

eAccess Limited 【9427】

**1st Quarter Results for Fiscal Year 3/2005
(4/2004 ~ 6/2004)**



August 11th, 2004

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High Subscriber Growth

- As of June 2004, the total number of ADSL subscribers of eAccess reached 1.665 million, an increase of 53% YoY.
- Continued to see Narrowband to Broadband migration among ISP partners. Achieved 169,000 net addition in the 1Q, faster growth than the DSL industry.

Improving Fundamentals

- Achieved sales of ¥12.1 billion in the 1Q, an increase of 47% YoY.
- Better economies of scale with lower cost per subscriber. In the 1Q both recurring profit and net income increased 10 times from the previous year. EBITDA also increased 62% YoY.

Upward Revision After AOL Transaction

- Upward revision in earnings forecast following the completion of AOL business transfer on July 1st, 2004.
- Expect sales to reach ¥57 billion (an increase of 49% YoY) with a net income of ¥5.5 billion (an increase of 133% YoY) in the fiscal year ending 3/2005

Stronger Balance Sheet After CB issuance

- Raised ¥23 billion through the issuance of CB on June 28.
- Proceeds will be used to improve financial balance by paying down debt and investing in future growth businesses.
- Completion of major private equity shareholders' secondary share sales. Improved liquidity with a wider range of public shareholder base.

Mobile Broadband Trial Launched

- Mobile broadband trial license was granted on May 28 to test TD-SCDMA(MC). Launched mobile broadband trial in Tokyo.
- Expansion into the mobile broadband business by leverage with the existing ADSL platform.

Stock Split

- Announced a 1:5 stock split on June 29 for all the shareholders registered before July 31.

FY2004 1Q Financial Results

	FY2003	FY2004	Increase (Decrease)		
	1Q 2003 (4 - 6/2003)	1Q 2004 (4 - 6/2004)			
Revenue	¥8.25 billion	¥12.11 billion	+3.86 billion	+47%	● <u>Sales</u> increased 47% YoY in the 1Q to ¥12.1 billion.
Operating expense	¥7.79 billion	¥10.32 billion	+2.53 billion	+32%	● <u>Operating expenses</u> increased 32%, slower growth than the 47% increase in sales. Thanks to a lower network cost per subscriber (backbone cost , collocation cost)
Operating profit	¥0.46 billion	¥1.79 billion	+1.33 billion	+291%	
Recurring profit	¥0.14 billion	¥1.50 billion	+1.36 billion	+949%	
Net income	¥0.14 billion	¥1.50 billion	+1.36 billion	+963%	● <u>Recurring profit & Net income</u> increased 10 times YoY in the 1Q to ¥1.5 billion from ¥0.14 billion.

● AOL earnings were not included in the 1Q results, since the completion of AOL business transfer started on July 1st, 2004.

FY2004 Earnings Upward Revisions

Earnings upward revision after the completion of AOL Japan business transfer on July 1st.

	FY 2003 Actual	FY2004 Previous Forecast (on 5/17)	FY2004 Revised Forecast (on 8/10)	Revised ratio (%)	YoY (%)
Revenue	¥38.14 billion	¥51.00 billion	¥57.00 billion	+12%	+49.4%
Recurring profit	¥2.72 billion	¥5.00 billion	¥5.50 billion	+10%	+102.2%
Net income	¥2.36 billion	¥5.00 billion	¥5.50 billion	+10%	+133.1%

● Only the 9-month financials (July 2004 to March 2005) of AOL ISP business are included in the current fiscal year forecasts.

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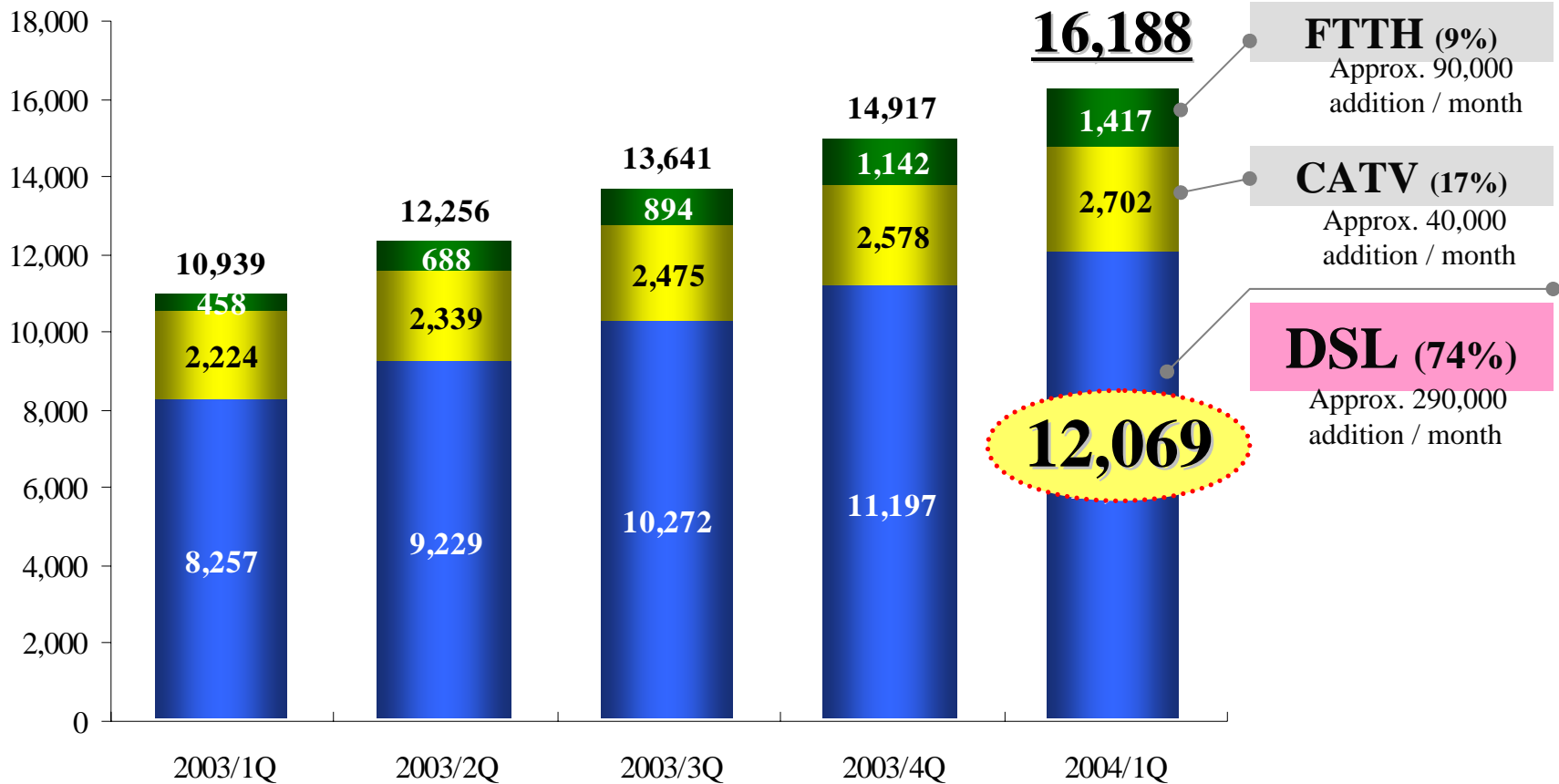
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Japan's Broadband Market Growth

Japan's broadband subscribers continued to add on a monthly average of 400,000 in the 1Q of the current fiscal year. DSL continued to dominate Japan's broadband market.

(thou. Subscribers)



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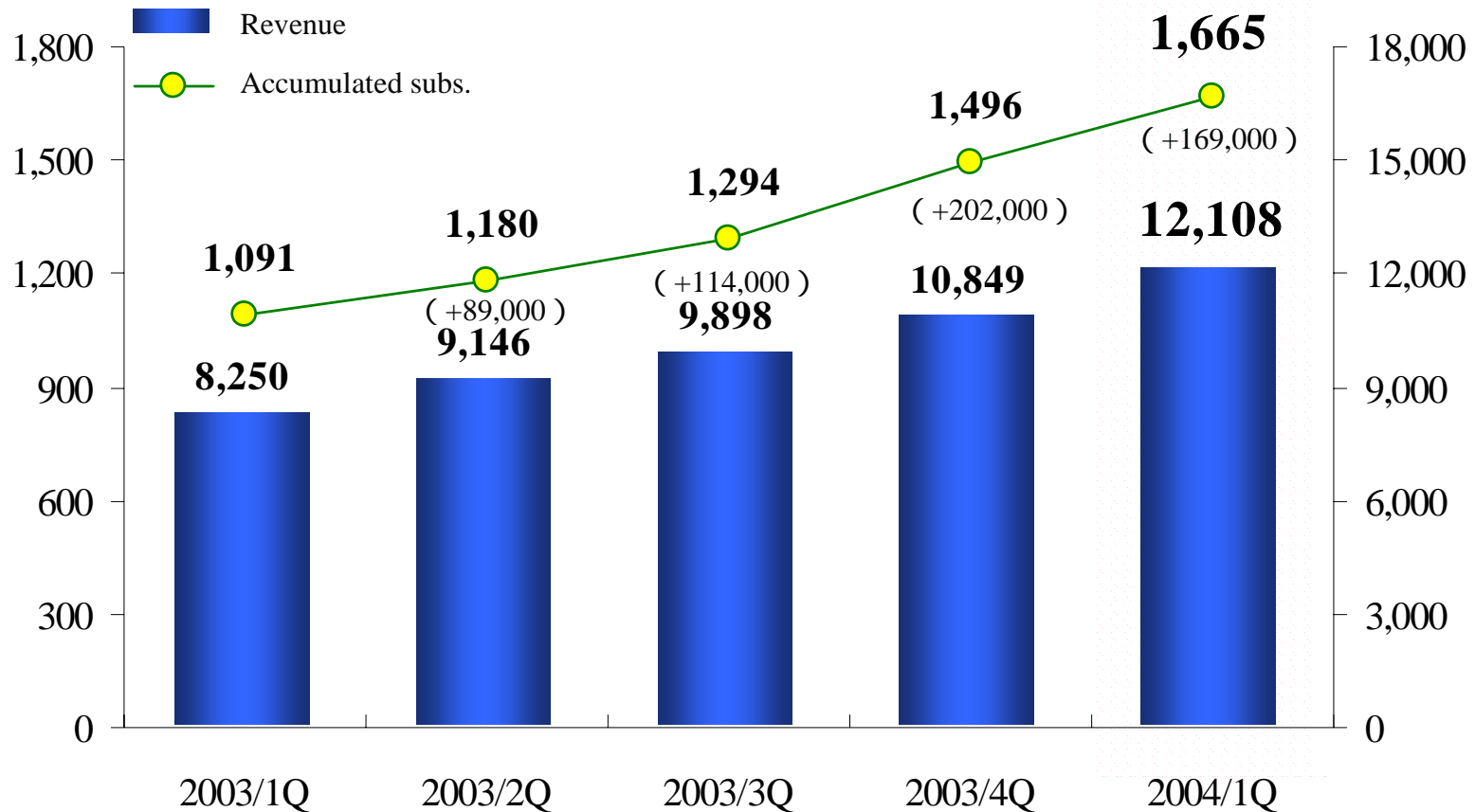
eAccess Subscriber & Revenue Growth

Accumulated subscribers rose 53% YoY. Experienced strong subscriber growth throughout the first six months (January to June) in 2004

(thou. Subscribers)

【53% increase YoY】

(Revenue : ¥million)

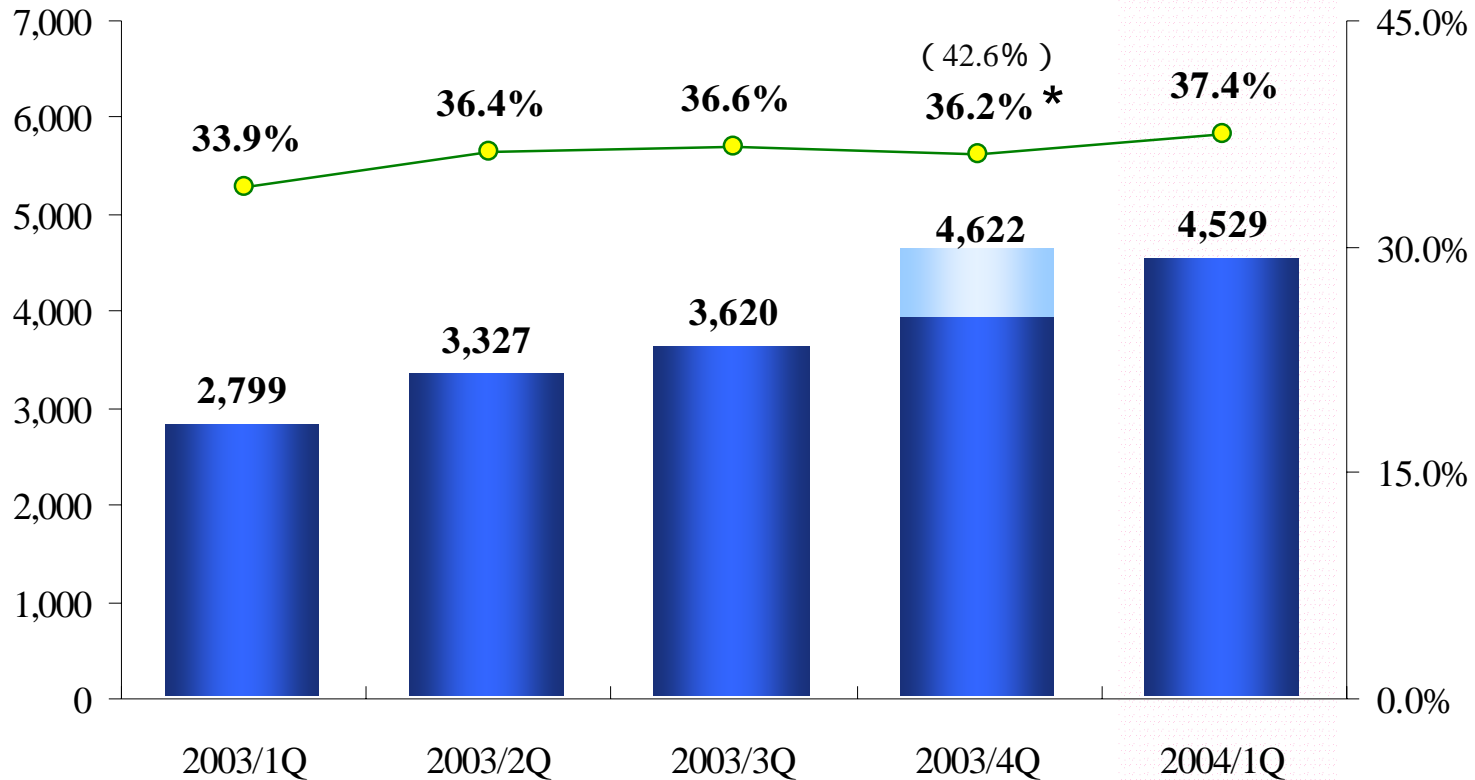


EBITDA and EBITDA Margin Trend

EBITDA in the 1Q/2004 increased 62% YoY

(EBITDA : ¥million)

(EBITDA margin : %)



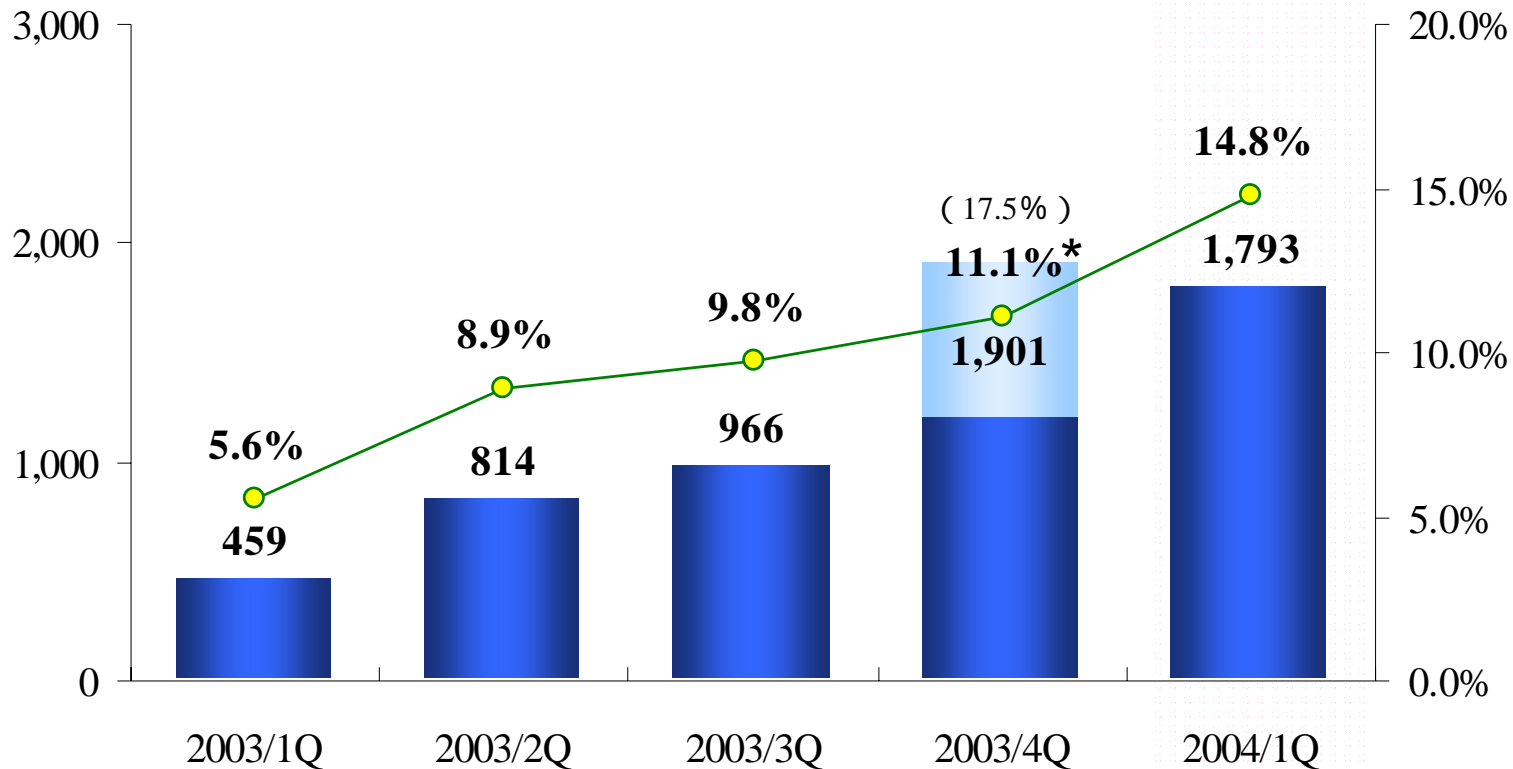
* 2003/4Q normalized EBITDA margin (exclusive of the extraordinary one-time factor from NTT related charge reduction) was approx. 36%
EBITDA margin without considering the one time factor was 42.6%

Operating Profit and Operating Profit Margin

Operating Profit increased 4 times YoY in the 1Q to ¥1.79 billion from ¥0.46 billion.

(Operating profit : ¥million)

(Operating margin : %)



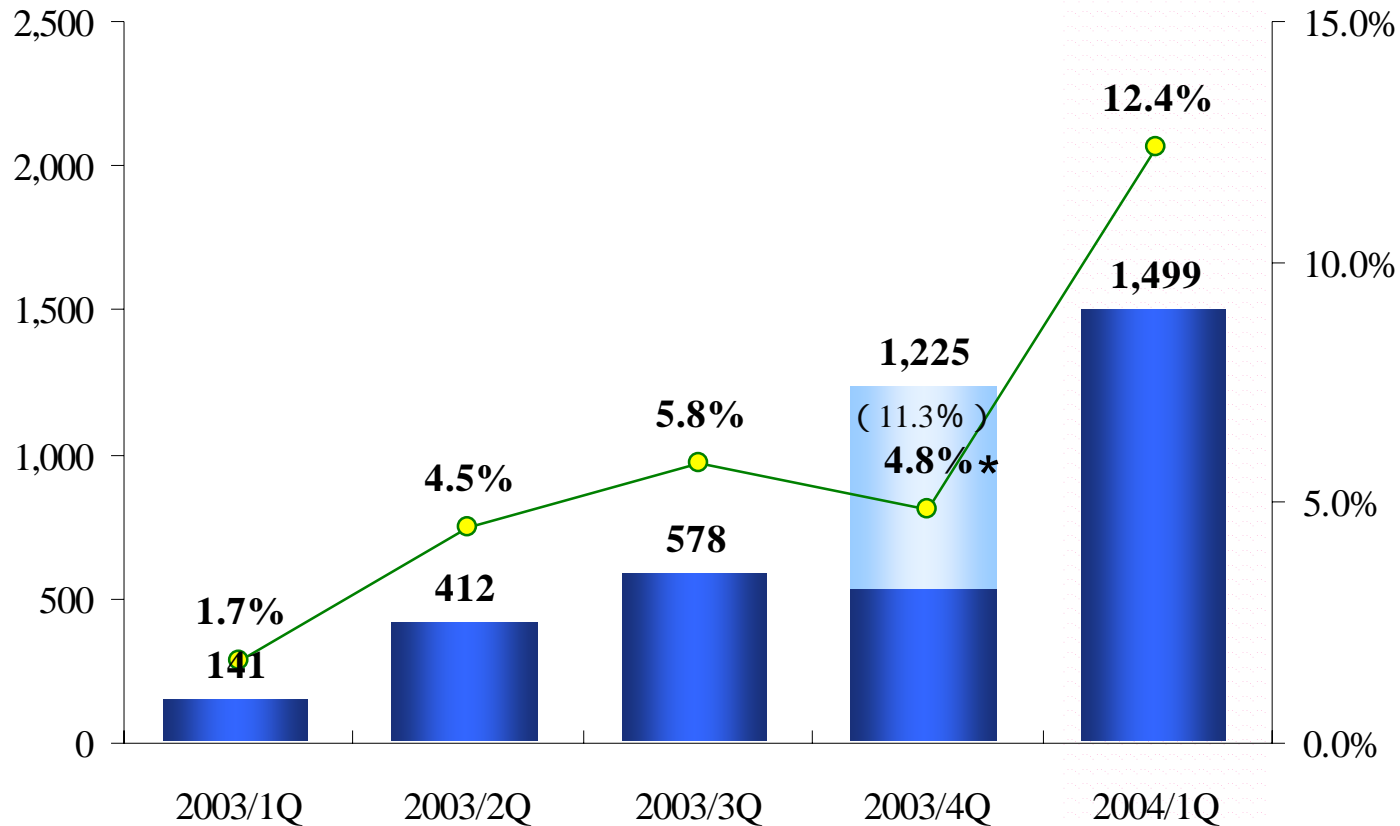
* 2003/4Q normalized operating margin (exclusive of the extraordinary one-time factor from NTT related charge reduction) was approx. 11%
Operating margin without considering the one time factor was 17.5%.

Net Income and Net Income Margin

Net Profit increased 10 times YoY in the 1Q to ¥1.50 billion from ¥0.14 billion.

(Net income : ¥ million)

(Net income margin : %)



* 2003/4Q normalized net income margin (exclusive of the extraordinary one-time factor from NTT related charge reduction) was approx. 5%
Net income margin without considering the one time factor was 11.3%.

Healthy Balance Sheet

	FY2003 1Q (as of 6/30/2003)		FY2004 1Q (as of 6/30/2004)		Increased
	Balance	Proportion of the total asset	Balance	Proportion of the total asset	
Cash and cash deposit	¥10.56 billion	24.8%	¥41.42 billion	57.4%	+¥30.86 billion
Debt	¥29.90 billion	70.2%	¥47.32 billion	65.6%	+¥17.42 billion
Net debt	¥19.34 billion	--	¥5.90 billion	--	-¥13.44 billion
Total Shareholders' Equity	¥5.63 billion	13.2%	¥17.54 billion	24.3%	+¥11.90 billion
•Capital Shares	¥10.53 billion		¥13.71 billion		+¥3.18 billion
•Capital Surplus	¥9.25 billion		¥2.33 billion		-¥6.92 billion
•Retained Earnings	-¥14.15 billion		¥1.50 billion		+¥15.65 billion
Total Asset	¥42.59 billion	100.0%	¥72.16 billion	100.0%	+¥29.57 billion
Net debt / Equity ratio (%)	343.7%	--	33.6%	--	--

- Stronger cash position following from the proceeds of the IPO of ¥7.7 billion and the issuance of CB of ¥23.0 billion.
- Lower interest – bearing debt (bank loans and lease debt)
- Net debt to equity ratio improved dramatically to 33.6% in the 1Q of FY2004 from 343.7% in the 1Q of FY2003.
- Elimination of accumulated deficit by reallocating the capital reserve.

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- Achieved high subscriber growth with a total accumulated subscriber base of 1.665 million at the end June 2004.
- Continued improvement in our fundamentals with increasing sales and profits in the 1Q 2004.
- Revision of our earnings forecast following the completion of AOL Japan's ISP business transfer to eAccess.
- Strengthened our balance sheet with a better liquidity and resources after the issuance of convertible bonds.
- Plan to expand our mobile broadband field trial in the 2Q 2004.
- Improve the share trading liquidity following the 1:5 stock split.

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