

# **eAccess Limited [9427]**

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**2Q (cumulative) Results for Fiscal Year Ending 3/2010  
(4/2009 ~ 9/2009)**



**November 12<sup>th</sup> , 2009**

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## Results Highlights

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- Record high in consolidated 1H operating profit

- Turned profit at consolidated net level in 1H

- **EMOBILE** achieved 2 million subscribers

# Consolidated Financial Results

- Turned profits at consolidated recurring & net levels in 1H
- Consolidated operating profit and FCF increased over 40% YoY

(billion yen)	FY3/2009	FY3/2010			
	1H (4~9/2008)	1H (4~9/2009)	YoY (%)	Previous Forecast (5/14/2009)	Progress (%)
Revenue	45.54	<b>42.78</b>	- 6.1 %	83.00	51.5%
Operating Profit	7.18	<b>10.40</b>	<b>+ 44.7 %</b>	16.80	61.9%
<i>EM Accounting Losses</i>	- 9.24	- 5.13	<i>na</i>	- 4.50	<i>na</i>
Recurring Profit (Losses)	- 2.83	<b>4.16</b>	<i>na</i>	10.00	41.6%
Net Income (Losses)	- 5.67	<b>0.73</b>	<i>na</i>	4.00	18.2%
EBITDA	10.56	<b>14.15</b>	+ 33.9 %	25.00	56.6%
Capex	2.16	<b>2.07</b>	- 4.0 %	5.00	41.4%
Depreciation	3.38	<b>3.75</b>	+ 10.9%	8.20	45.7%
Operating FCF	8.40	<b>12.08</b>	<b>+ 43.8%</b>	20.00	60.4%

Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

# Revision on FY3/2010 Full-year Result Forecast

- Revise up full-year consolidated operating profit & free cash flow
- Minor revisions at sales & recurring levels & no change at net level

(billion yen)	FY3/2009	FY3/2010	
	Actual Results	Previous Forecast (5/14/2009)	Revised Forecast (11/12/2009)
Revenue	94.47	83.00	<b>81.00</b>
Operating Profit	16.71	16.80	<b>18.80</b>
<i>EM Accounting Losses</i>	- 17.28	- 4.50	- 6.00
Recurring Profit (Losses)	- 2.59	10.00	<b>10.30</b>
Net Income (Losses)	- 9.85	4.00	<b>4.00</b>
EBITDA	24.01	25.00	<b>26.40</b>
Capex	5.84	5.00	<b>4.40</b>
Depreciation	7.30	8.20	<b>7.60</b>
Operating FCF	18.17	20.00	<b>22.00</b>

Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

# Consolidated Cash Flows

- Consolidated net FCF in 1H increased by 126.4% YoY
- Upward revision in full-year net FCF forecast

	FY3/2009	FY3/2010			
	1H (4~9/2008)	1H (4~9/2009)	Diff. (%)	Previous Forecast (5/14/2009)	Revised Forecast (11/12/2009)
(billion yen)					
EBITDA	10.56	14.15	+ 34.0%	25.00	<b>26.40</b>
Capex	- 2.16	- 2.07	- 4.0%	- 5.00	- <b>4.40</b>
Operating FCF	8.40	12.08	+ 43.8%	20.00	<b>22.00</b>
Interest (net of interest income)	- 0.57	- 0.78	+ 36.1%	- 1.40	- <b>1.70</b>
Tax (Corporate. tax, etc.)	- 2.60	- 1.38	- 46.8%	- 5.00	- <b>5.20</b>
Dividend (net of div. income) <sup>*2</sup>	- 1.63	- 1.76	+ 8.2%	- 3.60	- <b>3.60</b>
Net FCF	3.60	8.16	<b>+ 126.4%</b>	10.00	<b>11.50</b>

Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

Note 2: Dividends of full year forecast are based on the current dividend policy.

# Balance Sheets

- Maintained **57.7 billion yen** cash on hand as of the end of 9/2009
- Improvement in consolidated net debt in 1H from 3/2009

	As of 3/2009		As of 9/2009	
	Consolidated	Parent	Consolidated	Parent
(billion yen)				
<b>Cash and Cash Deposit</b>	68.54	57.93	<b>57.72</b>	<b>57.05</b>
<b>Debt</b>	103.89	103.34	<b>87.15</b>	<b>87.15</b>
<b>Net Debt</b>	35.35	45.41	<b>29.43</b>	<b>30.10</b>
<b>Shareholders' Equity</b>	9.96	48.34	<b>11.01</b>	<b>54.39</b>
<b>Net Assets</b>	12.70	47.98	<b>11.27</b>	<b>54.13</b>
<b>Total Assets</b>	129.05	161.15	<b>112.75</b>	<b>155.59</b>
<b>Net Debt/Net Assets Ratio (%)</b>	278.3%	94.7%	<b>261.1%</b>	<b>55.6%</b>
<b>Net Debt/EBITDA Ratio (%)</b> <sup>*2</sup>	147.2%	234.3%	<b>106.7%</b>	<b>142.7%</b>

Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

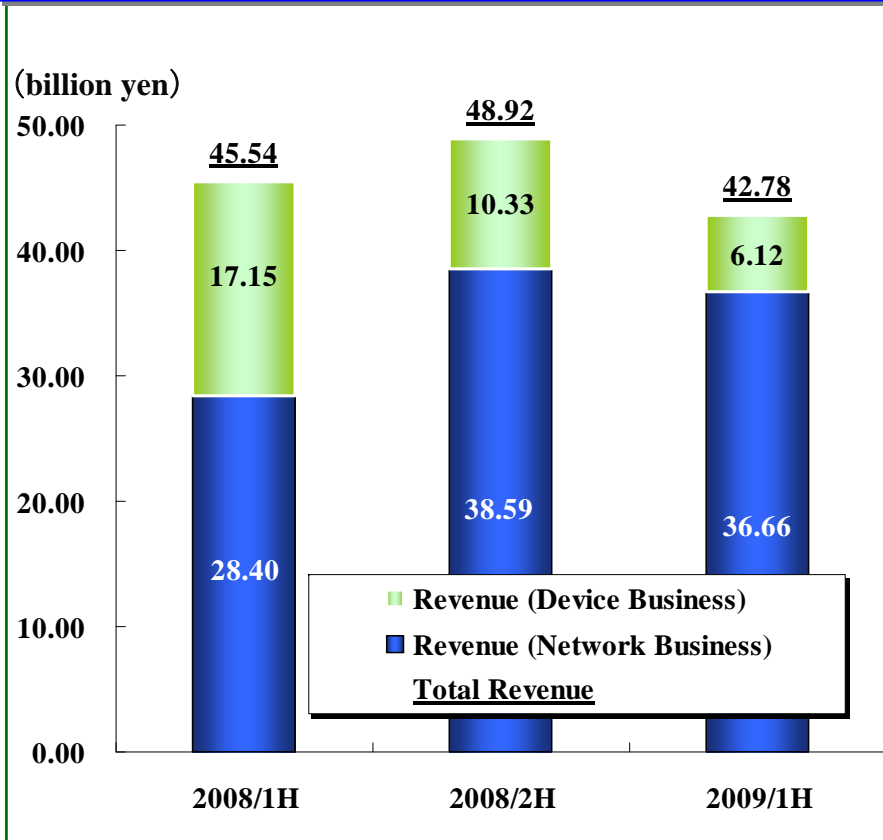
Note 2: EBITDA figures are accumulation of 4 quarters ending at each accounting date.



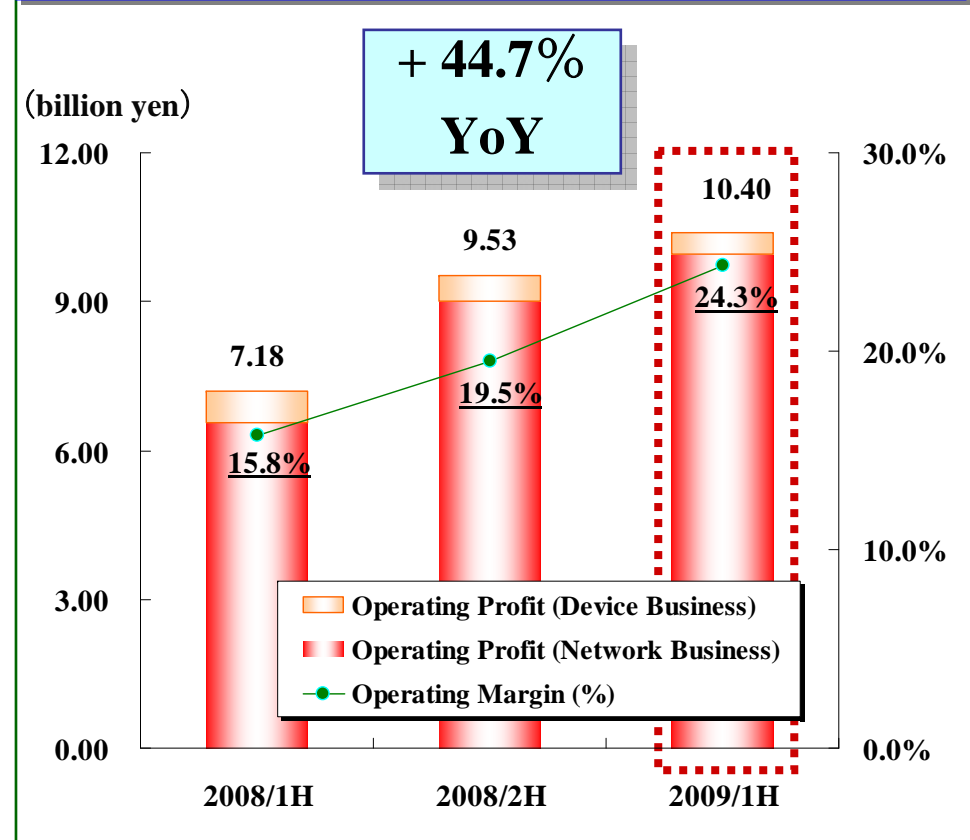
# Consolidated Revenue & Operating Profit Trends

- Achieved record-high consolidated operating profit in 1H
- Operating margin rose to 24.3% compared with 15.8% in 1H last year

### Consolidated Revenue Trend



### Consolidated Operating Profit/Margin Trend



Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

# Consolidated Recurring & Net Profit Trends

- Continued improvement in EMOBILE financial performance
- Turned profits at recurring and net levels for the 1<sup>st</sup> time in 3 years

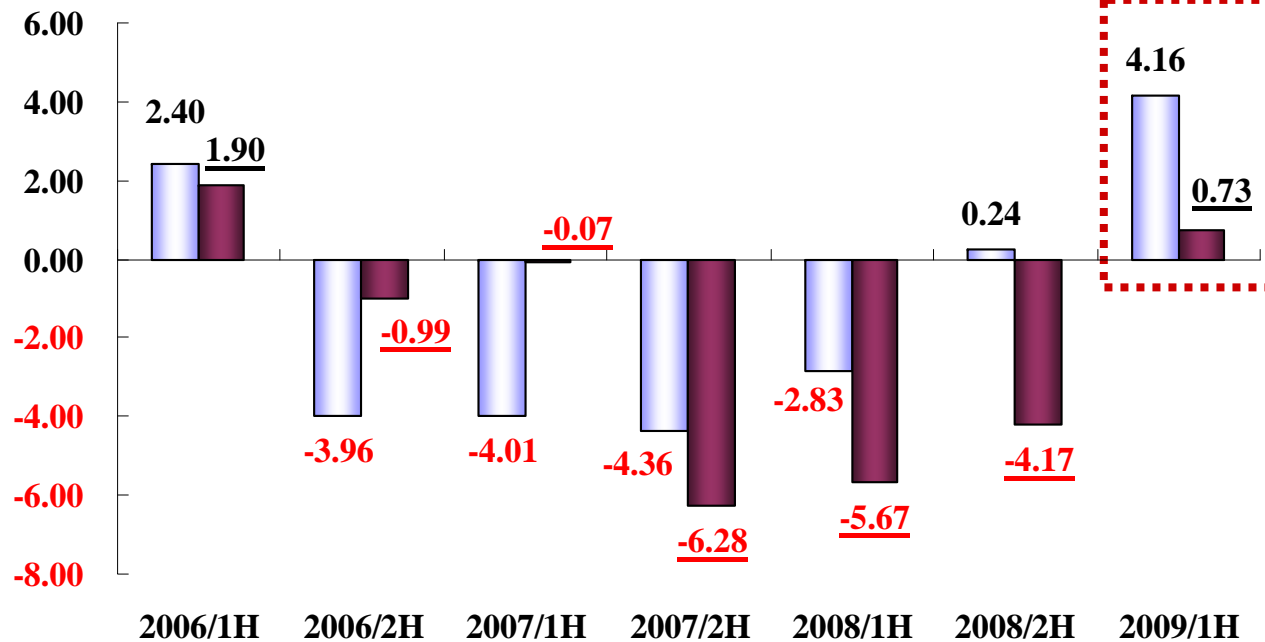
## Consolidated Recurring and Net Profit Trends

(billion yen)

□ Recurring Profit (losses)

■ Net Income (losses)

Turned profit



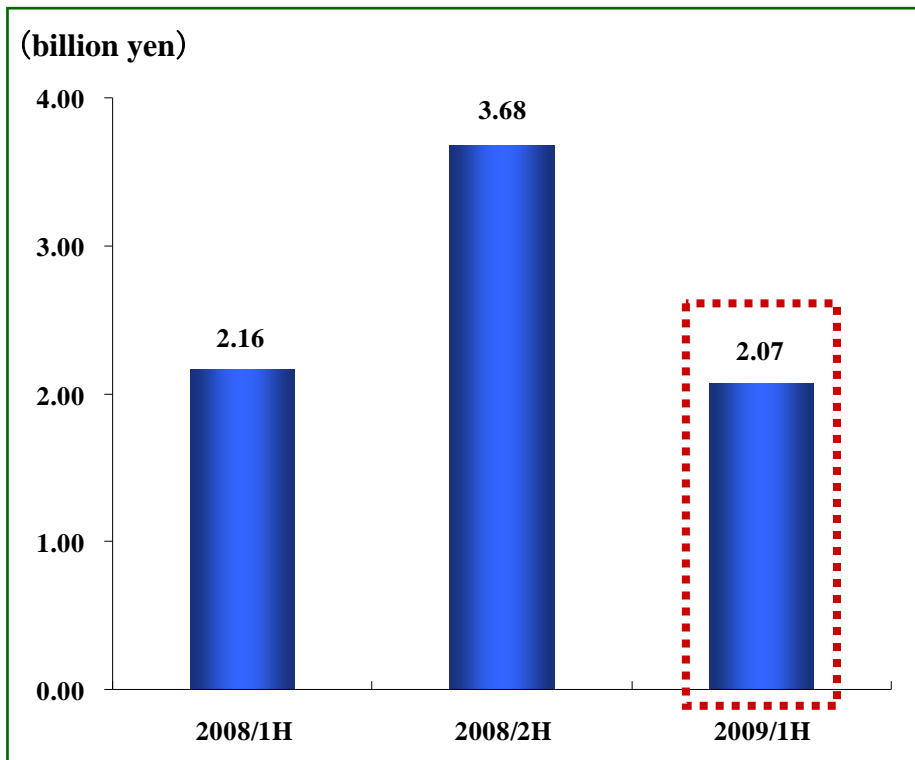
Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

# eAccess Consolidated Capex & Operating FCF Trends

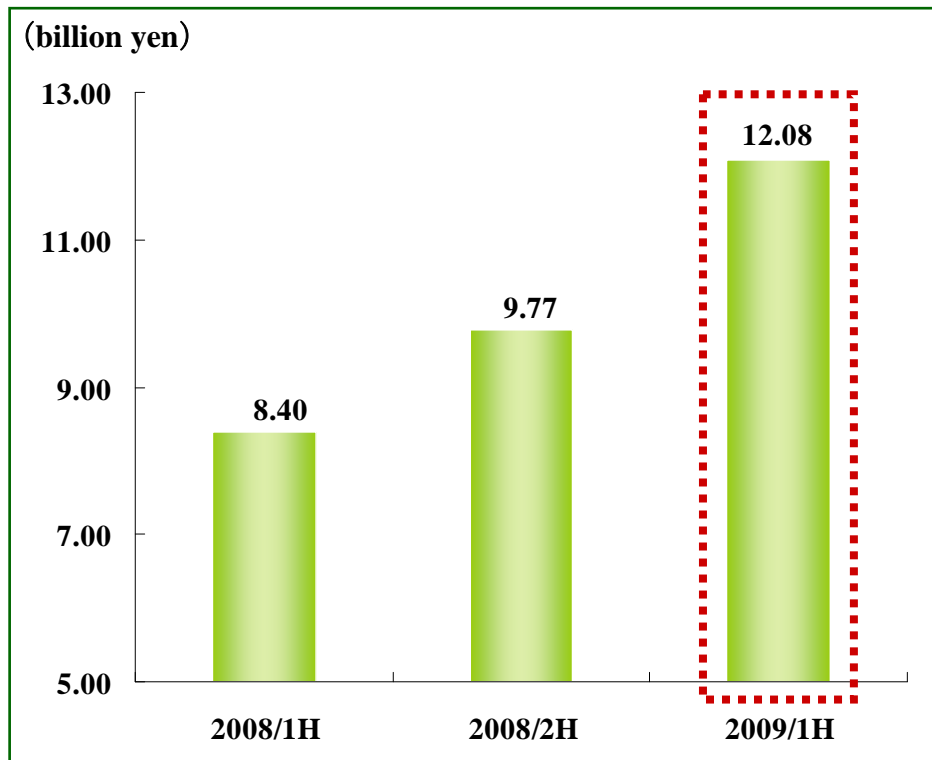
Broadband services

- Reduction in combined consolidated capex after ACCA integration
- Record-high in consolidated operating free cash flow in 1H

Consolidated Capex Trend



Consolidated Operating FCF Trend



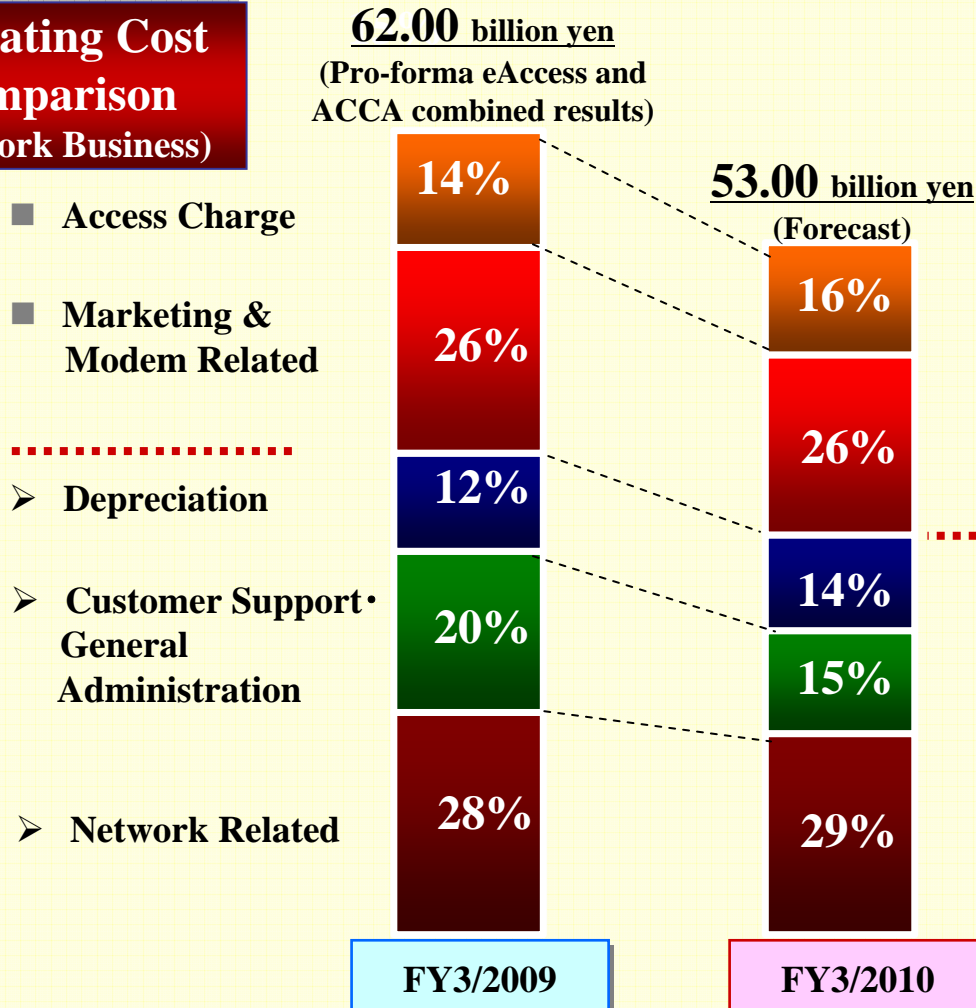
\* Operating Free Cash Flow = EBITDA - Capex

Note 1: eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

# Cost-Cutting Synergies After ACCA Integration

- Expect FY3/2010 operating cost to decrease by 15% YoY
- Decline in combined fixed cost after ACCA Integration

## Operating Cost Comparison (Network Business)

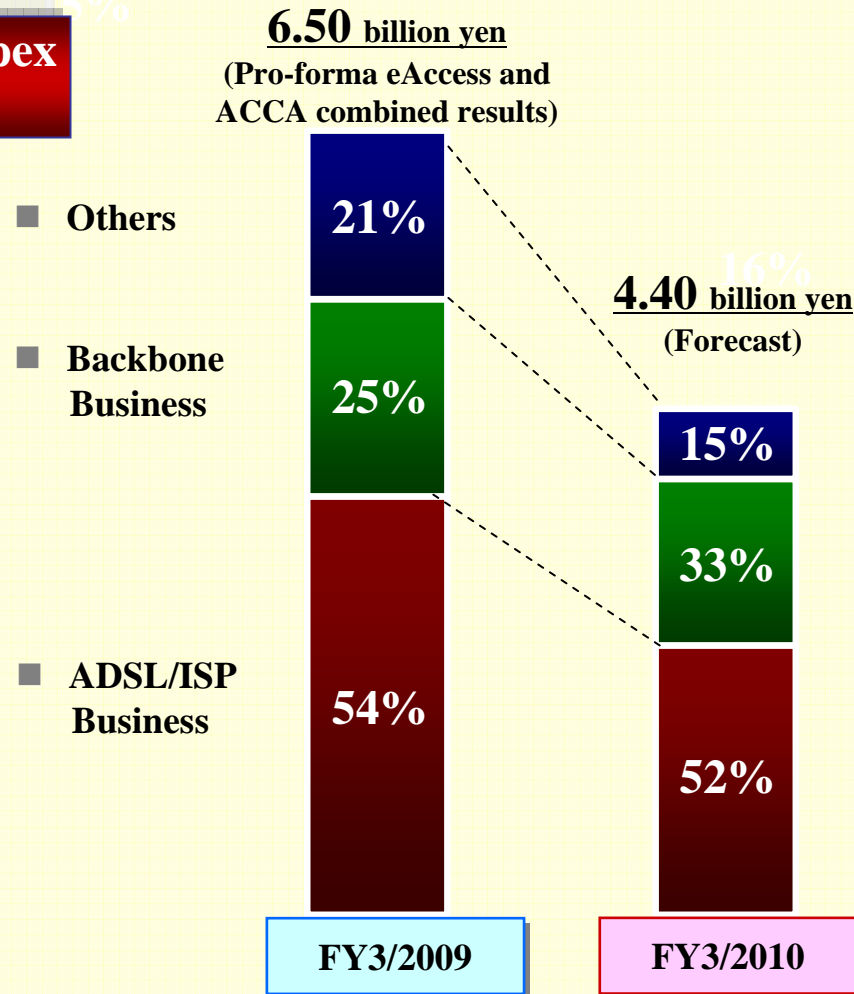


	FY3/2009	FY3/2010
■ Variable Cost	40%	42%
➤ Fixed Cost	60%	58%

# Capex Reduction after ACCA Integration

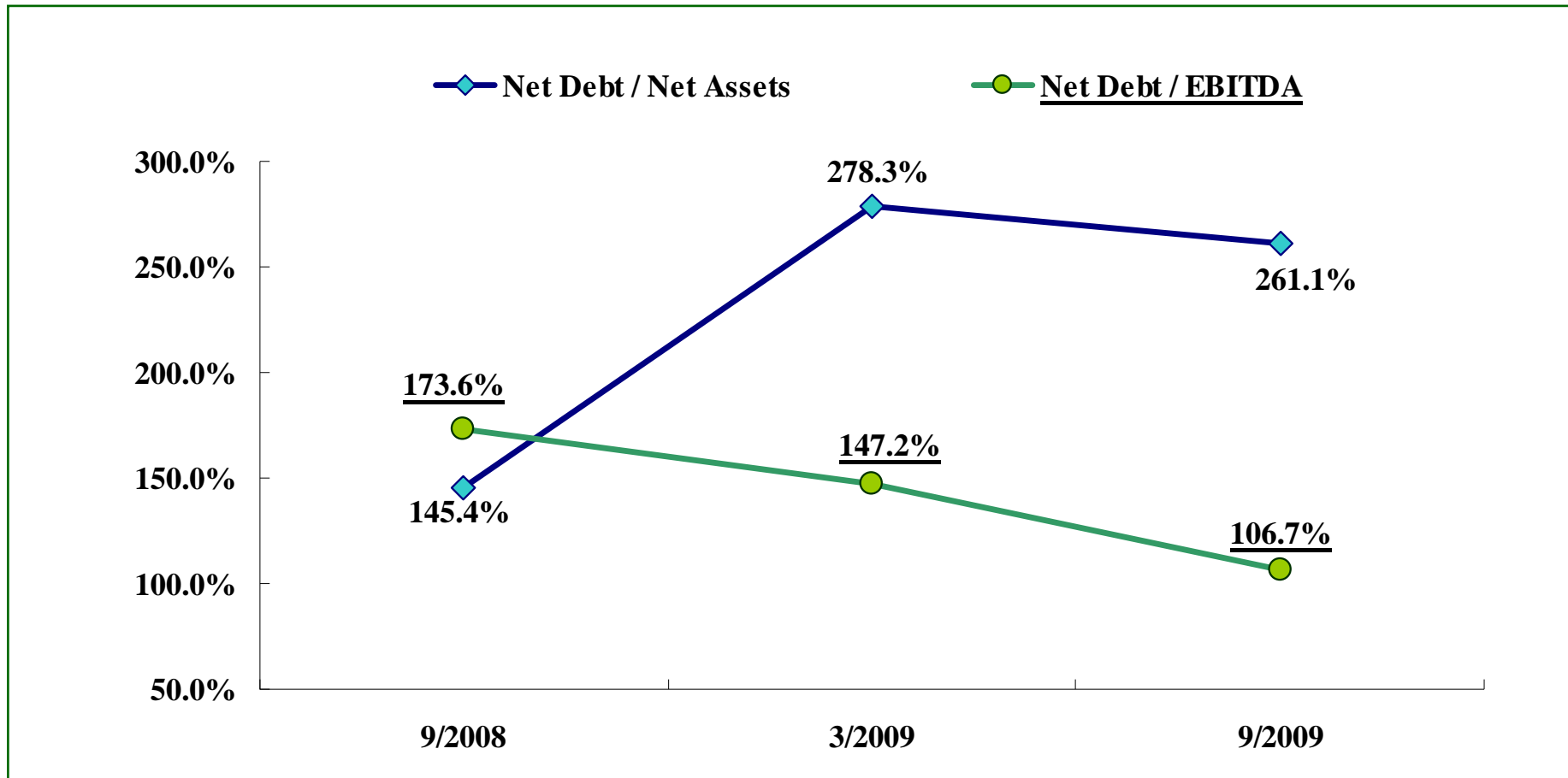
- Expect a 32% decrease YoY in combined full-year consolidated capex

## Consolidated Capex Comparison



# Key Financial Parameters

- Improvement in financial leverage with Net debt/EBITDA around 1x



Note 1 : EBITDA figures are accumulation of 4 quarters ending at each accounting dates.

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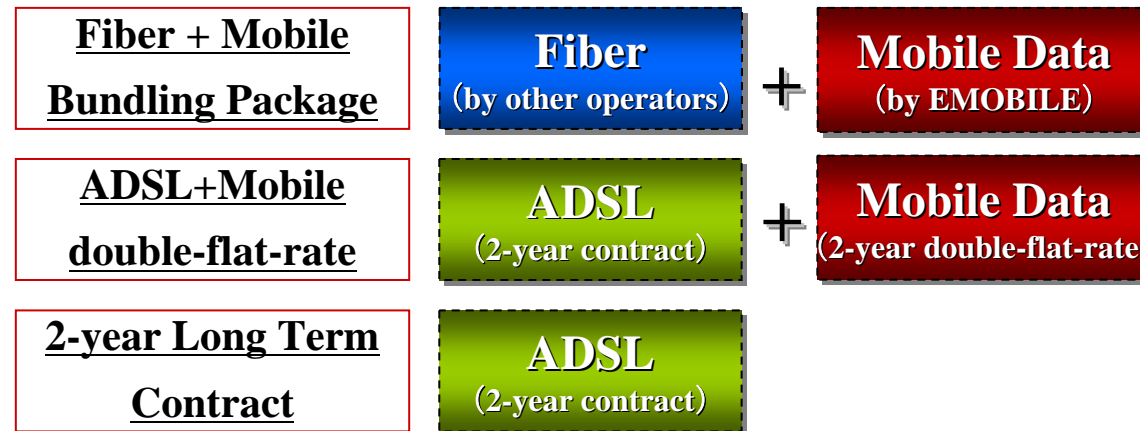
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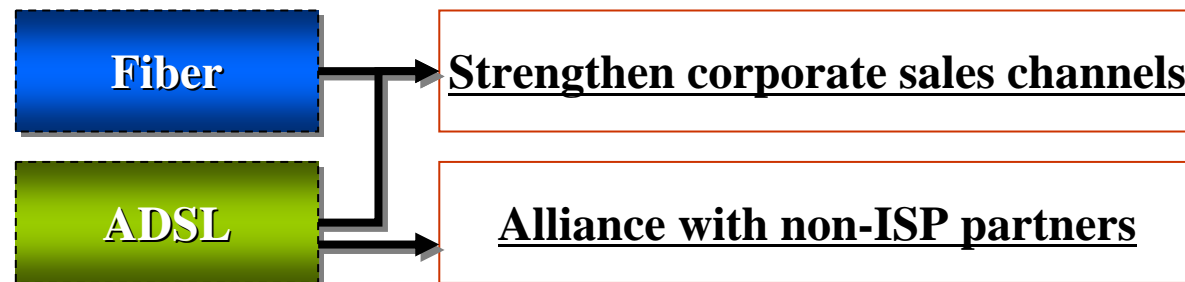
- Introduce new bundling tariff plans to lower churn
- Explore new sales channels for fixed-line broadband services

## New Service Menus



- Expand new potential market
- Lower churn
- Stabilize ARPU

## New Distribution Channels

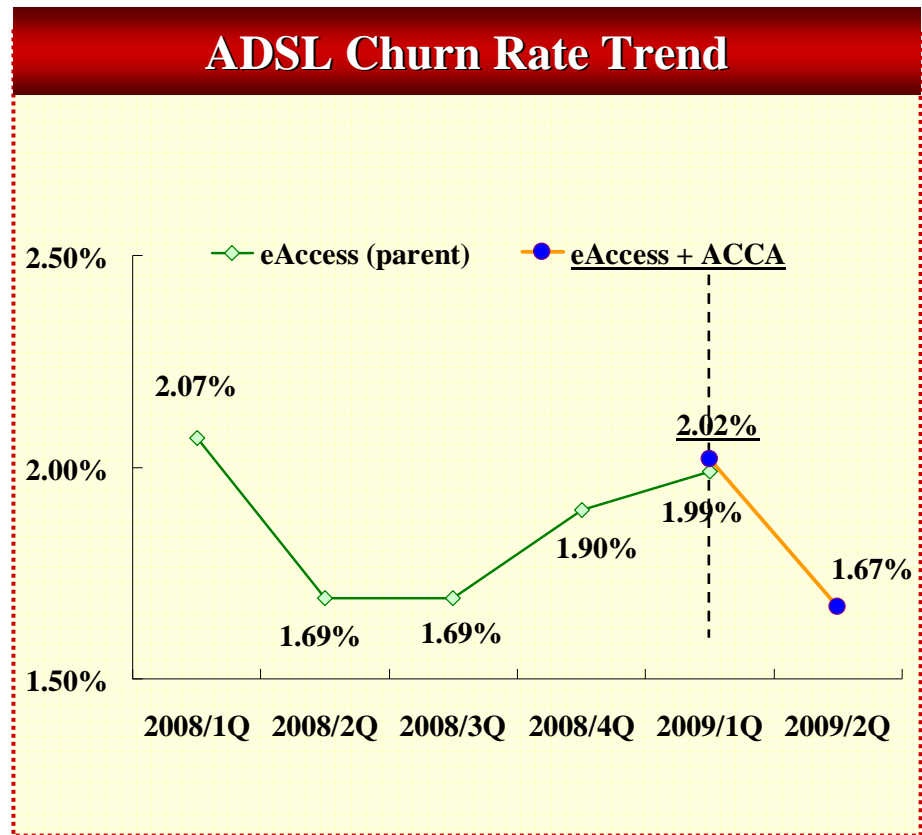




# Subscribers & Churn Rate Trend

- Improvement in monthly churn in 2Q
- Relatively stable ARPU and SAC in 1Q & 2Q

	FY3/2010		
	1Q *2 (4-6/2009)	2Q (7-9/2009)	Full-year Forecast
ADSL Sub # (thousand subs)	2,497	2,439	2,300
ARPU (yen)	2,032	2,022	2,000
Churn	2.02%	1.67%	1.90%
SAC (yen)	approx. 9,000	approx. 9,000	approx. 9,000



Note 1: ACCA was consolidated from 9/1/2008. Subscribers, ARPU and churn rate include both eAccess and ACCA subscribers from 1Q FY3/2010.

Note 2: Including subscribers acquired through TOHKnet's ADSL business acquisition.

Note 3: SAC stands for subscriber acquisition cost (per subscriber).

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## EMOBILE Results Highlights

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- **Achieved 2 million mobile subscribers**

- **Achieved positive EBITDA in 1H**

- **Release new product & new tariff plan in Nov.**

# **EMOBILE Financial Results**

# EMOBILE Financial Results

- Operating losses in 1H 2009 decreased more than half from last year
- Turned positive EBITDA in 1H 2009 (2.5 years since service launch)

	FY3/2009	FY3/2010		FY3/2009	FY3/2010
	1H (4~9/2008)	1H (4~9/2009)	YoY Actual Change	Full Year (4/2008~ 3/2009)	Forecast (4/2009~ 3/2010)
(billion yen)					
Revenue	23.60	52.67	+ 29.07	61.45	110.00
Operating Profit (Losses)	- 20.50	- 8.71	+ 11.79	- 36.88	- 7.00
Recurring Profit (Losses)	- 23.50	- 12.92	+ 10.58	- 43.86	- 15.00
Net Income (Losses)	- 23.56	- 12.95	+ 10.61	- 44.03	- 16.00
EBITDA*	- 11.89	1.95	+ 13.84	- 18.37	16.00
Capex	16.70	16.87	+ 0.17	39.70	56.00
Accumulated Capex	146.08	185.95	+ 39.87	169.08	225.00
Depreciation	8.60	10.66	+ 2.05	18.51	23.00

Note 1: Amortization of long-term contract discount, etc. are not included

# EMOBILE Cash Flows

- Strong improvement in operating cash flow

	FY3/2009		FY3/2010	
	1H (4~9/2008)	1H (4~9/2009)	YoY Actual Change	
(billion yen)				
Operating Cash Flow	- 36.96	- 11.96	+ 25.00	
Investing Cash Flow	- 45.02	- 23.24	+ 21.79	
Free Cash Flow	- 81.99	- 35.20	+ 46.79	
Financing Cash Flow	69.86	28.60	- 41.26	
Net Change in Cash and Cash Deposit	- 12.12	- 6.60	+ 5.53	

Note 1: Free Cash Flow = Operating Cash Flow + Investing Cash Flow

# EMOBILE Balance Sheets

- Net debt doubled from 1H last year as expected
- Maintained high cash position of approx. 60 billion yen

	FY3/2009	FY3/2010	
	As of 9/2008	As of 9/2009	YoY Actual Change
(billion yen)			
Cash and Cash Deposit	81.62	60.82	- 20.80
Debt	174.53	242.53	+ 68.00
Net Debt	92.91	181.71	+ 88.80
Shareholder's Equity	62.82	29.41	- 33.42
Net Assets	62.82	29.41	- 33.42
Total Assets	260.15	291.12	+ 30.97
Net Debt/Net Assets Ratio (%)	147.9%	617.9%	

# **EMOBILE Operational Results**

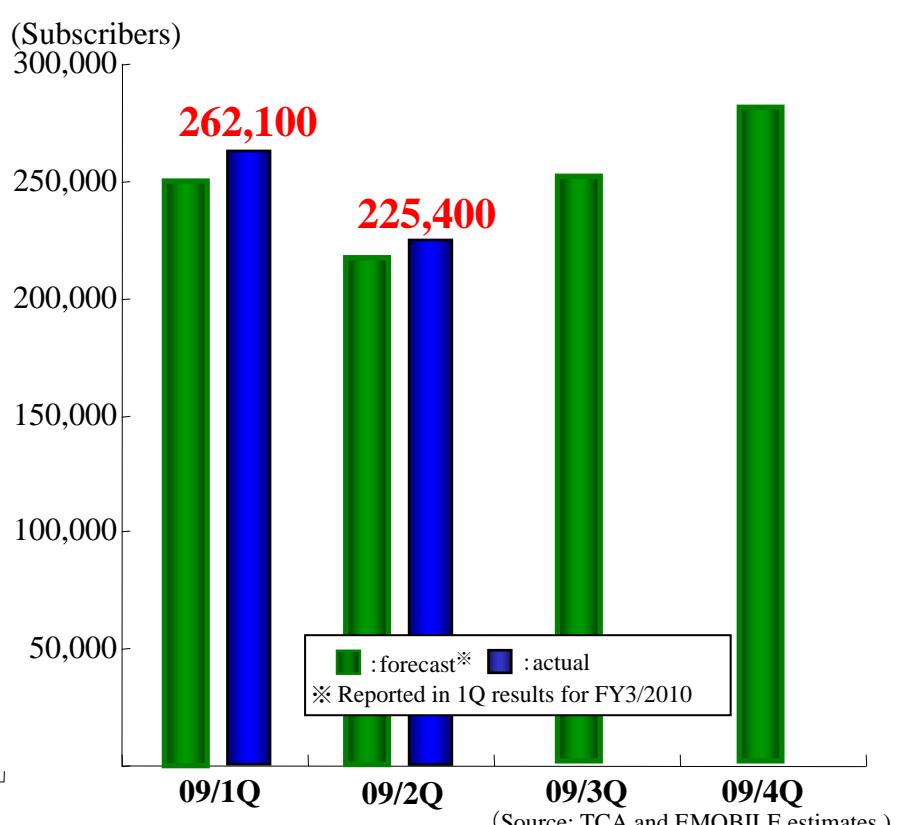
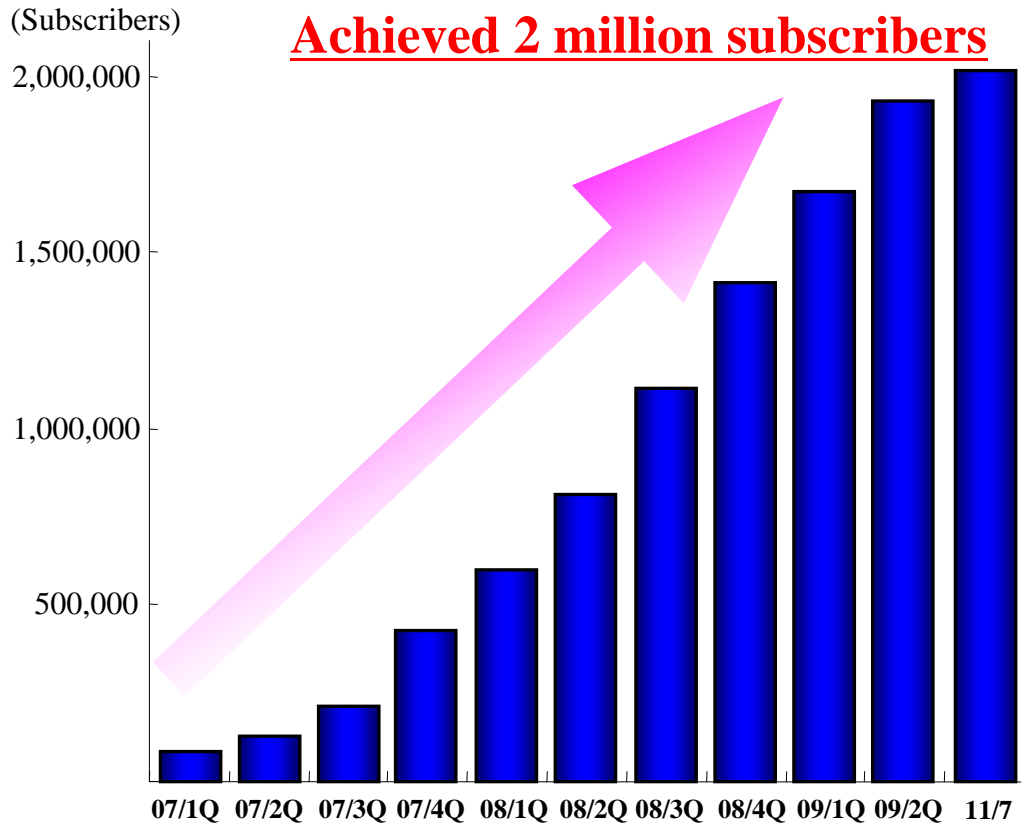


# EMOBILE Subscriber Trend

● Achieved 2 million subscribers in less than 2 years & 8 months since the service launch in March 2007

**Accumulated Subscribers Trend**

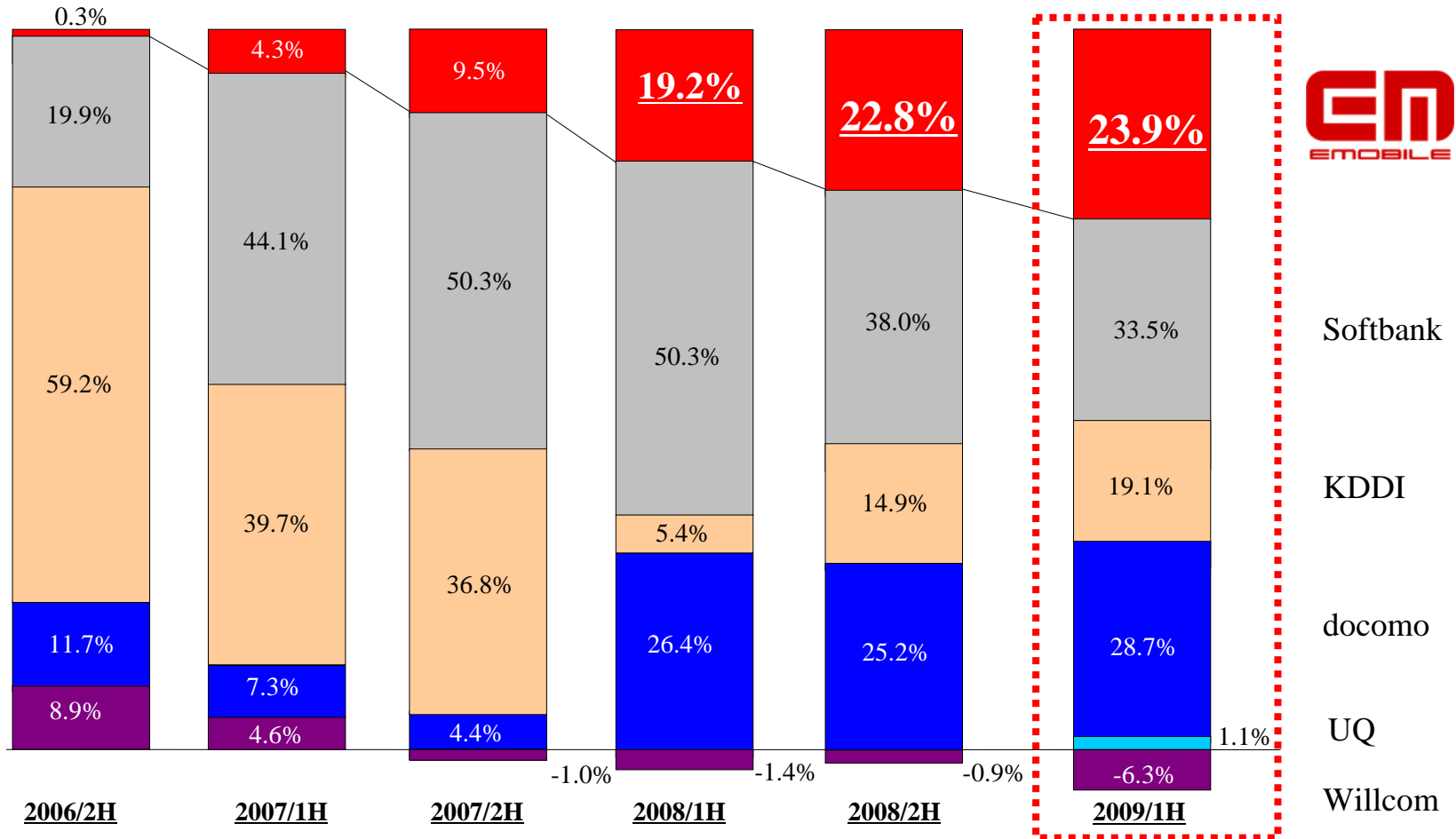
**Subscriber Acquisition Progress**



(Source: TCA and EMOBILE estimates)

# Trend of Net Subscriber Addition

- Rising market share in rising competitive environment



Softbank

KDDI

docomo

UQ

Willcom

(Source: TCA)

# Service Area Coverage

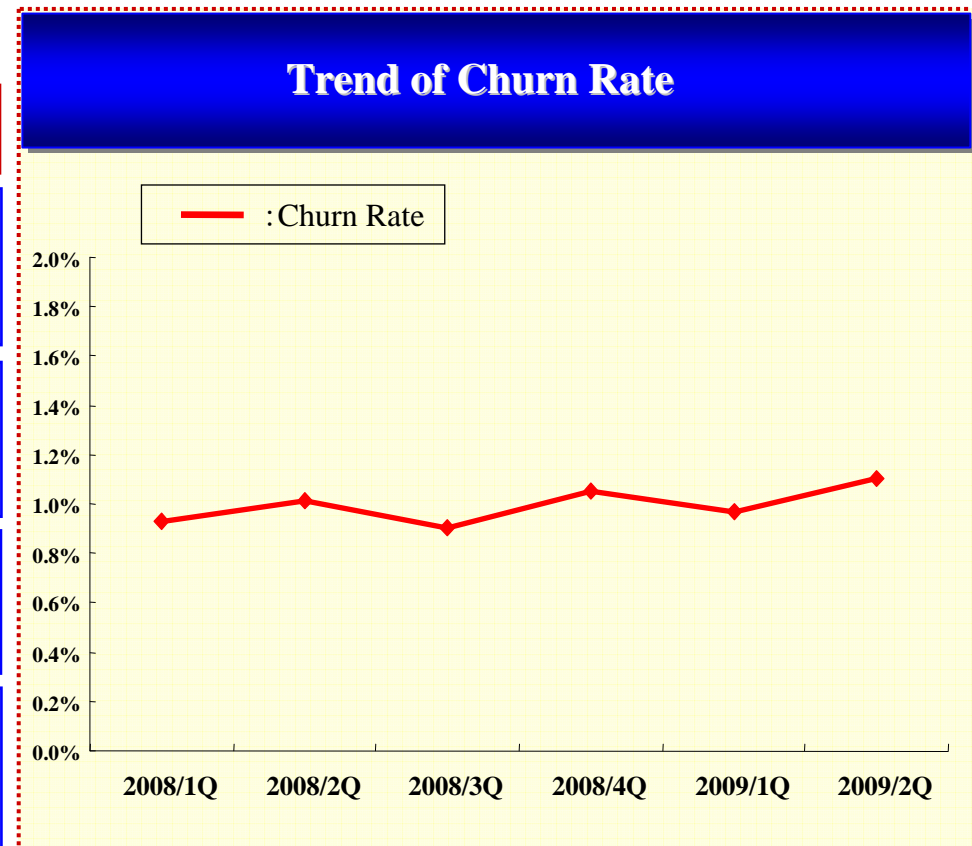
- Outdoor coverage is already over 90%
- Expect subway coverage to be completed by March 2010

	Outdoor	% to underground stations covered		
	9/2009	9/2009	12/2009 (Forecast)	3/2010(Forecast)
Hokkaido	85.4%	69.6%	87.0%	100.0%
Tohoku	76.8%	100.0%	100.0%	100.0%
Kanto	98.6%	47.9%	77.6%	97.7%
Shinetsu	82.3%	N/A	N/A	N/A
Tokai	93.9%	97.0%	98.0%	100.0%
Hokuriku	85.0%	N/A	N/A	N/A
Kinki	95.3%	49.8%	67.1%	97.8%
Chugoku	75.7%	100.0%	100.0%	100.0%
Shikoku	70.3%	N/A	N/A	N/A
Kyusyu	86.2%	67.6%	85.3%	85.3%
Okinawa	91.7%	N/A	N/A	N/A
<b>Total</b>	<b>90.7%</b>	<b>57.7%</b>	<b>78.6%</b>	<b>97.7%</b>

# Subscribers & Churn Rate

- Added 487,500 subscribers in 1H (slightly higher than expected)
- Maintained low churn rate at approximately 1% level

	FY3/2010		
	1Q (4-6/2009)	2Q (7-9/2009)	Full-year Forecast
Subscribers #(thousand subs)	1,672	1,898	2,400~
ARPU (yen)	3,330	3,310	3,300~
Churn Rate	1.0%	1.1%	1.2%
SAC (yen)	approx 30,000	approx 30,000	approx 30,000

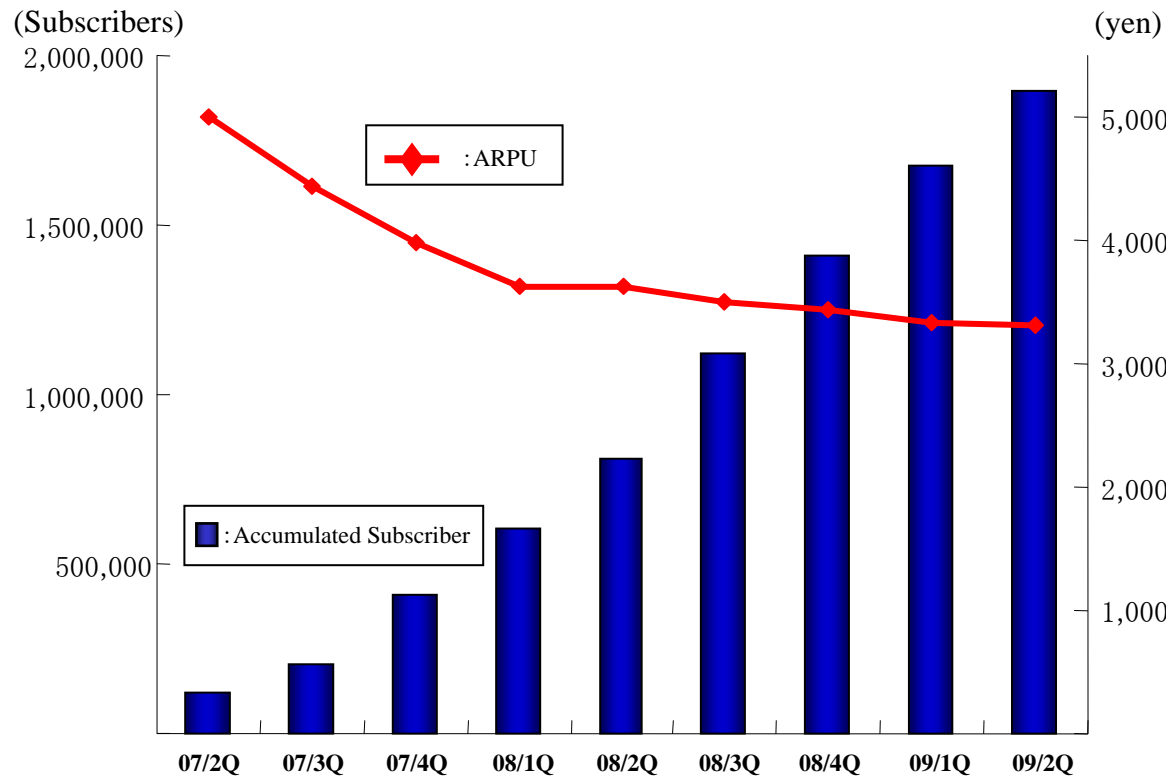


(Source: EMOBILE)

# Trend of ARPU

- **ARPU dilution due to rising penetration of light data users**
- **Introduce new value-added menus to enhance ARPU**

## Trends of Subscribers & ARPU



## New value-added menus

### New Products

- HSUPA/HSPA+ terminals
- Pocket WiFi

### Optional Services

- Trouble Support Optional Service
- EM Security
- Harmful site filtering service

### New Tariff Plans

- Data plan for 21Mbps
- Value Data Plan

(Source: TCA and EMOBILE)

# Launch of New Product “Pocket WiFi”

- Release new product “Pocket WiFi” to tap new WiFi users
- Expect more bundling opportunities with WiFi products

All WiFi products can enjoy mobile broadband through Pocket WiFi

いろいろつながる、いつでもつながる。  
**PocketWiFi**

Max downlink / uplink speed  
7.2Mbps / 5.8Mbps\*

Long battery life  
( approx. 4 hours)

Small and light weight  
(approx.80g)



Security  
(WEP / WPA)

Simultaneous  
up to 5 connections

Max 16GB  
microSDHC Card

\*Theoretical speed. The actual speed will be best-effort-basis

## New Tariff Plan “Value Data Plan”

- Release new tariff plan “Value Data Plan” targeting cost performance conscious users

### パリュ-デー-ワ プラン

#### Features

- Offer the best per-Mbps cost performance
- Monthly charge of 2,980 yen for 300MB (2.5 million packets)
- Price cap at 5,980 yen per month

**Ideal for game, music download, netbook users**



#### 【Examples of packet usage】

- Online Game “Mario Kart” : 60min./day, approx. 60MB/month
- Online Game “Monster Hunter 3” : 60min./day, approx. 240MB/month
- Web Surfing “Yahoo! Top page” : approx. 1,500 views/month, approx.300MB

(Source: EMOBILE estimates)

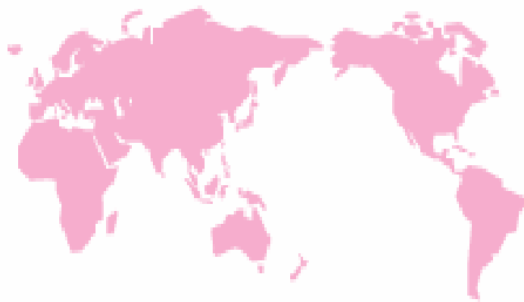
# New Tariff Plans for International Calls

- Introduced the industry's lowest mobile international call rate
- Target overseas and heavy international call users

## Features

- Lowest international call tariffs at 10 yen/min.\*
- Cover 207 countries for international calls

## Target overseas & heavy international call users



**International Call Rates of Mobile and PHS Careers**

	US (mainland)	China	Korea	Hong Kong
<b>EMOBILE</b>	<b>10yen/min.</b>	<b>10yen/min.</b>	<b>10yen/min.</b>	<b>10yen/min.</b>
Mobile A	68yen/min.	104yen/min.	104yen/min.	104yen/min.
Mobile B	44yen/min.	74yen/min.	69yen/min.	85yen/min.
Mobile C	78yen/min.	198yen/min.	198yen/min.	198yen/min.
PHS	30yen/min.	70yen/min.	50yen/min.	45yen/min.

(Source: EMOBILE estimate based on public information as of 11/1/2009)  
\*Only US (mainland), Hawaii, China, Korea and Hong Kong.



- New marketing program to attract new types of users

Simple Messages

Easy to install

High speed

Flat rate

- Plug-and-play simple installation

- Offer 21Mbps mobile broadband services

- Flat-rate monthly charge

## New TV Commercial “TV Shopping” version



※ Theoretical speed. The actual speed will be best-effort-basis

- **Expect to achieve full year positive EBITDA**

- **Expect to achieve 1.0 million new subscribers**

- **Expect a strong improvement in  
2H recurring & net losses**

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# FY3/2010 1H Results (Segment Info.)

	FY3/2010 1H (4~9/2009)			
	Network Business *1	Device Business	EMOBILE etc.	Consolidated
(billion yen)				
Revenue	36.66	6.25		42.78
Operating Profit	9.96	0.44		10.40
Recurring Profit	9.29		- 5.13	4.16
Net Income	5.86		- 5.13	0.73
EBITDA	13.69	0.46		14.15
Capex	2.06	0.01		2.07
Depreciation	3.72	0.03		3.75

Note 1 Network Business : ADSL Business, ISP Business, Backbone Business and MVNO Business.

Note 2 eAccess consolidated ACCA from 9/1/2008 and fully merged with ACCA on 6/25/2009.

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