

# Overview for 1<sup>st</sup> Half Financial Results (Feb.2004-Jan.2005)

ACCESS Co., Ltd.  
September 2004



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# Disclaimer

- All target numbers for future business (Revenue, Profit etc.) included in this presentation are judged by ACCESS based on the information we can gather at this moment.
- The numbers for future business include various uncertain factors, so actual results could be different. Please avoid making any decisions for investment by fully relying upon the information in this material.



# Summary for 1<sup>st</sup> Half

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- Consolidated Results : Sales 5,040M yen, Ordinary Income 736M yen  
Results for each of the subsidiaries were almost the same as forecast.  
Sales revenue for both products and royalties was much more than forecast. In addition, sales mix improvement and effective cost control of SG&A expenses resulted in greater profit.
- Non-consolidated Results : Sales 3,967M yen, Ordinary Income 696M yen  
Sales revenue for NRE for mobile phones was brought forward to the 1<sup>st</sup> half, which was supposed to be recognized in 2<sup>nd</sup> half. Also, sales revenue for FOMA and royalties for overseas was successfully growing. Hence, total revenue was much more than forecast.  
More effective cost control resulted in 103M yen decrease in SG & A expenses.
- Royalty ratio of sales in Non-consolidation basis was 48%, which was successfully recovered and improved. (2003 YTD : 36%)

# Highlight of 2<sup>nd</sup> Qtr

## Consolidation

(M yen)	Actual (2004)	Forecast (2004)	Actual (2003)	Assumption	Un-confirmed Elements	Comments
Net Sales	2,304	2,000 ~ 2,300	2,074	•ASE : Estimate International i-mode sales is same as Last Term	•Degree of penetration for International i-mode Sales	•Increase NRE & Royalty for international i-mode
Operating Income	146	150 ~ 250	205	•ASC : Contribute to sales of China Unicom after 2nd Qtr	•Degree of penetration for MMS Service in China	•Supply Software for server to NTT DoCoMo
Ordinary Income	166	150 ~ 250	208	•AP : Estimate the publication sales & Digital Contents sales are slightly better than Last Term	•Timing of contribution to sales for Digital Contents	
Net Income	129	70 ~ 120	167			

## Non-Consolidation

(M yen)	Actual (2004)	Forecast (2004)	Actual (2003)	Assumption	Un-confirmed Elements	Comments
Net Sales	1,889	1,600 ~ 1,900	1,617	•Sales mix(Estimate of this term) Product; Royalty=60:40	•Impact for royalty by sales of 3G & PDC new mobile phone	•Sales mix(2Qtr Act) Product; Royalty=55:45
Operating Income	212	100 ~ 300	238	•Gross margin(Estimate of this term) 51.6%		•Gross margin(2Qtr Act) 37%
Ordinary Income	232	100 ~ 300	246	•Expense ratio of sales(Estimate of this term)		•Expense ratio of sales(2Qtr Act) 51%
Net Income	256	50 ~ 180	205			

# Highlight of 1<sup>st</sup> Half

## Consolidation

(M yen)	Actual (2004)	Forecast (2004)	Actual (2003)	Assumption	Un-confirmed Elements	Comments
Net Sales	5,040	3,750 ~ 4,150	3,483	• ASE : Estimate International i-mode sales is same as Last Term	• Degree of penetration for International i-mode Sales	• Increase NRE & Royalty for international i-mode
Operating Income	698	120 ~ 280	▲34	• ASC : Contribute to sales of China Unicom after 2nd Qtr	• Degree of penetration for MMS Service in China	• Supply Software for server to NTT DoCoMo
Ordinary Income	736	100 ~ 260	▲23	• AP : Estimate the publication sales & Digital Contents sales are slightly better than Last Term	• Timing of contribution to sales for Digital Contents	
Net Income	442	20 ~ 110	▲31			• Results for all subsidiaries were same as forecast.

## Non-Consolidation

(M yen)	Actual (2004)	Forecast (2004)	Actual (2003)	Assumption	Un-confirmed Elements	Comments
Net Sales	3,967	2,950 ~ 3,350	2,675	• Sales mix (Estimate of this term) Product: Royalty=60:40	• Impact for royalty by sales of 3G & PDC new mobile phone	• Sales was considerably better than forecast.
Operating Income	655	100 ~ 370	251	• Gross margin (Estimate of this term) 51.6%		Effective cost control resulted in decrease 103M yen in expenses
Ordinary Income	696	100 ~ 360	266	• Expense ratio of sales (Estimate of this term) 43%		• Sales mix (1Half Act) Product : Royalty=52:48
Net Income	493	50 ~ 215	257			• Gross margin (2Qtr Act) 39% • Expense ratio of sales (2Qtr Act) 45%

# 2<sup>nd</sup> Qtr & 1<sup>st</sup> Half Results (Consolidation)

● Subsidiary Company : 6 Companies, Affiliated Company : 1 Company

(M yen)	04/2Qtr	03/2Qtr	Y-to-Y	04/1Half	03/1Half	Y-to-Y	03/Total	% of Last Term
Net Sales	2,304	2,074	11.0%	5,040	3,483	44.7%	8,793	57.3%
Gross Margin	1,303	1,347	-3.2%	2,864	2,100	36.3%	5,078	56.3%
SG & A Expenses	1,156	1,141	1.3%	2,165	2,134	1.4%	3,783	57.2%
Operating Income	146	205	-28.7%	698	▲34	-	1,295	53.9%
Other Income	20	2	-	37	10	-	▲91	-
Ordinary Income	166	208	-20.0%	736	▲23	-	1,204	61.1%
Extraordinary gain/loss	63	▲39	-	49	▲6	-	▲19	-
Minority Interests in Loss	100	1	-	342	2	-	▲244	-
Net Income	129	167	-22.9%	442	▲31	-	1,429	30.9%

# Results by Each Subsidiary Company (2<sup>nd</sup> Qtr)

- ASA : ACCESS SYSTEMS AMERICA Inc.
- ASE : ACCESS SYSTEMS EUROPE GmbH
- ASC : ACCESS CHINA Inc.
- AP : ACCESS Publishing Co., Ltd.
- AH : ACCESS Hokkaido Co., Ltd.

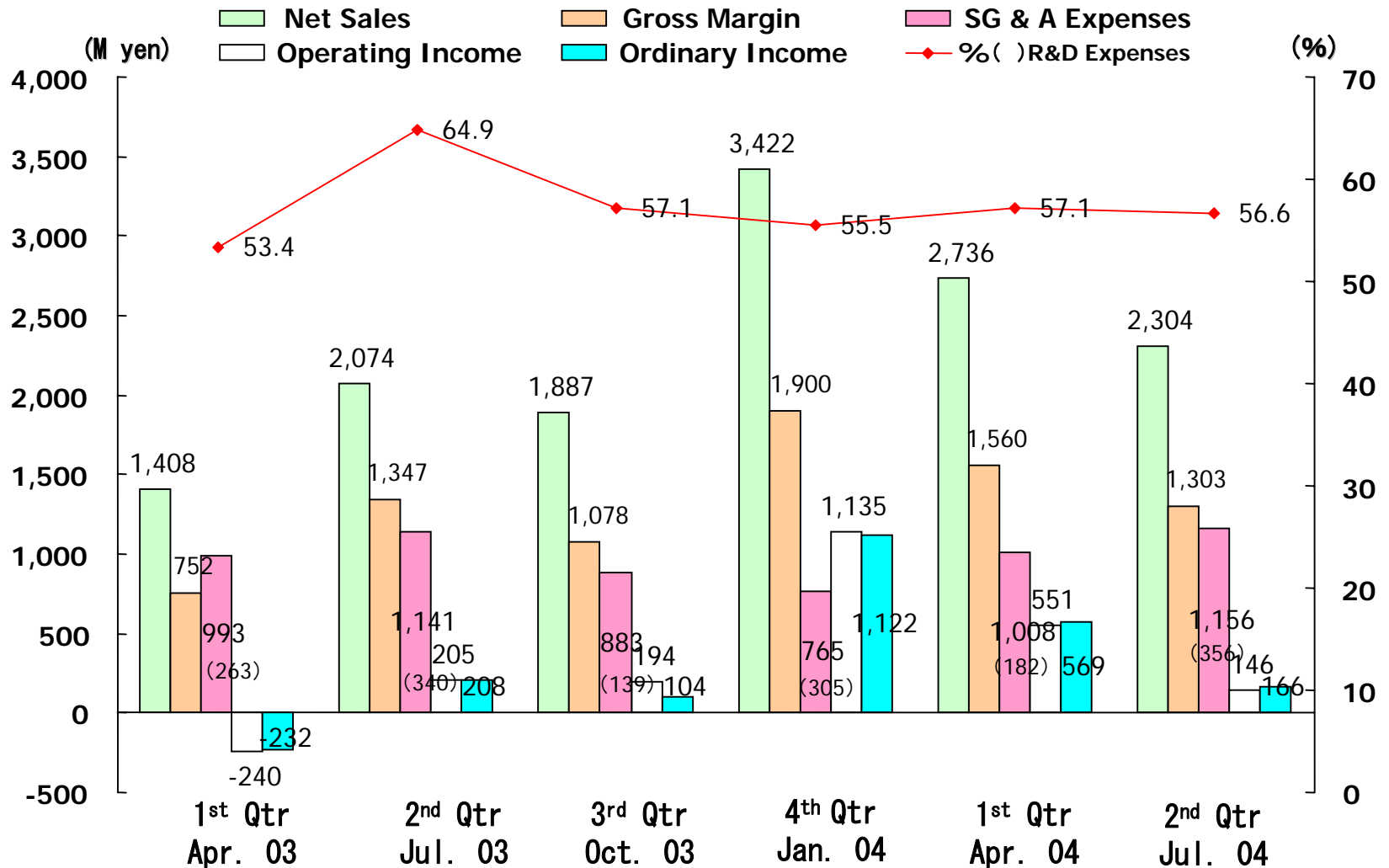
(M yen)	ACCESS	ASA	ASE	ASC	AP	AH	Adjust.	Consolidation
<b>Net Sales</b>	1,889	2	135	108	252	40	▲125	2,304
<b>Gross Margin</b>	1,181	1	113	50	72	17	▲133	1,303
<b>SG &amp; A Expenses</b>	968	4	179	41	88	3	▲128	1,156
<b>Operating Income</b>	212	▲2	▲65	9	▲16	13	▲4	146
<b>Ordinary Income</b>	232	0	▲56	8	▲16	13	▲14	166
<b>Extraordinary gain/loss</b>	168	115	0	-	0	-	▲219	63
<b>Income tax, etc.</b>	144	-	-	-	0	0	▲43	100
<b>Net Income</b>	256	115	▲56	8	▲17	13	▲190	129

# Results by Each Subsidiary Company (1<sup>st</sup> Half)

- ASA : ACCESS SYSTEMS AMERICA Inc.
- ASE : ACCESS SYSTEMS EUROPE GmbH
- ASC : ACCESS CHINA Inc.
- AP : ACCESS Publishing Co., Ltd.
- AH : ACCESS Hokkaido Co., Ltd.

(M yen)	ACCESS	ASA	ASE	ASC	AP	AH	Adjust.	Consolidation
<b>Net Sales</b>	3,967	101	461	164	540	56	▲251	5,040
<b>Gross Margin</b>	2,445	75	343	57	160	19	▲238	2,864
<b>SG &amp; A Expenses</b>	1,789	27	334	68	174	9	▲239	2,165
<b>Operating Income</b>	655	47	9	▲11	▲14	10	0	698
<b>Ordinary Income</b>	696	51	17	▲11	▲15	10	▲12	736
Extraordinary gain/loss	169	100	0	-	0	-	▲220	49
<b>Income tax, etc.</b>	371	-	-	-	0	0	▲29	342
<b>Net Income</b>	493	151	17	▲11	▲15	10	▲203	442

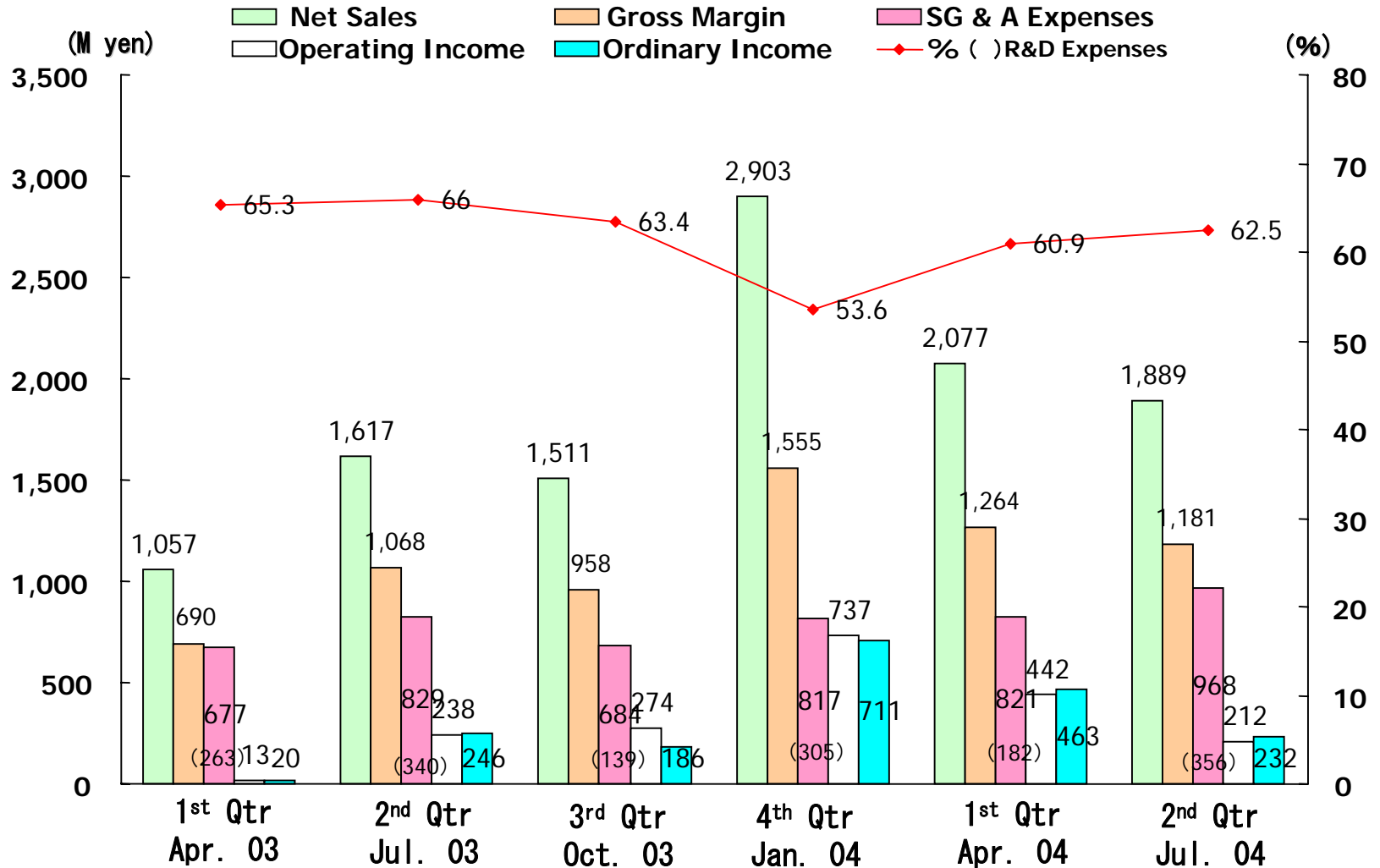
# Profits by Qtr (Consolidation)



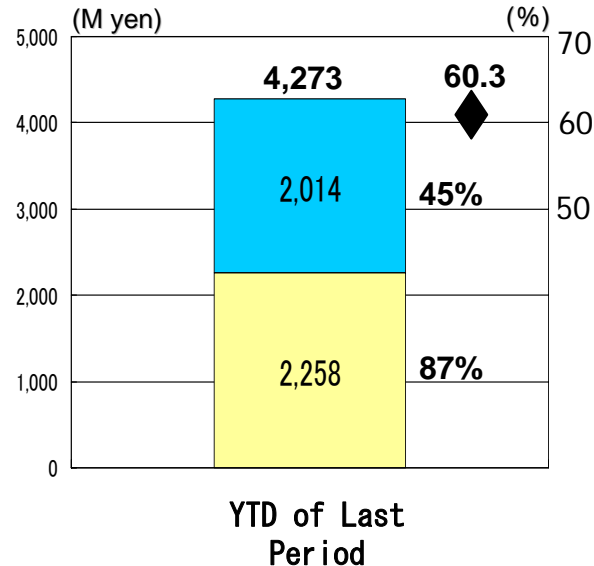
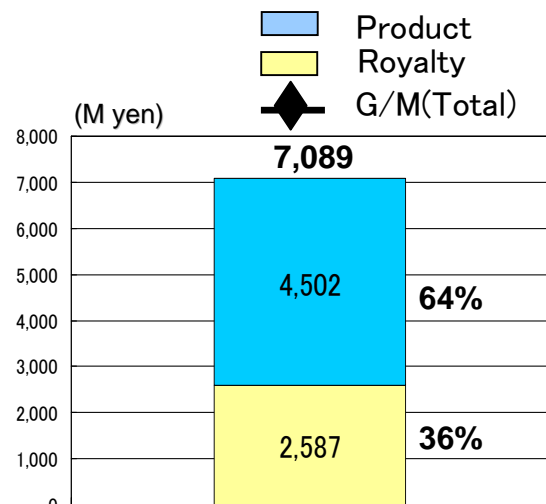
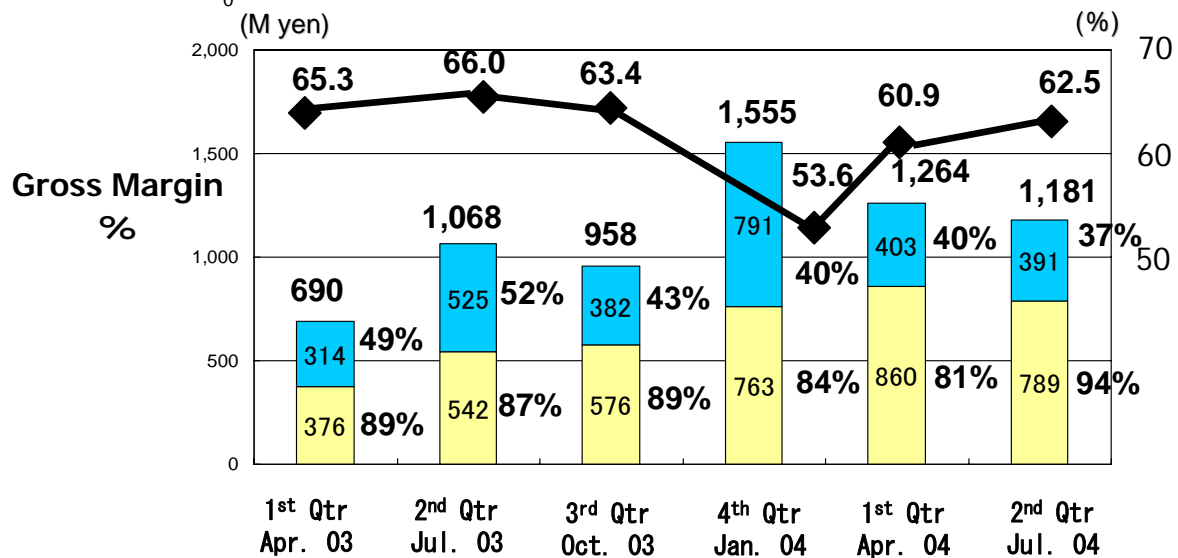
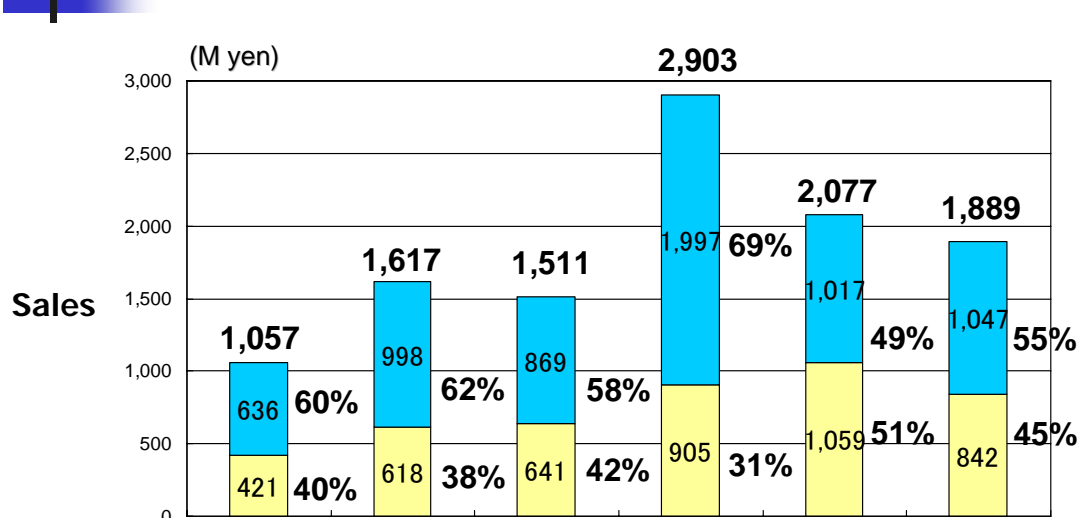
# 2<sup>nd</sup> Qtr & 1<sup>st</sup> Half Results (Non-consolidation)

(M yen)	04/2Qtr	03/2Qtr	Y-to-Y	04/1Half	03/1Half	Y-to-Y	03/Total	% of Last Term
Net Sales	1,889	1,617	16.8%	3,967	2,675	48.3%	7,089	55.9%
Gross Margin	1,181	1,068	10.5%	2,445	1,758	39.0%	4,273	57.2%
%	62.5%	66.0%	-	61.6%	65.7%	-	60.3%	-
SG & A Expenses	968	829	16.7%	1,789	1,506	18.7%	3,008	59.4%
Operating Income	212	238	-10.8%	655	251	160.1%	1,264	51.8%
Other Income	19	7	-	41	14	-	▲99	-
Ordinary Income	232	246	-5.5%	696	266	161.3%	1,164	59.7%
Extraordinary gain/loss	168	▲39	-	169	▲6	-	▲1,055	-
Income tax, etc.	144	0	-	371	1	-	▲276	-
Net Income	256	205	24.6%	493	257	91.4%	385	128.0%

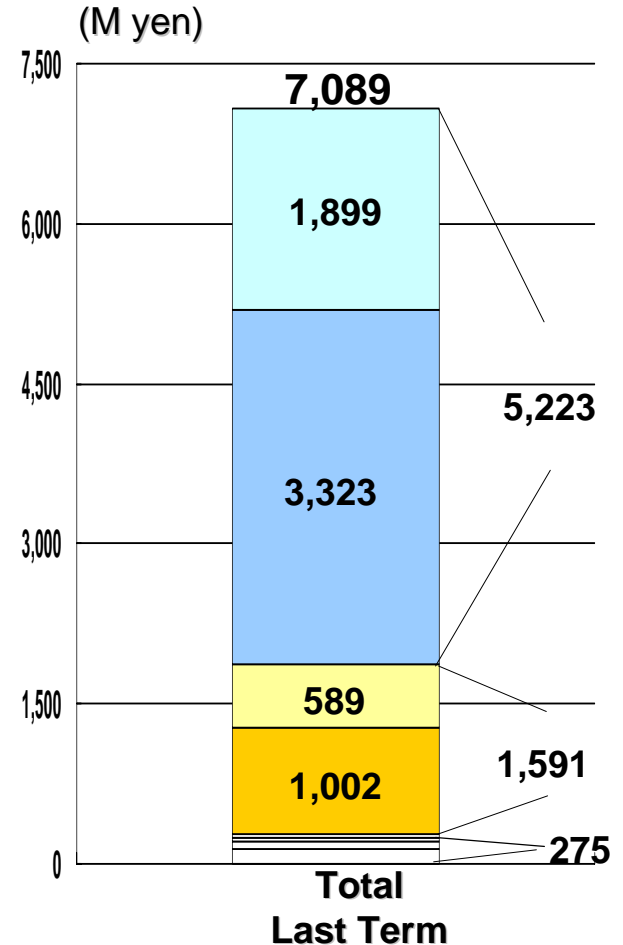
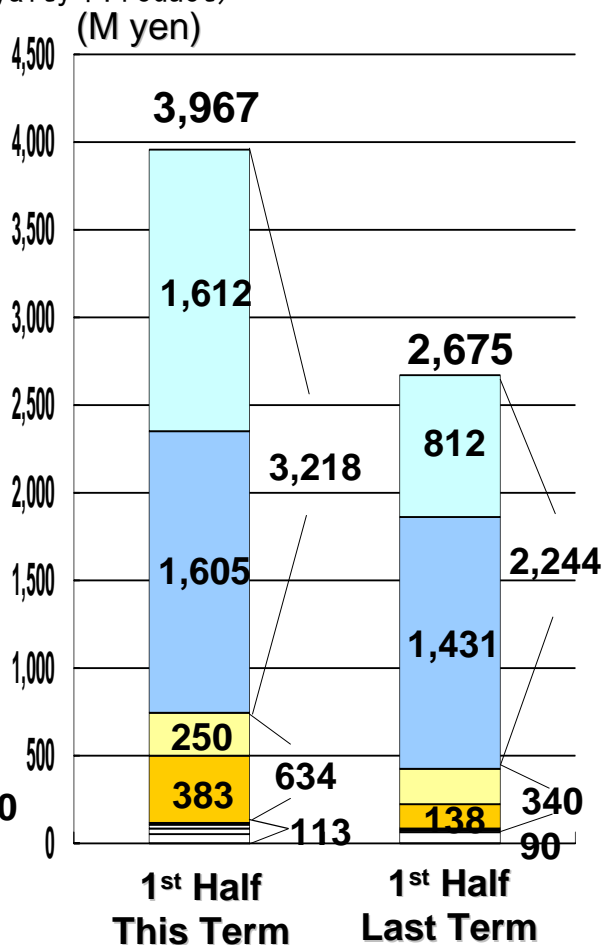
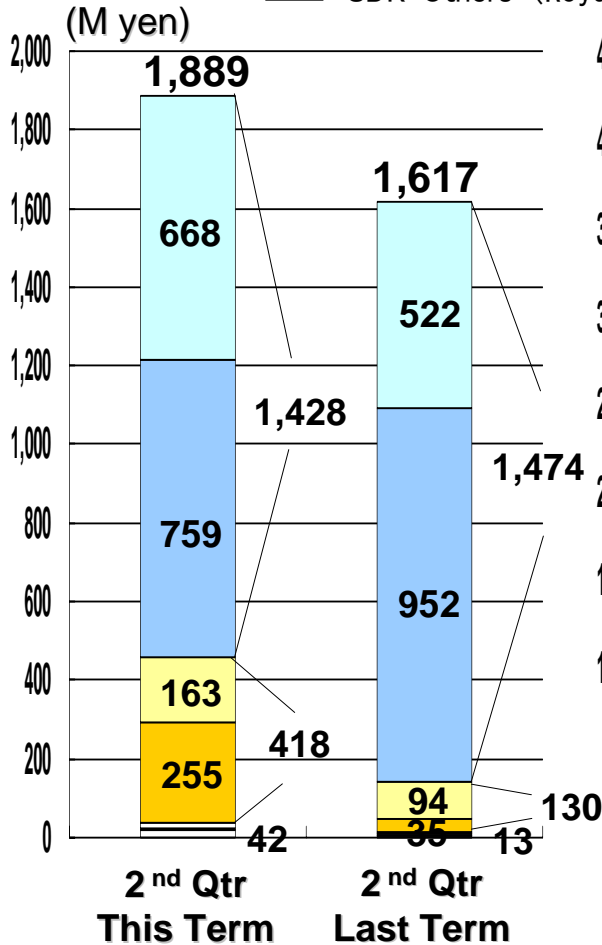
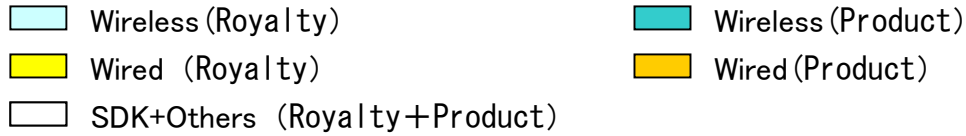
# Profits by Qtr (Non-consolidation)



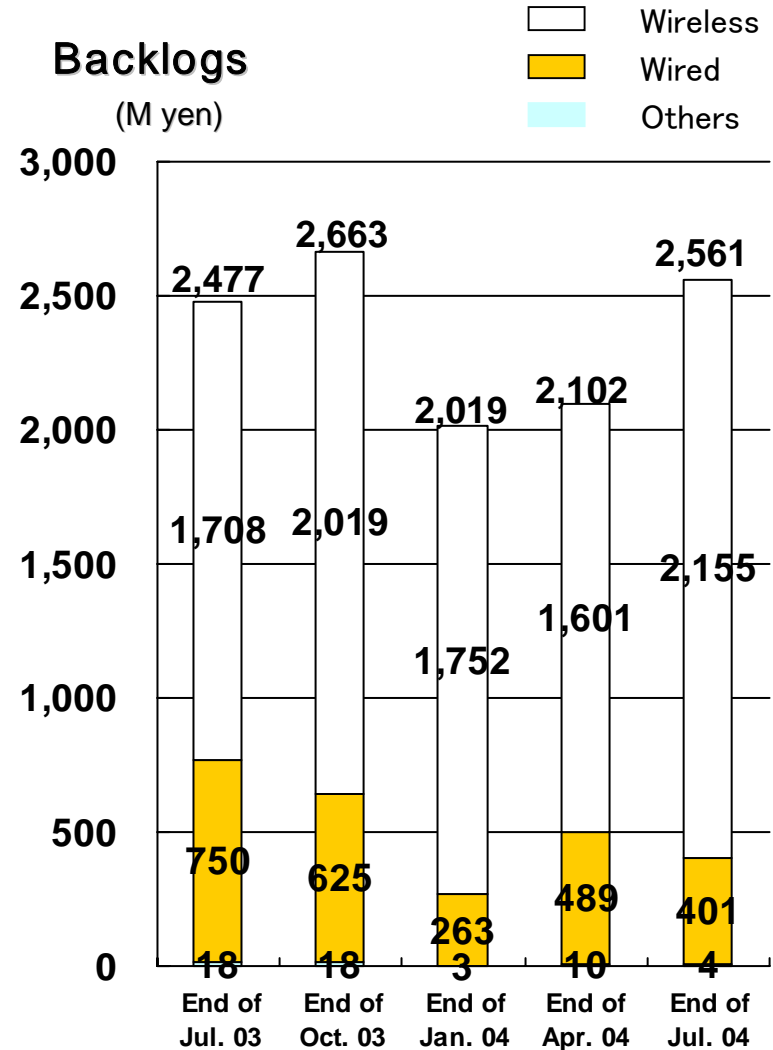
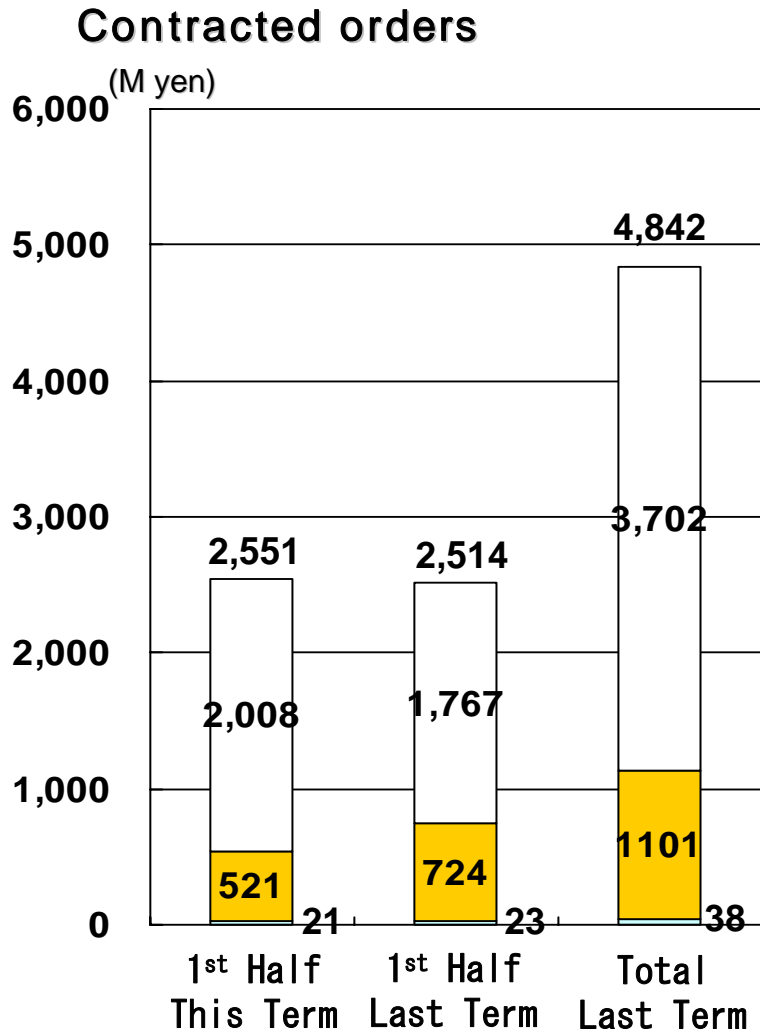
# Sales & Gross Margin Results (Non-consolidation)



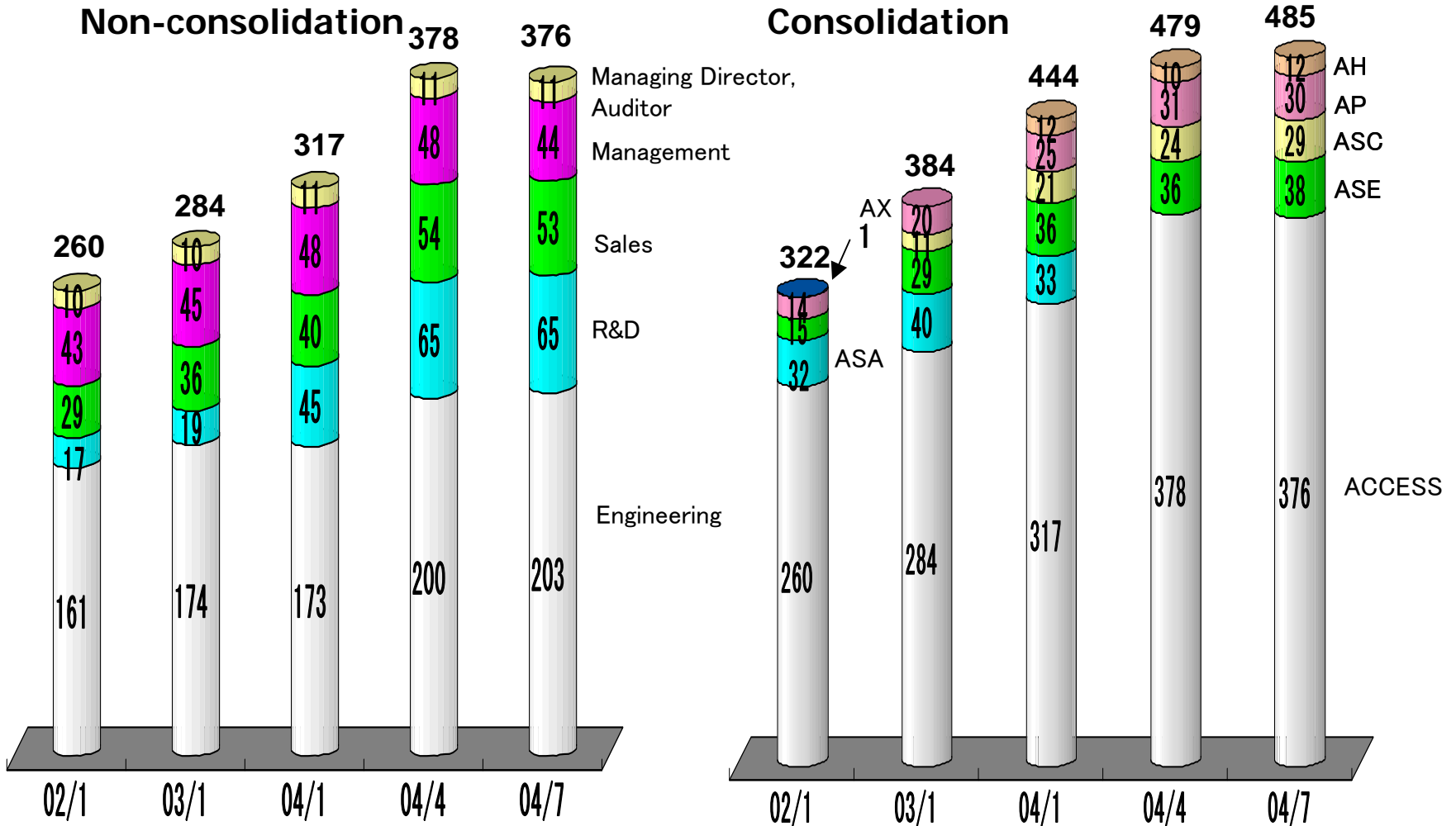
# Sales by Category (Non-consolidation)



# Contracted orders/Backlogs for NRE Fee (Non-consolidation)



# Employees Transition



# Consolidated Balance Sheet

(M yen)	End of Jul. 04	End of Jul. 03	End of Last Period
<b>I . Current Assets</b>			
Cash & Time Deposits	6,761	3,755	5,445
P-Note & A/R	1,720	1,884	2,365
Inventory	825	519	833
Others	329	350	306
<b>II . Non-Current Assets</b>			
Fixed Assets	714	572	722
Intangible Assets	575	342	545
Investment & Others	739	389	678
<b>Total</b>	<b>11,665</b>	<b>7,813</b>	<b>10,897</b>
<b>I . Current Liabilities</b>	1,642	1,394	1,871
<b>II . Non-Current Liabilities</b>	109	76	72
Minority Interests	2	2	2
<b>III . Total Equity</b>	9,911	6,339	8,950
<b>Total</b>	<b>11,665</b>	<b>7,813</b>	<b>10,897</b>

# Balance Sheet (Non-consolidation)

(M yen)	End of Jul. 04	End of Jul. 03	End of Last Period
<b>I . Current Assets</b>			
Cash & Time Deposits	6,100	3,220	4,865
P-Note & A/R	1,482	1,608	2,098
Inventory	794	486	724
Others	334	384	343
<b>II . Non-Current Assets</b>			
Fixed Assets	655	488	651
Intangible Assets	447	186	402
Investment & Others	1,519	2,457	1,706
Total	11,334	8,833	10,793
<b>I . Current Liabilities</b>	824	728	1,393
<b>II . Non-Current Liabilities</b>	109	65	67
<b>III . Total Equity</b>	10,400	8,039	9,332
Total	11,334	8,883	10,793

# Consolidated Cash Flow

(M yen)	End of Jul. 04	End of Jul. 03	End of Jan. 04
I. Operating Activities	1,394	307	▲ 1,250
II. Investing Activities	▲ 211	269	▲ 876
III. Financing Activities	620	14	1,135
IV. Increase(Decrease) in Cash	1,814	595	1,489
V. Cash and cash equivalents at beginning of the year	4,105	2,616	2,616
VI. Cash and cash equivalents at end of the year	5,920	3,211	4,105

Pretax net income in current period: 785M yen Decrease in A/R: 647M yen	Proceeds from stock issuance: 572M yen	Income before income taxes: 1,184M yen	Proceeds from stock issuance: 1,178M yen
Purchase of tangible/intangible fixed assets: 245M yen	Pretax net loss in current period: 30M yen Decrease in A/R: 347M yen	Payments for depositing/canceling of time deposit: 546M yen Purchase of tangible/intangible fixed assets: 481M yen	

# Guideline for 3<sup>rd</sup> Qtr

## Consolidation

(M yen)	Range		(Y-to-Y)	Assumption	Un-confirmed Elements
	2nd Qtr				
Net Sales	2,000 ~	2,300	(1,887)	<ul style="list-style-type: none"> <li>•ASE : Estimate International i-mode sales is same as Last Term</li> </ul>	<ul style="list-style-type: none"> <li>•Degree of penetration for International i-mode Sales</li> </ul>
Operating Income	150 ~	250	(194)	<ul style="list-style-type: none"> <li>•ASC : Contribute to sales of China Unicom after 2nd Qtr</li> </ul>	<ul style="list-style-type: none"> <li>•Degree of penetration for MMS Service in China</li> </ul>
Ordinary Income	150 ~	250	(104)	<ul style="list-style-type: none"> <li>•AP : Estimate the publication sales &amp; Digital Contents sales are slightly better than Last Term</li> </ul>	<ul style="list-style-type: none"> <li>•Timing of contribution to sales for Digital Contents</li> </ul>
Net Income	70 ~	120	(123)		

## Non-Consolidation

(M yen)	Range		(Y-to-Y)	Assumption	Un-confirmed Elements
	2nd Qtr				
Net Sales	1,700 ~	1,800	(1,511)	<ul style="list-style-type: none"> <li>•Sales mix(Estimate of this term) Product:Royalty=60:40</li> </ul>	<ul style="list-style-type: none"> <li>•Impact for royalty by sales of 3G &amp; PDC new mobile phone</li> </ul>
Operating Income	100 ~	300	(274)	<ul style="list-style-type: none"> <li>•Gross margin(Estimate of this term) 51.6%</li> </ul>	<ul style="list-style-type: none"> <li>•Decrease in % of GM by new customer's deal</li> </ul>
Ordinary Income	100 ~	300	(186)	<ul style="list-style-type: none"> <li>•Expense ratio of sales (Estimate of this term) 43%</li> </ul>	
Net Income	50 ~	180	(204)		