

eAccess Ltd.

Interim Business Report

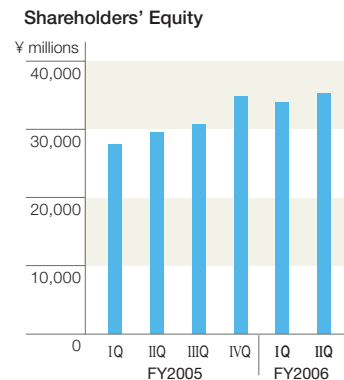
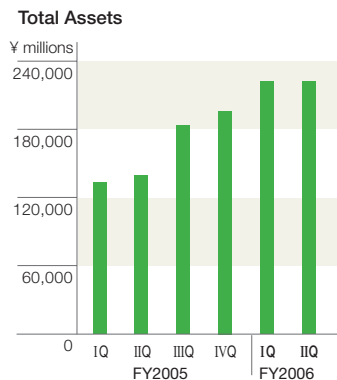
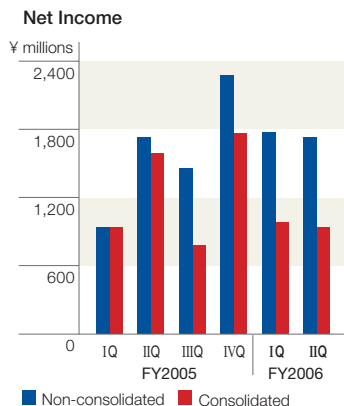
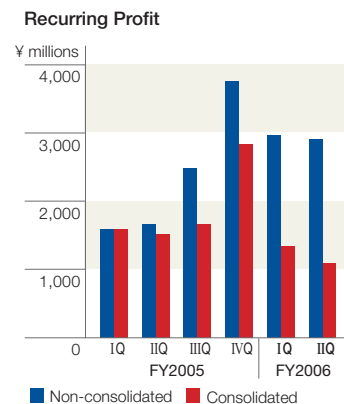
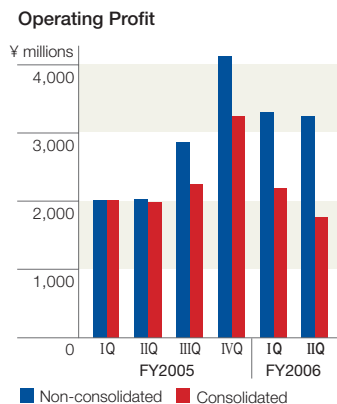
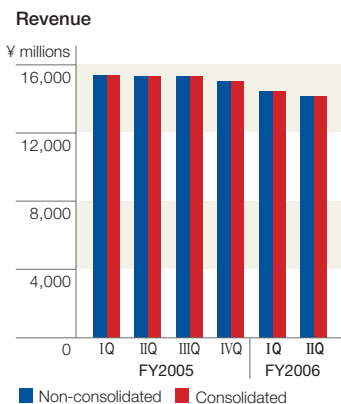
eAccess
Broadband services

From ADSL to Mobile

Fiscal Term **8**th

April 1 to September 30, 2006

Maintained high profitability by focusing on efficient operations



Note: We have decided to report consolidated financial statements from the first half of 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.
 Figures for shareholders' equity for the fiscal year ended March 31, 2006, denote shareholders' equity prior to enactment of the Company Law.
 Figures for shareholders' equity for the fiscal year ending March 31, 2007, include owners' equity, as well as valuation and translation adjustments.

eAccess Group enters the mobile industry to offer innovative mobile lifestyles

The eAccess Group has been expanding its business area “from ADSL to Mobile.” Our aim is to leverage the Group’s performance and expertise acquired in the ADSL & ISP business to introduce a new business model and innovative services to the mobile industry. During the six months ended September 30, 2006, we worked to build our mobile network and develop terminals and systems. Additionally, in September 2006 we signed a roaming agreement with NTT DoCoMo for third-generation (3G) mobile services. We have been preparing to launch mobile data services in March 2007 and mobile voice services in March 2008. In October 2006, mobile number portability was launched in Japan, heralding a period of great change for the mobile phone industry. In this new environment, our aim is to provide fast and user-friendly mobile broadband services by offering reasonable pricing plans with new services and contents.

In addition to expanding its business, eAccess has established a system for protecting personal information, for which it acquired Privacy Mark accreditation ^(Note) in August 2006. We plan to ensure that we have robust security systems in place, to provide safe and reliable services.

The Group also attaches great importance to its shareholder return policy, which emphasizes stable and consistent returns to shareholders. In line with this policy, we paid a cash dividend of ¥900 per share for the interim period. We plan to pay a third-quarter dividend of ¥450 per share. We forecast total annual dividends for the year ending March 31, 2007, of ¥1,800 per share, up ¥500 from the previous year.

We plan to continue returning the profits from our ADSL & ISP business to shareholders while steadily growing our mobile business as we pursue further improvement in the eAccess Group’s value. We look forward to the ongoing support and cooperation of shareholders.

December 2006

Sachio Semmoto
Representative Director,
Chairman, and CEO

Toshio Yasui
Representative Director,
President, and COO

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

千本 偉生 安井 敏雄

Eric Gan

Note: Companies certified by the Japan Information Processing Development Corporation (JIPDEC) for compliance with JIS Q15001, a compliance program for the protection of personal information, are granted permission to use the Privacy Mark logo.



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

Commenced network buildout in mobile business

Results for six months ended September 30, 2006

(April 2006 to September 2006)

For the six months ended September 30, 2006, eAccess recorded consolidated revenues of ¥28.3 billion, a 6.9% decrease from the previous corresponding period. The revenue decline was due to an increase in low-ARPU (average monthly revenue per unit) subscribers using lower-speed services and the Metallic phone ^(Note 1) bundled service. Consolidated operating profit decreased 1.0%, to ¥3.9 billion. This stemmed from mobile business start-up costs of ¥3.4 billion ahead of the upcoming launch of mobile services.

Despite the revenue decline, we have maintained high profitability. The non-consolidated operating margin reached 22.9%, up 7.2 percentage points from the previous corresponding period. The low-ARPU service incurs lower costs because it uses almost fully depreciated ADSL equipment. We have also kept the cost of low-ARPU services down by suppressing backbone network costs for Metallic phone bundled service users.

Note 1: **Metallic phone service:** This dry-copper phone service directly connects users with carriers providing telecommunication services by leasing telephone lines from other carriers, such as KDDI's "Metal Plus" service.

Forecasts for year ending March 31, 2007

(April 2006 to March 2007)

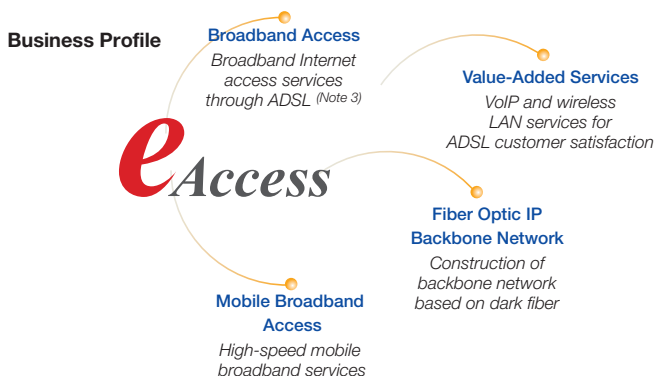
eAccess forecasts a decline in consolidated operating profit for the year ending March 31, 2007, due to an increase in

costs related to the construction and operation of its mobile service network during the second half of the period. We view this as strategic up-front investment necessary to expand the Group's business following its entry into the mobile industry. We expect to maintain solid operating profit in the ADSL & ISP business.

(¥ billions; % denotes margins)

By segment		Revenue	Operating Profit	Recurring Profit	Net Income
Six months ended September 2006 (April to September 2006)	Consolidated	28.3	3.9 (13.8%)	2.4 (8.5%)	1.9 (6.7%)
	ADSL & ISP	28.3	6.5 (22.9%)	5.8 (20.6%)	3.5 (12.3%)
	Mobile	—	-2.6 (—)	-3.4 (—)	-3.4 (—)
Forecasts for year ending March 2007 ^(Note 2) (April 2006 to March 2007)	Consolidated	56.0	0.3 (0.5%)	-2.2 (-3.9%)	0.3 (0.5%)
	ADSL & ISP	56.0	10.9 (19.5%)	9.7 (17.3%)	5.4 (9.6%)
	Mobile	0.8	-10.6 (—)	-11.9 (—)	-11.9 (—)

Note 2: Forecasts for fiscal year ending March 31, 2007 are based on management's assumptions and beliefs in light of information currently available. 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.



Note 3: **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 50Mbps ADSL service, for example, the upstream speed is 5Mbps and the downstream speed is 50Mbps, the latter being equivalent to 781 times faster than the 64kbps offered by ISDN lines.

Attract new customers by offering diverse services

As of September 30, 2006, the total number of eAccess subscribers reached 2.17 million, of which 1.92 million subscribed to our ADSL services. During the interim period, the number of eAccess subscribers increased by 6,000, even though the overall ADSL market recorded its first net subscriber decrease.

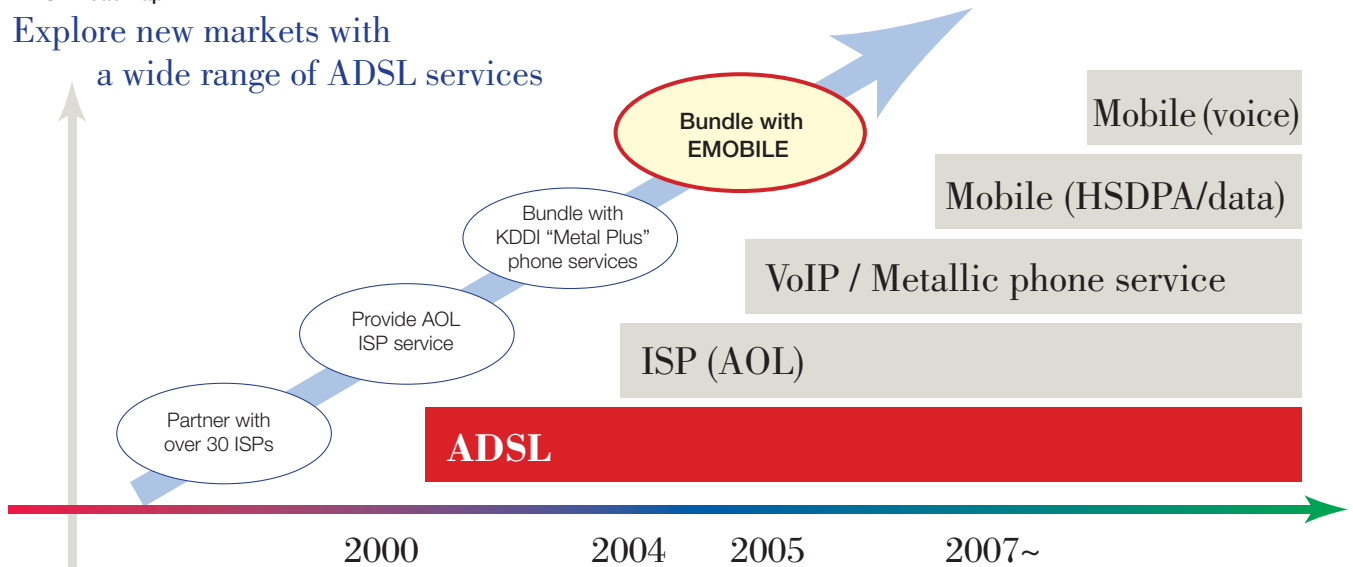
At present, ADSL subscribers represent the largest single group of subscribers in the domestic fixed-line broadband sector, accounting for around 60% of the market. One of the reasons for ADSL's popularity

is its affordable pricing structure, which greatly benefits users who are new to the broadband Internet. We have expanded our ADSL subscriber base by marketing a range of service packages that meet the various needs of users who use not only the Internet, but also wireless LAN, VoIP, and Metallic phone service. We will continue to tap into new markets by offering a variety of ADSL service plans. For example, we are planning to offer an ADSL package bundled with mobile data and mobile phone services.

On the research and development side, eAccess obtained a license to conduct Mobile WiMAX (IEEE 802.16e standard for wireless telecommunications) field trials from the Ministry of Internal Affairs and Communications (MIC) in July 2006. We subsequently launched the first field trial in the Tokyo metropolitan region. During the trial, we collected data to enhance the efficiency of cell planning and capital investments. We also participated in a public hearing sponsored by the MIC. We have been making progress toward our goal of obtaining a license to operate Mobile WiMAX business in the 2.5GHz frequency band.

ADSL Roadmap

Explore new markets with a wide range of ADSL services



Build new and efficient network, benefiting from our “new operator” advantage

EMOBILE, a subsidiary of eAccess, has obtained a mobile business license for the 1.7GHz frequency band and is currently preparing to launch mobile data services in the Tokyo, Osaka, and Nagoya areas.

The eAccess Group is currently building a nationwide network together with two suppliers: Ericsson and Huawei Technologies. Ericsson is the world's leading supplier of 3G network equipment and boasts extensive experience in Japan. Huawei Technologies is a state-of-the-art technology company based in China. The Group is concentrating on building and maintaining network specializing in 3G and 3.5G services that use the W-CDMA platform and the cutting-edge HSDPA technology. EMOBILE is able to reduce costs significantly by building network with international-standard technologies and installing the latest compact base stations. The Group will greatly benefit from entering the industry as a new

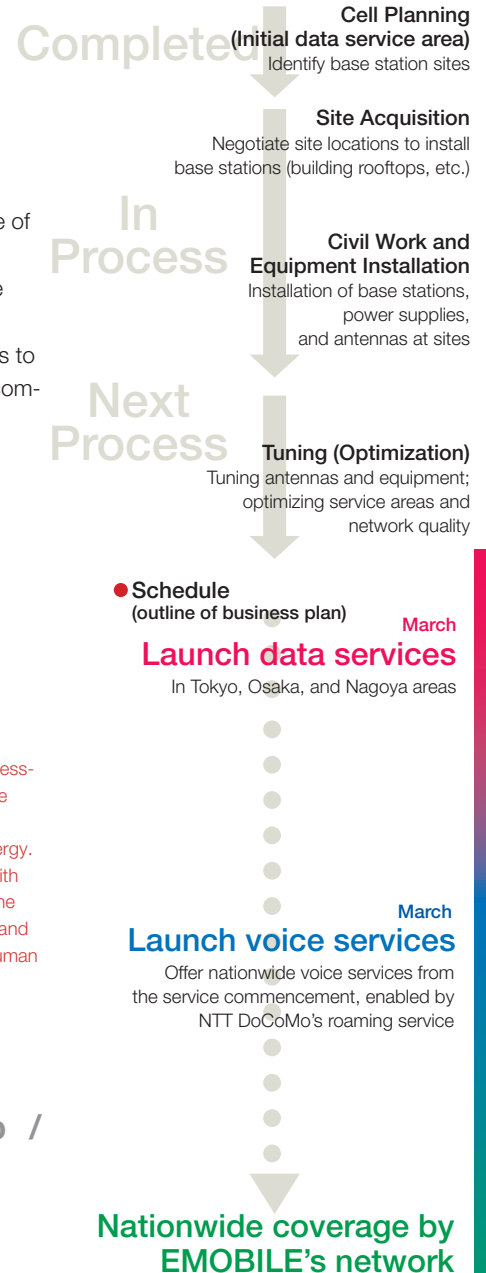
operator. It also plans to make full use of its nationwide fiber optic IP backbone network. Building a highly expandable network with lower running costs and lower capital expenditures will allow us to offer attractive services and be cost-competitive.



The use of red as our corporate color expresses the infinite possibilities in the new mobile world. It also reflects our readiness to face challenges, as well as our passion and energy. The adoption of a round external design with sharp elements in the middle symbolizes the importance we place on user friendliness, and is intended to constantly stimulate fresh human emotions.

<http://www.emobile.jp/>

● Network Construction Process



Swiftly establish mobile business and offer nationwide service from the voice service launch

The eAccess Group plans to launch voice services in March 2008, one year after the data service launch. In September 2006, EMOBILE signed a roaming agreement with NTT DoCoMo for 3G mobile services ^(Note 1). NTT DoCoMo has agreed to provide roaming services over 31 prefectures outside of Tokyo, Osaka, and

Nagoya. The agreement enables us to provide nationwide coverage immediately upon launching the voice service. The agreement is currently scheduled to last until October 2010. In the meantime, we plan to build our own nationwide network and switch over to its network when it comes on stream.

Mobile number portability (MNP) began in Japan in October 2006. EMOBILE plans to make MNP available when it launches its mobile voice service. MNP affords customers more freedom when selecting a mobile phone carrier, and we believe that it will provide huge benefits for the Group as a new player in the mobile phone market.

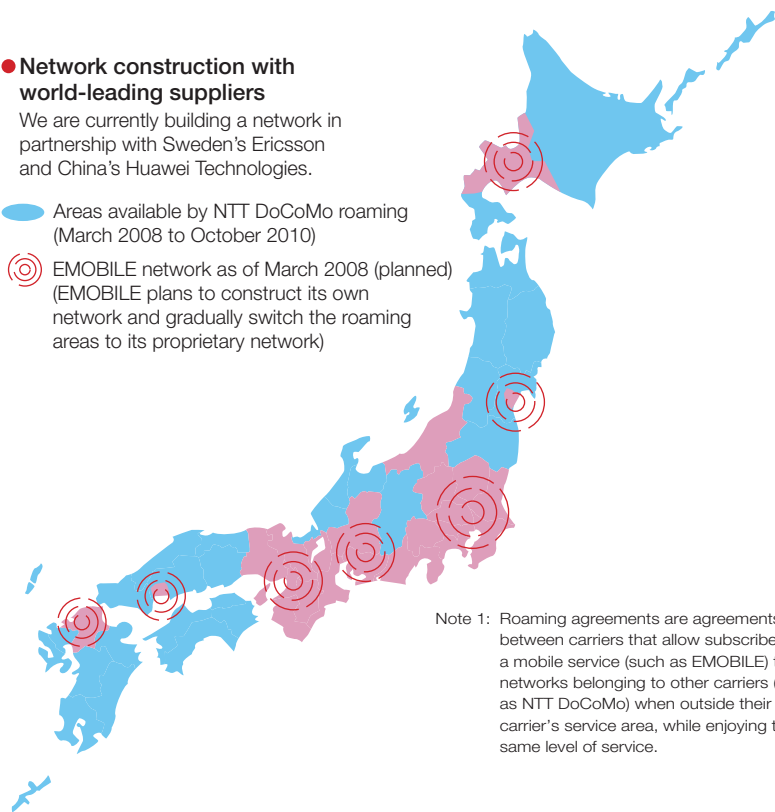
We expect that the up-front investment in network construction will lead to start-up losses in our mobile business from the current fiscal year. However, we have already secured more than ¥360 billion through the issuance of EMOBILE shares and through bank loans, so our mobile business is fully funded. By steadily executing our business plan, we are targeting positive EBITDA ^(Note 2) in the year ending March 2010; positive net income in the year ending March 2011; and 5 million subscribers with ¥300 billion revenue and ¥100 billion EBITDA in the year ending March 2012.

● Network construction with world-leading suppliers

We are currently building a network in partnership with Sweden's Ericsson and China's Huawei Technologies.

● Areas available by NTT DoCoMo roaming (March 2008 to October 2010)

◎ EMOBILE network as of March 2008 (planned) (EMOBILE plans to construct its own network and gradually switch the roaming areas to its proprietary network)



Note 1: Roaming agreements are agreements between carriers that allow subscribers of a mobile service (such as EMOBILE) to use networks belonging to other carriers (such as NTT DoCoMo) when outside their own carrier's service area, while enjoying the same level of service.

Note 2: **EBITDA** refers to earnings before income taxes, depreciation, and amortization.

Balance Sheets

¥ millions

	As of Sept. 30, 2005	As of Sept. 30, 2006		As of Sept. 30, 2005	As of Sept. 30, 2006
Assets			Liabilities		
Current assets	114,657	191,129	Current liabilities	16,758	15,797
Cash	108,061	181,800	Trade accounts payable	76	1,237
Accounts receivable	5,692	7,494	Current portion of long-term debt	3,166	3,250
Inventory	47	22	Other accounts payable	1,086	1,737
Other current assets	864	1,821	Accrued expenses	6,355	4,837
Allowance for bad debt	(7)	(7)	Income taxes payable	1,488	2,254
Fixed assets	22,962	29,145	Current portion of capital lease obligations	4,319	2,193
Tangible fixed assets	16,462	14,494	Stock purchase warrants	15	—
Machinery and equipment	15,441	12,075	Other current liabilities	252	289
Other	1,021	2,419	Long-term liabilities	91,573	85,972
Intangible assets	2,773	3,409	Bonds	83,000	83,000
Investments and other assets	3,727	11,241	Long-term debt	5,524	2,240
			Capital lease obligations, less current portion	2,894	695
			Long-term other payables	155	37
			Total liabilities	108,331	101,769
			Minority Interests		
			Minority interests	50	—
			Shareholders' Equity		
			Common stock	15,300	—
			Capital surplus	3,935	—
			Retained earnings	10,214	—
			Unrealized loss on investment securities	(211)	—
			Total shareholders' equity	29,238	—
			Total liabilities, minority interest and shareholders' equity	137,619	—
			Net Assets		
			Owners' equity	—	35,968
			Common stock	—	16,976
			Capital surplus	—	5,627
			Retained earnings	—	13,365
			Valuation and translation adjustments	—	(1,387)
			Valuation difference on investment securities	—	(753)
			Loss on deferred hedge	—	(276)
			Subscription rights to share	—	2
			Minority interests	—	83,563
			Total net assets	—	118,505
Total assets	137,619	220,274	Total liabilities and net assets	—	220,274

Note: Figures are rounded to the nearest million yen.

Statements of Operations (Summary)

¥ millions

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2006
Revenue	30,351	28,253
Cost of revenue	16,446	15,389
Gross profit	13,906	12,864
Selling, general and administrative expenses	9,952	8,962
Operating profit	3,954	3,902
Other income	20	30
Other expenses	897	1,533
Recurring profit	3,077	2,398
Non-recurring profit	1	12
Non-recurring loss	15	2
Income before income taxes	3,063	2,407
Income taxes (current)	1,406	2,062
Income taxes (deferred)	(845)	303
Minority interests	0	1,855
Net income	2,502	1,897

Statements of Cash Flows (Summary)

¥ millions

	Six months ended Sept. 30, 2005	Six months ended Sept. 30, 2006
Net cash provided by (used in)		
operating activities	7,962	(458)
Net cash used in investing activities	(5,834)	(6,271)
Net cash provided by		
financing activities	863	29,874
Net change in cash and		
cash equivalents	2,991	23,146
Cash and cash equivalents at		
beginning of period	104,770	158,654
Net change in cash and cash		
equivalents due to a newly		
consolidation	300	—
Cash and cash equivalents at		
end of period	108,061	181,800

Statements of Changes in Net Assets

¥ millions

	Owners' equity				Valuation and translation adjustments			Subscription rights to shares			Minority interest	Total net assets
	Common stock	Capital surplus	Retained earnings	Total owners' equity	Valuation difference on investment securities	Loss on deferred hedge	Total	Subscription rights to shares	Stock purchase warrants	Total		
Balance at March 31, 2006	16,403	5,049	13,074	34,526	17	—	17	2	5	7	51,810	86,360
Changes of items during the period:												
Proceeds from stock issuance, net	573	573		1,147								1,147
Exercise of stock purchase warrants		5		5								5
Change in the Company's ownership interests in eMobile			243	243								243
Cash dividends			(1,849)	(1,849)								(1,849)
Net income			1,897	1,897								1,897
Net changes of items other than owners' equity					(770)	(276)	(1,046)	—	(5)	(5)	31,753	30,703
Total changes of items during the period	573	578	291	1,443	(770)	(276)	(1,046)	—	(5)	(5)	31,753	32,146
Balance at September 30, 2006	16,976	5,627	13,365	35,968	(753)	(276)	(1,029)	2	—	2	83,563	118,505

eAccess Ltd.

Established	November 1, 1999
Capital	¥17.0 billion
Headquarters	Shin-Nikko Bldg., 10-1, Toranomom 2-chome, Minato-ku, Tokyo 105-0001, Japan
Number of Employees	325 (Consolidated: 611)
Business Focus	Broadband IP communication services

Directors and Corporate Auditors

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

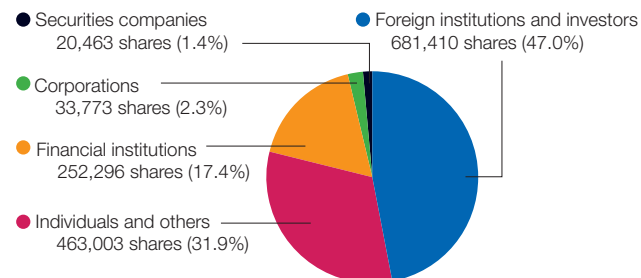
Consolidated Subsidiary**eMobile Ltd.**

Established	January 5, 2005
Capital	¥71.8 billion
Headquarters	Shin-Nikko Bldg., 10-1, Toranomom 2-chome, Minato-ku, Tokyo 105-0001, Japan
Number of Employees	286
Business Focus	Mobile broadband communication services

Number of shares authorized	5,489,760
Number of shares issued	1,450,945
Number of shareholders	36,505

Top 10 Principal Shareholders

Name	Number of shares	Voting right ratio (%)
1. Morgan Stanley & Co. International Limited	137,333	9.46
2. The Master Trust Bank of Japan (Trust Account)	117,875	8.12
3. Sachio Semmoto	98,640	6.79
4. Eric Gan	94,765	6.53
5. The Chase Manhattan Bank N.A. London	74,763	5.15
6. JPM Chase CREF Jasdec Lending Account	48,079	3.31
7. Nomura International (Hong Kong) Limited, Account F5-108	48,030	3.31
8. Japan Trustee Services Bank, Ltd.	38,523	2.65
9. Bank of New York GCM Client Account (E) ISG	36,347	2.50
10. The Nomura Trust and Banking Co., Ltd.	24,699	1.70

Share Distribution**Number of 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>NIKKEI Newspaper</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.

Shin-Nikko Bldg., 10-1, Toranomom 2-chome,
Minato-ku, Tokyo 105-0001, Japan

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