

Ymobile Corp.

RESULTS OF OPERATIONS AND FINANCIAL STATEMENTS

**AS OF AND FOR THE NINE MONTHS ENDED
DECEMBER 31, 2014**

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 = ¥119.85, the exchange rate in effect as of December 31, 2014, 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 from April 1, 2014, to December 31, 2014

eAccess Ltd. (“eAccess”) and WILLCOM, Inc. (“WILLCOM”) entered into a merger agreement on February 21, 2014 under which eAccess would become the surviving company and WILLCOM would become the merged company through an absorption merger (“the Merger”). The merger between the companies was completed as scheduled on June 1, 2014 and surviving eAccess has changed its company name to Ymobile Corporation (“Ymobile”) effective July 1, 2014. Thus, new Ymobile’s operating results for current period excluded those of WILLCOM for the two months from April 1 to June 30, 2014.

Ymobile accommodates more than 10 million subscribers in broadband communication services, the sum of approximately 5.2 million eAccess subscribers and approximately 5.7 million WILLCOM subscribers. Taking advantage of this large customer base and combined business resources, Ymobile intends to seek opportunities for growth in the rapidly expanding smartphone market.

Ymobile’s revenue for the nine months ended December 31, 2014 increased by 56.7% year on year to ¥231,396 million. On the other hand, operating profit decreased by 94.8% year on year to ¥1,265 million, and recurring loss was ¥3,724 million after recording non-operating loss of ¥4,989 million, net of non-operating income and expenses. After consideration of deferred tax accounting, net income decreased to ¥4,668 million.

Operating results by segment for are as follows.

(¥ in millions)

	Nine months ended December 31, 2014	
	Revenue	Segment profit (operating profit)
Mobile Business	215,338	(2,987)
Fixed Line Business	16,058	4,252
Total	231,396	1,265

In the Mobile Business, Ymobile has accumulated total number of subscribers of 10,065 thousand as of December 31, 2014, up 5,568 thousand or 124% year on year from December 31, 2013 according to the Merger. Revenue of Mobile Business for the period increased to ¥215,338 million, up 69.4% year on year, on the other hand, its segment loss was ¥2,987 million. This loss was primarily the result of increased marketing and advertising expenses for the introduction of new Ymobile brand as well as the addition of depreciation and amortization expenses from the merger accounting.

In the Fixed Line Business, the accumulated total number of ADSL subscribers has been shrinking to 760 thousand as of December 31, 2014, down by 24% year on year, due mainly to the penetration of high-speed mobile broadband services such as LTE. As a result, revenue for the period continued to decline by 22.0% year on year to ¥16,058 million and its segment profit (operating profit) declined by 27.8% year on year to ¥4,252 million.

2. Financial Statements

(1) Balance Sheets

(As of March 31, 2014 and December 31, 2014)

	(¥ in millions)		(\$ in thousands)	
	Prior Year End (As of March 31, 2014)	Current 3rd-qtr End (As of December 31, 2014)		
(ASSETS)				
Current assets				
Cash and cash equivalents	4,288	6,566	54,782	
Accounts receivable-trade	46,715	90,447	754,668	
Accounts receivable-other	1,131	17,443	145,542	
Inventories	3,512	9,473	79,039	
Deferred tax asset	1,472	1,610	13,433	
Other current assets	7,024	11,886	99,176	
Allowance for bad debt	(2,912)	(4,157)	(34,683)	
Total current assets	61,229	133,268	1,111,957	
Fixed assets				
Tangible fixed assets	149,922	196,749	1,641,623	
Intangible fixed assets	42,202	134,398	1,121,381	
Fixed assets-other	33,398	52,403	437,236	
Deferred tax asset	9,670	9,179	76,586	
Allowance for bad debt	(102)	(5,053)	(42,165)	
Total fixed assets	235,091	387,674	3,234,661	
Deferred assets	566	460	3,840	
TOTAL ASSETS	296,887	521,402	4,350,458	

Balance Sheets (Continued)

(As of March 31, 2014 and December 31, 2014)

	(¥ in millions)		(\$ in thousands)	
	Prior Year End (As of March 31, 2014)	Current 3rd-qr End (As of December 31, 2014)		
(LIABILITIES)				
Current liabilities				
Accounts payable-trade	3,040	14,000	116,814	
Short-term debt	64,000	132,000	1,101,377	
Lease obligations	-	1,746	14,565	
Current portion of installment obligations	10,835	10,667	89,005	
Other accounts payable and accrued expenses	42,838	46,314	386,437	
Other current liabilities	3,738	26,100	217,771	
Total current liabilities	124,453	230,827	1,925,968	
Long-term liabilities				
Bonds	71,517	79,893	666,610	
Lease obligations, less current portion	-	4,832	40,316	
Installment obligation, less current portion	13,719	35,087	292,762	
Other long-term liabilities	1,663	3,945	32,915	
Total long-term liabilities	86,899	123,757	1,032,603	
TOTAL LIABILITIES	211,352	354,585	2,958,571	
(EQUITY)				
Shareholders' equity				
Capital stock	43,286	43,286	361,170	
Capital surplus	74,034	150,591	1,256,493	
Retained earnings(loss)	(31,903)	(27,235)	(227,245)	
Total shareholders' equity	85,417	166,641	1,390,417	
Valuation and translation adjustments	117	176	1,470	
TOTAL EQUITY	85,535	166,818	1,391,887	
TOTAL LIABILITIES AND EQUITY	296,887	521,402	4,350,458	

(2) Statement of Operations

(For the nine months ended December 31, 2013 and 2014)

	Prior 3rd-qr (Nine months ended December 31, 2013)	Current 3rd-qr (Nine months ended December 31, 2014)	
		(¥ in millions)	(\$ in thousands)
Revenue	147,683	231,396	1,930,713
Cost of revenue	63,690	127,070	1,060,242
Gross profit	83,993	104,327	870,480
Selling, general and administrative expenses	59,726	103,062	859,925
Operating profit	24,268	1,265	10,555
Non-operating income	12,777	11,726	97,839
Non-operating expenses	18,968	16,715	139,466
Recurring profit	18,077	(3,724)	(31,072)
Non-recurring profit	1,404	1	8
Non-recurring loss	2	-	-
Income before income taxes	19,479	(3,724)	(31,072)
Income tax expense	(851)	(8,391)	(70,013)
Net income	20,330	4,668	38,949

(3) Statement of Cash Flows

(For the nine months ended December 31, 2013 and 2014)

	Prior 3rd-qr (Nine months ended December 31, 2013)	(¥ in millions) (\$ in thousands)	
		Current 3rd-qr (Nine months ended December 31, 2014)	
Cash flows from operating activities			
Income before income taxes	19,479	(3,724)	(31,068)
Depreciation and amortization	21,442	35,772	298,471
Decrease (increase) in working capital	(1,843)	14,705	122,698
Interest paid	(5,823)	(5,288)	(44,119)
Income taxes paid	(4,432)	(1,693)	(14,125)
Net cash provided by operating activities	28,823	39,773	331,856
Cash flows from investing activities			
Purchase of tangible fixed assets	(24,113)	(20,881)	(174,229)
Purchase of intangible fixed assets	(10,805)	(19,642)	(163,888)
Outlay of long-term prepaid expense	(954)	(2,485)	(20,731)
Others	9,293	(35)	(289)
Net cash provided by (used in) investing activities	(26,580)	(43,043)	(359,137)
Cash flows from financing activities			
Repayments of capital lease obligations	(8)	(1,020)	(8,511)
Proceeds from sales of fixed assets and inventories for repurchase by installment payment	6,574	30,650	255,734
Repayments of installment obligations	(13,379)	(9,449)	(78,841)
Proceeds from short-term debt	137,000	101,000	842,720
Repayments of short-term debt	(69,300)	(122,000)	(1,017,939)
Proceeds from long-term debt	6,737	-	-
Repayments of long-term debt	(128,120)	-	-
Payments for arrangement of interest bearing debt	(1,529)	-	-
Proceeds from settlement of derivatives	1,092	1,243	10,369
Proceeds from stock issuance, net	(172)	-	-
Dividends paid	(18)	(2)	(20)
Net cash provided by (used in) financing activities	(61,122)	419	3,500
Valuation adjustments in cash and cash equivalents	0	-	-
Net change in cash and cash equivalents	(58,879)	(2,850)	(23,780)
Cash and cash equivalents at the beginning of the period	70,841	4,288	35,779
Increase in cash and cash equivalents resulting from merger	-	5,128	42,783
Cash and cash equivalents at the end of the period	11,963	6,566	54,782

[Notes]

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

Quarterly Results for Fiscal Year 3/2015 Supplemental Financial Information

(in million yen)

Fixed-line Business	Fiscal Year 3/2014					Fiscal Year 3/2015		
	1Q (4-6/2013)	2Q (7-9/2013)	3Q (10-12/2013)	4Q (1-3/2014)	Full-year/ Year-end	1Q (4-6/2014)	2Q (7-9/2014)	3Q (10-12/2014)
EBITDA	2,486	2,429	2,192	1,581	8,688	1,999	1,702	1,663
Capital expenditures	91	138	146	141	517	47	18	-10
Net add subscribers (thousands)	-84	-60	-57	-64	-266	-71	-51	-50
Accumulated subscribers (thousands)	1,113	1,053	996	931	931	861	810	760
ARPU (yen/month)	1,981	1,971	1,976	1,972	1,975	1,994	1,978	1,977
Churn rate (%/month)	2.59%	1.97%	1.96%	2.37%	2.22%	2.73%	2.12%	2.21%
SAC (yen)	7,500	7,500	6,200	7,100	7,100	7,000	7,000	8,000

Note: EBITDA=Operating profit + Depreciation and amortization

Mobile Business	Fiscal Year 3/2014					Fiscal Year 3/2015		
	1Q (4-6/2013)	2Q (7-9/2013)	3Q (10-12/2013)	4Q (1-3/2014)	Full-year/ Year-end	1Q (4-6/2014)	2Q (7-9/2014)	3Q (10-12/2014)
EBITDA	14,281	13,093	13,906	12,661	53,941	12,253	8,830	11,072
Capital expenditures	9,604	8,131	10,816	15,927	44,477	8,719	13,161	15,529
Net add subscribers (thousands)	25	72	82	-32	147	5,538	63	-2
Accumulated subscribers (thousands)	4,343	4,415	4,497	4,465	4,465	10,003	10,066	10,065
ARPU (yen/month)	2,360	2,330	2,290	2,290	2,320	1,740	1,670	1,630
Churn rate (%/month)	1.59%	2.10%	2.20%	2.86%	2.19%	2.02%	1.76%	1.80%
SAC (yen)	24,500	24,500	24,500	35,000	27,500	19,000	23,000	19,000

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)

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

Note: Service revenue and cost generated from Softbank Mobile MVNO are recognized as net sales from FY3/2014 as eAccess became a subsidiary of Softbank

Note: FY2014 figures include former WILLCOM business after merger on June 1.