

eAccess Limited 【9427】

**3rd Quarter Results for Fiscal Year Ending 3/2006
(4/2005 ~ 12/2005)**



February 7th, 2006

I. FY2005/3Q Quarter Financial Results Overview Page 3

II. FY2005/3Q Quarter Financial Results Page 7

III. Business Strategy Page 14

IV. Summary Page 27

I. FY2005/3Q Quarter Financial Results Overview Page 3

II. FY2005/3Q Quarter Financial Results Page 7

III. Business Strategy Page 14

IV. Summary Page 27

FY2005/3Q Financial Results Summary

ADSL /ISP Business

Net subscriber addition recovery in the 3Q as a result of service area expansion and increasing demand at retail channels

Churn rate improvement for 3 consecutive quarters

Mobile Business

Granted a full commercial 3G license in 1.7 GHz band
Preparation for the commercial service launch

Completed a major equity financing round in 3Q for eMobile
with a total paid-in capital of 87.8 billion

Financials

Upward revision of FY 3/2006 forecasts for revenue and profits
due to improved churn and a profit turnaround of ISP business

FY2005/3Q Financial Results

ADSL・ISP revenue increased 7.2% YoY due to higher profit contribution from the ISP (AOL) business. Consolidated operating profit margin remained high at 13.6%, despite of the mobile business (eMobile) start-up costs.

	FY2004/3Q (2004/4 – 12)	FY2005/3Q (2005/4 – 12)			Increase (Decrease) / Changes (%)	
(billion yen)	ADSL・ISP (Non consolidated)	ADSL・ISP	+ Mobile	= Consolidated	ADSL・ISP	
Revenue	42.45	45.50	—	45.50	3.05	+7.2 %
Operating profit	7.27	7.60	- 1.43	6.17	0.33	+4.5 %
Recurring profit	6.51	6.47	- 1.75	4.72	-0.04	-0.6 %
Net Income	7.47	5.02	- 1.75	3.27	-2.45	-32.8 %
EBITDA	15.88	15.78	- 1.39	14.38	-0.10	-0.6 %
Capex	7.36	4.72	0.10	4.82	-2.64	-35.9 %
Depreciation	8.91	8.21	0.04	8.25	-0.70	-7.9 %

Net Income decreased due to the income tax payment started from this year

FY2005 Full Year Financial Forecasts

Upward revision for the full year forecasts due to improved churn and ISP business profit recovery

	FY2004	Previous FY2005 Forecast (announced on 11/8/2005)			Revised FY2005 Forecast (announced on 2/7/2006)		
(billion yen)	ADSL・ISP (Non consolidated)	ADSL ・ISP	Mobile	Consolidated	ADSL ・ISP	Mobile	Consolidated
Revenue	57.91	59.50	—	59.00	59.50	—	59.50
Operating Profit	9.31	9.60	-2.40	7.20	10.20	-2.30	7.90
Recurring Profit	8.07	8.20	-2.70	5.50	8.80	-2.70	6.10
Net Income	9.35	5.90	-2.70	3.20	6.40	-2.70	3.70
EBITDA	20.93	20.40	-2.40	18.00	20.90	-2.30	18.60
CAPEX	9.78	8.20	1.30	9.50	7.50	1.00	8.50
Depreciation	11.93	10.80	0	10.80	10.70	0	10.70

Upward revision due to lower costs from ADSL and ISP business consolidation synergy effect.

Upward revenue revision due to lower than expected churn.

I. FY2005/3Q Quarter Financial Results Overview Page 3

II. FY2005/3Q Quarter Financial Results Page 7

III. Business Strategy Page 14

IV. Summary Page 27

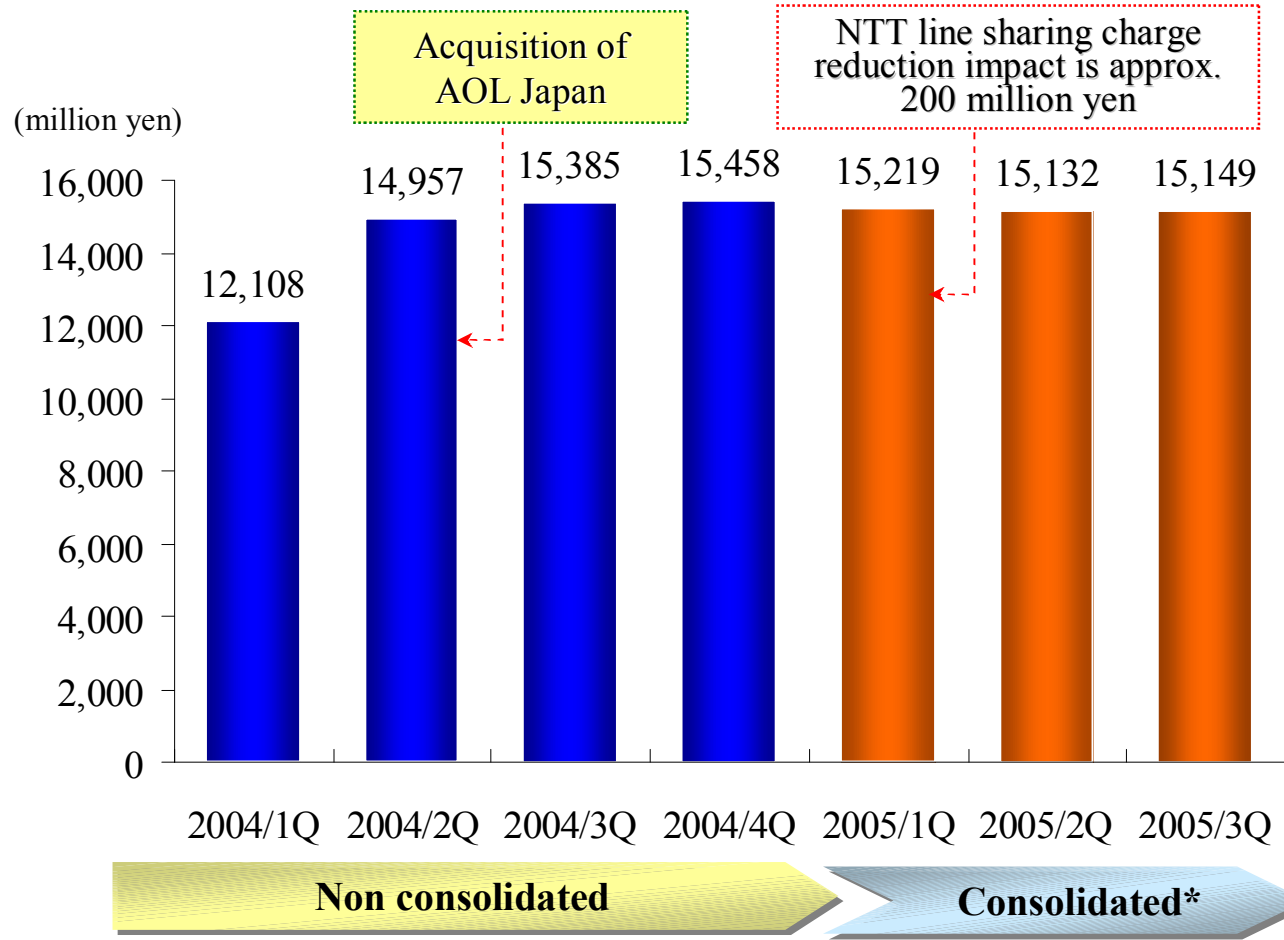
Subscriber Growth

A gradual recovery in the 3Q net subscriber addition to 25,000 (highest quarterly growth in since FY2004/3Q) as a result of service area expansion and increasing demand at the retail channels.



Revenue Growth

A moderate growth in quarterly revenue due to lower churn and a recovery of net subscriber addition

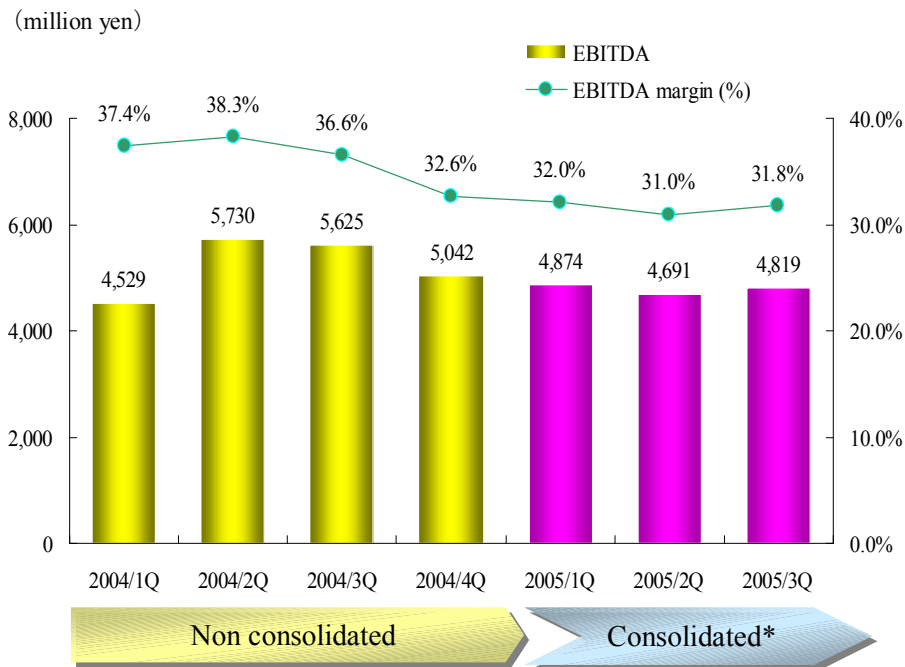


* Consolidated financial statements are adopted from the mid-year period for the fiscal year ending March 31, 2006. Although 1Q 2005 figures were previously reported as non-consolidated, 1Q 2005 figures were adjusted to consolidated figures for comparative purposes.

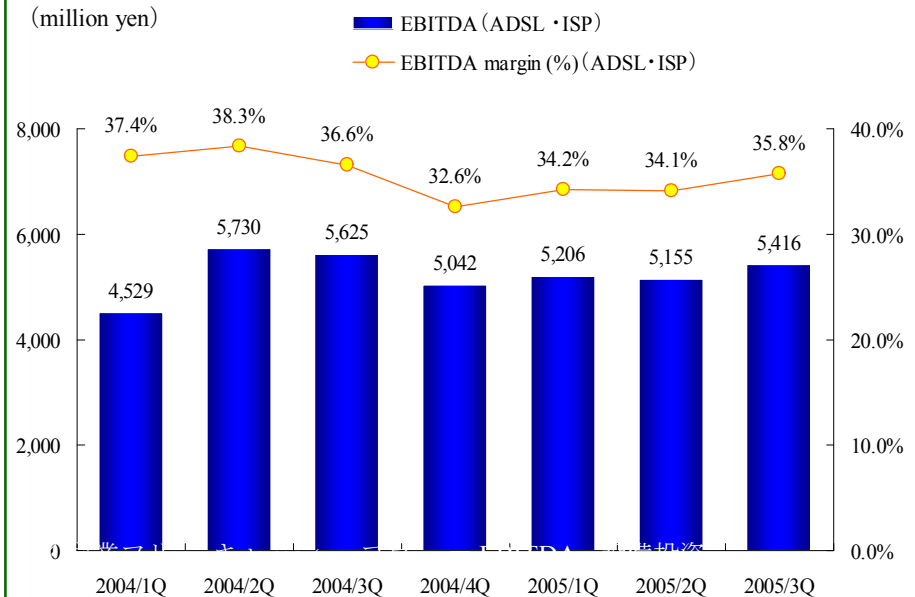
EBITDA Trend

**Improvement in consolidated EBITDA despite of eMobile start up costs.
ADSL · ISP business EBITDA margin maintained at over 35% level.**

EBITDA and EBITDA margin trend (Consolidated Basis)



EBITDA and EBITDA margin trend (ADSL · ISP Only)

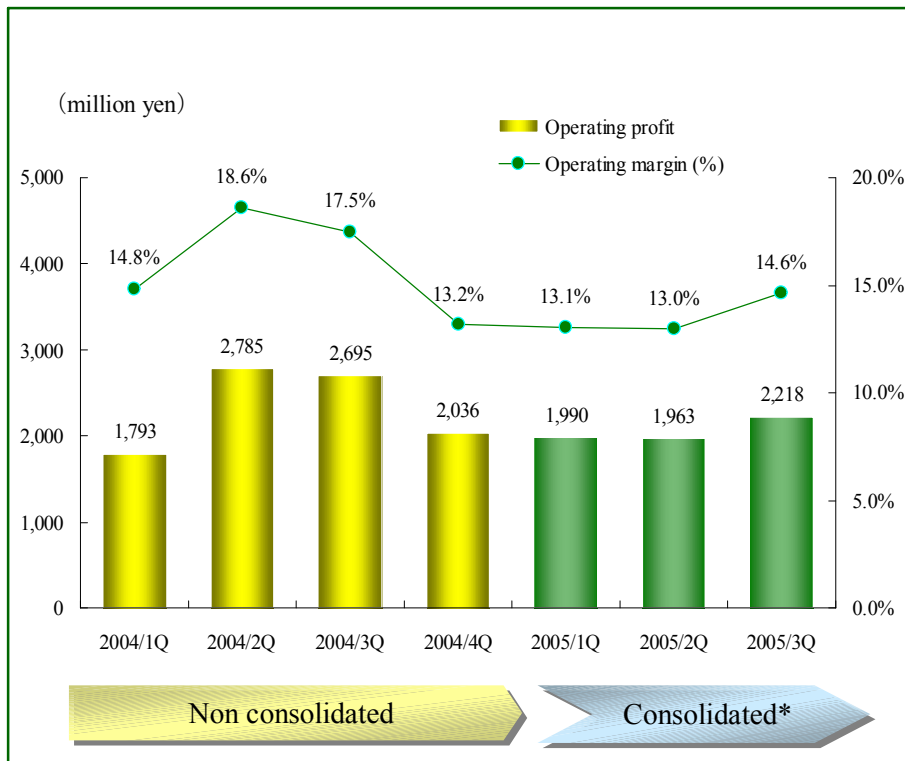


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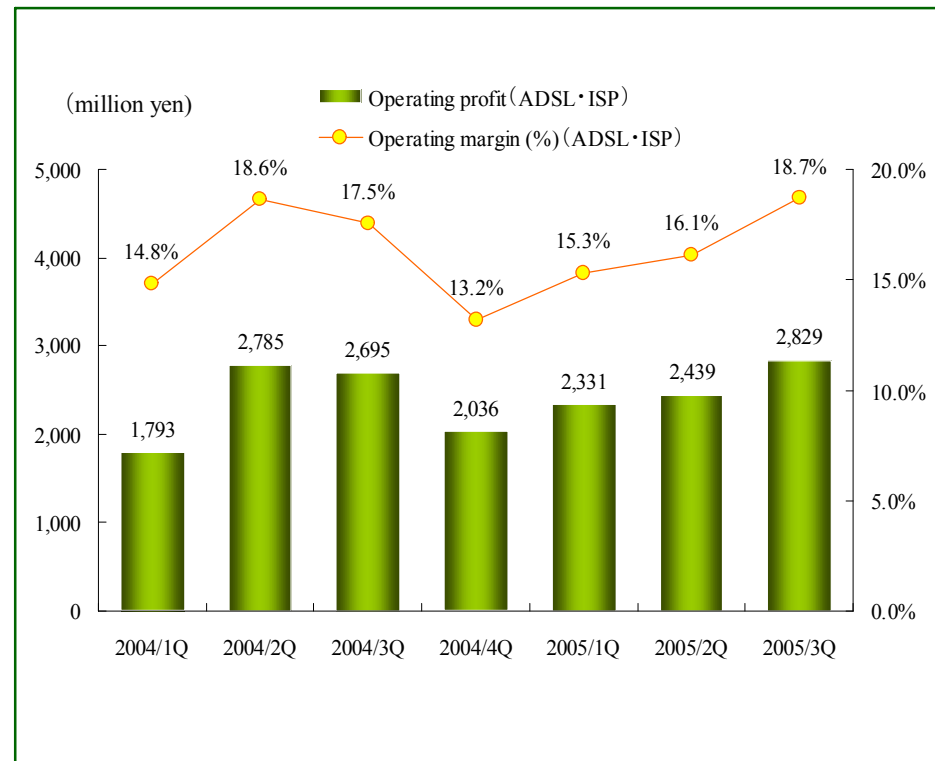
Operating Profit Trend

Improvement in both consolidated and ADSL·ISP business operating margins

**Operating profit and Operating margin trend
(Consolidated Basis)**



**Operating profit and Operating margin trend
(ADSL·ISP Only)**

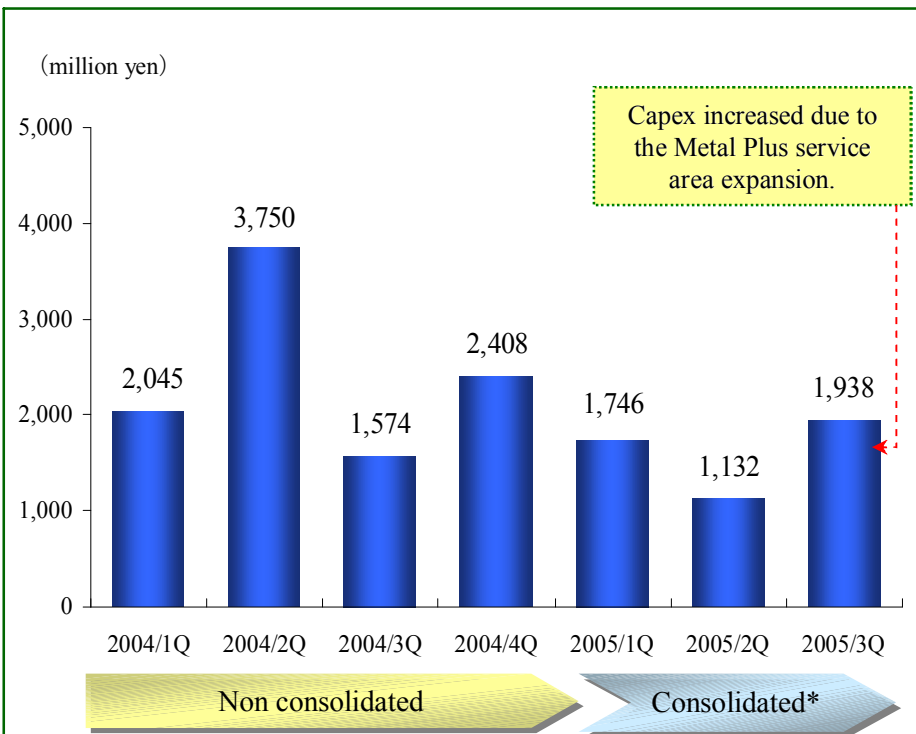


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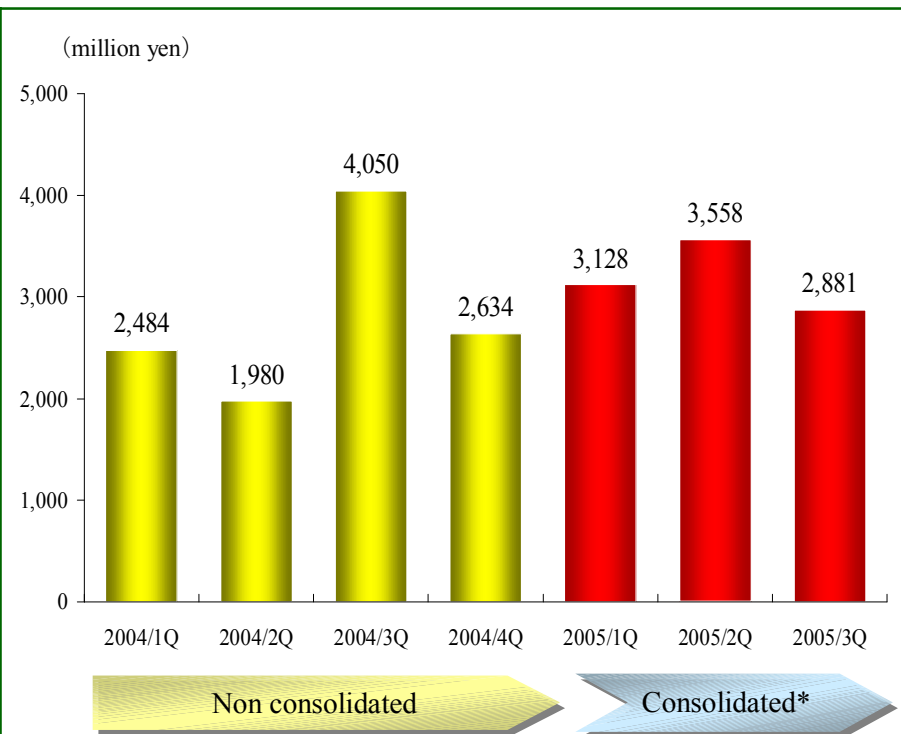
Capex and Operating FCF Trend

Increase in 3Q capex was within expectation. Expect further capex increase due to wider service area expansion plan for Metal Plus services

Consolidated Capex Trend



Consolidated Operating Free Cash Flow* Trend



※ Operating Free Cash Flow = EBITDA – Capex

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Consolidated Balance Sheet

Completed a major equity financing round for eMobile in 3Q. Consolidated cash balance reached 150.0 billion yen with a net cash position of 53.2 billion yen

(billion yen)	<Non-Consolidated> As of March 31, 2005		<Consolidated> As of December 31, 2005	
	Balance	Share of Total	Balance	Share of Total
Cash and cash deposit	104.77	77.6 %	150.15	82.6 %
Debt	96.56	71.5 %	96.89	53.3 %
Net Debt	-8.21	--	-53.25	--
Minority Interest	--	--	42.41	23.3 %
Total Shareholders' equity	28.48	21.1 %	30.43	16.7 %
Total Asset	134.99	100.0 %	181.69	100.0 %
Net Debt/Equity ratio(%)	-28.8 %	--	-175.0 %	--

Minority Interest
of eMobile

Increase in net cash due
to eMobile financing

I. FY2005/3Q Quarter Financial Results Overview Page 3

II. FY2005/3Q Quarter Financial Results Page 7

III. Business Strategy Page 14

IV. Summary Page 27

ADSL • ISP Business

Area Expansion and Subscriber Addition

A gradual recovery in subscriber addition due to wider service areas and increasing demand at retail channels

CAPEX/ Area expansion

- A gradual recovery in subscriber addition due to wider service area expansion. Metal Plus service area increased to 1,000 COs as of 12/2005 from 800 COs as of 9/2005.
- Plan to expand the service area (including Metal Plus service area) to 1,400 COs by the end of 3/2006 up from 975 COs as of 3/2005. CAPEX increased in 3Q compared to 1H.

Sales

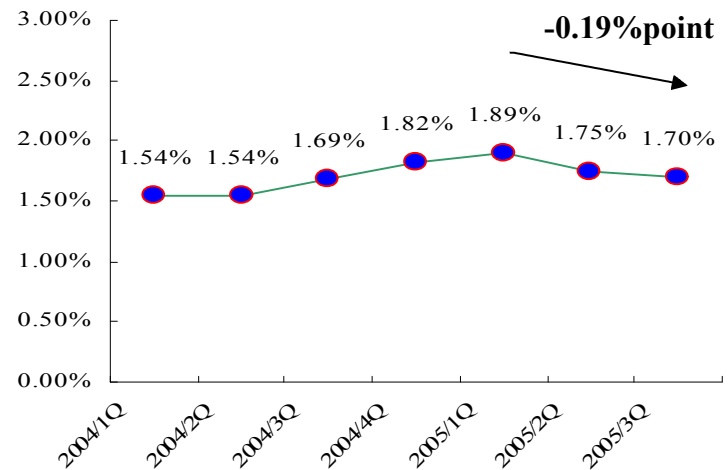
- Increasing sales at our major direct retail channels (e.g. rising demand from new store openings such as Yodobashi Akiba-shop and Yokohama).
- Launched a new Metal Plus10M service on November 10th for medium Internet users.

Churn Rate Improvement

Improvement in churn rate for three consecutive quarters

- Introduced retention measures
 - Free charges for moving houses
 - Free charges for changing service menu
 - Retention measures implemented at customer support center.
- Monthly churn rate improved to 1.70% in 3Q from 1.75% in 2Q.
- Churn rate is expected to trend higher in 4Q due to the usual moving season in March and April.

Monthly Churn Trend *



*Average of monthly churn rate in quarter

Renewed Partner ISP menu

**A wider selection from renewed ISPs menu
(DION 10M, ODN 50M, Nifty 960kbps and new So-net 50M menu).**

ODN

NEW

- Commence 50M service from 2/15/2006.

So-net

NEW

- Launched 50M service in 10/2005.
- Strong subscriber acquisition at the retail distribution channel

DION

NEW

- Commenced 10M service from 10/2005
- Service area expansion is progressing

Nifty

- Launched a 960K entry service menu. Strong subscriber acquisition through the web site channel.
- Launched telemarketing/direct marketing, targeting dial up users.

NEW

“New” DTI

- DTI and POINT consolidated its brand “New DTI” in 10/2005 “. eAccess was chosen as the prime ADSL provider.

New Business Lines through Retail Channels

New value added services over eAccess' existing retail channels
(e.g New business line sales at the eAccess counters of Yodobashi, Kojima)

PC Support Service

- Introduced a new comprehensive support services for PC and troubleshooting retail support.

ヨドバシカメラ
テレフォン
サポート



1ヶ月間 24時間 電話サポート体制 困った時にはいつでも つながる「ホットライン」!!!	主要メーカー 全社対応で さまざまな ご質問にお答えします!
パソコン・プリンタは もちろん、 無線 LAN・デジカメも OK!	電話で解決できない トラブルも 出張サポートで 解決します!! (有償)

こんなサポートが
ぜんぶついて **¥1,980 (税込)**

Online Internet Brokerage

- Promoting online Internet Brokerage account opening at eAccess retail counters

TRY コジマ
ブロードバンド
コンテンツ
キャンペーン 第1弾 開催中。

インターネットで
株を
スタート!

当店にて
資料請求
¥0

ブロードバンド
アクティブキャンペーン

私でもできる!!
インターネットで株取引!
自宅やケータイからいつでも
簡単始められます!

24時間 リアルタイム 取引手数料 安い

まとめてラクラク
資料請求 **¥0**

ISP business (AOL) Strategy

Contents strategy

- Discussion with Google Japan for further potential business alliance.
- Slight increase in revenue from advertising and EC from the content division.
- Introduced “blog talk function” to AOL DIARY in 12/2005. Monthly PV of AOL DIARY tripled since 3/2005.

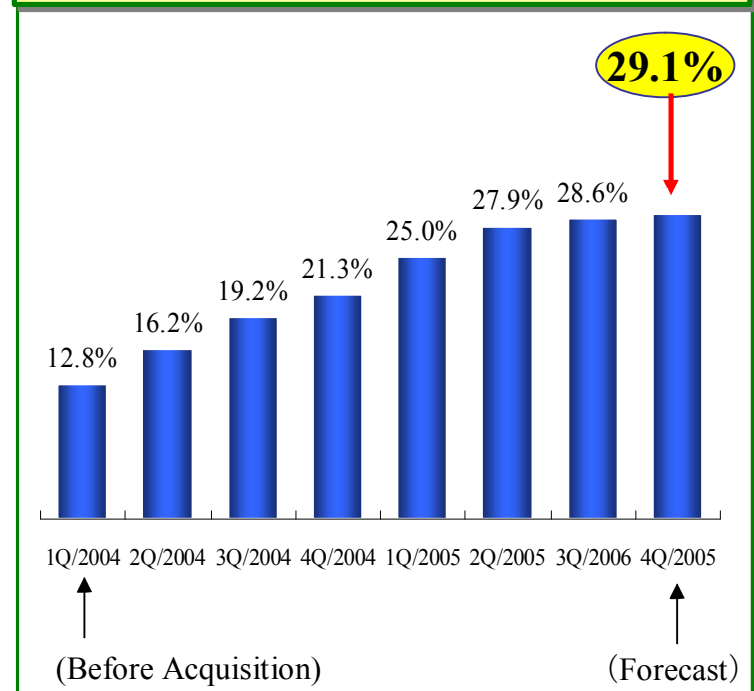
Margin and profit expansion

- Improved profitability by consolidating the network structure and sales channels with the ADSL division.

Increase in AOL Broadband Ratio

- AOL broadband migration rate rose to 28.6% as of 12/2005, up by 7.3% point as of 3/2005.

AOL Broadband Migration Trend



eMobile Strategy

eMobile Update

License

- Granted a full commercial nationwide 3G license in the 1.7GHz band on November 10, 2005.

Financing

- Completed a major round of equity financing with a total paid in capital of 87.8 billion yen.
- Plan to further strengthen eMobile's capital by increasing equity and debt financing

Network

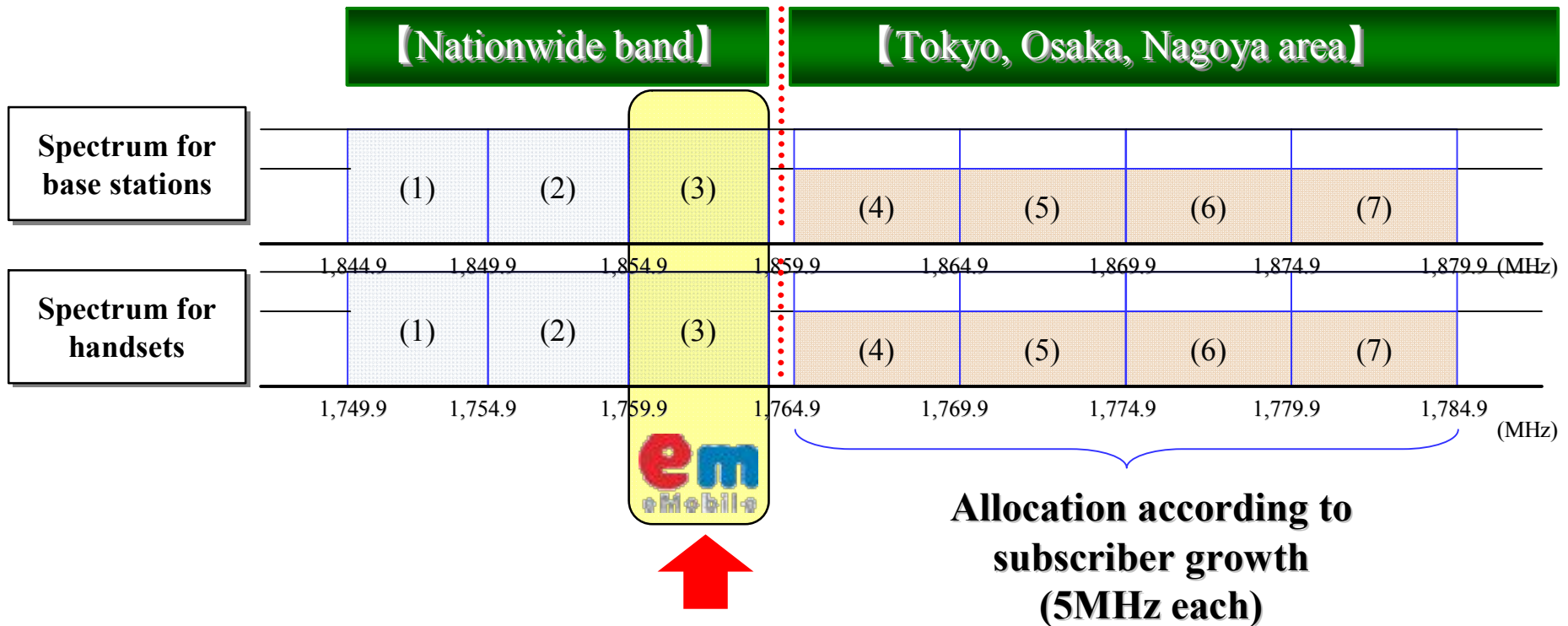
- Final discussion of equipment vendor selection. Commenced initial phase of cell planning, site negotiation of base stations.
- Plan to build the first Initial Phase pilot plan in metropolitan areas.

Handset

- Confirmed product roadmap with domestic and global chip vendors.
- Concept model of the next generation mobile handsets.

Granted a Full 3G Mobile License

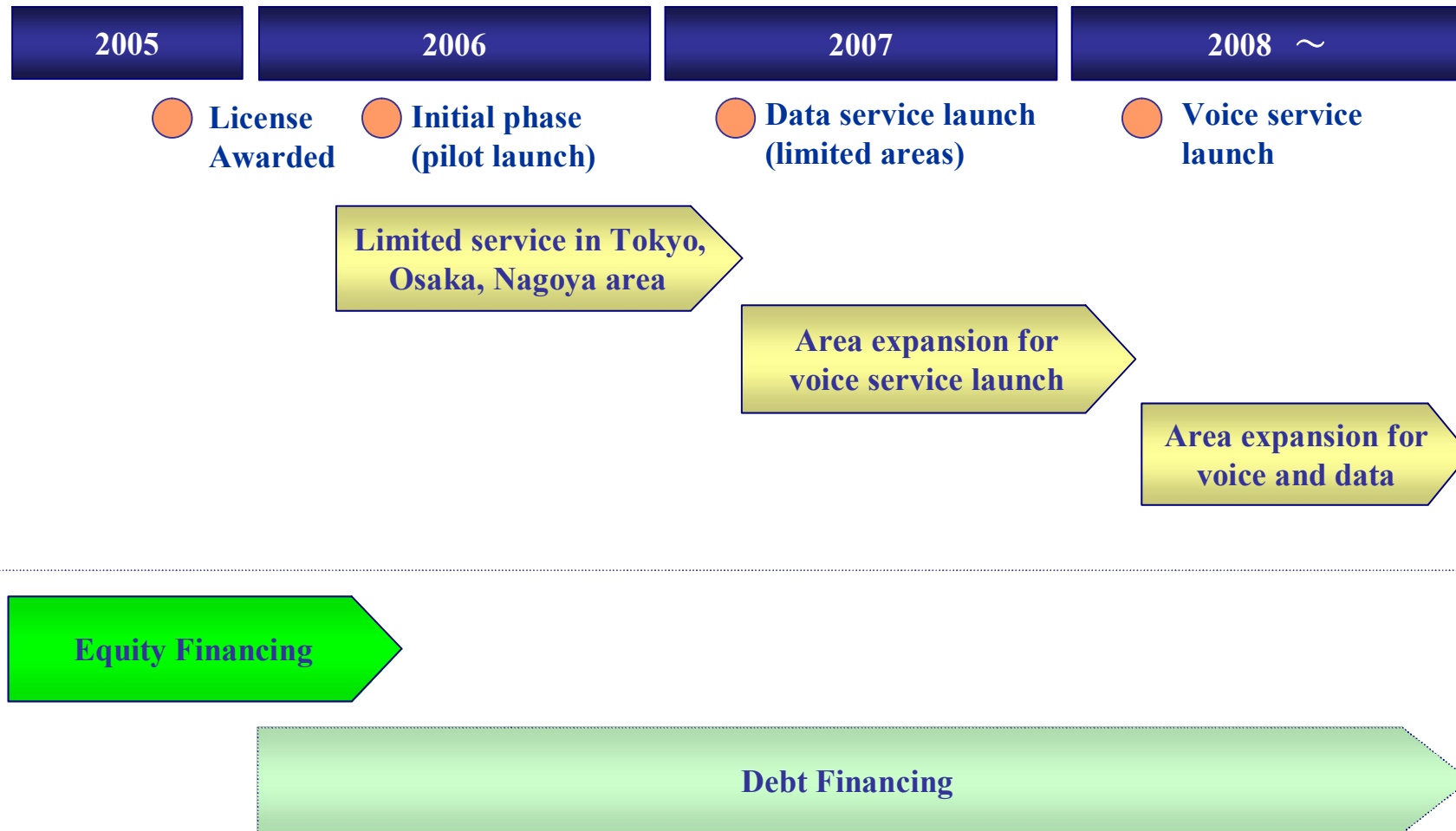
Granted a full nationwide 3G license in 1.7 GHz band



Service area and timing requirement

1. Timing : Operate at least 1 base station within 2 years.
2. Service area coverage: (Nationwide band) Over 50% service area coverage within 5 years.
: (Tokyo, Osaka, Nagoya area band) Over 50% area coverage within 3 years.



Service Launch Schedule (Plan)



eMobile Financing

Completed a major round of equity financing for eMobile in 3Q

Equity Financing

	Amount	%
	45.3 billion	58.1%
Goldman Sachs Group 	27.5 billion	26.4%
TBS	10.0 billion	9.6%
Yoshimoto and others	5.0 billion	5.9%
Total	87.8 billion	100.0%



Financing Plan

100 billion yen

Debt financing

Banks

Leasing Companies



200~300 billion yen

Concept of next generation mobile handsets



One Segment Broadcasting Model

- * Suitable for one segment broadcasting with a 2.8 inch screen
- * Slim design with a touch panel keyboard
- * High quality stereo speaker suitable for listening to the music



Slim & Compact Model

- * Thin/light/compact and stylish
- * Easy to use with hard keys and a touch panel
- * Modern design

Data Communication Model

- * PC data card with an LCD screen and function keys.
- * Includes voice function
- * “Ubiquitous mobile office” which is compatible with PCs



Core Module Model

- * Compact size, focusing on data usage
- * Provide high speed data communication for car navigations, music players, vending machines, and electronic appliances.



I. FY2005/3Q Quarter Financial Results Overview Page 3

II. FY2005/3Q Quarter Financial Results Page 7

III. Business Strategy Page 14

IV. Summary Page 27

Summary

ADSL • ISP

ADSL Division

- Strengthen the existing subscriber base
 - Churn rate reduction
 - Service area expansion

ISP (AOL) Division

- Content business expansion

Others

- New business line expansion through existing channels

Mobile

- Preparation for commercial service launch
- Strengthen eMobile's capital structure (equity and debt)

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