



May 14, 2004

## CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2004

Daimei Telecom Engineering Corp. is listed on the Tokyo Stock Exchange First Section with the securities code 1943.  
( URL <http://www.daimei.co.jp> )

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Annual Board of Directors Meeting: May 14, 2004  
Adoption of US GAAP: No

Figures have been rounded off to eliminate amounts less than one million yen

### 1. Business Results for the Fiscal Year ended March 31

#### (1) Consolidated Operating Results

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2004	91,228	9.1	4,822	32.0	4,758	49.4
2003	83,602	(15.2)	3,652	(5.9)	3,185	(12.0)

	Net Income		Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Net Sales
	Millions of yen	%	Yen	Yen	%	%	%
2004	1,852	89.5	45.17	41.30	6.4	6.9	5.2
2003	977	321.1	23.67	22.24	3.6	4.6	3.8

Notes: 1. Equity in earnings of non-consolidated subsidiaries and affiliates

Fiscal year ended March 31, 2004: ¥17 million

Fiscal year ended March 31, 2003: ¥8 million

2. Average number of shares outstanding (consolidated):

Fiscal year ended March 31, 2004: 40,230,621 shares

Fiscal year ended March 31, 2003: 40,029,545 shares

3. Changes in accounting policies: No

4. Percentages shown for net sales, operating income, ordinary income and net income are the rate of increase or decrease from the previous fiscal year.

#### (2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2004	69,483	29,792	42.9	739.97
2003	68,144	27,654	40.6	690.19

Note: Number of shares outstanding at the end of the term (consolidated)

Fiscal year ended March 31, 2004: 40,213,963 shares

Fiscal year ended March 31, 2003: 40,024,656 shares

### (3) Cash Flows

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents, End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2004	4,525	(2,284)	(2,299)	18,463
2003	7,859	(263)	(2,349)	18,525

### (4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries: 12

Number of non-consolidated subsidiaries accounted for by the equity method: 0

Number of affiliates accounted for by the equity method: 1

### (5) Changes in Scope of Consolidation and Application of the Equity Method

New consolidated companies: 0

Consolidated companies removed: 1

New companies accounted for by the equity method: 0      Companies accounted for by the equity method removed: 1

## 2. Forecast of Consolidated Results for the Fiscal Year ending March 31, 2005

	Net Sales	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
6 months ending Sept. 30, 2004	39,500	1,550	600
Year ending March 31, 2005	91,500	4,800	2,200

Reference: Estimated net income per share for the year: ¥54.71

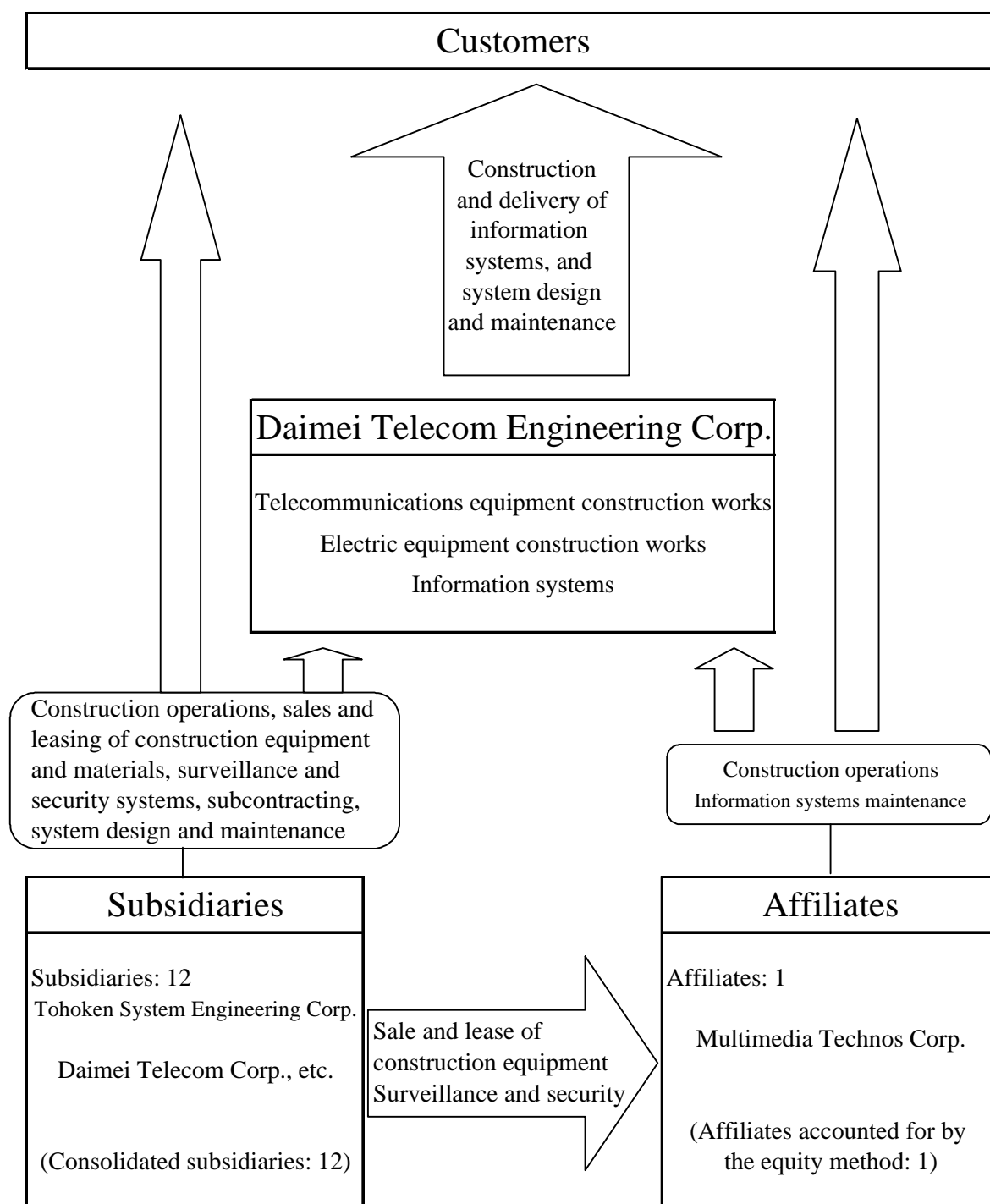
#### Cautionary Statement

Statements made in this report with respect to Daimei's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Daimei. These statements are based on management's assumptions and beliefs in light of the information available at the time such statements were created and are not guaranteed. Daimei cautions that a number of important factors such as general economic conditions and exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements.

Please refer to Page 10 of the appended materials for matters to note before using the assumptions and forecasted results

## 1. Conditions of the Corporate Group

The Daimei Group, comprising the parent company, 12 subsidiaries and 1 affiliate, has core operations in telecommunications equipment construction works, electric equipment construction works and information systems. The Company also engages in such related areas as the sale and leasing of construction equipment, as well as surveillance and security systems.



\*The subsidiary Tohoken System Engineering Corporation shown in the above table is listed on the Tokyo Stock Exchange (JASDAQ).

## **2. Management Policies**

### **(1) Basic Management Policies**

Based on its corporate philosophy of contributing to the advancement of information technology (IT) and the creation of an affluent society, Daimei Telecom Engineering Corp. endeavors to achieve steady growth and increase corporate value throughout the Group, with the goal of becoming an IT company for the 21st century.

To realize these goals and establish the Daimei brand, Daimei aims to meet the expectations of all stakeholders including shareholders, clients, suppliers and employees.

In line with our long-term policies of transforming the business to establish a superior competitive position, increasing customer satisfaction and developing human resources, we are focusing group-wide efforts on increasing profits by expanding operations and reducing costs, assuring safety and improving product quality.

Daimei is also working to earn society's trust as a good corporate citizen, through complete transparency in its corporate activities and full compliance with regulations and a high standard of ethics.

### **(2) Dividend Policy**

Daimei considers the stable distribution of dividends a fundamental management policy, while taking into account business performance and the payout ratio.

From a medium and long-term perspective, Daimei uses retained earnings for future business expansion, while striving to bolster its corporate structure and strengthen its business foundation.

The Company does not distribute interim dividends.

### **(3) Policy Concerning Reduction of Unit Stock Size**

Daimei regards the proper valuation of its stock and the enhanced liquidity of its shares as important issues. Given present circumstances including the level of stock prices, we believe conditions are not appropriate for executing an immediate reduction in the number of shares in the company's unit stock.

Daimei will address this issue prudently while giving careful consideration to a variety of factors, such as the future market trend.

### **(4) Managerial Indicator Established as an Objective**

As an objective in the Company's medium-term plan, management has established the objective of improving the Company's return on shareholders' equity (ROE) to 10% in order to increase the value of the firm.

### **(5) Medium and Long-term Management Strategy**

In the telecommunication sector, which is intimately related to Daimei's core business, demand is shifting from "voice and fixed line" to "IP and mobile" telecommunications. This change is being reinforced by the advent of a full-fledged broadband era and an age when all information will flow over networks.

Faced with this business environment, as its medium-term management strategy the Company is seeking to improve the value of the firm, by establishing an organization to respond to the IT business market, expanding its mobile telecommunications-related businesses, and securing customers' trust by enhancing cost competitiveness and improving quality (CS). At the same time, the Company will further develop various corporate activities with the objective of contributing to local communities.

To broaden the content of its group businesses, Daimei will strengthen its telecommunications-related IT technology and work to enhance its dominance and competitiveness in IT business markets such as the solutions business, while continuing its traditional telecommunications network construction work as the

foundation of all its businesses.

## **(6) Issues to be Addressed**

The business environment surrounding the Company is changing, with expectations of economic expansion in which the prospects for corporate operating results will remain bright. Major possibilities are anticipated in the Company's business area in the telecommunications sector as well, which is oriented towards the formation of an advanced information and telecommunications society.

Given this situation, all of the companies in the Daimei Group are addressing the following issues. Responding to changes in industry structure and market trends, and improving profitability, will continue to be fundamental management issues.

- 1) Revamp cost structures
- 2) Train human resources
- 3) Strengthen technologies
- 4) Increase productivity
- 5) Improve quality
- 6) Ensure safety

## **(7) Basic Approach to Corporate Governance and Status of Policy Implementation**

In its basic thinking concerning corporate governance, Daimei has declared one of its most important management issues to be creating the organizational structure and mechanisms to ensure management transparency and efficiency for all stakeholders, including the Company's shareholders, and implementing the measures necessary to achieve this goal.

### 1) Director and corporate officer system

To improve rapid decision-making, bolster business execution functions and strengthen monitoring functions, Daimei introduced a corporate officer system to clarify directors' traditional functions and business execution functions.

The Company currently has eight directors, and has not elected any outside directors.

### 2) Auditor system

Daimei has elected the Auditor System, and has not adopted the Committee System.

The Auditor System sufficiently enables auditors to observe the Company's directors and corporate officers in the execution of their duties by attending important meetings, such as the board of directors and business strategy meetings.

The Company's three auditors, including its two outside auditors, are standing auditors

There are no special interests between the auditors and the Company.

Daimei also has established an examination office as an entity under the direct control of the company president, which cooperates with the auditors to perform internal audits and audits of the subsidiaries from time to time as necessary. The Company has not assigned any exclusive staff for the outside auditors.

### 3) Committees

To ensure compliance with all laws and ensure fairness and ethical conduct in the course of its business activities, Daimei established a Compliance Committee and a Compliance Promotion Office. The Company also prepared a Daimei Telecom Engineering Corporation Charter of Corporate Conduct, to promote observance of all laws and corporate ethics.

Daimei has not established a Compensation Committee or Nominating Committee.

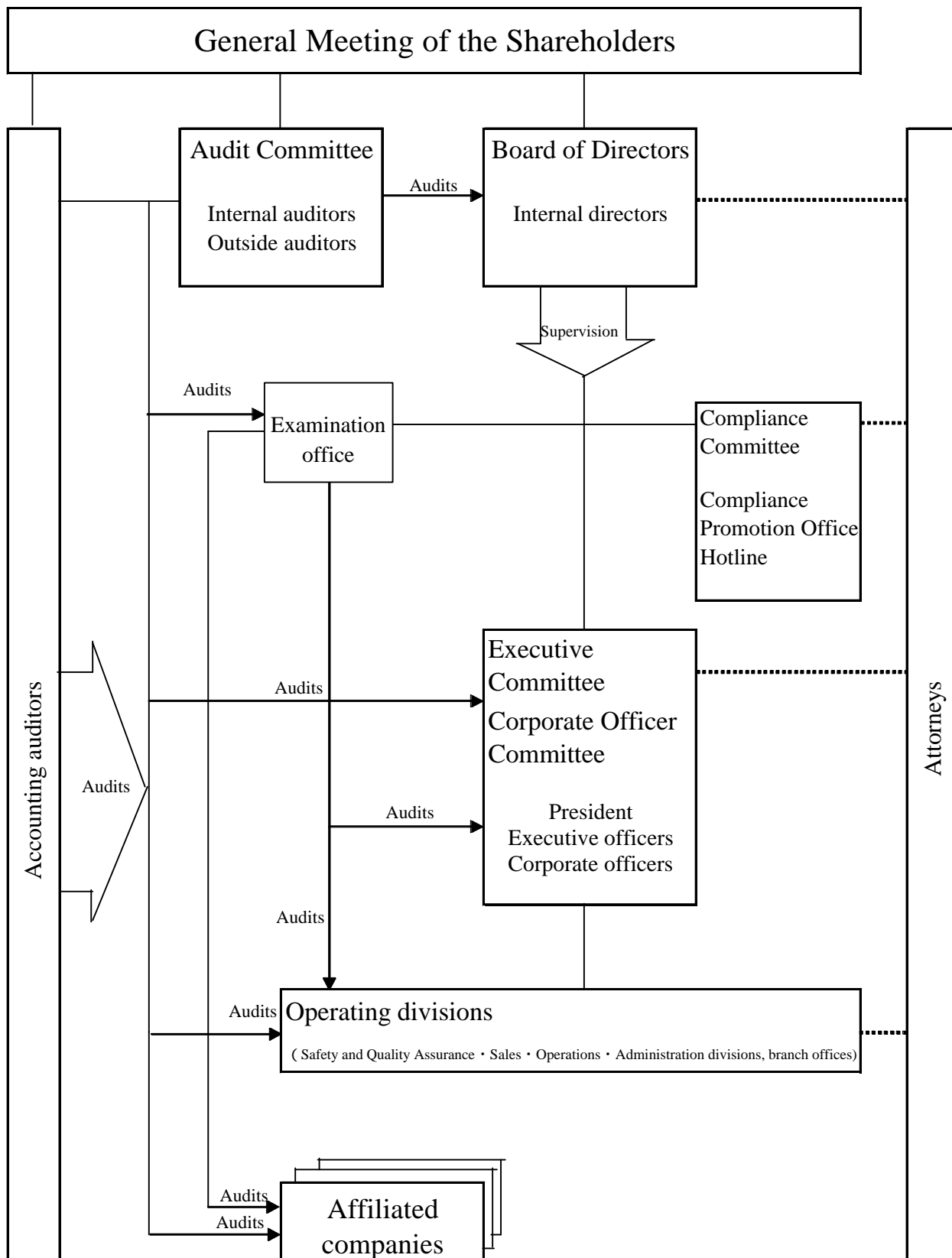
A decision to adopt a Committee System will remain an important issue, which the Company will continue to examine in the future.

### 4) Attorneys and independent auditors

Daimei has concluded advisory agreements with three law offices. These outside attorneys provide the Company with guidance and advice concerning legal issues, including matters related to corporate governance.

Daimei has also concluded an audit agreement with KPMG AZSA & Co., which provides the Daimei Group with audits in areas such as accounting and internal administration.

The following diagram illustrates the Company's corporate governance system and internal organization.



### **3. Business Results and Financial Position**

#### **I. Business Results**

##### **(1) Review of the Fiscal Year ended March 31, 2004**

During the fiscal year under review, Japan's economy was boosted by the economic recovery in the U.S. and steady economic growth in China. Business activity fluctuated with the expectation of an economic upturn, against a backdrop of factors such as expanding exports and an increase in capital investment, fueled by a recovery in corporate operating performance.

In the telecommunications sector, the competition among telecommunications carriers intensified further. Along with the accelerating shift from voice to data communications in the fixed line telephone, mobile communications, and Internet communications sectors, in anticipation of the advent of a true broadband era and the formation of an advanced information and telecommunications society, competition was spurred by diversification and upgrade of services, including two-way communications utilizing broadband and construction of ubiquitous networks.

NTT East Corp. and NTT West Corp., two firms with strong relationships to Daimei Telecom's operations, are aggressively pushing ahead with construction of optical fiber access networks, in order to service broadband markets centered on optical fiber cable telecommunications.

In addition, promotion of third-generation cellular telephone services and bullish capital investment to support full-scale high-speed data transmission services was evident at every mobile telecommunications carrier.

In other business sectors, despite an evident change in capital investment as a whole, aggressive competition for new orders including telecommunications-related general system construction works spread through the industry. Volume fluctuated under a tough new order environment.

In light of this business environment, Daimei strove to improve business results by aggressively working to cultivate new clients, increasing the volume of orders received, and improving construction efficiency. The Company took steps to improve construction capabilities based on organizational operations, by combining its production and construction divisions, enhancing cost competitiveness and strengthening technology to support the solutions business, and sought further business with leading clients.

As a result, the value of orders received during the fiscal year under review increased by 16.2% to ¥87,765 million, and net sales rose 9.1% to ¥91,228 million.

Moreover, Daimei's efforts to improve operating efficiency and reduce costs resulted in ordinary income of ¥4,758 million, a 49.4% increase compared with the prior consolidated fiscal year. Net income jumped 89.5%, to ¥1,852 million.

##### **(2) Overview of Activities by Business Category**

###### 1) Network system construction work for NTT

Capital investment at NTT East Corp. and NTT West Corp. was focused on construction of access-related optical networks, in preparation for the era of full-fledged broadband applications. As a result of its efforts to grow by receiving orders for this business, Daimei increased the value of orders received by 7.1% to ¥32,070 million, and net sales rose 9.3% to ¥32,899 million.

###### 2) Mobile telecommunications construction work

Based on efforts to expand orders received for capital investment related to promotion of new services including third-generation service, the value of orders received surged 32.7% compared to the previous consolidated fiscal year to ¥31,748 million, and net sales increased 25.6% to ¥33,051 million.

###### 3) General systems

In the general systems sector, the environment for orders was challenging, including severe price competition. Although Daimei was able to increase the value of orders received by 14.3% to ¥21,201 million as a result of approaching new clients and efforts to expand orders, including development of new businesses such as the IT-related solutions business and the environmental business, net sales

decreased 6.8% to ¥22,533 million.

#### 4) Other businesses

Although Daimei stepped up efforts to broadly expand new orders including product sales, price competition and other factors made the environment for new orders tough. The value of orders received fell 11.1%, to ¥2,747 million, and net sales shrank 8.9% to ¥2,747 million.

### Consolidated Orders Received

(Unit: Millions of yen)

Construction category	Prior consolidated fiscal year	Consolidated fiscal year under review	Change
NTT network system construction (external)	25,197	28,327	3,130
NTT network system construction (internal)	4,741	3,743	(998)
NTT subtotal	29,939	32,070	2,131
Mobile telecommunications construction work	23,927	31,748	7,821
General systems construction work	18,549	21,201	2,651
Overseas construction work	(0)	(2)	(2)
Other business	3,089	2,747	(342)
Total	75,505	87,765	12,260

### Consolidated Net Sales

(Unit: Millions of yen)

Construction category	Prior consolidated fiscal year	Consolidated fiscal year under review	Change
NTT network system construction (external)	25,287	28,688	3,400
NTT network system construction (internal)	4,817	4,210	(606)
NTT subtotal	30,105	32,899	2,793
Mobile telecommunications construction work	26,308	33,051	6,743
General systems construction work	24,174	22,533	(1,640)
Overseas construction work	(0)	(2)	(2)
Other business	3,014	2,747	(267)
Total	83,602	91,228	7,626

## II. Financial Position

### 1. Cash Flows

During the fiscal year under review, Daimei increased funds by increasing net income before income taxes and minority interest and decreasing notes and accounts receivable. The major uses of cash were repayments of short-term debt and an increase in long-term deposits. As a result, the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was ¥18,463 million, a decrease of ¥62 million compared with the previous consolidated fiscal year.

Factors affecting cash flows for the consolidated fiscal year under review are described below.

(Cash flow provided by operating activities)

Cash flow provided by operating activities was ¥4,525 million, ¥3,333 million less than in the previous consolidated fiscal year. Income before income taxes and minority interests was ¥4,663 million, funds used to increase construction in progress were ¥221 million, and funds provided by a decrease in notes and accounts receivable was ¥925 million.

(Cash flow provided by investing activities)

Cash flow provided by investing activities was ¥2,284 million. This was an increase of ¥2,020 million compared with the prior consolidated fiscal year. The main use of cash was to purchase long-term deposits of ¥2,500 million.

(Cash flow used in financing activities)

Cash flow used in financing activities was ¥2,299 million, a decrease of ¥49 million. The Company used ¥1,418 million to reduce short-term debt, and ¥528 million for repayments of long-term debt.

#### Cash flow indicator trends

	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004
Shareholders' equity ratio (%)	38.8	40.6	42.9
Shareholders' equity ratio, market price base (%)	21.4	17.5	31.7
Debt redemption (years)	2.5	2.6	4.1
Interest coverage ratio	23.1	19.3	15.7

(Notes) Shareholders' equity ratio:  $\frac{\text{Shareholders' equity}}{\text{Total assets}}$   
 Shareholders' equity ratio, market price base:  $\frac{\text{Total market capitalization}}{\text{Total assets}}$   
 Debt redemption years:  $\frac{\text{Interest-bearing debt}}{\text{Operating cash flow}}$   
 Interest coverage ratio:  $\frac{\text{Operating cash flow}}{\text{Interest payments}}$

- All indicators are calculated using financial values on a consolidated basis.
- Total market capitalization is calculated by multiplying the share closing price of the Company's stock at the end of the period by the number of shares outstanding at the end of the period (After deducting treasury stock).
- For the above calculation the Company uses cash flow provided by operating activities on the consolidated statement of cash flows as operating cash flow. Interest-bearing debt is all liabilities on which the Company pays interest that are included in liabilities accounted for on the consolidated balance sheet. The total interest payment on the consolidated statement of cash flows is used for interest payment.

## **2. Forecast for the Fiscal Year ending March 31, 2005**

During the next fiscal year, the economy is projected to be supported by steady exports and boosted by expectations of a business recovery, tempered by actual economic performance.

In Daimei's business area in the telecommunications sector, the environment surrounding the Company will not provide much cause for optimism. Although investment aimed at formation of an advanced information and telecommunications society is anticipated in sectors related to Daimei's business areas, including two-way telecommunications based on broadband services, construction of ubiquitous networks and the spread of third-generation cellular telephones, negative factors include the full-scale introduction of IP telephony services and heated competition among telecommunications carriers and mobile telecommunications carriers.

Given such circumstances, Daimei will work to expand orders received in its traditional business sectors of telecommunications equipment construction works and mobile telecommunications construction works, as well as in IT-related business areas, and seek to increase construction efficiency and improve profitability.

The Company's outlook for consolidated operating results in the next fiscal year is based on a 2.5% increase in value of orders received to ¥90,000 million, a 0.3% increase in net sales to ¥91,500 million, a 1.6% increase in operating income to ¥ 4,900 million, a 0.9% increase in ordinary income to ¥4,800 million, and a 18.8% increase in net income to ¥2,200 million.

### < Note >

This material includes future projections based on the Company's current plans, outlook, management strategies and management policies. Management judgments and assumptions described in this forecast are based on information available at the time management prepared this material.

Actual results may vary substantially from the projections in this material as a result of changes in various conditions. Accordingly, the Company and its management make no guarantee that the description of projections in this material will be accurate in the future.

**4. CONSOLIDATED FINANCIAL STATEMENTS****(1) CONSOLIDATED BALANCE SHEETS**

(Millions of yen)

Item	Period	Prior consolidated fiscal year As of March 31, 2003	Consolidated fiscal year under review As of March 31, 2004	Increase (Decrease)
<b>ASSETS</b>				
<b>Current assets:</b>		50,819	49,776	(1,043)
Cash and bank deposits		18,543	14,351	(4,191)
Notes receivable		813	1,042	228
Accounts due for completed construction		22,857	21,832	(1,024)
Accounts receivable		1,128	1,000	(128)
Marketable securities		762	4,450	3,687
Cost of construction work in progress		5,392	5,517	125
Prepaid expenses		465	193	(272)
Deferred tax assets		306	701	394
Other current assets		1,062	769	(292)
Allowance for doubtful receivables		(512)	(82)	430
<b>Fixed assets:</b>		17,325	19,707	2,382
Tangible assets:		11,709	11,143	(565)
Buildings and structures		6,782	6,816	33
Machinery and equipment		5,612	5,102	(509)
Land		6,894	6,906	11
Accumulated depreciation		(7,580)	(7,682)	(101)
Intangible assets:		212	197	(15)
Software		110	96	(13)
Other intangible assets		102	101	(1)
Investments and other assets:		5,403	8,366	2,963
Investment securities		2,188	3,709	1,520
Long-term deposits		-	2,500	2,500
Long-term loans receivable		273	178	(95)
Deferred tax assets		1,534	693	(841)
Other investments		2,739	2,451	(288)
Less allowance for doubtful receivables		(1,333)	(1,165)	168
<b>Total Assets</b>		68,144	69,483	1,339

(Millions of yen)

Item	Period	Prior consolidated fiscal year As of March 31, 2003	Consolidated fiscal year under review As of March 31, 2004	Increase (Decrease)
<b>LIABILITIES</b>				
<b>Current liabilities:</b>		21,039	20,633	(405)
Notes payable		430	492	62
Accrued construction		10,577	10,566	(11)
Short-term borrowings		5,358	3,994	(1,364)
Accounts payable		1,082	1,323	241
Accrued income taxes		1,337	1,904	566
Advances received on uncompleted contracts		1,520	1,572	52
Allowance for completed construction indemnification		14	11	(3)
Other current liabilities		717	769	51
<b>Long-term liabilities:</b>		16,813	16,295	(518)
Convertible bonds		6,876	6,876	-
Long-term debt		8,099	7,617	(482)
Deferred tax liability		-	25	25
Reserve for employees' retirement benefits		1,428	1,448	19
Consolidation adjustment account		237	161	(76)
Deferred tax liability related to revaluations		145	145	-
Other long-term liabilities		26	21	(4)
Total Liabilities		37,852	36,928	(924)
<b>Minority interests</b>				
Minority interests		2,637	2,762	125
<b>Shareholders' equity</b>				
Common stock		5,576	5,576	-
Capital surplus		3,991	3,991	-
Retained surplus		18,829	20,157	1,328
Revaluation loss		(119)	(137)	(17)
Realized valuation gain (loss) on other marketable securities		(278)	481	760
Less reacquired stock		(344)	(277)	67
Total Shareholders' Equity		27,654	29,792	2,137
Total Liabilities, Minority Interests and Shareholders' Equity		68,144	69,483	1,339

Note: Amounts shown have been rounded down to the nearest million yen.

## (2) CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Period	Prior consolidated fiscal year From April 1, 2002 to March 31, 2003		Consolidated fiscal year under review From April 1, 2003 to March 31, 2004		Increase (Decrease)	
<b>Net sales</b>			83,602		91,228		7,626
<b>Cost of sales</b>			73,144		79,568		6,424
Gross profit			10,458		11,659		1,201
<b>Selling, general and administrative expenses</b>			6,805		6,837		32
Operating income			3,652		4,822		1,169
<b>Non-operating income:</b>							
Interest income		-		16		16	
Dividend		-		64		64	
Interest and dividend income		52		-		(52)	
Amortization of consolidation difference		116		144		27	
Equity in earnings of unconsolidated subsidiaries and affiliates		8		17		8	
Real estate rent income		52		45		(7)	
Other income		131	362	70	358	(60)	(4)
<b>Non-operating expenses:</b>							
Interest expense		335		281		(54)	
Foreign exchange losses		12		14		1	
Provision for doubtful receivables		363		-		(363)	
Other expenses		117	828	125	421	8	(407)
Ordinary income			3,185		4,758		1,572
<b>Extraordinary income:</b>							
Gain on sale of fixed assets		15		-		(15)	
Gain on sale of investment securities		121		84		(36)	
Gain on establishment of retirement benefit trust		-		202		202	
Reimbursement due to cancellation of insurance		53	189	29	316	(23)	127
<b>Extraordinary expenses:</b>							
Loss on disposal of fixed assets		41		22		(18)	
Directors' retirement bonuses		218		84		(133)	
Loss on sale of investment securities		174		-		(174)	
Write-off of differences arising from change in accounting standards for retirement benefits		151		56		(95)	
Loss from bad debts		125		-		(125)	
Loss on valuation of investment securities		319		85		(233)	
Lawsuit settlement fund		-		66		66	
Loss on valuation of goods		-	1,030	96	412	96	(618)
<b>Income before income taxes and minority interests</b>			2,344		4,663		2,318
<b>Corporation, inhabitants' and enterprise taxes</b>		1,689		2,733		1,044	
<b>Income tax adjustments</b>		(516)	1,172	(120)	2,613	396	1,440
<b>Minority interests</b>			194		197		2
<b>Net income</b>			977		1,852		874

Note: Amounts shown have been rounded down to the nearest million yen.

**(3) CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

(Millions of yen)

Item	Period		Consolidated fiscal year under review		Increase (Decrease)	
	Prior consolidated fiscal year From April 1, 2002 to March 31, 2003		From April 1, 2003 to March 31, 2004			
<b>Capital surplus</b>						
<b>Capital surplus, beginning of year</b>		3,991		3,991		-
<b>Capital surplus, end of year</b>		3,991		3,991		-
<b>Retained surplus</b>						
<b>Retained surplus, beginning of year</b>		18,229		18,829		599
<b>Increase in retained surplus</b>						
Net income	977		1,852		874	
Increase in retained surplus resulting from consolidation exclusion	142	1,120	-	1,852	(142)	732
<b>Decrease in retained surplus</b>						
Dividends	480		480		(0)	
Directors' bonuses	40		33		(6)	
Loss on disposal of treasury stock	0	520	10	524	10	3
<b>Retained surplus, end of year</b>		18,829		20,157		1,328

Note: Amounts shown have been rounded down to the nearest million yen.

## (4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Item	Period	Prior consolidated fiscal year	Consolidated fiscal year under review	Increase (Decrease)
		From April 1, 2002 to March 31, 2003	From April 1, 2003 to March 31, 2004	
		Amount	Amount	Amount
<b>Cash flows from operating activities</b>				
Net income before income taxes and minority interests		2,344	4,663	2,318
Depreciation and amortization		627	702	74
Increase (decrease) in various allowances		412	(285)	(698)
Interest and dividend income		(52)	(80)	(28)
Interest expense		335	281	(54)
Loss on foreign currency exchange		7	5	(1)
Loss of valuation of investment securities		319	85	(234)
Gain (loss) on sale of securities		53	(84)	(138)
Loss on valuation of goods		-	96	96
Non-cash revenues and expenses		(116)	(68)	48
Decrease (increase) in notes and accounts receivable		4,357	925	(3,432)
Decrease (increase) in construction in progress		967	(221)	(1,189)
Increase (decrease) in notes and accounts payable		669	50	(618)
Increase (decrease) in advances received on uncompleted contracts		(380)	52	432
Other, net		(316)	756	1,073
Loss on sale and disposal of fixed assets		14	22	8
Subtotal		9,244	6,900	(2,344)
Interest and dividends received		52	81	28
Interest paid		(408)	(289)	119
Income taxes paid		(1,029)	(2,166)	(1,137)
Net cash provided by (used in) operating activities		7,859	4,525	(3,333)
<b>Cash flows from investing activities</b>				
Increase in time deposits		(349)	(194)	154
Decrease in time deposits		729	236	(492)
Purchases of marketable securities		(500)	-	500
Proceeds from sale of marketable securities		205	300	94
Purchases of property and equipment		(154)	(171)	(16)
Income from sale of property and equipment		340	29	(311)
Purchases of investment securities		(466)	(357)	109
Proceeds from sale of investment securities		326	271	(55)
Expenditures for sale of subsidiary shares in line with change in scope of consolidation		(81)	-	81
Purchases of subsidiary stock		(68)	(10)	57
Purchase of long-term deposits		-	(2,500)	(2,500)
Expenditures for lending		(384)	(7)	377
Proceeds from collection on loans		143	114	(29)
Other, net		(2)	5	8
Net cash provided by investing activities		(263)	(2,284)	(2,020)
<b>Cash flows from financing activities</b>				
Proceeds from short-term debt		11,291	-	(11,291)
Repayments of short-term debt		(12,513)	-	12,513
Net change in short-term debt (decrease: )		-	(1,418)	(1,418)
Proceeds from long-term debt		7,428	100	(7,328)
Repayments of long-term debt		(417)	(528)	(111)
Redemption of corporate bonds by repurchase		(97)	-	97
Redemption of corporate bonds		(7,577)	-	7,577
Proceeds from issuance of stock		50	-	(50)
Acquisition of treasury stock		(7)	(3)	4
Proceeds from sale of treasury stock		0	59	59
Cash dividends paid to minority shareholders		(26)	(28)	(2)
Cash dividends paid		(480)	(480)	0
Net cash provided by (used in) financing activities		(2,349)	(2,299)	49
Effect of exchange rate changes on cash and cash equivalents		(3)	(3)	(0)
Net increase in cash and cash equivalents		5,243	(62)	(5,305)
Increase in cash and cash equivalents from consolidation of new companies		-	-	-
Decrease in cash and cash equivalents from exclusion of companies from consolidation		(10)	-	10
Cash and cash equivalents at beginning of period		13,293	18,525	5,232
Cash and cash equivalents at end of period		18,525	18,463	(62)

Note: Amounts shown have been rounded down to the nearest million yen.



Daimei Telecom Engineering Corp.  
2-11-20 Nishi-Gotanda  
Shinagawa-ku, Tokyo, Japan

May 14, 2004

## NON-CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2004

Daimei Telecom Engineering Corp. is listed on the Tokyo Stock Exchange First Section with the securities code 1943. (URL <http://www.daimei.co.jp>)

Representative: President, Taneaki Mihara  
For further information contact: Managing Director Akinori Hara  
Director, Management & Administration Department  
Tel: +81-3-5434-1121

Annual Board of Directors Meeting: May 14, 2004 Interim dividend system: No  
Regular General Meeting of the Shareholders: June 29, 2004 Does the Company have a unit stock system? Yes (1 unit: 1,000 shares)

Figures have been rounded off to eliminate amounts less than one million yen

### 1. Business Results for the Fiscal Year ended March 31

#### (1) Operating Results

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2004	81,168	11.8	4,328	39.6	4,117	58.2
2003	72,571	(16.5)	3,099	(14.8)	2,603	(21.7)

	Net Income		Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Net Sales
	Millions of yen	%	Yen	Yen	%	%	%
2004	1,906	116.5	46.49	42.46	6.8	7.2	5.1
2003	880	24.5	21.24	20.23	3.3	4.7	3.6

Notes: 1. Average number of shares outstanding:

Fiscal year ended March 31, 2004: 40,249,208 shares

Fiscal year ended March 31, 2003: 40,052,867 shares

2. Changes in accounting policies: No

3. Percentages shown for net sales, operating income, ordinary income and net income are the rate of increase or decrease from the previous fiscal year.

#### (2) Dividends

	Annual Dividend per Share			Total dividends (Annual)	Dividend Payout Ratio	Ratio of Dividends to Shareholders' Equity
	Yen	Interim Yen	Year-end Yen			
2004	12.00	-	12.00	482	25.3	1.7
2003	12.00	-	12.00	480	54.6	1.8

Note: Breakdown of year-end dividend for the fiscal year ended March 31, 2004:

Regular dividend: ¥6.00, Special dividend: ¥6.00

### (3) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2004	59,096	29,003	49.1	720.03
2003	54,799	26,828	49.0	669.15

Notes: 1. Number of shares outstanding at the end of the term:

Fiscal year ended March 31, 2004: 40,232,550 shares

Fiscal year ended March 31, 2003: 40,047,978 shares

2. Number of shares of treasury stock at the end of the term

Fiscal year ended March 31, 2004: 826,030 shares

Fiscal year ended March 31, 2003: 1,010,602 shares

### 2. Forecast of Results for the Fiscal Year ending March 31, 2005

	Net Sales	Ordinary Income	Net Income	Annual Dividend per Share		
				Interim	Year-end	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen	Yen
6 months ending Sept. 30, 2004	35,000	1,300	500	-	-	-
Year ending March 31, 2005	78,000	3,800	1,900	-	12.00	12.00

Reference: Estimated net income per share for the year: ¥47.23

#### Cautionary Statement

Statements made in this report with respect to Daimei's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Daimei. These statements are based on management's assumptions and beliefs in light of the information available at the time such statements were created and are not guaranteed. Daimei cautions that a number of important factors such as general economic conditions and exchange rates could cause actual results to differ materially from those discussed in the forward-looking statements.

Please refer to Page 10 of the appended materials for matters to note before using the assumptions and forecasted results

**1. NON-CONSOLIDATED FINANCIAL STATEMENTS****1. BALANCE SHEETS**

(Unit: Millions of yen)

Item \ Period	Prior fiscal year As of March 31, 2003	Fiscal year under review As of March 31, 2004	Increase (decrease)
<b>ASSETS</b>			
<b>Current assets:</b>	42,684	44,176	1,492
Cash and bank deposits	15,632	11,341	(4,290)
Notes receivable	349	475	126
Accounts due for completed construction	21,010	20,497	(512)
Accounts receivable	359	522	163
Marketable securities	650	4,450	3,799
Cost of construction work in progress	3,090	4,406	1,316
Materials and supplies	27	19	(8)
Short-term loans receivable	33	1,128	1,095
Prepaid expenses	447	170	(276)
Deferred tax assets	263	815	551
Other current assets	1,222	839	(382)
Allowance for doubtful receivables	(401)	(490)	(88)
<b>Fixed assets:</b>	12,115	14,919	2,804
Tangible assets:	6,830	6,636	(193)
Buildings	2,234	2,124	(109)
Structures	97	86	(11)
Machinery and equipment	4	3	(1)
Vehicles and transport equipment	21	11	(9)
Tools and parts	292	219	(73)
Land	4,179	4,191	11
Intangible assets:	166	148	(17)
Software	76	57	(18)
Other intangible assets	89	90	0
Investments and other assets:	5,118	8,134	3,016
Investment securities	1,803	3,298	1,495
Long-term deposits	-	2,500	2,500
Stock of affiliated companies	995	952	(42)
Long-term loans receivable	6	1	(5)
Long-term loans to employees	66	29	(36)
Long-term loans receivable from affiliated companies	13	10	(3)
Credits in bankruptcy and reorganization	677	633	(44)
Deferred tax assets	1,377	584	(793)
Other investments	1,136	926	(209)
Allowance for doubtful receivables	(959)	(803)	156
<b>Total Assets</b>	<b>54,799</b>	<b>59,096</b>	<b>4,296</b>

**BALANCE SHEETS**

(Unit: Millions of yen)

Period Item	Prior fiscal year As of March 31, 2003	Fiscal year under review As of March 31, 2004	Increase (decrease)
<b>Liabilities</b>			
<b>Current liabilities:</b>	13,411	15,555	2,144
Accrued construction	10,057	10,864	807
Current portion of long-term debt	4	2	(1)
Accounts payable	1,080	1,294	214
Accrued income taxes	1,226	1,654	428
Accrued expenses	62	62	0
Advances received on uncompleted projects	851	1,511	660
Deposits received	122	153	31
Allowance for completed construction indemnification	6	11	5
<b>Long-term liabilities:</b>	14,559	14,537	(22)
Convertible bonds	6,876	6,876	-
Long-term debt	7,022	7,012	(10)
Reserve for employees' retirement allowances	661	649	(11)
Total Liabilities	27,971	30,092	2,121
<b>Shareholders' Equity</b>			
Common stock	5,576	5,576	-
Capital surplus	4,070	4,070	-
Capital reserve	4,070	4,070	-
Retained surplus	17,786	19,177	1,390
Earned surplus	916	916	-
Discretionary reserves	15,260	15,798	538
Reserve for employees' retirement pensions	154	242	88
Fixed asset advanced depreciation reserve	385	375	(10)
Other reserve	14,720	15,180	460
Unappropriated income at end of period	1,609	2,461	852
Valuation difference for other marketable securities	(274)	450	724
Treasury stock	(332)	(272)	60
Shareholders' Equity	26,828	29,003	2,175
<b>Total Liabilities and Shareholders' Equity</b>	<b>54,799</b>	<b>59,096</b>	<b>4,296</b>

Note: Amounts shown have been rounded down to the nearest million yen.

2. STATEMENTS OF INCOME

(Unit: Millions of yen)

Item	Period		Fiscal year under review		Increase (decrease)	
	Prior fiscal year From April 1, 2002 to March 31, 2003		From April 1, 2003 to March 31, 2004			
<b>Net sales</b>		72,571		81,168		8,596
<b>Cost of sales</b>		64,052		71,195		7,143
Gross profit		8,519		9,972		1,453
Selling, general and administrative expenses		5,419		5,643		224
<b>Operating income</b>		3,099		4,328		1,228
<b>Non-operating income:</b>						
Interest income	4		11		6	
Income from marketable securities	6		-		(6)	
Dividend income	56		85		28	
Real estate rent income	10		12		1	
Other income	47	126	30	139	(17)	13
<b>Non-operating expenses:</b>						
Interest expense	43		69		26	
Corporate bond interest expense	188		124		(64)	
Provision for doubtful receivables	325		106		(218)	
Foreign exchange losses	12		14		1	
Other expenses	53	622	36	351	(16)	(271)
<b>Ordinary income</b>		2,603		4,117		1,514
<b>Extraordinary income:</b>						
Gain on sale of investment securities	98		76		(21)	
Gain on sale of property, plant and equipment	15	113	-	76	(15)	(37)
<b>Extraordinary expenses:</b>						
Directors' retirement bonuses	198		1		(197)	
Loss on sale of investment securities	157		-		(157)	
Loss on disposal of fixed assets	35		19		(15)	
Loss on valuation of investment securities	561	951	82	103	(478)	(848)
<b>Income (loss) before income taxes</b>		1,764		4,090		2,325
<b>Corporation, inhabitants' and enterprise taxes</b>	1,521		2,438		917	
<b>Income tax adjustments</b>	(637)	883	(253)	2,185	383	1,300
<b>Net income</b>		880		1,906		1,025
<b>Income brought forward from the prior period</b>		530		559		28
<b>Retirement of treasury stock</b>		(0)		(5)		(5)
<b>Withdrawals from reserve for employees' retirement pensions</b>		198		1		(197)
<b>Net income</b>		1,609		2,461		852

Note: Amounts shown have been rounded down to the nearest million yen.

**2. APPROPRIATION OF RETAINED EARNINGS (PROPOSED)**

(Unit: Millions of yen)

Item	Prior fiscal year (Period ended March 31, 2003)	Fiscal year under review (Period ended March 31, 2004)	Increase (decrease)
Unappropriated retained earnings	1,609	2,461	852
Withdrawal from discretionary reserves			
Withdrawal from fixed asset advanced depreciation reserve	19	18	(1)
Total	1,629	2,480	850
To be appropriated as follows			
Amount of appropriated retained earnings	1,069	1,910	840
Cash dividends	480	482	2
Directors' bonuses	30	35	5
Discretionary reserves	559	1,392	833
Reserve for employees' retirement pensions	90	44	(46)
Fixed asset advanced depreciation reserve	9	(1)	(10)
Other reserve	460	1,350	890
Net income carried forward to the next period	559	569	10

Note: The amount withdrawn from the fixed asset advanced depreciation reserve is based upon the Taxation Special Measures Law.

## Dividends per Share of Common Stock

	Fiscal year ended March 31, 2003			Fiscal year ended March 31, 2004		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common (old) stock (Details)	Yen	Yen	Yen	Yen	Yen	Yen
Regular dividend	6.00	-	6.00	6.00	-	6.00
Special dividend	6.00	-	6.00	6.00	-	6.00

**3. NET SALES AND VALUE OF ORDERS RECEIVED, BY CATEGORY**

(Unit: Millions of yen)

Item	Period	Prior fiscal year From April 1, 2002 to March 31, 2003		Fiscal year under review From April 1, 2003 to March 31, 2004		Increase (decrease)	
		Amount	Percent	Amount	Percent	Amount	Percent
Balance carried forward from prior period	NTT network system (external) construction work	4,367	18.9	4,277	26.3	(90)	(2.1)
	NTT network system (internal) construction work	1,249	5.4	1,173	7.2	(76)	(6.1)
	NTT construction subtotal	5,616	24.3	5,450	33.5	(166)	(3.0)
	Mobile telecommunications construction work	6,871	29.7	5,881	36.1	(990)	(14.4)
	General systems construction work	10,636	46.0	4,941	30.4	(5,694)	(53.5)
	Overseas construction work	-	-	-	-	-	-
	Total	23,125	100	16,273	100	(6,851)	(29.6)
Orders received	NTT network system (external) construction work	25,197	38.3	28,327	35.7	3,130	12.4
	NTT network system (internal) construction work	4,741	7.2	3,743	4.7	(998)	(21.1)
	NTT construction subtotal	29,939	45.5	32,070	40.4	2,131	7.1
	Mobile telecommunications construction work	23,167	35.3	30,993	39.1	7,825	33.8
	General systems construction work	12,613	19.2	16,258	20.5	3,644	28.9
	Overseas construction work	(0)	0.0	(2)	0.0	(2)	1671.4
	Total	65,720	100	79,320	100	13,599	20.7
Construction completed	NTT network system (external) construction work	25,287	34.9	28,688	35.3	3,400	13.4
	NTT network system (internal) construction work	4,817	6.6	4,210	5.2	(606)	(12.6)
	NTT construction subtotal	30,105	41.5	32,899	40.5	2,793	9.3
	Mobile telecommunications construction work	24,158	33.3	32,299	39.8	8,141	33.7
	General systems construction work	18,308	25.2	15,972	19.7	(2,336)	(12.8)
	Overseas construction work	(0)	0.0	(2)	0.0	(2)	1671.4
	Total	72,571	100	81,168	100	8,596	11.8
Balance carried forward to next period	NTT network system (external) construction work	4,277	26.3	3,916	27.2	(360)	(8.4)
	NTT network system (internal) construction work	1,173	7.2	705	4.9	(467)	(39.9)
	NTT construction subtotal	5,450	33.5	4,622	32.0	(828)	(15.2)
	Mobile telecommunications construction work	5,881	36.1	4,575	31.7	(1,305)	(22.2)
	General systems construction work	4,941	30.4	5,227	36.2	285	5.8
	Overseas construction work	-	-	-	-	-	-
	Total	16,273	100	14,425	100	(1,847)	(11.4)

Note: Amounts shown have been rounded down to the nearest million yen.