

# **FINANCIAL RESULTS**

**1<sup>st</sup> Half FY2007**

**(Feb. 2006 – Jul. 2006)**

**(Revised)**

**October 25, 2006**

**ACCESS Co., Ltd.**

**Based on the disclosure “(Numerical data correction) Corrections in the Financial Results (Consolidated) of the 1<sup>st</sup> Half of the Fiscal Year ending January 2007” dated October 25 2006, this document is the revised version of the original which was published on the Company website on September 14 2006.**

**The corrections were made on page 18, in the Consolidated Cash Flow (Summary) chart and are denoted with an underline for each correction made.**

- Targets for operating results and other forward-looking statements contained in this presentation represent management's judgments based on information available at the time this presentation was prepared. Such statements embody a variety of uncertainties
- Consequently, actual results may differ from these targets and forecasts. Investors are therefore cautioned not to make investment decisions based solely on these forward-looking statements

- **Consolidated Net Sales (1<sup>st</sup> Half) resulted in JPY 10,158 million, and Ordinary Loss JPY 8,503 million**
  - ◆ With regards to sales, the products and royalty revenue for our software showed strong growth, which resulted in higher figures than as expected.
  - ◆ As for ordinary loss and net loss, amortization for the intangible assets of the recently acquired 2 overseas subsidiaries have begun based on the latest US accounting practices, and as a result posted lower figures than as planned.
  
- **HQ Net Sales (1<sup>st</sup> Half) resulted in JPY 6,307 million, and Ordinary Loss JPY 659 million**
  - ◆ Sales showed strong growth in both products and royalty revenue, which resulted in higher figures than as expected.
  - ◆ Ordinary loss and net loss posted lower than expected figures. This was due to higher SG&A expenses compared to the same quarter last year because of 1) aggressive investment in new R&D activity such as our new platform software ACCESS Linux Platform, among others, and 2) higher recruiting and personnel costs resulting from an increase in new hiring to support our expanding business.

**Consolidated**

Companies subject to consolidation : 29 consolidated subsidiaries and 2 consolidated companies by equity method

(JPY Million)	2Q07 (current)	2Q06 (previous)	Change	1H07 (current)	1H06 (previous)	Change
Net Sales	5,542	3,078	180.1%	10,158	6,040	168.2%
Gross Profit	3,803	1,692	224.8%	6,669	3,564	187.1%
SG&A Expense (Ordinary Expense – Non GAAP)	4,405	1,365	322.7%	7,565	2,557	295.8%
Operating Income (Before Exceptional Expense)	601	326	-	896	1,006	-
SG&A Expense (Exceptional Expense – GAAP)	4,226	-	-	7,746	-	-
Operating Income (After Exceptional Expense)	4,827	-	-	8,643	-	-
Ordinary Income	4,711	326	-	8,503	1,042	-
Net Income	4,701	179	-	8,385	627	-

\*Special Expense: Irregular expense incurred in relation to acquisitions, such as Goodwill, etc.

**Consolidated**

PSI : PalmSource, Inc.

IPI : IP Infusion, Inc.

(JPY Million)	ACCESS	PSI	IPI	OTHER SUBS	Journal Entry Adjust	Goodwill / Intangible Assets Amortization	Consolidated Total
Net Sales	6,307	2,542	288	1,847	828	-	10,158
Gross Profit	3,628	2,232	155	1,121	468	-	6,669
SG&A Expense (Ordinary Expense – Non GAAP)	2,969	3,161	459	1,017	41	-	7,565
Operating Income (Before Exceptional Expense)	659	929	304	104	426	-	896
SG&A Expense (Exceptional Expense – GAAP)	0	1,731	630	0	-	5,385	7,746
Operating Income (After Exceptional Expense)	659	2,660	934	104	5,812	-	8,643
Ordinary Income	659	2,438	938	193	5,979	-	8,503
Net Income	363	2,017	949	171	5,953	-	8,385

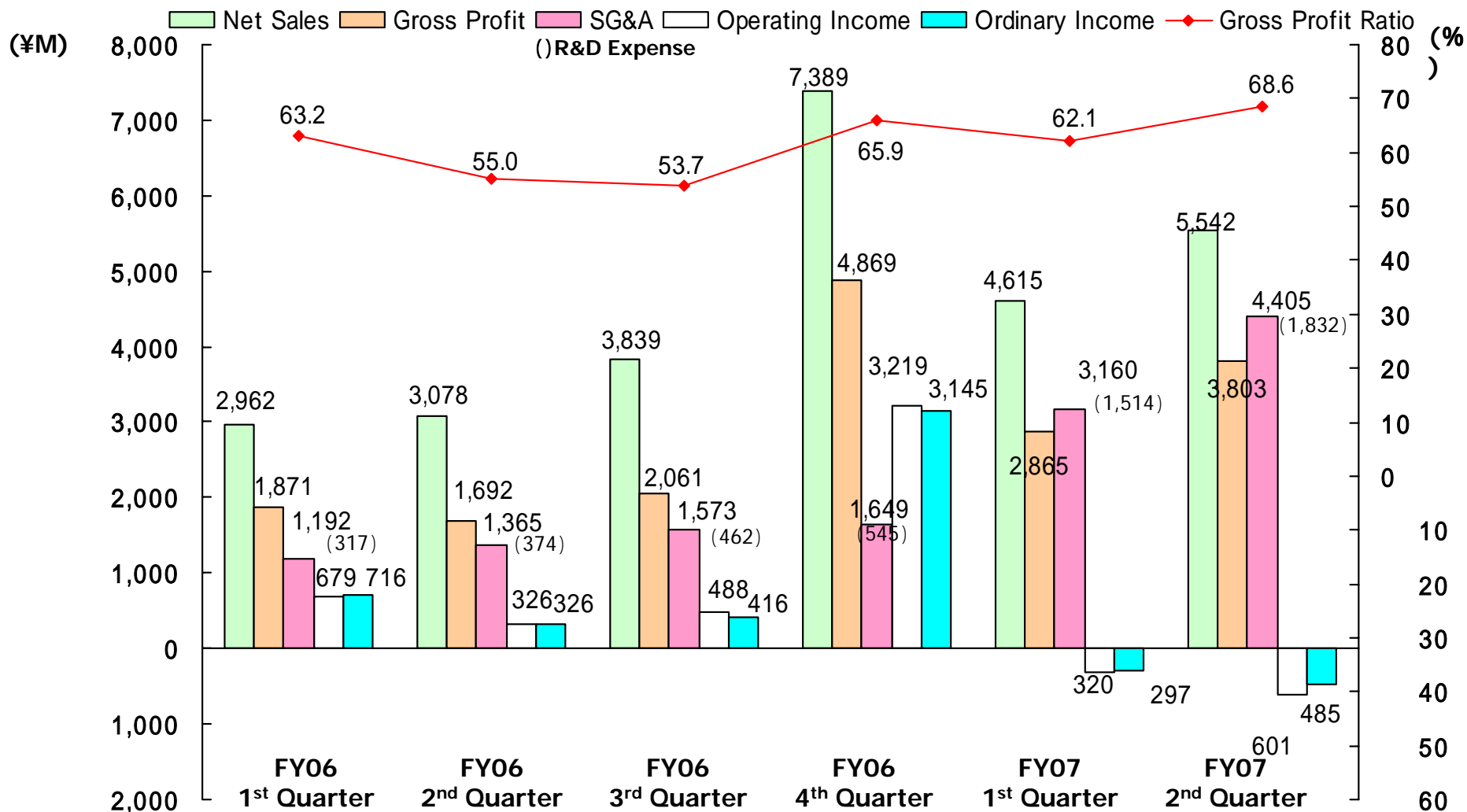
**Consolidated**

PSI : PalmSource, Inc.

IPI : IP Infusion, Inc.

(JPY Million)	ACCESS	PSI	IPI	OTHER SUBS	Journal Entry Adjust	Goodwill / Intangible Assets Amortization	Consolidated Total
Net Sales	3,131	1,491	288	1,317	685	-	5,542
Gross Profit	1,743	1,324	155	846	265	-	3,803
SG&A Expense (Ordinary Expense – Non GAAP)	1,685	1,672	459	575	14	-	4,405
Operating Income (Before Exceptional Expense)	58	347	304	270	278	-	601
SG&A Expense (Exceptional Expense – GAAP)	0	755	630	0	-	2,841	4,226
Operating Income (After Exceptional Expense)	58	1,103	934	270	3,118	-	4,827
Ordinary Income	96	990	938	302	3,181	-	4,711
Net Income	124	989	949	286	3,173	-	4,701

**Consolidated**

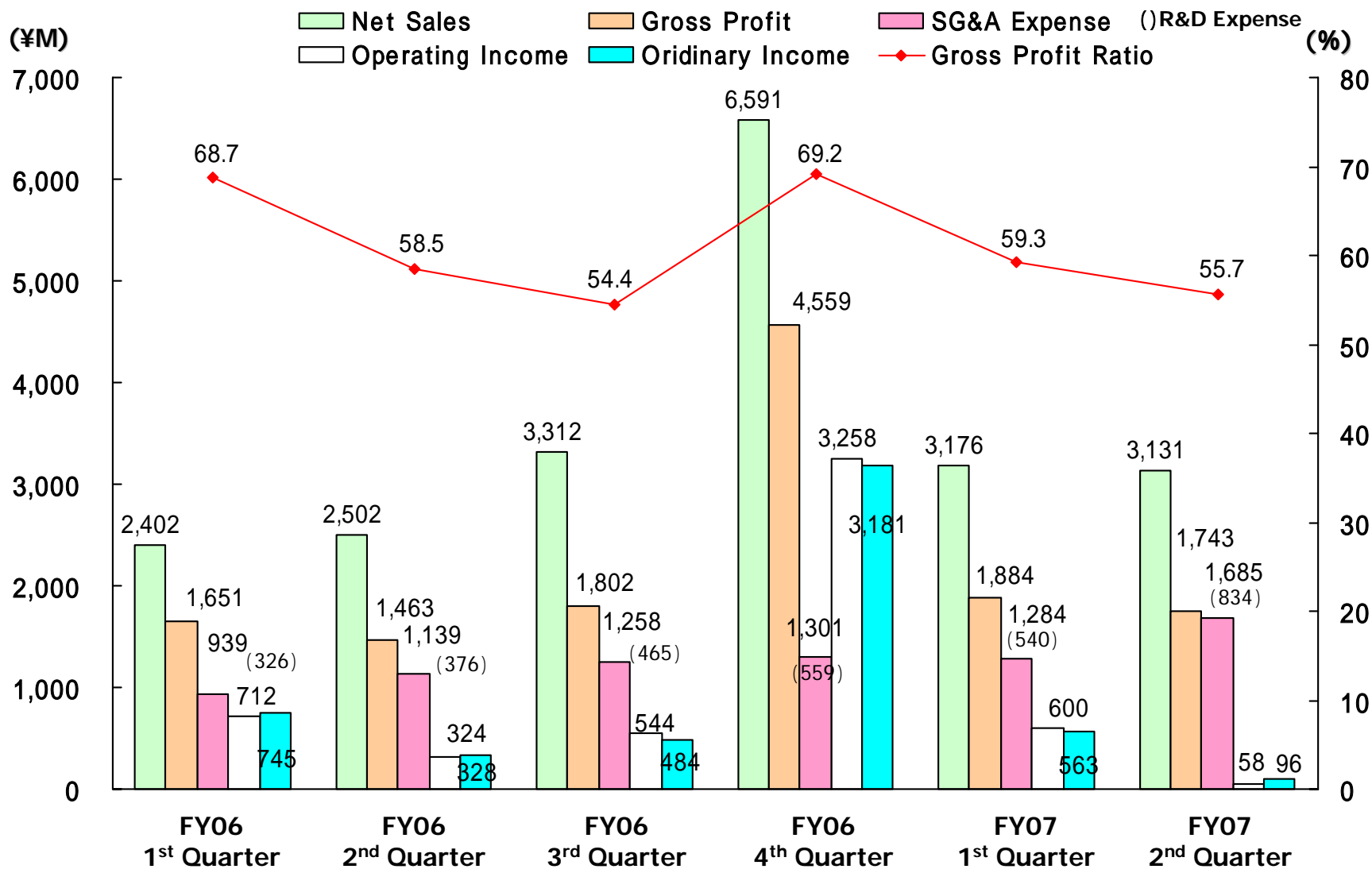


[Note: For purpose of comparison, Goodwill Amortization expense is excluded]

HQ only

(JPY Million)	2Q07 (current)	2Q06 (previous)	YoY Change	1H07 (current)	1H06 (previous )	YoY Change	FY06 Total	% of FY06 Total
Net Sales	3,131	2,502	125.2%	6,307	4,905	128.6%	14,809	42.6%
Gross Profit	1,743	1,463	119.2%	3,628	3,115	116.5%	9,477	38.3%
Gross Profit Ratio	55.7%	58.5%	-	57.5%	63.5%	-	64.0%	-
SG&A Expense	1,685	1,139	148.0%	2,969	2,078	142.9%	4,637	64.0%
Operating Income	58	324	18.0%	659	1,036	63.6%	4,839	13.6%
Other Income	37	4	817.8%	0	37	-	99	-
Ordinary Income	96	328	29.2%	659	1,074	61.4%	4,740	13.9%
Extraordinary Gain (Loss)	80	11	-	39	35	-	87	-
Corporate Income Tax, etc.	52	132	39.4%	256	423	60.6%	1,848	13.9%
Net Income	124	184	67.3%	363	615	59.1%	2,804	13.0%

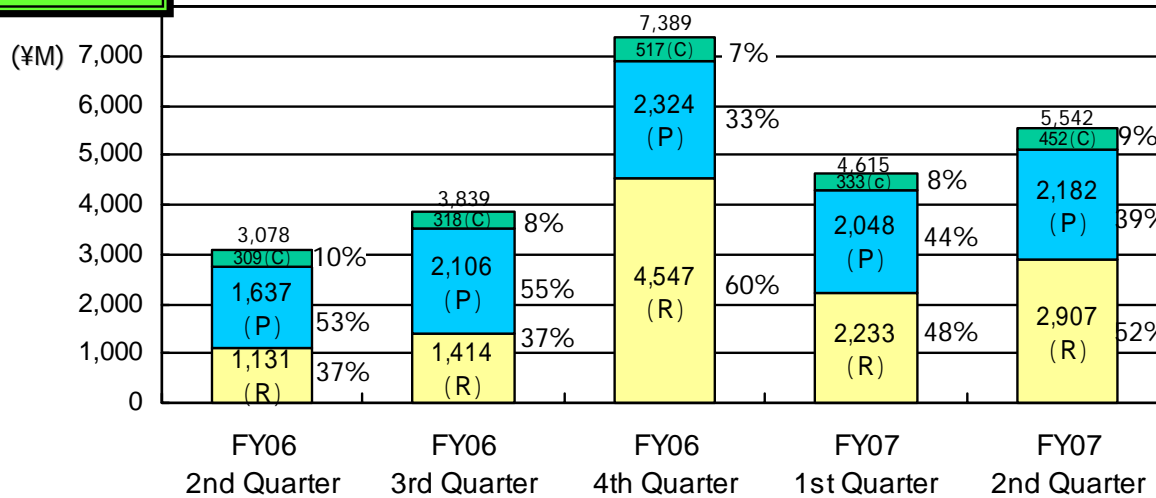
**HQ only**



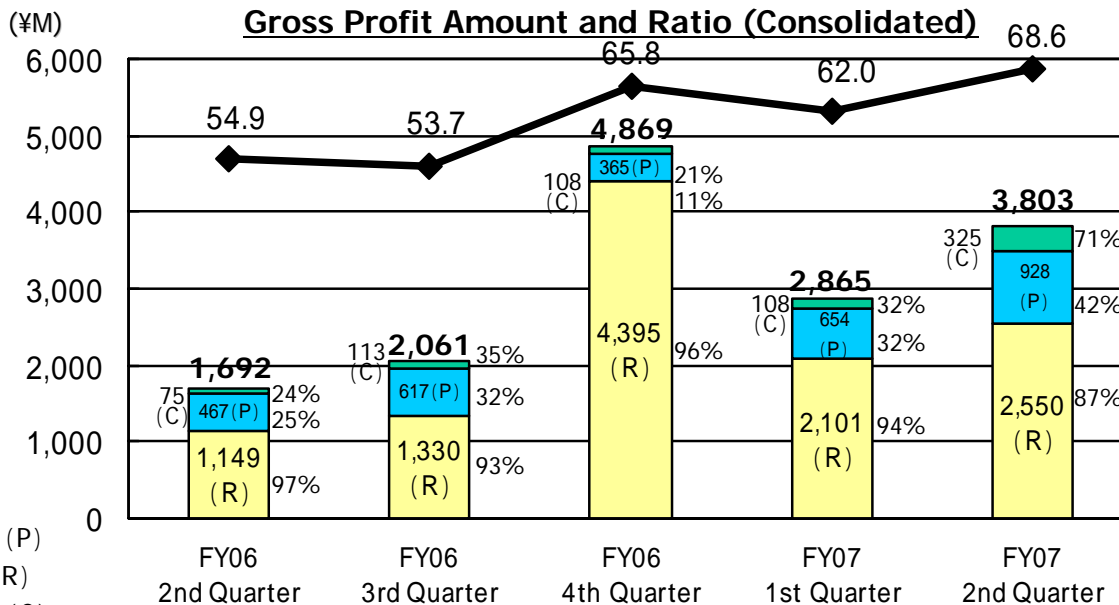
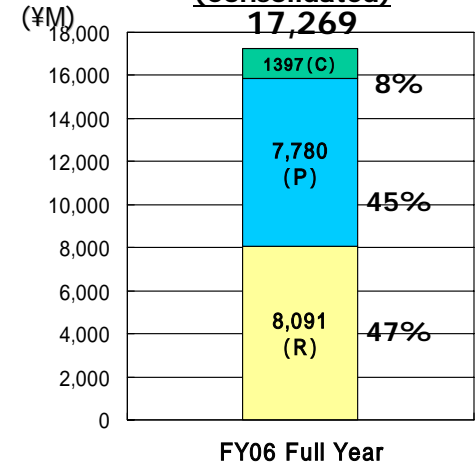
# Trend of Sales & Gross Profit (Consolidated)

**Consolidated**

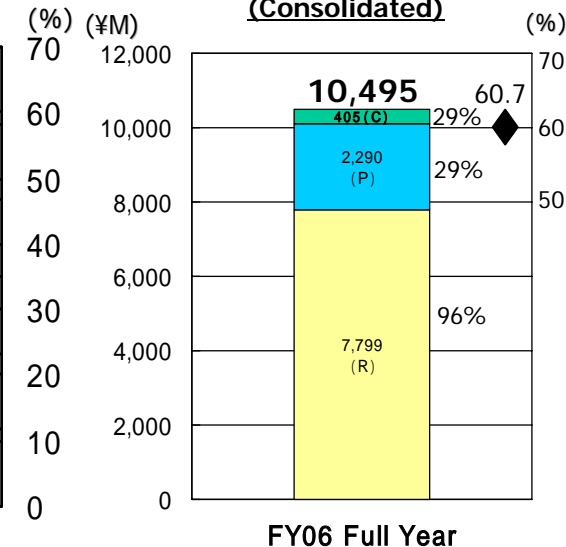
### Sales Mix Ratio (Consolidated)



### Sales Mix Ratio (Consolidated)



### Gross Profit Amount and Ratio (Consolidated)

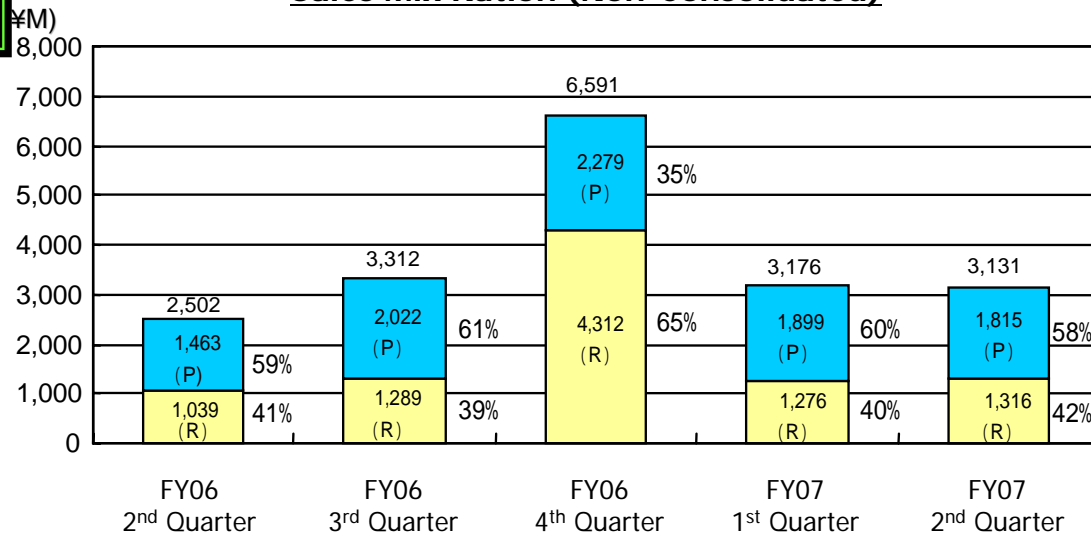


■ Products (P)  
■ Royalty (R)  
■ Contents (C)

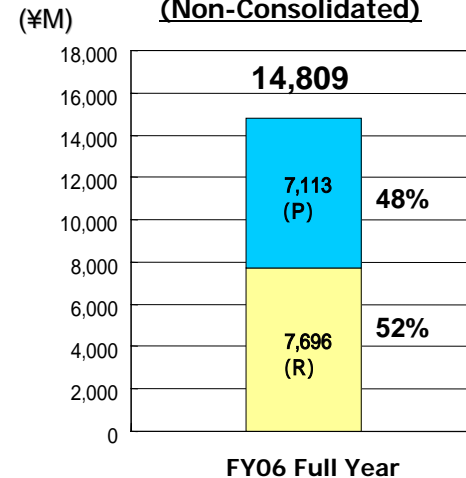
◆ Gross Profit Ratio (Overall)

**HQ only**

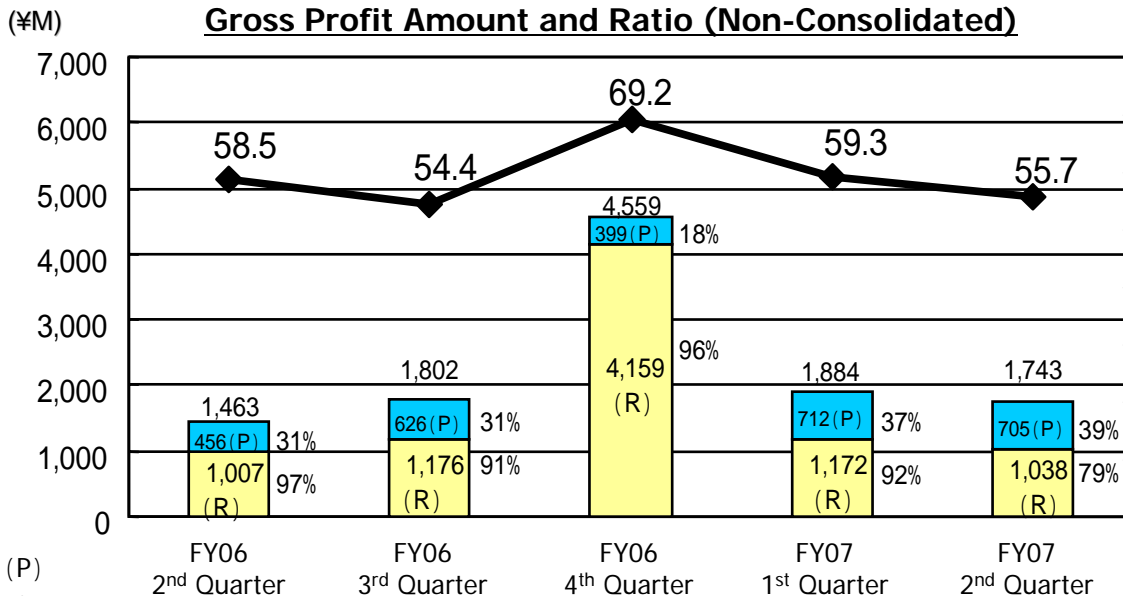
**Sales Mix Ratio (Non-Consolidated)**



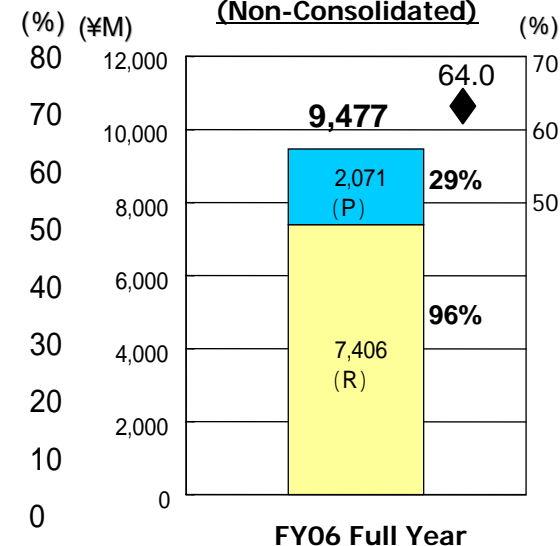
**Sales Mix Ratio (Non-Consolidated)**



**Gross Profit Amount and Ratio (Non-Consolidated)**



**Gross Profit Amount and Ratio (Non-Consolidated)**



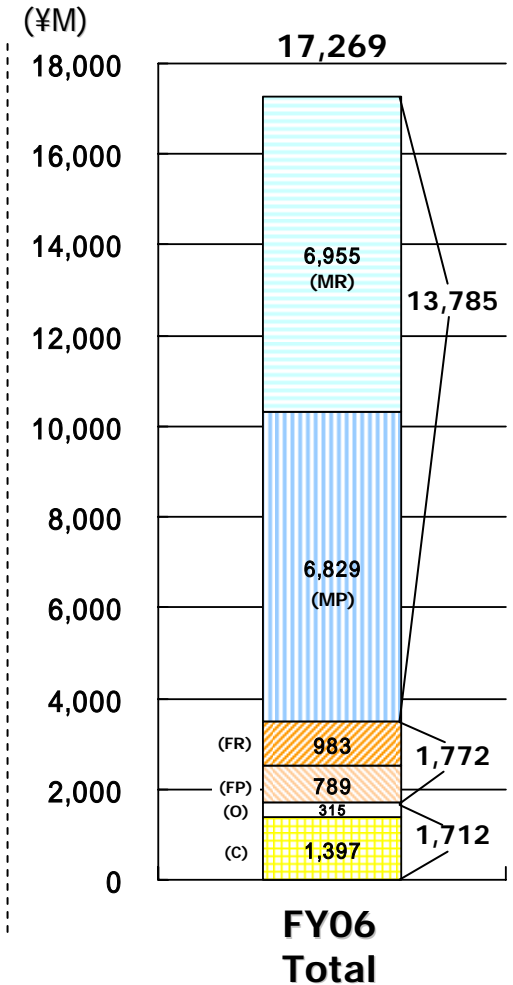
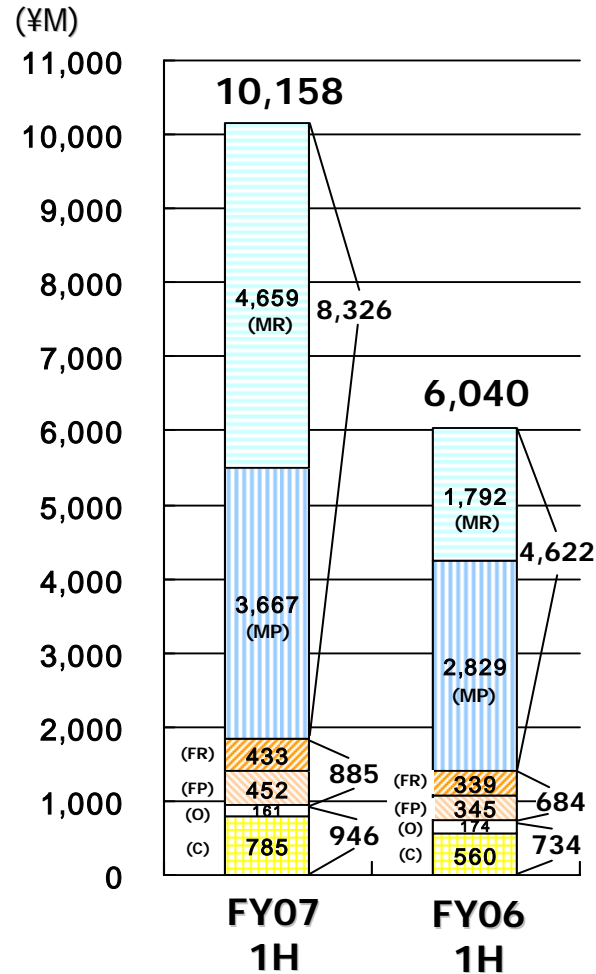
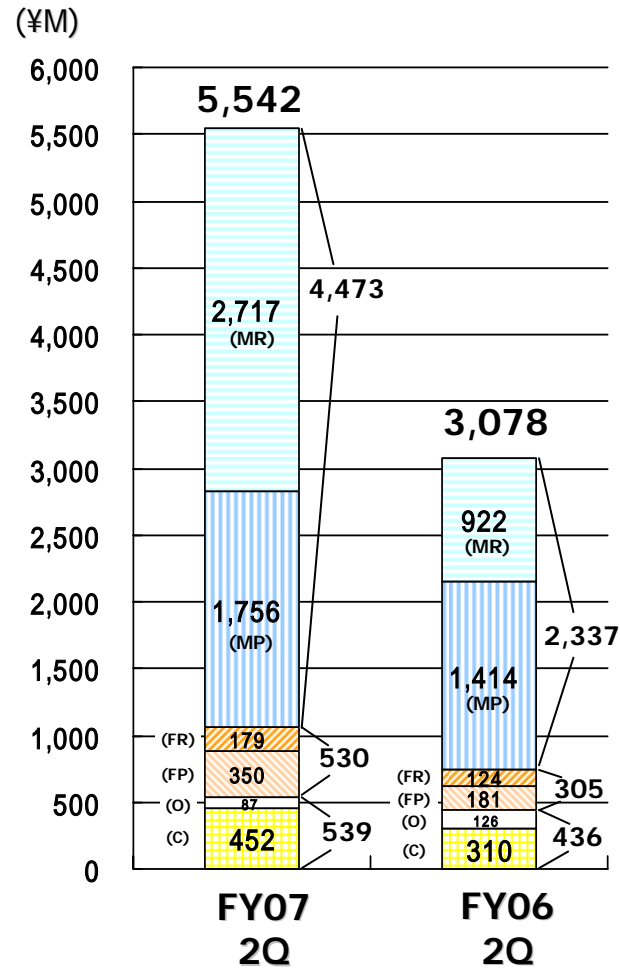
■ Products (P)  
■ Royalty (R)

◆ Gross Profit Ratio (Overall)

# Breakdown of Sales (Consolidated: 2<sup>nd</sup> Quarter & 1<sup>st</sup> Half)

**Consolidated**

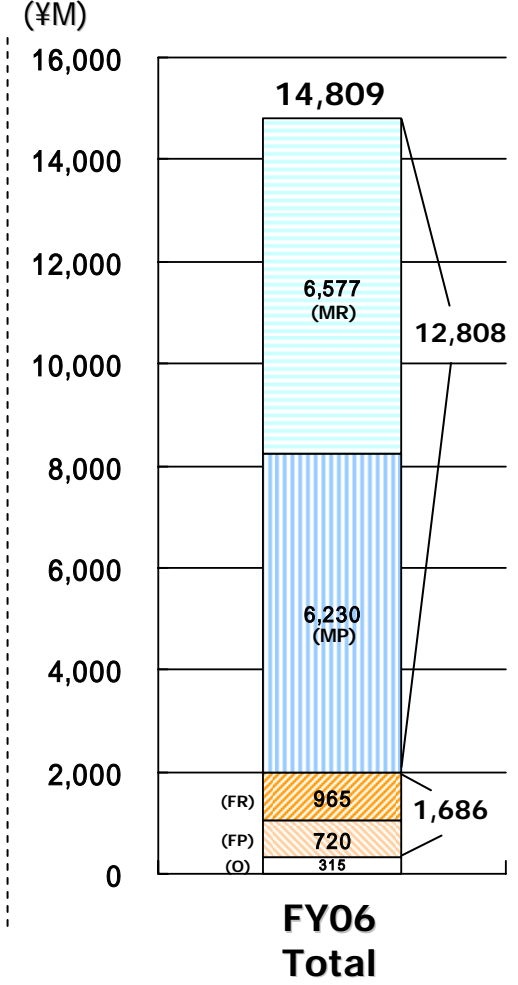
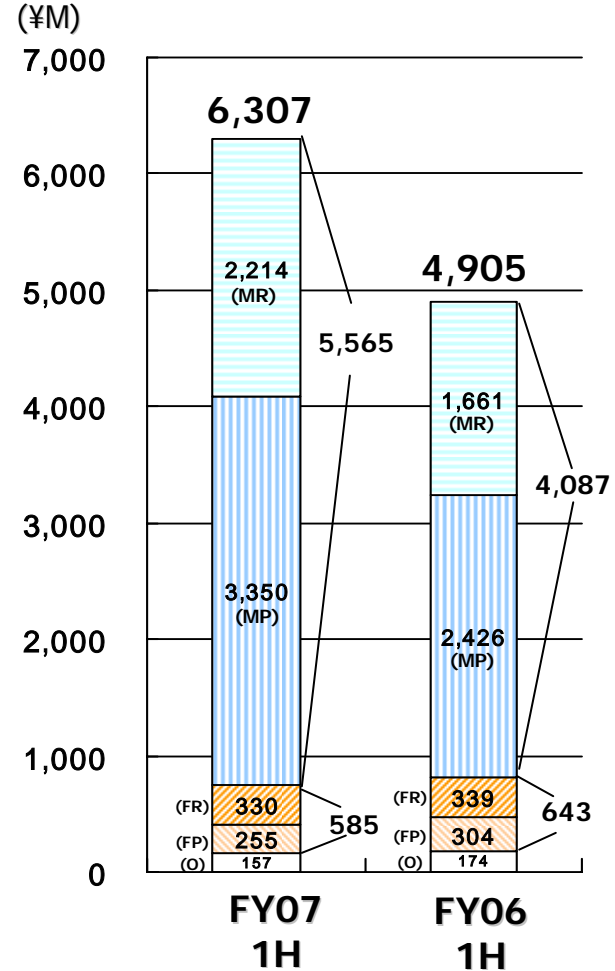
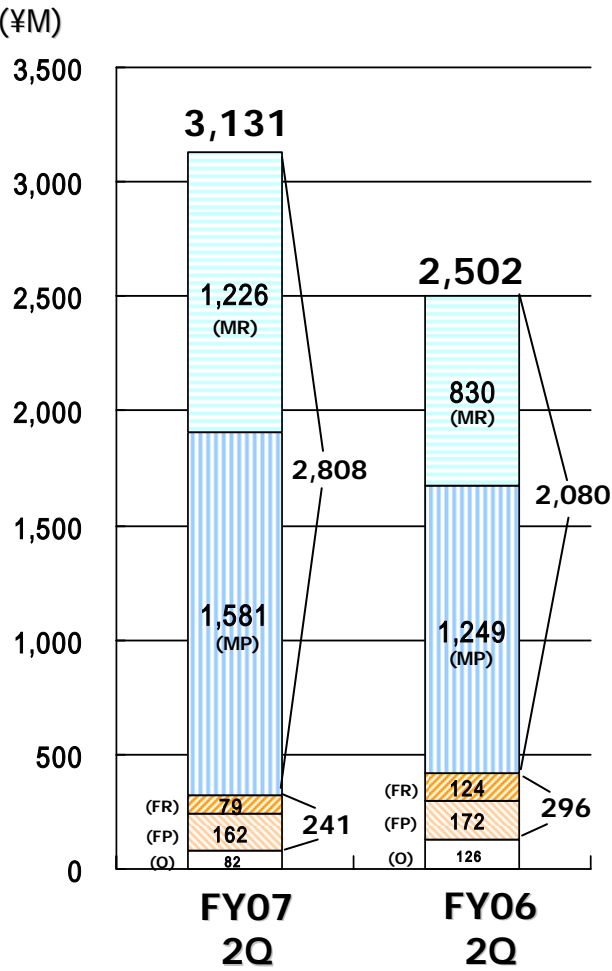
- Wireless / Royalty ( MR )
- Wireless / Products ( MP )
- Wired / Royalty ( FR )
- Wired / Products ( FP )
- SDK, NRE and others / Royalty & Products ( O )
- Contents ( C )



# Breakdown of Sales (HQ: 2nd Quarter & 1st Half)

**HQ only**

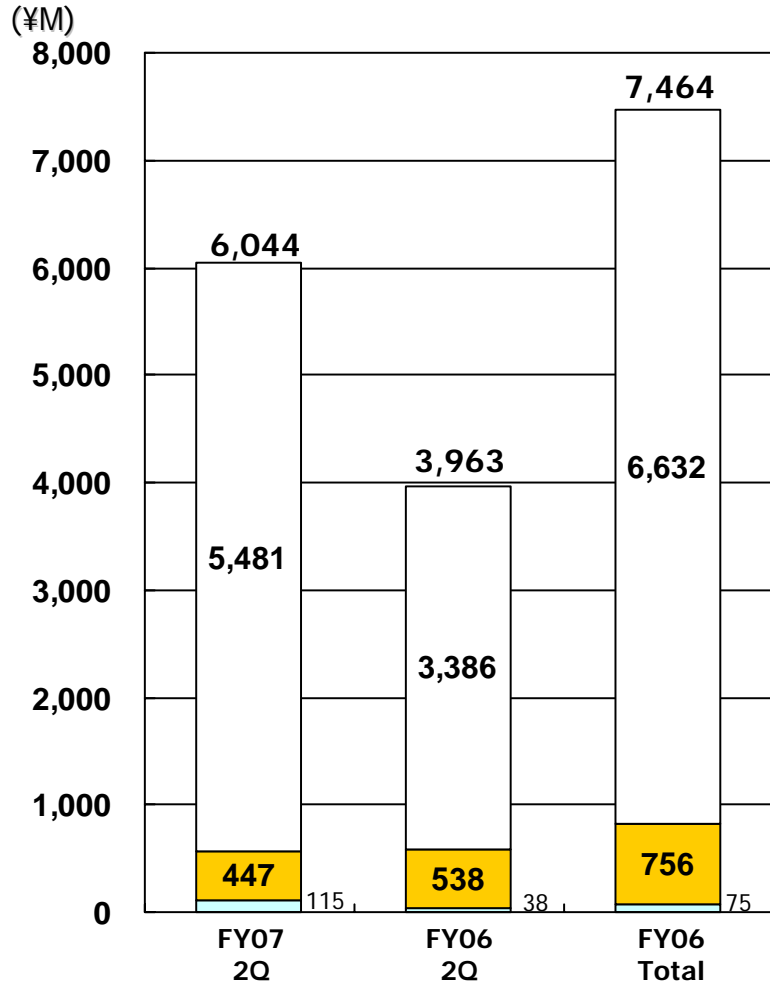
- Wireless / Royalty ( MR )
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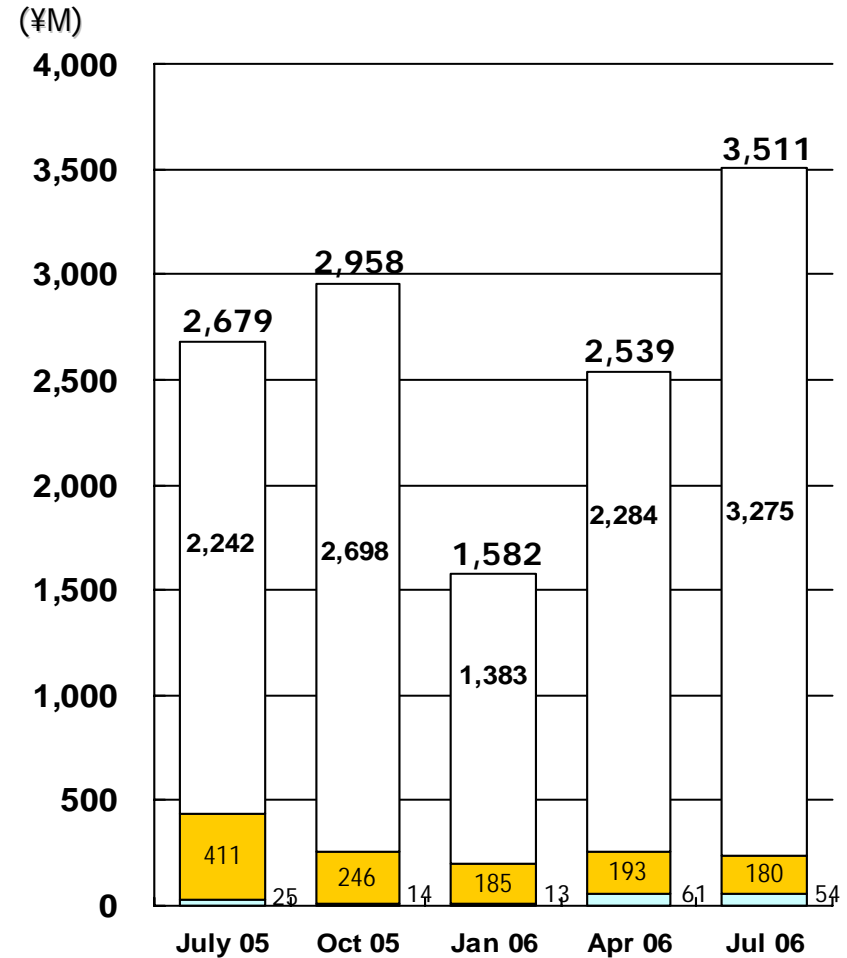
**Consolidated**

- Wireless
- Wired
- Others

## Orders Received



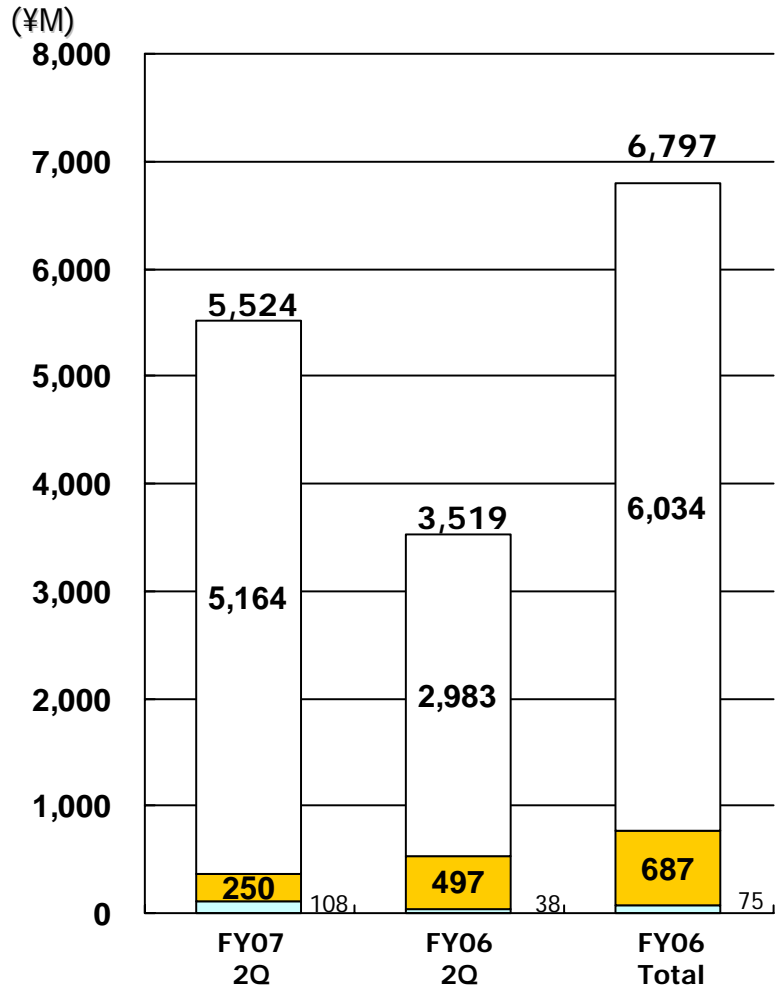
## Backlog



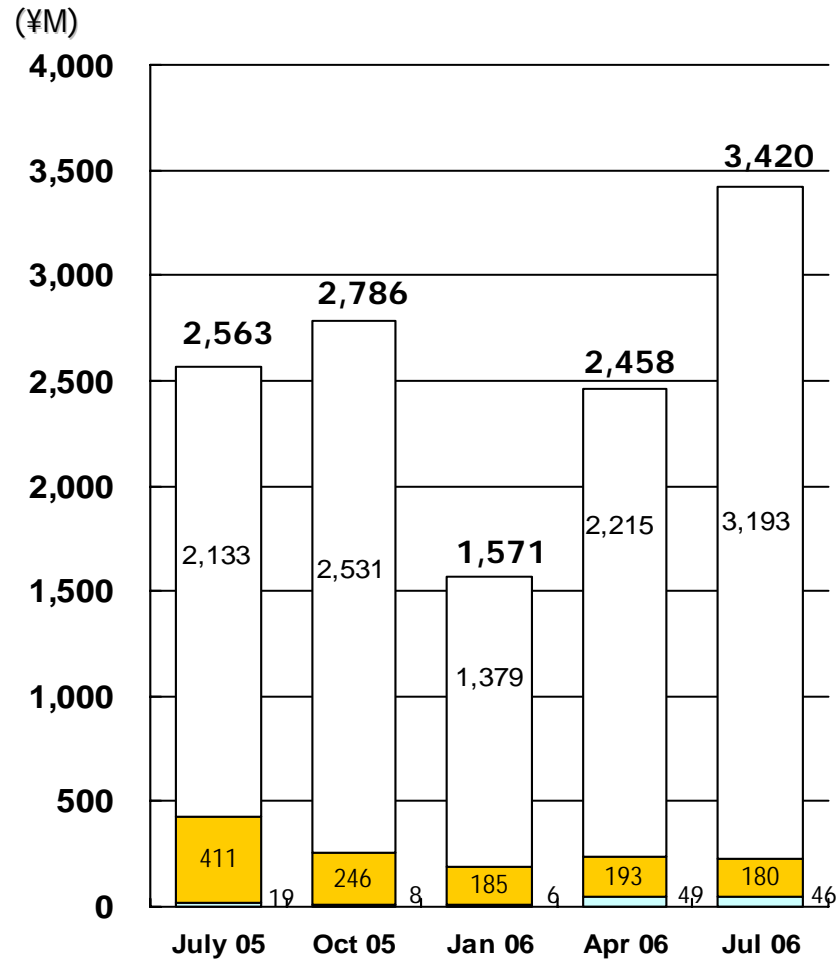
**HQ only**

- Wireless
- Wired
- Others

## Orders Received



## Backlog



# Headcount Trend (Consolidated)

**Consolidated**

(unit: person)

<b>Region \ Year</b>	<b>2005/07</b>	<b>2006/01</b>	<b>2006/07</b>
<b>Japan</b>	<b>443</b>	<b>447</b>	<b>519</b>
<b>Asia (other than Japan)</b>	<b>133</b>	<b>505</b>	<b>528</b>
<b>North America</b>	<b>35</b>	<b>218</b>	<b>267</b>
<b>Europe</b>	<b>47</b>	<b>95</b>	<b>110</b>
<b>Total</b>	<b>658</b>	<b>1,265</b>	<b>1,424</b>

# Consolidated Balance Sheet (Summary)

ACCESS

**Consolidated**

(JPY Million)

	End of 1H FY07	End of 1H FY06	Full Year FY06
<b><u>. Current Assets</u></b>			
Cash and deposits	17,121	58,054	24,916
Account Receivables	5,212	2,982	6,419
Securities	8,456	163	6,925
Inventory	828	927	508
Other	2,031	575	1,911
<b><u>. Fixed Assets</u></b>			
Tangible Fixed Assets	1,286	843	1,444
Intangible Fixed Assets	27,323	536	28,174
Investments and Other Assets	2,917	723	5,263
<b>Total</b>	<b>65,176</b>	<b>64,806</b>	<b>75,565</b>
<b><u>. Current Liabilities</u></b>	<b>5,500</b>	<b>2,369</b>	<b>6,117</b>
<b><u>. Fixed Liabilities</u></b>	<b>760</b>	<b>42,155</b>	<b>1,514</b>
<b><u>. Total Equity</u></b>	<b>58,915</b>	<b>20,281</b>	<b>67,934</b>
<b>Total</b>	<b>65,176</b>	<b>64,806</b>	<b>75,565</b>

# Consolidated Cash Flow (Summary)

**Consolidated**

(Revised on 2006/10/25) Please refer to Page 1 of this document.

(¥M)	FY07 1 <sup>st</sup> Half	FY06 1 <sup>st</sup> Half	FY06 Full Year
. Cash Flow from Operating Activities	<u>2,308</u>	978	4,526
II. Cash Flow from Investing Activities	<u>6,137</u>	932	36,966
III. Cash Flow from Financing Activities	<u>194</u>	50,192	52,150
IV. Increase in Cash and Cash Equivalents	<u>8,315</u>	50,251	19,772
V. Balance of Cash and Cash Equivalents at the beginning of the term	26,393	6,621	6,621
VI. Balance of Cash and Cash Equivalents at the end of the term	<u>18,078</u>	56,873	26,393

Net Loss before Tax: ¥8,586 M  
 Amortization of Goodwill and Tangible/Intangible Assets: ¥7,396 M  
 Reduction of Account Receivables: ¥1,204 M  
 Corporate Income Tax, etc.: ¥1,952 M

Acquisition of IP Infusion, Inc.: ¥5,822 M

Net Profit before Tax: ¥4,531 M

Cash flow from MPO (Multiple Public Offering) issuance: ¥37,000 M  
 Cash flow from capital increase: ¥15,000 M

Acquisition of PalmSource, Inc.: ¥35,534 M

## 1. Asset Structure at time of PalmSource (PSI) Acquisition

US	JAPAN
[\$ 328M]	[¥38,200M]
<b>Goodwill</b>	
<b>\$156M</b>	<b>\$172M</b> (¥20,000M)
IPR&D	
Intangible	
<b>\$77M</b>	<b>\$61M</b> (¥7,000M)
Net Asset	
<b>\$79M</b> (¥9,300M)	
Stock Option <b>\$16M</b> (¥1,900M)	

### Accounting Process

- Two-year Equal Installment, including IPR&D, under OPEX (Japan GAAP)
- No need to depreciate on US-side, but annual depletion test required
- Additional Amortization under OPEX for Consolidated P&L (1.5 to 6.5 years)
- One-time Amortization of IPR&D on US-side
- Based on Merger Accounting, not treated as net asset but as debt payable

## 2. Asset Structure at time of IP Infusion (IPI) Acquisition

US	JAPAN
[\$ 51.4M]	[¥6,030M]
<b>Goodwill</b>	
<b>\$32.4M</b> (¥3,800M)	
IPR&D	
Intangible	
<b>\$4.4M</b> (¥500M)	
<b>\$14.4M</b> (¥1,700M)	
Net Asset	
<b>\$0.2M</b> (¥30M)	

### Accounting Process

- Four-year Equal Installment under OPEX (Japan GAAP)
- No need to depreciate on US-side, but annual depletion test required
- Additional Amortization under OPEX for Consolidated P&L (3 to 5 years)
- One-time Amortization of IPR&D under OPEX for both US and Japan

# Status of Goodwill/Intangible Amortization

(Unit: ¥100M)

<u>Subsidiary</u>	<u>Item</u>	<u>Previous Page</u>	<u>Amortization Period</u>	<u>FY07 1H (Actual)</u>	<u>FY07 2H (Plan)</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>Balance</u>
PalmSource	Goodwill	(1 - )	2 years	49.8	49.8	99.7			
	Intangible Asset	(1 - )	1.5 - 6.5 years	10.9 <sup>*3</sup>	10.9	20.9	18.2	2.7	6.6
	Unvested Stock Option	(1 - )	Till end of 2009	6.3	4.2	3.5	1.0	0.2	
IP Infusion	Goodwill	(2 - )	4 years <sup>*1</sup>	2.9	4.7	9.4	9.4	9.4	1.7
	Intangible Asset	(2 - )	3 - 5 years <sup>*2</sup>	6.3 <sup>*3</sup>	1.9	3.9	3.9	3.7	1.7
Other <sup>*4</sup>	Goodwill		5 years	1.0	1.0	2.0	1.8	1.8	1.8
Total				77.2	72.5	139.4	34.3	17.8	11.8

<sup>\*1</sup> Amortization Period for IPI Goodwill (4 years) is mutually agreed by ACCESS and Auditor Firm that it should be consistent with average amortization period for other intangible assets

<sup>\*2</sup> One time write-off is assumed for "In Process R&D" among intangible assets

<sup>\*3</sup> Account that has been recently confirmed and started its amortization based on the latest US GAAP

<sup>\*4</sup> Three subsidiaries (ACCESS Hokkaido (JPN), ACCESS Seoul (KOR), RedSpyder (CHN))