

**Accounting Overview**  
**First Quarter**  
**(Feb. 2005 – Jan. 2006)**

**ACCESS Co., Ltd.**  
July, 2005



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# Disclaimer

- All the financial numbers for the future business (Revenue, Profit etc.) included in this presentation are estimated by ACCESS based on the available information which 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 relying upon the information in this material.



# Key Points of the Financial Statement

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- \* On a consolidated basis, net sales came to ¥2,962 million, and ordinary income, to ¥716 million.
  - The performance of consolidated subsidiaries exceeded forecast levels in terms of both sales and ordinary income.
  - On a non-consolidated basis, the company posted sales above the forecast in terms of both products and royalties, and achieved a substantial surplus due to improvement of the sales mix and control of selling, general and administrative expenses.
  
- \* On a non-consolidated basis, net sales came to ¥2,402 million, and ordinary income, to ¥745 million.
  - Sales were higher than had been projected due to the favorable growth of FOMA sales and overall NRE demands.
  - Selling, general and administrative expenses were higher than in the same term of the previous fiscal year, but were held far below forecast levels due to cost control and other measures.
  
- \* On the non-consolidated basis, the share of total sales occupied by royalties reached 44 percent, higher than in the previous fiscal year (41%).

# Q1 (Feb to Apr) Highlights

## Consolidated

(¥1 million)	Performance	Projected range	Previous year	Assumptions	Unconfirmed factors	Comments
Net sales	2,962	2,520 – 2,620	2,736	• ASE: Sales contributions from international i-mode in Europe is expected to be similar to the previous quarter.	• Extent of proliferation of international i-mode and other cell phone makers in Europe.	• The performance of consolidated subsidiaries exceeded forecast levels in terms of both sales and ordinary income.
Operating income	679	300 – 380	551	• ASC: Sales contributions from the China Unicom case are expected to be similar to the previous quarter.	• Extent of proliferation of MMS services in China	
Ordinary income	716	300 – 380	569	• AP: Digital content sales are expected to rise slightly over the previous quarter.	• Timing of sales contributions from digital content	
Net income	448	150 – 195	313			

## Non-consolidated

(¥1 million)	Performance	Projected range	Previous year	Assumptions	Unconfirmed factors	Comments
Net sales	2,402	2,000 – 2,140	2,077	• Sales percentage composition (full year forecast) ⇒ Product: Royalties = 59:41	• Impact on our royalty earnings from new models of cellular phones, mainly 3G terminals	• The company posted sales above the forecast in terms of both products and royalties, and achieved a substantial surplus due to improvement of the sales mix and control of selling, general and administrative expenses.
Operating income	712	450 – 520	442	• Product gross margin (full year forecast) ⇒ 42–46%		
Ordinary income	745	450 – 520	463	• Sales-to-SGA cost ratio (full year forecast) ⇒ 34%	• Decrease in product gross margin from new client	
Net income	430	270 – 310	237			• Sales percentage composition (Q1 performance) ⇒ product : royalties = 56:44 • NRE's gross margin (Q1 performance) ⇒ 45% • Sales proceeds to SGA expenses ratio (Q1 performance) ⇒ 39%

# Consolidated Financial Highlights

- Companies subject to consolidation: 13 consolidated subsidiaries

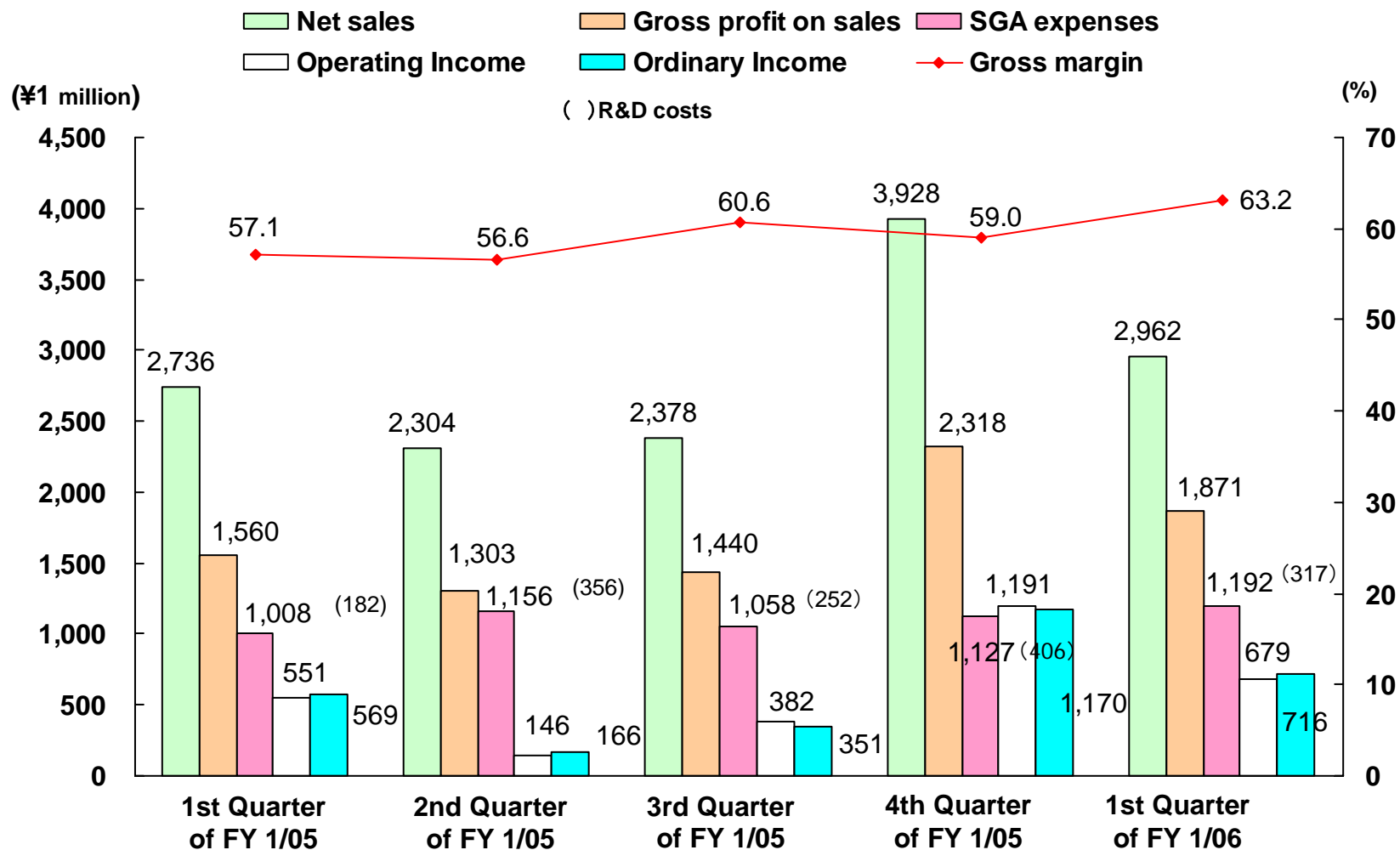
(¥1 million)	Q1 (current year)	Q1 (previous year)	Year-on- year change	Previous fiscal year	Percentage of previous fiscal year
Net sales	2,962	2,736	8.3%	11,347	26.1%
Gross profit on sales	1,871	1,560	19.9%	6,623	28.3%
SG&A expenses	1,192	1,008	18.2%	4,351	27.4%
Operating income	679	551	23.1%	2,272	29.9%
Other Income	37	17	—	(14)	—
Ordinary income	716	569	25.8%	2,258	31.7%
Extraordinary gain(loss)	0	(14)	—	101	—
Corporate income taxes, etc.	291	241	—	815	—
Net income	448	313	43.1%	1,567	28.6%

# Performance of Consolidated Subsidiaries (Q1: Feb to Apr)

- ASE: ACCESS Systems Europe GmbH
- ASC: ACCESS China Inc.
- AH: ACCESS Hokkaido Co., Ltd.
- AP: ACCESS Publishing Co., Ltd.
- CV: C-Valley Inc.
- RZ: RedZero Inc.

(¥1 million)	ACCESS	ASE	ASC	AH	AP	CV	RZ	Adjustment Journal Entry	Consolidated total
Net sales	2,402	297	93	26	251	2	—	(112)	2,962
Gross profit on sales	1,651	217	49	9	70	2	—	(128)	1,871
SG&A expenses	939	190	34	2	94	36	33	(138)	1,192
Operating income	712	27	15	6	(24)	(34)	(33)	10	679
Other Income	33	13	1	0	0	0	2	(12)	37
Ordinary income	745	40	16	6	(24)	(34)	(31)	(2)	716
Extraordinary gain(loss)	(24)	—	—	—	—	—	—	24	0
Corporate income taxes, etc.	290	0	—	0	0	0	—	0	291
Net income	430	39	16	6	(24)	(34)	(31)	45	448

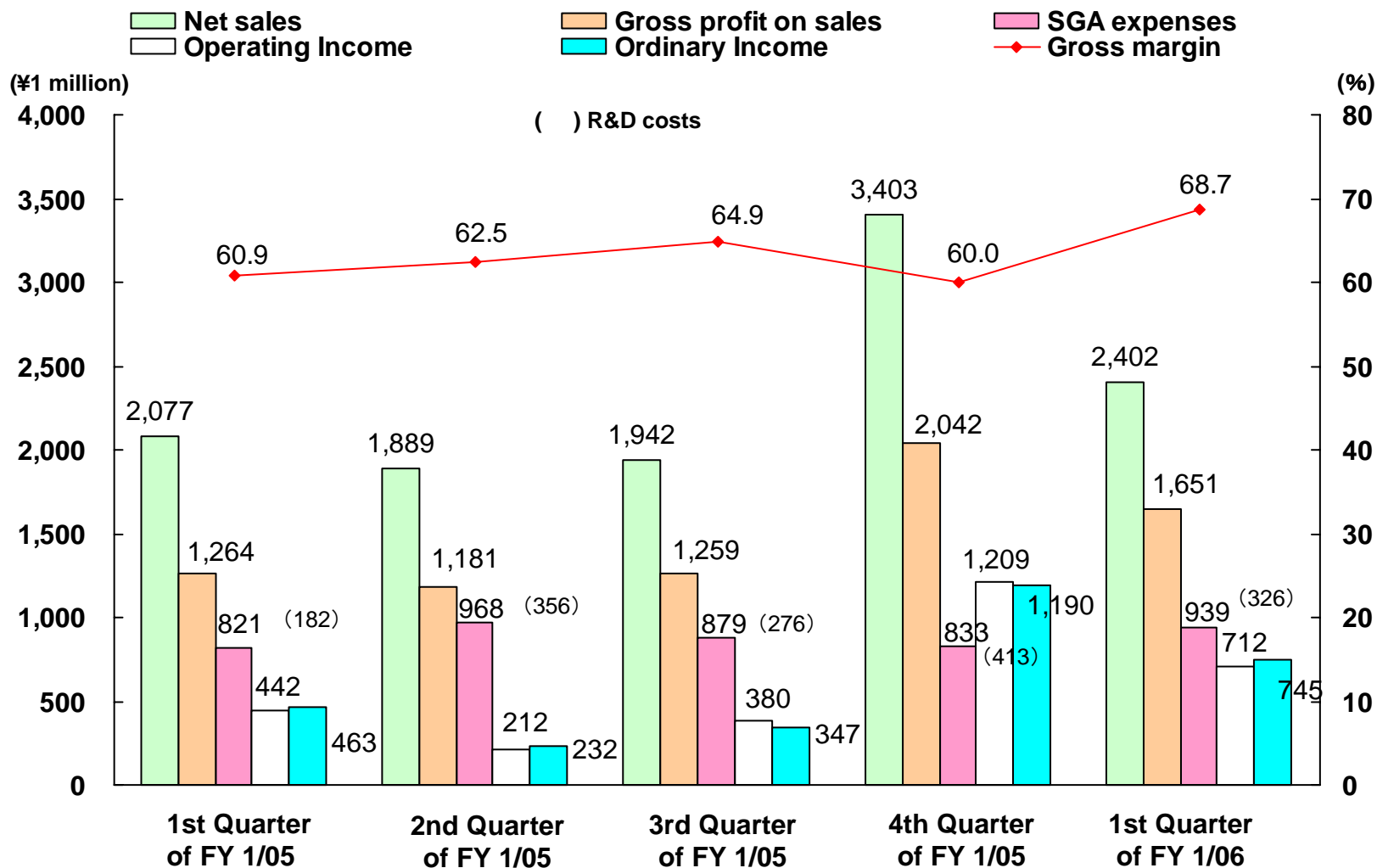
# Trend of Quarterly Sales, etc. (consolidated)



# Non-consolidated Financial Highlights

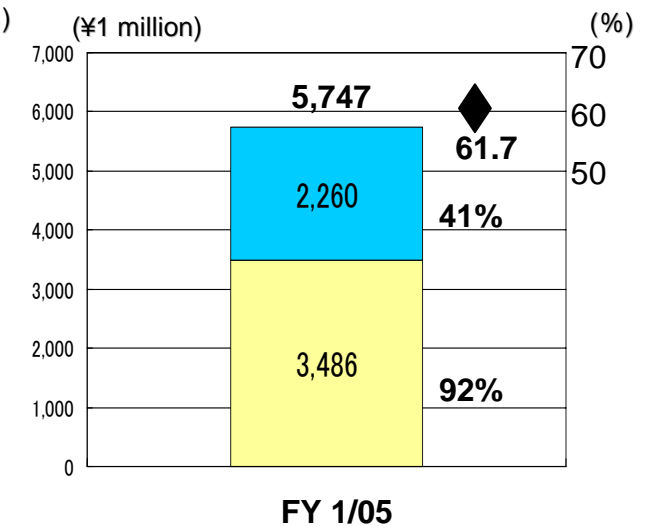
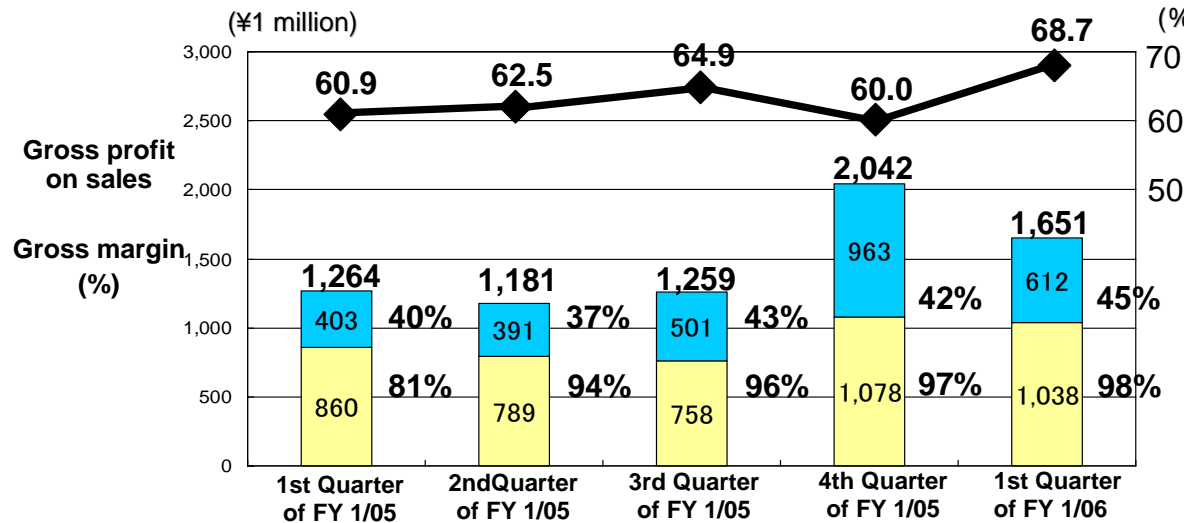
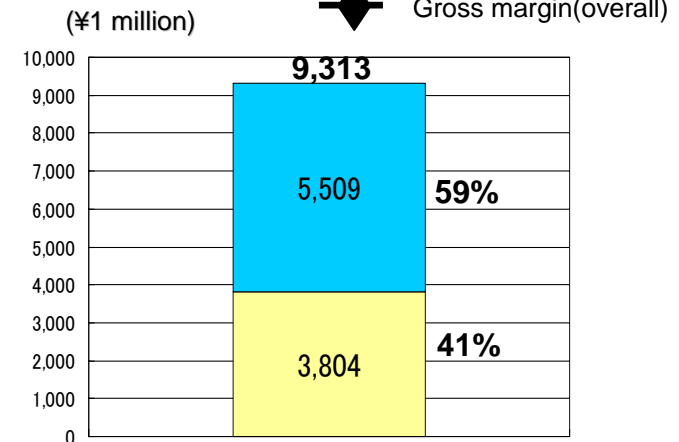
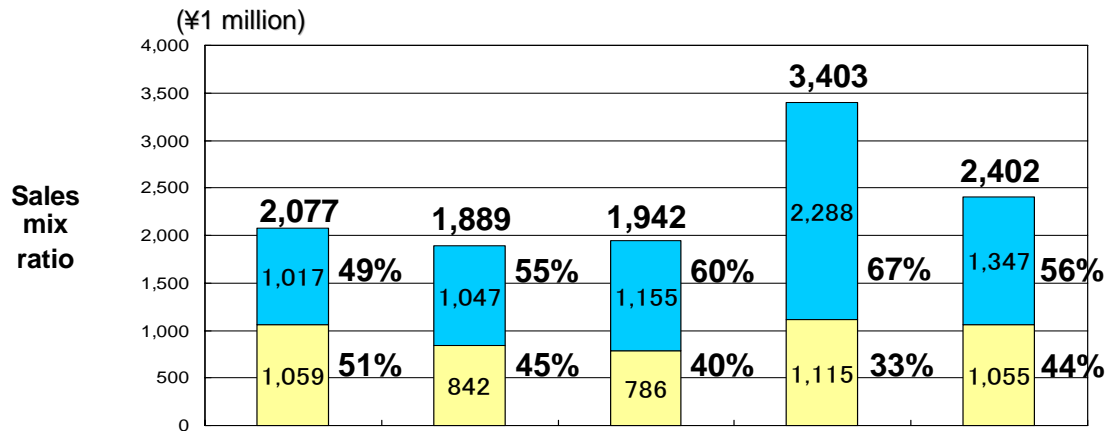
(¥1 million)	Q1 (current year)	Q1 (previous year)	Year-on-year change	Previous fiscal year	Percentage of previous year
Net sales	2,402	2,077	15.7%	9,313	25.8%
Gross profit on sales	1,651	1,264	30.6%	5,747	28.7%
Gross margin	68.7%	60.9%	—	61.7%	—
SG&A expenses	939	821	14.3%	3,502	26.8%
Operating income	712	442	60.9%	2,244	31.7%
Other Income	33	21	—	(10)	—
Ordinary income	745	463	60.7%	2,234	33.4%
Extraordinary gain(loss)	(24)	0	—	(124)	—
Corporate income taxes, etc.	290	227	—	838	—
Net income	430	237	81.5%	1,271	33.9%

# Trend of Quarterly Sales, etc. (non-consolidated)



# Trend of Sales & Gross Profit on Sales (non-consolidated)

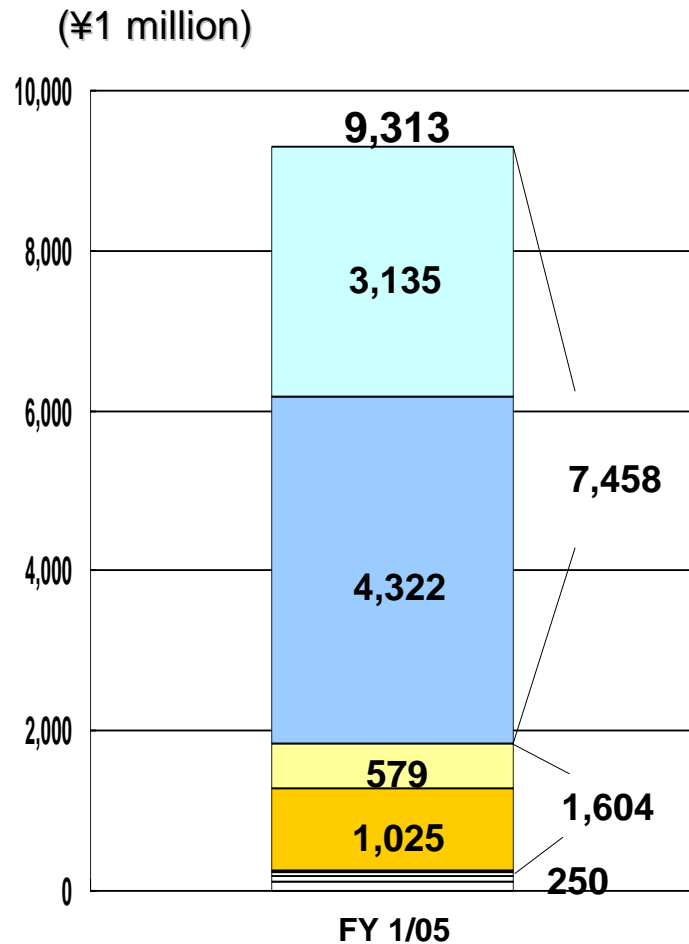
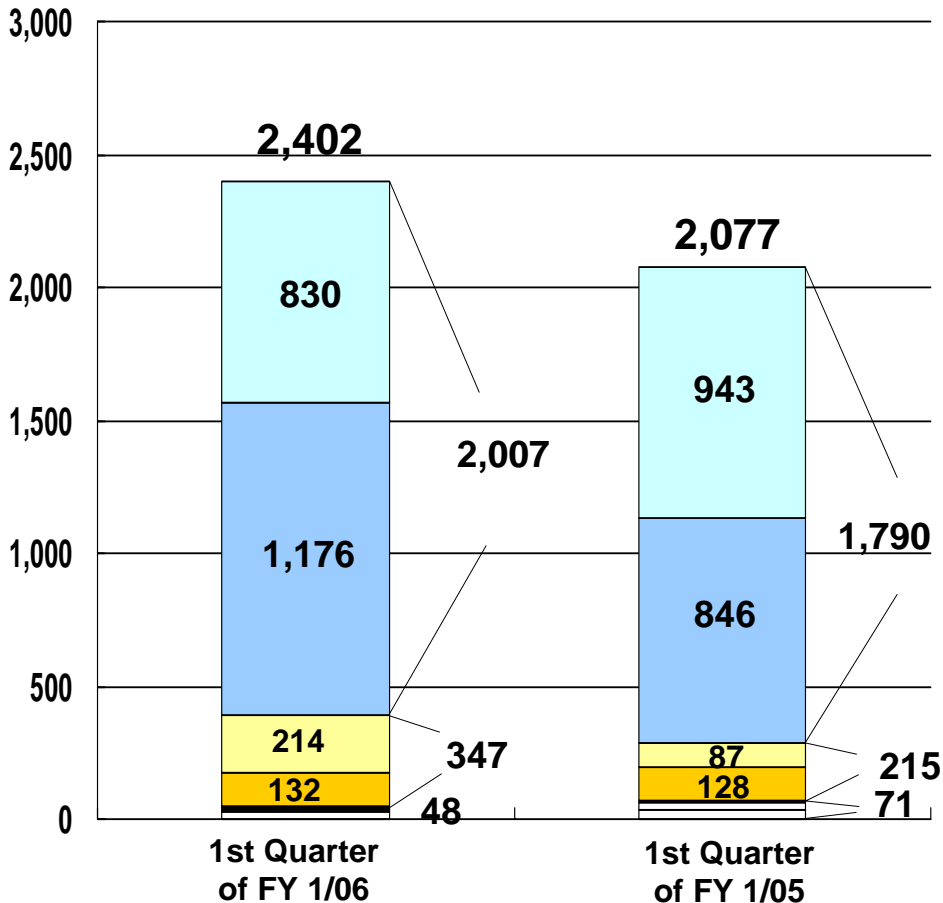
- Product sales
- Royalties
- Gross margin(overall)



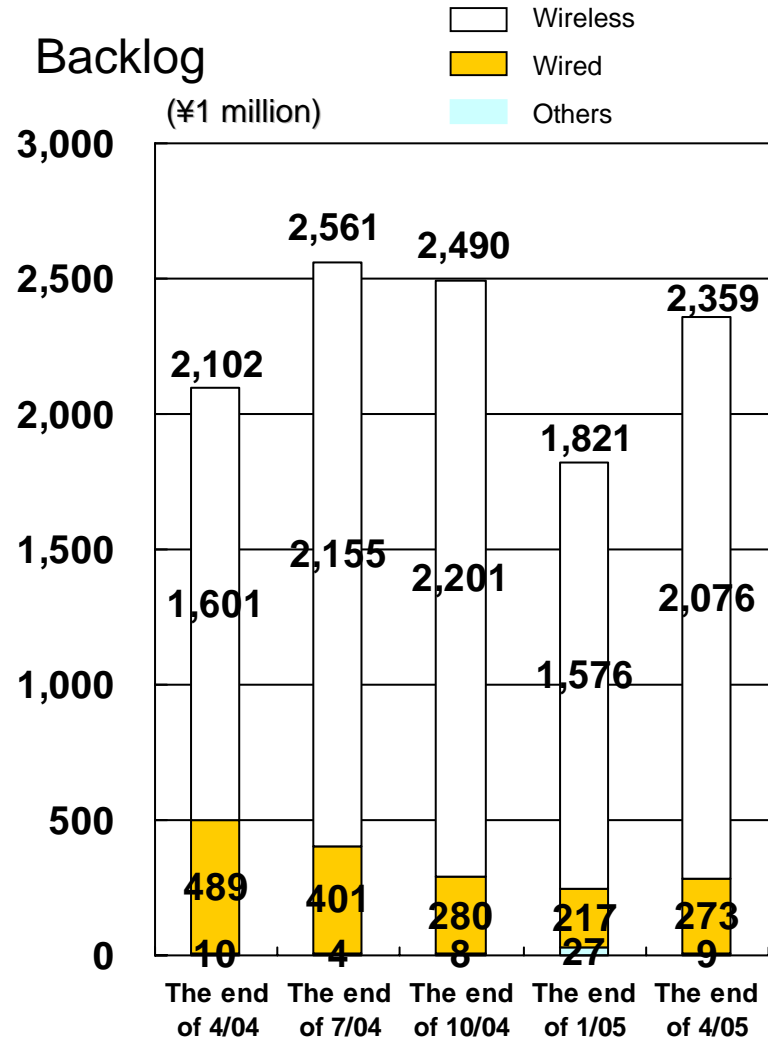
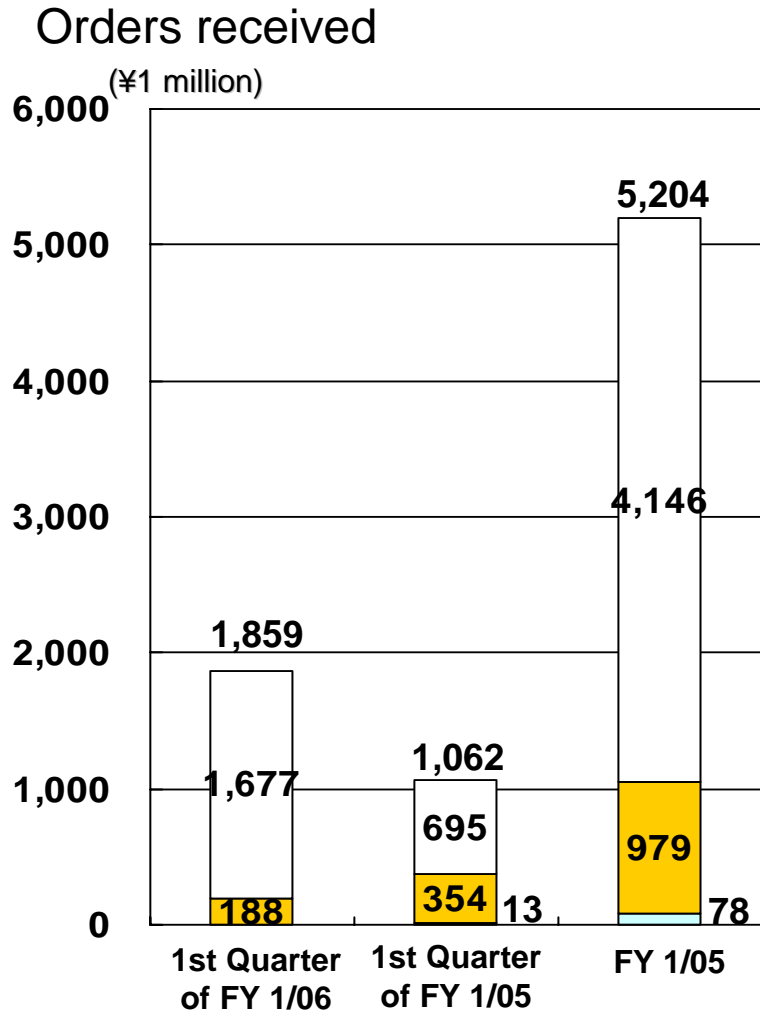
# Breakdown of Sales (non-consolidated)

- Wireless (royalties)
- Wireless (products)
- Wired (royalties)
- Wired (products)

(¥1 million)  SDK, NRE and others (royalties + products)

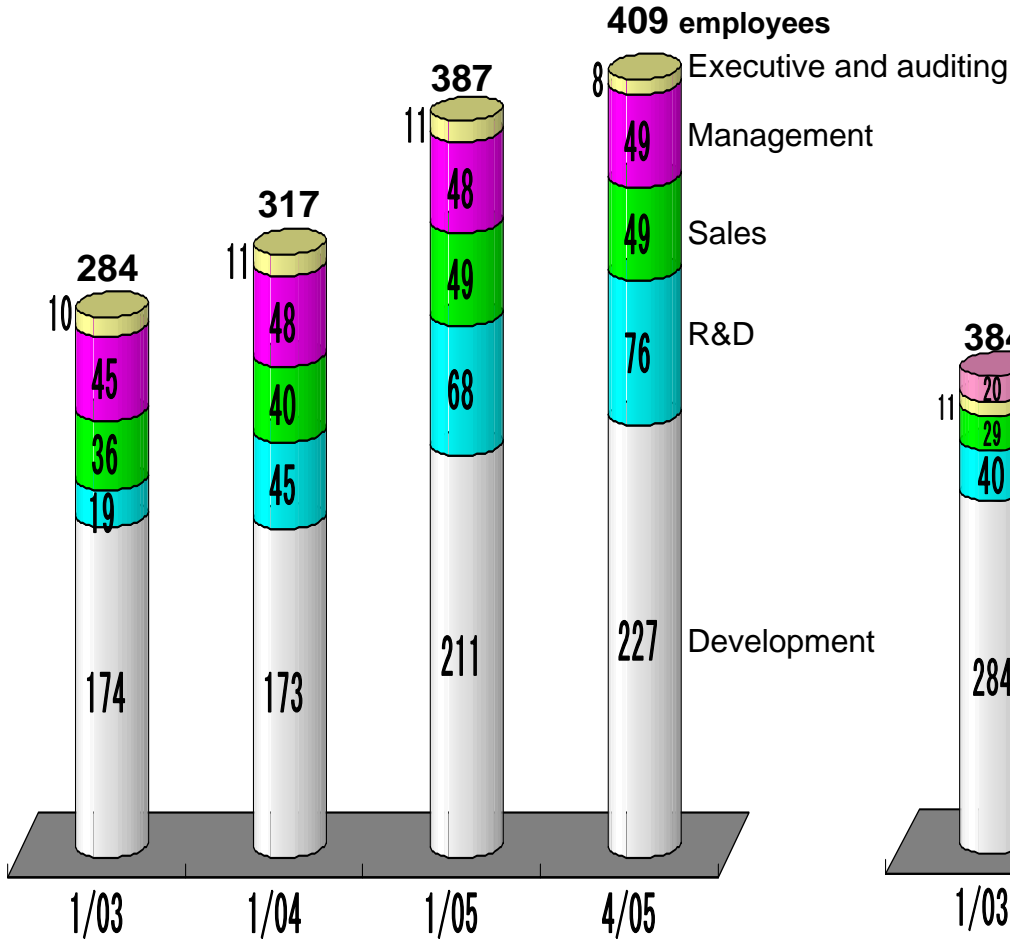


# Orders for NRE Products (non-consolidated)

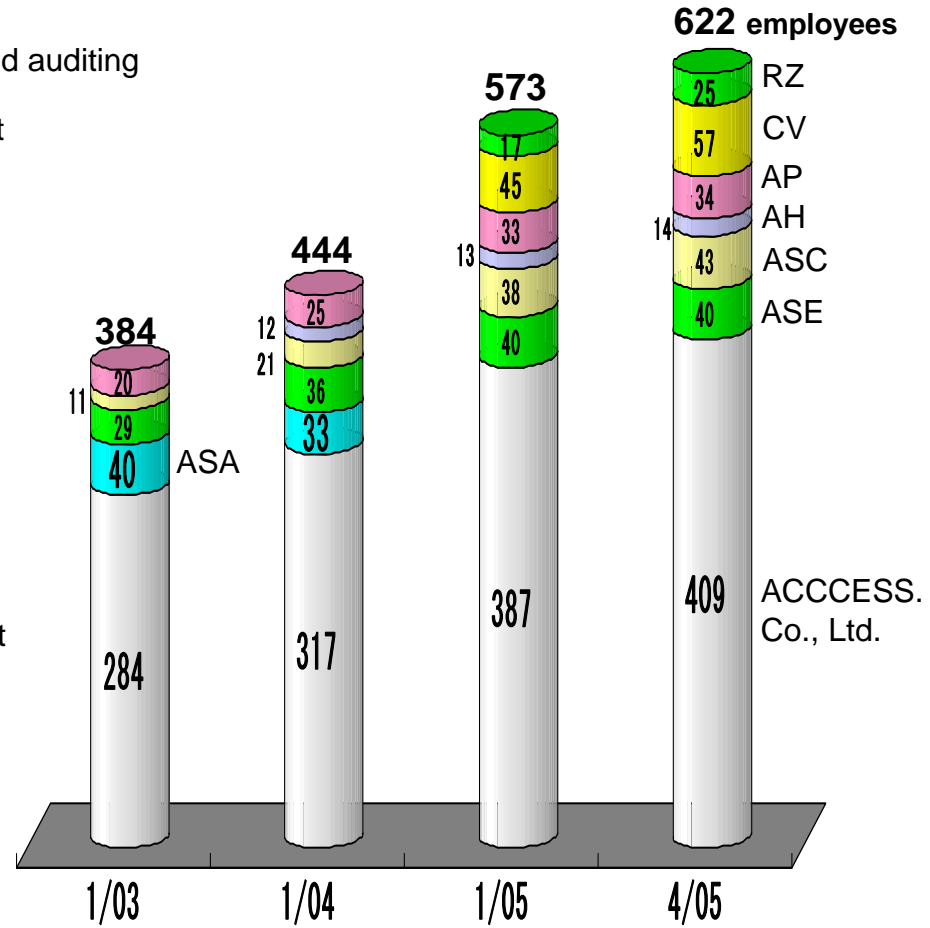


# HR Transition (non-consolidated and consolidated)

**Non-consolidated**



**Consolidated**



# Comparative Consolidated Balance Sheet (summary)

(¥1 million)	End of 1st Quarter of FY 1/06	End of 1st Quarter of FY 1/05	End of FY 1/05
<b>I. Current assets</b>			
Cash and deposits	7,890	5,864	7,460
Accounts receivable	3,040	2,095	3,100
Inventory	759	912	691
Other	594	297	549
<b>II. Non-current assets</b>			
Tangible fixed assets	747	701	729
Intangible fixed assets	570	577	602
Investments and other assets	473	810	467
<b>Total</b>	<b>14,077</b>	<b>11,259</b>	<b>13,601</b>
<b>I. Current liabilities</b>			
	1,916	1,794	1,984
<b>II. Non-current liabilities</b>			
Minority interest	145	2	168
<b>III. Total equity</b>			
<b>Total</b>	<b>11,903</b>	<b>9,384</b>	<b>11,337</b>
<b>Total</b>	<b>14,077</b>	<b>11,259</b>	<b>13,601</b>

# Comparative non-consolidated Balance Sheet (summary)

(¥1 million)	End of 1st Quarter of FY 1/06	End of 1st Quarter of FY 1/05	End of FY 1/05
<b>I. Current assets</b>			
Cash and deposits	6,995	5,227	6,494
Accounts receivable	2,800	1,726	2,855
Inventory	711	846	577
Other	510	342	468
<b>II. Non-current assets</b>			
Tangible fixed assets	640	651	625
Intangible fixed assets	413	441	433
Investments and other assets	1,511	1,746	1,505
<b>Total</b>	<b>13,584</b>	<b>10,983</b>	<b>12,960</b>
<b>I. Current liabilities</b>	<b>1,291</b>	<b>1,176</b>	<b>1,240</b>
<b>II. Non-current liabilities</b>	<b>275</b>	<b>77</b>	<b>250</b>
<b>III. Total equity</b>	<b>12,017</b>	<b>9,730</b>	<b>11,469</b>
<b>Total</b>	<b>13,584</b>	<b>10,983</b>	<b>12,960</b>

# Consolidated Cash Flows (summary)

(¥1 million)	Q1 Apr. 2005	Q1 Apr. 2004	Fiscal Year 2005 (Last Period)
I. Cash flows from operating activities	460	550	1,489
II. Cash flows from investing activities	(57)	(331)	(38)
III. Cash flows from financing activities	117	207	1,067
VI. Increase in cash and cash equivalents	530	419	2,516
V. Balance of cash and cash equivalents at beginning of the term	6,621	4,105	4,105
VI. Balance of cash and cash equivalents at the end of the term	7,152	4,525	6,621

Income before income taxes and  
other deductions: ¥717 million  
Decrease in accounts payable: ¥200 million

Income before income taxes:  
¥555 million

Acquisition of  
tangible/intangible  
fixed assets: ¥166 million

Income before income taxes and  
other deductions: ¥2,359 million  
Increase in accounts receivable: ¥726 million

Proceeds from issuance  
of stock: ¥864 million

# Q2 (May~July) Guidelines

## Consolidated

(¥1 million)

	Range		Assumptions	Unconfirmed factors
	Current quarter	(Previous year)		
<b>Net sales</b>	2,900 – 3,100	(2,304)	<ul style="list-style-type: none"> <li>• ASE: Sales contributions from international i-mode in Europe is forecasted to be similar to the previous quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• Extent of proliferation of international i-mode and other cell phone makers in Europe</li> </ul>
<b>Operating income</b>	450 – 550	(146)	<ul style="list-style-type: none"> <li>• ASC: Sales contributions from the China Unicom case is forecasted to be similar to the previous quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• Extent of proliferation of MMS services in China</li> </ul>
<b>Ordinary income</b>	450 – 550	(166)	<ul style="list-style-type: none"> <li>• AP: Digital content sales are forecasted to rise slightly over the previous quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• Timing of sales contributions from digital content</li> </ul>
<b>Net income</b>	250 – 330	(129)		

## Non-consolidated

(¥1 million)

	Range		Assumptions	Unconfirmed factors
	Current quarter	(Previous year)		
<b>Net sales</b>	2,300 – 2,500	(1,889)	<ul style="list-style-type: none"> <li>• Sales percentage composition (full year forecast) ⇒ Product: Royalties = 59:41</li> </ul>	<ul style="list-style-type: none"> <li>• Impact on our royalty earnings from new models of cellular phones, mainly 3G terminals</li> </ul>
<b>Operating income</b>	450 – 550	(212)	<ul style="list-style-type: none"> <li>• Product gross margin (full year forecast) ⇒ 42-46%</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease in product gross margin from new client</li> </ul>
<b>Ordinary income</b>	450 – 550	(232)	<ul style="list-style-type: none"> <li>• Sales-to-SGA cost ratio (full year forecast) ⇒ 34%</li> </ul>	
<b>Net income</b>	250 – 330	(256)		