

eAccess Ltd.

RESULTS OF OPERATIONS AND FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED

MARCH 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 = ¥102.98, the exchange rate in effect as of March 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, 2013, to March 31, 2014

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.

The Company’s revenue for the fiscal year ended March 31, 2014 decreased by 7.7% year on year to ¥203,805 million. On the other hand, operating profit increased by 79.3% year on year to ¥27,019 million, and recurring profit increased by 87.1% year on year to ¥19,014 million after recording non-operating loss of ¥8,006 million, net of non-operating income and expenses. As a result, net income increased to ¥8,876 million.

Operating results by segment for 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

In the Mobile Business, the Company has accumulated total number of subscribers of 4,465 thousand as of March 31, 2014, up 147 thousand, or 3.4%, from March 31, 2013.

After reflection of business optimization initiative among the Group, the revenue of Mobile Business for the period was ¥177,141 million, down 4.6% year on year, at the same time its segment profit (operating profit) was ¥19,713 million, up 291.8% 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 931 thousand, down by 22.2% year on year as of March 31, 2014, 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 23.9% year on year to ¥26,664 million and its segment profit (operating profit) declined by 27.2% year on year to ¥7,306 million.

2. Financial Statements

(1) Balance Sheets

(As of March 31, 2013 and March 31, 2014)

	(¥ in millions)		(\$ in thousands)	
	Prior Year End (As of March 31, 2013)	Current Year End (As of March 31, 2014)		
(ASSETS)				
Current assets				
Cash and deposits	72,623	4,288	41,640	
Accounts receivable-trade	38,313	46,715	453,634	
Accounts receivable-other	4,263	1,131	10,978	
Merchandise	2,291	3,512	34,102	
Other current assets	5,920	7,024	68,205	
Deferred tax asset (short-term)	11,267	1,472	14,291	
Allowance for bad debt	(2,569)	(2,912)	(28,275)	
Total current assets	132,107	61,229	594,576	
Fixed assets				
Tangible fixed assets	151,740	149,922	1,455,840	
Intangible fixed assets	28,935	42,202	409,812	
Fixed assets-other	26,988	33,398	324,315	
Deferred tax asset (long-term)	11,360	9,670	93,901	
Allowance for bad debt	(102)	(102)	(990)	
Total fixed assets	218,921	235,091	2,282,878	
Deferred assets	708	566	5,500	
TOTAL ASSETS	351,737	296,887	2,882,954	

Balance Sheets (Continued)

(As of March 31, 2013 and March 31, 2014)

	(¥ in millions)	(\$ in thousands)	
	Prior Year End (As of March 31, 2013)	Current Year End (As of March 31, 2014)	
(LIABILITIES)			
Current liabilities			
Accounts payable-trade	4,320	3,040	29,524
Short-term Loan	6,300	64,000	621,480
Current portion of long-term debt	33,128	0	0
Current portion of lease obligations	8	0	4
Current portion of installment obligations	15,023	10,835	105,215
Other accounts payable	41,704	42,838	415,988
Other current liabilities	17,551	3,738	36,303
Total current liabilities	118,035	124,453	1,208,513
Long-term liabilities			
Long-term debt, less current portion	88,255	0	0
Bonds, less current maturities	63,611	71,517	694,477
Installment obligation, less current portion	4,251	13,719	133,221
Other long-term liabilities	869	1,663	16,149
Total long-term liabilities	156,986	86,899	843,847
TOTAL LIABILITIES	275,022	211,352	2,052,360
(NET ASSEIS)			
Shareholders' equity			
Capital stock	43,286	43,286	420,336
Capital surplus	74,034	74,034	718,916
Retained earnings	(40,779)	(31,903)	(309,798)
Total shareholders' equity	76,541	85,417	829,454
Valuation and translation adjustments	174	117	1,140
TOTAL NET ASSEIS	76,715	85,535	830,594
TOTAL LIABILITIES AND NET ASSEIS	351,737	296,887	2,882,954

(2) Statement of Operations

(For the year ended March 31, 2013 and 2014)

	Prior Year (Twelve months ended March 31, 2013)	Current Year (Twelve months ended March 31, 2014)	
		(¥ in millions)	(\$ in thousands)
Revenue	220,710	203,805	1,979,069
Cost of revenue	84,528	93,694	909,828
Gross profit	136,182	110,110	1,069,241
Selling, general and administrative expenses	121,115	83,091	806,867
Operating profit	15,067	27,019	262,374
Non-operating income	12,951	11,235	109,100.49
Non-operating expenses	17,856	19,241	186,838
Recurring profit	10,162	19,014	184,636
Non-recurring profit	4,681	1,404	13,633
Non-recurring loss	12,392	2	18
Income before income taxes	2,450	20,416	198,251
Corporate tax, ect	4,860	11,540	112,057
Net income	(2,411)	8,876	86,194

(3) Statement of Cash Flows
(For the year ended March 31, 2013 and 2014)

	Prior Year (Twelve months ended March 31, 2013)	(¥ in millions) (\$ in thousands)	
		Current Year (Twelve months ended March 31, 2014)	
Cash flows from operating activities			
Income before income taxes	2,450	20,416	198,251
Depreciation	35,850	29,172	283,278
Decrease (increase) in working capital	17,637	(7,258)	(70,480)
Interest paid	(9,692)	(9,825)	(95,407)
Income taxes paid	(11)	(4,433)	(43,045)
Net cash provided by operating activities	46,234	28,072	272,597
Cash flows from investing activities			
Purchase of tangible fixed assets	(23,102)	(31,806)	(308,860)
Purchase of intangible fixed assets	(12,348)	(12,853)	(124,808)
Outlay of long-term prepaid expense	(2,717)	(1,475)	(14,325)
Others	6,170	9,332	90,618
Net cash provided by (used in) investing activities	(31,997)	(36,802)	(357,375)
Cash flows from financing activities			
Repayments of capital lease obligations	(185)	(9)	(87)
Proceeds from sales and repurchase by installment payment	15,837	23,474	227,950
Repayments of installment obligations	(18,351)	(18,195)	(176,680)
Proceeds from short-term debt	18,900	143,000	1,388,619
Repayments of short-term debt	(12,600)	(85,300)	(828,316)
Proceeds from long-term debt	16,130	6,737	65,422
Repayments of long-term debt	(29,522)	(128,120)	(1,244,127)
Payments for arrangement of interest bearing debt	(1,122)	(1,529)	(14,850)
Redemption of bonds	(12,994)	-	-
Proceeds from settlement of derivatives	469	2,309	22,419
Proceeds from stock issuance, net	49,565	(172)	(1,665)
Purchase of preferred stock	(2,779)	-	-
Purchase of own subscription rights to shares	(2,306)	-	-
Dividends paid	(2,861)	(19)	(180)
Net cash provided by (used in) financing activities	18,179	(57,823)	(561,496)
Valuation adjustments in cash and cash equivalents	14	0	0
Net change in cash and cash equivalents	32,430	(66,553)	(646,274)
Cash and cash equivalents at the beginning of the period	38,412	70,841	687,914
Cash and cash equivalents at the end of the period	70,841	4,288	41,640

[Notes]

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

**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