



Report for 1st Quarter, Fiscal Year Ending March 2005 (Non-Consolidated)

July 28, 2004

Company name: **Okinawa Cellular Telephone Company**

Registered Shares (counter shares)

Code No.: 9436

URL: <http://www.au.kddi.com/chiiki/okinawa/index.html>

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1. Matters Pertaining to the Preparation of the Quarterly Report

- (1) Adoption of simplified procedures for accounting: none
- (2) Change(s) in accounting method from the latest accounting year: none

2. Financial and Business Performance for 1st Quarter, FY Ending March 2005 (Apr. 1, 2004 – Jun. 30, 2004)

(1) Operating Results

Note: Figures rounded off to nearest million yen.

	Operating Revenues		Operating Income		Recurring Profits		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
1 st Quarter, FY ending Mar. 2005	10,950	(4.8)	1,899	(24.1)	1,938	(26.0)	1,292	(37.0)
1 st Quarter, FY ending Mar. 2004	10,447	(-)	1,531	(-)	1,538	(-)	943	(-)
(Ref.) FY ending Mar. 2004	42,815		6,478		6,539		4,214	

	Earnings Per Share	Diluted Earnings Per Share
	Yen	Yen
1 st Quarter, FY ending Mar. 2005	18,908.44	-
1 st Quarter, FY ending Mar. 2004	13,804.43	-
(Ref.) FY ending Mar. 2004	61,524.93	-

Notes:

1. The percentages accompanying Operating Revenues, Operating Income, etc. reflect the rate of change (increase/decrease) from the same quarter of the previous fiscal year.
2. No percentages are shown for 1st Quarter of FY ending March 2004, because no Quarterly Report was prepared for the 1st Quarter of FY ending March 2003.
3. "Operating Revenues" is shown in place of "Sales" in accordance with changes in the presentation of items.

(2) Changes in Financial Position

	Total Assets (million yen)	Shareholders' Equity (million yen)	Equity Ratio (%) (Ratio of Shareholders' Equity to Total Assets)	Shareholders' Equity Per Share (yen)
1 st Quarter, FY ending Mar. 2005	23,288	14,762	63.4	215,968.05
1 st Quarter, FY ending Mar. 2004	21,379	10,397	48.6	152,110.05
(Ref.) FY ending Mar. 2004	22,953	13,606	59.3	198,918.21

[Cash Flow]

(Unit: million yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of FY
1 st Quarter, FY ending Mar. 2005	1,021	(328)	(584)	1,907
1 st Quarter, FY ending Mar. 2004	1,178	(186)	(1,039)	449
(Ref.) FY ending Mar. 2004	8,034	(2,246)	(4,486)	1,798

3. Projected Business Performance for FY Ending March 2005 (Apr. 1, 2004 – Mar. 31, 2005)

	Projected Operating Revenues (million yen)	Projected Recurring Profits (million yen)	Projected Net Income This FY (million yen)	Projected Earnings Per Share This FY (yen)
Entire FY	45,000	7,000	4,400	32,184.92

Notes:

1. Projected business performance is based solely on information currently available to the company. Actual business performance may vary due to unpredictable conditions such as economic swings and competition.
2. As of November 22, 2004, we plan to implement a two-for-one stock split.
3. Projected interim average number of shares is used in the calculation of the projected earnings per share. The projected interim average number of shares is calculated based on the premise that a stock split occurred at the beginning of the accounting period.

Operating Results and Financial Status

(1) Operating Results

Review of operations during the current period

During the current quarterly accounting period, the Japanese economy continued to steadily recover, as seen by consumer consumption having picked up and companies recording significant improvement in profits, although the employment situation is still severe.

With regard to the economy in Okinawa where our business is based, tourism remained strong and consumer consumption was brisk, and it is showing a gradual recovery trend overall.

In the domestic cellular phone industry (excluding PHS), the number of contracts obtained at the end of this quarterly period reached 82,714 thousand (up 1,194 thousand year-on-year) nationwide, 771 thousand (up 11 thousand year-on-year) in Okinawa. As the maturation of the cellular phone market is progressing, our business environment has become even more severe because of fierce competition, for example, more value-added cellular units are introduced, various services are provided, flat rate or cheaper rates are available for packet transmission charges.

Under such circumstances, the Company announced changes in service conditions which decreased the flat rate and expanded the scope of free transmission charge for a discount service for packet transmission charges "Packet Discount" as well as revised the name of the flat rate service for "CDMA 1X WIN" packet transmission charges to "Double Flat Rate" starting from August. This includes a flat rate of 2,000 yen/month (2,100 yen including tax) for up to 40,000 packets of transmission per month and a flat rate of 4,200 yen/month (4,410 yen including tax) for over 84,000 packets of transmission per month to allow for unlimited usage. This enables a wider range of customers to enjoy the "flat rate communication life".

As for other services, our international roaming service "GLOBAL PASSPORT" is now available in a total of 660 cities with additional 260 cities in the United States excluding Alaska, and a total of 32 cities including those around the metropolitan area with 14 cities newly added in Canada. In Korea, we started an international data roaming service offering not only conventional voice communications but also data transmission services including e-mail and EZweb. Among other services, we introduced the "bulk au payment" service for customers purchasing products on the official EZweb website so that they can pay for products and telephone charges at the same time. This allows customers to enjoy the convenience of shopping anytime and anywhere by simply entering their familiar password. We have made active efforts to create a new lifestyle for our customers.

We also proactively carried out mobile communications for local interest, such as providing an early return website for the Okinawa prefectural assembly member election, delivering images of "All Japan Triathlon Miyakojima" and "Haryu Ship" racing the main event in the "Naha Hari Festival" using live cameras, as well as offering the "Okinawa Entawashita TV" via a program transmission service "EZ Channel" covering all entertainments in Okinawa.

Regarding the new lineup for our cellular units, we added new colors to our popular "INFOBAR" cellular phone offering the ultimate design and ease of use. We released highly functional cellular units offering advanced services and appealing qualities ahead of other companies, including a unit enabling easy connections with computers and many other peripherals by using BluetoothTM and the world's first cellular unit with an autofocusing 3.2 million pixel camera.

As a result of various measures mentioned above, the number of contracts obtained at the end of this quarter reached 385 thousand (up 8 thousand year-on-year) and our accumulated share of contracts in the prefecture recorded 49.9%.

Consequently, with regard to profit and loss of the current quarterly accounting period, there were operating revenues of 8,650,602 thousand yen (7.3% increase year-on-year) in telecommunications business, operating revenues from associated businesses of 2,299,640 thousand yen (3.7% decrease year-on-year), recording total operating revenues of 10,950,242 thousand yen (4.8% increase year-on-year). Recurring profits totaled 1,938,811 thousand yen (26.0% increase year-on-year) and net income for the quarter amounted to 1,292,486 thousand yen (37.0% increase year-on-year).

Forecast for full fiscal year

The Japanese economy continues to steadily recover due to a significant improvement of corporate profits although we need to pay attention to the effect of the trends of oil prices on the economy at home and abroad.

In the domestic cellular phone industry, while the market is maturing, competition among businesses to acquire both new and existing customers is expected to become increasingly fierce.

In light of this, the Company will continue to promote community-based sales activities on the “customer first” basis, and strive to reinforce our brand power in strong collaboration with the KDDI Group by providing high-quality services such as increased product strength and upgraded EZweb contents. Furthermore, we aim to strengthen our financial structure through efficient capital investments and work towards reducing overall management costs and further streamlining operations. We are putting together an organization to ensure corporate profits, build a competitive business foundation and contribute to society through telecommunication business.

As a result, we project a net increase in the number of contracts during the fiscal year at 30 thousand and the accumulated number of contracts at 406 thousand. Our business forecast includes operating revenues of 45 billion yen, recurring profits of 7 billion yen and net income of 4.4 billion yen.

There are various risks associated with any regular businesses. The Company prevents or disperses any such risks in an effort to strictly reduce them. However, there are still some matters that may have a negative impact on the financial status or results of operations of the Company. Examples are: whether market demand exists as we expect and we can maintain and increase the number of contracts under competitions with other companies and technologies; whether changes or decision making in laws and regulations relating to telecommunications impair our profit; and whether we can secure and develop appropriate and sufficient personnel to address the greater-than-expected expansion of business. Moreover, there are some other risks such as leakage of customer information due to unforeseen circumstances, system failure caused by natural disasters, and the possibility of KDDI Corporation, our parent company, to exercise its influence over other shareholders against their interest.

(2) Financial Status

Cash and cash equivalents (hereafter referred to as “cash”) on a consolidated basis at the end of the current quarterly accounting period increased by 1,458,469 thousand yen from the end of the previous quarter to 1,907,831 thousand yen due to the increase in income before income taxes for the current quarter.

Following is a breakdown of cash flows for the current quarterly accounting period.

(Cash flows from operating activities)

Cash provided by operating activities were down 156,469 thousand yen from the previous quarter (13.3% decrease year-on-year) to 1,021,586 thousand yen due to the increase in payment of income taxes, etc. despite the increase in income before income taxes for the current quarter.

(Cash flows from investing activities)

As a result of the expanded service areas for CDMA 1X WIN, cash used in investing activities resulted in expenditures of 328,471 thousand yen (up 76.4% year-on-year) due to the increase of payments by 142,221 thousand yen for purchase of tangible fixed assets compared to the previous quarterly period.

(Cash flows from financing activities)

Cash used in financing activities resulted in expenditures of 584,280 thousand yen (43.8% decrease year-on-year) due to the decrease of expenditures by 454,933 thousand yen compared to the previous quarterly accounting period because of the decrease in the scheduled loan payment while reduction of interest-bearing liabilities is successfully in progress.

2. (1) Quarterly Comparative Balance Sheet (Assets)

(Unit: thousand yen)

Item	1 st Quarter Closing, Previous FY (As of June 30, 2003)		1 st Quarter Closing, Current FY (As of June 30, 2004)		Increase/ Decrease	Summary of Previous Fiscal Year (As of March 31, 2004)	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
[Assets]		%		%			%
I. Non-current assets							
A. Non-current assets for telecommunications business							
(1) Property, plant and equipment *1							
1. Machinery and equipment	8,983,363		8,501,700		(481,663)	8,415,031	
2. Antenna facilities	2,990,079		2,974,343		(15,736)	3,007,377	
3. Telecommunications line facilities	5,139		3,994		(1,145)	4,173	
4. Pipe and hand holes	43,951		40,805		(3,146)	41,273	
5. Buildings	1,783,034		1,748,173		(34,861)	1,745,518	
6. Structures	337,283		308,294		(28,988)	318,786	
7. Other machinery and equipment	52		44		(7)	46	
8. Tools, furniture and fixtures	76,357		78,303		1,945	79,960	
9. Land	388,268		391,768		3,500	391,768	
10. Construction in progress	26,770		285,116		258,346	301,290	
Total property, plant and equipment	14,634,301	68.4	14,332,544	61.5	(301,757)	14,305,227	62.4
(2) Intangible assets							
1. Utility facility usage rights	147,519		135,075		(12,443)	138,186	
2. Computer software	41,574		38,184		(3,390)	43,112	
3. Leasehold rights	2,000		2,000		-	2,000	
4. Telephone subscription rights	15,022		7,102		(7,920)	7,102	
Total intangible assets	206,117	1.0	182,362	0.8	(23,754)	190,402	0.8
Total non-current assets for telecommunications business	14,840,418	69.4	14,514,907	62.3	(325,511)	14,495,630	63.2
B. Non-current assets for associated businesses							
(1) Property, plant and equipment *1	173		123		(49)	136	
(2) Intangible assets	1,069		807		(261)	873	
Total non-current assets for associated businesses	1,242	0.0	931	0.0	(311)	1,009	0.0
C. Investments and other assets							
1. Investment securities	101,576		127,586		26,010	111,530	
2. Long-term prepaid expenses	140,281		77,425		(62,855)	80,994	
3. Deferred income taxes	360,054		416,353		56,298	419,630	
4. Deposits and guarantee money	152,202		135,826		(16,375)	132,872	
5. Other investments and other assets	49,597		75,002		25,404	62,772	
Allowances for doubtful accounts	(51,274)		(77,279)		(26,004)	(64,899)	
Total investments and other assets	752,436	3.5	754,914	3.3	2,477	742,901	3.2
Total non-current assets	15,594,098	72.9	15,270,753	65.6	(323,344)	15,239,541	66.4
II. Current assets							
1. Cash and bank deposits	449,361		1,907,831		1,458,469	1,798,996	
2. Trade accounts receivable	3,619,092		4,035,427		416,334	4,010,350	
3. Other accounts receivable	535,479		638,778		103,298	644,618	
4. Inventories and supplies	959,286		1,303,309		344,022	1,149,664	
5. Prepaid expenses	196,724		154,810		(41,913)	37,885	
6. Deferred income taxes	144,855		163,947		19,091	264,731	
7. Other current assets	9,381		10,519		1,137	328	
Allowances for doubtful accounts	(128,593)		(196,916)		(68,322)	(192,221)	
Total current assets	5,785,588	27.1	8,017,707	34.4	2,232,119	7,714,354	33.6
TOTAL ASSETS	21,379,686	100.0	23,288,460	100.0	1,908,774	22,953,895	100.0

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

2. (1) Quarterly Comparative Balance Sheet (Liability and Capital)

(Unit: thousand yen)

Item	1 st Quarter Closing, Previous FY (As of June 30, 2003)		1 st Quarter Closing, Current FY (As of June 30, 2004)		Increase/ Decrease	Summary of Previous Fiscal Year (As of March 31, 2004)	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
[Liabilities]		%		%			%
I. Non-current liabilities							
1. Bonds	1,125,000		750,000		(375,000)	750,000	
2. Long-term loans	2,792,486		1,021,902		(1,770,584)	1,450,298	
3. Reserves for retirement benefits	88,228		82,329		(5,898)	92,422	
4. Reserves for point services program	587,924		720,060		132,135	688,201	
Total non-current liabilities	4,593,639	21.5	2,574,292	11.0	(2,019,346)	2,980,921	13.0
II. Current liabilities							
1. Current portion of long-term debt	2,526,582		2,145,584		(380,998)	2,164,584	
2. Trade accounts payable *2	751,629		876,614		124,985	761,651	
3. Short-term loans	1,300,000		-		(1,300,000)	-	
4. Other accounts payable *2	1,627,135		2,157,021		529,886	1,886,933	
5. Accrued expenses	89,685		77,193		(12,491)	110,998	
6. Accrued taxes on income	1,000		593,401		592,401	1,323,298	
7. Advances received	28,245		44,071		15,825	43,001	
8. Deposits received	28,232		19,485		(8,747)	4,652	
9. Allowances for bonuses	36,055		38,300		2,245	71,400	
Total current liabilities	6,388,565	29.9	5,951,672	25.6	(436,893)	6,366,519	27.7
TOTAL LIABILITIES	10,982,204	51.4	8,525,964	36.6	(2,456,239)	9,347,440	40.7
[Shareholders' equity]							
I. Common equity	1,414,581	6.6	1,414,581	6.1	-	1,414,581	6.2
II. Capital surpluses							
1. Additional paid-in capital	1,614,991		1,614,991		-	1,614,991	
Total capital surplus	1,614,991	7.5	1,614,991	6.9	-	1,614,991	7.0
III. Earned surplus							
1. Legal reserves	64,425		64,425		-	64,425	
2. Voluntary reserves							
Other reserves	6,200,000		10,000,000		3,800,000	6,200,000	
3. Unappropriated retained earnings	1,104,905		1,654,261		549,356	4,307,885	
Total earned surplus	7,369,331	34.5	11,718,687	50.3	4,349,356	10,572,311	46.1
IV. Net unrealized gains on securities *3	(1,421)	(0.0)	14,236	0.1	15,658	4,570	0.0
TOTAL EQUITY	10,397,482	48.6	14,762,496	63.4	4,365,014	13,606,454	59.3
TOTAL LIABILITIES AND EQUITY	21,379,686	100.0	23,288,460	100.0	1,908,774	22,953,895	100.0

2. (2) Quarterly Comparative Profit and Loss Statement

(Unit: thousand yen)

Item	1 st Quarter, Previous FY Apr. 1, 2003 – Jun. 30, 2003		1 st Quarter, Current FY Apr. 1, 2004 – Jun. 30, 2004		Increase/ Decrease	Summary of Previous Fiscal Year Apr. 1, 2003 – Mar. 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Amount	Ratio
Recurring profits and losses		%		%			%
[Operating revenues and expenses]							
I. Telecommunications business							
(1) Operating revenues							
1. Operating revenues from telecommunications business	-		8,650,602		8,650,602	-	
2. Voice transmission services	5,786,602		-		(5,786,602)	23,473,280	
3. Data transmission services	2,272,379		-		(2,272,379)	9,706,234	
Total operating revenues	8,058,982	77.1	8,650,602	79.0	591,620	33,179,514	77.5
(2) Operating expenses							
1. Sales expenses	3,772,638		3,821,503		48,865	15,238,914	
2. Facilities maintenance expenses	543,457		518,252		(25,205)	2,101,641	
3. Administrative expenses	208,028		233,990		25,961	803,327	
4. Depreciation	758,552		781,323		22,771	2,923,939	
5. Loss on disposal of fixed assets	37,690		6,942		(30,748)	351,766	
6. Communication network charges	1,227,829		1,314,110		86,281	5,101,547	
7. Taxes and public dues	81,708		91,846		10,138	325,022	
Total operating expenses	6,629,904	63.4	6,767,969	61.8	138,065	26,846,160	62.7
Operating income from telecommunications business	1,429,077	13.7	1,882,632	17.2	453,555	6,333,354	14.8
II. Associated businesses							
(1) Operating revenues	2,388,954	22.9	2,299,640	21.0	(89,314)	9,635,835	22.5
(2) Operating expenses	2,286,995	21.9	2,282,850	20.8	(4,144)	9,490,377	22.2
Operating income from associated businesses	101,959	1.0	16,789	0.2	(85,170)	145,457	0.3
TOTAL OPERATING INCOME	1,531,037	14.7	1,899,422	17.4	368,385	6,478,811	15.1
[Non-operating revenues and expenses]							
III. Non-operating revenues *1	37,951	0.3	54,149	0.5	16,198	158,631	0.4
IV. Non-operating expenses *2	30,332	0.3	14,760	0.2	(15,572)	98,190	0.2
RECURRING PROFITS	1,538,656	14.7	1,938,811	17.7	400,155	6,539,252	15.3
[Special profits and losses]							
I. Special Profits *3	54,296	0.5	-	-	(54,296)	54,296	0.1
Income before income taxes	1,592,952	15.2	1,938,811	17.7	345,859	6,593,548	15.4
Income taxes-current	5,326	0.0	548,653	5.0	543,326	1,918,002	4.5
Income taxes-deferred	644,023	6.2	97,671	0.9	(546,352)	460,609	1.1
Net income	943,601	9.0	1,292,486	11.8	348,884	4,214,936	9.8
Retained earnings brought forward	161,303		361,775		200,471	161,303	
Interim dividends	-		-		-	68,355	
Unappropriated retained earnings	1,104,905		1,654,261		549,356	4,307,885	

Notes:

1. Figures less than 1,000 yen have been rounded off.
2. The percentages were calculated using the sum of Operating Revenues from the telecommunications business and Operating Revenues from associated businesses as 100%.

2. (3) Quarterly Statement of Cash Flow

(Unit: thousand yen)

Period	1 st Quarter, Previous FY Apr. 1, 2003 – Jun. 30, 2003	1 st Quarter, Current FY Apr. 1, 2004 – Jun. 30, 2004	Summary of Previous Fiscal Year Apr. 1, 2003 – Mar. 31, 2004
Item	Amount	Amount	Amount
I. Cash flows from operating activities			
Income before income taxes	1,592,952	1,938,811	6,593,548
Depreciation	758,629	781,401	2,924,250
Increase in allowances for doubtful accounts	10,249	17,074	87,501
Decrease in reserves for retirement benefits	(46,335)	(10,092)	(42,142)
Increase in reserves for point service program	31,162	31,858	131,439
Increase(decrease) in allowances for bonuses	(31,945)	(33,100)	3,400
Loss on disposal of fixed assets	37,201	4,170	326,600
Interest and dividend income	(1,176)	(2,007)	(1,839)
Interest expenses	30,332	14,760	93,020
Increase in accounts receivable	(24,043)	(25,076)	(415,301)
Increase in inventories and supplies	(283,258)	(153,645)	(473,636)
Increase(decrease) in accounts payable	(300,671)	114,963	(290,649)
Bonuses to officers	(8,560)	(9,400)	(8,560)
Other increases/decreases	25,227	(346,085)	373,928
Subtotal	1,789,765	2,323,635	9,301,560
Interest and dividend income received	1,176	2,007	1,839
Interest expenses paid	(26,358)	(13,505)	(91,637)
Income taxes paid	(586,526)	(1,290,550)	(1,176,903)
Net cash provided by operating activities	1,178,056	1,021,586	8,034,858
II. Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	-	-	203,741
Proceeds from sale of intangible fixed assets	-	-	7,920
Payments for purchase of tangible fixed assets	(182,763)	(322,791)	(2,458,802)
Payments for purchase of intangible fixed assets	(3,346)	-	(19,241)
Proceeds from returned investments and other assets	-	960	23,211
Payments for purchase of other investments and other assets	-	(6,639)	(3,379)
Other increases/decreases	(140)	-	-
Net cash used in investing activities	(186,249)	(328,471)	(2,246,550)
III. Cash flows from financing activities			
Net decrease in short-term loans	(100,000)	-	(1,400,000)
Repayment of long-term loans	(862,245)	(447,396)	(2,566,431)
Payment for redemption of bonds	-	-	(375,000)
Dividends paid	(76,969)	(136,884)	(144,648)
Net cash used in financing activities	(1,039,214)	(584,280)	(4,486,079)
IV. Translation adjustments on cash and cash equivalents	-	-	-
V. Net increase(decrease) in cash and cash equivalents	(47,407)	108,834	1,302,227
VI. Cash and cash equivalents at beginning of year	496,768	1,798,996	496,768
VII. Cash and cash equivalents at end of year	449,361	1,907,831	1,798,996

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

Primary Facets of Quarterly Statement Preparation

Item	1 st Quarter, Previous Fiscal Year (Apr. 1, 2003 – Jun. 30, 2003)	1 st Quarter, Current Fiscal Year (Apr. 1, 2004 – Jun. 30, 2004)	Previous Fiscal Year (Apr. 1, 2003 – Mar. 31, 2004)
1. Depreciation calculations for non-current assets	<p>(1) Property, plant and equipment Depreciation calculated using the straight-line method. The useful lifespan of primary assets includes:</p> <p>Machinery and equipment: 6-15 yrs Antenna facilities: 10-21 yrs Buildings: 3-31 yrs</p> <p>(2) Intangible assets The straight-line method is applied. Useful lifespan as designated by the Company (5 years) is applied to software used within the company. The employment of the straight-line is based on this.</p> <p>(3) Long-term prepaid expenses Straight-line calculation method is applied.</p>	<p>(1) Property, plant and equipment Same as column to left.</p> <p>(2) Intangible assets Same as column to left.</p> <p>(3) Long-term prepaid expenses Same as column to left.</p>	<p>(1) Property, plant and equipment Same as column to left.</p> <p>(2) Intangible assets Same as column to left.</p> <p>(3) Long-term prepaid expenses Same as column to left.</p>
2. Standards and methods for evaluating assets	<p>(1) Securities Other securities Securities having fluctuating market values: Fluctuating market value method based on market value at quarterly closure of accounts (Valuation differential was accounted for by using the total capital direct input method, and sales cost was calculated using the moving average costing method)</p> <p>Securities without market values: Moving average costing method used</p> <p>(2) Valuations of inventories and supplies Inventories and supplies: Moving average costing method used</p>	<p>(1) Securities Other securities Securities having fluctuating market values: Same as column to left.</p> <p>Securities without market values: Same as column to left.</p> <p>(2) Valuations of inventories and supplies Inventories and supplies: Same as column to left.</p>	<p>(1) Securities Other securities Securities having fluctuating market values: Fluctuating market value method based on market value at closure of accounts (Valuation differential was accounted for by using the total capital direct input method, and sales cost was calculated using the moving average costing method)</p> <p>Securities without market values: Same as column to left.</p> <p>(2) Valuations of inventories and supplies Inventories and supplies: Same as column to left.</p>
3. Standards for reserve appropriations	<p>(1) Allowances for doubtful accounts To provide for bad debts, a reserve is set aside against those accounts considered to be uncollectible. The reserve amount is a percentage calculated from past losses in general accounts receivable. The potential for collection is separately considered for each account.</p>	<p>(1) Allowances for doubtful accounts Same as column to left.</p>	<p>(1) Allowances for doubtful accounts Same as column to left.</p>

Item	1 st Quarter, Previous Fiscal Year (Apr. 1, 2003 – Jun. 30, 2003)	1 st Quarter, Current Fiscal Year (Apr. 1, 2004 – Jun. 30, 2004)	Previous Fiscal Year (Apr. 1, 2003 – Mar. 31, 2004)
	<p>(2) Reserves for retirement benefits To provide for employee retirement benefits, the amount to be incurred at the end of the current quarterly accounting period is set aside according to the estimated amount of retirement benefits payable and pension funds earned by the end of the business year.</p> <p>The liabilities from past employee services are accounted for using the straight-line method based on a set number of years (14) within the average remaining tenure of the employees at the time the differential is generated. Any differences resulting from such calculations are resolved with the straight-line method, whereby the amount is divided by a fixed period of time (14 years) within the average remaining service period of each fiscal year.</p> <p>(Additional information) With the enactment of the Defined Benefit Corporate Pension Law, the Minister of Health, Labour, and Welfare granted Okinawa Cellular on April 1, 2003, relief from liability for future payments of the substituted portion of the Employees' Pension Fund.</p> <p>The liability for retirement benefit payments have lapsed as of the date of approval as noted above, in accordance with the interim measure set forth in Provision No. 47-2 of the Practical Guideline on Accounting for Retirement Benefits (Interim Report, Accounting Systems Committee Report No. 13, Japanese Institute of Certified Public Accountants).</p> <p>Based on this, Okinawa Cellular delineated 54,296 thousand yen in the current quarterly period under Special Profit as "Profits from returns of substituted portion of the Corporate Pension Fund".</p>	<p>(2) Reserves for retirement benefits Same as column to left.</p> <p>(Additional information) With the enactment of the Defined Benefit Corporate Pension Law, the Minister of Health, Labour, and Welfare granted Okinawa Cellular on April 1, 2003, relief from liability for future payments of the substituted portion of the Employees' Pension Fund.</p> <p>The liability for retirement benefit payments have lapsed as of the date of approval as noted above, in accordance with the interim measure set forth in Provision No. 47-2 of the Practical Guideline on Accounting for Retirement Benefits (Interim Report, Accounting Systems Committee Report No. 13, Japanese Institute of Certified Public Accountants). Assets are not returned as of the end of the current quarter accounting period.</p> <p>The value of pension assets to be returned as of the end of this quarterly period is 80,890 thousand yen.</p>	<p>(2) Reserves for retirement benefits This accounts for retirement payments and pensions set aside through the end of the period, to prepare for retirements of personnel.</p> <p>The liabilities from past employee services are accounted for using the straight-line method based on a set number of years (14) within the average remaining tenure of the employees at the time the differential is generated. Any differences resulting from such calculations are resolved with the straight-line method, whereby the amount is divided by a fixed period of time (14 years) within the average remaining service period of each fiscal year.</p> <p>(Additional information) With the enactment of the Defined Benefit Corporate Pension Law, the Minister of Health, Labour, and Welfare granted Okinawa Cellular on April 1, 2003, relief from liability for future payments of the substituted portion of the Employees' Pension Fund.</p> <p>The liability for retirement benefit payments have lapsed as of the date of approval as noted above, in accordance with the interim measure set forth in Provision No. 47-2 of the Practical Guideline on Accounting for Retirement Benefits (Interim Report, Accounting Systems Committee Report No. 13, Japanese Institute of Certified Public Accountants).</p> <p>Based on this, Okinawa Cellular delineated 54,296 thousand yen in the current fiscal year under Special Profit as "Profits from returns of substituted portion of the Corporate Pension Fund".</p> <p>The value of pension assets returned as of the end of this fiscal year is 80,890 thousand yen.</p>

Item	1 st Quarter, Previous Fiscal Year (Apr. 1, 2003 – Jun. 30, 2003)	1 st Quarter, Current Fiscal Year (Apr. 1, 2004 – Jun. 30, 2004)	Previous Fiscal Year (Apr. 1, 2003 – Mar. 31, 2004)
	<p>(3) Reserves for point services program A reserve has been set aside to provide against future costs of exchanging accumulated points under the “Point a” point services program. The reserve amount was determined according to the estimated point utilization for the 2nd quarter of the current fiscal year and thereafter, based on past rates of utilization.</p> <p>(4) Allowances for Bonuses To provide for employee bonuses, estimated cost during the current quarterly period is charged based on the estimated value of bonus payments.</p>	<p>(3) Reserves for point services program Same as column to left.</p> <p>(4) Allowances for Bonuses Same as column to left.</p>	<p>(3) Reserves for point services program A reserve has been set aside to provide against future costs of exchanging accumulated points under the “Point a” point services program. The reserve amount was determined according to the estimated point utilization for the next fiscal year and thereafter, based on past rates of utilization.</p> <p>(4) Allowances for Bonuses To provide for employee bonuses, estimated cost during the accounting period is charged based on the estimated value of bonus payments.</p>
4. Lease transactions	The accounting method used for general lease transactions is applied to all finance lease transactions, except for leased assets where ownership is deemed to transfer to lessees.	Same as column to left.	Same as column to left.
5. The range of funds included in the quarterly cash flow statement	Consists of cash on hand, deposits which can be withdrawn at any time, and short term investments with maturities of 3 months or less, which are readily convertible to cash and present minimum risk of changes in interest rates.	Same as column to left.	Same as column to left.
6. Other important items used as fundamentals in preparation of the quarterly statements	Accounting for consumption taxes Consumption tax is not included. Temporary tax payments and taxes collected are offset against each other and included in Arrearages. The amount after offset is 114,373 thousand yen.	Accounting for consumption taxes Consumption tax is not included. Temporary tax payments and taxes collected are offset against each other and included in Arrearages. The amount after offset is 91,962 thousand yen.	Accounting for consumption taxes Consumption tax is not included.

Changes in Presentation

1 st Quarter, Previous Fiscal Year (Apr. 1, 2003 – Jun. 30, 2003)	1 st Quarter, Current Fiscal Year (Apr. 1, 2004 – Jun. 30, 2004)	Previous Fiscal Year (Apr. 1, 2003 – Mar. 31, 2004)
	Beginning with the current quarterly accounting period, “voice transmission services” and “data transmission services”, which were classified in the profit and loss from telecommunications business during the first quarter of the previous fiscal year, are presented as “operating revenues from telecommunications business”. The “voice transmission services” is 5,874,165 thousand yen and “datatransmission services” is 2,776,437 thousand yen if the conventional classification standard is applied.	

Notes

The classification of items in the current quarterly financial statements shall comply with item classification in Article 5 of "Telecommunications Business Accounting Regulations (Administrative Order 26 of the Ministry of Posts and Telecommunications, 1985)" as the Company is a Telecommunications Business based on Option 11 stipulated by Article 2 of "Regulations Concerning Term, Form and Preparation of Financial Statements (Administrative Order 59 of the Finance Ministry, 1963)."

[Quarterly Balance Sheet]

(Unit: thousand yen)

1 st Quarter Closing, Previous Fiscal Year (June 30, 2003)	1 st Quarter Closing, Current Fiscal Year (June 30, 2004)	End of Previous Fiscal Year (March 31, 2004)
*1. Accumulated depreciation for property, plant and equipment 14,966,752	*1. Accumulated depreciation for property, plant and equipment 16,248,310	*1. Accumulated depreciation for property, plant and equipment 15,488,783
*2. Debts to associated companies Trade accounts payable 749,526 Other accounts payable 673,345	*2. Debts to associated companies Trade accounts payable 876,172 Other accounts payable 1,222,179	*2. Debts to associated companies Trade accounts payable 761,651 Other accounts payable 1,018,639
*3. Dividend limitation Net assets decreased by 1,421 thousand yen due to asset evaluation at market value in accordance with the provisions of Commercial Law Article 124, Paragraph 3.	*3. Dividend limitation Net assets increased by 14,236 thousand yen due to asset evaluation at market value in accordance with the provisions of Commercial Law Article 124, Paragraph 3.	*3. Dividend limitation Net assets increased by 4,570 thousand yen due to asset evaluation at market value in accordance with the provisions of Commercial Law Article 124, Paragraph 3.

[Quarterly Profit and Loss Statement]

(Unit: thousand yen)

1 st Quarter, Previous Fiscal Year (Apr. 1, 2003 – Jun. 30, 2003)	1 st Quarter, Current Fiscal Year (Apr. 1, 2004 – Jun. 30, 2004)	Previous Fiscal Year (Apr. 1, 2003 – Mar. 31, 2004)
*1. Major non-operating revenues Interest income 0 Commission received 12,805 Rental income 21,568	*1. Major non-operating revenues Interest income 0 Commission received 32,542 Rental income 15,495	*1. Major non-operating revenues Interest income 19 Commission received 106,712 Rental income 29,734
*2. Major non-operating expenses Interest expenses 27,527	*2. Major non-operating expenses Interest expenses 12,656	*2. Major non-operating expenses Interest expenses 82,743
*3. Special profits Profit from returning the substituted portion of the Corporate Pension Fund 54,296	*3.	*3. Special profits Profit from returning the substituted portion of the Corporate Pension Fund 54,296
4. Depreciation Property, plant and equipment 732,679 Intangible assets 7,515	4. Depreciation Property, plant and equipment 764,895 Intangible assets 8,105	4. Depreciation Property, plant and equipment 2,824,393 Intangible assets 31,401

[Quarterly Cash Flow Statement]

(Unit: thousand yen)

1 st Quarter, Previous Fiscal Year (Apr. 1, 2003 – Jun. 30, 2003)	1 st Quarter, Current Fiscal Year (Apr. 1, 2004 – Jun. 30, 2004)	Previous Fiscal Year (Apr. 1, 2003 – Mar. 31, 2004)
Relationship between the balance of cash and cash equivalents at the end of the quarter, and the items on the quarterly balance sheet (As of Jun. 30, 2003)	Relationship between the balance of cash and cash equivalents at the end of the quarter, and the items on the quarterly balance sheet (As of Jun. 30, 2004)	Relationship between the balance of cash and cash equivalents at the end of the fiscal year, and the items on the balance sheet (As of Mar. 31, 2004)
Cash and deposit accounts 449,361 Time deposits of over 3 months Cash and cash equivalents <u>449,361</u>	Cash and deposit accounts 1,907,831 Time deposits of over 3 months Cash and cash equivalents <u>1,907,831</u>	Cash and deposit accounts 1,798,996 Time deposits of over 3 months Cash and cash equivalents <u>1,798,996</u>

3. Lease Transactions

(Unit: thousand yen)

1 st Quarter, Previous Fiscal Year Apr. 1, 2003 – Jun. 30, 2003	1 st Quarter, Current Fiscal Year Apr. 1, 2004 – Jun. 30, 2004	Previous Fiscal Year Apr. 1, 2003 – Mar. 31, 2004																																																																																																												
<p>Finance lease transactions, excluding leased asset whose ownership is recognized to transfer to lessee</p> <p>1. 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Computation method for estimated depreciation</p> <p style="margin-left: 20px;">Straight-line method (useful life = lease term, residual value = zero)</p>		Tools, furniture and fixtures	Transpor- tation	Total	Estimated Acquisition Cost	321,889	21,710	343,599	Estimated Accumulated Depreciation	207,280	14,194	221,474	Estimated Balance	114,608	7,515	122,124		Within a year		58,386		Over a year		63,738		Total		122,124		Lease expense paid		19,300		Estimated depreciation		19,300	<p>Finance lease transactions, excluding leased asset whose ownership is recognized to transfer to lessee</p> <p>1. 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4. Securities

1st Quarter Closing, Previous Fiscal Year (As of June 30, 2003)

1. Other securities having fluctuating market values

(Unit: thousand yen)

	Acquisition cost	Carrying value at the end of the quarter	Difference
Stocks	98,907	96,546	(2,361)
Total	98,907	96,546	(2,361)

2. Main securities without market values

Omitted because of its insignificant value.

1st Quarter Closing, Current Fiscal Year (As of June 30, 2004)

1. Other securities having fluctuating market values

(Unit: thousand yen)

	Acquisition cost	Carrying value at the end of the quarter	Difference
Stocks	98,907	122,556	23,648
Total	98,907	122,556	23,648

2. Main securities without fair values

Omitted because of its insignificant value.

End of Previous Fiscal Year (As of March 31, 2004)

1. Other securities having fluctuating market values

(Unit: thousand yen)

	Acquisition cost	Carrying value at the end of the fiscal year	Difference
Stocks	98,907	106,500	7,592
Total	98,907	106,500	7,592

2. Main securities without fair values

Omitted because of its insignificant value.

5. Derivative Transactions

1st Quarter Closing, Previous Fiscal Year (As of June 30, 2003)

There are no applicable items since the Company does not engage in derivative transactions.

1st Quarter Closing, Current Fiscal Year (As of June 30, 2004)

There are no applicable items since the Company does not engage in derivative transactions.

End of Previous Fiscal Year (As of March 31, 2004)

There are no applicable items since the Company does not engage in derivative transactions.