

Accounting Overview
1st Half
(Feb. 2005 – Jan. 2006)

ACCESS Co., Ltd.
September, 2005



Disclaimer

- 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.



Key Points of the Financial Statement

- * On a consolidated basis, net sales came to ¥6,040 million, and ordinary income, to ¥1,042 million.
 - The performance of consolidated subsidiaries exceeded forecast levels in terms of 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 control of selling, general and administrative expenses.

- * On a non-consolidated basis, net sales came to ¥4,905 million, and ordinary income, to ¥1,074 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 a non-consolidated basis, the share of total sales occupied by royalties reached 43 percent, slightly higher than in the previous fiscal year (41%).

Q2(May to July) Highlights

Consolidated

(¥1 million)	Performance	Projected range	Previous year	Assumptions	Unconfirmed factors	Comments
Net sales	3,078	2,900 – 3,100	2,304	• 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	326	450 – 550	146	• 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	326	450 – 550	166	• AP: Digital content sales are expected to rise slightly over the previous quarter.	• Timing of sales contributions from digital content	
Net income	223	250 – 330	129			

Non-consolidated

(¥1 million)	Performance	Projected range	Previous year	Assumptions	Unconfirmed factors	Comments
Net sales	2,502	2,300 – 2,500	1,889	• 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	324	450 – 550	212	• Product gross margin (full year forecast) ⇒ 42–46%	• Decrease in product gross margin from new client	
Ordinary income	328	450 – 550	232	• Sales-to-SGA cost ratio (full year forecast) ⇒ 34%		• Sales percentage composition (Q2 performance) ⇒ product : royalties = 59:41
Net income	184	250 – 330	256			• NRE's gross margin (Q1 performance) ⇒ 31% • Sales proceeds to SGA expenses ratio (Q1 performance) ⇒ 45%

1st Half (Feb to July) Highlights

Consolidated

(¥1 million)	Performance	Projected range	Previous year	Assumptions	Unconfirmed factors	Comments
Net sales	6,040	5,390 – 5,750	5,040	• 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	1,006		698	• 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	1,042	770 – 900	736	• AP: Digital content sales are expected to rise slightly over the previous quarter.	• Timing of sales contributions from digital content	
Net income	627	430 – 500	442			

Non-consolidated

(¥1 million)	Performance	Projected range	Previous year	Assumptions	Unconfirmed factors	Comments
Net sales	4,905	4,280 – 4,520	3,967	• 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	1,036		655	• Product gross margin (full year forecast) ⇒ 42–46%		
Ordinary income	1,074	880 – 1,020	696	• Sales-to-SGA cost ratio (full year forecast) ⇒ 34%	• Decrease in product gross margin from new client	
Net income	615	500 – 580	493			• Sales percentage composition (Q2 performance) ⇒ product : royalties = 57:43 • NRE's gross margin (Q1 performance) ⇒ 38% • Sales proceeds to SGA expenses ratio (Q1 performance) ⇒ 42%

Consolidated Financial Highlights

- Companies subject to consolidation: 13 consolidated subsidiaries

(¥1 million)	06/2Qtr	05/2Qtr	Year-on-year change	06/1Half	05/1Half	Year-on-year change	05/Total	% of Last Term
Net sales	3,078	2,304	33.6%	6,040	5,040	19.9%	11,347	53.2%
Gross profit on sales	1,692	1,303	29.8%	3,564	2,864	24.4%	6,623	53.8%
SG&A expenses	1,365	1,156	18.0%	2,557	2,165	18.1%	4,351	58.8%
Operating income	326	146	123.0%	1,006	698	44.1%	2,272	44.3%
Other Income	0	20	-	36	37	-	(14)	-
Ordinary income	326	166	95.7%	1,042	736	41.6%	2,258	46.2%
Extraordinary gain (loss)	(27)	63	-	(26)	49	-	101	-
Corporate income taxes, etc.	75	100	-	388	342	-	815	-
Net income	223	129	73.1%	627	442	41.8%	1,567	40.1%

2nd Qtr & 1st Half Results (Consolidation)

- 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.

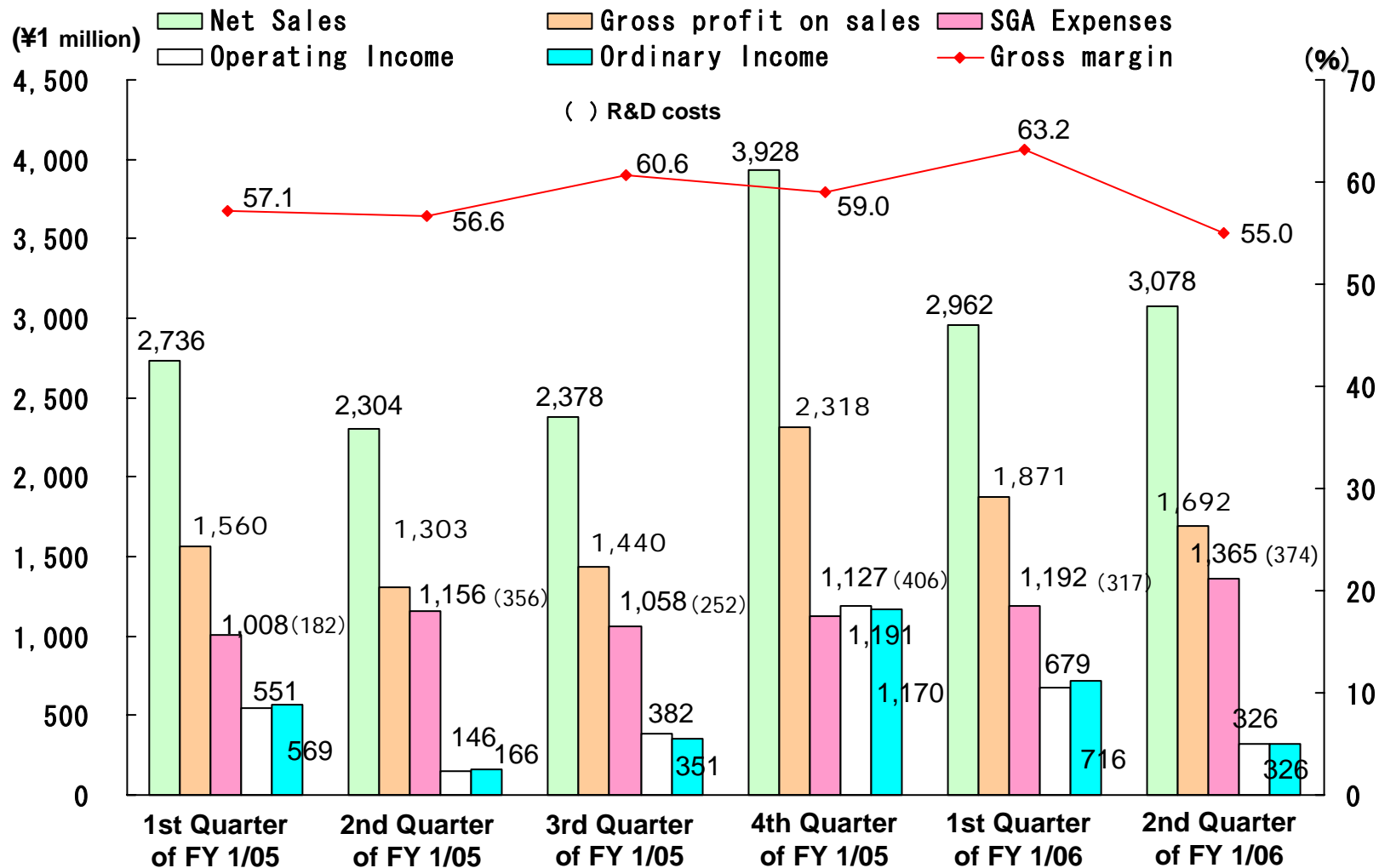
(¥1 million)	ACCESS	ASE	ASC	AH	AP	CV	RZ	Adjustment Journal Entry	Consolidat ed total
Net Sales	2,502	219	134	36	317	9	3	(144)	3,078
Gross Margin	1,463	262	78	12	112	(28)	2	(211)	1,692
SG & A Expenses	1,139	253	53	3	98	5	25	(212)	1,365
Operating Income	324	8	25	9	14	(33)	(22)	1	326
Other Income	4	17	0	–	0	0	(2)	(20)	0
Ordinary Income	328	25	25	9	14	(33)	(24)	(18)	326
Extraordinary gain/loss	(11)	0	–	0	–	–	–	(15)	(27)
Minority Interests in Loss	132	0	–	0	0	0	–	(58)	75
Net Income	184	24	25	9	14	(33)	(24)	24	223

Results by Each Subsidiary Company (2nd Qtr)

- 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	4,905	516	228	63	569	12	3	(257)	6,040
Gross Margin	3,115	479	127	21	182	(26)	2	(339)	3,564
SG & A Expenses	2,078	444	87	5	192	41	59	(351)	2,557
Operating Income	1,036	35	40	16	(9)	(67)	(56)	11	1,006
Other Income	37	30	1	0	0	0	0	(32)	36
Ordinary Income	1,074	65	41	16	(9)	(68)	(55)	(20)	1,042
Extraordinary gain/loss	(35)	0	-	0	-	-	-	9	(26)
Minority Interests in Loss	423	1	-	0	0	0	-	(36)	388
Net Income	615	64	41	15	(10)	(68)	(55)	25	627

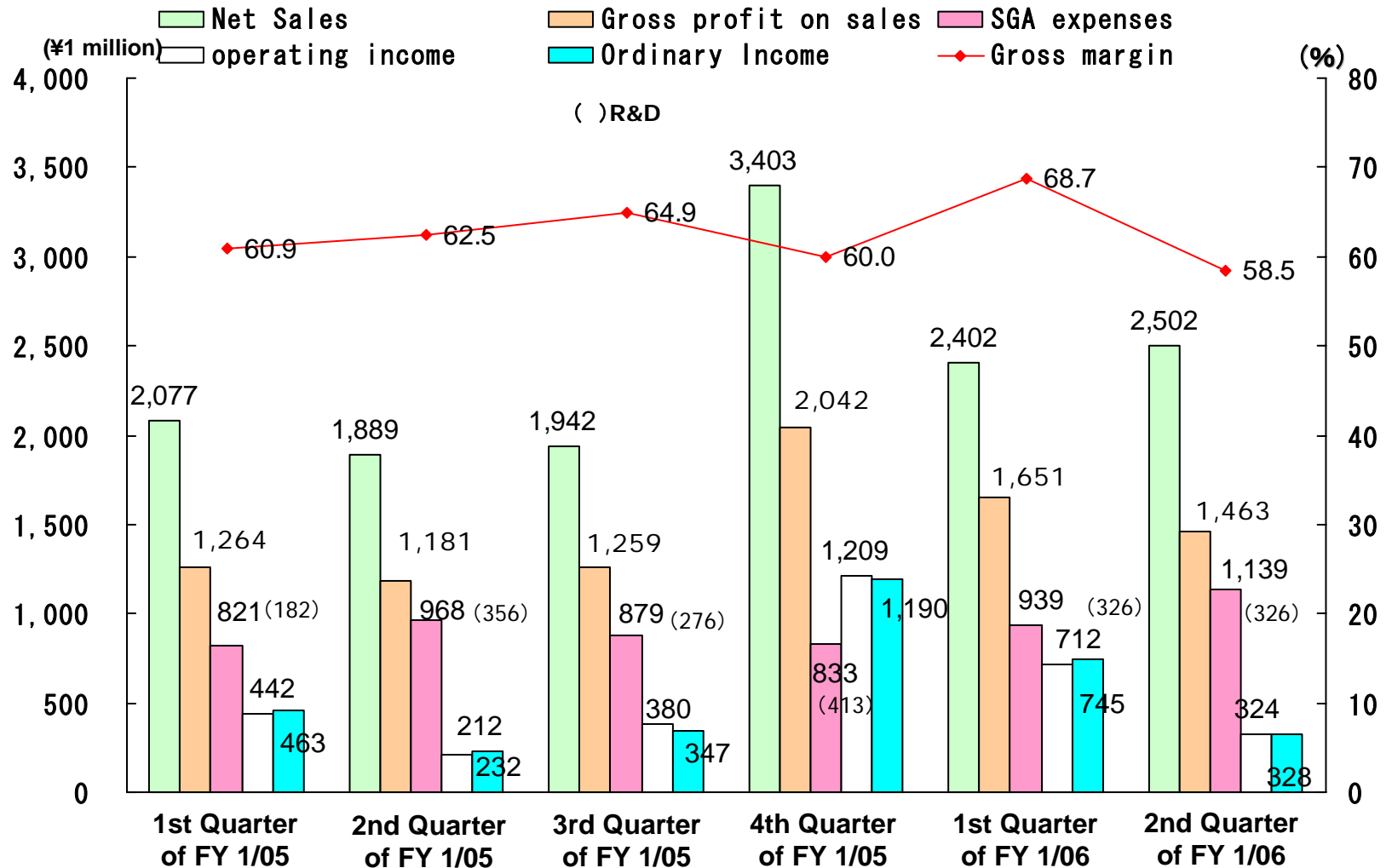
Trend of Quarterly Sales, etc. (consolidated)



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

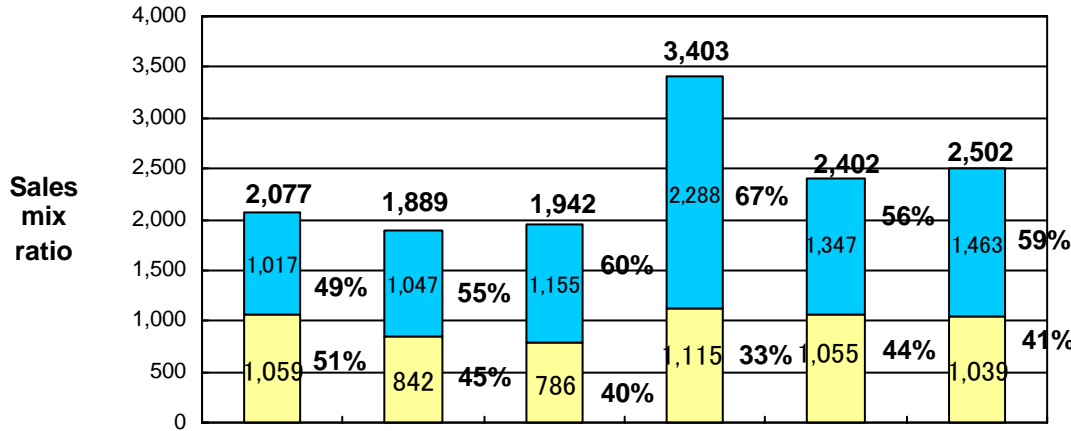
(¥1 million)	06/2Qtr	05/2Qtr	Y-to-Y	06/1Half	05/1Half	Y-to-Y	05/Total	% of Last Term
Net sales	2,502	1,889	32.4%	4,905	3,967	23.7%	9,313	52.7%
Gross profit on sales	1,463	1,181	23.9%	3,115	2,445	27.4%	5,747	54.2%
Gross margin	58.5%	62.5%	—	63.5%	61.6%	—	61.7%	—
SG&A expenses	1,139	968	17.6%	2,078	1,789	16.1%	3,502	59.3%
Operating income	324	212	52.6%	1,036	655	58.2%	2,244	46.2%
Other Income	4	19	—	37	41	—	(10)	—
Ordinary income	328	232	41.5%	1,074	696	54.3%	2,234	48.1%
Extraordinary gain(loss)	(11)	168	—	(35)	169	—	(124)	—
Corporate income taxes, etc.	132	144	—	423	371	—	838	—
Net income	184	256	-28.1%	615	493	24.6%	1,271	48.4%

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



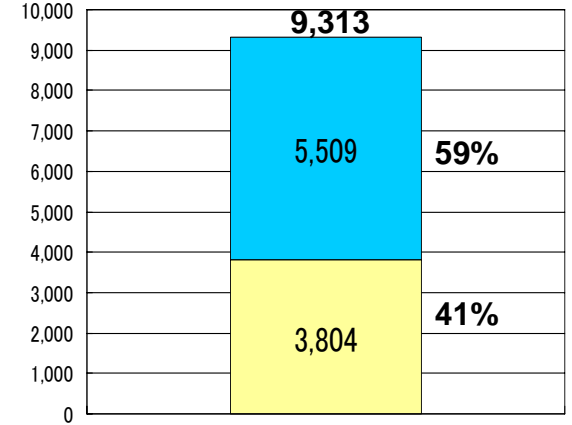
Trend of Sales & Gross Profit on Sales (non-consolidated)

(¥1 million)



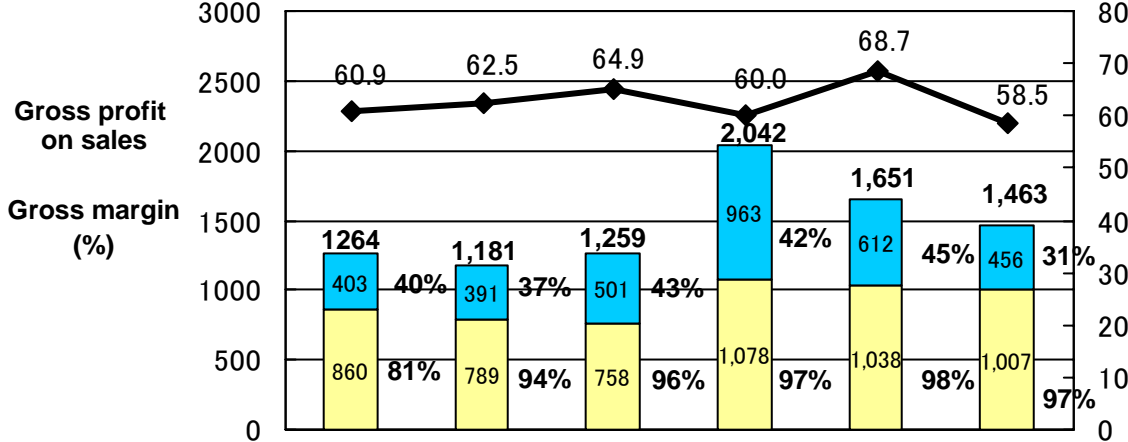
(¥1 million)

Product sales
Royalties
Gross margin(overall)



(¥1 million)

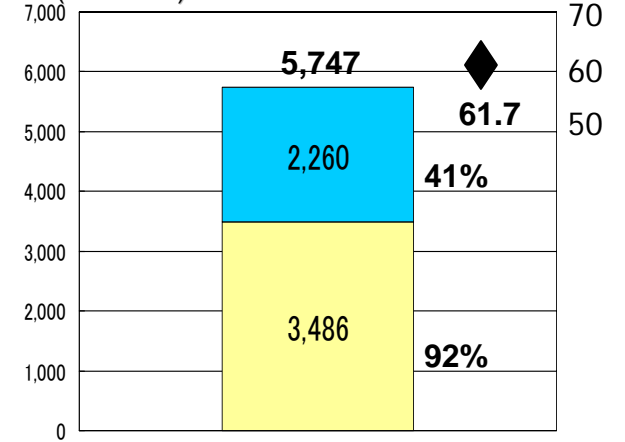
(%)



1st Quarter of FY 1/05 2nd Quarter of FY 1/05 3rd Quarter of FY 1/05 4th Quarter of FY 1/05 1st Quarter of FY 1/06 2nd Quarter of FY 1/06

(¥1 million)

(%)

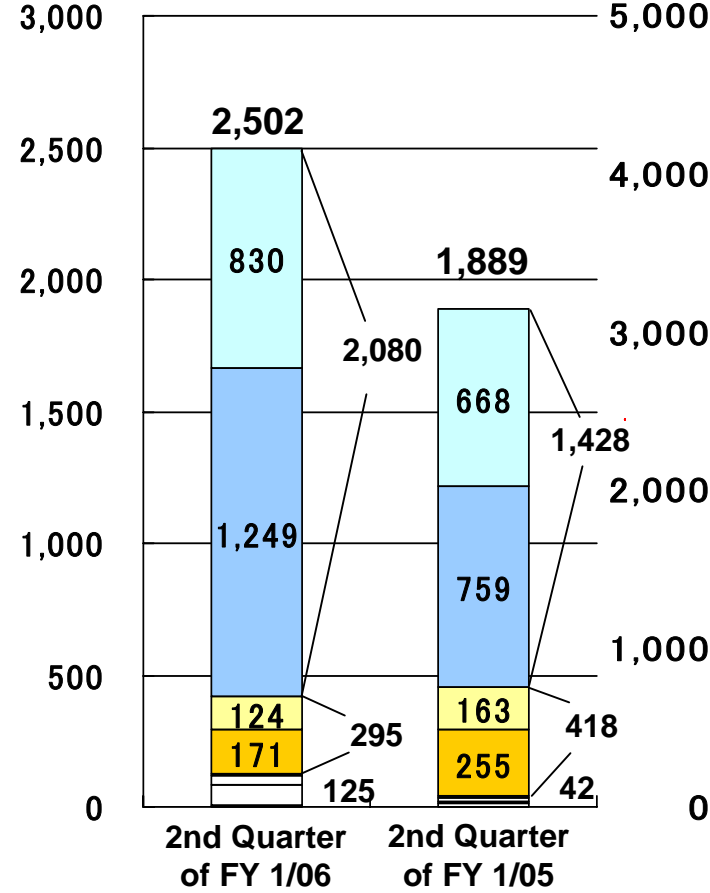


FY 1/05

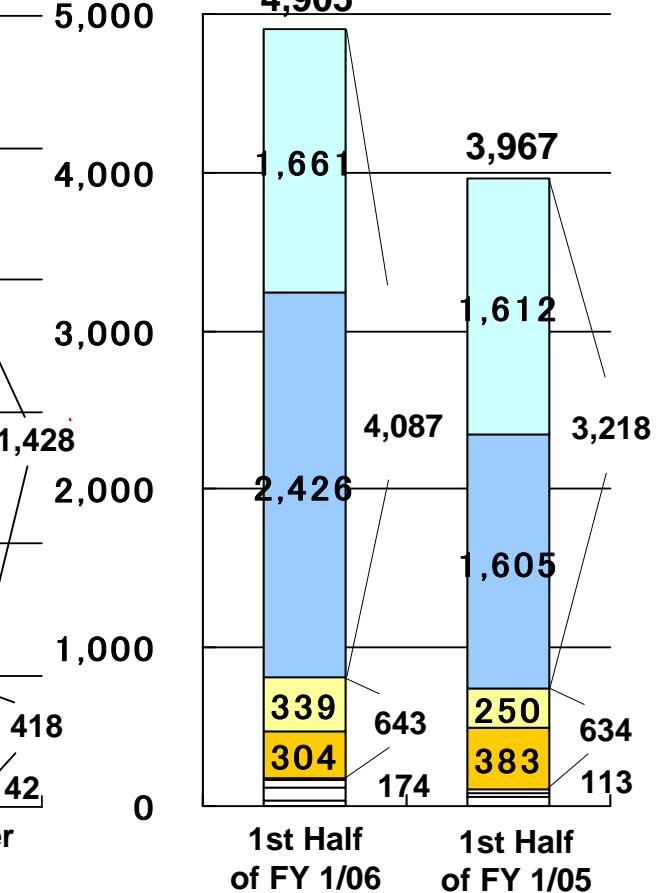
Breakdown of Sales (non-consolidated)

- Wireless (royalties)
- Wired (royalties)
- SDK, NRE and others (royalties + products)
- Wireless (products)
- Wired (products)

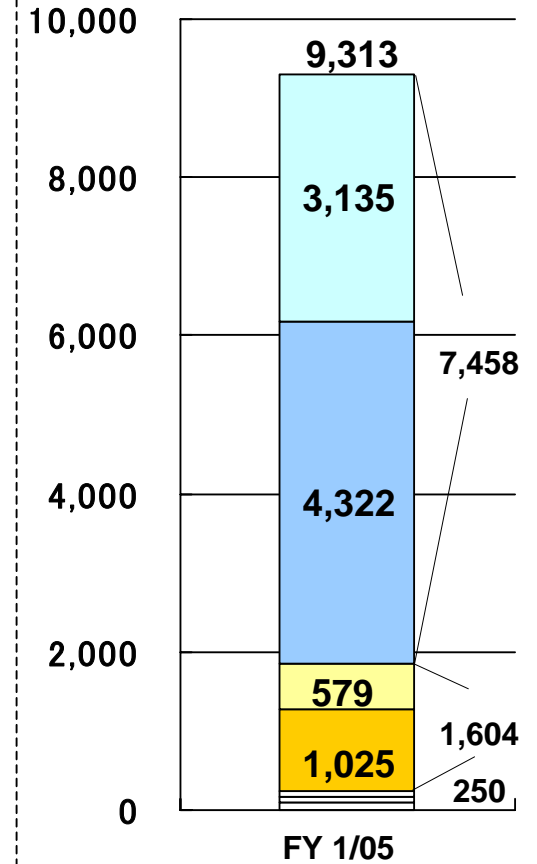
(¥1 million)



(¥1 million)

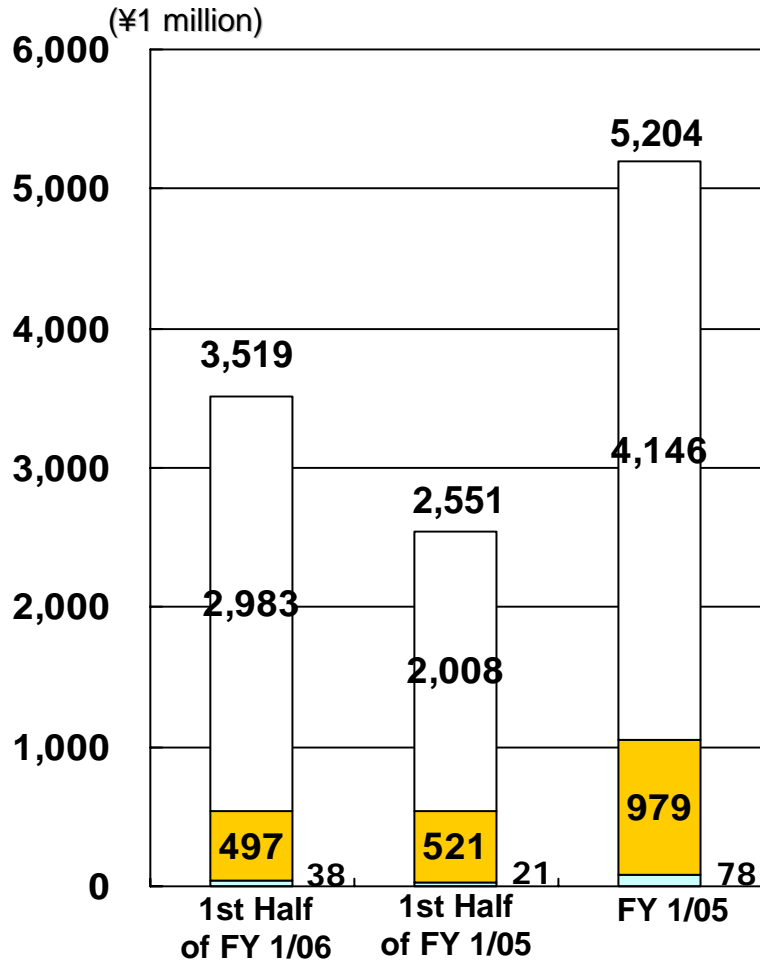


(¥1 million)

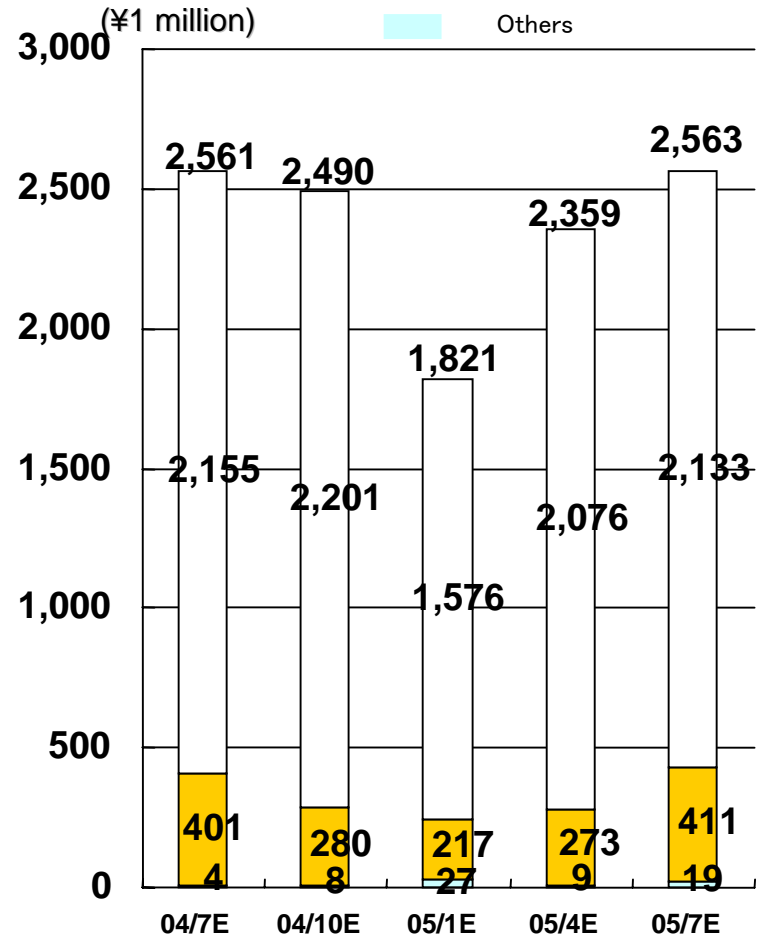


Orders for NRE Products (non-consolidated)

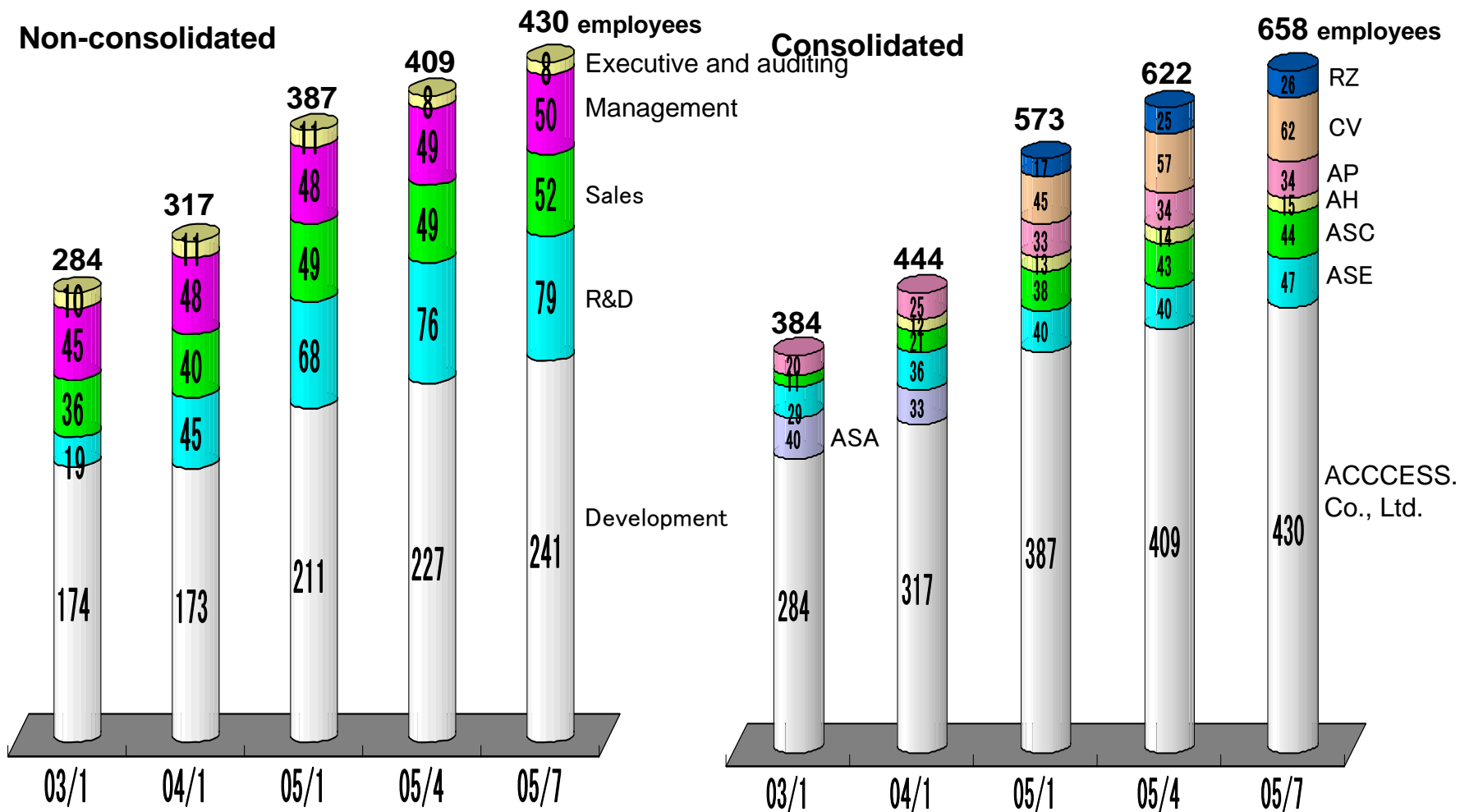
Orders received



Backlog



HR Transition (non-consolidated and consolidated)



Comparative Consolidated Balance Sheet (summary)

(¥1 million)	End of 1st Half of FY 1/06	End of 1st Half of FY 1/05	End of FY 1/05
I. Current assets			
Cash and deposits	58,217	6,761	7,460
Accounts receivable	2,982	1,720	3,100
Inventory	927	825	691
Other	575	329	549
II. Non-current assets			
Tangible fixed assets	843	714	729
Intangible fixed assets	536	575	602
Investments and other assets	723	739	467
Total	64,806	11,665	13,601
I. Current liabilities	2,369	1,642	1,984
II. Non-current liabilities	42,155	109	110
Minority interest	132	2	168
III. Total equity	20,148	9,911	11,337
Total	64,806	11,665	13,601

Comparative non-consolidated Balance Sheet (summary)

(¥1 million)	End of 1st Half of FY 1/06	End of 1st Half of FY 1/05	End of FY 1/05
I. Current assets			
Cash and deposits	57,281	6,100	6,494
Accounts receivable	2,686	1,482	2,855
Inventory	817	794	577
Other	553	334	468
II. Non-current assets			
Tangible fixed assets	714	655	625
Intangible fixed assets	389	447	433
Investments and other assets	1,760	1,519	1,505
Total	64,202	11,334	12,960
I. Current liabilities	1,620	824	1,240
II. Non-current liabilities	42,305	109	250
III. Total equity	20,277	10,400	11,469
Total	64,202	11,334	12,960

Comparative non-consolidated Balance Sheet (summary)

(¥1 million)	End of 1st Half of FY 1/06	End of 1st Half of FY 1/05	Fiscal Year 2005 (Last Period)
I. Cash flows from operating activities	978	1,394	1,489
II. Cash flows from investing activities	(932)	(211)	(38)
III. Cash flows from financing activities	50,192	620	1,067
VI. Increase in cash and cash equivalents	50,251	1,814	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	56,873	5,920	6,621
	Net Profit before Tax: 1,016M¥ Cash inflow from CB : 50,000M¥ Cash out to bank deposit: 502M¥ Acquisition of Fixed Assets: 183M¥	Net Profit before Tax: 785M¥ Decrease in Credit Sales: 647M¥ Cash inflow with Equity: 572M¥ Acquisition of Fixed Assets : 245M¥	Net Profit before Tax: 2,359M¥ Increase in Credit Sales: 726M¥ Cash inflow with Equity: 864M¥

Q3 (August~October) Guidelines

Consolidated

(¥1 million)

	Range		Assumptions	Unconfirmed factors
	Current quarter	(Previous year)		
Net sales	3,090 – 3,490	(2,378)	<ul style="list-style-type: none"> • ASE: Sales contributions from international i-mode in Europe is forecasted to be similar to the previous quarter. 	<ul style="list-style-type: none"> • Extent of proliferation of international i-mode and other cell phone makers in Europe
Operating income	110 – 270	(382)	<ul style="list-style-type: none"> • ASC: Sales contributions from the China Unicom case is forecasted to be similar to the previous quarter. 	<ul style="list-style-type: none"> • Extent of proliferation of MMS services in China
Ordinary income	50 – 210	(351)	<ul style="list-style-type: none"> • AP: Digital content sales are forecasted to rise slightly over the previous quarter. 	<ul style="list-style-type: none"> • Timing of sales contributions from digital content
Net income	30 – 130	(206)		

Non-consolidated

(¥1 million)

	Range		Assumptions	Unconfirmed factors
	Current quarter	(Previous year)		
Net sales	2,530 – 2,830	(1,942)	<ul style="list-style-type: none"> • Sales percentage composition (full year forecast) ⇒ Product: Royalties = 59:41 	<ul style="list-style-type: none"> • Impact on our royalty earnings from new models of cellular phones, mainly 3G terminals
Operating income	140 – 300	(380)	<ul style="list-style-type: none"> • Product gross margin (full year forecast) ⇒ 42-46% 	<ul style="list-style-type: none"> • Decrease in product gross margin from new client
Ordinary income	90 – 250	(347)	<ul style="list-style-type: none"> • Sales-to-SGA cost ratio (full year forecast) ⇒ 34% 	
Net income	50 – 150	(200)		

Note: On both consolidated and non-consolidated basis, we assume the cost in 3Q as below. The expense of issuing CB and of M&A recently announced are those we did not expect in the beginning of this FY.

Expense related to CB issuance: about 110M¥, Expense related to M&A: about 100M¥

Expense in 2Q Expense related to CB issuance: about 50M¥