

# eAccess Limited [9427]

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**Full Year Results for Fiscal Year Ended 3/2007  
( 4/2006 ~ 3/2007 )**



**May 14<sup>th</sup>, 2007**

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**ADSL·ISP  
Business**

**Continued to achieve moderate growth in subscriber addition**

**Lower-than expected monthly churn at 1.91% (compared with 2.00%)**

**Achieved record high in profits with 15% YoY increase in operating profit and 21% YoY increase in recurring profits**

**Mobile**

**Launched mobile data services in Tokyo, Osaka, Nagoya areas from 3/31/2007**

**Launched first strategic PDA device (EM-ONE) and other mobile broadband HSDPA data terminals at flat monthly rate**

**Shareholders  
Return**

**Annual cash dividend of 1,800 yen per share  
Commenced quarterly dividend**

# FY3/2008 Financial and Operational Outlook

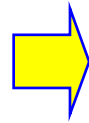
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<b>Network</b> (ADSL,ISP, Backbone, WiMAX)	<b>Expect to maintain high profit margins and cash flows</b>
<b>Device</b>	<b>Establish a new “Device Business” division to capture new growth Expect to achieve 8 billion yen revenue in FY3/2008</b>
<b>EMOBILE</b>	<b>Reduce eAccess ownership in EMOBILE to 37.6% from 43.5%</b>
	<b>Expect to launch mobile voice service in March 2008</b>
<b>Consolidated Financials</b>	<b>Expect to see a recovery in consolidated EBITDA and operating profits following the change in EMOBILE ownership</b>
<b>Shareholders Return</b>	<b>Recommend to increase annual dividend to 2,300 yen per share</b>

# Share Tranche Summary (1)

eAccess to sell EMOBILE shares

100,000 shares @ 120,000 yen per share



Change in eAccess ownership of EMOBILE

Plan to change to 37.6% from 43.5%

**Purpose**

**We believe that this is the BEST ownership structure for eAccess shareholders to enjoy the value creation from EMOBILE without seeing significant impact on eAccess consolidated balance sheet.**



1. To realize initial capital gain from EMOBILE investment. Recommend to increase dividend by 28% YoY to 2,300 yen.
2. To strengthen eAccess parent and consolidated balance sheets. Expect a recovery in consolidated EBITDA and operating profits in FY3/2008.
3. To establish separate corporate governance structure for eAccess and EMOBILE.

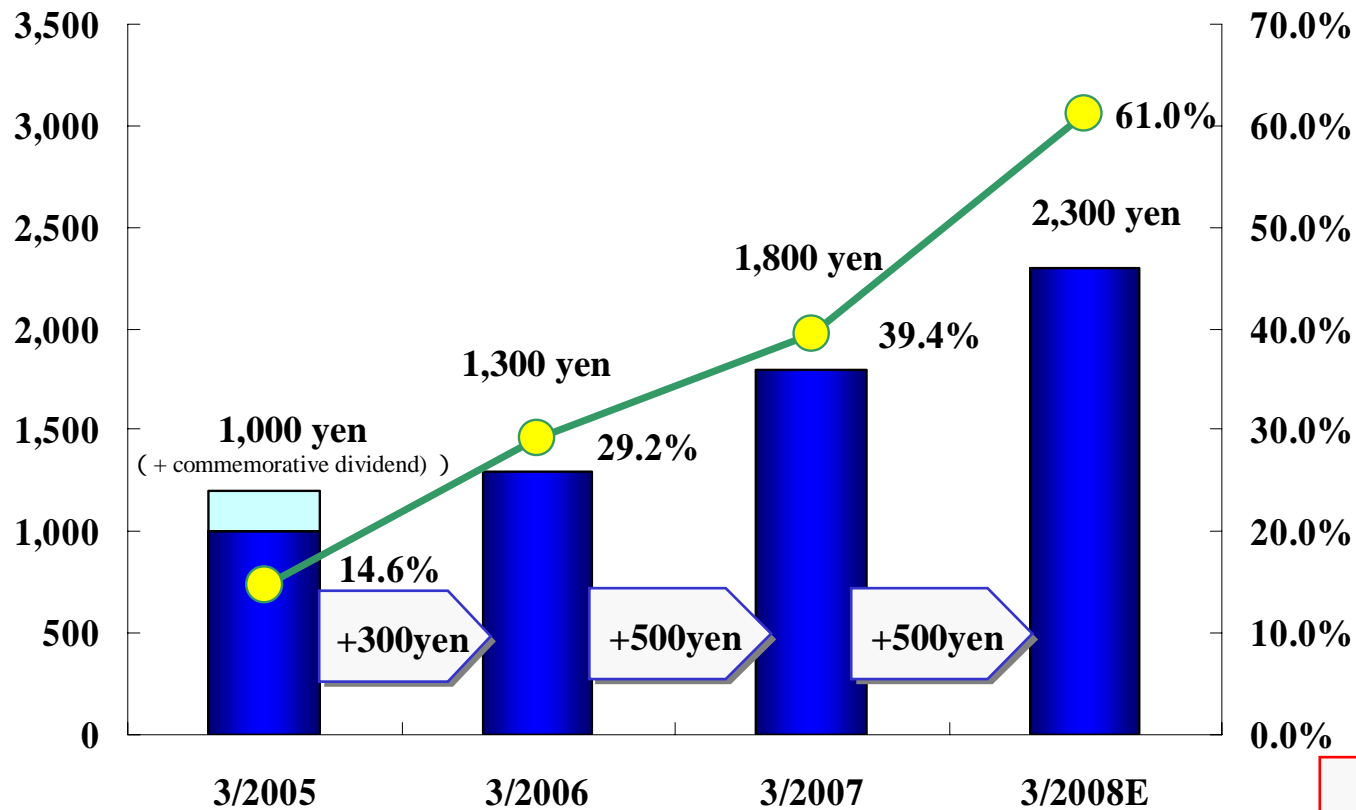
<b>Ownership structure</b>		
	<b>Before Transaction</b>	<b>After Transaction</b>
	<b>% of Voting Rights</b>	<b>% of Voting Rights</b>
eAccess	43.5%	37.6%
Goldman Sachs	29.8%	35.7%
Temasek	8.3%	8.3%
Others	18.4%	18.4%
Total	100.0%	100.0%

# Creating High Shareholders Return

**Recommend to raise cash dividend by 28% YoY to 2,300 yen per share**

( Dividend per share, yen )

( Dividend payout ratio  
- eAccess parent basis )



Dividend Yield	1.32% <sup>*1</sup>	1.43% <sup>*1</sup>	2.30% <sup>*1</sup>	3.42% <sup>*2</sup>
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**Among highest  
dividend yield  
in Japan**

\*1 Based on the March end stock price of each fiscal year.

\*2 Based on the stock price on May 11, 2007 of 67,300 yen

# New eAccess Board Structure (from 6/27/2007)

**Director  
Chairman  
Sachio Semmoto**

Chairman & CEO, EMOBILE  
Co-Founder & Former EVP, DDI  
(KDDI)

**Representative Director  
President  
Toshio Yasui**

Visiting Professor, Business School  
of Hosei University  
Former President, Solectron Japan

**Director  
Eric Gan**

President & COO, EMOBILE  
Former Managing Director,  
Goldman Sachs

**Outside Director  
Paul Reynolds**

CEO, BT Wholesale  
British Telecommunication

**Outside Director  
William L. Smith**

Senior Vice President  
Network Services, AT&T

**Outside Director  
Jiro Kokuryo**

Professor  
Policy Management  
Keio University

**Outside Director  
Kenzo Takai**

Attorney-at-Law  
Takai Law Offices

**Outside Director  
Junji Inoue**

President  
IT Frontier

**Outside Director  
Ken Shibusawa**

President  
Shibusawa & Company

\* Formal appointment of the Board of Directors will be subject to shareholders' approval at the Annual Shareholders Meeting on 6/27/2007 .



# New EMOBILE Board Structure (from 6/29/2007)

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**Representative Director  
Chairman & CEO  
Sachio Semmoto**

Director & Chairman of eAccess  
Co-Founder & EVP of  
DDI(KDDI)

**Vice Chairman and  
Director  
Haruo Taneno**

Former Director of eAccess  
Former EVP of KDDI

**Representative Director  
President & COO  
Eric Gan**

Director of eAccess  
Former Managing Director of  
Goldman Sachs

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**Outside Director  
Toyoo Gyohten**

President of Institute for  
International Monetary Affairs

**Outside Director  
Taketo Furuhata**

Former President of IDC  
Former EVP of Itochu Corp.

**Outside Director  
Peter F. Cowhey**

Dean of International Relations  
and Pacific Studies ,  
Univ. of California , San Diego

**Outside Director  
Lucas Chow**

CEO of MediaCorp Pte Ltd.  
Former CEO, Singapore  
Telecom Mobile Pte Ltd.

**Outside Director  
Yuko Kawamoto**

Professor of Graduate School of  
Finance, Accounting and Law  
Waseda Univ.

**Outside Director  
Ankur Sahu**

Managing Director  
of Principal Investment Area  
Goldman Sachs

\* Formal appointment of the Board of Directors will be subject to shareholders' approval at the Annual Shareholders Meeting on 6/29/2007, except for Ms. Yuko Kawamoto , who has her Director term until the Annual Shareholders Meeting in 6/2008.

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# FY3/2007 Financial Results

**Achieved record high in parent operating profit of 12.5 billion yen, 15% increase YoY**  
**Achieved higher-than-expected consolidated operating profit and net profits**

( billion yen )	Parent			Consolidated		
	FY3/2006 <sup>(1)</sup>	FY3/2007	YoY Change	FY3/2007		
				ADSL·ISP	Mobile	Consolidated <sup>(2)</sup>
Revenue	60.35	55.98	- 7.2 %	55.98	0.52	56.25
Operating profit	10.89	12.53	+ 15.1 %	12.53	- 11.47	1.05
Recurring profit	9.39	11.38	+ 21.2 %	11.38	- 12.93	- 1.56
Net income	6.33	6.63	+ 4.7%	6.63	- 12.94	0.91
EBITDA	21.65	21.34	- 1.4 %	21.34	- 10.97	10.44
Capex	6.85	7.88	+ 15.0 %	7.88	30.83	38.70
Depreciation	10.76	8.81	- 18.1 %	8.81	0.50	9.40

(1) FY3/2006 includes 0.8 billion yen mobile start-up losses in operating profit, recurring profit and net income lines.

(2) Minority interest adjustment of 7.24 billion yen is included in the net income line.

# FY3/2008 Full Year Financial Forecasts

**Consolidated revenue is expected to increase 12% YoY**  
**Operating profit is expected to increase 91% YoY after the change in EM ownership**

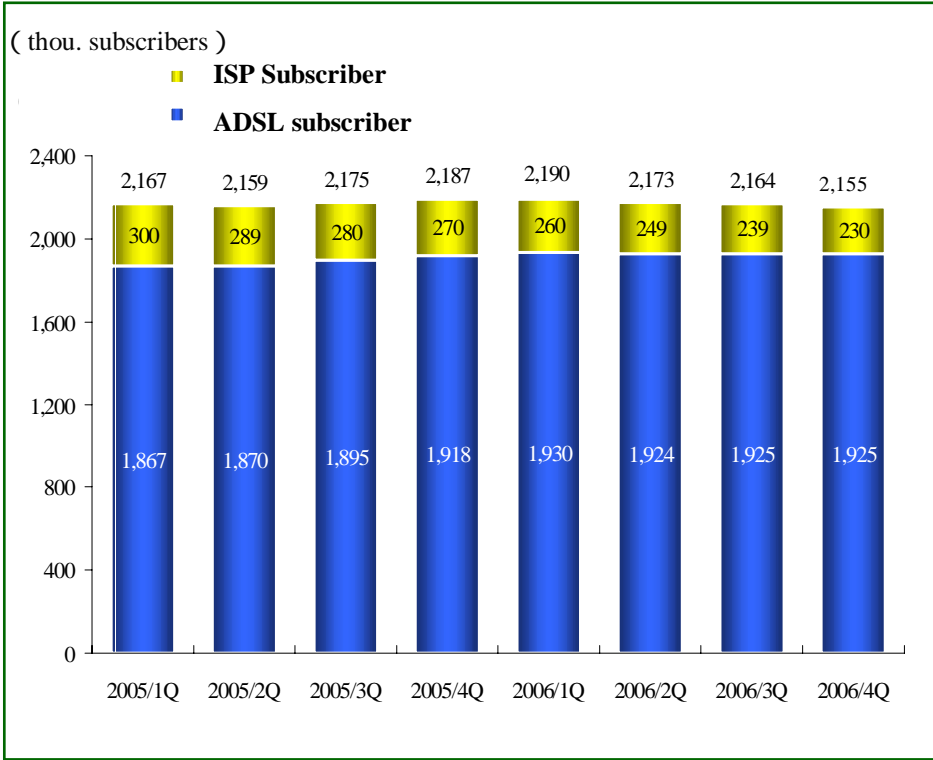
	FY3/2008						
( billion yen )	Network*	Device	Mobile 07/4, 07/5	EM Share Sales	EM Equity Accounting 07/6 – 08/3	Consolidated	YoY Change
Revenue	52.70	8.00	2.60			63.00	12.0%
Operating profit	9.90	- 3.10	- 4.80			2.00	90.7%
Recurring profit	8.80	- 3.10	- 5.10		- 11.10	- 10.50	N.M
Net income	5.30	- 1.90	- 2.90	3.30	- 11.10	- 7.30	N.M
EBITDA	18.20	- 2.70	- 3.50			12.00	14.9%
Capex	8.70	6.80	14.50			30.00	- 22.5%
Depreciation	8.30	0.50	1.30			10.00	6.4%

Network business: ADSL, ISP, Backbone and WiMAX.

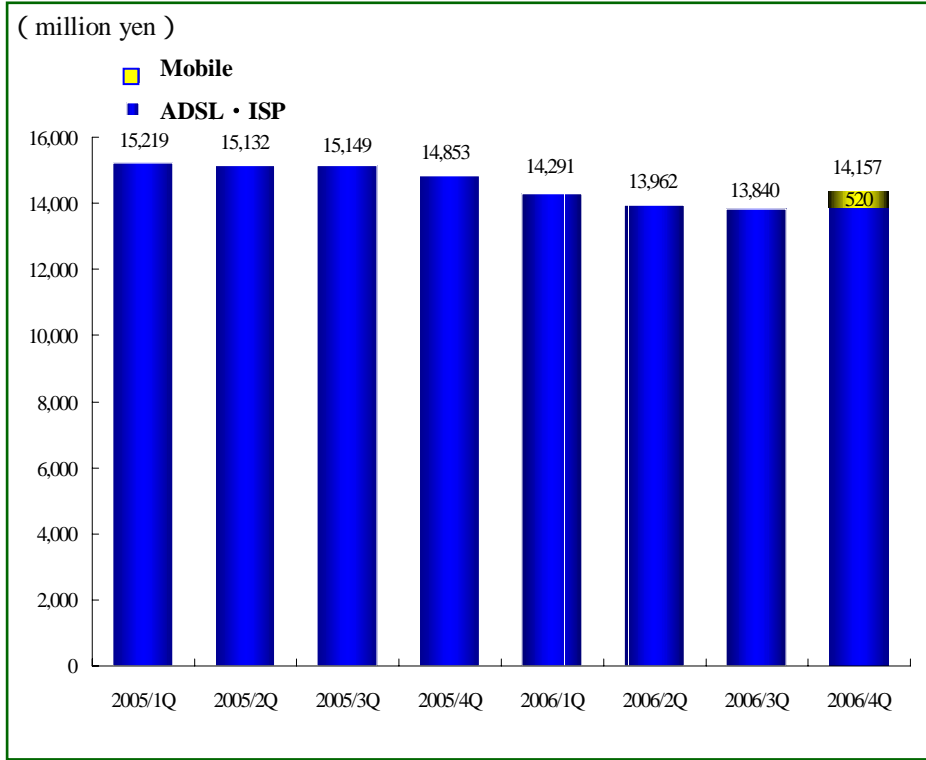
# ADSL/ISP Subscriber and Revenue Trend

**A recovery in subscriber net addition in 2H 2007  
Achieved positive growth in annual subscriber addition**

## Net Subscriber Addition



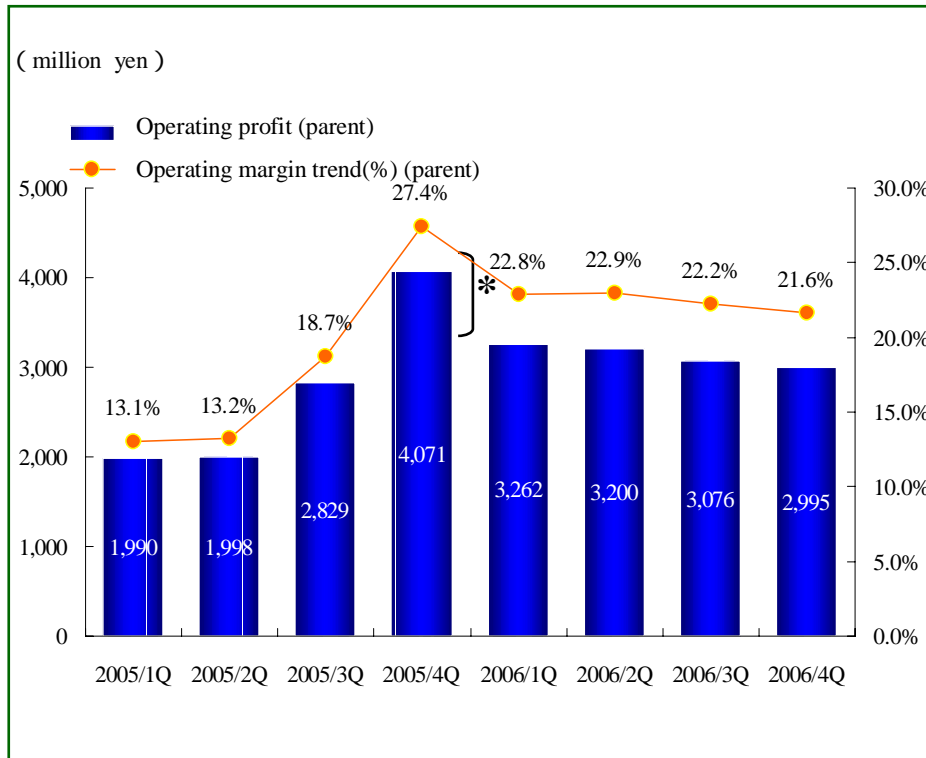
## Revenue Trend (Consolidated Basis)



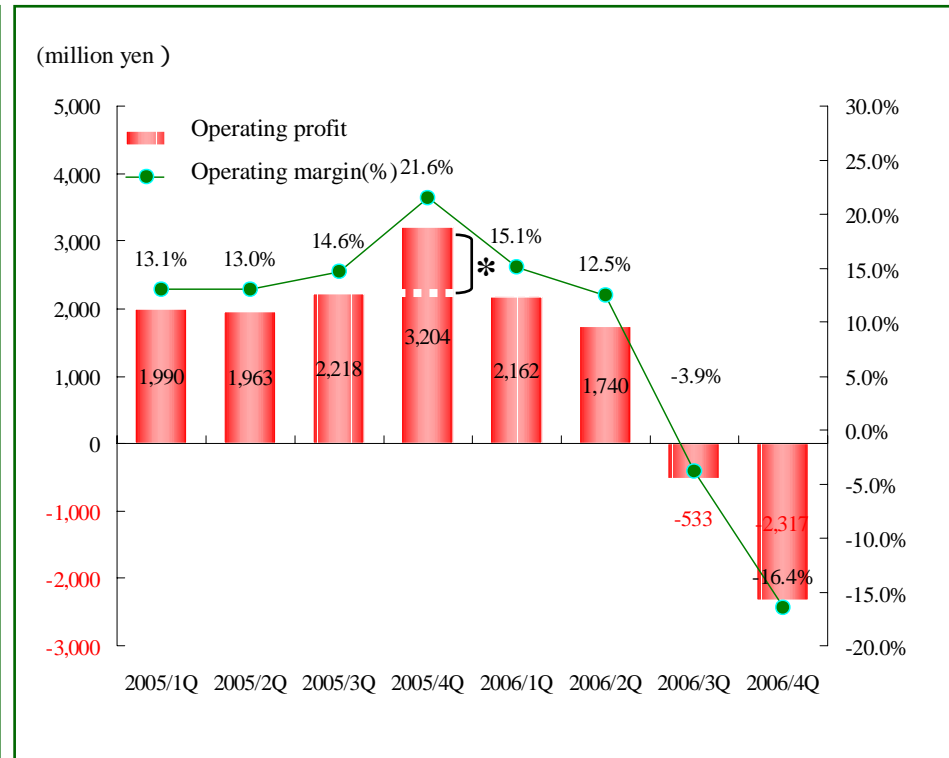
# Operating Profit Trend

**Maintained high parent operating margins**  
**Consolidated operating losses were in-line with expectations**

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



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

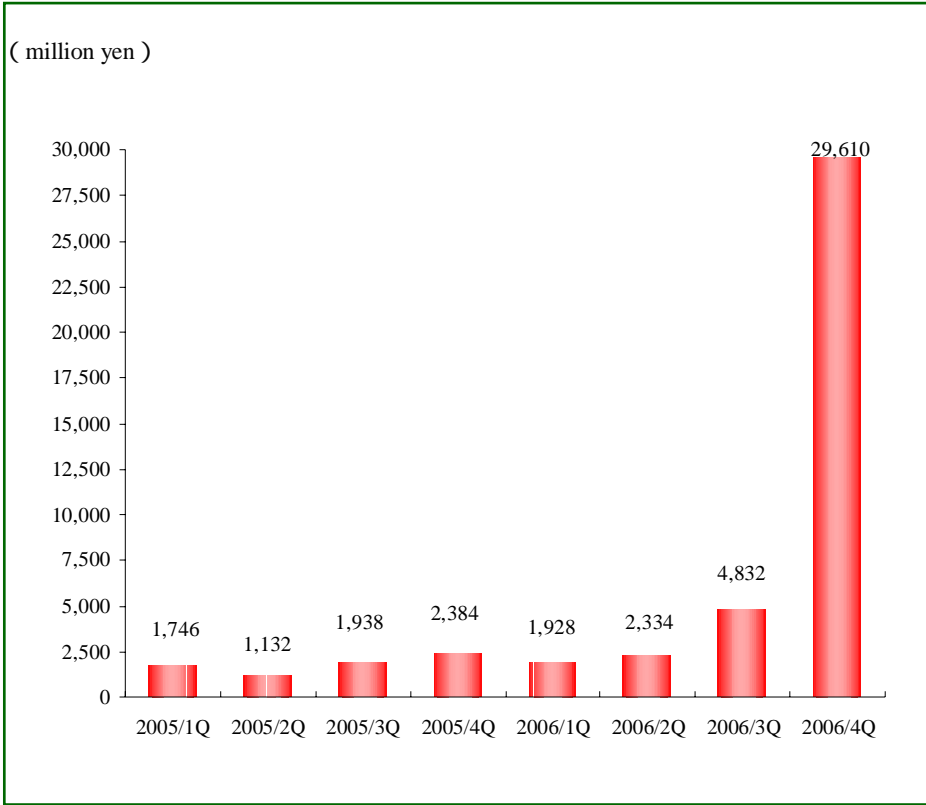


\* 2005/4Q figure includes NTT charges retroactive adjustment of approx. 1 billion yen.

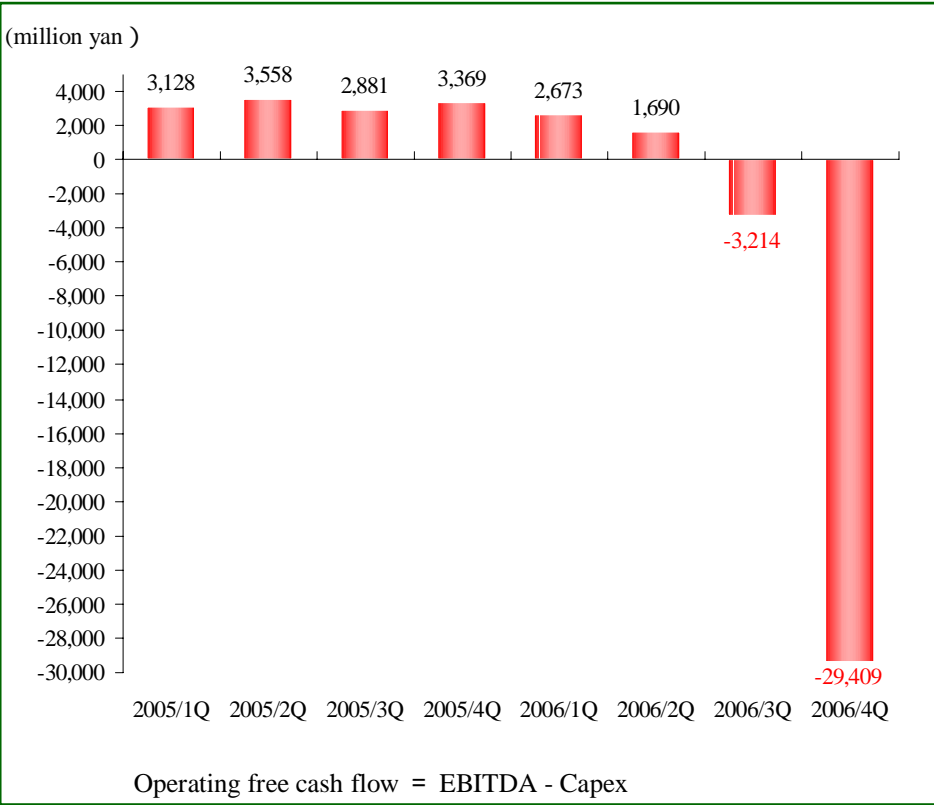
# Capex and Operating FCF Trend

**A sharp jump in capex in 4Q before the launch of the mobile data services**

**Consolidated Capex Trend**



**Consolidated Operating FCF Trend**



# Balance Sheets

**Maintained strong cash position at both eAccess parent and EMOBILE**

	As of 3/31/2007		
(billion yen)	eAccess Parent	(Reference) EMOBILE	Consolidated
Cash and Cash deposits	51.01	109.56	160.93
Debt	88.45	1.45	89.90
Net Debt	37.44	- 108.11	71.03
Minority Interest (EM)	--	--	77.09
Total Shareholders Equity	38.92	128.41	32.23
Total Asset	139.57	156.26	237.84
Net Debt / Equity Ratio (%)	96.2 %	- 84.2%	220.4%



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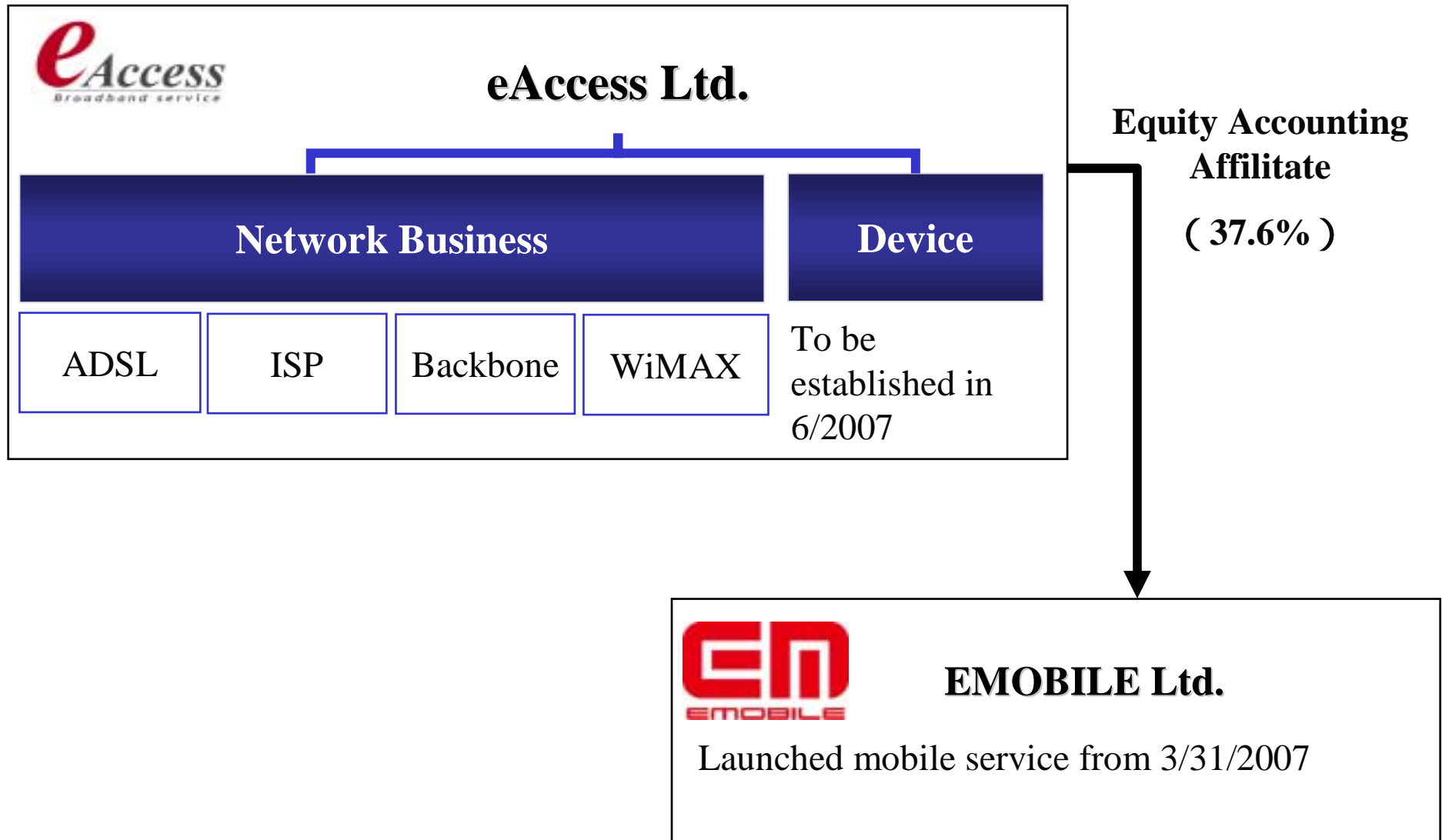
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# New Segment Information



# Network Business

# Network Business Strategy

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## ADSL Business

- Target to increase market share in the ADSL market
- Maintain low churn
- Promote new channels and new ADSL/Mobile broadband bundled services

## ISP Business

- Launch new contents services and portal with collaboration with eAccess and EMOBILE

## Backbone Business

- Plan to expand backbone service areas
- Aim to turn profit in FY3/2008

## WiMAX Business

- Prepare for the license application in FY3/2008

# Expansion of Market Share in ADSL Market

**Aim to increase share within the ADSL market  
by expanding channels and promoting mobile bundled service**

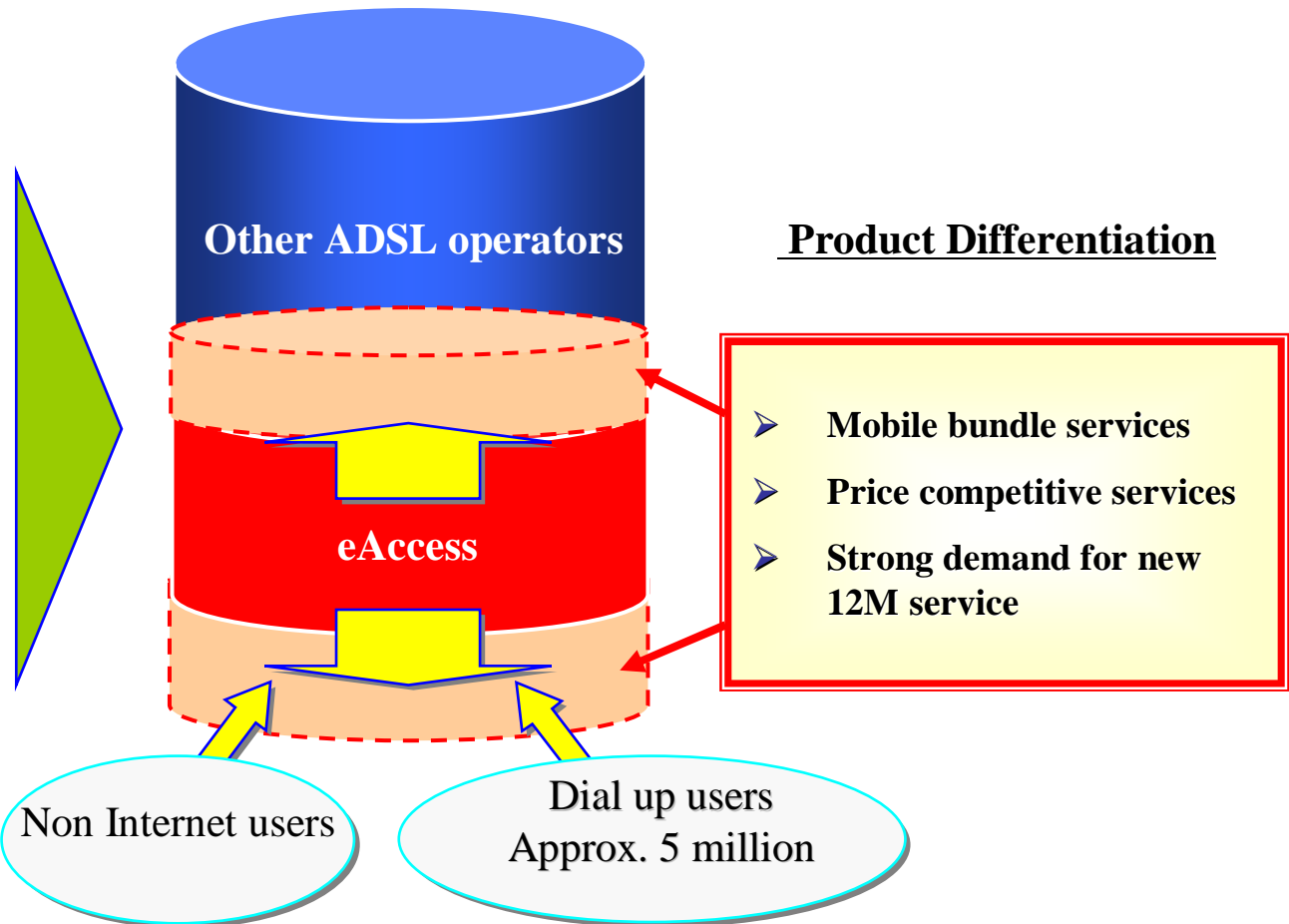
**FY3/2007**



**ADSL Market**

**14.23 million subs**

**FY3/2008**



**Product Differentiation**

- Mobile bundle services
- Price competitive services
- Strong demand for new 12M service

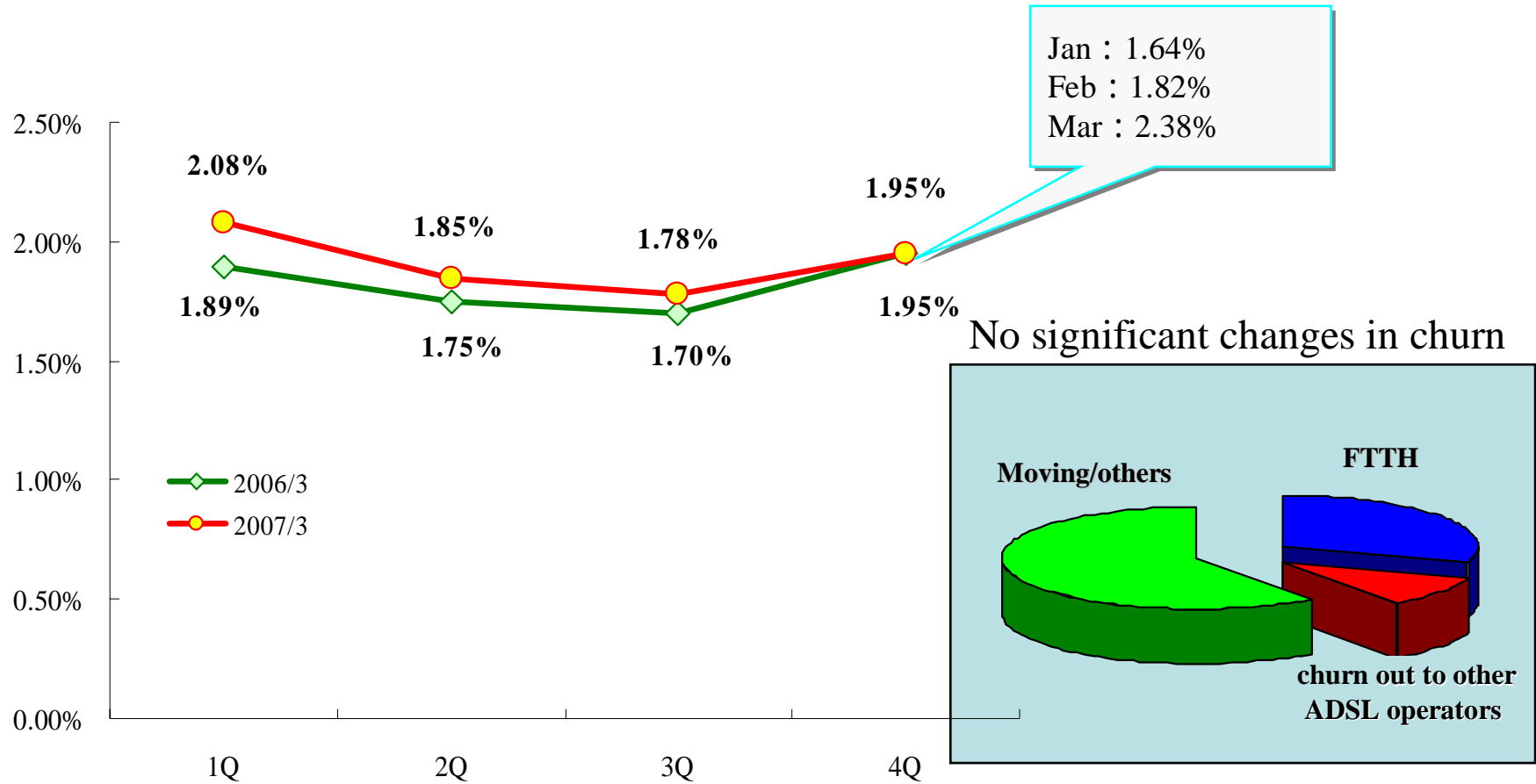
Non Internet users

Dial up users  
Approx. 5 million

Source: MIC Information & Communications statistics database, as of 12/2006

# ADSL Churn Trend

**Lower-than-expected average monthly ADSL churn at 1.91% from 2.00%**

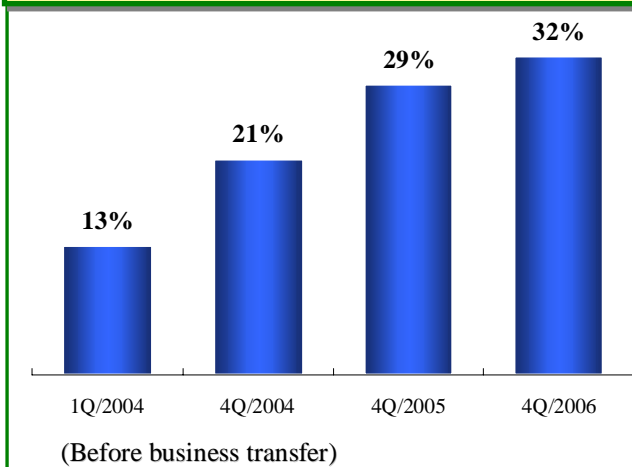


**Significant improvement in profit margin (record high in profits)**

## Profit Margin · Broadband Ratio

- Margin improvement due to cost reduction in network and distribution channels together with synergy with ADSL business
- Subscriber broadband ratio increased steadily to 32%

## Subscriber Broadband Ratio



## Content Business

- Developed 3D portal interface (3D Box) for EMOBILE with YAPPA



# Backbone Transaction

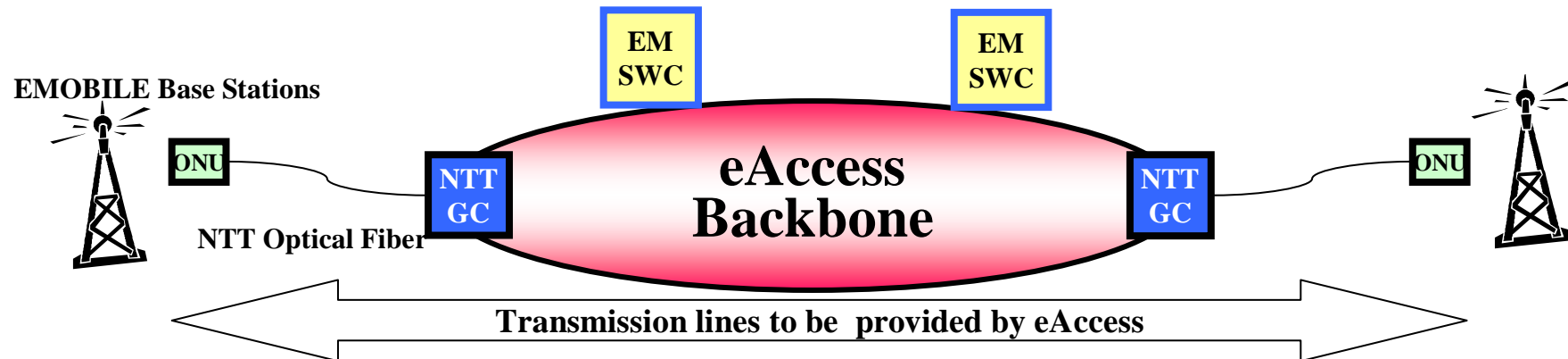
**Utilize existing network to provide backbone services for EMOBILE**

## Service

- To utilize eAccess existing broadband backbone for connecting EMOBILE base stations (node B) and Switching Centers (SWC) in Tokyo, Osaka, Nagoya and other major metropolitan cities.

## Network

- To offer dark fiber and ADSL services to connect EMOBILE node B and RNC



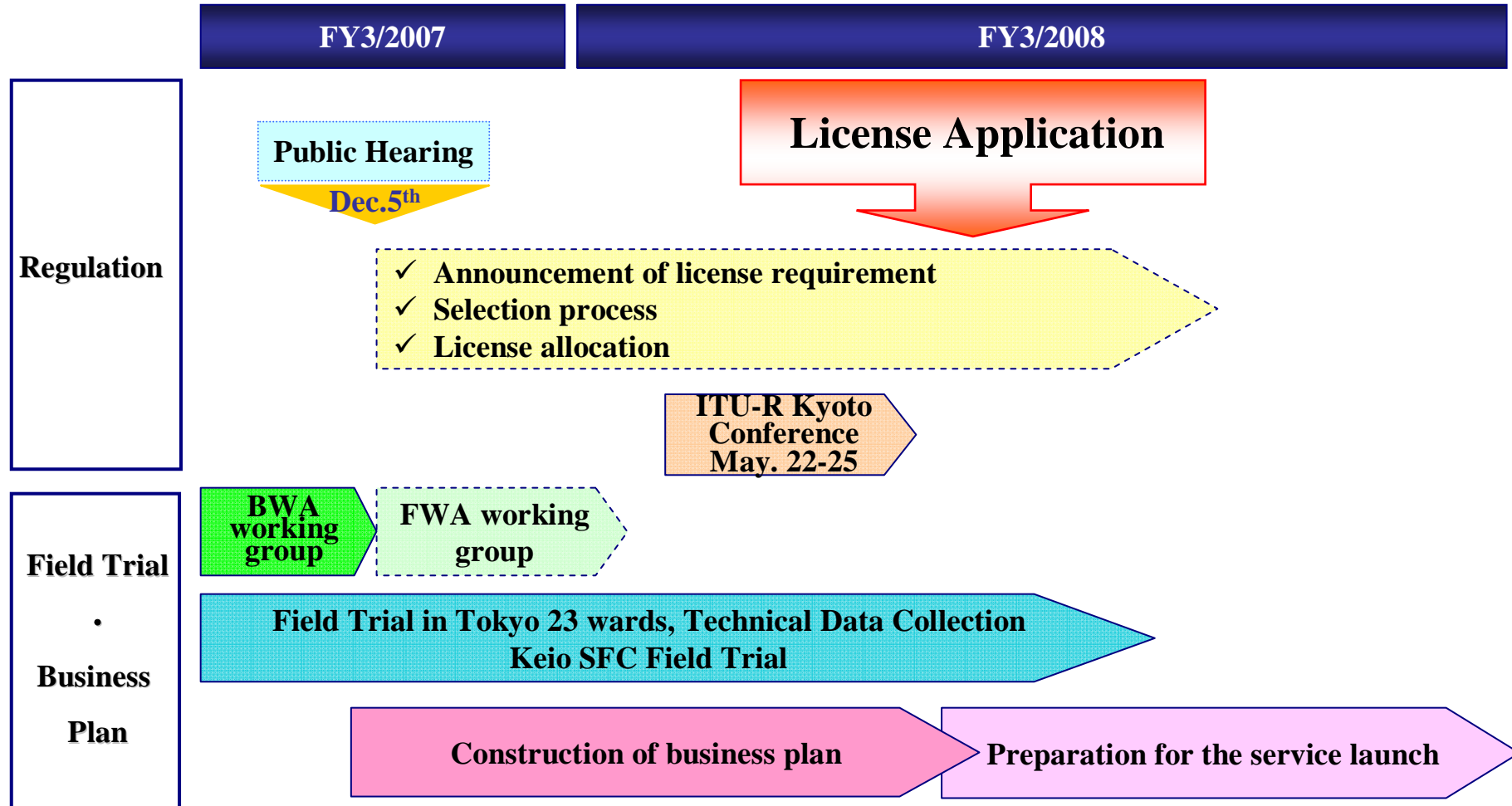
EMSWC: EMOBILE Switching Centers

ONU: a unit (Optical Network Unit) used to connect base stations and the network



# WiMAX Business Roadmap (Plan)

**License application is expected in 2Q FY3/2008**  
**Conducting field trials and actively participating in the regulatory activities**



# Mobile WiMAX Field Trial

## Purpose

- Expansion of field trial in suburban areas. Conducting field trial in 3 areas in Tokyo, and submitted trial license application for Kanagawa
- Testing applications and technologies
- Preparing for the commercialization of Mobile WiMAX service by collecting field trial data

## < Field Trial Area >



## System of Mobile WiMAX



Terminal  
(PCMCIA card)



Base Station



Antenna

# Device Business

## Business Objectives

- Build a stand-alone profitable business model for the device business
- Adopt an open and horizontal business model to expand business opportunities
- Build common application platform and FMC devices for mobile, fixed broadband and WiMAX access platform

## Opportunities of the business

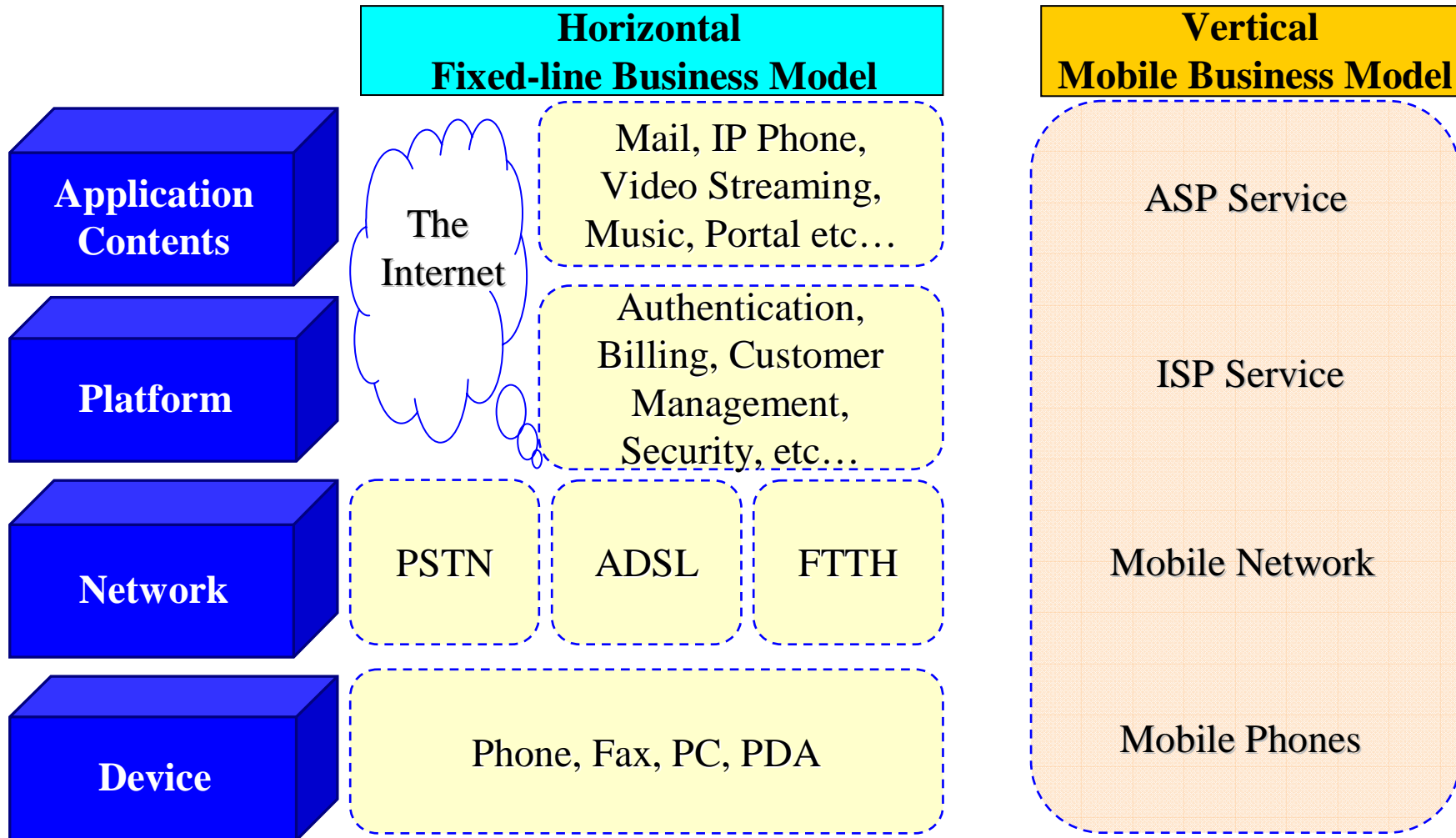
- Increase business opportunities beyond EMOBILE
- Develop better relationships with other operators, partners, vendors, content & application providers through independent position

## Financial Goals

- Aim to achieve 8.0 billion yen revenue & 2.7 billion yen EBITDA loss for FY3/2008

# Fixed-line vs. Mobile Business Models

**Increasing regulatory pressure to breakup mobile vertical business model**



Source: MIC, eAccess

# eAccess Group Business Opportunity

**Expansion of business opportunities through horizontal model**

**Application Contents**

**Platform**

**Network**

**Device**

Email, Security, GPS, etc...  
 Service Delivery Platform, Billing, Customer Management, Authentication, Network Operation etc...

3G (W-CDMA) ↔ ADSL ↔ WiMAX

EM•ONE Data Card Voice H/S ↔ Fixed-line BB Modems ↔ WiMAX H/S

**Provide services to EMOBILE and other partners**



# EMOBILE

# EMOBILE Service Launch

Commenced service on March.31, 2007. Mobile new entrant in 13 years



Yodobashi Camera/Akihabara



BicCamera, Yurakuchou

Service launch ceremony at  
Yodobashi Camera/Akihabara  
and BicCamera/Yurakuchou



Dr.Semmoto handing  
out EM·ONE to the  
first customer



## “EM•ONE”



- **Dual high-speed data communications**  
– HSDPA and Wireless LAN
- **One-segment broadcasting**
- **4.1 inch Wide-VGA wide display**
- **18.9mm wide**
- **Windows Mobile®5.0 OS**
- **3D browsing software**

## Four types of HSDPA data terminals

### PC card Type



### Compact Flash Type



### Express Card Type\*



### USB Modem Type\*



\* Date of release  
to be announced

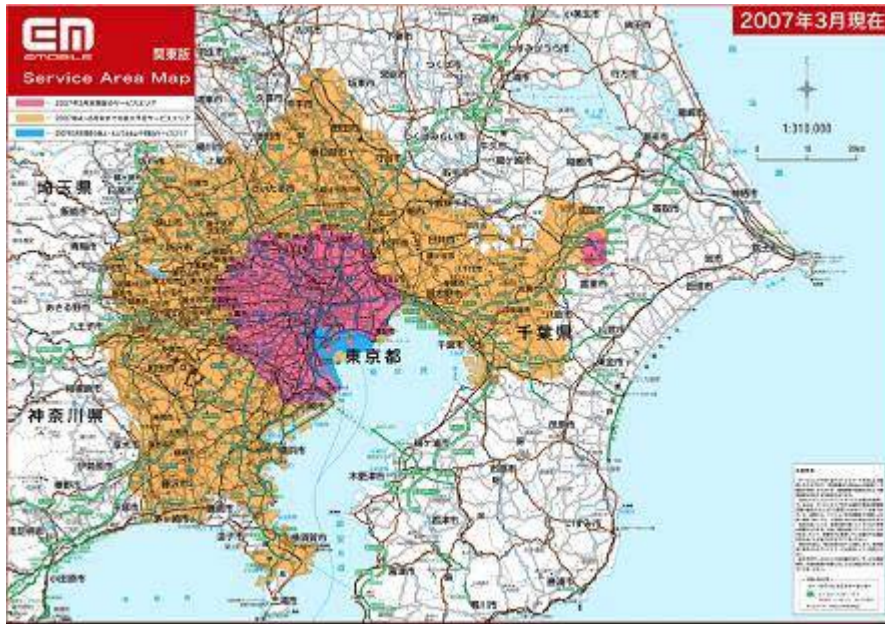
# Mobile Data Service Comparison

**First flat rate mobile broadband service with 3.6Mbps speed**

	<b>EMOBILE</b>	<b>3G</b>	<b>PHS</b>
<b>Monthly Price</b>	<b>5,980 yen ADSL inclusive</b>	<b>Approx. 14,000 yen*</b> (price may vary by Operators)	<b>12,915 yen</b>
<b>Speed</b>	<b>HSDPA Max.3.6Mbps</b>	<b>364 kbps ~ Max 3.6Mbps</b>	<b>W-OAM Max 408Kbps</b>
<b>Flat Rate</b>	<b>Flat Rate Data Plan</b>	<b>Usage Based Plan</b>	<b>Flat Rate Data Plan</b>

\*Assuming usage of 250MB per month

# Service Area Expansion



## Tokyo Area

As of 3/2007 (+pink)  
Tokyo

As of 6/2007 (+orange)  
Within National Highway No.16 (covering suburban areas of Tokyo)



## Osaka Area

As of 3/2007 (+pink)  
Major part of Osaka

As of 6/2007 (+orange)  
Kobe·Osaka suburban



## Nagoya Area

As of 3/2007  
(+pink)  
Major part of Nagoya

# Sales and Marketing

**Brand Awareness**  
3/2007

**Increase EMOBILE brand recognition**

**Interest Creation**  
After 4/2007

**Promote services and devices**

Through TV, newspapers, Internet and stores



CM character, Nao Matsushita



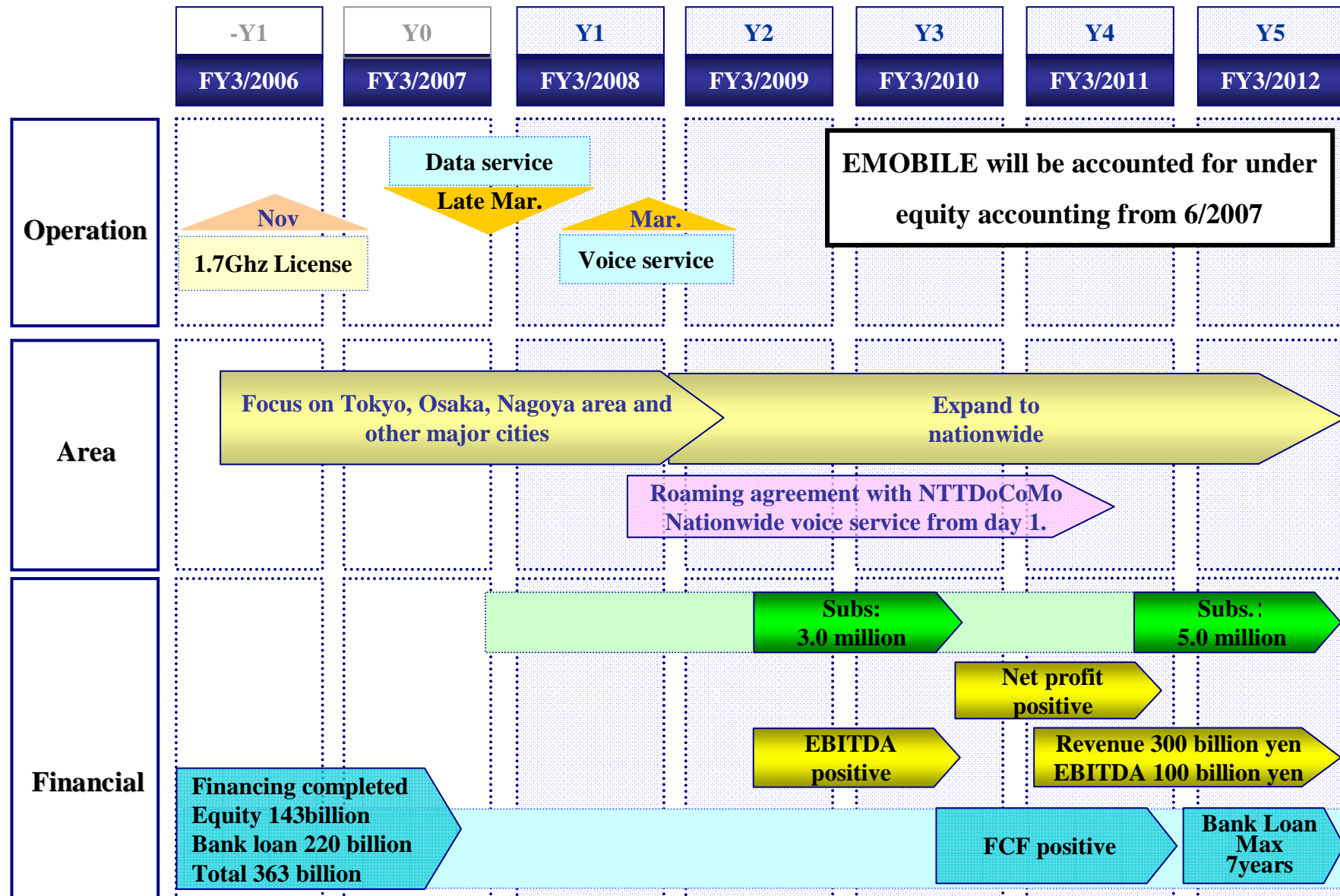
Advertising at subway stations



Sales at retail stores



# EMOBILE Business Plan Schedule



# Disclaimer

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