

eAccess Ltd.

for the 14th term

(From April 1, 2012, to March 31, 2013)

Operating Progress and Results

Based on a share exchange agreement concluded between eAccess Ltd. (“the Company”) and SOFTBANK CORP. (“SOFTBANK”) on October 1, 2012 and a change agreement concluded on November 2, 2012 to make a partial change to the share exchange agreement, the Company carried out a share exchange on January 1, 2013 (effective date) whereby SOFTBANK became the wholly-owning parent company of the Company. Prior to the effective date, on December 26, 2012, the common shares of the Company were delisted from Tokyo Stock Exchange, Inc. SOFTBANK subsequently transferred some of the shares of the Company to companies outside its group on January 17, 2013.

Through this share exchange, by becoming a member of the SOFTBANK Group, establishing a structure that will allow the two companies to combine management resources swiftly and efficiently, and accelerating the penetration of the mobile broadband service, we will endeavor to contribute for the total growth of the business as well as the enhancement in corporate value across the whole group.

The Company’s revenue for the fiscal year ended March 31, 2013 increased by 7.8% year on year to ¥220,710 million. This was mainly due to an increase in the accumulated total number of subscribers in the Mobile Business, which provides mobile broadband communication services under the EMOBILE brand. With respect to profits, on the other hand, operating profit decreased by 38.4% year on year to ¥15,067 million. This came from an increase in operating costs in the Mobile Business including an increase in sales personnel expenses for the reinforcement of the Company’s own distribution channel and an increase in operating expenses associated with maintaining customers, as well as a sales decline in the Fixed Broadband Business due to a decrease in the number of ADSL subscribers.

In addition, as a result of the aforementioned business integration with SOFTBANK, currency swap transactions concerning the Company’s foreign currency-denominated corporate bonds became excluded from hedge accounting. Subsequently, unrealized profit of ¥12,141 million that had arisen from revaluation of derivative transactions was recorded as non-operating income and a foreign exchange loss of ¥6,637 million was recorded as non-operating expenses, which also included interest expense of ¥5,534 million, and interest on corporate bonds of ¥4,141 million. As a result, recurring profit decreased by 16.6% year on year to ¥10,162 million.

Moreover, subsidy income to be used for the replacement of existing equipment for operations of the LTE service and a consideration for the network facilities sharing, etc. of ¥4,681 million were recorded as non-recurring profit, while loss on disposition of fixed assets for the equipment that was replaced and loss related to the aforementioned business integration with SOFTBANK, etc. of ¥12,392 million were recognized as non-recurring loss. As a result, income before income taxes decreased by 79.5% year on year to ¥2,450 million.

Additionally, current taxes of ¥4,424 million covering corporate income tax, resident tax and business tax, as well as income tax expense-deferred of ¥436 million were recorded. As a result, a net loss of ¥2,411 million was recorded (net income of ¥15,156 million in the previous fiscal year).

Operating results by segment for the fiscal year under review are as follows.

(¥ in millions)

	Fiscal year ended March 31, 2013	
	Revenue	Segment profit (operating profit)
Mobile Business	185,694	5,031
Fixed Broadband Business	35,016	10,035
Total	220,710	15,067

■ Mobile Business

Revenue in the Mobile Business increased by 16.0% year on year to ¥185,694 million, mainly due to steady growth in the accumulated total number of subscribers. In the fiscal year under review, the business experienced a decline in customer acquisitions through wholesale channels for mobile broadband lines and cancellations due to two-year contract completions. However, the number of subscribers grew mainly in the LTE service, EMOBILE LTE, which was launched in March 2012 through the Company's own distribution channel including mass retailers. Hence, the Company accumulated a total number of subscribers of 4,319 thousand as of March 31, 2013, up 301 thousand, or 7.5% from the previous fiscal year-end. On the other hand, segment profit (operating profit) for the fiscal year under review decreased by 47.8% year on year to ¥5,031 million. This was primarily the result of an increase in costs including an increase in sales personnel expenses for the reinforcement of the Company's own distribution channel, and an increase in operating expenses associated with maintaining customers.

As of March 31, 2013, nationwide service coverage in population terms was 95%.

(Note) Effective from the fiscal year under review, a change has been made from "nationwide service coverage in real population terms" to "nationwide service coverage in population terms" as defined by the Ministry of Internal Affairs and Communications, calculated on the basis of whether tele-communication is possible at the sites of city, town or village government offices.

■ Fixed Broadband Business

In the Fixed Broadband Business, the accumulated total number of subscribers was down because the number of cancellations exceeded the number of new subscriptions. This was despite joint efforts to attract new customers and suppress churn rates with Internet service providers and other partners, to which the Company sells ADSL lines as a wholesaler. The accumulated total number of ADSL subscribers as of March 31, 2013 was 1,197 thousand.

As a result, revenue for the fiscal year under review declined by 21.6% year on year to ¥35,016 million and segment profit (operating profit) declined by 32.2% year on year to ¥10,035 million.

FINANCIAL RESULTS

■ eAccess Ltd.

1. Balance Sheets

(For the years ended March 31, 2012 and 2013)

	(¥ in millions) Prior Year End (As of March 31, 2012)	(¥ in millions) Current Year End (As of March 31, 2013)	(\$ in thousands)
(ASSETS)			
Cash and deposits	40,066	72,623	771,270
Accounts receivable - trade	36,595	38,313	406,893
Accounts receivable - other	32,163	4,263	45,272
Merchandise	4,415	2,291	24,331
Other current assets	7,203	5,920	62,872
Deferred tax asset (short-term)	5,188	11,267	119,659
Allowance for bad debt	(3,457)	(2,569)	(27,286)
Total current assets	122,173	132,107	1,403,010
Tangible fixed assets	148,220	151,740	1,611,510
Intangible assets	40,504	28,935	307,299
Long-term accounts receivable - other	13,424	-	-
Other fixed assets	9,681	26,988	286,620
Deferred tax asset (long-term)	17,364	11,360	120,643
Allowance for bad debt	(174)	(102)	(1,081)
Total fixed assets	229,020	218,921	2,324,991
Deferred assets	1,119	708	7,519
Total assets	352,312	351,737	3,735,520
(LIABILITIES)			
Accounts payable - trade	5,593	4,320	45,875
Short-term bank loan	-	6,300	66,907
Current portion of long-term bank loan	29,099	33,128	351,829
Current maturities of bonds	1,580	-	-
Capital lease obligations	185	8	88
Installment obligations	14,430	15,023	159,553
Other accounts payable	32,827	41,704	442,911
Other current liabilities	1,395	17,551	186,398
Total current liabilities	85,109	118,035	1,253,561
Long-term bank loan	105,676	88,255	937,286
Bonds	67,502	63,611	675,566
Long-term capital lease obligations	9	0	4
Long-term installment obligations	7,359	4,251	45,145
Other long-term liabilities	286	869	9,232
Total long-term liabilities	180,832	156,987	1,667,232
Total liabilities	265,941	275,022	2,920,793
(SHAREHOLDERS' EQUITY)			
Common stock	18,503	43,286	459,709
Capital surplus	49,251	74,034	786,257
Retained earnings	17,524	(40,779)	(433,084)
Shareholders' equity	85,277	76,541	812,882
Valuation and translation adjustments	1,094	174	1,845
Total net assets	86,371	76,715	814,727
Total liabilities and net assets	352,312	351,737	3,735,520

2. Statements of Operations

(For the years ended March 31, 2012 and 2013)

	(¥ in millions)	(¥ in millions)	(\$ in thousands)
	Prior Year (Twelve months ended March 31, 2012)	Current Year (Twelve months ended March 31, 2013)	
Revenues	204,743	220,710	2,343,991
Cost of revenues	81,186	84,528	897,710
Gross profit	123,558	136,182	1,446,281
Selling, general and administrative expenses	99,117	121,115	1,286,267
Operating profit	24,441	15,067	160,013
Non-operating income	293	12,923	137,245
Non-operating expenses	12,549	17,828	189,340
Recurring profit	12,184	10,162	107,918
Non-recurring profit	4	4,681	49,709
Non-recurring loss	218	12,392	131,609
Income before income taxes	11,970	2,450	26,018
Income tax expenses	(3,186)	4,860	51,618
Net income/(loss)	15,156	(2,411)	(25,600)

3. Statements of Cash Flows

(For the years ended March 31, 2012 and 2013)

	(¥ in millions)	(¥ in millions)	(\$ in thousands)
	Prior Year (Twelve months ended March 31, 2012)	Current Year (Twelve months ended March 31, 2013)	
Cash flow from operating activities			
Income before income taxes	11,970	2,450	26,018
Depreciation	37,856	35,850	380,734
Decrease (increase) in working capital	14,916	17,637	187,311
Interest paid	(10,249)	(9,692)	(102,933)
Income taxes (paid) refund	2,549	(11)	(116)
Net cash provided by operating activities	57,042	46,234	491,013
Cash flow from investing activities			
Purchase of tangible fixed assets	(32,029)	(23,102)	(245,353)
Purchase of intangible fixed assets	(4,794)	(12,348)	(131,139)
Purchase of long-term prepaid expenses	-	(2,717)	(28,854)
Others	2,009	6,170	65,530
Net cash used in investing activities	(34,814)	(31,997)	(339,816)
Cash flow from financing activities			
Repayments of capital lease obligations	(696)	(185)	(1,965)
Proceeds from sales and redemption by installment payments	16,635	15,837	168,188
Repayments of installment obligations	(16,436)	(18,351)	(194,894)
Proceeds from short-term debt	-	18,900	200,722
Repayments of short-term debt	-	(12,600)	(133,815)
Proceeds from long-term debt	10,099	16,130	171,300
Repayments of long-term debt	(73,700)	(29,522)	(313,530)
Payments for arrangement of interest bearing debt	(2,155)	(1,122)	(11,915)
Proceeds from issuance of bonds	55,997	-	-
Redemption of bonds	(14,048)	(12,994)	(138,003)
Proceeds from settlement of derivatives	-	469	4,977
Proceeds from stock issuance, net	41	49,565	526,387
Purchase of preferred stock	-	(2,779)	(29,516)
Purchase of own subscription rights to shares	-	(2,306)	(24,489)
Dividends paid	(2,956)	(2,861)	(30,384)
Net cash provided by (used in) financing activities	(27,219)	18,179	193,065
Effect of exchange rate change on cash and cash equivalents	5	14	146
Net change in cash and cash equivalents	(4,990)	32,430	344,409
Cash and cash equivalents at the beginning of the period	43,397	38,412	407,942
Cash and cash equivalents at the end of the period	38,412	70,841	752,351

Note: Items subject to consumption tax, etc. are recorded at amounts exclusive of consumption taxes, etc.

Quarterly Results for Fiscal Year 3/2013
Supplemental Financial Information

(in million yen)

Fixed-line Business	Fiscal Year 3/2012					Fiscal Year 3/2013				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end	1Q (4-6/2012)	2Q (7-9/2012)	3Q (10-12/2012)	4Q (1-3/2013)	Full-year/ Year-end
EBITDA	5,225	4,969	4,689	4,288	19,171	3,712	3,481	3,060	2,610	12,862
Capital expenditures	189	494	864	2,024	3,571	488	1,488	670	1,275	3,922
Net add subscribers (thousands)	-89	-95	-83	-96	-363	-104	-86	-85	-93	-368
Accumulated subscribers (thousands)	1,839	1,744	1,661	1,565	1,565	1,461	1,375	1,290	1,197	1,197
ARPU (yen/month)	2,009	2,006	1,998	1,992	2,001	1,987	1,983	1,977	1,979	1,982
Churn rate (%/month)	2.04%	2.14%	1.97%	2.32%	2.12%	2.53%	2.22%	2.29%	2.63%	2.42%
SAC (yen)	7,500	7,000	6,000	7,000	7,000	7,500	8,500	6,000	8,500	7,500

Note: EBITDA=Operating profit + Depreciation and amortization

Mobile Business	Fiscal Year 3/2012					Fiscal Year 3/2013				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end	1Q (4-6/2012)	2Q (7-9/2012)	3Q (10-12/2012)	4Q (1-3/2013)	Full-year/ Year-end
EBITDA	10,509	11,445	10,473	10,907	43,333	10,834	11,912	13,834	8,792	45,373
Capital expenditures	7,842	5,727	9,818	6,275	29,662	6,781	9,284	9,721	16,844	42,631
Net add subscribers (thousands)	223	238	221	218	899	121	121	33	26	301
Accumulated subscribers (thousands)	3,341	3,579	3,800	4,017	4,017	4,138	4,259	4,292	4,319	4,319
ARPU (yen/month)	2,860	2,730	2,730	2,680	2,740	2,680	2,710	2,700	2,690	2,690
Churn rate (%/month)	1.50%	1.44%	1.54%	1.50%	1.50%	1.45%	1.53%	1.48%	1.54%	1.50%
SAC (yen)	9,000	16,000	12,000	14,000	13,000	15,000	13,000	20,000	23,000	17,000

Note: EBITDA=Operating profit + Depreciation and amortization + Loss on inventory valuation + Depreciation included in R&D expenses + Material items of cash income in the non-operating profit & non-recurring profit

Note: SAC includes variable costs only (retroactively adjusted for FY3/2012)