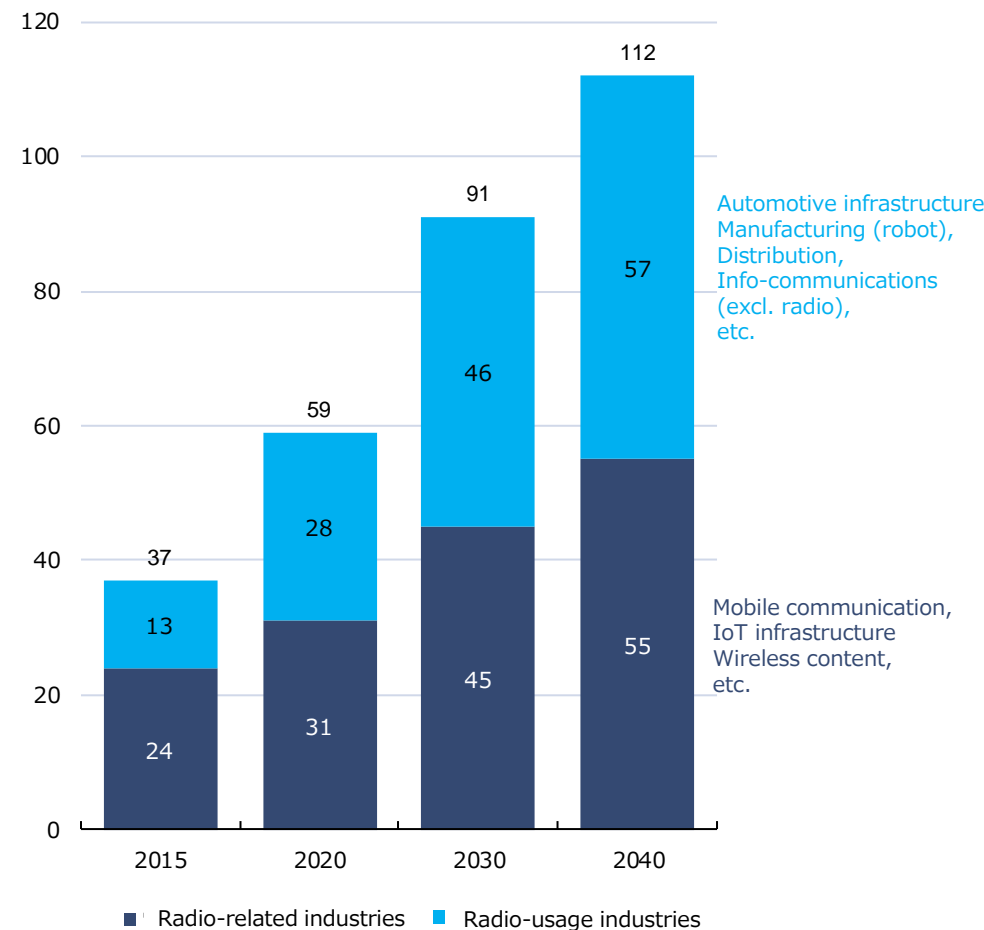
1 million
devices/km²

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)



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

Consolidated Statements of Income

JTOWER

(JPY mn)	FY ended March 31, 2018	FY ended March 31, 2019	Six months ended Sep 30, 2019
Revenue	757	1,378	1,096
Domestic IBS Business	510	864	NA
International IBS Business	245	455	NA
Solution Business	2	59	NA
<i>Growth</i>	356%	82%	103%
COGS	588	731	529
Gross Profit	169	647	568
SG&A	644	817	557
Operating Profit	▲475	▲170	11
EBITDA ^{*1}	▲224	168	313
<i>EBITDA Margin</i>	-	12%	29%
Ordinary Profit	▲479	▲167	▲4
Profit before income taxes	▲561	▲167	▲10
Profit attributable to non-controlling interests	2	15	2
Profit attributable to owners of parent	▲578	▲215	▲28

*1: EBITDA=Operating Profit + Depreciation + Amortization of Goodwill + Amortization of long-term prepaid expenses

Consolidated Balance Sheet

JTOWER

(JPY mn)

	March 31, 2018	March 31, 2019	Sep 30, 2019
Current Assets			
Cash and Cash equivalents	2,453	2,329	1,707
Notes and accounts receivable-trade	196	380	1,284
Other	133	275	158
Total Current Assets	2,781	2,984	3,149
Non-current Assets			
Tangible Fixed Assets	1,500	3,632	4,646
Intangible Assets	465	655	610
Goodwill	460	639	600
Investments and Other Assets Total	30	126	156
Stocks of subsidiaries and affiliates	4	89	89
Total Non-current Assets	1,995	4,412	5,412
Total Assets	4,776	7,396	8,562

Financial Indicators	March 31, 2018	March 31, 2019	Sep 30, 2019
Debt	637	818	1,776
Net Debt	▲1,816	▲1,511	69
Net D/EBITDA*1	-	-	0.1x
Equity Ratio	24%	21%	10%

*1: LTM EBITDA

	March 31, 2018	March 31, 2019	Sep 30, 2019
Current Liabilities			
Accounts Payable	68	172	140
Accounts Payable – other	429	1,019	718
Deferred Liabilities	318	738	1,470
Short-term Debt	15	13	1,037
Lease Debt	104	135	136
Other	52	66	77
Total Current Liabilities	986	2,143	3,578
Non-current Liabilities			
Long-term Deferred Liabilities	1,024	2,042	3,499
Long-term Debt	150	300	300
Lease Debt	368	371	303
Other	38	32	28
Total Non-current Liabilities	1,580	2,745	4,130
Total Liabilities	2,567	4,888	7,708

Net Assets			
Total Shareholder's Equity	1,145	1,549	854
Non-controlling Interests	1,065	959	-
Total Net Assets	2,210	2,508	854
Total Liabilities and Net Assets	4,776	7,396	8,562

Consolidated Statements of Cash Flows

JTOWER

(JPY mn)	FY ended March 31, 2018	FY ended March 31, 2019	Six months ended Sep 30, 2019
Cash Flows From Operating Activities	889	1,290	1,678
Incl. Depreciation	234	300	274
Incl. Amortization of Goodwill	16	37	27
Cash Flows From Investing Activities	▲1,900	▲2,110	▲2,200
Incl. Purchases of Investment Securities	-	▲92	-
Incl. CAPEX	▲800	▲1,776	▲1,617
Incl. Purchase of Investments in Subsidiaries Resulting in Change in Scope of Consolidation	▲1,067	▲99	-
Cash Flows From Financing Activities	2,603	571	▲647
Incl. Net Increase (Decrease) in Short-term Debt	15	▲3	1,025
Incl. Proceeds from the Issuance of Common Stock	1,096	698	-
Incl. Proceeds from Stock Issuance to Non-controlling Shareholders	1,060	-	-
Incl. Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	▲158	▲1,605
Net Increase (Decrease) in Cash and Cash Equivalents	1,564	▲255	▲1,171
Cash and Cash Equivalents at Beginning of period	697	2,261	2,007
Cash and Cash Equivalents at End of period	2,261	2,007	829

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