eAccess Ltd.

NONCONSOLIDATED FINANCIAL STATEMENTS
FOR THE 15TH TERM
(From April 1, 2013, to March 31, 2014)

- Nonconsolidated Balance Sheet
- Nonconsolidated Statement of Income
- Nonconsolidated Statement of Changes in Equity
- Nonconsolidated Statement of Cash Flows

Nonconsolidated Balance Sheet

(As of March 31, 2014)

	(¥ in millions)	(Unaudited) ($ in thousands)
(ASSETS)		
Current assets	**61,229**	**594,576**
Cash and cash equivalents (Note 8)	4,288	41,640
Accounts receivable-trade (Notes 3(1), 8 and 9)	46,715	453,634
Inventories	3,512	34,102
Prepaid expenses	2,658	25,813
Deferred tax assets (Note 7)	1,472	14,291
Other current assets (Note 3(1))	5,496	53,370
Allowance for bad debt (Note 8)	(2,912)	(28,275)
Fixed assets	**235,091**	**2,282,878**
Tangible fixed assets	**149,922**	**1,455,840**
Buildings (Note 3(2))	1,104	10,722
Structures (Note 3(2))	15,355	149,104
Machinery and equipment (Note 3(2))	10,599	102,927
Wireless telecommunications equipment (Note 3(2))	119,071	1,156,251
Construction in progress	3,284	31,887
Other tangible fixed assets (Note 3(2))	510	4,949
Intangible fixed assets	**42,202**	**409,812**
Right of trademark	4	38
Software	40,606	394,312
Software in progress	1,592	15,462
Investments and other assets	**42,966**	**417,225**
Long-term prepaid expenses	10,571	102,650
Deferred tax assets (Note 7)	9,670	93,901
Derivatives (Note 8)	20,698	200,986
Investments and others (Note 3(1))	2,129	20,679
Allowance for bad debt	(102)	(990)
Deferred assets	**566**	**5,500**
Issuance costs for bonds	566	5,500
TOTAL ASSETS	**296,887**	**2,882,954**

	(¥ in millions)	(Unaudited) ($ in thousands)
(LIABILITIES)		
Current liabilities	**124,453**	**1,208,513**
Accounts payable-trade (Note 8)	3,040	29,524
Short-term debt (Notes 8 and 9)	64,000	621,480
Other accounts payable and accrued expenses (Notes 3(1) and 8)	24,946	242,245
Accounts payable-facilities (Note 8)	17,892	173,743
Current portion of installment obligations (Note 8)	10,835	105,215
Income tax payable	171	1,656
Allowance for bonuses	1,307	12,690
Other current liabilities	2,261	21,960
Long-term liabilities	**86,899**	**843,847**
Bonds (Note 8)	71,517	694,477
Installment obligations, less current portion (Note 8)	13,719	133,221
Other long-term liabilities	1,663	16,149
TOTAL LIABILITIES	**211,352**	**2,052,360**
(EQUITY)		
Shareholders' equity	**85,417**	**829,454**
Capital stock	**43,286**	**420,336**
Capital surplus	**74,034**	**718,916**
Legal capital surplus	74,034	718,916
Retained earnings(loss)	**(31,903)**	**(309,798)**
Other retained earnings(loss)	(31,903)	(309,798)
Retained earnings brought forward(loss)	(31,903)	(309,798)
Valuation and translation adjustments	**117**	**1,140**
Valuation adjustment on securities investments	62	606
Deferred gains on hedge	55	534
TOTAL EQUITY	**85,535**	**830,594**
TOTAL LIABILITIES AND EQUITY	**296,887**	**2,882,954**

Nonconsolidated Statement of Income

(From April 1, 2013, to March 31, 2014)

	(¥ in millions)	(Unaudited) ($ in thousands)
Revenue (Notes 4 and 9)	**203,805**	**1,979,069**
Cost of revenue	**93,694**	**909,828**
Gross profit	**110,110**	**1,069,241**
Selling, general, and administrative expenses (Note 4)	**83,091**	**806,867**
Operating profit	**27,019**	**262,374**
Nonoperating income	**11,235**	**109,100**
Gain on valuation of derivatives	10,865	105,505
Others	370	3,596
Nonoperating expenses	**19,242**	**186,856**
Interest expense (Note 9)	3,688	35,817
Interest on bonds	5,721	55,551
Foreign exchange losses	7,903	76,746
Others	1,930	18,742
Recurring profit	**19,012**	**184,618**
Nonrecurring profit	**1,404**	**13,633**
Gain on sales of investment securities	1,404	13,633
Income before income taxes	**20,416**	**198,251**
Income tax expense-current	15	146
Income tax expense-deferred	11,525	111,911
Net income	**8,876**	**86,194**

Nonconsolidated Statement of Changes in Equity

(From April 1, 2013, to March 31, 2014)

(¥ in millions)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings(loss)	Total shareholders' equity
		Legal capital surplus	Other retained earnings(loss)	
			Retained earnings brought forward(loss)	
Balance at April 1, 2013	43,286	74,034	(40,779)	76,541
Changes of items during the period				
Net income			8,876	8,876
Net changes of items other than shareholders' equity				–
Total changes of items during the period	–	–	8,876	8,876
Balance at March 31, 2014	43,286	74,034	(31,903)	85,417

(¥ in millions)

	Valuation and translation adjustments		Total Equity
	Valuation adjustment on securities investments	Deferred gains on hedge	
Balance at April 1, 2013	35	138	76,715
Changes of items during the period			
Net income			8,876
Net changes of items other than shareholders' equity	27	(83)	(56)
Total changes of items during the period	27	(83)	8,820
Balance at March 31, 2014	62	55	85,535

Nonconsolidated Statement of Cash Flows

(For the year ended March 31, 2014)

	(¥ in millions)	(Uunaudited) ($ in thousands)
Cash flows from operating activities		
Income before income taxes	20,416	198,251
Depreciation and amortization	29,296	284,478
Loss on disposal of fixed assets	4,529	43,975
Gain on valuation of derivatives	(10,865)	(105,505)
Interest and dividend income	(115)	(1,113)
Interest expense	9,409	91,369
Foreign exchange losses	7,903	76,746
Gain on sales of investment securities	(1,404)	(13,633)
Increase in accounts receivable-trade	(8,402)	(81,591)
Increase in inventories	(1,197)	(11,621)
Decrease in accounts payable-trade	(1,279)	(12,423)
Increase in other accounts payable and accrued expenses	2,946	28,604
Decrease in advances received	(10,852)	(105,384)
Others	1,831	17,784
Subtotal	42,215	409,936
Interest and dividends received	115	1,113
Interest paid	(9,825)	(95,407)
Income taxes paid	(4,433)	(43,045)
Net cash provided by operating activities	28,072	272,597
Cash flows from investing activities		
Proceeds from sales of investment securities	2,808	27,266
Purchase of tangible fixed assets	(31,806)	(308,860)
Purchase of intangible fixed assets	(12,853)	(124,808)
Others	5,049	49,027
Net cash used in investing activities	(36,802)	(357,375)
Cash flows from financing activities		
Proceeds from sales of fixed assets and inventories for repurchase by installment payment	23,474	227,950
Repayments of installment obligations	(18,195)	(176,680)
Proceeds from short-term debt	143,000	1,388,619
Repayments of short-term debt	(85,300)	(828,316)
Proceeds from long-term debt	6,737	65,422
Repayments of long-term debt	(128,120)	(1,244,127)
Others	580	5,636
Net cash used in financing activities	(57,823)	(561,496)
Effect of exchange rate change on cash and cash equivalents	0	0
Net change in cash and cash equivalents	(66,553)	(646,274)
Cash and cash equivalents at the beginning of the period	70,841	687,914
Cash and cash equivalents at the end of the period	4,288	41,640

1. BASIS OF PRESENTATION OF NONCONSOLIDATED FINANCIAL STATEMENTS

The accompanying nonconsolidated financial statements have been prepared from the accounts maintained by eAccess Ltd. (the "Company"), in accordance with the provisions set forth in the Companies Act of Japan and applicable regulations and in accordance with accounting principles generally accepted in Japan. The information provided in the notes to the nonconsolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations.

A statement of cash flows is not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations; however, it is presented herein. A statement of comprehensive income is not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, is not presented herein. Japanese yen figures of less than a million yen are rounded to the nearest million yen, except for per share data.

The nonconsolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.98 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Nonconsolidation—The nonconsolidated financial statements do not include the accounts of a subsidiary. Investments in a subsidiary and an associated company are stated at cost.

(2) Cash and cash equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn as needed, and short-term investments with maturities within three months.

(3) Inventories—Inventories are stated at the lower of cost, determined by the moving-average method, or net selling value.

(4) Marketable and investment securities—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) investment securities in subsidiaries and associated companies are reported at cost and (2) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of Equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Additionally, with regard to contributions to investment business limited liability partnerships and similar partnerships (according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Law, such contributions are regarded as securities), the Company mainly uses, as the book value, the net value of its holdings of partnership assets.

(5) Tangible fixed assets—Tangible fixed assets are stated at cost. Depreciation of Structures, Machinery and equipment and Wireless telecommunications equipment is computed by the straight-line method based on the estimated useful lives of the assets, while the declining-balance method is applied to Buildings.

The main estimated useful lives are as follows:

Buildings	15 years
Structures	30 years
Machinery and equipment	10 years
Wireless telecommunications equipment	10 years

(6) Long-lived assets—The Company reviews its Long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(7) Intangible fixed assets and Long-term prepaid expenses—Intangible fixed assets and Long-term prepaid expenses are carried at cost less accumulated amortization, which is calculated by the straight line method principally over five to 10 years for Intangible fixed assets and 10 years for Long-term prepaid expenses.

(8) Accounting for allowances and reserves

i) Allowance for bad debt
To prepare for uncollectible credits in accounts receivable, etc., the Company provides an allowance for general credits using the actual bad debt ratio, and provides an allowance for an estimated unrecoverable amount of specific credits deemed to be uncollectible after considering possible losses on collection.

ii) Allowance for bonuses
To allow for the payment of bonuses to employees, the Company records the estimated amounts of bonuses to be paid.

(9) Issuance costs for bonds—Bond issue costs are amortized by the straight-line method over the bond term in accordance with the Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force No. 19, “Tentative Solution on Accounting for Deferred Assets,” which was issued by the ASBJ in August 2006.

(10) Revenue recognition—Revenues from telecommunication services are recognized when services are provided to customers. Sales of mobile devices are recognized when customers receive the devices.

(11) Income taxes—The provision for income taxes is computed based on the pretax income included in the nonconsolidated statement of income. The asset and liability approach is used to recognize Deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

(12) Foreign currency transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the nonconsolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the nonconsolidated statement of income to the extent that they are not hedged by forward exchange contracts.

(13) Derivatives and hedging activities—The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and currency swap contracts are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the nonconsolidated statement of income, and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilized to hedge foreign currency exposures for import. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed. Accounts payable-trade denominated in foreign currencies are translated at the contracted rate if the forward contracts qualify for hedge accounting.

The currency swap contracts employed to hedge foreign exchange exposures for bonds do not qualify for hedge accounting and are measured at fair value, and the unrealized gains/losses are recognized in income.

(14) Per share information—Net income per share is computed by dividing Net income available to Class A stock and Class B stock shareholders by the weighted-average number of common shares outstanding for the period.

(15) Accounting treatment of consumption taxes, etc.—Items subject to consumption tax, etc., are recorded at amounts exclusive of consumption taxes, etc.

3. Nonconsolidated Balance Sheet

(1) Monetary claims and debts to affiliated companies

Short-term monetary claims	¥435 million
Short-term monetary debts	¥353 million
Long-term monetary claims	¥754 million

(2) Accumulated depreciation and accumulated impairment loss on Tangible fixed assets: ¥160,051 million

4. Nonconsolidated Statement of Income

Transactions with affiliated companies

Operating transactions

Revenue	¥1,748 million
Operating expenses	¥2,125 million

5. Nonconsolidated Statement of Changes in Equity

(1) Number of outstanding shares issued as of March 31, 2014

Class A stock	267,777 shares
Class B stock	1,649 shares

(2) Items concerning cash dividends
No items to report.

6. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.
Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the

amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases and transfer of Capital stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of Retained earnings) or as Legal capital surplus (a component of Capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and Legal capital surplus equals 25% of the Capital stock. Under the Companies Act, the total amount of Legal capital surplus and legal reserve may be reversed without limitation. The Companies Act also provides that Capital stock, legal reserve, Legal capital surplus, other capital surplus, and Retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of Equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of Equity or deducted directly from stock acquisition rights.

7. Tax Effect Accounting

(1) Major breakdown of Deferred tax assets and liabilities

(Deferred tax assets)	
Other accounts payable and accrued expenses	¥8,415 million
Goodwill	6,626 million
Foreign exchange losses	5,189 million
Loss carried forward	26,371 million
Others	6,775 million
Total gross deferred tax assets	53,376 million
(Deferred tax liabilities)	
Deferred gains on hedge	(30 million)
Valuation adjustment on securities investments	(35 million)
Asset retirement obligations	(557 million)
Total gross deferred tax liabilities	(622 million)
Valuation allowance	(41,613 million)
Net deferred tax assets	¥11,142 million

(2) Amendment to amount of Deferred tax assets and liabilities due to change in income tax rate, etc.

The Act for Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014), was promulgated on March 31, 2014. With this revision, the special corporation tax for reconstruction will no longer be levied from the fiscal year beginning on or after April 1, 2014. In conjunction with this amendment, for temporary differences expected to reverse in the fiscal year beginning on April 1, 2014, the normal statutory effective tax rate used to calculate Deferred tax assets and Deferred tax liabilities was changed from the previous rate of 38.01% to 35.64%. As a result, Deferred tax assets (after deducting Deferred tax liabilities) decreased by ¥119 million and Income tax expense-deferred increased by the same amount.

8. Financial Instruments

(1) Conditions of financial instruments

i) Policies for using financial instruments

The Company raises necessary funds based on its capital investment plans to conduct its business, mainly by group financing or issuance of bonds.

The Company invests temporary cash surpluses in highly liquid and secure financial instruments, and the Company raises short-term funds by group financing.

The Company also follows the policy of using derivatives not for speculative purposes, but for managing foreign currency exchange risk.

ii) Details of financial instruments used and the exposures to risk

1. Accounts receivable–trade are exposed to customers' credit risk.
2. With respect to operating debts, such as Accounts payable–trade, Other accounts payable and accrued expenses, payment terms are generally within three months, while payment terms for some Accounts payable–facilities are up to six months. Some operating debts are exposed to foreign exchange fluctuation risk because they are denominated in foreign currencies. Such risk is hedged by forward exchange contracts.
3. Loans, Bonds, and Installment obligations are generally for the purpose of funds related to capital investment and purchase of terminals. The longest redemption date is five years after the end of the current fiscal year. Some of them have floating interest rates and are exposed to interest rate fluctuation risk. Corporate bonds denominated in foreign currencies are exposed to foreign exchange fluctuation risk.
4. Derivative transactions are related to forward exchange contracts, which are used to hedge foreign exchange fluctuation risk of operating debt denominated in foreign currencies.
   With respect to hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of deferred hedge accounting, please refer to 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (13) Derivatives and hedging Activities.
   In addition, currency swap transactions were entered into in order to hedge foreign exchange fluctuation risk pertaining to corporate bonds denominated in foreign currencies.

iii) Risks relating to financial instruments and the management system thereof

1. Credit risk management (customer's default risk)
   In order to properly manage operating receivables in accordance with the credit control policy, the conditions of main business partners are periodically reviewed and the due dates and outstanding balances for the Company's individual business partners are managed. In addition, the Company makes efforts to identify at an early stage and mitigate default risk resulting from factors such as deterioration in financial condition.
   Because the counterparties to derivative financial transactions are limited to major financial institutions and trading companies, the Company anticipates few potential losses arising from credit risk.
2. Market risk management (foreign currency exchange and interest rate fluctuation risk)
   The Company principally uses forward exchange contracts to hedge foreign exchange fluctuation risk on foreign currency-denominated trade payables. In addition, the Company carries out foreign currency swap transactions to avoid foreign exchange fluctuation risk on corporate bonds denominated in foreign currencies.
   With respect to Securities investments, the Company identifies and monitors fair market values and financial positions of the issuers on a regular basis and continuously reviews the status of these securities considering credit risk and the relationships with the issuers.
   With respect to derivative transactions, when a transaction (including forecasted transaction) for which risk management is required arises, a risk manager for derivative transactions makes those involved in the transaction thoroughly aware that it requires risk management; instructs them how to control and mitigate the risk by identifying the hedging instrument to lower the risk; and, if necessary, obtains both the Treasurer's and other related management's consent for execution.
3. Liquidity risk management of fund raising (risk of inability to repay at payment due dates)
   The Company controls its liquidity risk by preparing and updating payment schedule management plans on a timely basis, based on reports from each department, and by maintaining certain levels of liquidity on hand.

iv) Supplemental explanation of the fair value of financial instruments
Fair values of financial instruments include market prices and reasonably estimated values when market prices are unavailable. As variable factors are incorporated into the estimation of the relevant fair value, fair value may vary depending on the assumptions used.

(2) Fair value of financial instruments

Carrying amount, fair value, and the difference between them as of March 31, 2014, are shown below.

(¥ in millions)

		Amount recorded in the Nonconsolidated Balance Sheet	Fair value	Difference
(1)	Cash and cash equivalents	4,288	4,288	–
(2)	Accounts receivable–trade	46,715		
	Allowance for bad debt (*1)	(2,912)		
		43,804	43,804	–
Total assets		48,092	48,092	–
(1)	Accounts payable–trade	3,040	3,040	–
(2)	Short-term debt	64,000	64,000	–
(3)	Other accounts payable and accrued expenses	24,946	24,946	–
(4)	Accounts payable–facilities	17,892	17,892	–
(5)	Installment obligations (*2)	24,554	24,565	10
(6)	Bonds	71,517	72,848	1,331
Total liabilities		205,950	207,291	1,341
Derivative financial transactions (*3)		20,783	20,783	—

(*1) The Allowance for bad debt, which is recorded for corresponding Accounts receivable–trade, is deducted.
(*2) The amount includes the Current portion of installment obligations in Current liabilities and Installment obligations, less the current portion in Long-term liabilities.
(*3) The values of assets and liabilities arising from derivative financial transactions are shown at net value.

(Note) 1. Measurement method of the fair value of financial instruments and matters relating to securities and derivative transactions

<u>Assets:</u>

(1) Cash and cash equivalents
As the book value is close to fair value since this item is settled within a short period, the book value is used.

(2) Accounts receivable–trade
As Accounts receivable–trade (excluding installment claims) is settled within a short period and its fair value is almost the same as its book value, the book value is used.
With regard to installment receivables, their fair value was computed using a discount method by applying the yield, which incorporated the factor of credit risk and the period until the maturity. As a result, as the fair value became almost equal to the book value, the book value is used.
These items take credit risk into consideration by deducting allowances.

<u>Liabilities:</u>

(1) Accounts payable–trade, (2) Short-term debt, (3) Other accounts payable and accrued expenses, and
(4) Accounts payable–facilities
As the book value is close to fair value because these items are settled within a short period, the book value is used.

(5) Installment obligations
The fair value of Installment obligations is calculated by applying a discount rate to the total of scheduled principal and interest. That discount rate is based on the assumed interest rate applicable if a similar new loan was entered into.

(6) Bonds
Applicable market price is used for the fair value.

Derivative transactions:

(1) Nonhedged derivative financial transactions

(¥ in millions)

Transaction type	Type	Fiscal year ended March 31, 2014				Calculation method for fair value
		Contract amount	Portion due over one year	Fair value	Valuation gains or losses	
Off-market transactions	Currency swap contract					The fair values are based on the price quoted by the banks with which the Company has business transactions.
	USD	33,997	33,997	12,232	3,449	
	EUR	22,961	22,961	8,466	5,107	
Total		56,957	56,957	20,698	8,556	

(2) Hedged derivative financial transactions

(¥ in millions)

Transaction type	Type	Hedged items	Fiscal year ended March 31, 2014			Calculation method for fair value
			Contract amount	Portion due over one year	Fair value	
Deferred hedge accounting	Foreign exchange forward contract Buy contracts USD	Forecasted transaction of foreign currency-denominated purchases	2,755	–	85	The fair values are based on the price quoted by the trading company with which the Company has business transactions.
Forward exchange contracts are translated at the foreign exchange rates stipulated in the contract	Foreign exchange forward contract Buy contracts USD	Accounts payable–trade	6	–	(Note)	
Total			2,761	–	85	

(Note) Forward exchange contracts are accounted for as an integral part of foreign currency-denominated payables, which are hedged items. As a result, their fair values are included in the fair value of Accounts payable-trade.

(Note) 2. Planned repayment amounts for Bonds and Installment obligations after the closing date

(¥ in millions)

	Due within one year	Due after one year, but within two years	Due after two years, but within three years	Due after three years, but within four years	Due after four years, but within five years	Due after five years
Bonds	–	–	–	–	71,517	–
Installment obligations	10,835	3,659	3,384	3,452	3,224	–

9. Transactions with Related Parties

(1) Fellow subsidiaries and the like

Type	Name	Ratio of voting rights (owning or owned) (%)	Relationship with related parties	Content of transaction	Transaction amount (¥ in millions)	Account	Ending balance (¥ in millions)
Subsidiary of other capital-related company	SoftBank Mobile Corp.	–	Offering the Company's services	Offering mobile network services (Note)	15,503	Accounts receivable-trade	5,778
Subsidiary of other capital-related company	Shiodome Finance Corporation	–	Financing	Borrowing of funds Payment of interests	64,000 921	Short-term debt	64,000

Terms of transactions and policies for determining the terms of transactions

(Note) Prices and other terms of transactions are determined based on prices that the Company recommends with reference to the market situation and subsequent price negotiations.

10. Per Share Information

(1) Net assets per share pertaining to stock other than common stock ¥317,469.64
(2) Net income per share pertaining to stock other than common stock ¥32,945.03

11. Significant Subsequent Events

(1) The Company and WILLCOM, Inc. ("WILLCOM") were members of the group companies of SoftBank Corp. ("SoftBank") and both were engaged in businesses as a communication service provider. Although both companies entered a tie-up and carried out joint sales activities, such as offering each other's products at both companies' retail stores including "EMOBILE Shop" and "WILLCOM Plaza" since January 17, 2013, it was necessary to more effectively use the management resources of both companies for business expansion. Accordingly, the Company resolved, at the Board of Directors' meeting held on February 21, 2014, to merge with WILLCOM on June 1, 2014, and the signing of a merger agreement was resolved at the extraordinary shareholders' meeting held on March 10, 2014.

The surviving company after the merger combined the Company's approximately 4.4 million subscribers and WILLCOM's approximately 5.7 million subscribers, offering mobile communication services to more than 10 million customers. The new company continues to operate the PHS Business taken over from WILLCOM, as well as the Company's current Mobile Business and Fixed Broadband Business for further growth, while putting more energy into the smartphone business, which is expected to see further market expansion.
The entire amount of the Company's shares held by SoftBank, which accounts for 99.68% of the Company's outstanding shares (or 33.29% of the total voting rights), was scheduled to be transferred to Yahoo Japan Corporation on June 2, 2014.

Name of Company to be Merged, Merger Method, Merger Date, and Content of Allotment related to the Merger:

i) Name of company to be merged
WILLCOM, Inc. (capital of ¥150 million)

ii) Merger method
Absorption-type merger in which the Company becomes the surviving company and WILLCOM the merged company

iii) Merger date
June 1, 2014

iv) Content of allotment related to the merger

In the merger, the Company allocated 75,000 shares of Class A stock in exchange for 300,000 shares of WILLCOM common stock held by WILLCOM's shareholders (excluding the Company and WILLCOM) listed or recorded on the WILLCOM's shareholders' list at the time immediately before the merger became valid.

(2) The merger between the Company and WILLCOM was completed as scheduled on June 1, 2014. In addition, the transfer of shares of the Company from SoftBank to Yahoo Japan Corporation, which was scheduled for June 2, 2014, has been canceled.

eAccess Ltd.

SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE YEAR ENDED MARCH 31, 2014

1. Detailed Schedule of Tangible Fixed Assets and Intangible Fixed Assets
2. Detailed Schedule of Allowance
3. Detailed Schedule of Selling, General, and Administrative Expenses

*The amounts described herein are presented by rounding off to the nearest one million Japanese yen unit.

1. Detailed Schedule of Tangible Fixed Assets and Intangible Fixed Assets (including Items that Incur Depreciation and Amortization Expenses under Investments and Other Assets)

(¥ in millions)

Category	Type of assets	Amount recorded in the Nonconsolidated Balance Sheet as of April 1, 2013	Increase in the fiscal year ended March 31, 2014	Decrease in the fiscal year ended March 31, 2014	Depreciation or amortization for the fiscal year ended March 31, 2014	Amount recorded in the Nonconsolidated Balance Sheet as of March 31, 2014	Accumulated depreciation or amortization	Acquisition cost as of March 31, 2014
Tangible fixed assets	Buildings	1,281	234	1	409	1,104	817	1,921
	Structures	15,850	149	9	636	15,355	3,326	18,681
	Machinery and equipment	7,326	4,370	16	1,081	10,599	49,474	60,073
	Wireless telecommunications equipment	115,109	26,266	3,826	18,479	119,071	95,172	214,243
	Construction in progress	11,086	23,621	31,423	–	3,284	–	3,284
	Other tangible fixed assets	1,088	567	451	694	510	11,262	11,772
	Total	151,740	55,207	35,726	21,298	149,922	160,051	309,974
Intangible fixed assets	Right of trademark	5	–	–	1	4		
	Software	26,006	21,272	274	6,398	40,606		
	Software in progress	2,924	19,053	20,385	–	1,592		
	Total	28,935	40,324	20,658	6,399	42,202		
Investments and other assets	Long-term prepaid expenses	10,835	1,475	141	1,598	10,571		
	Total	10,835	1,475	141	1,598	10,571		

(1) The major components of the increase in the fiscal year ended March 31, 2014, are as follows:

Wireless telecommunications equipment
Wireless telecommunications equipment related to provision of data communication services and voice services ¥26,266 million

Software
Software related to telecommunications software and customer management systems, etc. ¥21,272 million

(2) The major components of the decrease in the fiscal year ended March 31, 2014, are as follows:

Wireless telecommunications equipment
Disposal due to renewal and replacement from making the network LTE (“Long Term Evolution”)-compatible and high speed ¥3,826 million

(3) Amount of accumulated impairment loss is included in “Accumulated depreciation or amortization.”

2. Detailed Schedule of Allowance

(¥ in millions)

	Balance as of April 1, 2013	Increase in the fiscal year ended March 31, 2014	Decrease in the fiscal year ended March 31, 2014		Balance as of March 31, 2014
			Used for intended purpose	Others	
Allowance for bad debt	2,569	2,912	1,371	1,198	2,912
Allowance for bad debt (long term)	102	102	52	50	102
Total allowance for bad debt	2,671	3,014	1,423	1,248	3,014
Allowance for bonuses	–	1,307	–	–	1,307

"Others" of "Decrease in the fiscal year ended March 31, 2014" for Allowance for bad debt reflects the reversal of the balance of the account as of the end of the previous year.

3. Detailed Schedule of Selling, General, and Administrative Expenses

(¥ in millions)

Account	Amount
Advertising expenses	3,486
Promotion expenses	54,001
Provision for allowance for bad debt	1,766
Salaries and benefits	6,790
Provision for allowance for bonuses	894
Business consignment expenses	6,574
Depreciation and amortization	2,432
Others	7,148
Total	83,091

eAccess Ltd.

BUSINESS REPORT
AS OF AND FOR THE YEAR ENDED MARCH 31, 2014

This document contains our projections and other “forward-looking statements” that reflect eAccess’ current expectations and projections, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments, and anticipated regulatory changes in the markets in which we operate or intend to operate. These forward-looking statements involve risks and uncertainties and are not guarantees of future performance. They are based on numerous assumptions and our actual results of operations, including our financial condition and liquidity and the development of the industries in which we operate, may materially differ from these forward-looking statements. These forward-looking statements speak only as of the date hereof and we undertake no obligation to update or revise any forward looking statements.

eAccess Ltd.
Business Report

for the 15th term

(From April 1, 2013, to March 31, 2014)

I. Items Concerning the Company's Current Status

1. Operating Progress and Results

eAccess Ltd. ("the Company") and WILLCOM, Inc. ("WILLCOM") entered into a merger agreement on February 21, 2014 under which the Company will become the surviving company and WILLCOM will become the merged company through an absorption merger ("the Merger"). The Merger is scheduled to be effective on June 1, 2014. Both the Company and WILLCOM are members of the group companies of SoftBank Corp. ("SoftBank") and have already been carrying out joint sales activities through the alliance. With the Merger, the Company aims at further business expansion focusing on the smartphone area by integrating the management resources of both companies.

Furthermore, SoftBank and Yahoo Japan Corporation ("Yahoo") concluded a share transfer agreement on March 27, 2014 under which Yahoo will acquire the shares of the Company held by SoftBank on condition that the Merger comes into force, etc. The share transfer is scheduled to be implemented on June 2, 2014. Going forward, the Company will develop Japan's first "Internet Carrier" as planned by Yahoo.

The merger between the Company and WILLCOM was completed as scheduled on June 1, 2014. In addition, the transfer of shares of the Company from SoftBank to Yahoo Japan Corporation, which was scheduled for June 2, 2014, has been canceled.

The Company's Revenue for the fiscal year ended March 31, 2014 decreased by 7.7% year on year to ¥203,805 million. This decline was mainly attributable to a fall in the accumulated total number of subscribers in the Fixed Broadband Business. In terms of profit, Operating profit rose 79.3% year on year to ¥27,019 million mainly due newly recording the revenue from usage fees for offering network bandwidth of the Company in the Mobile Business.
In Nonoperating income and expenses, the Company posted Gain on valuation of derivatives of ¥10,865 million and Foreign exchange losses of ¥7,903 million. The Gain on valuation of derivatives arose from the currency swap transactions pertaining to foreign-currency denominated bonds, and the Foreign exchange losses resulted from exchange rate fluctuations associated with the above bonds. In addition, Interest expense and Interest on bonds amounted to ¥3,688 million and ¥5,721 million respectively. As a consequence, Recurring profit rose 87.1% year on year to ¥19,012 million.
Furthermore, the Company recognized a Gain on sales of investment securities of ¥1,404 million under Nonrecurring profit. As a result, Income before income taxes increased by 733.4% year on year to ¥20,416 million.
Additionally, taxes of ¥15 million covering income taxes, as well as Income tax expense-deferred of ¥11,525 million were recorded. As a result, a Net income of ¥8,876 million was recorded (compared to Net loss of ¥2,411 million in the previous fiscal year).

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

(¥ in millions)

	Fiscal year ended March 31, 2014	
	Revenue	Segment profit (operating profit)
Mobile Business	177,141	19,713
Fixed Broadband Business	26,664	7,306
Total	203,805	27,019

(1) Mobile Business

Revenue in the Mobile Business decreased by 4.6% year on year to ¥177,141 million. In the current fiscal year, the business saw growth in subscriptions mainly driven by strong sales of LTE-compatible smartphones launched in March 2013 through the Company's own distribution channels including mass retailers, despite an increase in the number of subscriber cancellations for SoftBank Mobile's MVNOs (Mobile Virtual Network Operators). Hence, the Company accumulated a total number of subscribers of 4,465 thousand as of March 31, 2014, up 147 thousand, or 3.4% from the previous fiscal year-end. On the other hand, segment profit (Operating profit) for the current fiscal year increased by 291.8% year on year to ¥19,713 million. The robust growth in Operating profit was mainly attributed to the receipt of usage fees for offering network bandwidth.

As of March 31, 2014, nationwide service coverage in population terms was 95.6%.

(Note) Effective from the previous fiscal year, 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 communication is possible at the sites of city, town or village government offices.

(2) 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 with Internet service providers ("ISPs") and other partners, to which the Company sells ADSL lines as a wholesaler, to attract new customers and suppress cancellation. The accumulated total number of ADSL subscribers as of March 31, 2014 was 931 thousand.

As a result, Revenue for the current fiscal year declined by 23.9% year on year to ¥26,664 million and segment profit (Operating profit) declined by 27.2% year on year to ¥7,306 million.

2. Capital Expenditure, etc.

Total amount of capital expenditure for the current fiscal year was ¥44,994 million.

This was mainly for improving communication speed and strengthening wireless telecommunications equipment to accommodate increasing traffic resulting from an increase in the number of subscribers in the Mobile Business (¥44,716 million), and strengthening telecommunications equipment for the provision of backbone services in the Fixed Broadband Business (¥278 million).

3. Challenges to Address

The Company aims to maximize the Group's profitability as a member of the SoftBank Group and as a player for the Yahoo's targeted Internet Carrier through the merger with WILLCOM. It will also strive to ensure high-quality communications that can maintain continuous and stable services and provide communication services that are always convenient and easy to use.

Towards these ends, the Company will put the highest priority on addressing the following issues.

(1) Expansion of Mobile Business and ensuring stable profit in Fixed Broadband Business

The Company aims at active expansion of the growing Mobile Business and ensuring a stable profit in the Fixed Broadband Business.

In the Mobile Business, the Company continues to pursue aggressive sales focused on smartphones equipped with Android OS as a group strategy, offering a different perspective to existing carriers such as by offering communication devices and services that linked with a variety of content offered by Yahoo. The Company also aims to strengthen its profitability base with an eye on mobile broadband leveraged with LTE, high-speed communication technologies. The PHS services that WILLCOM currently provides will be continued with distinctive services and communication devices through efficient business operations.

In the Fixed Broadband Business, the Company endeavors to emphasize the advantages of ADSL services including their lower cost compared with FTTH and ease of introduction, while retaining existing customers and maintaining profitability by strengthening costs management.

(2) Enhancement of sales and marketing system

The Company has increased the number of subscribers, mainly by obtaining customers for mobile routers, in cooperation with affiliated partners and distributors. Going forward, in addition to pursuing mutually complementary synergies with the sales channels of WILLCOM, the Company will also expand its marketing activities as an “Internet Carrier” operating under the brand of “Y!mobile,” which was newly created with Yahoo. In this way, the Company will have greater opportunities to acquire more customers.

(3) Quality assurance and improvement of communication services

The Company ensures stable communication networks as a telecommunications carrier offering important social infrastructure. Aiming to deliver further enhanced convenience to users, we continue striving to expand communication areas, and to improve communication quality, while also improving communication speed by actively taking technological innovation.

(4) Enhancing cost competitiveness

To successfully expand customer bases by setting attractive charge systems and to promote proactive business activities, an enterprise in our industry must inevitably develop and enhance a management system to generate profits at low prices by constraining costs. For the Mobile Business, the Company undertakes various efforts to strength cost competitiveness on various fronts. Key cost controls include restraints on costs in relation to the development and construction of base stations through the implementation of technologies in compliance with global standards and the latest small base stations, and restraints on capital expenditures and running costs through the sharing of networks in the Mobile Business with the Fixed Broadband Business.

Furthermore, the Company is committed to achieving a leaner, more robust management structure by maximizing its group synergy in capital expenditures and procuring terminals, enhancing business efficiency through business process reform and curtailment of personnel expenses through flexible and dynamic reshuffling of personnel assignments.

(5) Enhancing customer satisfaction

Customers of the Company include affiliated MVNOs and distributors, in addition to subscribers to the ADSL services and mobile communication services. To keep and increase the number of subscribers going forward, it will be critical to enhance customer satisfaction through continued efforts to improve the quality of services at broad contact points. The Company is committed to reinforcing its relationships with affiliated MVNOs and distributors, who are an initial link to customers, and expanding direct marketing communication activities for customers through further fulfillment of services at call centers and customer support operations.

(6) Strengthening internal management system and employee education and training

In order to prevent various management insufficiencies arising as a result of business expansion, the Company educates and trains its employees even more thoroughly while improving its organizational structures, developing and improving its various regulations and rules, and improving its business processes steadily.

The Company believes that it is a social obligation to appropriately manage and protect the customers’ personal information it handles. “Information Security Committee,” a unit responsible for the constant promotion, management, and supervision of information security within the Company, develops and operates the Company’s security policies and related regulations and rules, in addition to tightening control over access to customer data and to high-security areas, and installing security software for internal networks. The Company ensures that every employee recognizes his or her obligation to manage personal information with vigilance and continues to promote the appropriate handling and discreet management of information.

Further, in terms of internal control, the Company has developed and improved necessary internal control to ensure the reliability of financial reporting under the Financial Instruments and Exchange Act.

The Company will also strengthen its internal control system by forming a Compliance Committee and Risk Management Committee, and thoroughly educate and train employees by establishing a department wholly devoted to employee education.

4. Principal Business (As of March 31, 2014)
The Company is mainly engaged in the “Mobile Business,” which provides mobile broadband communication services and offers development and sales of communication terminals, and the “Fixed Broadband Business,” which provides services offering high-speed internet access centered on ADSL.

5. Principal Lenders (As of March 31, 2014)

Lenders	Loan balance
Shiodome Finance Corporation	¥64,000 million

6. Financing
Major financing activities, which were newly carried out during the current fiscal year, are as follows.

- The Company has concluded a revolving credit loan contract with Shiodome Finance Corporation, a subsidiary of SoftBank. The loan was arranged to be appropriated for the repayment of interest-bearing debts and general business funds. The total loan amount of the contract was ¥130,000 million, and the unused available balance as of the end of the current fiscal year was ¥66,000 million. The Company plans to repay the entire amount of the revolving credit loan by refinancing from Yahoo on June 2, 2014.

The Company has installment purchase agreements with leasing companies for the purpose of purchasing terminals for the Mobile Business and building networks. Installment purchase agreements which were valid as of the end of the current fiscal year are as follows.

- The aggregate maximum amount of the installment purchase basic agreements for purchasing terminals, which were concluded during the current fiscal year, was ¥4,000 million, and there was no unutilized exercisable portion remaining from the maximum amount as of the end of the current fiscal year. In addition, the balance of the installment purchase basic agreements for purchasing terminals (including those which had been concluded over the past years) was ¥6,818 million as of the end of the current fiscal year.
- The installment purchase agreements for building networks were concluded, and the balance as of the end of the current fiscal year was ¥16,632 million.

II. Accounting Auditor

Name: Deloitte Touche Tohmatsu LLC

III. System and Policy of the Company

(Note) The “Group” described in “III. System and Policy of the Company” refers to the Company and its subsidiaries.

1. Basic Policy for Development of Internal Control System

   Pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company shall develop the following system (hereinafter, the “Internal Control System”) to ensure appropriateness of its operations.

(1) System to ensure performance of duties by Directors and employees conform with laws and regulations and the Articles of Incorporation

(i) The Board of Directors shall strive to develop a Group-wide compliance system in order to ensure that Directors and employees comply with laws and regulations and the Articles of Incorporation, and conduct their duties in accordance with sound social standards.

(ii) The Company shall establish a division to oversee the Group’s compliance measures on a Group-wide basis. The Company shall also establish a code of conduct, implement training, and prepare and distribute a compliance manual concerning compliance with laws and regulations, the Articles of Incorporation, and social standards, thereby ensuring that Directors and employees are made aware of compliance and put compliance into practice in a thoroughgoing manner.

(iii) The Internal Audit Division shall conduct audits on the statuses of compliance at the Company and the Group companies regularly or as needed and report the results to the Representative Director.

(iv) The Company shall establish a whistle-blowing system whereby employees can directly report legally dubious acts and behaviors without going through the office hierarchy, and whereby whistle blowers are given due protection.

(v) The Company’s basic policy shall underscore that the Company, working in cooperation with the Group companies, shall take decisive action against anti-social forces and block any relationships with a resolute attitude, and shall not provide any money or other benefits. The Company shall specify the aforementioned in its code of conduct and ensure that Directors and employees are made aware of issues regarding handling of anti-social forces and put this into practice in a thoroughgoing manner.

(2) System to retain and manage information about Directors’ performance of duties

(i) Information about Directors’ performance of duties shall be recorded in written documents or via an electromagnetic medium, and shall be retained appropriately in accordance with the Company’s internal rules.

(ii) The Company shall develop a system whereby Directors, Corporate Auditors and other relevant personnel can access these documents, etc. at any time.

(3) Rules about loss risk management and other systems

(i) The Company shall establish a division to grasp and oversee risk management status across the whole Group, and develop internal rules which define risk management in a systematic manner.

(ii) The Company shall take appropriate measures to develop an optimal risk management system for operations, under which importance of identification, evaluation, monitoring, and management of various risks adherent to business executions are recognized, responsible divisions are assigned by risk categories, and the Group’s risk as a whole is managed comprehensively and completely.

(iii) The Internal Audit Division shall conduct audits on the statuses of risk management at the Company’s and the Group companies’ divisions regularly or as needed and report the results to the Representative Director.

(iv) The Company shall develop a system and countermeasures in advance in order to respond to the occurrence or possible occurrence of unexpected situations with a substantial adverse impact on the Company’s business, and if such situation occurs, the Company shall execute the countermeasures promptly and take actions to prevent recurrence.

(4) System to ensure efficient performance of duties by Directors
The Company shall establish management goals, properly manage budget and actual operating results, and conduct continuous monitoring of risks associated with business development, while streamlining and expediting operations through restructuring of organizations and operation processes and proper use of information technology, thereby ensuring efficiency in the execution of Directors' duties.

(5) System to ensure appropriateness of operations of the eAccess Group
In order to establish the Internal Control System at the Company and the Group companies, the Company shall establish a division in charge of the Internal Control System of the whole Group, while developing a structure that includes a system enabling the Company and the Group companies to carry out deliberations and information sharing, etc. on the Internal Control System efficiently.

(6) Items on employees whom Corporate Auditors request to appoint for assistance in their duties and independence of the employees from Directors
  (i) Based on a request by Corporate Auditors, Directors shall appoint appropriate persons as assistants to support the Corporate Auditor's duties.
  (ii) Appointments, transfers and personnel evaluations of assistants shall require approval from Corporate Auditors.

(7) System for Directors and employees to report to Corporate Auditors, and other relevant systems
  (i) In order to ensure effectiveness of audits, Corporate Auditors shall receive reports from Directors and employees on important items with an impact on the Company's and the Group companies' management and operating results.
  (ii) These important items shall include matters concerning compliance, risks and others in relation to the Internal Control System.
  (iii) When Directors find facts that may cause material damages to the Company, they shall report such facts to Corporate Auditors immediately.

(8) Other system to ensure effective auditing by Corporate Auditors
  (i) The Board of Corporate Auditors shall hold regular exchanges of opinions with the Representative Director and Accounting Auditor, respectively.
  (ii) Corporate Auditors shall be authorized to attend board meetings as well as other important meetings in order to understand important decision-making matters and the status of business execution. They shall also be allowed to access approval documents and other important records concerning business execution and to ask for explanations to Directors and employees as needed.

(9) System to ensure reliability and appropriateness of financial reporting
In order to ensure reliability and appropriateness of financial reporting, in accordance with the Financial Instruments and Exchange Act, the Company shall establish a "Principle of Internal Control over Financial Reporting" and develop a system to implement transparent and appropriate financial reporting to the markets.

2. Progress on Development of Internal Control System
In accordance with "Principle of Internal Control System," which was resolved at the board meeting on May 11, 2006, and whose partial revision was subsequently resolved at the board meeting on March 31, 2009, the Company strives for further enhancement of the Group's Internal Control System to prevent the occurrence of misconduct and maintain and improve its corporate value. The major contents are as follows.

(1) Legal compliance system
  (i) In practicing compliance, the Group stipulates in its code of conduct that it shall comply with laws and regulations, various internal rules and social standards, and act without ethical misconduct, thereby ensuring that Directors and employees are made aware of such matters and put it into practice in a thoroughgoing manner.
  (ii) The Company develops compliance rules and various relevant rules which specify the establishment of a compliance system as well as its appropriate management, thereby clarifying the system that Directors and employees should comply with.

(iii) The Company has established a Compliance Committee as a structure to oversee the Group's compliance. The Compliance Committee is responsible for providing educational and enlightenment activities concerning compliance, conducting special audits, and developing countermeasures on occurrences of serious compliance violations.
(iv) The Company has established a compliance inquiry service in line with the whistle-blowing system, and strives to foster a more transparent corporate climate, thereby building a system to prevent serious compliance incidents from occurring.
(v) The Company provides all employees with compliance training as well as the compliance manual, which is a guideline for exercising compliance.
(vi) In order to ensure reliability and appropriateness of financial reporting pursuant to the Financial Instruments and Exchange Act, the Company has established the Internal Control Office and develops a system to realize and strengthen internal control complying with the aforementioned Act, and has also specified the principle of internal control over financial reporting, thereby ensuring that Directors and employees are made aware of this principle and put it into practice in a thoroughgoing manner.
(vii)The Company reinforces the monitoring function of the Internal Audit Division and develops a system to ensure the Corporate Auditors' independence and effectiveness, thereby ensuring appropriateness of the whole Group's business operations.

(2) Risk management system
(i) The Company has established risk management rules and various relevant rules in order to minimize its financial damages by managing risks of the Group, thereby ensuring that Directors and employees are made aware of the Company's system to prevent and avoid risks and put it into practice in a thoroughgoing manner.
(ii) The Company has established a Risk Management Committee as a structure to oversee the Group's risk management. The Risk Management Committee is responsible for assessing and managing the Group's risks, providing educational and enlightenment activities concerning risk management, and developing countermeasures on occurrences or possible occurrences of serious crises.
(iii) In order to ensure a crisis management system and appropriate countermeasures if a crisis occurs, the Company develops crisis management rules and specifies definitions of crises, and has put in place a Crisis Management Committee. The Crisis Management Committee is responsible for developing a comprehensive system for crisis management and undertaking intensive crisis management if a crisis occurs.
(iv) The Company shall establish a Business Continuity Plan (BCP) that specifies measures to be taken by the Company when risks related to business continuity become apparent, and strive to develop a system to ensure business continuity.

(3) System to eliminate anti-social forces
(i) The Group specifies in its code of conduct and the compliance manual its basic policy towards illegal and wrongful demands and the like by anti-social forces, thereby ensuring that Directors and employees are made aware of this policy and put it into practice in a thoroughgoing manner.
(ii) In order to prepare for illegal and wrongful demands and the like by anti-social forces, the Group endeavors to routinely collect information from external specialist institutions such as police, lawyers, etc., cooperate closely with them if such cases occur, and develop a system under which it can take organizational countermeasures.
(iii) Pursuant to the Tokyo Metropolitan Ordinance for Eliminating the Organized Crime Groups enacted on October 1, 2011, the Group strives to develop a system for preventing transactions with anti-social forces, such as implementing an advance screening to avoid transactions with anti-social forces and inserting an additional clause stipulating the elimination of organized crime groups in contracts.

3. Policy Concerning Decisions on Dividends from Surplus, etc.

With regard to the dividends from surplus after January 2013 when the Company was delisted upon conclusion of the share exchange with SoftBank, the Company follows its basic policy of making resolutions at meetings of the Board of Directors in consideration of the wishes of shareholders.

(Note) The amounts described in this Business Report are presented by rounding them to the nearest unit.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of eAccess Ltd.:

We have audited the accompanying nonconsolidated balance sheet of eAccess Ltd. (the "Company") as of March 31, 2014, and the related nonconsolidated statements of income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information and the supplementary schedules, all expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements referred to above present fairly, in all material respects, the financial position of eAccess Ltd. as of March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with the Companies Act of Japan and applicable regulations and accounting principles generally accepted in Japan.

Emphasis of Matter

As explained in Note 1 to the nonconsolidated financial statements, the information provided in the notes to the nonconsolidated financial statements is limited to that required by the Companies Act of Japan and applicable regulations. A statement of comprehensive income is not required as a part of the basic financial statements under the Companies Act of Japan and applicable regulations and, accordingly, is not presented herein.

As explained in Note 11 to the nonconsolidated financial statements, the Company resolved at the Board of Directors' meeting held on February 21, 2014, to merge with WILLCOM, Inc. on June 1, 2014, and the signing of a merger agreement was resolved at the extraordinary shareholders' meeting held on March 10, 2014. The merger was completed as scheduled on June 1, 2014.

Our opinion is not qualified in respect of these matters.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the nonconsolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

May 12, 2014
(June 1, 2014, as to Note 11(2))

Quarterly Results for Fiscal Year 3/2014
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)	2Q (7-9/2013)	3Q (10-12/2013)	4Q (1-3/2014)	Full-year/ Year-end
EBITDA	3,712	3,481	3,060	2,610	12,862	2,486	2,429	2,192	1,581	8,688
Capital expenditures	488	1,488	670	1,275	3,922	91	138	146	141	517
Net add subscribers (thousands)	-104	-86	-85	-93	-368	-84	-60	-57	-64	-266
Accumulated subscribers (thousands)	1,461	1,375	1,290	1,197	1,197	1,113	1,053	996	931	931
ARPU (yen/month)	1,987	1,983	1,977	1,979	1,982	1,981	1,971	1,976	1,972	1,975
Churn rate (%/month)	2.53%	2.22%	2.29%	2.63%	2.42%	2.59%	1.97%	1.96%	2.37%	2.22%
SAC (yen)	7,500	8,500	6,000	8,500	7,500	7,500	7,500	6,200	7,100	7,100

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)	2Q (7-9/2013)	3Q (10-12/2013)	4Q (1-3/2014)	Full-year/ Year-end
EBITDA	10,834	11,912	13,834	8,792	45,373	14,281	13,093	13,906	12,661	53,941
Capital expenditures	6,781	9,284	9,721	16,844	42,631	9,604	8,131	10,816	15,927	44,477
Net add subscribers (thousands)	121	121	33	26	301	25	72	82	-32	147
Accumulated subscribers (thousands)	4,138	4,259	4,292	4,319	4,319	4,343	4,415	4,497	4,465	4,465
ARPU (yen/month)	2,310	2,330	2,360	2,380	2,340	2,360	2,330	2,290	2,290	2,320
Churn rate (%/month)	1.45%	1.53%	1.48%	1.54%	1.50%	1.59%	2.10%	2.20%	2.86%	2.19%
SAC (yen)	15,000	13,000	20,000	23,000	17,000	24,500	24,500	24,500	35,000	27,500

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

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