

# **eAccess Limited 【9427】**

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**Mid-Year Results for FY3/2008  
( 4/2007 ~ 9/2007 )**



**November 13<sup>th</sup>, 2007**

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# FY3/2008 Mid-Year Results Highlight

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**Financial  
results /  
Upward  
revision**

**Upward revision of full year parent & consolidated earnings**

**ADSL churn rate was lower-than-expected  
Maintain high operating margin in network business**

**EMOBILE**

(Equity accounting  
method since June)

**Acquired 122,300 subscribers as of September 2007**

**Completed approx. 90% population coverage in Tokyo, Osaka, Nagoya**

**WiMAX**

**Invested in OpenWin with Softbank and 6 other partners  
OpenWin submitted a license application for 2.5GHz spectrum**

**Share  
purchases**

**Implementation of share purchases  
aiming to have more financial flexibility**

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# FY3/2008 Mid-Year Financial Results

**Achieved 1.4 billion yen consolidated operating profit, absorbing EMOBILE start-up losses  
(YoY comparison may not be applicable due to a change in EMOBILE accounting)**

(billion yen)	FY3/2007 1H (2006/4-9)			FY3/2008 1H (2007/4-9)			
	Parent	Mobile	Consolidated	Parent	+ Mobile (Apr-May)	+ EM etc. Equity Accounting Method (Jun-Sep)	= Consolidated
Revenue	28.25	-	28.25	28.99	1.51		30.14
Operating profit	6.46	-2.56	3.90	5.72	-4.24		1.41
Recurring profit	5.81	-3.42	2.40	4.82	-4.50	-4.25	-4.01
Net income	3.46	-1.56	1.90	5.00	-2.00	-4.25	-0.07
EBITDA	11.14	-2.52	8.62	9.51	-3.30		6.17
Capex	2.41	1.85	4.26	2.58	8.31		10.88
Depreciation	4.68	0.04	4.72	3.79	0.94		4.76
FCF	8.73	-4.37	4.36	6.93	-11.61		-4.71

·FY3/2007 included 1.86 billion yen and FY3/2008 included 2.57 billion yen of minority adjustments in net income lines.

·FY3/2008 parent net income line included 3.5 billion yen of gain on EMOBILE share sales.

# Comparison with the previous full-year forecast

**Parent FCF in 1H exceeded the previous full-year FCF forecast  
Revised up full-year forecast to reflect the progress on mid-year results**

	FY3/2008_1H (April ~September)					
	Parent			Consolidated		
	Parent	Previous Forecast (8/8/07)	Progress	Consolidated	Previous Forecast (8/8/07)	Progress
(billion yen)						
Revenue	28.99	60.70	48%	30.14	62.20	48%
Operating Profit	5.72	7.60	75%	1.41	3.30	43%
Recurring Profit	4.82	6.50	74%	-4.01	-9.10	na
Net Income	50.0	6.00	83%	-0.07	-5.90	na
EBITDA	9.51	16.10	59%	6.17	12.80	48%
Capex	2.58	10.30	25%	10.88	18.60	58%
Depreciation	3.79	8.50	45%	4.76	9.40	51%
FCF	6.93	5.80	119%	-4.71	-5.80	na

## FY3/2008 Full Year Upward Revisions

**Expect smaller losses in 2H due to less-than-expected new business start-up costs  
FCF improved by 5.2 billion yen vs previous forecast mainly due to reduction in Capex**

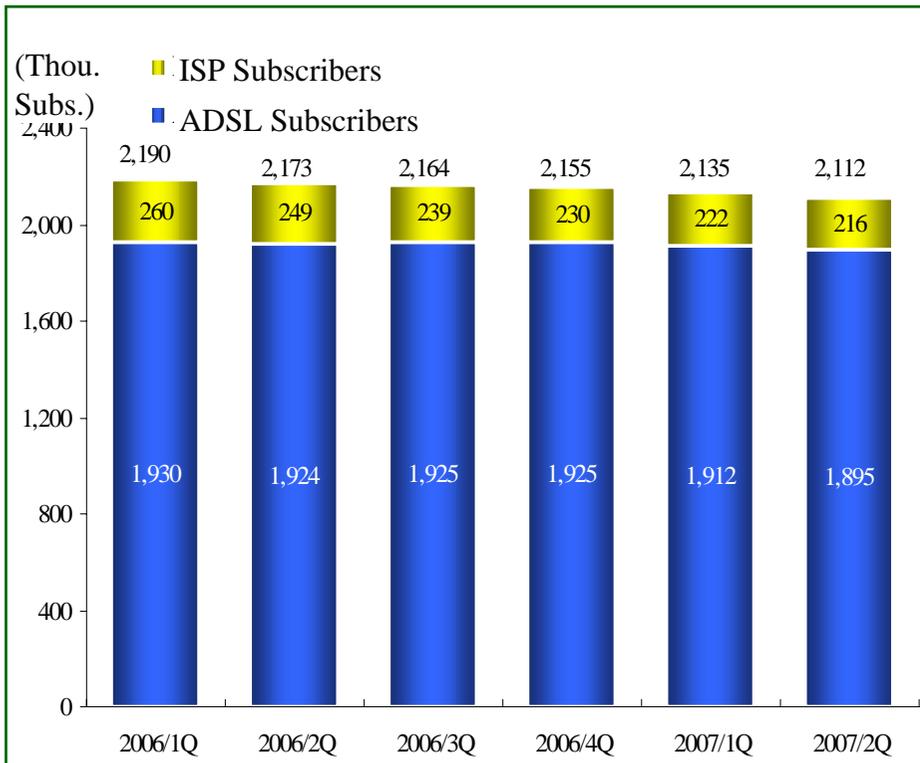
(billion yen)	FY3/2008			
	Previous (8/8/07)		Revised (11/13/07)	
	Parent	Consolidated	Parent	Consolidated
Revenue	60.70	62.20	62.00	63.50
Operating Profit	7.60	3.30	10.40	6.10
Recurring Profit	6.50	- 9.10	9.00	- 7.30
Net Income	6.00	- 5.90	7.50	- 5.10
EBITDA	16.10	12.80	17.70	14.50
Capex	10.30	18.60	6.70	15.00
Depreciation	8.50	9.40	7.30	8.40
FCF	5.80	- 5.80	11.00	- 0.60

\*FCF: EBITDA – Capex

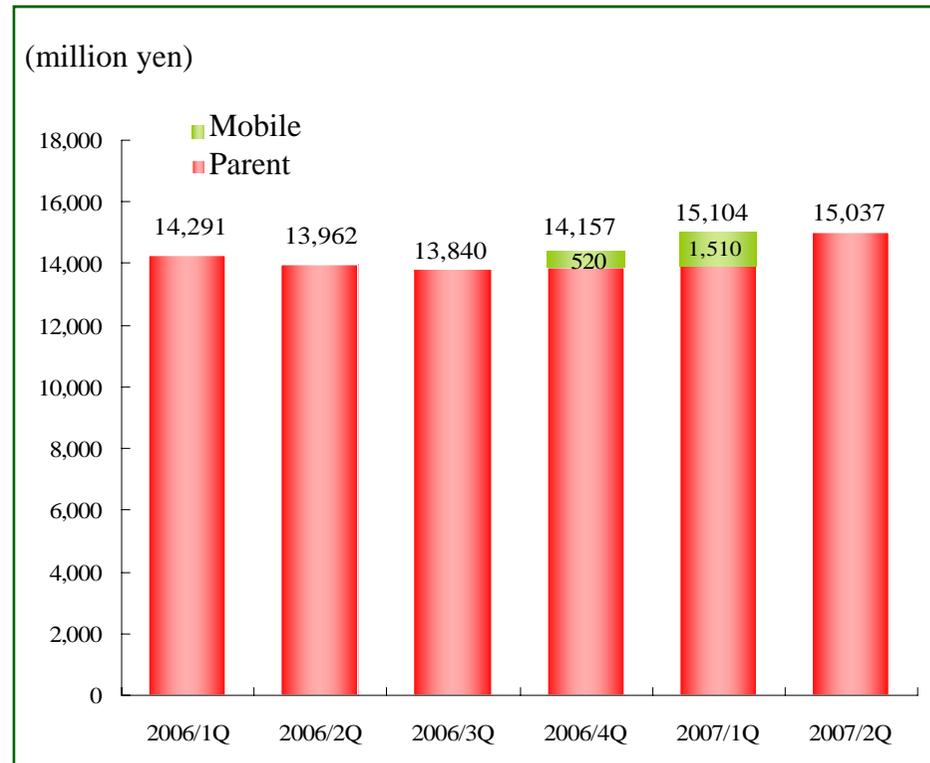
# ADSL/ISP Subscriber and Revenue Trend

**Higher-than-expected subscriber acquisition and ARPU in 1H**

## ADSL/ISP Subscribers



## Revenue (Consolidated)

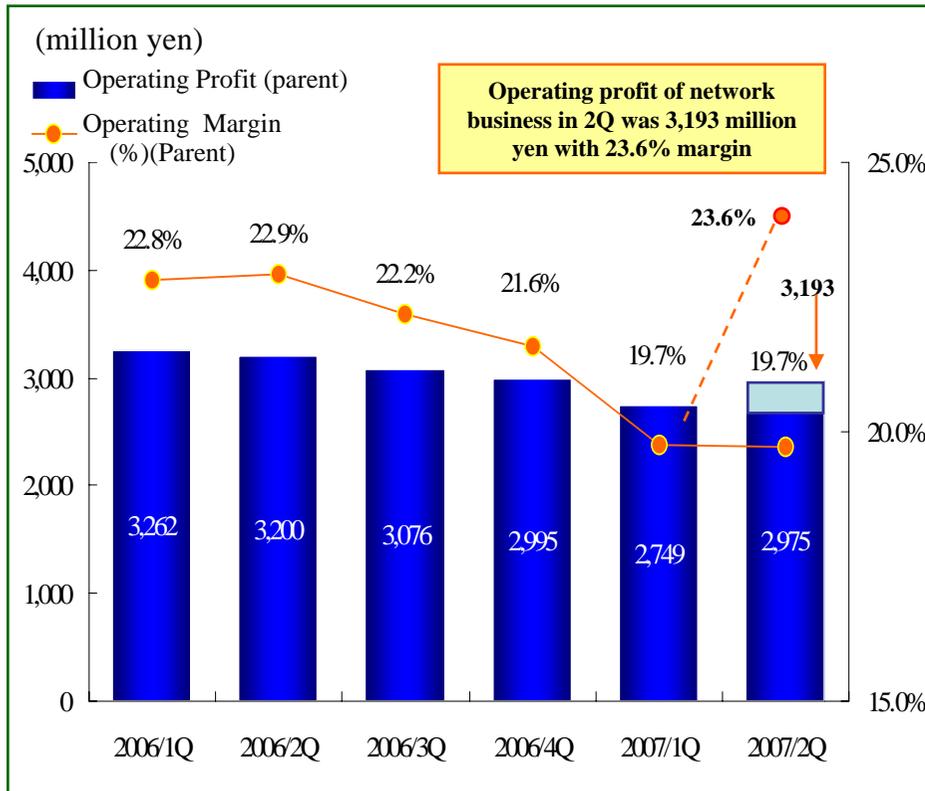


\* EMOBILE is accounted under equity accounting method from June, 2007. On a consolidated basis, 2006/4Q includes 1 month and 2007/1Q includes 2 months of EMOBILE revenue.

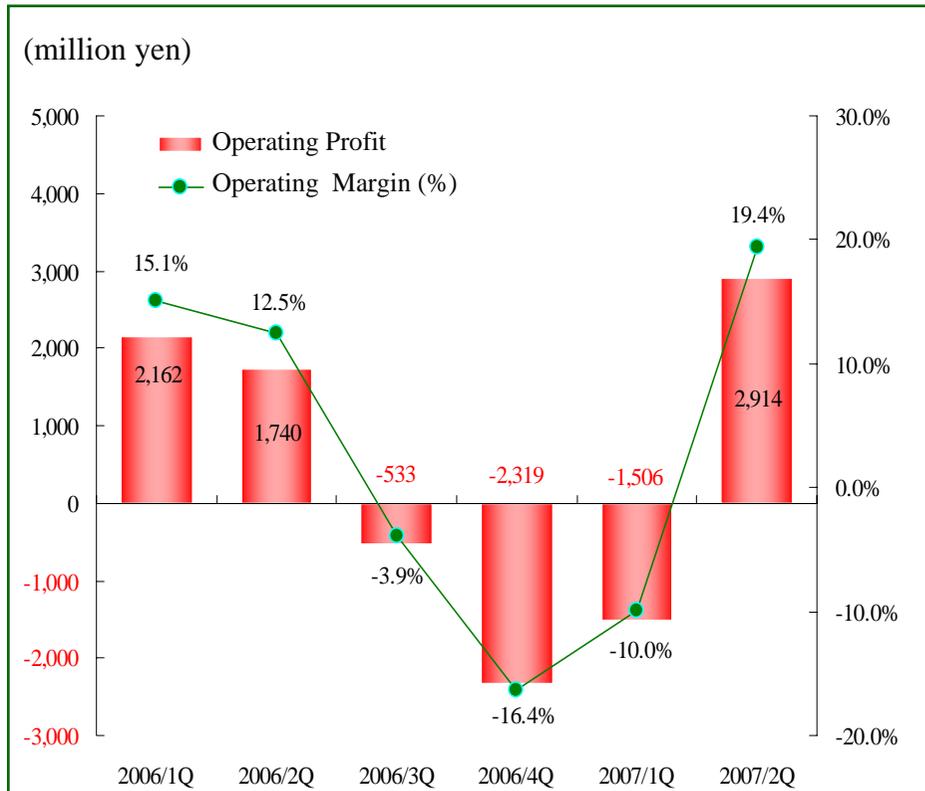
# Operating Profit Trend

**Turned profit at the consolidated level to 2.9 billion yen in 2Q from -1.5 billion yen in 1Q**

## Operating Profit & Operating Margin (Parent)



## Operating Profit & Operating Margin (Consolidated)

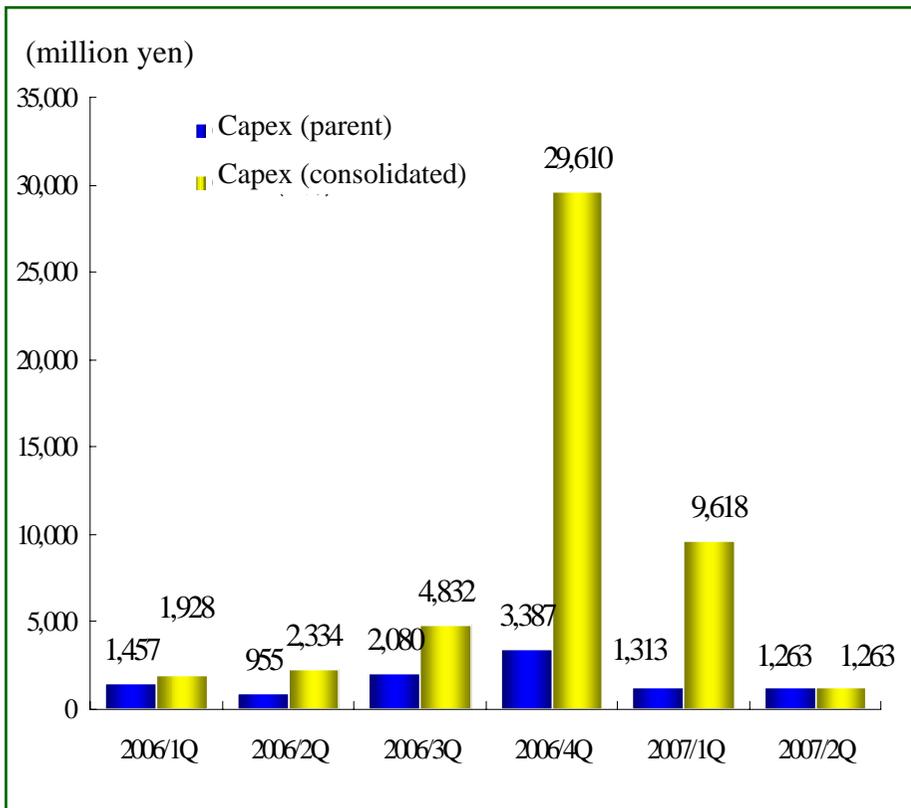


\* EMOBILE is accounted under equity accounting method from June, 2007. On a consolidated basis, 2006/4Q includes 3 months and 2007/1Q includes 2 months of EMOBILE financial results.

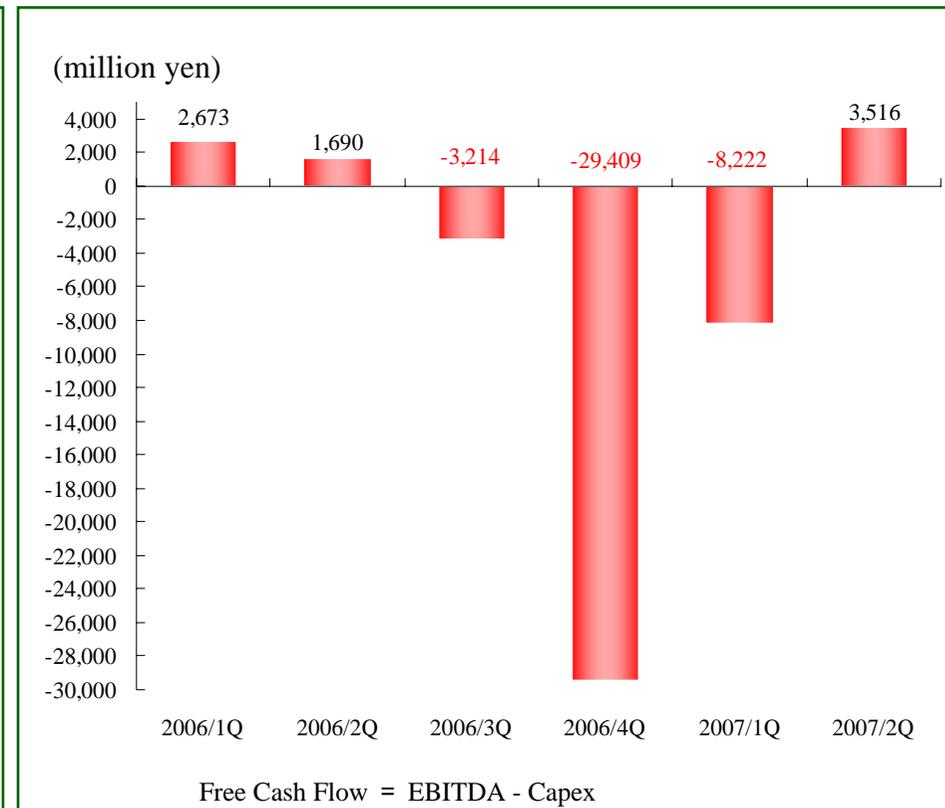
# Capex and Operating FCF Trend

Free Cash Flow in 2Q turned positive due to reduction in Capex

## Capex Trend



## Operating Free Cash Flow Trend



\* EMOBILE is accounted under equity accounting method from June, 2007. On a consolidated basis, 2006/4Q includes 3 months and 2007/1Q includes 2 months of EMOBILE financial results.

# Balance Sheets

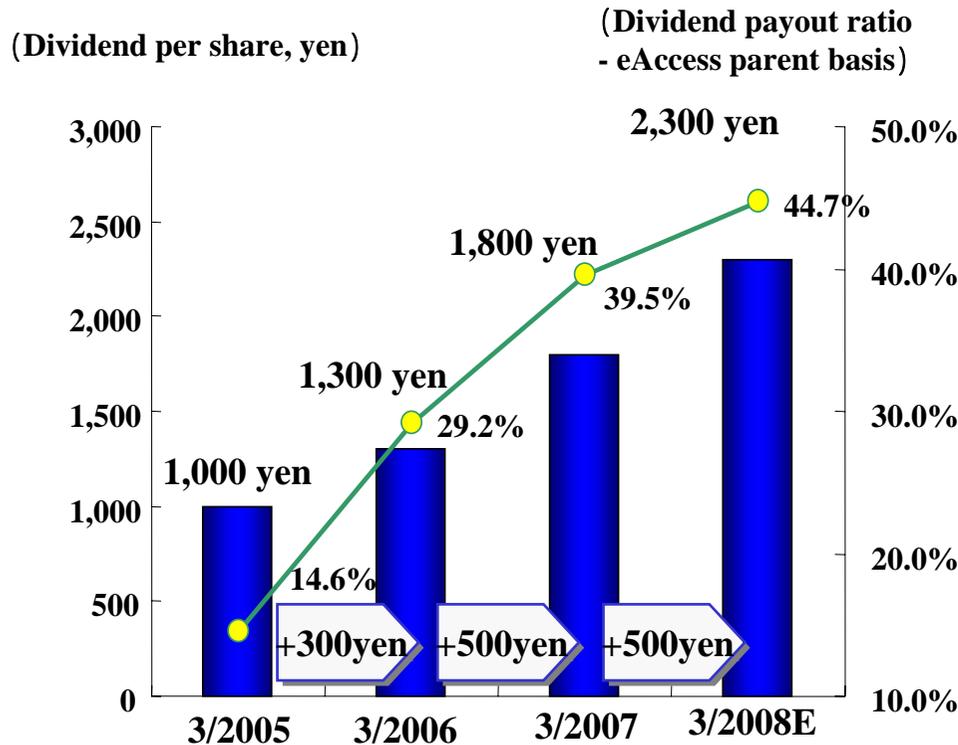
## Improvement in parent cash and net debt position due to sales of EMOBILE shares and increase in parent FCF

	As of March 31, 2007		As of September 30, 2007		
	Parent	Consolidated	Parent	Consolidated	EMOBILE (Reference)
(billion yen)					
Cash and Cash Deposit	51.01	160.93	54.00	54.84	49.78
Debt	88.45	89.90	85.97	85.97	17.46
Net Debt	37.44	-71.03	31.97	31.13	-32.33
Minority Interest	--	77.09	--	0.66	--
Total Shareholders' Equity	38.92	32.23	42.33	30.58	112.71
Total Asset	139.57	237.84	141.65	130.77	148.15
Net Debt/Equity Ratio (%)	96.2%	-220.4%	75.5%	101.8%	-28.7%

# Dividend and Share Purchases

## Dividend

## Implementation of share purchases



<b>Max. number of shares to be purchased</b>	Up to 50,000 shares (% of outstanding shares : 3.4%)
<b>Total cost of Purchase</b>	Up to 3.0 billion yen
<b>Purchase period</b>	From November 14, 2007 to June 30, 2008

<b>Dividend Yield</b>	1.32% <sup>*1</sup>	1.43% <sup>*1</sup>	2.30% <sup>*1</sup>	3.76% <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 November 12, 2007 of 62,000 yen.

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# Network Business

# Network Business Results Highlight

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## ADSL Business

- **ADSL monthly average churn rate in 2Q improved to 1.74% from 2.04% in 1Q FY3/2008 and 1.85% in 2Q FY3/2007**
- **Strong business alliance with EMOBILE and AOL contributed to ADSL subscriber acquisition**
  - AOL subscriber net addition
  - Rising demand for ADSL + mobile broadband bundled service
  - Started providing “EMOBILE HomeAccess” ADSL service to EMOBILE
- **Plan to start Japan’s first high-speed mobile data service with HSDPA to MVNOs from December**

## ISP Business

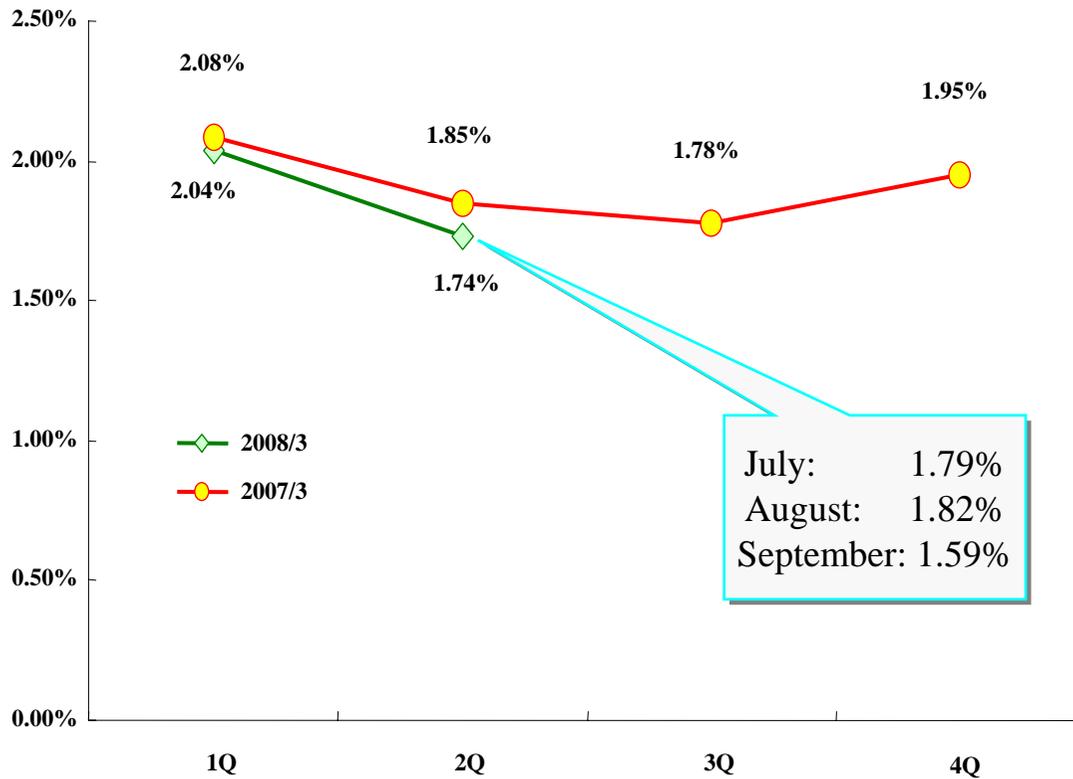
- **Strong acquisition of AOL subscribers through web distribution channels**

## Backbone Business

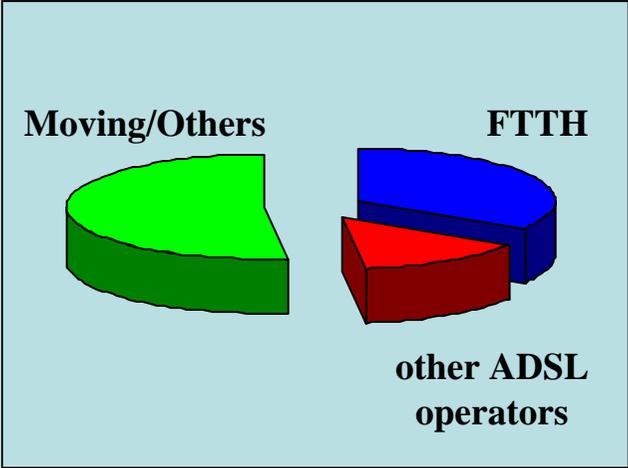
- **Steady decline in the losses. Expect to turn profit on a monthly basis from 2H**

# ADSL Churn Trend

**Achieved 1.74% churn rate in 2Q, an improvement by 0.11% point YoY**

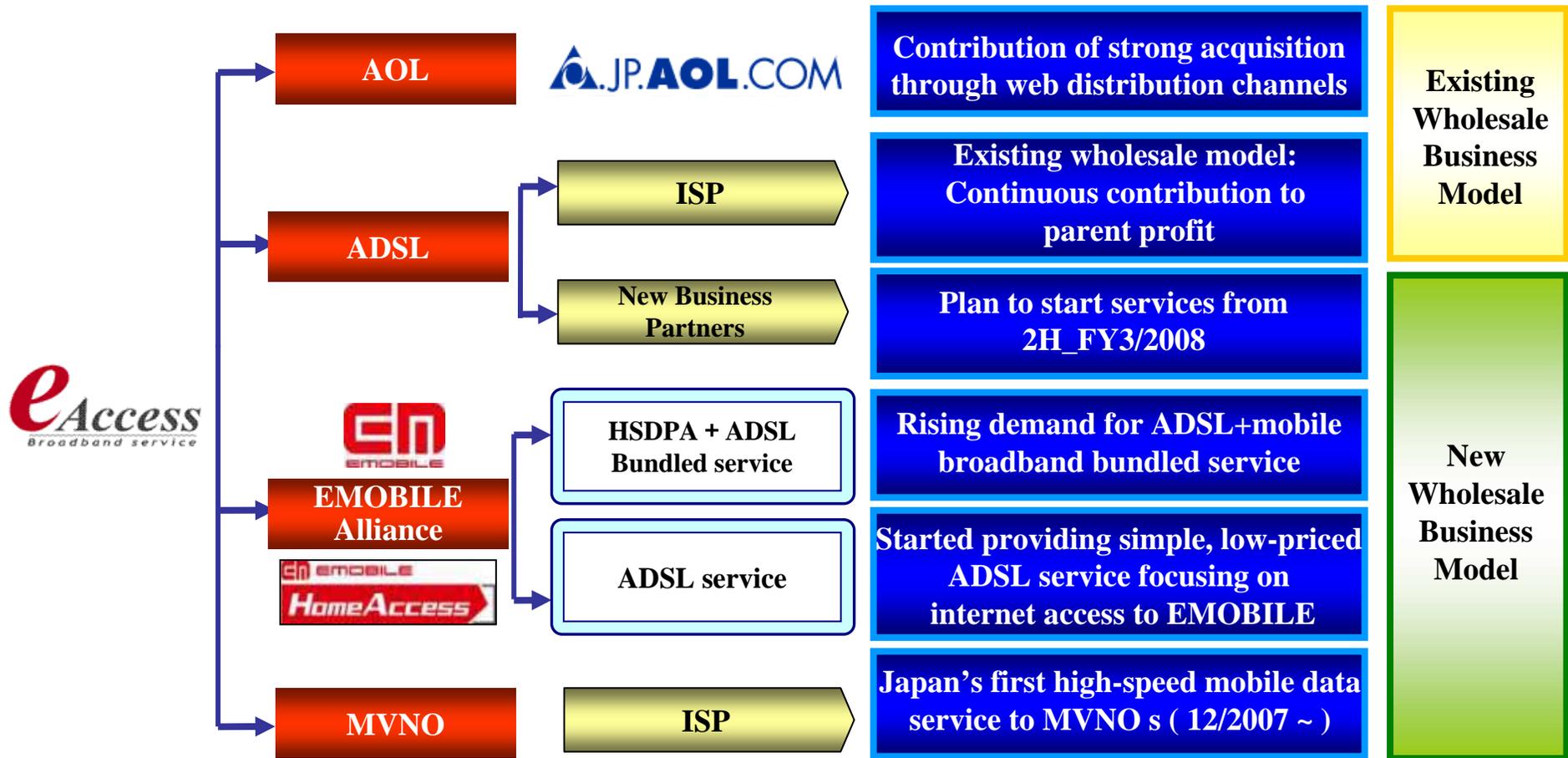


< Reasons for Churn >  
Churn to FTTH in 2Q remained at 30%



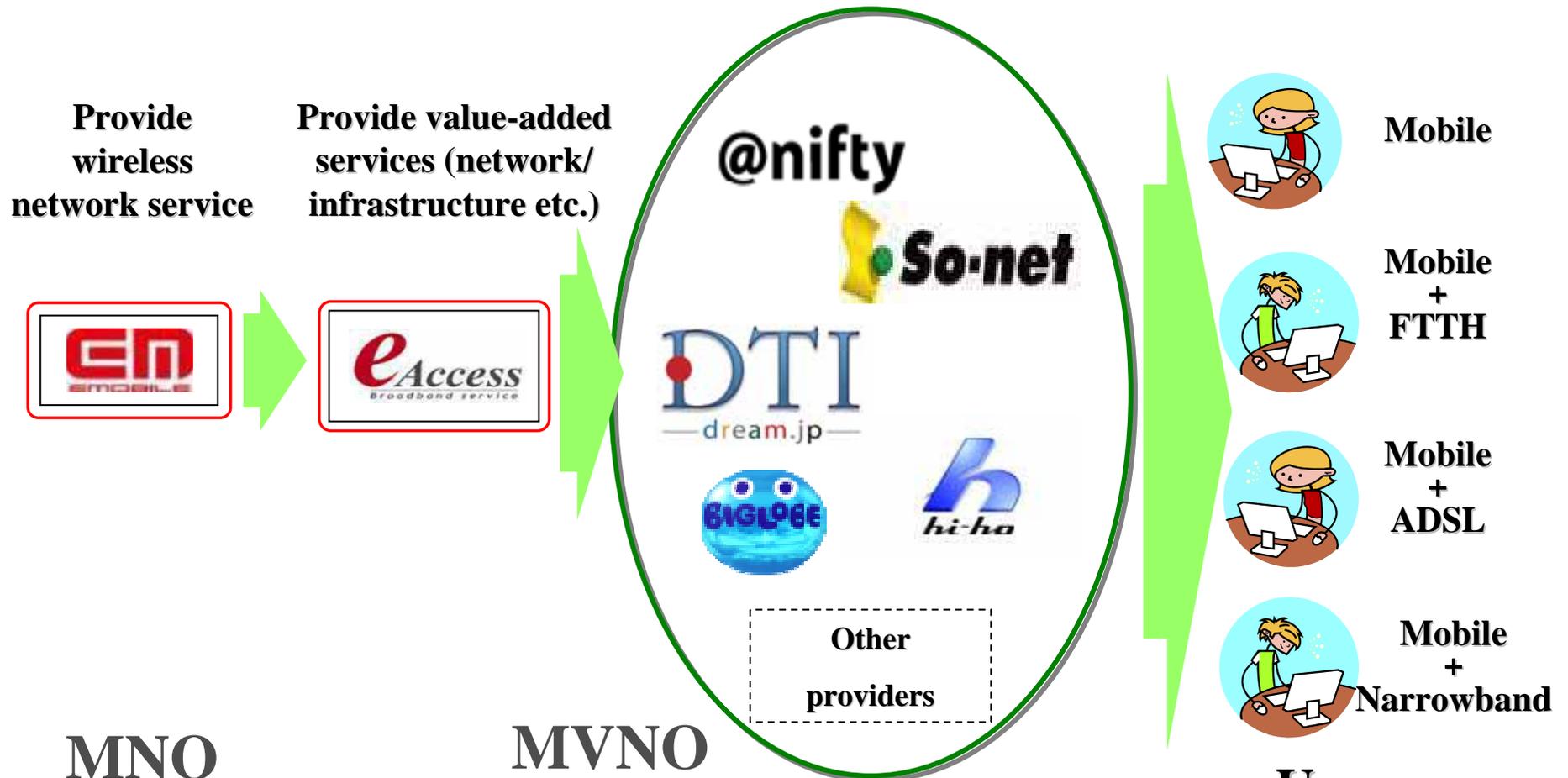
# Expansion of wholesale business model

**Strengthen existing distribution channels**  
**Expand wholesale business to new business partners and mobile areas through new channels**



# High-Speed Mobile Data Service to MVNOs

**eAccess and EMOBILE to commence Japan's first mobile broadband MVNO service in December 2007**



**Establishment of MVNO Consortium**

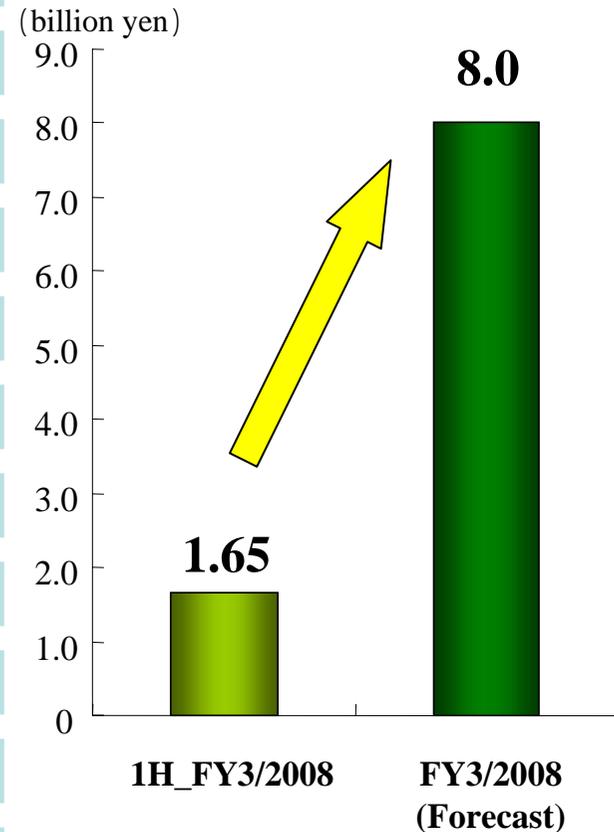
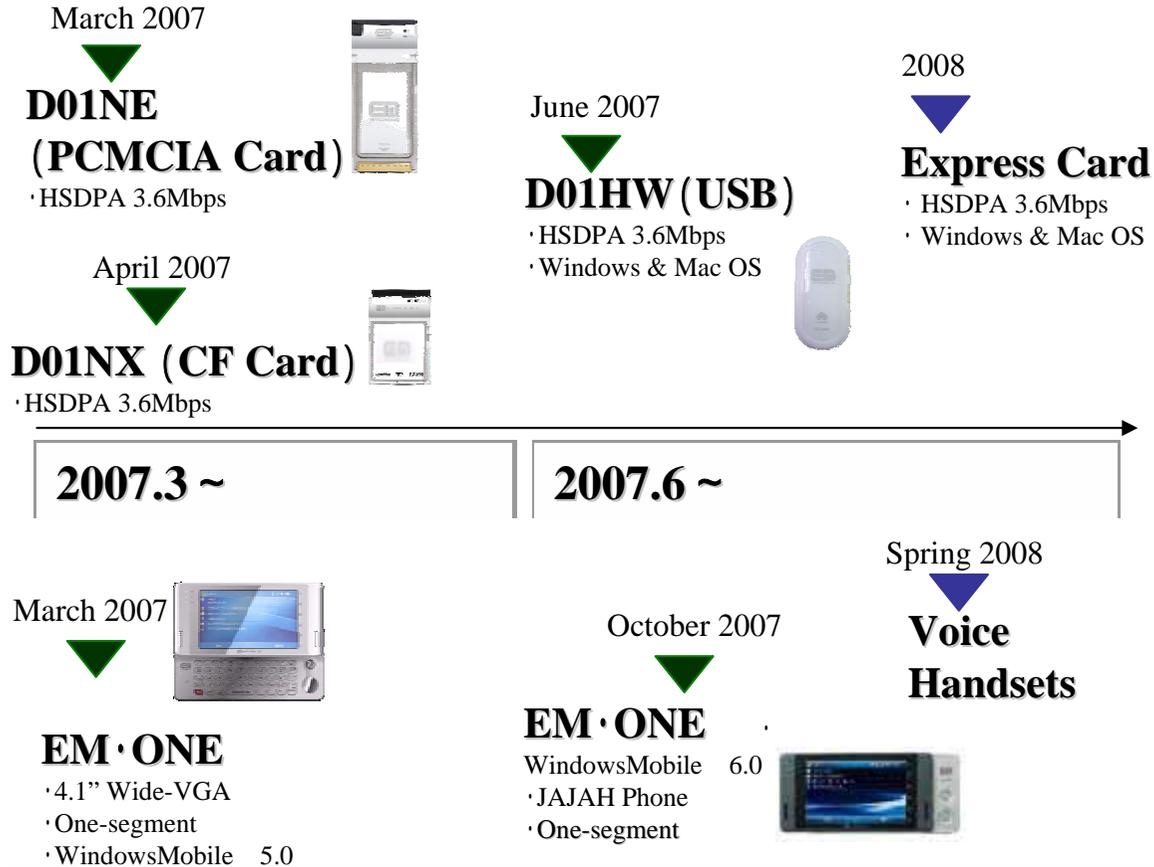
# Device Business

# Device Business Update

**Achieved 1.65 billion yen Device Business revenue in 1H**  
**Expect to achieve 8.0 billion yen revenue for the FY3/2008**

## Handset Road Map

## Revenue



# EMOBILE

## EMOBILE Mid-Year Results Highlight

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■ Commenced mobile service in March 2007 and acquired 122,300 subscribers as of September 30, 2007

■ Maintained the monthly average churn rate for 1H at approx. 1.0%

■ Completed approx.90% population coverage in Tokyo, Osaka, Nagoya and 40% nationwide population coverage as of September 30, 2007

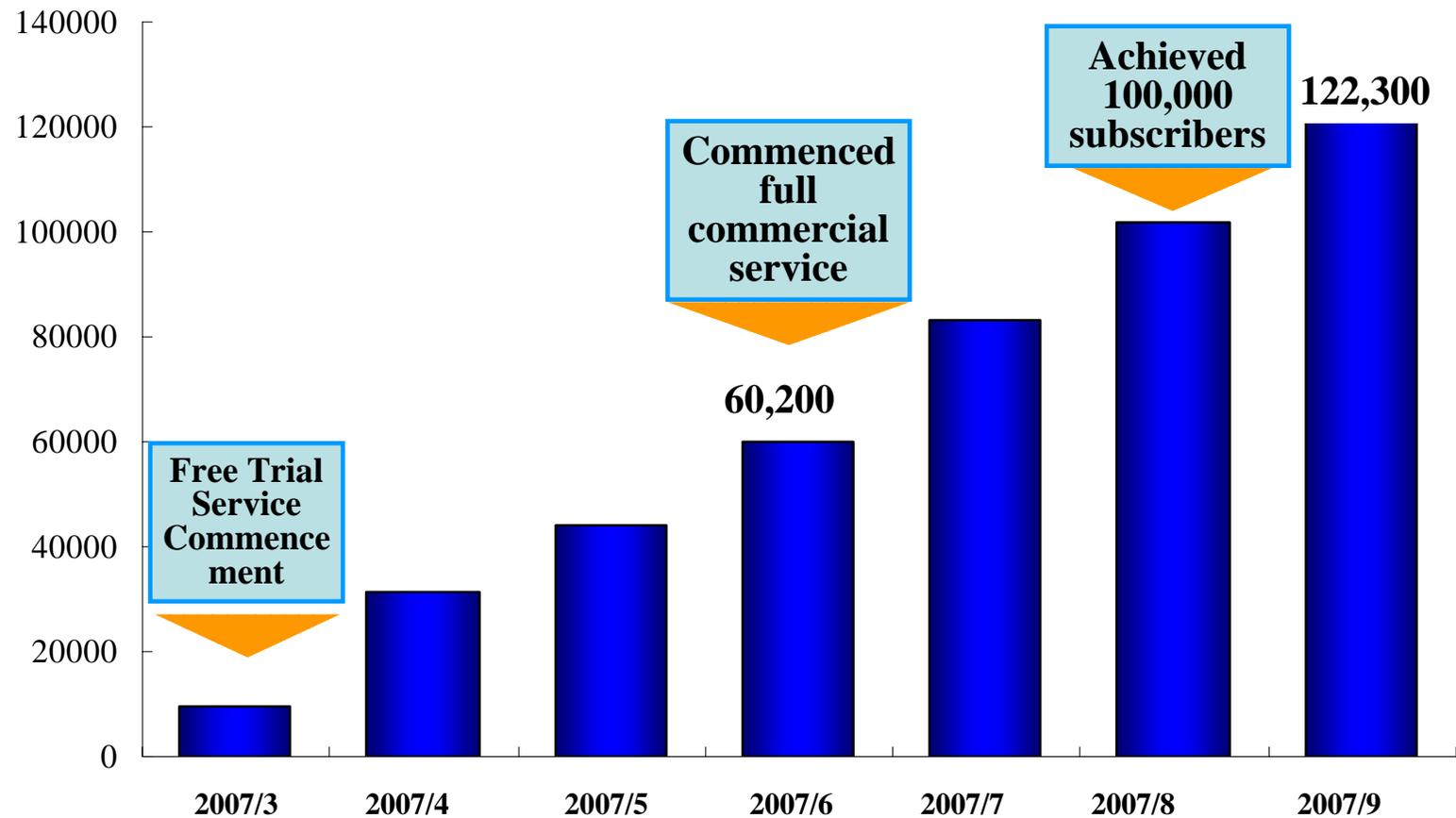
■ Started providing EM·ONE with Windows Mobile 6.0 and JAJAH Phone

■ Maintained solid cash position of approx. 50.0 billion yen  
Secured more than 250 billion yen capital including commitment lines

# Subscribers Acquisition

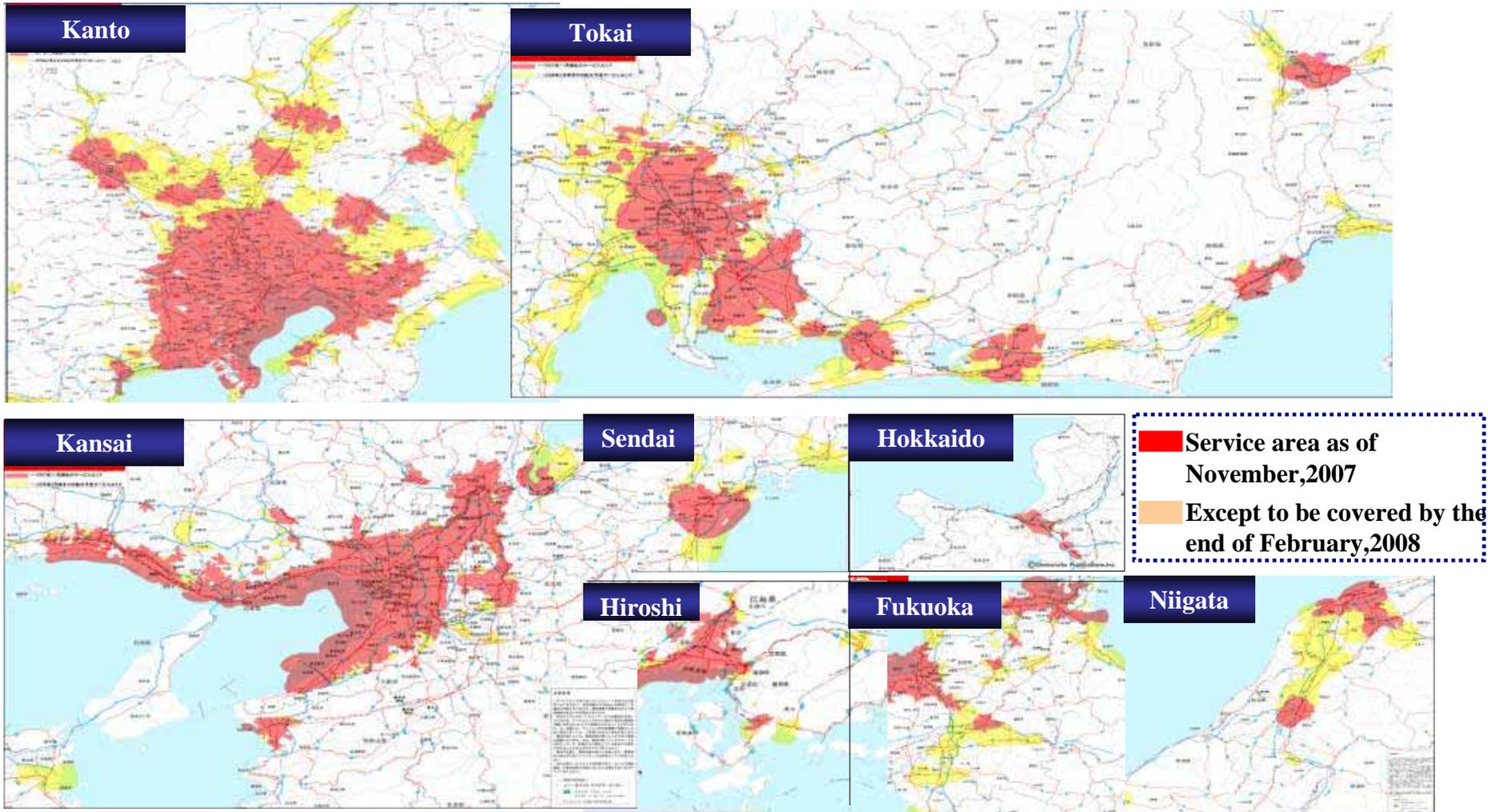
**Achieved 100,000 subscribers in August,  
1 month ahead of the initial plan**

Subscribers



# Service Area Expansion

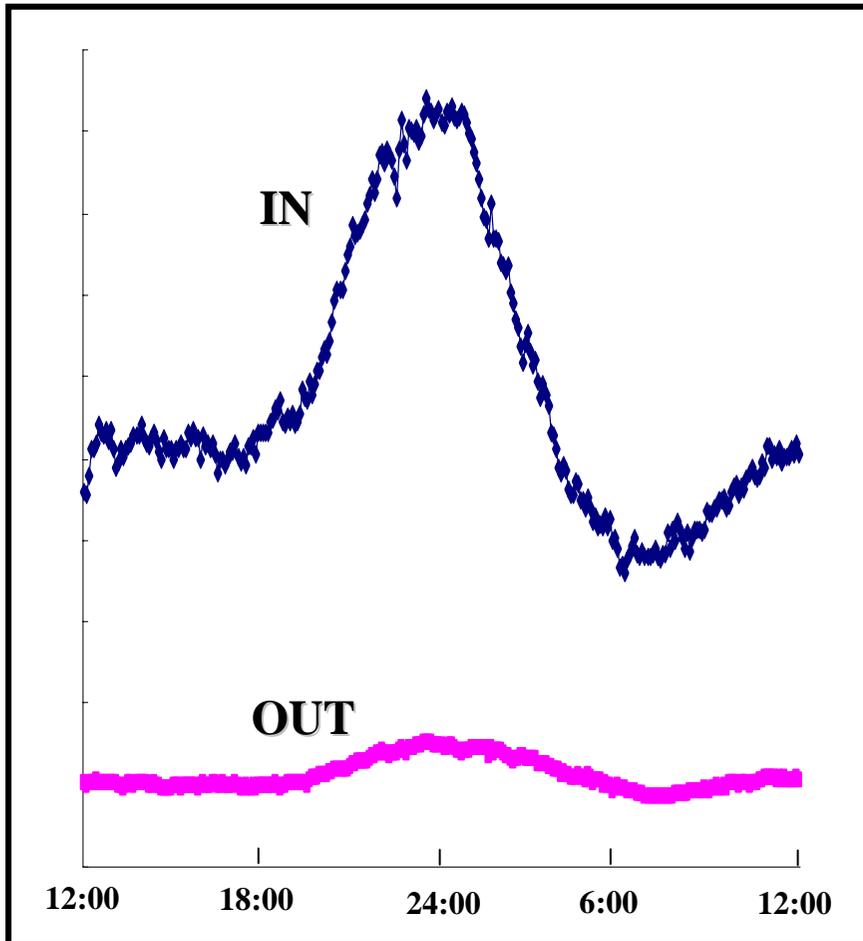
Mobile coverage in Tokyo, Osaka, Nagoya reached approx. 90% and nationwide population coverage reached approx. 40% as of September, 2007  
Expanding the service areas in Niigata, Shizuoka, Nara, Hiroshima etc.



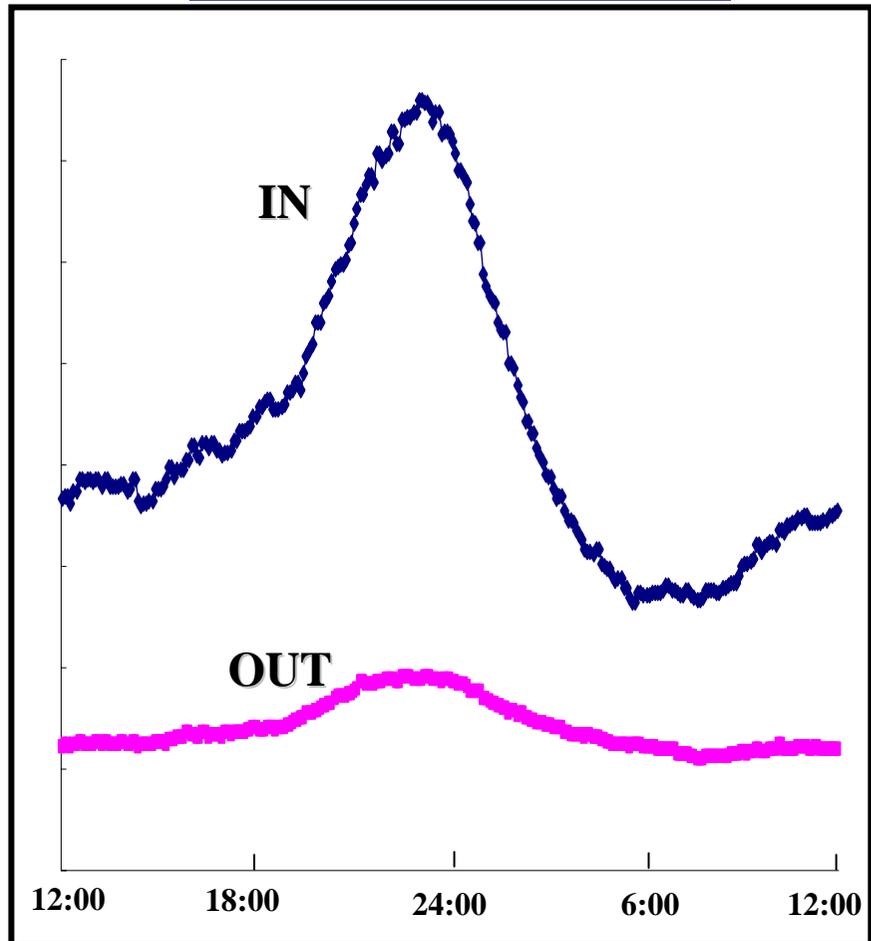
# Mobile & Fixed Broadband Comparison

**Traffic of mobile broadband is similar to traffic of fixed broadband  
Provide flat-rate data service that satisfies users' broadband needs**

**Mobile Broadband**



**Fixed Broadband (ADSL)**



## Introduction of EM·ONE

**Introduced EM·ONE with the latest OS, Windows Mobile 6.0, in 10/2007**

### Key Features of EM·ONE

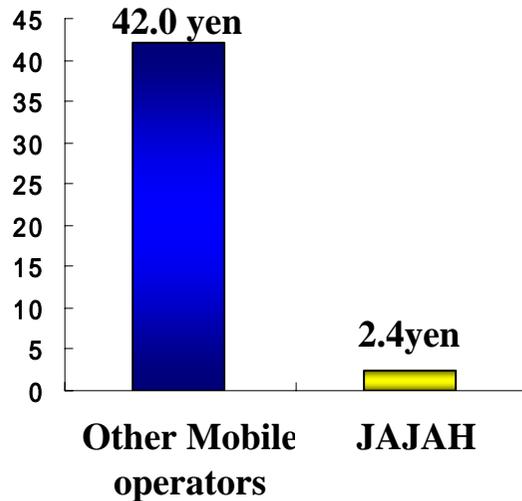
- Microsoft® Windows Mobile® 6.0 Classic Edition
  - ✓ Windows Live™ for Windows Mobile® (Enable users to access to Messenger and Hotmail)
  - ✓ Remote Desktop Connection (Allows users to remotely connect other computers over network)
- JAJAH Phone
  - Adopted mobile IP phone as Japan's first mobile phone operator
- Business card reader



# JAJAH Mobile IP Phone

**Officially adopted mobile IP phone as Japan's first mobile phone operator by partnering with JAJAH (US)**

Rates per minute for calls to domestic landlines



- ✓ Free basic monthly charge  
(call rates on usage bass)
- ✓ Pre-paid system by credit cards

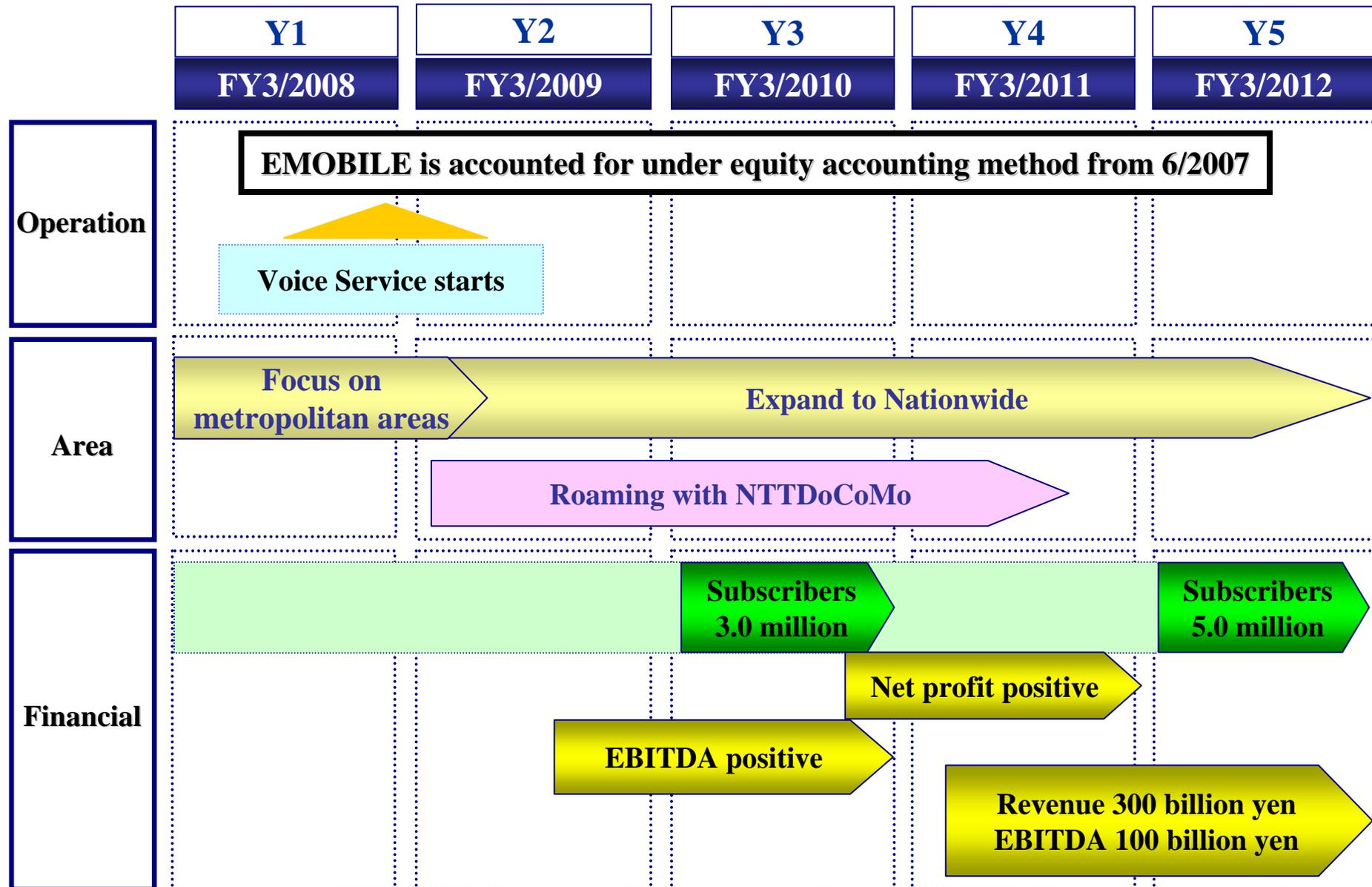


Screen image

Comparison (Rates per minute)

	Domestic Landlines	Domestic Mobile	U.S.A
<b>jajah</b>	2.4 yen	16.0 yen	2.1 yen
Skype	4.5 yen	19.4 yen	4.3 yen
Domestic Mobile Operators	42 yen		Weekdays daytime 90 yen

# EMOBILE Business Plan Schedule (Plan)



# **WiMAX Business (Open Win)**

# OpenWin Company Overview

**eAccess invested 6.50 billion yen in OpenWin**  
**OpenWin submitted a 2.5GHz license application in 10/2007**

<b>Company Name</b>	Open Wireless Network Corporation (OpenWin)	
<b>Business Summary</b>	Wireless broadband IP telecommunication service	
<b>Establishment of the Company</b>	September 2007	
<b>Total Capitalization</b>	20.05 billion yen (completed financing in September, 2007)	
<b>Management Structure</b>	Representative Director and President	Koji Fukata
	Representative Director	Masayoshi Son
	Director	Sachio Semmoto
	Director	Junichi Miyakawa
<b>Shareholding Structure</b>		
eAccess	6.50 billion yen	
Softbank	6.50 billion yen	
Goldman Sachs Group	4.50 billion yen	
Temasek Holdings	2.35 billion yen	
NEC Biglobe	0.05 billion yen	
So-net Entertainment	0.05 billion yen	
Nifty	0.05 billion yen	
FreeBit	0.05 billion yen	
<b>TOTAL</b>	<b>20.05 billion yen</b>	

## Business Model Summary (Plan)

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### Service Commencement

- Plan to launch wireless data service in March 2009

### Area Coverage

- 50%+ national coverage in FY3/2010
- 90%+ national coverage by March 31, 2015

### Subscribers

- 4.0 million subscribers (PC users) by March 31, 2015

### Monthly Charge (for end users)

- Expected to be similar to ADSL monthly fees

### CAPEX

- Accumulated Capex to be 250 billion by March 31, 2015

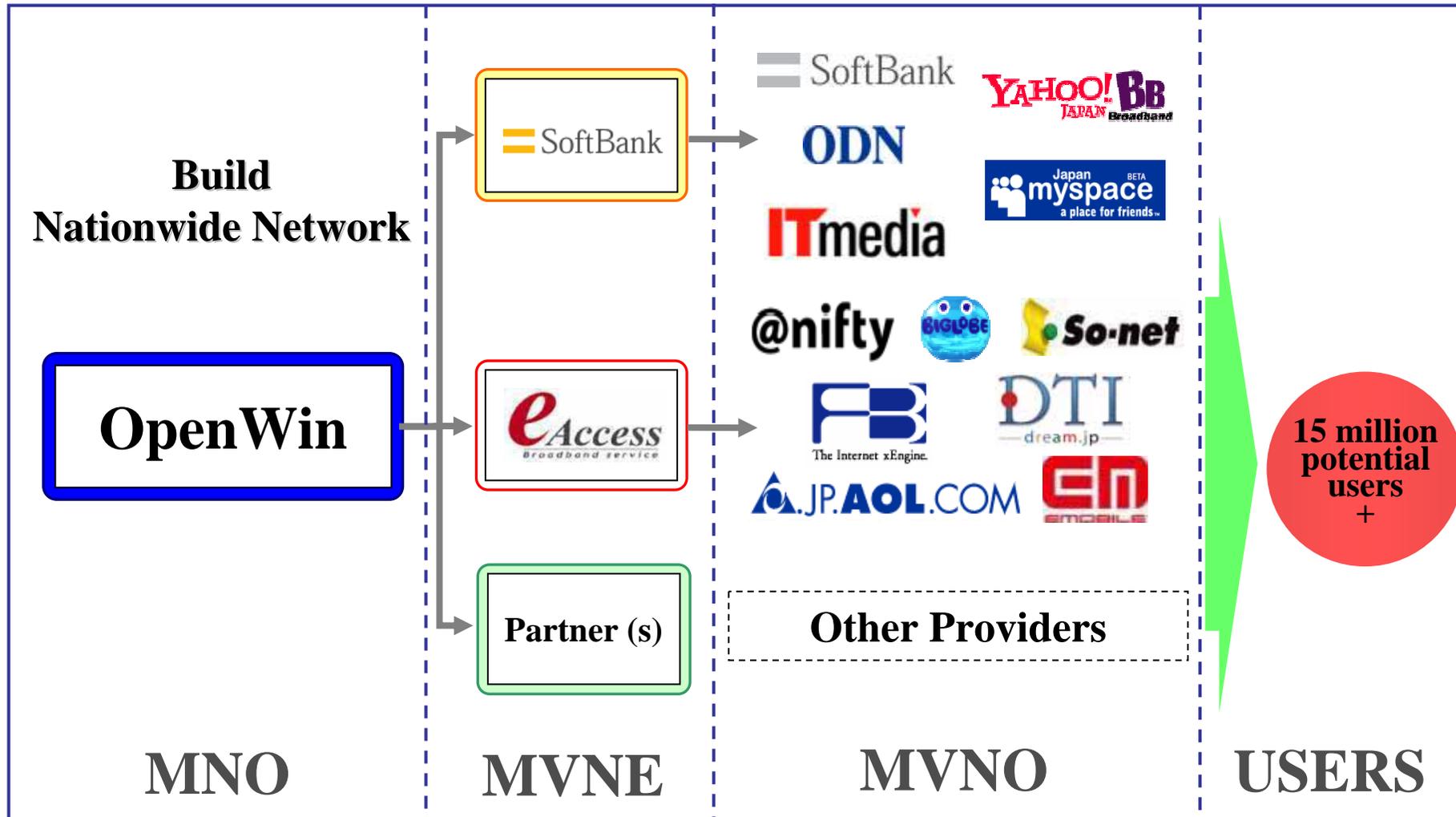
# OpenWin Strengths

**Aiming to provide flat rate, reasonably priced, next-generation high-speed mobile data service with various devices**

	<b>OpenWin Strengths</b>	<b>Group Strengths</b>
<b>Business Plan</b>	<ul style="list-style-type: none"> <li>➤ Focus on Wireless network wholesale business model (Mobile Network Operator (MNO) model)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Track records from ADSL and wireless wholesale business</li> <li>➤ Strong sales and marketing channels, with 15 million existing customer base</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>➤ Selection of globally adopted WiMAX technology</li> </ul>	<ul style="list-style-type: none"> <li>➤ Network build-out and operational experience of fixed, mobile and wireless services</li> <li>➤ Strong contribution to global standardizing activities</li> <li>➤ Extensive field trial and feasibility study</li> </ul>
<b>Financial Position</b>	<ul style="list-style-type: none"> <li>➤ Approx. 20.0 billion yen capital to start preparation for the business</li> <li>➤ Solid business plan</li> </ul>	<ul style="list-style-type: none"> <li>➤ Financial track record</li> <li>➤ Management and execution ability as telecom operators</li> </ul>

# OpenWin Business Model

Expect to wholesale to MVNO partners (15 million potential users)



# Appendix

# FY3/2008 Mid-Year Results (Segment Info.)

	FY3/2008 1H (2007/4-9)				
	Network*	Device	Mobile 07/4, 07/5	EM Equity Method 07/6 – 07/9	Consolidated
(billion yen)					
Revenue	27.34	1.65	1.51		30.14
Operating Profit	6.09	-0.37	-4.24		1.41
Recurring Profit	4.82		-4.50	-4.25	-4.01
Net Income	5.00		-2.00	-4.25	-0.07
EBITDA	9.88	-0.37	-3.30		6.17
Capex	2.58	0	8.31		10.88
Depreciation	3.79	0	0.94		4.76
FCF	7.30	-0.37	-11.61		-4.71

\*Network Business: ADSL Business, ISP Business, Backbone Business, WiMAX Business

# Consolidated Earnings Forecasts (Segment Info.)

	FY3/2008				Consolidated
	Network*	Device	MOBILE 07/4, 07/5	EM Equity Method 07/6 – 08/3	
(billion yen)					
Revenue	54.00	8.00	1.51		63.50
Operating Profit	10.70	-0.30	-4.24		6.10
Recurring Profit	9.00		-4.50	-12.00	-7.30
Net Income	7.50		-2.00	-12.00	-5.10
EBITDA	18.00	-0.30	-3.30		14.50
Capex	6.40	0.30	8.31		15.00
Depreciation	7.30	0	0.94		8.40
FCF	11.60	-0.60	-11.61		-0.60

\*Network Business: ADSL Business, ISP Business, Backbone Business, WiMAX Business

# FY3/2008 Full-Year Upward Revisions (YoY Comparison)

Consolidated operating profit improved to 6.1 billion yen from 1.05 billion yen in prior year  
Consolidated FCF improved to -0.6 billion yen from -28.3 billion yen in prior year

(billion yen)	FY3/2007		FY3/2008			
	(Actual)		Revised (11/13/07)		YoY	
	Parent	Consolidated	Parent	Consolidated	Parent	Consolidated
Revenue	55.98	56.25	62.00	63.50	+11%	+13%
Operating Profit	12.53	1.05	10.40	6.10	-17%	+481%
Recurring Profit	11.38	-1.56	9.00	-7.30	-21%	na
Net Income	6.63	0.91	7.50	-5.10	+13%	na
EBITDA	21.34	10.44	17.70	14.50	-17%	+ 39%
Capex	7.88	38.70	6.70	15.00	-15%	-61%
Depreciation	8.81	9.40	7.30	8.40	-17%	-11%
FCF	13.46	-28.26	11.00	-0.60	-18%	na

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