

eAccess Ltd.

Business Report

eAccess
Broadband services

em
eMobile

From ADSL to Mobile

Fiscal Term

7th

Year ended March 31, 2006



*Sachio Semmoto (center)
Representative Director, Chairman, and CEO*

*Toshio Yasui (right)
Representative Director, President, and COO*

*Eric Gan (left)
Representative Director, Senior Executive Vice
President, and CFO*

Note: The loan is secured against eMobile's assets and future cash flows. Under the loan agreement, the loan is non-recourse to eAccess, the parent company.

Executing our business plan: “From ADSL to mobile”

In the fiscal year ended March 31, 2006, eAccess expanded its ADSL & ISP business by attracting new customers. We focused on providing lower-speed ADSL services and bundled ADSL services to KDDI's “Metal Plus” users. As a result, we reported a net subscriber addition and achieved record-high earnings.

eMobile Ltd. is our consolidated subsidiary in the mobile business. (eAccess owned 46% of eMobile as of May 31, 2006.) eMobile has now completed its financing, securing over ¥360 billion which will fully satisfy the funding requirements of its business plan. Of the ¥360 billion raised, ¥143.2 billion was financed through equity and ¥220 billion through bank loans. The ¥220 billion bank loan is the largest amount raised through non-recourse financing^(Note) for a greenfield start-up business in Japan. This demonstrates an extremely high appraisal of eMobile's business plan by the financial community. Having selected Ericsson as its prime network vendor, eMobile is building a mobile network in preparation for its scheduled launch of data services in March 2007. The eAccess Group is now firmly placed to step up its growth strategy, centering on its two core businesses—ADSL & ISP services and mobile services.

Our shareholder return policy emphasizes payment of stable and consistent returns to shareholders while retaining

ample reserves to strengthen its business foundation and facilitate future growth. In line with this shareholder return policy, we paid an annual cash dividend of ¥1,300 per share for the year ended March 31, 2006, up ¥300 from the previous year. This increase reflects the strong performance of our ADSL & ISP business. For the year ending March 31, 2007, we plan to pay quarterly dividends, with a total annual dividend forecast of ¥1,800 per share.

We plan to continue returning the profits from our ADSL & ISP business to shareholders while investing in our mobile business as we pursue further growth in this area. We look forward to the ongoing support and cooperation of shareholders.

June 2006

Sachio Semmoto
Representative Director, Chairman, and
CEO

千本 偉生

Toshio Yasui
Representative Director, President, and
COO

安井 敏雄

Eric Gan
Representative Director, Senior Executive
Vice President, and CFO

Eric Gan

Greetings from the New Management

Haruo Taneno

Director, eAccess Ltd.
Representative Director, President,
and COO, eMobile Ltd.



On June 22, 2006, I resigned from my previous position of Representative Director, President, and COO of eAccess Ltd. and shifted the focus on my position as Representative Director, President, and COO of eMobile Ltd. I will do my very best to realize the swift establishment of the eAccess Group's mobile business, and expedite the integration of the Group's fixed line broadband and mobile businesses.

I ask that shareholders continue supporting my successor, Toshio Yasui.

Haruo Taneno (Born February 14, 1948)

April 1974	Joined Nippon Denshin Denwa Kosha (currently Nippon Telegraph and Telephone Corporation, or NTT)
June 1984	Joined Daini-Denden Incorporated (currently KDDI Corporation)
June 1998	Senior Vice President and Representative Director of Daini-Denden Incorporated
February 2002	Strategic Adviser of Schroder Ventures K.K. (currently MKS Partners Limited)
February 2003	Representative Director and COO of eAccess Ltd.
January 2005	Representative Director, President, and COO of eAccess Ltd.
June 2005	Representative Director, President, and COO of eMobile Ltd. (current)
June 2006	Director of eAccess Ltd. (current)

Toshio Yasui

Representative Director, President,
and COO, eAccess Ltd.



On June 22, 2006, I was appointed as Representative Director, President, and COO of eAccess, succeeding Haruo Taneno. I will make every effort to strengthen the Company's foundation and ensure growth of ADSL & ISP business, while promoting synergies between the ADSL & ISP and mobile businesses.

I look forward to the continuous support and guidance of shareholders.

Toshio Yasui (Born May 14, 1943)

October 1972	Joined IBM Japan, Ltd.
October 1995	President of Western Digital Japan
June 1999	President of Solectron Japan Corporation (currently Solectron Ltd.)
December 2003	Adviser of Solectron Japan
April 2004	Affiliate Professor of Hosei University Business School (current)
June 2004	Director of eAccess Ltd.
June 2006	Representative Director, President, and COO of eAccess Ltd. (current)

**ADSL & ISP business generates stable profits.
Full-scale investment in mobile business to begin
in fiscal year ending March 31, 2007.**



Notes: 1. We have decided to report consolidated financial statements from the fiscal year ended March 31, 2006, because of eMobile's increased equity, as well as the growing importance of the mobile business following the acquisition of a mobile license. Segment information includes operating profit and total subscriber numbers for the ADSL & ISP business, excluding the mobile business.

2. Forecasts for fiscal year ending March 2007 are made based on management's assumptions and beliefs in light of information currently available to it. The Company cautions prospective investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forecasts, and therefore prospective investors should not place undue reliance on them.

Steady growth in ADSL & ISP business brings strong revenue and earnings growth for third consecutive year

In the fiscal year ended March 31, 2006, eAccess generated increased year-on-year revenues and profits for the third consecutive year since we first turned a profit in the fiscal year ended March 31, 2004. This solid performance is attributable to the steady growth of our ADSL & ISP business. Annual revenue reached ¥60.3 billion on both consolidated and non-consolidated bases. Although consolidated operating profit was limited to ¥9.3 billion, due to mobile business start-up costs, non-consolidated operating profit reached the record-high level of ¥10.8 billion.

The total number of eAccess subscribers reached 2.18 million, of which 1.91 million subscribed to our ADSL services. We achieved this growth by expanding our service area and service menu, while promoting migration of our AOL narrowband subscribers to broadband. We also succeeded in suppressing the churn rate, which enabled us to generate higher revenue than expected. Moreover, we improved the efficiency of capital investments and reduced overall costs, including the cost of using telecommunications equipment. As a result, our operating margins remained at high levels: 15.5% on a consolidated basis and 18.0% on a non-consolidated basis.

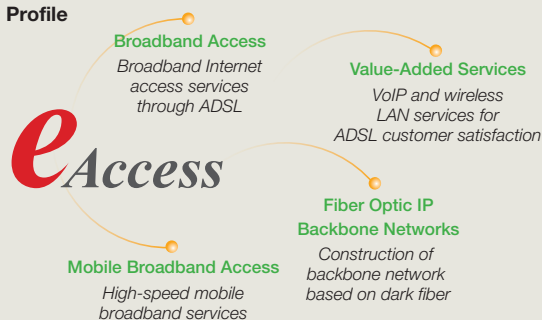
eAccess' Business Model: Japan's Largest ADSL Wholesale Operator

The key to eAccess' profitability is the execution of our business model. We were the first company in Japan to advocate a business model for wholesaling ADSL^(Note) lines to ISPs.

In addition, we have been promoting the widespread popularity of broadband from our position as the country's number one wholesale operator.

We provide connection services to our ISP partners, who liaise directly with subscribers and provide service support. Consequently, we are able to reduce our sales promotion costs and support costs.

Business Profile



Note: ADSL (asymmetric digital subscriber line) is a popular form of DSL service. "Asymmetric" means that the upstream (PC to Internet) speed is different from the downstream (Internet to PC) speed. With the Company's ADSL 50Mbps ADSL service, for example, the upstream speed is 5 Mbps and the downstream speed is 50Mbps, the latter being equivalent to 781 times faster than the 64kbps offered by ISDN lines.

Maintain high profit margins while attracting new customers.

As of March 31, 2006, eAccess had a nationwide service area covering approximately 1,450 central offices. Leveraging this foundation, we are pursuing three business development strategies:

(1) improve the quality of services offered to ADSL subscribers while lowering the churn rate; (2) promote migration of narrowband users to ADSL; and (3) promote acquisition of non-Internet users.

In February 2005, we began offering ADSL service to KDDI's "Metal Plus Phone" users. Expansion of service areas and introduction of new 10Mbps service in November 2005 attracted new customers, especially former narrowband users.

In March 2006, we reached an agreement with Hokkaido Telecommunication Network Co., Inc. (HOTnet) to take over HOTnet's ADSL wholesale business. We plan to continue providing ADSL services to current HOTnet customers by partnering with their current ISP partners. As a

result of this agreement, eAccess began offering services in the Kushiro area in Hokkaido for the first time in June 2006.

In the ISP business, we encouraged migration of AOL subscribers to ADSL. Our broadband ratio reached 29% by March 2006, highlighting the synergies between the ADSL and ISP businesses. AOL also upgraded various functions provided by its "AOL Diary" blog service. Attractive new features include a bulletin board function, called "Blog Talk," and daily diary entries by celebrities.

In the fiscal year ending March 2007^(Note), we expect to see a dilution of average revenue per user (ARPU) due to an increase of lower ARPU subscribers using 1Mbps or lower-speed services. As a result, we forecast a year-on-year decrease in overall revenue. However, we are confident of maintaining a high level of profitability, because the cost of providing lower-speed services is small compared to regular-speed services.

Japanese Market and eAccess' Strategies

ADSL Strategy 1

Implement measures to lower churn rate

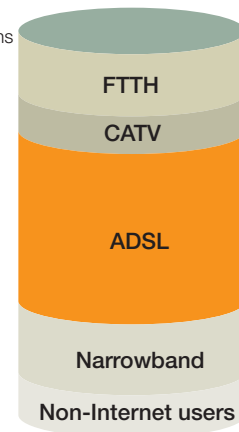
- * No charges when moving houses
- * No charges for switching service plans
- * Enhance customer support services

ADSL Strategy 2

Promote migration of narrowband users

ADSL Strategy 3

Appeal to non-Internet users



5.46 million lines (Approx. 23%)

3.31 million lines (Approx. 14%)

14.52 million lines (Approx. 63%)

Figures in parentheses denote ratio within broadband market

Online trading account introduction service
Taking advantage of direct sales channels at retail electronic stores, we launched an online securities promotion service, in which we handle application forms for opening online trading accounts.

Expansion of ADSL services

ADSL Services for "Metal Plus Phone" users
KDDI's direct access telephony service

By connecting KDDI's "Metal Plus Phone" service equipment and eAccess' DSL equipment at central offices, users gain access to KDDI's "Metal Plus Net DION ADSL" service, which combine "Metal Plus Phone" and ADSL.

Entry into mobile business

Fixed and mobile convergence

Source: MIC (as of March 31, 2006)

eAccess' ADSL services are strategically designed to offer well-balanced plans, providing both speed and lower pricing, to narrowband users seeking to migrate to broadband, as well as to non-Internet users. We will continue promoting migration to broadband while expanding our service areas.

Mobile WiMAX initiatives

The eAccess Group conducts various future-oriented R&D activities. In April 2006, eAccess applied to the Ministry of Internal Affairs and Communications (MIC) for a wireless network license to conduct field trials using mobile WiMAX (IEEE 802.16e), which provides access to wireless mobile broadband. Anticipating the full-scale growth of mobile broadband in the future, we are conducting tests on various mobile technologies, in addition to the next-generation mobile phone business. The mobile WiMAX field trials are part of this endeavor.

By reinforcing its ADSL & ISP business foundation, entering the mobile business, and expanding its operations to include mobile broadband, the eAccess Group aims to provide services which bring together fixed line broadband and mobile phones.

Delivering the benefits of broadband in a mobile environment

Note: Forecasts for fiscal year ending March 2007 are made based on management's assumptions and beliefs in light of information currently available to it. The Company cautions prospective investors that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forecasts, and therefore prospective investors should not place undue reliance on them.

Our answers to questions about the eAccess Group's mobile business strategy

Question 1

Why is the eAccess Group entering the mobile business?

For a start, the Japanese mobile phone market is ten times the size of the fixed line broadband market, where we offer our ADSL services. Moreover, **only three corporate groups operate** in Japan's mobile phone market. Under these circumstances, we obtained a mobile license and were allocated a spectrum. Consequently, we see major opportunities to expand our broadband business in the mobile environment.

Some overseas countries have mobile phone penetration rate of over 100%. In such countries, individuals often have multiple mobile phones, using one for data communication and another for work, for example. In Japan, however, the penetration rate is around 70%. When the Japanese market **shifts to third-generation (3G) mobile phones**, therefore, **we can expect the number of subscribers to increase from the current level.**

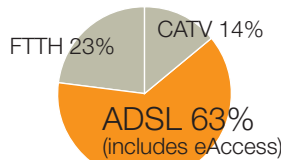
The telecommunications industry has seen two major trends: a shift from fixed to mobile for voice communication; and a shift from narrowband to broadband for Internet access. In the future, we anticipate a convergence of broadcasting and communications. We plan to **expand our ADSL & ISP business to include the mobile market**, which we feel is **an essential strategy for our future growth.**

Who is eMobile?

- eMobile is a consolidated subsidiary, which we established to facilitate our entry into the mobile market.
- eMobile obtained a mobile license in November 2005.

Approx. **¥800 billion market**
(Approx. 23 million subscribers)

Fixed line broadband



Approx. **300 competing companies**

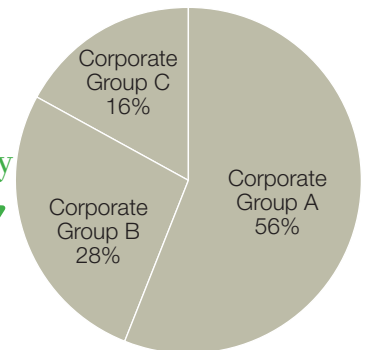
eAccess' strategy

Expand from fixed line broadband market to the much larger mobile market

New Entry

Approx. **¥9 trillion market**
(Approx. 92 million subscribers)

Mobile phones



Competition among three competing corporate groups

Source: MIC (as of March 31, 2006)/
TCA (as of April 30, 2006)

Question 2

What strengths will the eAccess Group bring to the mobile market?

Note 1: Source: Global Wireless Matrix 4Q05 (Merrill Lynch Securities)

Note 2: Number portability will enable users to retain the same mobile phone number, even when switching to a new carrier. It is scheduled to launch in Japan by November 1, 2006.

We believe that “**cost competitiveness**” is the eAccess Group’s major strength.

Mobile phone rates in Japan are **extremely high**, at around ¥45 per minute^(Note 1), compared with ¥10 in the United States. Deregulation is bringing changes to Japan’s mobile market, as seen in the shift to 3G mobile phones and the introduction of mobile number portability^(Note 2). We believe that the timing is just right for eAccess to enter this dynamic market. **Being a new player, we are able to install the latest systems**, and by keeping costs down we hope to **offer highly competitive rates** for users.

We have already raised approximately ¥360 billion in capital, which is enough to satisfy the funding requirement of our mobile business. Our swift completion of financing reflects the confidence that the financial community has in our mobile strategy, supported by our sound financial position and successful execution of the ADSL business. We will work hard to develop and grow this exciting business.

Question 3

Will mobile number portability have an impact?

When mobile number portability becomes available, customers will be able to retain the same mobile phone number when moving to a different carrier. This will give users more flexibility to change carriers without compromising convenience. **Number portability is expected to provide large benefits for the eAccess Group as a new player** in the mobile phone market. When we launch our mobile voice service, scheduled in March 2008, we plan to make mobile number portability available.

Question 4

What are the advantages of eAccess Group’s network?

Note 3: What is W-CDMA?

W-CDMA is the abbreviation for Wideband Code Division Multiple Access. It is a 3G mobile platform allowing real-time communication via images and voice, and is efficient because multiple users can share the same frequency.

Note 4: What is HSDPA?

HSDPA is the abbreviation for High Speed Downlink Packet Access. It is a new mobile telephony protocol that accelerates W-CDMA to more than five times its normal communication speed. Because it is an enhanced version of 3G, it is also called “3.5G.”

The eAccess Group has selected Ericsson as its partner to build W-CDMA^(Note 3) and HSDPA^(Note 4) network. Ericsson is the largest vendor of 3G communications systems in the world, and boasts more than 20 years of experience in Japan. Together, we plan to build a competitive and stable nationwide network.

One advantage of this arrangement is that we are able to use the fiber-optic IP backbone networks that we have already built throughout Japan to support our ADSL business. Another advantage is that we can concentrate on **building and maintaining networks specializing in 3G and 3.5G services**.

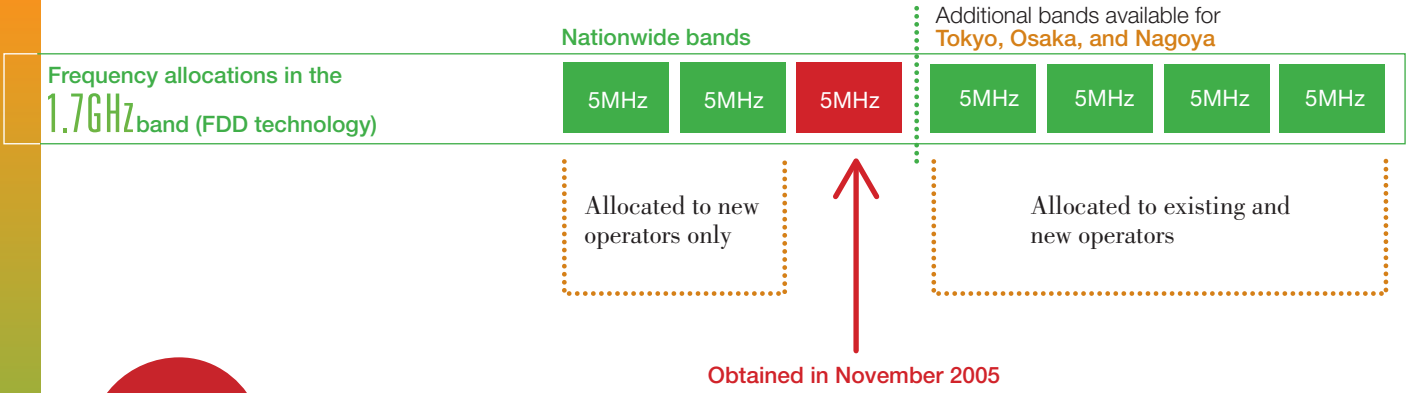
Question 5

Can you tell us about the frequency eMobile has obtained?

In November 2005, MIC allocated the 1.7GHz frequency band—the international 3G mobile phone frequency—to eMobile and another company based on its spectrum allocation policy. It was the first time a new operator has received a new frequency in 12 years.

Operators will receive incremental 5MHz frequencies when they meet a subscriber milestone. In eAccess Group’s case, we are able to receive an additional 5MHz once the number of subscribers reaches 500,000 per MHz, or when the subscriber base surpasses 2.5 million (500,000 times 5MHz).

● **Additional frequency allocations in 1.7GHz band (FDD technology)**



● **Operators must meet the following subscriber milestone in order to receive additional 3G frequencies**

Bandwidths already allocated	Users per MHz for frequencies already allocated
15MHz or below	More than 500,000
Over 15MHz to 25MHz	More than 750,000
Over 25MHz	More than 1,000,000

Question 6

What is the schedule for the mobile business?

Note 1: EBITDA refers to earnings before interest taxes, depreciation, and amortization

The eAccess Group is **planning to commence mobile data services in the Tokyo, Osaka, and Nagoya areas by March 2007**. We plan to further expand our service areas, and commence a voice service by March 2008.

Because we will build a mobile network covering the entire nation, we expect to incur initial losses immediately after rolling out the network, due to the major up-front investment. However, we aim to achieve positive EBITDA^(Note 1) in the fiscal year ending March 2010 and positive net income in the fiscal year ending March 2011. We aim to have 5.0 million subscribers by March 2012, with annual revenue of ¥300 billion and EBITDA of ¥100 billion.

The eAccess Group has already secured ¥360 billion in financing to fully satisfy the funding requirement of eMobile's business plan.

● Schedule (outline of business plan)

Years ending March 31

2007 March

Launch data services
Tokyo, Osaka and Nagoya areas

2008 March

Launch voice services
Expand service areas

2010 March

EBITDA positive target

2011 March

Net income positive target

2012 March

5.0 million subscribers
¥300 billion revenue
¥100 billion EBITDA target

● Next-Generation Concept Mobile Handsets (Note 2)

New Users

Module model

Light and compact, used for communications functions only



Flagship model

Incorporates mobile phone, PC, and gaming functions



Slim & compact model

Stylish, slim, lightweight, compact model



High-spec voice model

Large 2.8-inch LCD screen for viewing pleasure
One-segment broadcast compatible



Existing users

Price-conscious users

Function-focused users

Note 2: The photos show a conceptual view of our future service, not a device actually on sale.

Consolidated Financial Statements

	As of March 31, 2006	As of March 31, 2006
Consolidated Balance Sheet	Assets	Liabilities
	¥ millions	
	Current assets	Current liabilities
	Cash	Trade accounts payable
	Accounts receivable	Current portion of long-term debt
	Merchandise	Other accounts payable
	Deferred income taxes	Accrued expenses
	Other current assets	Income taxes payable
	Allowance for bad debt	Current portion of capital lease obligations
	Fixed assets	Bonus accrual for directors
	Tangible fixed assets	Stock purchase warrants
	Machinery and equipment	Other current liabilities
	Construction in progress	Long-term liabilities
	Other tangible fixed assets	Bonds
	Intangible assets	Long-term debt
	Goodwill	Capital lease obligations, less current portion
	Software	Other long-term liabilities
	Construction in progress	Total Liabilities
	Other intangible assets	Minority interests in consolidated subsidiaries
	Investments and other assets	Minority Interests
	Investment securities	Shareholder's Equity
	Long-term prepaid expenses	Capital shares
	Deferred income taxes	Capital surplus
	Others	Retained earnings
	Total Assets	Unrealized gain on investment securities
		Total Shareholder's Equity
		Total Liabilities, Minority Interest, and Shareholder's Equity

Figures are rounded to the nearest million yen.

Note: Prior year comparative financial statements are not shown, since the consolidated financial statements are adopted from this fiscal year.

Year ended March 31, 2006

**Consolidated
Statement of
Operations**

¥ millions

Revenue	60,353
Cost of revenue	31,589
Gross profit	28,764
Selling, general and administrative expenses	19,389
Operating profit	9,375
Other income	24
Other expenses	1,869
Recurring profit	7,531
Non-recurring profit	1
Non-recurring loss	41
Income before income taxes	7,491
Income taxes expense-current	3,863
Income taxes expense-deferred	(845)
Minority interests in consolidated subsidiaries	547
Net income	5,020

Year ended March 31, 2006

**Consolidated
Statement of
Cash Flows
(Summary)**

¥ millions

Net cash provided by operating activities	17,186
Net cash used in investing activities	(9,003)
Net cash provided by financing activities	45,401
Net change in cash and cash equivalents	53,583
Cash and cash equivalents at beginning of period	104,770
Net change in cash and cash equivalents due to inclusion of additional subsidiaries in the consolidation	300
Cash and cash equivalents at end of period	158,654

Corporate Data (As of March 31, 2006)

eAccess Ltd.

Established	November 1, 1999
Capital	¥16.4 billion
Headquarters	Shin-Nikko Bldg., 10-1, Toranomon 2-chome, Minato-ku, Tokyo 105-0001, Japan
Number of Employees	332
Business Focus	Broadband IP communication services

Directors and Corporate Auditors (As of June 22, 2006)

Representative Director, Chairman, and CEO	Sachio Semmoto
Representative Director, President, and COO	Toshio Yasui
Representative Director, Senior Executive Vice President, and CFO	Eric Gan
Director	Haruo Taneno
Outside Director	Paul Reynolds
Outside Director	William L. Smith
Outside Director	Raymond Kwok
Outside Director	Morihiko Tashiro
Outside Director	Jiro Kokuryo
Corporate Auditor	Yukio Goto
Outside Corporate Auditor	Koichiro Nakamoto
Outside Corporate Auditor	Motohide Nishimura

Consolidated Subsidiary (As of March 31, 2006)

eMobile Ltd.

Established	January 5, 2005
Capital	¥49.1 billion
Headquarters	Shin-Nikko Bldg., 10-1, Toranomon 2-chome, Minato-ku, Tokyo 105-0001, Japan
Number of Employees	160
Business Focus	Mobile broadband communication services

Share Information (As of March 31, 2006)

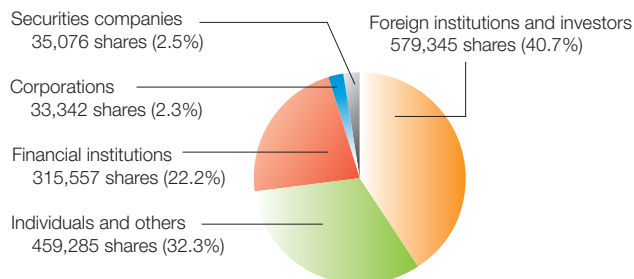
Number of shares authorized	5,459,760
Number of shares issued	1,422,605
Number of shareholders	37,600

Top 10 Principal Shareholders

Name	Number of shares	Voting right ratio (%)
1. The Master Trust Bank of Japan (Trust Account)	128,093	9.00
2. Sachio Semmoto	97,055	6.82
3. Eric Gan	94,765	6.66
4. The Chase Manhattan Bank N.A. London	48,516	3.41
5. Nomura International (Hong Kong) Limited, Account F5-108	47,630	3.34
6. Lehman Brothers Asia Capital Company	45,608	3.20
7. Japan Trustee Services Bank, Ltd.	43,779	3.07
8. Bank of New York GCM Client Account EISG	39,430	2.77
9. Deutsche Bank AG London PB Firm Account 614	26,029	1.82
10. Goldman Sachs International	25,954	1.82

Share Distribution

Number of Shareholders



Memorandum for Shareholders

Fiscal year-end	March 31
General shareholders' meeting	June
Date of record	March 31

Transfer of Shares

Transfer administration office	The Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Division 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Shareholders Register Administrator	The Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agency offices	The Mitsubishi UFJ Trust and Banking Corporation Head office and branches throughout Japan
Notices appear in	Electronic Public Notice http://www.eaccess.net Such notice shall be given by publication in the <i>Nihon Keizai Shimbun</i> in case the method of electronic public notice is not available due to any troubles or other unavoidable circumstances.

Mission Statement

“A new and more efficient net life for all.”

Our mission is to maximize the value of customers' lives and businesses by providing innovative broadband services that meet emerging needs.

Guiding Principles to Realize the Mission Statement

- To place top priority on customers
- To provide high-quality services that will become the de facto standard and choice of customers
- To create and promote “win-win” business partnerships
- To aggressively and efficiently carry out business plans to maximize the value of the Company
- To create an environment where employees take pride in working for an innovative telecommunications carrier that relentlessly strives for a higher standard



<http://www.eaccess.net/ir/index.html>

eAccess Ltd.

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Minato-ku, Tokyo 105-0001, Japan

<http://www.eaccess.net/>