

**eAccess Ltd.**

**Interim Shareholders Report  
for the 9th Fiscal Term**

From April 1, 2007 to September 30, 2007

A large, semi-transparent globe graphic is centered on the page. The globe is rendered in shades of orange and red, with a grid of latitude and longitude lines. The background of the entire page is a deep red with a subtle grid pattern and scattered glowing orange and yellow dots, some of which are arranged in vertical lines, suggesting a digital or network theme.

**A New and More Efficient  
Broadband Life For All**

## Highlights of the 6 Months Ended September 30, 2007 (Interim Period)

- 1 Maintained a high level of operating profit and cash flow in the Network business.
- 2 Steadily expanded EMOBILE's service area and acquired 122,300 subscribers as of the end of September 2007.
- 3 Paid quarterly cash dividends of ¥575 per share in both the first and second quarters. Plan to pay a total cash dividend of ¥2,300 per share for the year, with a dividend payout ratio of 44.7% on a non-consolidated basis.

### Dear Shareholders,

In the first half of the fiscal year ending March 31, 2008, the eAccess Group maintained a high operating margin while generating a steady cash flow by reducing costs and controlling capital expenditures in the Network business, mainly in **ADSL**\*1 and **ISP**\*2 services. EMOBILE, which became an equity method affiliate in June, has achieved a smooth service area expansion since the service launch. EMOBILE's subscriber acquisition exceeded our initial plan. On the financial side, we have focused on increasing cash flow and continuously strengthening our financial foundation. Furthermore, we have resolved to implement our first share buyback to allow flexible capital strategy.

The eAccess Group continues to maintain solid earnings in our Network business while further expanding our business domains, as we aim for stable and sustainable returns to our shareholders.

We will continue to achieve our business goals, and we look forward to your ongoing support and cooperation.

December 2007



Director and Chairman

**Sachio Semmoto**

Representative Director and President

**Toshio Yasui**

\*1 **ADSL** technology utilizes the existing copper cables of telephone lines to conduct high-speed data transmission. The unique characteristic of this service is that different bandwidths are used when downloading or uploading information from or to the Internet.

\*2 **ISP** [Internet Service Provider] refers to operators who offer connectivity and other Internet related services.

## Q.1

Could you explain the details of eAccess upward revision of its annual forecast?

### Answer:

eAccess revised its revenue forecast upwards because of a higher than anticipated ADSL subscriber acquisition as well as a lower than expected churn rate. We also revised up the operating profit forecast due to an increase in revenue, cost reduction in the ADSL/ISP business, and lower than expected start-up costs for new businesses (backbone and device businesses), which are expected to incur smaller losses in the second half of the fiscal year. Revisions compared to our annual forecast first announced on May 14, 2007 are as follows.

#### Annual Forecast for the Fiscal Year Ending March 31, 2008

		Previous Annual Forecast Announced May 14, 2007	Revised Annual Forecast Announced November 13, 2007	Change
Consolidated	Revenue	¥63.0 billion	¥63.5 billion	+ ¥0.5 billion
	Operating Profit	¥2.0 billion	¥6.1 billion	+ ¥4.1 billion
Non-consolidated	Revenue	¥60.7 billion	¥62.0 billion	+ ¥1.3 billion
	Operating Profit	¥6.7 billion	¥10.4 billion	+ ¥3.7 billion

\*3 **Mobile Broadband** is a type of wireless telecommunication that enables mobile data terminal users to transmit large-quantity and high-speed data anytime and anywhere.

## Q.2

What is the status of progress of EMOBILE's business development?

### Answer:

Since the service launch, EMOBILE has made its utmost efforts on the construction of base stations aiming to quickly achieve a nationwide coverage. In July, EMOBILE further reduced entry-level fees with the launch of its two-tier flat rate "Light Data Plan". EMOBILE also focused on offering new terminals, such as the "EM-ONE α" **Mobile Broadband**\*3 terminal. Thanks to these initiatives, EMOBILE is acquiring subscribers at a pace exceeding original plans. EMOBILE's key business indicators are as follows.

Accumulated subscribers	As of June 2007	60,200
	As of September 2007	122,300
Average Monthly Churn Rate (April to September 2007)	Approximately 1.0%	
Service Areas (As of September 30, 2007)	Approximately 90% population coverage in Tokyo, Osaka and Nagoya	
	Approximately 40% population coverage nationwide	

Move toward new business development that creates waves of change



eAccess

**May 17**  
Announced the commencement of Mobile **WiMAX\*1** trial with WIDE Project of Keio Research Institute at SCF from June 1.

**June 1**  
Newly established the device business and began offering handsets to EMOBILE.

**August 30**  
Started "EMOBILE HomeAccess", a simple ADSL service focusing on Internet access.



**September 20**  
Successfully verified the significant cost reduction of **FTTH\*4** service in optical line terminal experiments.

**September 28**  
eAccess and SoftBank jointly invested in Open Wireless Network (OpenWin) with other partners aiming to obtain a business license for 2.5GHz Broadband mobile wireless access system through mobile WiMAX technology. (OpenWin submitted an application for the 2.5GHz spectrum to the Ministry of Internal Affairs and Communications on October 11, 2007)

Investors	Investment
eAccess	¥6.50 billion
Softbank	¥6.50 billion
Goldman Sachs*	¥4.50 billion
Temasek Holdings	¥2.35 billion
NEC Biglobe	¥0.05 billion
So-net	¥0.05 billion
Nifty	¥0.05 billion
FreeBit	¥0.05 billion
<b>TOTAL</b>	<b>¥20.05 billion</b>

\*Includes Goldman Sachs Group affiliate.

2007 April

May

June

July

August

September



EMOBILE

**May 31**  
eAccess completed the transfer of EMOBILE shares.  
EMOBILE changed from a consolidated subsidiary of eAccess to an equity method affiliate.

Post Transfer Voting Rights Ratio (%)	
eAccess	37.6%
Goldman Sachs*	35.7%
Temasek Holdings	8.3%
Others	18.4%

\*Includes Goldman Sachs Group affiliate.

**June 22**  
Introduced **HSDPA\*2** data terminal (USB modem type) to support **Mac OS\*3**.



**July 1**  
Introduced the "Light Data Plan", a two-tier flat rate plan with ¥2,480 entry monthly fee.

**August 29**  
Achieved over 100,000 subscribers three months after commencing full commercial service (122,300 subscribers as of September 30)

**September 20**  
Introduced "EM·ONE α" with the latest OS, Microsoft® Windows Mobile® 6.0 from October 5.



**EMOBILE Service Areas (As of September 30, 2007)**

[Hokkaido area]: Hokkaido; [Tohoku area]: Miyagi; [Kanto area]: Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa, Yamanashi; [Shinetsu area]: Niigata; [Tokai area]: Gifu, Shizuoka, Aichi; [Kansai area]: Shiga, Kyoto, Osaka, Hyogo, Nara; [Chugoku area]: Hiroshima; [Kyushu area]: Fukuoka

\*1 **WiMAX** [World Interoperability for Microwave Access] offers convenient use, any time and anywhere, of regular mobile phones together with next-generation wireless communications realizing high-speed data transmission over a wireless LAN.

\*2 **HSDPA** [High Speed Downlink Packet Access] is an upgraded W-CDMA technology that achieves data transfer speeds five times faster than traditional protocols. HSDPA is a step above 3G mobile phone technology, and as such has been labeled "3.5G".

\*3 **Mac OS** is the operating system developed by US-based Apple Inc. for its Macintosh (Mac) computer.

\*4 **FTTH** [Fiber To The Home] is a data transmission technology that uses optical fiber cables.



eAccess

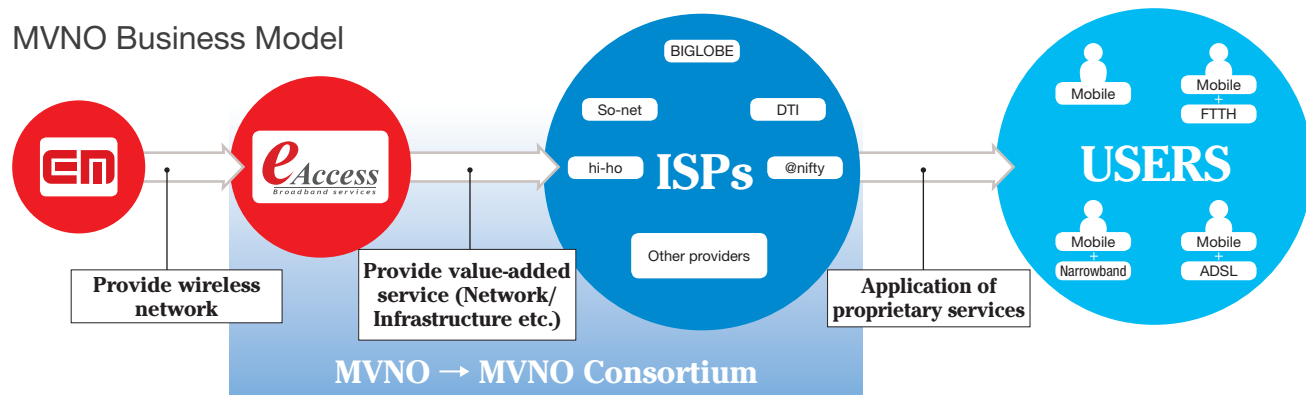
### eAccess and EMOBILE commenced Japan's First Wholesale\*1 3.5G High-Speed Mobile Data Service to MVNOs\*2 From December 2007

To the present, eAccess has engaged in the ADSL service wholesale to ISPs.

With the alliances with ISP partners cultivated in the ADSL business as well as the existing infrastructure, eAccess provides Japan's first HSDPA high-speed mobile data service to NVNOs, which enables eAccess to expand its wholesale business to the mobile field.

To provide high-speed mobile data service, our ISP partners use connecting facilities and operational linked infrastructure that can be shared with eAccess's ADSL wholesale service. This allows ISPs to provide efficient MVNO services that utilize the existing ADSL wholesale framework. While building win-win relationships with EMOBILE and our ISP partners, this business also generates a new stream of earnings.

#### MVNO Business Model



\*1 Wholesale (eAccess and others) lease out NTT's telephone lines and wholesale the ADSL lines to ISP partners.

\*2 MVNO [Mobile Virtual Network Operator] is an operator that provides wireless service while leasing out network from MNOs (Mobile Network Operators)

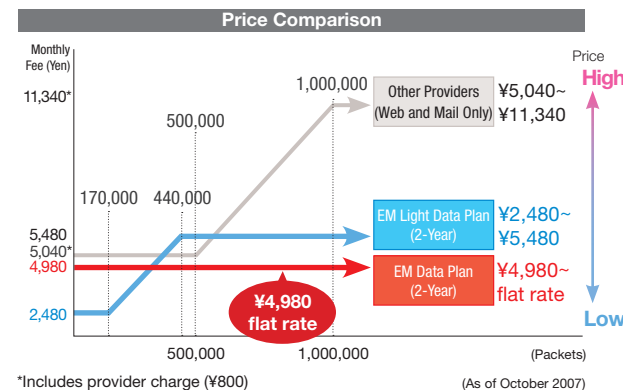


EMOBILE

### Introduction of Two-tier Flat Rate "Light Data Plan"

#### Market Dominance Assured With Low Cost and High Data Speed

We adopted a new two-tier flat rate plan, "Light Data Plan", in addition to the existing flat rate plan "Data Plan". Light Data Plan offers the industry's lowest entry monthly fee of ¥2,480 (2 year contract). Besides lowering the entry monthly fee, the economical Data Plan (high-speed mobile) service continues to offer the same unlimited traffic volume as we ensure market dominance through low price and high speed.



\*3 IP Phone technology to make telephone calls through IP (Internet Protocol) networks instead of traditional phone lines

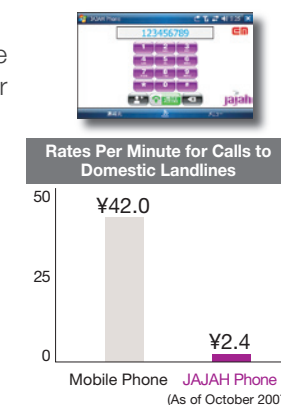
### Introduction of New Mobile Broadband Terminals

In June 2007, EMOBILE introduced HSDPA high-speed data card (USB modem type), Japan's first flat rate service to support Mac OS. EMOBILE also introduced "EM·ONE α", a new mobile broadband device with new features and equipped with the latest OS, Microsoft® Windows Mobile®6.0 on October 5, 2007.



### Mobile IP Phone\*3 installed in EM·ONE α

Partnering with US-based JAJAH Inc., EMOBILE became the first mobile phone operator in Japan to officially adopt mobile IP phone. By installing "JAJAH Phone", an IP phone software specially developed for "EM·ONE α" by JAJAH, EMOBILE offers inexpensive and convenient service to fixed-line and mobile phones around the world.



## Consolidated Financial Results and Outlook

### Financial Results for the 6 Months Ended September 30, 2007

Due to the transfer of EMOBILE shares, EMOBILE changed to an equity method affiliate from a consolidated subsidiary from May 31, 2007.

◆ On the non-consolidated basis, more-than expected acquisition of AOL subscribers as well as increasing demand for EMOBILE's high-speed mobile data service and ADSL bundled service contributed to solid revenue in the Network business. These results, together with revenue of the newly established Device business, resulted in a ¥28.9 billion revenue, 2.6% increase from the previous corresponding period. Further, continuous cost reduction and capital expenditure control in the network business,

which serves as the foundation of our earnings, led to a high non-consolidated operating margin of 19.7%.

On the consolidated basis, despite the burden of a ¥4.2 billion loss incurred in April and May when EMOBILE was accounted for as a consolidated subsidiary, we secured a ¥1.4 billion operating profit in the interim period under review.

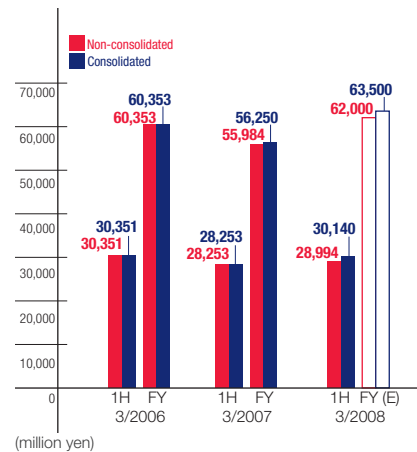
EMOBILE utilizes its superior cost competitiveness in new market entry and efficiently carries out capital expenditures while expanding its area coverage. EMOBILE also continues to maintain a solid financial foundation with ¥50 billion cash and deposits and over ¥250 billion commitment line untouched as of September 30, 2007.

### Outlook for the Full Fiscal Year Ending March 31, 2008

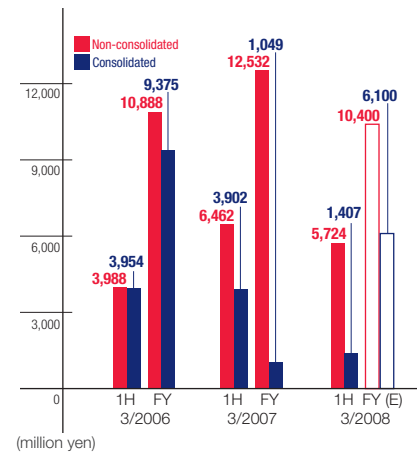
◆ Consolidated revenue is expected to rise to ¥63.5 billion, 13% increase from previous year due to revenue contributed by the Device business and other new businesses. The contribution of expected robust profits in the network business, as well as coupled with a reduction in EMOBILE's loss, is expected to underpin a 486% increase in operating profit over the previous year to ¥6.1 billion. The Company plans to continue cost reduction and capital expenditures control in the Network business while focusing on further cost reduction. We aim to turn profit in the new businesses and strive to improve cash flows.

◆ In the fiscal year ending March 31, 2008, the Network business is expected to generate solid cash flows. Furthermore, we realized capital gains through the transfer of EMOBILE shares. Consequently, we expect to pay a total cash dividend of ¥2,300 per share for the year, with a non-consolidated dividend payout ratio of 44.7%. To increase flexibility under the Company's business environment, we have resolved a share buyback with a maximum amount of ¥3.0 billion.

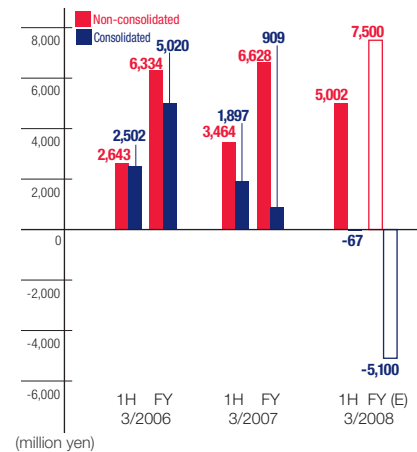
#### Revenue



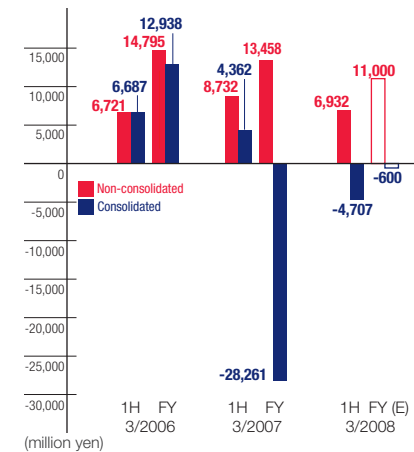
#### Operating Profit (Loss)



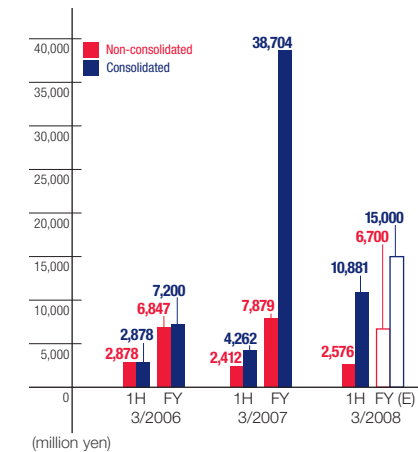
#### Half-Year Net Income



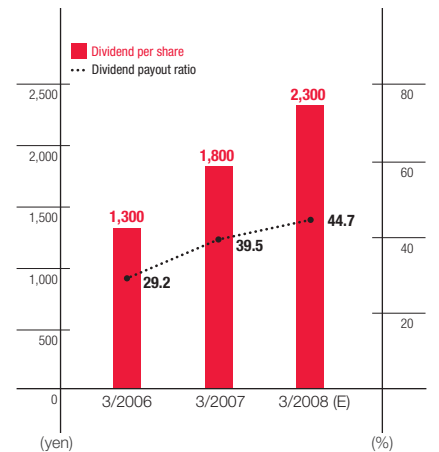
#### Free Cash Flow\*1



#### Capex



#### Dividend Per Share/ Dividend Payout Ratio (Non-Consolidated)\*2



\*The content of this shareholders report includes statements on future plans and forecasts. 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.

\*1 **Free Cash Flow** is the cash flow generated from operating activities less the amount of capital expenditures required to sustain business operations.

\*2 **Dividend payout ratio (Non-consolidated)** = Total dividends paid/Net income (Non-consolidated) × 100

**eAccess Ltd.** As of September 30, 2007

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: 357 (Consolidated: 764)  
 Business Focus: Broadband IP communication services

**Mission Statement**

**A New and More Efficient Broadband 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

**Directors and Corporate Auditors** As of September 30, 2007

Director and Chairman	Sachio Semmoto
Representative Director and President	Toshio Yasui
Director	Eric Gan
Outside Director	Paul Reynolds
Outside Director	William L. Smith*
Outside Director	Jiro Kokuryo
Outside Director	Kenzo Takai
Outside Director	Tunji Inoue
Outside Director	Ken Shibusawa
Corporate Auditor	Yukio Goto
Outside Corporate Auditor	Koichiro Nakamoto
Outside Corporate Auditor	Motohide Nishimura

\*Resigned as of October 26, 2007

**Affiliated Company** As of September 30, 2007

**EMOBILE Ltd.**

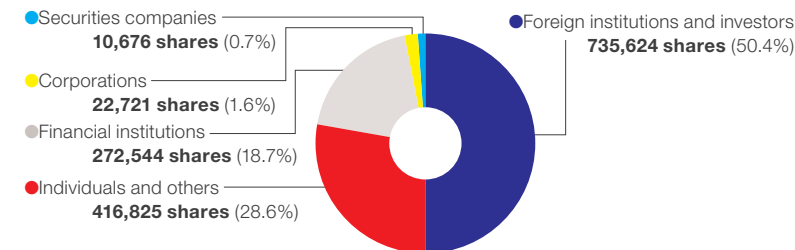
Established: January 5, 2005  
 Capital: ¥71.8 billion  
 Headquarters: Shin-Nikko Bldg., 10-1 Toranomom 2-chome, Minato-ku, Tokyo 105-0001, Japan  
 Number of Employees: 407  
 Business Focus: Mobile broadband communication services

Number of shares authorized	5,489,760
Number of shares issued	1,458,390
Number of shareholders	30,101

**Top 10 Principal Shareholders**

Name	Number of Shares	% Based on Outstanding Shares
1. Morgan Stanley & Co. International PLC	165,041	11.31
2. The Master Trust Bank of Japan (Trust Account)	164,817	11.30
3. Sachio Semmoto	101,310	6.94
4. Eric Gan	94,765	6.49
5. Goldman Sachs and Company Regular Account	65,620	4.49
6. Nomura International (Hong Kong) Limited, Account F5-108	48,030	3.29
7. JP Morgan Chase Bank, 380084	39,002	2.67
8. Bank of New York GCM Client Account EISG	28,931	1.98
9. eAccess Holdings LLC	22,220	1.52
10. Japan Trustee Services Bank, Ltd. (Trust Account)	21,869	1.49

**Share Distribution**



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  
 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

**Shareholders Register Administrator**

The Mitsubishi UFJ Trust and Banking Corporation  
 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212

**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 NIKKEI Newspaper in case the method of electronic public notice is not available due to any troubles or other unavoidable circumstances.



eAccess Ltd.

Shin-Nikko Bldg., 10-1 Toranomom 2-chome, Minato-ku, Tokyo 105-0001, Japan  
<http://www.eaccess.net/>

\*The content of this shareholders report includes statements on future plans and forecasts. 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.

