

# March 2002 Interim Report (Non-Consolidated) November 8, 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: Nov. 8, 2001	Interim Dividend System Exists: Yes
Interim Dividend Payment Date: Dec. 7, 2001	Percentage of shares owned by parent company: 51.5 %
Parent Company: KDDI Corporation (Code No. 9433)	

## 1. Operations Results for Interim Period ending Sept. 2001 (Apr. 1, 2001 – Sept. 30, 2001)

### (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. 2001	19,377	( 13.9 )	1,140	( 23.1 )	1,090	( 22.4 )
Interim Period ending Sept. 2000	17,019	( 12.3 )	1,483	( 25.7 )	1,404	( 30.4 )
Period ending March 2001	35,123	( 12.0 )	2,710	( 543.1 )	2,550	( - )

	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. 2001	625	( 23.1 )	9,152	79		
Interim Period ending Sept. 2000	813	( 26.2 )	11,895	22		
Period ending March 2001	1,468	( - )	21,478	41		

(Notes)

- Profit and loss from equity investment: Interim period ending Sept. 2001: ¥-- million      Interim period ending Sept. 2000: ¥-- million  
Period ending March 2001: ¥-- million
- Average number of shares outstanding: Interim Period ending Sept. 2001: 68,355 shares      Interim Period ending Sept. 2000: 68,355 shares  
Period ending March 2001: 68,355 shares
- Change in accounting method: None
- 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 2001	750 00	
Interim Period ending Sept 2000	750 00	
Period ending March 2001		1,750 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 2001	26,251	7,392	28.2	108,144 37
Interim Period ending Sept 2000	25,517	6,242	24.5	91,319 53
Period ending March 2001	26,678	6,845	25.7	100,152 72

(Notes) Number of final issued shares  
Interim Period September 2001: 68,355 shares  
Interim Period September 2000: 68,355 shares  
Period ending March 2001: 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 2001	2,532	1,706	399	1,139
Interim Period ending Sept 2000	2,526	3,331	868	635
Period ending March 2001	4,526	5,410	1,024	712

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

	Sales (million yen)	Ordinary Profit (million yen)	Net Profit (million yen)	Annual Dividend Per Share	
				End of Period (Yen)	(Yen)
Entire Period	39,500	2,000	1,150	750 00	1,500 00

(Reference) Net profit per share for this period is projected at ¥16,823.93.

## Interim Comparative Balance Sheet (Assets)

(Unit: thousand yen)

Item	Previous Interim Period (As of Sept 30, 2000)		Current Interim Period (As of Sept 30, 2001)		Increase/ Decrease	Previous Period (As of Mar 31, 2001)	
	Amount	Composit ion ratio	Amount	Composit ion ratio	Amount	Amount	Composit ion ratio
<b>[Assets]</b>		%		%			%
<b>I. Fixed Assets</b>							
<b>A. Fixed assets related to the telecommunication business</b>							
<b>(1) Tangible fixed assets *1</b>							
1. Mechanical equipment	12,867,336		11,900,953		966,383	12,352,781	
2. Antennas	2,919,058		3,062,767		143,708	3,040,819	
3. Buildings	1,576,258		1,721,619		145,360	1,663,534	
4. Land	386,578		388,268		1,690	388,268	
5. Temporary account for construction	393,835		367,779		26,055	342,324	
6. Other tangible fixed assets	447,436		484,717		37,281	462,072	
<b>Total tangible fixed assets</b>	18,590,504	72.9	17,926,105	68.3	664,399	18,249,801	68.4
<b>(2) Intangible fixed assets</b>	384,316	1.5	383,318	1.5	998	384,727	1.4
<b>Total fixed assets related to telecommunication business</b>	18,974,821	74.4	18,309,424	69.8	665,397	18,634,529	69.8
<b>B. Fixed assets relating to subsidiary businesses</b>							
<b>(1) Intangible fixed assets</b>	13,498		8,531		4,967	11,006	
<b>Total fixed assets relating to the subsidiary businesses</b>	13,498	0.0	8,531	0.0	4,967	11,006	0.0
<b>C. Investments, etc.</b>							
1. Security deposits	165,847		180,488		14,641	179,519	
2. Tax asset carryover	77,998		253,628		175,630	103,913	
3. Other investments	495,302		410,048		85,254	378,157	
Bad debt reserve	150,410		85,360		65,050	58,677	
<b>Total investments, etc.</b>	588,737	2.3	758,805	2.9	170,067	602,913	2.3
<b>Total Fixed Assets</b>	19,577,057	76.7	19,076,760	72.7	500,296	19,248,449	72.1
<b>II. Liquid Assets</b>							
1. Cash and bank deposits	635,858		1,139,273		503,415	712,748	
2. Accounts receivable	3,101,834		3,311,482		209,648	3,663,348	
3. Accounts due	691,600		740,771		49,171	1,137,216	
4. Inventory	1,221,945		1,800,116		578,171	1,846,996	
5. Tax asset carryover	192,044		167,178		24,865	98,716	
6. Other liquid assets	132,002		136,181		4,179	114,549	
Bad debt reserve	34,908		119,785		84,877	143,279	
<b>Total Liquid Assets</b>	5,940,376	23.3	7,175,219	27.3	1,234,842	7,430,296	27.9
<b>TOTAL ASSETS</b>	25,517,433	100.0	26,251,979	100.0	734,545	26,678,746	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, 2000)		Current Interim Period (As of Sept 30, 2001)		Increase/ Decrease	Previous Period (As of Mar 31, 2001)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio
<b>[Liabilities]</b>		%		%			%
<b>I. Fixed Liabilities</b>							
1. Long term loans	4,352,381		4,195,140		157,241	3,896,732	
2. Reserve for retirement allowance	31,038		71,443		40,404	61,975	
<b>Total Fixed Liabilities</b>	4,383,419	17.2	4,266,583	16.3	116,836	3,958,707	14.8
<b>II. Liquid liabilities</b>							
1. Liquid liabilities (payable within 1 year)	5,429,116		3,962,232		1,466,884	4,791,816	
2. Accounts payable *2	1,994,338		1,316,113		678,224	2,305,916	
3. Short term loans *2	3,200,000		4,700,000		1,500,000	4,500,000	
4. Arrearages *2	4,067,028		3,662,943		404,085	4,013,765	
5. Accrued expenses payable	102,333		104,755		2,422	133,949	
6. Corporate tax due	1,500		684,500		683,000	-	
7. Reserve for bonus payment	48,500		60,590		12,090	53,000	
8. Other liquid liabilities	49,051		102,053		53,002	75,651	
<b>Total Liquid Liabilities</b>	14,891,867	58.3	14,593,188	55.5	298,678	15,874,100	59.5
<b>TOTAL LIABILITIES</b>	19,275,287	75.5	18,859,771	71.8	415,515	19,832,807	74.3
<b>[Capital]</b>							
I. Capital	1,414,581	5.6	1,414,581	5.4	-	1,414,581	5.3
II. Capital reserve	1,614,991	6.3	1,614,991	6.2	-	1,614,991	6.1
III. Profit reserve	51,490	0.2	64,425	0.2	12,935	56,617	0.2
IV. Other surplus							
1. Voluntary reserve	2,149,000		3,560,000		1,411,000	2,149,000	
2. Interim undistributed profit (this period)	1,012,083		739,495		272,588	1,610,749	
Total other surplus	3,161,083	12.4	4,299,495	16.4	1,138,411	3,759,749	14.1
V. Adjustments for other Capital Holdings and Marketable Securities			1,285	0.0	1,285	-	-
<b>TOTAL CAPITAL</b>	6,242,146	24.5	7,392,208	28.2	1,150,061	6,845,939	25.7
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	25,517,433	100.0	26,251,979	100.0	734,545	26,678,746	100.0

## Interim Comparative Profit and Loss Statement

(Unit: thousand yen)

Item	Fiscal Year		Previous Interim Period (Apr 1, 2000- Sept 30, 2000)		Current Interim Period (Apr 1, 2001 - Sept 30, 2001)		Increase/ Decrease	Previous Period (Apr 1, 2000- Mar 31, 2001)	
	Amount	Composition ratio	Amount	Composition ratio	Amount	Amount	Composition ratio		
<b>Profit and Loss</b>		%		%				%	
<b>[Operating Profit and Loss]</b>									
<b>I. Profit and loss from telecommunications business operations</b>									
(1) Operation revenue									
1. Income from voice transmission services	12,473,129		13,279,637		806,508	24,656,640			
2. Income from data transmission services	353,924		1,713,441		1,359,517	1,336,289			
<b>Total operating revenue</b>	12,827,053	75.4	14,993,079	77.4	2,166,025	25,992,929	74.0		
(2) Operating expenses									
1. Operating costs	6,644,825		7,360,132		715,306	14,074,207			
2. Facilities maintenance costs	727,896		781,732		53,836	1,520,671			
3. Management costs	489,569		530,804		41,235	882,232			
4. Depreciation	1,499,672		1,642,258		142,586	3,092,202			
5. Fixed assets retirement costs	1,325		355,524		354,199	197,516			
6. Communication equipment usage fee	1,986,250		3,215,203		1,228,952	3,660,271			
7. Taxes and other public charges	186,463		179,175		7,287	359,126			
<b>Total operating expenses</b>	11,536,004	67.8	14,064,832	72.6	2,528,827	23,786,230	67.7		
<b>Operating profit / loss ( ) from the telecommunication business</b>	1,291,049	7.6	928,247	4.8	362,802	2,206,699	6.3		
<b>II. Profit and loss from subsidiary businesses operations</b>									
(1) Operating revenue	4,192,230	24.6	4,383,989	22.6	191,758	9,130,598	26.0		
(2) Operating expenses	3,999,434	23.5	4,171,678	21.5	172,243	8,626,642	24.6		
<b>Operating profit from subsidiary business operations</b>	192,795	1.1	212,310	1.1	19,515	503,955	1.4		
<b>Operating Profit</b>	1,483,845	8.7	1,140,557	5.9	343,287	2,710,655	7.7		
<b>[Non-operating Profit and Loss]</b>									
<b>III. Non-operating revenue *1</b>	59,363	0.4	70,723	0.3	11,360	107,867	0.3		
<b>IV. Non-operating expenses *2</b>	138,905	0.8	121,208	0.6	17,697	267,711	0.7		
<b>Ordinary profit</b>	1,404,303	8.3	1,090,073	5.6	314,230	2,550,811	7.3		
<b>Special Profit and Loss</b>									
Special loss *3	25,287	0.2	-	-	25,287	51,192	0.2		
Interim net profit before taxes (this period)	1,379,016	8.1	1,090,073	5.6	288,943	2,499,619	7.1		
Corporation tax, etc.	1,347	0.0	681,714	3.5	680,366	399,479	1.1		
Adjusted corporation tax, etc.	564,570	3.3	217,280	1.1	781,850	631,983	1.8		
Interim net profit (this period)	813,097	4.8	625,639	3.2	187,458	1,468,156	4.2		
Profit forwarded from previous period	198,985		113,856		85,129	198,985			
Interim dividend						51,266			
Profit reserve for interim dividend						5,126			
Interim undistributed profit (this period)	1,012,083		739,495		272,588	1,610,749			

- 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%.

## Interim Cash Flow Statement

(Unit: thousand yen)

Item	Period	Previous Interim Period April 1, 2000 – Sept 30, 2000	Current Interim Period April 1, 2001 – Sept. 30, 2001	Summary of Previous Period April 1, 2000 – March 31, 2001
		Amount	Amount	Amount
<b>I. Cash flows from operating activities</b>				
Interim net profit before taxes this period		1,379,016	1,090,073	2,499,619
Depreciation		1,502,163	1,644,734	3,097,185
Increase in bad debt reserve		11,920	3,189	28,558
Increase in reserve for retirement allowance		31,038	9,468	61,975
Increase in reserve for bonus allowance		2,500	7,590	7,000
Fixed assets retirement costs		-	355,524	228,968
Other losses from investment		4,400	-	4,400
Profits on sales of investment securities		-	-	1,520
Interests and dividends received		1,807	738	2,297
Interest paid		134,505	121,208	263,311
Sales credit increase/decrease		743	351,865	562,256
Increase/decrease in inventory assets		526,609	46,879	1,151,659
Increase/decrease in purchase credit		1,097,676	989,802	1,409,255
Bonus to officers		9,070	9,730	9,070
Other increase and decrease amount		463,058	18,513	182,584
Subtotal		3,161,933	2,648,774	5,690,885
Interest and dividends received		1,807	738	2,297
Interest paid		130,734	119,804	260,412
Corporate taxes paid		506,292	2,785	905,924
Cash flows from operating activities		2,526,714	2,532,494	4,526,845
<b>II. Cash flows from investment activities</b>				
Income from sales of tangible fixed assets		186	3,313	186
Expenditures for acquisition of tangible fixed assets		3,243,748	1,528,746	5,217,322
Expenditures for acquisition of intangible fixed assets		82,009	48,503	119,316
Income from sales of investment securities		-	-	1,720
Expenditures for acquisition of investment securities		1,200	50,000	1,200
Expenditures for acquisition of other investments		4,445	82,281	74,261
Cash flows from investment activities		3,331,216	1,706,216	5,410,194
<b>III. Cash flows from financial activities</b>				
Increase in short term borrowings		200,000	200,000	1,500,000
Proceeds from long term borrowings		3,100,000	2,500,000	5,000,000
Expenditures for payment of long term loan		2,380,288	3,031,176	5,373,237
Dividend payments		51,104	68,577	102,418
Cash flows from financial activities		868,607	399,753	1,024,344
<b>IV. Cash and cash equivalent (difference at liquidation)</b>		-	-	-
<b>V. Increase in cash and cash equivalent</b>		64,105	426,524	140,996
<b>VI. Balance of cash and cash equivalent at beginning of period</b>		571,752	712,748	571,752
<b>VII. Balance of cash and cash equivalent at end of period</b>		635,858	1,139,273	712,748

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

## **Core Facets of Interim Statements Preparation**

### **1. Depreciation calculations for fixed assets**

#### (1) Tangible fixed assets

Depreciation calculated using the straight-line method.

The useful lifespan of primary assets includes:

Machinery and equipment:	5-15 years
Antennas:	6-21 years
Buildings:	3-31 years

#### (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.

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

#### (1) Inventory

Inventory Stores: moving average costing method used

#### (2) Marketable Securities

Other marketable securities

Securities with fluctuating market evaluations: Market value is calculated based on the market rate as of interim closing date (the appraisal difference is processed according to direct capitalization method, and the cost of products sold is valued with moving average costing method.

Marketable securities without market evaluations: moving average costing method used

### **3. Standards for reserve appropriations**

#### (1) Bad Debt Reserve

To provide for bad debts, a reserve is set aside for accounted that will be uncollectable. The reserve amount is a percentage calculated from past losses in general accounts receivable. The potential for collection is separately considered for each account.

#### (2) Reserve for Bonus Payments

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

#### (3) Reserve for Retirement Payments

To provide for employee retirement benefits, the amount to be incurred at the end of the interim 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. 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. Processing is started from the next fiscal year.

### **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. Hedge accounting method**

#### (1) Hedge accounting method

The deferred hedge accounting method is used. For interest rate swaps that meet the required conditions for exemption accounting, such exemption accounting methods are employed.

#### (2) Means and object of hedge

Means of hedge: interest rate swap

Object of hedge: loan

#### (3) Hedging policy

Okinawa Cellular, using "The Company Directive on Policy for Interests Rates Swaps et al.", attempts to minimize risks regarding future interest rates.

#### (4) Method for assessing hedge effectiveness

Evaluation is conducted in advance, with regard to interest rates swap, on whether the requirements

for exemption accounting as prescribed under the accounting standard for financial products are met. The Company does not conduct after-the-fact evaluations on interest swaps, because all hedges fall under the exemption accounting allowed by the accounting standard for financial products etc., which has no requirement for post-transaction evaluations.

#### **6. 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.

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

(1) 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 193.162 million yen.

(2) Application of End to End Charges for Mobile Phone Services

The end to end charge system was implemented as of April 1, 2001, displacing the set call rating system used earlier. The new end to end charging system allows the Company to provide all districts with service and appropriate charges from all points of call made to points of call received, in a network that allows connection to other phone service providers. This has resulted in an increase of income for audio transmission service of some 1,500,346 thousand yen which is offset by an equal amount in service fees payable. There is however, no lasting impact on operational profits nor on interim profitability.

#### **Changes in Presentation**

With regard to fixed expenses such as cancelled credits which had previously been charged to “investments, etc.”, credits exceeding one year were recorded as “investments, etc.” (79,336 thousand yen) for this interim accounting period. Credits not exceeding one year (99,512 thousand yen) were charged to “accounts receivable”. Cancelled credits recorded as “investments, etc.” at the end of the previous interim period accounted for 175,376 thousand yen.

#### **Additional Information**

Accounting for financial products

From current interim period, market value valuation for marketable securities with market values is conducted based on the accounting standard regarding financial products (“Opinion on the Establishment of Accounting Standards for Financial Products”) (January 22, 1999, Business Accounting Council). There is no effect on profit and loss caused by the change. Consequently, the value of other marketable securities showed a loss of deferred tax assets -1,285 thousand yen, with the increased deferred tax asset of 896 thousand yen.

## Notes

### [Interim Balance Sheet]

(Unit: thousand yen)

Fiscal Year	Previous Interim Period (Sept 30, 2000)	Current Interim Period (Sept. 30, 2001)	Previous Period (Mar.31, 2001)
*1. Accumulated depreciation for tangible fixed assets	11,232,779	13,925,996	12,365,131
*2. Liabilities to associated companies			
Accounts payable	1,983,836	1,315,456	2,038,062
Current Portion of short-term debt	-	-	2,000,000
Arrearages	1,780,567	1,858,997	1,650,663

### [Statement of Interim profit and loss]

(Unit: thousand yen)

Fiscal Year	Previous Interim Period (Apr 1, 2000 – Sept 30, 2000)	Current Interim Period (Apr 1, 2001 – Sept 30, 2001)	Previous Period (Apr 1, 2000 – Mar. 31, 2001)
*1. Major items in non-operating income			
Interest received	247	187	725
Commissions received	32,442	23,826	72,374
Rental Income	22,875	24,716	26,631
*2. Major items in non-operating expense			
Interest paid	134,505	121,208	263,311
*3. Special Loss			
Difference in retirement allowance caused by change in the accounting standards	25,287	-	51,192
4. Depreciation			
Tangible Fixed Assets	1,416,296	1,560,865	2,917,818
Intangible Fixed Assets	40,259	43,753	85,063

### [Interim cash flow statement]

(Unit: thousand yen)

Previous Interim Period (Apr 1, 2000 – Sept 30, 2000)	Current Interim Period (Apr 1, 2001 – Sept 30, 2001)	Previous Period (Apr 1, 2000 – Mar. 31, 2001)
Relationship 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 (As of Sept.30, 2000)	Relationship 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 (As of Sept. 30, 2001)	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, 2001)
Cash and deposit accounts 635,858	Cash and deposit accounts 1,139,273	Cash and deposit accounts 712,748
Time deposits of over 3 months -	Time deposits of over 3 months -	Time deposits of over 3 months -
Cash and cash equivalents 635,858	Cash and cash equivalents 1,139,273	Cash and cash equivalents 712,748

[Lease transactions]

(Unit: thousand yen)

Previous Interim Period (Apr 1, 2000 – Sept 30, 2000)	Current Interim Period (Apr 1, 2001 – Sept 30, 2001)	Previous Period (Apr 1, 2000 – Mar 31, 2001)																																																
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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