

# JTOWER

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## Financial Results for Q3 FY2023 ended December 31, 2023

February 8, 2024

JTOWER Inc.

**Infra-Sharing  
Services  
from Japan  
Lead the World**

# ***Infra-Sharing Services from Japan Lead the World***

Japan is behind in the field of global telecommunications infrastructure sharing.

In 2012, when the term “Infra-Sharing” was not common in Japan, we launched our first business.

Our goal is not the same as other global tower companies; our goal is what they have never done.

Meeting the world’s highest standard for network quality as required in the Japanese telecommunications industry, we will overcome challenges and improve services.

We will treat all stakeholders with respect and honesty, including mobile network operators, real-estate developers, and partner companies,

We will continue to innovate and challenge new ideas to expand business globally.

We will pursue the world’s state-of-the-art technologies, services, and business models.

As a result of these efforts, we will make the Infra-Sharing services that we provide global standards and create our future through businesses expansion.

This is the vision of our company.



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

## Outline

- 1 . FY2023 Q3 Financial Results
- 2 . Initiatives for Future Growth
- 3 . FY2023 Full Year Forecasts
- 4 . Q&A
- 5 . Appendix

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## Consolidated revenue increased more than 2.2 times YoY to JPY7.9 billion

- Tower transfer progressed more than expected, resulting in the expansion of the total number of transferred towers to **5,303** and the total revenue of Tower business increased to **JPY3.7 billion**.
- Domestic IBS revenue increased by 21% YoY to **JPY3.4 billion** due to expansion of 4G IBS (replacement) and improvement of tenancy ratio.
- Domestic IBS and Tower businesses accounted for **43%** and **47%** of consolidated revenue.

## EBITDA increased by 3.9 times YoY and operating profit increased to JPY700 million

- While revenue increased due to steady progress in Tower and Domestic IBS businesses, SG&A expenses remained at almost the same level as the previous quarter, leading to improved profitability. Consequently, EBITDA increased by **3.9 times** to **JPY3.8 billion** and operating profit increased to **JPY700 million**.

## Full-year forecasts remained unchanged conservatively

- Although Q3 results exceeded forecasts due to steady progress in both Tower and Domestic IBS businesses, the full-year forecast remains unchanged conservatively, in light of the recording of one-time expenses (financing cost and R&D cost for 5G mmWave shared radio unit) and with consideration for difficult cases in tower transfer in Q4.

## Tower

- ✓ Tower transfer progressed more than planned, and the total number of transferred towers increased to **5,303**. (As of the end of December)
- ✓ On November 30, we agreed **the financing contract** \*1 for the acquisition of the additional 1,552 towers from NTT DOCOMO (announced on September 26).

## Domestic IBS

- ✓ In 9 months, the number of installations in 4G and 5G IBS increased by 92 and the total number of installations in Domestic IBS\*1 increased to **521**.
- ✓ 4G IBS (replacement) completed installations in **29 buildings**, exceeding the full-year target of 25 buildings.
- ✓ **Tenancy ratio** increased by +0.1 to **2.9** for 4G IBS (new installation) and **1.6** for 5G IBS.

\*1: Detailed information on financing is provided in P31.

\*2: The total number of installations of 4G IBS (new installation), 4G IBS (replacement) and 5G IBS.

# ① FY2023 Q3 Consolidated Results – P&L

- Revenue increased by **more than 2.2 times** YoY to JPY7.9 billion due to steady growth in the core businesses.
- **Profitability improved** as revenue expanded while SG&A expenses remained stable.

(JPY mn)	FY2022	FY2023		
	9 Months Results	9 Months Results	Change	
			Amount	%
<b>Revenue</b>	3,585	<b>7,906</b>	+4,320	+120.5%
<b>EBITDA *1</b>	992	<b>3,846</b>	+2,854	+287.7%
<i>EBITDA Margin</i>	27.7%	<b>48.7%</b>	+21.0pt	—
<b>Operating Profit</b>	-74	<b>705</b>	+779	—
<i>Operating Profit Margin</i>	-2.1%	<b>8.9%</b>	+11.0pt	—
<b>Ordinary Profit</b>	-937	<b>95</b>	+1,032	—
<b>Profit attributable to owners of parent</b>	-1,159	<b>-3</b>	+1,156	—
<b>Profit attributable to non-controlling interests*2</b>	—	<b>13</b>	+13	—
<b>Capital Expenditure*3 (Investment Cash Flow)</b>	-1,756	<b>-68,265</b>	-66,509	—

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

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

\*3: Figures for FY2022 is calculated by adjusting only the amount of consumption tax for obligations related to the acquisition of carve-out towers. Figures for FY2023 results include the acquisition of property, plant and equipment and intangible assets. (Period total is unaudited)

# ① FY2023 Q3 Consolidated Results – BS (1/2)

# JTOWER

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

(JPY mn)	FY2022	FY2023	
	March 31, 2023	December 31, 2023	Change
<b>Current Assets</b>	<b>25,762</b>	<b>28,286</b>	<b>+2,523</b>
Cash and Cash Equivalents	24,247	24,873	+625
Accounts Receivable	529	776	+246
<b>Non-current Assets</b>	<b>26,279</b>	<b>105,254</b>	<b>+78,974</b>
Tangible Fixed Assets	25,428	103,119	+77,690
Buildings and structures	14,605	89,585	+74,980
Machinery, equipment and vehicles	8,140	9,844	+1,703
Goodwill	338	345	+6
<b>Total Assets</b>	<b>52,042</b>	<b>133,540</b>	<b>+81,497</b>
<b>Financial Indicators</b>			
Debt	22,412	66,914	+44,501
Net Debt	-1,835	42,041	+43,876
Equity Ratio	24.8%	10.5%	- 14.2pt
Adjusted Equity Ratio*1	24.8%	25.5%	+0.7pt

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

# ① FY2023 Q3 Consolidated Results – BS (2/2)

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

(JPY mn)	FY2022	FY2023	
	March 31, 2023	December 31, 2023	Change
<b>Current Liabilities</b>	<b>16,830</b>	<b>36,803</b>	<b>+19,972</b>
Accounts payable - trade	277	495	+218
Short-term borrowings* <sup>1</sup>	930	4,123	+3,193
Accounts payable - other	7,451	21,620	+14,168
Contract liability	7,825	9,144	+1,318
<b>Non-current Liabilities</b>	<b>22,318</b>	<b>63,590</b>	<b>+41,272</b>
Long-term borrowings	21,146	62,388	+41,242
<b>Total Liabilities</b>	<b>39,148</b>	<b>100,393</b>	<b>+61,244</b>
<b>Net Assets</b>	<b>12,893</b>	<b>33,146</b>	<b>+20,253</b>
Share capital	7,994	8,002	+7
Capital surplus	6,156	6,728	+572
Non-controlling interests	0	19,058	+19,058
<b>Total Liabilities and Net Assets</b>	<b>52,042</b>	<b>133,540</b>	<b>+81,497</b>

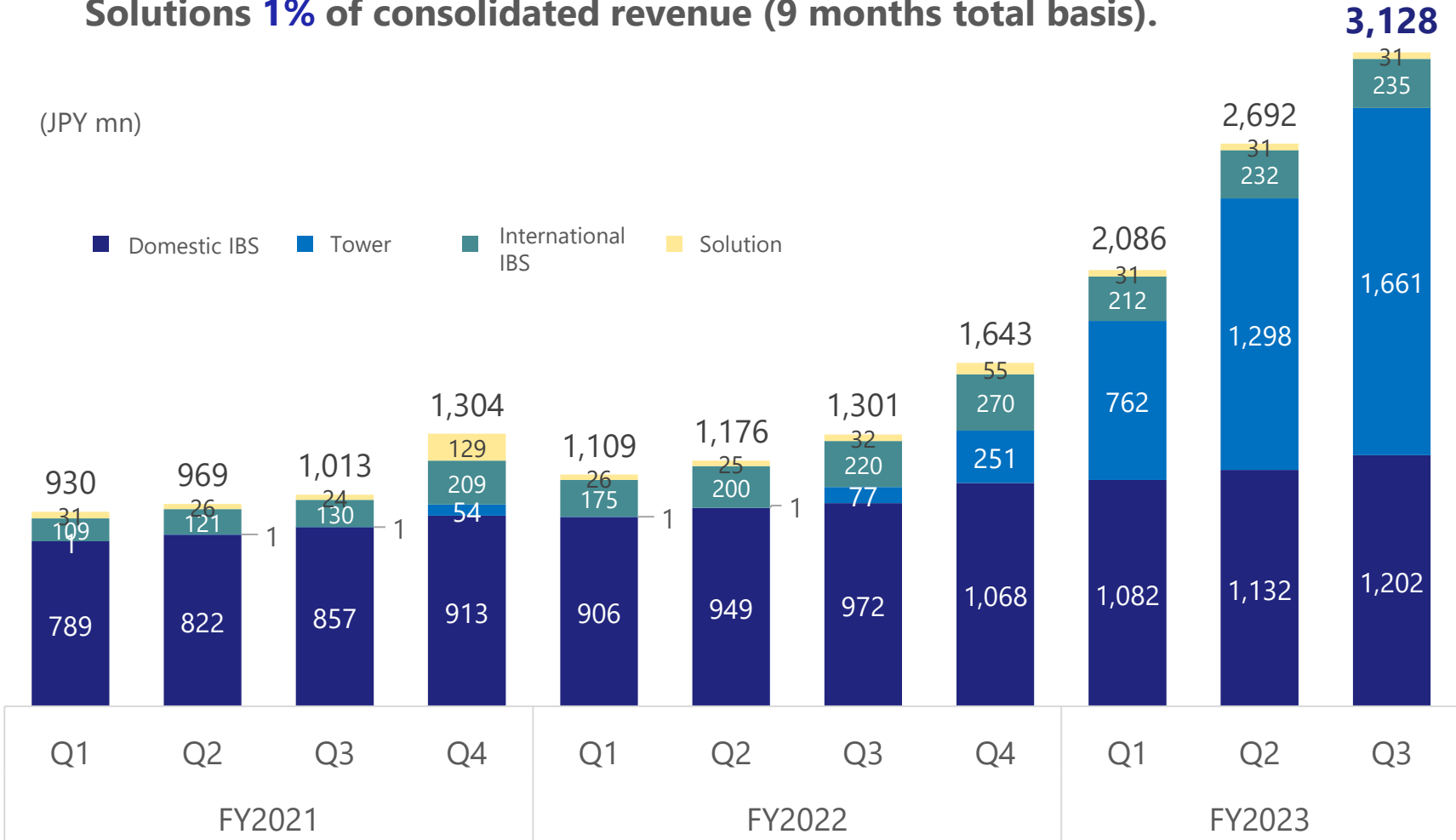
\*1: Including long term borrowings due within one year.



# ① Historical Revenue by Business

- In Q3 revenue increased **more than JPY3.6 billion** in Tower and by **21%** in Domestic IBS YoY.
- Domestic IBS accounted for **43%**, Tower **47%**, International IBS **9%** and Solutions **1%** of consolidated revenue (9 months total basis).

(JPY mn)



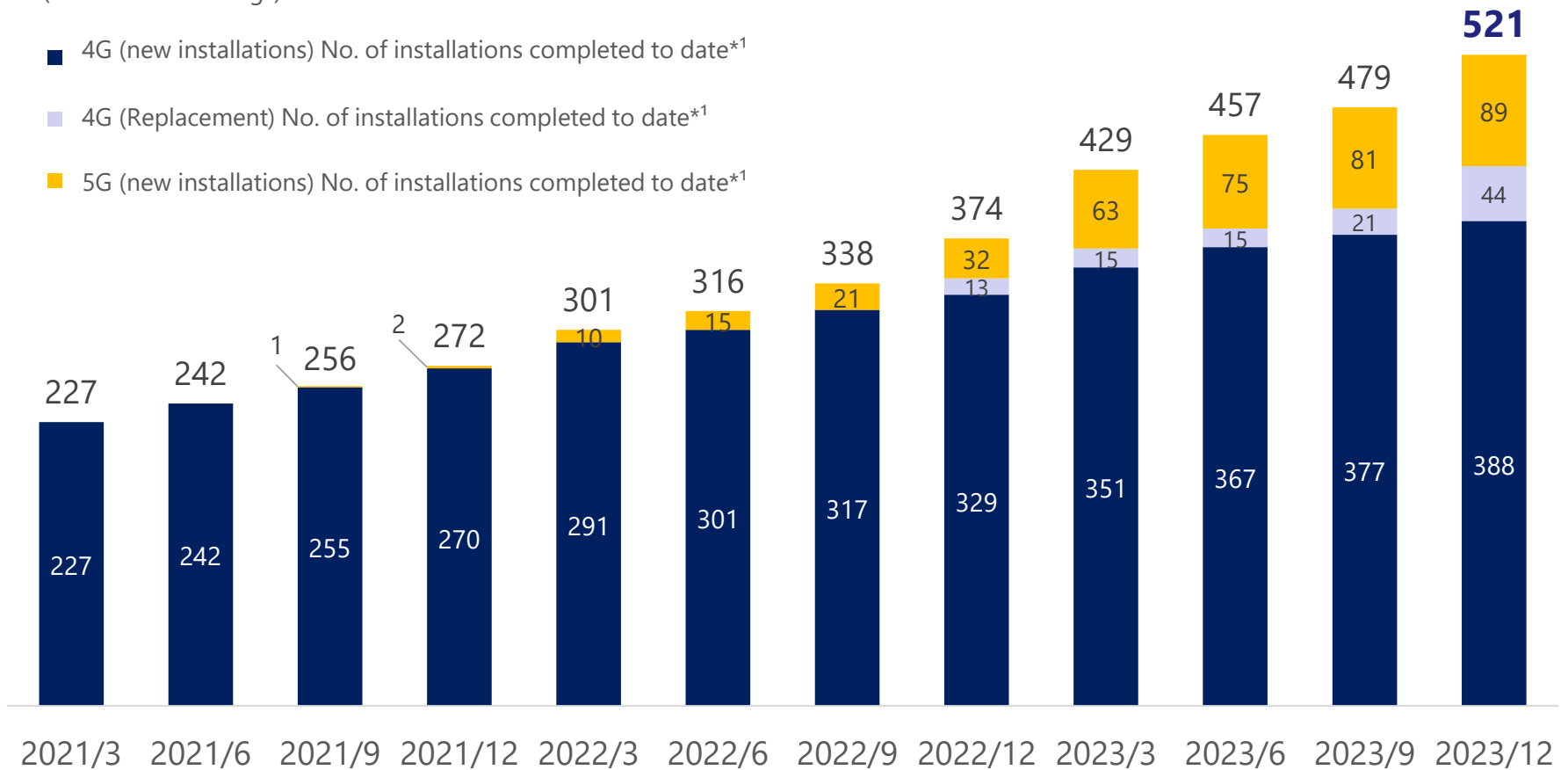
Note: Breakdown of quarterly revenue by business is unaudited.

# ① Historical Number of Installations (Domestic IBS) JTOWER

- In 9 months, the number of installations increased **37** in 4G IBS (new installations), **29** in 4G IBS (replacement) and **26** in 5G IBS.

(Number of buildings)

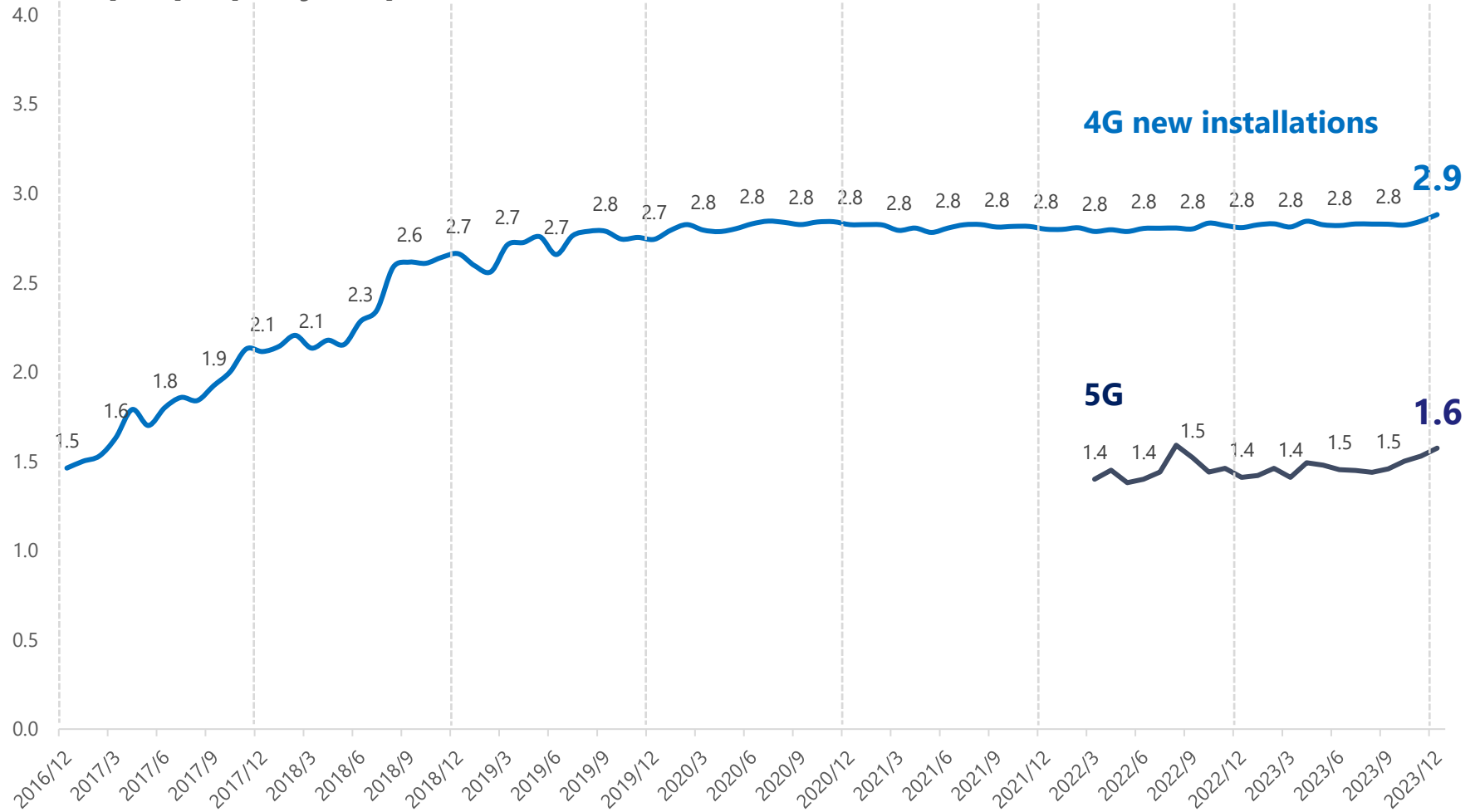
- 4G (new installations) No. of installations completed to date\*1
- 4G (Replacement) No. of installations completed to date\*1
- 5G (new installations) No. of installations completed to date\*1



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

# ① Historical Tenancy Ratio\*1 (Domestic IBS)

(x) ● Tenancy Ratio (average number of participating mobile network operators per property) improved in both 4G IBS (new installations) and 5G IBS.\*2



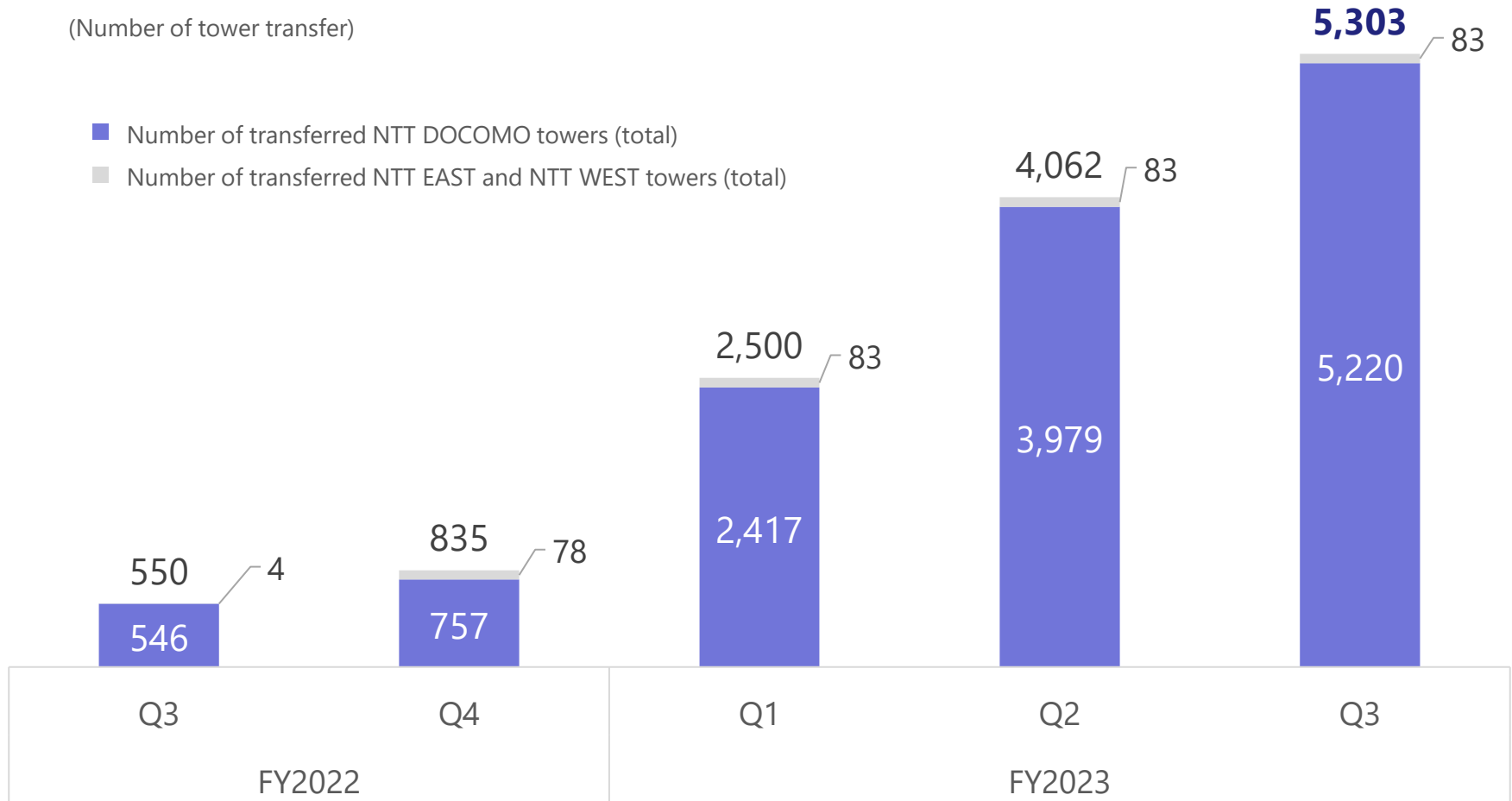
\* 1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

\* 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

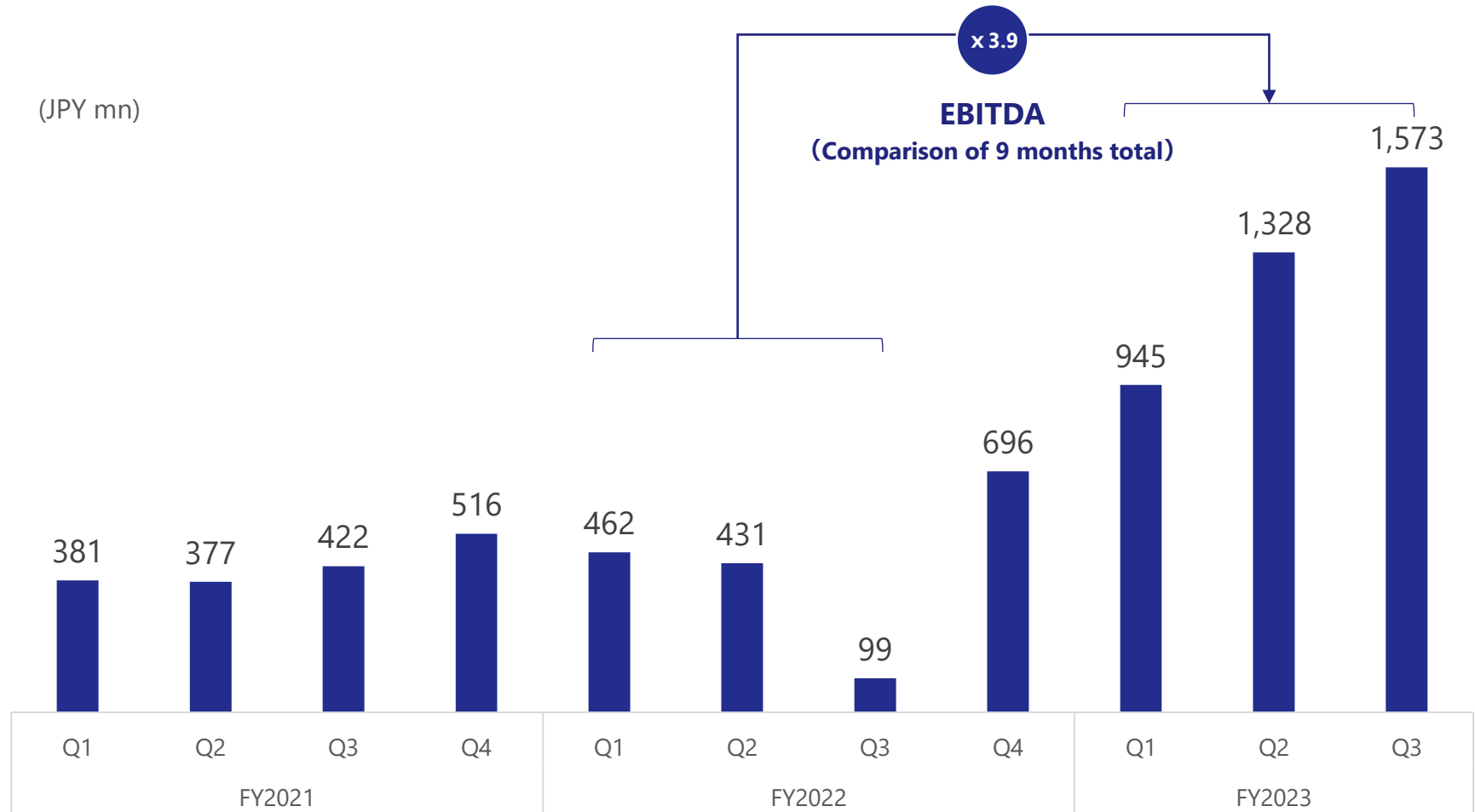
- In 9 months, the total of **4,468** towers were transferred, including **4,463** NTT DOCOMO towers and **5** NTT EAST and NTT WEST towers. The total number of transferred towers increased to **5,303**.

(Number of tower transfer)



# ① Historical Consolidated EBITDA\*1

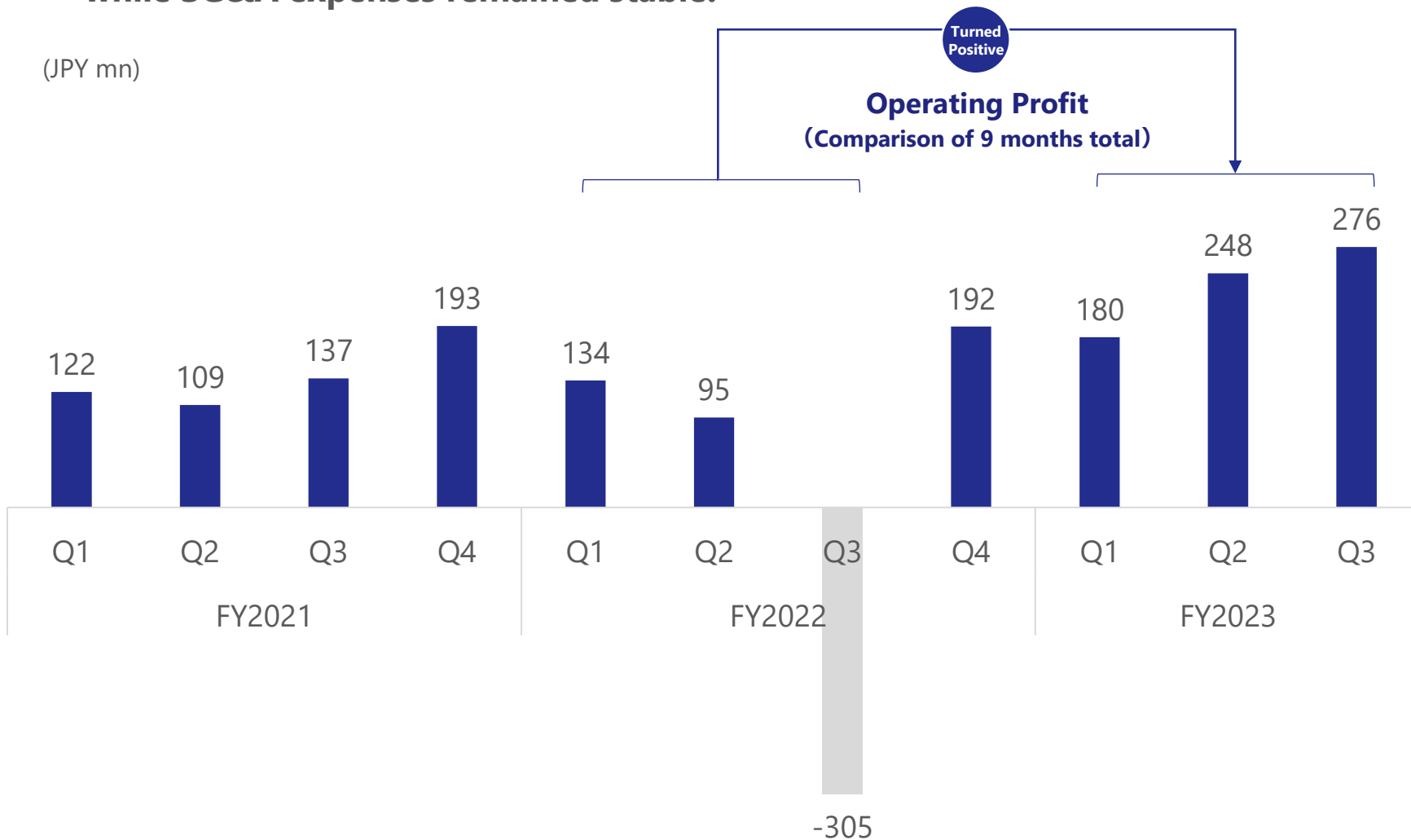
- EBITDA increased by **3.9 times** as revenue expanded while SG&A expenses remained stable.



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

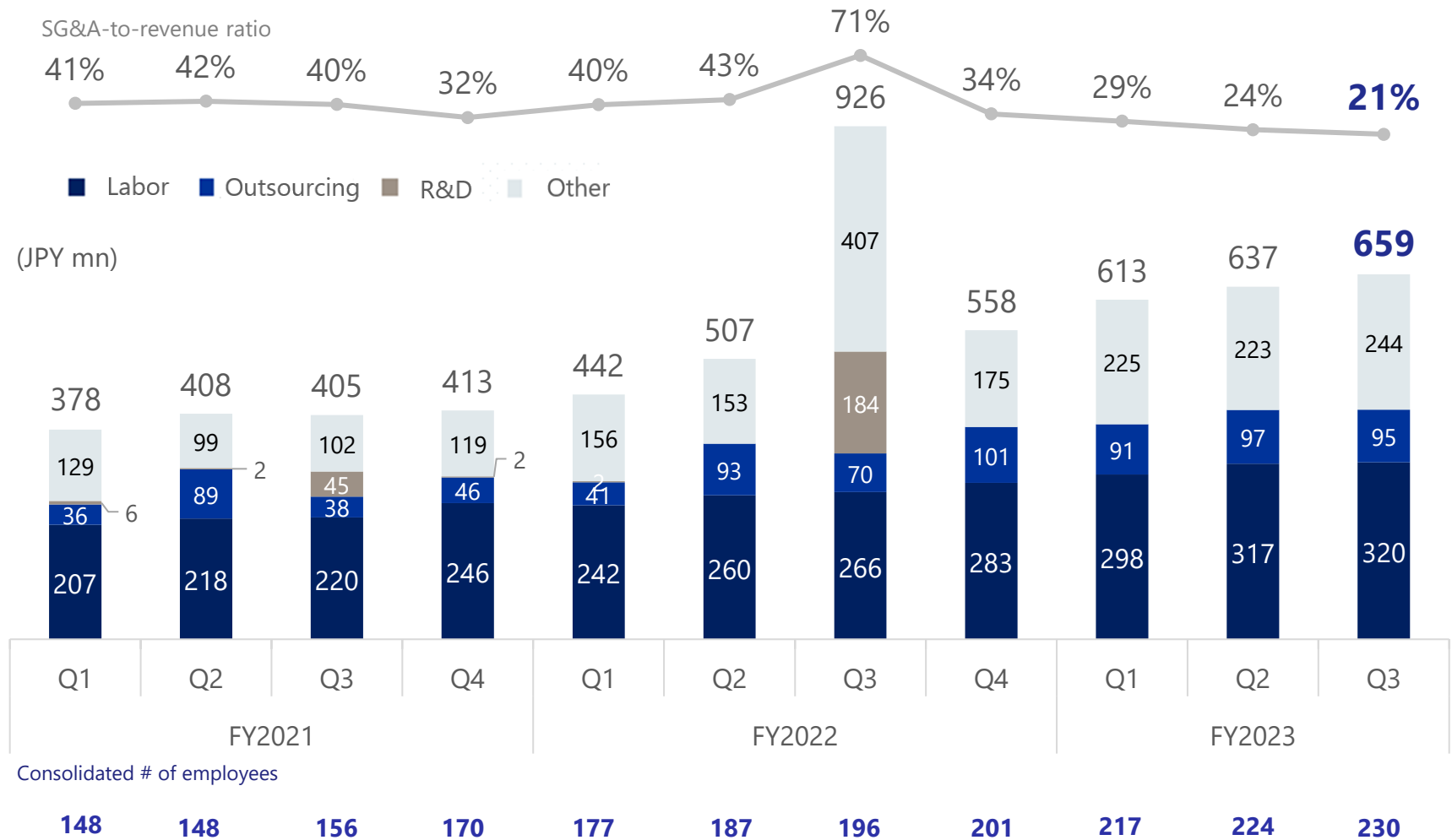
# ① Historical Consolidated Operating Profit

- Consolidated operating profit was **JPY700 million yen** as revenue expanded while SG&A expenses remained stable.



# ① Historical Consolidated SG&A Expenses

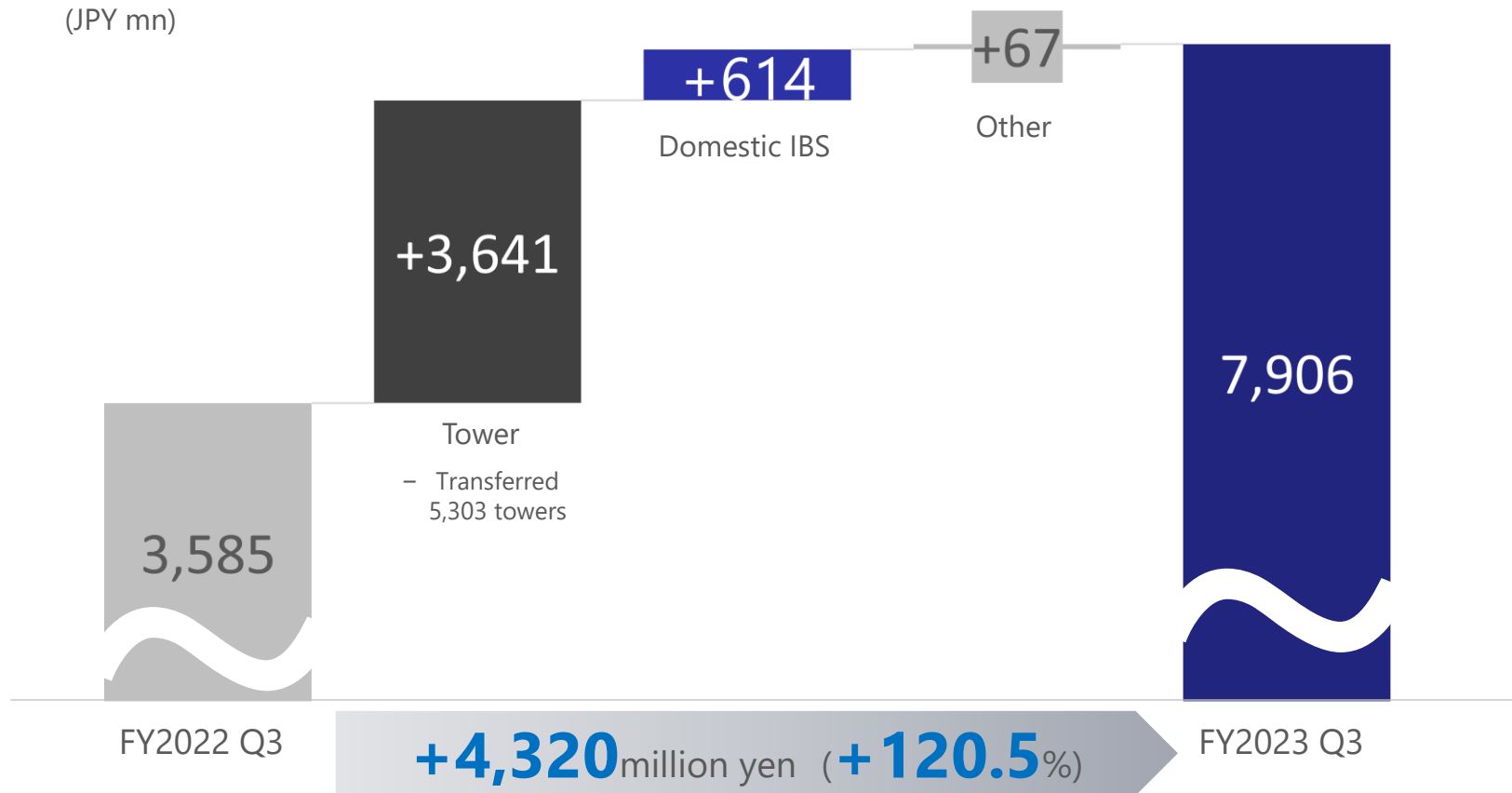
- In Q3 (3 months), one-time expenses were limited (only for some finance expenses), and SG&A expenses remained at almost the same level as the previous quarter, resulting in a further improvement in the SG&A-to-revenue ratio.



# ① <Reference>

## Factors behind changes in consolidated revenue

- Revenue in tower business expanded due to the transfer of towers.
- In Domestic IBS, revenue increased due to progress in the installations of 5G IBS and 4G IBS (replacement) and the improvement in tenancy ratio.



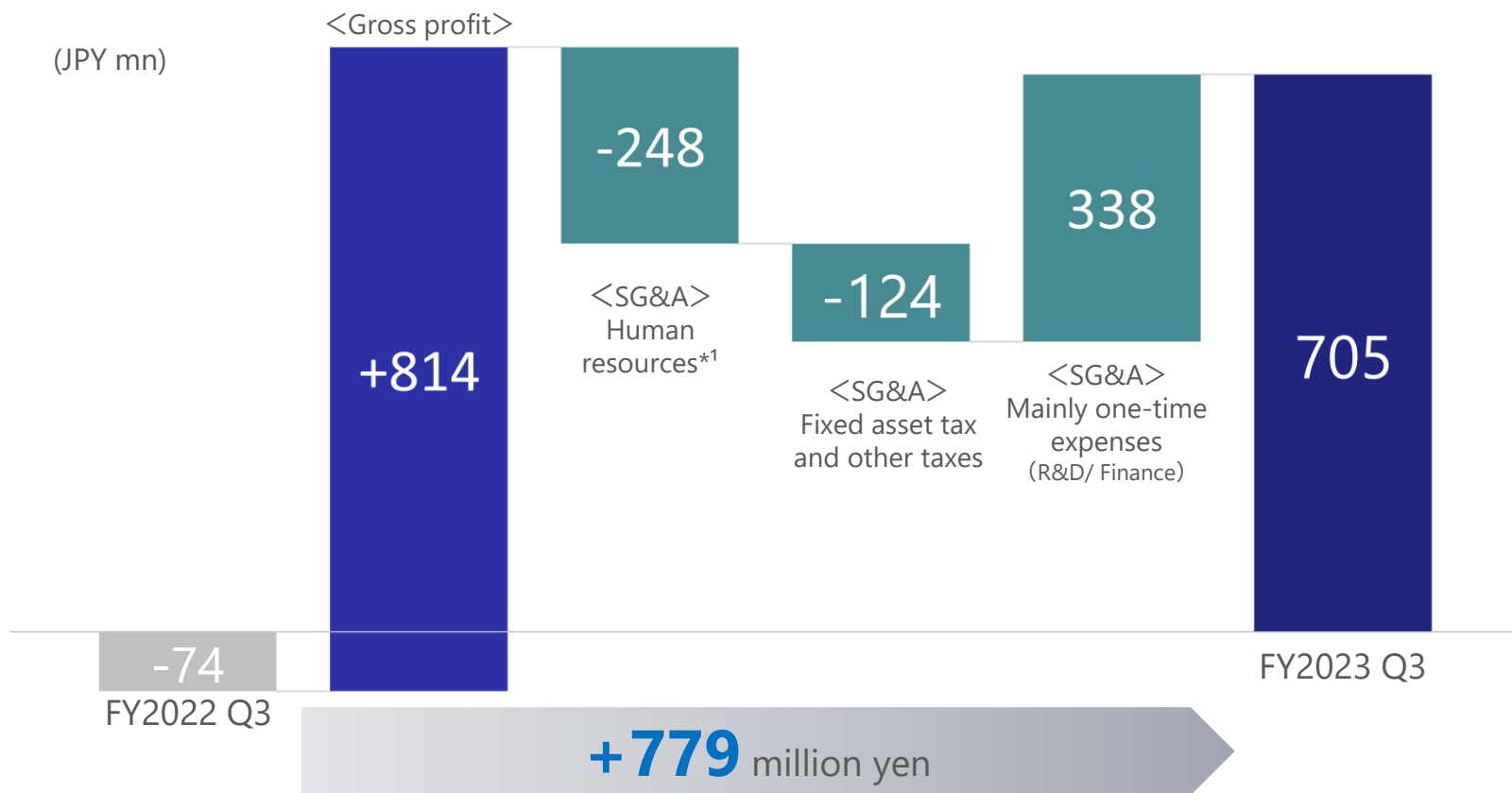
Note: Breakdown of quarterly revenue by business is unaudited.



# ① <Reference>

## Factors behind changes in consolidated operating profit

- In addition to the increase of human resources costs associated with the strengthening of the structure for Domestic IBS and Tower operations, fixed asset and other taxes increased due to the acquisition of towers.
- On the other hand, one-time expenses decreased YoY due to the decrease in expenses related to R&D and finance.



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



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## ② FY2023 Q3 Progress and forecast of KPI for core business

		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 <b>Total results</b> *2		835	3	351	15	63
FY2023 Q3 Results *2	9 months progress	<b>4,468</b>	<b>0</b>	<b>37</b>	<b>29</b>	<b>26</b>
	Total	5,303	3	388	44	89
FY2023 Full year Forecasts	12 months plan	<b>5,350*3</b>	<b>109</b>	<b>55</b>	<b>25</b>	<b>62</b>
	Total	6,185	112	406	40	125
	Total by business	6,297		571		

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

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

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

## ② Tower – Progress of Tower Transfer

(approx. 6,000 NTT DOCOMO towers\*<sup>1</sup> to be transferred)

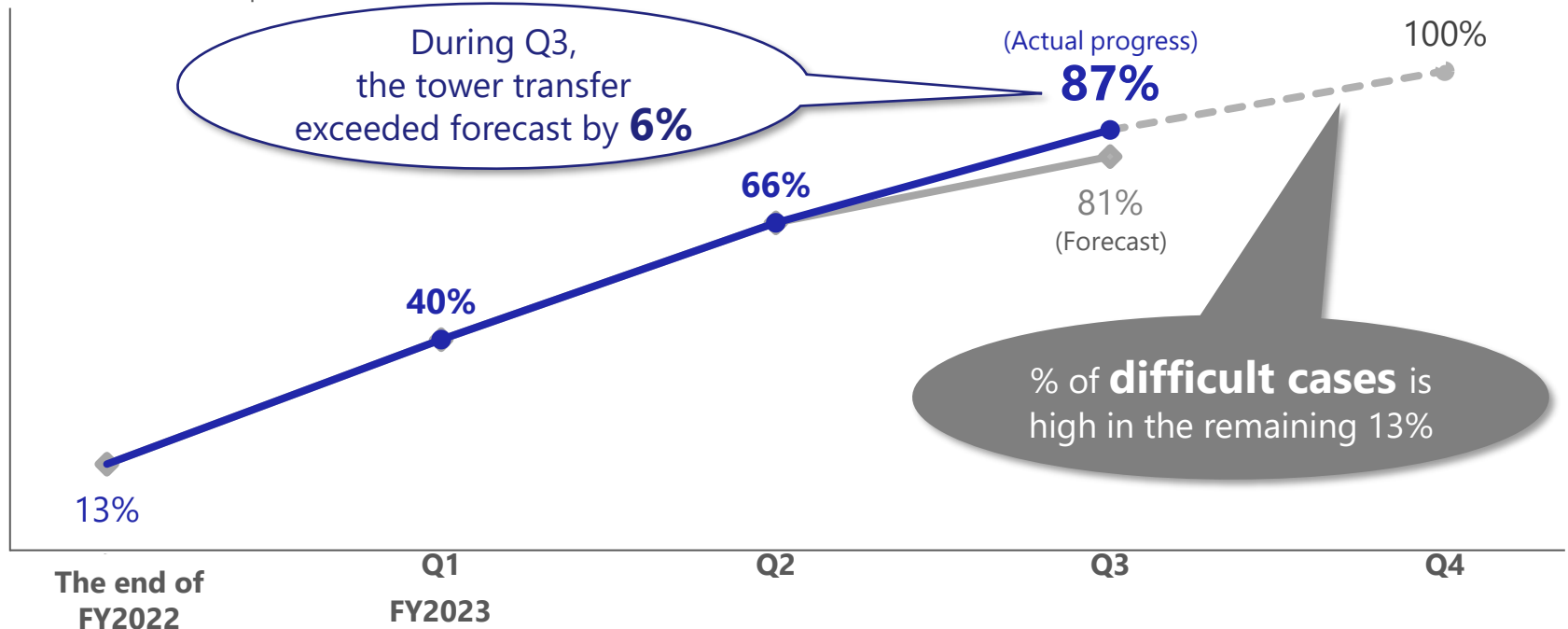
# JTOWER

- The tower transfer during Q3 (3 months) exceeded forecast by **6%** and the transfer of **87%** of approx. 6,000 towers was completed.
- However, with regard to the transfer of the remaining 13% of towers, % of **difficult cases** is high. Depending on the progress in Q4, the transfer may be delayed.
- With regard to attracting tenants, we are promoting sales activities to conduct trials in the transferred towers and conclude master lease agreements.

### <Tower transfer progress & forecast as of the end of the quarter>

(cumulative % of approx. 6,000 towers to be transferred)

(% : number of transfer completed)



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

### Tower Carve-outs

#### ■ Transfer of additional 1,552 NTT DOCOMO towers

Scheduled to complete the transfer of **200 towers** during Q4 FY2023.

#### ■ Transfer of NTT East and West towers

It takes time to coordinate with tenants other than NTT DOCOMO and most of the transfers may be carried over the next fiscal year.

### Rural (new construction)

#### ■ Service launch in rural towers

- It takes time for MNO to procure the access lines required for radio wave launch and other matters and we assume that it will be **difficult to launch the service in the total of 112 towers within FY2023** and some of them may be delayed from the next fiscal year onward.
- The schedule for the next fiscal year onwards is still under discussion with MNO.



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### ③ FY2023 Full Year Forecasts (No change)

#### ● Revenue:

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

#### ● Operating profit:

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

#### ● Ordinary profit:

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

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

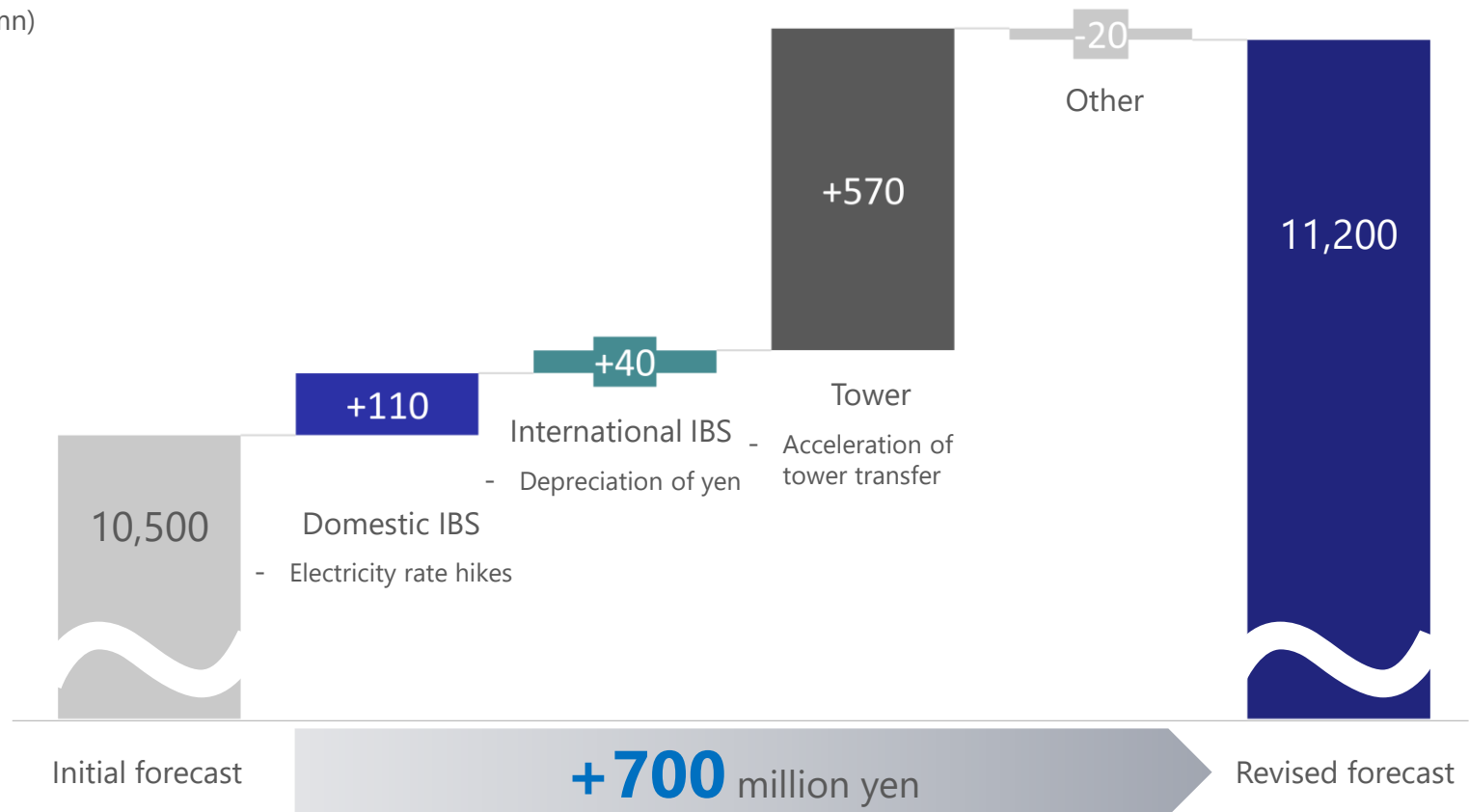
(JPY mn)	FY2022	FY2023		FY2023			
	12 Months Results	(1)12 Months Revised Forecasts (Nov. 8, 2023)	Change		(2)12 Months Initial Forecasts (May 11, 2023)	(1)-(2)	
			Amount	%		Amount	%
<b>Revenue</b>	5,228	<b>11,200</b>	+5,972	+114.2%	10,500	+700	+6.7%
<b>EBITDA *1</b>	1,688	<b>5,210</b>	+3,522	+208.5%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

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

### ③ Revised Forecast (announced November 8, 2023): Factors behind Changes in Consolidated Revenue

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

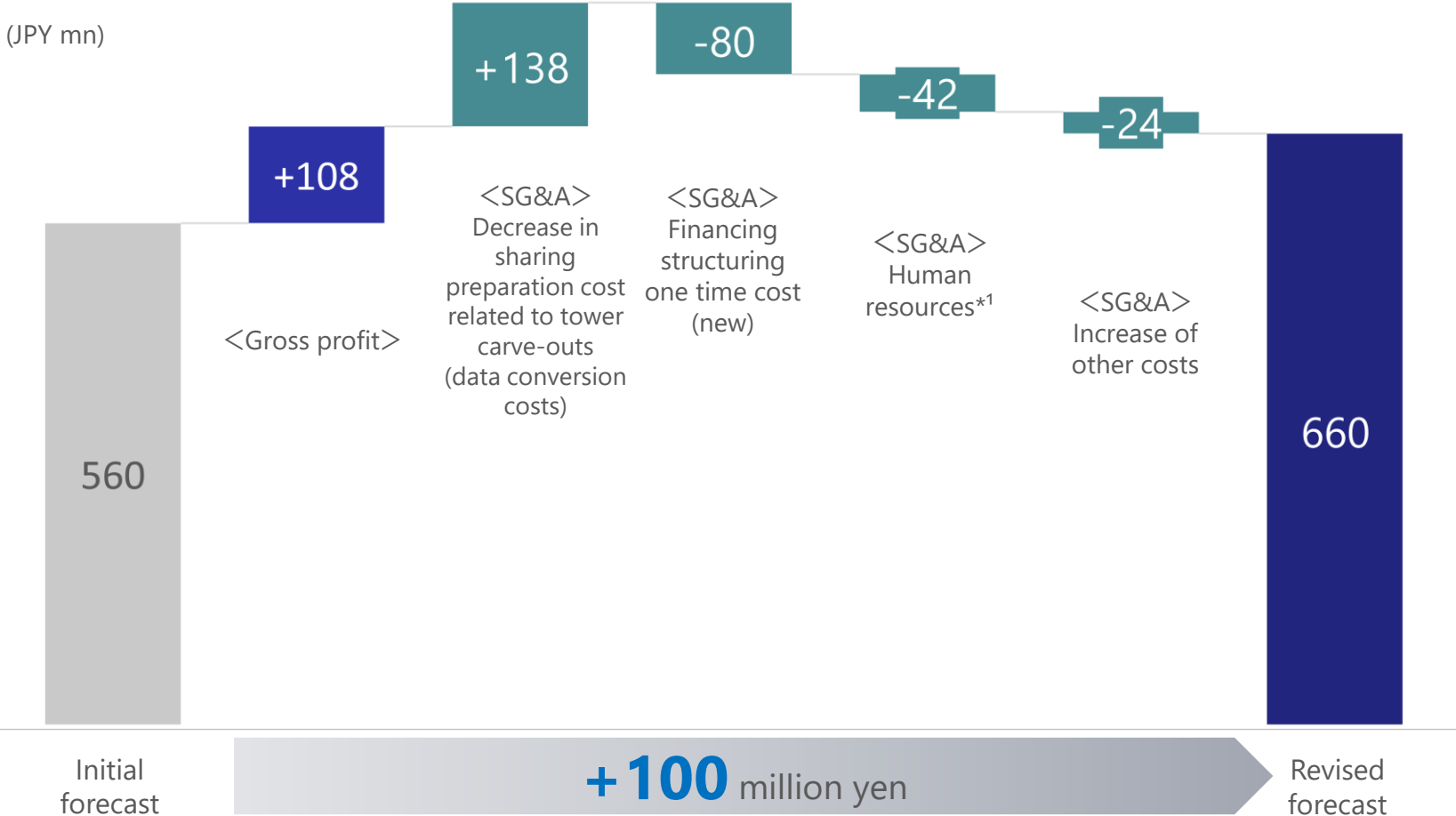
(JPY mn)





### ③ Revised Forecast (announced November 8, 2023): Factors behind Changes in Consolidated Operating Profit

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



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



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Category	Q	A
Domestic IBS	Why did 4G IBS (replacement) progress well? Will the pace of installation accelerate from now on?	Due to the steady progress of construction at existing buildings where the replacement was conducted. As for the installation pace in the future, we will confirm MNO's requests and adjust the schedule.
Tower	In the transfer of NTT DOCOMO's towers, it is assumed that there are many difficult cases in the towers that will be transferred during Q4, but how many % of towers have a risk that the transfer will not be completed in this fiscal year ?	Most of the transfer works remaining in Q4 are difficult cases, and we assume that the largest number of towers that cannot be transferred during this fiscal year is around 10% of the total (600 towers).
Tower	What are the specific conditions of the "difficult cases"?	Projects where problems have arisen in the scrutiny related to the transfer of land lease contract and in the negotiations with landowners.
Tower	For the acquisition of additional 1,552 NTT DOCOMO towers, the transfer of 200 towers is planned in Q4. When will the transfer work be started?	Scheduled to start transfer gradually from February onward.
Tower	In Tower business, if the total number of towers for the full year falls below the forecast, what is the impact on revenue and profits?	Towers scheduled to be transferred in Q4 have limited revenue contribution periods (in addition, there is also the contribution from the acceleration of the transfer) Therefore, it is assumed that there will be little impact on the full-year prospect for revenue and profits.



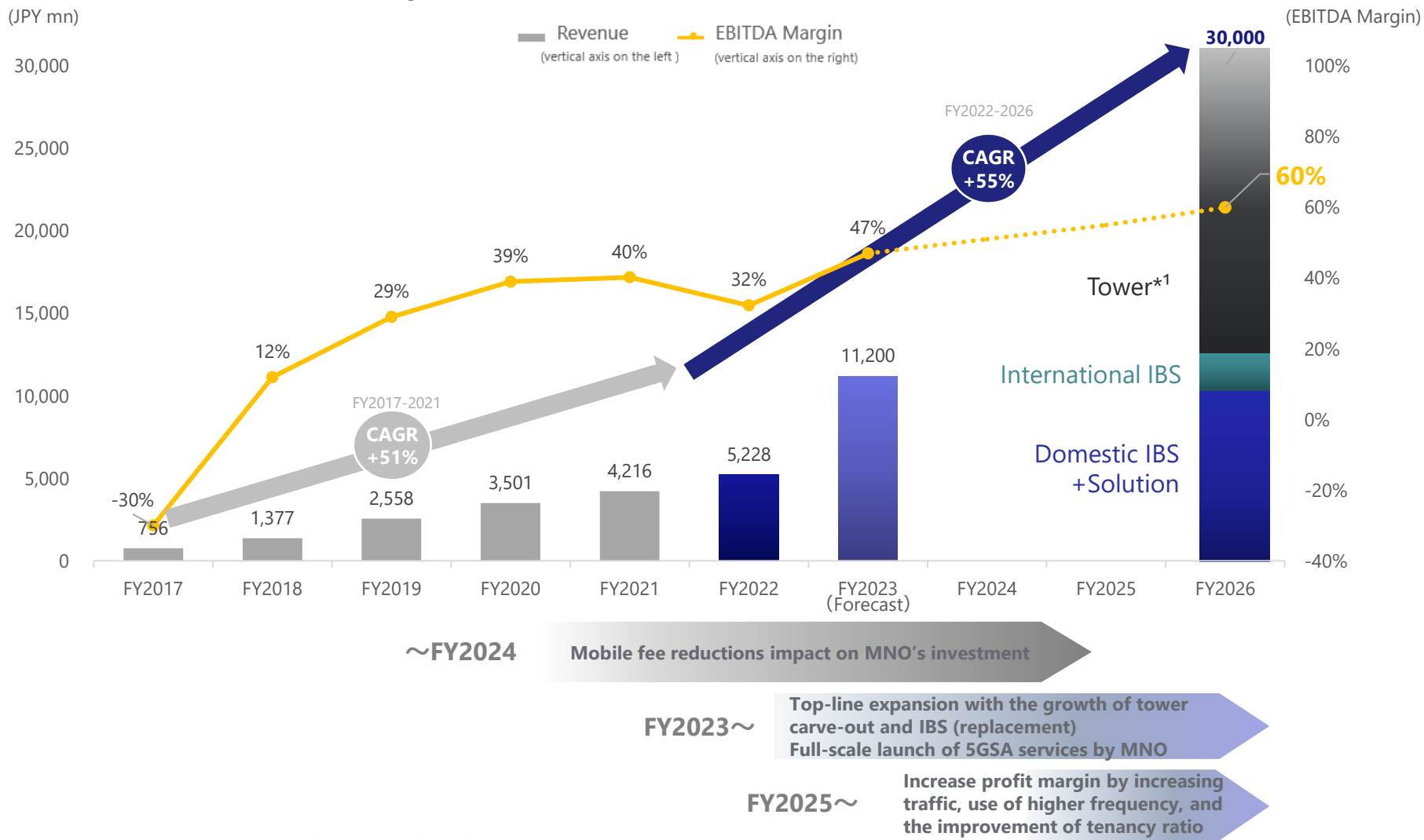
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## ⑤ Medium-to long-term Growth image of revenue and EBITDA margin and potentials

- 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

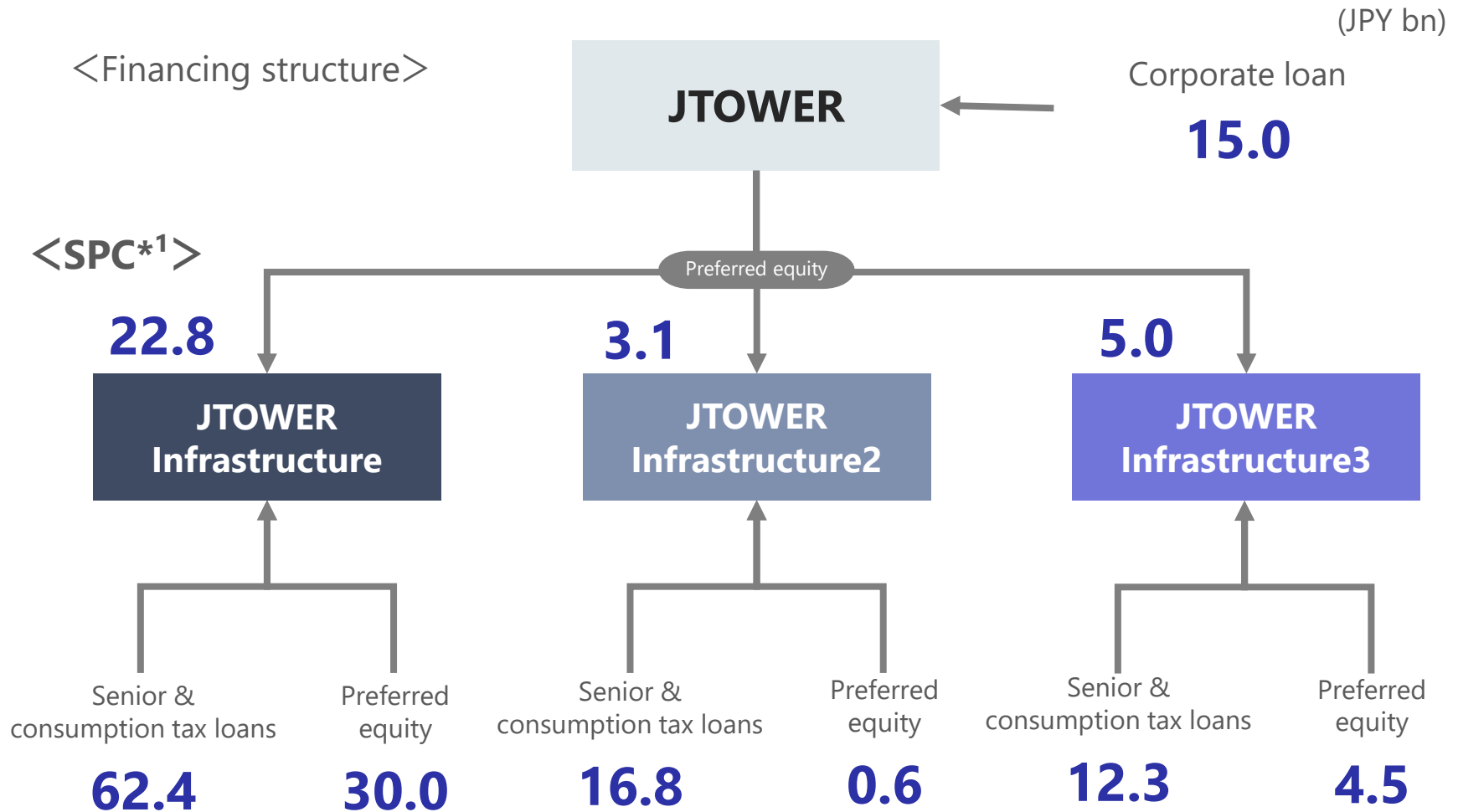
The total number of  
towers  
**10,000** towers

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 Implementation of strategic financing

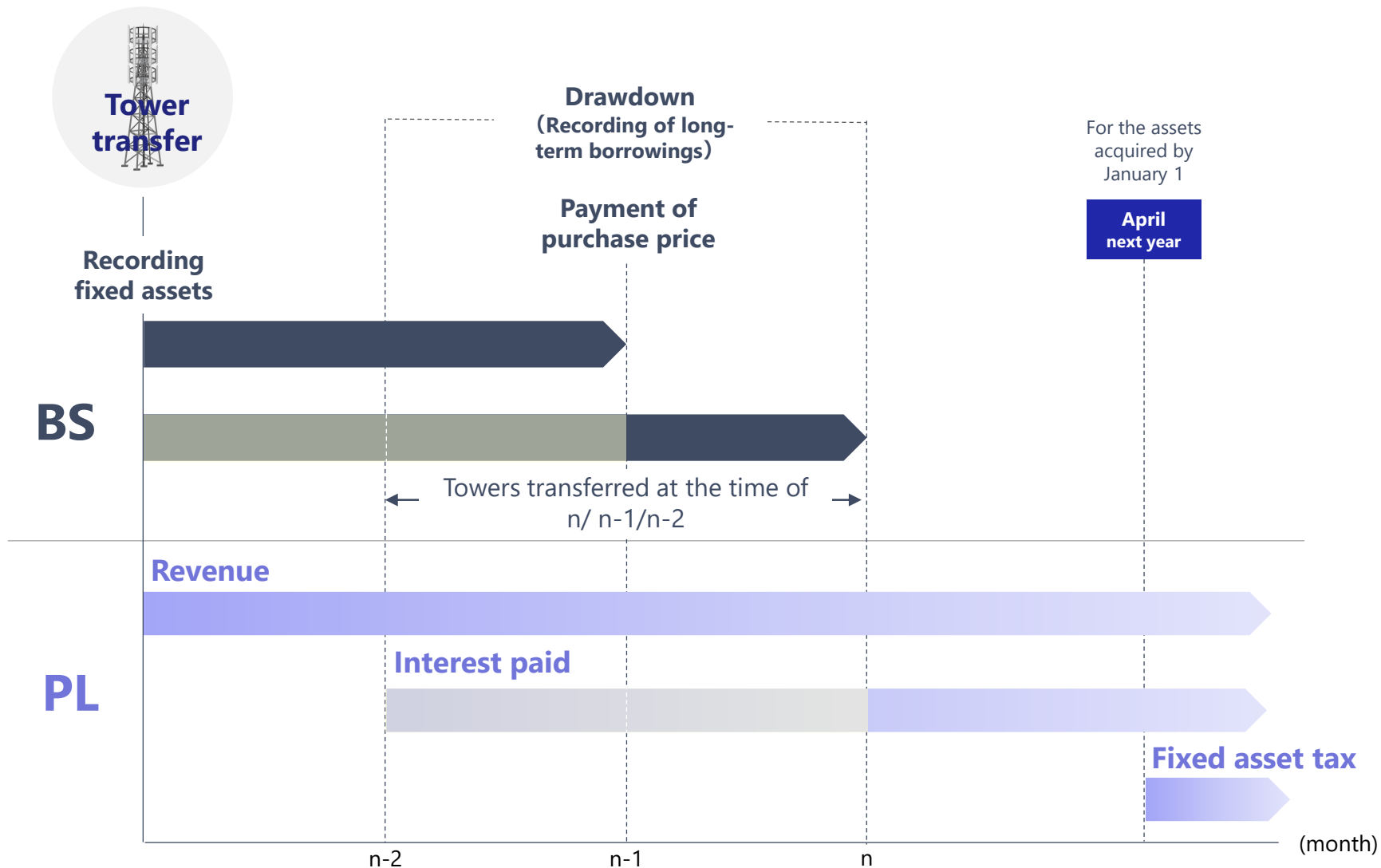
- Raising funds optimally and strategically aiming to achieve medium-to long-term financial targets (FY2026).



\*1: ALL the SPCs are 100% subsidiaries of JTOWER Inc. and special-purpose companies for tower ownership and financing.

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

- ✓ 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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