

eAccess Ltd. (9427)

FY3/2012 3Q Results (4/2011 ~ 12/2011)



February 9, 2012

FY3/2012 3Q Results & Outlook

Operational Targets & Progress

Platinum Band 900/700MHz

Appendix

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Appendix

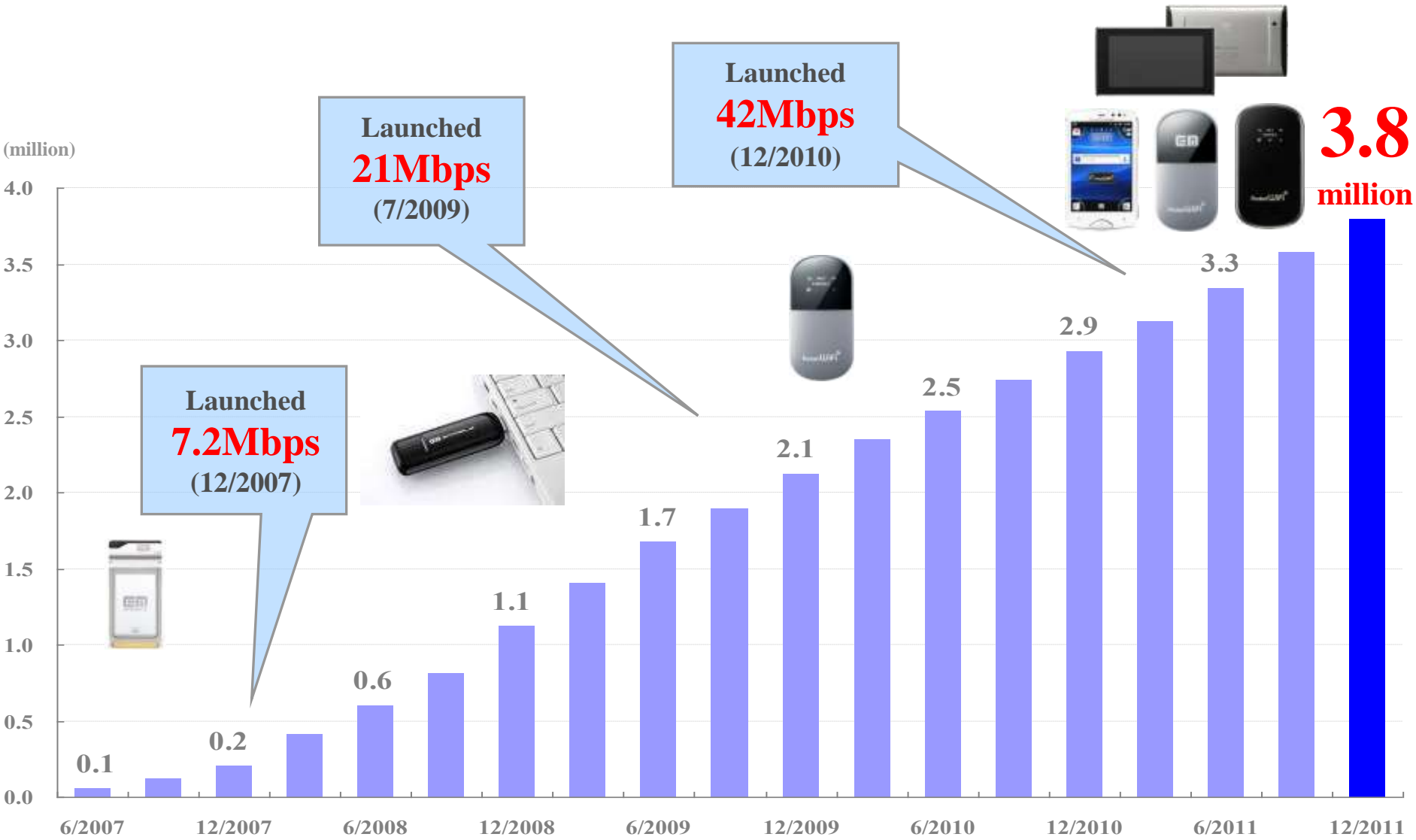
FY3/2012 3Q Results & Outlook

Mobile subscribers hit 3.8 million in Dec 2011

Focus on mobile broadband from 3Q

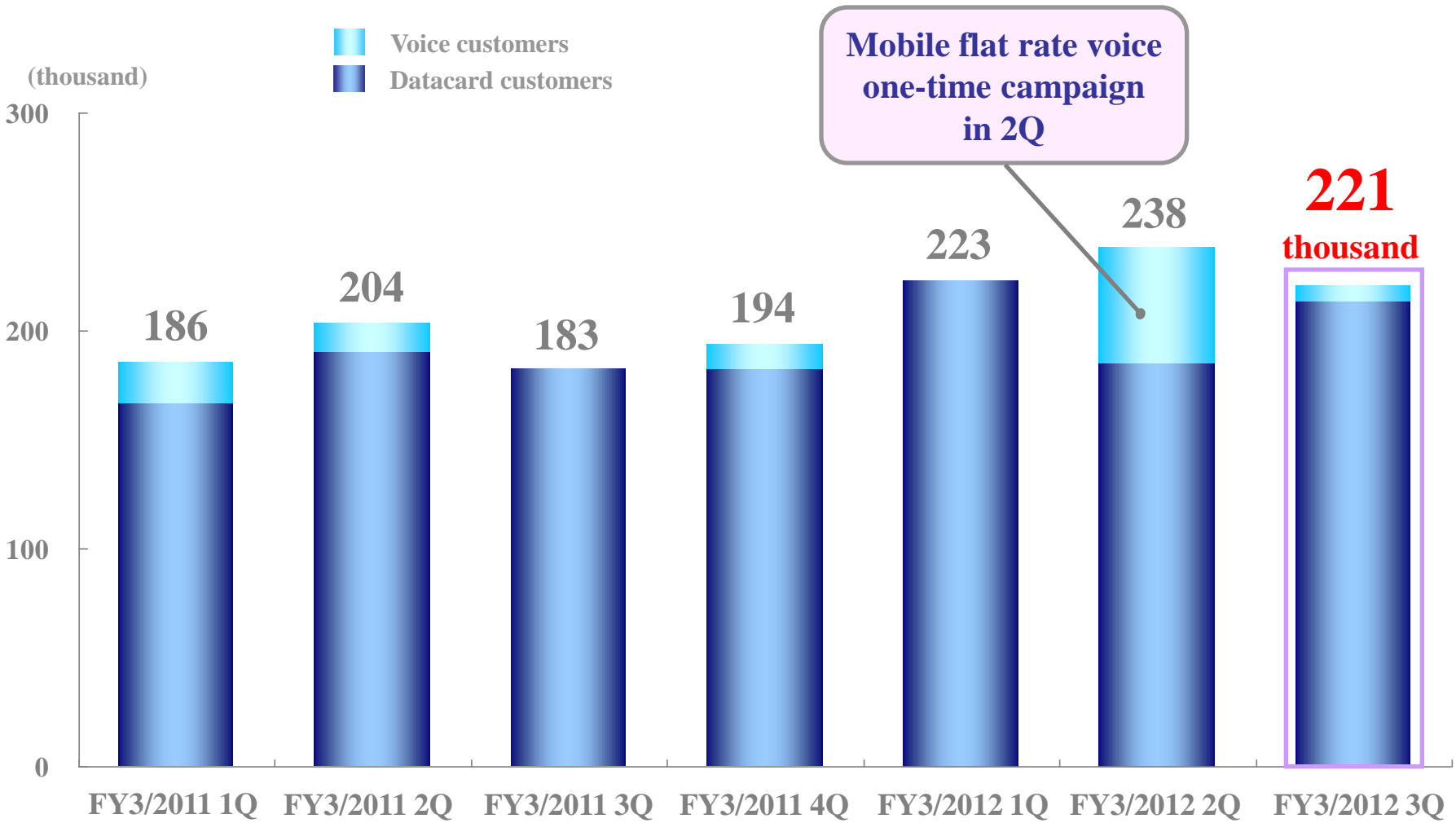
Earnings revision to reflect financials performance

Mobile subscribers hit 3.8 million in December 2011, up 30% YoY



Quarterly mobile subscribers

Added 221,000 net addition in 3Q, up 21% YoY



Growth in mobile revenue & EBITDA offset decline in fixed-line business

(billion yen)	FY3/2010 3Q (Pro-forma) *	FY3/2011 3Q (Pro-forma) *	FY3/2012 3Q (Actual)	YoY (%)
Revenue	129.3	146.0	149.1	+ 2%
Mobile	81.3	102.6	114.7	+ 12%
Fixed Line	48.0	43.3	34.4	- 21%
EBITDA	30.4	46.5	47.3	+ 2%
Mobile	9.4	28.1	32.4	+15%
Fixed Line	21.0	18.5	14.9	- 20%
<i>EBITDA Margin</i>	23%	32%	32%	0pt
Mobile	12%	27%	28%	+ 1pt
Fixed Line	44%	43%	43%	0pt
Operating Profit	7.6	20.0	19.0	- 5%
Recurring Profit	- 0.6	12.0	9.7	- 19%
Net Income	- 6.2	6.9	5.5	- 20%

■ Net income for FY3/2012 3Q includes reversal of deferred tax assets of 4.1 billion yen due to the tax reform

Net Free Cash Flow increased by 74% YoY

(billion yen)	FY3/2010 3Q (Pro-forma) *	FY3/2011 3Q (Pro-forma) *	FY3/2012 3Q (Actual)	YoY (%)
EBITDA	30.4	46.5	47.3	+ 2%
CAPEX	- 33.6	- 20.9	- 24.9	+ 19%
Operating FCF	- 3.2	25.6	22.4	- 13%
Interest	- 6.6	- 6.8	- 7.1	+ 4%
Tax	- 3.6	- 5.5	2.6**	-
Dividend***	- 2.7	- 4.3	- 2.2	- 49%
Net FCF	- 16.0	9.0	15.6	+ 74%

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated for the comparison purposes

** Tax refund for FY3/2011

***FY3/2011 includes special dividend of 1,800 yen. Quarterly dividend of 200 yen per share for FY3/2012 (consistent from FY3/2011 2Q).

Lower net debt & lower leverage ratio

(billion yen)	FY3/2010 3Q (Pro-forma) *	FY3/2011 3Q (Actual)	FY3/2012 3Q (Actual)	YoY (%)
Cash	119.0	65.0	45.9	- 29%
Debt	338.3	265.1	232.7	- 12%
Net Debt	219.3	200.1	186.7	- 7%
Net Assets	41.9	72.3	75.5	+ 4%
Net Debt/Net Assets	5.2X	2.8X	2.5X	- 0.3pts
EBITDA (last 12 months)	34.7	60.7*	65.2	+ 7%
Net Debt/EBITDA	6.3X	3.3X	2.9X	-

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated for the comparison purposes

Quarterly earnings trend

Mobile revenue with 11% QoQ growth in 3Q
Upfront investments in marketing to gain more retail subscribers from 3Q

(billion yen)	FY3/2011				FY3/2012		
	1Q (Pro-forma)*	2Q (Pro-forma)*	3Q (Pro-forma)*	4Q (Pro-forma)*	1Q (Actual)	2Q (Actual)	3Q (Actual)
Revenue	49.0	48.2	48.8	49.7	47.6	49.0	52.5
Mobile	34.0	33.8	34.8	36.4	35.5	37.5	41.7
Fixed Line	15.0	14.4	14.0	13.3	12.1	11.5	10.9
EBITDA	15.3	14.9	16.4	17.9	15.7	16.4	15.2
Mobile	9.1	8.6	10.4	12.2	10.5	11.4	10.5
Fixed Line	6.2	6.3	6.0	5.7	5.2	5.0	4.7
EBITDA Margin	31%	31%	33%	36%	33%	34%	29%
Operating Profit	6.6	6.1	7.3	-0.7	6.5	6.9	5.6
Recurring Profit	3.7	3.5	4.9	-3.1	3.2	3.9	2.6
Net Income	1.9	1.7	3.3	9.8	3.2	3.9	- 1.6

■ Net income for FY3/2012 3Q includes reversal of deferred tax assets of 4.1 billion yen due to the tax reform

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated and inter-company transactions were allocated to each business segment

Quarterly cash flow trend

Positive cash flow for 3 consecutive quarters

(billion yen)	FY3/2011				FY3/2012		
	1Q (Pro-forma)*	2Q (Actual)	3Q (Actual)	4Q (Actual)	1Q (Actual)	2Q (Actual)	3Q (Actual)
EBITDA	15.3	14.9	16.4	17.9	15.7	16.4	15.2
CAPEX	- 8.8	- 6.1	- 6.1	- 20.5	- 8.0	- 6.2	- 10.7
Operating FCF	6.5	8.8	10.3	- 2.6	7.7	10.2	4.5
Interest	- 2.5	- 1.9	- 2.4	- 1.8	- 2.0	- 3.2	- 1.9
Tax	- 3.0	0.0	- 2.5	0.0	0.2	2.3***	0.0
Dividend	- 0.9	- 2.7**	- 0.8	- 0.7	- 0.7	- 0.8	- 0.7
Net FCF	0.1	4.3	4.6	- 5.1	5.2	8.5	1.9

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated for the comparison purposes

**FY3/2011 includes special dividend of 1,800 yen. Quarterly dividend of 200 yen per share for FY3/2012 (consistent from FY3/2011 2Q).

***Tax refund for FY3/2011

Quarterly balance sheet trend

Net debt below 190 billion yen level

(billion yen)	FY3/2011			FY3/2012		
	9/2010	12/2010	3/2011	6/2011	9/2011	12/2011
Cash	74.0	65.0	47.1	38.1	44.8	45.9
Debt	276.7	265.1	249.7	242.4	237.3	232.7
Net Debt	202.7	200.1	202.6	204.3	192.5	186.7
Net Assets	69.8	72.3	73.0	74.3	78.2	75.5
Net Debt/Net Assets	2.91X	2.77X	2.77X	2.75X	2.46X	2.47X
EBITDA (last 12 months)	58.8	60.7	64.5	64.9	66.4	65.2
Net Debt/EBITDA	3.45X	3.30X	3.14X	3.15X	2.90X	2.86X

* Trend comparison from 9/2010 after consolidation of eAccess and EMOBILE

Revision to reflect latest financials performance

Operating profit and net income

still represent all-time record high after the revision

	(billion yen)	FY3/2011	FY3/2012		Change in Amount
		Pro-forma*	Initial Forecast	Revised Forecast	
Revenue		195.6	200.0	203.0	+ 3.0
Mobile		139.1	158.0	161.0	+ 3.0
Fixed Line		56.5	42.0	42.0	-
Operating Profit		19.2	30.0	25.0	- 5.0
Mobile		3.0	18.0	10.5	- 7.5
Fixed Line		16.2	12.0	14.5	+ 2.5
Recurring Profit		8.9	17.0	12.5	- 4.5
Net Income		16.6	17.0	17.0**	-
EBITDA		64.5 (33%)	67.0 (34%)	63.0 (31%)	- 4.0 (- 3pts)
Mobile		40.3	51.3	44.0	- 7.3
Fixed Line		24.2	15.7	19.0	+ 3.3
CAPEX		41.4	39.0	37.0	- 2.0
Mobile		39.1	37.1	35.0	- 2.1
Fixed Line		2.3	1.9	2.0	+ 0.1

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated and inter-company transactions were allocated to each business segment

** Amount for additional deferred tax assets to be determined at year end

Reasons for full-year forecast revision (Operating Profit)

(billion yen)

Initial forecast	30.0
Lower than expected margins from terminals	- 3.0
Increase in sales and marketing costs	- 2.5
Earlier than expected LTE launch	- 2.0
Better Fixed-line business performance	+ 2.5
Revised forecast	25.0

Revised Net Free Cash Flow

Maintain relatively high FCF with lower CAPEX

No change in quarterly dividend payout

(billion yen)	FY3/2011	FY3/2012		
	Pro-forma*	Initial Forecast	Revised Forecast	Change in Amount
EBITDA	64.5	67.0	63.0	- 4.0
CAPEX	- 41.4	- 39.0	- 37.0	- 2.0
Operating FCF	23.1	28.0	26.0	- 2.0
Interest	- 8.6	- 11.0	- 11.0	-
Tax	- 5.5	+ 2.5	+ 2.5	-
Dividend	- 5.1	- 3.0	- 3.0	-
Net FCF	3.9	16.5	14.5	- 2.0

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated for the comparison purposes

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Appendix

Operational targets and progress in 2H

1

Stabilize mobile ARPU

2

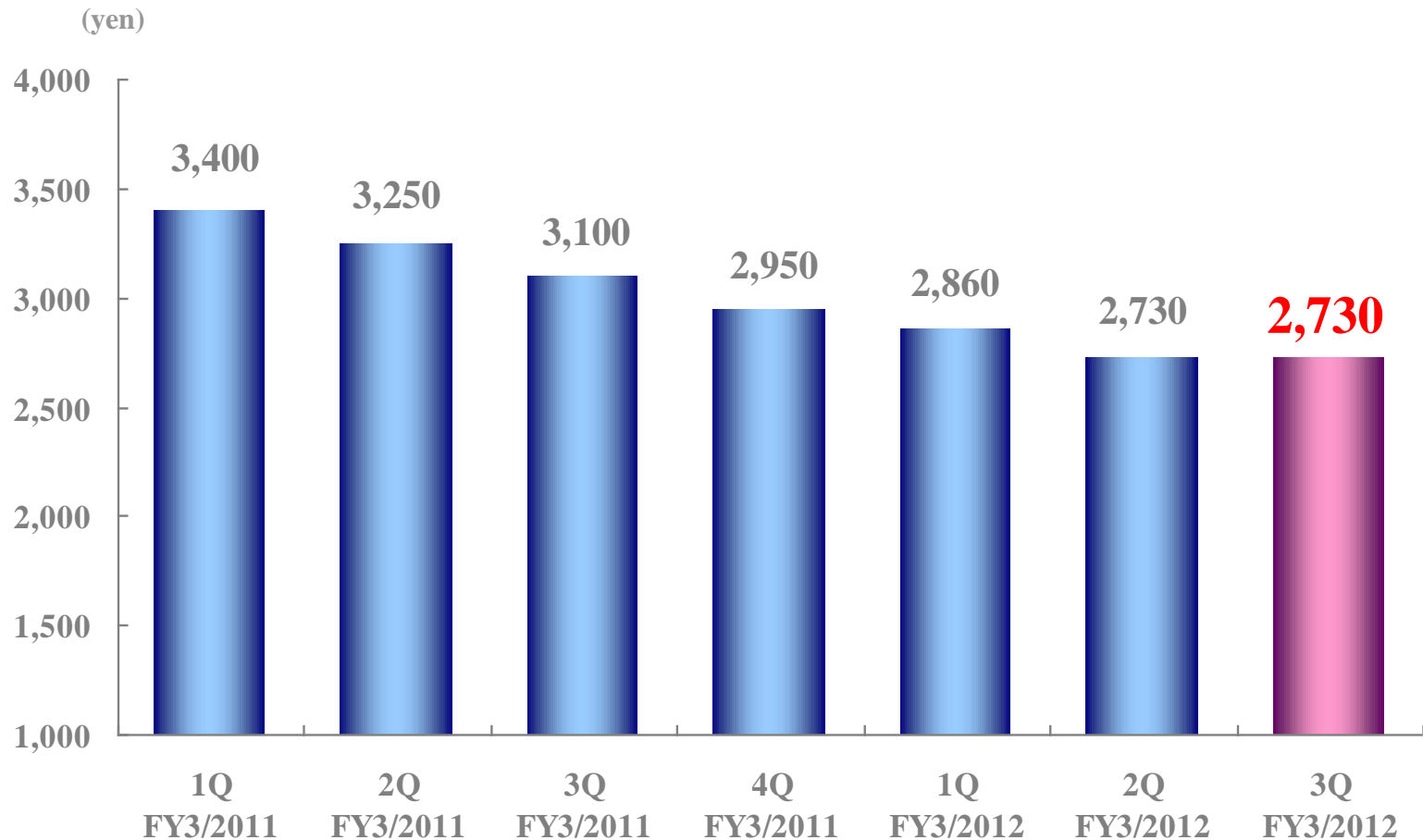
Marketing & branding investment

3

LTE launch in March 2012

Mobile ARPU trend

ARPU stabilized in 3Q mainly due to recovery in retail subscribers as a result of marketing investments



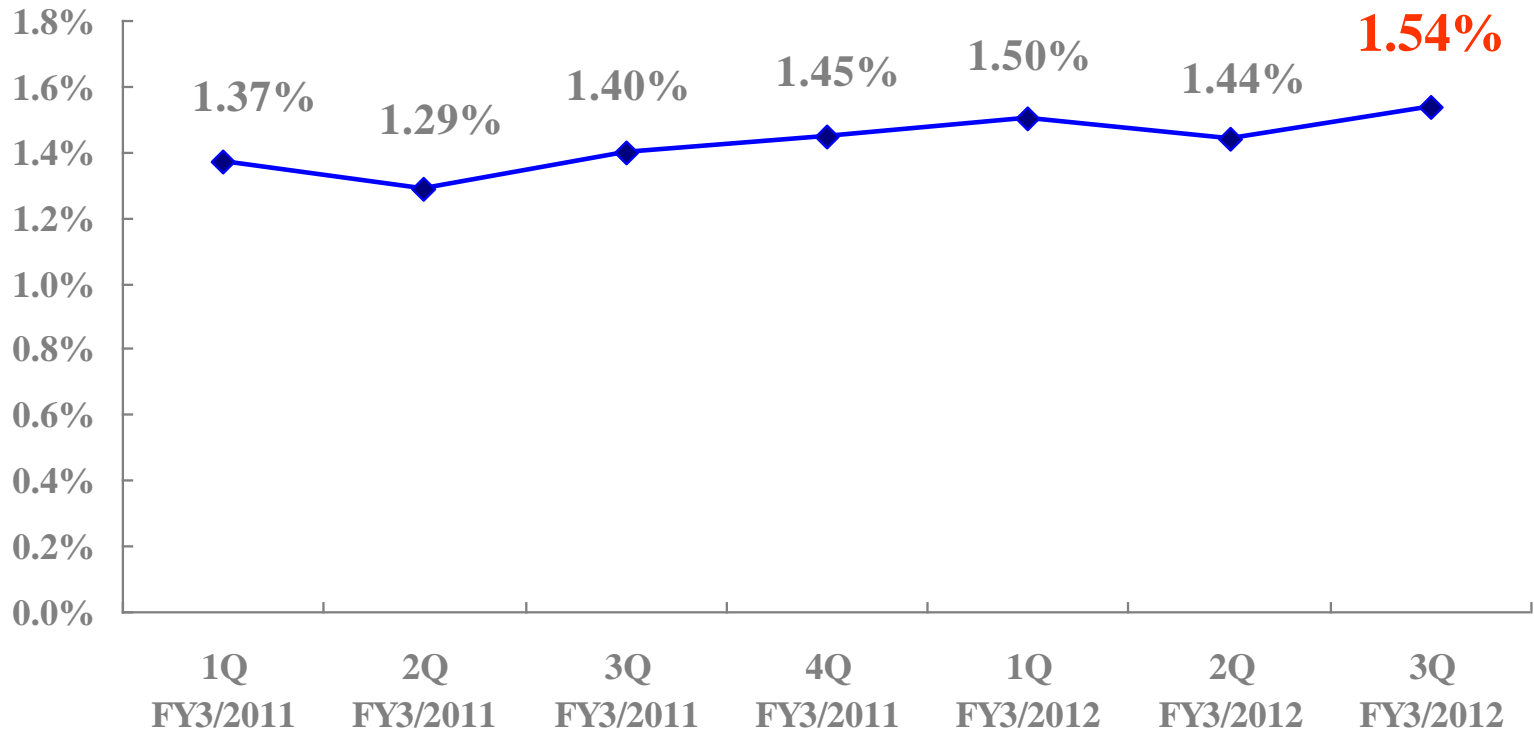
Mobile monthly churn trend

MVNO churn increased in 3Q

Retention to increase retail subscriber mix to achieve higher ARPU

3Q - 4Q Retention Scheme

Waive 10,000 yen contract cancellation fee for 2-year contract renewal
Free 42Mbps Pocket WiFi upgrade for 2-year contract renewal



Investing in marketing and branding

Marketing Strategy



- Increase company's brand recognition

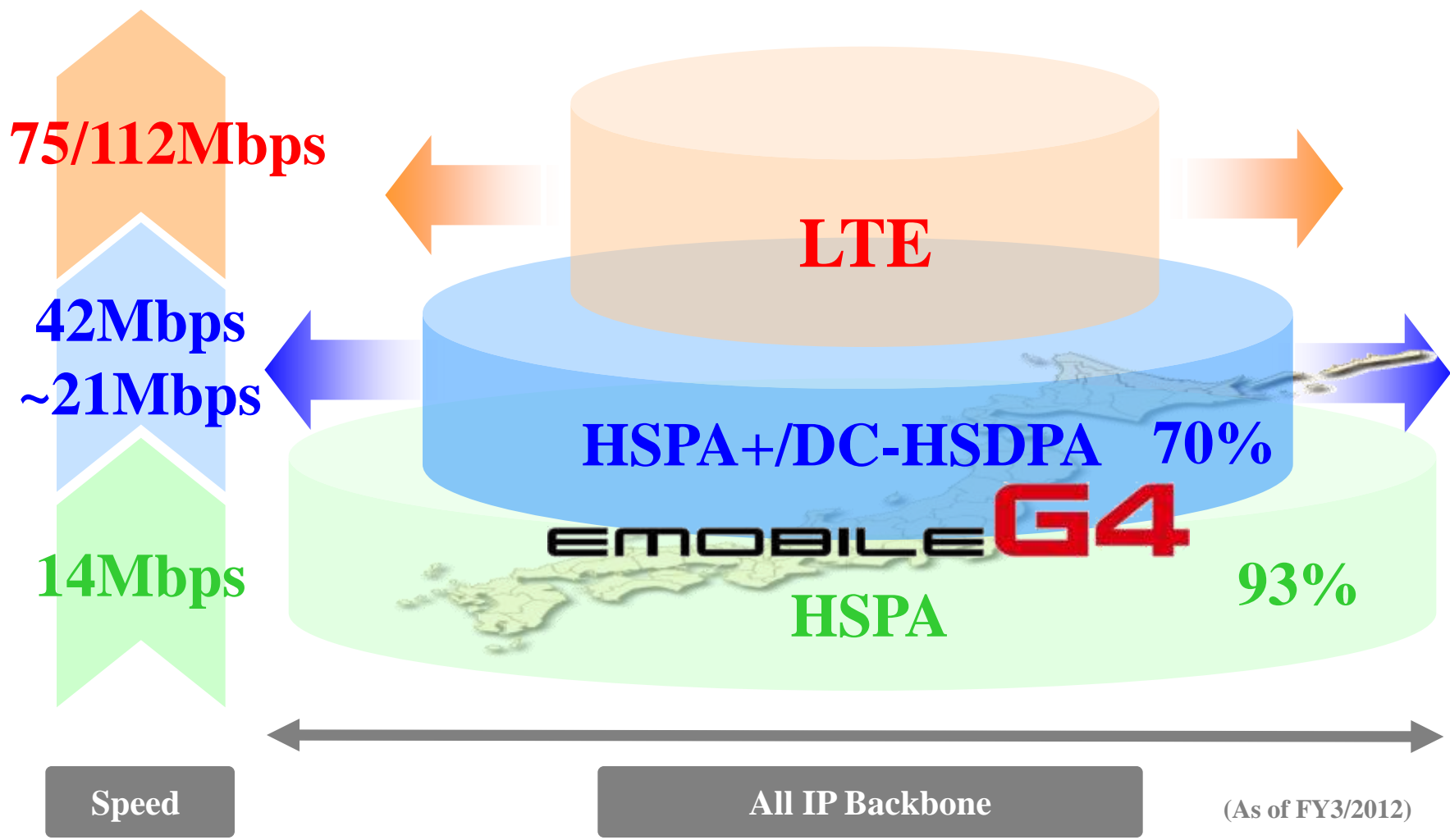
- Strengthen product brand position as "No. 1 Wi-Fi"

- Marketing preparation for LTE launch

LTE network strategy

Plan to launch LTE in March 2012

Expand area coverage to 70% by March 2013



* EMOBILE G4 area includes areas with 14.4Mbps, 21Mbps, and 42Mbps

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Operational Targets & Progress

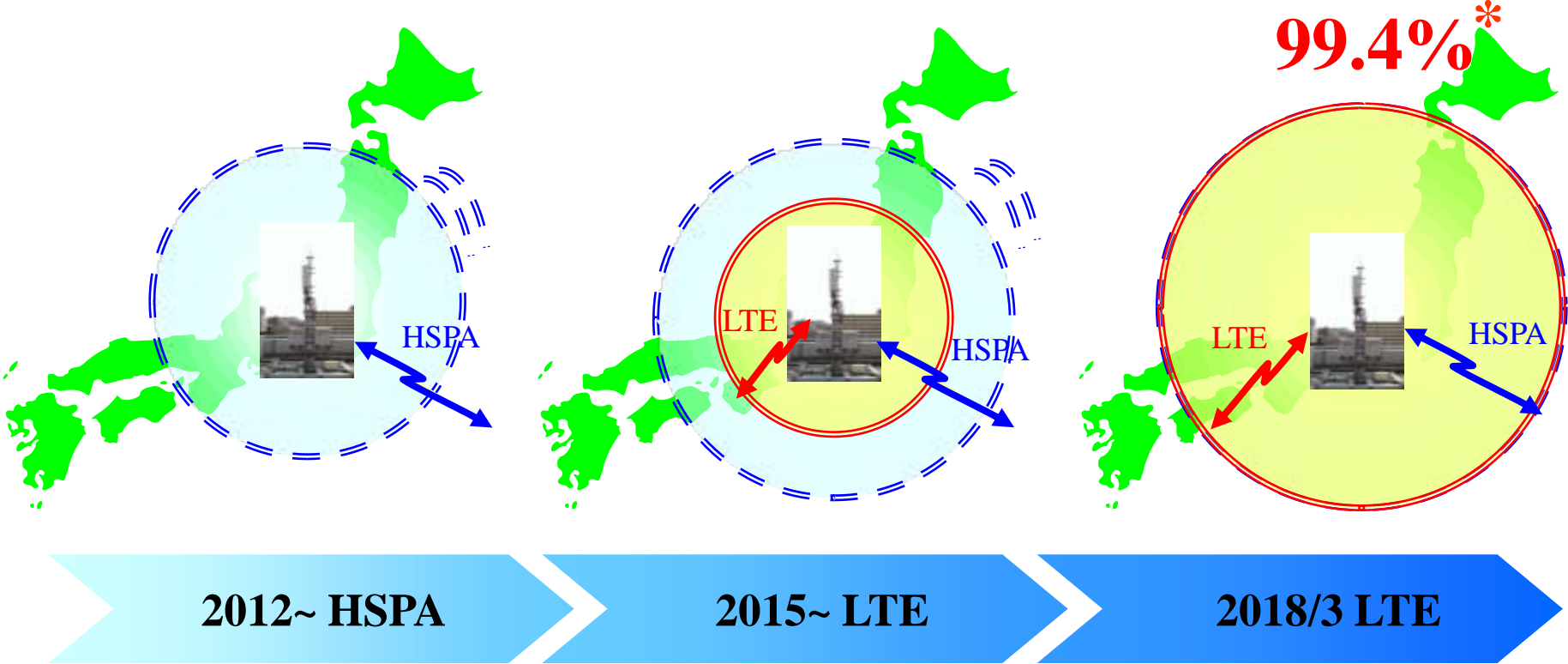
Platinum Band 900/700MHz

Appendix

Summary of 900MHz spectrum application

Technology	■ HSPA+ / LTE
Service Launch	■ March 2013 HSPA+ (5MHz) ■ December 2015 LTE (10MHz)
Population Coverage	■ 99.4% in FY2018 (HSPA+ / LTE)
Migration Costs	■ Up to 210 billion yen
Others	■ Develop <i>Migration Scheme</i> to resolve issues and challenges regarding migration for existing license holders (RFID and MCA) ■ Establish <i>Migration Center</i> as a consulting center and <i>Support Center</i> for existing 900MHz (RFID and MCA). Ensure fairness and transparency of the migration process.

900MHz Area Coverage Expansion Plan



Use first 5MHz bandwidth (ready to be used) for 14.4-21Mbps service HSPA expansion

Use the remaining 10MHz for LTE (75Mbps) after the completion of RFID & MCA migration

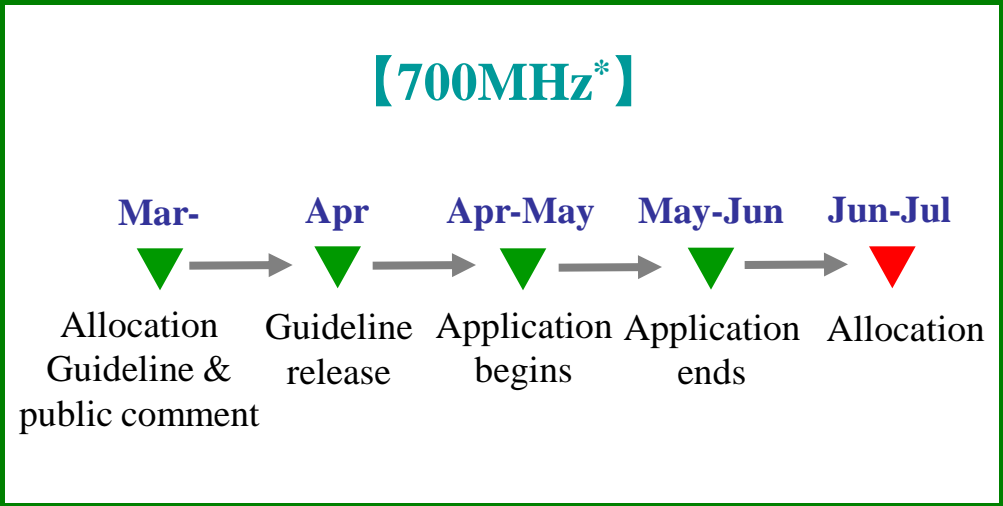
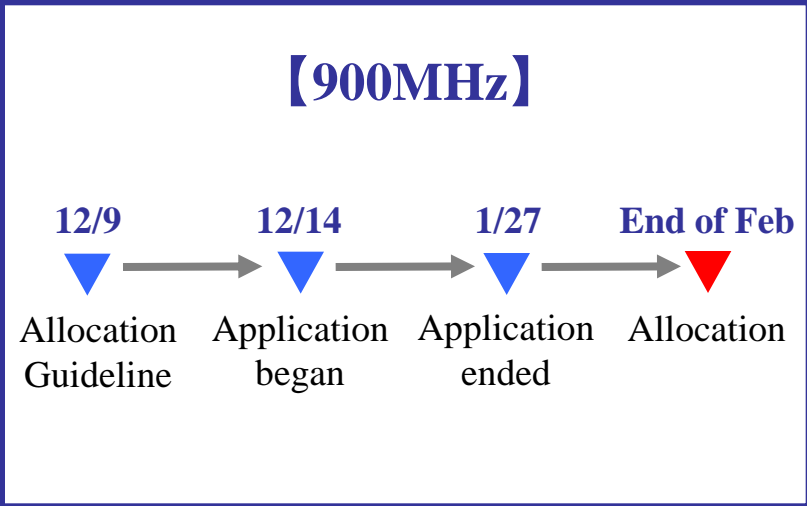
Expand population coverage of LTE (75Mbps) nationwide to over 99%

•Population coverage (95.1%~100.0% to be considered as equivalent)

900/700MHz platinum band allocation process

2011

2012 E



* Allocation process for 700MHz based on company estimation

Summary

Focus on mobile broadband top-line growth

Invest in LTE and marketing and branding

Stabilize mobile ARPU

Revise current fiscal year earnings forecasts

Plan to launch LTE 75Mbps in March 2012

FY3/2012 3Q Results & Outlook

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Platinum Band 900/700MHz

Appendix

Pro-forma annual financials trend & forecasts

(billion yen)	FY3/2010 (Pro-forma)*	FY3/2011 (Pro-forma)*	FY3/2012 (Forecast)	YoY (%)
Revenue	176.5	195.6	203.0	+ 3.8%
Mobile	113.6	139.1	161.0	+ 15.8%
Fixed Line	62.9	56.5	42.0	- 25.7%
EBITDA	44.5	64.5	63.0	- 2.3%
Mobile	18.2	40.3	44.0	+ 9.2%
Fixed Line	26.3	24.2	19.0	- 21.6%
EBITDA Margin	25.2%	33.0%	31.0%	- 2.0pts
Operating Profit	11.8	19.2	25.0	+ 30.1%
Recurring Profit	0.6	8.9	12.5	+ 40.7%
Net Income	-6.4	16.6	17.0	+ 2.1%
CAPEX	55.5	41.4	37.0	- 10.6%
Debt	299.2	249.7	225.0	- 9.9%
Net Debt	224.4	202.6	185.0	- 8.7%
Net Debt/EBITDA	5.0X	3.1X	2.9X	-

* Pro-forma: As if eAccess and EMOBILE were 100% consolidated and inter-company transactions were allocated to each business segment

** Extraordinary items, such as Inventory valuation loss, extraordinary losses and negative deferred income tax expense, were excluded from Pro-forma FY3/2011 for the comparison purposes

Supplemental Information (Company)

【Profit & Loss】

(in million yen)

	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year (Forecast)
Revenue	47,605	48,986	52,532		203,000
Cost of revenue	41,116	42,054	46,927		-
Advertising and sales promotion	15,451	15,119	19,685		
Device and related tools	2,152	2,725	3,085		
Network	6,694	6,692	6,796		
Modem rental	1,145	1,072	1,014		
Depreciation and amortization	9,244	9,396	9,507		38,000
Outsourcing	2,473	2,740	2,578		
Salaries and benefits	2,183	2,061	2,079		
Others	1,775	2,250	2,184		
Operating profit	6,489	6,932	5,605		25,000
Operating margin (%)	13.6%	14.2%	10.7%		12.3%
Non-operating income	20	178	44		-
Non-operating expense	3,293	3,165	3,080		-
Interest expense	2,623	2,636	2,574		-
Commission expense	593	421	437		-
Amortization of bond issuance costs	60	60	60		-
Others	17	48	9		-
Recurring profit	3,217	3,945	2,569		12,500
Non-recurring profit	4	0	0		-
Non-recurring loss	53	34	66		-
Income before income taxes	3,167	3,911	2,503		-
Income taxes	2	7	4,073		-
Income tax expense-current	2	7	6		-
Income tax expense-deferred	0	0	4,067		-
Net Income	3,166	3,905	△ 1,569		17,000
EBITDA	15,733	16,413	15,161		63,000
EBITDA margin (%)	33.0%	33.5%	28.9%		31.0%
Capital Expenditures	8,030	6,221	10,682		37,000

Note: EBITDA=Operating profit + Depreciation and amortization + Loss on inventory valuation + Depreciation included in R&D expenses

Supplemental Information (Company)

【Balance Sheets】

(in million yen)

	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end
Current assets	111,258	113,986	122,544		-
Cash and cash deposits	38,131	44,791	45,924		-
Other current assets	73,127	69,195	76,619		-
Fixed assets	227,640	223,535	219,957		-
Total Assets	340,196	338,759	343,679		-
Current liabilities	64,845	66,151	79,337		-
Current portion of long-term debt	43,283	43,905	45,230		-
Other current liabilities	21,562	22,246	34,107		-
Long-Term Liabilities	201,020	194,458	188,834		-
Long-term debt	199,409	189,387	183,235		-
Other long-term liabilities	1,611	5,071	5,599		-
Total Liabilities	265,865	260,609	268,170		-
Shareholders' equity	75,504	78,670	76,362		-
Capital stock and capital surplus	67,753	67,754	67,754		-
Retained earnings	7,751	10,917	8,609		-
Total Net Assets	74,330	78,151	75,509		-
Gross Debt	242,406	237,265	232,661		-
Bank loans	139,894	137,788	133,932		-
Bonds	69,321	68,792	68,297		-
Convertible bonds	10,851	10,841	10,832		-
Installment obligations	21,676	19,405	19,336		-
Lease obligations	664	438	263		-
Net Debt	204,275	192,474	186,737		-
Net debt/EBITDA ratio	3.15x	2.90x	2.86x		-
Net debt/net assets ratio	2.75x	2.46x	2.47x		-

Note: Gross debt and Net debt exclude valuation of bonds attributed to valuation of derivatives

Note: Net debt/EBITDA ratio is calculated by dividing the Net debt by the EBITDA for the last twelve months

Supplemental Information (Company)

【Cash Flows】

(in million yen)

	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end
Net cash provided by (used in) operating activities	12,458	19,899	13,538		-
Net cash provided by (used in) investing activities	△ 10,260	△ 10,308	△ 7,037		-
Net cash provided by (used in) financing activities	△ 9,119	△ 5,431	△ 5,367		-
Net change in cash and cash equivalents	△ 6,921	4,160	1,134		-
Cash and cash equivalents at end of the period	36,477	40,637	41,770		-

【Other Indicators】

	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end (Forecast)
Dividend per share (yen)	200	200	200		800
Average share price during the period (yen)	37,948	30,277	18,864		-
Dividend yield (annual)	2.1%	2.6%	4.2%		-
Number of shares of common stock at the end of the period	3,465,165	3,465,180	3,465,180		-
Average number of shares of common stock during the period	3,464,227	3,464,700	3,464,861		-
Earnings per share (EPS)	900.63	2,014.22	1,547.99		4,853.29
Earnings per share-diluted	865.19	1,940.75	1,513.67		-
Price earnings ratio (PER)	7.34x	4.04x	3.72x		-
Market capitalization	124,746	68,645	63,309		-
Net debt	204,275	192,474	186,737		-
Enterprise value (EV)	329,021	261,119	250,045		-
EV / EBITDA ratio	5.07x	3.93x	3.83x		-
Number of employees	1,306	1,212	1,198		-

Note: PER is calculated by dividing the market capitalization by the full-year net income (forecast)

Note: Market capitalization is calculated by multiplying closing price at the end of the period by the number of shares of common stock at the end of the period

Note: EV/EBITDA ratio is calculated by dividing the EV by the EBITDA for the last twelve months

Supplemental Information (Mobile Business)

【Profit & Loss】

(in million yen)

Mobile Business	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year (Forecast)
Revenue	35,548	37,529	41,669		161,000
Service revenue	28,286	29,215	31,244		-
Device revenue	7,262	8,314	10,424		-
Operating expense	33,054	34,375	39,727		-
Advertising and sales promotion	14,981	14,824	19,414		-
Device and related tools	2,083	2,669	3,036		-
Network	3,055	3,161	3,365		-
Depreciation and amortization	8,014	8,205	8,481		33,500
Outsourcing	1,703	1,954	1,883		-
Salaries and benefits	1,770	1,664	1,688		-
Others	1,447	1,898	1,860		-
Operating profit	2,495	3,154	1,942		10,500
Operating margin (%)	7.0%	8.4%	4.7%		6.5%
EBITDA	10,509	11,445	10,473		44,000
EBITDA margin (%)	29.6%	30.5%	25.1%		27.3%
Capital expenditures	7,842	5,727	9,818		35,000

Note: EBITDA=Operating profit + Depreciation and amortization + Loss on inventory valuation + Depreciation included in R&D expenses

【Operational Information】

Mobile Business	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end (Forecast)
Gross add subscribers (thousands)	369	389	393		-
Device upgrades (thousands)	42	59	101		-
Total (thousands)	411	448	494		-
Net add subscribers (thousands)	223	238	221		882
Accumulated subscribers (thousands)	3,341	3,579	3,800		4,000
ARPU (yen/month)	2,860	2,730	2,730		2,700
Churn rate (%/month)	1.50%	1.44%	1.54%		1.50%
SAC (yen)	20,000	23,000	28,000		25,000

Supplemental Information (Fixed-line Business)

【Profit & Loss】

(in million yen)

Fixed-line Business	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year (Forecast)
Revenue	12,057	11,457	10,863		42,000
Operating expense	8,063	7,680	7,201		-
Advertising and sales promotion	470	296	271		-
Network	3,639	3,531	3,431		-
Modem rental	1,145	1,072	1,014		-
Depreciation and amortization	1,231	1,191	1,026		4,500
Outsourcing	770	786	695		-
Salaries and benefits	413	397	391		-
Others	397	408	373		-
Operating profit	3,994	3,778	3,663		14,500
Operating margin (%)	33.1%	33.0%	33.7%		34.5%
EBITDA	5,225	4,969	4,689		19,000
EBITDA margin (%)	43.3%	43.4%	43.2%		45.2%
Capital expenditures	189	494	864		2,000

Note: EBITDA=Operating profit + Depreciation and amortization

【Operational Information】

Fixed-line Business	Fiscal Year 3/2012				
	1Q (4-6/2011)	2Q (7-9/2011)	3Q (10-12/2011)	4Q (1-3/2012)	Full-year/ Year-end (Forecast)
Net add subscribers (thousands)	△ 89	△ 95	△ 83		△ 328
Accumulated subscribers (thousands)	1,839	1,744	1,661		1,600
ARPU (yen/month)	2,009	2,006	1,998		1,900
Churn rate (%/month)	2.04%	2.14%	1.97%		2.10%
SAC (yen)	7,500	7,000	6,000		8,000

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