

## March 2001 Statement of Account ( Non-consolidated ) May 17, 2001

Company Name: <b>Okinawa Cellular Telephone Company</b>	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: May 17, 2001	
Shareholders' Regular Meeting: June 22, 2001	Interim Dividend System Exists: Yes
Parent Company: KDDI Corporation (Code No.9433)	Percentage of shares owned by parent company: 51.5%

### 1. Business Performance for Period Ending March, 2001 (April 1, 2000 through March 31, 2001)

#### (1) Operating Statistics

(Note) Figures under one million yen have been rounded off.

	Sales		Operating Profit		Ordinary Profit	
	Million yen	%	Million yen	%	Million yen	%
Period ending March 2001	35,123	( 12.0 )	2,710	( 543.1 )	2,550	( - )
Period ending March 2000	31,350	( 16.3 )	421	( △76.6 )	217	( △86.1 )

	Net Profit		Net Profit per Stock		Net Profit Per Stock after Stock Adjustment	Ratio of Net Profit to Equity Capital	Ordinary Profit Ratio of Total Capital	Ordinary Profit Ratio on Sales
	Million yen	%	Yen	Sen				
Period ending March 2001	1,468	( - )	21,478	41	—	23.8	10.1	7.3
Period ending March 2000	126	( △85.4 )	1,855	30	—	2.3	1.0	0.7

(Notes)

1. Profit and loss from equity investment: Period Ending March 2001: — Million yen      Period Ending March 2000: — Million yen
2. Average number of shares outstanding: Period Ending March 2001: 68,355 shares      Period Ending March 2000: 68,355 shares
3. Change in accounting method: Yes
4. The percentage figures shown for Sales, Operation Income, Ordinary Profit, and Net Profit reflect rate of increase/decrease from the previous period.

#### (2) Dividends

	Annual Dividend per Share						Total Annual Dividend (Year)	Pay-out Ratio	Equity Capital Dividend Rate
			Interim		Year-end				
	Yen	Sen	Yen	Sen	Yen	Sen			
Period ending March 2001	1,750	00	750	00	1,000	00	119	8.1	1.7
Period ending March 2000	1,500	00	750	00	750	00	102	80.8	1.9

(Note) Details of dividends at the end of Mar 2001      Ordinary dividend 750 Yen 00 Sen      Memorial dividend 250 Yen 00 Sen

#### (3) Finance

	Total Assets	Equity Capital	Ratio of Equity Capital to Total Assets	Equity Capital per Share	
	Million yen	Million yen	%	Yen	Sen
Period ending March 2001	26,678	6,845	25.7	100,152	72
Period ending March 2000	23,677	5,489	23.2	80,307	00

(Note) Number of share issued at the end of current period      Mar 2001 68,355 shares      Mar 2000 68,355 shares

#### (4) Cash Flow

	Cash flow from Operating Activities	Cash Flow from Investment Activity	Cash Flow from Financial Activity	Balance of Cash & Cash Equivalent at the End of Period
	Million yen	Million yen	Million yen	Million yen
Period ending March 2001	4,526	△ 5,410	1,024	712
Period ending March 2000	6,151	△ 5,926	△ 100	571

### 2. Projected Business Performance for Period Ending March 2002 (April 1, 2001 through March 31 2002)

	Sales	Ordinary Profit	Net Profit	Per Share Annual Dividend (end of term)	
	Million yen	Million yen	Million yen	Yen	Sen
Ending period March 2002	40,000	2,000	1,150	1,500	00

(Reference) Net Profit per share for this period is projected at 16,823 yen 93 sen

## Comparative Balance Sheet ( Assets )

( Unit : thousand yen )

Fiscal Year  Item	9 <sup>th</sup> Period (previous) (As of March 31, 2000)		10 <sup>th</sup> Period (current) (As of March 31, 2001)		Increase/ Decrease
	A m o u n t	Composi tion Ratio	A m o u n t	Composi tion Ratio	A m o u n t
( Assets )		%		%	
Fixed Assets					
A Fixed assets related to the telecommunications Business					
(1) Tangible fixed asset					
1 . Mechanical equipment	10,974,637		12,352,781		1,378,144
2 . Antennas	2,534,749		3,040,819		506,070
3 . Out-of-town line equipment	10,608		8,871		1,737
4 . Civil engineering facilities	49,909		47,980		1,928
5 . Buildings	1,357,731		1,663,534		305,803
6 . Structures	306,353		353,566		47,213
7 . Machineries & equipment	171		126		45
8 . Tools and other equipment	46,565		51,527		4,962
9 . Land	380,903		388,268		7,365
10 . Temporary account for construction	1,361,520		342,324		1,019,195
Total tangible fixed assets	17,023,150	72.0	18,249,801	68.4	1,226,651
(2) Intangible fixed assets					
1 . Rights to use facilities	187,962		175,518		12,443
2 . Software	156,701		192,217		35,516
3 . Lease tenant rights	2,000		2,000		
4 . Telephone subscription rights	14,254		14,990		736
Total Intangible assets	360,918	1.5	384,727	1.4	23,808
Total fixed assets of telecommunications business	17,384,068	73.5	18,634,529	69.8	1,250,460
B Fixed assets related to subsidiary business					
(1) Intangible fixed assets	15,989		11,006		4,982
Total fixed assets related to subsidiary business	15,989	0.1	11,006	0.0	4,982
C Investments, etc.					
1 . Securities deposits	102,937		103,937		1,000
2 . Long-term prepaid expenses	248,506		212,473		36,032
3 . Tax asset carryover	50,997		103,913		52,916
4 . Security deposits	163,052		179,519		16,467
5 . Other investments	169,793		61,746		108,046
Bad debt reserve	134,001		58,677		75,323
Total investments, etc.	601,286	2.5	602,913	2.3	1,627
Total Fixed Assets	18,001,344	76.1	19,248,449	72.1	1,247,105
Liquid Assets					
1 . Cash and bank deposits	571,752		712,748		140,996
2 . Accounts receivable	3,101,091		3,663,348		562,256
3 . Accounts due	405,698		1,137,216		731,518
4 . Inventory	695,336		1,846,996		1,151,659
5 . Prepaid expense	143,434		114,046		29,387
6 . Tax asset carryover	783,616		98,716		684,899
7 . Other liquid assets	333		503		170
Bad debt reserve	34,996		143,279		108,282
Total Liquid Assets	5,666,264	23.9	7,430,296	27.9	1,764,032
TOTAL ASSETS	23,667,609	100.0	26,678,746	100.0	3,011,137

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

## Comparative Balance Sheet ( Liability and Capital )

( Unit : thousand yen )

Fiscal Year  Item	9 <sup>th</sup> Period (previous) (As of March 31, 2000)		10 <sup>th</sup> Period (current) (As of March 31, 2001)		Increase/ Decrease
	A m o u n t	Composi tion Ratio	A m o u n t	Composi tion Ratio	A m o u n t
( Liabilities )		%		%	
Fixed Liabilities					
1 . Long term loans	4,594,509		3,896,732		697,777
2 . Reserve for retirement allowances			61,975		61,975
Total Fixed Liabilities	4,594,509	19.4	3,958,707	14.8	635,802
Liquid Liabilities					
1 . Liquid liabilities (payable within 1 year)	4,467,276		4,791,816		324,540
2 . Account Payable	896,661		2,305,916		1,409,255
3 . Short term loans	3,000,000		4,500,000		1,500,000
4 . Arrearages	4,546,025		4,013,765		532,259
5 . Accrued expenses payable	110,914		133,949		23,035
6 . Corporate tax due	506,444				506,444
7 . Advance received	5,773		29,561		23,788
8 . Money on deposit	4,620		46,090		41,469
9 . Reserve for bonus payment	46,000		53,000		7,000
Total Liquid Liabilities	13,583,715	57.4	15,874,100	59.5	2,290,384
TOTAL LIABILITIES	18,178,224	76.8	19,832,807	74.3	1,654,582
( Capital )					
Capital	1,414,581	6.0	1,414,581	5.3	
Capital reserve	1,614,991	6.8	1,614,991	6.1	
Profit reserve	45,457	0.2	56,617	0.2	11,160
Other surplus					
1 . Voluntary reserve					
Other reserve	2,149,000		2,149,000		
2 . Undistributed profit (this period)	265,355		1,610,749		1,345,394
Total of other surplus	2,414,355	10.2	3,759,749	14.1	1,345,394
TOTAL CAPITAL	5,489,384	23.2	6,845,939	25.7	1,356,554
TOTAL LIABILITIES & CAPITAL	23,667,609	100.0	26,678,746	100.0	3,011,137

## Comparative Profit and Loss Statement

(Unit : thousand yen)

Item	Fiscal Year	9 <sup>th</sup> Period (previous) (Apr 1,1999-Mar 31,2000)		10 <sup>th</sup> Period (current) (Apr 1,2000-Mar 31,2001)		Increase/ Decrease
		A m o u n t	Composi tion Ratio	A m o u n t	Composi tion Ratio	A m o u n t
<b>Profit and Loss</b>						
<b>( Operating Profit and loss )</b>						
Profit and loss from telecommunications business operation						
(1)Operation revenue						
1 . Income from voice transmission services		23,647,212		24,656,640		1,009,427
2 . Income from data transmission services		23,278		1,336,289		1,313,011
Total operating revenue		23,670,490	75.5	25,992,929	74.0	2,322,439
(2)Operating expenses						
1 . Operating costs		12,072,924		14,074,207		2,001,283
2 . Facilities maintenance costs		1,149,091		1,520,671		371,579
3 . Management costs		844,933		882,232		37,298
4 . Depreciation		4,309,359		3,092,202		1,217,156
5 . Fixed assets retirement costs		1,727,951		197,516		1,530,435
6 . Communication equipment usage fee		3,260,006		3,660,271		400,265
7 . Taxes and other public charges		324,868		359,126		34,257
Total operating expenses		23,689,136	75.6	23,786,230	67.7	97,093
<b>Operating profit/loss( ) from the telecommunications business</b>		18,645	0.1	2,206,699	6.3	2,225,345
Profit and loss from subsidiary businesses operations						
(1)Operating revenue		7,680,438	24.5	9,130,598	26.0	1,450,159
(2)Operating expenses	1	7,240,295	23.1	8,626,642	24.6	1,386,347
Operating profit from subsidiary business operations		440,143	1.4	503,955	1.4	63,812
Operating profit		421,497	1.3	2,710,655	7.7	2,289,158
<b>( Non-operating Profit and Loss )</b>						
Non-operating revenue						
1 . Interests received		500		725		225
2 . Dividends earned				1,571		1,571
3 . Profit on devaluation of Investment securities				1,520		1,520
4 . Commission received		44,825		72,374		27,549
5 . Rental Income		28,074		26,631		1,442
6 . Miscellaneous profit		9,086		5,043		4,042
Total non-operating revenue		82,485	0.3	107,867	0.3	25,381
Non-operating expenses						
1 . Interest paid		283,840		263,311		20,529
2 . Loss on revaluation of securities		1,012				1,012
3 . Miscellaneous loss		1,500		4,400		2,900
Total non-operating expenses		286,353	0.9	267,711	0.7	18,642
Ordinary profit		217,630	0.7	2,550,811	7.3	2,333,181
<b>Special Profit and Loss</b>						
Special loss						
(I)Difference in retirement allowance caused by change in the accounting standards				51,192		51,192
Total special loss			-	51,192	0.2	51,192
Net profit before tax (this period)		217,630	0.7	2,499,619	7.1	2,281,989
Corporation tax, etc.		836,614	2.7	399,479	1.1	437,134
Adjusted corporation tax, etc.		745,803	2.4	631,983	1.8	1,377,786
Net profit (this period)		126,819	0.4	1,468,156	4.2	1,341,337
Profit forwarded from previous period		106,119		198,985		92,866
Tax adjustment from previous year		88,810				88,810
Interim dividend		51,266		51,266		
Profit reserve for interim dividend		5,126		5,126		
Undistributed profit (this period)		265,355		1,610,749		1,345,394

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

2.The percentage figures have been calculated with the sum of Operating Revenue from the telecommunication businesses and Operation Revenue from subsidiary businesses as 100%.

## Comparative Cash Flow Statement

(Unit : thousand yen)

Fiscal Year	9 <sup>th</sup> Period (previous) (Apr.1,1999-Mar.31,2000)	10 <sup>th</sup> Period (current) (Apr.1,2000-Mar.31,2001)	Increase/ Decrease
Item	A m o u n t	A m o u n t	A m o u n t
Cash flows from operating activities			
Net profit before taxes this period	217,630	2,499,619	2,281,989
Depreciation	4,314,681	3,097,185	1,217,495
Increase (decrease) in bad dept reserve	22,137	28,558	50,695
Increase in reserve for retirement allowance		61,975	61,975
Increase in reserve for bonus allowance		7,000	7,000
Fixed assets retirement costs	1,613,439	228,968	1,384,470
Loss from investment and securities revaluation	1,012		1,012
Loss from golf membership revaluation	1,500	4,400	2,900
Gain from investment securities sold		1,520	1,520
Interests and dividends received	500	2,297	1,796
Interest paid	283,840	263,311	20,529
Sales credit increase	607,174	562,256	44,917
Increase (decrease) in inventory assets	20,644	1,151,659	1,172,304
Increase in purchase credit	183,545	1,409,255	1,225,709
Bonus to officers	8,380	9,070	690
Other increase and decrease amount	1,154,599	182,584	1,337,183
Sub total	7,152,700	5,690,885	1,461,815
Interest and dividends received	500	2,297	1,796
Interest paid	286,110	260,412	25,698
Corporate taxes paid	715,669	905,924	190,254
Cash flow from operating activities	6,151,421	4,526,845	1,624,575
Cash flow from investment activities			
Income from sales of tangible fixed assets	98,000	186	97,813
Expenditures for acquisition of tangible fixed assets	5,767,418	5,217,322	550,095
Expenditures for acquisition of intangible fixed assets	80,011	119,316	39,304
Income from sales of investment securities		1,720	1,720
Expenditures for acquisition of investment securities	99,920	1,200	98,720
Expenditures for acquisition of other investments	77,579	74,261	3,317
Cash flow from investment activities	5,926,929	5,410,194	516,734
Cash flows from financial activities			
Proceeds (decrease) in short term borrowings	700,000	1,500,000	2,200,000
Proceeds from long-term borrowings	4,000,000	5,000,000	1,000,000
Expenditures for payment of long term loan	3,281,246	5,373,237	2,091,991
Dividend payments	119,179	102,418	16,760
Cash flow from financial activities	100,425	1,024,344	1,124,769
Cash and cash equivalent (difference at liquidation)			
Increase in cash and cash equivalent	124,067	140,996	16,928
Balance of cash and cash equivalent at beginning of period	447,684	571,752	124,067
Balance of cash and cash equivalent at end of period	571,752	712,748	140,996

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

## **Important accounting policies**

### **1. Method of depreciation for fixed assets**

#### (1) Tangible fixed assets

The straight-line method is used to calculate depreciation.

Primary useful lives are as follows:

Machinery 5 ~ 15 years

Antenna equipment 6 ~ 21 years

Buildings 3 ~ 31 years

#### < Change in accounting method >

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 accounting period, the company changed its depreciation calculation method to the straight-line method.

This change was made due to the following: The October 1, 2000 merger of the former DDI Corporation, the company's parent corporation, with KDD Corporation and IDO Corporation; the adoption of the unified brand "au" by eight cellular companies including Okinawa Cellular and the former IDO Corporation in July 2000; 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 accounting period, the change had the effect of reducing depreciation expense and increasing ordinary profit and profit before taxes by 1,900,205 thousand.

#### (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) Long-term prepaid expense

The straight-line method is applied.

### **2. Standards and method for evaluating assets**

#### (1) Standards and method for evaluating inventory

Inventory Stores: moving average costing method used

#### (2) Standards and method for evaluating marketable securities

Other marketable securities

Ones with fair market value...moving average costing method used

Ones with no fair market value...moving average costing method used

### **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, the amount 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 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 (51,192 thousand yen) generated by the change in the accounting standards, the entire amount is charged as special loss in this accounting period.

Starting next period, mathematical difference, which is less than Employees' average work duration remained, will be charged as expenses using straight-line method while applying designated years (14 years).

#### **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 . Method of hedge accounting**

(1) Methods of hedge accounting

Deferred hedge processing is applied. With regard to interest swap transaction, special treatment processing is applied since its necessary conditions are met.

(2) Hedge method and target

Hedge method...interest swap transaction

Hedge target...interest expense of loan payable

(3)Hedge policy

Based on “Inner management operation policy regarding interest swap”, hedge accounting is applied in order to avoid the risk of interests in the future.

(4)Method of evaluating effectiveness of hedge accounting

Regarding interest swap transaction, necessary conditions for special treatment defined by financial accounting standards have been previously confirmed.

Afterward inspection is not conducted because the interest swap transaction implemented by our company satisfies necessary conditions for special treatment defined by financial accounting standards.

#### **6 . The range of funds in the cash flow statement**

Cash and cash equivalents in the 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.

#### **7 . Other important items which serve as the basis for preparing financial statements**

Accounting for consumption taxes: Consumption taxes are not included.

#### **Change in Presentation**

Cancelled credit within sales credit was previously charged as “other investments”. For this accounting period, only sales credit which is receivable more than a year is recorded as “other investments” (53,196 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 this accounting period. Compared with the previous method, reserve for retirement allowance (61,975 thousand yen) have been newly appropriated. Expense for retirement benefits and ordinary profit increased by 40,004 thousand yen and 11,188 thousand yen, respectively. Profit before taxed decreased by 40,004 thousand yen as well.

## 2 . Accounting for financial products

Accounting standards which cover financial products (the report on the establishment of the accounting standards which cover financial products: the corporate accounting council on Jan 22, 1999) have been applied from this accounting period. Changes were made to accounting standard of bad loan and method of evaluating golf club membership. Compared with the previous method, ordinary profit and profit before taxed decreased by 4,400 thousand yen.

Based on the Ministry of Finance Ordinance 2000, Article 8, Paragraph 3, no market value valuation was conducted for other marketable securities with market values.

At the end of the accounting period, the amount of the other marketable securities in the balance sheet is 98,907 thousand yen, the market value was 98,500 thousand yen, the estimated appraisal difference was 239 thousand yen, and the estimated amount of deferred income taxes was 167 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 profit before taxes decreased by 622,910 thousand yen.

### Notes

( Balance sheet )

(Unit : thousand yen)

	9 <sup>th</sup> Period(Previous)	10 <sup>th</sup> Period (Current)
1 . Accumulated depreciation for tangible fixed assets	9,816,482	12,365,131
2 . Liabilities to associated companies		
Accounts payable	879,014	2,038,062
Short-term loan		2,000,000
Arrearages	2,105,887	1,650,663
3 . Number of authorized shares and shares issued		
Number of authorized shares	250,000 shares	250,000 shares
Number of shares issued	68,355 shares	68,355 shares

( Statement of profit and loss )

(Unit : thousand yen)

	9 <sup>th</sup> Period(Previous)	10 <sup>th</sup> Period (Current)
1 . Amount of mobile phones purchased from associated companies ( Amount equivalent to selling cost )	6,977,861	7,891,338

( Cash flow statement )

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

(Unit : thousand yen)

	9 <sup>th</sup> Period(Previous)	10 <sup>th</sup> Period (Current)
Cash and deposit accounts	571,752	712,748
Time deposits of over 3 months		
Cash and cash equivalent	<u>571,752</u>	<u>712,748</u>