

March 2001 Interim Report (Non-Consolidated) November 8, 2000

Company Name:	Okinawa Cellular Telephone Company	Registered Shares (counter shares)	
Code No.:	9436	Main Office:	Okinawa Prefecture
Address:	2-14-1 Kumoji, Naha City, Okinawa JAPAN	Tel.:	(098) 860-3608
For Inquiries:	Kenji Hosoyamada, Executive Director		
Board of Directors' Meeting for Settlement of Accounts:	Nov. 8, 2000	Interim Dividend System Exists:	Yes
Interim Dividend Payment Date:	Dec. 7, 2000	Percentage of shares owned by parent company:	51.5 %
Parent Company:	DDI Corporation (Code No. 9433)		

1. Operations Results for Interim Period ending Sept. 2000 (Apr. 1, 2000 – Sept. 30, 2000)

(1) Operating Results

Figures rounded off to nearest million yen.

	Sales		Operating Profit		Ordinary Profit	
	million yen	%	million yen	%	million yen	%
Interim Period ending Sept. 2000	17,019	(12.3)	1,483	(25.7)	1,404	(30.4)
Interim Period ending Sept. 1999	15,161	(16.8)	1,180	(17.5)	1,077	(19.4)
Period ending March 2000	31,350		421		217	

	Net Profit This Interim Period		Net Profit Per Share This Interim Period	Net Profit Per Share After Adjustments This Interim Period
	million yen	%	yen	yen
Interim Period ending Sept. 2000	813	(26.2)	11,895.22	
Interim Period ending Sept. 1999	644	(21.1)	9,423.27	
Period ending March 2000	126		1,855.30	

(Notes)

- Profit and loss from equity investment: Interim period ending Sept. 2000: ¥ -- million Interim period ending Sept. 1999: ¥ -- million
Period ending March 2000: ¥-- million
- Profit & loss from derivative transactions as of end of this Interim Period: ¥ -- million
- Avg. number of shares outstanding: Interim Period ending Sept. 2000: 68,355 shares Interim Period ending Sept. 1999: 68,355 shares
Period ending March 2000: 68,355 shares
- Change in accounting method: Yes
- The percentages accompanying Sales, Operating Income, Ordinary Profit and Net Profit for this Interim Period reflect the rate of change (rise/drop) from the interim period for previous fiscal year.

(2) Dividends

	Interim Dividends Per Share (Yen)	Annual Dividends Per Share (Yen)
Interim Period ending Sept 2000	750.00	----
Interim Period ending Sept 1999	750.00	----
Period ending March 2000	----	1,500.00

(3) Finance

	Total Assets (million yen)	Equity Capital (million yen)	Ratio of Equity Capital to Total Assets (%)	Equity Capital Per Share (yen)
Interim Period ending Sept 2000	25,517	6,242	24.5	91,319.53
Interim Period ending Sept 1999	22,656	6,057	26.7	88,624.97
Period ending March 2000	23,667	5,489	23.2	80,307.00

(Notes) Number of final issued shares
 Interim Period September 2000: 68,355 shares
 Interim Period September 1999: 68,355 shares
 Period ending March 2000: 68,355 shares

(4) Cash Flow

(Unit: million yen)

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financial activities	Balance of cash & cash equivalent at end of period
Interim Period ending Sept 2000	2,526	3,331	868	635
Interim Period ending Sept 1999	-	-	-	-
Period ending March 2000	6,151	5,926	100	571

2. Projected Business Performance for Period Ending March 2001 (April 1, 2000 – March 31, 2001)

	Sales (million yen)	Ordinary Profit (million yen)	Net Profit (million yen)	Annual Dividend Per Share	
				End of Period (Yen)	(Yen)
Entire Period	33,500	2,500	1,400	750.00	1,500.00

(Reference) Net profit per share for this period is projected at 20,481.31 yen.

Management Policies

(1) Management Policy

Okinawa Cellular works to contribute to Okinawa's economic and social development through swift responses to technological advancements in telecommunications and to market changes, and fulfilling the increasingly sophisticated, diversified needs of our customers, while offering quality service at competitive prices. Our basic management focus is to establish a system yielding high profits with an emphasis on cash flows, to make Okinawa Cellular attractive to shareholders and investors alike.

(2) Basic Policy on Profit Sharing

Profit sharing with shareholders is the top priority of the Okinawa Cellular management. We work to raise the ratio of profit to capital and provide shareholders with secure dividend distribution. Concurrently, we give careful thought to the public responsibility and role of the telecommunications industry in use of internal reserves. We are aggressively investing in improvements in network safety and reliability, and to develop new services and technologies for greater competitiveness.

(3) Mid and Long Term Management Strategy

Although the Japanese mobile communications market has expanded rapidly in recent years, this growth must eventually slow. Under the "Mobile & IP" strategy of the KDDI Group, Okinawa Cellular will shift its focus from services in voice communication to data, images and other mobile multimedia services, responding to the demands of the growing mobile Internet user market. We strive to create new demands by offering next generation portable phone services. KDDI's network, technology and services will further strengthen our competitiveness and business foundations. Furthermore, we will aggressively pursue development of portable phone terminals, enhancement of EZ web contents and easier operation of EZ web, as well as expansion of international roaming services.

(4) Basic Policy on Our Relationship with the Parent Company

Okinawa Cellular operates in the mobile and car phone business in Okinawa as a member of the KDDI "au" Group. It is an independent business entity. As required, Okinawa Cellular cooperates with KDDI to discuss and implement various measures for "au" telephone business operations.

KDDI currently owns 51.5% of corporate shares. As majority shareholder, it has the ability to appoint or release directors, and can otherwise influence the decision-making processes of our firm.

The merger of DDI Corporation, KDD Corporation and IDO Corporation on October 1, 2000 is not expected to affect the basic tenets of Okinawa Cellular's relationship with KDDI.

(5) Other

- a. IDO and the eight firms of the Cellular Group have provided "seamless" roaming service through mutual support in their respective areas. This cooperative relationship has developed into "au," a corporate brand for unified portable phone service by the Cellular Group and IDO. In conjunction with this, our sales offices have been renamed "au shops."
- b. On May 12, 2000, Okinawa Cellular submitted application to the Minister of Posts and Telecommunications for a business change authorization and a radio station license, as steps towards introduction of the IMT-2000.

Interim Comparative Balance Sheet (Assets)

(Unit: thousand yen)

Item	Previous Interim Period (As of Sept 30, 1999)		Current Interim Period (As of Sept 30, 2000)		Increase/ Decrease	Previous Period (As of Mar 31, 2000)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
[Assets]		%		%			%
I. Fixed Assets							
A. Fixed assets related to the telecommunication business							
(1) Tangible fixed assets *1							
1. Mechanical equipment	12,686,215		12,867,336		181,121	10,974,637	
2. Antennas	2,428,987		2,919,058		490,071	2,534,749	
3. Buildings	1,241,872		1,576,258		334,385	1,357,731	
4. Land	330,549		386,578		56,029	380,903	
5. Temporary account for construction	503,433		393,835		△109,598	1,361,520	
6. Other tangible fixed assets	425,125		447,436		22,311	413,608	
Total tangible fixed assets	17,616,184	77.8	18,590,504	72.9	974,320	17,023,150	72.0
(2) Intangible fixed assets	345,145	1.5	384,316	1.5	39,171	360,918	1.5
Total fixed assets related to the telecommunication business	17,961,330	79.3	18,974,821	74.4	1,013,491	17,384,068	73.5
B. Fixed assets relating to subsidiary businesses							
(1) Intangible fixed assets	18,634		13,498		△5,136	15,989	
Total fixed assets relating to subsidiary businesses	18,634	0.1	13,498	0.0	△5,136	15,989	0.1
C. Investments, etc.							
1. Security deposits	138,483		165,847		27,364	163,052	
2. Tax asset carryover	84,514		77,998		△6,516	50,997	
3. Other investments	491,331		495,302		3,970	521,237	
Bad debt reserve	△141,612		△150,410		△8,797	△134,001	
Total investments, etc.	572,717	2.5	588,737	2.3	16,020	601,286	2.5
Total Fixed Assets	18,552,681	81.9	19,577,057	76.7	1,024,375	18,001,344	76.1
II. Liquid Assets							
1. Cash and bank deposits	369,426		635,858		266,431	571,752	
2. Accounts receivable	2,733,675		3,101,834		368,158	3,101,091	
3. Accounts due	293,104		691,600		398,496	405,698	
4. Inventory	544,484		1,221,945		677,461	695,336	
5. Tax asset carryover	86,774		192,044		105,270	783,616	
6. Other liquid assets	117,923		132,002		14,078	143,767	
Bad debt reserve	△41,607		△34,908		6,699	△34,996	
Total Liquid Assets	4,103,781	18.1	5,940,376	23.3	1,836,595	5,666,264	23.9
TOTAL ASSETS	22,656,462	100.0	25,517,433	100.0	2,860,970	23,667,609	100.0

Note: Figures under 1,000 have been rounded off.

Interim Comparative Balance Sheet (Liability and Capital)

(Unit: thousand yen)

Fiscal Year Item	Previous Interim Period (As of Sept 30, 1999)		Current Interim Period (As of Sept 30, 2000)		Increase/ Decrease	Previous Period (As of Mar 31, 2000)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
[Liabilities]		%		%			%
I. Fixed Liabilities							
1. Long term loans	5,436,147		4,352,381		1,083,766	4,594,509	
2. Reserve for retirement allowance	—		31,038		31,038	—	
Total Fixed Liabilities	5,436,147	24.0	4,383,419	17.2	△1,052,727	4,594,509	19.4
II. Liquid liabilities							
1. Liquid liabilities (payable within 1 year)	3,745,786		5,429,116		1,683,330	4,467,276	
2. Accounts payable *2	2,391		1,994,338		1,991,946	896,661	
3. Short term loan	2,000,000		3,200,000		1,200,000	3,000,000	
4. Arrearages *2	617,814		4,067,028		3,449,214	4,546,025	
5. Corporate tax due	530,000		1,500		△528,500	110,914	
6. Accrued expenses payable	1,270,567		102,333		△1,168,233	506,444	
7. Payable to related firms	408,810		—		△408,810	—	
8. Arrearages to related firms	2,537,121		—		△2,537,121	—	
9. Reserve for bonus payment	43,500		48,500		5,000	46,000	
10. Other liquid liabilities	6,364		49,051		42,686	10,393	
Total Liquid Liabilities	11,162,356	49.3	14,891,867	58.3	3,729,511	13,583,715	57.4
TOTAL LIABILITIES	16,598,503	73.3	19,275,287	75.5	2,676,783	18,178,224	76.8
[Capital]							
I. Capital	1,414,581	6.2	1,414,581	5.6	—	1,414,581	6.0
II. Capital reserve	1,614,991	7.1	1,614,991	6.3	—	1,614,991	6.8
III. Profit reserve	40,330	0.2	51,490	0.2	11,160	45,457	0.2
IV. Other surplus							
1. Voluntary reserve	2,149,000		2,149,000		—	2,149,000	
2. Interim undistributed profit (this period)	839,057		1,012,083		173,026	265,355	
Total other surplus	2,988,057	13.2	3,161,083	12.4	173,026	2,414,355	10.2
TOTAL CAPITAL	6,057,959	26.7	6,242,146	24.5	184,187	5,489,384	23.2
TOTAL LIABILITIES & CAPITAL	22,656,462	100.0	25,517,433	100.0	2,860,970	23,667,609	100.0

Interim Comparative Profit and Loss Statement

(Unit: thousand yen)

Item	Fiscal Year		Previous Interim Period (Apr 1, 1999 - Sept 30, 1999)		Current Interim Period (Apr 1, 2000 - Sept 30, 2000)		Increase/ Decrease	Previous Period (Apr 1, 1999- Mar 31, 2000)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio		
Profit and Loss		%		%			%		
[Operating Profit and Loss]									
I. Profit and loss from telecommunication business operations									
(1) Operating revenue									
1. Income from voice transmission services	11,512,781		12,473,129		960,347	23,647,212			
2. Income from data transmission services	—		353,924		353,924	23,278			
3. Other income	5,834		—		△5,834	—			
Total operating revenue	11,518,616	76.0	12,827,053	75.4	1,308,437	23,670,490	75.5		
(2) Operating expenses									
1. Operating costs	5,600,194		6,644,825		1,044,631	12,072,924			
2. Facilities maintenance costs	507,436		727,896		220,460	1,149,091			
3. Management costs	473,552		489,569		16,016	844,933			
4. Depreciation	2,019,418		1,499,672		△519,745	4,309,359			
5. Fixed assets retirement costs	209,688		1,325		△208,362	1,727,951			
6. Communication equipment usage fee	1,663,616		1,986,250		322,634	3,260,006			
7. Taxes and other public charges	158,818		186,463		27,645	324,868			
Total operating expenses	10,632,724	70.1	11,536,004	67.8	903,279	23,689,136	75.6		
Operating profit / loss (Δ) from the telecommunications business	885,891	5.9	1,291,049	7.6	405,157	△18,645	△0.1		
II. Profit and loss from subsidiary businesses operations									
(1) Operating revenue	3,643,231	24.0	4,192,230	24.6	548,999	7,680,438	24.5		
(2) Operating expenses	3,348,200	22.1	3,999,434	23.5	651,234	7,240,295	23.1		
Operating profit from subsidiary business operations	295,031	1.9	192,795	1.1	△102,235	440,143	1.4		
Operating Profit	1,180,922	7.8	1,483,845	8.7	302,922	421,497	1.3		
[Non-operating Profit and Loss]									
III. Non-operating revenue *1	42,969	0.3	59,363	0.4	16,394	82,485	0.3		
IV. Non-operating expenses *2	146,695	1.0	138,905	0.8	△7,789	286,353	0.9		
Ordinary profit	1,077,196	7.1	1,404,303	8.3	327,106	217,630	0.7		
Special Profit and Loss									
Special loss *3	—	—	25,287	0.1	25,287	—	—		
Interim net profit before taxes (this period)	1,077,196	7.1	1,379,016	8.1	301,819	217,630	0.7		
Corporation tax, etc.	515,547	3.4	1,347	0.0	△514,200	836,614	2.7		
Adjusted corporation tax, etc.	△82,478	△0.5	564,570	3.3	647,049	△745,803	△2.4		
Interim net profit (this period)	644,127	4.2	813,097	4.8	168,970	126,819	0.4		
Profit forwarded from previous period	106,119		198,985		92,866	106,119			
Tax adjustment from previous year	88,810		—		△88,810	88,810			
Interim dividend	—		—		—	51,266			
Profit reserve for interim dividend	—		—		—	5,126			
Interim undistributed profit (this period)	839,057		1,012,083		173,026	265,355			

- Notes: 1. Figures less than 1,000 yen have been rounded off.
2. The percentage figures have been calculated with the sum of Operating Revenue from the telecommunication business and Operating Revenue from subsidiary businesses as 100%.

Interim Cash Flow Statement

(Unit: thousand yen)

Item	Period	Current Interim Period April 1, 2000 – Sept 30, 2000	Previous Period April 1, 1999 – March 31, 2000
		Amount	Amount
I. Cash flow from operating activities			
Interim net profit before taxes this period		1,379,016	217,630
Depreciation		1,502,163	4,314,681
Increase (decrease) in bad debt reserve		11,920	△22,137
Increase in reserve for retirement allowance		31,038	—
Increase in reserve for bonus allowance		2,500	—
Fixed assets retirement costs		—	1,613,439
Loss from investment and securities revaluation		—	1,012
Other losses from investment		4,400	1,500
Interests and dividends received		△1,807	△500
Interest paid		134,505	283,840
Sales credit increase		△743	△607,174
Increase (decrease) in inventory assets		△526,609	20,644
Increase in purchase credit		1,097,676	183,545
Bonus to officers		△9,070	△8,380
Other increase and decrease amount		△463,058	1,154,599
Subtotal		3,161,933	7,152,700
Interest and dividends received		1,807	500
Interest paid		△130,734	△286,110
Corporate taxes paid		△506,292	△715,669
Cash flow from operating activities		2,526,714	6,151,421
II. Cash flow from investment activities			
Income from sales of tangible fixed assets		186	98,000
Expenditures for acquisition of tangible fixed assets		△3,243,748	△5,767,418
Expenditures for acquisition of intangible fixed assets		△82,009	△80,011
Expenditures for acquisition of investment securities		△1,200	△99,920
Expenditures for acquisition of other investments		△4,445	△77,579
Cash flow from investment activities		△3,331,216	△5,926,929
III. Cash flow from financial activities			
Increase (decrease) in short term borrowings		200,000	△700,000
Proceeds from long term borrowings		3,100,000	4,000,000
Expenditures for payment of long term loan		△2,380,288	△3,281,246
Dividend payments		△51,104	△119,179
Cash flow from financial activities		868,607	△100,425
IV. Cash and cash equivalent (difference at liquidation)		—	—
V. Increase in cash and cash equivalent		64,105	124,067
VI. Balance of cash and cash equivalent at beginning of period		571,752	447,684
VII. Balance of cash and cash equivalent at end of period		635,858	571,752

Note: Figures less than 1,000 yen have been rounded off.

Core Items which are Basic to Preparing Interim Statements

1. Standards and methods for evaluating assets

(1) Inventory

Inventory Stores: moving average costing method used

(2) Marketable securities

Other marketable securities: moving average costing methods used

2. Depreciation calculations on fixed assets

(1) Tangible fixed assets

The straight-line method is used to calculate depreciation. However, useful life as designated by Okinawa Cellular is applied to certain machinery and equipment.

Previously, depreciation of tangible fixed assets was based on the declining-balance method in conformity with corporate tax law. (The straight-line method was applied to buildings (excluding fixtures) acquired after Apr. 1, 1998.) Effective as of this interim accounting period, the company changed its depreciation calculation method to the straight-line method.

This change was made due to the following: The adoption of the unified brand "au" by eight cellular companies including Okinawa Cellular and the former IDO Corporation in July 2000; the October 1, 2000 merger of the former DDI Corporation, the company's parent corporation, with KDD Corporation and IDO Corporation; and the merger of seven cellular companies excluding Okinawa Cellular on November 1, 2000. All these changes contributed to establishing a basis for providing seamless services throughout the nation. With more diverse services, the company can continue to secure and keep customers, resulting in stable profit. Therefore, the company applied the new method to better reflect the stable collection of the invested capital and better match its income and depreciation expenses.

In this interim accounting period, the change had the effect of reducing depreciation expense and increasing ordinary profit and interim profit before taxes by 902,767 thousand yen.

(2) Intangible fixed assets

The straight-line method is applied. Useful life as designated by Okinawa Cellular (5 years) is applied to software used within the company.

3. Standards for reserve appropriations

(1) Bad Debt Reserve

To provide for bad debts, the amount deemed non-collectable is set aside as reserve. The reserve amount is calculated based on the percentage of past loss for general accounts receivable. For specific accounts regarded non-collectable, the possibility of collection is evaluated for each account.

(2) Reserve for Bonus Allowance

To provide for employee bonuses, estimated cost during the interim accounting period is charged based on the estimated amount of bonus payments.

(3) Reserve for Retirement Allowance

To provide for employee retirement benefits, the amount that will be incurred at the end of the interim accounting period is appropriated according to the estimated amount of retirement benefits payable and pension funds at the end of the business year. With regard to the difference (50,574 thousand yen) generated by the change in the accounting standards, the entire amount is charged as expenses, and half the amount is charged to special loss in the interim accounting period.

4. Lease transactions

The method used for general lease transactions are applied to all finance lease transactions, except for leased assets whose ownerships are recognized to transfer to lessees.

5. The range of funds included in the interim cash flow statement

Cash and cash equivalents in the interim cash flow statement consist of cash on hand, deposits which can be withdrawn at any time, and short-term investments with maturities of 3 months or less that are readily convertible to cash and present insignificant risk of changes in interest rates.

6. Other important items which serve as the basis for preparing interim financial statements

Accounting for consumption taxes:

Consumption taxes are not included. Temporary tax payments and taxes collected are set off and recorded as arrearages. The amount after set off is 90,411 thousand yen.

Changes in Presentation

Fixed expenses such as sales commissions previously charged to “accrued expenses payable” are recorded as “arrearages” (1,675,403 thousand yen) for this interim accounting period. Fixed expenses recorded as “accrued expenses payable” at the end of the previous interim period accounted for 1,182,240 thousand yen.

Additional Information

1. Accounting for employee retirement benefits

Accounting standards which cover employee retirement benefits (the report on the establishment of the accounting standards which cover employee retirement benefits: the corporate accounting council on June 16, 1998) have been applied from the interim accounting period. Compared with the previous method, retirement benefits expenses increased by 31,038 thousand yen, and ordinary profit and interim profit before taxes decreased by 5,751 thousand yen and 31,038 thousand yen, respectively.

2. Accounting for financial products

Based on the Ministry of Finance Ordinance 2000, Article 10, Paragraph 3, no market value valuation was conducted for other marketable securities with market values. At the end of the interim accounting period, the amount of the other marketable securities in the interim balance sheet is 98,907 thousand yen, the market value was 99,388 thousand yen, the estimated appraisal difference was 283 thousand yen, and the estimated amount of deferred income taxes was 197 thousand yen.

3. Change in the length of useful lives

To respond to the rapid technological innovations in mobile phone service, the company changed the useful life applied to wireless equipments from 9 years to 6 years. Consequently, depreciation expenses increased and ordinary profit and interim profit before taxes decreased by 306,253 thousand yen.

Notes

[Interim Balance Sheet]

(Unit: thousand yen)

	Previous Interim Period	Current Interim Period	Previous Period
1. Accumulated depreciation for tangible fixed assets	10,840,064	11,232,779	9,816,482
2. Liabilities to associated companies			
Accounts payable	—	1,983,836	879,014
Arrearages	—	1,780,567	2,105,887
3. Increase/decrease in outstanding shares:			
Stock Split	54,684 shares	—	54,684 shares

[Interim profit and loss statement]

(Unit: thousand yen)

	Previous Interim Period	Current Interim Period	Previous Period
1. Major items in non-operating income			
Interest received	304	247	500
Commissions received	20,346	32,442	44,825
Rental Income	21,666	22,875	28,074
2. Major items in non-operating expense			
Interest paid	146,695	134,505	283,840
3. Special Loss			
Difference in retirement allowance caused by change in the accounting standards	—	25,287	—

[Interim profit and loss statement]

(Unit: thousand yen)

	Previous Interim Period	Current Interim Period	Previous Period
4. Depreciation			
Tangible Fixed Assets	1,914,879	1,416,296	4,148,026
Intangible Fixed Assets	30,934	40,259	66,638

[Interim cash flow statement]

The relation between the balance of cash and cash equivalents at the end of interim period, and the value of the items in the interim balance sheet

(Unit: thousand yen)

	Previous Interim Period	Current Interim Period	Previous Period
Cash and deposit accounts		635,858	571,752
Time deposits of over 3 months	—	—	—
Cash and cash equivalents		635,858	571,752

[Lease transactions]

(Unit: thousand yen)

Previous Interim Period (Apr 1, 1999 – Sept 30, 1999)	Current Interim Period (Apr 1, 2000 – Sept 30, 2000)	Previous Period (Apr 1, 1999 – Mar 31, 2000)																																																
Finance lease transactions, excluding leased asset whose ownership is recognized to transfer to lessee	Finance lease transactions, excluding leased asset whose ownership is recognized to transfer to lessee	Finance lease transactions, excluding leased asset whose ownership is recognized to transfer to lessee																																																
1. Estimated acquisition cost, estimated accumulated depreciation, and estimated balance at the end of the interim period for leased assets	1. Estimated acquisition cost, estimated accumulated depreciation, and estimated balance at the end of the interim period for leased assets	1. Estimated acquisition cost, estimated accumulated depreciation, and estimated balance at the end of the period for leased assets																																																
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