



# FY06 Q3 Earnings Call

**Dr. Tomihisa KAMADA**  
*EVP & CTO*

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**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**

# I. FY06 Earnings Forecast

# Consolidated Financial Highlights (Q3 & 9 Months Period)



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

(JPY M)	3Q06 (current)	3Q05 (previous)	YoY Change	9 Months (current)	9 Months (previous)	YoY Change	Full Year (FY05)	FY06 YTD vs. FY05
Net Sales	5,928	3,839	154.4%	16,086	9,880	162.8%	17,269	93.2%
Gross Profit	3,921	2,061	190.2%	10,590	5,626	188.2%	10,495	100.9%
SG&A Expense (Ordinary Expense – Non GAAP)	4,935	1,573	313.6%	12,500	4,131	302.6%	5,780	216.3%
Operating Income (Before Exceptional Expense)	1,014	488	-	1,910	1,494	-	4,714	-
SG&A Expense (Exceptional Expense – GAAP)	3,728	-	-	11,475	-	-	-	-
Operating Income (After Exceptional Expense)	4,743	488	-	13,386	1,494	-	4,714	-
Ordinary Income	4,509	416	-	13,013	1,459	-	4,604	-
Net Income	4,444	232	-	12,829	905	-	2,784	-

# Consolidated Full Year Outlook for FY2006



	As of April 20	As of Dec.15	(JPY M)
	Financial Guidance	Revised Outlook	Variance
Net Sales	27,764	26,454	1,310
Gross Profit	21,042	17,925	3,117
SG&A Expense (Ordinary Expense – Non GAAP)	16,121	18,490	2,369
Operating Income (Before Exceptional Expense)	4,921	565	5,486
SG&A Expense (Exceptional Expense – GAAP)	12,304	15,167	2,863
Operating Income (After Exceptional Expense)	7,383	15,732	8,349
Ordinary Income	7,177	15,205	8,028
Net Income	9,648	16,318	6,670

## Imperative Costs for Growth and Backwardness in Preventive Actions

Structuring New ACCESS Global Organization after the Merger of PalmSource

→ Impact for SG&A

Contracting Direct License Agreement with All Japanese Carriers (Increase in Software Offering and Projects, Expansion of Project Scope and Scale)

→ Impact for R&D Cost and Gross Profit (NRE)

Founding ACCESS Seoul in May for the strengthened operations for SAMSUNG (currently 80 FTEs)

→ Impact for Gross Profit (NRE) and SG&A

Supporting the entry of Overseas Handset Vendors (Nokia, SAMSUNG, LG, Motorola) into Japan Market (More demanding than Japanese Handset Vendors)

→ Impact for Gross Profit (NRE)

Increasing New Product Development in this Fiscal Year (ALP, IMS, Browsers for 1 Seg/3 Seg, DLNA...)

→ Impact for R&D Cost



# Business Expansion (for Domestic Wireless Operators)

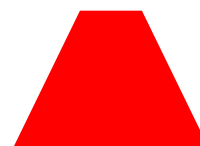


2005

i-mode Browser  
Deco-mail  
PDF  
Doja (partly)

EZ Mail  
EZ Channel (SMIL)

Browser  
Mail  
Java  
PDF  
Doc Viewer



2006 (This FY)

i-mode Browser  
Deco-mail  
PDF  
Doja (partly)  
Full Browser  
1seg Browser  
SyncML  
Doc Viewer(partly)

EZ Mail  
EZ Channel (SMIL)  
EZ Channel Plus  
Decoration mail  
1seg Browser  
3seg (Digital radio)  
SyncML  
Others

Browser  
Full Browser  
Live Monitor  
RSS (S!Cast)  
S!Mail  
1seg Browser  
IMS (SIP, Presence  
Push to Talk)  
Others

Browser  
Mail  
Java (function)  
PDF  
DoC Viewer  
Full Browser  
Others



# Major Points at 1H Earnings Presentation



Businesses become steadily increasing, however, the globalization of administrative structure is essential

## Summary

### ■ Gained Solid Footing for Revenue Growth and Mid-term Growth Plan is on Track

#### ◆ Revenue Increase in this Quarter

- Made a good progress for Domestic/Overseas Sales (Samsung, SonyEricsson, SoftBank)
- Drove another growth through new software functions (1 seg Browser)
- Penetrated in non-mobile space (Shipment soared in Digital TV segment)

#### ◆ Preparation for Mid-term Growth Plan

- ACCESS Linux Platform has become Orange's Approved Platform
- End to End Solutions will be offered (Sync Server Solutions for carriers)
- Ubiquitous Connectivity linking Audio/Video, PC, mobile terminals (DLNA Module)

} Revenue is almost on track as planned

} R&D for Future Business, Client relationship are going fine

### ■ Cost Breakdown for Increased Costs and Full Year Outlook

#### ◆ Merger-related Expenses

Amortization of Intangible Assets, Payout for unvested stock options

#### ◆ R&D-related Cost

Development for ACCESS Linux Platform and Investment for promising technology area (IMS, 1/3/12 segment for Digital Terrestrial Broadcasting, NMCS, NetFront, etc.)

#### ◆ Business Expansion Cost

Hiring/Salary, SG&A for overseas subsidiaries

#### ◆ Will absorb increased costs through Full Year basis

### ■ Toward Further Growth in future

#### ◆ Need better cost control

It was supposed to be absorbed by Palm OS new License Contract, but it took long to determine revenue recognition timing under US GAAP and as a result, downward revision has to take place

Could not achieve Plan-Actual control under global operations nor global project management (global resource allocation)



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## ■ Revenue almost on track as well as R&D Progress

- Solid Footing in Sales (almost as budgeted)
- R&D Progressed as planned
  - e.g. Development Status of ACCESS Linux Platform
    - Release of Commercial Version expected in February 2007
    - Strong Inquiries from Customers
- Conclusion of Perpetual Licensing of PalmOS Garnet with Palm Inc (USD 44M)

Accounting Process for this transaction (Licensing Agreement) will need more time to be finalized, as such we have revised our full year outlook conservatively

## ■ Ordinary Profit/Loss will be revised downwardly at JPY 8.02B against initial guidance

- A) Consolidation - Acquisition-related expenses (referred at 1H earnings call, **JPY 2,860M**)
- Amortization of Intangible Assets -2,310M
  - Payment of Unvested Stock Option -1,100M
  - Change of Amortization Period (Goodwill/Intangibles) + 550M
- B) Consolidation - Overseas Subsidiaries (**JPY 980M**)
- ASE -130M, ASC -310M, IPI -300M, ASA -460, Other Subsidiaries Total +220M
- C) Headquarter - Decrease of Profit (**JPY 3,450M**)
- (1) Increase of SG&A + 750M (Revised Outlook 3,850M)
  - (2) Lowering Gross Profit Engineering - 1,010M (GP Ratio 43% 36%)  
Royalty - 540M
  - (3) Increase of R&D +1,150M (Revised Outlook 3,820M)
- D) Other - Foreign Exchange etc. (**JPY 730M**)

# Details of expense increase for SG&A and R&D

- Increase of SG&A (excl. R&D) (JPY 750M)
- Structuring of Framework to rapidly Progress to the Next Step as Global Company (human resource, organization, regime, system)
  
- Increase of R&D (JPY 1,150M)
- Invested in R&D strategically and proactively by the fact of success of new customer acquisition
- Start collecting investment by licensing

Increase Factors for SG&A	Variance
(1) Hiring cost	+ 0.7
(2) Rent for incremental office	+ 0.8
(3) Hardware costs for new personnel	+ 0.9
(4) Overseas Trip expenses	+ 0.7
(5) Cost of Lawsuits (Unisys)	+ 2.0
(6) Other (New HR System)	+ 2.5
<b>Total (JPY 100M)</b>	<b>+ 7.5</b>

Increase Factors for R&D	Variance	Details
(1) Enhancement of investment in the field that can contribute to sales after FY2007	+7.1	DLNA/ Doc Viewer/ Sync Client
		European Operators
		ALP (NLS etc.)
		DoCoMo-related
(2) Enhancement of investment in the field that can contribute to sales from FY2006	+0.9	IMS Productization
		Viewer Software
		1seg/3seg Browser
(3) Strengthening of Competitiveness	+1.3	Browser Core Tech
(4) Other	+2.2	Information Appliance
<b>Total (JPY 100M)</b>	<b>+ 11.5</b>	

## **II. Solutions to the Problems and Outlook for the Next Fiscal Year**

## Learned from the problem, we will deliver the results

- (1) Domestic Market is actually at the harvest phase**
  - Further upsell in the market by taking along the overseas major vendors also
- (2) Overseas Markets' take-off: we deal with them by our global infrastructure.**
  - Adequate and intimate support, closer to the customers:
    - ACCESS Seoul ... for SAMSUNG (towards Mass Production Phase)
    - ACCESS Europe (Germany/France)
    - ACCESS China (Beijing/Nanjing/Shanghai)
- (3) Gross Profit on NRE: Efficiencies improved through ACCESS Group Resources (e.g. China) utilized**
  - Appointed Mr. Zhao, the Officer/SVP-Eng at HQ as EVP-ACCESS China)
- (4) Development for ALP is finalized; R&D is continued under adequate control**
- (5) Tighter Control Structure**
  - HQ: Tighten Structure headed by Mr. Murofushi (Finance/Acc. FPA)
  - Consolidated: Controlled by Jeanne Seeley (Global CFO, CEO-ASA)
  - New Dept. for Global Development Resources Control

# Outlook for FY2007 (ending Jan., 2008)

(JPY Million)

	As of March, 2006		Current Outlook
Revenue	37,000		35,000
Gross Profit	-	Incumbent License Revenue for PalmOS (¥4.1B) counted in	24,500
SG&A (Ordinary Charges)	-		16,500
Operating Profit (Before Exceptional Charges)	8,200		8,000
SG&A (Exceptional Charges)	-		13,940
Operating Profit/Loss (After Exceptional Charges)	-		5,940
Ordinary Profit/Loss (Pre-tax)	8,200		5,940
Net Profit/Loss	-		7,540

New License Revenue for PalmOS (¥5.1B) counted in

Further details are to be shown towards next CY/FY

○ Targeted # of Units for Royalties

(10,000 units)

	Mobile-Domestic	Mobile-Overseas	Non-Mobile	Total
<b>FY06-Actual</b>	3,500	3,000	2,000	<b>8,500</b>
<b>FY07-Target</b>	4,000	7,000	2,500	<b>13,500</b>

○ Core Business – Revenue Targets

JPY 31Billion ( FY06: JPY23.6Billion)

- NRE 12.7B ( FY06: 11B)
- Royalty 18.3B ( FY06: 12.6B) YoY: 145%  
(N.B.: Both FY06/07 include Palm License Revenues.)

○ New Business (IPI, AP, AMS, RZ, CV, etc.) – Revenue Targets

JPY 4Billion ( FY06: 2.8Billion)

○ Gross Profits Targets

- **NRE: 40%**
- Efficiencies achieved by utilizing ACCESS Group's China Resources also

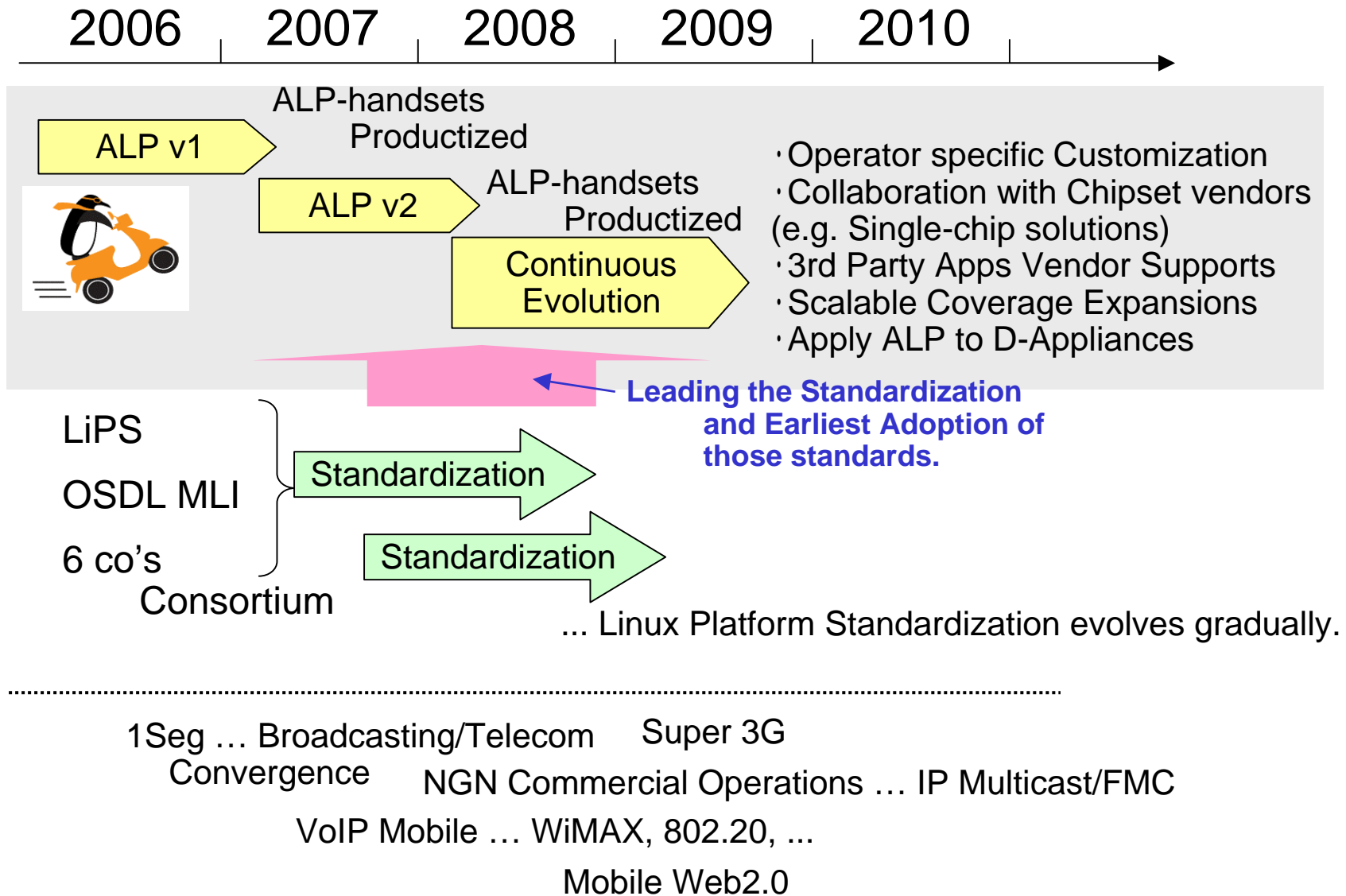
- **ALP (ACCESS Linux Platform) Developments**
  - Currently, QA/Test Phase towards  $\beta$  version Releases
  - Currently, **shipping “Early Access version” to the premier customers**
  - Planning to ship the SDKs to the 3<sup>rd</sup> Party Apps. Partners
  - 1Q07: PDK (Product Developing Kit) to be released
  - ALP incorporated hardware products to be shipped in 2007
- **Orange, the Euro major operator announces to adopt ALP (Aug. 14, 2006 Press release)**
  - Further, co-developing on Orange Application Package
- **Several Releases in the works for 3GSM Congress, the world’s largest Wireless industry event (Feb. 07 in Barcelona)**
- **Trend: Out=Linux Mobile (Only OS is Linux), In=Linux Platform Mobile (Linux Apps can be added) ALP leads this trend**

# Linux Platform – Industry Roadmap

ACCESS  
Roadmap

Mobile Linux  
Standardization

Relevant Industry  
Moves

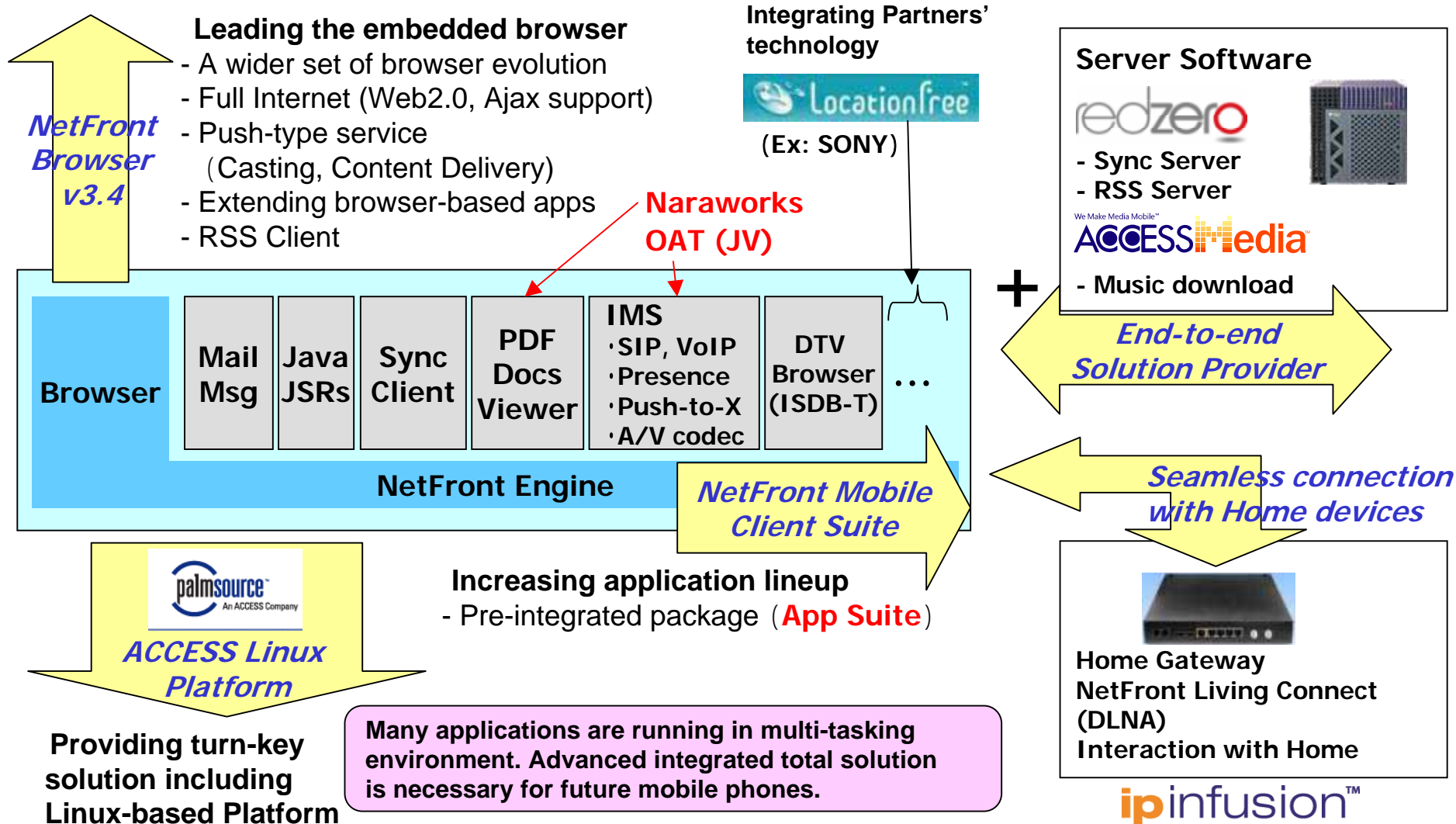


# III. Appendix: Strategy

# ACCESS Strategy for Business Growth



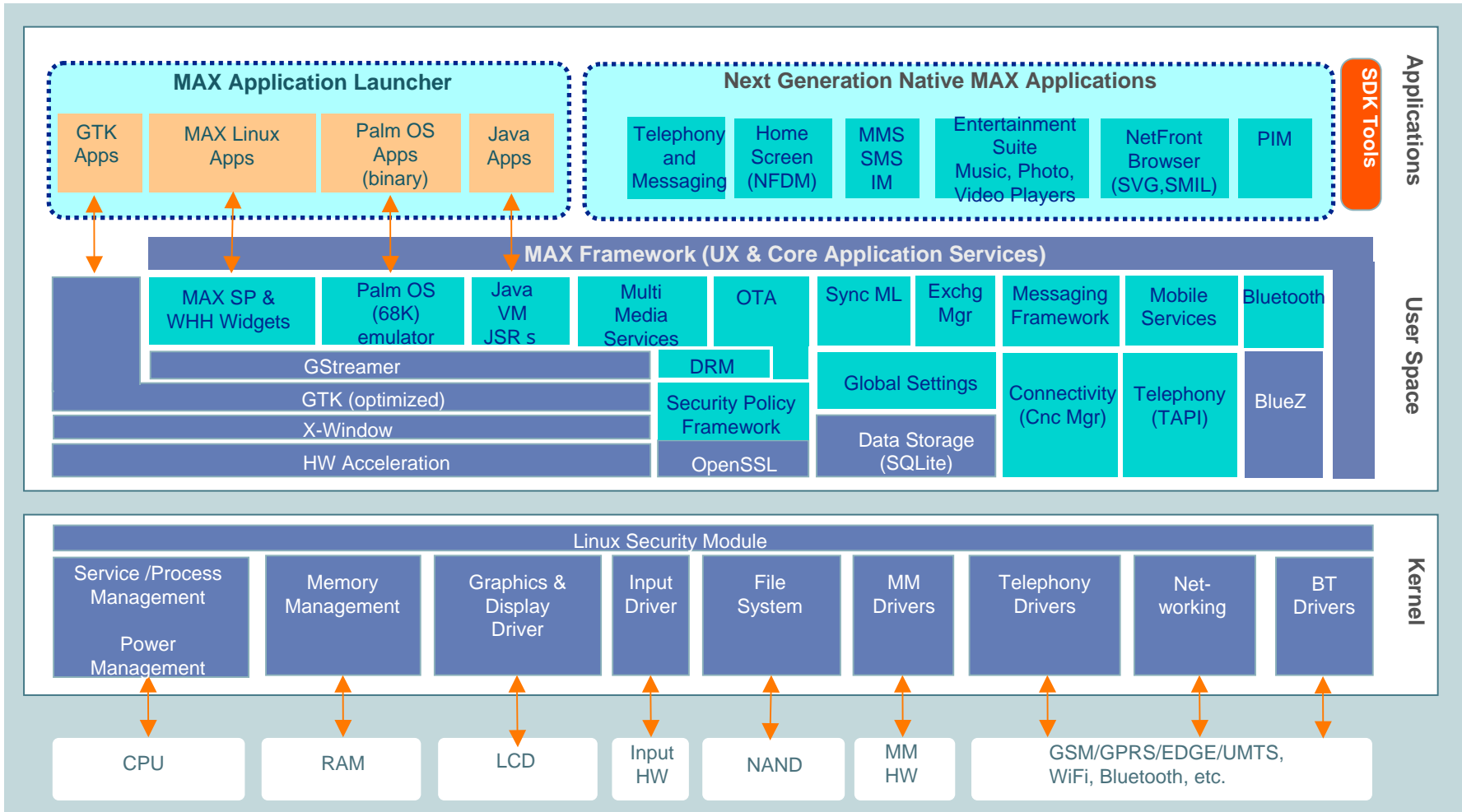
We are developing innovative technologies for next-generation mobile phones and services



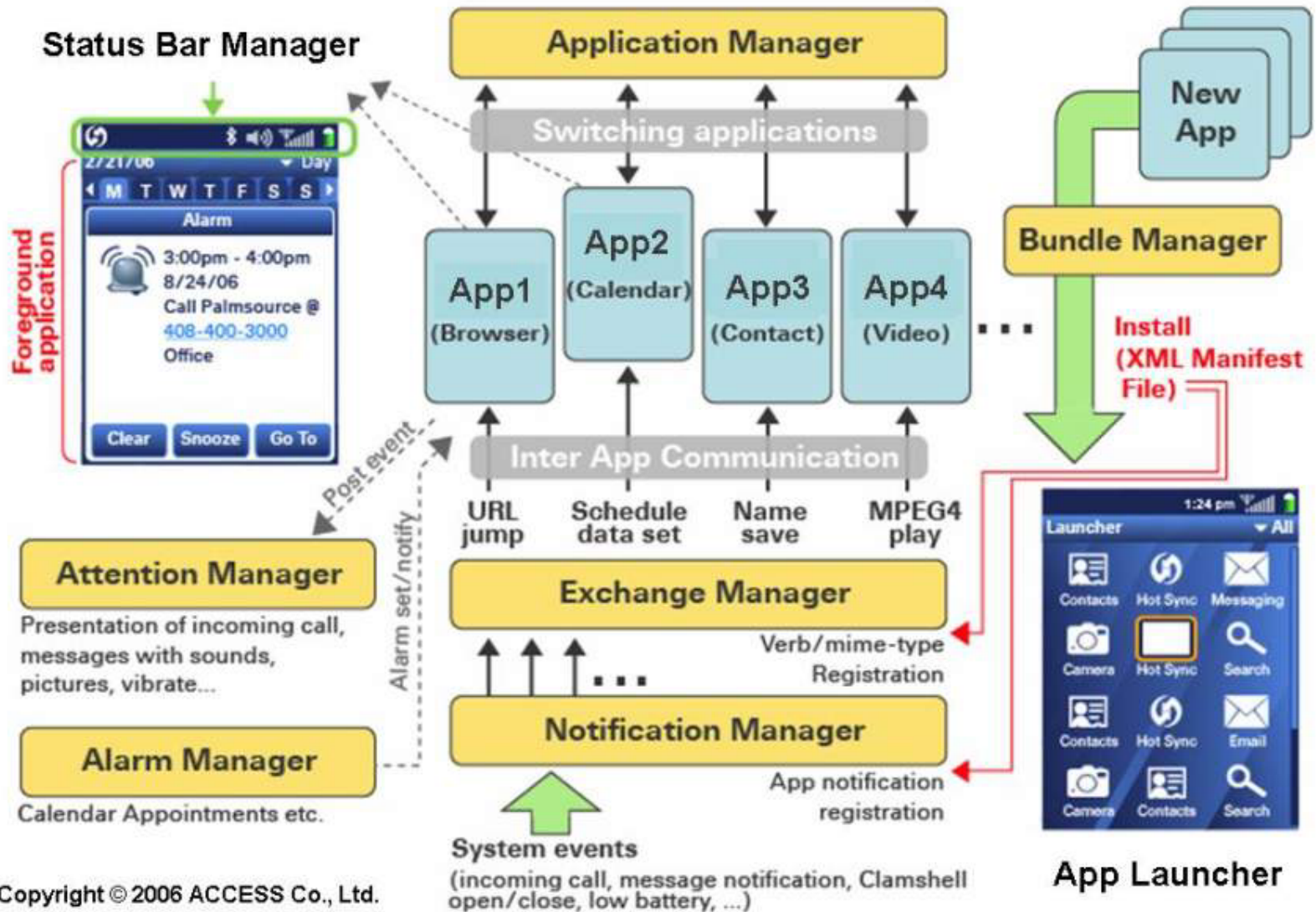
# ACCESS Linux Platform (ALP) - Detailed Modules



ALP is an open, flexible and easy-to-use commercial grade Linux-based platform, and complete and fully customizable platform solution. We provide SDK for 3<sup>rd</sup> parties to enhance application development. ALP is the first fully integrated Linux Platform.



## ALP Application Framework Overview



# ACCESS Developer Network: Provide active support for Linux application development



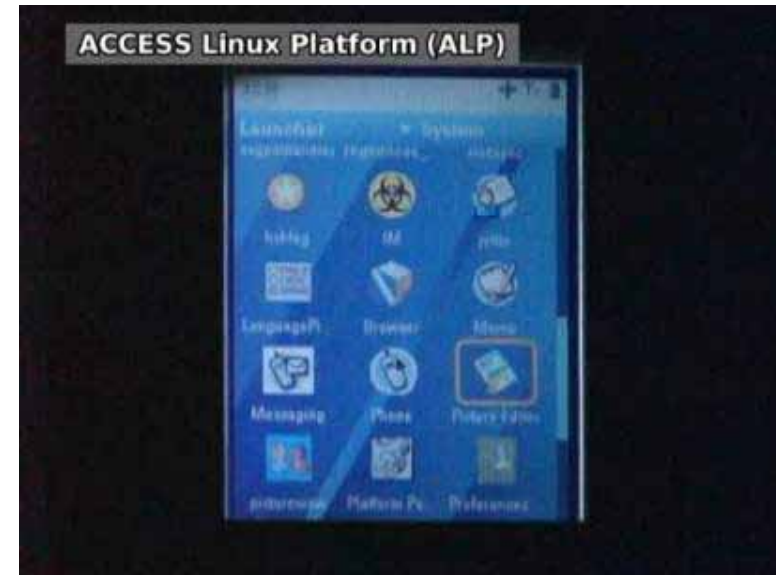
- ALP is the “application” platform based on Linux for mobile phones
- Providing SDK for 3<sup>rd</sup> party developers
- PalmOS Emulator for PalmOS apps Leveraging 420,000 Palm Community
- Training and supporting developers



ALP Developer Day at Linux World, San Francisco Aug15-17th



## ○ ALP is running on Reference Hardware



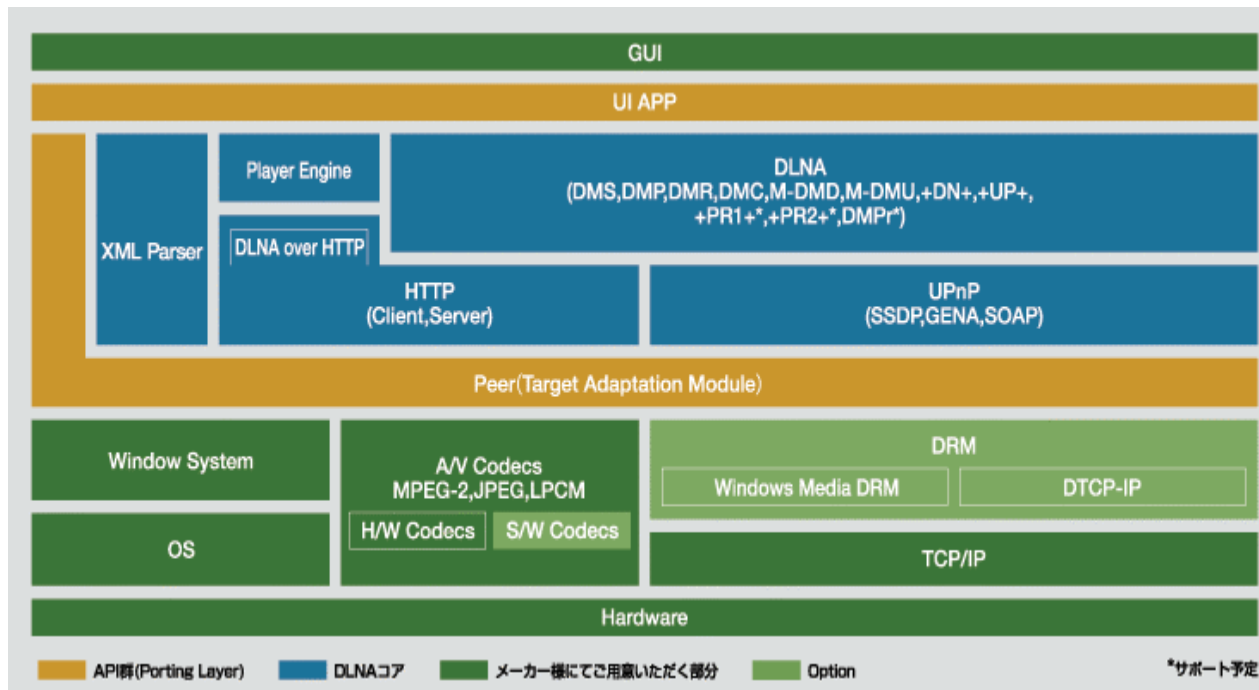
(Cooperation with Sophia Systems)

# NetFront Living Connect – DLNA 1.5

## Joint development with **ip**infusion™



- Audio and video contents can be communicated among AV devices, PCs and mobile phones at home through wired/wireless network.
- DLNA over 250 members. DLNA guideline v1.5 includes the functions for mobile devices and printers. Microsoft Windows Vista supports DLNA.
- OAT codec (Video, Audio) can be bundled.
- NetFront Living Connect SDK v1.0 will be released.



Supported hardware:



**Renesas Technologies**  
SH7781 Reference



**Sigma Design**  
SMP8634 Secure Media Processor

# ZebOS Next Generation Network (NGN)

Integrated Management Interface (SNMP, CLI, Web)

## Advanced Routing Suite

Layer 2 Switching

IPv4/IPv6 Unicast Routing

QoS

IP Multicast Snooping/Proxy

IPv4/IPv6 Multicast Routing

VRRP

Multiprotocol Label  
Switching (MPLS)

Virtual Private LAN  
Service (VPLS)

Virtual Routing and  
Switching

Network Services Module (NSM)

IPv6 Tunneling and Transition Technologies

Hardware Abstraction Layer (HAL)

Platform Abstraction Layer (PAL)

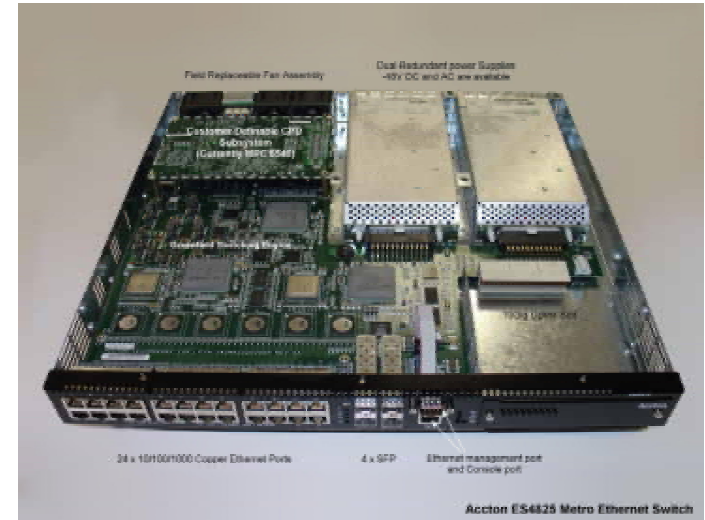
## Advanced Integration Suite

Silicon Vendor SDK

Hardware in Pizza, Stacking or  
Chassis configuration

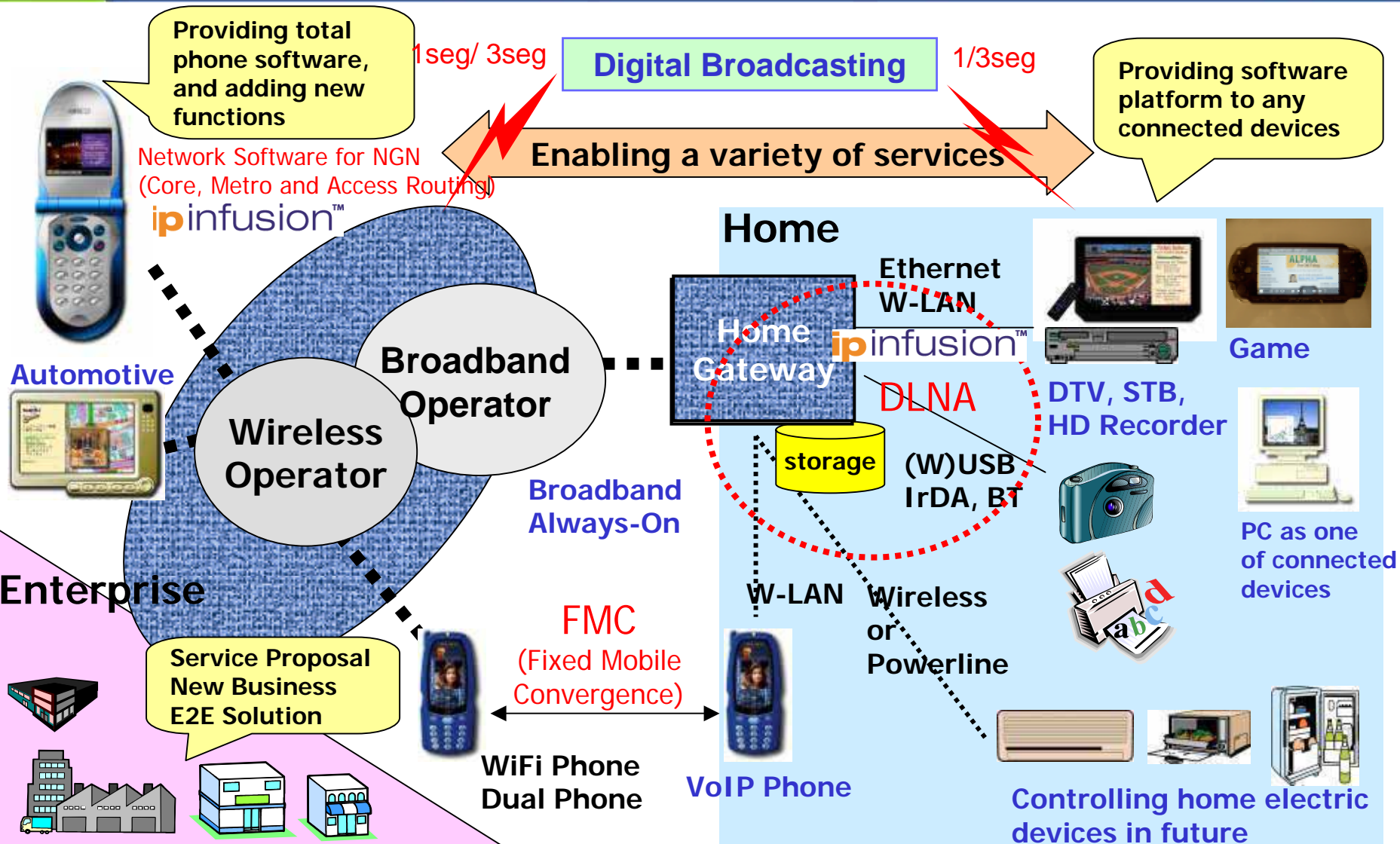
## Operating System TCP/IP Stacks

Linux (2.4/2.6 kernels), NetBSD, FreeBSD,  
Solaris, VxWorks,  
Wind River Interpeak IPv4/IPv6 dual stack



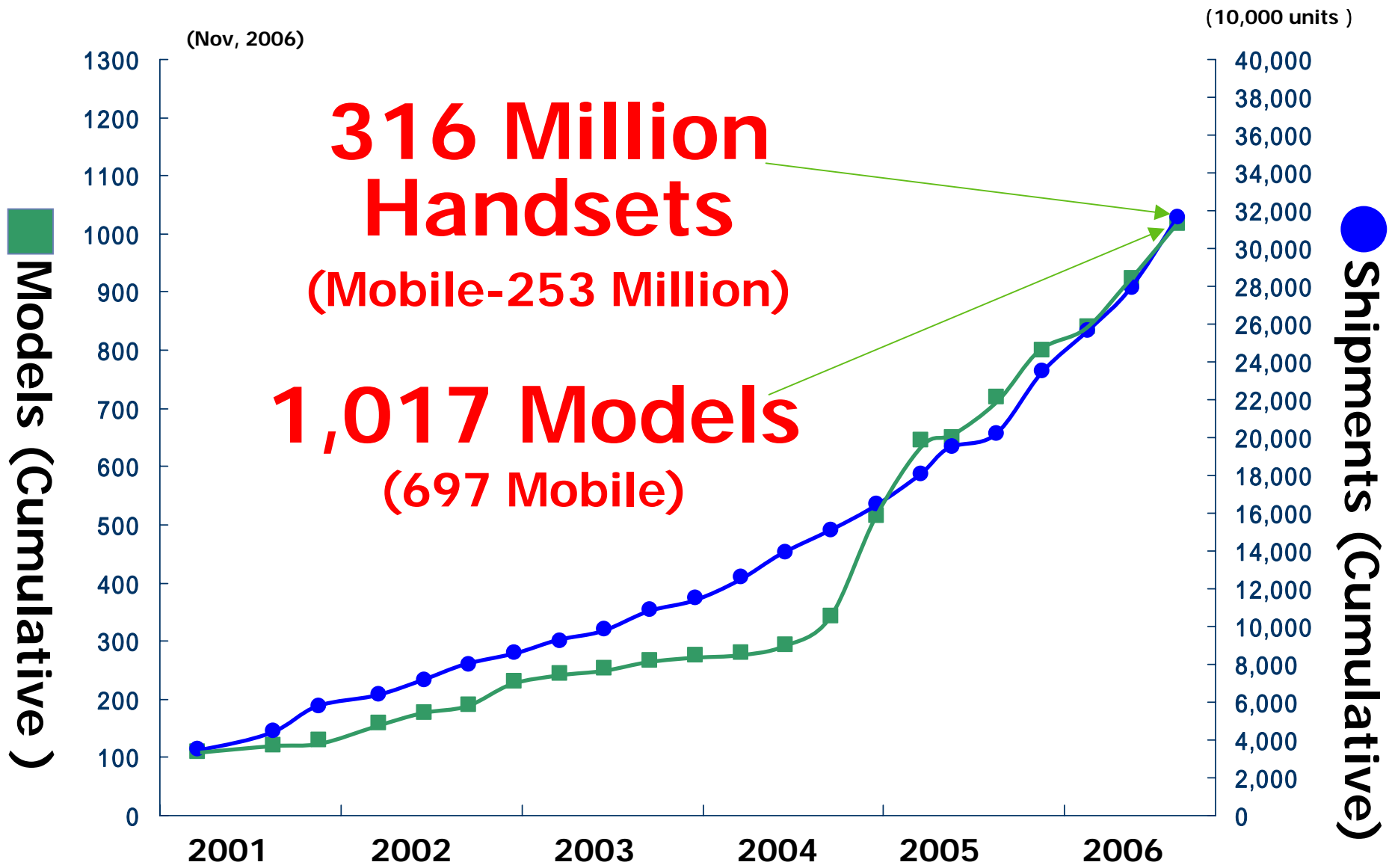
## Switch/Router Test Lab

# Enabling Ubiquitous Connectivity



# IV. Appendix: Achievements

# Cumulative Shipments over 316 Million



# Expanding Business Globally Shipments for Domestic Carriers in Q3

## Increasing number of New Models, as MNP started

NTT  
**Do Co Mo**



**au** by KDDI



SoftBank



**WILLCOM**



# Expanding Business Globally Samsung with NetFront Browser



# Expanding Business Globally Sony Ericsson with NetFront Browser



## Walkman™ music phones

(Walkman® player, Multimedia software, 2 MP camera)

- **W300i/c** Triband
- **W550i/c** Triband
- **W600i/c** Quadband+Edge
- **W710i/c** Quadband+Edge
- **W810i/c** Quadband+Edge
- **W830i/c** Triband+UMTS (announced)
- **W850i** Triband+UMTS
- **W900i/c** Triband+UMTS



## Cyber-Shot™ imaging phones

(3.2 MP camera, xenon flash, image stabilizer, QVGA screen)

- **K790a/i/c/K800i**  
K790a, K790i, K790c: Triband+EDGE  
K800i: Triband+UMTS



## Feature phones

- **K310i/a/c** Triband
- **K320i** Triband
- **K510i/a/c** Triband
- **K610i** Triband+UMTS
- **K610im** Triband+UMTS **i-mode™**
- **K618i** Triband+UMTS
- **V630i** Triband+UMTS
- **Z310i/a** Triband (announced)
- **Z530i/c** Triband
- **Z550i/a/c** Triband
- **Z558i/c** Triband
- **Z610i** Triband
- **Z710i/c** Quadband+Edge



a = Americas, i = International, c = China  
Source: SE website as of 2006-12-05

# Expanding Business Globally Chinese 3G Handsets with NetFront

## Tight relationships with major players in coming 3G market in China

- 3G phones for global market (Amoi, ZTE)



ZTE866 for UK H3G



ZTE868 for Taiwan VIBO



ZTE869 for Italy TIM



ZTEv520 for Taiwan VIBO

**Continue  
Launching  
More and More!**



Amoi MD-1 for Italy H3G



Amoi Mos1 for H3G



Amoi V810 for Mexico Iusacell

**ACCESS helps Chinese  
Mobile Manufacturers  
go for Global Market**

- 3G phones for Chinese market (LG, Motorola, UTS)



LG KG90C  
for China Unicom



Motorola V3  
for China Unicom



UTStarcom  
for China Unicom

**ACCESS helps Global  
Mobile Manufacturers  
go into Chinese Market**

## Towards “NetFront Everywhere”

Broadcasting Monitor



Yokogawa  
Electric

E-Learning Machine



Vtech  
Vflash

DVD/HDD Recorder



MITSUBISHI  
'Raku-Reco'