

eAccess Limited [9427]

**1st Quarter Results for Fiscal Year Ending 3/2006
(4/2005 ~ 6/2005)**



August 9th, 2005

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FY2005/ 1Q Financial Results Summary

Revenue and Profit Growth

- 1Q revenue increased by 26% YoY and 1Q operating profit increased by 11% YoY. The sharp increase in 1Q revenue YoY was mainly due to the absence of AOL ISP business in 1Q 2004 (AOL business was acquired in 2Q 2004). Operating FCF also showed a strong increase of 26% YoY.

Net Subscriber Addition

- Growth in the net subscriber addition remained slow in 1Q due to the delay of Metal Plus service area expansion. We expect net subscriber additions to show a gradual recovery in 2H, through churn improvement, aggressive promotion and the completion of area expansion plan.

Churn Rate Reduction

- Effective retention scheme lowered the recent monthly churn figures. Monthly churn peaked in April 2005 and improved gradually over the last two months.

Potential New Mobile Licenses

- MIC has made an encouraging announcement to allocate the nationwide band to a maximum of two new operators in the 1.7GHz (FDD) spectrum.

Mobile Business Differentiation

- Business model differentiation from existing operators by adopting seamless FMC/WiMAX and MVNO business models.

Corporate Governance Evaluation

- Selected as one of the portfolio companies in Japan by the Pension Fund Association's "Corporate Governance Fund".

FY2005/ 1Q Financial Results

	FY2004/1Q (2004/4 – 6)	FY2005/1Q (2005/4 – 6)			Increase (Decrease) / Changes(%)	
	ADSL ^(*1)	ADSL·ISP +	Mobile	= Total	ADSL·ISP	
Revenue	¥12.11 billion	¥15.22 billion	¥0 billion	¥15.22 billion	¥3.11 billion	+26%
Operating expense	¥10.32 billion	¥12.89 billion	¥0.34 billion	¥13.23 billion	¥2.57 billion	+25%
Operating profit	¥1.79 billion	¥2.33 billion	-¥0.34 billion	¥1.99 billion	¥0.54 billion	+30%
Recurring profit	¥1.50 billion	¥2.23 billion	-¥0.65 billion	¥1.58 billion	¥0.73 billion	+49%
Net Income	¥1.50 billion	¥1.58 billion	-¥0.65 billion	¥0.93 billion	¥0.08 billion	+5%
EBITDA	¥4.53 billion	¥5.20 billion	-¥0.33 billion	¥4.87 billion	¥0.67 billion	+15%
Capex	¥2.05 billion	¥1.75 billion	¥0 billion	¥1.75 billion	-¥0.30 billion	-15%
Operating FCF ^(*2)	¥2.48 billion	¥3.45 billion	-¥0.33 billion	¥3.12 billion	¥0.97 billion	+39%
Depreciation	¥2.74 billion	¥2.88 billion	¥0 billion	¥2.88 billion	¥0.14 billion	+5%

*1: FY2004/ 1Q figures do not include the ISP's business, since its operation started on July 1st, 2004, when the acquisition of AOL Japan was completed.

*2: Operating Free Cash Flow = EBITDA - CAPEX

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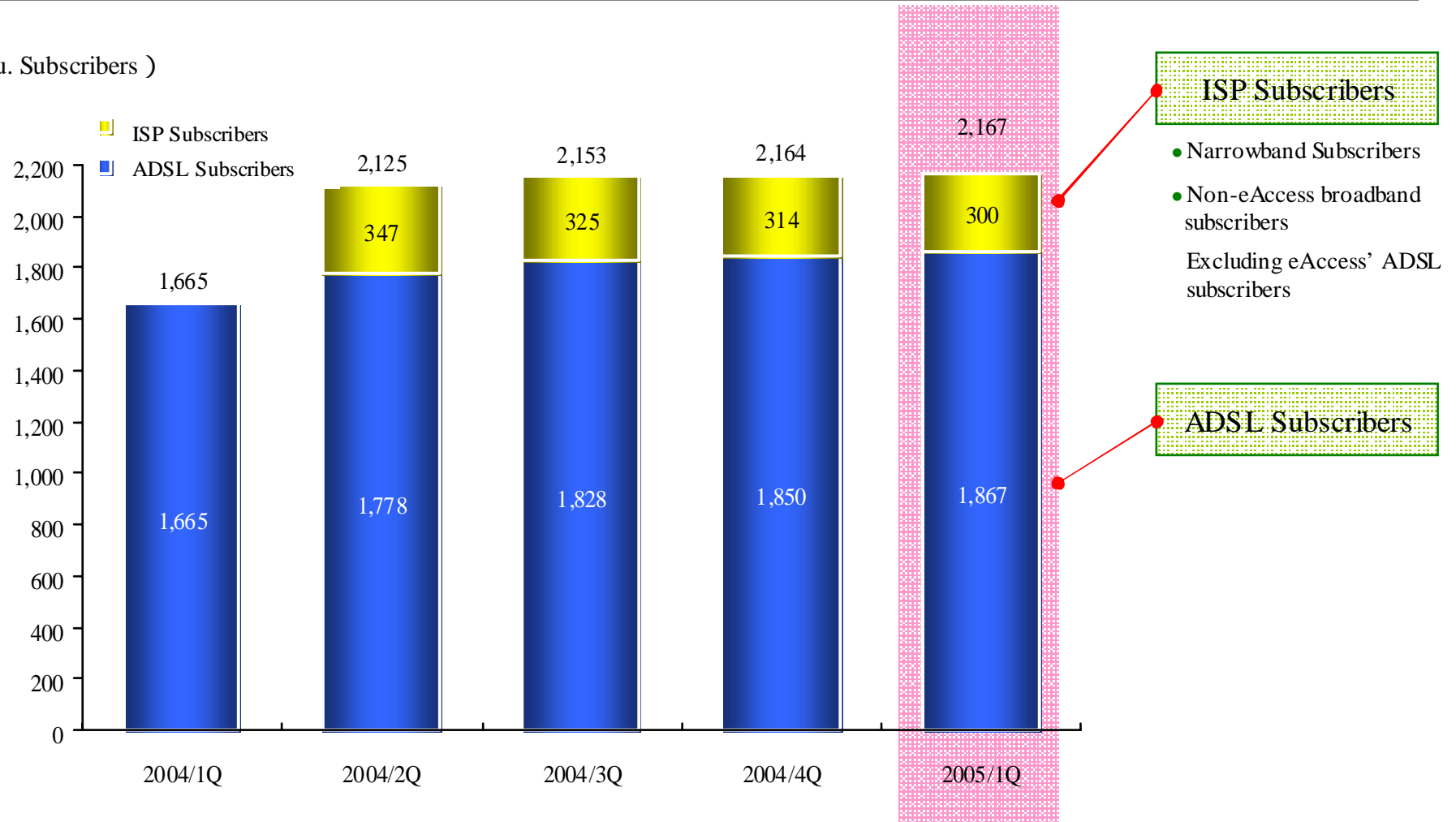
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Subscriber Growth

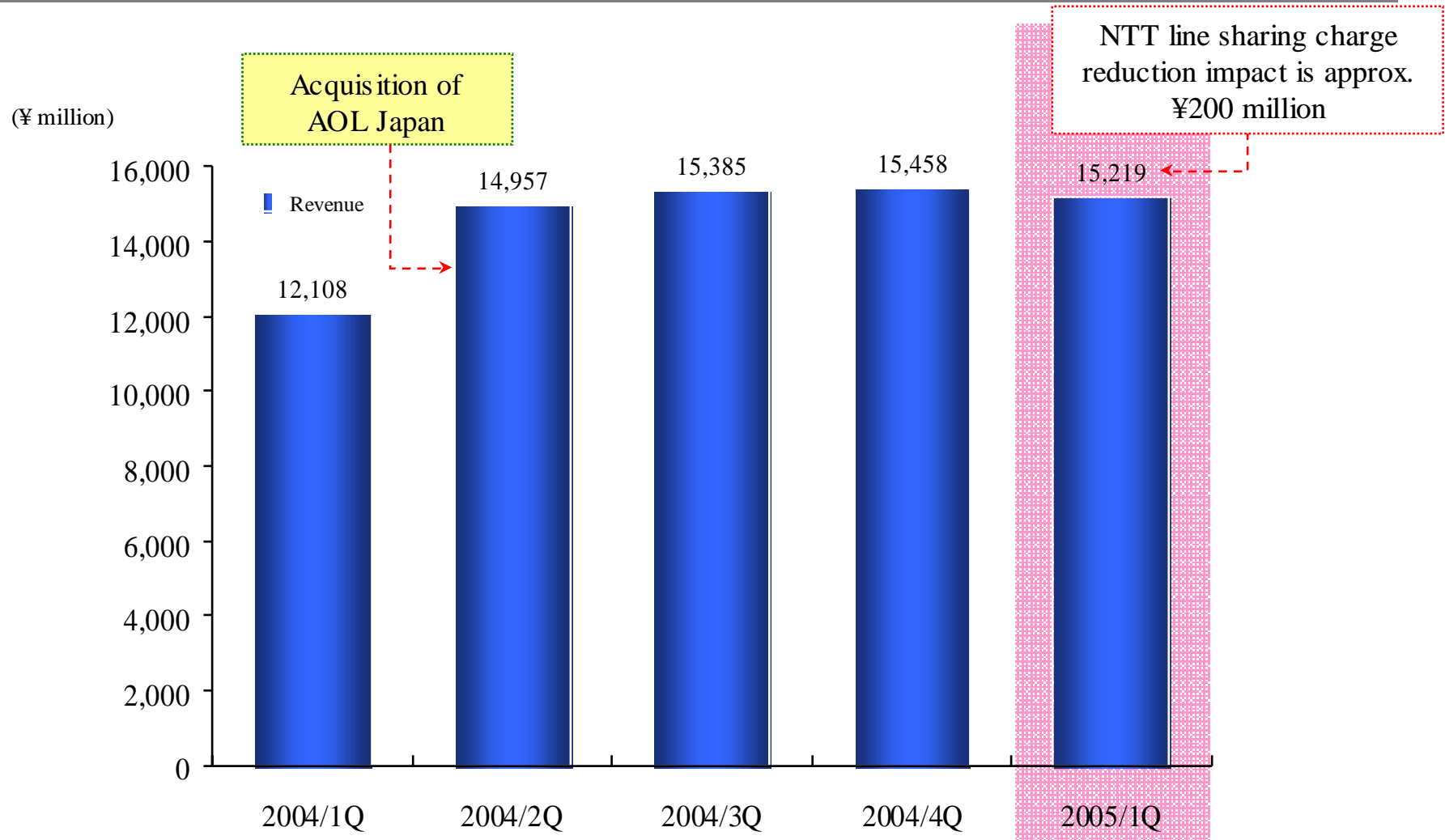
Delay in Metal Plus service area expansion caused slower growth in net subscriber addition. Expect a recovery in 2H, after the completion of the initial phase of service area expansion and lower churn rate.

(thou. Subscribers)



Revenue Growth

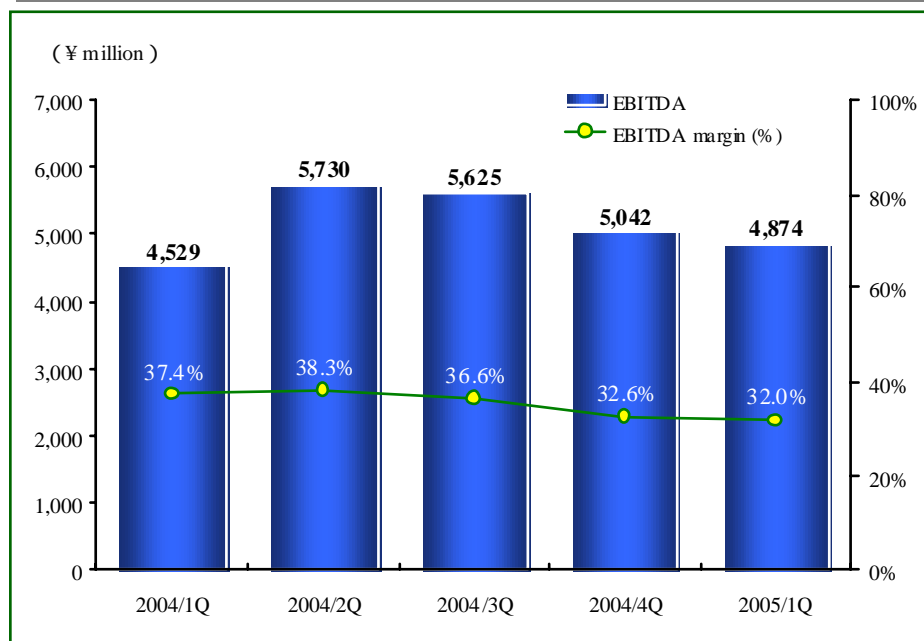
Revenue decreased slightly from 4Q, due to the reduction of NTT line sharing charge.



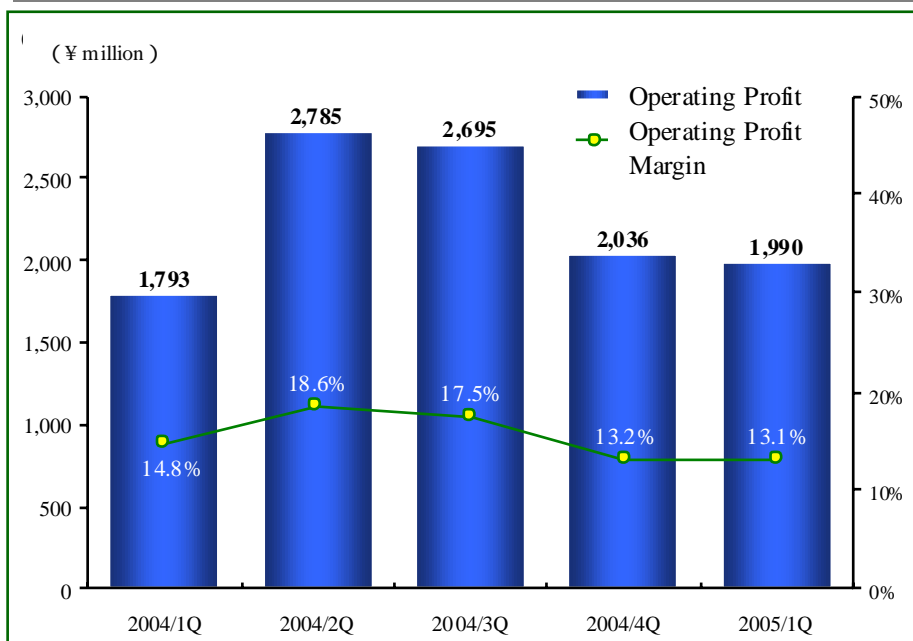
EBITDA and Operating Profit Trend

EBITDA and operating margins decreased slightly due to Mobile business preparation cost. ADSL & ISP businesses combined EBITDA margin was 34.2% and operating margin of 15.3%.

EBITDA and EBITDA margin trend



Operating profit and Operating margin trend

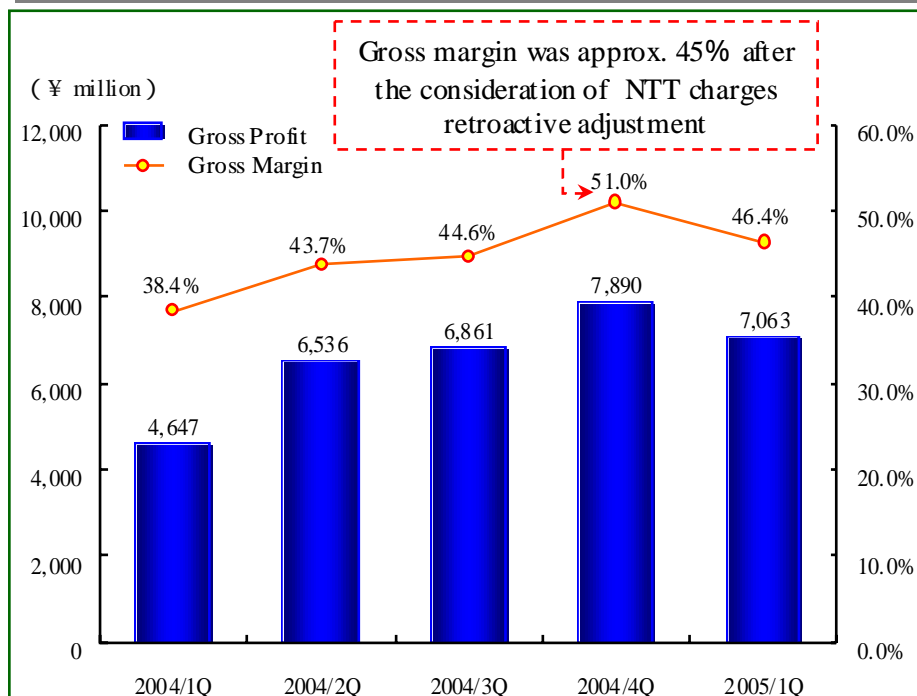


- Maintained high level EBITDA and operating margins for ADSL & ISP businesses. Excluding mobile business, EBITDA was ¥5.20 billion (34.2% EBITDA margin) and operating profit was ¥2.33 billion (15.3% operating margin)

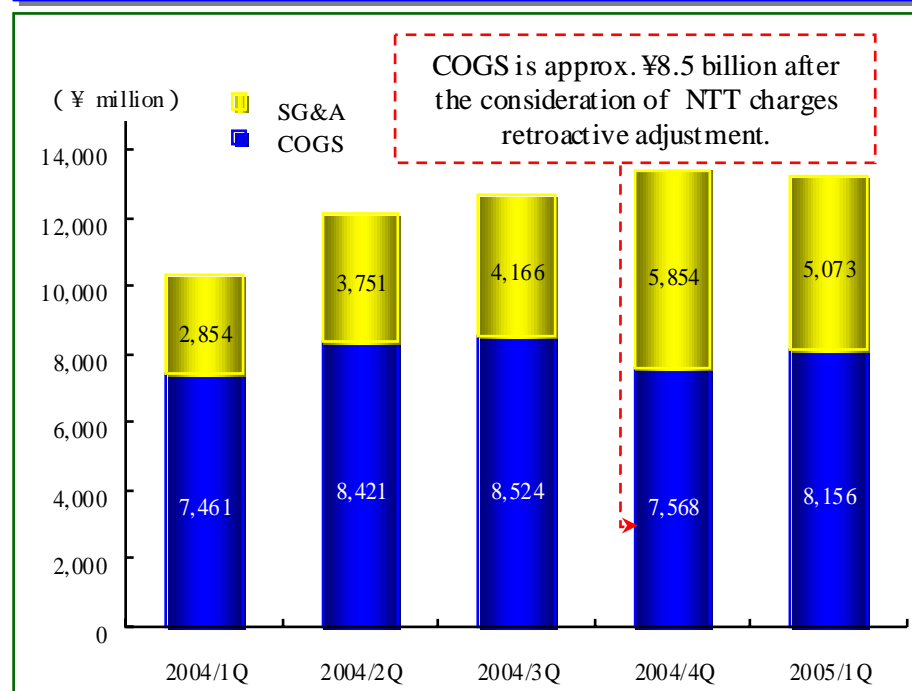
Gross Profit and Margin Trend

Steady increase in normalized gross margins

Gross Profit and Gross Margin



COGS and SG&A Trend



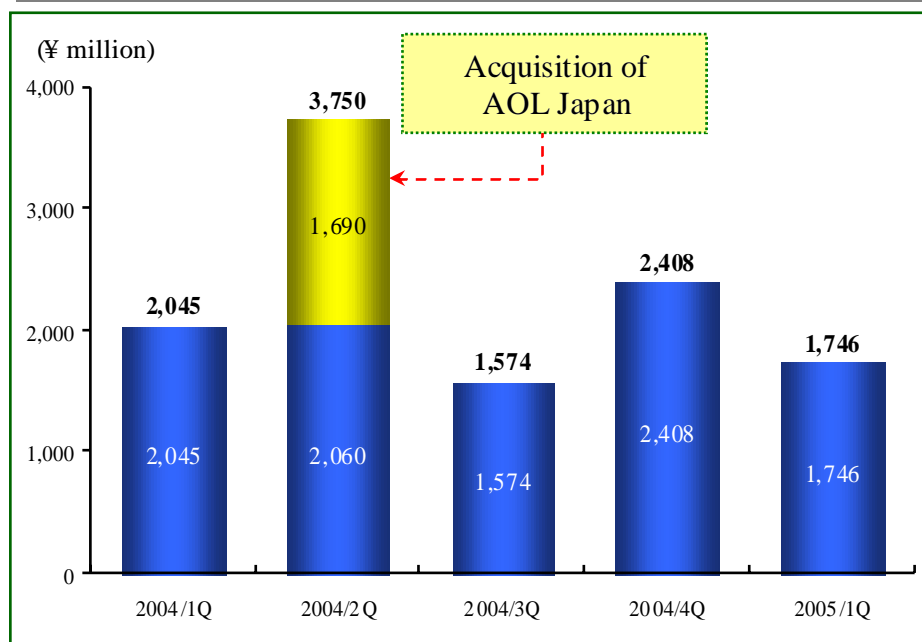
- 4Q amount included retroactive adjustment relating to NTT line sharing charge reduction. Normalized gross margin excluding retroactive adjustment continues to show improvement in 1Q 2005.

- SG&A decreased by ¥0.8 billion from 4Q due to the decrease in mobile related R&D spending and acquisition expenses.

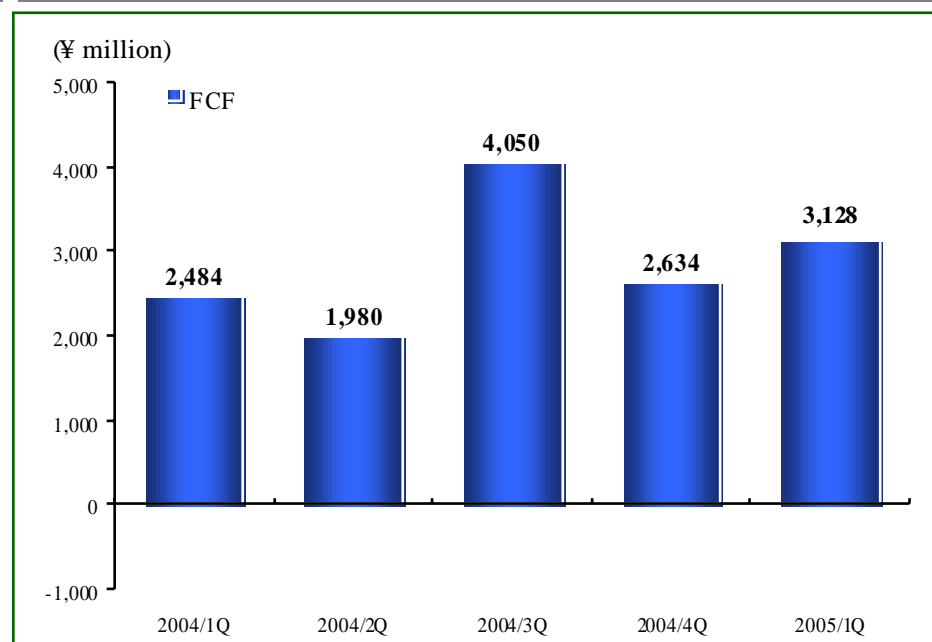
Quarterly Capex and Operating FCF Trend

**Operating Free Cash Flow (FCF) increased 26% YoY.
Capex is expected to increase in the 2H due to wider service area expansion.**

Capex Trend



Operating Free Cash Flow Trend



Operating Free Cash Flow = EBITDA - Capex

- 1Q operating FCF increased by balancing the growth in capex and the net subscriber additions. 2H capex is expected to increase due to a wider service area rollout.

Healthy Balance Sheet

Slightly lower cash balance after the dividend payment.

	As of March 31, 2005		As of June 30, 2005		Increase (Decrease)
	Balance	Share of Total	Balance	Share of Total	
Cash and cash deposit	¥104.77 billion	77.6 %	¥101.28 billion	76.8 %	-¥3.49 billion
Debt	¥96.56 billion	71.5 %	¥94.72 billion	71.8 %	-¥1.84 billion
Net debt	-¥8.21 billion	--	-¥6.56 billion	--	+¥1.65 billion
Total Shareholders' Equity	¥28.48 billion	21.1 %	¥27.57 billion	20.9 %	-¥0.91 billion
Total Asset	¥134.99 billion	100.0 %	¥131.88 billion	100.0 %	-¥3.11 billion
Net debt/Equity ratio(%)	-28.8 %	--	-23.8 %	--	--

- Cash and cash deposit was maintained over ¥100 billion as of June 2005, representing 77% of total asset.
- The net cash position was slightly lower compared to the end of March 2005, mainly due to the dividend payment.

Corporate Governance Evaluation

**Selected by the Pension Fund Association's "Corporate Governance Fund"
eAccess meets Pension Fund Association's evaluation criteria for
"Excellent Governance"**

- "Corporate Governance Fund" invests in stocks based on their specific evaluation criteria on company's corporate governance.
- The Fund selected a total of 43 companies in Japan for the first selection of stocks in August 2004.
- The Association recently selected an additional 10 companies in June 2005, which included eAccess, following their evaluation survey.
- Evaluation is based on the appointment of independent directors and corporate management focusing on shareholders value.

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ADSL & ISP Businesses

ADSL Business Strategy

Expect subscriber growth recovery in 2H through churn improvement, aggressive promotional activities and service area expansion.

Churn Rate Improvement

- Jointly promoted “free moving campaign”, “long-term discount”, “free set-up support” with ISPs.
- Effective retention scheme lowered monthly churn rate. Monthly churn rate decreased since the peak in April.
(April : 2.34% May : 1.70% June : 1.66% 1QAverage : 1.89%)

Strengthen Relationship with ISPs

- Expand service areas for KDDI’s ”Metal Plus” service
- To introduce new ADSL menu with So-net.
- To launch joint promotional campaigns with Point & DTI.
- Commence “ADSL Entry” menu for light users with Nifty.

Service Area Expansion

- ADSL service area expansion to 1072 central offices.

Increase in AOL Broadband Ratio

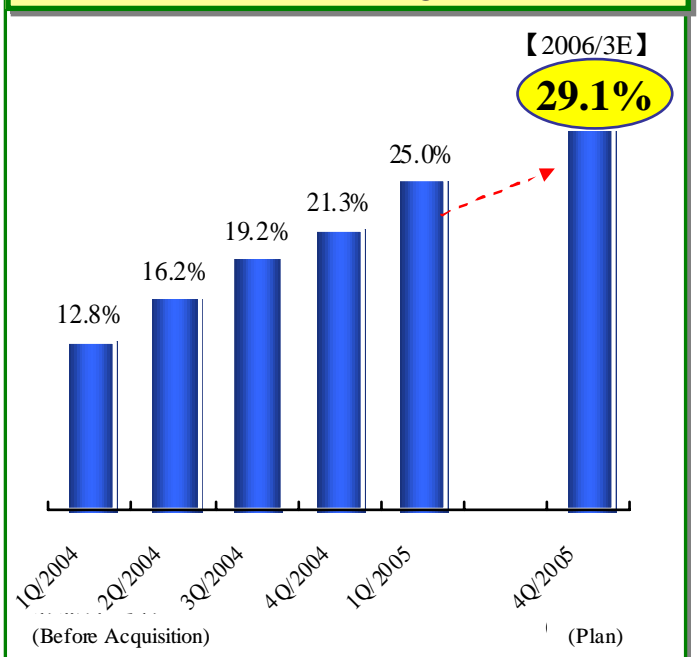
- AOL broadband migration rate reached 25% as of June 2005, up by 4% point since end of March 2005.

Launch of new promotional discounts

- Introduced long-term discount plan, free moving campaign, etc.



AOL Broadband Migration Trend



Improvement of AOL DIARY (Blog service) function

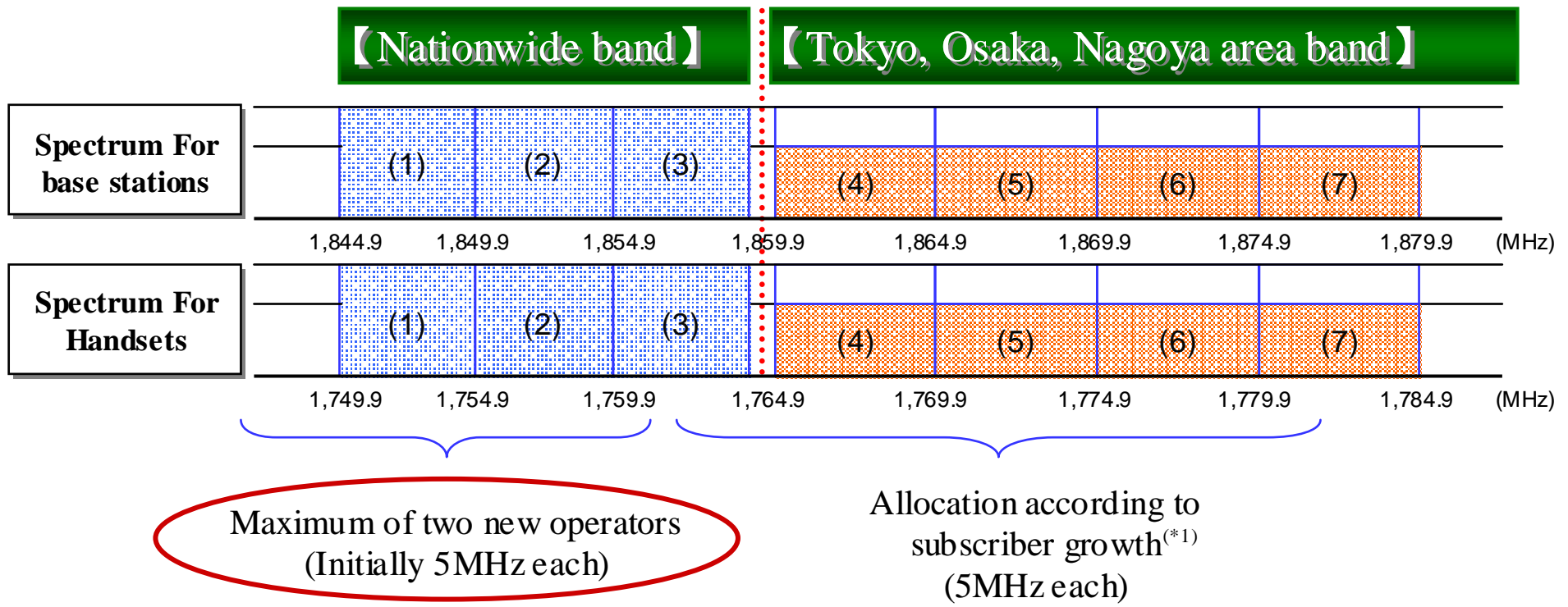
- Launch of "eXPO LIFE ~ Everybody's expo diary", to promote the use of AOL Diary.
- Added various font functions, and introduced "Contents & Mail plan" for non-AOL users.



eMobile Strategy

1.7GHz Mobile Spectrum Allocation Plan

**MIC finalized 1.7GHz band licensing policy on July 27th, 2005.
MIC plans to allocate the nationwide band to a maximum of 2 new operators**



(*1) With respect to the total 3G spectrum that has been assigned to an applicant, the number of users per MHz should meet the criteria listed on the right.

Total assigned bandwidth	Users per MHz in assigned spectrum
15MHz and below in total	Above 500,000
Above 15MHz in total	Above 750,000
Above 25MHz in total	Above 1,000,000

Service area and timing requirement

(1) Timing

Operate at least 1 base station within 2 years

(2) Service area coverage

Nationwide band : Over 50% service area coverage within 5 years

Tokyo, Osaka, Nagoya area band : Over 50% area coverage within 3 years



Key points of the due diligence

(1) Feasibility and execution capability of the business model

(2) Ability to resolve and prevent traffic interference

(3) Contribution to the overall telecom industry growth and smooth operation

Mobile Business Schedule (Planned)

FY2005 (2006/3)	FY2006 (2007/3)	FY2007 (2008/3)
<p>License ● Finalized MIC's license allocation policy (July)</p> <p>Applications for mobile license : End of August to end of September</p> <p>Due diligence period : 2 to 4 months</p> <p>License to be granted (Planned)</p>		
<p>Data Service</p>	 <p>Launch data service (planned)</p>	
<p>Focusing on Tokyo, Osaka, Nagoya area</p>		
<p>Voice Service</p>		 <p>Launch Voice service (Planned)</p>
<p>Area expansion targeting voice service</p>		

eMobile Service Concept

Innovative
Next Generation 3G Technology
(HSDPA)

- ◆ FDD field trial in the 1.7GHz band
- ◆ Commenced preparation for mobile WiMax field trial

Reliable • Easy To Use
Simple & Inexpensive
Tariff Plan

- ◆ Inexpensive voice tariffs, affordable broadband Internet connection service tariff

High Speed • Seamless
New Service Concept

- ◆ Mobile broadband data service
- ◆ Seamless FMC service
- ◆ MVNO
- ◆ “Enjoy life” style voice service

High Network Quality
Focus On Area Coverage

- ◆ Focus on network coverage and traffic demand

3.5G W-CDMA Field Trial

Commenced W-CDMA field trial in the 1.7GHz Band and preparation for Mobile WiMAX field trial

Trial 5/2005

9/2005

12/2005

Phase1 W-CDMA (R.99)

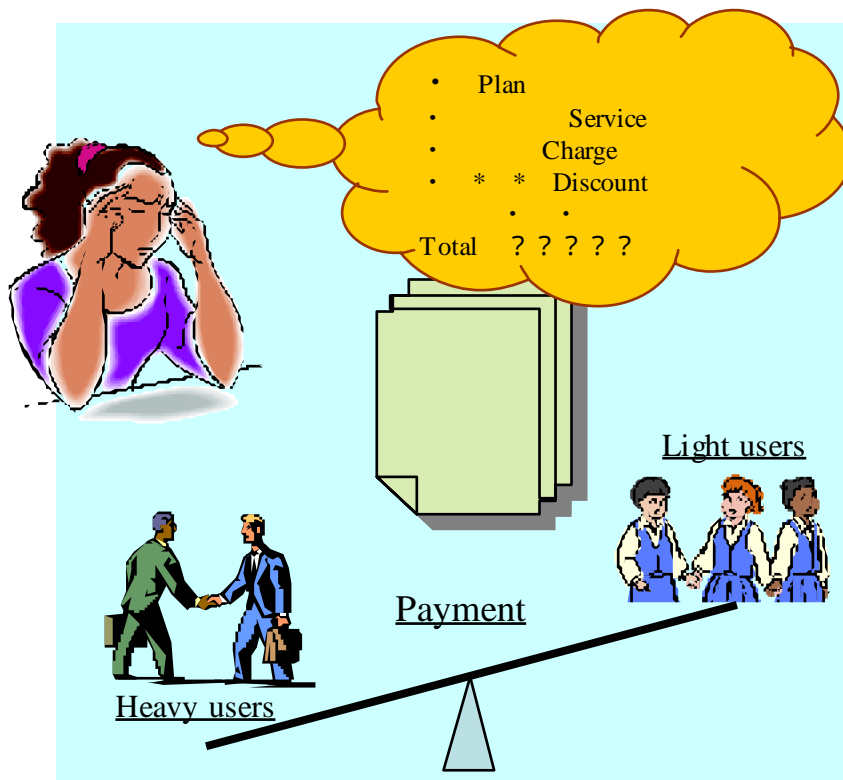
Phase2 HSDPA

Commence Mobile WiMAX (IEEE 802.16e) field trial preparation



Simple and Inexpensive Tariff Plan

Simple & inexpensive voice and broadband Internet connection tariff



Simple and inexpensive tariff plan
Voice service
Broadband Internet connection service



Flexible rate for specific services

ex) Voice • Music • Game • • •

**eAccess and Intel to jointly promote Open Platform-based mobile phone handsets
Cooperate in the development of mobile phone handsets for W-CDMA in the 1.7GHz band**

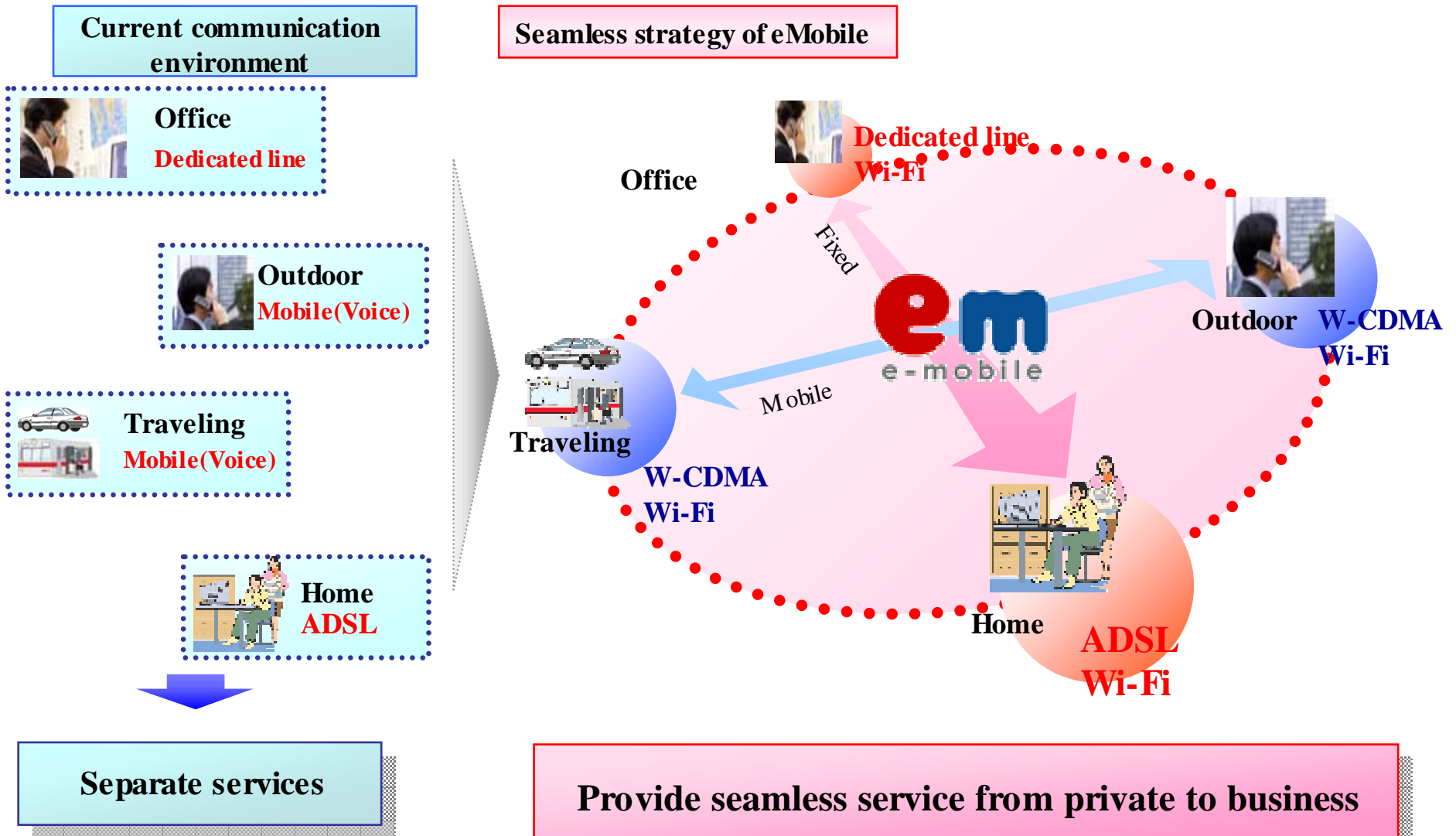
- To adopt Japan's first "Open Platform" concept based on the Intel XScale ® microarchitecture technology.
- "Open Net Access" without limitation of Internet access.



**Mobile phone handsets
with PC capability**

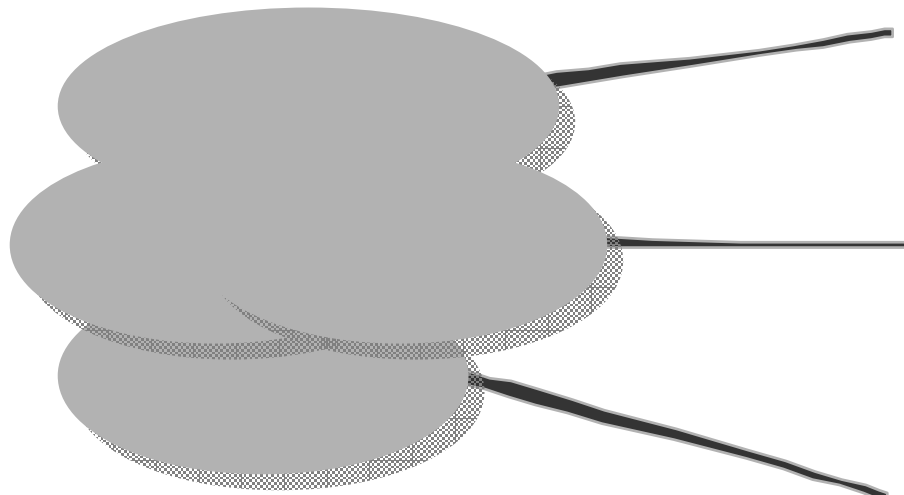
*The handset is a concept mock up of eMobile service, which was displayed at "WIRELESS JAPAN 2005".

Seamless FMC Service



MVNO Business Model

- MVNO (Mobile Virtual Network Operator)
- ✓ To offer MVNO partners high quality mobile infrastructure.
- ✓ Combine mobile MVNO with eAccess ADSL wholesale business model.



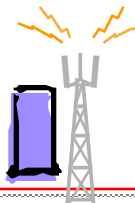
Announced to jointly work on the potential MVNO business with Nifty, TOKAI and So-net



Nifty



TOKAI



So-net

“Enjoy Life” Style Mobile Service

Promote voice handsets focusing on embedded mobile functions
in a wide range of mobile devices



*The handsets are concept mock up of eMobile service, which were displayed at "WIRELESS JAPAN 2005".

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Summary

ADSL Business

- Expect the net subscriber addition to recover in 2H, due to service area expansion and churn rate improvement.

ISP Business (AOL)

- Achieved a steady growth in broadband migration, and promote synergy within ADSL and ISP businesses.

Mobile Business

- Conduct W-CDMA and FMC field trial. Work with Nifty, TOKAI and So-net on MVNO business model. Develop “open platform” handsets with Intel.
- To apply for a mobile (1.7GHz) license by the end of September.

Balance Sheet

- Strengthen balance sheet further by growing operating FCF from ADSL&ISP businesses.

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