

# **eAccess Ltd.**

## **RESULTS OF OPERATIONS AND FINANCIAL STATEMENTS**

**AS OF AND FOR THE THREE MONTHS ENDED**

**June 30, 2013**

Solely for your convenience, this document contains translations of certain Japanese yen amounts into U.S. dollar amounts. Unless indicated otherwise, the Japanese yen amounts in this document were converted into U.S. dollars at the exchange rate of \$1.00 = ¥99.21, the exchange rate in effect as of June 30, 2013, as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States. The translations into U.S. dollars set forth herein are for convenience only and are not audited. No representation is made that the Japanese yen amounts have been, could have been or could be converted into U.S. dollars at such rates or any other rate.

## 1. Qualitative Information regarding Settlement of Accounts for the Three Months Ended June 30, 2013

Based on the share exchange agreement concluded between eAccess Ltd. (“the Company”) and SoftBank Corp. (“SoftBank”) on October 1, 2012 (as amended on November 2, 2012), the Company carried out the share exchange on January 1, 2013 whereby SoftBank became the wholly-owning parent company of the Company. SoftBank subsequently transferred some of the Company shares to companies outside its group on January 17, 2013.

After becoming a member of the SoftBank group (“the Group”), the Company has endeavored to contribute to the total growth of the business as well as the enhancement in corporate value for the Group by focusing on the expansion of mobile broadband business leveraging the business resources and expertise available across the Group.

For the three months ended June 30, 2013 the Company’s total revenue decreased by 6.5% year on year to ¥50,862 million. On the other hand, operating profit increased by 117.4% year on year to ¥9,030 million, and recurring profit increased by 366.4% year on year to ¥6,474 million after recording non-operating loss of ¥2,556 million, net of non-operating income and expenses. As a result, net income increased by 351.2% year on year to ¥6,646 million.

Operating results by segment for are as follows.

	Three months ended June 30, 2013	
	Revenue	Segment profit (operating profit)
Mobile Business	43,559	6,945
Fixed Broadband Business	7,303	2,085
Total	50,862	9,030

In the Mobile Business, the Company has accumulated total number of subscribers of 4,343 thousand as of June 30, 2013, up 205 thousand, or 5.0%, from June 30, 2012.

After reflection of business optimization initiative among the Group, the revenue of Mobile Business for the period was ¥43,559 million, down 2.8% year on year, at the same time its segment profit (operating profit) was ¥6,945 million, up 41.6% year on year. This was primarily the result of decrease in marketing and advertising expenses as well as depreciation expenses.

In the Fixed Broadband Business, the accumulated total number of ADSL subscribers has been shrinking to 1,113 thousand, down by 23.9% year on year as of June 30, 2013, mainly due to the penetration of high-speed mobile broadband services such as LTE. As a result, revenue for the period continued to decline by 24.1% year on year to ¥7,303 million and its segment profit (operating profit) declined by 27.5% year on year to ¥2,085 million.

## 2. Financial Statements

### (1) Balance sheets

(As of March 31, 2013 and June 30, 2013)

	(¥ in millions)		(\$ in thousands)	
	Prior Year End (As of March 31, 2013)	Current 1st-qr End (As of June 30, 2013)		
<b>(ASSETS)</b>				
<b>Current assets</b>				
Cash and deposits	72,623	62,168	626,629	
Accounts receivable-trade	38,313	40,331	406,519	
Accounts receivable-other	4,263	1,065	10,734	
Merchandise	2,291	3,203	32,290	
Other current assets	5,920	5,133	51,742	
Deferred tax asset (short-term)	11,267	9,280	93,543	
Allowance for bad debt	(2,569)	(2,432)	(24,517)	
Total current assets	132,107	118,748	1,196,939	
<b>Fixed assets</b>				
Tangible fixed assets	151,740	151,626	1,528,332	
Intangible fixed assets	28,935	30,991	312,383	
Long-term other accounts receivable	0	0	0	
Fixed assets-other	26,988	29,390	296,243	
Deferred tax asset (long-term)	11,360	12,299	123,971	
Allowance for bad debt	(102)	(105)	(1,054)	
Total fixed assets	218,921	224,202	2,259,874	
<b>Deferred assets</b>	708	673	6,780	
<b>TOTAL ASSETS</b>	351,737	343,623	3,463,592	

## Balance Sheets (Continued)

(As of March 31, 2013 and June 30, 2013)

	(¥ in millions)	(\$ in thousands)	
	Prior Year End (As of March 31, 2013)	Current 1st-qr End (As of June 30, 2013)	
<b>(LIABILITIES)</b>			
<b>Current liabilities</b>			
Accounts payable-trade	4,320	3,586	36,141
Short-term bank Loan	6,300	-	-
Current portion of long-term debt	33,128	50,376	507,773
Current portion of lease obligations	8	3	35
Current portion of installment obligations	15,023	15,138	152,590
Other accounts payable	41,704	36,647	369,384
Other current liabilities	17,551	12,309	124,066
Total current liabilities	118,035	118,059	1,189,989
<b>Long-term liabilities</b>			
Long-term debt, less current portion	88,255	69,584	701,384
Bonds, less current maturities	63,611	67,076	676,105
Installment obligation, less current portion	4,251	4,807	48,454
Other long-term liabilities	869	870	8,773
Total long-term liabilities	156,986	142,338	1,434,716
<b>TOTAL LIABILITIES</b>	<b>275,022</b>	<b>260,397</b>	<b>2,624,705</b>
<b>(NET ASSEIS)</b>			
<b>Shareholders' equity</b>			
Capital stock	43,286	43,286	436,309
Capital surplus	74,034	74,034	746,235
Retained earnings	(40,779)	(34,133)	(344,048)
Total shareholders' equity	76,541	83,187	838,496
<b>Valuation and translation adjustments</b>	<b>174</b>	<b>39</b>	<b>392</b>
<b>TOTAL NET ASSEIS</b>	<b>76,715</b>	<b>83,226</b>	<b>838,887</b>
<b>TOTAL LIABILITIES AND NET ASSEIS</b>	<b>351,737</b>	<b>343,623</b>	<b>3,463,592</b>

## (2) Statement of Operations

(For the three months ended June 30, 2012 and 2013)

	Prior 1st-qr (Three months ended June 30, 2012)	(¥ in millions)		(\$ in thousands)
		Current 1st-qr (Three months ended June 30, 2013)		
<b>Revenue</b>	54,421	50,862		512,671
<b>Cost of revenue</b>	21,449	19,329		194,827
<b>Gross profit</b>	32,971	31,533		317,843
<b>Selling, general and administrative expenses</b>	28,819	22,504		226,828
<b>Operating profit</b>	4,153	9,030		91,015
<b>Non-operating income</b>	103	3,897		39,281
<b>Non-operating expenses</b>	2,868	6,453		65,042
<b>Recurring profit</b>	1,388	6,474		65,254
<b>Non-recurring profit</b>	459	1,404		14,151
<b>Non-recurring loss</b>	433	2		19
<b>Income before income taxes</b>	1,414	7,876		79,387
<b>Corporate tax, ect</b>	(59)	1,230		12,395
<b>Net income</b>	1,473	6,646		66,991

### (3) Statement of Cash Flows

(For the three months ended June 30, 2012 and 2013)

	(¥ in millions)		(\$ in thousands)	
	Prior 1st-qr (Three months ended June 30, 2012)	Current 1st-qr (Three months ended June 30, 2013)		
<b>Cash flows from operating activities</b>				
Income before income taxes	1,414	7,876	79,387	
Depreciation	9,506	6,987	70,423	
Decrease (increase) in working capital	35	(2,870)	(28,928)	
Interest paid	(1,698)	(1,375)	(13,857)	
Income taxes paid	(12)	(4,430)	(44,655)	
Net cash provided by operating activities	9,245	6,188	62,369	
<b>Cash flows from investing activities</b>				
Purchase of tangible fixed assets	(5,461)	(10,994)	(110,819)	
Purchase of intangible fixed assets	(1,371)	(4,327)		
Outlay of long-term prepaid expense	-	(367)	(3,703)	
Others	(10)	6,482	65,335	
Net cash provided by (used in) investing activities	(6,842)	(9,207)	(92,800)	
<b>Cash flows from financing activities</b>				
Repayments of capital lease obligations	(65)	(6)	(56)	
Proceeds from sales and redemption by installment payment	5,548	5,367	54,097	
Repayments of installment obligations	(4,103)	(4,696)	(47,331)	
Repayments of short-term debt	-	(6,300)		
Proceeds from long-term debt	1,874	6,737	67,908	
Repayments of long-term debt	(6,622)	(8,160)	(82,247)	
Payments for arrangement of interest bearing debt	(355)	(195)	(1,966)	
Redemption of bonds	(525)	-	-	
Proceeds from stock issuance, net	-	(172)	-	
Dividends paid	(692)	(13)	(126)	
Net cash provided by (used in) financing activities	(4,940)	(7,436)	(74,951)	
<b>Valuation adjustments in cash and cash equivalents</b>	(5)	-	-	
<b>Net change in cash and cash equivalents</b>	(2,543)	(10,455)	(105,382)	
<b>Cash and cash equivalents at the beginning of the period</b>	38,412	70,841	714,055	
<b>Cash and cash equivalents at the end of the period</b>	35,869	60,386	608,673	

[Notes]

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



## Supplemental Financial Information

(in million yen)

Fixed-line Business	Fiscal Year 3/2013					Fiscal Year 3/2014
	1Q (4-6/2012)	2Q (7-9/2012)	3Q (10-12/2012)	4Q (1-3/2013)	Full-year/ Year-end	1Q (4-6/2013)
EBITDA	3,712	3,481	3,060	2,610	12,862	2,486
Capital expenditures	488	1,488	670	1,275	3,922	91
Net add subscribers (thousands)	-104	-86	-85	-93	-368	-84
Accumulated subscribers (thousands)	1,461	1,375	1,290	1,197	1,197	1,113
ARPU (yen/month)	1,987	1,983	1,977	1,979	1,982	1,982
Churn rate (%/month)	2.53%	2.22%	2.29%	2.63%	2.42%	2.59%
SAC (yen)	7,500	8,500	6,000	8,500	7,500	7,500

*Note: EBITDA=Operating profit + Depreciation and amortization*

Mobile Business	Fiscal Year 3/2013					Fiscal Year 3/2014
	1Q (4-6/2012)	2Q (7-9/2012)	3Q (10-12/2012)	4Q (1-3/2013)	Full-year/ Year-end	1Q (4-6/2013)
EBITDA	10,834	11,912	13,834	8,792	45,373	14,281
Capital expenditures	6,781	9,284	9,721	16,844	42,631	9,604
Net add subscribers (thousands)	121	121	33	26	301	25
Accumulated subscribers (thousands)	4,138	4,259	4,292	4,319	4,319	4,343
ARPU (yen/month)	2,680	2,710	2,700	2,690	2,690	2,650
Churn rate (%/month)	1.45%	1.53%	1.48%	1.54%	1.50%	1.59%
SAC (yen)	15,000	13,000	20,000	23,000	17,000	24,500

*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)*

*Note: Churn rate includes churn due to device upgrades in resale channel from FY3/2014*