

JTOWER

Financial Results for Q1 FY2024 ended June 30, 2024

August 14, 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 . FY2024Q1 Financial Results
- 2 . Initiatives for Future Growth
- 3 . FY2024 Full Year Forecasts
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**Infra-Sharing
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Consolidated revenue increased +78% YoY to JPY3.7 billion

- During Q1, the number of towers expanded and revenue increased due to the steady transfer of towers, mainly for DOCOMO middle size towers.
- Domestic IBS and Tower businesses accounted for 34% and 58% of consolidated revenue.

Operating profit, ordinary profit and net income decreased, but in line with expectation

- In accordance with revenue growth, EBITDA increased +76% YoY and EBITDA margins stayed 45%.
- Operating profit decreased due to an increase in fixed asset tax associated with the increase in the number of towers.
- Interest expense increased due to an increase in debt associated with tower transfer, and ordinary loss and net loss also expanded.
- However, the decline in profits was in line with expectations.

① FY2024Q1 Highlights of Core Business (Tower)

(Number of towers)

Tower	FY2024 Q1 result			As of March 2025 forecast		
	Progress	Total	Tenancy ratio (x)	Total	Tenancy ratio (x)	
DOCOMO large size	120	5,581	1.0	5,690	1.04	1.07
NTT EAST & WEST	1	87		160		
DOCOMO middle size	775	987		1,447		
New construction (rural) (revenue contribution basis)	7	116	1.24	140	2.89	
Total	903	6,771		7,437		

- ✓ Transfer of DOCOMO middle size towers progressed, and the transfer of 987 towers was completed (64% of total).
- ✓ Generation of lease fees (based on the planned start of usage) progressed for rural towers, and tenancy ratio improved to 1.24.

① FY2024Q1 Highlights of Core Business (Domestic IBS)

(Number of installations)

Domestic IBS	FY2024 Q1 result			As of March 2025 forecast	
	Progress	Total	Tenancy ratio (x)	Total	Tenancy ratio (x)
4G IBS (new installation)	10	414	2.9	457	3.0
4G IBS (replacement)	2	48	1.0	100	1.1
5G IBS	3	127	1.6	154	1.7
Total	15	589		711	

- ✓ In Q1, the number of installations in 4G and 5G IBS increased by 15 and the total number of installations in Domestic IBS*¹ increased to 589.
- ✓ Tenancy ratio has been stable toward full-year forecast.

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

① FY2024Q1 Consolidated Results – P&L

- Revenue and EBITDA increased due to growth in the number of towers.
- Decrease in profits due to increase in fixed asset tax and interest expense.

(JPY mn)	FY2023	FY2024		
	3 Months Results	3 Months Results	Change	
			Amount	%
Revenue	2,086	3,719	+1,632	+78.2%
EBITDA *1	945	1,660	+714	+75.6%
<i>EBITDA Margin</i>	45.3%	44.6%	- 0.7pt	-
Operating Profit	180	68	- 112	-62.3%
<i>Operating Profit Margin</i>	8.6%	1.8%	- 6.8pt	-
Ordinary Profit	105	-188	- 293	-
Profit attributable to non-controlling interests*2	-	-161	- 161	-
Profit attributable to owners of parent	68	-46	- 114	-
Capital Expenditure*3 (Investment Cash Flow)	-18,098	-14,488	+3,610	-

*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 include the acquisition of property, plant and equipment and intangible assets. (Period total is unaudited)

① FY2024Q1 Consolidated Results – BS (1/2)

- **Tangible Fixed Assets (buildings and structures) and debt increased due to the tower transfer and the drawdown following transfer.**

(JPY mn)	FY2023	FY2024	
	March 31, 2024	June 30, 2024	Change
Current Assets	33,909	34,371	+462
Cash and Cash Equivalents	30,685	31,775	+1,089
Accounts Receivable	644	581	- 63
Non-current Assets	112,711	123,061	+ 10,349
Tangible Fixed Assets	110,385	120,094	+9,709
Buildings and structures	96,900	106,302	+9,402
Machinery, equipment and vehicles	10,116	10,314	+198
Goodwill	316	324	+7
Total Assets	146,620	157,432	+ 10,811
Financial Indicators			
Debt	69,677	78,082	+8,405
Net Debt	38,991	46,307	+7,316
Equity Ratio	21.0%	20.0%	- 1.0pt
Adjusted Equity Ratio* ¹	37.1%	37.3%	+0.2pt

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

① FY2024Q1 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.

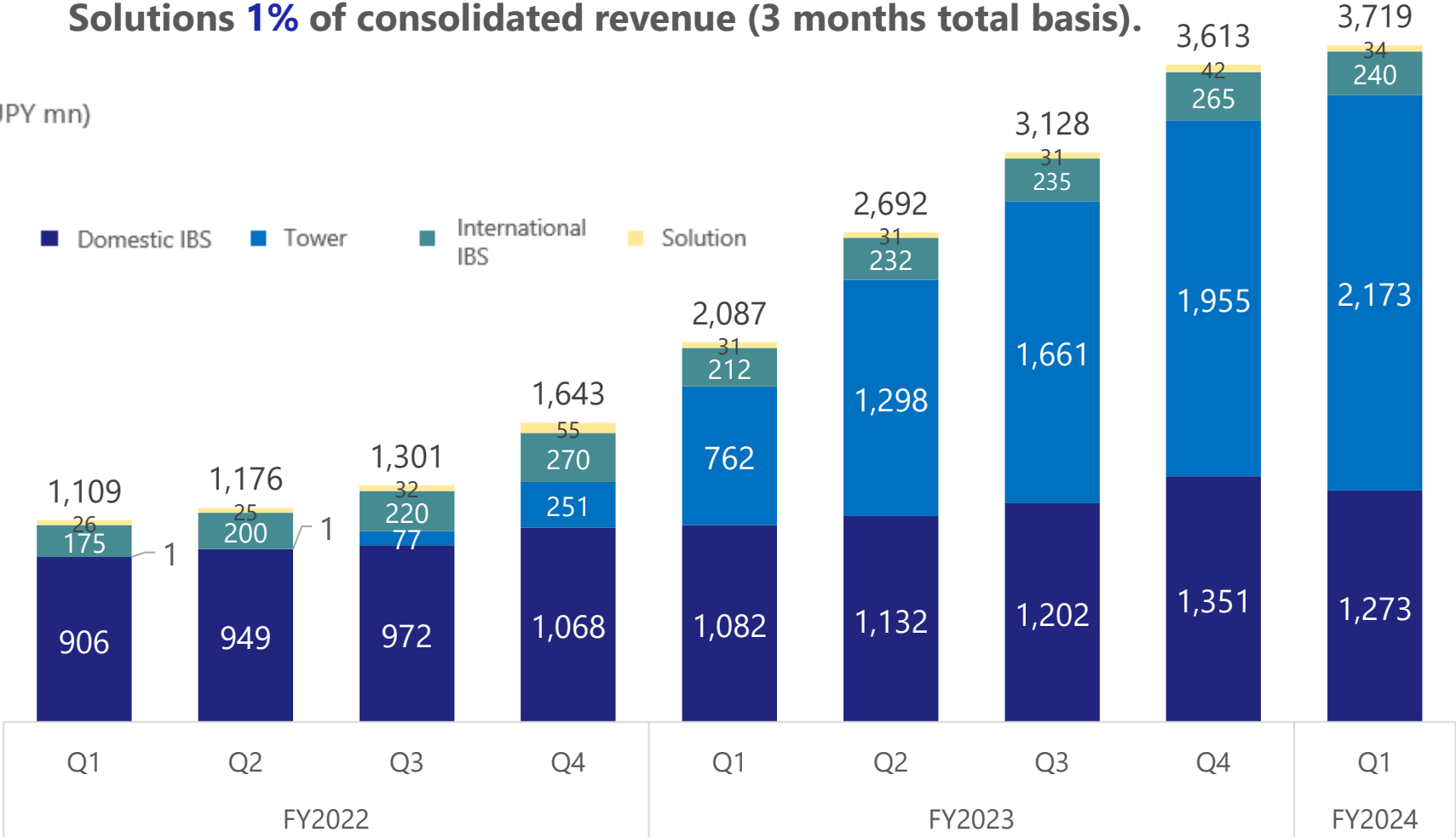
(JPY mn)	FY2023	FY2024	
	March 31, 2024	June 30, 2024	Change
Current Liabilities	24,025	25,278	+1,252
Accounts payable - trade	720	377	- 342
Short-term borrowings* ¹	2,456	4,134	+1,678
Accounts payable - other	8,992	8,010	- 982
Contract liability	10,598	11,662	+1,063
Long-term borrowings	66,295	73,023	+6,728
Total Liabilities	92,163	99,343	+7,179
Net Assets	54,457	58,089	+3,631
Share capital	16,584	16,585	+1
Capital surplus	15,371	15,446	+75
Non-controlling interests	23,632	26,541	+2,909
Total Liabilities and Net Assets	146,620	157,432	+10,811

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

① Historical Revenue by Business

- In Q1, revenue increased **JPY1.4 billion** in Tower and by **18%** in Domestic IBS YoY.
- Domestic IBS accounted for **34%**, Tower **58%**, International IBS **7%** and Solutions **1%** of consolidated revenue (3 months total basis).

(JPY mn)

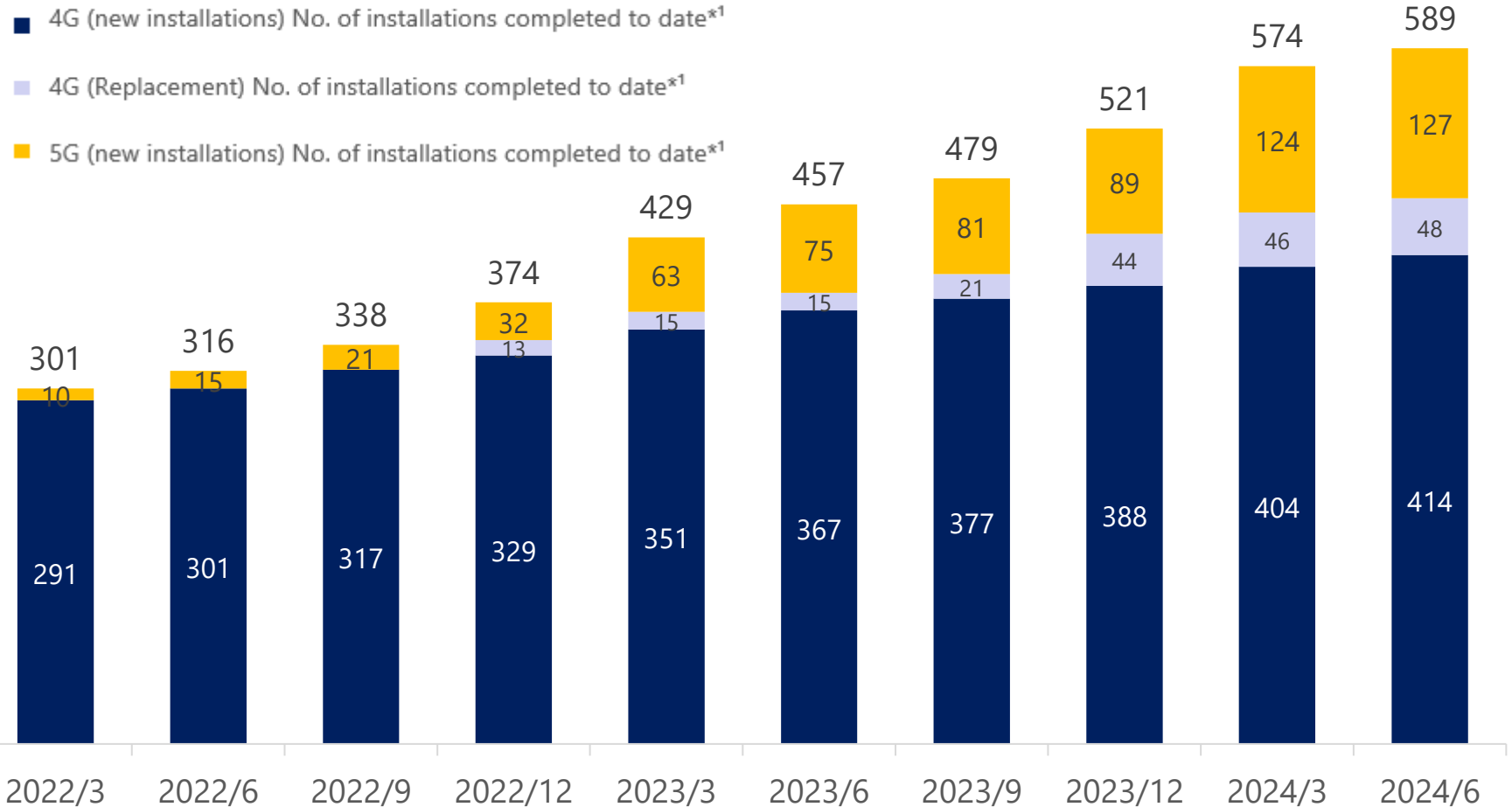


注: 四半期毎の事業別の売上高数値内訳は未監査。

① Historical Number of Installations (Domestic IBS) JTOWER

- In Q1 (3 months), the number of installations increased **10** in 4G IBS (new installations), **2** in 4G IBS (replacement) and **3** in 5G IBS (total **15**).

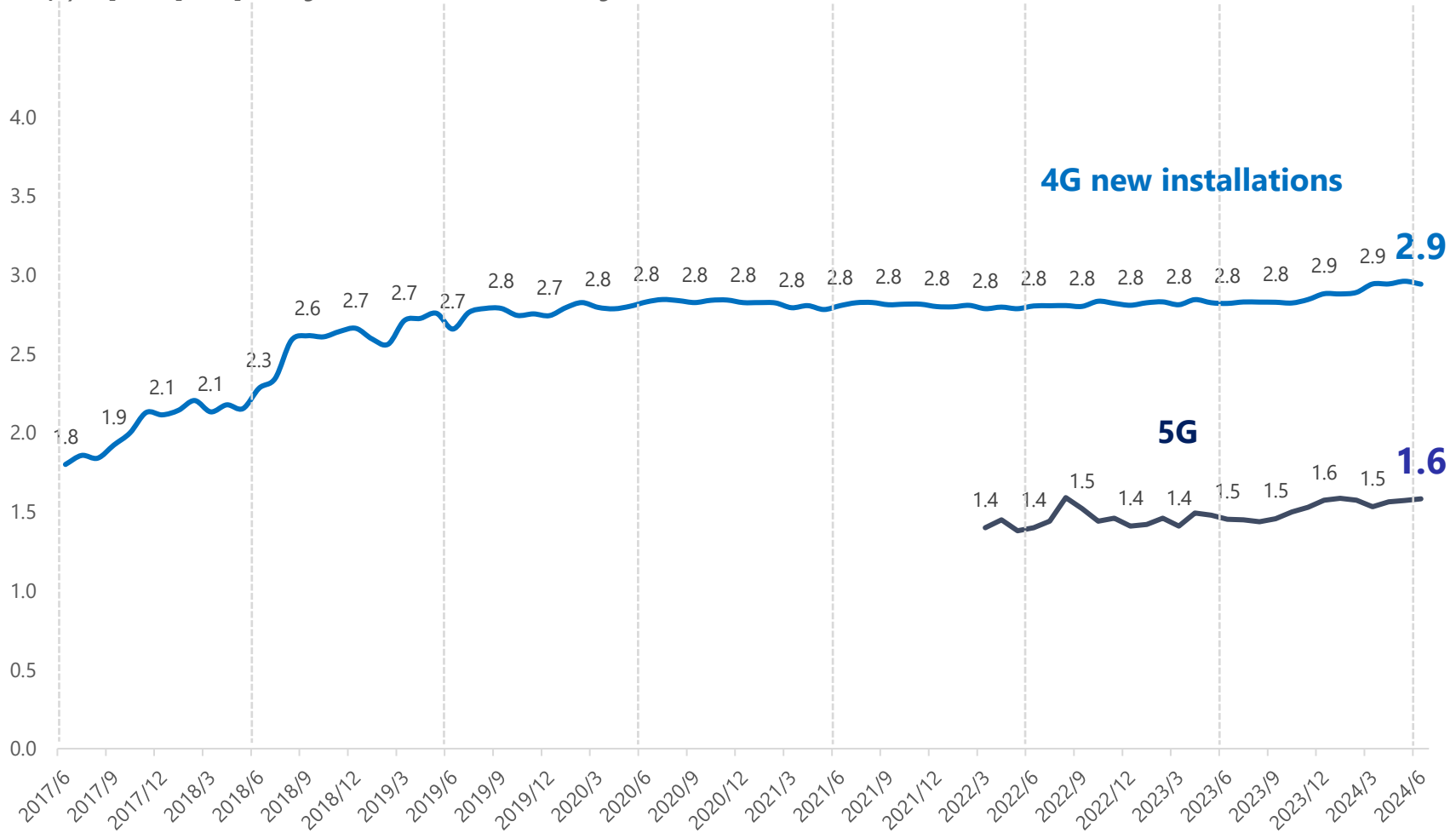
(Number of buildings)



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

① Historical Tenancy Ratio*1 (Domestic IBS)

- Tenancy Ratio (average number of participating mobile network operators per property) has been steady in 4G IBS (new installations) and 5G IBS.*2



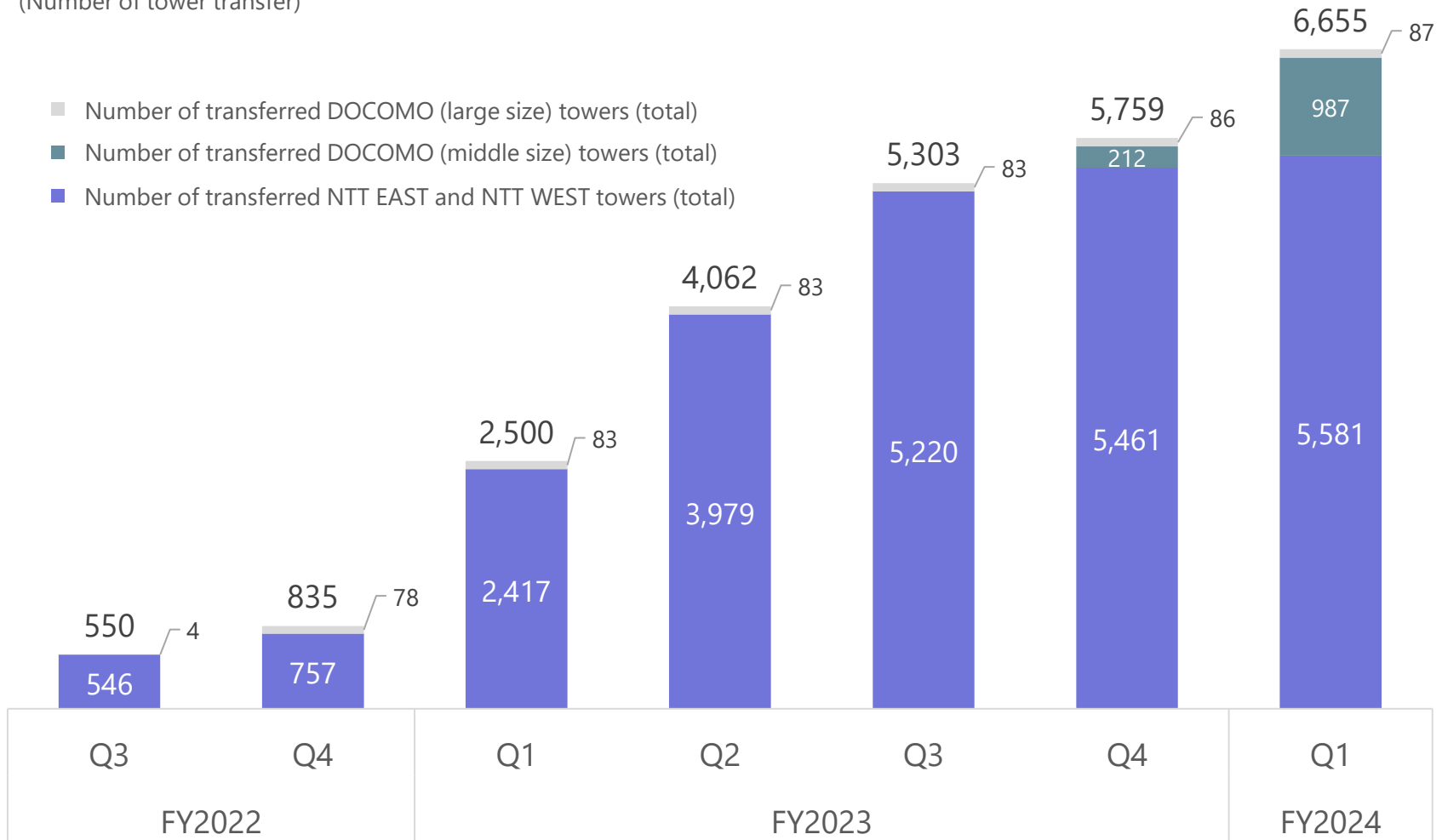
* 1: Average number of participating mobile carriers per property (at properties where IBS has been installed to date).

* 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 (3 months), the total of **896** towers were transferred, and the total number of transferred towers increased to **6,655**.

(Number of tower transfer)

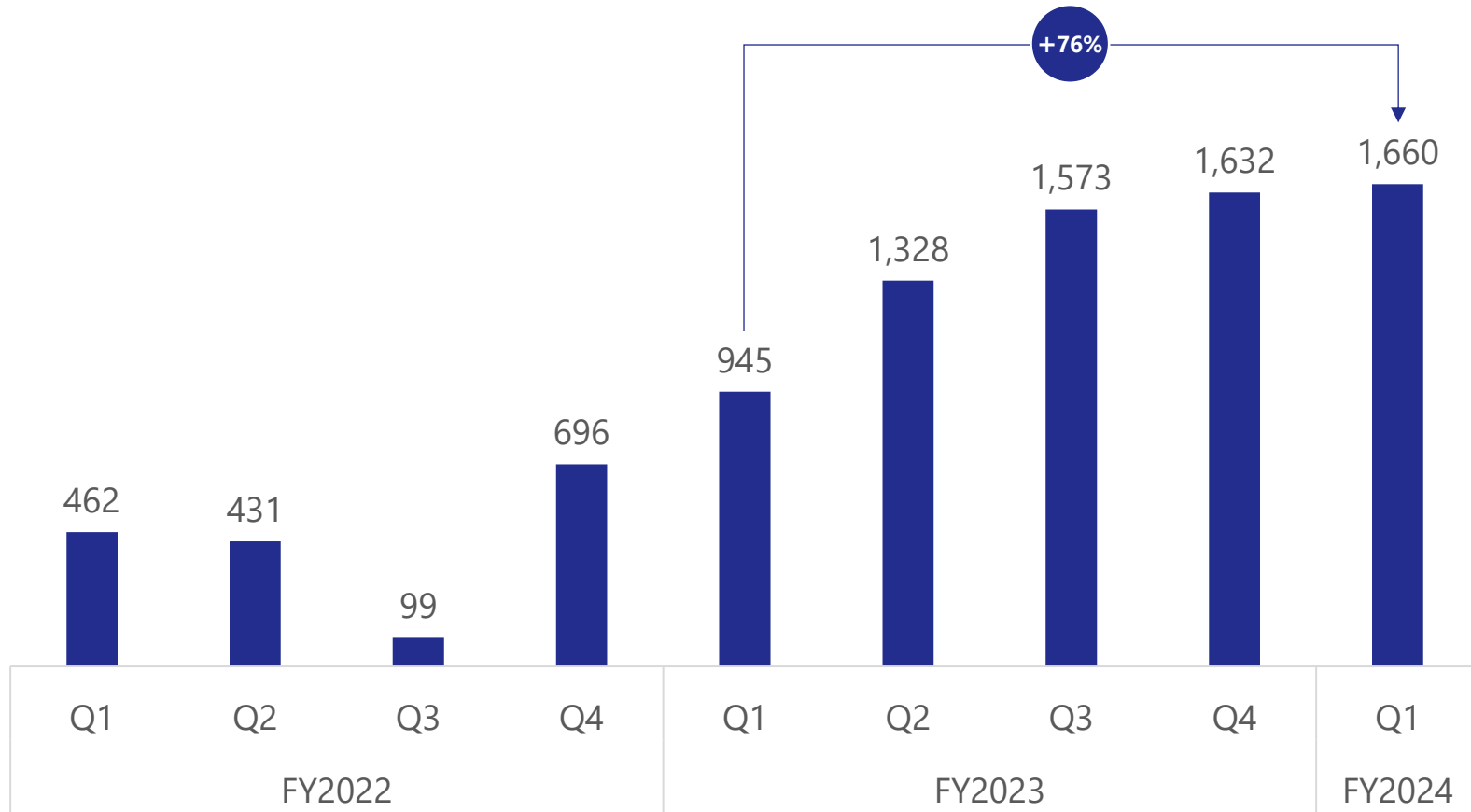


① Historical Consolidated EBITDA*1

- Consolidated EBITDA increased by **76%** YoY, in conjunction with revenue growth, despite an increase in fixed asset tax.

(JPY mn)

EBITDA
(Comparison of 3 months total)

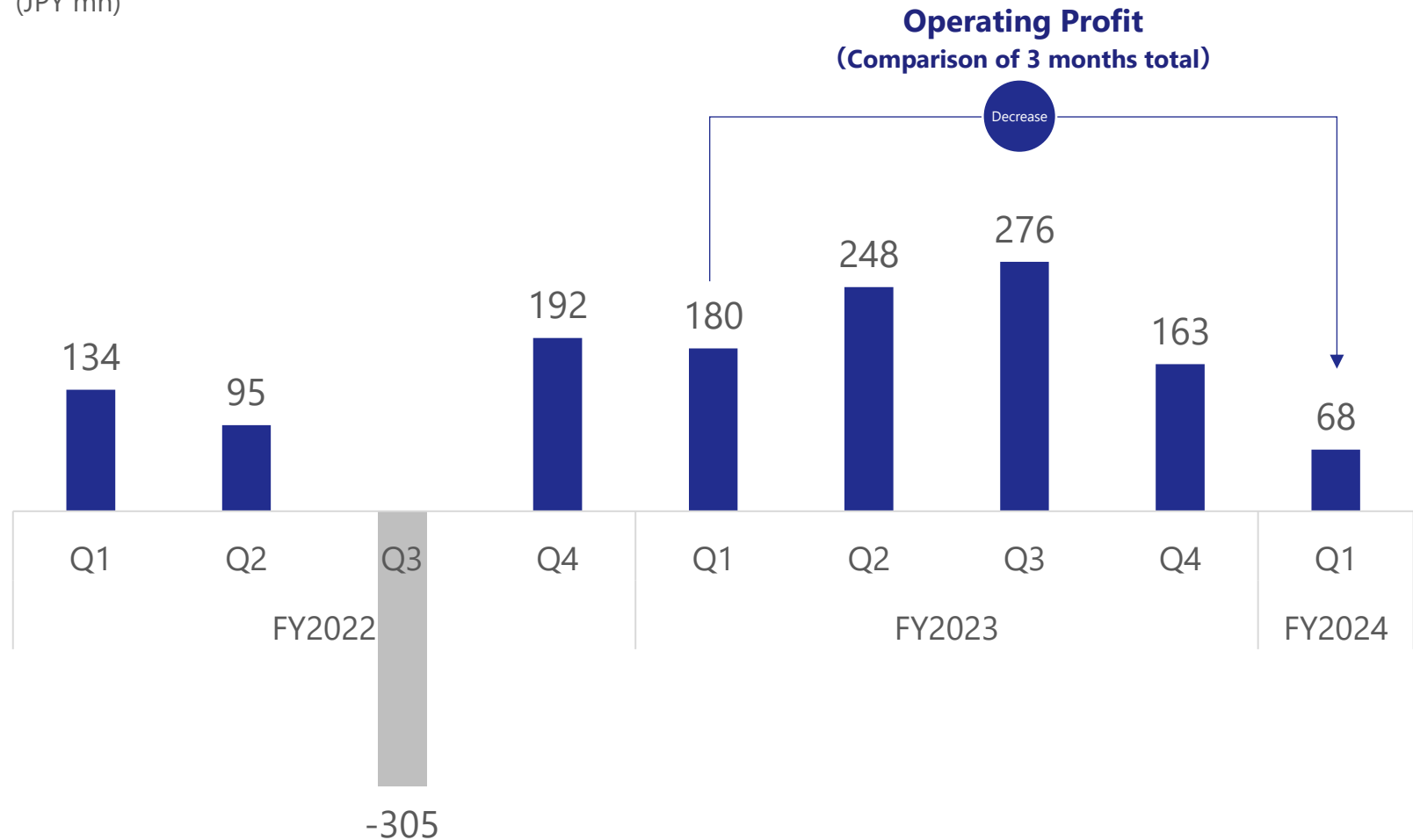


*1: EBITDA=Operating profit + depreciation + goodwill amortization + amortization of long-term prepaid expenses

① Historical Consolidated Operating Profit

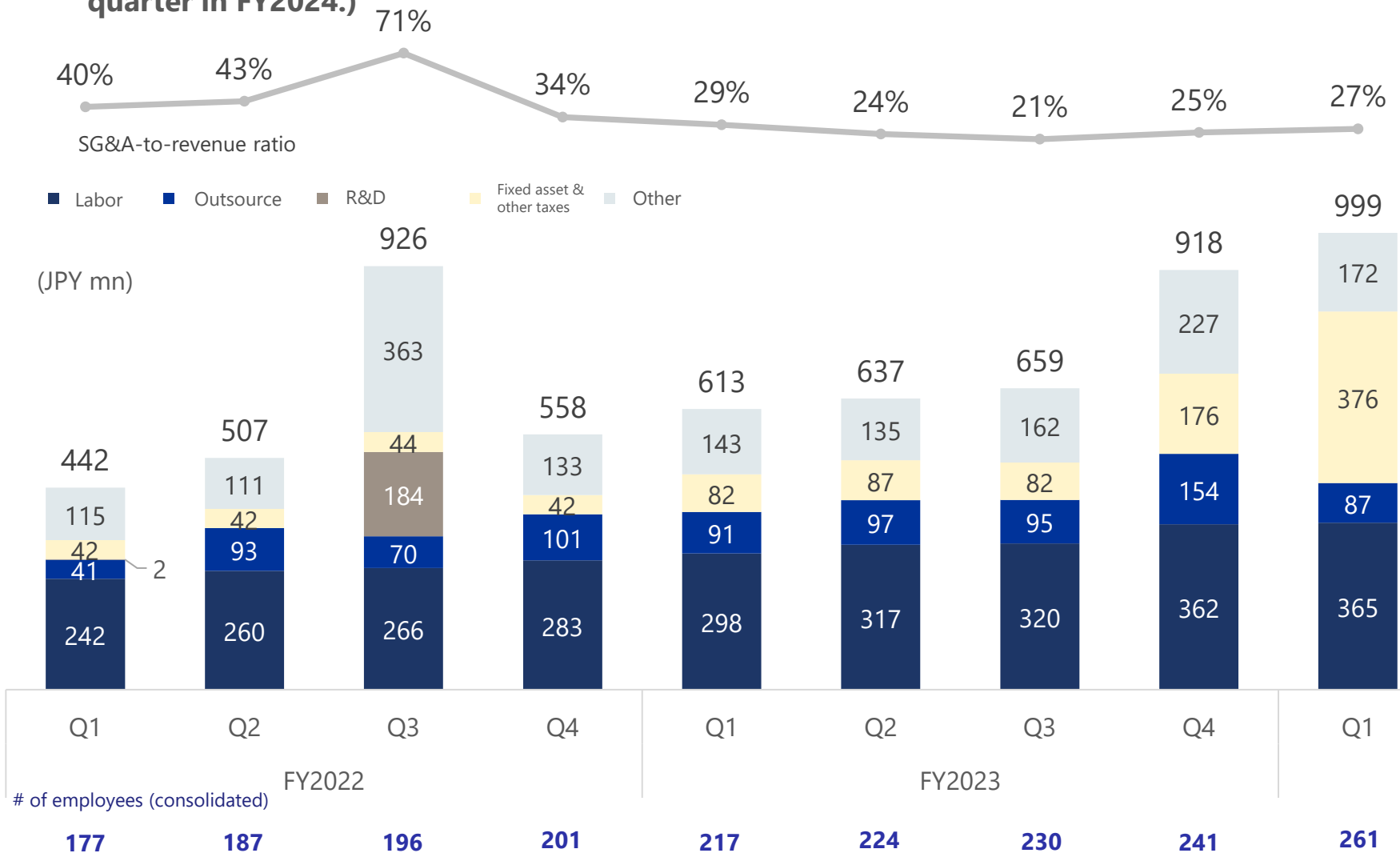
- On the other hand, consolidated operating profit decreased YoY due to the impact of an increase in fixed asset tax, despite an increase in revenue.

(JPY mn)



① Historical Consolidated SG&A Expenses

- Fixed asset and other taxes expanded mainly due to an increase in property taxes. (However, there will be no future increase, and the same level is expected to continue in each quarter in FY2024.)



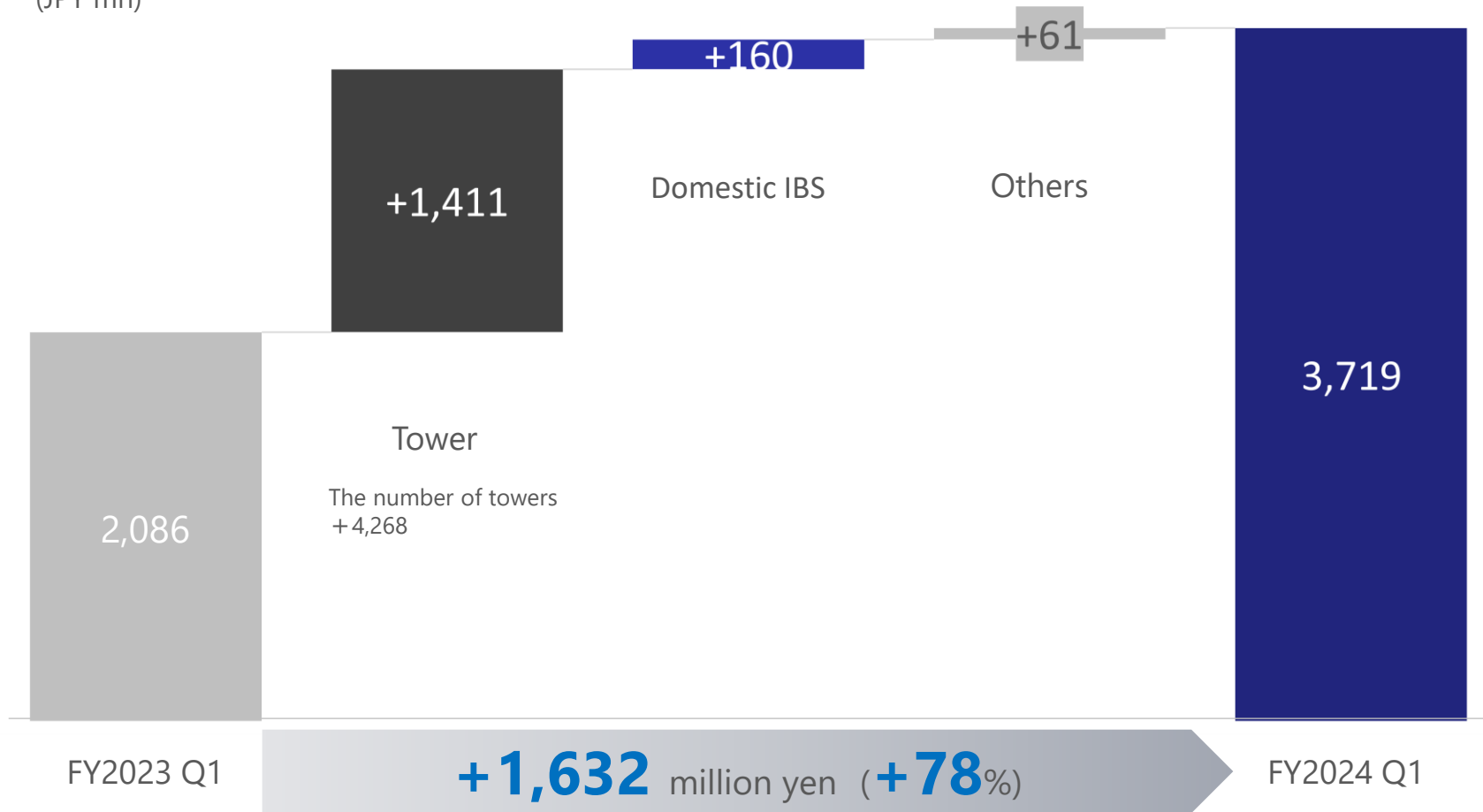
① <Reference>

Factors behind changes in consolidated revenue

JTOWER

- In Tower business, revenue grew due to an increase in the number of transferred towers.
- In Domestic IBS business, revenue grew due to the expansion of 5G IBS and 4G IBS (replacement).

(JPY mn)



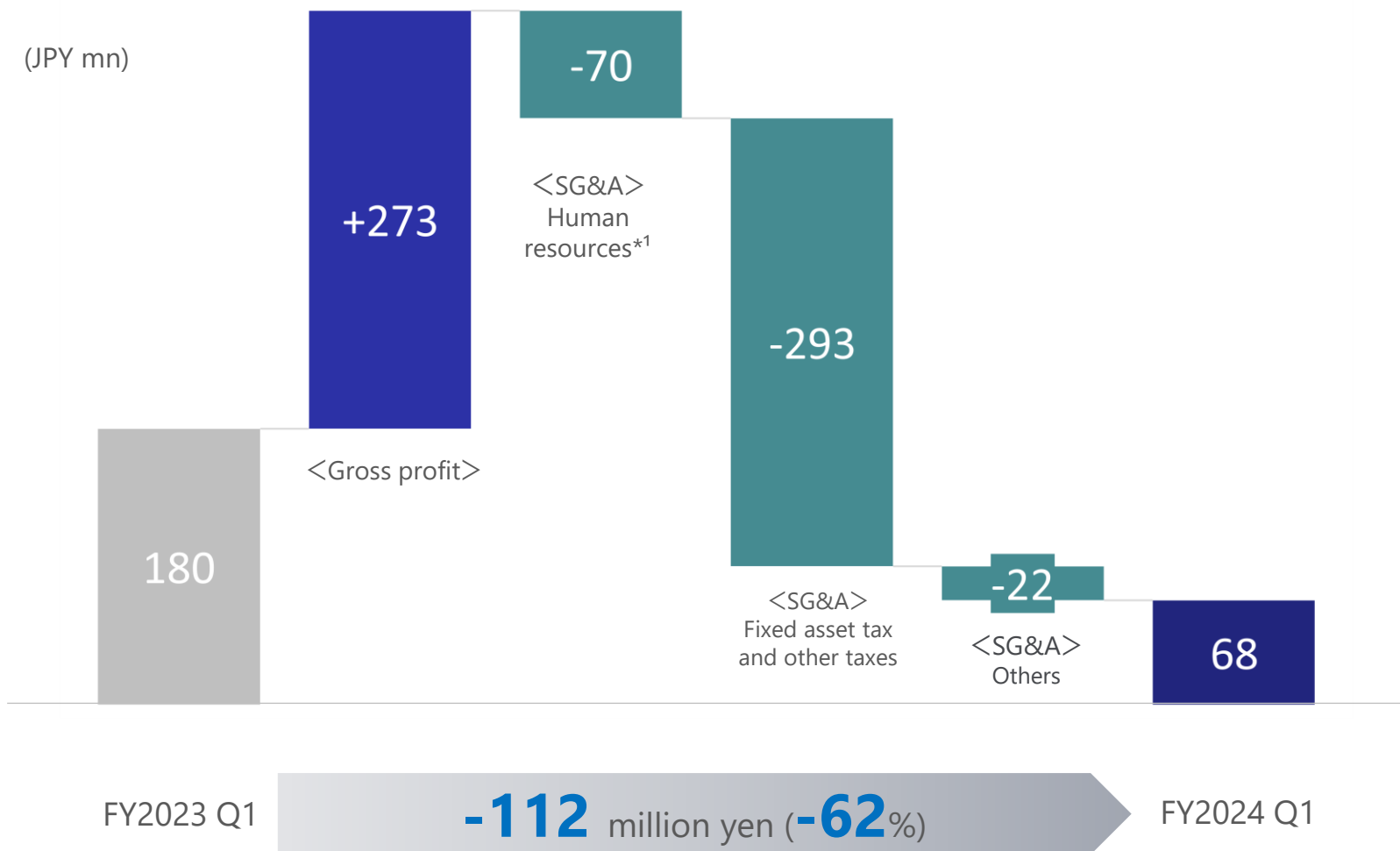
Note: Breakdown of quarterly revenue by business is unaudited.

① <Reference>

Factors behind changes in consolidated operating profit

JTOWER

- Gross profit increased due to expansion of Domestic IBS and Tower business.
- SG&A expenses increased due to cost related human resources, fixed asset tax, size based business tax and one-time commission.



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



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② NTT DOCOMO agreed 4G IBS (replacement)

JTOWER

- On June 19, a memorandum was signed with NTT DOCOMO for the promotion of 4G IBS (replacement).

NTT DOCOMO × JTOWER

Agreed to replace MNO's independently installed indoor networks with our Infra-Sharing networks

Discussion on installation plan in FY2024 progressed

- (with DOCOMO + existing projects) Aim to launch services for about 80% of buildings scheduled for replacement in this fiscal year.
- The remaining 20% will also be focused on discussions and negotiations with real estate owners, and the installations plan is expected to be finalized during Q2.

In addition to reducing CAPEX and OPEX, reduction of power consumption will enable **65% reduction in GHG** compared to the case that each MNO independently installed their indoor networks, realizing an environmentally conscious network development*.

* Estimated GHG reduction by replacement

- Based on CFP (GHG emissions from manufacturing to recycling: quantity of parts and materials × emissions intensity).
- GHG emissions per building are approximately 30,000 m² which is the average size of JTOWER's 4G IBS installation site. (Calculated based on office building data for ground 20F and underground 1F).
- The independent installation by MNO is calculated by multiplying the materials used in calculating JTOWER IBS's GHG emissions by the tenancy ratio of 2.9 in FY2023 to calculate the contribution to GHG reduction.

② Started joint study for stable operation and efficient maintenance of telecom infrastructures with KDDI

JTOWER

- On July 19, we signed the memorandum with KDDI on joint study, aiming to develop sustainable telecom infrastructures in the society with declining population.

KDDI × JTOWER

- Many of the social infrastructures in Japan were developed during the high-growth period, and **the aging of those assets** is getting to be more serious.
- We are seeking ways to create **more efficient and sustainable social infrastructure** with an eye to a declining population.
- Human resources for the maintenance and management are decreasing and **further efficiency improvement in the maintenance and management** will be required.

Indoor Infra-Sharing

The replacement of facilities which need to be upgraded with **JTOWER's Indoor Infra-Sharing facilities**

Outdoor Tower Sharing

Consolidation of telecommunications towers through tower sharing

We are working to resolve social issues through the promotion of Infra-Sharing

<Progress of the attraction of telecommunications operators>

MNO

- Preparations for the service launch, including the implementation of trials with multiple MNO are progressing.
Tower sharing in multiple areas are scheduled to begin in Q2.
- Working on **collecting needs at MNO's regional operations to enhance services based on those needs**.
- Enhancing **proposals and discussions** with MNO, aiming to expand the pipelines towards achieving plan.
- For **tower sharing through tower consolidation**, we will promote the setting of objectives, the formulation of schedules, and the implementation of sharing efforts, while also considering collaboration with other MNO, triggered by joint study with KDDI.

Other

- Inquiries for utilizing towers as the installation site for telecom infrastructure of financial institutions have increased, with the discussion **for the use of approximately 10 towers**.
- Preparations for the use of towers are also underway with Metro Weather.



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③ FY2024 Full Year Forecasts (revised)

<Reason for change>

Due to Tender Offer by DB Pyramid Holdings, LLC, advisory fees, legal fees and other expenses were recorded as tender offer-related expenses (extraordinary loss) and profit attributable to owner of parent is expected to decrease by JPY820 million from the Initial forecast.

(JPY mn)	FY2024		FY2024	
	(1)12 Months Revised Forecasts (August 14, 2024)	(2)12 Months Initial Forecasts (May 9, 2024)	(1)-(2)	
			Amount	%
Revenue	15,700	15,700	0	0.0%
EBITDA *1	7,000	7,000	0	0.0%
<i>EBITDA Margin</i>	44.6%	44.6%	0	—
Operating Profit	450	450	0	0.0%
<i>Operating Profit Margin</i>	2.9%	2.9%	0	—
Ordinary Profit	-1,000	-1,000	0	0.0%
Profit attributable to non-controlling interests*2	-600	-600	0	0.0%
Profit attributable to owners of parent	-1,320	-500	- 820	—
Capital Expenditure (Investment Cash Flow)	-29,800	-29,800	0	0.0%

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

*2: Loss on Profit attributable to non-controlling interests shown as (-).



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Category	Q	A
Domestic IBS	Why has Domestic IBS seen a decrease in revenue compared to the previous quarter?	In 4G IBS (new installations), the number of buildings where contract period has passed 5 years increased, in addition to a reactionary decrease in consigned construction revenue compared to the previous Q4.
Domestic IBS	Is the limited number of installations for 4G IBS (replacement) and 5G IBS progressing as planned?	Both 4G IBS (replacement) and 5G IBS progressed as planned, since a concentration of installations expected in the latter half of the fiscal year.
Tower	The tenancy ratio for rural tower has reached 1.24; how many tenants have increased?	33 tenants increased during Q1. (revenue contribution basis).
Tower	How many towers are planned for trials in Q2?	While specific numbers cannot be disclosed, trials are planned in multiple areas.
Tower	What is the telecommunications infrastructure for financial institutions specifically?	The use case of towers for the purpose of installing wireless equipment to accelerate the infrastructure for financial transactions.



Outline

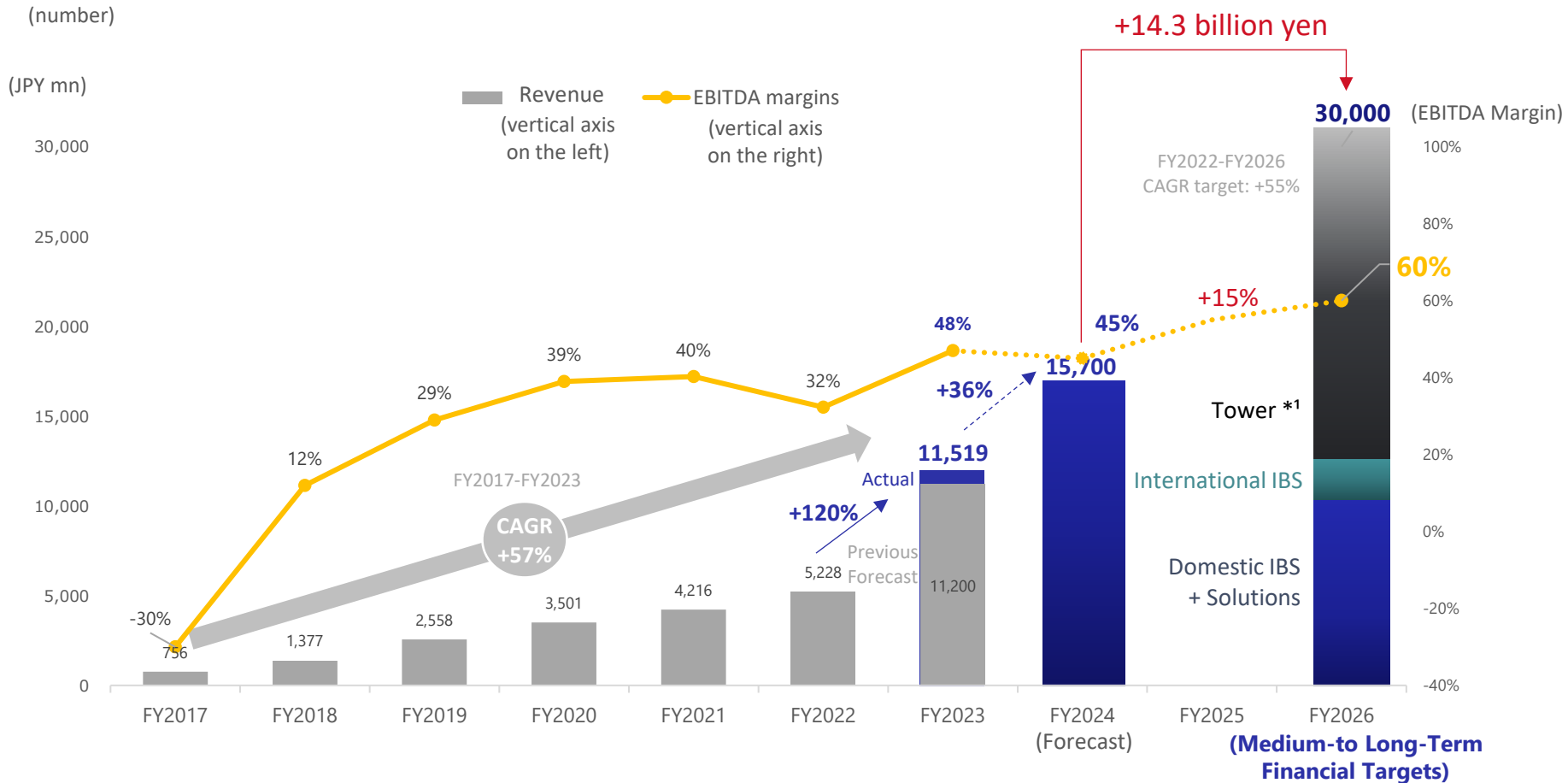
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⑤ Progress of Revenue and EBITDA

- Steady growth compared to medium-to long-term financial targets of revenue 30 billion yen and EBITDA margins of 60%.

From FY2024 forecasts to the medium-to long-term financial targets for FY2026, we are promoting the revenue growth of +14.3 billion yen and EBITDA margins improvement +15%.



⑤ Progress of KPIs

- **Tower business:** Approx. 80% is expected to be achieved with the number of towers agreed on the master transaction agreement. We will focus on acquisition of the remaining 20% of towers and improvement of the tenancy ratio.
- **Domestic IBS business:** Although 5G IBS is slower than initially expected, in terms of 4G IBS, replacement demand for existing properties other than those acquired, is becoming apparent, and the pipeline is expanding toward achieving the number of projects. The tenancy ratio is on track to achieve the initial target.

	Tower business		Domestic IBS business			
	Total (towers)	Tenancy ratio	Total 4G IBS (projects) ^{*2}	4G IBS Tenancy ratio ^{*3}	Total 5G IBS (projects)	5G IBS Tenancy ratio
End of FY2023 Actual	5,868	1.0 x	450	2.9 x	124	1.5 x
End of FY2024 Forecast(A)	7,437 (Approx. 7,900) ^{*1}	1.07 x	557	3.0 x	154	1.7 x
Medium-to long-term Financial target(B)	10,000	1.8 x	1,000	3.0 x	450	2.0 x
Numerical values required to achieve (B-A)	+ 2,563	+ 0.73 x	+ 443	FY2024 To be achieved	+ 296	+ 0.3 x

*1: The number is the total number agreed upon in the master transaction agreement with NTT docomo, NTT East, and NTT West, in addition the total number of rural towers planned to be built

*2: Total of new 4G and existing replacements

*3: Existing 4G replacement is not included.

⑤ Unit Economics (Sample Image) - Tower Business

- A stock-type model in which profitability improves with each increase in the number of tenants with stable running income. (There is almost no additional cost when the number of tenants increases.)

Unit economics

(Sample Image of Curve Out Tower)

(JPY mn)

	1 MNO Use	2 MNOs Use
CAPEX	16	
Depreciation period	25 years	
Revenue/year (running)	1.3	1.8
GM ^{*1} (running)	0 to a few %	24%
EBITDA Margin ^{*2} (Running)	47%	62%
ROI ^{*3}	4%	7%

<When OPEX is streamlined by 20%>

GM ^{*1} (running)	20%	39%
EBITDA Margin ^{*2} (Running)	68%	77%
ROI ^{*3}	6%	9%

Profitability further improve
+ **when 3 MNOs are using**

In addition to **improving the tenancy ratio**, we will work to **improve profitability** through **promoting the measures of cost reduction** even when 1 MNO is using

*1: Abbreviation for Gross Margin. The main costs deducted from revenues are depreciation, operation and maintenance, land rent, and property taxes directly incurred on towers.

*2: Calculated by adding back depreciation cost to GM as EBITDA.

*3: Abbreviation for Return on Investment. Calculated by EBITDA÷CAPEX.

⑤ Unit Economics (Sample Image) - IBS Business

- Composed of "Hybrid model" that combines initial and running revenues, and "Running model" with only running revenues. (There is almost no additional cost when the number of tenants increases.)
- In the future, the composition ratio of the Running model is expected to be increasing.

Hybrid model

(JPY mn) (Adopted in about 70% of installed properties)

	2 MNOs Use	3 MNOs Use	4 MNOs Use
Contract period	From 5 years		
CAPEX*1	30		
Depreciation period	9-10 years		
Revenue (Initial) *2	38	57	76
Revenue/Year (Running) *3	0.9	1.35	1.8
GM*4 (Initial)	21%	47%	61%

Running model

(JPY mn) (Adopted in about 30% of installed properties)

	2 MNOs Use *7	3 MNOs Use	4 MNOs Use
Contract period	From 10 years		
CAPEX*1	30		
Depreciation period	10 years		
Revenue/Year (Running) *3	4.6	5.5	6.3
GM*4 (running)	21%	33%	42%
EBITDA margin*5 (running)	86%	88%	90%
ROI*6	13%	16%	19%

From the viewpoint of the need to reduce capital investment by mobile carriers and long-term and stable profitability, **the composition ratio of the Running model is expected to be increasing**

*1: Numerical value of the sample image assumed to be a whole building countermeasure. For 5G partial measures, the size is assumed to be about 1/3.

*2: In PL, sales are booked on a pro rata basis over a five to ten-year period.

*3: If the user continues to use the service after the contract period, running fees continue to be generated.

*4: Abbreviation for Gross Margin. The cost deducted from the hybrid-model revenues is calculated using CAPEX only. The main costs deducted from the income of the running model are depreciation, operation and maintenance, property taxes, etc. directly incurred on the property.

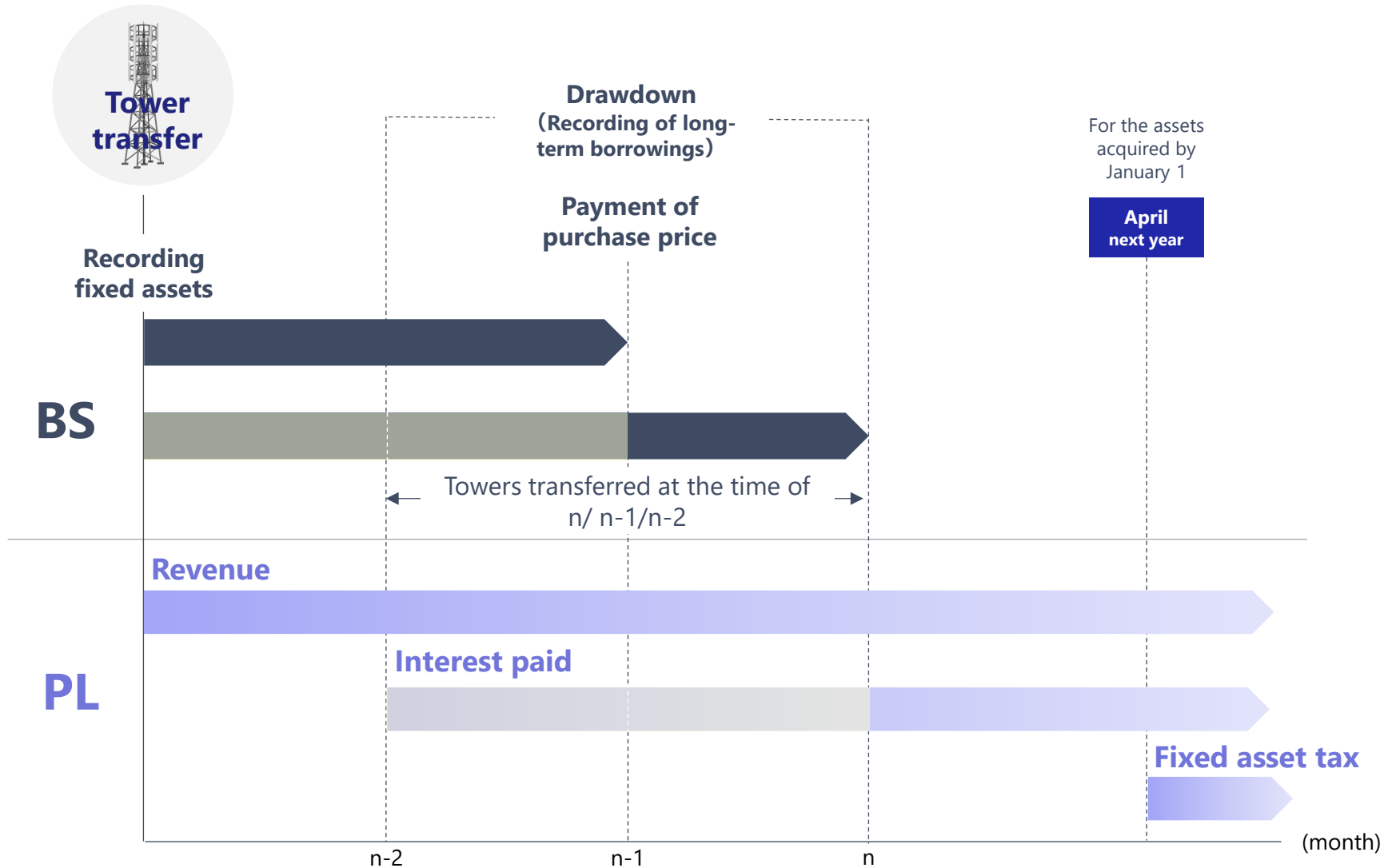
*5: Calculated by adding back depreciation cost to GM as EBITDA.

*6: Abbreviation for Return on Investment. Calculated using $GM \div CAPEX$ prior to depreciation.

*7: As for the running model, we also provide charges for using 1 MNO. However, because economics is at a level close to that of using 2MNOs, the description of economics when using 1MNO is omitted.

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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