

eAccess Ltd. (9427)

FY3/2012 First Half Results (4/2011 ~ 9/2011)



November 4, 2011

FY3/2012 1H Results & Financials

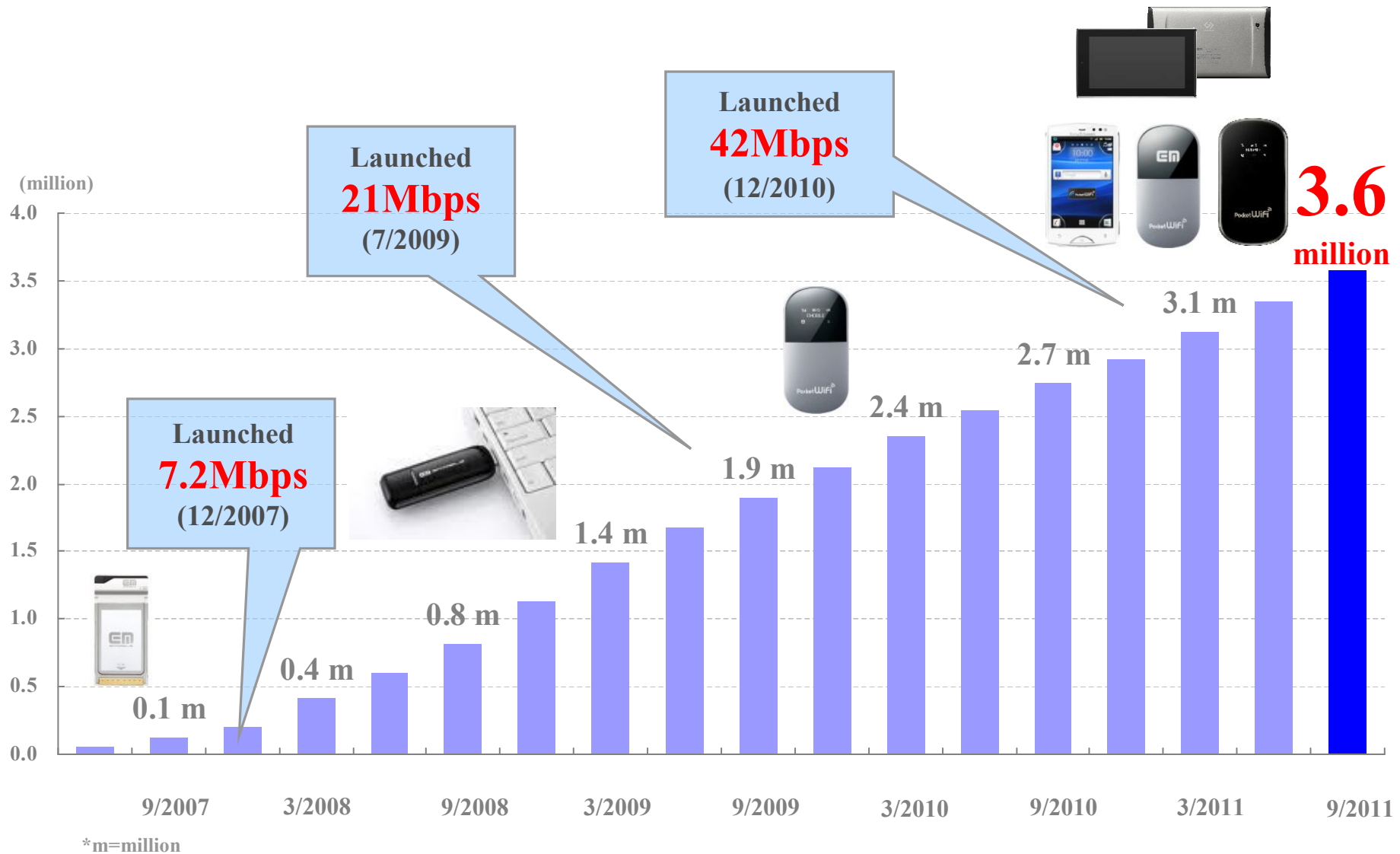
Strategy

LTE

900MHz

FY3/2012 1H Results & Financials

Mobile subscribers reached about 3.6 million as of September 2011, up 31% YoY



- Improvement in EBITDA margin
- Net income doubled YoY

(billion yen)	FY3/2010 1H (Pro-forma) *	FY3/2011 1H (Pro-forma) *	FY3/2012 1H (Actual)	YoY (%)
Revenue	85.3	97.2	96.6	- 0%
EBITDA	15.9	30.2	32.1	+ 6%
<i>EBITDA Margin</i>	19%	31%	33%	+ 2pts
Operating Profit	1.0	12.7	13.4	+ 6%
Recurring Profit	-4.4	7.2	7.2	- 0%
Net Income	-8.1	3.6	7.1	+ 97%
CAPEX	18.3	14.8	14.3	- 4%

* Pro-forma: Sum of eAccess and EMOBILE before consolidation for the comparison purposes

Net free cash flow increased 3X YoY



(billion yen)	FY3/2010 1H (Pro-forma) *	FY3/2011 1H (Pro-forma) *	FY3/2012 1H (Actual)	YoY (%)
EBITDA	15.9	30.2	32.1	+ 6%
CAPEX	-18.3	-14.8	-14.3	-4%
Operating FCF	-2.4	15.4	17.9	+16%
Interest	-4.5	-4.4	-5.2	+19%
Tax	-1.4	-3.0	2.6	-
Dividend **	-1.8	-3.5	-1.5	-58%
Net FCF	-10.0	4.4	13.8	+212%

* Pro-forma: Sum of eAccess and EMOBILE before consolidation for the comparison purposes

** Plan to pay quarterly dividend of 200 yen per share for FY3/2012 (consistent from FY3/2011 2Q)

■ Net debt/EBITDA (leverage ratio) below 3.0X

■ Total net debt below ¥200 billion



(billion yen)	FY3/2010 1H (Pro-forma) *	FY3/2011 1H (Actual)	FY3/2012 1H (Actual)	YoY (%)
Cash	118.5	74.0	44.8	-39%
Debt	329.7	276.7	237.3	-14%
Net Debt	211.1	202.7	192.5	-5%
Net Assets	69.9	69.8	78.2	+12%
Net Debt/Net Assets	3.3X	2.9X	2.5X	-0.4pts
EBITDA (last 12 months)	23.1	58.8	66.4	+13%
Net Debt/EBITDA	9.2X	3.4X	2.9X	-

* Pro-forma: Sum of eAccess and EMOBILE before consolidation for the comparison purposes

Improvement in mobile churn in 2Q



		Results				
		FY3/2011	FY3/2011	FY3/2011	FY3/2012	FY3/2012
		2Q	3Q	4Q	1Q	2Q
Mobile	Subscribers	2,740,800	2,923,600	3,117,900	3,341,000	3,579,000
	<i>Consumer (Retail)</i>	61%	58%	56%	54%	52%
	<i>Corporate/MVNO</i>	39%	42%	44%	46%	48%
	ARPU (yen)	3,250	3,100	2,950	2,860	2,730
	Monthly churn rate	1.29%	1.40%	1.45%	1.50%	1.44%
	SAC (yen)*	25,000	25,000	25,000	20,000	23,000
	SAC/ARPU (month)	7.7	8.1	8.5	6.8	8.4
ADSL	Subscribers	2,118,000	2,023,000	1,928,000	1,839,000	1,744,000
	ARPU (yen)	1,966	1,953	1,949	2,009	2,006
	Monthly churn rate	1.91%	2.03%	2.08%	2.04%	2.14%
	SAC (yen)*	8,000	7,000	7,000	7,500	7,000
	SAC/ARPU (Month)	4.1	3.6	3.6	3.7	3.5

* SAC stands for per subscriber acquisition cost

** Figures in this page are rounded and provided for reference purposes

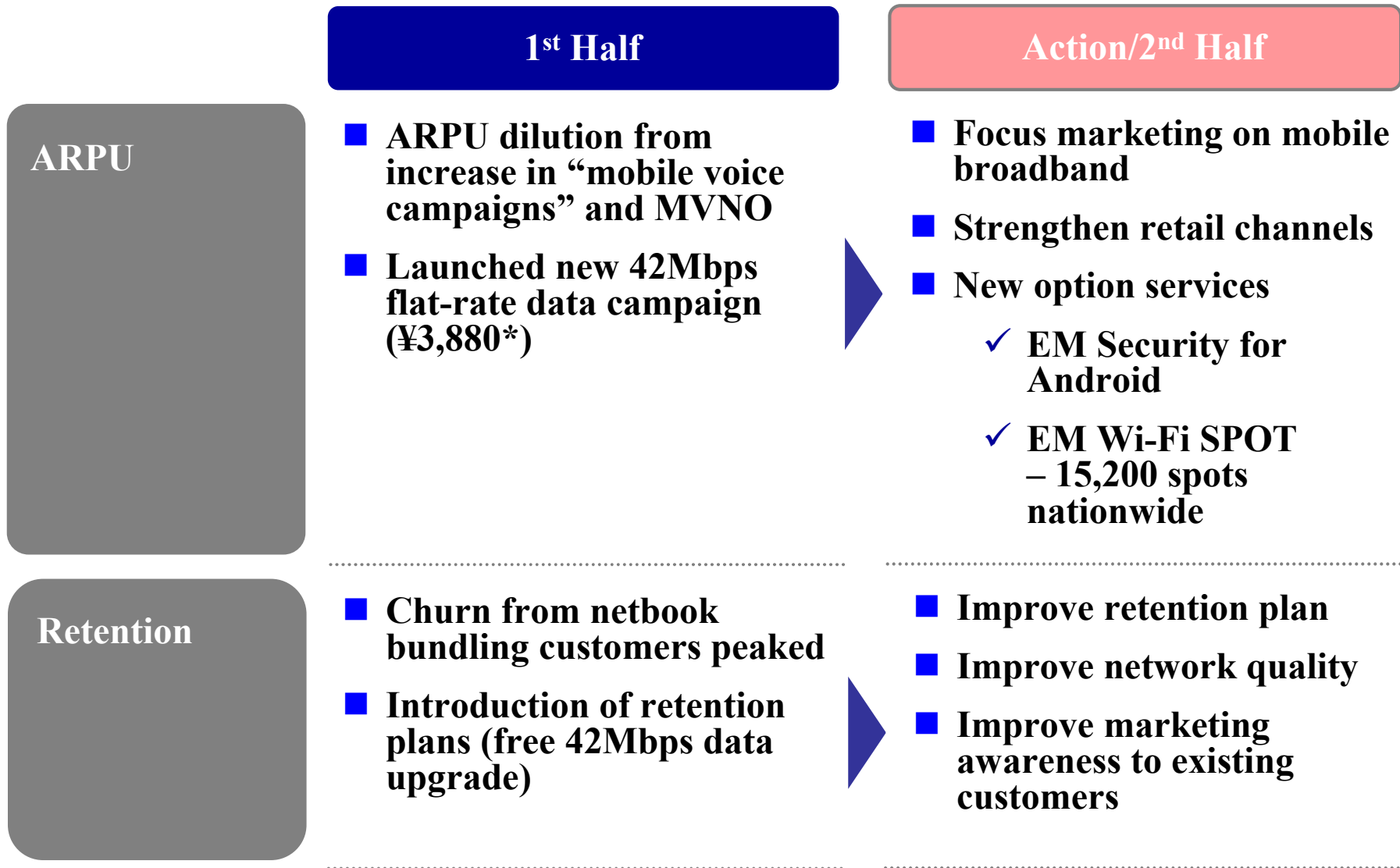
Blended mobile ARPU breakdown



(as of FY3/2012 2Q)	% of Total Subs	ARPU	SAC*	Pay back Period
Consumer (Retail)	52%	¥3,700	¥43,000	11.6 months
Corporate/ MVNO	48%	¥1,700	¥6,000	3.5 months
Blended	-	¥2,730	¥23,000	8.4 months

* SAC stands for per subscriber acquisition cost
 ** Figures in this page are rounded and provided for reference purposes

Mobile ARPU and retention strategy



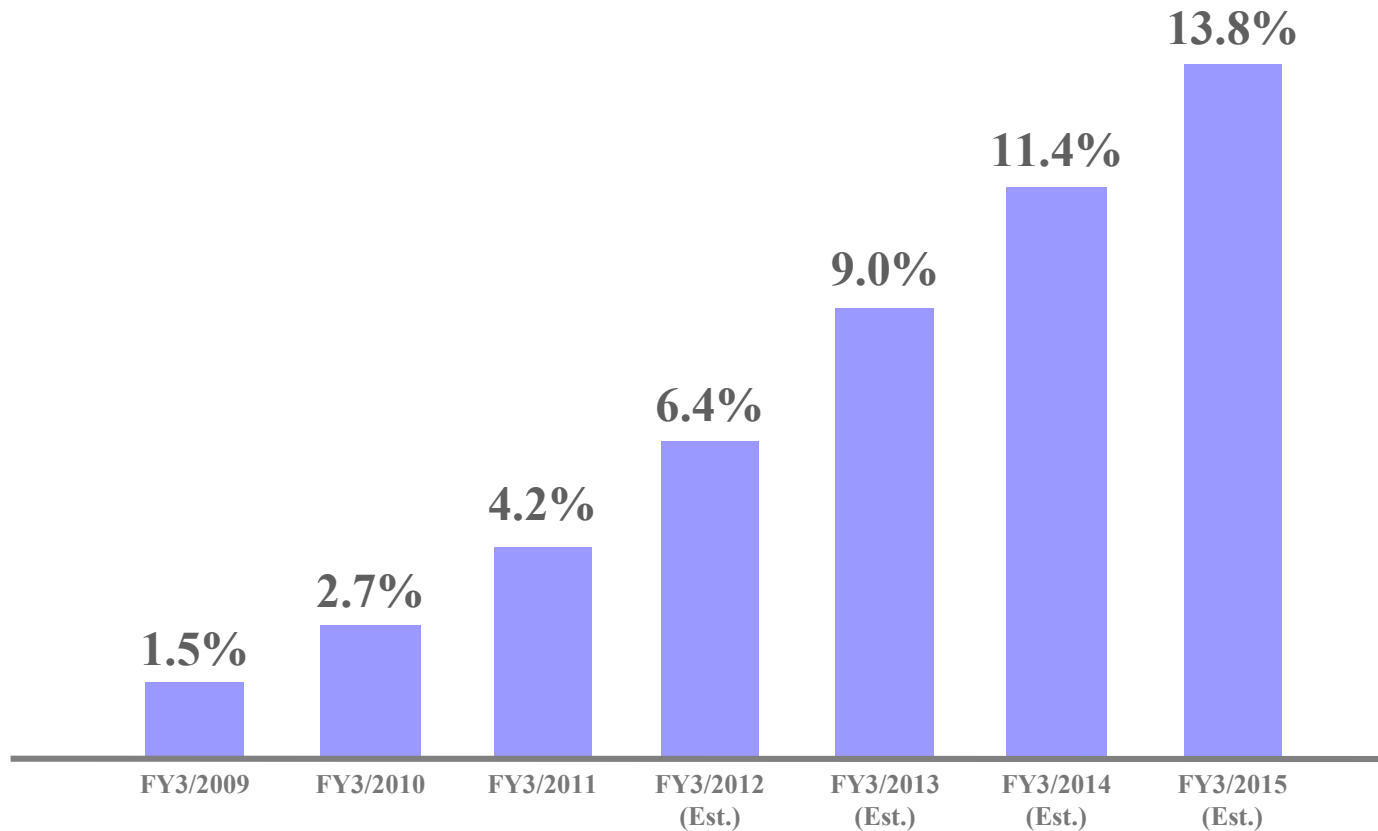
* Campaign price until May 6 2012

Strategy

Japan's Mobile Broadband market overview

Penetration still low, high growth potential

Mobile Broadband Penetration

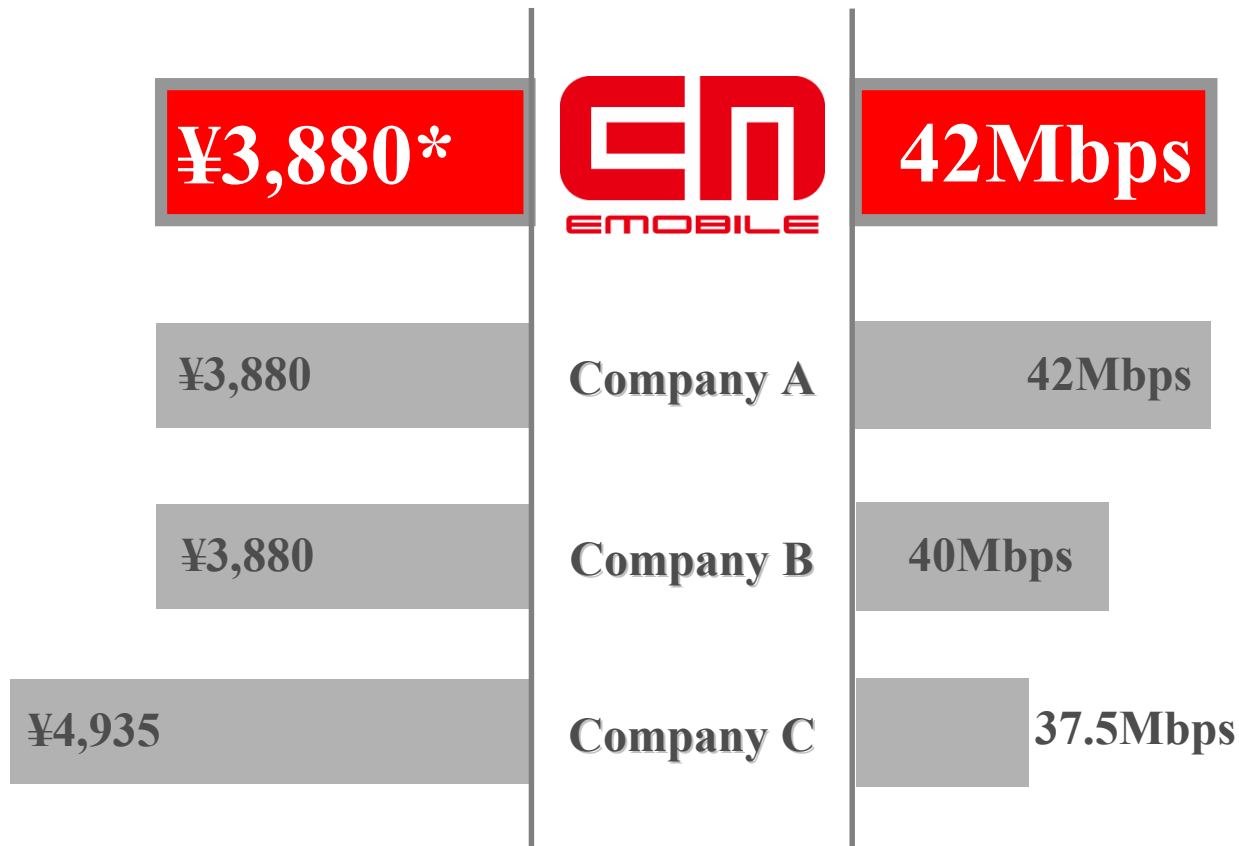


Source: The MIC, TCA, Company information, Company estimation

No.1 in Mobile Broadband sales in 4 consecutive years

Monthly Fee

Downlink Speed



* Campaign price until May 6 2012

eAccess Mobile Broadband leadership

1st Half

Action/2nd Half

Product /Service

- Launched 42Mbps Pocket WiFi in July and new flat-rate data campaign (¥3,880*)
- Launched 2 smart phones and 2 tablets
- Launched summer mobile flat rate voice campaign

- Focus on “Mobile Broadband” promotion
- New smart phones & mobile router products



Marketing Activities

- Launched new EMOBILE brand awareness marketing
- Test marketing in Kyushu (TVCM, web)

- Focus marketing, awareness & branding of ‘No. 1 Wi-Fi’



めっちゃイーモバイル EN

No.1 Wi-Fi

PocketWiFi

実績 4年連続販売No.1

高速 下り最大42Mbps!

定価 3,880円!

GP02

* Campaign price until May 6 2012

Sales channels expansion

Sales Channels

1st Half

- Increase in the number of EMOBILE shops
- MVNO partnership with K-Opticom



Action/2nd Half

- Further Increase in EMOBILE shops & TV shopping channels
- Strengthen ISP MVNO channels (@nifty, GMO, other major ISPs)
- Expand corporate sales targeting SMEs

下り最大42Mbpsの高速モバイル通信
@nifty EMOBILE G4
使い放題の定額にねんプラン4,200円/月(税込)が、

対応機器もオトク!
PocketWiFi (GP02)
キャンペーンにより、**1円(税込)**

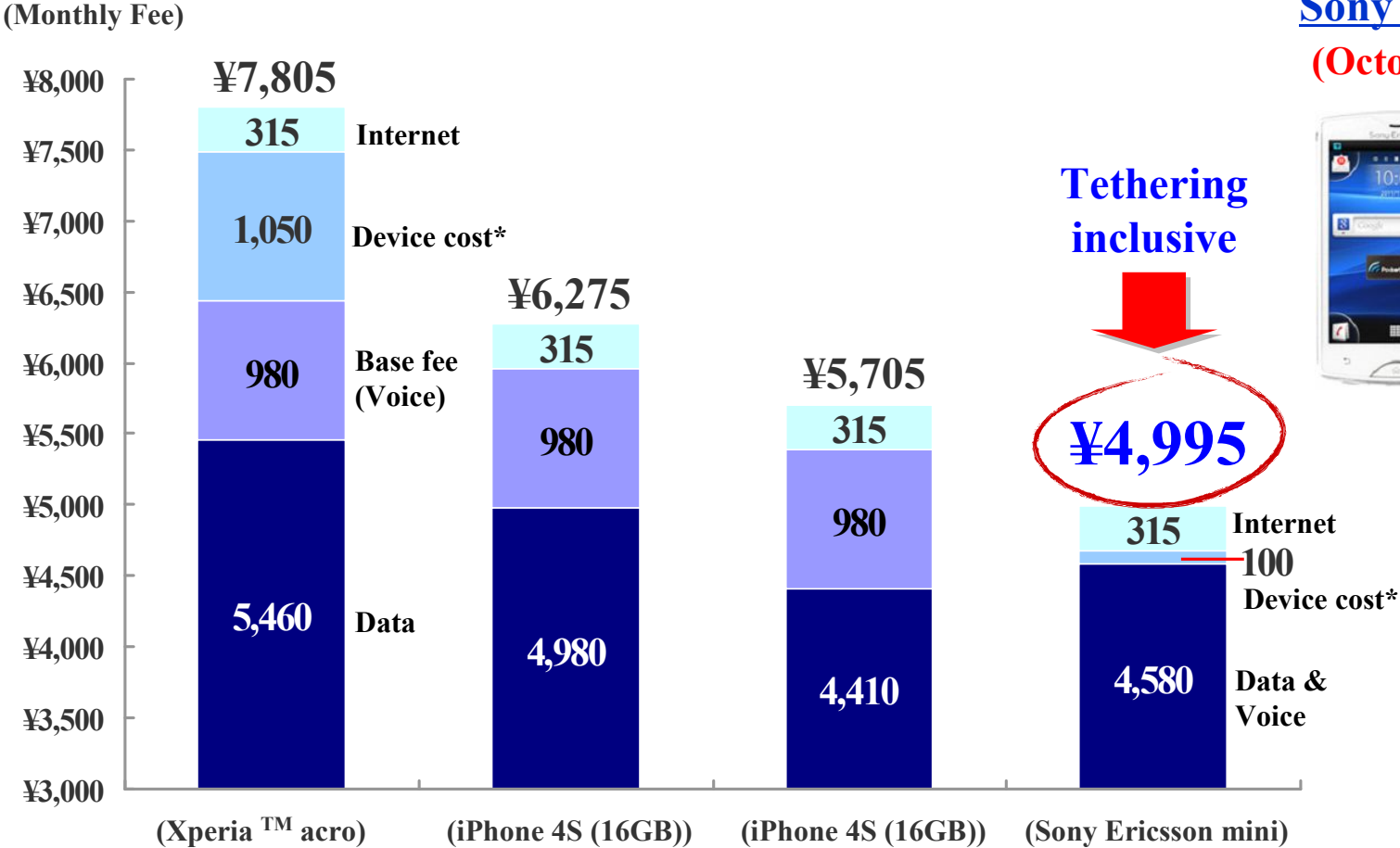
キャンペーンで、月額費用が
機器到着月無料
+ 2カ月目以降、
24カ月間 **3,217.2円(税込)**

詳しくはこちら

Competitive smartphone pricing

New Smartphone

Sony Ericsson mini
(October 28 release)



Tethering
inclusive



¥4,995

Source: Company information publicly available

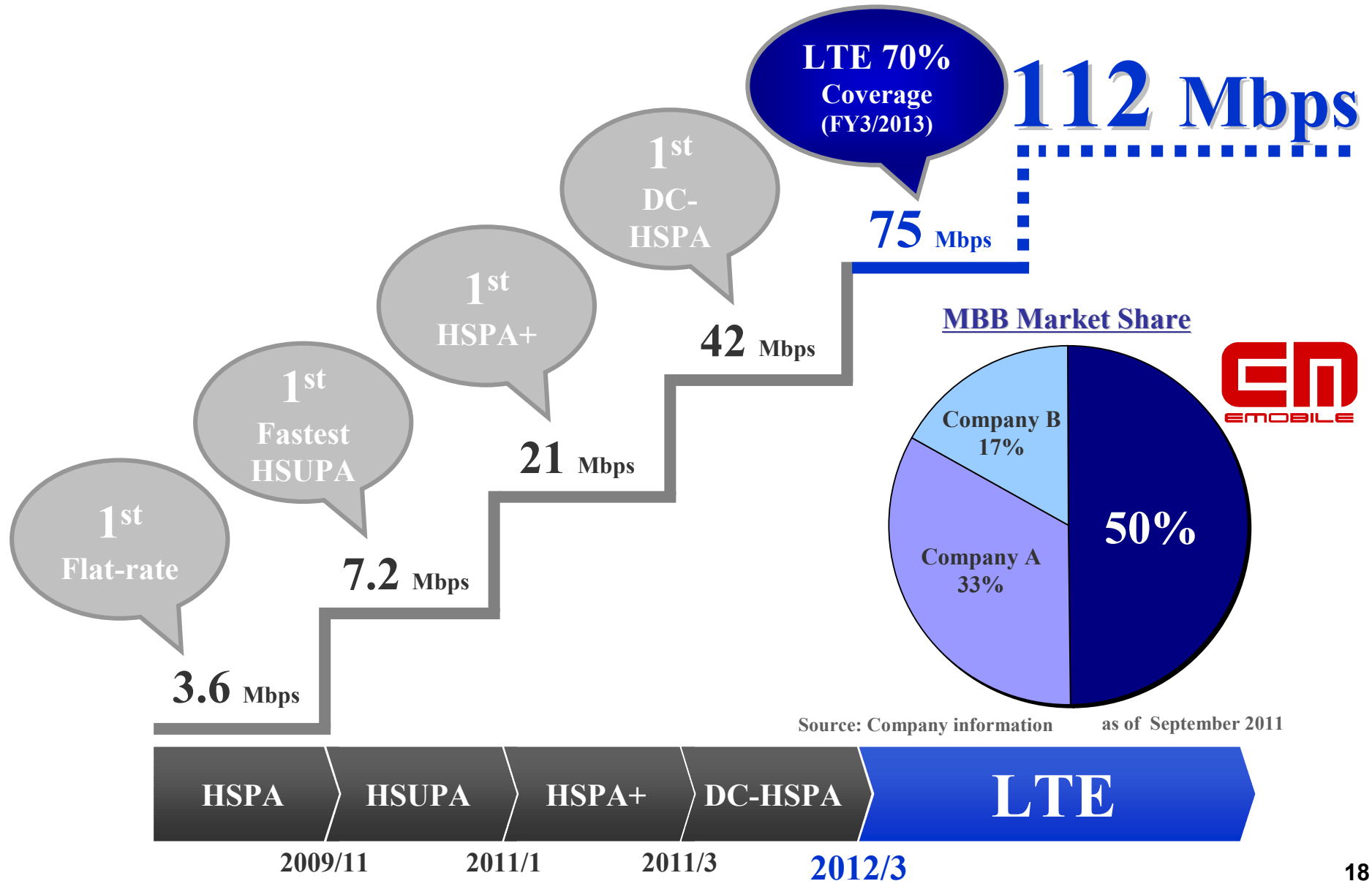
* Difference between device installment fee after monthly discount



LTE

Plan to launch LTE service in March 2012

Expand LTE coverage to 70% in FY2012



LTE deployment benefits

*Our goal of LTE is to achieve
Japan's highest mobile broadband speed*

Speed

75Mbps – 112Mbps

Network

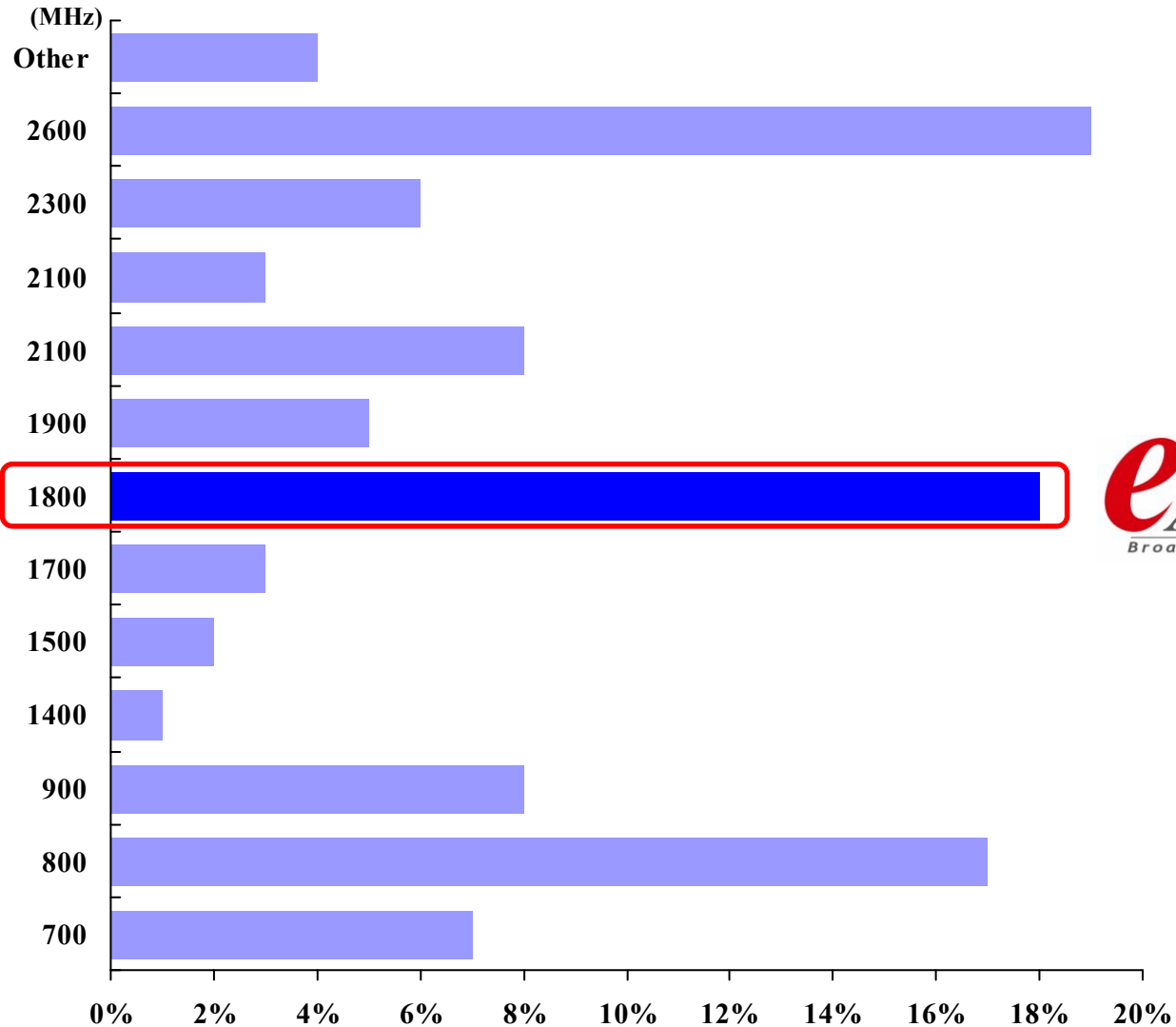
High capacity & low latency

Marketing

Next mobile generation

Global deployment of LTE band

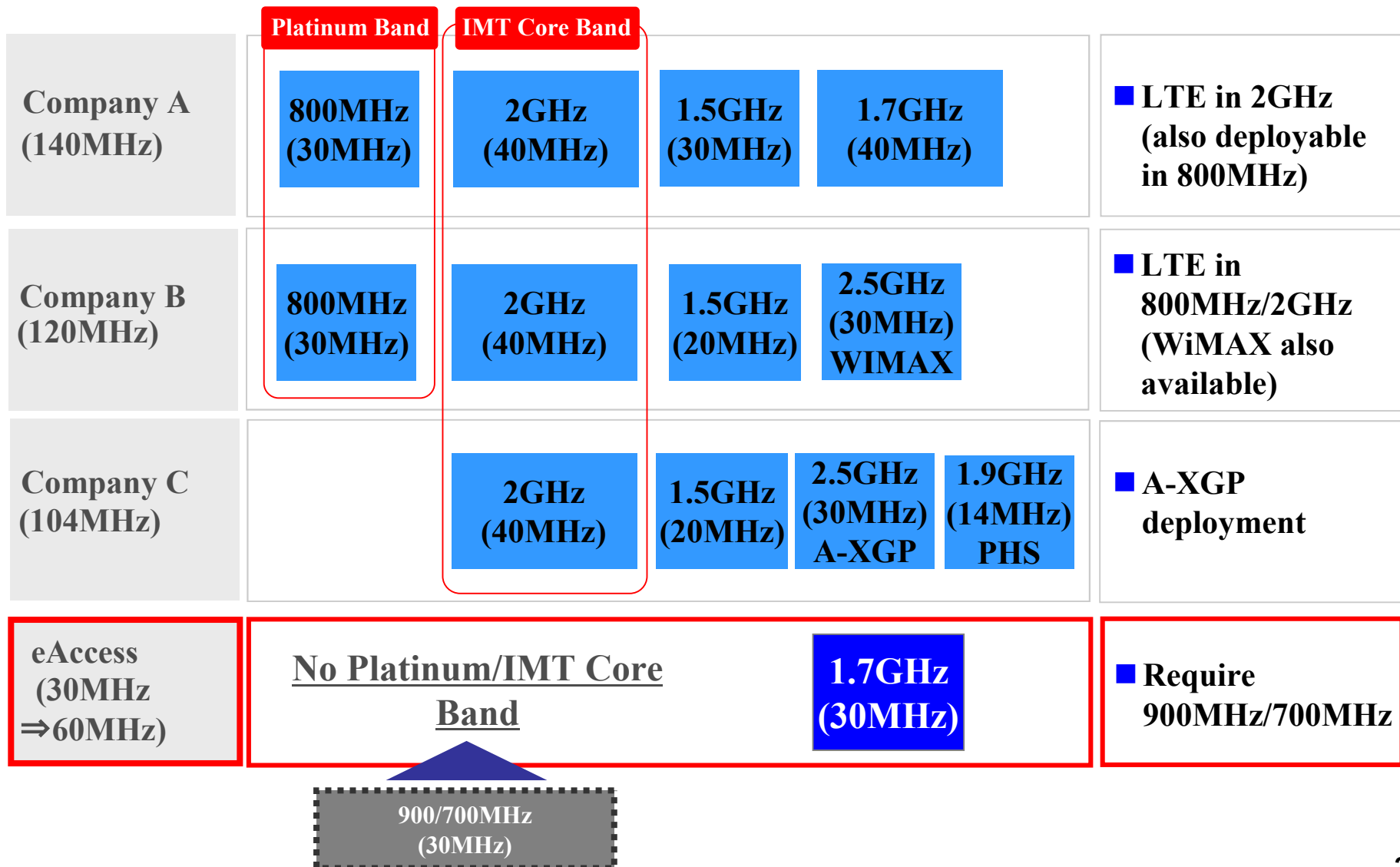
One of the most common LTE deployment band



900MHz

Disproportion spectrum allocation

Priority of 900/700MHz allocation should be given to least spectrum holder



Merits of 900MHz

Quality Frequency

- **Commonly used global band**
- **Good for improving area coverage**

Quantity Bandwidth

- **Enable high speed LTE services**
- **Good for improving traffic capacity**

900MHz mandatory requirements

Mandatory Requirements

- **Overall population coverage to be a minimum of 50% by the end of Mar 2016**
- **Overall population coverage to be a minimum of 80% by the end of Mar 2019**
- **Operate LTE with 10MHz by the end of Mar 2019**

MIC preliminary guidelines for 900MHz

“Beauty Contest” Criteria

1. Migration Cost

- 120 - 210 billion yen of migration fee commitment

2. Population Coverage

- LTE population coverage at the end of Mar 2019

3. Other factors

- Migration plan
- MVNO plan
- Difference among allocated spectrum
- Number of subscribers per allocated spectrum

Our view on the draft of guidelines for 900MHz spectrum allocation

The criteria of beauty contest is advantageous to incumbents and unclear

[Guidelines for spectrum allocation: Appendix 3-3-2(2)]

The MIC judges the allocation by considering “the difference among allocated spectrum” and “the number of subscribers per allocated spectrum”

- **Operator with less quantity of allocated spectrum should be prioritized on the difference among allocated spectrum**
- **The growth rate of number of subscribers should replace the number of subscribers per allocated spectrum**
- **The method of calculation and weighting should be specified**

Appendix

Financial results – 1H comparison

Mobile EBITDA increased 24% YoY



(billion yen)	FY3/2011 1H (Pro-forma)*	FY3/2012 1H (Actual)	YoY	Full Year Forecast
Revenue	97.2	96.6	-0%	200.0
Mobile	67.8	73.1	+8%	158.0
Fixed Line	29.3	23.5	-20%	42.0
EBITDA	30.2	32.1	+6%	67.0
Mobile	17.7	22.0	+24%	51.3
Fixed Line	12.6	10.2	-19%	15.7
<i>EBITDA Margin</i>	31%	33%	+2pts	34%
<i>Mobile</i>	26%	30%	+4pts	32%
<i>Fixed Line</i>	43%	43%	+0pts	37%
Operating Profit	12.7	13.4	+6%	30.0
Recurring Profit	7.2	7.2	-0%	17.0
Net Income	3.6	7.1	+97%	17.0
CAPEX	14.8	14.3	-4%	39.0

* Pro-forma: Sum of eAccess and EMOBILE before consolidation for the comparison purposes

Cash Flows – Quarterly trend

Continue improvement in free cash flow



(billion yen)	FY3/2011			FY3/2012	
	2Q (7~9/2010)	3Q (10~12/2010)	4Q (1~3/2011)	1Q (4~6/2011)	2Q (7~9/2011)
Revenue	48.2	48.8	49.7	47.6	49.0
EBITDA	14.9	16.4	17.9	15.7	16.4
Capex	-6.1	- 6.1	- 20.5	-8.0	-6.2
Operating FCF	8.8	10.3	-2.6	7.7	10.2
Interest	-1.9	-2.4	-1.8	-2.0	-3.2
Tax	0.0	-2.5	0.0	0.2	2.3
Dividend *	-2.7	-0.8	-0.7	-0.7	-0.8
Net FCF	4.3	4.6	-5.1	5.2	8.5

* Plan to pay quarterly dividend of 200 yen per share for FY3/2012 (consistent from FY3/2011 2Q)

Balance Sheets – Quarterly trend

Lowering net debt and leverage

	FY3/2011			FY3/2012	
	9/2010	12/2010	3/2011	6/2011	9/2011
(billion yen)					
Cash and Cash Deposit	74.0	65.0	47.1	38.1	44.8
Debt	276.7	265.1	249.7	242.4	237.3
Net Debt	202.7	200.1	202.6	204.3	192.5
Net Assets	69.8	72.3	73.0	74.3	78.2
Total Assets	371.9	364.6	353.0	340.2	338.8
Net Debt/Net Assets Ratio	2.91	2.77	2.77	2.75	2.46
EBITDA (last 12 months)	58.8	60.7	64.5	64.9	66.4
Net Debt/EBITDA Ratio	3.45	3.30	3.14	3.15	2.90

Pro-forma annual financials trend & forecasts



(billion yen)		FY3/2009 Pro-forma*	FY3/2010 Pro-forma*	FY3/2011 Pro-forma*	FY3/2012 Forecast	CAGR (2010-2012)
Revenue		122.9	176.5	195.6	200.0	6%
	Mobile	61.4	113.6	139.1	158.0	18%
	Fixed Line	61.5	62.9	56.5	42.0	-18%
EBITDA		2.2	44.5	64.5	67.0	23%
	Mobile	-18.5	18.2	40.3	51.3	68%
	Fixed Line	20.6	26.3	24.2	15.7	-23%
EBITDA Margin		1.8%	25.2%	33.0%	33.5%	15%
Operating Profit		-22.4	11.8	19.2	30.0	60%
Recurring Profit		-31.4	0.6	8.9	17.0	441%
Net Income		-39.0	-6.4	16.6	17.0	na
CAPEX		44.4	55.5	41.4	39.0	-16%
Debt		315.5	299.2	249.7	235.1	-11%
Net Debt		190.2	224.4	202.6	190.6	-8%
Net Debt/EBITDA		87.5X	5.0X	3.1X	2.8X	-25%

* Pro-forma: Sum of eAccess and EMOBILE before consolidation for the comparison purposes

** Extraordinary items, such as Inventory valuation loss, extraordinary losses and negative deferred income tax expense, were excluded from Pro-forma FY3/2011 for the comparison purposes

*** Sum of stand-alone base of Mobile and Fixed Line does not agree to the Combined base. The difference represents the elimination of inter-company transactions.

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