

# **eAccess Ltd.**

**RESULTS OF OPERATIONS AND FINANCIAL STATEMENTS**

**AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011**

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.

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 = ¥77.04, the exchange rate in effect as of September 30, 2011, 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 Six Months Ended September 30, 2011

### (1) Qualitative Information regarding Operating Results

On March 31, 2011, eAccess Ltd. (“the Company”) absorbed its consolidated subsidiary, EMOBILE Ltd. (EMOBILE), through a merger. As a result, there are no consolidated subsidiaries, and the Company is reporting non-consolidated operating results from the current fiscal year. As consolidated quarterly financial statements were prepared for the six months ended September 30, 2010, and non-consolidated quarterly financial statements were not prepared, comparisons to the same period of the previous fiscal year are not presented for profits and losses or segment profits and losses.

The Mobile Business, which provides mobile broadband communication services under the EMOBILE brand, deployed marketing initiatives that concentrated on the Pocket WiFi integrated 3G mobile Wi-Fi router, the demand for which is expanding with the spread of Wi-Fi compatible devices such as portable audio players, portable game consoles, and tablet devices, as well as smartphones with tethering capabilities, and increased the number of subscribers. In accordance with steady growth in the number of subscribers in the Mobile Business, the Company’s revenue in the six months ended September 30, 2011 was ¥96,592 million, operating profit was ¥13,421 million, and recurring profit was ¥7,162 million due to the recording of expenses such as ¥5,259 million in interest expense as non-operating expenses. Moreover, since the Company inherited EMOBILE’s tax loss carried forward as a result of the absorption-type merger with EMOBILE, it is expected that taxable income will continue not to be realized for the six months ended September 30, 2011. As a result, net income came to ¥7,070 million.

Operating results by segment are as follows.

On March 31, 2011, the Company implemented an absorption-type merger with EMOBILE where the Company became the surviving company. To optimize the business management system, the Company realigned its previous Mobile Business, Network Business, and Device Business and newly segmented them into mobile business and fixed broadband business. Accordingly, the “Mobile Business” and “Fixed Broadband Business” are the reportable segments of the Company from the fiscal year which began on April 1, 2011.

#### A. Mobile Business

(¥ in millions)

	Six months ended September 30, 2010	Six months ended September 30, 2011	Increase/decrease	%
Revenue	–	73,077	–	–
Segment profit (Operating profit)	–	5,649	–	–

	2Q FY3/2011	2Q FY3/2012	Increase/decrease	%
Net increase in subscribers (thousands)	204	238	34	16.7
Accumulated total subscribers (thousands)	2,741	3,579	838	30.6
ARPU (¥/month)	3,250	2,730	(520)	(16.0)
Monthly churn rate (%)	1.29	1.44	0.15	–

\* ARPU: Average Revenue Per User (amounts less than ¥10 are rounded off)

The Mobile Business grew its number of subscribers, particularly for the Pocket WiFi mobile Wi-Fi router, thanks to the spread of Wi-Fi compatible devices such as portable audio players, portable game consoles, and tablet devices. On July 28, 2011, the Company released the GP02 Pocket WiFi, which delivers a maximum downlink speed of 42 megabits per second. On top of the subscriber acquisitions made through marketing initiatives that concentrate on such Pocket WiFi devices, wholesale channels for mobile broadband lines also performed steadily

and helped to grow the number of subscribers. The Company thus had accumulated total number of subscribers of 3,579 thousand as of September 30, 2011, up 838 thousand, or 30.6%, from September 30, 2010.

As a result of steady growth in the number of subscribers, revenue was ¥73,077 million and segment profit (operating profit) was ¥5,649 million for the six months ended September 30, 2011.

As of September 30, 2011, nationwide service coverage in population terms was 92.3%.

#### Number of Subscribers

EMOBILE added a net 238 thousand subscribers during the second quarter ended September 30, 2011. The net figure shows the difference between the number of new subscriptions and cancellations. This increase was due to growth in the number of subscribers through wholesale channels for mobile broadband lines and marketing initiatives concentrating on audio devices and Pocket WiFi at mass retailers.

#### ARPU (Average Revenue Per User)

ARPU for the second quarter ended September 30, 2011 declined by ¥520 from ¥3,250 in the same period of the previous fiscal year, to ¥2,730. The main factor in this decline was a higher rate of sales through wholesale channels for mobile broadband lines with limited monthly charges.

#### Churn Rates

The churn rate for the second quarter ended September 30, 2011 rose 0.15 percentage points from the same period of the previous fiscal year to 1.44%. This mainly reflected a year-on-year increase in contract cancellations by customers upon their completion of two-year, long-term contract discounts. Although the churn rate rose from that of the same period of the previous fiscal year, it fell from the churn rate of 1.50% in the first quarter of the current fiscal year.

### B. Fixed Broadband Business

(¥ in millions)

	Six months ended September 30, 2010	Six months ended September 30, 2011	Increase/decrease	%
Revenue	–	23,514	–	–
Segment profit (Operating profit)	–	7,772	–	–

	2Q FY3/2011	2Q FY3/2012	Increase/decrease	%
Accumulated total subscribers (thousands)	2,118	1,744	(374)	(17.7)
ARPU (¥/month)	1,966	2,006	40	2.0
Monthly churn rate (%)	1.91	2.14	0.23	–

\* ARPU: Average Revenue Per User (amounts less than ¥1 are rounded off)

In the Fixed Broadband Business, the accumulated total number of subscribers was down because the number of cancellations exceeded the number of new subscriptions despite joint efforts with Internet service providers and other partners, to which the Company sells ADSL lines as a wholesaler, to attract new customers and suppress churn rates. The accumulated total number of ADSL subscribers as of September 30, 2011 was 1,744 thousand. As a result, revenue for the six months ended September 30, 2011 was ¥23,514 million and segment profit (operating profit) was ¥7,772 million.

## **(2) Qualitative Information regarding Financial Condition**

### **A. Status of Assets, Liabilities, and Net Assets**

As of September 30, 2011, current assets, tangible fixed assets, and intangible fixed assets amounted to ¥113,986 million, ¥144,332 million, and ¥43,878 million, respectively; compared to the previous fiscal year-end, showing respective decreases of ¥10,452 million, ¥392 million, and ¥3,923 million. The decrease in current assets is due to decreases of ¥2,290 million in cash and deposits, ¥1,832 million in accounts receivable–trade, ¥4,592 million in accounts receivable–other (other current assets), and ¥2,512 million in income taxes receivable. Additionally, investments and other assets stood at ¥35,326 million, a decrease of ¥298 million compared to the previous fiscal year-end. As a result, total assets came to ¥338,759 million, a decrease of ¥14,192 million compared to the previous fiscal year-end.

As of September 30, 2011, current liabilities amounted to ¥66,151 million, a decrease of ¥13,258 million compared to the previous fiscal year-end. This was due mainly to decreases of ¥2,970 million in current maturities of bonds, ¥875 million in current portion of long-term debt, ¥5,673 million in other accounts payable, and ¥2,100 million in accrued expenses. Long-term liabilities amounted to ¥194,458 million, a decrease of ¥6,059 million compared to the previous fiscal year-end. This was due mainly to the transfer of the current portion of bonds and long-term debt to current liabilities. As a result, total liabilities came to ¥260,609 million, a decrease of ¥19,317 million compared to the previous fiscal year-end.

As of September 30, 2011, net assets came to ¥78,151 million, an increase of ¥5,125 million compared to the previous fiscal year-end. This was due to recording net income of ¥7,070 million, despite cash dividends of ¥1,478 million and a decrease of ¥521 million in deferred hedge gain/loss.

### **B. Analysis of Cash Flows**

On March 31, 2011, the Company absorbed its consolidated subsidiary, EMOBILE, through a merger. As a result, there are no consolidated subsidiaries, and the Company is reporting non-consolidated operating results from the current fiscal year. Therefore, comparisons to the same period of the previous fiscal year are not presented.

Cash and cash equivalents as of September 30, 2011, amounted to ¥40,637 million. This represents a ¥2,761 million decrease over the six months ended September 30, 2011, from ¥43,397 million as of April 1, 2011.

#### **(Cash Flows from Operating Activities)**

Net cash provided by operating activities during the six months ended September 30, 2011 was ¥32,357 million. The main factors in this were ¥7,079 million in income before income taxes, ¥18,726 million in depreciation, which is a non-fund item, ¥1,832 million in proceeds from a decrease in accounts receivable–trade, and ¥2,581 million in proceeds from income taxes refund.

#### **(Cash Flows from Investing Activities)**

Net cash used in investing activities was ¥20,569 million. The main factor in this was ¥20,095 million used in purchase of fixed assets.

#### **(Cash Flows from Financing Activities)**

Net cash used in financing activities was ¥14,550 million. This was due to progress made in the repayment of interest-bearing debt as a result of such factors as ¥6,188 million in proceeds from sales and redemption by installment payment, ¥8,372 million in repayments of installment obligations, ¥65,344 million in repayments of long-term debt, ¥55,997 million in proceeds from issuance of bonds, and ¥4,024 million in redemption of bonds.

### **(3) Qualitative Information regarding Earnings Forecast**

Regarding the earnings forecast, the Company expects a lower revenue in the Fixed Broadband Business with a reduction in the number of ADSL subscriptions in line with a contraction in the ADSL market. At the same time, management expects the Mobile Business, which provides mobile broadband communication services under the EMOBILE brand, to continue expanding with the mobile communications market. The Company therefore projects ¥200,000 million in revenue, ¥30,000 million in operating profit, ¥17,000 million in recurring profit, and ¥17,000 million in net income.

At present, the Company does not envisage any factors that could cause significant impact to the earnings forecast; therefore, there are no changes to the earnings forecast for the fiscal year ending March 31, 2012, announced in the Results of Operations and Financial Statements as of and for the Year Ended March 31, 2011, released on May 12, 2011.

(Note) The above forecasts are based on the Company's judgment, on the basis of currently available information which may include uncertainties. Actual results may differ from these forecasts due to changing business conditions and other factors.

## 2. Financial Statements

### (1) Balance Sheets

(As of September 30, 2011)

	(¥ in millions)	(¥ in millions)	(\$ in thousands)
	Prior Year End (As of March 31, 2011)	Current 2nd-qtr End (As of September 30, 2011)	
<b>(ASSETS)</b>			
<b>Current assets</b>			
Cash and deposits	47,080	44,791	581,399
Accounts receivable-trade	30,263	28,432	369,055
Merchandise	2,090	2,507	32,542
Income taxes receivable	2,513	1	13
Other current assets	46,011	41,518	538,915
Allowance for bad debt	(3,520)	(3,264)	(42,368)
Total current assets	124,438	113,986	1,479,569
<b>Fixed assets</b>			
<b>Tangible fixed assets</b>			
Wireless telecommunications equipments	110,769	112,763	1,463,694
Others, net	33,955	31,570	409,787
Total tangible fixed assets	144,724	144,332	1,873,468
<b>Intangible fixed assets</b>			
Investments and other assets	47,800	43,878	569,548
<b>Investments and other assets</b>			
Investments and others	35,814	35,488	460,644
Allowance for bad debt	(190)	(162)	(2,103)
Total investments and other assets	35,623	35,326	458,541
Total fixed assets	228,147	223,535	2,901,545
<b>Deferred assets</b>			
Bond issuance cost	366	1,238	16,070
Total deferred assets	366	1,238	16,070
<b>TOTAL ASSETS</b>	<b>352,952</b>	<b>338,759</b>	<b>4,397,183</b>

**Balance Sheets (Continued)**

(As of September 30, 2011)

	(¥ in millions)	(¥ in millions)	(\$ in thousands)
	Prior Year End (As of March 31, 2011)	Current 2nd-qtr End (As of September 30, 2011)	
<b>(LIABILITIES)</b>			
<b>Current liabilities</b>			
Accounts payable-trade	1,791	2,334	30,296
Current maturities of bonds	14,048	11,078	143,795
Current portion of long-term debt	20,712	19,837	257,490
Other accounts payable	19,516	13,843	179,686
Accrued expenses	7,038	4,938	64,097
Income tax payable	509	232	3,011
Allowance for disaster loss	77	17	221
Other current liabilities	15,720	13,872	180,062
Total current liabilities	79,409	66,151	858,658
<b>Long-term liabilities</b>			
Bonds, less current maturities	12,640	64,582	838,292
Long-term debt, less current portion	177,665	117,951	1,531,036
Other long-term liabilities	10,212	11,924	154,777
Total long-term liabilities	200,517	194,458	2,524,117
<b>TOTAL LIABILITIES</b>	<b>279,926</b>	<b>260,609</b>	<b>3,382,775</b>
<b>(NET ASSETS)</b>			
<b>Shareholders' equity</b>			
Capital stock	18,482	18,503	240,174
Capital surplus	49,230	49,251	639,291
Retained earnings	5,325	10,917	141,706
Total shareholders' equity	73,037	78,670	1,021,158
<b>Valuation and translation adjustments</b>			
Valuation adjustment on securities investments	18	30	389
Deferred hedge gain / (loss)	(29)	(550)	(7,139)
Total valuation and translation adjustments	(11)	(519)	(6,737)
<b>TOTAL NET ASSETS</b>	<b>73,026</b>	<b>78,151</b>	<b>1,014,421</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>352,952</b>	<b>338,759</b>	<b>4,397,183</b>

**(2) Statement of Operations**

(For the six months ended September 30, 2011)

(¥ in millions) (\$ in thousands)

	Current 2nd-qr (Six months ended September 30, 2011)	
	(¥ in millions)	(\$ in thousands)
<b>Revenue</b>	96,592	1,253,790
<b>Cost of revenue</b>	39,107	507,619
<b>Gross profit</b>	57,485	746,171
<b>Selling, general and administrative expenses</b>	44,063	571,950
<b>Operating profit</b>	13,421	174,208
<b>Non-operating income</b>		
Interest income	6	78
Dividend income	2	26
Gain on bad debts recovered	76	987
Interest on refund	63	818
Others	51	662
Total non-operating income	198	2,570
<b>Non-operating expenses</b>		
Interest expense	5,259	68,263
Others	1,198	15,550
Total non-operating expenses	6,457	83,814
<b>Recurring profit</b>	7,162	92,965
<b>Non-recurring profit</b>		
Gain on sales of fixed assets	4	52
Total non-recurring profit	4	52
<b>Non-recurring loss</b>		
Loss on disposition of fixed assets	87	1,129
Total non-recurring loss	87	1,129
<b>Income before income taxes</b>	7,079	91,887
<b>Income tax expense-current</b>	8	104
<b>Total Income taxes</b>	8	104
<b>Net income</b>	7,070	91,771

**(3) Statement of Cash Flows**

(For the six months ended September 30, 2011)

(¥ in millions) (\$ in thousands)

	Current 2nd-qr (Six months ended September 30, 2011)	
<b>Cash flows from operating activities</b>		
Income before income taxes	7,079	91,887
Depreciation	18,726	243,069
Loss (gain) on sales of fixed assets	(4)	(52)
Loss on disposition of fixed assets	87	1,129
Bond issuance cost	119	1,545
Other loss (gain)	(71)	(922)
Increase (decrease) in allowance for bad debt	(285)	(3,699)
Increase (decrease) in allowance for disaster loss	(22)	(286)
Interest and dividend income	(8)	(104)
Interest expense	5,259	68,263
Commission expense	1,014	13,162
Decrease (increase) in accounts receivable-trade	1,832	23,780
Decrease (increase) in inventories	(436)	(5,659)
Decrease (increase) in other assets	3,867	50,195
Increase (decrease) in accounts payable-trade	543	7,048
Increase (decrease) in other accounts payable	(115)	(1,493)
Increase (decrease) in accrued expenses	(2,138)	(27,752)
Increase (decrease) in other liabilities	(455)	(5,906)
Subtotal	34,992	454,206
Interest and dividend received	7	91
Interest paid	(5,199)	(67,484)
Income taxes paid	(24)	(312)
Income taxes refund	2,581	33,502
Net cash provided by (used in) operating activities	32,357	420,003
<b>Cash flows from investing activities</b>		
Proceeds from time deposits at maturity	2,500	32,451
Placement into time deposits	(2,500)	(32,451)
Decrease (increase) in restricted deposit	(471)	(6,114)
Purchase of tangible fixed assets	(17,111)	(222,105)
Proceeds from sales of tangible fixed assets	15	195
Purchase of intangible fixed assets	(2,983)	(38,720)
Others	(18)	(234)
Net cash provided by (used in) investing activities	(20,569)	(266,991)
<b>Cash flows from financing activities</b>		
Repayments of capital lease obligations	(451)	(5,854)
Proceeds from sales and redemption by installment payment	6,188	80,322
Repayments of installment obligations	(8,372)	(108,671)
Proceeds from long-term debt	4,756	61,734
Repayments of long-term debt	(65,344)	(848,183)
Payments for arrangement of interest bearing debt	(1,859)	(24,130)
Proceeds from issuance of bonds	55,997	726,856
Redemption of bonds	(4,024)	(52,233)
Proceeds from stock issuance, net	41	532
Dividends paid	(1,480)	(19,211)
Net cash provided by (used in) financing activities	(14,550)	(188,863)
<b>Net change in cash and cash equivalents</b>	<b>(2,761)</b>	<b>(35,839)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>43,397</b>	<b>563,305</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>40,637</b>	<b>527,479</b>

#### (4) Notes on Premise of Going Concern

No items to report

#### (5) Segment Information

Six months ended September 30, 2011

##### 1. Information about net revenue and profit (loss) by reportable segment

(¥ in millions)

	Reportable segment		Total	Adjustment	Amount on statement of operations (Note)
	Mobile Business	Fixed Broadband Business			
Net revenue					
Outside net revenue	73,077	23,514	96,592	–	96,592
Intersegment net revenue	–	–	–	–	–
Total	73,077	23,514	96,592	–	96,592
Segment profit	5,649	7,772	13,421	–	13,421

(Note) Segment profit matches operating profit in the statement of operations.

##### 2. Impairment losses on fixed assets, goodwill and negative goodwill by reportable segment

(Significant impairment losses on fixed assets)

No items to report during the six months ended September 30, 2011.

(Significant changes in amount of goodwill)

No items to report during the six months ended September 30, 2011.

(Significant gains on negative goodwill)

No items to report during the six months ended September 30, 2011.

##### 3. Matters regarding changes in reportable segments

On March 31, 2011, the Company implemented an absorption-type merger with EMOBILE where the Company became the surviving company. To optimize the business management system, the Company realigned its previous Mobile Business, Network Business, and Device Business and newly segmented them into mobile business and fixed broadband business. Accordingly, the “Mobile Business” and “Fixed Broadband Business” are the reportable segments of the Company from the fiscal year which began on April 1, 2011.

The Mobile Business provides mobile broadband communication services, and conducts development and sales of communication terminals. The Fixed Broadband Business provides high speed Internet access services and ISP services.

#### (6) Notes on Significant Changes in Shareholders' Equity

No items to report

## **(7) Notes on Reverse Acquisition**

Six months ended September 30, 2011

The Company implemented a share exchange with an effective date of July 1, 2010, which turned the Company into the wholly-owning parent company and EMOBILE into the wholly-owned subsidiary. This share exchange falls under the category of business combination through reverse acquisition in which EMOBILE became the acquiring company and the Company became the acquired company. The Company also implemented an absorption-type merger with an effective date of March 31, 2011 in which the Company became the surviving company and EMOBILE became the dissolving company.

Since no consolidated subsidiary exists as a result of the merger, the Company does not prepare consolidated financial statements. Moreover, for the purpose of the non-consolidated financial statements, the Company recorded the assets and liabilities of EMOBILE, the acquiring company, based on the fair book values determined on the day preceding the merger (the purchase method was not applied).

Therefore, an outline of the business combination through reverse acquisition that was implemented in the fiscal year in which the business combination occurred and the impact that it would have had on the non-consolidated financial statements should the purchase method have been applied to the acquired company (the Company) is presented below.

### 1. Outline of the business combination through reverse acquisition that was implemented in the fiscal year in which the business combination occurred

#### (1) Name of the acquiring company and the description of its business

EMOBILE Ltd.: Mobile communication business

The Company implemented a share exchange which turned the Company into the wholly-owning parent company and EMOBILE into the wholly-owned subsidiary. This share exchange falls under the category of “reverse acquisition” in a business combination in which EMOBILE became the acquiring company and the Company became the acquired company.

The Company also implemented an absorption-type merger with an effective date of March 31, 2011 in which the Company (the acquired company) became the surviving company and EMOBILE (the acquiring company) became the dissolving company. This merger was accounted for as a transaction under common control.

#### (2) Purpose of business combination

The Company and EMOBILE have determined that in order to accelerate promotion of the two companies’ corporate value, it is necessary to streamline and expedite the eAccess Group’s management decisions by centralizing decision making of the Company and EMOBILE in order to proactively and promptly deal with the change of environment, and to make efficient investment as a Group possible by using the profits generated by two companies as financial resources. For this purpose, the Company and EMOBILE has come to a belief that the best course of action is to implement the share exchange.

#### (3) Date of business combination

July 1, 2010

#### (4) Legal form of business combination

Business combination was completed by way of share exchange through which the Company became the wholly-owning parent company, and EMOBILE became the wholly-owned subsidiary.

#### (5) Company name after business combination

No change in the company name after the share exchange

#### (6) Percentage of voting rights acquired

100%

- (7) Basis of determining the acquiring company  
EMOBILE has been determined as the acquiring company taking into account the voting rights ratio of the shareholders of the Company and EMOBILE after the share exchange, comparable size of the business of each entity, such as total assets and revenue, and importance of and the potential growth of the business.
- (8) Period of the operating results of the acquired company (the Company) included in the consolidated statement of operations for the six months of the fiscal year in which the business combination occurred  
From July 1, 2010 to September 30, 2010
- (9) Estimated impact on the consolidated statement of operations for the six months ended September 30, 2010 assuming that the business combination was completed at the beginning of the fiscal year in which the business combination occurred

(¥ in millions)

Revenue	14,107
Recurring profit	3,791
Net income	2,079

It should be noted that the Company has not obtained an audit certificate for the estimated impact.

2. Differences should the purchase method have been applied to the acquired company

- (1) Items in non-consolidated balance sheet as of September 30, 2011

(¥ in millions)

Current assets	–
Fixed assets	8,382
Deferred assets	(311)
<u>Total assets</u>	<u>8,071</u>
Current liabilities	–
Long-term liabilities	–
<u>Total liabilities</u>	<u>–</u>
<u>Net assets</u>	<u>8,071</u>

(Note) Goodwill of ¥8,382 million is included in the above fixed assets and total assets, amortized by the straight-line method over the period of time the effect is estimated to take place (10 years).

- (2) Items in non-consolidated statement of operations for the six month ended September 30, 2011

(¥ in millions)

Revenue	–
<u>Operating profit</u>	<u>(479)</u>
<u>Recurring profit</u>	<u>(433)</u>
<u>Income before income taxes</u>	<u>(433)</u>
<u>Net income</u>	<u>(433)</u>
<u>Net income per share (¥)</u>	<u>(124.95)</u>

(Note) Amortization of goodwill of ¥479 million is included in the above operating profit.

### 3. Supplemental Information

#### Consolidated Financial Statements for the Six Months of the Fiscal Year Ended March 31, 2011

The Company carried out a share exchange with an effective date of July 1, 2010, to make EMOBILE, which was previously an equity method affiliate of the Company, a wholly-owned subsidiary of the Company. Although the share exchange makes the Company a wholly-owning parent company and EMOBILE a wholly-owned subsidiary of the Company, the share exchange is recognized as a reverse acquisition in which EMOBILE acquired the Company under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008). Additionally, the Company absorbed and merged EMOBILE as of March 31, 2011, making the Company the surviving company. As a result, the business performance shown in the consolidated statement of operations and consolidated statement of cash flows for the six months ended September 30, 2010, represents a figure that consolidates the Company's results for three months (July 1, 2010 to September 30, 2010) into EMOBILE's results for the period between April 1, 2010 and September 30, 2010.

#### (1) Consolidated Statement of Operations

(For the six months ended September 30, 2010)

	(¥ in millions)
	Prior 2nd-qt (Six months ended September 30, 2010)
<b>Revenue</b>	83,050
<b>Cost of revenue</b>	33,783
<b>Gross profit</b>	49,267
<b>Selling, general and administrative expenses</b>	40,870
<b>Operating profit</b>	8,397
<b>Non-operating income</b>	
Interest income	20
Dividend income	2
Others	23
Total non-operating income	45
<b>Non-operating expenses</b>	
Interest expense	4,151
Others	918
Total non-operating expenses	5,068
<b>Recurring profit</b>	3,374
<b>Non-recurring profit</b>	
Reversal of allowance for bad debt	1
Total non-recurring profit	1
<b>Non-recurring loss</b>	
Loss on disposition of fixed assets	72
Loss on adjustment for changes of accounting standard for asset retirement obligations	83
Total non-recurring loss	155
<b>Income before income taxes</b>	3,220
<b>Income tax expense-current</b>	1,604
<b>Income tax expense-deferred</b>	100
<b>Total Income taxes</b>	1,704
<b>Income before minority interests</b>	1,516
<b>Net income</b>	1,516

## (2) Consolidated Statement of Cash Flows

(For the six months ended September 30, 2010)

	(¥ in millions)
	Prior 2nd-qt (Six months ended September 30, 2010)
<b>Cash flows from operating activities</b>	
Income before income taxes	3,220
Depreciation	15,315
Amortization of goodwill	268
Loss on disposition of fixed assets	72
Loss on adjustment for changes of accounting standard for asset retirement obligations	83
Other loss(gain)	226
Increase (decrease) in allowance for bad debt	395
Interest and dividend income	(23)
Interest expense	4,151
Commission expense	670
Decrease (increase) in accounts receivable-trade	(627)
Decrease (increase) in inventories	1,413
Decrease (increase) in other assets	5,189
Increase (decrease) in accounts payable-trade	49
Increase (decrease) in other accounts payable	(3,085)
Increase (decrease) in accrued expenses	135
Increase (decrease) in other liabilities	522
Subtotal	27,973
Interest and dividend received	27
Interest paid	(3,931)
Payments of income taxes	(25)
Net cash provided by (used in) operating activities	24,045
<b>Cash flows from investing activities</b>	
Placement into time deposits	(2,500)
Purchase of tangible fixed assets	(13,380)
Purchase of intangible fixed assets	(10,361)
Net cash provided by (used in) investing activities	(26,241)
<b>Cash flows from financing activities</b>	
Repayments of capital lease obligations	(223)
Proceeds from sales and redemption by installment payment	5,468
Repayments of installment obligations	(5,726)
Proceeds from short-term debt	20,000
Repayments of short-term debt	(20,000)
Proceeds from long-term debt	1,491
Repayments of long-term debt	(27,833)
Payments for arrangement of interest bearing debt	(954)
Proceeds from issuance of bonds	688
Redemption of bonds	(429)
Purchase of treasury stock	(2,822)
Proceeds from stock issuance before share exchange	44,833
Proceeds from stock issuance after share exchange	65
Dividends paid	(2,679)
Net cash provided by (used in) financing activities	11,878
<b>Net change in cash and cash equivalents</b>	<b>9,681</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>49,311</b>
<b>Net increase in cash and cash equivalents as a result of business combination via share exchange</b>	<b>11,583</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>70,576</b>

**Quarterly Results for Fiscal Year 3/2012**  
**Supplemental Financial Information**

\* EMOBILE was an equity accounting affiliate as of 1Q 2010.  
 \* eAccess consolidated EMOBILE as a 100% owned subsidiary through share exchange on 7/1/2010.  
 \* The full-year financial results for FY3/2011 reflects 12-month EMOBILE and 9-month (7/2010-3/2011) eAccess results.  
 \* eAccess completed the merger of EMOBILE on 3/31/2011, and thus Fiscal Year 3/2012 represents non-consolidated financial results.

(in million yen)										
Profit & Loss Statements	Fiscal Year 3/2011					Fiscal Year 3/2012				
	1Q 2010 (4 - 6/2010)	2Q 2010 (7 - 9/2010)	3Q 2010 (10 - 12/2010)	4Q 2010 (1 - 3/2011)	Full-year Result	1Q 2011 (4 - 6/2011)	2Q 2011 (7 - 9/2011)	3Q 2011 (10 - 12/2011)	4Q 2011 (1 - 3/2012)	Full-year Forecast
Revenue	19,117	48,150	48,818	49,674	181,541	47,605	48,986			200,000
Mobile						35,548	37,529			158,000
Service revenue						28,286	29,215			
Device revenue						7,262	8,314			
Fixed BB						12,057	11,457			42,000
Cost of revenue	11,453	19,910	19,148	28,731	81,662	19,187	19,920			
Device and related tools						2,152	2,725			
Salaries and benefits						344	352			
Outsourcing						765	838			
Depreciation and amortization						7,915	8,061			
Network						6,694	6,692			
Modem rental						1,145	1,072			
Others						172	182			
Gross profit	7,664	28,240	29,670	20,942	99,879	28,418	29,066			
<i>Gross margin (%)</i>	40.1%	58.6%	60.8%	42.2%	55.0%	59.7%	59.3%			
Selling, general and administrative	3,179	22,164	22,360	21,682	84,912	21,929	22,134			
Advertising and sales promotion					57,714	15,451	15,119			
Salaries and benefits					5,674	1,838	1,709			
Outsourcing					6,340	1,708	1,902			
Depreciation and amortization					5,216	1,329	1,335			
Others					9,969	1,603	2,068			
Operating profit	4,485	6,076	7,310	-740	14,967	6,489	6,932			30,000
<i>Operating margin (%)</i>	23.5%	12.6%	15.0%	-1.5%	8.2%	13.6%	14.2%			15.0%
Mobile						2,495	3,154			18,000
Fixed BB						3,994	3,778			12,000
Other income	20	37	20	17	82	20	178			
Other expenses	429	2,641	2,469	2,423	9,961	3,293	3,165			
Recurring profit	4,076	3,473	4,860	-3,146	5,088	3,217	3,945			17,000
Non-recurring profit	154	1	13	17	32	4	0			
Non-recurring loss	66	46	80	7,308	7,543	53	34			
Income before income taxes	4,164	3,428	4,794	-10,438	-2,423	3,167	3,911			
Income taxes	1,673	1,693	1,536	-20,227	-16,988	2	7			
Net income	2,493	1,735	3,258	9,790	14,565	3,166	3,905			17,000
EBITDA	6,258	14,895	16,350	17,934	58,249	15,733	16,413			67,000
<i>EBITDA margin (%)</i>	32.7%	30.9%	33.5%	36.1%	32.1%	33.0%	33.5%			33.5%
Mobile						10,509	11,445			51,300
Fixed BB						5,225	4,969			15,700
Capital expenditures	775	6,064	6,077	20,493	40,845	8,030	6,221			39,000
Mobile						7,842	5,727			37,100
Fixed BB						189	494			1,900
Depreciation and amortization	1,773	8,819	9,040	9,221	33,829	9,244	9,396			37,000
Mobile						8,014	8,205			33,300
Fixed BB						1,231	1,191			3,700
R&D expenses	95	108	144	119	371	127	218			

Note : EBITDA = Operating profit + Depreciation and amortization + Loss on inventory valuation.

(in million yen)										
Cash Flows Statements	Fiscal Year 3/2011					Fiscal Year 3/2012				
	1Q 2010 (4 - 6/2010)	2Q 2010 (7 - 9/2010)	3Q 2010 (10 - 12/2010)	4Q 2010 (1 - 3/2011)	Full-year Result	1Q 2011 (4 - 6/2011)	2Q 2011 (7 - 9/2011)	3Q 2011 (10 - 12/2011)	4Q 2011 (1 - 3/2012)	Full-year Forecast
Net cash provided by (used in) operating activities	1,349	16,425	14,599	13,358	52,002	12,458	19,899			
Net cash provided by (used in) investing activities	-19,059	-14,502	-7,922	-11,685	-45,848	-10,260	-10,308			
Net cash provided by (used in) financing activities	3,815	-20,456	-13,459	-22,070	-23,651	-9,119	-5,431			
Net change in cash and cash equivalents	-13,896	-18,534	-6,782	-20,397	-17,497	-6,921	4,160			
Cash and cash equivalents at end of period	12,215	70,576	63,795	43,397	43,397	36,477	40,637			

Operational Information	Fiscal Year 3/2011					Fiscal Year 3/2012				
	1Q 2010 (4 - 6/2010)	2Q 2010 (7 - 9/2010)	3Q 2010 (10 - 12/2010)	4Q 2010 (1 - 3/2011)	Full-year Result	1Q 2011 (4 - 6/2011)	2Q 2011 (7 - 9/2011)	3Q 2011 (10 - 12/2011)	4Q 2011 (1 - 3/2012)	Full-year Forecast
EMOBILE										
Net add subscribers (thousands)	186	204	183	194	766	223	238			
Accumulated subscribers (thousands)	2,537	2,741	2,924	3,118	3,118	3,341	3,579			3,850
ARPU (yen/month)	3,400	3,250	3,100	2,950	3,160	2,860	2,730			2,900
Monthly churn rate (%)	1.37%	1.29%	1.40%	1.45%	1.38%	1.50%	1.44%			1.45%
SAC (yen)	25,000	25,000	25,000	25,000	25,000	20,000	27,000			22,000
ADSL										
Accumulated subscribers (thousands)	2,204	2,118	2,023	1,928	1,928	1,839	1,744			1,600
ARPU (yen/month)	1,973	1,966	1,953	1,949	1,961	2,009	2,006			1,900
Monthly churn rate (%)	2.11%	1.91%	2.03%	2.08%	2.03%	2.04%	2.14%			2.10%
SAC (yen)	8,000	8,000	7,000	7,000	8,000	7,500	7,000			8,000

Quarterly Results for Fiscal Year 3/2012  
Supplemental Financial Information

**Balance Sheets**

(in million yen)

	Fiscal Year 3/2011				Fiscal Year 3/2012			
	1Q 2010 (6/2010)	2Q 2010 (9/2010)	3Q 2010 (12/2010)	4Q 2010 (3/2011)	1Q 2011 (6/2011)	2Q 2011 (9/2011)	3Q 2011 (12/2011)	4Q 2011 (3/2012)
Cash and cash deposit	13,106	73,968	64,978	47,080	38,131	44,791		
Other current assets	15,991	77,245	78,233	77,357	73,127	69,195		
Total current assets	29,097	151,213	143,211	124,438	111,258	113,986		
Fixed Assets	57,328	220,662	221,361	228,147	227,640	223,535		
<b>TOTAL ASSETS</b>	<b>86,827</b>	<b>371,887</b>	<b>364,582</b>	<b>352,952</b>	<b>340,196</b>	<b>338,759</b>		
Current portion of long-term debt	13,802	100,617	101,751	49,486	43,283	43,905		
Other current liabilities	10,531	25,132	26,857	29,923	21,562	22,246		
Total current liabilities	24,333	125,749	128,608	79,409	64,845	66,151		
Long-term debt	45,857	176,059	163,333	200,206	199,409	189,387		
Other long-term liabilities	1,981	309	309	311	1,611	5,071		
Total long-term liabilities	47,838	176,368	163,642	200,517	201,020	194,458		
<b>TOTAL LIABILITIES</b>	<b>72,171</b>	<b>302,118</b>	<b>292,249</b>	<b>279,926</b>	<b>265,865</b>	<b>260,609</b>		
Common stock and capital surplus	27,526	186,829	184,831	67,712	67,753	67,754		
Retained earnings	-13,280	-114,208	-112,473	5,325	7,751	10,917		
Total shareholders' equity	14,247	69,799	72,359	73,037	75,504	78,670		
<b>TOTAL NET ASSETS</b>	<b>14,656</b>	<b>69,770</b>	<b>72,332</b>	<b>73,026</b>	<b>74,330</b>	<b>78,151</b>		
Gross debt	59,659	276,677	265,083	249,692	242,406	237,265		
Net debt	46,553	202,709	200,106	202,612	204,275	192,474		
Net debt/net asset ratio	3.2x	2.9x	2.8x	2.8x	2.7x	2.5x		
Net debt/EBITDA ratio	1.79x	3.45x	3.30x	3.14x	3.15x	2.90x		

Note 1: eAccess consolidated EMOBILE on 7/1/2010.

Note 2: eAccess completed the merger of EMOBILE on 3/31/2011.

Note 3: The EBITDA number we used for calculation of net debt/EBITDA ratio is pro-forma EMOBILE 100% consolidated number (combined eAccess and EMOBILE) of last-twelve-month (LTM)