

# eAccess Limited 【9427】

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**3Q Results for FY3/2008**  
**( 4/2007 ~ 12/2007 )**



**February 7<sup>th</sup> , 2008**

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# FY3/2008 3Q Results Highlight

## Financial Results

**Consolidated revenue and operating profit increased YoY**

**Upward revision of full year parent and consolidated earnings forecast due to better-than-expected 3Q financial results**

## eAccess

**Maintained low ADSL churn rate of below 1.80%**

**ADSL subscribers as of 12/31/07 declined by 1.0% from 9/30/2007**

## EMOBILE

(Equity accounting method since June)

**Acquired 205,900 subscribers as of 12/31/2007  
Achieved record high of 41,600 subscriber net addition in December**

**Started providing Japan's first 7.2Mbps HSDPA mobile data service and service to MVNOs in December 2007**

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# FY3/2008 3Q Financial Results

**Consolidated revenue increased by 7.6% YoY and operating profit increased by 8.4% YoY  
(YoY comparison may not be applicable due to a change in EMOBILE accounting)**

	FY3/2007 3Q (2006/4-12)			FY3/2008 3Q (2007/4-12)			
	Parent	Mobile	Consolidated	Parent	Mobile (Apr-May)	EM etc. Equity Accounting Method (Jun-Dec)	Consolidated
(billion yen)							
Revenue	42.11	-	42.09	44.14	1.51		45.28
Operating profit	9.54	-6.16	3.37	7.98	-4.24		3.65
Recurring profit	8.57	-7.37	1.20	6.75	-4.50	-7.85	-5.69
Net income	5.10	-7.38	1.80	6.10	-2.00	-7.85	-2.58
EBITDA	16.33	-6.09	10.24	13.54	-3.30		10.26
Capex	4.49	4.60	9.09	3.68	8.31		11.98
Depreciation	6.79	0.08	6.87	5.56	0.94		6.61
FCF	11.84	-10.69	na	9.86	-11.61		na

· FY3/2007 included 4.09 billion yen and FY3/2008 included 2.58 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 Previous Full-Year Forecast

**Revised up full-year forecast due to improving profit from Network Business and new businesses**

	FY3/2008_3Q (2007/4-12)					
	Parent			Consolidated		
(billion yen)	Parent	Previous Forecast (10/29/07)	Progress	Consolidated	Previous Forecast (10/29/07)	Progress
Revenue	44.14	62.00	71%	45.28	63.50	71%
Operating Profit	7.98	10.40	77%	3.65	6.10	60%
Recurring Profit	6.75	9.00	75%	-5.69	-7.30	na
Net Income	6.10	7.50	81%	-2.58	-5.10	na
EBITDA	13.54	17.70	76%	10.26	14.50	71%
Capex	3.68	6.70	55%	11.98	15.00	80%
Depreciation	5.56	7.30	76%	6.61	8.40	79%
FCF	9.86	11.00	90%	na	na	na

# FY3/2008 Full Year Upward Revisions

**Upward revision of Device Business Revenue  
due to higher-than-expected terminal shipment from Device Business for FY3/2008  
Profit and FCF increased due to continuous cost reduction**

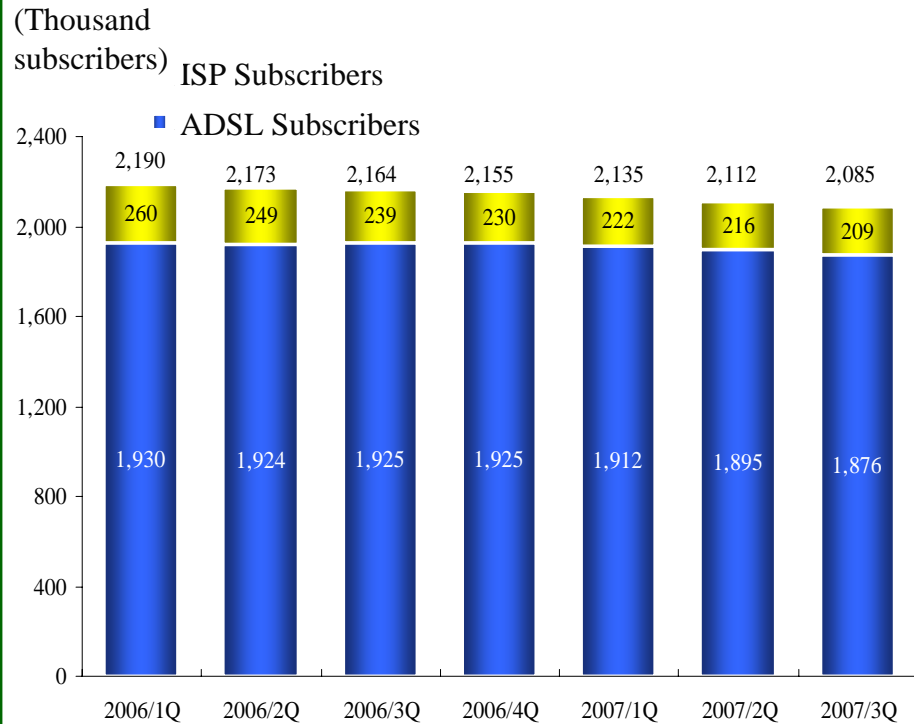
(billion yen)	FY3/2008			
	Previous (10/29/07)		Revised (2/7/2008)	
	Parent	Consolidated	Parent	Consolidated
Revenue	62.00	63.50	65.50	67.00
Operating Profit	10.40	6.10	11.40	7.10
Recurring Profit	9.00	- 7.30	10.10	- 6.70
Net Income	7.50	- 5.10	8.00	- 5.00
EBITDA	17.70	14.50	18.80	15.50
Capex	6.70	15.00	5.90	14.20
Depreciation	7.30	8.40	7.40	8.30
FCF	11.00	na	12.90	na

\*FCF: EBITDA – Capex

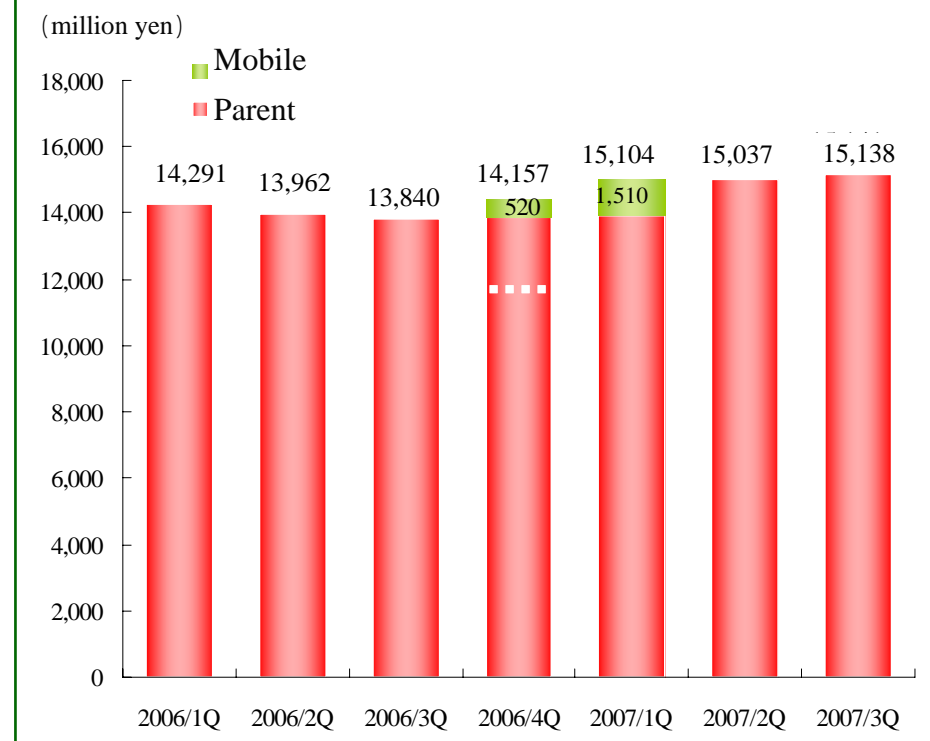


**ADSL · ISP subscriber trend is in-line with forecast**  
**Consolidated revenue increased due to contribution of new businesses**

## ADSL · ISP Subscribers



## Revenue (Consolidated)

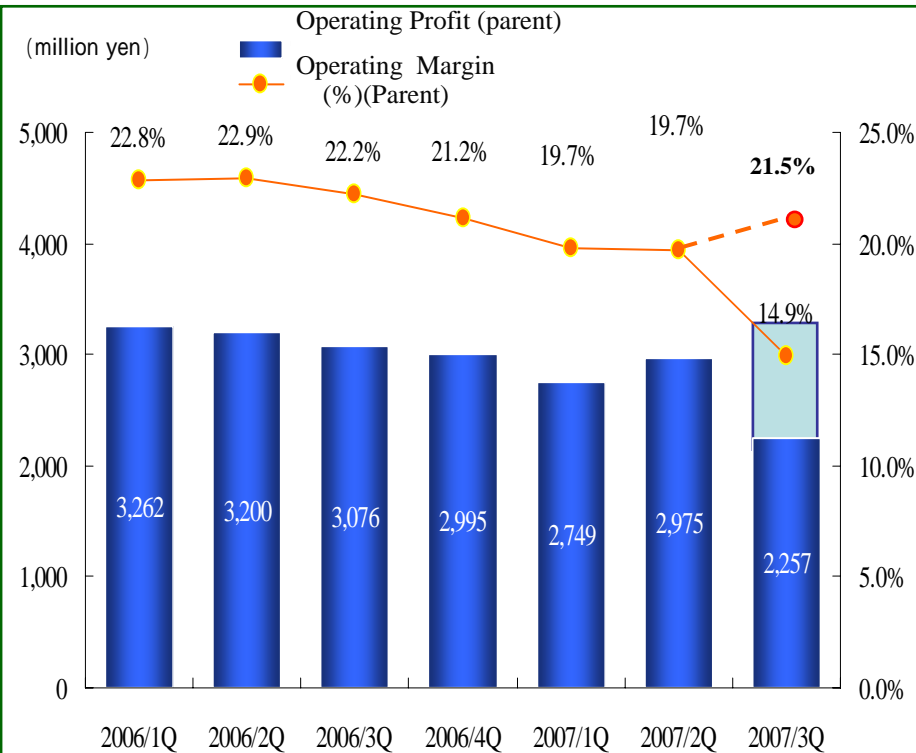


EMOBILE is accounted under equity accounting method from June, 2007. On a consolidated basis, 2006/4Q includes 1 month and 2007/1Q includes 2 months of EMOBILE revenue.

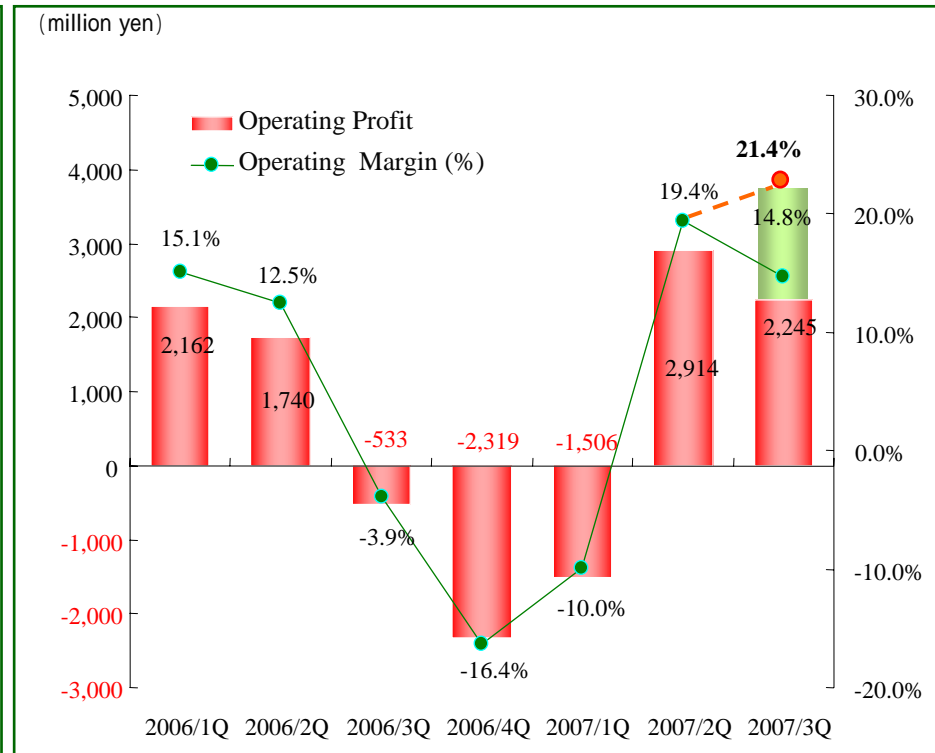
# Operating Profit Trend

**Operating profit decreased in 3Q due to R&D costs of Device Business  
Normalized parent operating profit margin continued to improve to 21.5%**

## Operating Profit & Operating Margin (Parent)



## Operating Profit & Operating Margin (Consolidated)

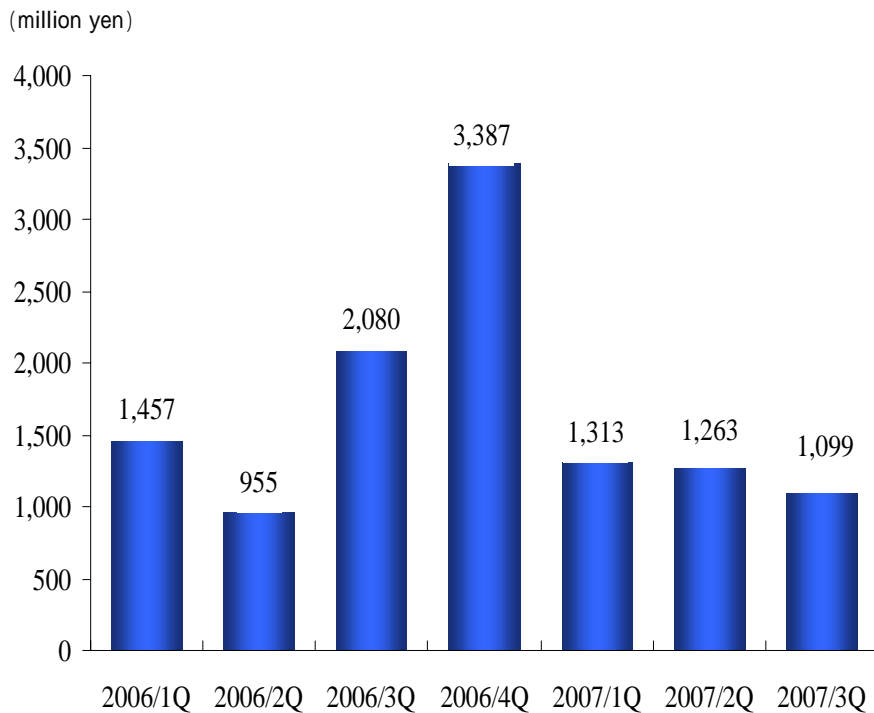


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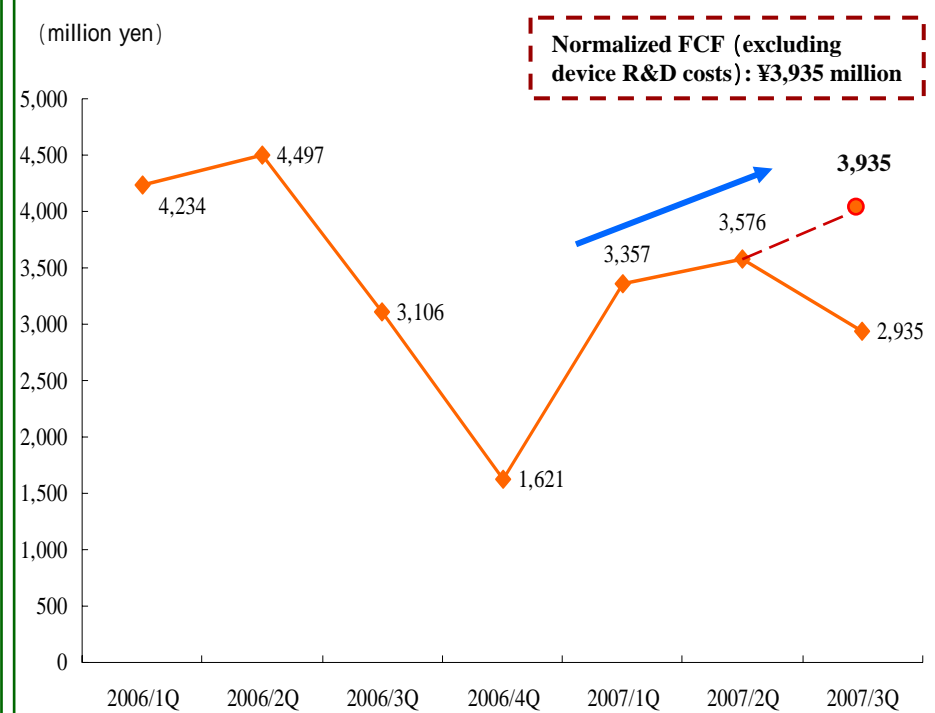
# Capex and Free Cash Flow Trend

**Improving parent free cash flow since 1Q**

**Capex Trend  
(Parent)**



**Free Cash Flow Trend  
(Parent)**



# Balance Sheets

**Maintained solid balance sheet with Net-Debt-to-Equity Ratio of less than 100%**

	As of March 31, 2007		As of December 31, 2007		
	Parent	Consolidated	Parent	Consolidated	EMOBILE (Reference)
(billion yen)					
Cash and Cash Deposit	51.01	160.93	49.14	49.98	35.54
Debt	88.45	89.90	85.20	85.20	23.62
Net Debt	37.44	-71.03	36.06	35.22	-11.92
Minority Interest	--	77.09	--	0.65	--
Total Shareholders' Equity	38.92	32.23	39.45	24.11	103.10
Total Asset	139.57	237.84	135.60	121.15	147.81
Net Debt//Equity Ratio (%)	96.2%	-220.4%	91.4%	146.1%	-11.6%

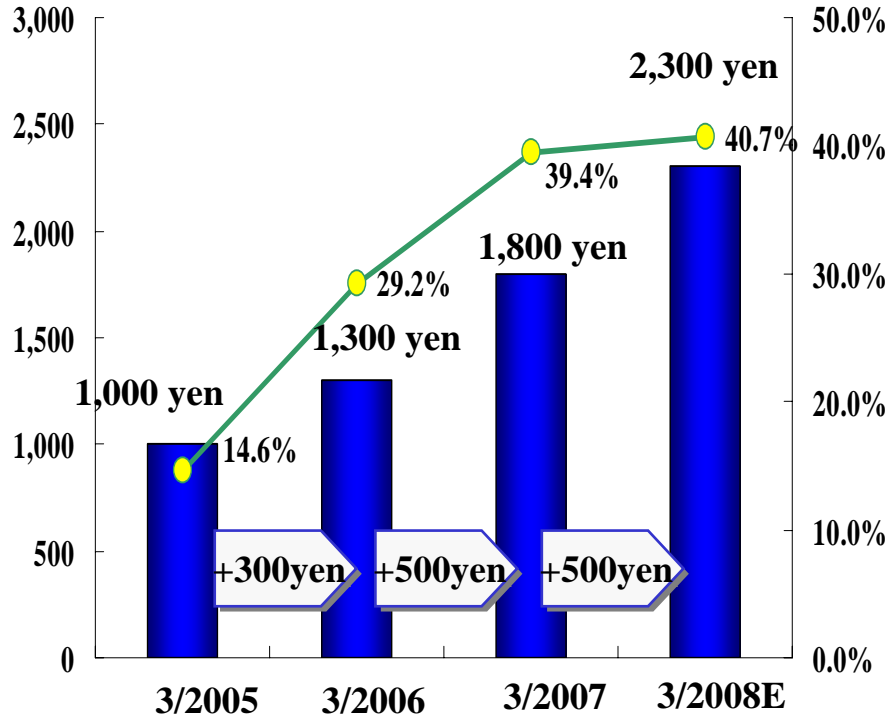
# Dividend and Share Buyback

## Dividend

## Share Buyback

(Dividend per share, yen)

(Dividend payout ratio  
- eAccess parent basis)



<eAccess completed its share buyback in the end of December, 2007>

	Maximum	Actual
Amount of Shares Purchased	3,000,000,000 yen	2,999,955,600 yen
No. of Shares Purchased	50,000 shares	44,741 shares *Approx. 3.2% of total outstanding shares (excluding treasury shares as of December 31, 2007)

Dividend Yield	1.32% <sup>*1</sup>	1.43% <sup>*1</sup>	2.30% <sup>*1</sup>	3.72% <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 February 6, 2008 of 61,900 yen.

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# Network Business



## ADSL Business

- **ADSL monthly churn rate in 3Q remained low at 1.79%**
- **Expanding new distribution channels for ADSL Business**
  - **Increasing take-up from EMOBILE HomeAccess and mobile broadband bundled services**
  - **Expanding alliance with new partners**
- **Start providing Mobile Broadband service to MVNOs from December 2007**

## ISP Business

- **Increasing AOL subscriber monthly net addition in 3Q**
- **AOL broadband migration rate increased to 37.1% by up 6.3% point YoY**

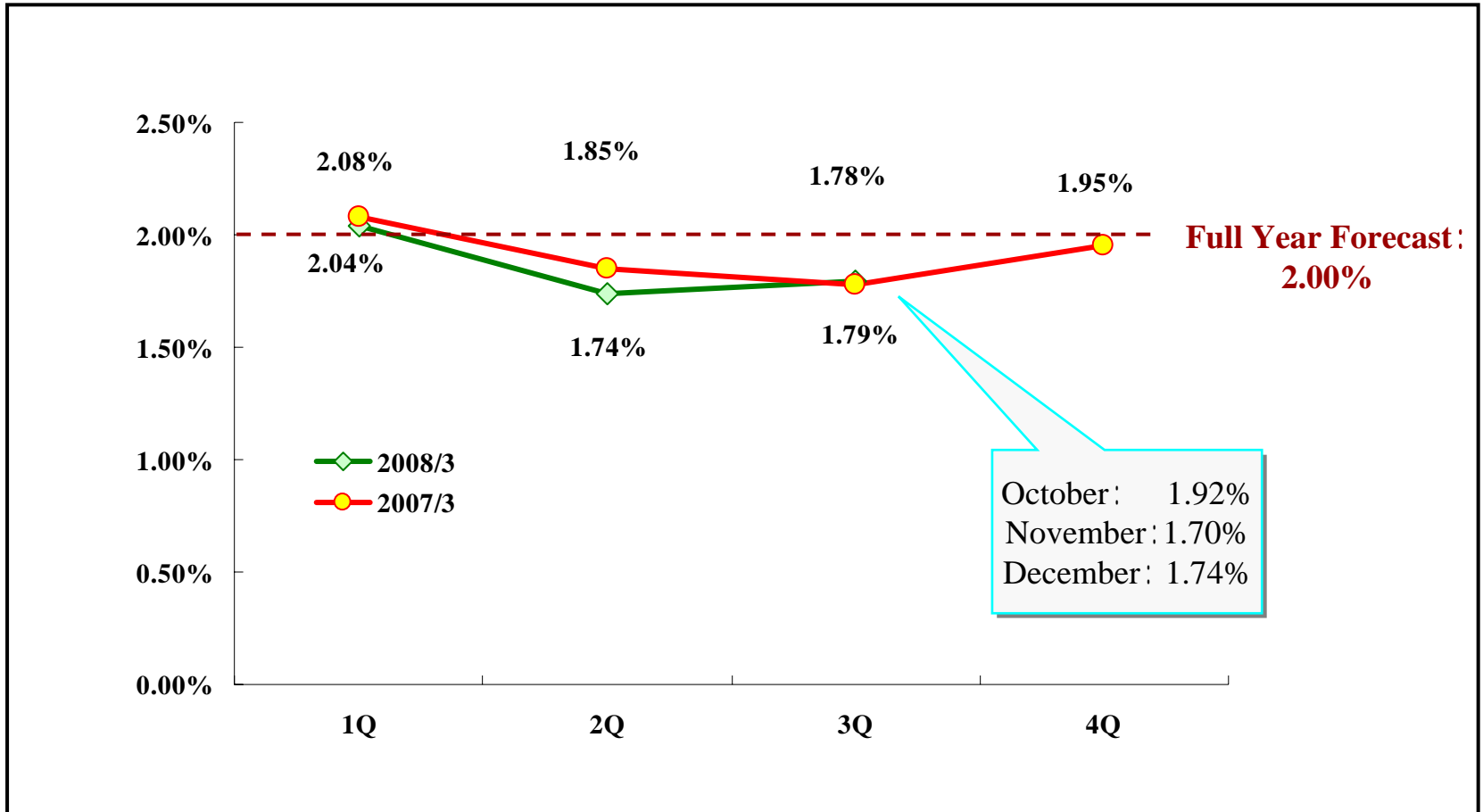
## Backbone Business

- **Turned profit on a monthly basis from October 2007**



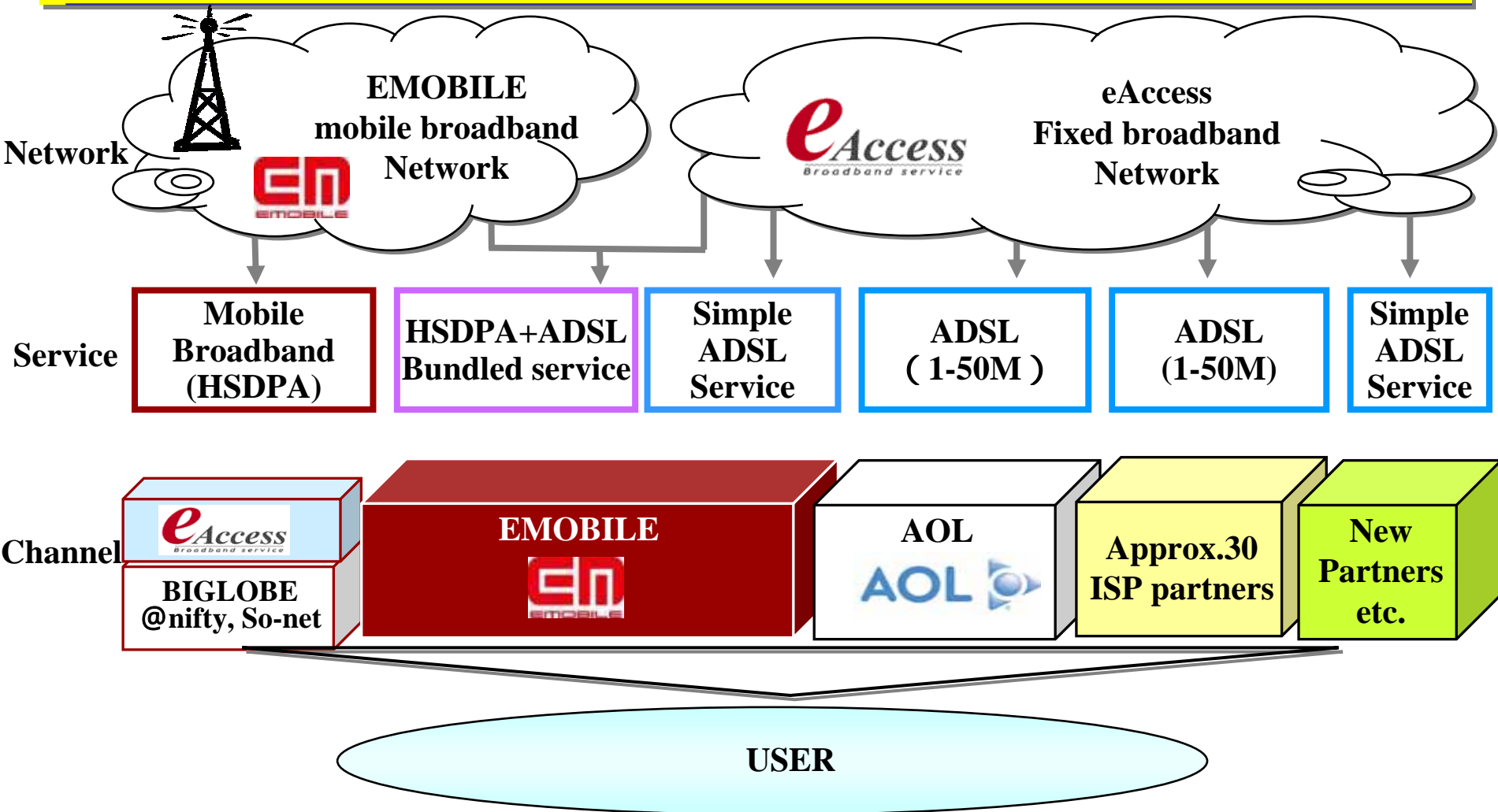
# ADSL Churn Rate

**ADSL churn rate in 3Q was 1.79%,  
lower than our expectation of 2.00%**



# Expansion of Wholesale Business

**Expanding distribution channels through alliances with EMOBILE, ISPs & new partners**  
**Aim to increase shares in the broadband market**

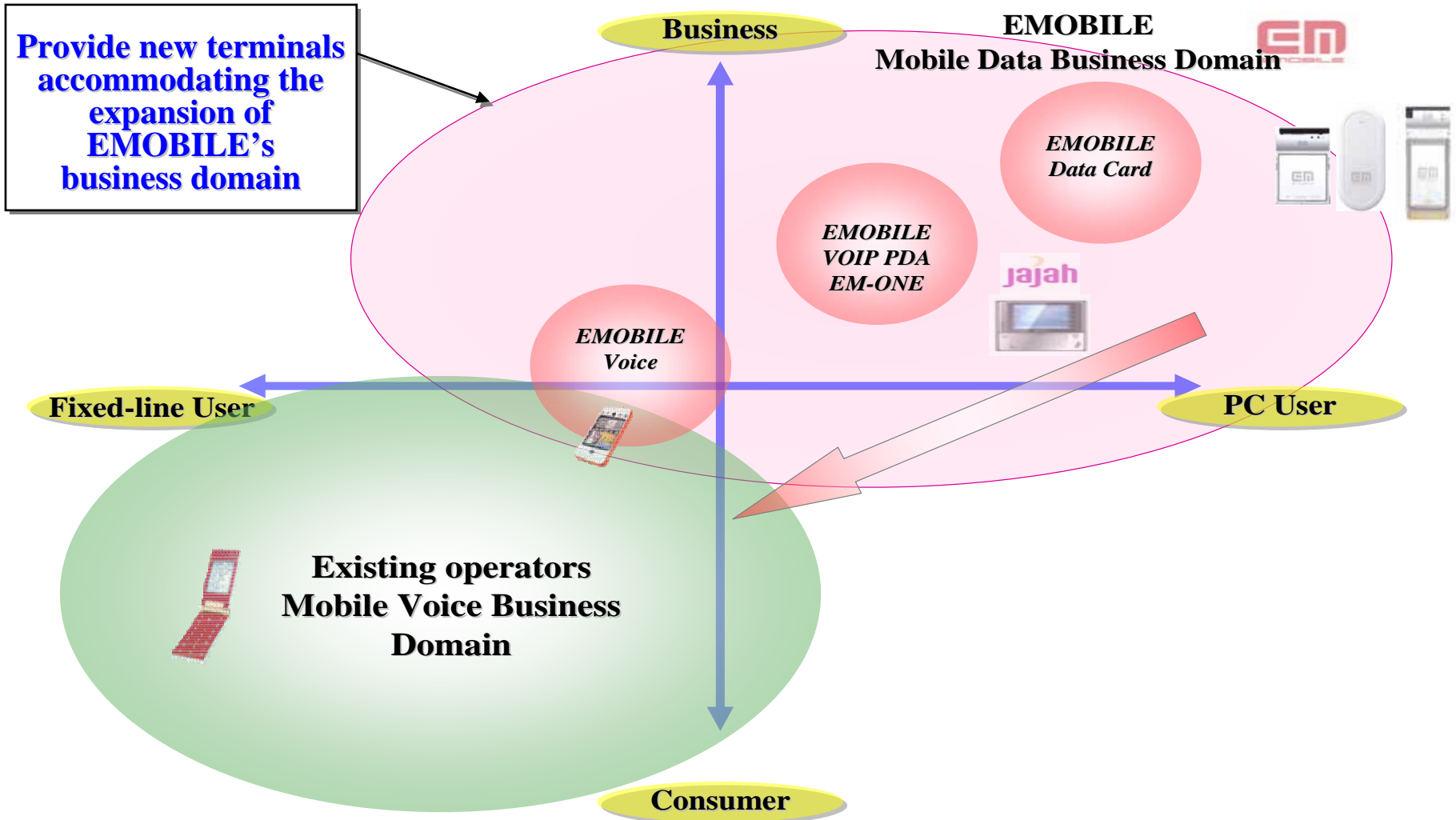


# Device Business



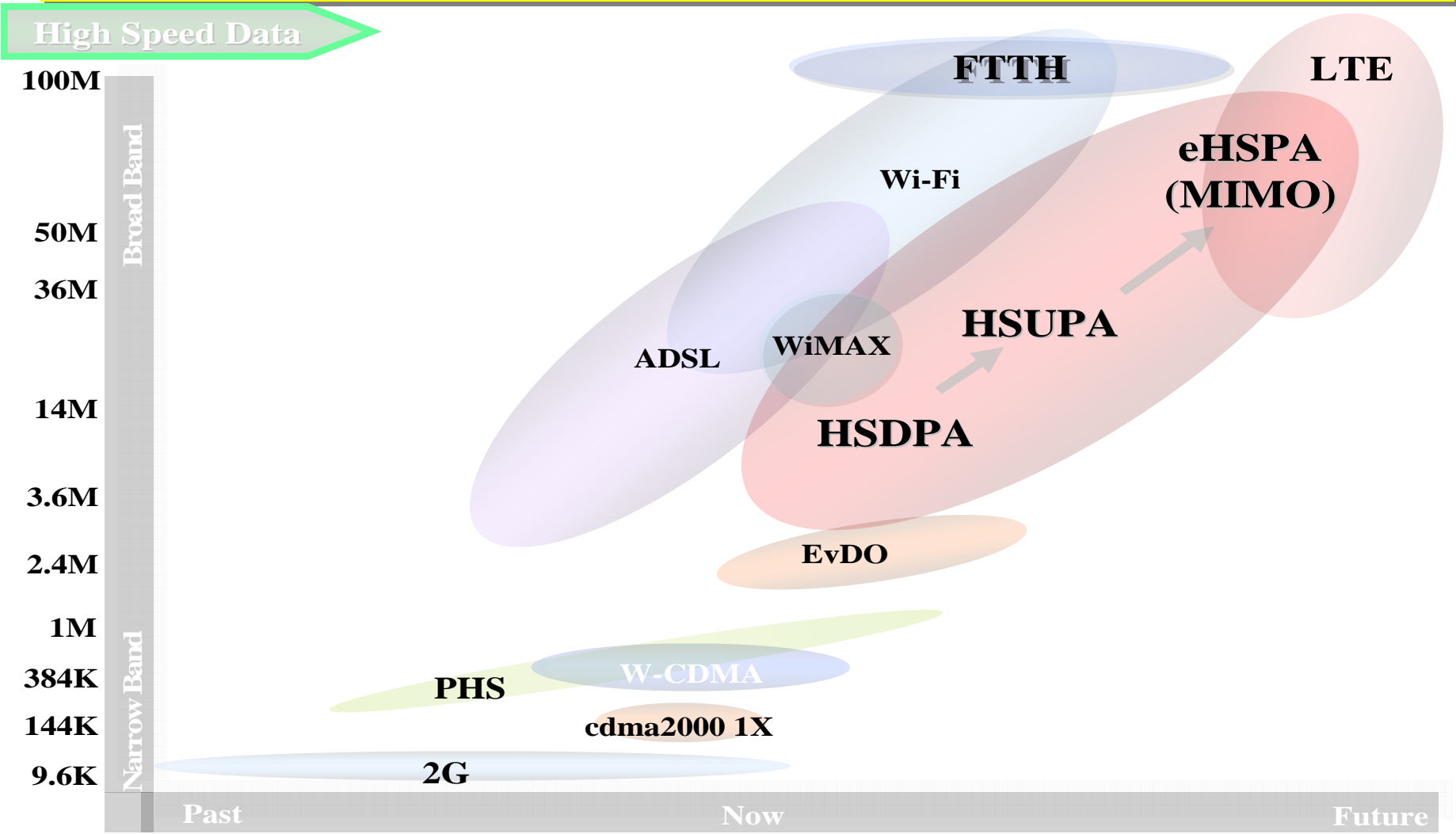
# Device Business Update

**Revised revenue forecast for FY3/2008 to 11.5 billion yen from 8.0 billion yen due to higher-than-expected terminal shipment to EMOBILE**



# Wireless Broadband Business Strategy

**Aim to upgrade HSPA with existing infrastructure network**  
**Plan to initiate studies and field trials on LTE**



# EMOBILE



# EMOBILE Highlight

## Subscribers

- Acquired **205,900 subscribers** (December 2007)
- Record-high **monthly net increase** of **41,600** (December 2007)
- Kept low **monthly churn rate** of approx. **1%**

## Area Coverage (As of December)

- Signed an official **roaming agreement** with NTT DoCoMo
- Achieved more than **50%** population coverage nationwide
- Over **90%** coverage in **Tokyo, Osaka and Aichi**

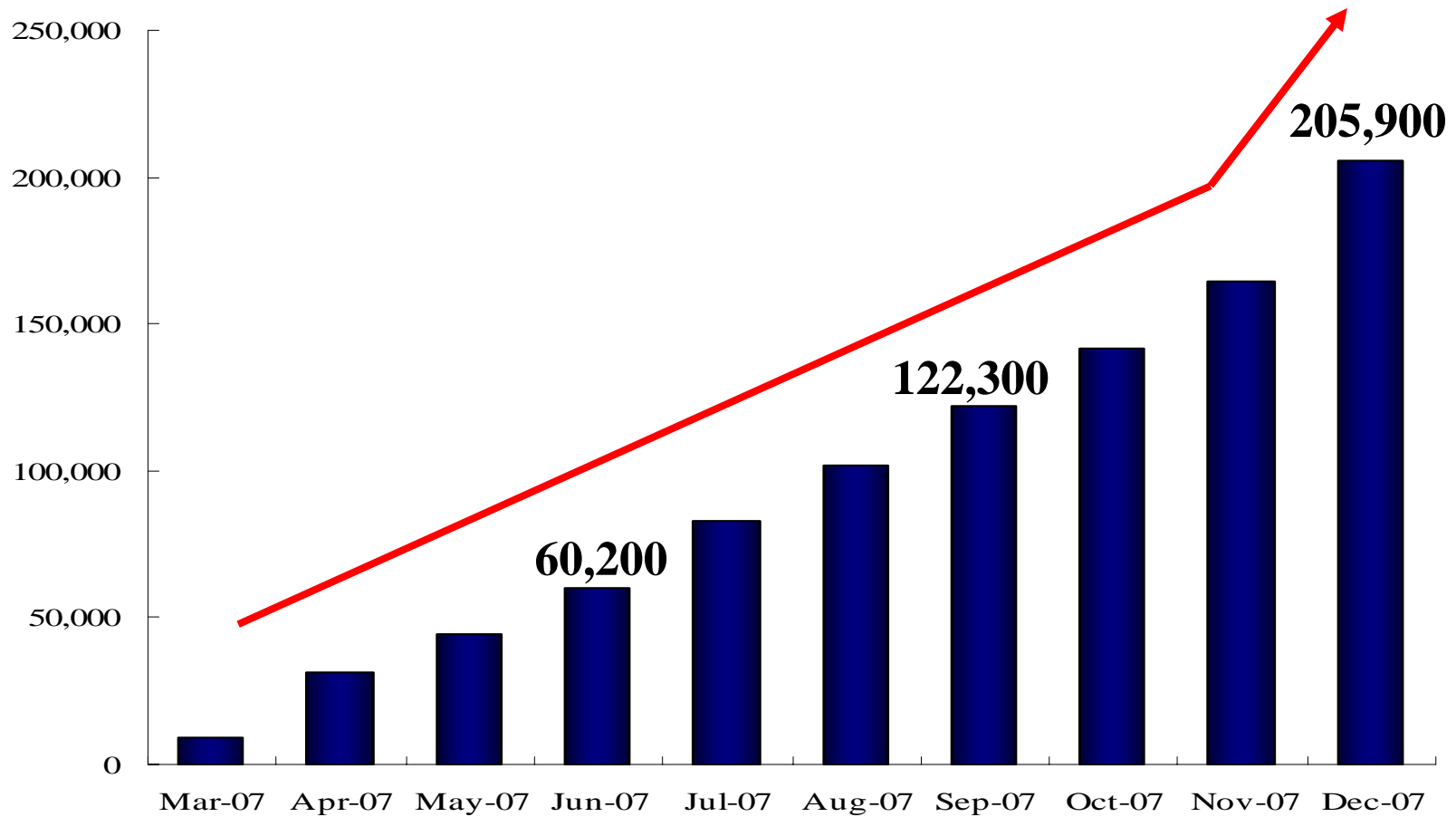
## Services and Marketing

- Launch of **7.2Mbps flat rate** service (December 2007)
- “shop-in-shop” at more than **500** major electric retailers
- Started providing Japan’s first HSDPA mobile data service to **MVNOs** (December 2007)

# Subscriber Trend

**Achieved a total number of subscribers of 205,900 in December 2007**  
**Record-high in monthly net addition following the launch of 7.2M HSDPA service**

(subscriber)

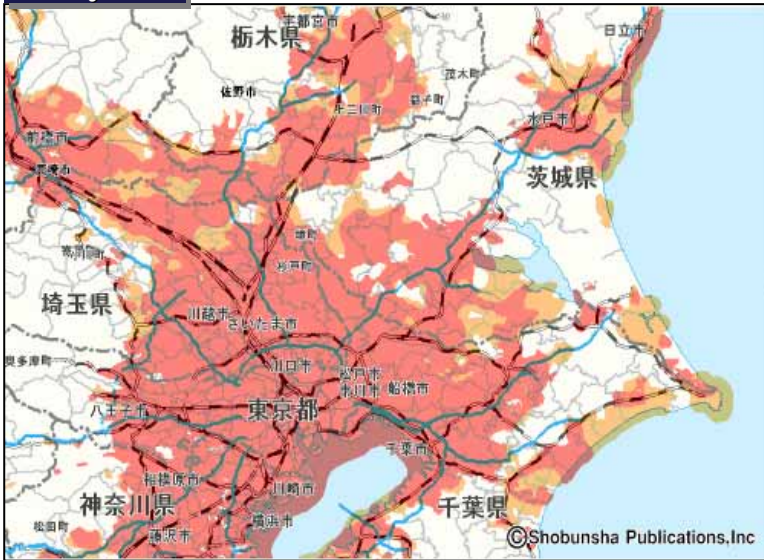




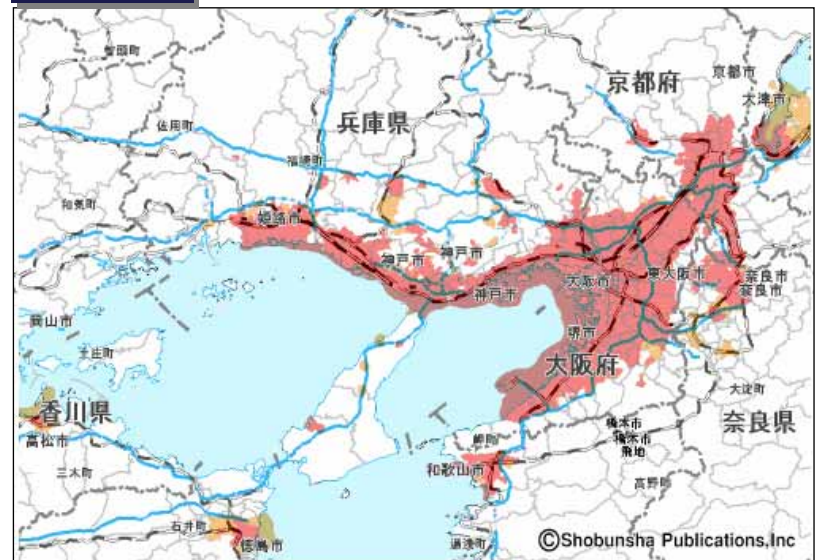
# Service Area Expansion

**Achieved more than 50% nationwide population coverage & 90% in Tokyo, Osaka and Aichi  
Plan to launch voice service nationwide together with NTT DoCoMo roaming areas**

**Tokyo**



**Osaka**



**Aichi**



- ... Service areas as of January 2008
- ... Planned areas by the end of February 2008

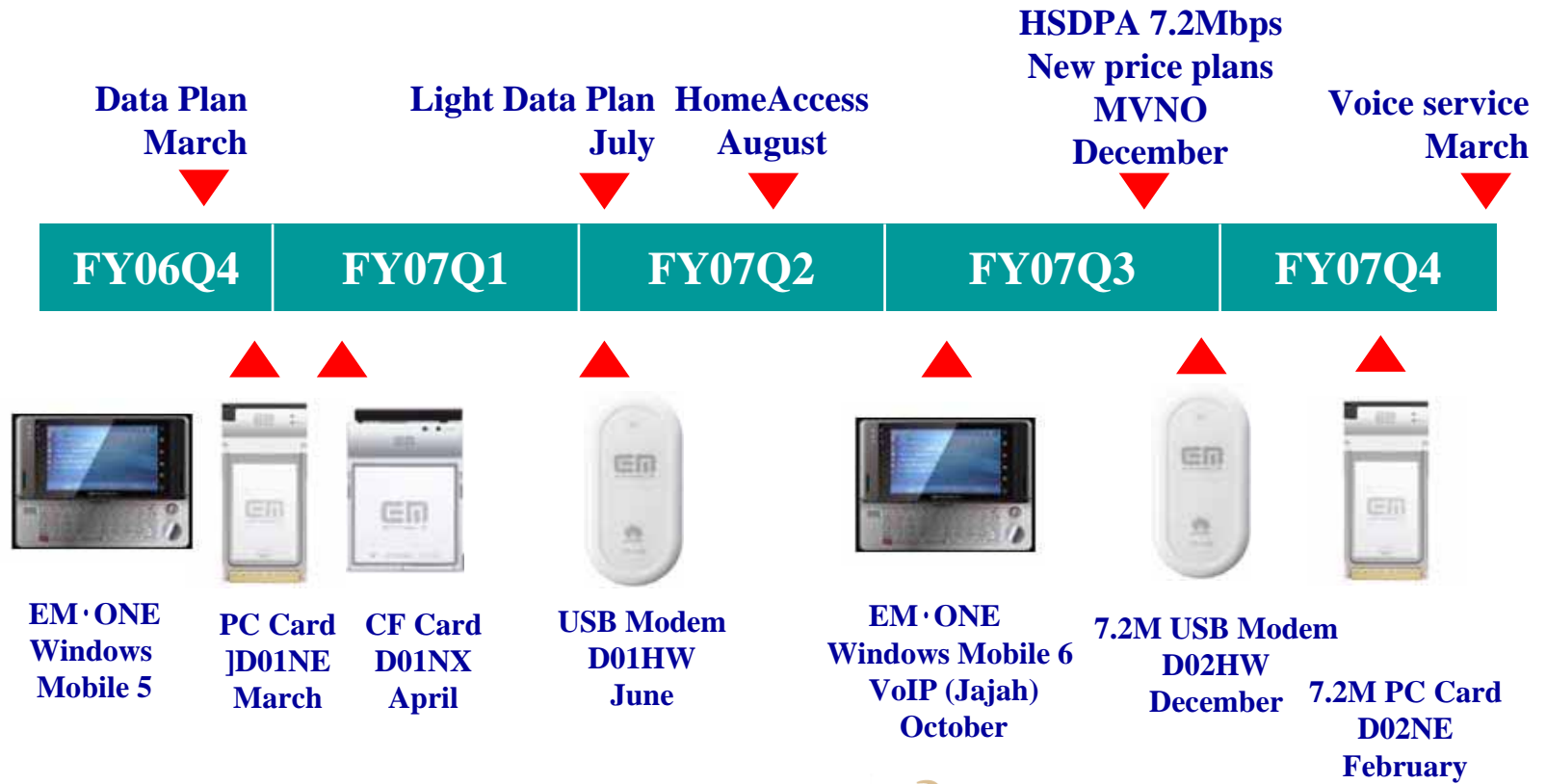
# Competitive Landscape of Mobile Data Service

**EMOBILE continues to be the Price & Speed leader  
in Mobile Broadband**

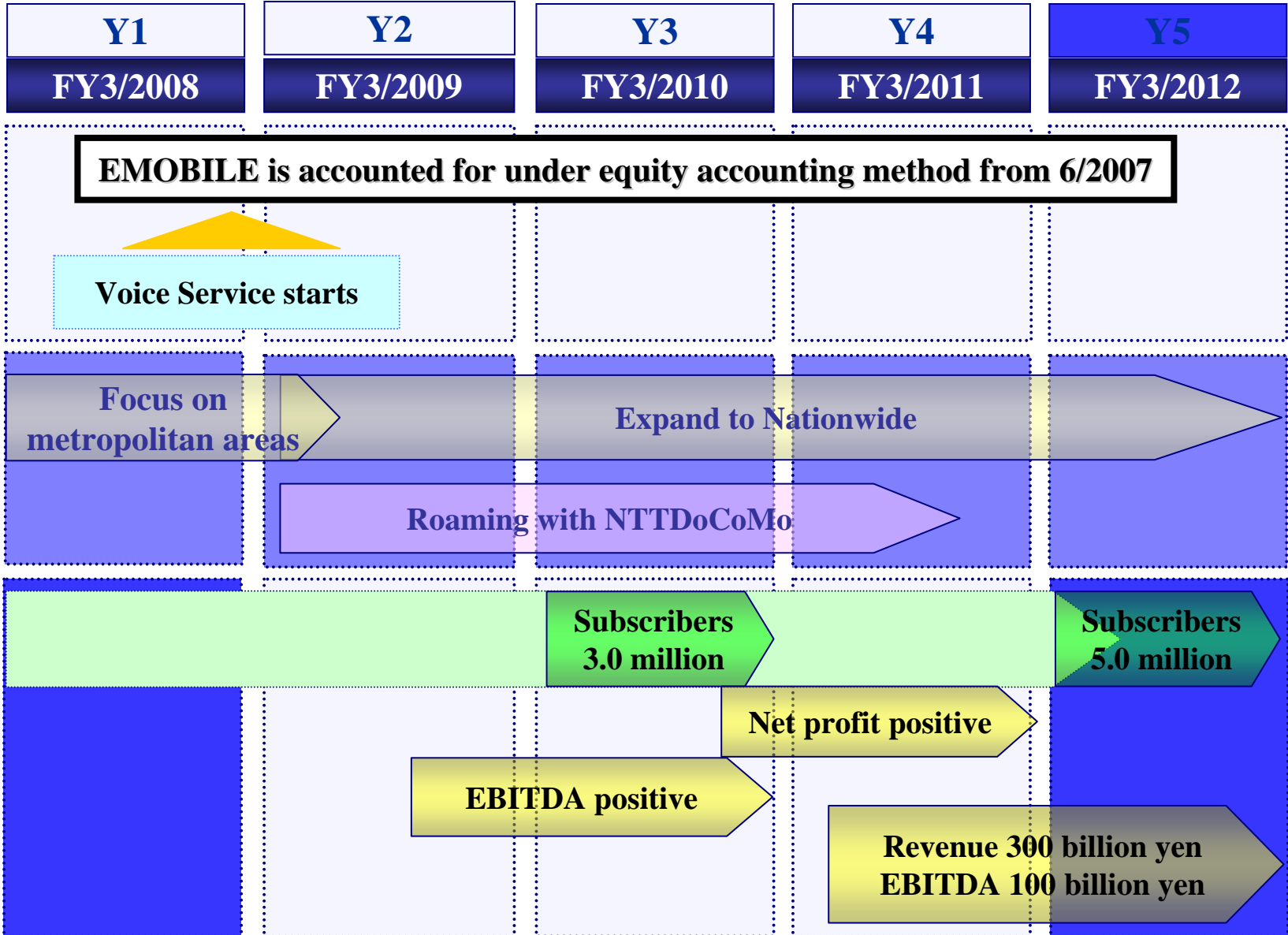
	Speed (downlink)	Monthly charge	Others
EMOBILE	7.2Mbps	¥1,980 <sup>(a)(b)</sup> (up to 11 Mbyte) ¥4,980 <sup>(a)(b)</sup> (flat rate)	Free ADSL
Company (A)	3.6Mbps	Max ¥11,340 <sup>(c)</sup> (two-tiered flat rate)	Web and mail only
Company (B)	3.1Mbps	¥8,505 <sup>(a)(d)</sup> (flat rate)	EV-DO
Company (C)	3.6Mbps	¥62,685 <sup>(a)</sup> (for 1GB) (pay-as-you-go)	Limited areas
Company (D)	64 to 256kbps	¥5,176 to ¥12,001 <sup>(e)</sup> (flat rate)	PHS

Charges include VAT (a) two-year contract (b) includes ISP charge (c) includes ISP charge of 840 Yen (d) includes ISP charge of 1,575 Yen (e) one-year contract

# Product Road Map



# EMOBILE Business Plan Schedule (Plan)



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# Shareholders Proposal to ACCA



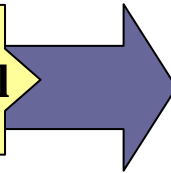
# Shareholders Proposal to ACCA

**Propose to replace current ACCA internal directors  
with 4 eAccess new directors**

**Current Internal  
Directors (3)**

**Mr. Masaharu Kimura  
Mr. Hidehirko Yuzaki  
Mr. Koichi Hirono**

**Removal**



**New Directors (4)**

**Mr. Yoshihiro Obata (Internal)  
Mr. Munehiro Osaka (Internal)  
Mr. Eric Gan (External)  
Mr. Masashi Ishida (External)**

**Appointment**

**Mr. Motonobu Sato (External, Mitsui Industry)  
Mr. Norio Sasada (External, NTT Communications)  
Mr. Ryusaku Hoshino (External, Ignite)**

**Reappointment**

**Directorship at multiple companies within the same industry is allowed under the Companies Act.**

**•Notice: This announcement is not intended to , and should not be understood to solicit proxy of any shareholders.**

# Purpose of the Proposal

- **To increase the corporate value and maximize the interest of ACCA's stakeholders**
- **To execute the shareholders' right of proposal**

## Improve Stand Alone Operation

- **Change in ACCA management team**

- **Respect ACCA's employees and users**

## Cooperation With Other Stakeholders

- **Cooperate with other shareholders in building new plans to enhance ACCA's business**

- **Maintain and further strengthen relationships with other shareholders**

- **Explore new ideas to strengthen the business**

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# Performance Comparison

(million yen)	<b>eAccess(Parent) (4/2006~3/2007)</b>	<b>ACCA (1/2006~12/2006)</b>
<b>Revenue</b>	<b>55,984</b>	<b>38,829</b>
<b>Operating Profit</b>	<b>12,532</b>	<b>1,880</b>
<i>Operating Margin(%)</i>	<i>22.4%</i>	<i>4.8%</i>
<b>Recurring Profit</b>	<b>11,378</b>	<b>1,908</b>
<i>Recurring Margin(%)</i>	<i>20.3%</i>	<i>4.9%</i>
<b>Net Income</b>	<b>6,628</b>	<b>1,061</b>
<i>Net Margin(%)</i>	<i>11.8%</i>	<i>2.7%</i>
<b>Subscribers (thousand)</b>	<b>1,925</b>	<b>1,151</b>

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# Acquisition of a Part of UCOM Shares



# Acquisition of a Part of UCOM shares

**Acquired 9.5% of the UCOM s outstanding shares with the total purchase amount of Approx. 3.9 billion yen  
Plan to study potential business alliance**

## Purpose

- eAccess and EMOBILE already have good relation with USEN, UCOM's largest shareholder, in mobile business.
- Study potential win-win alliance with UCOM

## Summary

- eAccess purchased UCOM shares from an existing shareholder on January 30, 2008.
  - Type of Shares: Common Shares
  - Total number of Shares Acquired : 49,260 shares  
(9.5% of outstanding shares)
  - Total Purchase Amount: Approx. 3.94 billion yen

# Appendix



# FY3/2008 3Q Results (Segment Info.)

	FY3/2008 3Q (2007/4-12)				
(billion yen)	Network*	Device	Mobile 07/4, 07/5	EM Equity Method 07/6 – 07/12	Consolidated
Revenue	40.82	3.32	1.51		45.28
Operating Profit	9.38	-1.43	-4.24		3.65
Recurring Profit	6.75		-4.50	-7.85	-5.69
Net Income	6.10		-2.00	-7.85	-2.58
EBITDA	14.97	-1.43	-3.30		10.26
Capex	3.52	0.16	8.31		11.97
Depreciation	5.56	0	0.94		6.61
FCF	11.45	-1.59	-11.61		na

\*Network Business: ADSL Business, ISP Business, Backbone Business, MVNO 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	15.00	1.51		67.00
Operating Profit	11.50	-0.10	-4.24		7.10
Recurring Profit	10.10		-4.50	-12.30	-6.70
Net Income	8.00		-2.00	-12.30	-5.00
EBITDA	18.90	-0.10	-3.30		15.50
Capex	5.60	0.30	8.31		14.20
Depreciation	7.40	0	0.94		8.30
FCF	13.30	-0.40	-11.61		na

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

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