

March 2003 Report Summary (Non-Consolidated)

May 12, 2003

Company Name: **Okinawa Cellular Telephone Company**

Registered Shares (counter shares)

Code No.: 9436

Main Office: Okinawa Prefecture

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

President: Ichiro Oyadomari

For Inquiries: Nobukazu Sagawa, Executive Vice President

Tel.: (098) 860-3608

Board of Directors Meeting for Settlement of Accounts: May 12, 2003

Interim Dividend System Exists: Yes

Date of Shareholders' Regular General Meeting: June 25, 2003

Unit Stock System Adopted: No

Parent Company: KDDI Corporation (Code No. 9433)

Percentage of shares owned by parent company: 51.5 %

1 . Operational Results for Period Ending March 2003 (Apr. 1, 2002 – Mar. 31, 2003)

(1) Operating Results

Figures rounded off to nearest million yen.

	Sales		Operating Profit		Ordinary Profit	
	million yen	%	million yen	%	million yen	%
Period ending March 2003	39,980	(7.6)	2,802	(30.8)	2,704	(32.0)
Period ending March 2002	37,146	(5.8)	2,142	(21.0)	2,049	(19.7)

	Net Profit This Period		Net Profit Per Share This Period	Net Profit Per Share After Adjustments This Period	Ratio of Net Profit to Equity Capital	Ordinary Profit Ratio of Total Capital	Ordinary Profit Ratio on Sales
	million yen	%	Yen	Yen	%	%	%
Period ending March 2003	1,773 (49.2)		25,826 49	-	20.3	11.5	6.8
Period ending March 2002	1,188 (19.0)		17,389 79	-	16.1	8.0	5.5

- (Notes)
- Profit and loss from equity investment: FY to date: ¥-- million Period ending March 2002: ¥-- million
 - Average. number of shares outstanding: FY to date: 68,355 shares Period ending March 2002: 68,355 shares
 - Change in accounting method: None
 - The percentages accompanying Sales, Operating Income, Ordinary Profit and Net Profit for this current period reflect the rate of change (increase/decrease) from the same period for previous fiscal year.

(2) Dividends

	Annual Dividend Per Share (yen)			Total Annual Dividends (million yen)	Payout Ratio	Equity Capital Dividend Rate
	Interim	Year End				
Period ending March 2003	2,000 00	875 00	1,125 00	136	7.7%	1.4%
Period ending March 2002	1,750 00	750 00	1,000 00	119	10.1%	1.5%

(3) Finance

	Total Assets (million yen)	Equity Capital (million yen)	Ratio of Equity Capital to Total Assets (%)	Equity Capital per Share (yen)
Period ending March 2003	22,411	9,540	42.6	139,452 50
Period ending March 2002	24,772	7,902	31.9	115,613 61

- (Notes)
- Number of final issued shares FY to date: 68,355 shares Period ending March 2002: 68,355 shares
 - Number of withheld shares FY to date: - shares Period ending March 2002: - 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
Period ending March 2003	4,405	2,752	1,738	496
Period ending March 2002	6,351	3,467	3,013	583

2 . Projected Business Performance for Period Ending March 2004 (April 1, 2003 – March 31, 2004)

	Sales (million yen)	Ordinary Profit (million yen)	Net Profit (million yen)	Annual Dividend Per Share (Yen)
Throughout Period	40,000	3,500	2,400	2,000 00

(Reference) Net profit per share for this period is projected at ¥35,110.82.

(Note) Estimations of operations performance are based solely on information currently available to this company, and on calculated hypothesis, market judgments and reasonable hypotheses. Actual future operations results may be impacted by various conditions, including economic swings, and operating strategies.

Comparative Balance Sheet (Assets)

(Unit: thousand yen)

Fiscal Year Item	11 th Period (As of Mar 31, 2002)		12 th Period (As of Mar 31, 2003)		Increase/ Decrease
	Amount	Composition ratio	Amount	Composition ratio	Amount
[Assets]		%		%	
I. Fixed Assets					
A. Fixed assets related to the telecommunication business					
(1) Tangible fixed assets *1					
1. Mechanical equipment	10,380,452		9,479,476		900,976
2. Antennas	3,018,594		2,992,379		26,215
3. Out of town line facilities	7,312		5,574		1,737
4. Public works facilities	46,362		44,434		1,928
5. Buildings	1,735,265		1,779,975		44,709
6. Structures	362,005		341,791		20,214
7. Machinery & Equipment	81		54		27
8. Tools , Implements & Parts	52,287		78,845		26,557
9. Land	388,268		388,268		-
10. Temporary account for construction	1,182,474		74,555		1,107,919
Total tangible fixed assets	17,173,105	69.3	15,185,353	67.8	1,987,751
(2) Intangible fixed assets					
1. Facility usage rights	163,074		150,630		12,443
2. Software	192,941		42,567		150,374
3. Land lease rights	2,000		2,000		-
4. Telephone subscription rights	15,022		15,022		-
Total intangible fixed assets	373,038	1.5	210,220	0.9	162,818
Total fixed assets related to telecommunication business	17,546,144	70.8	15,395,574	68.7	2,150,569
B. Fixed assets relating to subsidiary businesses					
(1) Tangible fixed assets	-		185		185
(2) Intangible fixed assets	6,068		1,135		4,933
Total fixed assets relating to the subsidiary businesses	6,068	0.0	1,320	0.0	4,748
C. Investments and other assets					
1. Investment value stocks	99,694		104,061		4,367
2. Long -term pre-payment	221,798		156,503		65,294
3. Tax asset carryover	496,298		940,600		444,301
4. Security deposits	201,808		151,762		50,046
5. Other investments and assets	67,106		58,995		8,110
Bad debt reserve	70,266		60,522		9,744
Total investments and other assets	1,016,439	4.1	1,351,400	6.0	334,961
Total Fixed Assets	18,568,652	74.9	16,748,295	74.7	1,820,356
II. Liquid Assets					
1. Cash and bank deposits	583,080		496,768		86,311
2. Accounts receivable	3,454,274		3,595,049		140,774
3. Accounts due	817,060		699,285		117,774
4. Inventory	1,063,416		676,028		387,388
5. Prepaid expense account	111,015		96,930		14,084
6. Tax asset carryover	255,246		207,344		47,901
7. Other liquid assets	28,956		690		28,266
Bad debt reserve	108,876		109,096		220
Total Liquid Assets	6,204,172	25.1	5,663,000	25.3	541,172
TOTAL ASSETS	24,772,825	100.0	22,411,296	100.0	2,361,528

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

Comparative Balance Sheet (Liability and Capital)

(Unit: thousand yen)

Fiscal Year Item	11 th Period (As of Mar 31, 2002)		12 th Period (As of Mar 31, 2003)		Increase/ Decrease
	Amount	Composition ratio	Amount	Composition ratio	Amount
[Liabilities]		%		%	
I. Fixed Liabilities					
1. Corporate bonds	-		1,125,000		1,125,000
2. Long term loans	4,893,813		3,239,882		1,653,931
3. Reserve for retirement payments	80,911		134,564		53,653
4. Reserve for Point Service system	-		556,762		556,762
Total Fixed Liabilities	4,974,724	20.1	5,056,208	22.5	81,484
II. Liquid liabilities					
1. Liquid liabilities (Payable within 1 year)	3,900,629		2,941,431		959,198
2. Accounts payable *2	1,267,436		1,052,300		215,135
3. Short term loans *2	1,500,000		1,400,000		100,000
4. Arrearages *2	3,725,117		1,611,707		2,113,409
5. Accrued expenses payable	126,815		128,538		1,722
6. Corporate tax due	1,211,700		582,200		629,500
7. Advance received	36,599		19,230		17,369
8. Deposits received	65,275		10,844		54,430
9. Reserve for bonus payments	61,760		68,000		6,240
Total Liquid Liabilities	11,895,333	48.0	7,814,252	34.9	4,081,080
TOTAL LIABILITIES	16,870,057	68.1	12,870,460	57.4	3,999,596
[Capital]					
I. Capital *3	1,414,581	5.7	-	-	1,414,581
II. Capital reserve	1,614,991	6.5	-	-	1,614,991
III. Profit reserve	64,425	0.3	-	-	64,425
IV. Other surplus					
1. Voluntary reserve					
Other reserve accounts	3,560,000		-		3,560,000
2. Undistributed profit for this period	1,251,269		-		1,251,269
Total other surplus	4,811,269	19.4	-	-	4,811,269
V. Adjustments for other Capital Holdings and Marketable Securities	2,499	0.0	-	-	2,499
TOTAL CAPITAL	7,902,768	31.9	-	-	7,902,768
I. Capital *3	-	-	1,414,581	6.3	1,414,581
II. Capital surplus					
1. Capital reserve	-		1,614,991		1,614,991
Total Capital surplus	-	-	1,614,991	7.2	1,614,991
III. Profit surplus					
1. Profit reserve	-		64,425		64,425
2. Voluntary reserve					
Other reserve accounts	-		4,560,000		4,560,000
3. Undistributed profit for this period	-		1,886,763		1,886,763
Total Profit surplus	-	-	6,511,189	29.1	6,511,189
IV. Adjustments for other Capital Holdings and Marketable Securities	-	-	74	0.0	74
TOTAL CAPITAL	-	-	9,540,835	42.6	9,540,835
TOTAL LIABILITIES & CAPITAL	24,772,825	100.0	22,411,296	100.0	2,361,528

Comparative Profit and Loss Statement

(Unit: thousand yen)

Fiscal Year Item	11 th Period Apr 1 2001 – Mar 31 2002		12 th Period Apr 1 2002 – Mar 31, 2003		Increase/ Decrease
	Amount	Composition ratio	Amount	Composition ratio	Amount
Profit and Loss		%		%	
[Operating Profit and Loss]					
I. Profit and loss from telecommunications business operations					
(1) Operating revenue					
1. Income from voice transmission service	24,998,451		24,033,193		965,258
2. Income from data transmission service	3,653,834		5,956,770		2,302,935
Total operating revenue	28,652,286	77.1	29,989,964	75.0	1,337,677
(2) Operating expenses					
1. Operating costs	14,249,606		14,896,689		647,083
2. Facilities maintenance costs	1,623,965		2,208,711		584,745
3. Management costs	943,590		997,313		53,723
4. Depreciation	3,367,085		2,998,999		368,085
5. Fixed assets retirement costs	844,118		960,093		115,975
6. Communication equipment usage fee	5,361,288		4,994,163		367,125
7. Taxes and other public charge	347,138		389,719		42,581
Total operating expenses	26,736,792	71.9	27,445,690	68.6	708,898
Operating Profit from telecommunications business	1,915,494	5.2	2,544,273	6.4	628,778
II. Profit and loss from subsidiary business operations					
(1) Operating revenue	8,494,544	22.9	9,990,882	25.0	1,496,337
(2) Operating expenses *1	8,267,754	22.3	9,732,916	24.4	1,465,162
Operating profit from subsidiary business	226,790	0.6	257,965	0.6	31,175
Operating Profit	2,142,284	5.8	2,802,239	7.0	659,954
[Non-operating profit and loss]					
III. Non-operating revenue					
1. Interest received	329		48		281
2. Dividend payment received	1,827		2,772		945
3. Commission received	45,008		47,193		2,185
4. Rental income	30,263		28,263		1,999
5. Compensation received	15,000		-		15,000
6. Miscellaneous income	28,643		24,084		4,559
Total non-operating revenue	121,072	0.3	102,363	0.2	18,709
IV. Non-operating expenses					
1. Interest paid	214,349		165,532		48,817
2. Bond interest	-		1,078		1,078
3. Amortization of bond issue costs	-		22,650		22,650
4. Miscellaneous expenses	-		10,813		10,813
Total non-operating expenses	214,349	0.6	200,074	0.5	14,275
Ordinary Profit	2,049,006	5.5	2,704,527	6.7	655,520
[Special Profit and Loss]					
I. Special Loss					
(1) Point service allowance transferred from past period	-		373,667		373,667
Total special loss	-	-	373,667	0.9	373,667
Net profit before taxes for this period	2,049,006	5.5	2,330,860	5.8	281,853
Corporate tax, etc.	1,407,497	3.8	1,176,973	2.9	230,524
Refund of corporate tax, etc.	-		221,849	0.5	221,849
Adjusted corporate tax, etc.	547,170	1.5	398,193	1.0	148,976
Net profit for this period	1,188,679	3.2	1,773,929	4.4	585,250
Profit forward from previous period	113,856		172,644		58,788
Interim dividend	51,266		59,810		8,544
Undistributed profit for this period	1,251,269		1,886,763		635,493

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

2. The percentage figures were calculated using the sum of Operating Revenue from the telecommunication business and Operating Revenue from subsidiary businesses as 100%.

Comparative Cash Flow Statement

(Unit: thousand yen)

Fiscal Year	11 th Period Apr 1 2001 –Mar 31 2002	12 th Period Apr 1 2002 –Mar 31, 2003	Increase/ Decrease
Item	Amount	Amount	Amount
I. Cash flows from operating activities			
Net profit before taxes for this period	2,049,006	2,330,860	281,853
Depreciation	3,372,023	2,999,207	372,816
Decrease in bad debt reserve	22,813	9,524	13,288
Increase in reserve for retirement payments	18,936	53,653	34,717
Increase in reserve for point service system	-	556,762	556,762
Increase in reserve for bonus payments	8,760	6,240	2,520
Fixed assets retirement costs	838,767	870,584	31,816
Interests and dividends received	2,156	2,820	663
Interest paid	214,349	166,611	47,738
Sales credit increase () / decrease	209,073	140,774	349,848
Decrease in inventory assets	783,579	387,388	396,191
Decrease in purchase credit	1,038,480	215,135	823,344
Bonus to officers	9,730	10,270	540
Other increase and decrease amount	336,592	839,675	1,176,268
Subtotal	6,757,910	6,153,105	604,804
Interest and dividends received	2,156	2,820	663
Interest paid	212,506	166,188	46,318
Corporate taxes paid	195,797	1,584,624	1,388,826
Cash flows from operating activities	6,351,762	4,405,114	1,946,648
II. Cash flows from investment activities			
Income from sales of tangible fixed assets	3,313	20,351	17,038
Expenditures for acquisition of tangible fixed assets	3,343,987	2,778,665	565,322
Expenditures for acquisition of intangible fixed assets	87,940	17,136	70,804
Income from sales of investment securities	50,000	-	50,000
Expenditures for acquisition of investment securities	50,000	-	50,000
Other increase / decrease	39,069	22,754	61,824
Cash flows from investment activities	3,467,684	2,752,695	714,989
III. Cash flows from financial activities			
Net Increase / Decrease in short term borrowings	3,000,000	100,000	2,900,000
Proceeds from borrowings of long term loan	5,200,000	1,000,000	4,200,000
Expenditures for payment of long term loan	5,094,106	3,988,129	1,105,977
Income from issuance of corporate bonds	-	1,500,000	1,500,000
Dividend payments	119,639	127,951	8,311
Other increase / decrease	-	22,650	22,650
Cash flows from financial activities	3,013,745	1,738,730	1,275,015
IV. Cash and cash equivalent (difference at liquidation)	-	-	-
V. Decrease in cash and cash equivalent	129,668	86,311	43,356
VI. Balance of cash and cash equivalent at beginning of period	712,748	583,080	129,668
VII. Balance of cash and cash equivalent at end of period	583,080	496,768	86,311

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

Comparison of Profit Distribution Proposals

(Unit: thousand yen)

Description	11 th Period		12 th Period	
	I. Undistributed profit for this period		1,251,269	
II. Profit distribution				
1. Dividends	68,355 (common dividend 1000 yen per share)		76,899 (common dividend 1125 yen per share)	
2. Bonus to officers (for auditor's)	10,270 (1,260)		8,560 (1,260)	
3. Other reserve accounts	1,000,000	1,078,625	1,640,000	1,725,459
III. Profit forwarded to next period		172,644		161,303

Note: Interim dividends totaling 59,810 thousand yen (875 yen per share) were distributed on Dec. 6, 2002.

Important Accounting Policy

ITEM	11 th Period April 1, 2001 – Mar 31, 2002	12 th Period April 1, 2002 – Mar 31, 2003
1. Depreciation calculations for fixed assets	<p>(1) Tangible fixed assets Depreciation calculated using straight-line method. The useful lifespan of primary assets includes: Machinery & equipment: 6-15 years Antennas: 6-21 years Building: 3-31 years</p> <p>(2) Intangible fixed assets The straight-line method is applied. Useful lifespan as designated by the Company (5 years) is applied to software used within the company.</p> <p>(3) Long term prepaid expenses Uses straight-line calculation method</p>	<p>(1) Tangible fixed assets Depreciation calculated using straight-line method. The useful lifespan of primary assets includes: Machinery & equipment: 6-15 years Antennas: 10-21 years Building: 3-31 years</p> <p>(2) Intangible fixed assets See Left Column contents</p> <p>(3) Long term prepaid expenses See Left Column contents</p>
2. Methods and Standards for Marketable Securities Valuation	<p>Other marketable securities Marketable securities Securities having fluctuating market values: Fluctuating market value method based on market value, at the closure of accounts (Valuation differential was accounted for by using the total capital direct input method, and a sales cost was calculated using the moving average costing method)</p> <p>Marketable securities without market values : Moving average costing method used</p>	<p>Other marketable securities Marketable securities See Left Column contents</p> <p>Marketable securities without market values : See Left Column contents</p>
3. Standards and methods for evaluating inventory assets	Inventory goods Moving average costing method.	Inventory goods See Left Column contents
4. Treatment of carryover assets		Bond issue expense Accounted entirely as cost at the time of expenditure.
5. Standards for reserve appropriations	<p>(1) Bad Debt Reserve To provide for bad debts, a reserve is set aside for accounts which may not be collectable. 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>(2) Reserve for retirement payments This accounts for retirement payments and pensions through the end of the business year, to prepare for retirements of personnel. 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 liabilities are generated. From the following business year, the mathematical differential will be accounted for using the straight-line method based on a set number of years (14 years) within the average remaining tenure of the employees from the business year in which the differential is generated.</p>	<p>(1) Bad Debt Reserve See Left Column contents</p> <p>(2) Reserve for retirement payments See Left Column contents</p>

ITEM	11 th Period April 1, 2001 – Mar 31, 2002	12 th Period April 1, 2002 – Mar 31, 2003
	<p>(3)</p> <p>(4) Reserve for bonus payments To provide for employee bonuses, estimated cost during the accounting period is charged based on the estimated value of bonus payments.</p>	<p>(3) Reserve for Point Service system To provide for cost burden by taking potential point service([Point]), the required amount with regards to the points expected to be used from the next fiscal year on is set aside, based on the actual utilization rate.</p> <p>(Additional Information) To provide for cost burden by taking potential point service, and since the industry custom has become established and the group accounting will be integrated, the required amount with regards to the points expected to be used from the next fiscal year on is set aside, based on the actual utilization rate. This has resulted in an increase of 183,095 thousand yen in operating expenses of telecommunications business operations, and caused a decrease in the same amount in operating profit from telecommunications business operations, operating profit, and ordinary profit; Since special loss has increased by 373,667 thousand yen the net profit before taxes for the period suffered a decrease of 556,762 thousand yen</p> <p>(4) Reserve for bonus payments See Left Column contents</p>
6. 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.	See Left Column contents
7. The range of funds included 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, which are readily convertible to cash and present minimum risk of changes in interest rates.	See Left Column contents
8. Other important items used as basis for preparation	(1)Accounting for consumption taxes Consumption and other taxes are accounted for using the not-of-tax method.	(1)Accounting for consumption taxes See Left Column contents

Changes in Presentation

(Unit: thousand yen)

11 th Period April 1, 2001 – Mar 31, 2002	12 th Period April 1, 2002 – Mar 31, 2003
	Traditionally, “accounts receivable”, “accounts due”, and “arrearages” with regards to distributing agents have been recorded by straddling, however, beginning this period, they are offset. The amount of offset is, respectively: Accounts receivable: 833,509 thousand yen Accounts due: 319,312 thousand yen Arrearages: 1,152,822 thousand yen

Additional Information

(Unit: thousand yen)

11 th Period April 1, 2001 – Mar 31, 2002	12 th Period April 1, 2002 – Mar 31, 2003
(Accounting for Financial Products) From this operating year, valuation methods for Other Marketable Securities with fluctuating market values followed the “Opinion Paper on Setting Accounting Standards for Financial Instruments” (issued by the Corporate Accounting Council, January 22, 1999). This change brought no changes to profit or loss levels. Consequently, the valuation differential for Other Marketable Securities is listed as 2,499 thousand yen while tax asset carryover rose by 1,744 thousand yen	
(Adoption of “End to End” Fees System in mobile phone services) As of April 1, 2001, we implemented the “End to End” Fees System for connections between different mobile phone services. In conjunction, Okinawa Cellular has set charges for its customers throughout all the service talk areas from Point of Call to Receiving Point. Telecommunications service charges are listed as Income from Voice Transmission services. Fees for connections to other mobile phone companies are listed as Communication Equipment Usage Fee. This change has meant an additional 2,180,901 thousand yen in Income from Voice Transmission services and Total Operating Expenses from the telecommunications business. This does not affect Ordinary Profit or Net profit Before Taxes This Period.	

Notes

Balance Sheet

(Unit: thousand yen)

11 th Period Mar 31, 2002	12 th Period Mar 31, 2003
*1. Accumulated depreciation for tangible fixed assets 12,823,696	*1. Accumulated depreciation for tangible fixed assets 14,262,879
*2. Liabilities to associated companies Accounts payable 1,264,937 Arrearages 1,683,919	*2. Liabilities to associated companies Accounts payable 1,050,725 Arrearages 818,856
*3. Authorized shares and Issued shares Authorized shares 250,000 shares Issued shares 68,355 shares	*3. Authorized shares and Issued shares Authorized shares 250,000 shares Issued shares 68,355 shares
	4. Dividend limitation By evaluating the assets at the actual market price (Commercial Law 124.1.3), there was an increase of ¥74 in net assets.
	5. Application of Telecommunications Business Accounting Regulation Financial statements have been produced according to the amended Telecommunications Business Accounting Regulation.

Profit and Loss Statement

(Unit: thousand yen)

11 th Period April 1, 2001 – Mar 31, 2002	12 th Period April 1, 2002 – Mar 31, 2003
*1 Mobile Units Purchased From Affiliated Firms Corresponding cost of Sales 8,235,530	*1 Mobile Units Purchased From Affiliated Firms Corresponding cost of Sales 9,012,988

Cash Flow Statement

(Unit: thousand yen)

11 th Period April 1, 2001 – Mar 31, 2002	12 th Period April 1, 2002 – Mar 31, 2003
Relationship between the balance of cash and cash equivalents at the end of period, and the value of the items in the balance sheet (As of Mar.31, 2002)	Relationship between the balance of cash and cash equivalents at the end of period, and the value of the items in the balance sheet (As of Mar.31, 2003)
Cash and deposit accounts 583,080	Cash and deposit accounts 496,768
Time deposits of over 3 months	Time deposits of over 3 months
Cash and cash equivalents 583,080	Cash and cash equivalents 496,768