

A person is sitting on a grassy hill at sunset, using a laptop. The background shows a warm, golden sunset over a landscape with hills.

JTOWER

Financial Results for Q1 FY2023 ended June 30, 2023

August 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.



Outline

- 1 . FY2023 Q1 Financial Results
- 2 . Initiatives for Future Growth
- 3 . FY2023 Full Year Forecasts
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Consolidated revenue increased 1.9 times YoY to JPY2.1 billion

- Tower transfer progressed more than planned, resulting the increase of total number of transferred towers to 2,500 and the total revenue of Tower Business to JPY762 million.
- The revenue for Domestic IBS business increased by 19% YoY to JPY1,082 million.
- In consolidated revenue, the revenue composition by business significantly changed from the previous fiscal year; Domestic IBS 52%, and Tower 37%.

EBITDA doubled and operating profit increased by 34% YoY

- Gross profit margin (GPM) decreased as expected, mainly due to the increasing the percentage of Tower Business in consolidated revenue.
- EBITDA doubled YoY due to revenue growth in core businesses.
- SG&A-to-revenue ratio improved by 11% YoY to 29% due to very few one-time expenses in Q1.

Q1 results trended more than expected

Tower

- ✓ Tower transfer progressed more than planned, and the total number of transferred towers increased to **2,500**.
(As of the end of June)

Domestic IBS

- ✓ The number of installations in 4G and 5G IBS increased by 28 and the total number of installations in Domestic IBS*¹ increased to **457**.

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

① FY2023 Q1 Consolidated Results – P&L

JTOWER

- Revenue increased to JPY2,086 million (+88% YoY).
- EBITDA **doubled**, and operating income increased by **34% YoY**.
- Ordinary profit and net income decreased due to the recording of interest expenses for Tower financing.

(JPY mn)	FY2022	FY2023		
	3 Months Results	3 Months Results	Change	
			Amount	%
Revenue	1,108	2,086	+978	+88.2%
EBITDA ^{*1}	462	945	+483	+104.5%
<i>EBITDA Margin</i>	41.7%	45.3%	+3.6pt	—
Operating Profit	134	180	+45	+34.2%
<i>Operating Profit Margin</i>	12.1%	8.6%	- 3.4pt	—
Ordinary Profit	196	105	- 91	-46.5%
Net Income	134	68	- 66	-49.3%
Capital Expenditure^{*2} (Investment Cash Flow)	-699	-18,098	- 17,399	+2489.1%

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

*2: Figures for FY2023 results include the acquisition of property, plant and equipment and intangible assets. (Period total is unaudited)

① FY2023 Q1 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	June 30, 2023	Change
Current Assets	25,762	28,532	+2,769
Cash and Cash Equivalents	24,247	24,313	+65
Accounts Receivable	529	648	+118
Non-current Assets	26,279	57,868	+31,589
Tangible Fixed Assets	25,428	56,605	+31,177
Buildings and structures	14,605	44,844	+30,239
Machinery, equipment and vehicles	8,140	8,899	+759
Goodwill	338	335	- 2
Total Assets	52,042	86,401	+34,358
Financial Indicators			
Debt	22,412	39,702	+17,290
Net Debt	-1,835	15,389	+17,224
Equity Ratio	24.8%	14.8%	- 9.9pt
Adjusted Equity Ratio* ¹	24.8%	16.1%	- 8.6pt

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

① FY2023 Q1 Consolidated Results – BS (2/2)

JTOWER

- Increase in long-term borrowings due to the tower transfer.

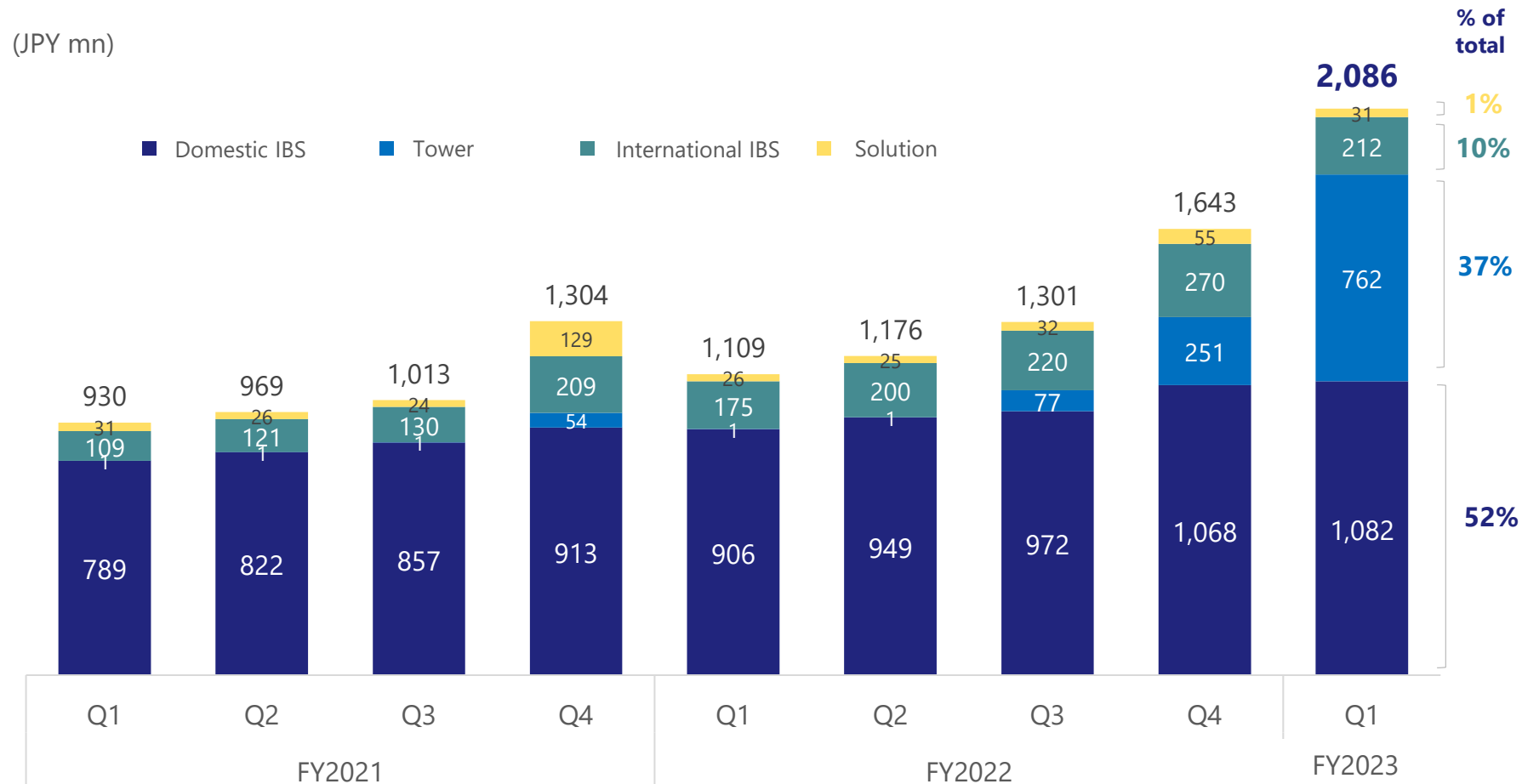
	FY2022	FY2023	
(JPY mn)	March 31, 2023	June 30, 2023	Change
Current Liabilities	16,830	35,424	+18,593
Accounts payable - trade	277	242	- 34
Short-term borrowings*1	930	3,689	+2,759
Accounts payable - other	7,451	21,560	+14,108
Contract liability	7,825	9,037	+1,212
Non-current Liabilities	22,318	37,026	+14,708
Long-term borrowings	21,146	35,700	+14,554
Total Liabilities	39,148	72,450	+33,301
Net Assets	12,893	13,950	+1,057
Share capital	7,994	8,000	+5
Capital surplus	6,156	6,161	+5
Non-controlling interests	0	1,126	+1,125
Total Liabilities and Net Assets	52,042	86,401	+34,358

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

① Historical Revenue by Business

JTOWER

- The revenue increased **JPY761 million** in Tower and by **19%** in Domestic IBS YoY.
- The revenue in International IBS decreased due to a reaction to the demonstration project revenue (JPY41 million) recorded in FY2022 Q4.



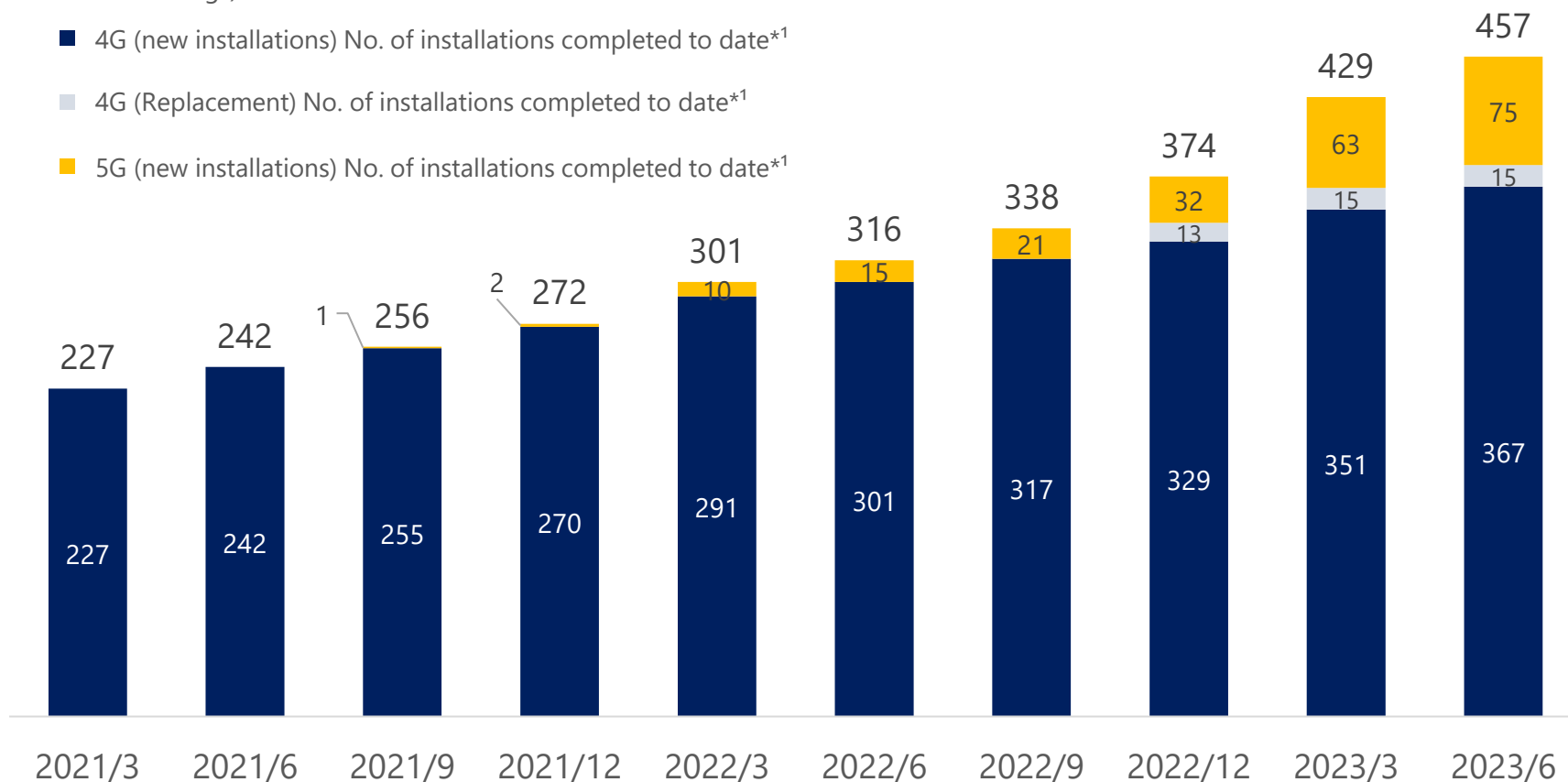
Note: Breakdown of quarterly revenue by business is unaudited.

① Historical Number of Installations (Domestic IBS)

JTOWER

- In Q1 FY2023, the number of installations increase **16** in 4G IBS (new installations) and **12** in 5G IBS.

(Number of buildings)

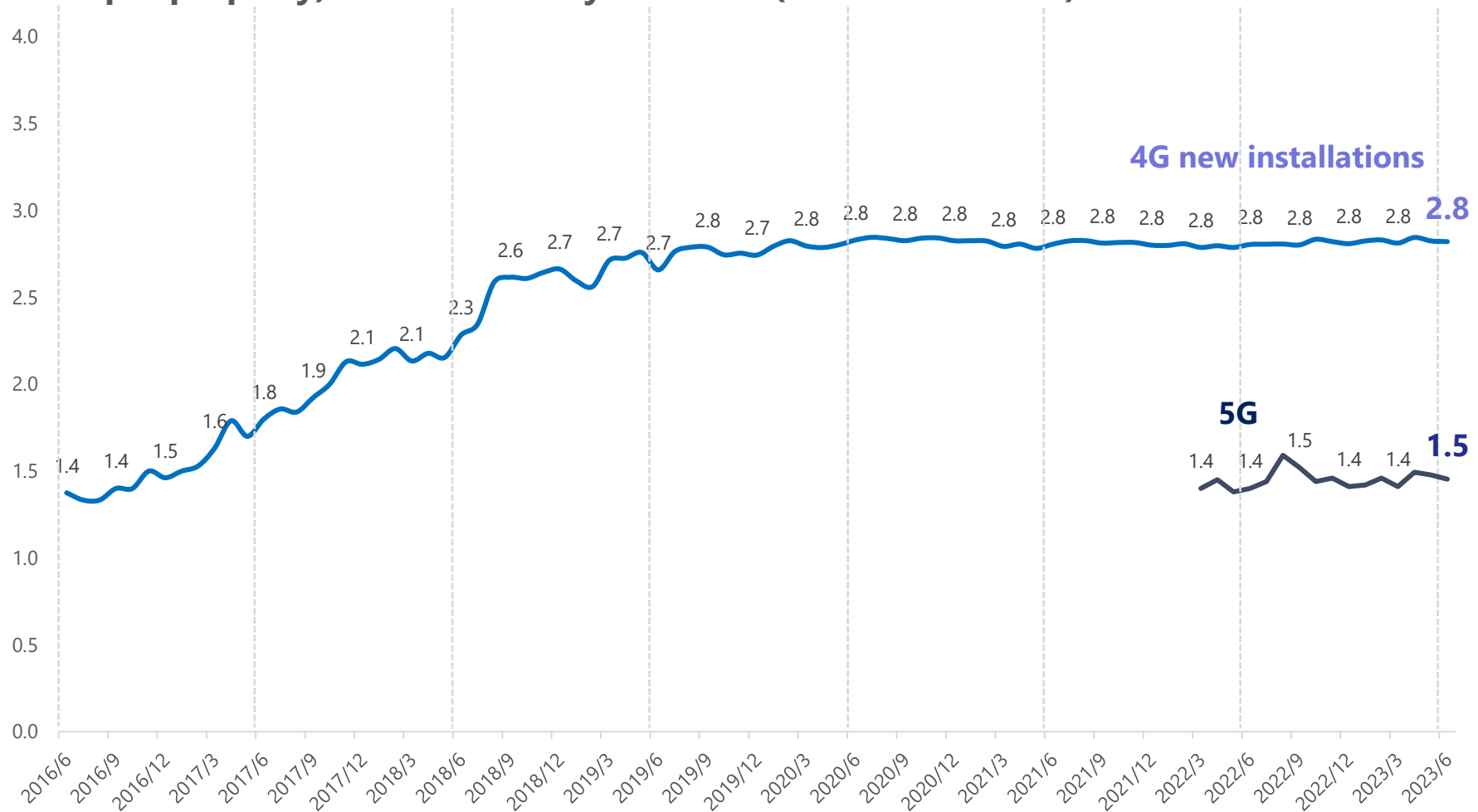


*1: Projects where radio waves have been emitted and revenues are recognized.

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



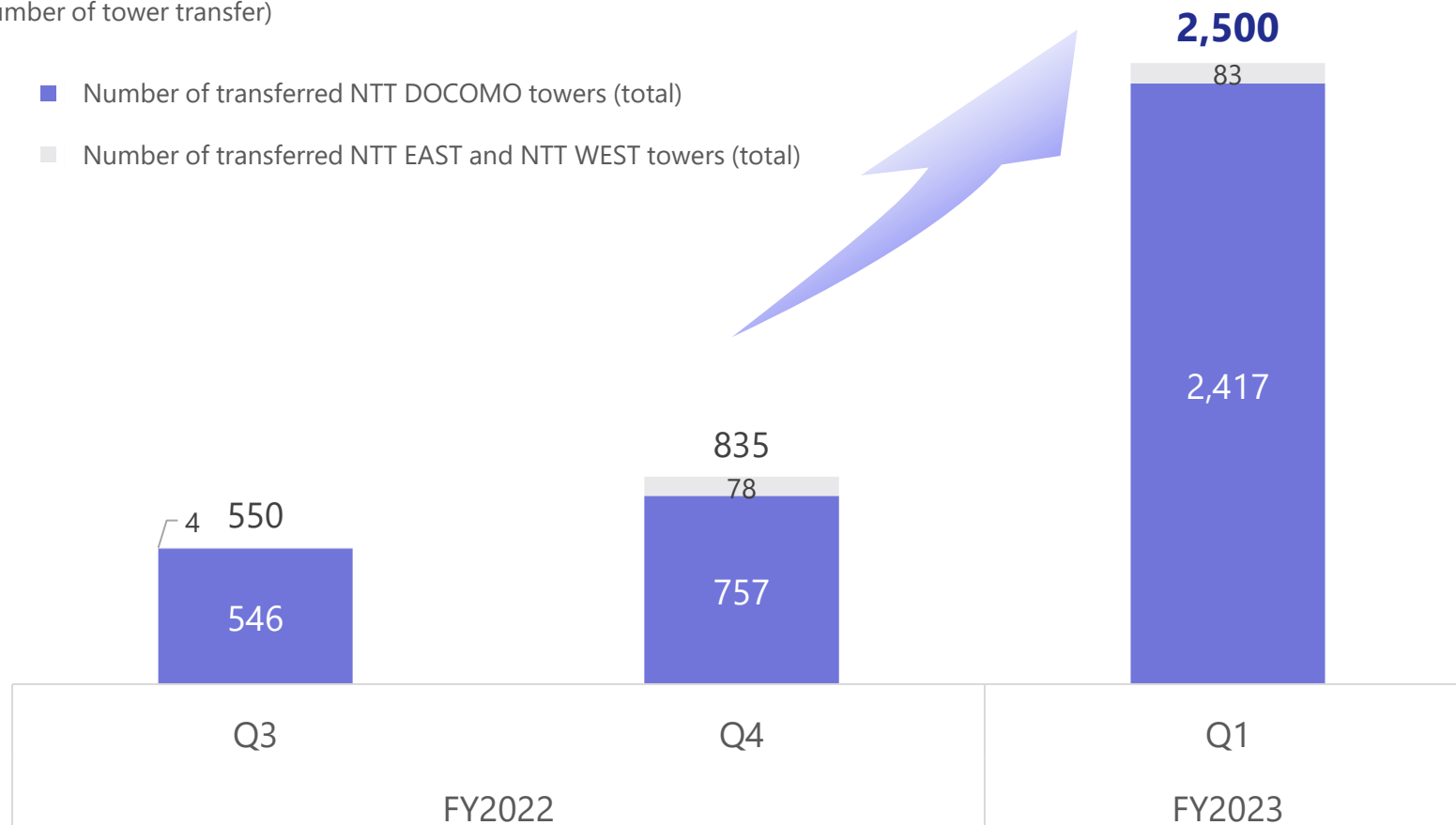
* 1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

* 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

- In Q1 FY2023, the total of **1,665** towers were transferred, including **1,660** NTT DOCOMO towers and **5** NTT EAST and NTT WEST towers. The total number of transferred tower increased to **2,500**.

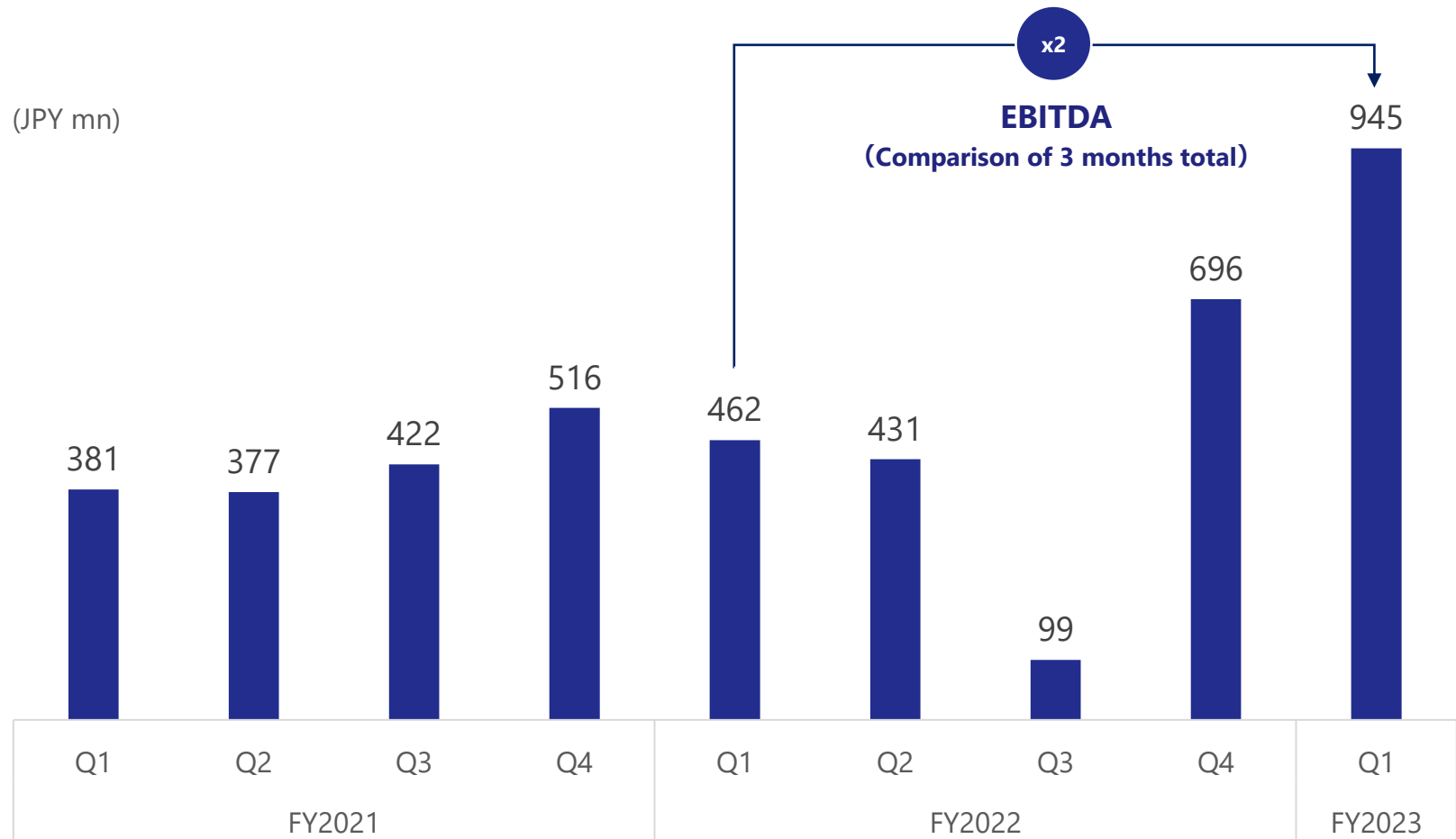
(Number of tower transfer)



① Historical Consolidated EBITDA*¹

JTOWER

- Consolidated EBITDA **doubled** due to the expansion of Tower business.

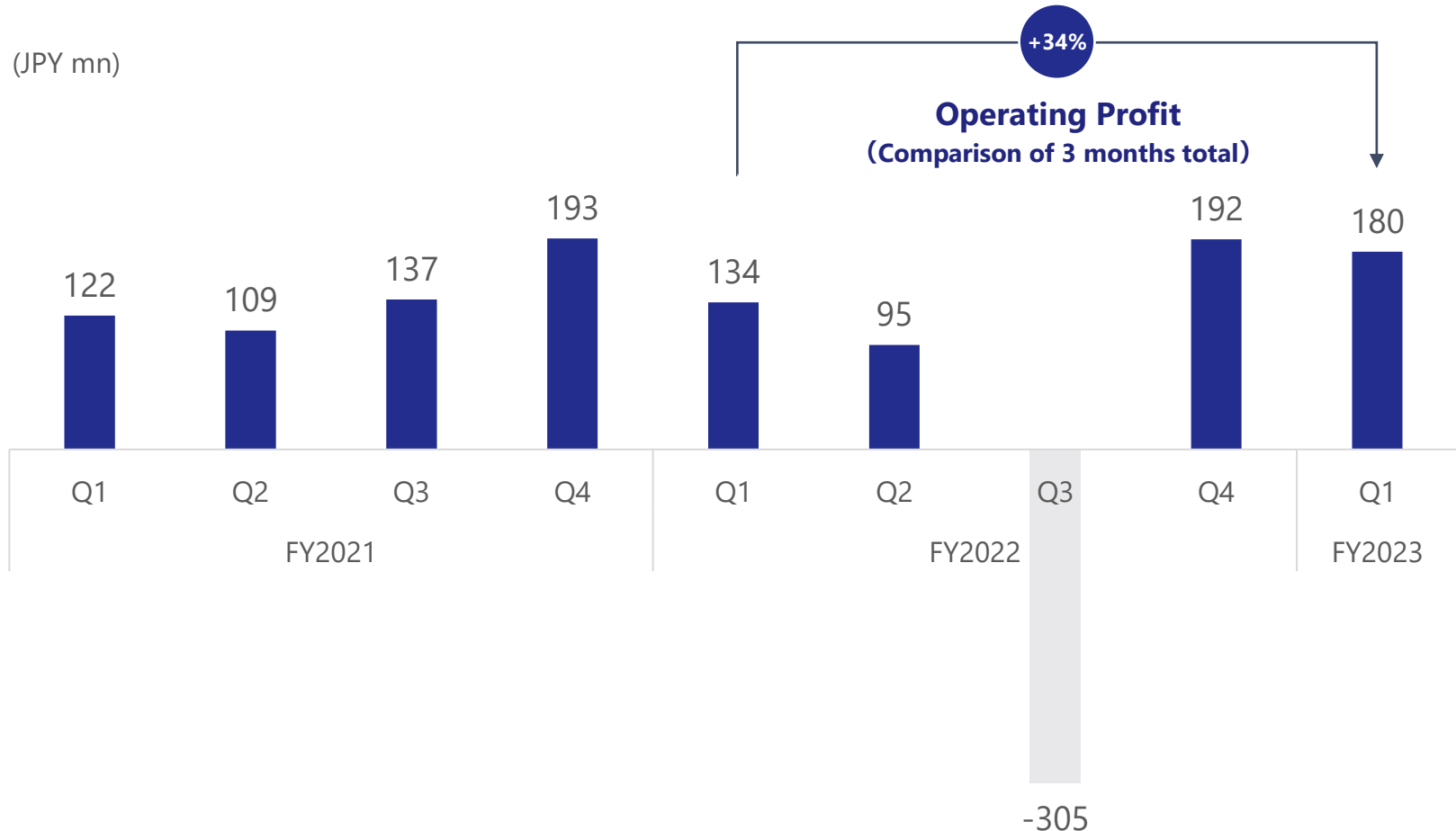


*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

① Historical Consolidated Operating Profit

JTOWER

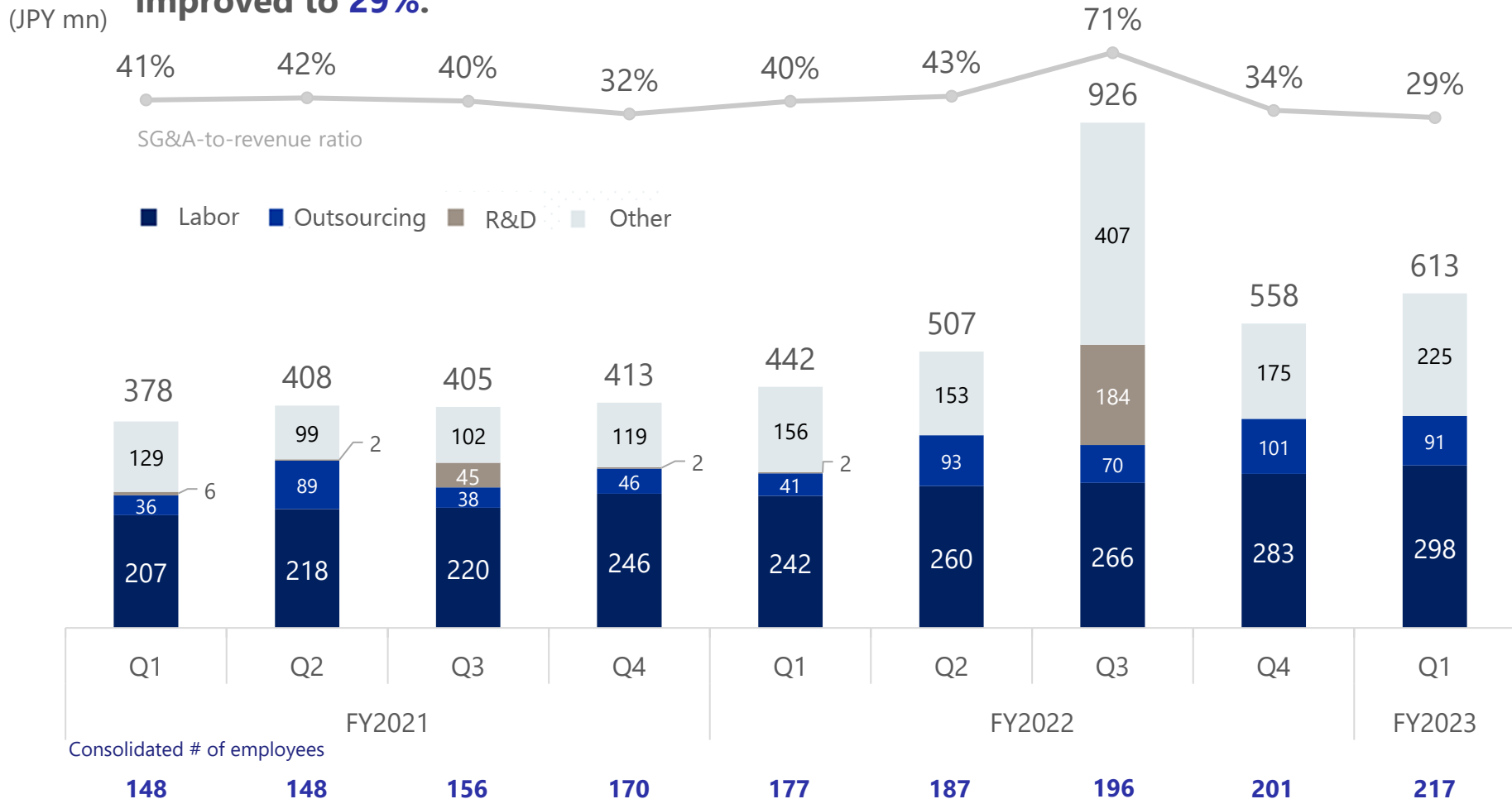
- Consolidated operating profit increased by **34%** YoY due to the expansion of Tower business.
- Decreased compared with the previous Q4 due to a reaction of decline in demonstration project revenue in International IBS in Q4 FY2022.



① Historical Consolidated SG&A Expenses

JTOWER

- Other expense increased due to an increase in fixed asset taxes accompanying the increase in the number of towers.
- There were very few one-time expenses in Q1, and the SG&A-to-revenue ratio improved to **29%**.

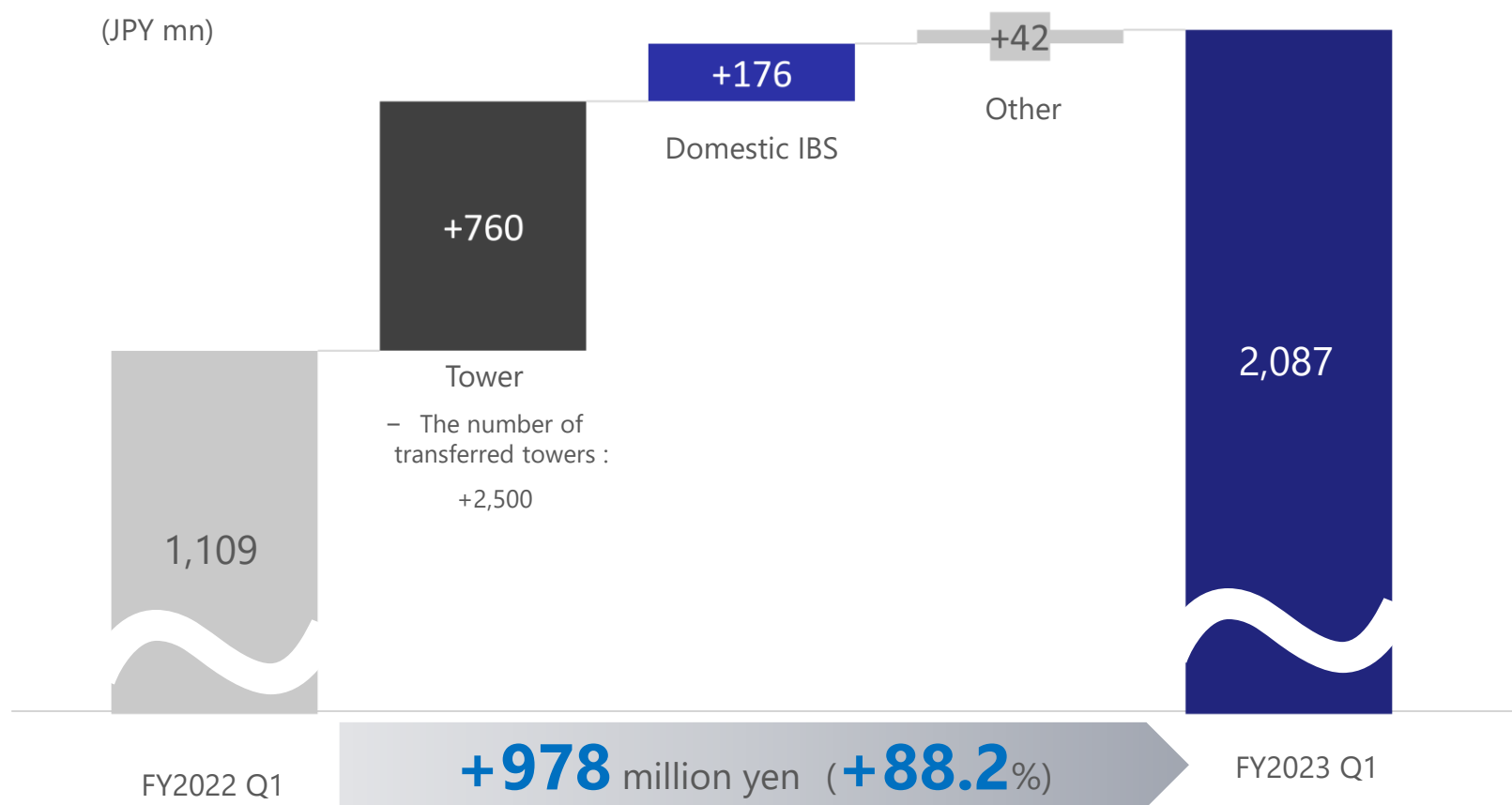


① <Reference>

Factors behind changes in consolidated revenue

JTOWER

- In Tower, revenue contribution related to tower carve-outs increased.
- In Domestic IBS, revenue increased due to the expansion of 5G IBS and 4G IBS (replacement) from the previous fiscal year.



Note: Breakdown of quarterly revenue by business is unaudited.

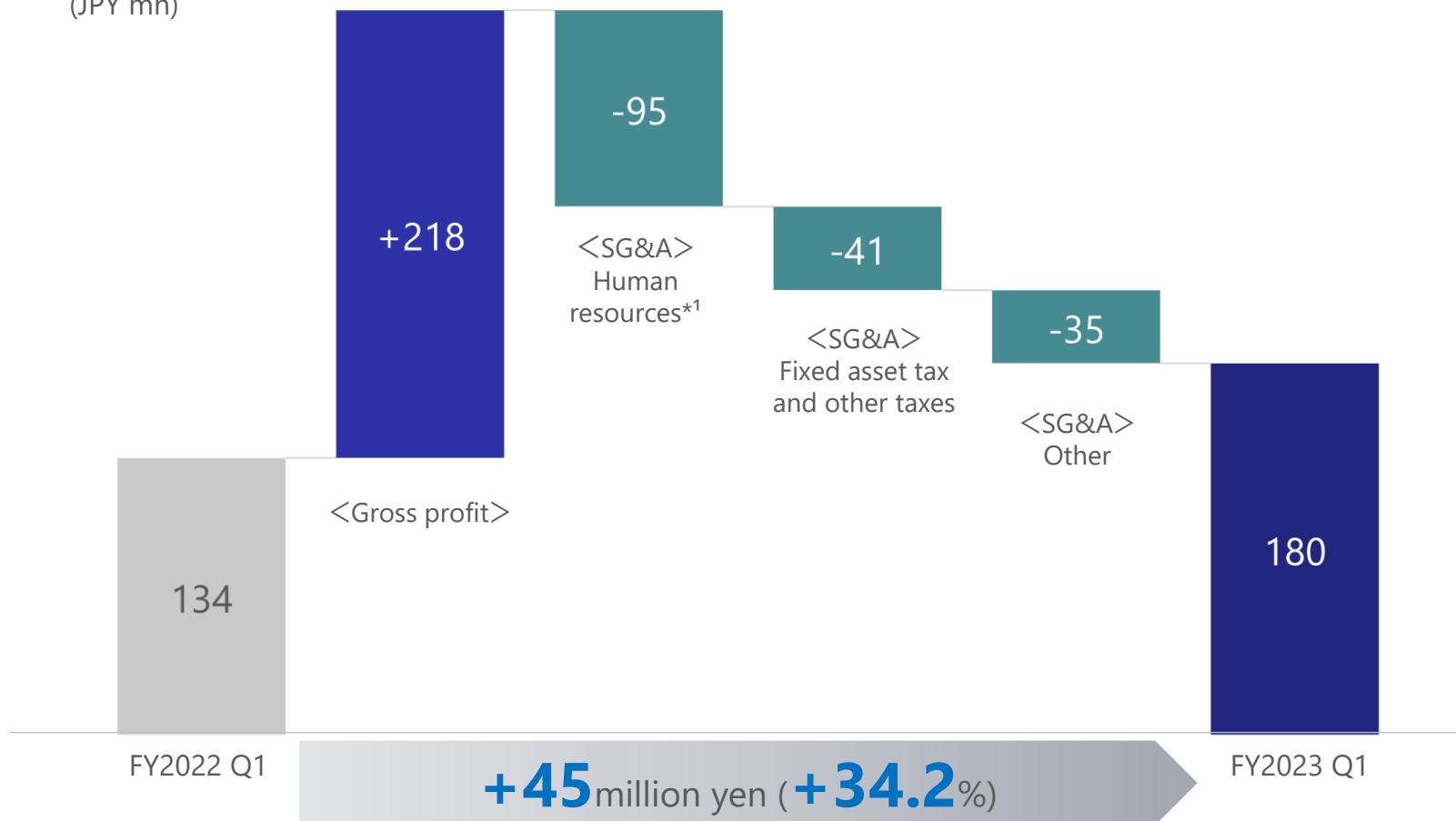
① <Reference>

Factors behind changes in consolidated Operating profit

JTOWER

- SG&A expenses increased due to the increase of human resources, mainly in the Domestic IBS and Tower, and an increase in 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 Q1 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 Q1 Results * ²	3 months progress	1,665	0	16	0	12
	Total	2,500	3	367	15	75
FY2023 Full year forecast	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.

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

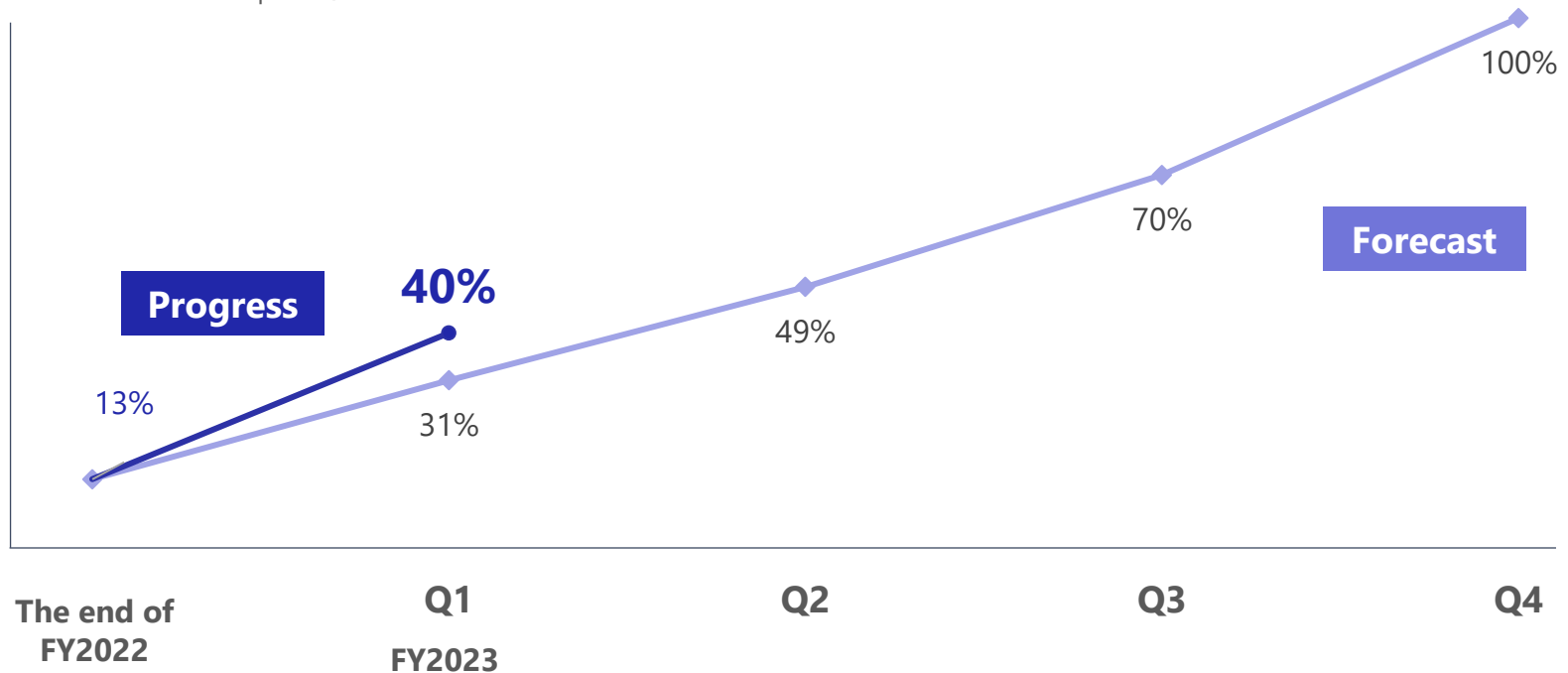
*3: Regarding the transfer of towers from NTT West and NTT East, some of the towers are scheduled to be transferred from FY2024 due to specific reasons.

② Tower – Progress of Tower Transfer (NTT DOCOMO towers) JTOWER

- In Q1 FY2023, the transfer of NTT DOCOMO towers progressed smoothly, and completed the transfer of 40% of towers exceeding the forecast.
- Continue the attraction of additional tenants in parallel with the transfer process.

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

(% : number of transfer completed)



② Tower – Contributed to the improvement of telecommunications environment in the remote islands of Tokyo (Kouzushima)

JTOWER

- As the rural tower sharing project, we will develop 5G network through outdoor tower sharing at Oketsu area in Kouzushima village, located on remote islands of Tokyo.
- This is the first time in the Kanto region of MIC to provide a subsidy*¹ for the installation of base stations using Infra-Sharing.



Kouzushima, Tokyo

Progress of rural tower sharing

Decided construction of approx. **150 rural towers** mainly in rural areas where the mobile coverage was not enough

FY2023

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

We will contribute to the digitization of society by promoting the development of telecommunications environments in remote islands and other geographically disadvantaged areas.

*1 : 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 <Reference> (MIC) Infra-Sharing was added as the evaluation criteria to the proposed revision of Effective Use Evaluation Policy

- In June 2023, the Radio Regulatory Council in MIC prepared the proposed revision of Effective Use Evaluation Policy and solicited opinions.
- Infra-Sharing in 5G was added as the evaluation criteria from this fiscal year and **we believe this will support the further use of Infra-Sharing.**

What is Effective Use Evaluation Policy?

- ✓ The evaluation criteria for Evaluation of the Degree of Effective Use of Radio Waves discussed by the Radio Regulatory Council.
- ✓ The results of this evaluation are **important indicators when formulating and revising Frequency Assignment Plan and reflecting them in policies that contribute to the effective use of radio waves.**

<Evaluation Criteria for Infra-Sharing in 5G >

Achievement level	Evaluation Criteria
a	In addition to b, the operator is actively working (or has plans) to develop and utilize new technologies.
b	The operator has a track record of Infra-Sharing and has a certain plan in the future.
c	Although the operator has a track record of Infra-Sharing, there is no (or not enough) future plan.
d	The operator has no track record of Infra-Sharing and no future plan.



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③ FY2023 Full Year Forecasts (No change)

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- **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

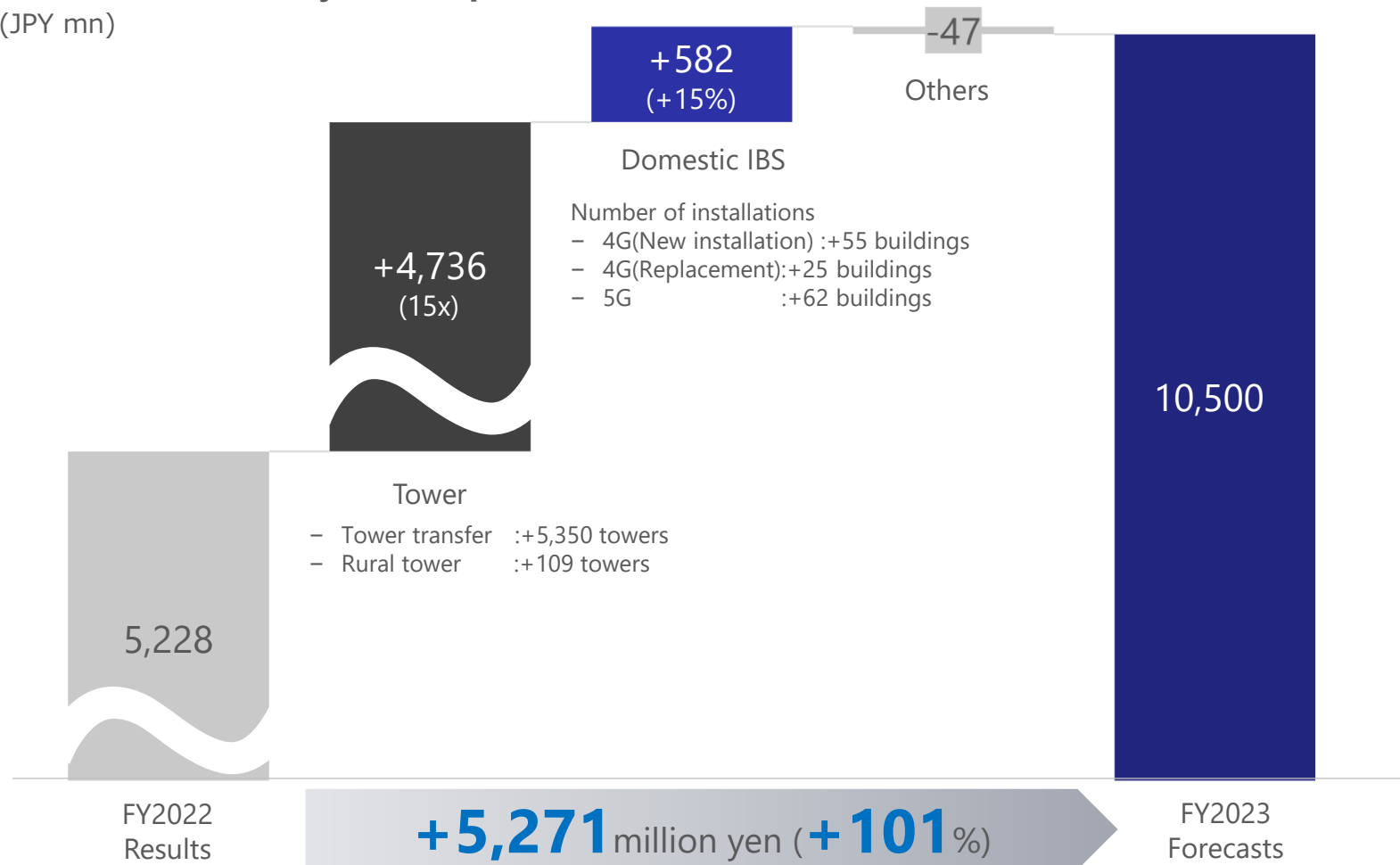
③ FY2023 Forecast:

Factors Behind Changes in Consolidated Revenue (No change)

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)

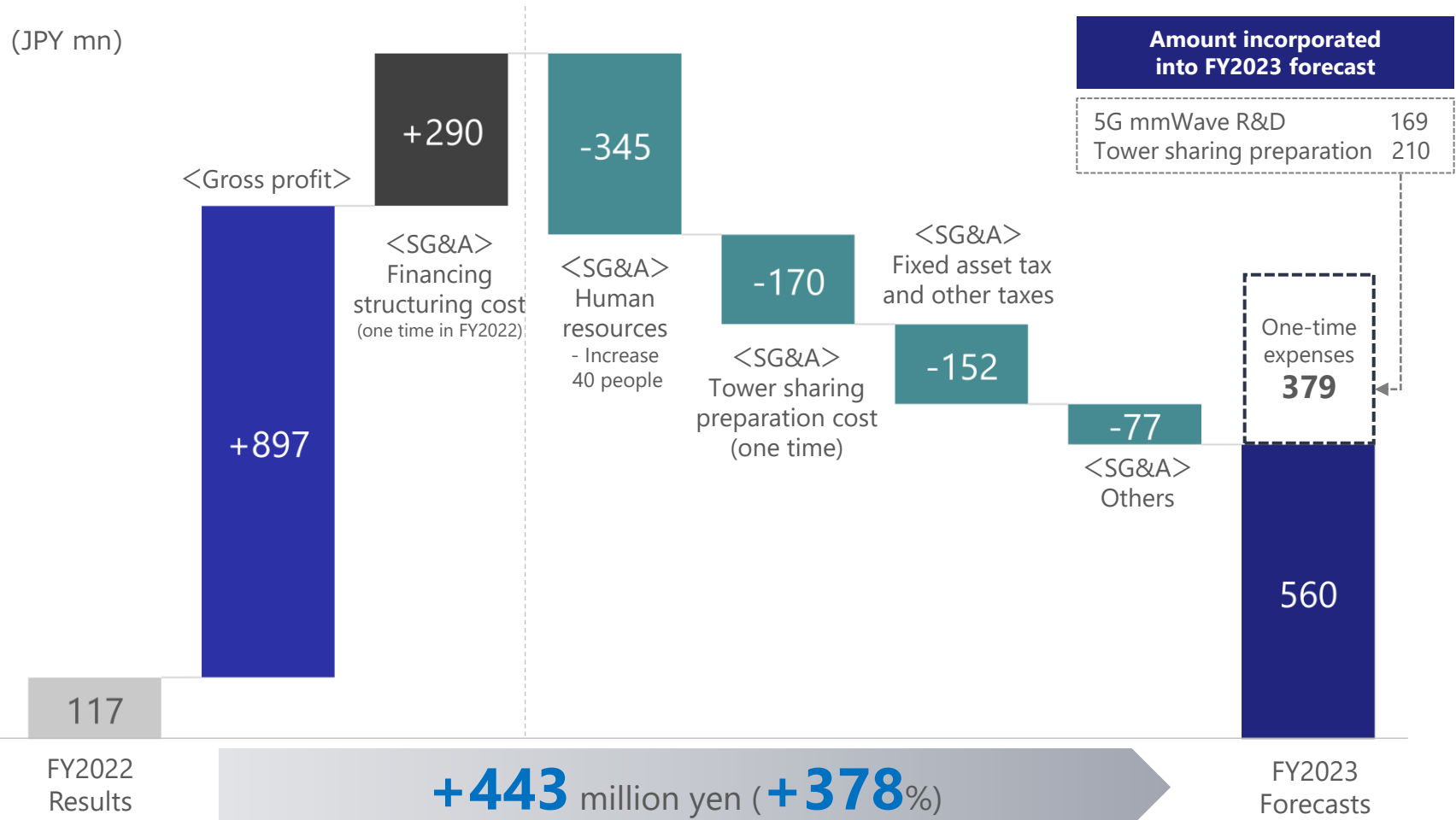


③ FY2023 Forecast:

Factors Behind Changes in Consolidated Operating profit (No change)

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.





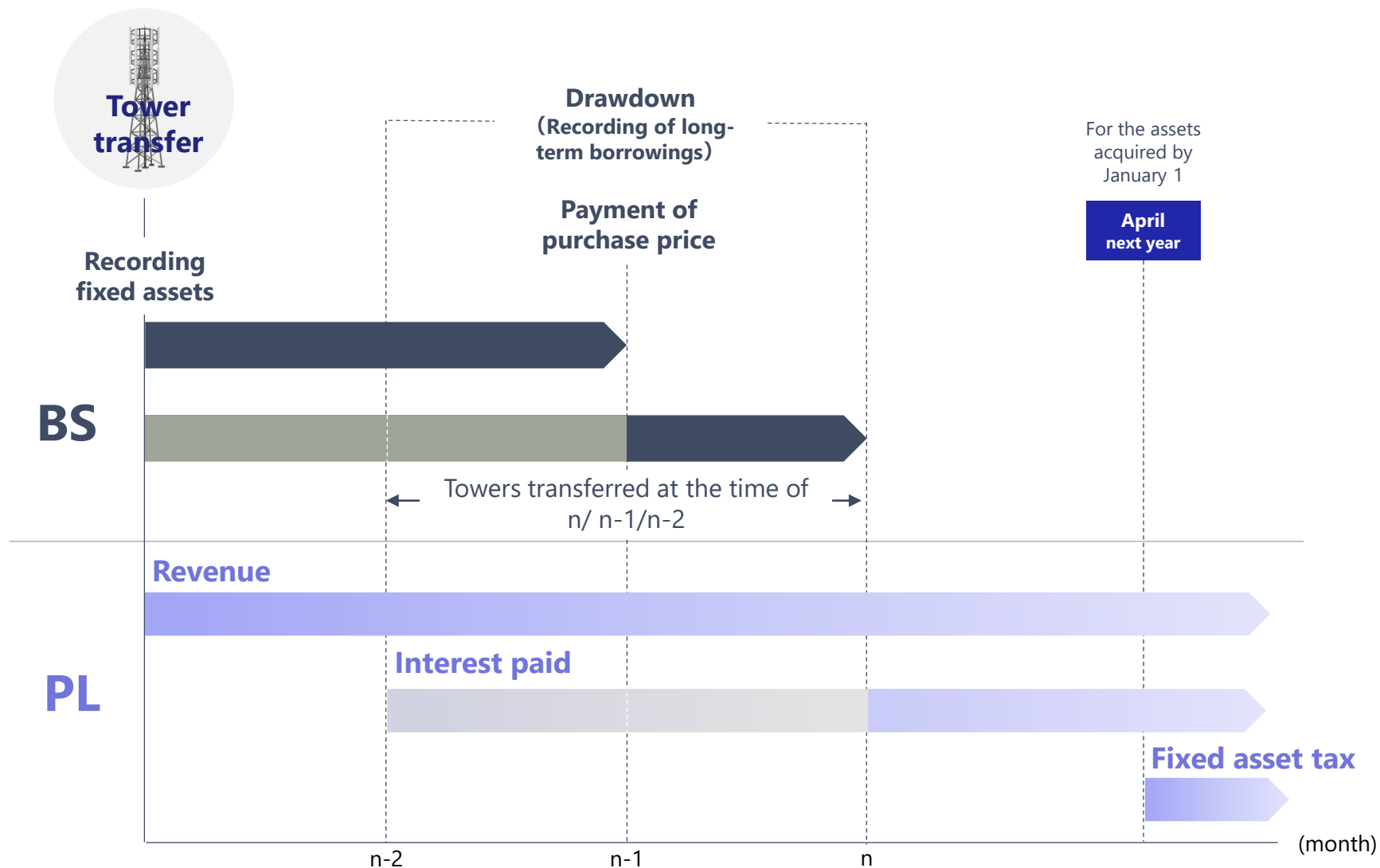
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Category	Q	A
Domestic IBS	Is the number of installations in Domestic IBS progressing as planned? During Q1, no 4G IBS (replacement) was installed, but when is the installation expanding?	During Q1, new installations of 4G and 5G IBS progressed almost as planned. The installation of 4G IBS (replacement) is expected to increase in H2.
Tower	Tower transfer has been progressing more than planned, but is there a growing possibility that the entire transfer will be completed ahead of schedule?	We are aiming to accelerate the pace of transfer. However, as the lead time for projects requiring time for transfer work is unclear, the plan to complete the entire transfer within this fiscal year has been left unchanged.
Tower	No rural towers have started service for Q1 period. Is it as planned? Also, when dose the company plan to launch the service?	Most of the 112 rural towers scheduled to start the service in FY2023 will launch the service in H2 of the fiscal year.
Tower	How will it be recorded on BS and PL at the time of tower transfer?	Details in P29, Image of Accounting at the Time of Tower Transfer.
SG&A	What is the reason why there was very few tower sharing preparation cost in Q1? What is the outlook for the future?	At this time, we are reviewing the data conversion schedule.

④ <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.





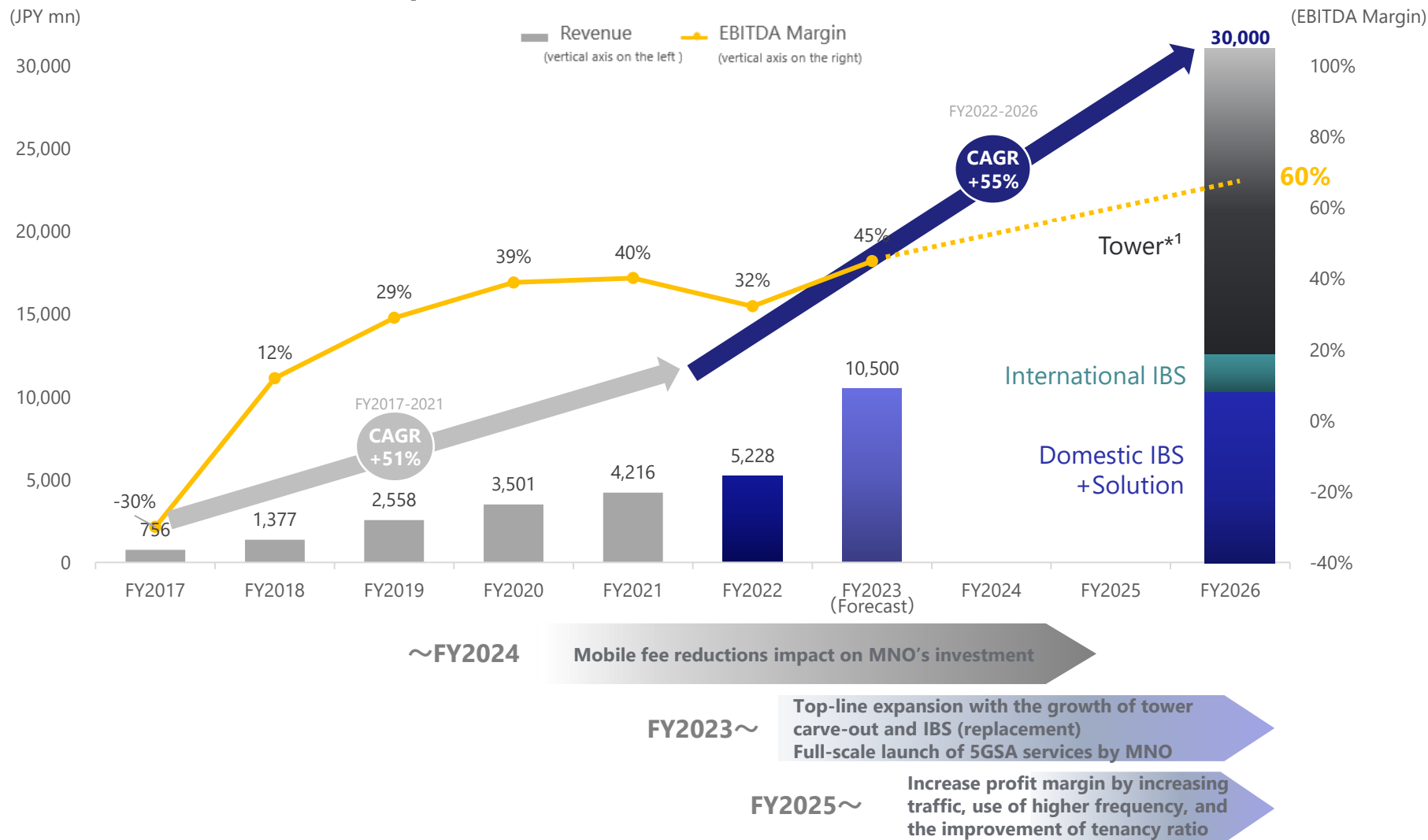
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⑤ Medium-to long-term Growth image of revenue and EBITDA margin and potentials

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.

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%.

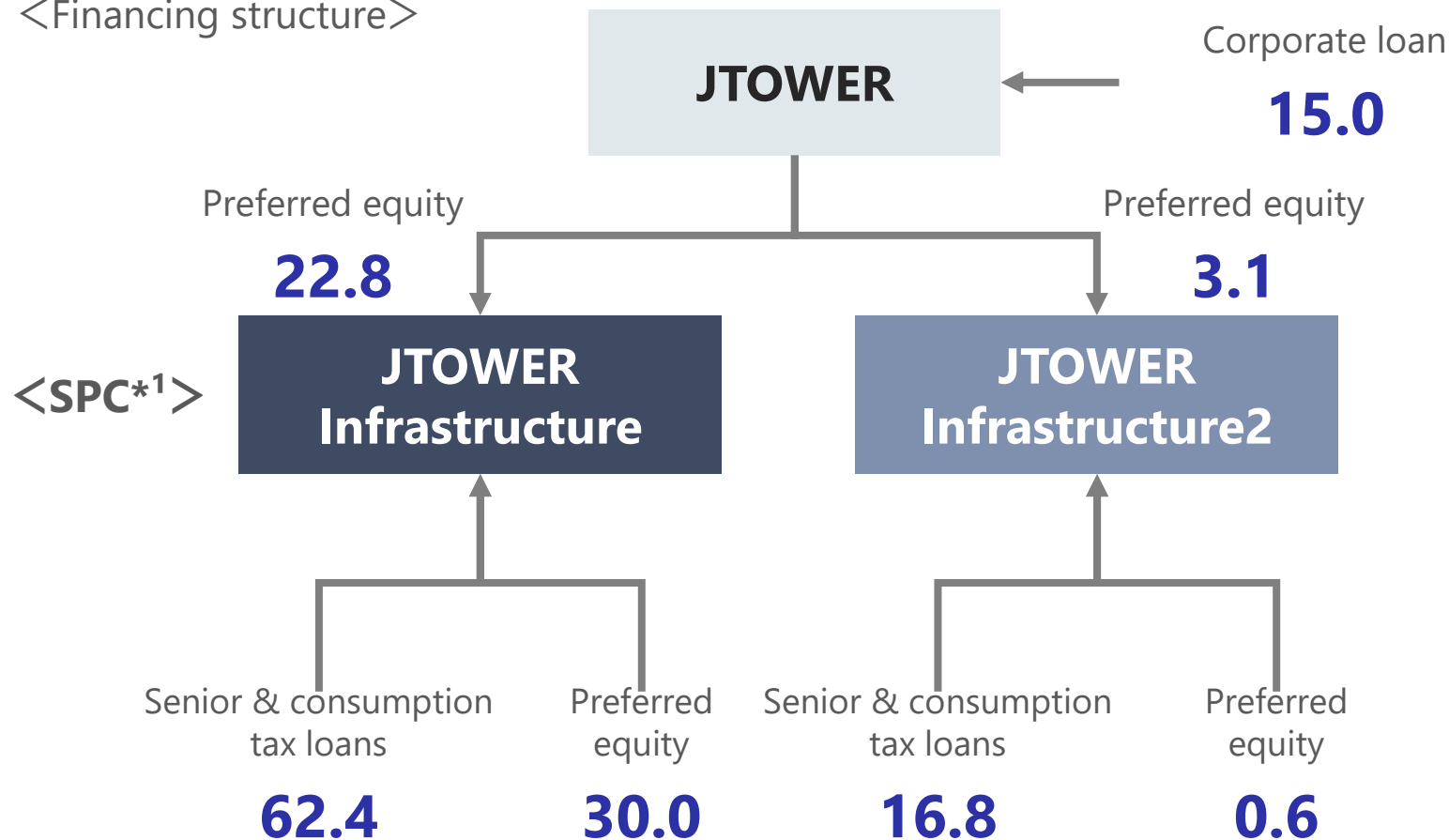
⑤ Tower – Tower carve-outs financing

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.

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Infra-Sharing Services from Japan Lead the World

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