

eAccess Limited 【9427】

Results for Fiscal Year Ended 3/2011

(4/2010 ~ 3/2011)



May 12th, 2011

We would like to express our most sincere sympathy towards those who were affected by the Great East Japan Earthquake.

We wish for the early recovery from the earthquake.

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Impact of the Great East Japan Earthquake

<Impact from the March 11, 2011 Earthquake>

- Services from 877 mobile base station and 164 ADSL Central Offices were affected.
- Call traffic increased 10X during the crisis but call success rate maintained at over 99.5% and no communication traffic restriction was required.
- First mobile operator to achieve full network recovery on April 11, 2011.
- Total loss of the network from the earthquake was around 120 million yen.
- None of the employees and staffs was injured during the crisis.

<Disaster counter measure plans>

- Plan to spend 2 billion yen to strengthen network for disaster countermeasure.
- Increase back-up power for base station to more than 6 hours to 24 hours per site.

<# of base stations affected by the earthquake>

	3/11/2011	3/15/2011	3/24/2011	4/11/2011	5/11/2011
MOBILE base stations	878	140	26	0	0
ADSL central offices	164	59	32	5	2

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Record High In Net Income

Achieved over 3 million Mobile Subscribers

Launched EMOBILE G4 42Mbps Network

Expect Record EBITDA of ¥67 billion

Expect Record Net Income of ¥17 billion

Preparation for LTE Launch

Consolidated Financial Results

- Exclude all non-cash debt re-financing and balance sheet restructuring, consolidated earnings were in-line with expectations.
- Consolidated net income in FY3/2011 hit all-time record high.

(billion yen)	FY3/2010	FY3/2011		
		Forecast	Actual (Before Non-cash items)	Actual (After Non-cash items)
Revenue	83.07	190.00	181.54	181.54
Operating Profit	19.15	25.00	24.42	14.97
<i>EM Accounting Losses</i>	- 6.03			
Recurring Profit	10.83	12.60	14.54	5.09
Net Income	4.15	9.00	31.45	14.57
EBITDA	26.56	61.00	58.25	58.25
<i>EBITDA margin</i>	32.0%	32.1%	32.1%	32.1%
Capex	4.02	40.40	40.85	40.85
Depreciation	7.40	36.00	33.83	33.83

*1: FY3/2011 results included 9-month eAccess (7/2010-3/2011) and 12-month EMOBILE results (4/2010-3/2011) due to the business combination completed on 7/1/2010 which was treated as the reverse acquisition.

*2: After annual inventory review, a non-cash valuation losses of inventory of 1.52 billion yen for FY3/2010 and 9.45 billion yen for FY3/2011 were recognized and recorded in cost of revenue, which were added back to EBITDA.

Financial Forecast for FY3/2012

- EBITDA is expected to increase 15.0% YoY to ¥67 billion.
- Expect Operating Profit to increase by 2X to ¥30 billion.
- Expect Net Income to renew record high to ¥17 billion, up 16.7% YoY.

(billion yen)	FY3/2011	FY3/2012 (E)	
	Actual (consolidated)	Forecast (after merger)	Diff. (%)
Revenue	181.54	200.00	+ 10.2%
Operating Profit	14.97	30.00	+ 100.4%
Recurring Profit	5.09	17.00	+ 234.0%
Net Income	14.57	17.00	+ 16.7%
EBITDA	58.25	67.00	+ 15.0%
<i>EBITDA margin</i>	32.1%	33.5%	+ 1.4 point
Capex	40.85	39.00	- 4.5%
Depreciation	33.83	37.00	+ 9.4%

*1: FY3/2011 results included 9-month eAccess (7/2010-3/2011) and 12-month EMOBILE results (4/2010-3/2011) due to the business combination completed on 7/1/2010 which was treated as the reverse acquisition.

*2: After annual inventory review, a non-cash valuation losses of inventory of 9.45 billion yen for FY3/2011 were recognized and recorded in cost of revenue, which were added back to EBITDA.

Consolidated Cash Flows

- **FY3/2012 Operating Free Cash Flow^{*1} is expected to rise 60.9% YoY to ¥28 billion.**
- **Net Free Cash Flow^{*2} is expected to increase 6X to ¥16.5 billion in FY3/2012.**

(billion yen)	FY3/2010	FY3/2011	FY3/2012(E)	Diff. (%)
	Actual (consolidated)	Actual (consolidated)	Forecast (after merger)	
EBITDA	26.56	58.25	67.00	+ 15.0%
Capex	- 4.02	- 40.85	- 39.00	- 4.5%
Operating FCF	22.54	17.40	28.00	+ 60.9%
Interest (net of interest income)	- 1.52	- 8.08	- 11.00	+ 36.1%
Tax	- 3.58	- 2.54	+ 2.50	na
Dividend (net of div. income)	- 3.58	- 4.20	- 3.00	- 28.6%
Net FCF	13.86	2.58	16.50	+ 539.5%

*1: EBITDA-Capex

*2: Free cash flow after capex, net interest payment, tax, and dividend

Balance Sheet

- Improving Net Debt/EBITDA (Leverage Ratio) over the last 2 quarters, since the consolidation of EMOBILE.

(billion yen)	9/2010 (EMOBILE 100% consolidated)	12/2010 (EMOBILE 100% consolidated)	3/2011 (After merger)
Cash and cash deposit	73.97	64.98	47.08
Debt	276.68	265.08	249.69
Net debt	202.71	200.11	202.61
Net assets	69.77	72.33	73.03
Total assets	371.89	364.58	352.95
Net debt/net assets ratio	2.9x	2.8x	2.8x
<i>EBITDA (last 12 months)</i>	*1 58.76	*1 60.70	*1 64.47
Net debt/EBITDA ratio	*1 3.4x	*1 3.3x	*1 3.1x

* 1: The EBITDA number we used for calculation of net debt/EBITDA ratio is pro-forma EMOBILE 100% consolidated number (combined eAccess and EMOBILE) of last 12 months.

*2: We have included non-consolidated balance sheet as of 3/31/2011 for comparative purpose.

Financial Comparison Pro-forma Bases

(For Comparison Purpose)

- Turned profit at combined net income level .
- Turned profit at combined operating FCF.
- Combined EBITDA margin improved by 7.8 points YoY.

	Pro-forma FY3/2010			Pro-forma FY3/2011			FY3/2012(E)
	eAccess Stand-alone	EMOBILE Stand-alone	Combined	eAccess Stand-alone	EMOBILE Stand-alone	Combined	Total.
(billion yen)							
Revenue	82.81	113.61	176.48	70.91	142.64	195.40	200.00
Operating Profit (Losses)	19.04	- 6.09	11.76	17.41	2.63	19.22	30.00
Recurring Profit (Losses)	16.67	- 14.77	0.58	15.80	- 5.75	8.88	17.00
Net Income (Losses)	9.71	- 14.88	- 6.38	29.70	- 10.61	16.64	17.00
EBITDA	26.49	*2 18.21	44.52	24.24	*2 40.37	*2 64.49	67.00
<i>EBITDA margin</i>	32.0%	16.0%	25.2%	34.2%	28.3%	33.0%	33.5%
Capex	4.01	53.39	55.50	2.34	40.31	41.39	39.00
Depreciation *1	7.45	22.78	31.23	6.83	28.23	35.80	37.00
Operating FCF	22.48	- 36.71	- 12.51	21.90	0.06	23.08	28.00

*1: Combined depreciation includes amortization of goodwill.

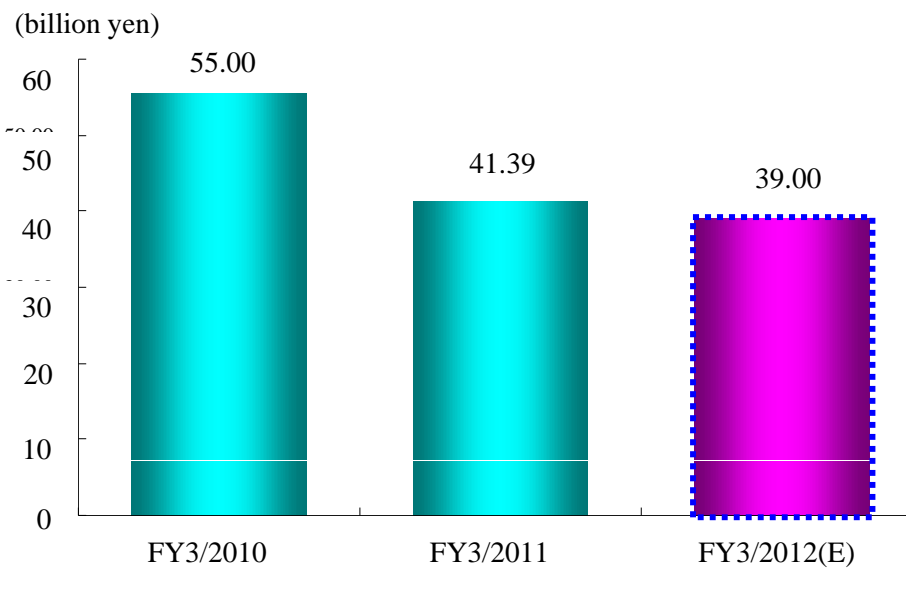
*2: After annual inventory review, a non-cash valuation losses of inventory of 9.45 billion yen for FY3/2011 were recognized and recorded in cost of revenue, which were added back to EBITDA.

Combined eAccess & EMOBILE Pro-forma

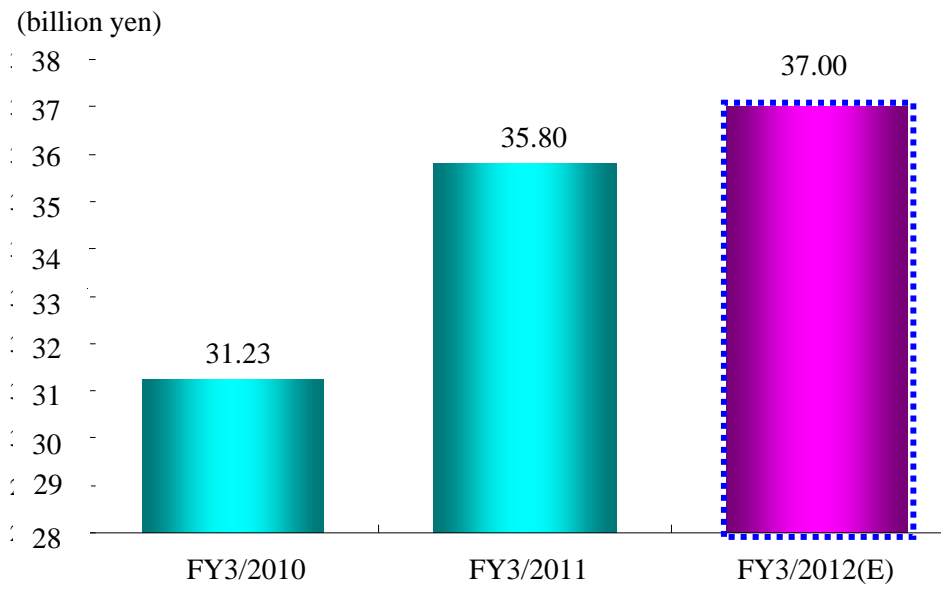
(For Comparison Purpose)

- **FY3/2012 capex is expected to be slightly lower, YoY. Capex mainly incurred for speed upgrade, area coverage expansion, and capacity enhancement.**
- **FY3/2012 depreciation is expected to be slightly higher, YoY.**

Pro-Forma Capex Trend



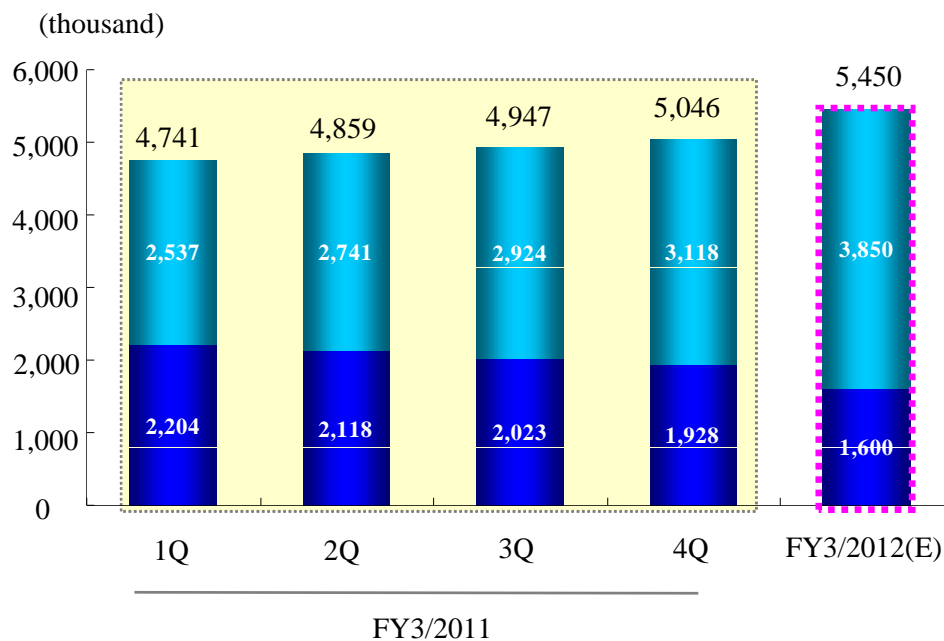
Pro-Forma Depreciation Trend



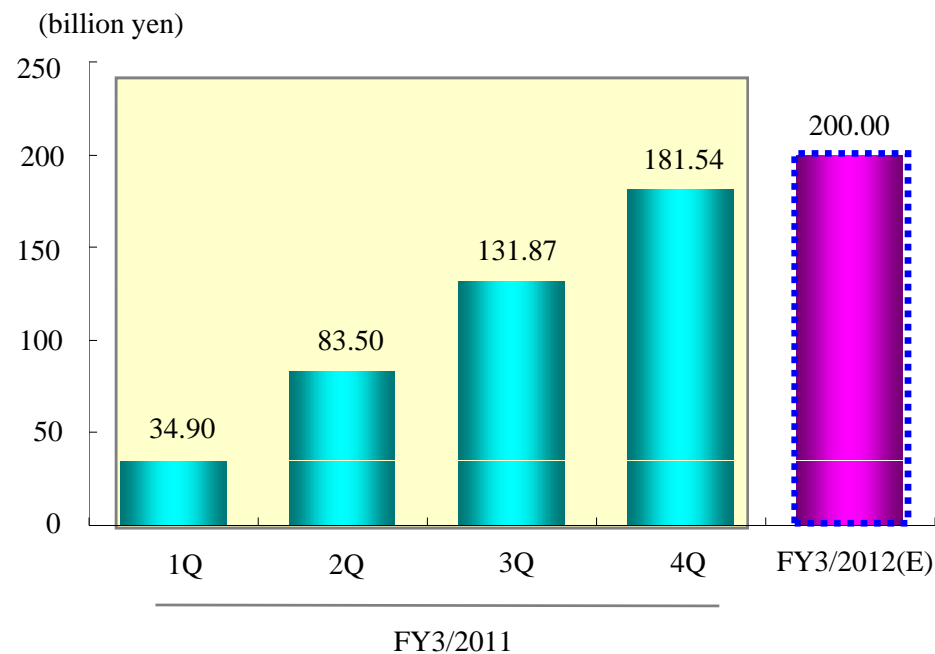
Combined Subscriber and Revenue Trend

- **Steady growth in subscribers and revenue**

Subscriber Trend (Accumulated)



Revenue Trend (Accumulated)



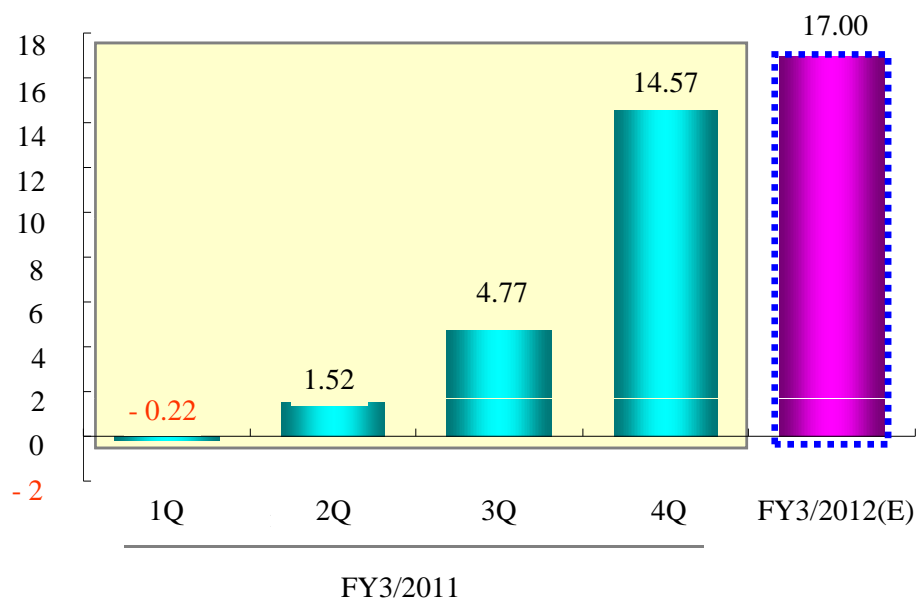
eAccess Broadband services **Combined Net Income and EBITDA Trend**

- **Steady improvement in net income and EBITDA**

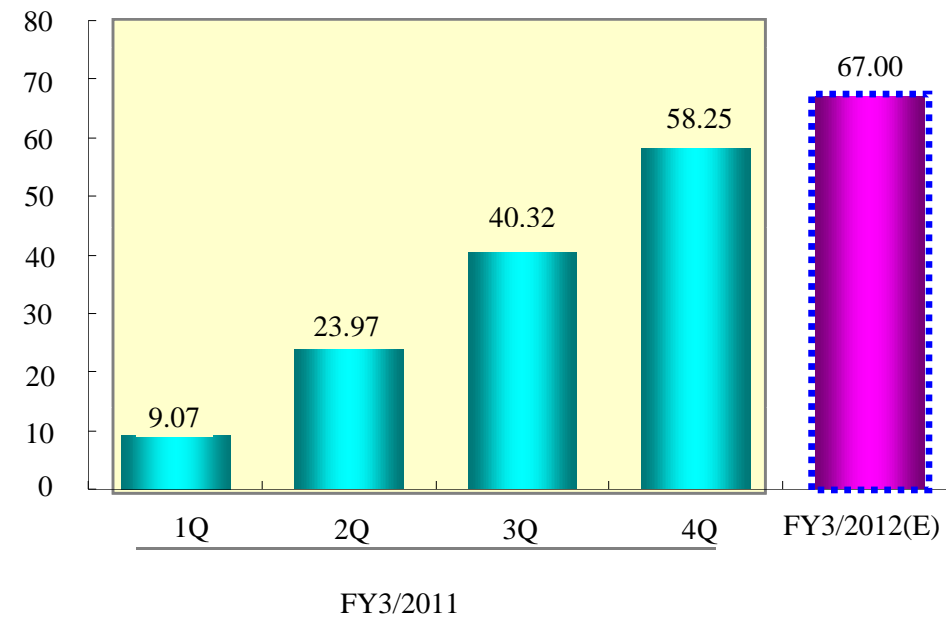
Net Income Trend (Accumulated)

EBITDA Trend (Accumulated)

(billion yen)

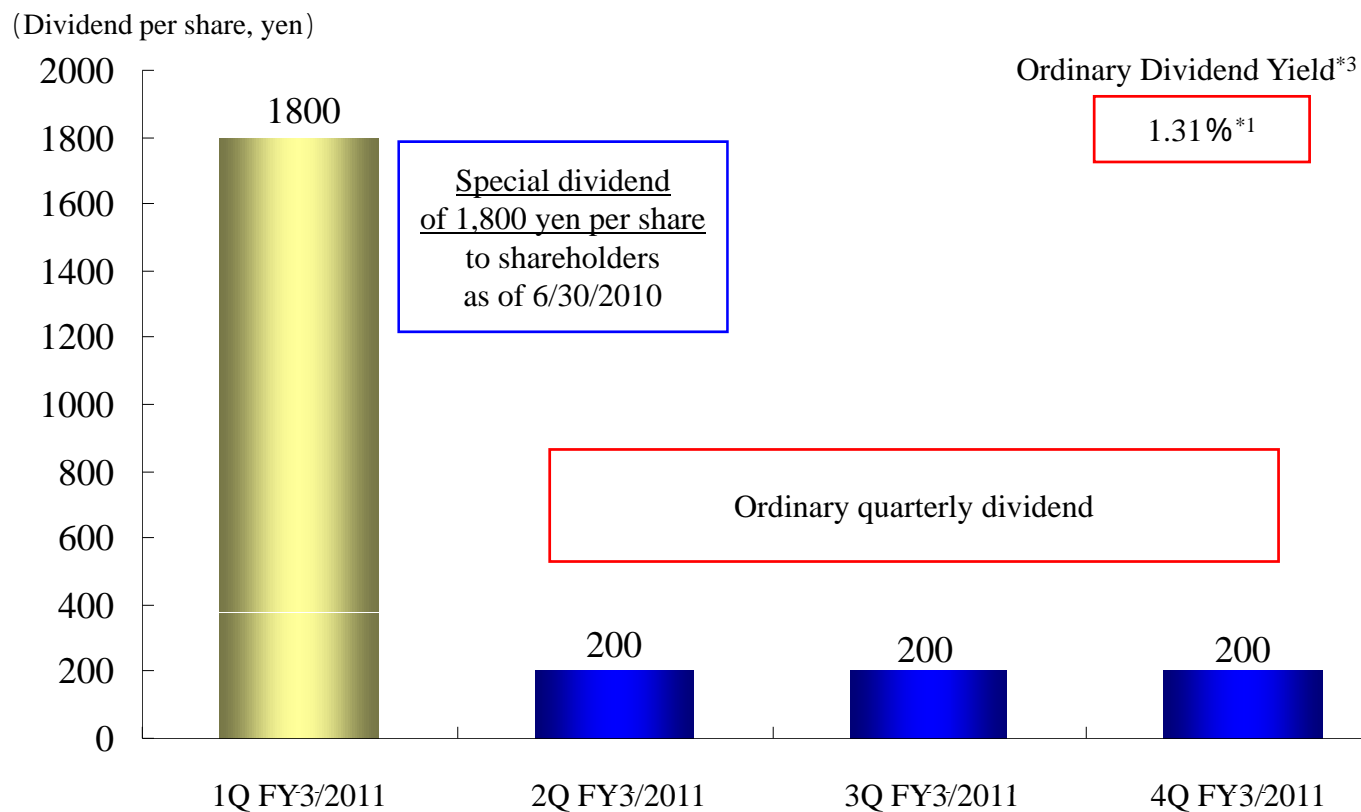


(billion yen)



Shareholders Returns

- Continue to focus on using free cash flow on growth and de-leveraging.
- Plan to maintain ordinary quarterly dividend policy of ¥200 per share with an annual dividend of ¥800 yen in FY3/2012.



*1: Based on March end stock price of FY3/2011.

*2: Does not include the special dividend

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Business Strategy

Network

- Continue to expand G4 area coverage to 70%
- Continue to increase capacity to meet rising data demand



Mobile Products

- Pocket WiFi speed upgrade to 21Mbps
- Plan to launch 5 more new smartphones and tablet PCs



Services

- Continue to expand Fixed Mobile Convergence (FMC) services
- Expansion of flat-rate mobile voice plan
- Simplified menu for mobile broadband data card services

Branding

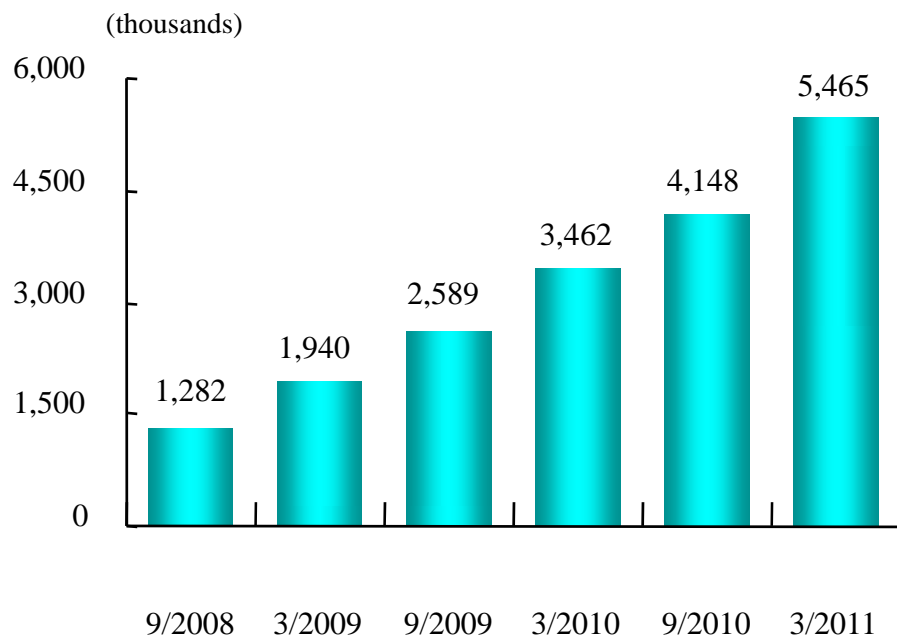
- New branding and marketing strategy to increase presence

Focus on Profit Growth

Mobile Broadband Data Card Market

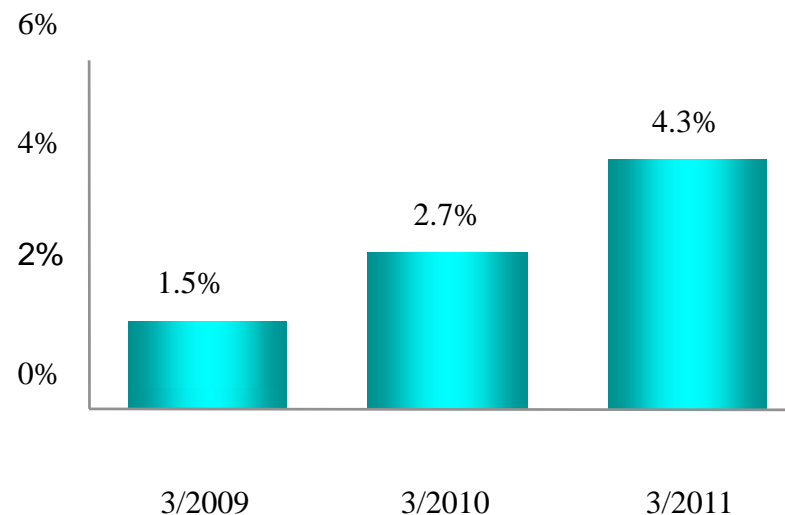
- Net addition of 3 major carriers of mobile broadband data increased 2.0 million in FY3/2011, up from 1.5 million in the previous year.
- However, penetration rate remains low at 4.3% as of the end of March 2011.

Subscriber Trend of Three Major Mobile Broadband Operators in Japan *1



Source: TCA and company information

Subscribers of Three Major Mobile Broadband Operators as a % of Japan Population *2



Source: MIC, TCA and company information

*1: Includes EMOBILE, NTT DoCoMo and UQ Communications. We have only included subscribers of the providers that publish such figures. We believe that a small fraction of NTT DoCoMo subscriber numbers may be narrowband subscribers

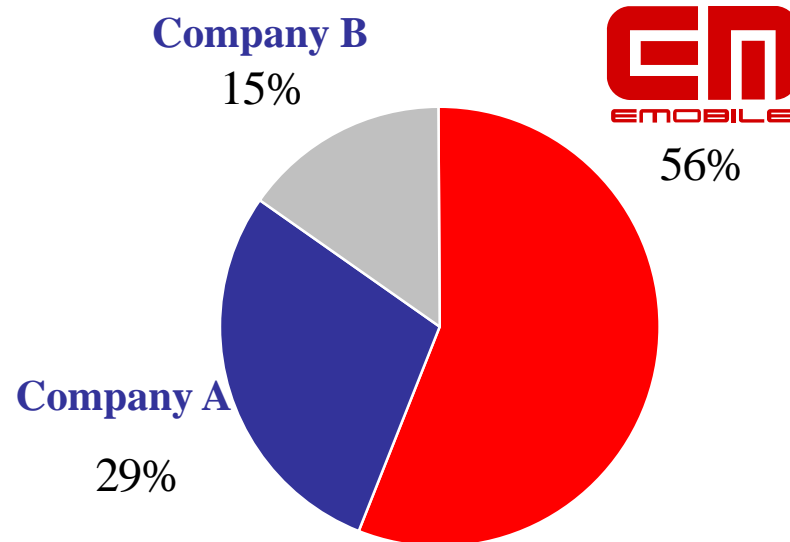
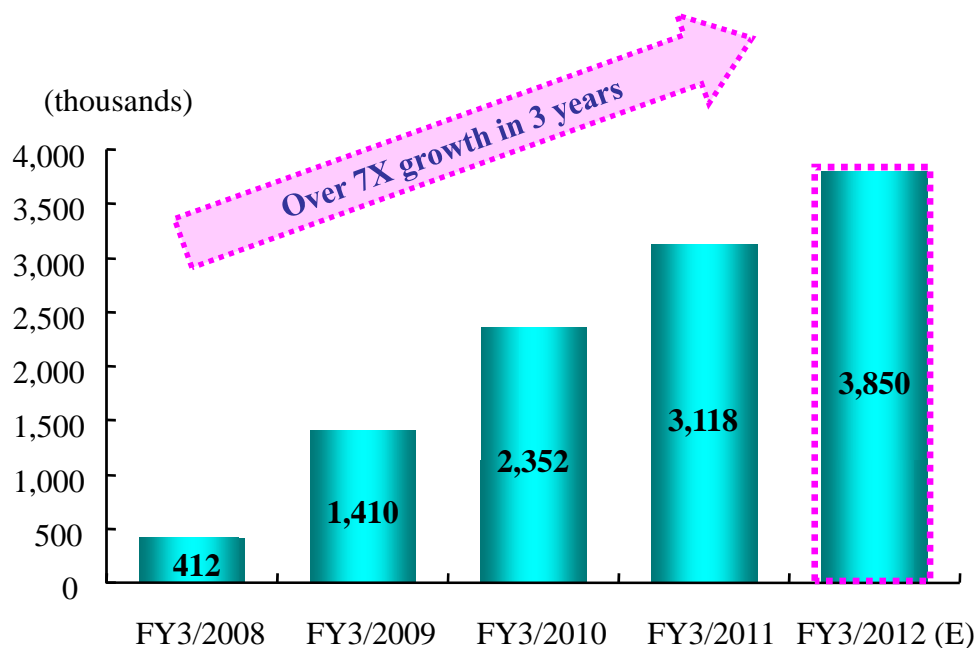
*2: Accumulated number of mobile broadband subscriber of EMOBILE, NTT DoCoMo and UQ Communications as % of number of mobile subscribers

Mobile Subscriber Trend

**Added 766,000 subscribers to 3.12 million in FY3/2011.
Aim to achieve 3.85 million as of 3/2012, with over 7X growth in 3 years**

EMOBILE Mobile Broadband Subscribers

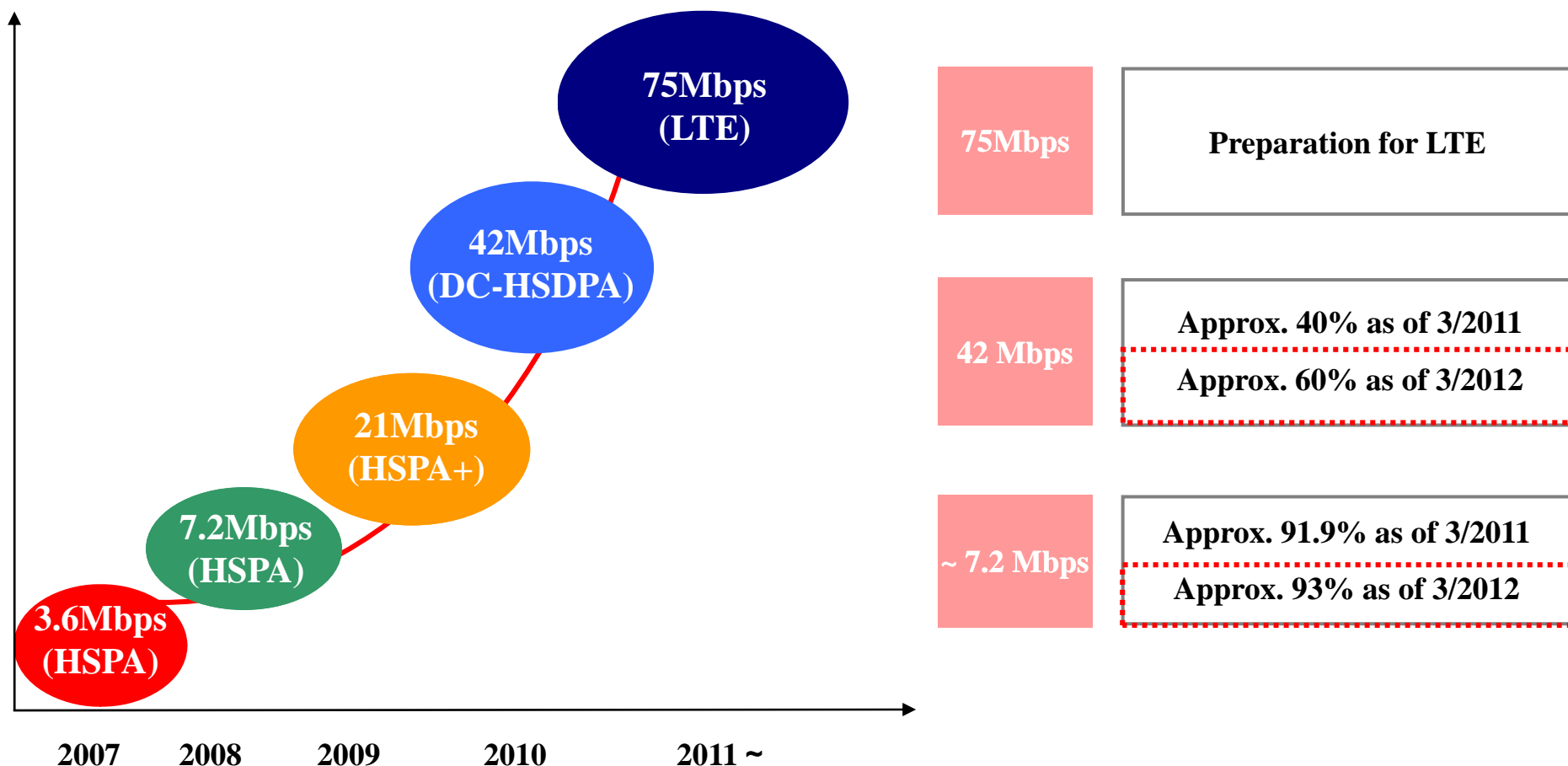
Distribution of Shares among Three Major Mobile Broadband Operators in Japan



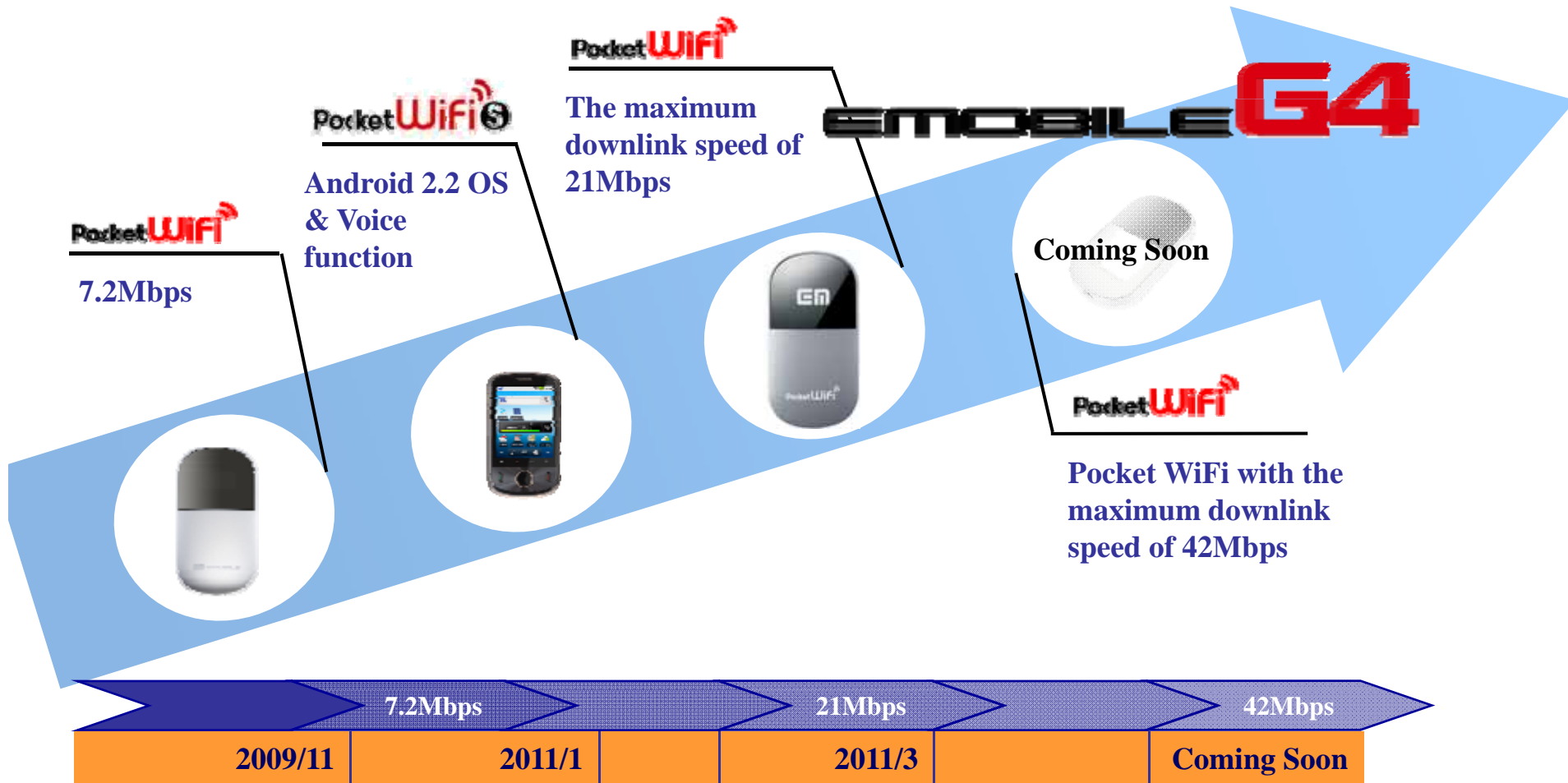
(As of March 31, 2011)
Source: TCA and company information

Focus on expanding EMOBILE G4 (21 & 42Mbps) services coverage

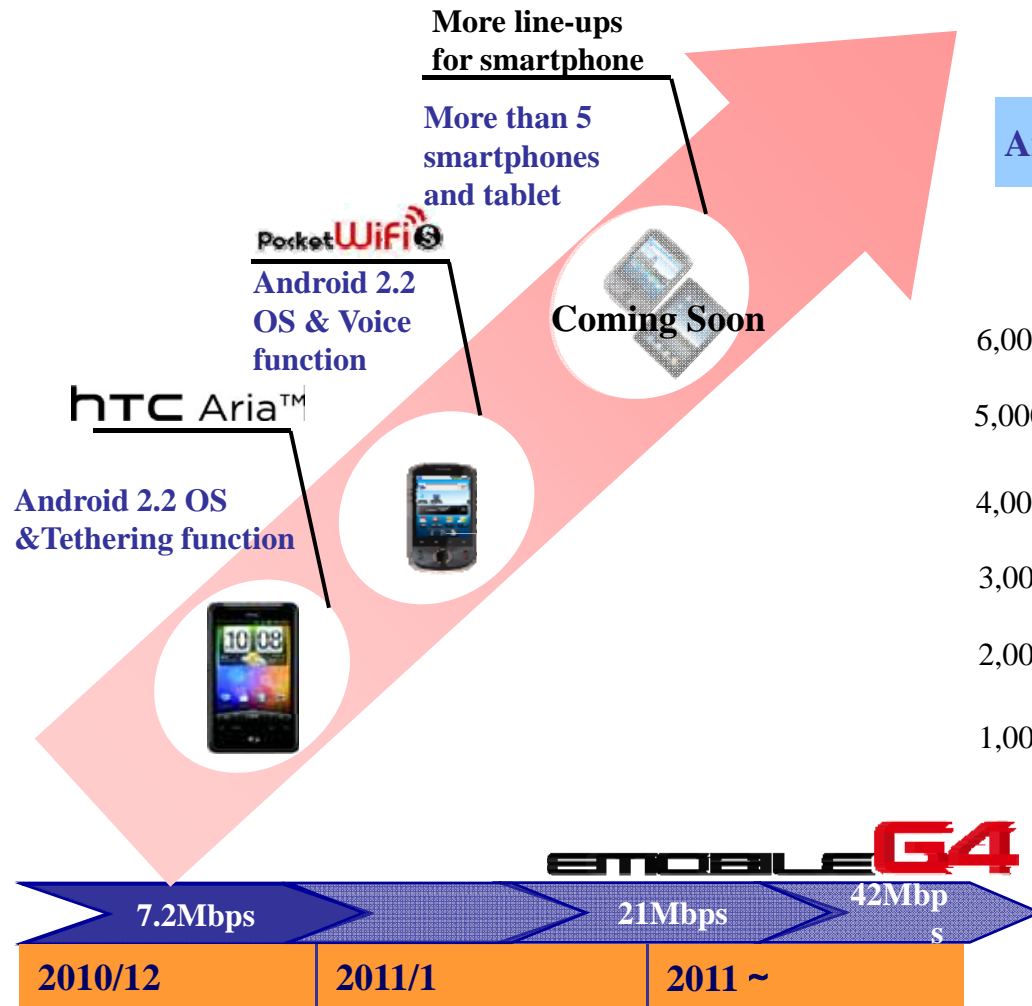
EMOBILE Area Rollout Plan by Speed



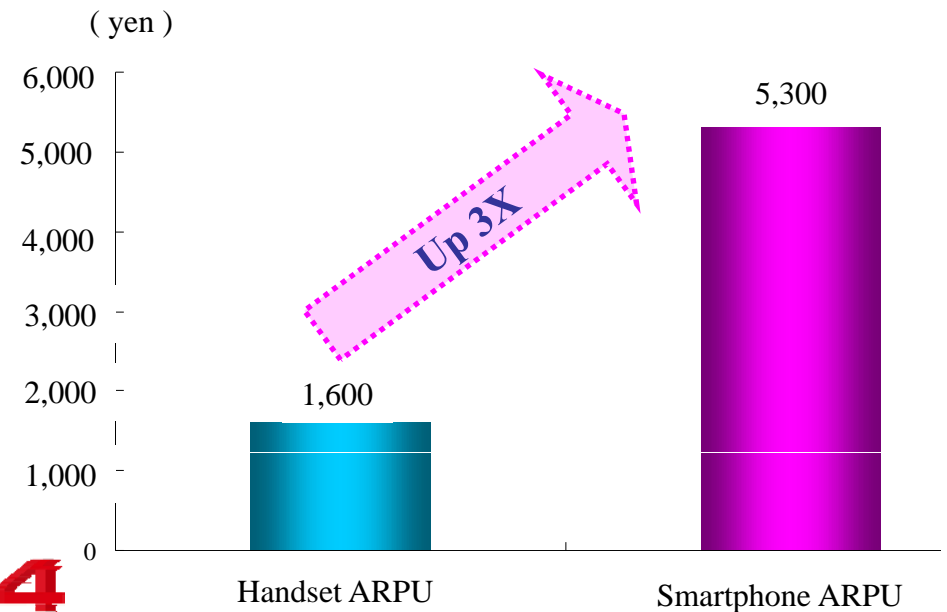
- Launched new Pocket WiFi (GP01) with 21Mbps at the end of FY3/2011.
- Plan to launch next generation Pocket WiFi with 42Mbps in FY3/2012.



- Plan to launch more than 5 Smartphones and Tablet PCs in FY3/2012.
- New (Android) Smartphone ARPU are 3X higher than traditional mobile voice ARPU.



Android Smartphone ARPU vs Traditional Voice ARPU



**Launched the most competitive mobile flat-rate voice tariffs in Japan.
Extend mobile flat-rate voice plan from smartphones to other mobile handsets.**

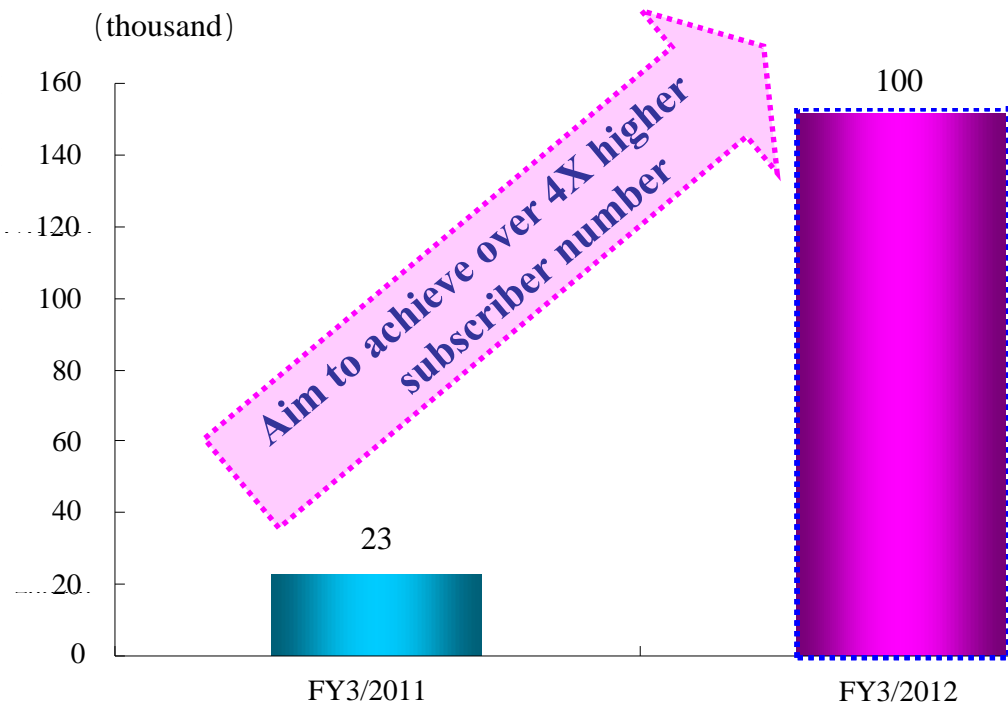
Monthly charge		Flat-rate voice option		Total/month
スマートプラン 4,580 yen/month*1	+	1,400 yen/month	=	5,980 yen/month
スマートプランライト 580 ~ 4,980 yen/month*1	+	1,400 yen/month	=	1,980 ~ 6,380 yen/month

*1: 2-year contract (Simple Ninen)

*2: Including all domestic calls within 10 minutes. Up to 300 calls per month

- FMC services continue to grow rapidly since service launch with NTT from 10/2010.
- Continue to expand FMC services with NTT and other fixed line operators.

FMC Subscriber Acquisition



EM Online Store

NTT東日本 **FLTS** 光 NTT西日本 **フレイブ** 光

モバイルWiFiルータ「光ポータブル」お申し込みのしかた対象

イー・モバイル データ通信サービス お申し込み受付ページ

いよいよ NTT西日本 対応開始

昼間(2:00~20:00) モバイル通信が使い放題の 昼割プラン新登場!

イー・モバイル データ通信サービス をお申し込みのしかたに

イー・モバイルより「EM chip」(USIMカード)をお届けします。

モバイルWiFiルータ「光ポータブル」に「EM chip」(USIMカード)をセットします。*2

イー・モバイルのデータ通信サービスをご利用いただけます。

※ 契約事務手数料として2,886円が必要となります。
 ※ LET'S WiFiキャンペーン2で契約事務手数料無料!
 ※ 「光ポータブル」はNTT東日本/NTT西日本にてお申し込みください。
 ※ 「光ポータブル」本体のお届けはNTT東日本/NTT西日本からとなります。

※ イー・モバイルの3Gデータ通信サービスをご利用いただけるのは「光ポータブル SIMフリー版」となります。
 *2 EM chip(USIMカード)のセット方法は、「光ポータブル」の取扱説明書をご確認ください。

- New branding and marketing strategy to increase presence

EMOBILE's New Spokesmodel

Tomomi Itano from one of the most popular Japanese pop group - AKB48

<Media Exposure>

- Launch new marketing plan 'finger logo' and TV commercial from May 14, 2011
- Aim to capture wider range of customers



Key Performance Indicators

- Mobile ARPU is diluted due to the increase in number of MVNO subscribers
- Expect mobile churn rate to peak in the middle of FY3/2012 after the peak of net book bundling customer churn (from 2 years ago)

		Actual Results		Forecast
		FY3/2010	FY3/2011	FY3/2012 full-year
MOBILE	Subscriber #	2,351,800	3,117,900	approx. 3,850,000
	ARPU (yen)	3,340	3,160	approx. 2,900
	Monthly churn rate	1.05%	1.38%	approx. 1.45%
	SAC (yen) *1	25,000	25,000	22,000
	SAC/ARPU (month)	7.5	7.9	approx. 7.6
ADSL	Subscriber #	2,285,000	1,928,000	approx. 1,600,000
	ARPU (yen)	2,015	1,961	approx. 1,900
	Monthly churn rate	1.90%	2.03%	approx. 2.10%
	SAC (yen) *1	9,000	8,000	approx. 8,000
	SAC/ARPU (Month)	4.5	4.1	approx. 4.2

*1: SAC stands for per subscriber acquisition cost.

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Non-Recurring and Deferred Tax Items

	FY3/2011
(billion yen)	Actual
Revenue	181.54
A: <i>Inventory Write-Down</i>	- 9.20
Operating Profit	14.97
Recurring Profit	5.09
B: <i>Loss on Disposition of Fixed Assets</i>	- 2.22
C: <i>Loss on Write-Down of Investment Securities</i>	- 2.54
D: <i>Loss on Write-Down of Long-Term Prepaid Expenses</i>	- 2.55
E: <i>Loss on Earthquakes</i>	- 0.12
F: <i>Negative Income Tax Expense-Deferred</i>	17.02
Net Income	14.57

Explanation
A: Valuation loss of inventory recognized in the cost of revenue as a result of changes in the device sales strategy in the mobile business. This will be added back to EBITDA.
B: Loss on disposal of fixed assets is the system equipment related to devices that were subject to inventory valuation losses.
C: Valuation loss of investment securities for those investment securities with market value or actual value for non-marketable securities significantly lower than the book value which were subject to impairment.
D: Writing off the long-term prepaid expense incurred in connection with EMOBILE's credit facilities upon the completion of the refinancing.
E: Loss on earthquake related cost
F: With the completion of the merger of EMOBILE, eAccess recognizes deferred tax assets and negative deferred income tax expense.

Balance Sheets After Merger

(As of 3/31/2011)

(billion yen)	(Reference) EMOBILE	(Reference) eAccess	(Reference) Consolidated	After Merger
Cash and cash deposit	28.46	18.62	47.08	47.08
Other asset	262.70	69.19	305.46	305.87
<i>EMOBILE stock</i>	-	B 109.64	-	-
<i>Goodwill</i>	-	-	8.86	-
Total asset	291.16	197.45	361.40	352.95
Debt	186.91	62.78	249.69	249.69
Other liabilities	42.37	13.71	30.23	30.23
<i>Common stock</i>	94.25	18.48	18.48	18.48
<i>Capital surplus</i>	93.95	49.23	166.37	49.23
<i>Retained earnings</i>	-126.33	D 53.26	-103.42	C+D 5.33
Net asset	A 61.88	120.96	81.47	73.03
<i>Loss on extinguishment of tie-in shares</i>	C=A-B - 47.93			

FY3/2011 Results (Segment Info.) ^{*1}

	FY3/2011				
	Mobile business	Network business ^{*2}	Device business	Elimination	Consolidated
(billion yen)					
Revenue	142.64	44.80	7.02	- 12.92	181.54
Operating Profit	2.63	12.84	0.12	- 0.62	14.97
Recurring Profit	5.09			-	5.09
Net Income	14.57			-	14.57
EBITDA	40.37	17.89	0.15	- 0.16	58.25
Capex	39.30	1.55	0.00	0.00	40.85
Depreciation	28.23	5.04	0.03	0.53	33.83

*1: Segment information of FY3/2011 includes 9-month eAccess (7/2010-3/2011) and 12-month EMOBILE results (4/2010-3/2011) due to the business combination completed on 7/1/2010 which was treated as the reverse acquisition.

*2: Network business : ADSL Business, Retail Business, Backbone Business and MVNO Business.

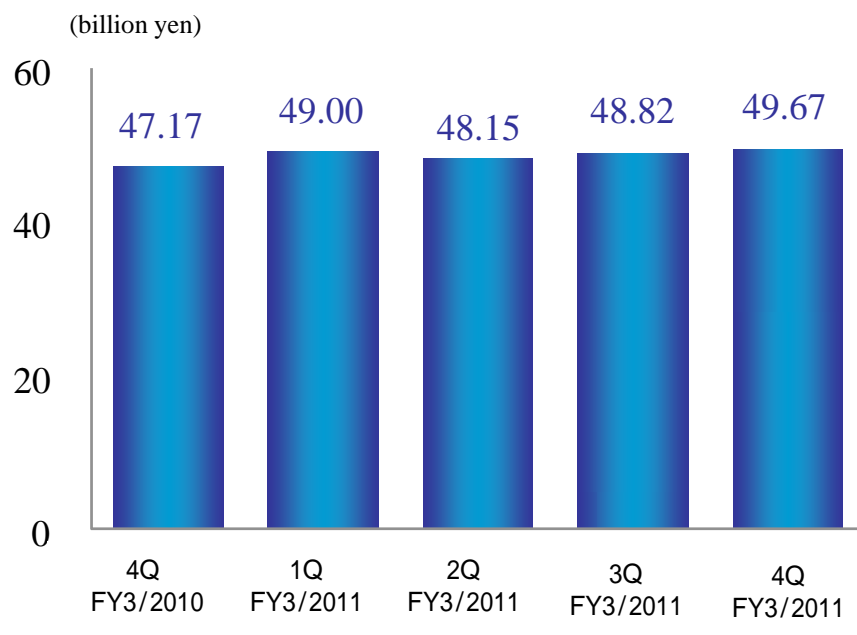
FY3/2012 Segment Financials Forecast

	Forecast FY3/2012		
	Network Segment	Mobile Segment	Total
(billion yen)			
Revenue	42.00	158.00	200.00
Operating Profit	12.00	18.00	30.00
Recurring Profit	17.00		
Net Income	17.00		
EBITDA	15.70	51.30	67.00
<i>EBITDA margin</i>	37.4%	32.5%	33.5%
Capex	1.90	37.10	39.00
Depreciation	3.70	33.30	37.00
Operating FCF	13.80	14.20	28.00

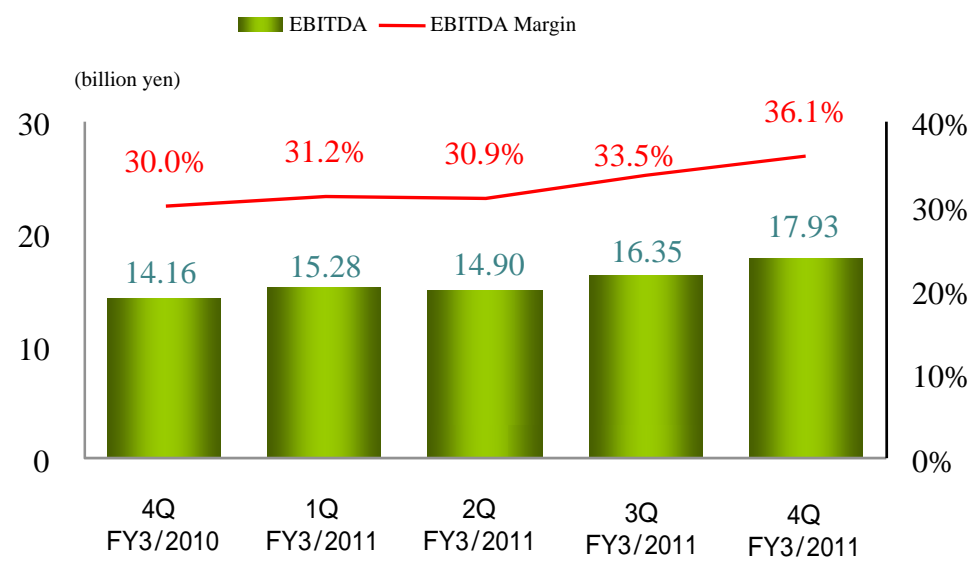
Combined Quarterly Revenue and EBITDA Trend

- Higher subscribers and revenue growth improve EBITDA margin

Quarterly Revenue

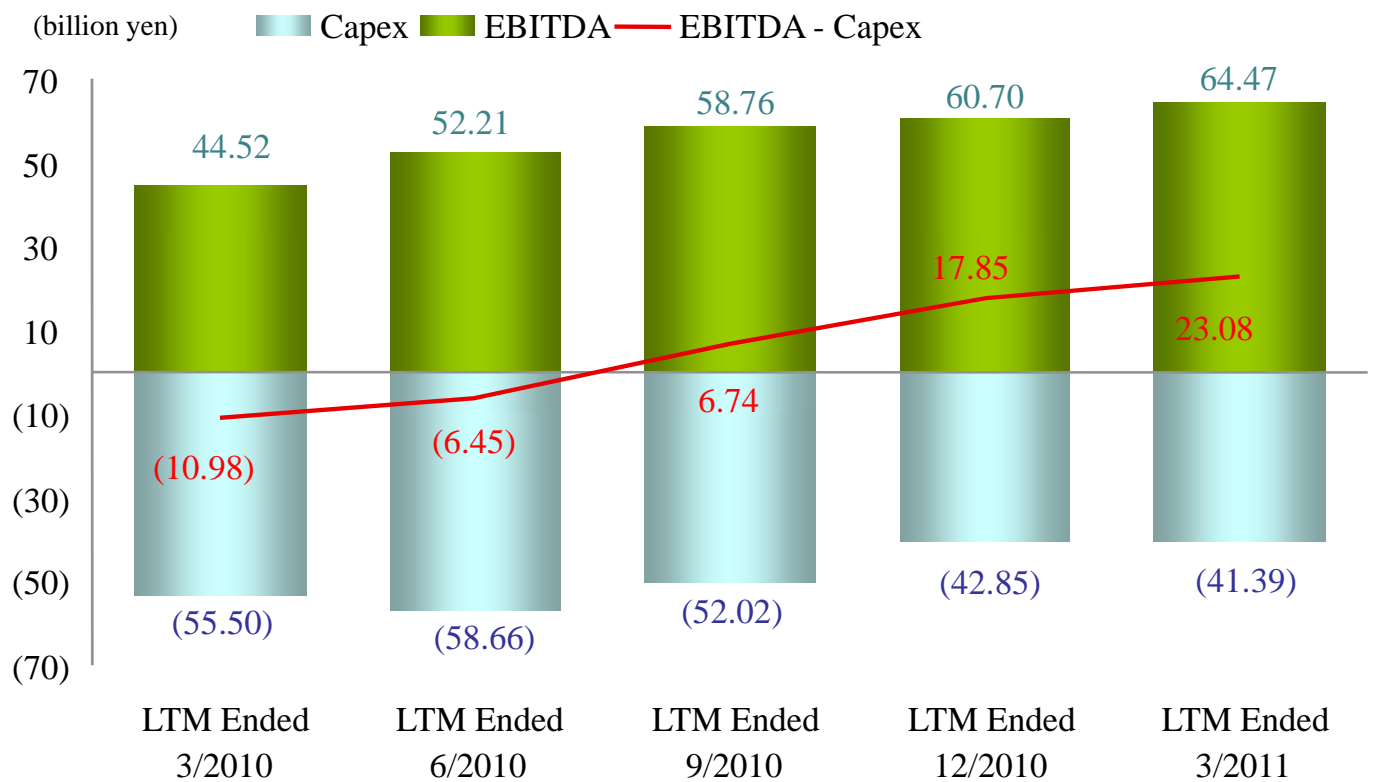


Quarterly EBITDA and EBITDA margin



Combined LTM Free Cash Flows

- Steady improvement in combined operational FCF from growing mobile subscribers



*1: Last-twelve-month based

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