

FY03/2022 Q2

# JTOWER

## **Financial Results for the 2<sup>nd</sup> Quarter of FY2021 ended September 30, 2021**

November 10, 2021

J T O W E R Inc.

## JTOWER's Vision

# 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.

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## Consolidated revenue increased by 10% YoY to JPY1,899 million

- Excluding Nabiq, consolidated revenue grew by 16% YoY.
- The revenue for the Domestic IBS business increased by 21% YoY to JPY1,611 million, driving overall revenue growth.
- **Infra-Sharing revenue<sup>\*1</sup>** accounted for 93% of the total revenue, establishing a stable revenue base.

## Maintain high profitability with steady growing Infra-Sharing revenue

- GPM improved thanks to steady growth in Infra-Sharing revenue. Maintain high profitability with OP margin of 12% and EBITDA margin of 40%.
- R&D costs (5G mmWave shared RU and Local 5G) which are expected to be recorded as upfront investment expenses, are expected to be incurred from Q3 onward.
- Net income decreased due to a reaction to the recording of a gain on change in equity (JPY99 million) in Q2 of the previous fiscal year.

## Full-year forecast remains unchanged

- Compared to the full-year forecast, 6 months revenue generally progressed as planned and profits trended upward mainly due to the timing of recording R&D costs being delayed.
- Full-year forecasts remains unchanged, reflecting the contribution of new businesses to revenue and the incurrence of upfront investment expenses from Q3 onward.

<sup>\*1</sup>: Revenue from Infra-Sharing service based on long-term contracts. For details, please refer to "Breakdown of Infra-Sharing and Other Revenues by Business" in Appendix.

# 1 FY2021 H1 Consolidated Results – P&L

**JTOWER**

- Revenue increased to JPY1,899 million (+10% YoY), excluding the impact of deconsolidation of Nabiq, grew by 16% YoY.
- High profitability was maintained and achieved 12% OP margin and 40% EBITDA margin.
- Net income decreased due to a reaction to the recording of a gain on change in equity (JPY99 million) in Q2 of the previous fiscal year.

| (JPY mn)                       | FY2020           | FY2021           |        |        |
|--------------------------------|------------------|------------------|--------|--------|
|                                | 6 Months Results | 6 Months Results | Change |        |
|                                |                  |                  | Amount | %      |
| <b>Revenue</b>                 | 1,728            | <b>1,899</b>     | +170   | +9.9%  |
| <b>EBITDA <sup>*1</sup></b>    | 630              | <b>757</b>       | +127   | +20.2% |
| <i>EBITDA Margin</i>           | 36.5%            | <b>39.9%</b>     | +3.4pt | —      |
| <b>Operating Profit</b>        | 187              | <b>231</b>       | +43    | +23.3% |
| <i>Operating Profit Margin</i> | 10.8%            | <b>12.2%</b>     | +1.3pt | —      |
| <b>Ordinary Profit</b>         | 175              | <b>197</b>       | +21    | +12.5% |
| <b>Net Income</b>              | 200              | <b>128</b>       | - 71   | -36.0% |

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

# 1 FY2021 H1 Consolidated Results – BS (1/2)

**JTOWER**

- Building a solid financial base with cash and cash equivalents increased by JPY7.4 billion from the end of FY2020 to **JPY15.8 billion** due to an increase in Infra-Sharing revenues which exceeded capital investments and the implementation of the third-party allotment.

|                             | FY2020         | FY2021             |               |
|-----------------------------|----------------|--------------------|---------------|
| (JPY mn)                    | March 31, 2021 | September 30, 2021 | Change        |
| <b>Current Assets</b>       | <b>8,955</b>   | <b>16,397</b>      | <b>+7,441</b> |
| Cash and Cash Equivalents   | 8,398          | 15,864             | +7,466        |
| Accounts Receivable         | 397            | 391                | - 6           |
| <b>Non-current Assets</b>   | <b>7,790</b>   | <b>8,113</b>       | <b>+323</b>   |
| Tangible Fixed Assets       | 6,968          | 7,276              | +307          |
| Goodwill                    | 329            | 339                | +10           |
| <b>Total Assets</b>         | <b>16,745</b>  | <b>24,510</b>      | <b>+7,765</b> |
| <b>Financial Indicators</b> |                |                    |               |
| Debt                        | 1,195          | 1,045              | - 149         |
| Net Debt                    | -7,202         | -14,819            | - 7,616       |
| Equity Ratio                | 42.6%          | 59.7%              | + 17.1pt      |

# 1 FY2021 H1 Consolidated Results – BS (2/2)

**JTOWER**

- Increased number of IBS installations has been reflected in increased contract liability\*<sup>2</sup> (to be reported as revenue in the future).

| (JPY mn)                                | FY2020         | FY2021             |               |
|---|----------------|--------------------|---------------|
|   | March 31, 2021 | September 30, 2021 | Change        |
| <b>Current Liabilities</b>              | <b>8,742</b>   | <b>9,155</b>       | <b>+412</b>   |
| Accounts payable - trade                | 129            | 148                | +19           |
| Short-term borrowings* <sup>1</sup>     | 210            | 210                | -             |
| Accounts payable - other                | 851            | 721                | - 130         |
| Contract liability* <sup>2</sup>        | 7,156          | 7,633              | +477          |
| <b>Non-current Liabilities</b>          | <b>865</b>     | <b>721</b>         | <b>- 143</b>  |
| Long-term borrowings                    | 210            | 180                | - 30          |
| <b>Total Liabilities</b>                | <b>9,608</b>   | <b>9,877</b>       | <b>+269</b>   |
| <b>Net Assets</b>                       | <b>7,137</b>   | <b>14,633</b>      | <b>+7,496</b> |
| Share capital                           | 4,300          | 7,984              | +3,684        |
| Capital surplus                         | 2,462          | 6,146              | +3,684        |
| <b>Total Liabilities and Net Assets</b> | <b>16,745</b>  | <b>24,510</b>      | <b>+7,765</b> |

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

\*2: Under the revenue recognition standard, which was adopted in April 2021, the balances of Unearned Revenue (presented in Current Liabilities until FY2020) and Long-Term Unearned Revenue (presented in Non-Current Liabilities until FY2020) arising from contracts with customers are included in contract liability. (FY2020 results are also changed)

# 1 FY2021 H1 Consolidated Results – CF

**JTOWER**

- Cash and cash equivalents increased by JPY7.4 billion at the end of the period due to the implementation of the third-party allotment.
- Changes in contract liabilities are mainly due to the timing of payments and installations.

| (JPY mn)  | FY2020                               | FY2021                               |                |
|---|--------------------------------------|--------------------------------------|----------------|
|   | 6 Months Ended<br>September 30, 2020 | 6 Months Ended<br>September 30, 2021 | Change         |
| <b>Cash Flows from Operating Activities</b>   | <b>2,453</b>                         | <b>1,328</b>                         | <b>- 1,125</b> |
| Change in Contract liability*1 (Decrease "-")   | 1,706                                | 476                                  | - 1,229        |
| Depreciation  | 415                                  | 510                                  | +95            |
| Amortization of Goodwill  | 26                                   | 15                                   | - 11           |
| <b>Cash Flows from Investing Activities</b>   | <b>-1,342</b>                        | <b>-1,051</b>                        | <b>+291</b>    |
| Purchase of property, plant and equipment   | -1,282                               | -983                                 | +298           |
| <b>Free Cash Flow</b>   | <b>1,111</b>                         | <b>276</b>                           | <b>- 834</b>   |
| <b>Cash Flows from Financing Activities</b>   | <b>501</b>                           | <b>7,086</b>                         | <b>+6,584</b>  |
| Net Increase (Decrease "-") in Short-term Borrowings  | -45                                  | -                                    | +45            |
| Proceeds from issuance of shares  | 19                                   | 7,335                                | +7,316         |
| Proceeds from sale and leaseback transactions   | 258                                  | 16                                   | - 241          |
| <b>Effect of exchange rate change on cash and cash equivalents</b>                            | <b>-0</b>                            | <b>2</b>                             | <b>2</b>       |
| <b>Net Increase (Decrease "-") in Cash and Cash Equivalents</b>                               | <b>1,612</b>                         | <b>7,365</b>                         | <b>+5,753</b>  |
| Net Increase (Decrease) in Cash and Cash Equivalents Due to Changes in Scope of Consolidation | - 117                                | -                                    | +117           |
| Cash and Cash Equivalents at Beginning of Period  | 6,851                                | 7,990                                | +1,138         |
| Cash and Cash Equivalents at End of Period (Q2)   | 8,345                                | 15,355                               | +7,009         |

\*1: Under the revenue recognition standard, which was adopted in April 2021, the balances of Unearned Revenue (presented in Current Liabilities until FY2020) and Long-Term Unearned Revenue (presented in Non-Current Liabilities until FY2020) arising from contracts with customers are included in contract liability. (FY2020 results are also changed)



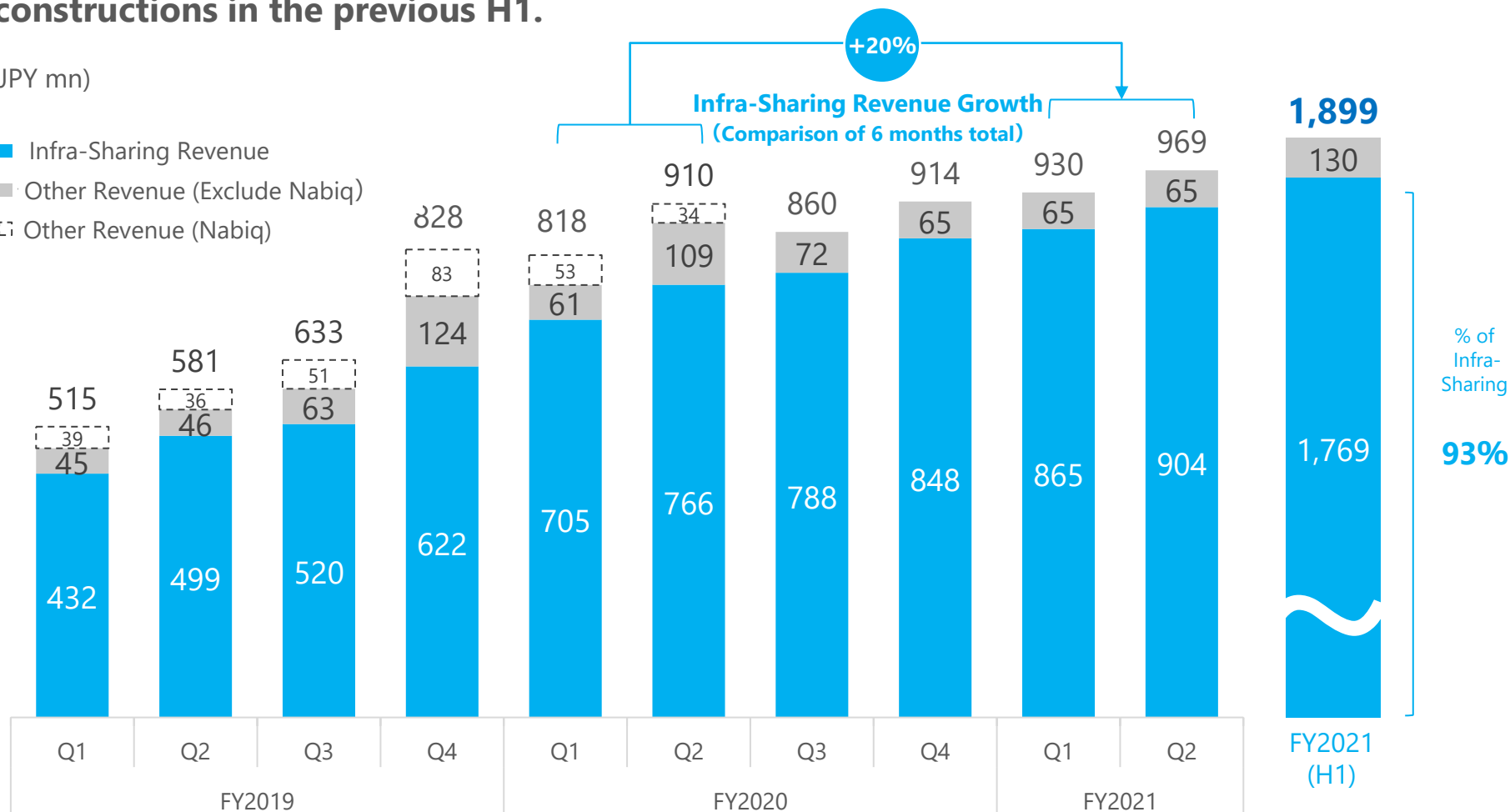
# 1 Historical Consolidated Revenue

JTOWER

- Infra-Sharing revenue\*<sup>1</sup> has grown **20%** YoY and is serving as a steady revenue base, accounting for **93%** of the total consolidated revenue.
- Other revenue decreased due to a reaction to the temporary revenue from consigned constructions in the previous H1.

(JPY mn)

- Infra-Sharing Revenue
- Other Revenue (Exclude Nabiq)
- Other Revenue (Nabiq)

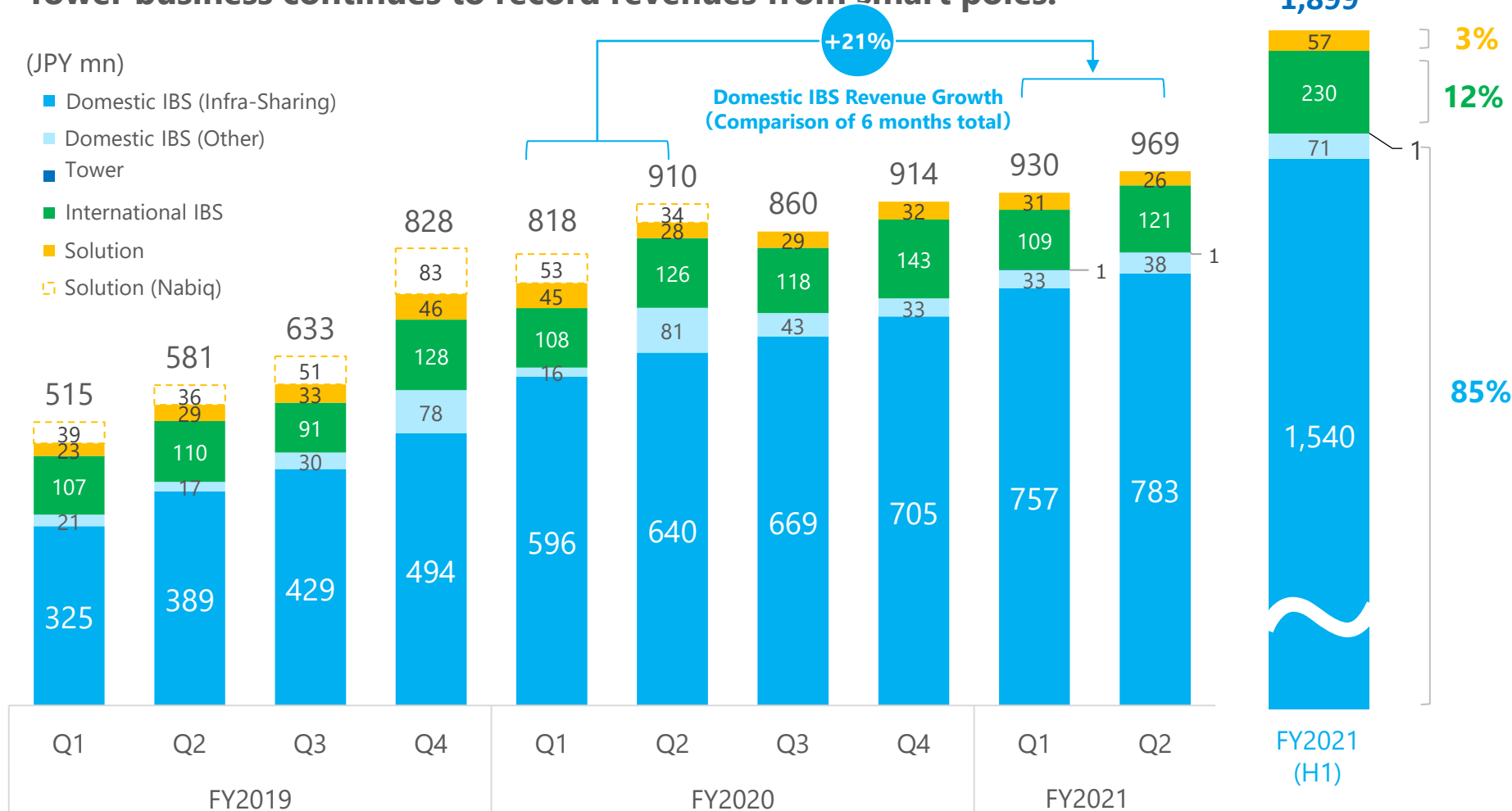


\*1: Revenue from Infra-Sharing service based on long-term contracts. For details, please refer to "Breakdown of Infra-Sharing and Other Revenues by Business" in Appendix.

# 1 Historical Revenue by Business

JTOWER

- Domestic IBS revenue increased by **21%** YoY and has grown to account for **85%** of the total consolidated revenue
- International IBS started to book revenues for the purchase of IBS assets in Vietnam (11 projects) from Q2.
- Tower business continues to record revenues from smart poles.



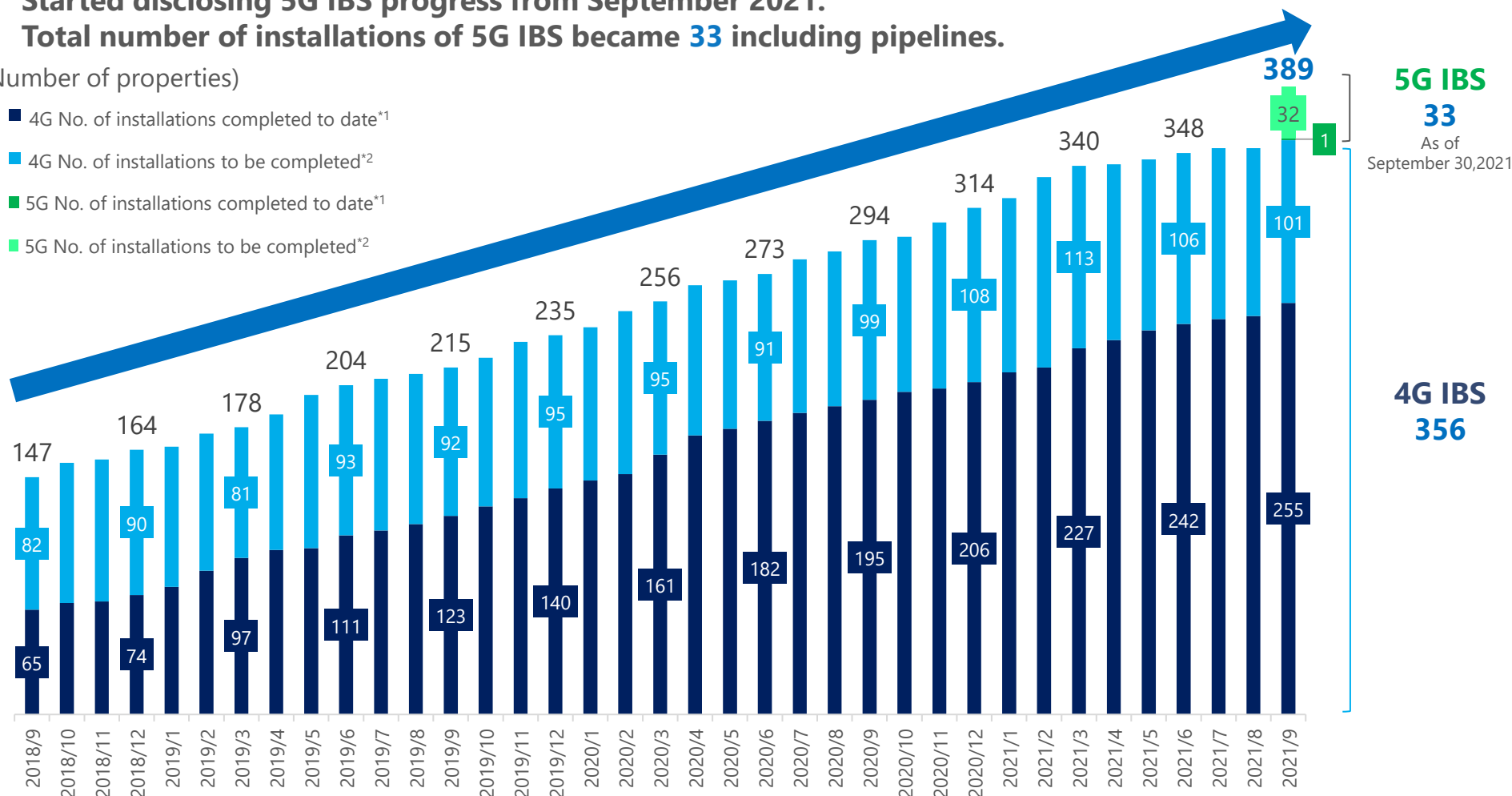
Note: Breakdown of quarterly revenue by business is unaudited.

# 1 Historical Number of Installations (Domestic IBS-4G·5G) JTOWER

- Total number of completed IBS installations increased by **28** in H1.
- Total number of 4G IBS installations has increased to **356** (installation completed: **255**, to be installed: **101**).
- Started disclosing 5G IBS progress from September 2021.  
Total number of installations of 5G IBS became **33** including pipelines.

(Number of properties)

- 4G No. of installations completed to date\*1
- 4G No. of installations to be completed\*2
- 5G No. of installations completed to date\*1
- 5G No. of installations to be completed\*2



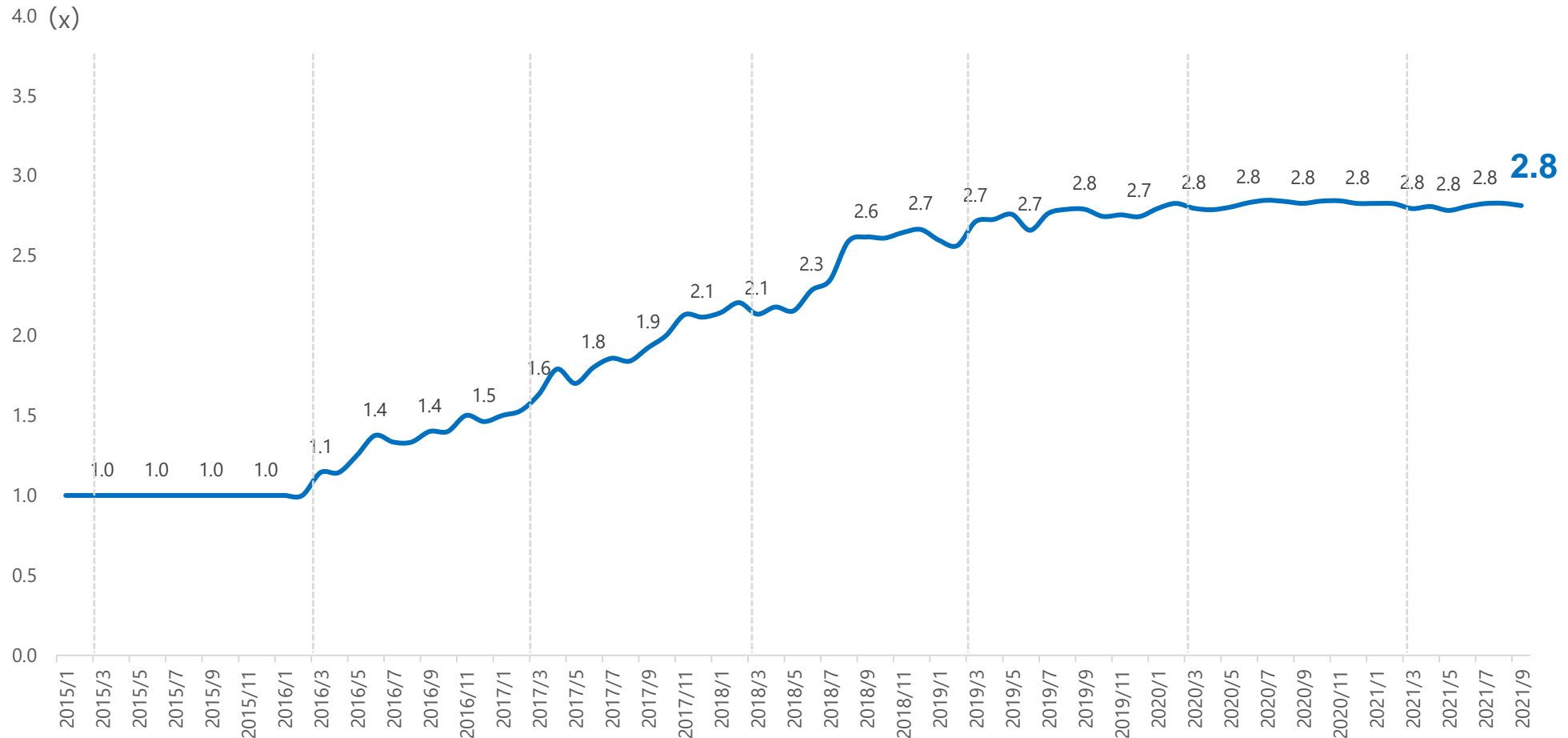
\*1: Projects where radio waves have been emitted and revenues are recognized.

\*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.

# 1 Historical Tenancy Ratio\*<sup>1</sup> (Domestic IBS-4G)

JTOWER

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

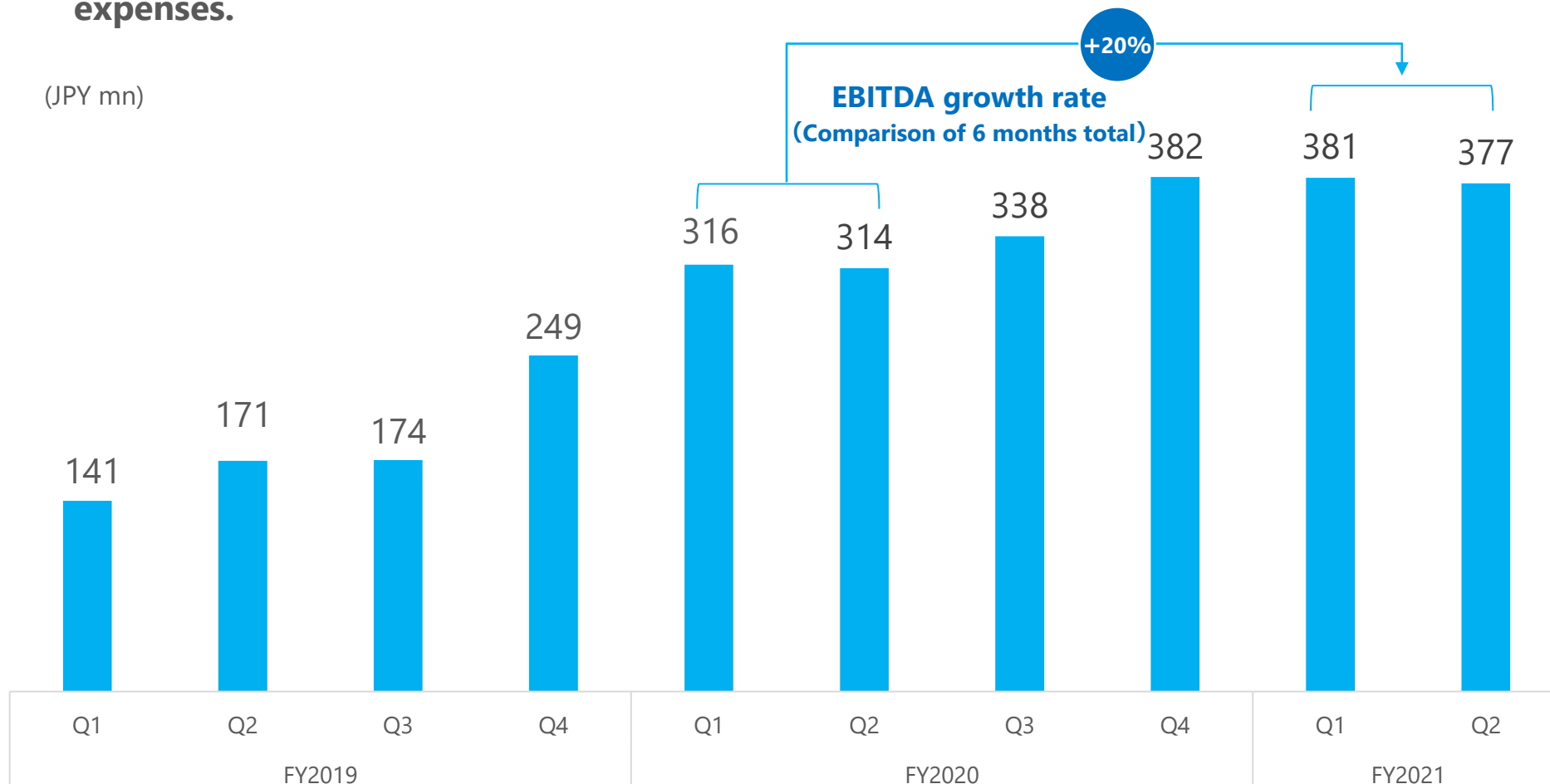


\*<sup>1</sup>: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

# 1 Historical Consolidated EBITDA\*1

JTOWER

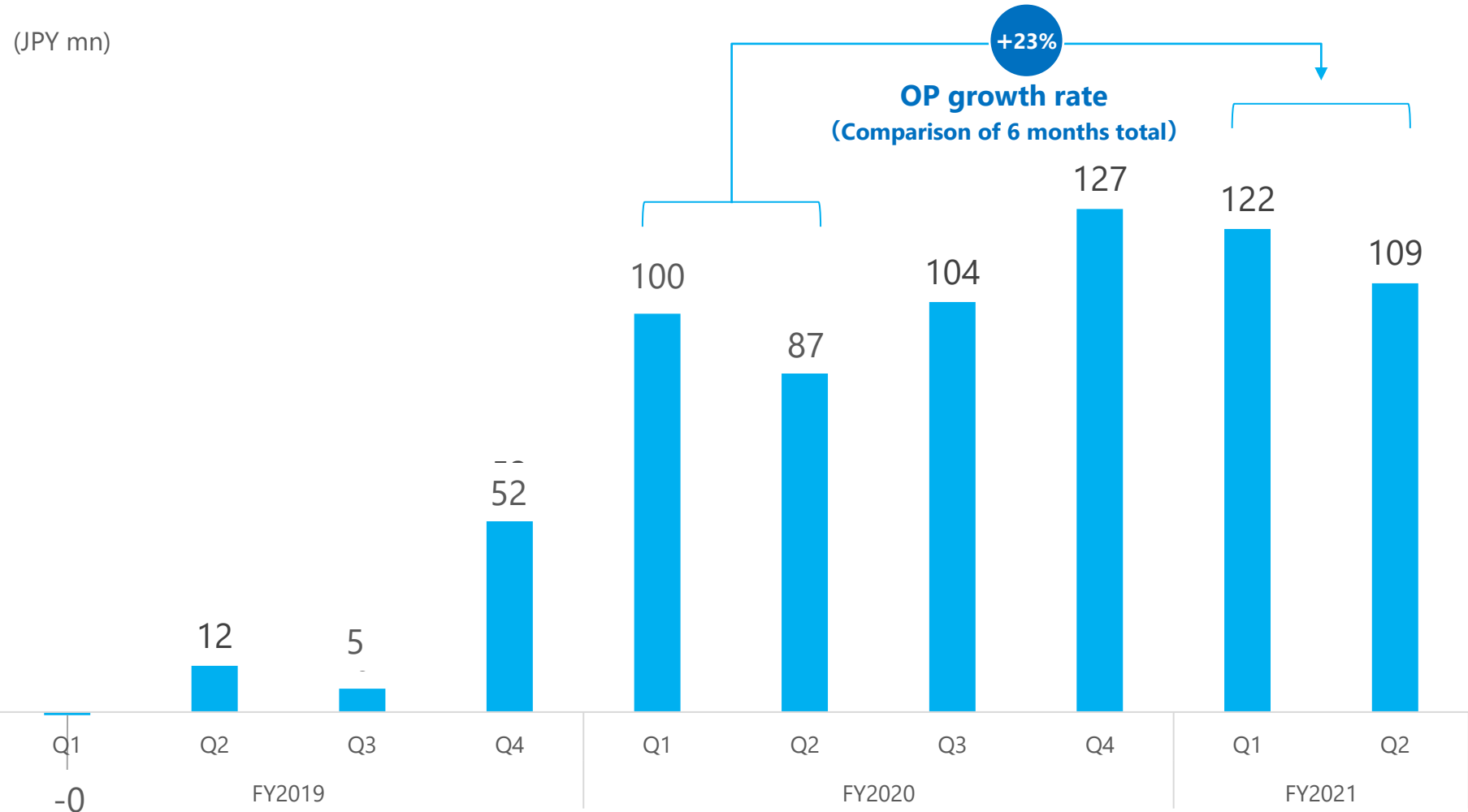
- Consolidated EBITDA improved by **20%** YoY due to the improvement in GPM, reflecting steady growth in the number of installations in Domestic IBS.
- Slight decrease from the previous quarter in Q2 due to the incurrence of tower-related expenses.



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

# 1 Historical Consolidated Operating Profit JTOWER

- Consolidated operating profit improved by **23%** YoY due to the improvement in GPM, reflecting steady growth in the number of installations in Domestic IBS.
- Decrease from the previous quarter in Q2 due to the incurrence of tower-related expenses.

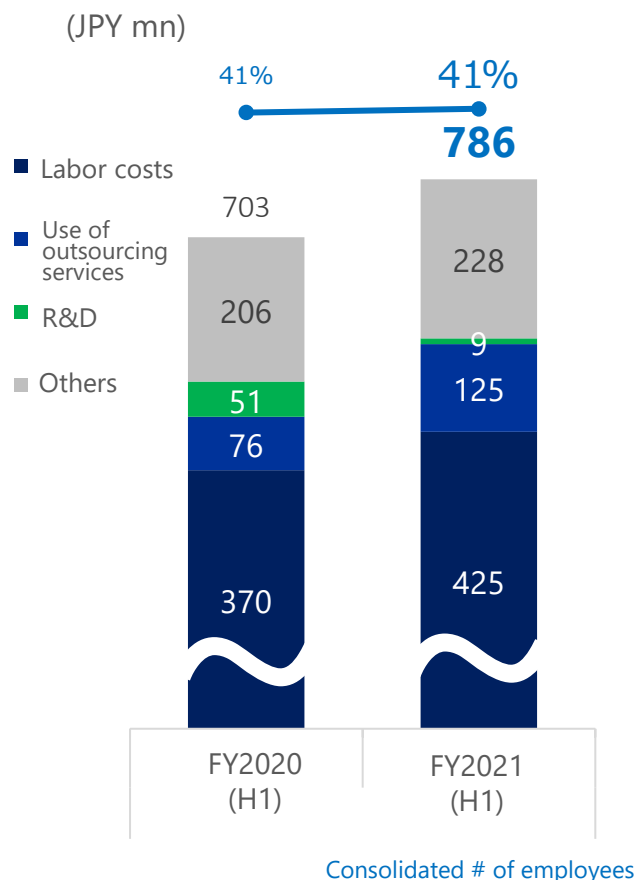


# 1 Historical Consolidated SG&A Expenses

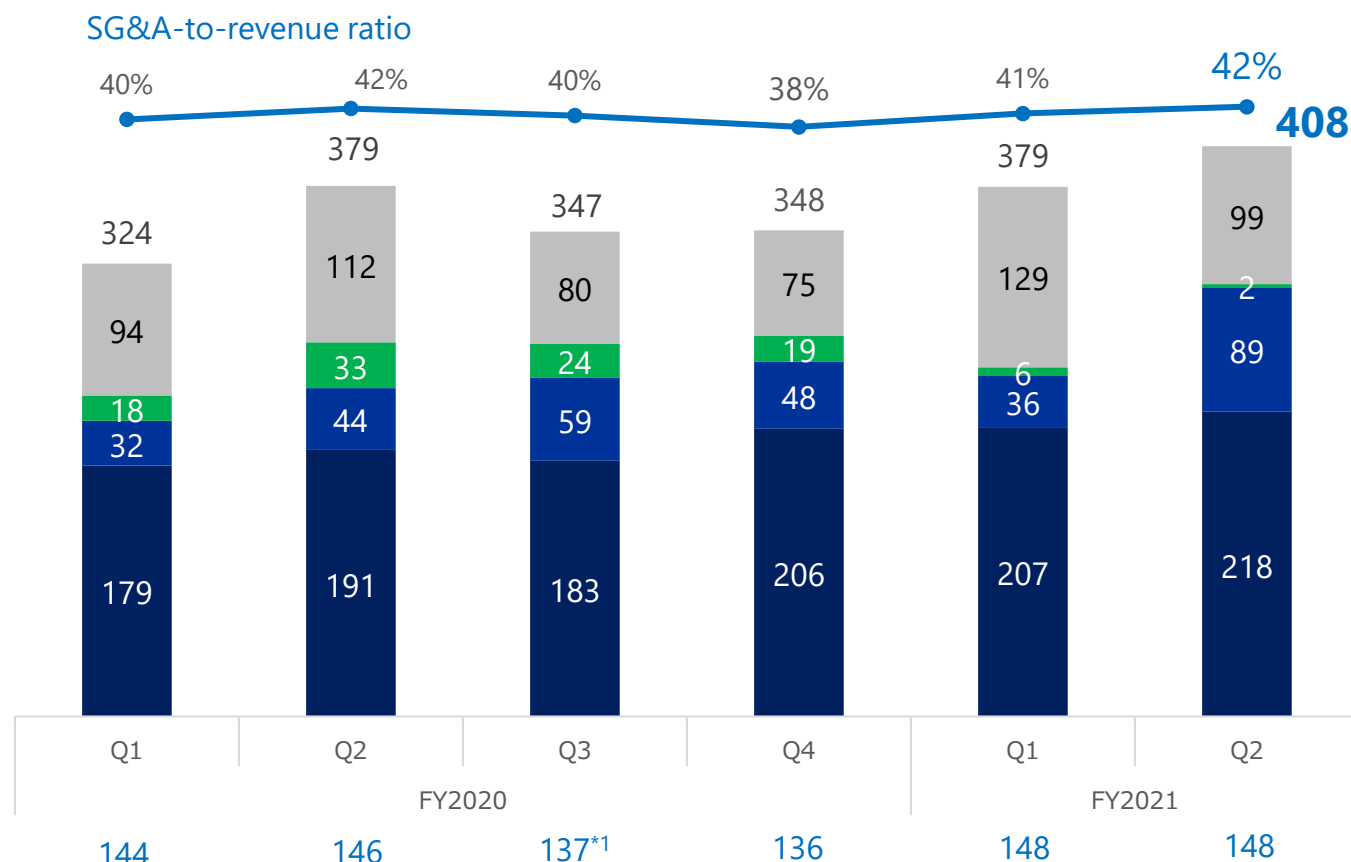
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- R&D costs (5G mmWave shared RU and Local 5G) are expected to be incurred from Q3 onward.
- Incurred temporary expenses such as one-time expenses related the third-party allotment and the introduction of J-ESOP (Other: JPY36 million) in Q1, and expenses related to Tower business (Outsourcing) in Q2.

## 6 months



## 3 months



\*1: The number of employees on a consolidated basis decreased due to the deconsolidation of Nabiq from Q3 FY2020.

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- 6 months revenue generally progressed as planned and profits trended upward mainly due to the timing of recording R&D costs being delayed.
- Full-year forecasts remained unchanged, reflecting the contribution of new businesses to revenue and the incurrence of upfront investment expenses from Q3.

| (JPY mn)                                      | FY2020            | FY2021              |               |        |
|---|-------------------|---------------------|---------------|--------|
|   | 12 months results | 12 months forecasts | Amount        | %      |
| Revenue                                       | 3,501             | <b>4,600</b>        | +1,098        | +31.4% |
| EBITDA <sup>*1</sup>                          | 1,349             | <b>1,590</b>        | +240          | +17.8% |
| <i>EBITDA Margin</i>                          | 38.5%             | <b>34.6%</b>        | -3.9pt        | —      |
| Operating Profit                              | 418               | <b>260</b>          | -158          | -37.9% |
| <i>OP Margin</i>                              | 12.0%             | <b>5.7%</b>         | -6.3pt        | —      |
| Ordinary Profit                               | 178               | <b>180</b>          | +2            | +0.6%  |
| Net Income                                    | 506               | <b>100</b>          | -406          | -80.3% |
| Capital Expenditure<br>(Investment Cash Flow) | -2,401            | <b>-3,770</b>       | <b>-1,369</b> | +57.0% |

| FY2021                |             |
|-----------------------|-------------|
| H1 (6 months) Results | Progress    |
| <b>1,899</b>          | <b>41%</b>  |
| <b>757</b>            | <b>47%</b>  |
| <b>39.9%</b>          | <b>-</b>    |
| <b>231</b>            | <b>89%</b>  |
| <b>12.2%</b>          | <b>-</b>    |
| <b>197</b>            | <b>109%</b> |
| <b>128</b>            | <b>128%</b> |
| <b>-984</b>           | <b>26%</b>  |

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

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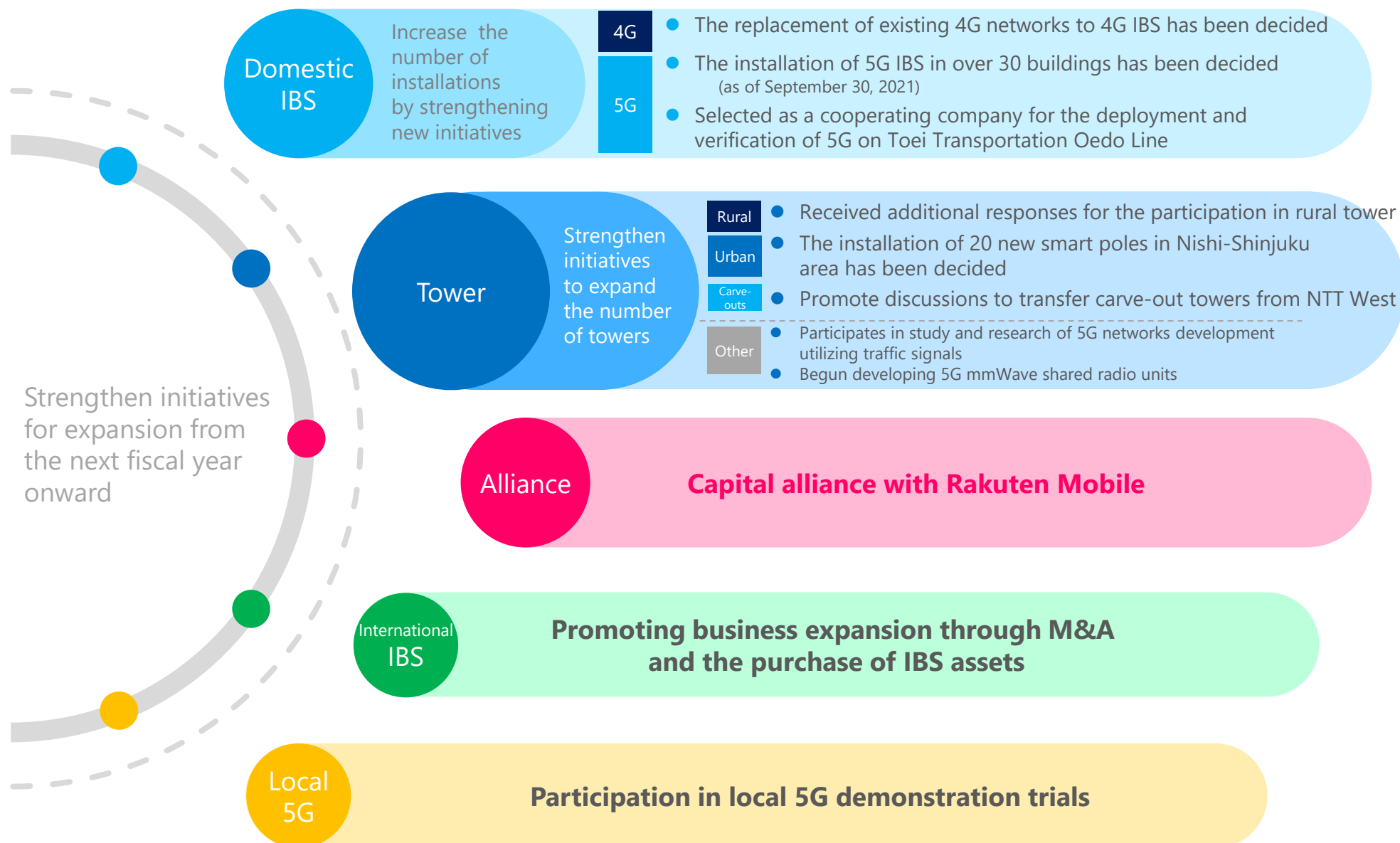
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### 3 Initiatives for Future Growth

JTOWER



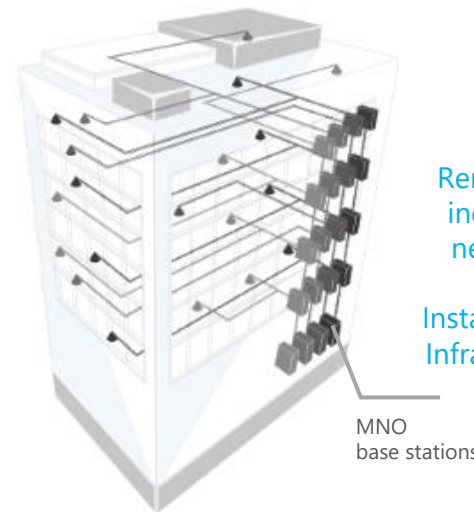
- A new initiative, the replacement of existing 4G networks to 4G IBS has been decided in some buildings. Strengthen the operating structure in anticipation of the expansion of this scheme in the future.



Aging of facilities  
Replacement demand

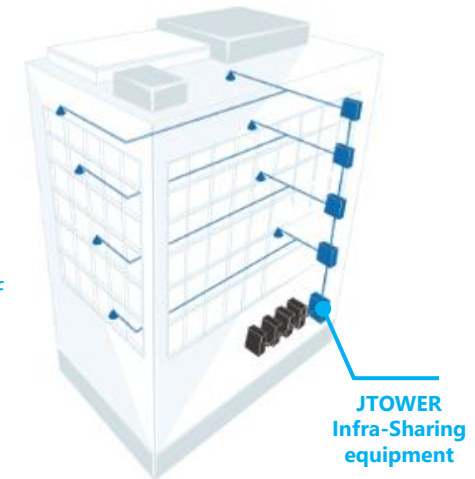
**The replacements  
to 4G IBS has  
been decided in  
some buildings**

Installations by MNO  
(Existing building)



Removal of  
individual  
networks  
+  
Installation of  
Infra-Sharing

After replacing with  
Infra-Sharing



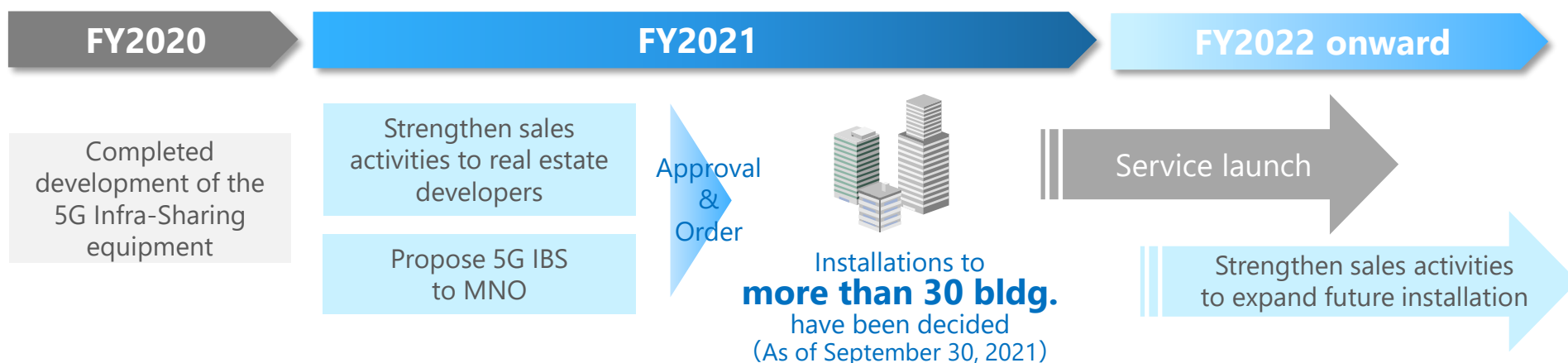
**Strengthen the operating structure in anticipation of the expansion of  
this scheme in the future**

### 3 Domestic IBS – Expansion of 5G IBS

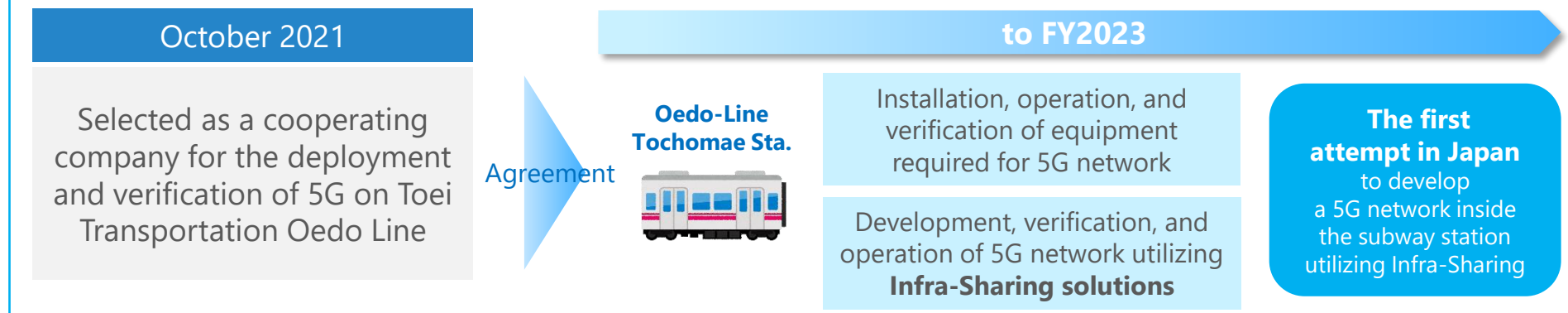
JTOWER

- The installation of 5G IBS to more than 30 buildings (total of new and existing buildings) has been decided. In addition, we have been selected as a cooperating company for the deployment and verification of 5G on Toei Transportation Oedo Line and concluded an agreement. Strengthen sales activities to expand future installation of 5G IBS.

**The installation to more than 30 new and existing buildings has been decided**



**Selected as a cooperating company for the deployment and verification of 5G on Toei Transportation Oedo Line**



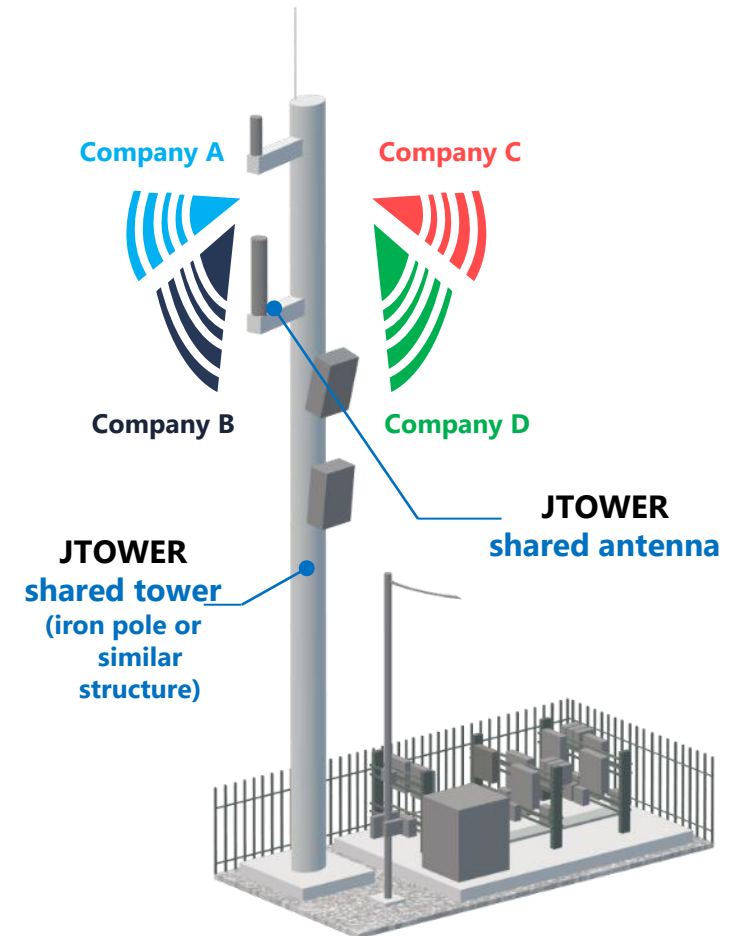
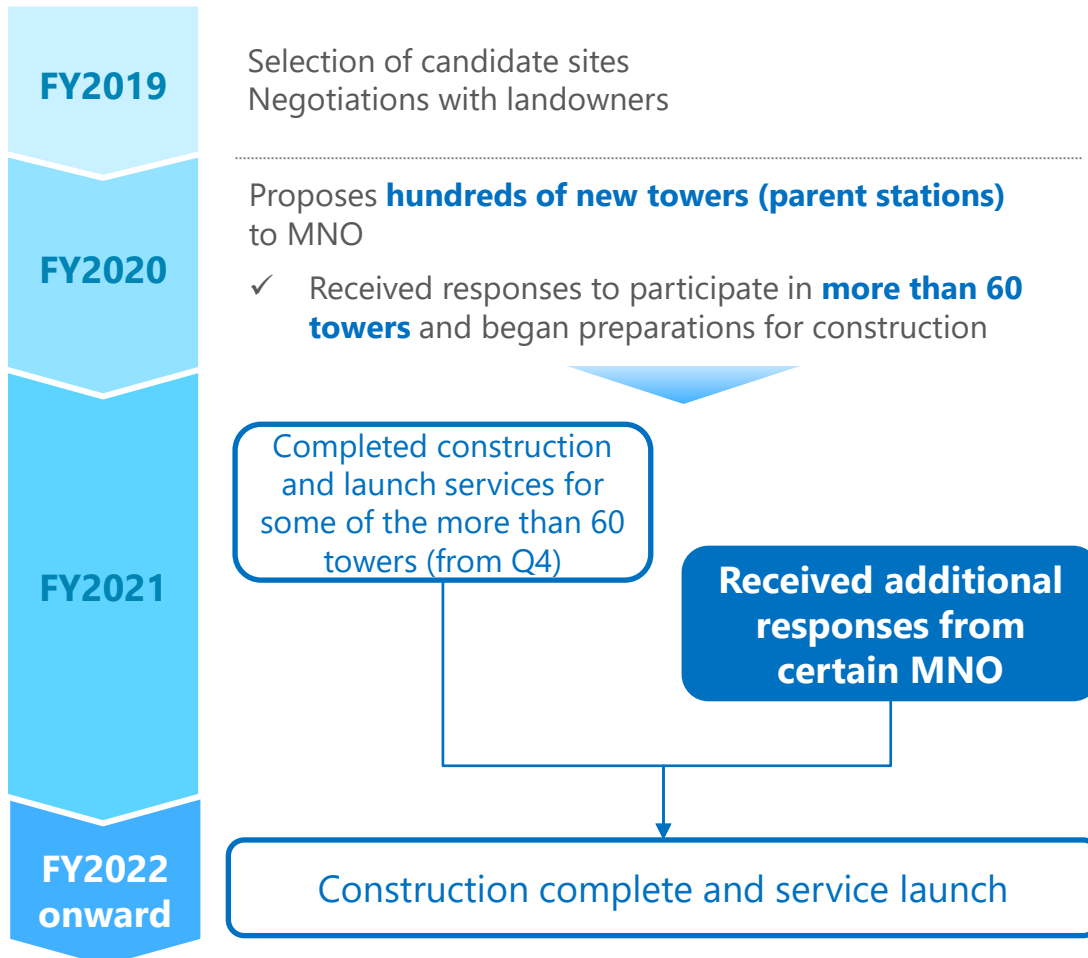
### 3 Tower – in rural tower

## JTOWER

- In addition to more than 60 tower that have already begun preparations for construction, we have received additional responses from certain MNO to participate in rural tower. Construction will start from the next fiscal year onward.

#### Progress of Tower sharing in rural areas

#### Installation Image



## Tower – The installation of 20 new smart poles in Nishi-Shinjuku area has been decided

- JTOWER, TEPCO Power Grid, and NTT EAST agreed with the Tokyo Metropolitan Government to install 20 smart poles in Nishi-Shinjuku area.
- The project aims to improve the 5G coverage in Nishi-Shinjuku area and realize Smart Tokyo by building 20 new smart poles to verify related services and the business model with a view to expand smart poles in other regions.



Infra-sharing

Development

Smart Services

**Provide smart city services utilizing cutting-edge technologies with Smart Poles**



**5G**

5G  
Infra-sharing



**Free  
Wi-Fi**

Wi-Fi



CCTV



Sensors



Signage



Pole-type



Signage-type

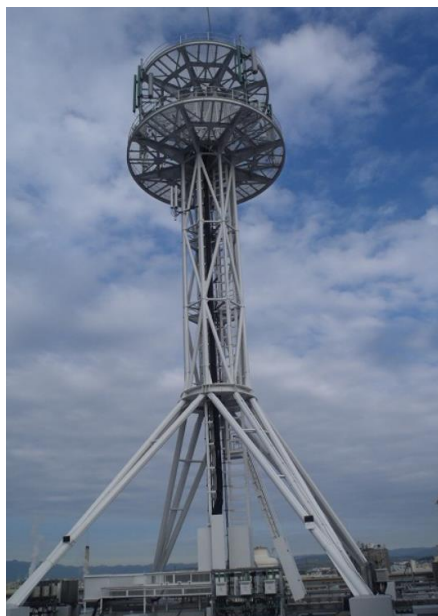
### 3 Tower – Progress of tower carve-outs with NTT West

# JTOWER

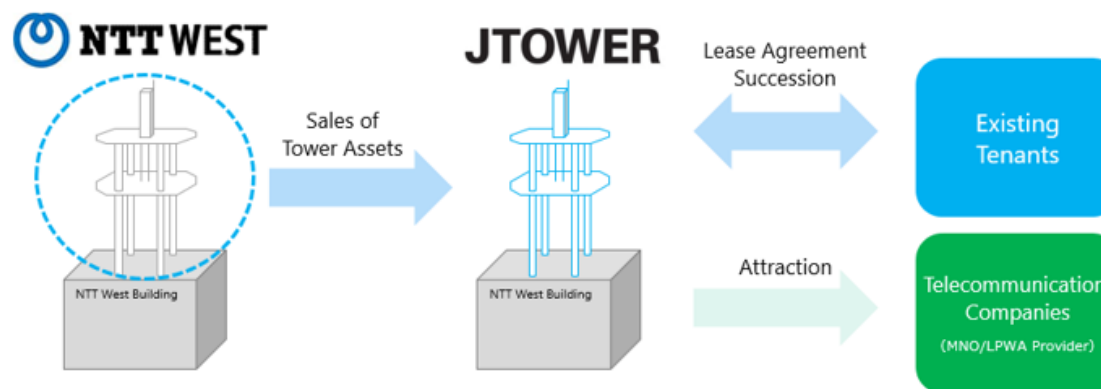
#### Progress of transaction

- Began discussions with NTT West and existing tenants for the transfer. The contract transfer is expected to be implemented gradually, but the transfer is expected to begin from January 2022.
- After the contract transfer is completed, we plan to work to attract new tenants (telecommunication companies and others) for sharing.

Image of telecommunications tower



#### Image of tower carve-outs transaction



**Purchase Price (Total):**  
Approx. **700 million yen**

**Number of Towers: 71**

**Transfer of ownerships:**  
**Start gradually from January 2022**

\*The contracts of the existing tenants of each tower will be successively transferred

**Revenue contribution:**  
Approx. **200 million yen**

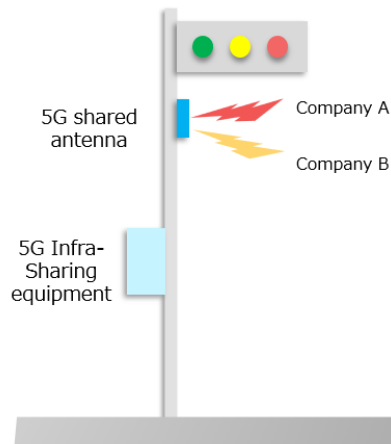
\* If this transaction contributes for the full fiscal year



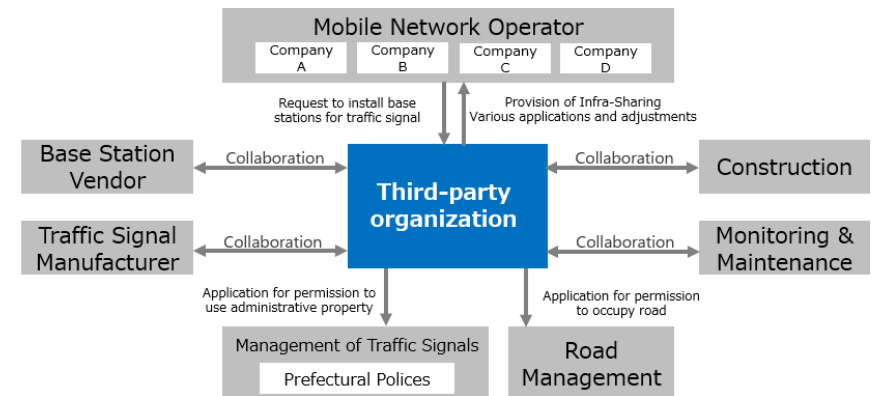
## Tower – development utilizing traffic signals

- We will participate in “Study and Research for the Development of 5G Network Utilizing Traffic Signals in FY2021” project promoted by MIC as one of the consortium members.
- As one of the consortium members, we are responsible for “The verification of the installation of 5G base stations including shared use among several mobile network operators” and “The verification of the functions and roles of the third-party organization through demonstration tests” in Tokyo and Akita areas.

### The Image of 5G Infra-Sharing



### The image of functions and roles of the third-party organization taking a part in the installation of base stations onto traffic signals



Source: Based on The National Police Agency's "Summary of Results of the 2019 National Police Agency Review Board"

- Install 5G Infra-Sharing equipment and antennas at intersection points to develop 5G networks.
- Aim to contribute to **reduce MNO's investment costs**, while realizing **the simplification and lighter weight of equipment**.

- Coordinate installation works with a wide range of related parties, such as mobile network operators, prefectural police, and road managers, and **unify the contact points for various projects**.
- Verify the efficiency of operations in the installation of base stations.

## Strengthen collaboration by promoting the utilization of Infra-Sharing

**JTOWER****Rakuten Mobile**

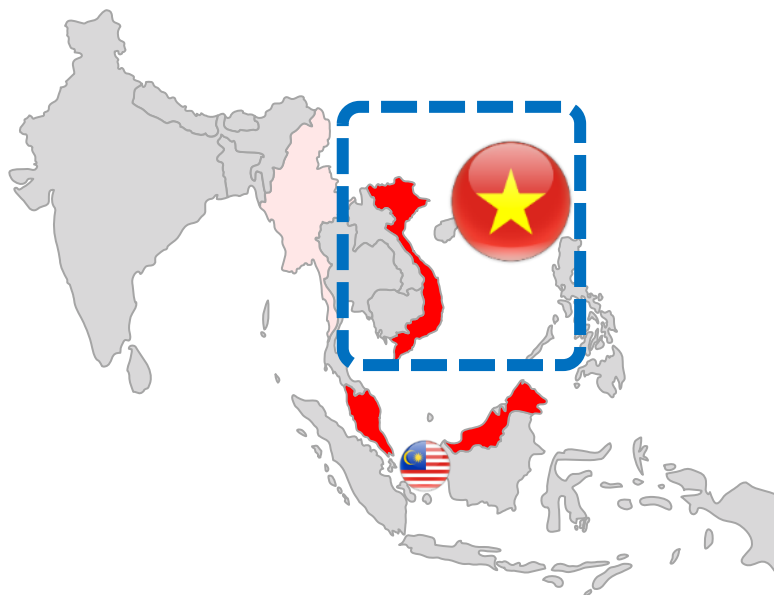
Acquired a portion of our shares from Atsushi Tanaka,  
Representative Director of JTOWER

Work to build a more comfortable communication  
environment at an early stage

**Indoor****4G/5G  
IBS****Out door****Tower Sharing  
Smart Pole**

## International IBS

- Contribution from IBS asset purchase (in November 2020 , 63 properties) increased due to the progress of the transfer of contracts.  
(11 projects started to contribute from Q2)
- In October 2021, all shares of GNI Myanmar, an equity-method affiliate in Myanmar, were transferred to withdraw from the Myanmar business.
- Going forward, in addition to expanding business in Vietnam, we aim to expand our overseas business through new M&A.



## Local 5G

- Participated as one of the member companies of the consortium in Demonstration for Realizing Local 5G for Resolving Issues in FY2021 organized by MIC.  
(Announced in October 2021)
- The demonstration was conducted in PACIFICO Yokohama. We are in charge of the development of the underlying local 5G and the technical demonstration to promote the smooth introduction of the local 5G network.

### Remote robot monitoring system



### Congestion detection system



### Remote synchronous performance system



The example of a demonstration in which we participate, "Holding of safe and secure events through remote monitoring and others, in anticipation of after-corona at large-scale international conference complexes".

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- Promote stronger disclosure of ESG initiatives that we are already implementing. As the first step, Governance Section was added to the corporate website. We will continue enhancing disclosures.

Add Governance Section to the corporate website

### Corporate Website



Add Governance Section, including Corporate Governance, Compliance (new disclosure), and Disclosure Policy.

<URL>  
<https://en.jtower.co.jp/governance>

### ESG initiatives (already implemented)

## Environment

- Reduction in electricity usage through Infra-Sharing (IBS)
- Supply chain monitoring (Applied RoHS/ Confirmation of the status of ISO acquisition by suppliers/ Factory audits)

## Social

- Conduct Safety Patrols
- Hold safety conferences
- Monitoring of safety measures  
Hold Safety and Health Committee

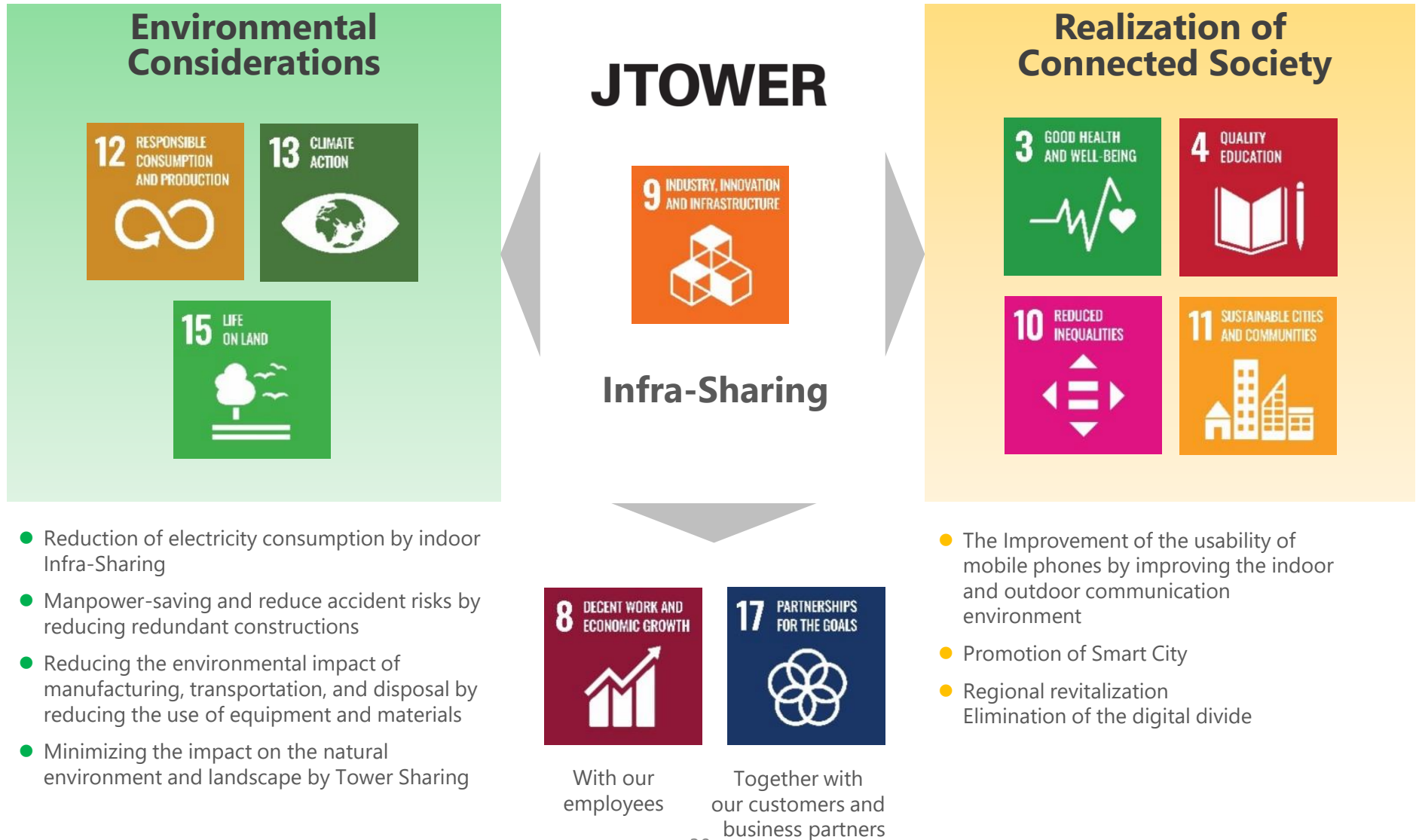
## Governance

- Corporate Governance
- Compliance
  - Compliance Hotline
  - Corruption prevention initiatives
- Disclosure Policy

New disclosure

Future Expansion of Disclosures

- Infra-Sharing in itself leads to the realization of Sustainable Society



- Reduction of electricity consumption by indoor Infra-Sharing
- Manpower-saving and reduce accident risks by reducing redundant constructions
- Reducing the environmental impact of manufacturing, transportation, and disposal by reducing the use of equipment and materials
- Minimizing the impact on the natural environment and landscape by Tower Sharing

- The Improvement of the usability of mobile phones by improving the indoor and outdoor communication environment
- Promotion of Smart City
- Regional revitalization  
Elimination of the digital divide

**1** FY2021 H1 Financial Results

**2** FY2021 Full Year Forecasts

**3** Initiatives for Future Growth

**4** ESG Initiatives

**5** **FAQ**

**6** Appendix

| Category          | Q  | A   |
|-------------------|--|---|
| Domestic IBS      | Is the number of installations in H1 in line with the plan? What is the progress against the full-year forecast?       | Despite some increase and decrease between in Q1 and Q2, H1 results were in line with forecasts and steady progress against full-year forecasts. There are no changes to the full-year plan, but the number of installations in Q3 and Q4 is expected to be roughly the same. |
| Domestic IBS      | When will the more than 30 buildings decided to be installed 5G IBS contribute to the revenue?                         | The installation is planned to start gradually from Q4, and it is expected that the revenue contribution will be within the scope of the initial forecast.  |
| International IBS | What is the impact of lockdown in Vietnam?   | Due to the impact of lockdown, construction stopped during Q2-3. However, economic activity has been resumed recently, and revenue is expected to recover by Q4, including the contributions from the IBS asset purchase.   |
| Tower             | What is the schedule for 20 smart poles in the Nishi-Shinjuku area? When will these smart poles contribute to revenue? | Construction is expected to be completed and generate revenue from Q4, but the impact on FY2021 will be limited.  |
| Tower             | What is the status of the development of 5G mmWave shared radio units?   | Currently, most of the acceptance inspections are expected in Q4, but some may be delayed until next fiscal year.   |
| Alliance          | What is the specific effect of the capital alliance with Rakuten Mobile?   | We aim to strengthen collaboration in indoor and outdoor Infra-Sharing and contribute to the business performance over the medium to long term.   |



1

FY2021 H1 Financial Results

2

FY2021 Full Year Forecasts

3

Initiatives for Future Growth

4

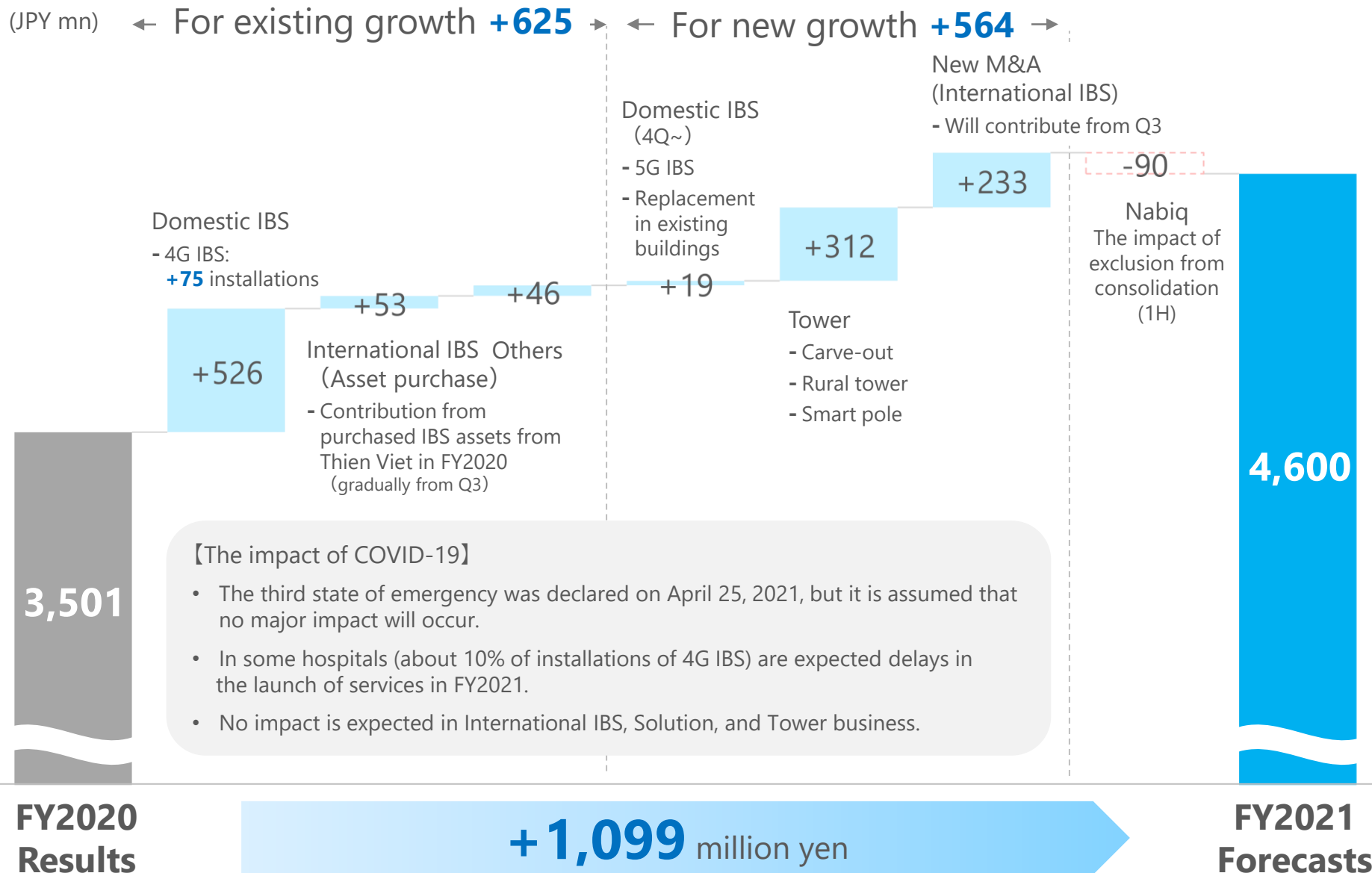
ESG Initiatives

5

FAQ

6

**Appendix**



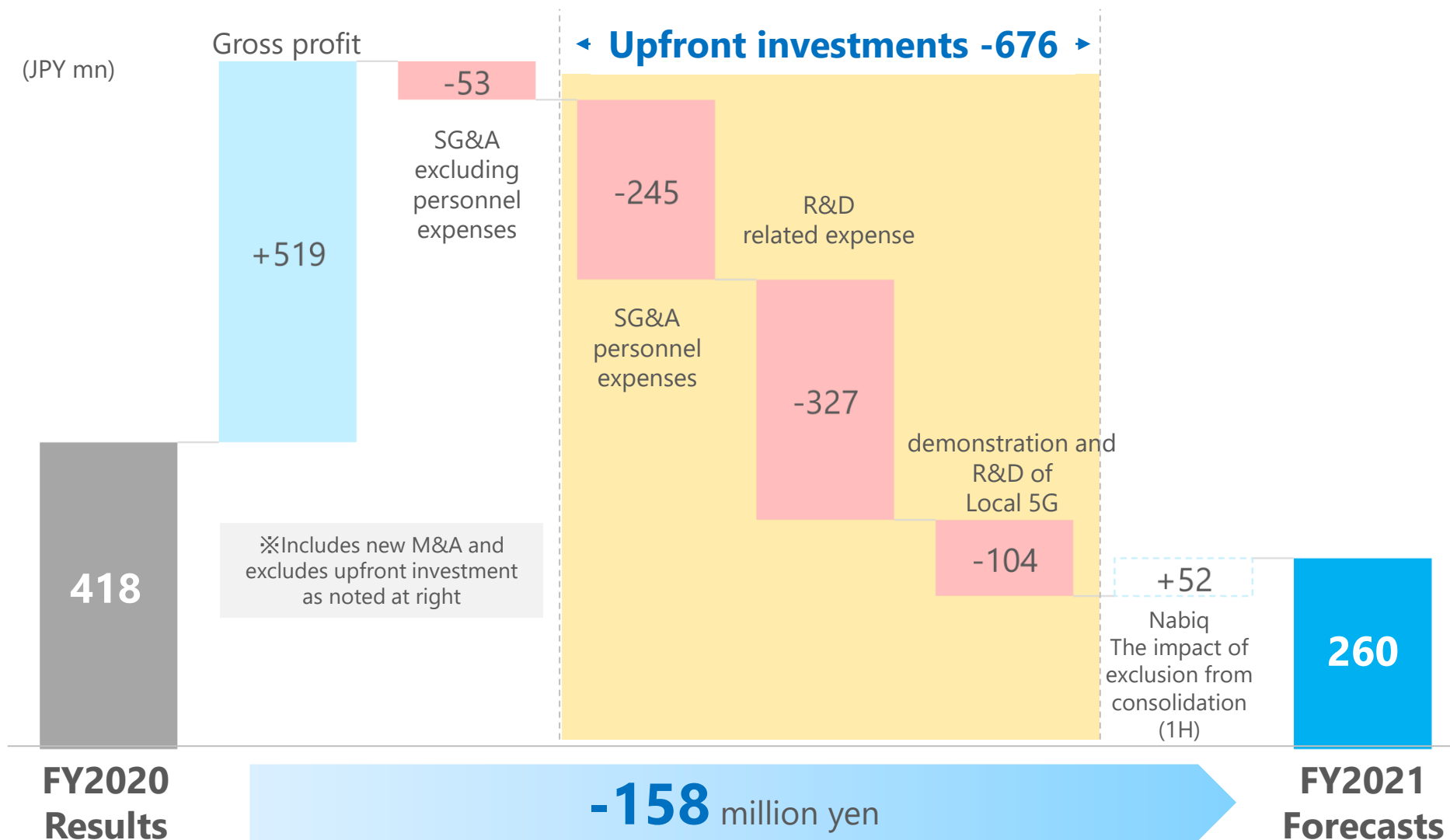
# <Reference> FY2021 Forecast:

6

## Factors Behind Changes in Consolidated Operating Profit

**JTOWER**

- Focus on upfront investments for future growth and expansion, including the structural enhancement centered on Domestic IBS and Tower, R&D expenses including the development of 5G mmWave shared radio units, and demonstration and R&D related expenses for local 5G.



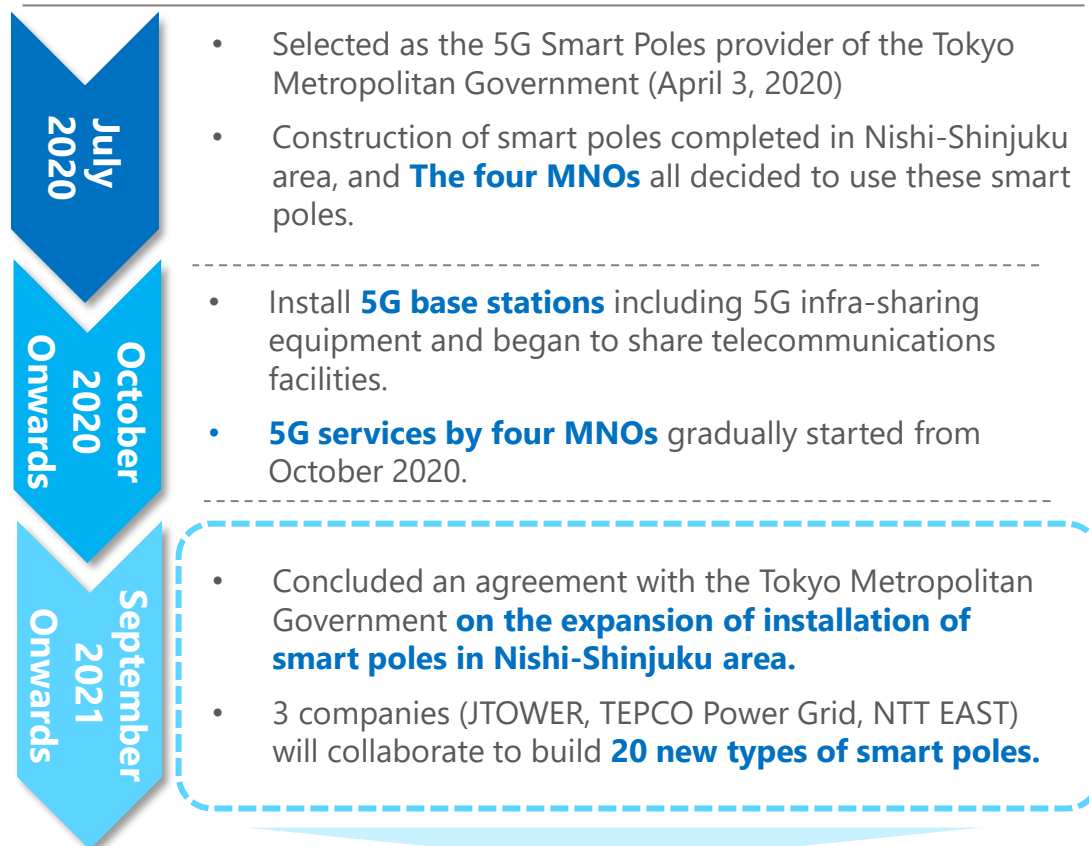
- As a 5G Smart Poles provider of TMG, we built two smart poles in the Nishi-Shinjuku area. From FY2021 onwards, we aim to expand the coverage in the areas with smart solution demands.

### Tower sharing in urban areas



- Street light
- 5G Sub-6 shared antenna
- 5G 28GHz antenna
- Wi-Fi6
- Digital Signage
- Charger (plug in)

### Roadmap for tower sharing in urban areas

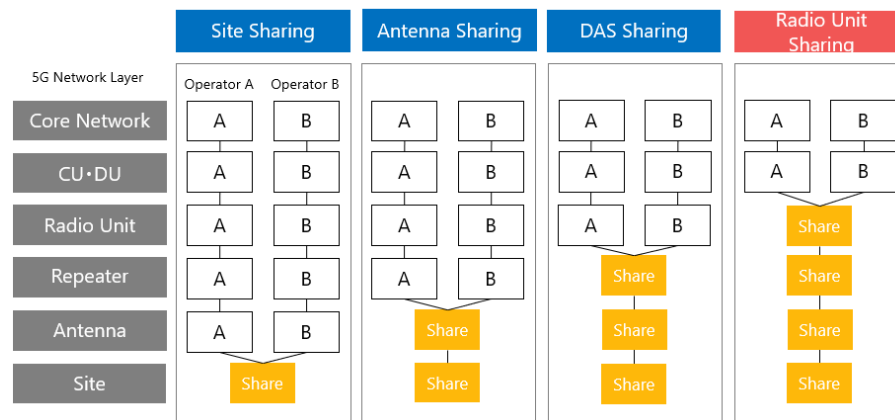


Promote acquisition of new orders, such as collaboration with local governments with smart poll demand aiming for expansion

## 6 Future Business Strategies(2) – Tower (5G mmWave shared RU) JTOWER

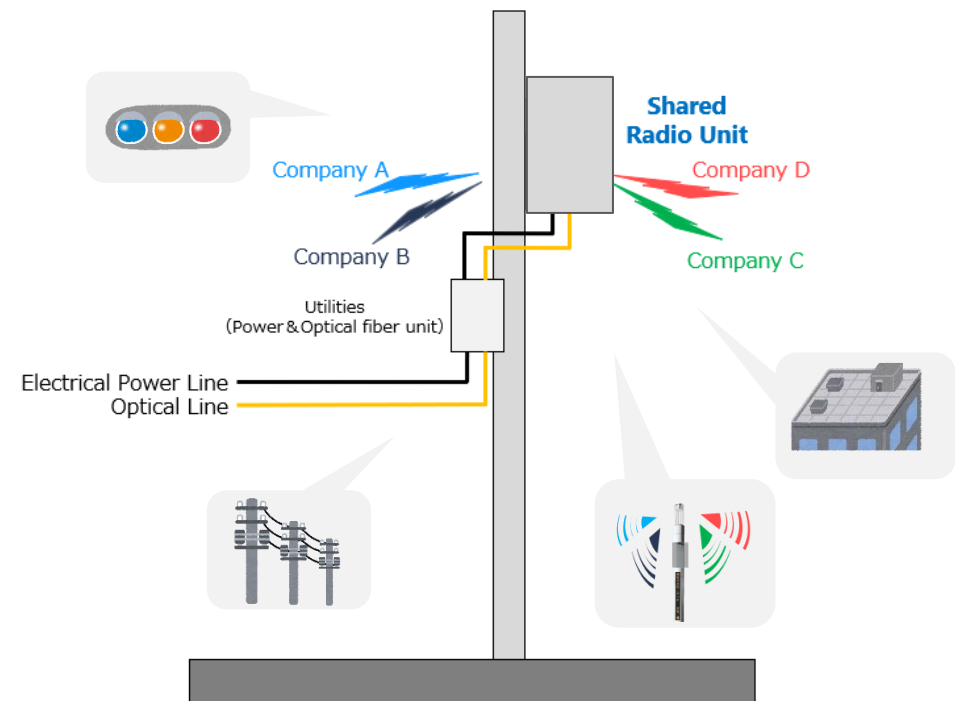
- In 5G mmWave spectrum, we have begun developing shared radio units (base stations), aiming for sharing in the high layer compare to previous sharing. Development is scheduled to be completed in FY2021 and plan to start commercial services in spring 2022.

### Realization of RU sharing in the high layer



- **Sharing of Radio Unit (base station) in the high layer** compared with previous sharing of DAS and antenna.
- Compatible with 5G mmWave (28GHz band) allocated to 4 MNOs.
- Complying with **O-RAN** and **compact and lightweight**.

### Image of installation



Anticipate installation in a wide range location both indoor and outdoor, including concrete poles, electric poles, signals, smart poles and inside of buildings

## 6 Future Business Strategies(2) – Tower (Carve-out)

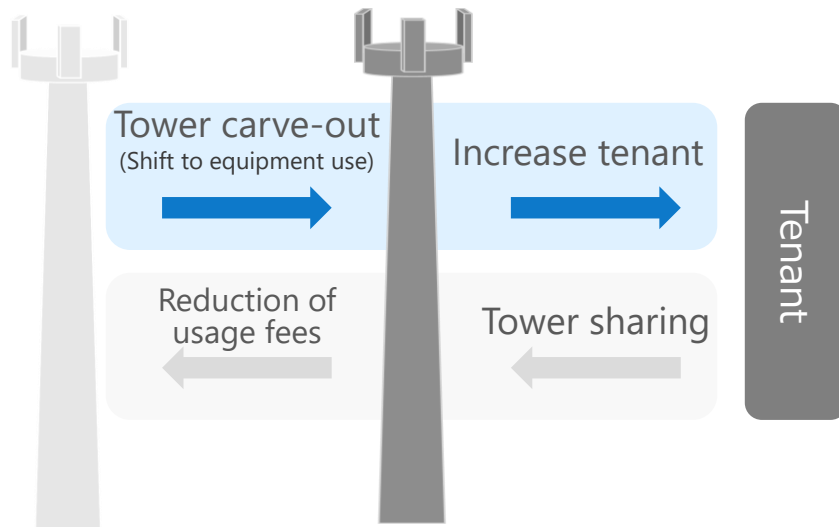
# JTOWER

- As a new initiative, we consider the carve-out of existing towers owned by telecommunication company (contracts for purchase and use).
- Aiming to realize part of this initiative from FY2021.

### Image of existing tower carve-outs

Tower assets owned  
by mobile carrier

**JTOWER**



### Significance of existing tower carve-outs

#### Economic benefits (telecommunication company)

Reduction of  
OPEX by  
tower sharing

Improvement of  
financial base  
through disposal  
of assets

#### Social significance

Reduction of  
environmental  
impact

Effective use  
of social  
infrastructure

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

| Date    | Telecom companies<br>(Seller)           | Tower companies<br>(Buyer) | # of sites    | Deal value<br>(\$ billion) |
|---------|---|----------------------------|---------------|----------------------------|
| 2012/9  | T-Mobile<br>(US)                        | Crown Castle<br>(US)       | <b>7,200</b>  | <b>2.4</b>                 |
| 2012/11 | KPN<br>(NL)                             | American Tower<br>(US)     | <b>2,000</b>  | <b>0.5</b>                 |
| 2013/10 | AT&T<br>(US)                            | Crown Castle<br>(US)       | <b>9,700</b>  | <b>4.9</b>                 |
| 2015/2  | Verizon<br>(US)                         | American Tower<br>(US)     | <b>11,324</b> | <b>5.1</b>                 |
| 2017/2  | Bouygues Telecom<br>(FR)                | Cellnex<br>(ES)            | <b>2,300</b>  | <b>0.7</b>                 |
| 2018/6  | Vodafone India<br>Idea Cellular<br>(IN) | American Tower<br>(US)     | <b>20,000</b> | <b>1.4</b>                 |
| 2019/7  | Arqiva Group<br>(GB)                    | Cellnex<br>(ES)            | <b>7,400</b>  | <b>2.5</b>                 |
| 2020/11 | CK Hutchison<br>(6 European countries)  | Cellnex<br>(ES)            | <b>24,600</b> | <b>8.5</b>                 |
| 2021/1  | Telefonica<br>(ES, DE, Latin America)   | American Tower<br>(US)     | <b>30,722</b> | <b>9.4</b>                 |
| 2021/2  | Altice<br>(FR)                          | Cellnex<br>(ES)            | <b>10,500</b> | <b>6.3</b>                 |

## 6 Positioning of alliances with mobile network operators

**JTOWER**

- By strengthening relationships through alliances with mobile network operators, we will strengthen our position as Infra-Sharing provider aiming for further growth and expansion.

### Our capital structure

### Significance for us

2019/7/4

Capital and Business Alliance

**2021/5/14**  
**Additional allocation**



**2021/5/14**  
**Capital and Business Alliance**



**October 2021**  
**Capital Alliance**

**Rakuten Mobile**

Ownership ratio  
before and after  
May 14 2021

20.2% → **21.7%**

0% → **2.5%**

**Build a new alliance**

**Further strengthen existing partnership**

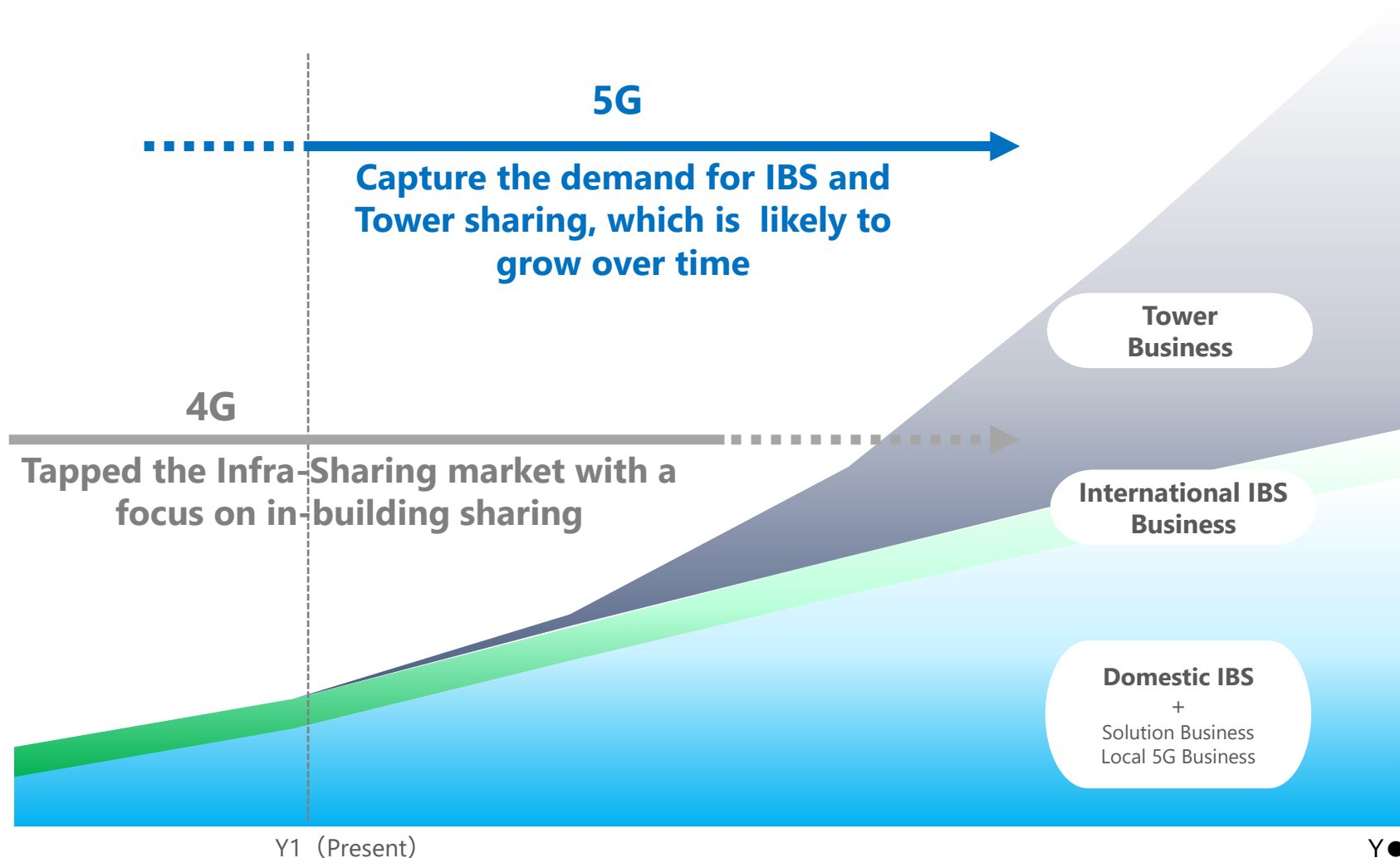
**Build a new alliance**

**JTOWER**

- Strengthening our position as a leading company of Infra-Sharing
- In Tower Business, where the relationship with mobile carriers is important, we aim to expand the business based on the strengthening of the relationship under this alliance.
- Going forward, we will continue to consider alliances that contribute to enhancing corporate value as an important measure.

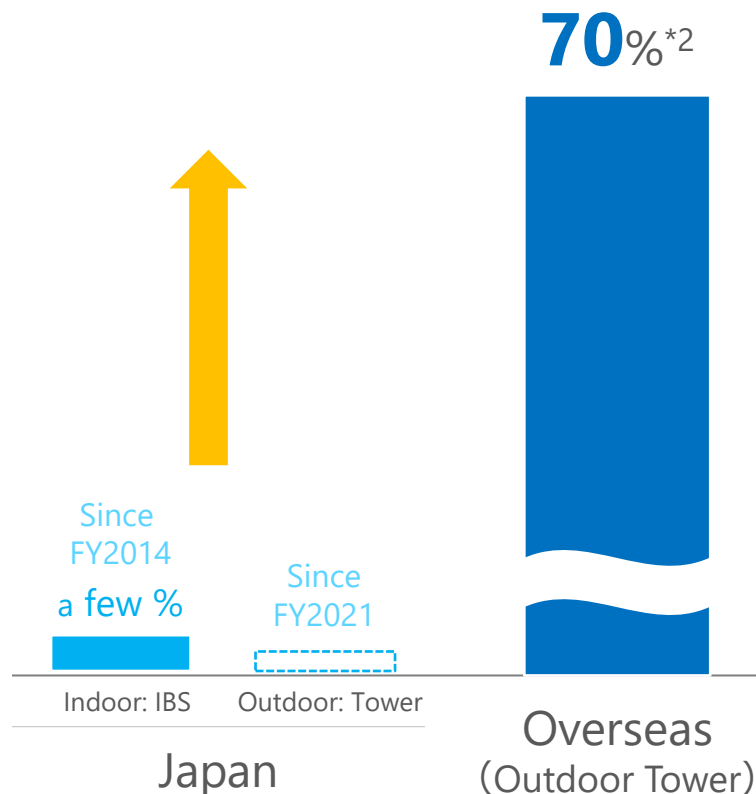


Aiming to expand the Domestic IBS business and the Tower business supported by the increasing 5G demands for the efficient capital investments in telecom infrastructure area

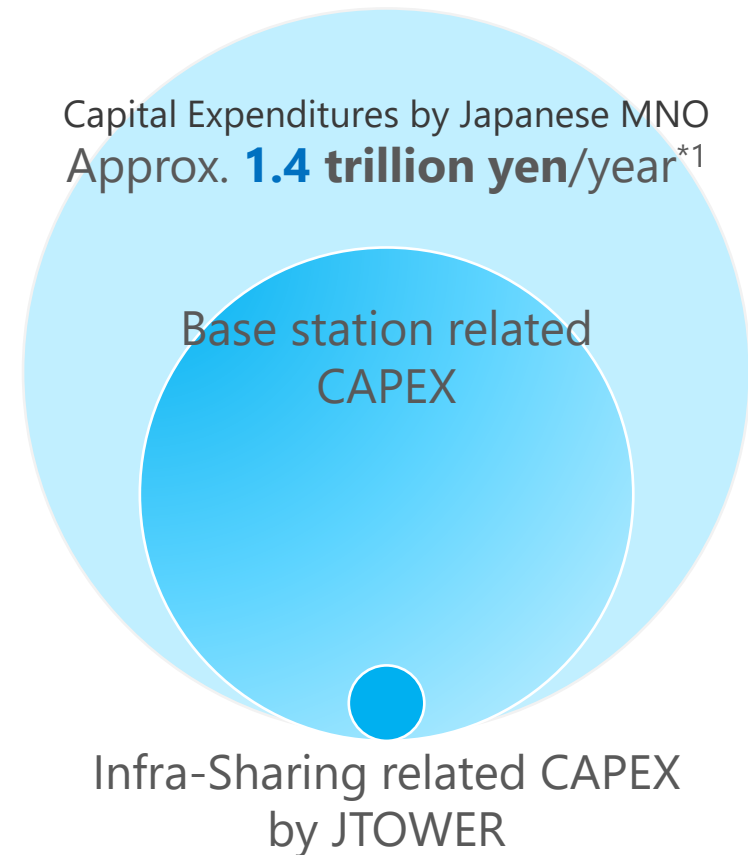


- In Japan, JTOWER has been leading Infra-Sharing market as a pioneer.
- On the other hand, when compared to the global market, Japanese Infra-Sharing market seems to be a market with considerable room for future expansion

Infra-Sharing Penetration



Investment in telecommunications  
infrastructure in Japan



Source:

\*1: Based on Current Status and Future Forecast of the Mobile Phone Base Station Market and Peripheral Materials Market (2020 Version) by MCA

\*2: Based on TowerXchange

## 6 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.

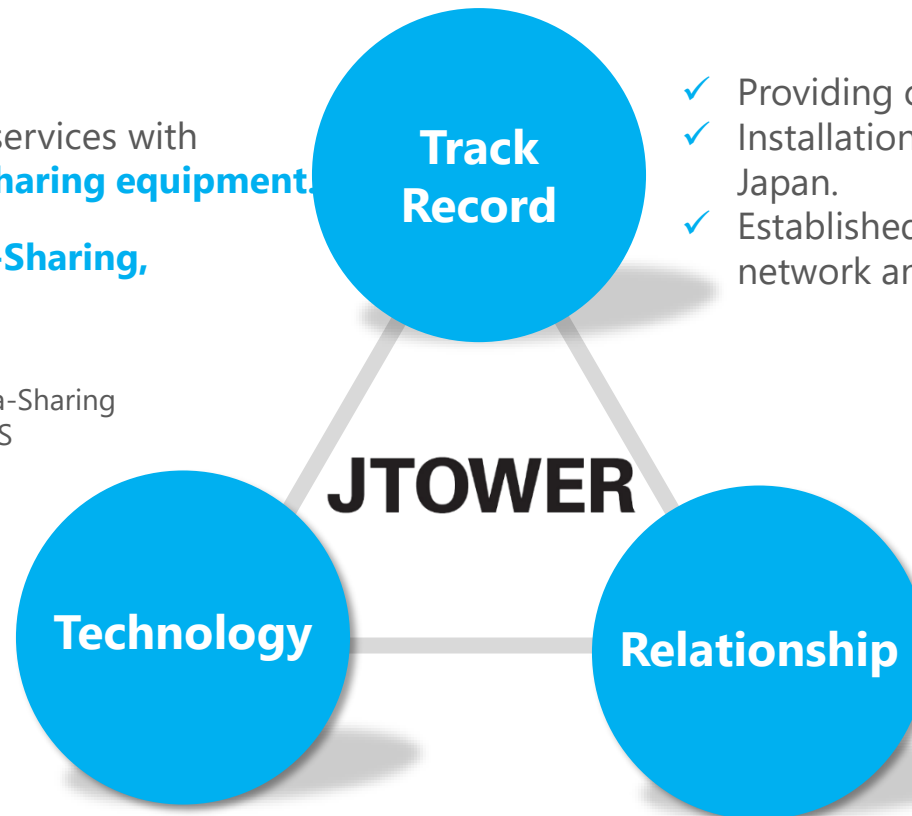
- ✓ Provide active Infra-Sharing services with **our own developed Infra-Sharing equipment**.
- ✓ Lead in **the high-level Infra-Sharing, such as 5G.**

### - Sub6

Completed development of 5G Infra-Sharing equipment and have installed 5G IBS

### - mmWave

Started to develop 5G mmWave shared radio units



- ✓ Providing commercial services to **4 MNO**.
- ✓ Installations in more than **250 buildings** in Japan.
- ✓ Established the nationwide maintenance network and continue stable operations.

- ✓ Relationship with MNO and real estate developers.
- ✓ **Capital and business alliance** with MNO.
- ✓ Participate in projects by MIC and the Tokyo Metropolitan Government.

| (JPY mn)   | FY2017 | FY2018 | FY2019 | FY2020 |
|--|--------|--------|--------|--------|
| Revenue  | 756    | 1,377  | 2,558  | 3,501  |
| Domestic IBS Business                                | 510    | 863    | 1,783  | 2,784  |
| International IBS Business                           | 244    | 455    | 435    | 496    |
| Solution Business                                    | 1      | 59     | 339    | 221    |
| <i>Revenue Growth</i>                                | 356%   | 82.1%  | 86.6%  | 36.9%  |
| Cost of Goods Sold                                   | 587    | 730    | 1,278  | 1,685  |
| Gross Profit   | 169    | 647    | 1,279  | 1,816  |
| <i>Gross Profit Margin</i>                           | 22.4%  | 47.0%  | 50.0%  | 51.9%  |
| Selling, General and Administrative Expenses         | 643    | 817    | 1,209  | 1,397  |
| <i>SG&amp;A Ratio</i>                                | 85.1%  | 59.3%  | 47.3%  | 39.9%  |
| Operating Profit                                     | -474   | -169   | 69     | 418    |
| <i>Operating Profit Margin</i>                       | -      | -      | 2.7%   | 11.9%  |
| EBITDA* <sup>1</sup>                                 | -225   | 168    | 737    | 1,349  |
| <i>EBITDA Margin</i>                                 | -      | 12.2%  | 28.8%  | 38.5%  |
| Ordinary Profit                                      | -479   | -166   | 5      | 178    |
| Net Income Before Income Taxes                       | -560   | -166   | -1     | 214    |
| Net Income Attributable to Non-Controlling Interests | 1      | 15     | 2      | -      |
| Net Income Attributable to Owners of the Parent      | -577   | -214   | -13    | 506    |
| Consolidated Number of Employees* <sup>2</sup>       | 72     | 116    | 138    | 136    |

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

\*2: Number of employees includes the average number of temporary workers (contract workers and workers from staffing agencies) in the past year.

(JPY mn)

|                                 | FY2017       | FY2018       | FY2019        | FY2020        |
|---------------------------------|--------------|--------------|---------------|---------------|
| <b>Current Assets</b>           |              |              |               |               |
| Cash and Cash Equivalents       | 2,452        | 2,329        | 7,188         | 8,398         |
| Notes and Accounts Receivable   | 195          | 379          | 482           | 397           |
| <b>Total Current Assets</b>     | <b>2,781</b> | <b>2,983</b> | <b>8,032</b>  | <b>8,955</b>  |
| <b>Non-current Assets</b>       |              |              |               |               |
| Tangible Fixed Assets           | 1,500        | 3,631        | 5,860         | 6,968         |
| Goodwill                        | 460          | 638          | 579           | 329           |
| <b>Total Non-current Assets</b> | <b>1,994</b> | <b>4,412</b> | <b>6,614</b>  | <b>7,790</b>  |
| <b>Total Assets</b>             | <b>4,776</b> | <b>7,396</b> | <b>14,646</b> | <b>16,745</b> |

**Financial Indicators**

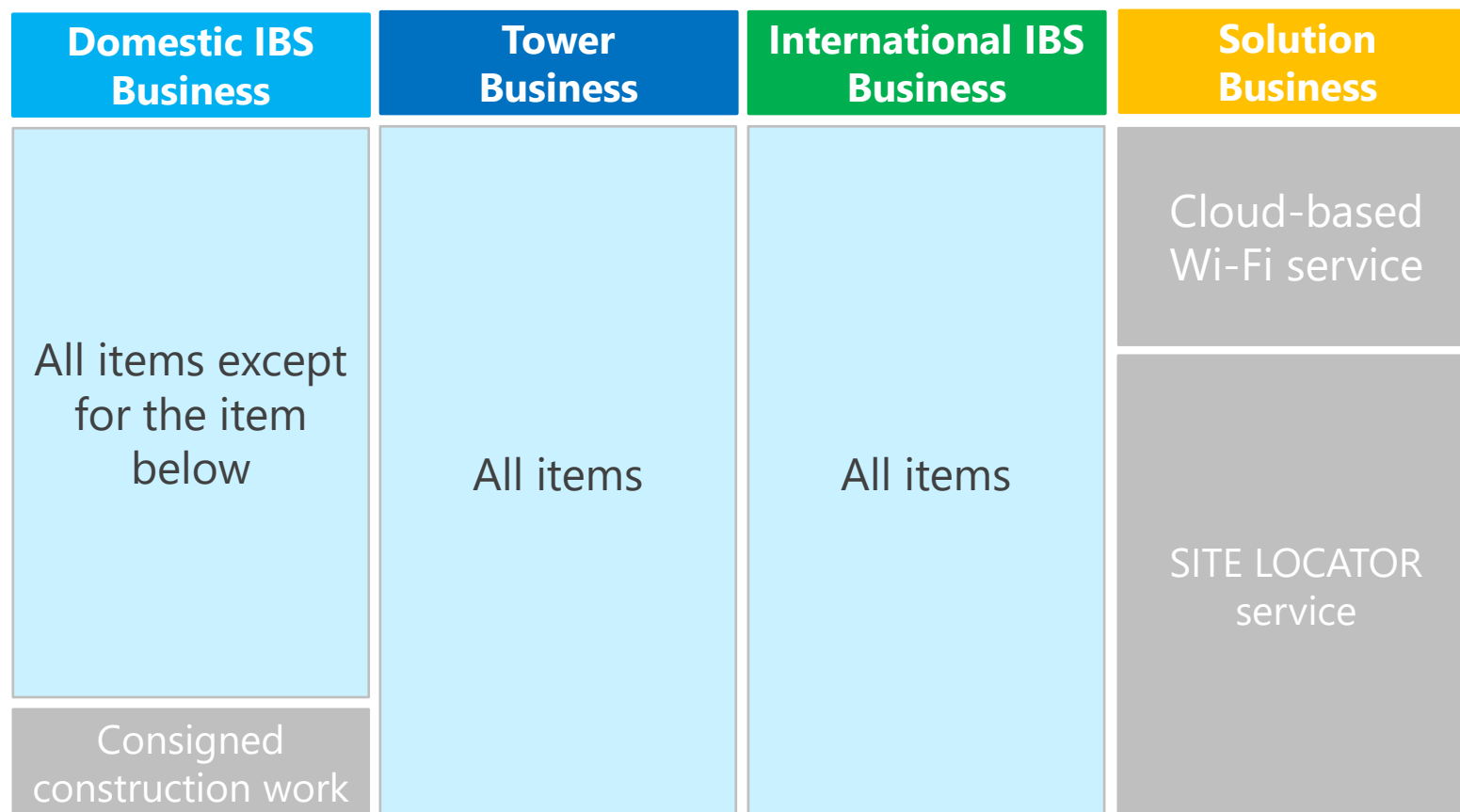
|                     |              |              |              |              |
|---------------------|--------------|--------------|--------------|--------------|
| Debt                | 637          | 818          | 1,083        | 1,195        |
| Net Debt            | -1,815       | -1,510       | -6,104       | -7,202       |
| Capital Expenditure | 913          | 2,441        | 2,787        | 2,098        |
| <i>Equity Ratio</i> | <i>24.1%</i> | <i>21.0%</i> | <i>45.3%</i> | <i>42.6%</i> |

|  | FY2017       | FY2018       | FY2019        | FY2020        |
|--|--------------|--------------|---------------|---------------|
| <b>Current Liabilities</b>                 |              |              |               |               |
| Accounts payable - trade                   | 68           | 172          | 193           | 129           |
| Shor-term borrowings                       | 15           | 12           | 45            | 210           |
| Accounts payable - other                   | 429          | 1,019        | 1,204         | 851           |
| Unearned revenue<br>(Contract liability*1) | 318          | 737          | 1,525         | 7,156         |
| <b>Total Current Liabilities</b>           | <b>986</b>   | <b>2,143</b> | <b>3,288</b>  | <b>8,742</b>  |
| <b>Non-current Liabilities</b>             |              |              |               |               |
| Long-term borrowings                       | 150          | 300          | 300           | 210           |
| Long-term unearned revenue                 | 1,024        | 2,042        | 3,869         | -             |
| <b>Total Non-current Liabilities</b>       | <b>1,580</b> | <b>2,744</b> | <b>4,723</b>  | <b>865</b>    |
| <b>Total Liabilities</b>                   | <b>2,566</b> | <b>4,887</b> | <b>8,011</b>  | <b>9,608</b>  |
| Share capital                              | 1,049        | 1,399        | 4,272         | 4,300         |
| Capital surplus                            | 1,341        | 1,658        | 2,433         | 2,462         |
| <b>Total Net Assets</b>                    | <b>2,209</b> | <b>2,508</b> | <b>6,635</b>  | <b>7,137</b>  |
| <b>Total Liabilities and Net Assets</b>    | <b>4,776</b> | <b>7,396</b> | <b>14,646</b> | <b>16,745</b> |

\*1: Under the revenue recognition standard, which was adopted in April 2021, the balances of Unearned Revenue (presented in Current Liabilities until FY2020) and Long-Term Unearned Revenue (presented in Non-Current Liabilities until FY2020) arising from contracts with customers are included in contract liability.  
(Changed from FY2020 results)

| (JPY mn)  | FY2017 | FY2018 | FY2019 | FY2020 |
|---|--------|--------|--------|--------|
| Cash Flows from Operating Activities  | 888    | 1,290  | 3,165  | 3,311  |
| Change in Unearned revenue  | 1,002  | 1,437  | 2,565  | 1,881  |
| Depreciation  | 233    | 300    | 612    | 887    |
| Amortization of Goodwill  | 15     | 36     | 53     | 41     |
| Cash Flows from Investing Activities  | -1,900 | -2,110 | -2,699 | -2,470 |
| Purchase of investment securities   | -      | -91    | -      | -      |
| Purchase of property, plant and equipment   | -800   | -1,775 | -2,611 | -2,401 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation                                    | -1,067 | -99    | -      | -      |
| Free Cash Flow  | -1,011 | -820   | 466    | 840    |
| Cash Flows from Financing Activities  | 2,603  | 570    | 4,385  | 418    |
| Net Increase (Decrease) in Short-term Borrowings  | 14     | -2     | 32     | -45    |
| Proceeds from issuance of shares  | 1,095  | 697    | 5,725  | 56     |
| Proceeds from Share Issuance to Non-controlling Shareholders  | 1,060  | -      | -      | 99     |
| Proceeds from sale and leaseback transactions   | 488    | 145    | 392    | 303    |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | -      | -158   | -1,604 | -      |
| Effect of exchange rate change on cash and cash equivalents   | -27    | -4     | -0     | -1     |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 1,563  | -254   | 4,851  | 1,256  |
| Net Increase (Decrease) in Cash and Cash Equivalents Due to Changes in Scope of Consolidation                       | -      | -      | -6     | -117   |
| Cash and Cash Equivalents at Beginning of Period  | 697    | 2,261  | 2,006  | 6,851  |
| Cash and Cash Equivalents at End of Period (Q4)   | 2,261  | 2,006  | 6,851  | 7,990  |

■ Infra-Sharing Revenue    ■ Other Revenue



<sup>\*1</sup>: Breakdown as of September 30, 2021  
 (Nabiq has been removed from the above categories due to deconsolidation from Q3 FY2020)

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