

# eAccess Limited 【9427】

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3<sup>rd</sup> Quarter Results for Fiscal Year 3/2005  
(4/2004 – 12/2004)



**February 10<sup>th</sup>, 2005**

I. 3Q 2004 Results Overview

Page 3

II. 3Q 2004 Financial Results

Page 7

III. Summary

Page 16

**I. 3Q 2004 Results Overview**

**Page 3**

II. 3Q 2004 Financial Results

Page 7

III. Summary

Page 16

# 3Q 2004 Financial Results Summary

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- Revenue for the nine months ended 12/31/2004 was 42.5 billion yen, an increase by 56% YoY. Recurring profit for the nine months ended 12/31/2004 was 6.5 billion yen, an increase of 5.7X YoY.
- Steady positive free cash flow from our ADSL operation. Balance sheet became net cash for the first time since the commencement of our commercial services. Cash on hands reached approximately 45 billion yen.
- Based on the existing the ADSL business and the future potential to enter the mobile business, we achieved our first credit rating of “BBB” from R&I
- Established eMobile Ltd., a 100% subsidiary for the preparation to enter the next generation mobile broadband service.
- Announced a commemorative dividend of 200 yen per share (additional to the current annual dividend of 1,000 yen per share) for the Tokyo Stock Exchange First Section listing and the net income upward revision.

# 3Q 2004 (4-12/2004) Financial Results

	FY2003	FY2004	Increase (Decrease) / Changes(%)	
	3Q 2003 (4-12/2003)	3Q 2004 (4-12/2004)		
<b>Revenue</b>	¥27.29 billion	¥42.45 billion	+¥15.16 billion	+56%
<b>Operating expense</b>	¥25.05 billion	¥35.18 billion	+¥10.13 billion	+40%
<b>Operating profit</b>	¥2.24 billion	¥7.27 billion	+¥5.03 billion	+225%
<b>Recurring profit</b>	¥1.14 billion	¥6.51 billion	+¥5.37 billion	+472%
<b>Net income</b>	¥1.13 billion	¥7.47 billion	+¥6.34 billion	+560%

● Revenue increased by 56% YoY to 42.5 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). Operating margin improved to 17.1% from 8.2%.

● Recurring profit increased 5.7 times YoY to 6.5 billion yen.

● Net profit increased 6.6 times YoY, due to a net gain of non-recurring item of 0.97 billion yen.

Upward revision of the FY2004 forecast, due to extraordinary items recorded in 3Q

	FY 2003 Actual	FY2004 Previous Forecast ( on 11/10 )	FY2004 Revised Forecast ( on 2/10 )	Revised ratio (%)	YoY (%)
<b>Revenue</b>	¥38.14 billion	¥58.00 billion	¥58.00 billion	± 0%	+52%
<b>Recurring profit</b>	¥2.72 billion	¥7.00 billion	¥7.00 billion	± 0%	+157%
<b>Net income</b>	¥2.36 billion	¥6.70 billion	¥8.00 billion	+19%	+239%

I. 3Q 2004 Results Overview

Page 3

**II. 3Q 2004 Financial Results**

**Page 7**

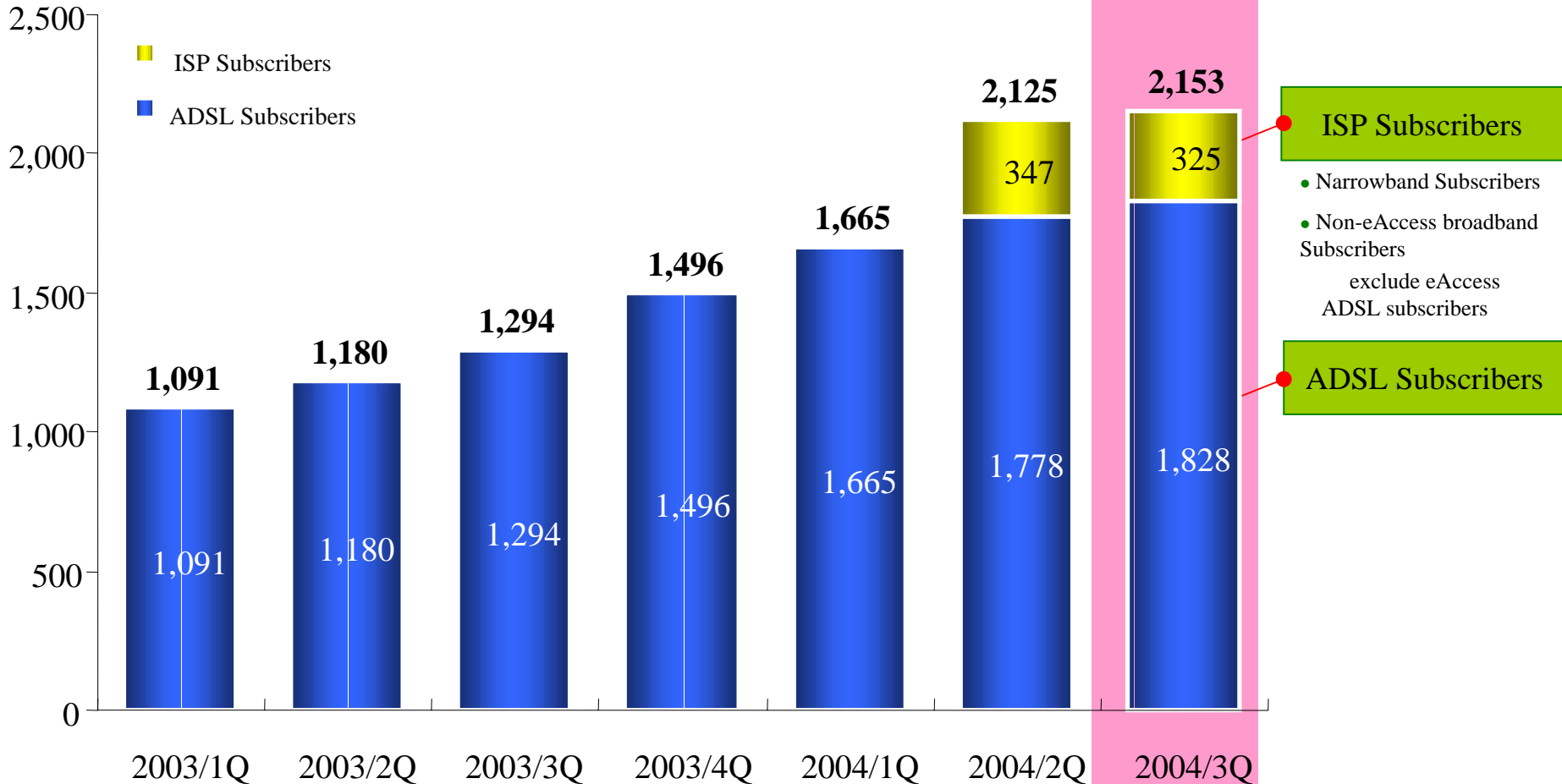
III. Summary

Page 16

# eAccess Subscriber Growth

The number of subscribers reached 2.15 million as of 12/31/2004.  
ADSL subscribers increased by 41% YoY.

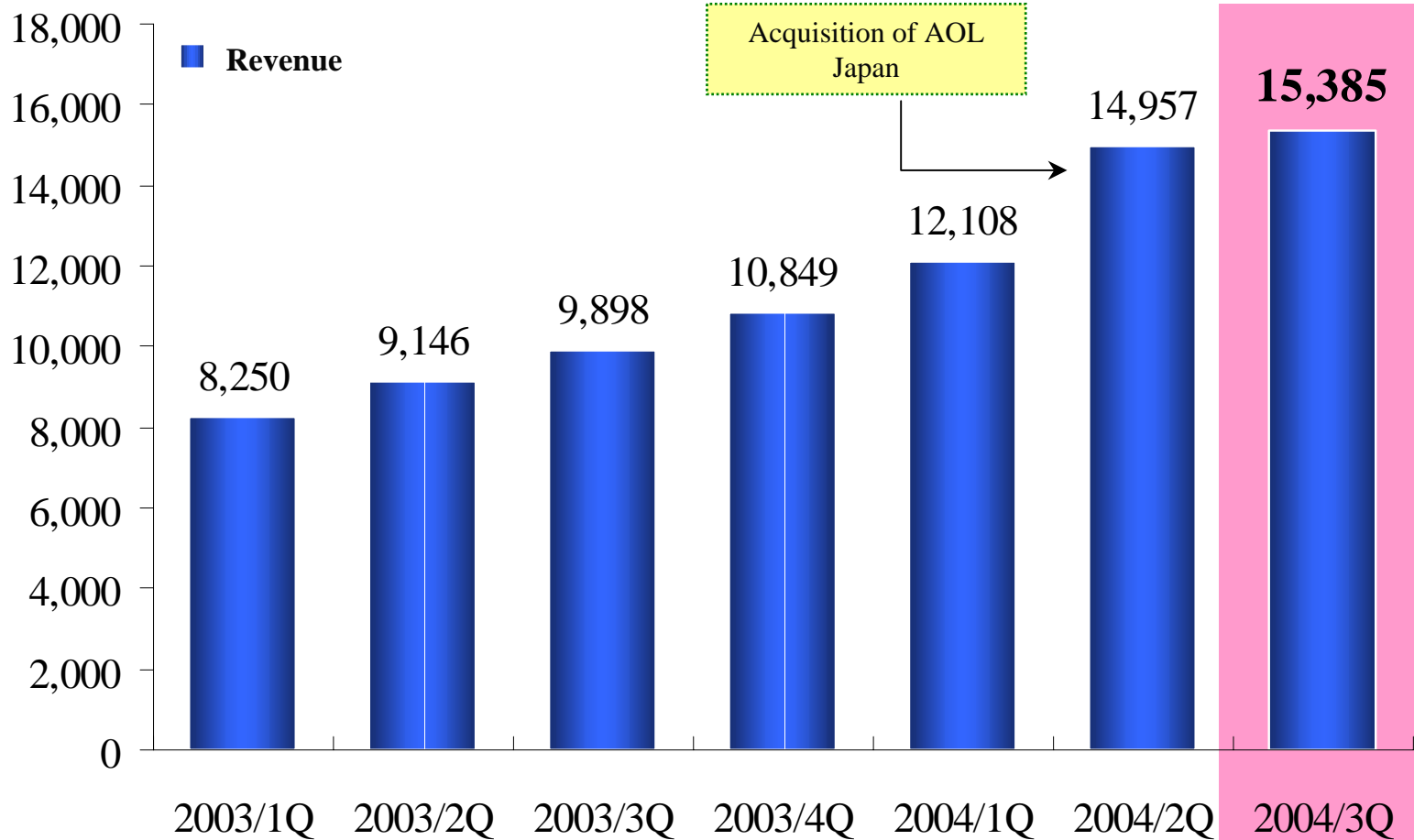
(thou. Subscribers)



# Revenue Growth

Revenue grew 55% YoY, thanks to the AOL acquisition and continued broadband migration

( ¥ million )

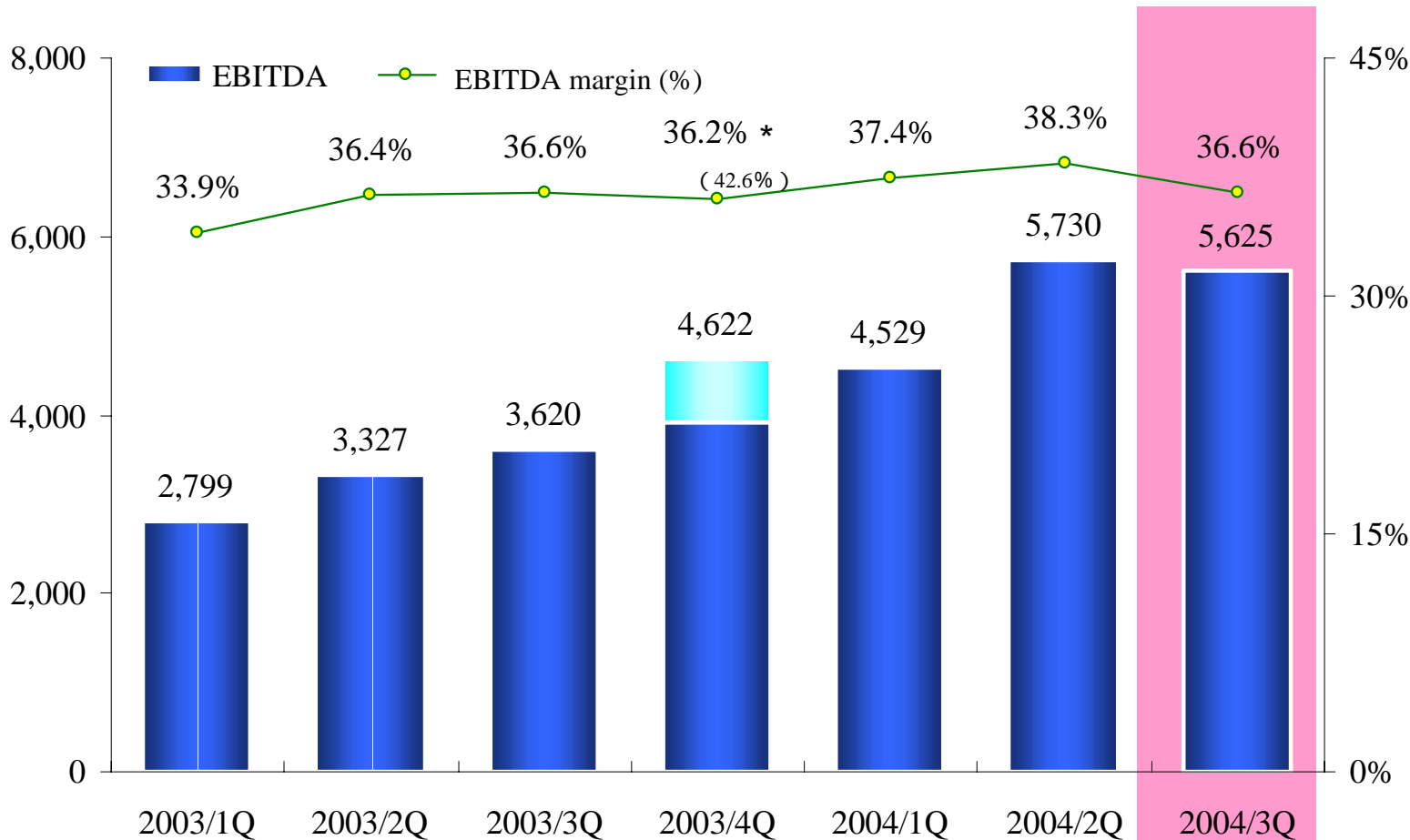


# EBITDA and EBITDA Margin Trend

**EBITDA increased 55% YoY. EBITDA margin remained reasonably high at 36.6%.**

( 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 margin declined slightly due to increasing costs of expanding marketing channels.

( Operating profit : ¥million )

( Net income margin : % )



\* 2003/4Q normalized operating margin (exclusive of the extraordinary one-time factor from NTT related charge reduction) was approx. 11%

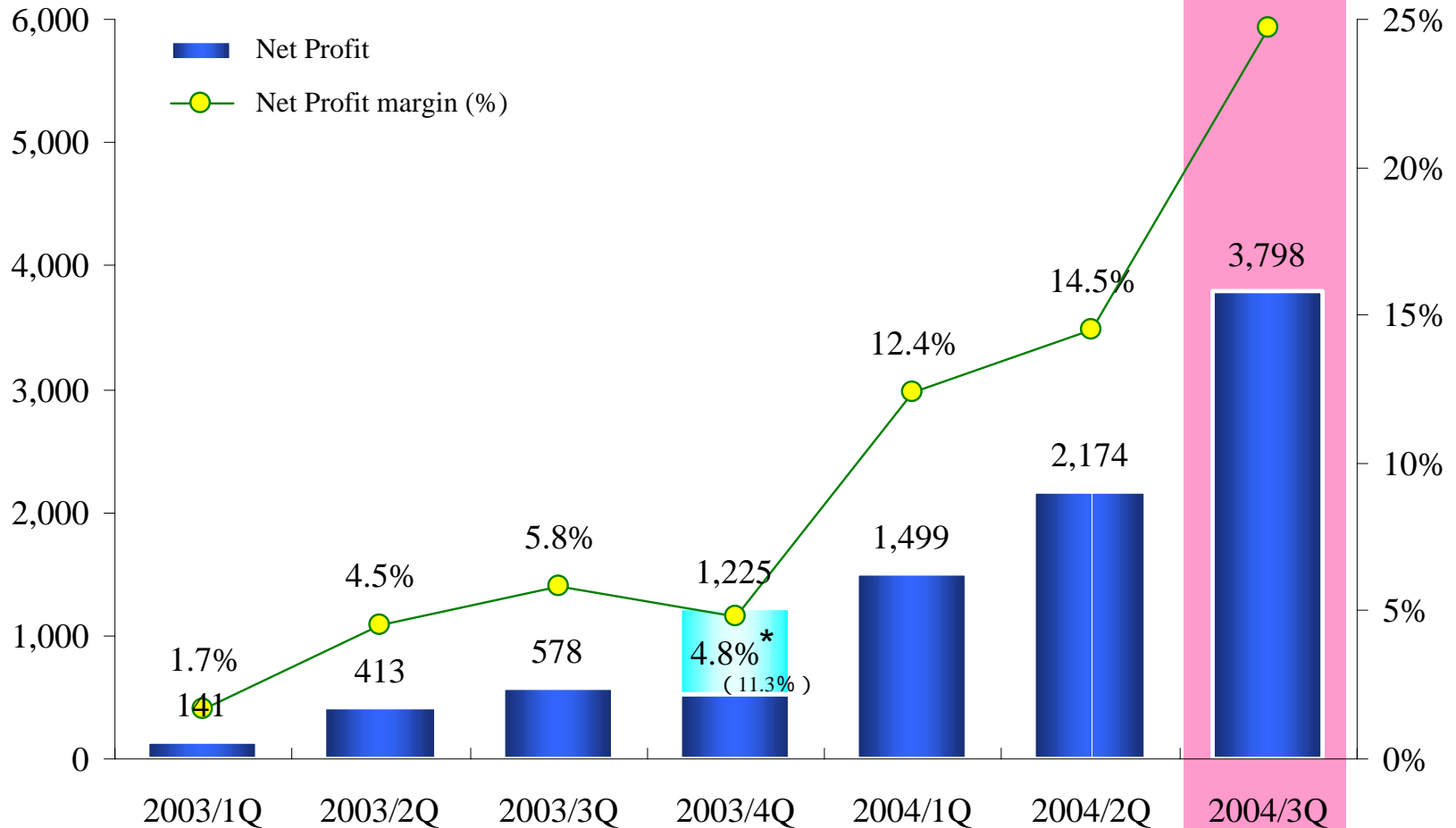
Operating margin without considering the one time factor was 17.5%.

# Net Income and Net Income Margin

Net income increased to 3.8 billion yen due to extraordinary items.

( 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

Balance sheet became net cash for the first time since the launch of commercial services

	FY2003 As of 3/31/2004		FY2004 As of 12/31/2004		Increase (Decrease)
	Balance	Share of total	Balance	Share of total	
Cash and cash deposit	¥18.40 billion	37.4%	¥44.63 billion	59.5%	+¥26.23 billion
Debt	¥27.18 billion	55.2%	¥38.48 billion	51.3%	+¥11.30 billion
<ul style="list-style-type: none"> <li>● Bank Loan, Lease obligation      ¥27.18 billion</li> <li>● Convertible Bond                      ¥0 billion</li> </ul>			<ul style="list-style-type: none"> <li>¥15.48 billion</li> <li>¥23.00 billion</li> </ul>		<ul style="list-style-type: none"> <li>-¥11.70 billion</li> <li>+¥23.00 billion</li> </ul>
Net debt	¥8.79 billion	--	-¥6.15 billion	--	-¥14.94 billion
Total Shareholders' Equity	¥15.96 billion	32.4%	¥26.44 billion	59.2%	+¥10.48 billion
<ul style="list-style-type: none"> <li>● Capital Shares                      ¥13.67 billion</li> <li>● Capital Surplus (*)                ¥2.29 billion</li> <li>● Retained Earnings (*)              ¥0 billion</li> </ul>			<ul style="list-style-type: none"> <li>¥15.17 billion</li> <li>¥3.80 billion</li> <li>¥7.47 billion</li> </ul>		<ul style="list-style-type: none"> <li>+¥1.50 billion</li> <li>+¥1.51 billion</li> <li>+¥7.47 billion</li> </ul>
Total Asset	¥49.20 billion	100.0%	¥74.99 billion	100.0%	+¥25.79 billion
Net debt / Equity ratio (%)	55.0%	--	-23.3%	--	--

# Obtained a “BBB” rating from R&I

- Obtained the first credit rating from Rating and Investment Information, Inc. at “BBB”.
- The rating was determined based on the current ADSL business operation and the potential growth opportunities in the new mobile broadband market.

(Reference)

Other “BBB” rated companies (by R&I) as of 11/30/2004

All Nippon Airways Co., Ltd. (ANA), Matsui Securities Co.,Ltd., Sumitomo Metal Industries, Ltd., JAPAN TELECOM CO., LTD.

## Plan commemorative dividend with the first annual dividend

- Recommend to pay an annual cash dividend of 1,000 yen per share.
- Recommend to pay an additional commemorative dividend of 200 yen per share to celebrate the listing on the Tokyo Stock Exchange First Section and the upward revisions of the current fiscal year earnings.
- Based on our current new Earnings Per Share (EPS) forecast of 5,888 yen. The expected dividend of 1,200 yen represents a payout ratio of around 20.4%

I. 3Q 2004 Results Overview

Page 3

II. 3Q 2004 Financial Results

Page 7

**III. Summary**

**Page 16**

# Summary

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- **Expect to see shift in demand from ‘pure’ ADSL services to bundled Metal voice & VoIP telephone services**
- **Continue migration of AOL narrowband subscribers to broadband services. Expect to achieve synergy with existing ADSL operation**
- **Focus on balance between growth and profitability. Expect to see continued high free cash flow from existing ADSL operation**
- **Establish new subsidiary ‘eMobile’ for the preparation of the entry of the lucrative domestic mobile industry**

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## Thank You Very Much

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