

Fiscal Year 2002 3rd Quarter Report (Non-Consolidated)

Feb 6, 2003

Company Name: **Okinawa Cellular Telephone Company**

Registered Shares (counter shares)

Code No.: 9436

Main Office: Okinawa Prefecture

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

Address 1-7-1 Kumoji, Naha City, Okinawa JAPAN

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Board of Directors' Meeting for Settlement of Accounts: Feb. 6, 2003

Interim Dividend System Exists: Yes

Parent Company: KDDI Corporation (Code No. 9433)

Percentage of shares owned by parent company: 51.5 %

1 . Operational Results for 3rd Quarter (Cumulative period Apr. 1, 2002 – Dec. 31, 2002)

(Notes) 1 . Values of the brief announcement of the current quarter shall be governed by accounting standards for interim financial statements.

(1) Operating Results

Figures rounded off to nearest million yen.

	Sales		Operating Profit		Ordinary Profit	
	million yen	%	million yen	%	million yen	%
Quarter ending Dec. 2002	29,751	(-)	1,832	(-)	1,758	(-)
Period ending March 2002	37,146		2,142		2,049	

	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	%	%	%
Qtr. ending Dec. 2002	1,172	(-)	17,153 07	-	-	-	5.9
Period ending March 2002	1,188		17,389 79	-	16.1	8.0	5.5

- (Notes)
1. Profit and loss from equity investment: FY to date: ¥-- million Period ending March 2002: ¥-- million
 2. Average. number of shares outstanding: FY to date: 68,355 shares Period ending March 2002: 68,355 shares
 3. Change in accounting method: None
 4. The percentages accompanying Sales, Operating Income, Ordinary Profit and Net Profit for this current period reflect the rate of change (rise/drop) from the same quarterly period for previous fiscal year.
 5. The company does not compare to the same period last year and calculate the Equity Capital Ratio of Net Profit This Period and the Total Assets Ratio of Ordinary Profit because the company didn't conduct a quarterly settlement in the previous period.

(2) Finance

	Total Assets (million yen)	Equity Capital (million yen)	Ratio of Equity Capital to Total Assets (%)	Equity Capital per Share (yen)
Qtr. ending Dec 2002	23,345	8,938	38.3	130,762 42
Period ending March 2002	24,772	7,902	31.9	115,613 61

- (Notes)
1. Number of final issued shares FY to date: 68,355 shares Period ending March 2002: 68,355 shares
 2. Number of withheld shares FY to date: - shares Period ending March 2002: - shares

(3) 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
Qtr. ending Dec. 2002	3,245	1,708	1,354	766
Period ending March 2002	6,351	3,467	3,013	583

2 . Projected Business Performance for Period Ending March 2003 (April 1, 2002 – March 31, 2003)

	Sales (million yen)	Ordinary Profit (million yen)	Net Profit (million yen)	Annual Dividend Per Share	
				End of Period (Yen)	(Yen)
Entire Period	39,100	2,400	1,600	875 00	1,750 00

(Reference) Net profit per share for this period is projected at ¥23,407.21.

(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.

Quarterly Comparative Balance Sheet (Assets)

(Unit: thousand yen)

Fiscal Year Item	Current FY to date (As of Dec 31, 2002)		Summarized Balance Sheet of Previous Fiscal Year (As of Mar 31, 2002)		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	9,788,349		10,380,452		592,103
2. Antennas	2,933,152		3,018,594		85,441
3. Buildings	1,756,957		1,735,265		21,692
4. Land	388,268		388,268		-
5. Temporary account for construction	115,475		1,182,474		1,066,998
6. Other tangible fixed assets	483,415		468,049		15,366
Total tangible fixed assets	15,465,619	66.2	17,173,105	69.3	1,707,485
(2) Intangible fixed assets	320,687	1.4	373,038	1.5	52,351
Total fixed assets related to telecommunication business	15,786,306	67.6	17,546,144	70.8	1,759,837
B. Fixed assets relating to subsidiary businesses					
(1) Tangible fixed assets *1	197		-		197
(2) Intangible fixed assets	3,618		6,068		2,450
Total fixed assets relating to the subsidiary businesses	3,816	0.0	6,068	0.0	2,252
C. Investments, etc.					
1. Security deposits	188,153		201,808		13,655
2. Tax asset carryover	967,197		496,298		470,898
3. Other investments	331,194		388,598		57,404
Bad debt reserve	67,532		70,266		2,733
Total investments, etc.	1,419,012	6.1	1,016,439	4.1	402,572
Total Fixed Assets	17,209,135	73.7	18,568,652	74.9	1,359,517
II. Liquid Assets					
1. Cash and bank deposits	766,264		583,080		183,183
2. Accounts receivable	3,859,695		3,454,274		405,421
3. Accounts due	623,755		817,060		193,304
4. Inventory	749,156		1,063,416		314,259
5. Tax asset carryover	106,858		255,246		148,387
6. Other liquid assets	121,056		139,972		18,915
Bad debt reserve	90,911		108,876		17,965
Total Liquid Assets	6,135,875	26.3	6,204,172	25.1	68,297
TOTAL ASSETS	23,345,010	100.0	24,772,825	100.0	1,427,815

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

Quarterly Comparative Balance Sheet (Liability and Capital)

(Unit: thousand yen)

Item	Current FY to date (As of Dec 31, 2002)		Summarized Balance Sheet of Previous Fiscal Year (As of Mar 31, 2002)		Increase/ Decrease
	Amount	Composition ratio	Amount	Composition ratio	Amount
[Liabilities]		%		%	
I. Fixed Liabilities					
1. Long term loans	3,712,278		4,893,813		1,181,535
2. Reserve for retirement allowance	106,746		80,911		25,835
3. Reserve for Point Service system	526,936				526,936
Total Fixed Liabilities	4,345,960	18.6	4,974,724	20.1	628,763
II. Liquid liabilities					
1. Liquid liabilities (payable within 1 year)	2,956,076		3,900,629		944,553
2. Accounts payable *2	755,871		1,267,436		511,564
3. Short term loans	2,400,000		1,500,000		900,000
4. Arrearages *2	3,463,026		3,725,117		262,091
5. Accrued expenses payable	119,102		126,815		7,713
6. Corporate tax due	163,300		1,211,700		1,048,400
7. Reserve for bonus payment	33,110		61,760		28,650
8. Other liquid liabilities	170,298		101,874		68,423
Total Liquid Liabilities	10,060,784	43.1	11,895,333	48.0	1,834,548
TOTAL LIABILITIES	14,406,744	61.7	16,870,057	68.1	2,463,312
[Capital]					
I. Capital	-	-	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	-		3,560,000		3,560,000
2. FY to date undistributed profit	-		1,251,269		1,251,269
Total other surplus	-	-	4,811,269	19.4	4,811,269
V. Adjustments for other	-	-	2,499	0.0	2,499
Capital Holdings and Marketable Securities	-	-	7,902,768	31.9	7,902,768
TOTAL CAPITAL	-	-	7,902,768	31.9	7,902,768
I. Capital	1,414,581	6.1	-	-	1,414,581
II. Capital surplus					
1 Capital reserve	1,614,991		-		1,614,991
Total Capital surplus	1,614,991	6.9	-	-	1,614,991
III. Profit surplus					
1. Profit reserve	64,425		-		64,425
2. Voluntary reserve	4,560,000		-		4,560,000
3. FY to date undistributed profit	1,285,332		-		1,285,332
Total Profit surplus	5,909,758	25.3	-	-	5,909,758
IV. Adjustments for other					
Capital Holdings and Marketable Securities	1,064	0.0	-	-	1,064
TOTAL CAPITAL	8,938,265	38.3	-	-	8,938,265
TOTAL LIABILITIES & CAPITAL	23,345,010	100.0	24,772,825	100.0	1,427,815

Quarterly Profit and Loss Statement

(Unit: thousand yen)

Item	Period	Cumulative FY to date April 1, 2002 – Dec 31, 2002		Summarized Profit and Loss Statement of Previous Period April 1, 2001 – Mar 31, 2002	
		Amount	Composition ratio	Amount	Composition ratio
Profit and Loss			%		%
[Operating Profit and Loss]					
Profit and loss from telecommunications business operations					
(1) Operating revenue		22,287,572	74.9	28,652,286	77.1
(2) Operating expenses		20,864,054	70.1	26,736,792	71.9
Operating Profit from telecommunications business operations		1,423,517	4.8	1,915,494	5.2
Profit and loss from subsidiary business operations					
(1) Operating revenue		7,463,913	25.1	8,494,544	22.9
(2) Operating expenses		7,054,831	23.7	8,267,754	22.3
Operating profit from subsidiary business operations		409,082	1.4	226,790	0.6
Operating Profit		1,832,600	6.2	2,142,284	5.8
[Non-operating Profit and Loss]					
Non-operating revenue *1		64,391	0.2	121,072	0.3
Non-operating expenses *2		138,115	0.5	214,349	0.6
Ordinary profit		1,758,876	5.9	2,049,006	5.5
Special Profit and Loss					
Special loss *3		373,667	1.3	-	-
FY to date gross profit before taxes(this period)		1,385,209	4.6	2,049,006	5.5
Corporation tax, etc.		758,071	2.5	1,407,497	3.8
Refund of corporate tax, etc. from past period		221,849	0.7	-	-
Adjusted corporation tax, etc.		323,511	1.1	547,170	1.5
FY to date net profit (this period)		1,172,498	3.9	1,188,679	3.2
Profit forwarded from previous period		172,644		113,856	
Interim dividend		59,810		51,266	
FY to date undistributed profit (this period)		1,285,332		1,251,269	

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%.

Quarterly Cash Flow Statement

(Unit: thousand yen)

Item	Period	Cumulative FY to date April 1, 2002 – Dec 31, 2002	Summarized Cash Flow of Previous Period April 1, 2001 – Mar 31, 2002
		Amount	Amount
I. Cash flows from operating activities			
	FY to date gross profit before taxes (this period)	1,385,209	2,049,006
	Depreciation	2,260,449	3,372,023
	Decrease in bad debt reserve	20,699	22,813
	Increase in reserve for retirement allowance	25,835	18,936
	Increase in reserve for point service system	526,936	-
	Increase in reserve for bonus allowance ()	28,650	8,760
	Fixed assets retirement costs	770,372	838,767
	Interests and dividends received	2,813	2,156
	Interest paid	137,515	214,349
	Sales credit increase () / decrease	405,421	209,073
	Decrease in inventory assets	314,259	783,579
	Decrease in purchase credit	511,564	1,038,480
	Bonus to officers	10,270	9,730
	Other increase and decrease amount	520,114	336,592
	Subtotal	4,961,274	6,757,910
	Interest and dividends received	2,813	2,156
	Interest paid	133,962	212,506
	Corporate taxes paid	1,584,622	195,797
	Cash flows from operating activities	3,245,502	6,351,762
II. Cash flows from investment activities			
	Income from sales of tangible fixed assets	-	3,313
	Expenditures for acquisition of tangible fixed assets	1,701,654	3,343,987
	Expenditures for acquisition of intangible fixed assets	11,570	87,940
	Income from sales of investment securities	-	50,000
	Expenditures for acquisition of investment securities	-	50,000
	Expenditures for acquisition of other investments	5,176	39,069
	Cash flows from investment activities	1,708,048	3,467,684
III. Cash flows from financial activities			
	Net Increase / Decrease () in short term borrowings	900,000	3,000,000
	Proceeds from borrowings of long term loan	1,000,000	5,200,000
	Expenditures for payment of long term loan	3,126,088	5,094,106
	Dividend payments	128,182	119,639
	Cash flows from financial activities	1,354,270	3,013,745
IV. Cash and cash equivalent (difference at liquidation)			
		-	-
V. Increase / Decrease () in cash and cash equivalent			
		183,183	129,668
VI. Balance of cash and cash equivalent at beginning of period			
		583,080	712,748
VII. Balance of cash and cash equivalent at end of 3rd quarter			
		766,264	583,080

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

Core Facets of Quarterly Statement Preparation

ITEM	Cumulative FY to date April 1, 2002 – Dec 31, 2002	Previous Period April 1, 2001 – Mar 31, 2002
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>(1) Tangible fixed assets See Left Column contents</p> <p>(2) Intangible fixed assets See Left Column contents</p>
2. Standards and methods for evaluating assets	<p>(1) Marketable securities Other marketable securities Securities having fluctuating market values: Fluctuating market value method based on market value, in the 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>Marketable securities without market values: Moving average costing method used</p> <p>(2) Inventory Assets Valuations Inventory Stores: Moving average costing method used</p>	<p>(1) Marketable securities Other marketable 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>Marketable securities without market values: See Left Column contents</p> <p>(2) Inventory Assets Valuations Inventory Stores: See Left Column contents</p>
3. Standards for reserve appropriations	<p>(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.</p> <p>(2) Reserve for Bonus Payments To provide for employee bonuses, estimated cost during the current quarterly accounting period is charged based on the estimated value of bonus payments.</p>	<p>(1) Bad Debt Reserve See Left Column contents</p> <p>(2) 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>

ITEM	Cumulative FY to date April 1, 2002 – Dec 31, 2002	Previous Period April 1, 2001 – Mar 31, 2002
	<p>(3) Reserve for Retirement Payments</p> <p>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.</p> <p>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.</p> <p>(4) Reserve for Point Service system</p> <p>To provide for cost burden by taking potential point service([Point]), the required amount with the points expected to be used based on the actual utilization rate after 4th quarter of the current year.</p>	<p>(3) Reserve for Retirement Payments</p> <p>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.</p> <p>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>
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.	See Left Column contents
5. The range of funds included in the quarterly cash flow statement	This quarterly 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
6. Other important items used as basis for preparation	<p>Accounting for consumption taxes</p> <p>Consumption taxes are not included.</p> <p>Temporary tax payments and taxes collected are set off and recorded as arrearages. The amount after set off is 39.554 million yen.</p>	<p>Accounting for consumption taxes</p> <p>Consumption taxes are not included.</p>

Additional Information

ITEM	Cumulative FY to date April 1, 2002 – Dec 31, 2002	Previous Period April 1, 2001 – Mar 31, 2002
1. Accounting for withheld shares and reversal of legal reserve, etc.	<p>From the current 3rd quarterly period (Accounting Standards regarding withheld shares and reversal of legal reserve, etc.), measures stated in paragraph 1 of “Business Accounting Standards” were implemented. There is no effect on profit and loss during the current 3rd quarterly accounting period caused by the change.</p> <p>In accordance with revisions to regulations concerning interim statements preparation, “Capital” of the quarterly balance sheet in the current 3rd quarterly accounting period were established based on the interim balance sheet after the revision.</p>	
2. Reserve for point service system	<p>From the current 3rd quarterly period, to provide for cost burden by taking potential point service([Point]), the required amount with the points expected to be used based on the actual utilization rate after the 4th Qtr of the current year because of the growth of the current industry practices and uniform accounting system.</p> <p>Consequently, Expenses of telecommunications business operations increased by 153,268 thousand yen, Profit from telecommunications business operations, Operating Profit and Ordinary profit decreased by 153,268 thousand yen, Special Loss increased by 373,667 thousand yen and as a result of these changes, Quarterly net profit before tax decreased by 526,936 thousand yen.</p>	

Notes

The classification of items in the current quarterly financial statements shall be compliant with item classification in Article 5 of “Telecommunications Business Accounting Regulations (Administrative order 26 of the Ministry of Posts and Telecommunications, 1985)” because the company is in the first category of Telecommunications Business based on Option 11 regulated 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)

Period ITEM	Cumulative FY to date Dec 31, 2002	Previous Period Mar 31, 2002
*1. Accumulated depreciation for tangible fixed assets	12,987,526	12,823,696
*2. Liabilities to associated companies		
Accounts payable	755,871	1,264,937
Arrearages	1,587,616	1,683,919

Quarterly Profit and Loss Statement

(Unit: thousand yen)

Fiscal Year ITEM	Cumulative FY to date April 1, 2002 – Dec 31, 2002	Previous Period April 1, 2001 – Mar 31, 2002
*1. Major items in non-operating income		
Interest received	40	329
Commissions received	31,622	45,008
Rental Income	24,282	30,263
Compensation Received		15,000
*2. Major items in non-operating expense		
Interest paid	137,515	214,349
*3. Special Loss		
Point service allowance transferred from past period	373,667	
*4. Depreciation		
Tangible Fixed Assets	2,137,230	3,196,934
Intangible Fixed Assets	63,648	88,266

Quarterly Cash Flow Statement

(Unit: thousand yen)

Cumulative FY to date (Apr 1, 2002 – Dec 31, 2002)	Previous Period (Apr 1, 2001 – Mar 31, 2002)
Relationship between the balance of cash and cash equivalents at the end of quarterly period, and the value of the items in the quarterly balance sheet (As of Dec.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, 2002)
Cash and deposit accounts	Cash and deposit accounts
766,264	583,080
Time deposits of over 3 months	Time deposits of over 3 months
Cash and cash equivalents	Cash and cash equivalents
766,264	583,080