

eAccess Limited 【9427】

Mid-Year Results for Fiscal Year 3/2005
(4/2004 – 9/2004)



November 11th, 2004

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9/2004 Mid-Year Achievements

Exceeded Earnings Expectations with Two Upward Revisions

Front-loaded Annual Subscriber Acquisition Plan

Maintain High Growth in Profits and Margins

Synergy From The Recent ISP Business (AOL Japan) Acquisition

Reduced Share Selling 'Overhang' from Pre-IPO Investors

Strong Improvement in Free Cash Flow and Balance Sheet

Successful Start in the Future Mobile Business

High Subscriber Growth

As of the end of September 2004, the total number of ADSL subscribers of eAccess reached 1.778 million. eAccess subscriber growth exceeded the overall market growth.

Improving Fundamentals

Recurring profits and net income increased by 7X YoY.

Improved Profit through AOL acquisition

Profitability improvement following the acquisition of AOL Japan ISP Business in July 2004.

Stronger Balance Sheet After CB issuance

Strengthened balance sheet and decreased interest payments through the issuance of 23 billion yen CB and redemptions of part of outstanding bank debt.

Higher Share Liquidities

Higher share liquidities and an increase in the number of shareholders after the stock splits and a series of secondary share offerings by our Pre-IPO investors.

Mobile Service in the 1.7GHz Spectrum

Active participation in the potential deregulation of the Japanese mobile spectrum allocation in the 1.7GHz band (FDD system).

Dividends

Plan to pay the first annual cash dividend for the year ending March 31, 2005.

9/2004 Mid-Year Financial Results

	FY2003	FY2004	Increase (Decrease)	
	2003/9 (Mid-Year Act.)	2004/9 (Mid-Year Act.)		
Revenue	17.40 billion	27.07 billion	+9.67 billion	+56%
Operating expense	16.13 billion	22.49 billion	+6.36 billion	+39%
Operating profit	1.27 billion	4.58 billion	+3.31 billion	+260%
Recurring profit	0.56 billion	4.00 billion	+3.44 billion	+617%
Net income	0.55 billion	3.67 billion	+3.12 billion	+564%

● Revenue increased by 56% YoY to 27.0 billion yen. Thanks to the DSL subscriber growth and the addition of AOL ISP revenue from July

● Operating expenses were lower than our forecast, due to a reduction of network cost (backbone cost, collocation cost)

● Recurring profit increased 7.2 times YoY to 4.0 billion yen from 0.56 billion yen.

● Net profit increased 6.6 times YoY to 3.67 billion yen.

FY2004 Earnings Upward Revisions

Thanks to the successful front-loading of the annual subscriber acquisition plan in the 1H, and a reduction in network costs

	FY 2003 Actual	FY2004 Previous Forecast (on 8/10)	FY2004 Revised Forecast (on 11/10)	Revised ratio (%)	YoY (%)
Revenue	38.14 billion	57.00 billion	58.00 billion	+2%	+52%
Recurring profit	2.72 billion	5.50 billion	7.00 billion	+27%	+157%
Net income	2.36 billion	5.50 billion	6.70 billion	+22%	+184%

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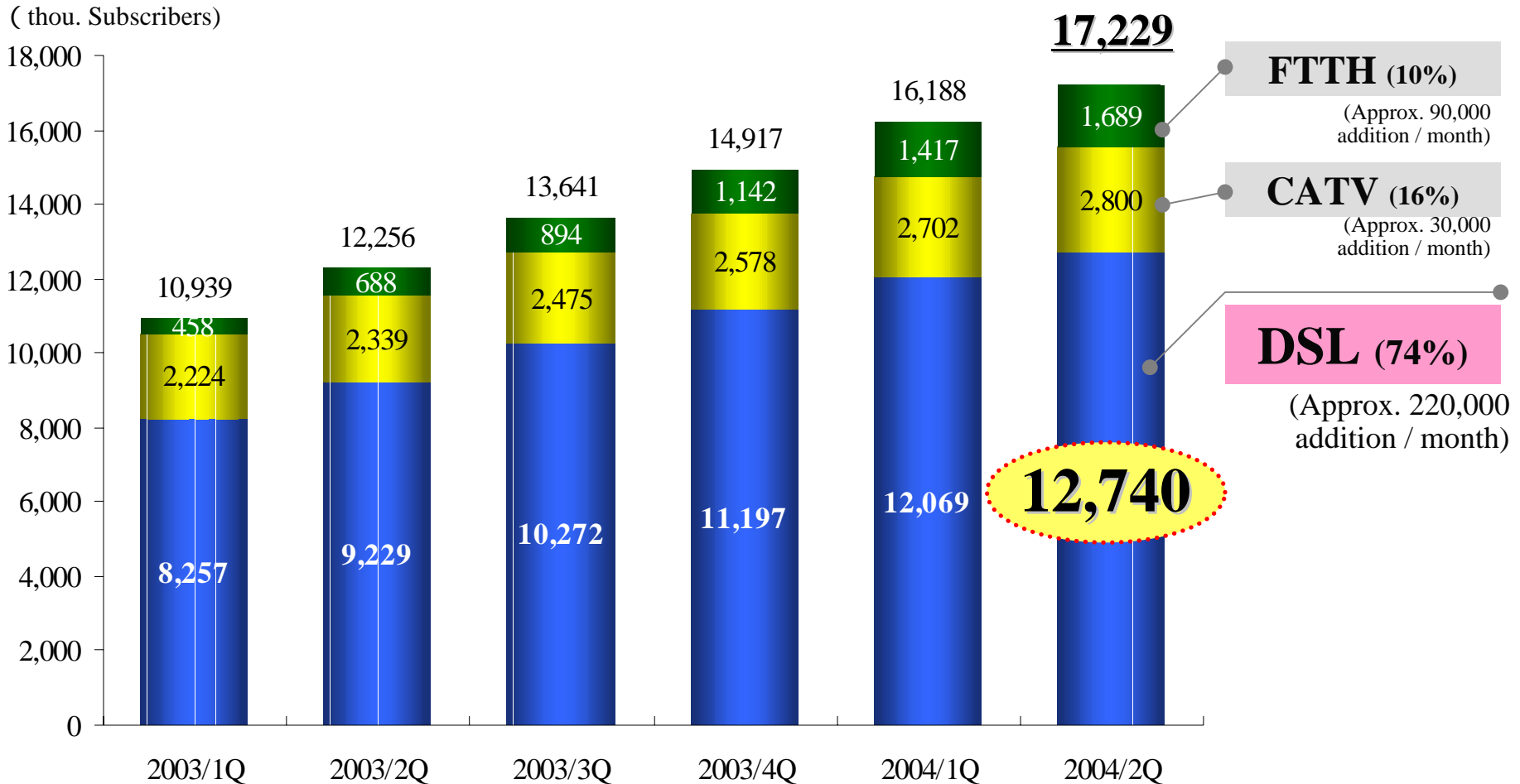
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Japan's Broadband Market Growth

DSL continues to dominate Japan's broadband market by adding 200,000 subscribers per month, compared to FTTH subscriber addition of 90,000 per month.

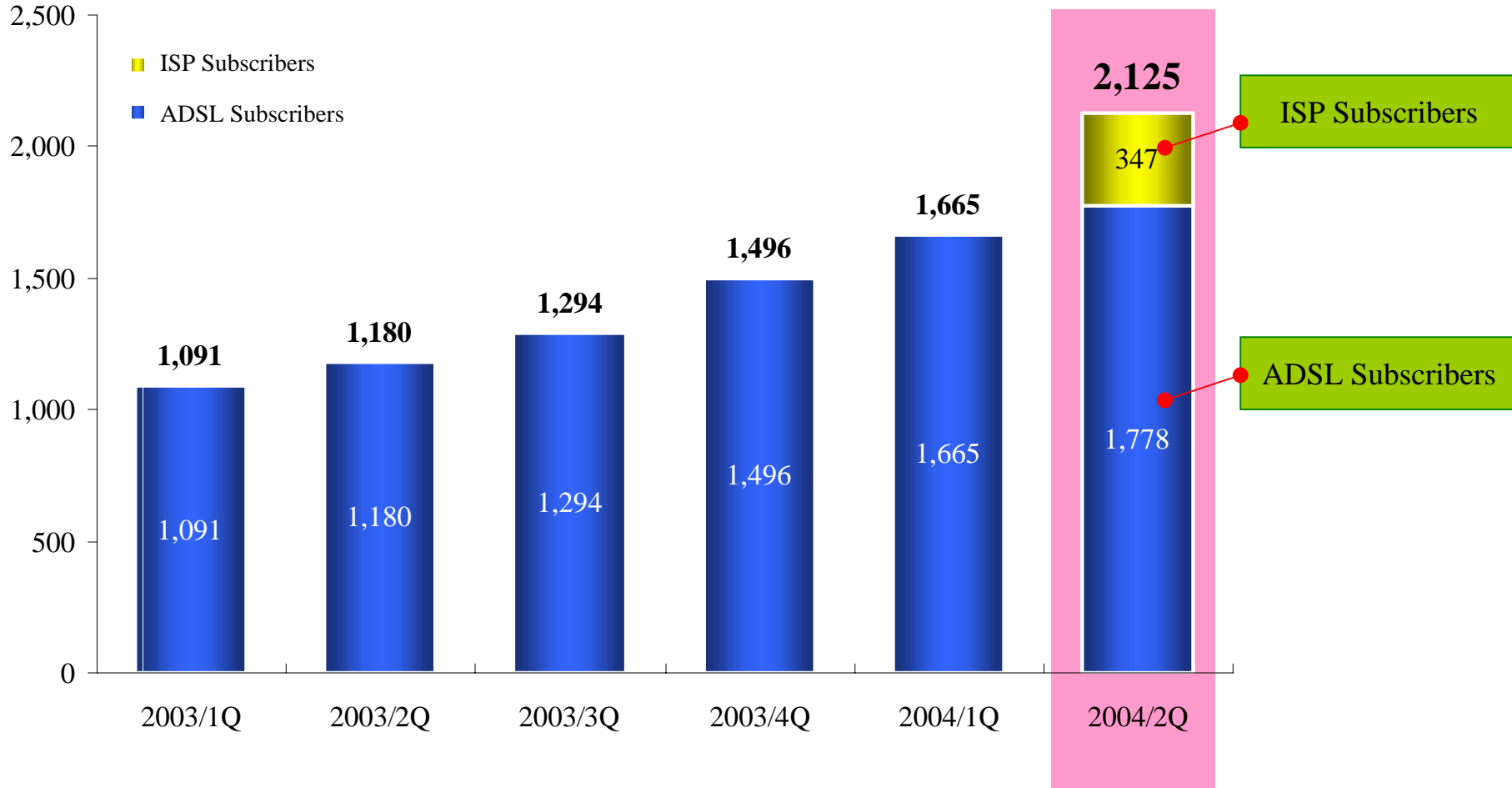


Source : MIC, MM Research Institute (9/2004)

eAccess Subscriber Growth

Total eAccess (ADSL and ISP) subscribers surpassed 2.1 million

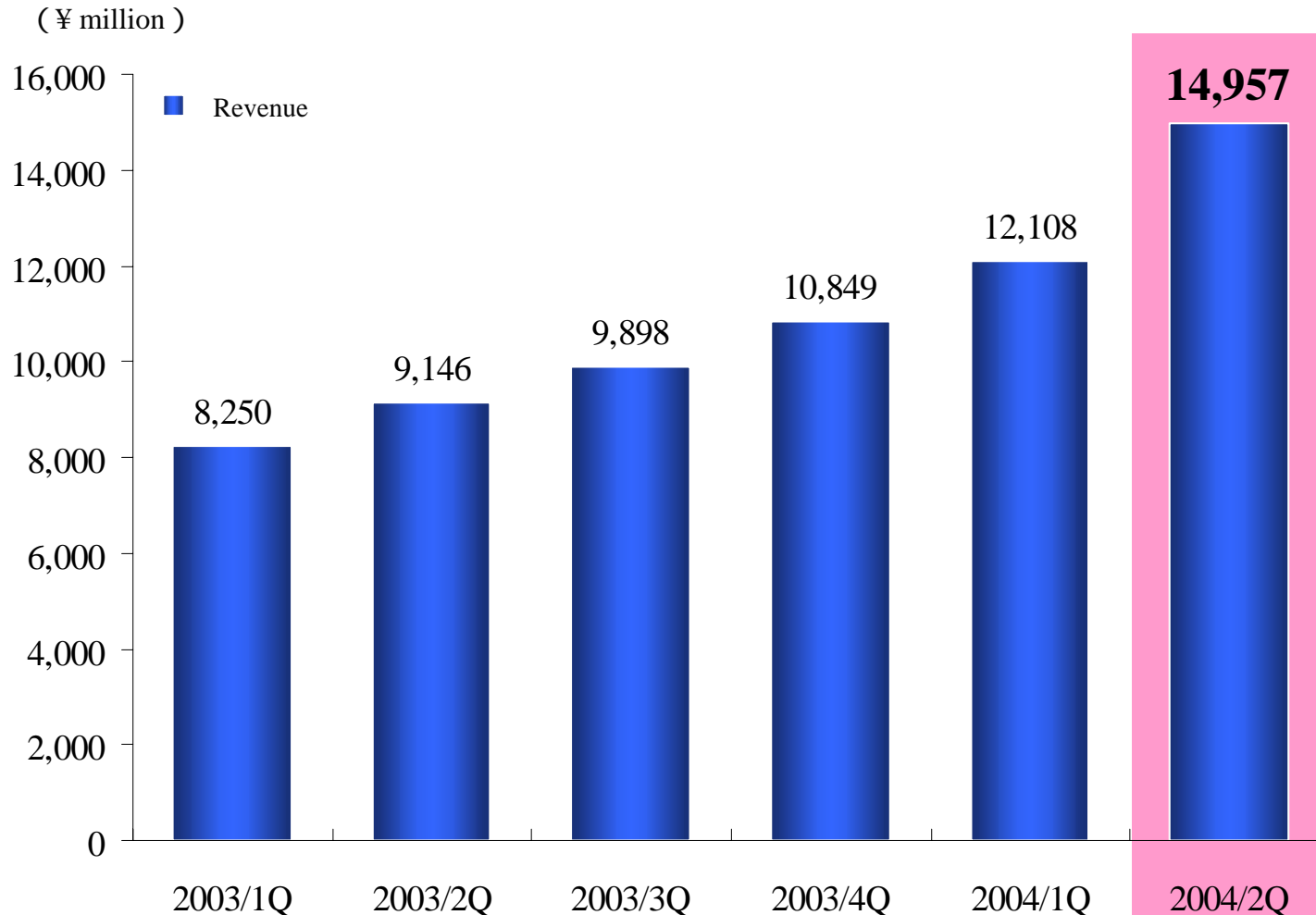
(thou. Subscribers)



ISP subscriber figures exclude the 'AOL-eAccess ADSL' subscribers.

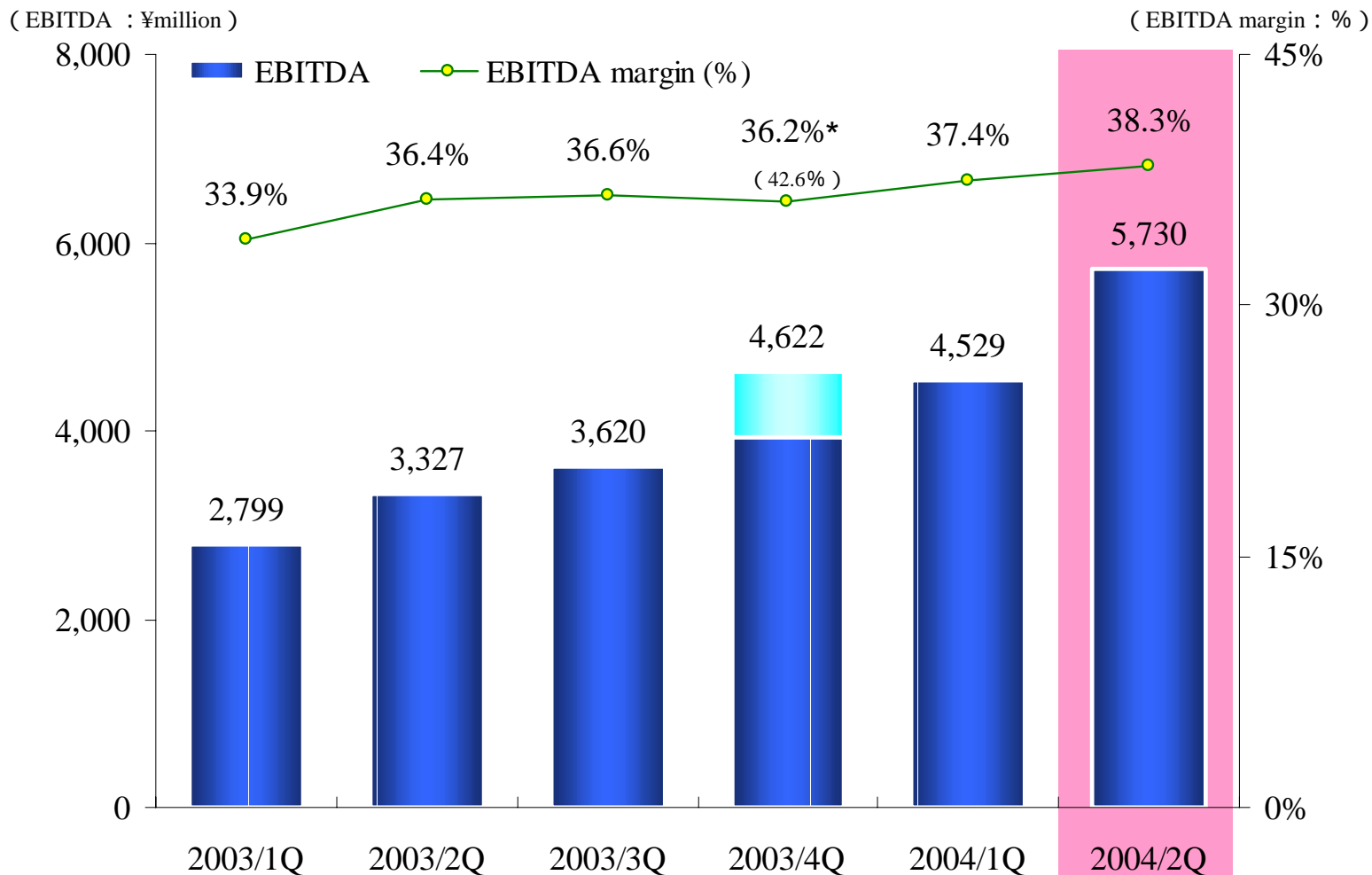
Revenue Growth

2Q revenue reached approximately 15 billion yen for the first time



EBITDA and EBITDA Margin Trend

2Q EBITDA increased 72% YoY. 2QEBITDA margin was 38.3%

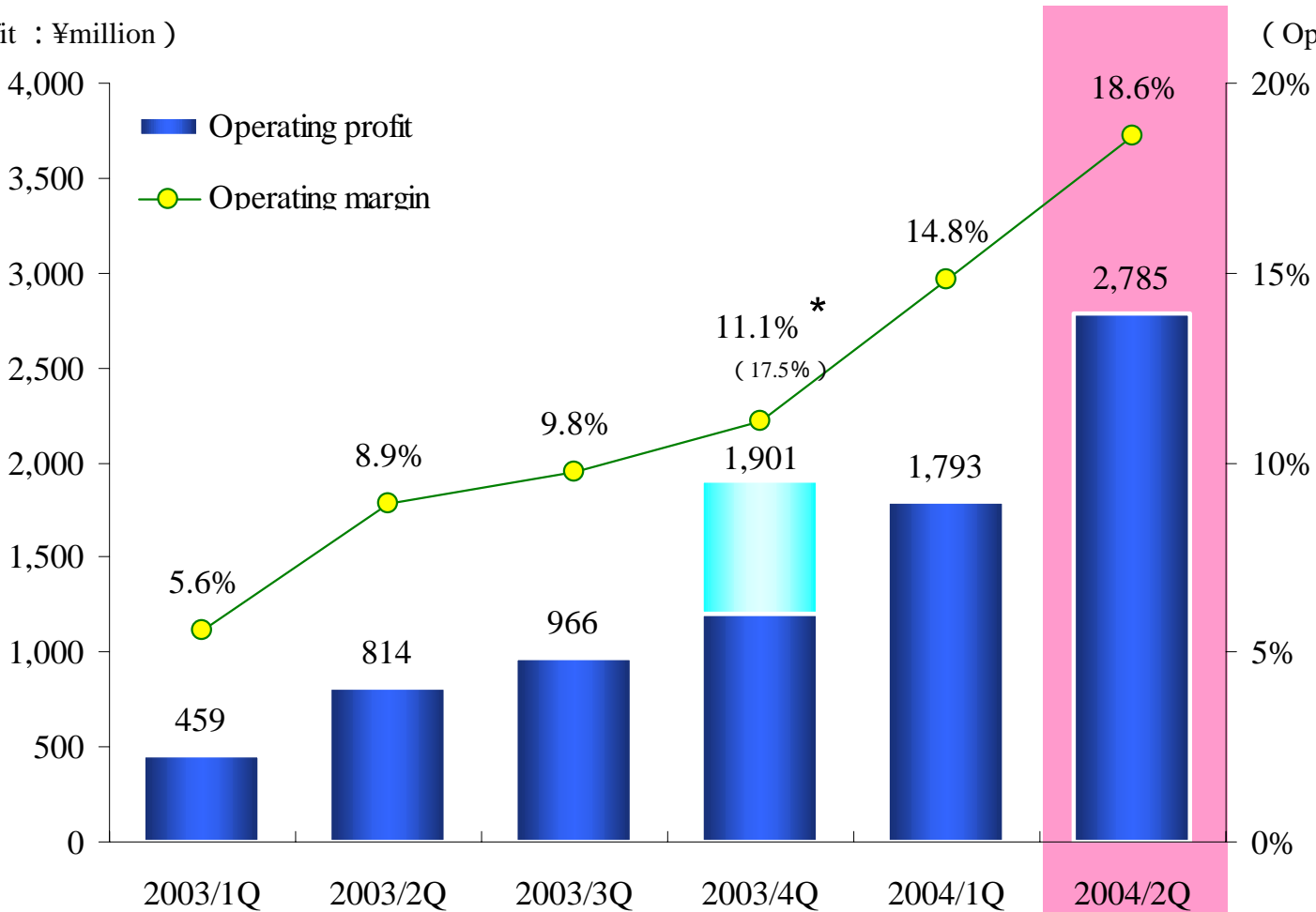


* 2003/4Q normalized EBITDA margin (exclusive of the extraordinary one-time factor from NTT related charge reduction) was approx. 36%
 EBITDA margin without considering the one time factor was 42.6%

Operating Profit and Operating Profit Margin

Operating margin improved to 18.6%, due to lower AOL marketing costs

(Operating profit : ¥million)



(Operating margin : %)

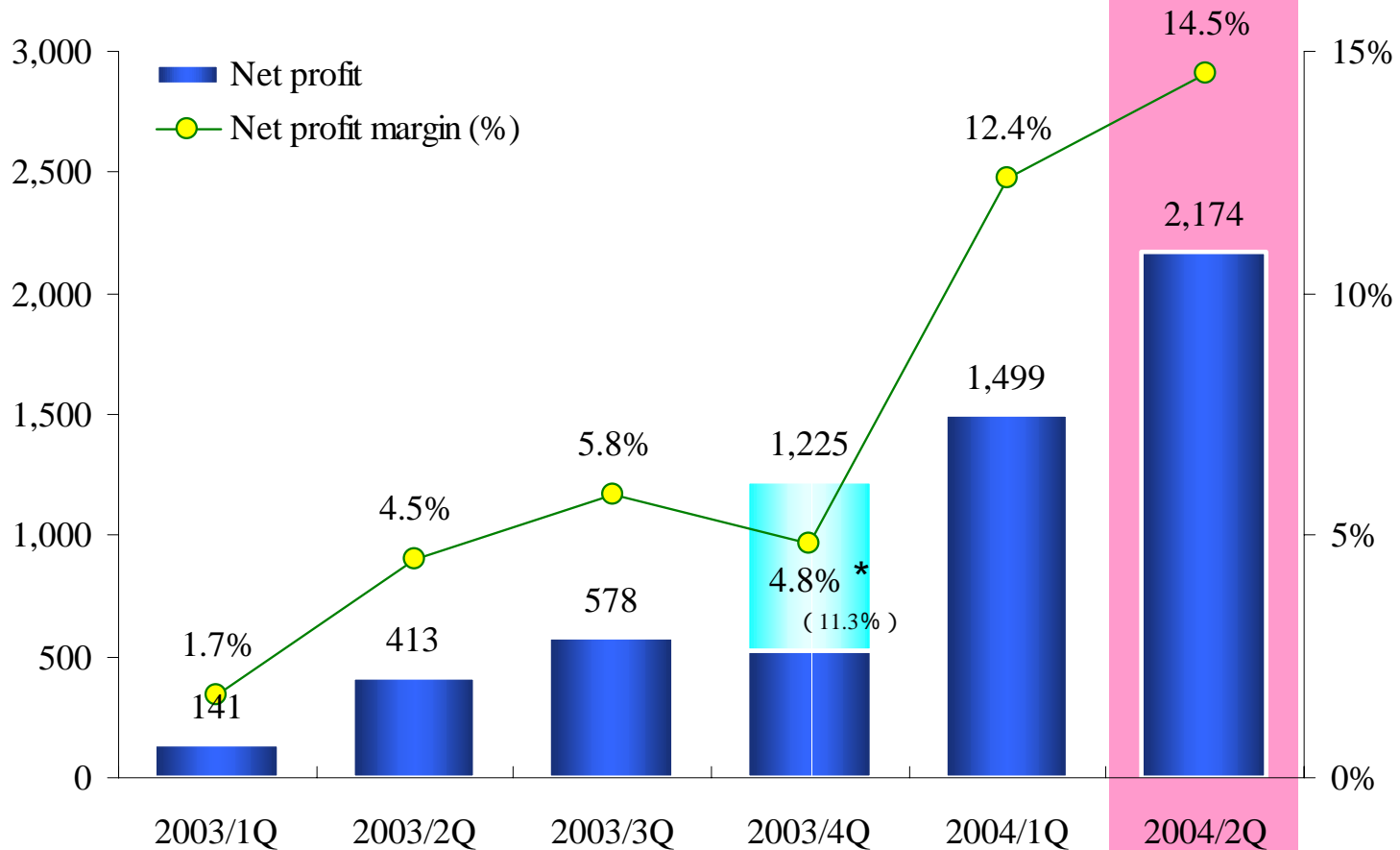
* 2003/4Q normalized operating margin (exclusive of the extraordinary one-time factor from NTT related charge reduction) was approx. 11%
Operating margin without considering the one time factor was 17.5%.

Net Income and Net Income Margin

Net profit increased 5.3 times YOY in the 2Q. 2Q net profit margin was 14.5%

(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 As of 3/31/2004		FY2004 1H(as of 9/30/2004)		Increase (Decrease)
	Balance	Proportion of the total asset	Balance	Proportion of the total asset	
Cash and cash deposit	18.40 billion	37.4%	36.04 billion	52.7%	+17.64 billion
Debt	27.18 billion	55.2%	40.63 billion	59.5%	+13.45 billion
● Bank Loan, Lease obligation	27.18 billion		17.63 billion		-9.55 billion
● Convertible Bond	0 billion		23.00 billion		+23.00 billion
Net debt	8.79 billion	--	4.59 billion	--	-4.20 billion
Total Shareholders' Equity	15.96 billion	32.4%	19.87 billion	29.1%	+3.91 billion
● Capital Shares	13.67 billion		13.79 billion		+0.12 billion
● Capital Surplus (*)	2.29 billion		2.41 billion		+0.12 billion
● Retained Earnings (*)	0 billion		3.67 billion		+3.67 billion
Total Asset	49.20 billion	100.0%	68.33 billion	100.0%	+19.13 billion
Net debt / Equity ratio (%)	55.0%	--	23.1%	--	--

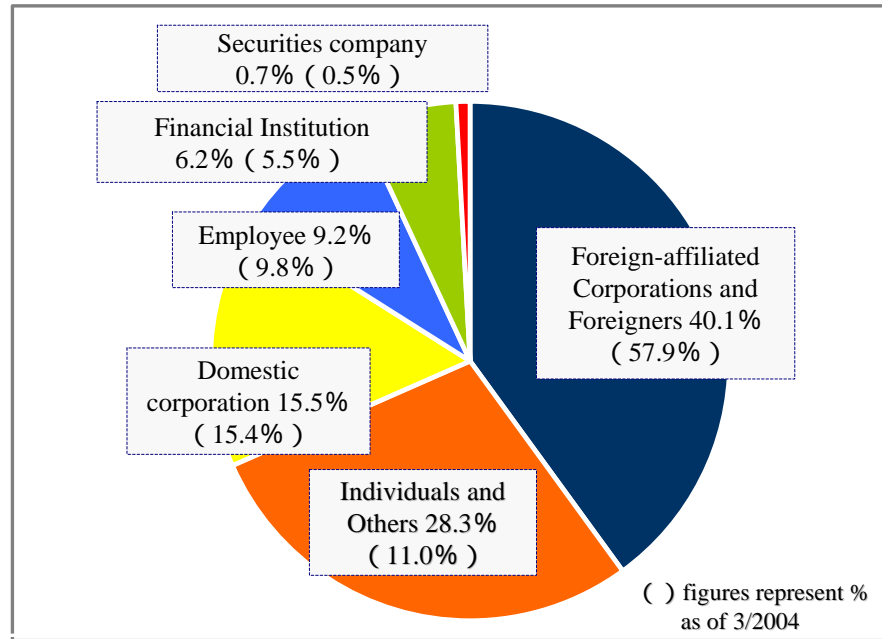
(*) After consideration of the application of the capital surplus to eliminate the accumulated deficit.

- Decrease in interested expenses through the payment of bank debt in 1H FY2004.
- Net debt decreased to 4.59 billion yen. Net debt to equity ratio improved to 23% as of 9/30/2004.
- Retained earnings improved to 3.67 billion yen as of 9/30/2004 following the elimination of accumulated losses in the 3/2004.

Shareholder Structure as of September 30, 2004

	Number of Shares Outstanding	Number of Shareholders
As of March 31, 2004	257,464	8,670
	$\times 5$	$\times 4$
As of September 30, 2004	1,295,475	32,613

Distribution of shareholders by Category (as of September 30)



- Number of shares increased by 5X through the 5:1 stock split
- Number of shareholders increased by 4X through the stock split and the secondary share offerings of pre-IPO shareholders
- Shares of retail investor increased to 28% as of 9/2004 from 11% as of 3/2004.

Declare our first annual cash dividend

- We plan to pay the first annual cash dividends for fiscal year ending March 2005.
- Propose to pay a annual cash dividend of 1,000 yen per share
- Based on current FY2004 earnings per share forecast of 5,171 yen, our dividend payout ratio is expected to be around 19.3%

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Summary

- Achieved 1.778 million subscribers. Revenue increased by 56% YoY.
- Recurring profit increased by 7X YoY. 1H FY2004 net income reached 4.0 billion yen.
- Improved profitability through the acquisition of AOL's ISP business.
- Strengthened balance sheet and a decrease in interest payments through the issuance of 23 billion yen CB and the pay down of bank debt.
- Improved share liquidities and increased the number of shareholders, through stock splits and a series of secondary share offerings by our initial investors.
- Expand the business through the mobile broadband service in the 1.7GHz spectrum (FDD system).
- Plan to pay our first annual dividend for the year ending March 31, 2005.

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