



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

May 13, 2005

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2005

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: Representative Director and President, Taneaki Mihara
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 Director, Management & Administration Department
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Annual Board of Directors Meeting: May 13, 2005
 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	%
2005	101,110	10.8	6,199	28.6	6,164	29.5
2004	91,228	9.1	4,822	32.0	4,758	49.4

	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	%	%	%
2005	2,978	60.8	72.66	65.28	9.6	8.8	6.1
2004	1,852	89.5	45.17	41.30	6.4	6.9	5.2

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

Fiscal year ended March 31, 2005: ¥10 million

Fiscal year ended March 31, 2004: ¥17 million

2. Average number of shares outstanding (consolidated):

Fiscal year ended March 31, 2005: 40,310,994 shares

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

3. Changes in accounting policies: Yes

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) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2005	69,911	32,460	46.4	802.86
2004	69,483	29,792	42.9	739.97

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

Fiscal year ended March 31, 2005: 40,368,627 shares

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

(3) Consolidated 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
2005	3,156	- 300	- 2,895	18,445
2004	4,525	- 2,284	- 2,299	18,463

(4) Consolidated Subsidiaries and Application of the Equity Method

Number of consolidated subsidiaries: 13

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

Number of affiliates accounted for by the equity method: 0

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

New consolidated companies: 1

Consolidated companies removed: 0

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, 2006

	Net Sales	Ordinary Income	Net Income
	Millions of Yen	Millions of yen	Millions of yen
6 months ending Sept. 30, 2005	44,100	2,450	1,100
Yearended March 31, 2006	102,500	6,200	3,100

Reference: Estimated net income per share for the year: ¥76.79

Cautionary Statement

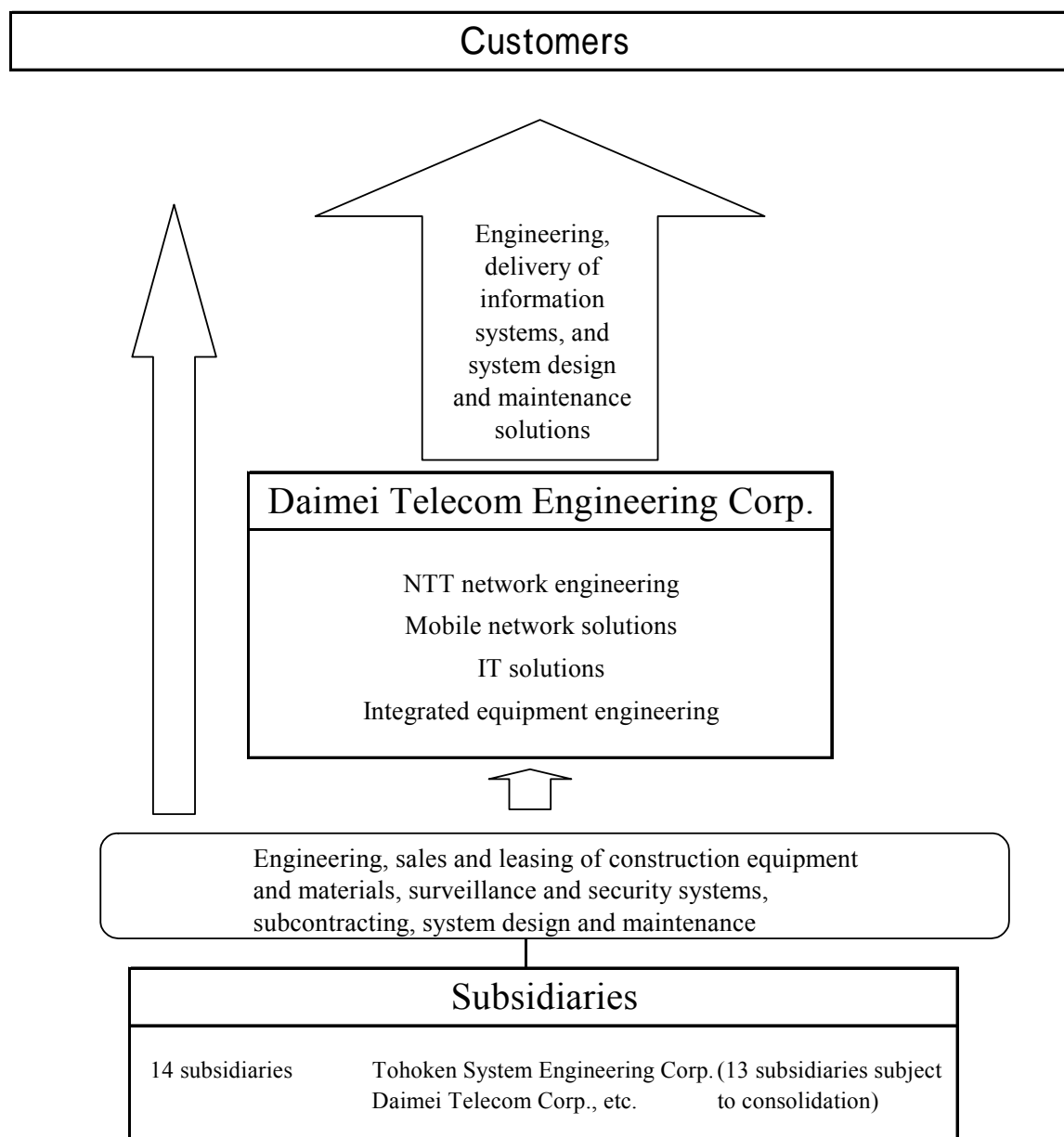
Statements made in this report with respect to Daimei's current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about the future performance of Daimei. These statements are based on management's assumptions and beliefs in light 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 9 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 and 14 subsidiaries, has core operations in NTT network engineering work, mobile network solutions work, IT solutions work, and integrated equipment engineering work. The Company also engages in such related areas as the sale and leasing of construction equipment, as well as surveillance and security systems.

A general diagram of the Company's businesses is provided below.

* The subsidiary Tohoken System Engineering Corporation shown in the diagram below is listed on the Japan Securities Dealers Association (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 as an IT engineering and services company for the 21st century.

To realize these goals and establish the Daimei brand, Daimei strives 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, reducing costs, assuring safety and improving product quality.

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

(2) Dividend Policy

Daimei considers the stable distribution of dividends to shareholders 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 order to increase the value of the firm, management has established the objective of improving the Company's return on shareholders' equity (ROE) to 10%.

(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 support 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 to pursue its traditional telecommunications network engineering works and mobile networks solutions works as the foundation of all its businesses.

(6) Issues to be Addressed

The business environment surrounding the Company is evolving amidst expectations of a recovery in Japan's economy and a trend towards gradual recovery in domestic corporate performance. In the Company's main business area in the telecommunications sector as well, Daimei anticipates substantial opportunities related to the creation of an advanced information and telecommunications society.

For this reason, responding to changes in industry structure and market trends and improving profitability are fundamental management issues, and all of the companies in the Daimei Group are addressing the following issues.

- 1) Revamp cost structures
- 2) Enhance construction organization
- 3) Train human resources
- 4) Strengthen technological capabilities
- 5) Increase productivity
- 6) Improve quality
- 7) 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) Management and control organization and other corporate governance systems concerning company management decision making, execution and supervision

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.

As a rule, the Board of Directors convenes once each month to discuss all matters of importance to the Company, review the progress of operating results and study various issues such as measures and proposals.

In addition to attending meetings of the Board of Directors when appropriate, corporate officers ensure a venue for discussions so corporate activities are executed smoothly. This includes attending regular monthly meetings.

- 2) Auditor system, internal audits, and independent auditors

Daimei has adopted the auditor system.

Two of the Company's four auditors are outside auditors, and three auditors including one outside auditor are statutory auditors.

The internal Audit Department (an organization under the direct control of the president; nine individuals (including individuals serving concurrently in other posts) in the Examination Office) and the independent auditors cooperate closely when necessary, including mutual exchanges of information, and seek to improve audit effectiveness. The Company does not have any staff serving exclusively as auditors.

The auditors perform their audit activities regularly, based on an audit plan. These activities

include attending Board of Directors meetings and other important meetings such as business strategy meetings, performing surveys of business divisions, branches and subsidiaries, and holding meetings to exchange opinions with the Company president, and reviewing the Audit Plan and Audit Report from the independent auditors.

Daimei has appointed KPMG AZSA & Co. as its corporate auditor.

Name of Certified Public Accountant	Audit Firm
Designated employee, business operations employee Certified Public Accountant Kameoka Yoshikazu	KPMG AZSA & Co.
Designated employee, business operations employee Certified Public Accountant Takayama Tsutomu	KPMG AZSA & Co.
Designated employee, business operations employee Certified Public Accountant Iwade Hiroo	KPMG AZSA & Co.

The audit fees the Company paid its audit firm for the consolidated fiscal year under review is provided below.

Compensation related to audit certificate based on audit agreement: ¥33 million

3) Summary of personnel relationships, capital relationships, business relationships and other interests between the Company and its outside directors and outside auditors

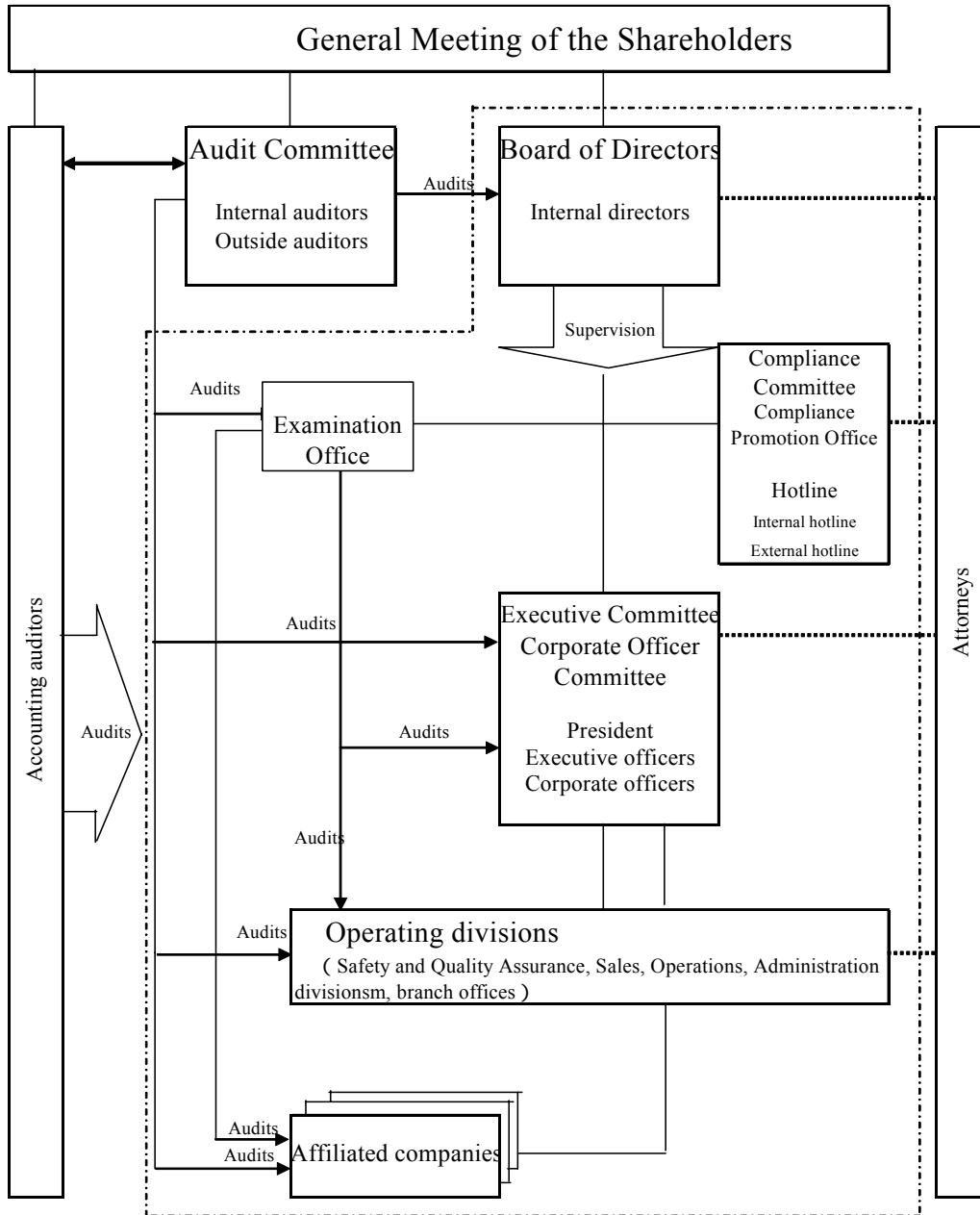
Daimei has two outside auditors. The Company has not elected any outside directors. There are no personnel relationships, capital relationships, business relationships or other interests between the Company and its outside auditors.

4) Efforts undertaken during the most recent year to enhance the Company's corporate governance

In November 2002, Daimei established a Compliance Committee chaired by Daimei's president and a Compliance Promotion Office to ensure compliance with the law, fairness and ethical conduct in all Company activities. In January 2005, Daimei revised the Daimei Corporate Conduct Charter, which was implemented two years ago, and enacted new guidelines as the Daimei Group Corporate Conduct Charter. Based on this charter, Daimei is working diligently to ensure thorough compliance with all laws and adherence to strict corporate ethics by the entire Daimei Group, in conjunction with CSR (corporate social responsibility) efforts intended to provide for sustainable growth by both society and the Company.

In addition, to ensure thorough control of information assets, Daimei enacted a Basic Information Security Policy and a Personal Data Protection Policy, and is undertaking steps to receive ISMS (Information Security Management System) certification.

An illustration of Daimei's current corporate governance organization and internal management and risk management organization is provided below.



3. Business Results and Financial Position

(1) Review of the Consolidated Fiscal Year Ended March 31, 2005

During the consolidated fiscal year under review, Japan's economy maintained a steady, gradual recovery trend. Business activity fluctuated with the expectation of an economic upturn, despite the severity of cutbacks in public investment, as private sector capital investment continued to grow and personal consumption also exhibited a bullish trend.

In the telecommunications sector, the market environment underwent tremendous changes. The diversification of telecommunication alternatives, including mobile telecommunications, optical fiber access and the Internet, plus the diversification of services based on the shift to broadband, the spread of ubiquitous computing and FMC (fixed-mobile convergence), helped to fuel major expectations of the broadband era's contribution to a new society.

NTT East Corp. and NTT West Corp., two firms with strong relationships to Daimei's operations, are aggressively pushing ahead with construction of optical fiber access networks in order to service broadband markets, including full-fledged development of optical IP services.

In addition, every mobile telecommunications carrier continued to promote third-generation cellular telephone services and embark on bullish capital investment to expand and support this market.

In light of this business environment, in its engineering business Daimei took steps to improve construction capabilities and enhance cost competitiveness based on safety and product quality, by combining its production and construction divisions. At the same time, in its solutions business Daimei sought to increase the volume of orders received by expanding its proposal business for customers, and strove to improve operating results by working aggressively to strengthen IP technology. As a result, the value of orders received during the consolidated fiscal year under review rose 16.7% from the level of the previous consolidated fiscal year to ¥102,465 million, and net sales increased 10.8% year-on-year to ¥101,110 million.

Moreover, Daimei's efforts to increase operating efficiency and improve profitability resulted in ordinary income of ¥6,164 million, a 29.5% increase compared with the previous consolidated fiscal year. Net income increased 60.8% to ¥2,978 million.

With the approach of the 60th anniversary of Daimei's founding in February 2006, in April 2003 the Company formulated Daimei Vision BB21, its plan aimed at creating a company with ¥100,000 million in net sales. By implementing various measures, Daimei was able to achieve its objective of becoming a ¥100,000 million during the consolidated fiscal year under review.

Daimei initially planned to pay a dividend of ¥12 per share as a dividend at the end of the consolidated fiscal year under review. To commemorate achievement of its objective, however, the Company decided to add an extraordinary dividend of ¥3 per share and pay an annual dividend of ¥15 yen per share (an ordinary dividend of ¥6 and extraordinary dividend of ¥9).

(2) Overview of Activities by Business Category

1) NTT network engineering work

In its NTT network engineering business, Daimei continued construction of access-related optical fiber networks in preparation for the full-fledged broadband era. As a result of its efforts to expand orders received for this business, Daimei increased orders received 2.5% year-on-year to ¥32,872 million, and net sales rose 2.6% compared to the previous consolidated fiscal year to ¥33,740 million.

2) Mobile network solutions work

Based on efforts to expand orders received for aggressive capital investment related to promotion of new services including third-generation service, the value of orders received surged 36.2%

Daimei Telecom Engineering Corp. (Consolidated)

compared to the previous consolidated fiscal year to ¥43,229 million, and net sales increased 19.0% year-on-year to ¥39,324 million.

3) IT solutions work

As both technological innovations and intensive competition for orders spread, Daimei sought to expand the volume of orders received for IT-related solutions works by entering new businesses and approaching new clients. As a result, the value of orders received climbed 17.7% year-on-year to ¥8,416 million, and net sales rose 13.5% compared with the previous consolidated fiscal year to ¥8,042 million.

4) Integrated equipment engineering work

As a result of stepped up efforts to expand orders for common-carrier-related business, the value of orders received increased 6.9% from the previous consolidated fiscal year to ¥17,947 million, and net sales increased 10.0% year-on-year to ¥20,003 million.

Consolidated Orders Received

(Unit: Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT network engineering work	32,070	32,872	801
Mobile network solutions work	31,748	43,229	11,480
IT solutions work	7,153	8,416	1,263
Integrated equipment engineering work	16,792	17,947	1,155
Total	87,765	102,465	14,700

Consolidated Net Sales

(Unit: Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT network engineering work	32,899	33,740	841
Mobile network solutions work	33,051	39,324	6,272
IT solutions work	7,086	8,042	955
Integrated equipment engineering work	18,191	20,003	1,811
Total	91,228	101,110	9,881

(Note) In response to changes in its business areas, beginning in the consolidated fiscal year under review Daimei Telecom changed its business classifications as described below.

The classification “NTT network system construction (external and internal)” was changed to NTT network engineering work, “mobile telecommunications construction work” was changed to mobile network solutions work, the IT solutions sector of “general systems construction work” was changed to IT solutions work, and construction work for general telecommunications carriers, construction work for government and municipal offices, environmental equipment construction work and other businesses will be classified under integrated equipment engineering work.

The value of orders received and net sales based on the categories applied before the classifications were changed are shown below.

Consolidated Orders Received <before the classifications were changed>

(Unit: Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT network system construction (external)	28,327	28,535	207
NTT network system construction (internal)	3,743	4,337	594
NTT subtotal	32,070	32,872	801
Mobile telecommunications construction work	31,748	43,229	11,480
General systems construction work	21,201	22,913	1,712
Overseas construction work	(2)	—	2
Other business	2,747	3,450	703
Total	87,765	102,465	14,700

Consolidated Net Sales <before the classifications were changed>

(Unit: Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT network system construction (external)	28,688	29,554	866
NTT network system construction (internal)	4,210	4,185	(24)
NTT subtotal	32,899	33,740	841
Mobile telecommunications construction work	33,051	39,324	6,272
General systems construction work	22,533	24,629	2,095
Overseas construction work	(2)	—	2
Other business	2,747	3,415	668
Total	91,228	101,110	9,881

(3) Financial Position (Cash Flows)

During the consolidated fiscal year under review, Daimei increased funds by increasing net income before income taxes and minority interest, and used cash for repayments of short-term and long-term external debt at subsidiary companies following the introduction of a cash management system (CMS) to improve cash efficiency with the Daimei Group. As a result, the balance of cash and cash equivalents at the end of the consolidated fiscal year under review was ¥18,445 million, a decrease of ¥18 million compared with the previous consolidated fiscal year.

The main 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 ¥3,156 million, ¥1,368 million less than in the same period of the previous consolidated fiscal year. Funds used for an increase in notes and accounts receivable totaled ¥1,442 million and funds used for income taxes paid were ¥3,160 million. Income before income taxes and minority interests was ¥5,622 million, and funds provided from an increase in notes and accounts payable were ¥1,264 million.

(Cash flow used in investing activities)

Cash flow used in investing activities was ¥300 million. This was ¥1,983 million less than funds used in investing activities in the previous consolidated fiscal year. The main use of cash was purchases of investment securities totaling ¥551 million for purposes of investing capital.

(Cash flow used in financing activities)

Cash flow used in financing activities was ¥2,895 million, an increase of ¥595 million year-on-year. The Company used ¥1,892 million to reduce short-term external debt at subsidiaries, and ¥823 million to repay long-term debt.

Cash flow indicator trends

	Consolidated fiscal year ended March 31, 2002	Consolidated fiscal year ended March 31, 2003	Consolidated fiscal year ended March 31, 2004	Consolidated fiscal year ended March 31, 2005
Shareholders' equity ratio (%)	38.8	40.6	42.9	46.4
Shareholders' equity ratio, market price base (%)	21.4	17.5	31.7	48.9
Debt redemption (years)	2.5	2.6	4.1	5.1
Interest coverage ratio	23.1	19.3	15.7	13.3

(Notes) Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio, market price base: Total market capitalization/Total assets

Debt redemption years: Interest-bearing debt/Operating cash flow

Interest coverage ratio: Operating cash flow/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 calculations 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 payments.

(4) Forecast for the Fiscal Year ending March 31, 2006

During the next fiscal year, Japan's economy is projected to maintain its gradual recovery trend, supported by positive factors such as growth in private sector capital investment and the bullish trend in personal consumption. The outlook must be tempered, however, by uncertain conditions such as the trends in prices for crude oil and raw materials, and the inability to discern clearly future conditions.

In Daimei's business area in the telecommunications sector, the growing demand for broadband services including optical fiber access and IP telephony, and the shift to greater utilization of mobile multi-media such as third-generation cellular telephones, is projected to accelerate even further given the environment of heated competition among telecommunications carriers.

Daimei will seek to expand orders received by providing total support for broadband, mobile and IT-related services as the leading IT engineering and services company, and take steps to further improve cost competitiveness and enhance profitability.

Given these circumstances, the Company's outlook for consolidated operating results for the fiscal year is based on a 1.5% increase in value of orders received to ¥104,000 million, a 1.4% increase in net sales to ¥102,500 million, a 1.6% increase in operating income to ¥6,300 million, a 0.6% increase in ordinary income to ¥6,200 million, and a 4.1% increase in net income to ¥3,100 million.

With regard to the annual dividend for the next fiscal year, Daimei has positioned the return of earnings to shareholders as one of its key management policies and seeks to pay a stable dividend balanced against considerations for accumulating internal reserves to provide for future business development. To commemorate the 60th anniversary of its founding, the Company plans to add an extraordinary dividend of ¥3 per share and pay an annual dividend of ¥15 per share (an ordinary dividend of ¥6 and extraordinary dividend of ¥9).

Cautionary Note Concerning Forward Looking Statements

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 this material was prepared.

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, 2004	Consolidated fiscal year under review As of March 31, 2005	Increase (Decrease)
ASSETS				
Current assets:		49,776	50,522	745
Cash and bank deposits		14,351	14,500	148
Notes receivable		1,042	597	(445)
Accounts due for completed construction		21,832	23,877	2,044
Accounts receivable		1,000	929	(70)
Marketable securities		4,450	4,250	(199)
Cost of construction work in progress		5,517	4,943	(574)
Prepaid expenses		193	66	(127)
Deferred tax assets		701	626	(74)
Other current assets		769	852	83
Allowance for doubtful receivables		(82)	(120)	(38)
Fixed assets:		19,707	19,389	(318)
Tangible assets:		11,143	10,491	(652)
Buildings and structures		6,816	6,851	34
Machinery and equipment		5,102	4,371	(731)
Land		6,906	6,831	(74)
Accumulated depreciation		(7,682)	(7,563)	118
Intangible assets:		197	104	(93)
Software		96	98	1
Other intangible assets		101	6	(94)
Investments and other assets:		8,366	8,793	427
Investment securities		3,709	4,391	682
Long-term deposits		2,500	2,500	—
Long-term loans receivable		178	123	(54)
Deferred tax assets		693	611	(81)
Other investments		2,451	2,385	(66)
Less allowance for doubtful receivables		(1,165)	(1,218)	(53)
Total Assets		69,483	69,911	427

(Millions of yen)

Item	Period	Prior consolidated fiscal year As of March 31, 2004	Consolidated fiscal year under review As of March 31, 2005	Increase (Decrease)
LIABILITIES				
Current liabilities:		20,633	18,313	(2,320)
Notes payable		492	371	(121)
Accrued construction		10,566	12,008	1,442
Short-term borrowings		3,994	1,843	(2,150)
Accounts payable		1,323	1,279	(43)
Accrued income taxes		1,904	1,263	(641)
Advances received on uncompleted contracts		1,572	735	(836)
Allowance for completed construction indemnification		11	13	2
Other current liabilities		769	797	28
Long-term liabilities:		16,295	16,288	(6)
Corporate bonds		—	100	100
Convertible bonds		6,876	6,875	(1)
Long-term debt		7,617	7,234	(382)
Deferred tax liability		25	28	3
Reserve for employees' retirement benefits		1,448	1,503	55
Allowance for retirement bonuses for directors		—	314	314
Consolidation difference		161	69	(91)
Deferred tax liability related to revaluations		145	145	—
Other long-term liabilities		21	17	(4)
Total Liabilities		36,928	34,602	(2,326)
MINORITY INTERESTS				
Minority interests		2,762	2,848	86
SHAREHOLDERS' EQUITY				
Common stock		5,576	5,577	0
Capital surplus		3,991	3,992	0
Retained surplus		20,157	22,614	2,457
Revaluation loss		(137)	(130)	7
Realized valuation gain (loss) on other marketable securities		481	640	158
Less reacquired stock		(277)	(233)	44
Total Shareholders' Equity		29,792	32,460	2,668
Total Liabilities, Minority Interests and Shareholders' Equity		69,483	69,911	427

2. CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Period	Prior consolidated fiscal year From April 1, 2003 to March 31, 2004		Consolidated fiscal year under review From April 1, 2004 to March 31, 2005		Increase (Decrease)	
Net sales			91,228		101,110		9,881
Cost of sales			79,568		87,202		7,634
Gross profit			11,659		13,907		2,247
Selling, general and administrative expenses			6,837		7,707		869
Operating income			4,822		6,199		1,377
Non-operating income:							
Interest income		16		13		(2)	
Dividend income		64		67		3	
Amortization of consolidation difference		144		56		(87)	
Equity in earnings of unconsolidated subsidiaries		17		10		(6)	
Real estate rent income		45		86		41	
Other income		70	358	100	335	29	(22)
Non-operating expenses:							
Interest expense		281		245		(36)	
Foreign exchange losses		14		—		(14)	
Allowance for doubtful receivables		—		75		75	
Other expenses		125	421	51	371	(74)	(49)
Ordinary income			4,758		6,164		1,405
Extraordinary income:							
Gain on sale of investment securities		84		75		(9)	
Reversal of allowance for doubtful receivables		202		—		(202)	
Reimbursement due to cancellation of insurance		29	316	52	128	23	(188)
Extraordinary expenses:							
Loss on disposal of fixed assets		22		37		14	
Loss on sale of affiliated company stock		—		46		46	
Directors' retirement bonuses		84		39		(44)	
Transfer to allowance for retirement bonuses for directors for past service years		—		356		356	
Write-off of differences arising from change in accounting standards for retirement benefits		56		56		—	
Loss on valuation of investment securities		85		—		(85)	
Loss on valuation of intangible assets		—		93		93	
Lawsuit settlement fund		66		39		(27)	
Loss on valuation of goods		96	412	—	669	(96)	257
Income before income taxes and minority interests			4,663		5,622		959
Corporation, inhabitants' and enterprise taxes		2,733		2,507		(226)	
Income tax adjustments		(120)	2,613	51	2,559	172	(54)
Minority interests			197		84		(112)
Net income			1,852		2,978		1,126

3. CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Item	Period		Prior consolidated fiscal year		Consolidated fiscal year under review		Increase (Decrease)	
			From April 1, 2003 to March 31, 2004		From April 1, 2004 to March 31, 2005			
CAPITAL SURPLUS								
Capital surplus, beginning of year				3,991		3,991		—
Increase in capital surplus								
Increase in capital surplus	—	—	0	—	0	0	0	0
Capital surplus, end of year				3,991		3,992		0
RETAINED SURPLUS								
Retained surplus, beginning of year				18,829		20,157		1,328
Increase in retained surplus								
Net income	1,852		2,978		1,126			
Increase in retained surplus resulting from consolidation exclusion	—	1,852	16	2,995	16	1,143		
Decrease in retained surplus								
Dividends	480		482		2			
Directors' bonuses	33		44		10			
Loss on revaluation difference on land	—		7		7			
Loss on disposal of treasury stock	10	524	3	538	(6)	14		
Retained surplus, end of year				20,157		22,614		2,457

4. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Item	Period	Prior consolidated fiscal year From April 1, 2003 to March 31, 2004	Consolidated fiscal year under review From April 1, 2004 to March 31, 2005	Increase (Decrease)
		Amount	Amount	Amount
I. Cash flows from operating activities				
Net income before income taxes and minority interests		4,663	5,622	959
Depreciation and amortization		702	644	(58)
Increase (decrease) in various allowances		(285)	201	487
(Increase) decrease in allowance for retirement bonuses for directors		—	314	314
Interest and dividend income		(80)	(81)	(0)
Interest expense		281	245	(36)
Loss on foreign currency exchange		5	(0)	(5)
Loss of valuation of investment securities		85	5	(80)
Gain (loss) on sale of securities		(84)	(29)	55
Loss on valuation of goods		96	—	(96)
Non-cash revenues and expenses		(68)	(54)	14
Decrease (increase) in notes and accounts receivable		925	(1,442)	(2,368)
Decrease (increase) in construction in progress		(221)	514	736
Increase (decrease) in notes and accounts payable		50	1,264	1,213
Increase (decrease) in advances received on uncompleted contracts		52	(836)	(888)
Other, net		756	(40)	(797)
Loss on sale and disposal of fixed assets		22	53	30
Loss on valuation of intangible assets		—	93	93
Subtotal		6,900	6,473	(427)
Interest and dividends received		81	81	0
Interest paid		(289)	(238)	51
Income taxes paid		(2,166)	(3,160)	(993)
Net cash provided by (used in) operating activities		4,525	3,156	(1,368)
II. Cash flows from investing activities				
Increase in time deposits		(194)	(349)	(154)
Decrease in time deposits		236	381	144
Proceeds from sale of marketable securities		300	—	(300)
Purchases of property and equipment		(171)	(239)	(68)
Income from sale of property and equipment		29	229	199
Purchases of investment securities		(357)	(551)	(193)
Proceeds from sale of investment securities		271	141	(129)
Purchases of subsidiary stock		(10)	—	10
Income from sale of affiliated company stock		—	16	16
Purchase of long-term deposits		(2,500)	—	2,500
Expenditures for lending		(7)	(27)	(19)
Proceeds from collection on loans		114	77	(36)
Other, net		5	20	14
Net cash provided by investing activities		(2,284)	(300)	1,983
III. Cash flows from financing activities				
Net change in short-term debt		(1,418)	(1,892)	(474)
Proceeds from long-term debt		100	182	82
Repayments of long-term debt		(528)	(823)	(294)
Income from issuance of straight bonds		—	100	100
Acquisition of treasury stock		(3)	(10)	(7)
Proceeds from sale of treasury stock		59	61	1
Cash dividends paid to minority shareholders		(28)	(29)	(0)
Cash dividends paid		(480)	(483)	(3)
Net cash provided by (used in) financing activities		(2,299)	(2,895)	(595)
IV. Effect of exchange rate changes on cash and cash equivalents				
		(3)	0	3
V. Net increase in cash and cash equivalents				
		(62)	(39)	22
VI. Increase in cash and cash equivalents from consolidation of new companies				
		—	21	21
VII. Cash and cash equivalents at beginning of period				
		18,525	18,463	(62)
VIII. Cash and cash equivalents at end of period				
		18,463	18,445	(18)



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

May 13, 2005

NON-CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2005

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: Representative Director and 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 13, 2005 Interim dividend system: No
 Scheduled dividend payment date: June 30, 2005 Regular General Meeting of the Shareholders: June 29, 2005
 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	%
2005	91,176	12.3	5,117	18.2	4,819	17.0
2004	81,168	11.8	4,328	39.6	4,117	58.2

	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	%	%	%
2005	2,276	19.4	55.23	50.02	7.6	8.0	5.3
2004	1,906	116.5	46.49	42.46	6.8	7.2	5.1

Notes: 1. Average number of shares outstanding:

Fiscal year ended March 31, 2005: 40,317,491 shares

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

2. Changes in accounting policies: Yes

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
	Interim	Year-end				
	Yen	Yen	Yen	Millions of yen	%	%
2005	15.00	-	15.00	605	26.6	2.0
2004	12.00	-	12.00	482	25.3	1.7

Note: Breakdown of year-end dividend for the fiscal year ended March 31, 2005:

Ordinary dividend: ¥6.00, extraordinary dividend: ¥9.00

(3) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2005	61,513	30,955	50.3	765.57
2004	59,096	29,003	49.1	720.03

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

Fiscal year ended March 31, 2005: 40,368,627 shares

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

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

Fiscal year ended March 31, 2005: 690,743 shares

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

2. Forecast of Results for the Fiscal Year ending March 31, 2006

	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, 2005	39,500	2,030	1,020	-----	-----	-----
Year ending March 31, 2006	91,500	4,850	2,300	-----	15.00	15.00

Reference: Estimated net income per share for the full year: ¥56.97

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 9 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, 2004	Fiscal year under review As of March 31, 2005	Increase (decrease)
ASSETS				
Current assets:		44,176	45,522	1,345
Cash and bank deposits		11,341	12,114	773
Notes receivable		475	201	(274)
Accounts due for completed construction		20,497	22,307	1,809
Accounts receivable		522	476	(46)
Marketable securities		4,450	4,250	(199)
Cost of construction work in progress		4,406	3,684	(721)
Materials and supplies		19	22	3
Short-term loans receivable		1,128	1,384	256
Prepaid expenses		170	47	(123)
Deferred tax assets		815	822	7
Other current assets		839	946	107
Allowance for doubtful receivables		(490)	(737)	(246)
Fixed assets:		14,919	15,991	1,071
Tangible assets:		6,636	6,580	(55)
Buildings		2,124	2,064	(60)
Structures		86	92	6
Machinery and equipment		3	2	(1)
Vehicles and transport equipment		11	16	5
Tools and parts		219	209	(10)
Land		4,191	4,196	4
Intangible assets:		148	39	(108)
Software		57	34	(23)
Other intangible assets		90	5	(85)
Investments and other assets:		8,134	9,370	1,236
Investment securities		3,298	4,089	790
Long-term deposits		2,500	2,500	—
Stock of affiliated companies		952	1,636	684
Long-term loans receivable		1	0	(0)
Long-term loans to employees		29	9	(20)
Long-term loans receivable from affiliated companies		10	9	(1)
Credits in bankruptcy and reorganization		633	624	(9)
Deferred tax assets		584	391	(192)
Other investments		926	944	17
Allowance for doubtful receivables		(803)	(835)	(32)
Total Assets		59,096	61,513	2,417

Daimei Telecom Engineering Corp. (Non-consolidated)
(Millions of yen)

Item \ Period	Prior fiscal year As of March 31, 2004	Fiscal year under review As of March 31, 2005	Increase (decrease)
LIABILITIES			
Current liabilities:	15,555	15,778	223
Accrued construction	10,864	12,326	1,462
Current portion of long-term debt	2	2	0
Accounts payable	1,294	1,349	55
Accrued income taxes	1,654	930	(723)
Accrued expenses	62	62	(0)
Advances received on uncompleted projects	1,511	703	(807)
Deposits received	153	389	235
Allowance for completed construction indemnification	11	13	2
Long-term liabilities:	14,537	14,779	242
Convertible bonds	6,876	6,875	(1)
Long-term debt	7,012	7,009	(2)
Reserve for employees' retirement allowances	649	620	(28)
Transfer to allowance for retirement bonuses for directors	—	274	274
Total Liabilities	30,092	30,558	465
SHAREHOLDERS' EQUITY			
Common stock	5,576	5,577	0
Capital surplus	4,070	4,071	0
Capital reserve	4,070	4,071	0
Retained surplus	19,177	20,932	1,754
Earned surplus	916	916	—
Discretionary reserves	15,798	17,173	1,374
Reserve for employees' retirement pensions	242	286	44
Fixed asset advanced depreciation reserve	375	356	(19)
Other reserve	15,180	16,530	1,350
Unappropriated income at end of period	2,461	2,842	380
Valuation difference for other marketable securities	450	607	156
Treasury stock	(272)	(233)	39
Shareholders' Equity	29,003	30,955	1,951
Total Liabilities and Shareholders' Equity	59,096	61,513	2,417

2. STATEMENTS OF INCOME

(Unit: Millions of yen)

Item	Period		Fiscal year under review		Increase (decrease)	
	Prior fiscal year From April 1, 2003 to March 31, 2004		From April 1, 2004 to March 31, 2005			
Net sales		81,168		91,176		10,007
Cost of sales		71,195		80,018		8,822
Gross profit		9,972		11,157		1,184
Selling, general and administrative expenses		5,643		6,040		396
Operating income		4,328		5,117		788
Non-operating income:						
Interest income	11		25		13	
Dividend income	85		89		3	
Real estate rent income	12		46		33	
Other income	30	139	43	204	13	64
Non-operating expenses:						
Interest expense	69		74		5	
Corporate bond interest expense	124		123		(0)	
Provision for doubtful receivables	106		280		173	
Foreign exchange losses	14		—		(14)	
Other expenses	36	351	24	502	(12)	151
Ordinary income		4,117		4,819		701
Extraordinary income:						
Gain on sale of investment securities	76	76	12	12	(64)	(64)
Extraordinary expenses:						
Directors' retirement bonuses	1		—		(1)	
Transfer to reserve for retirement bonuses for directors for past years' service	—		325		325	
Loss on disposal of fixed assets	19		24		4	
Loss on valuation of investment securities	82		5		(76)	
Loss on valuation of intangible assets	—	103	84	440	84	337
Income (loss) before income taxes		4,090		4,390		300
Corporation, inhabitants' and enterprise taxes	2,438		2,037		(401)	
Income tax adjustments	(253)	2,185	76	2,113	330	(70)
Net income		1,906		2,276		370
Income brought forward from the prior period		559		569		10
Retirement of treasury stock		(5)		(4)		1
Withdrawals from reserve for employees' retirement pensions		1		—		(1)
Net income		2,461		2,842		380

2. Appropriation of Retained Earnings (Proposed)

(Unit: Millions of yen)

Item	Prior fiscal year	Fiscal year under review	Increase (decrease)
	(Period ended March 31, 2004)	(Period ended March 31, 2005)	
Unappropriated retained earnings	2,461	2,842	380
Withdrawal from discretionary reserves			
Withdrawal from fixed asset advanced depreciation reserve	18	17	(0)
Withdrawal from reserve for employees' retirement pensions	—	286	286
Total	2,480	3,146	666
To be appropriated as follows			
Amount of appropriated retained earnings	1,910	2,455	544
Cash dividends	482	605	122
Directors' bonuses	35	50	15
Discretionary reserves	1,392	1,800	407
Reserve for employees' retirement pensions	44	—	(44)
Fixed asset advanced depreciation reserve	(1)	—	1
Other reserve	1,350	1,800	450
Net income carried forward to the next period	569	690	121

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, 2004			Fiscal year ended March 31, 2005		
	Annual	Interim	Year-end	Annual	Interim	Year-end
Common (old) stock (Details)	Yen	Yen	Yen	Yen	Yen	Yen
Ordinary dividend	6.00	—	6.00	6.00	—	6.00
Extraordinary dividend	6.00	—	6.00	9.00	—	9.00

6. Net Sales and Value of Orders Received, by Category

(Unit: Millions of yen)

Item	Period	Prior fiscal year From April 1, 2003 to March 31, 2004		Fiscal year under review From April 1, 2004 to March 31, 2005		Increase (decrease)	
		Amount	Percent	Amount	Percent	Amount	Percent
Balance carried forward from prior period	NTT Network Engineering Work	5,450	33.5	4,622	32.1	(828)	(15.2)
	Mobile Network Solutions Work	5,881	36.1	4,575	31.7	(1,305)	(22.2)
	IT Solutions Work	492	3.0	548	3.8	56	11.4
	Integrated Equipment Engineering Work	4,449	27.4	4,679	32.4	229	5.2
	Total	16,273	100	14,425	100	(1,847)	(11.4)
Orders received	NTT Network Engineering Work	32,070	40.4	32,872	35.7	801	2.5
	Mobile Network Solutions Work	30,993	39.1	42,367	45.9	11,373	36.7
	IT Solutions Work	5,555	7.0	5,843	6.3	288	5.2
	Integrated Equipment Engineering Work	10,700	13.5	11,137	12.1	437	4.1
	Total	79,320	100	92,220	100	12,900	16.3
Construction completed	NTT Network Engineering Work	32,899	40.5	33,740	37.0	841	2.6
	Mobile Network Solutions Work	32,299	39.8	38,490	42.2	6,190	19.2
	IT Solutions Work	5,499	6.8	5,755	6.3	256	4.7
	Integrated Equipment Engineering Work	10,470	12.9	13,190	14.5	2,719	26.0
	Total	81,168	100	91,176	100	10,007	12.3
Balance carried forward to next period	NTT Network Engineering Work	4,622	32.1	3,754	24.3	(868)	(18.8)
	Mobile Network Solutions Work	4,575	31.7	8,452	54.6	3,876	84.7
	IT Solutions Work	548	3.8	636	4.1	87	16.0
	Integrated Equipment Engineering Work	4,679	32.4	2,626	17.0	(2,052)	(43.9)
	Total	14,425	100	15,470	100	1,044	7.2

<Before Change in Business Classification>

(Unit: Millions of yen)

Item \ Period		Prior fiscal year From April 1, 2003 to March 31, 2004		Fiscal year under review From April 1, 2004 to March 31, 2005		Increase (decrease)	
		Amount	Percent	Amount	Percent	Amount	Percent
Balance carried forward from prior 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	32.1	(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)
Orders received	NTT network system (external) construction work	28,327	35.7	28,535	30.9	207	0.7
	NTT network system (internal) construction work	3,743	4.7	4,337	4.7	594	15.9
	NTT construction subtotal	32,070	40.4	32,872	35.6	801	2.5
	Mobile telecommunications construction work	30,993	39.1	42,367	46.0	11,373	36.7
	General systems construction work	16,258	20.5	16,981	18.4	722	4.4
	Overseas construction work	(2)	0.0	—	—	2	(100.0)
	Total	79,320	100	92,220	100	12,900	16.3
Construction completed	NTT network system (external) construction work	28,688	35.3	29,554	32.4	866	3.0
	NTT network system (internal) construction work	4,210	5.2	4,185	4.6	(24)	(0.6)
	NTT construction subtotal	32,899	40.5	33,740	37.0	841	2.6
	Mobile telecommunications construction work	32,299	39.8	38,490	42.2	6,190	19.2
	General systems construction work	15,972	19.7	18,945	20.8	2,973	18.6
	Overseas construction work	(2)	0.0	—	—	2	(100.0)
	Total	81,168	100	91,176	100	10,007	12.3
Balance carried forward to next period	NTT network system (external) construction work	3,916	27.2	2,897	18.7	(1,019)	(26.0)
	NTT network system (internal) construction work	705	4.9	856	5.6	151	21.4
	NTT construction subtotal	4,622	32.1	3,754	24.3	(868)	(18.8)
	Mobile telecommunications construction work	4,575	31.7	8,452	54.6	3,876	84.7
	General systems construction work	5,227	36.2	3,263	21.1	(1,964)	(37.6)
	Overseas construction work	—	—	—	—	—	—
	Total	14,425	100	15,470	100	1,044	7.2