

FY2019 Q3

JTOWER

Financial Results for the 3rd Quarter of Fiscal Year Ending December 31, 2019

February 5, 2020

J T O W E R Inc.

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Appendix

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
Employees	131 ^{*1} (consolidated, as of December 31, 2019)
Capital	JPY 4,268 million (as of January 31, 2020)
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)

1 Management with Telecom Expertise

JTOWER



Representative
Director

Atsushi
Tanaka

22



Senior
Managing
Director

Yusuke
Kiriya

16



Managing
Director
CFO

Ryosuke
Nakamura

12



Director

Nobuo
Nezu

51



Outside
Director

Naoki
Ota

20



Outside
Director

Hiroyuki
Mitoma

24



Advisor

Eiji
Hagiwara

45

Years of
Telecom
Industry
Experience

**Goldman
Sachs**

(Equity analyst /
Telecom sector)

eAccess

(Head of
corporate
planning div.)

eMobile

(CFO / Head of
corporate
planning div.)

Previous
Experience

M'sWorks

(Senior engineer)

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**

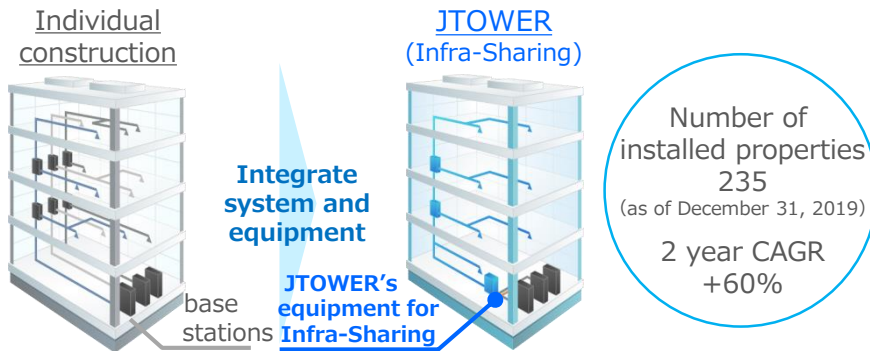
(Senior Managing
Director)

**SAMJI
ELECTRONICS**

(Advisor)

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



Inter-national

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



Vietnam

Myanmar

Malaysia

Market leader in Vietnam
Expanding markets in other countries

Solution Business

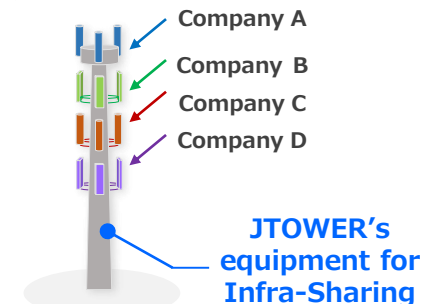
- ✓ Expand various solutions as value-added services for the Infra-Sharing
- ✓ Meet the demands for the services from mobile carriers and real estates owners such as base installation on the rooftop by SITE LOCATOR and cloud-managed Wi-Fi solution



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

Tower Business (New Business)

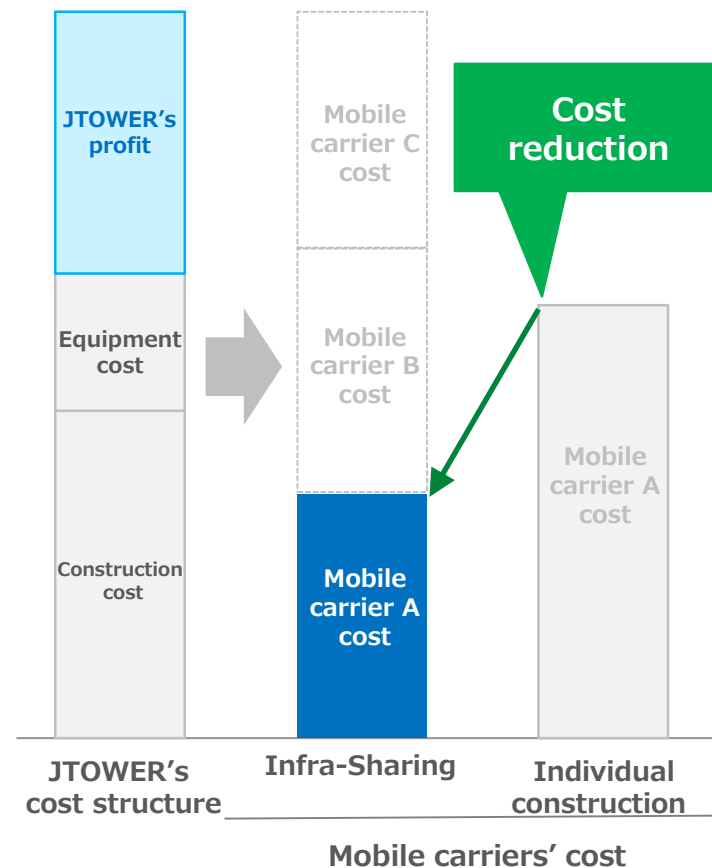
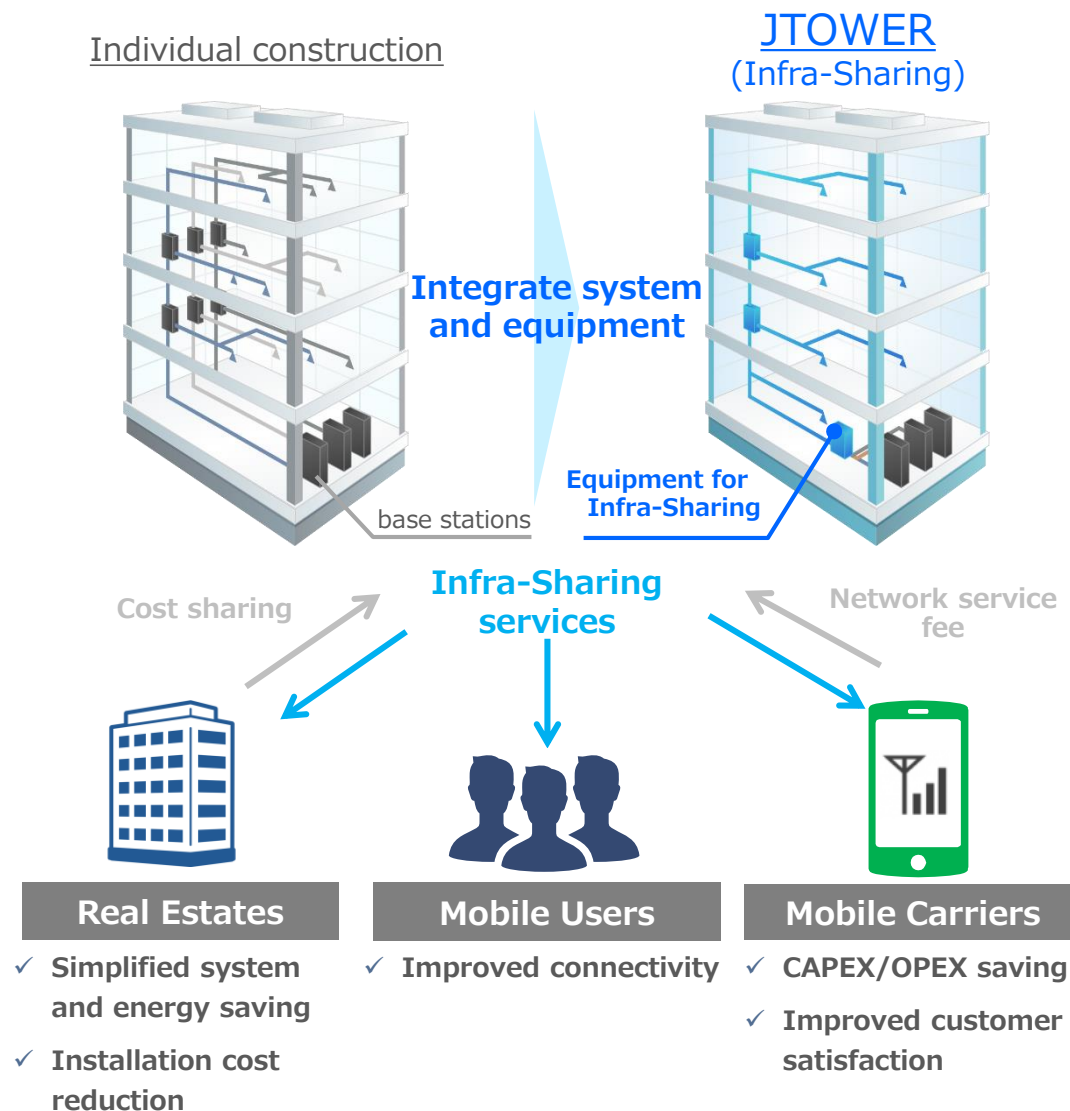
- ✓ Increasing demand for Outdoor Tower Sharing driven by 5G Network Roll-out
- ✓ Share outdoor communication infrastructure among mobile carriers



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

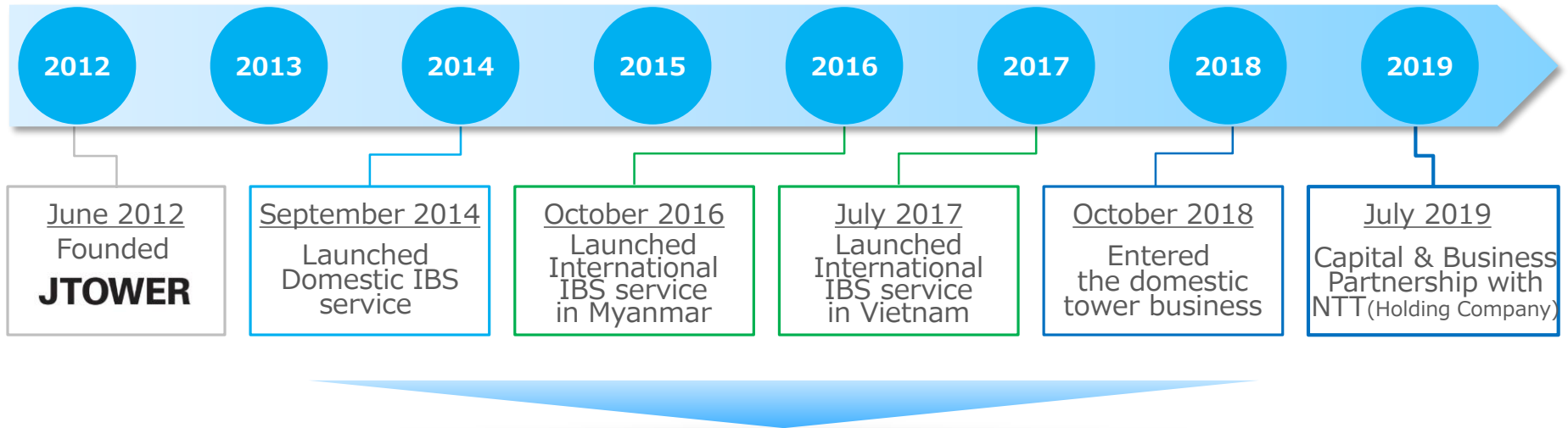
Unique Business Model to Build Win-Win Relationships

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

Expansion mainly in Southeast Asia by partnering with influential local players



*1: As of December 31, 2019

1 Solution Business – Up-selling for Infra-Sharing

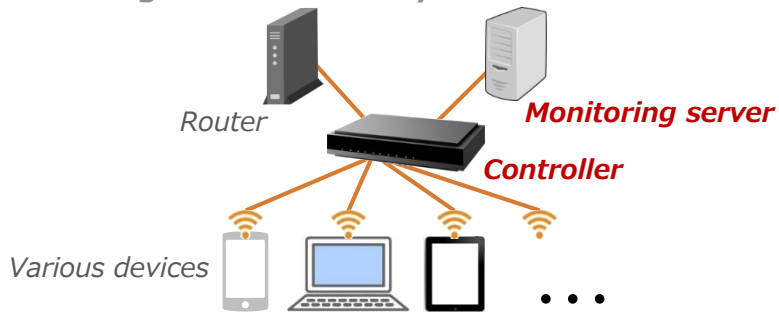
JTOWER

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

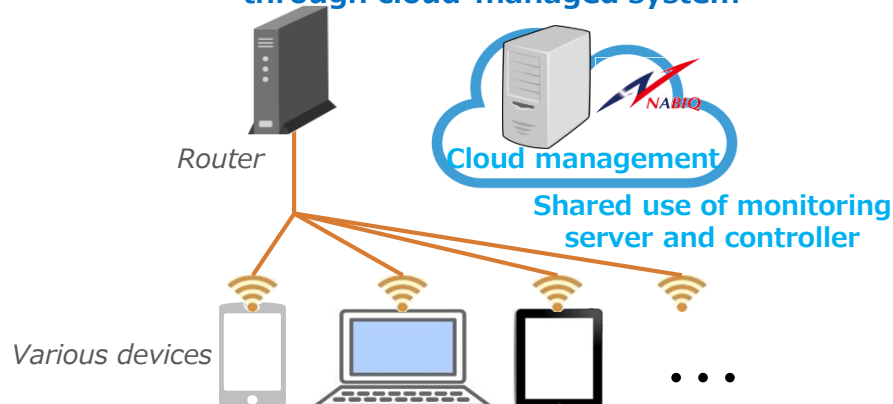
Conventional Wi-Fi

Requires much equipment and long lead time for system construction

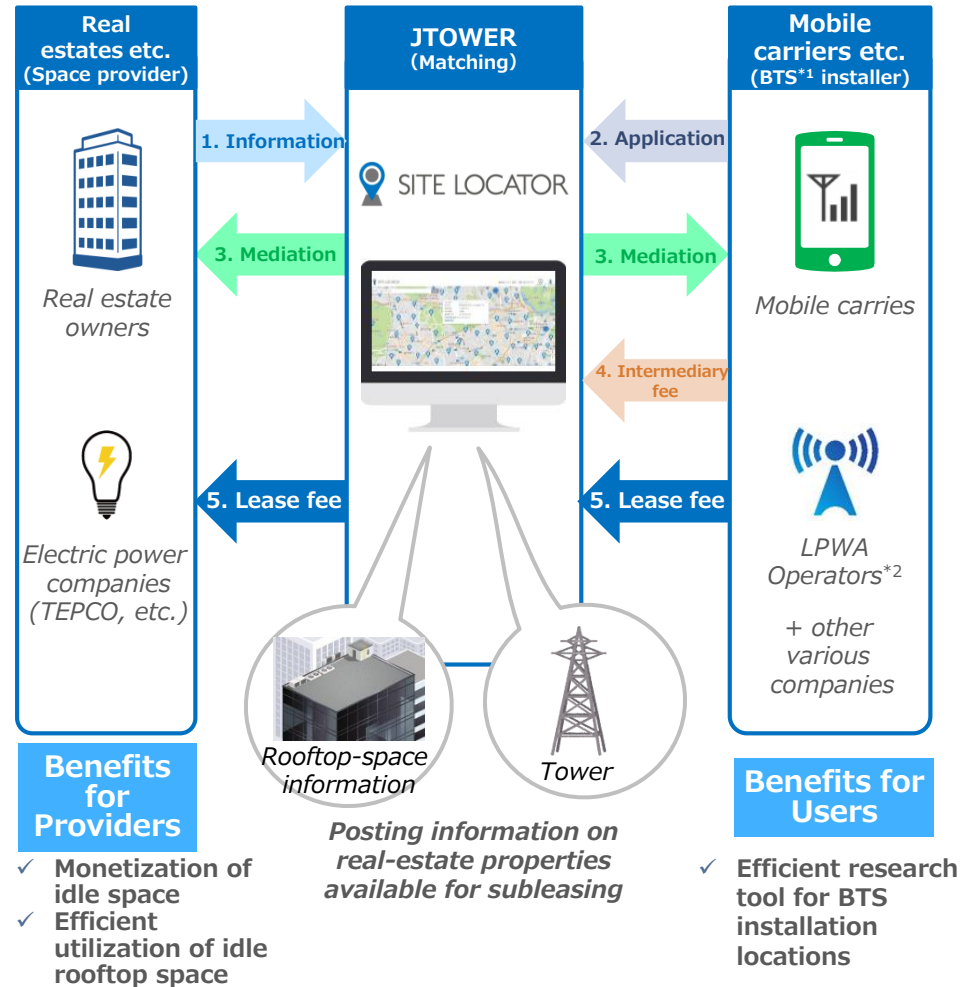


JTOWER Wi-Fi

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



Overview of SITE LOCATOR Service



11 *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

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

Entry Background into Tower Business

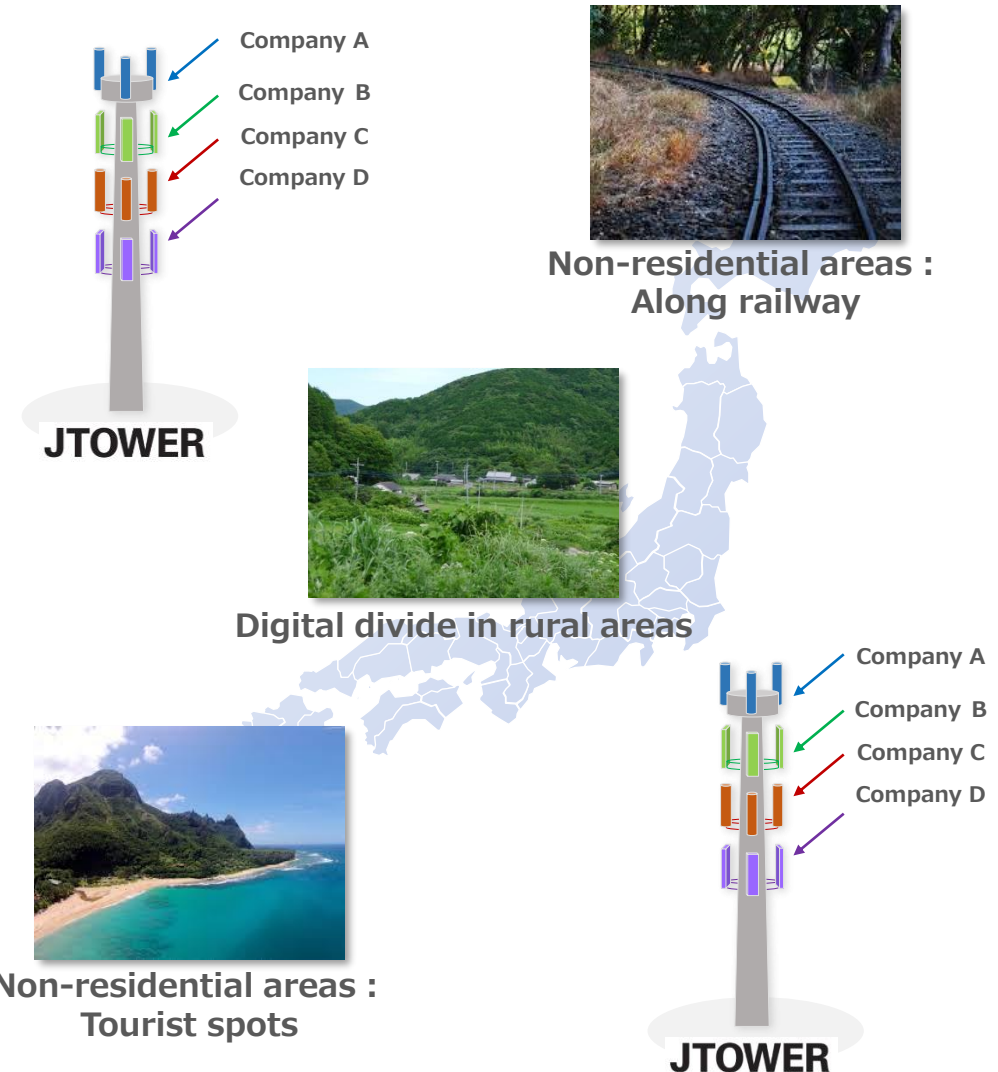
- ✓ Growing demand for **5G network rollout**
- ✓ Entry of a **new mobile carrier**
- ✓ **Infra-Sharing Guideline** by MIC*1 (December 2018)

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

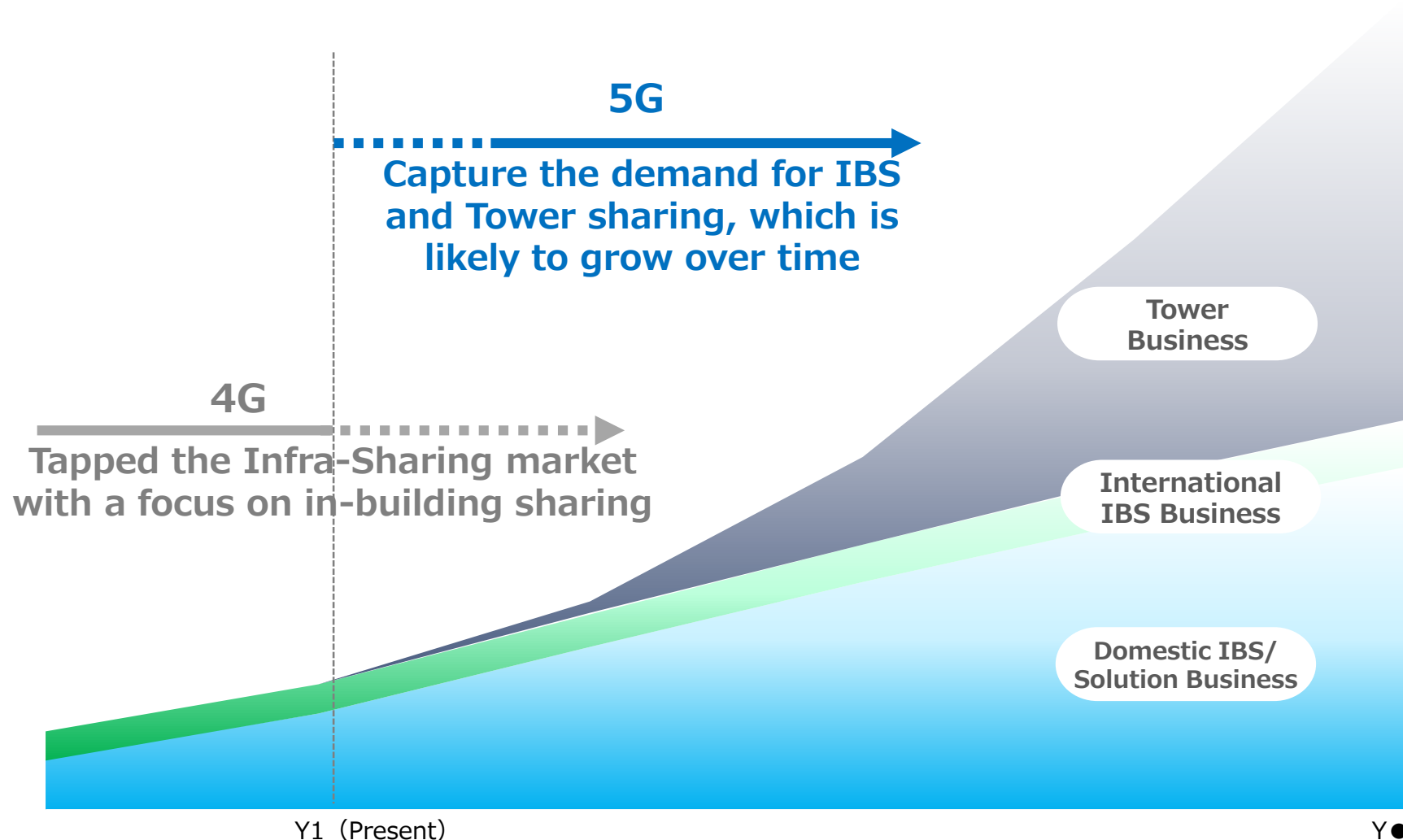
*1: MIC: Ministry of Internal Affairs and Communications

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



1 Growth Strategy for the Future

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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Revenue and EBITDA continued to show strong growth

- Consolidated revenue and EBITDA (9 months) increased to JPY1,729 million (+JPY827 million / +92% YoY*¹) and JPY487 million (+JPY451 million / 12 times YoY*¹), accordingly.
- Revenue and earnings growth was mainly driven by increased IBS installations and subsequent expansion of the Domestic IBS Business.

FY2019 forecast announced in November 2019 has been revised upward

- Revenue and earnings have been growing on track in relation to the FY2019 forecast as of the end of the third quarter.
- Mainly due to the changes in the inspection schedule for the development of the 5G-shared equipment and a decrease in IPO-related costs, earnings have been revised upward (+JPY100 million for operating profit and +120 million for ordinary profit and net income).
- We expect an increase in costs in relation to IPO costs and start-up costs for the Tower Business (hiring of new personnel) over Q3 and Q4.

*1: Financial results from the same period in FY2018 are unaudited figures.

- Driven by increased IBS installations, revenue and EBITDA increased to JPY1,729 million and JPY487 million, accordingly.
- We expect an increase in costs in relation to IPO costs and start-up costs for the Tower Business (hiring of new personnel) over Q3 and Q4.

(JPY mn)	FY2019			FY2018
	Q1 (3 Months) (2 Quarters Ago)	Q2 (6 Months) (Previous Quarter)	Q3 (9 Months) (This Quarter)	12 Months
Revenue	515	1,096	1,729	1,377
EBITDA	141	312	487	168
<i>EBITDA Margin</i>	27.5%	28.5%	28.2%	12.2%
Operating Profit	-0	10	16	-169
<i>Operating Profit Margin</i>	—	1.0%	1.0%	—
Ordinary Profit	-7	-3	-36	-166
Net Income	-24	-28	-67	-214
Include one-time IPO costs				
Employees* ¹	124	129	131	116

*1: Includes the average number of temporary workers (such as contract workers and staff from temporary work agencies) over the most recent year.

- Balance Sheet (1/2)

- Financial health has improved after the public offering on the Tokyo Stock Exchange Mothers in December 2019.

	FY2018	FY2019	
(JPY mn)	March 31, 2019	December 31, 2019	Changes
Current Assets	2,983	5,993	+3,009
Cash and Cash Equivalents	2,329	5,463	+3,134
Notes and Accounts Receivable	379	329	-50
Non-current Assets	4,412	5,934	+1,522
Tangible Fixed Assets	3,631	5,186	+1,554
Goodwill	638	590	-48
Total Assets	7,396	11,928	+4,532
Financial Indicators			
Debt	818	1,126	+308
Net Debt	-1,511	-4,336	-2,825
Equity Ratio	21.0%	44.0%	+23.0pt

- Balance Sheet (2/2)

- The increase in the number of IBS installations has been reflected in increased current and long-term deferred liabilities (to be reported as revenue in the future).

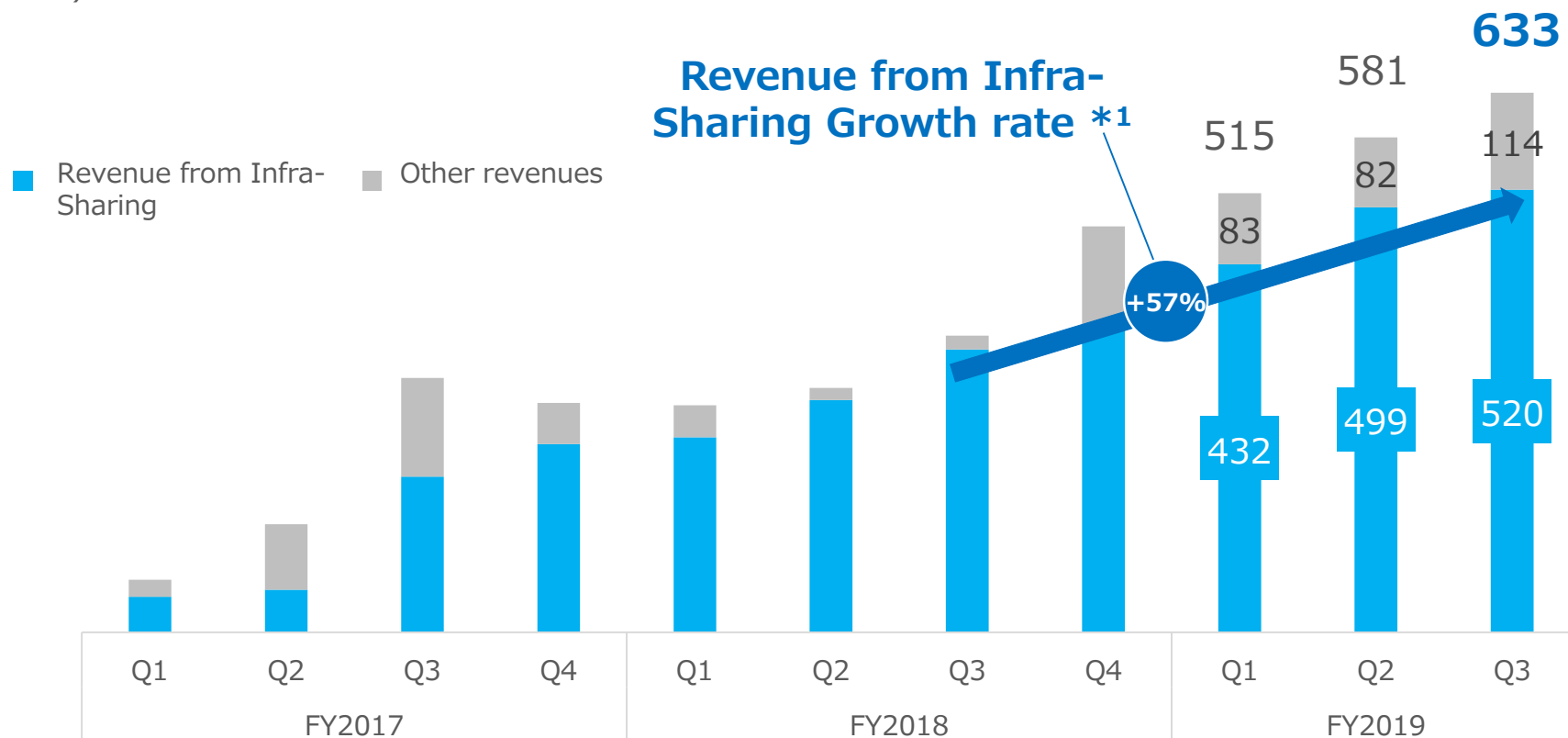
	FY2018	FY2019	
(JPY mn)	March 31, 2019	December 31, 2019	Changes
Current Liabilities	2,143	2,678	+535
Accounts Payable	172	190	+18
Short-term Debt	12	35	+23
Accounts Payable – other	1,019	715	-303
Deferred Liabilities	737	1,343	+605
Non-current Liabilities	2,744	4,002	+1,257
Long-term Debt	300	300	–
Long-term Deferred Liabilities	2,042	3,192	+1,150
Total Liabilities	4,887	6,680	+1,793
Net Assets	2,508	5,247	+2,738
Capital	1,399	3,610	+2,211
Capital Surplus	1,658	1,772	+113
Total Liabilities and Net Assets	7,396	11,928	+4,532

2 Historical Consolidated Revenue

JTOWER

- Consolidated revenue has been increasing steadily, driven by the growth of the Revenue from Infra-Sharing.
- The Revenue from Infra-Sharing has increased **57% YoY**.

(JPY mn)



*Revenue from Infra-Sharing = revenues from infra-sharing business

*Other revenues = revenues from one-time projects such as outsourced construction work

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

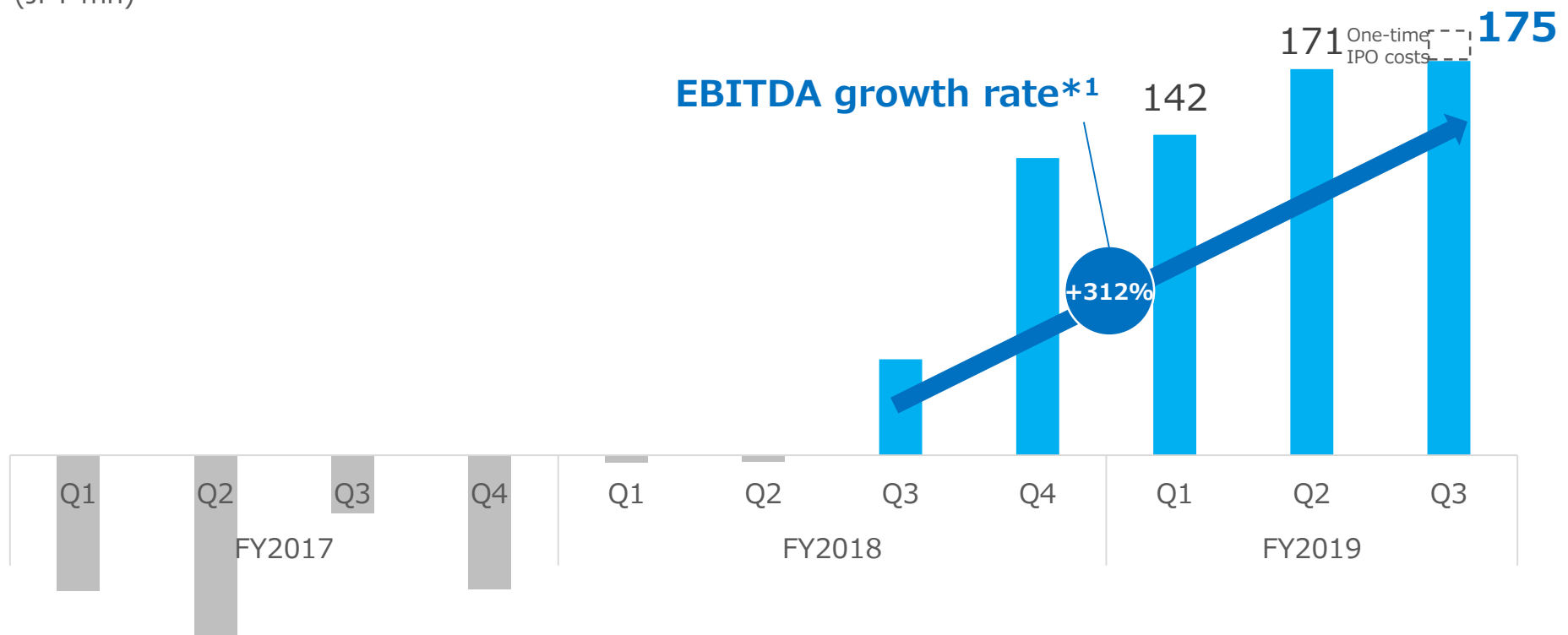
*2: Figures before year ended March 31, 2019 and breakdown of sales figures are not audited.

2 Historical Consolidated EBITDA

JTOWER

- With increases in the number of IBS installations, EBITDA has also been growing strongly.
- Q3 saw an increase in costs due to reporting of the one-time IPO costs, but EBITDA for Q3 increased by **312%** YoY.

(JPY mn)



*1: YoY growth rate of EBITDA for Q3 FY2019 compared with EBITDA for Q3 FY2018.

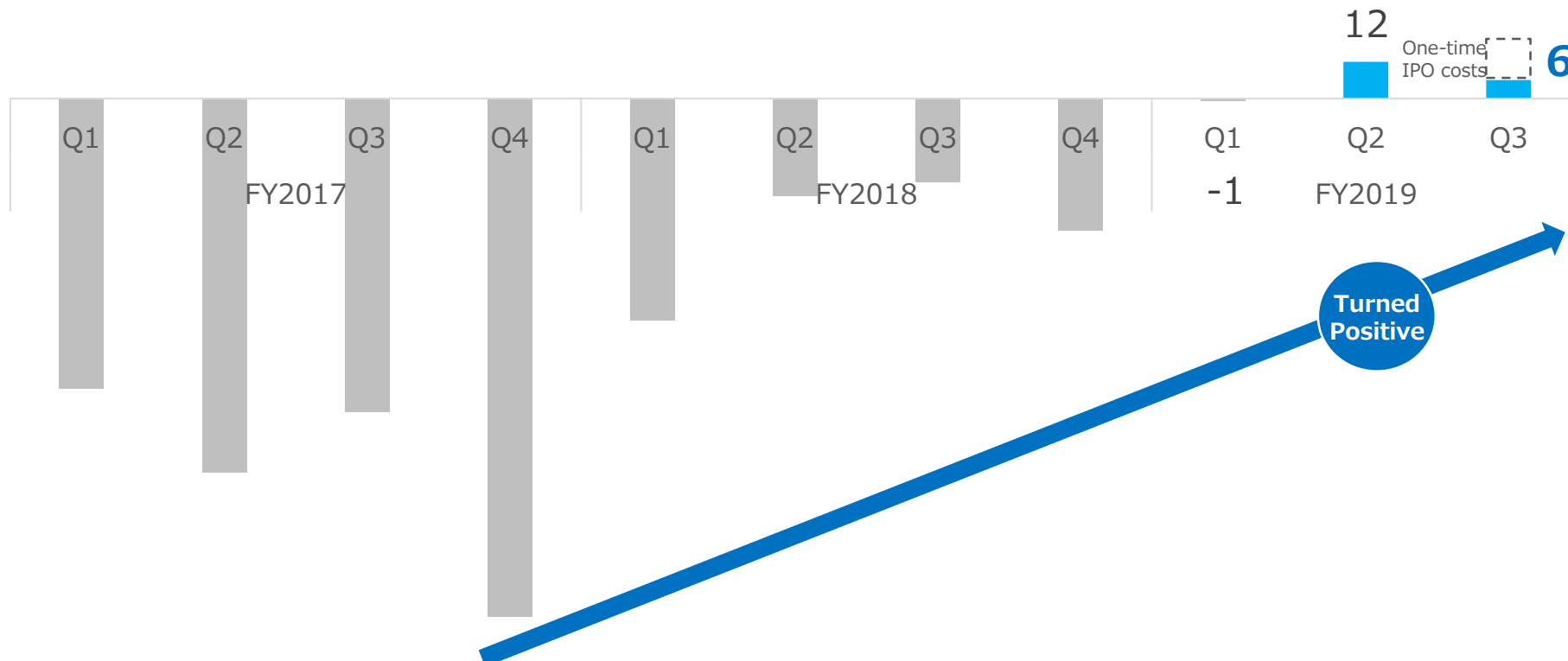
*2: Figures before year ended March 31, 2019 are not audited.

2 Historical Consolidated Operating Profit

JTOWER

- Operating profit has turned positive in Q2 FY2019.
- We expect an increase in costs in relation to IPO costs and start-up costs for the Tower Business (hiring of new personnel) over Q3 and Q4.

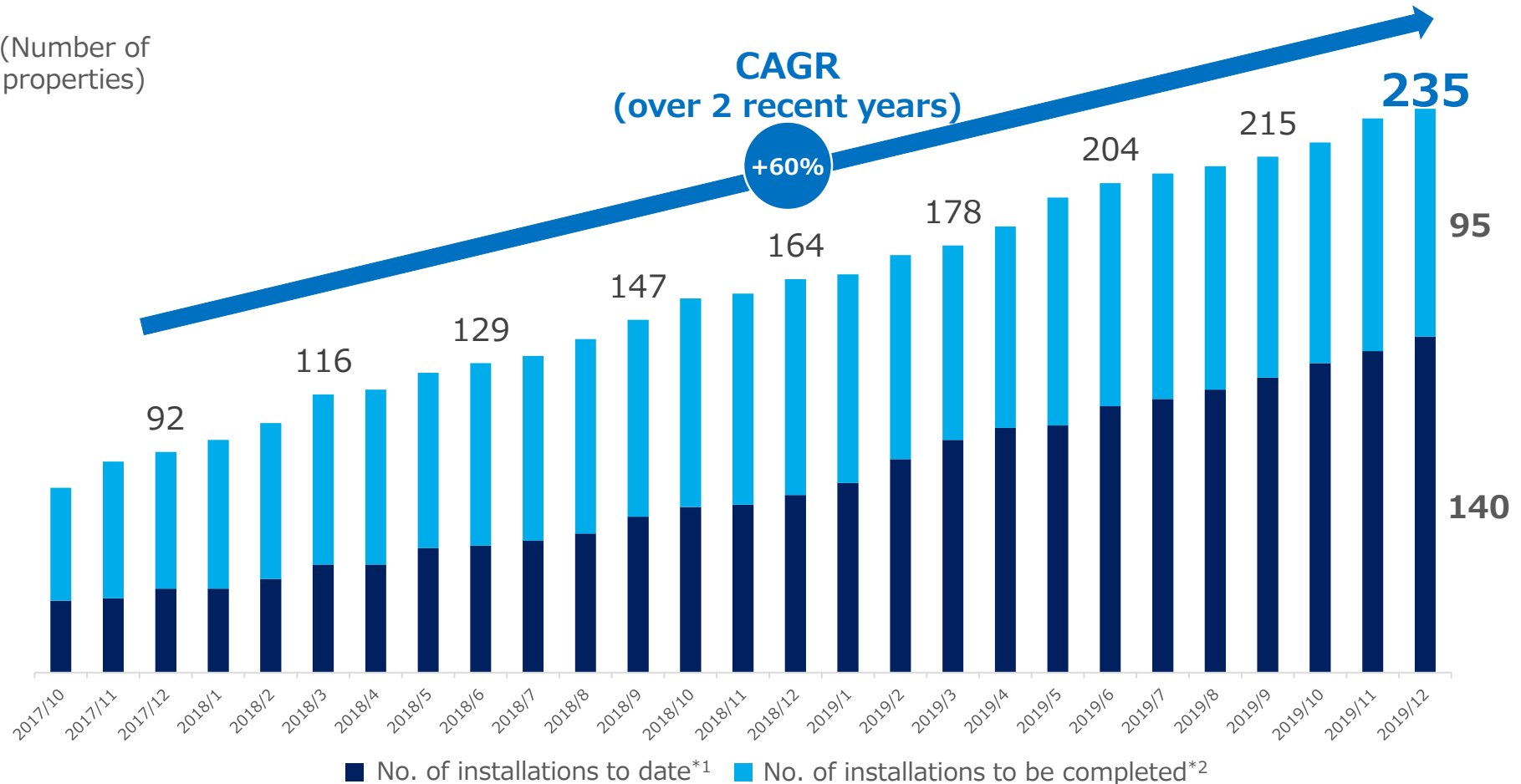
(JPY mn)



*1: Figures from FY2017 and FY2018 are unaudited.

- Total number of IBS installations has increased to **235** (installation completed: **140**, to be installed: **95**).
- In Q3, the total number of installations to date for the year increased by **43**.

(Number of properties)



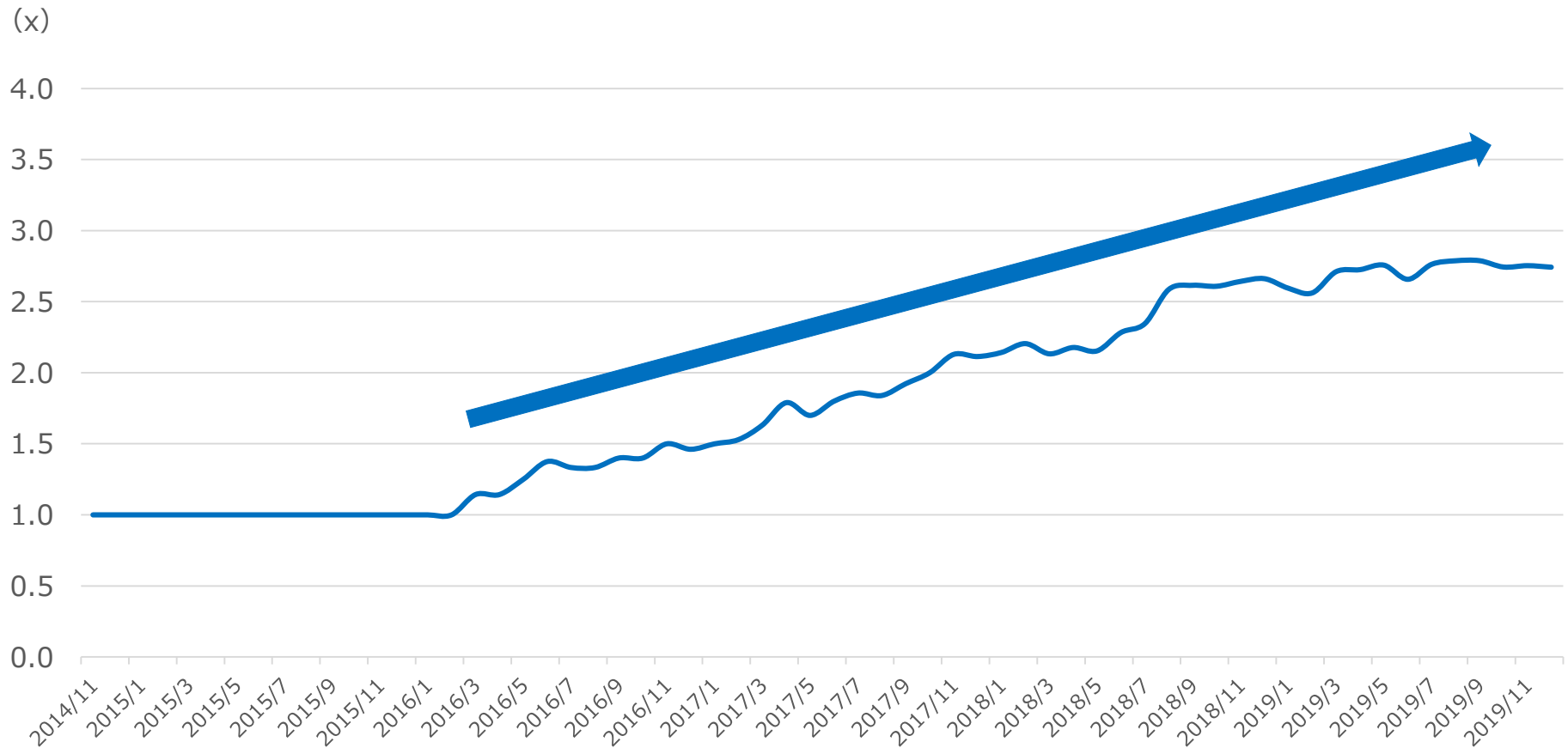
*1: Projects where radio waves have been emitted and revenues are recognized.

*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.

2 Historical Tenancy Ratio*¹ - Domestic IBS Business

JTOWER

- Tenancy Ratio (average number of participating mobile carriers per property) has been steady in the higher **2 point** range.



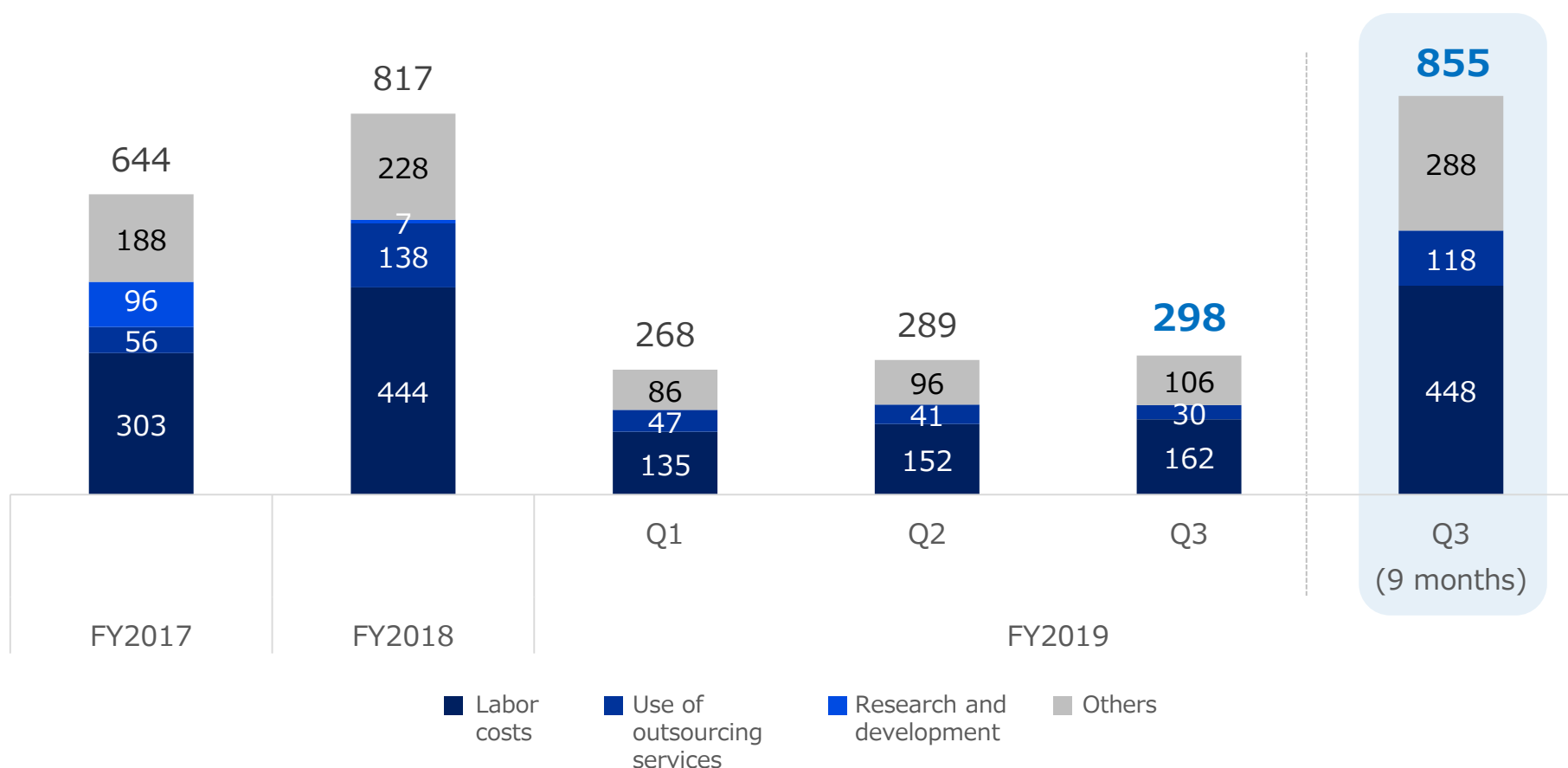
*1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

2 Historical Consolidated SG&A Expenses

JTOWER

- SG&A expenses have increased mainly due to an increase in labor costs from new hires and IPO-related costs reported in other expenses.
- Total SG&A expenses for Q3 were **JPY855 million**.

(JPY mn)



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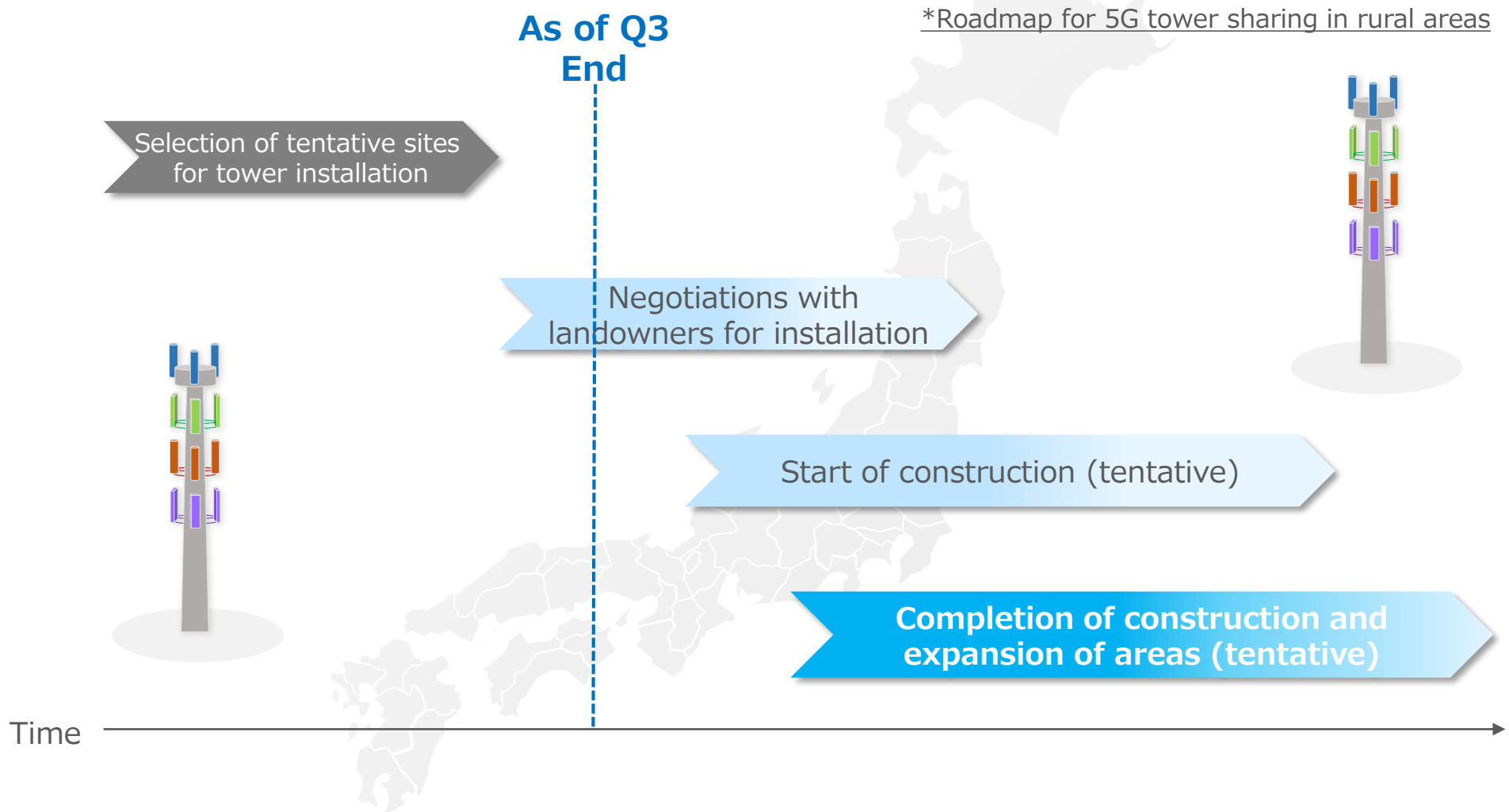
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- We have completed the selection of tentative sites for tower installation and are in negotiations with landowners for the start of construction.



- We participated in the 1st TOKYO Data Highway Summit on November 8, 2019

From the TOKYO Data Highway Summit



(Representative Director Tanaka on the far left)

TOKYO Data Highway Action Plan by Tokyo

TOKYO Data Highway の構築に向けて

3つのアクションを展開

Action 1

アンテナ基地局設置への

都の保有するアセットの開放と利用手続きの簡素化

Make assets owned by Tokyo opened for base station installation and simplify the procedure

Action 2

5G重点整備エリアの設定

Select the main target areas for 5G base station installation

Action 3

東京都自らの5G施策の展開

Deploy 5G related service by their own

これらをスピーディに推進するため、
都と通信キャリア等が連携する仕組みを構築

4

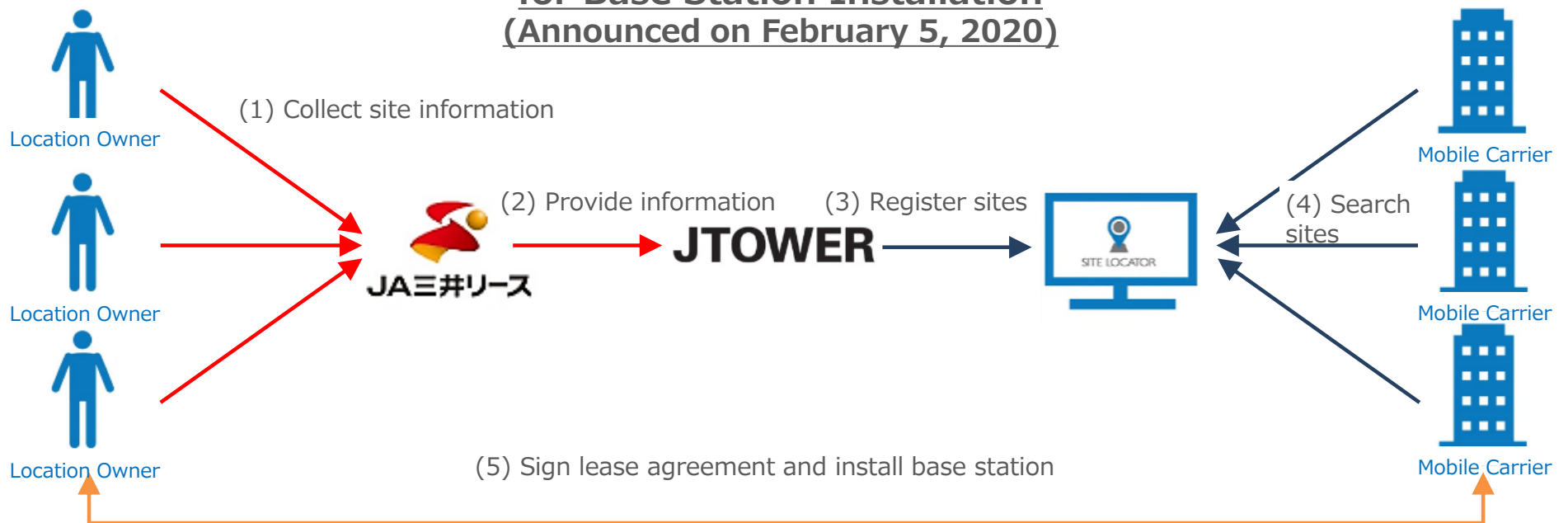
Our Primary Areas of Involvement

Promotion of base station sharing installed on assets owned by Tokyo

Support for installation of local 5G equipment

- As announced today, we have agreed with JA Mitsui Leasing to **collect information on leasable sites from JA Group companies and their business partners** and register them on our "SITE LOCATOR" to create business opportunities between mobile carriers and site owners as well as to promote the development of 5G infrastructure in an efficient manner.

Partnership with JA Mitsui Leasing for Referral of Leasable Sites
for Base Station Installation
(Announced on February 5, 2020)



- ✓ JA Mitsui Leasing: Collect information on leasable sites from JA Group companies and business partners across Japan and promote registration of sites on SITE LOCATOR.
- ✓ JTOWER: Provide SITE LOCATOR to facilitate mobile carriers' search for base station installation sites.

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4 FY2019 Full Year Forecast

JTOWER

- Mainly due to changes in the inspection schedule for the development of 5G-shared equipment and a decrease in IPO-related costs, we have made upward revision on the forecast announced on November 13, 2019.
- Revenue and EBITDA are forecasted to increase by **77%** and **257%** YoY, accordingly.
- We expect an increase in costs in relation to IPO costs and start-up costs for the Tower Business (hiring of new personnel) over Q3 and Q4.

(JPY mn)	FY2018	FY2019			
	Full Year	Pre-revision Forecast (Nov. 13, 2019)	Post-revision Forecast (Feb. 5, 2020)	Changes	YoY Change
Revenue	1,377	2,439	2,439	—	+77.0%
EBITDA	168	500	600	+100	+256.5%
<i>EBITDA Margin</i>	12.2%	20.5%	24.6%	+4.1pt	+12.4pt
Operating Profit	-169	-165	-65	+100	—
<i>Operating Profit Margin</i>	—	—	—	—	—
Ordinary Profit	-166	-258	-138	+120	—
Net Income	-214	-289	-169	+120	—

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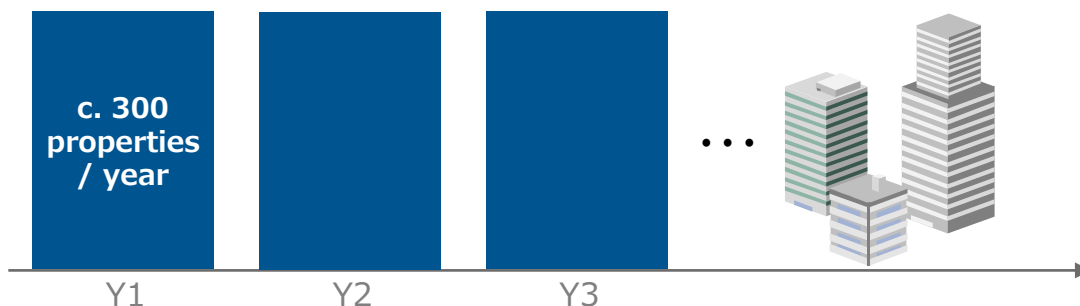
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Appendix

5 Constant Demand and Upside Potentials – IBS Market **JTOWER**

Number of properties with **JTOWER's** Domestic IBS already installed*1: 140 / to be installed*1: 95

(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 December 31, 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)

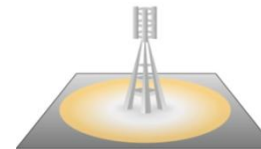
Source: Sanko Estate "OFFICE RENT DATA 2017," Japan Council Of Shopping Centers' web site, Tokyo Kantei, MLIT (Yearly report on railway statistics)

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

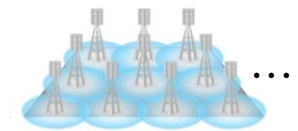
Increase in Demands Driven by 5G

<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

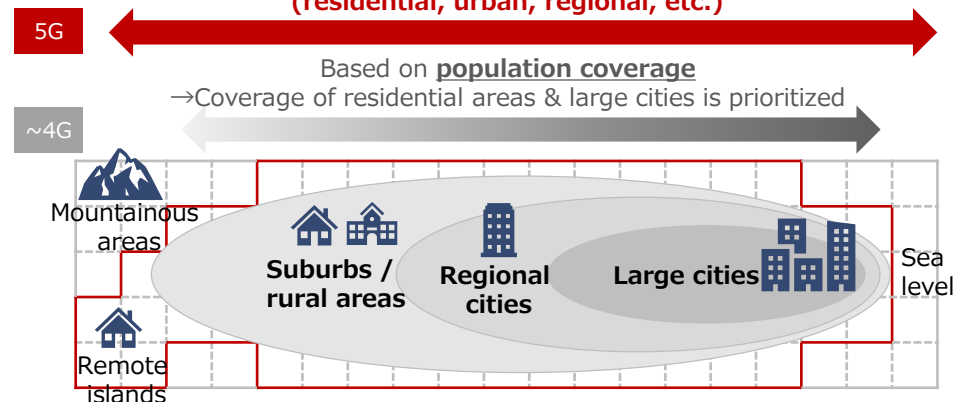
5G Base Stations Deployment Policy

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

5 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

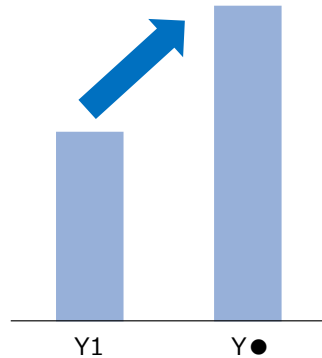
Development of solutions

Issues facing the entire communications industry in the 5G era

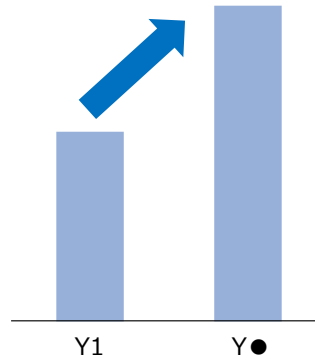
Huge capital investment

Assurance of installation
sites for base stations

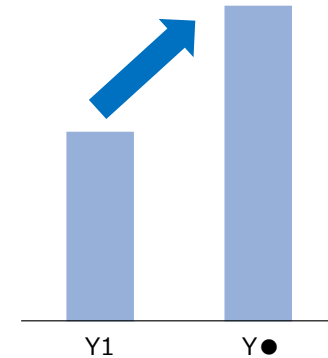
Targeting contribution to the efficiency in the early expansion of service areas and the contraction of quiet areas in the 5G era

Number of Properties Installed

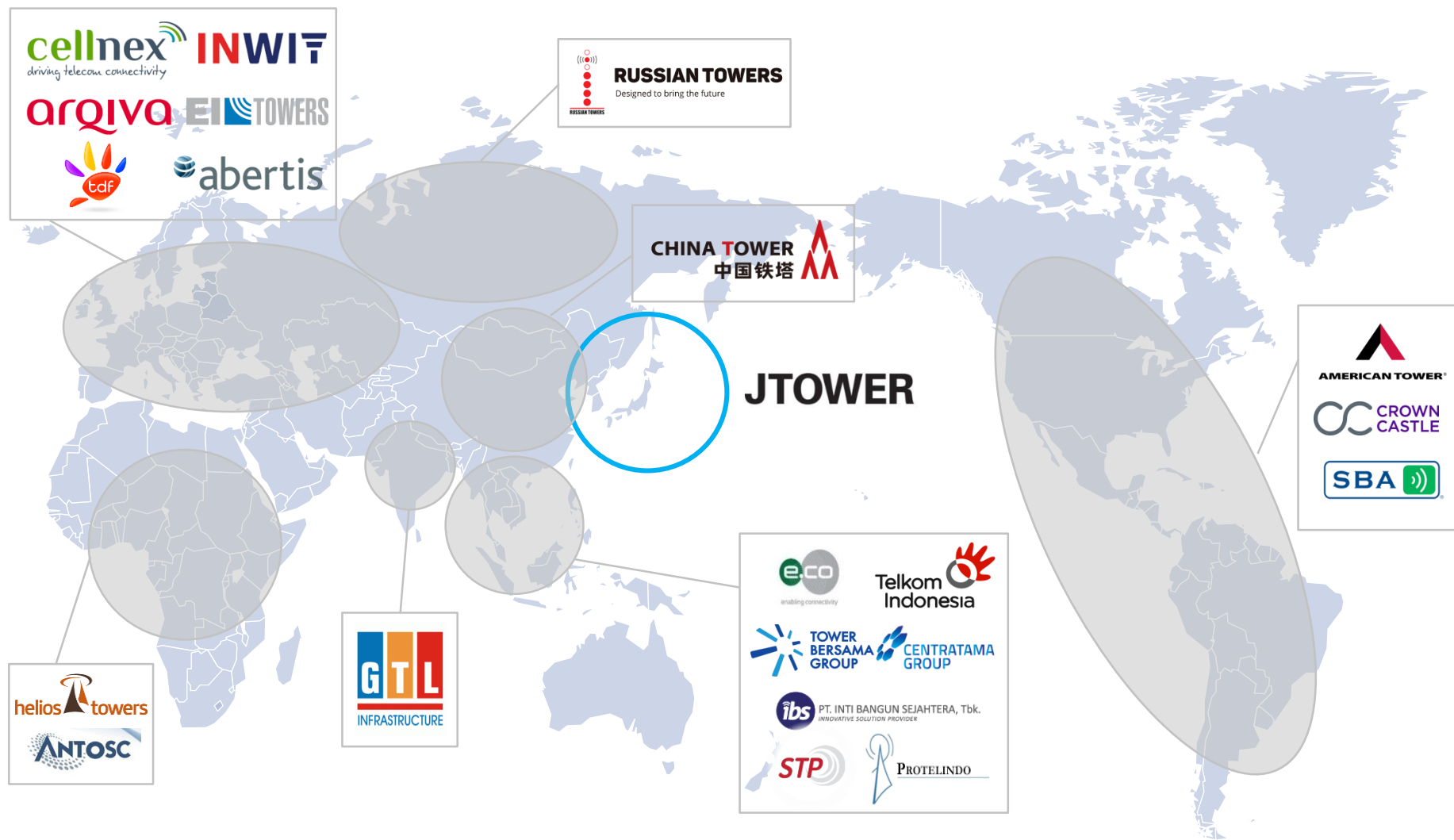
- ✓ Development demand for Tokyo Olympics and Osaka-Kansai Japan Expo etc.
- ✓ Strengthen the business foundation by Capital & Business Partnership with NTT (Holding Company)

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



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

Source: Company Materials

5 Potential Infrastructure Demand Driven by 5G

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

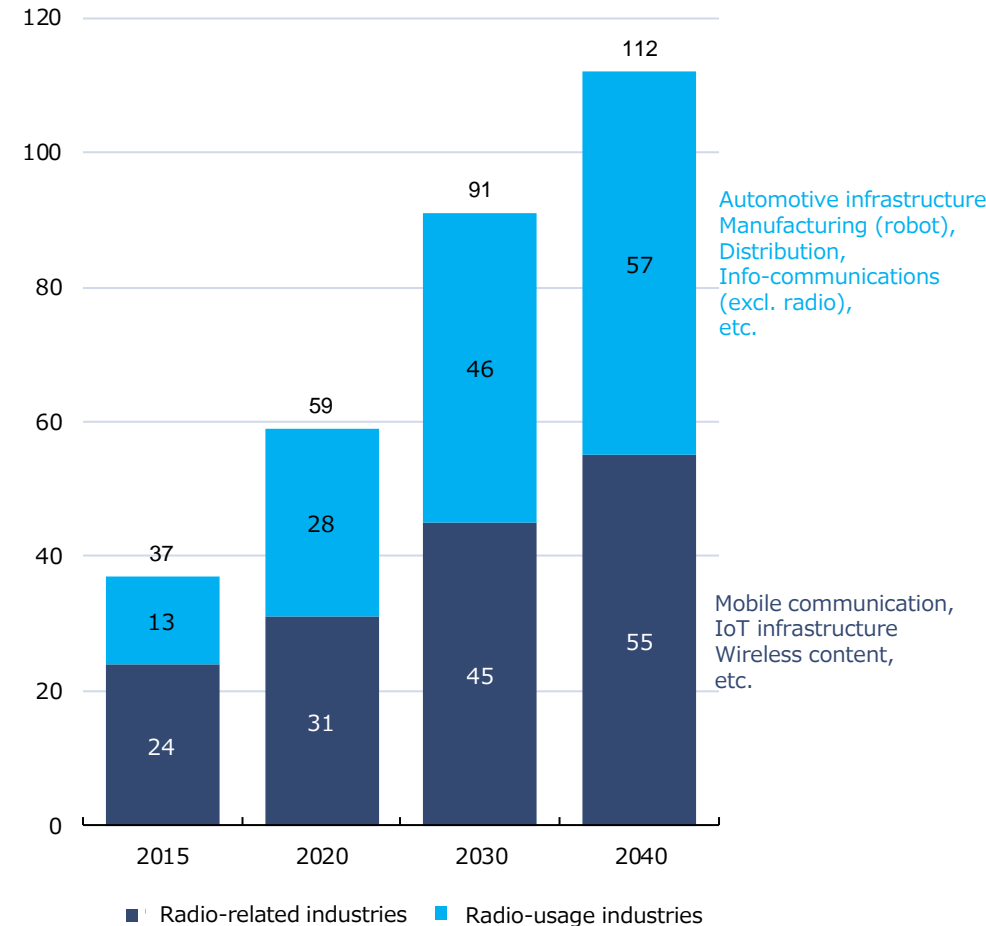
1 million
devices/km²

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

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The financial results for the 4th Quarter of FY2019 are scheduled to be released at 15:00 or later on May 12, 2020.

JTOWER

SHARING THE VALUE

Creating business with social impact
that brings value to all stakeholders