



Daimei Telecom Engineering Corp.

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Shinagawa-ku, Tokyo, Japan

August 10, 2006

CONSOLIDATED FINANCIAL REPORT FOR THE THREE MONTHS ENDED JUNE 30, 2006

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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1. Matters pertaining to preparation of the quarterly financial information

(1) Has the Company adopted simplified methods for accounting treatment? Yes

(Details) The Company has adopted the partial simplified method for its accounting standard for tax expenses.

(2) Are there any differences with the methods of recognition used in the accounting treatment for the most recent consolidated fiscal year? No

(3) Are there any changes in the scope of consolidation and/or application of the equity method? No

2. Business Results for the Three-month Period ended June 30 (April 1, 2006 - June 30, 2006)

(1) Consolidated Operating Results

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

| | Net Sales | | Operating Income | | Ordinary Income | |
|---------------------|-----------------|------|------------------|-----|-----------------|-----|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| 2006 | 21,622 | 11.9 | 585 | — | 604 | — |
| 2005 | 19,327 | 14.4 | — | — | — | — |
| FY ended March 2006 | 108,556 | 7.4 | 6,363 | 2.6 | 6,380 | 3.5 |

| | Interim (Fiscal Year) Net Income | | Interim (Fiscal Year) Net Income per Share | | Interim (Fiscal Year) Diluted Net Income per Share | |
|---------------------|----------------------------------|-----|--|-----|--|-----|
| | Millions of yen | % | Yen | Yen | Yen | Yen |
| 2006 | 267 | — | 6.52 | — | 6.17 | — |
| 2005 | — | — | — | — | — | — |
| FY ended March 2006 | 3,215 | 7.9 | 77.12 | — | 69.47 | — |

Note: Because the Company began disclosing quarterly financial and operating results from the current consolidated fiscal year, consolidated operating results for the same quarter of the previous consolidated fiscal year and the rate of increase or decrease from the previous consolidated fiscal year are not shown.

(Reference) Breakdown of Consolidated Orders Received and Consolidated Net Sales

(Millions of yen)

| | Construction Category | Consolidated FY Ended March 31, 2006 First Quarter | Consolidated FY Ending March 31, 2007 First Quarter | Change | Percentage Change |
|-----------------|---------------------------------------|--|---|--------|----------------------|
| Orders Received | NTT network engineering work | 8,808 (34.3%) | 10,463 (32.6%) | 1,655 | 18.8% |
| | Mobile network solutions work | 11,116 (43.3) | 16,251 (50.6) | 5,135 | 46.2 |
| | IT solutions work | 2,084 (8.1) | 2,604 (8.1) | 519 | 24.9 |
| | Integrated equipment engineering work | 3,679 (14.3) | 2,780 (8.7) | -899 | -24.4 |
| | Total | 25,689 (100.0) | 32,100 (100.0) | 6,410 | 25.0 |
| Net Sales | NTT network engineering work | 7,618 (39.4%) | 8,784 (40.6) | 1,165 | 15.3 |
| | Mobile network solutions work | 6,794 (35.2) | 8,388 (38.8) | 1,593 | 23.5 |
| | IT solutions work | 1,630 (8.4) | 1,707 (7.9) | 76 | 4.7 |
| | Integrated equipment engineering work | 3,284 (17.0) | 2,742 (12.7) | -542 | -16.5 |
| | Total | 19,327 (100.0) | 21,622 (100.0) | 2,294 | 11.9 |

Qualitative Information Concerning Change in Operating Results (Consolidated)

During the first quarter under review, the value of orders received substantially exceeded the results in the same period of the previous consolidated fiscal year, mainly for NTT network engineering work and mobile network solutions work. Total orders received increased by 25.0% year-on-year to ¥32,1 billion. As a result of steady growth in NTT and mobile network solutions work and IT solutions work, net sales also were higher, rising 11.9% over the same period of the previous consolidated fiscal year to ¥21,622 million.

Ordinary income was ¥604 million, and net income was ¥267 million for the quarter.

(2) Change in Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity to Total Assets | Net Assets per Share |
|---------------------|-----------------|-----------------|---|----------------------|
| | Millions of yen | Millions of yen | % | Yen |
| 2006 | 68,221 | 37,969 | 51.7 | 862.07 |
| 2005 | — | — | — | — |
| FY ended March 2006 | 73,893 | 35,883 | 48.6 | 875.18 |

(3) Consolidated Cash Flows

| | Operating Activities | Investing Activities | Financing Activities | Cash and Cash Equivalents, End of Period |
|---------------------|----------------------|----------------------|----------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| 2006 | 2,739 | -179 | -588 | 23,521 |
| 2005 | — | — | — | — |
| FY ended March 2006 | 5,001 | 19 | -1,914 | 21,551 |

Qualitative Information Concerning Change in Consolidated Financial Position

Looking at the Company's financial position at the end of the first quarter, total assets decreased by ¥5,672 million compared with the end of previous consolidated fiscal year, to ¥68,221 million. The main factors were a decrease of ¥11,057 million in accounts receivable and accounts due for completed construction as a result of a decline in net sales resulting from the collection of payments for works completed at the end of previous consolidated fiscal year and seasonal changes, and an increase in cost of construction work in progress of ¥3,464 million because of an increase in works. Total liabilities decreased by ¥5,003 million compared with the end of the previous consolidated fiscal year to ¥30,251 million. This was primarily the result of a decrease of ¥4,993 million in advances received on uncompleted contracts for works completed at the end of the previous consolidated fiscal year.

3. Projected Operating Results for the Consolidated Fiscal Year Ending March 2007 (April 1, 2006 - March 31, 2007)

| | Net Sales | Ordinary Income | Net Income |
|-----------|-----------------|-----------------|-----------------|
| | Millions of yen | Millions of yen | Millions of yen |
| Interim | 51,200 | 2,800 | 1,430 |
| Full Year | 112,300 | 6,450 | 3,400 |

(Reference) Projected net income per share (full-year) ¥83.09

Qualitative Information Concerning Projected Operating Results

Because the works related to mobile number portability projected in the Company's initial plan are proceeding at a steady pace, the Company has not made any revisions to the projected interim period and full-year consolidated operating results released on May 12, 2006.

Note: The projected consolidated operating results presented above were prepared using information available to the Company as of the date this material was released, and assumptions made as of the date this material was released concerning various uncertainty factors that might have a material affect on future operating results. Accordingly, there is a possibility the Company's actual consolidated operating results will differ from the projected amounts shown above as a result of various future factors.

○ Appended materials

(Summary) Quarterly Consolidated Balance Sheet and (Summary) Quarterly Consolidated Statements of Income

1. (Summary) Quarterly Consolidated Balance Sheet

(Millions of yen)

| Item | Period | First Quarter Under Review | (Reference) Previous Consolidated Fiscal Year-end |
|---------------|---|----------------------------|--|
| | | (June 30, 2006) | (March 31, 2006) |
| ASSETS | | | |
| I | Current assets: | | |
| | Cash and bank deposits | 18,607 | 16,613 |
| | Accounts receivable and accounts due for completed construction | 15,077 | 26,135 |
| | Marketable securities | 5,249 | 5,250 |
| | Cost of construction work in progress and other inventory | 9,021 | 5,557 |
| | Others | 1,099 | 1,023 |
| | Allowance for doubtful receivables | (46) | (51) |
| | Total current assets | 49,010 | 54,528 |
| II | Fixed assets: | | |
| | 1. Tangible assets: | | |
| | Buildings and structures | 2,694 | 2,728 |
| | Land | 6,705 | 6,705 |
| | Other fixed assets | 1,053 | 1,000 |
| | Total tangible assets | 10,453 | 10,433 |
| | 2. Intangible assets: | 111 | 100 |
| | 3. Investments and other assets: | | |
| | Investment securities | 4,538 | 4,816 |
| | Other investments | 5,427 | 5,338 |
| | Allowance for doubtful receivables | (1,319) | (1,323) |
| | Total investments and other assets | 8,646 | 8,831 |
| | Total fixed assets | 19,211 | 19,365 |
| | Total Assets | 68,221 | 73,893 |

(Millions of yen)

| Item | Period | First Quarter Under Review | (Reference) Previous Consolidated Fiscal Year-end |
|-----------------------------|--|----------------------------|--|
| | | (June 30, 2006) | (March 31, 2006) |
| LIABILITIES | | | |
| I | Current liabilities: | | |
| | Notes payable and accrued construction | 9,769 | 14,762 |
| | Short-term borrowings | 7,483 | 7,510 |
| | Advanced received on uncompleted contracts | 1,136 | 477 |
| | Other current liabilities | 2,837 | 3,294 |
| | Total current liabilities | 21,227 | 26,045 |
| II | Long-term liabilities : | | |
| | Straight bonds | 100 | 100 |
| | Convertible bonds | 6,752 | 6,757 |
| | Long-term debt | 154 | 155 |
| | Reserve for employees' retirement benefits | 1,512 | 1,555 |
| | Other long-term liabilities | 505 | 642 |
| | Total long-term liabilities | 9,023 | 9,209 |
| | Total liabilities | 30,251 | 35,254 |
| MINORITY INTERESTS | | | |
| | Minority interests | — | 2,754 |
| SHAREHOLDERS' EQUITY | | | |
| I | Common stock | — | 5,608 |
| II | Capital surplus | — | 4,055 |
| III | Retained surplus | — | 25,168 |
| IV | Land revaluation loss | — | (130) |
| V | Realized valuation gain (loss) on other marketable securities | — | 1,259 |
| VI | Treasury stock | — | (78) |
| | Total Shareholders' Equity | — | 35,883 |
| | Total Liabilities, Minority Interests and Shareholders' Equity | — | 73,893 |
| NET ASSETS | | | |
| I | Owners' equity | | |
| | 1 Paid-in capital | 5,610 | — |
| | 2 Capital surplus | 4,058 | — |
| | 3 Earned surplus | 24,694 | — |
| | 4 Treasury stock | (77) | — |
| | Total Owners' Equity | 34,286 | — |
| II | Valuation and translation adjustments | | |
| | 1 Valuation difference on available-for-sale securities | 1,119 | — |
| | 2 Land revaluation loss | (130) | — |
| | Total valuation and translation adjustments | 989 | — |
| III | Minority interests | 2,693 | — |
| | Total Net Assets | 37,969 | — |
| | Total Liabilities and Net Assets | 68,221 | — |

2. (Summary) Quarterly Consolidated Statements of Income

(Millions of yen)

| Item | Period | First Quarter Under Review | (Reference) Previous Consolidated Fiscal Year-end |
|------|--|--|--|
| | | From April 1, 2006 to June 30, 2006 | From April 1, 2005 to March 31, 2006 |
| I | Net sales | 21,622 | 108,556 |
| II | Cost of sales | 19,080 | 94,574 |
| | Gross profit | 2,541 | 13,982 |
| III | Selling, general and administrative expenses | 1,956 | 7,619 |
| | Operating income | 585 | 6,363 |
| IV | Non-operating income | 78 | 277 |
| V | Non-operating expenses | 59 | 260 |
| | Ordinary income | 604 | 6,380 |
| VI | Extraordinary income | 16 | 58 |
| VII | Extraordinary expenses | 74 | 734 |
| | Interim (fiscal year) income before income taxes and minority interests | 546 | 5,704 |
| | Tax expenses | 306 | 2,458 |
| | Minority interests (loss) | (26) | 30 |
| | Interim (fiscal year) net income | 267 | 3,215 |