



Daimei Telecom Engineering Corp.

2-11-20 Nishi-Gotanda

Shinagawa-ku, Tokyo, Japan

November 15, 2006

CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 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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Semi-annual Board of Directors Meeting: November 15, 2006

Adoption of US GAAP: No

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

1. Business Results for the Six-month Period ended September 30 (April 1, 2006 - September 30, 2006)

(1) Consolidated Operating Results

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006	56,031	18.7	4,705	71.0	4,725	71.2
2005	47,198	12.6	2,751	21.1	2,759	22.8
FY ended Mar '06	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	
2006	2,714	113.8	66.34		59.46	
2005	1,269	27.6	31.34		28.33	
FY ended Mar '06	3,215	7.9	77.12		69.47	

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

Six months ended September 30, 2006: ¥0

Six months ended September 30, 2005: ¥0

Fiscal year ended March 31, 2006: ¥0

2. Average number of shares outstanding (consolidated):

Six months ended September 30, 2006: 40,917,575 shares

Six months ended September 30, 2005: 40,520,582 shares

Fiscal year ended March 31, 2006: 40,656,882 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) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Stockholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2006	66,862	40,286	56.2	917.49
2005	68,164	33,442	49.1	820.99
FY ended Mar '06	73,893	35,883	48.6	875.18

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

Six months ended September 30, 2006: 40,920,450 shares

Six months ended September 30, 2005: 40,735,027 shares

Fiscal year ended March 31, 2006: 40,910,299 shares

(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	1,695	1,952	(7,712)	17,486
2005	5,590	(397)	(774)	22,864
FY ended Mar '06	5,223	(201)	(1,914)	21,551

(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: 0

Consolidated companies removed: 0

New companies accounted for by the equity method: 0

Companies accounted for by the equity method removed: 0

2. Forecast of Consolidated Results for the Fiscal Year ending March 31, 2007 (April 1, 2006 - March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Fiscal year ending March 31, 2007	116,000	7,200	3,900

Reference: Estimated net income per share for the fiscal year: ¥95.31

Cautionary Statement

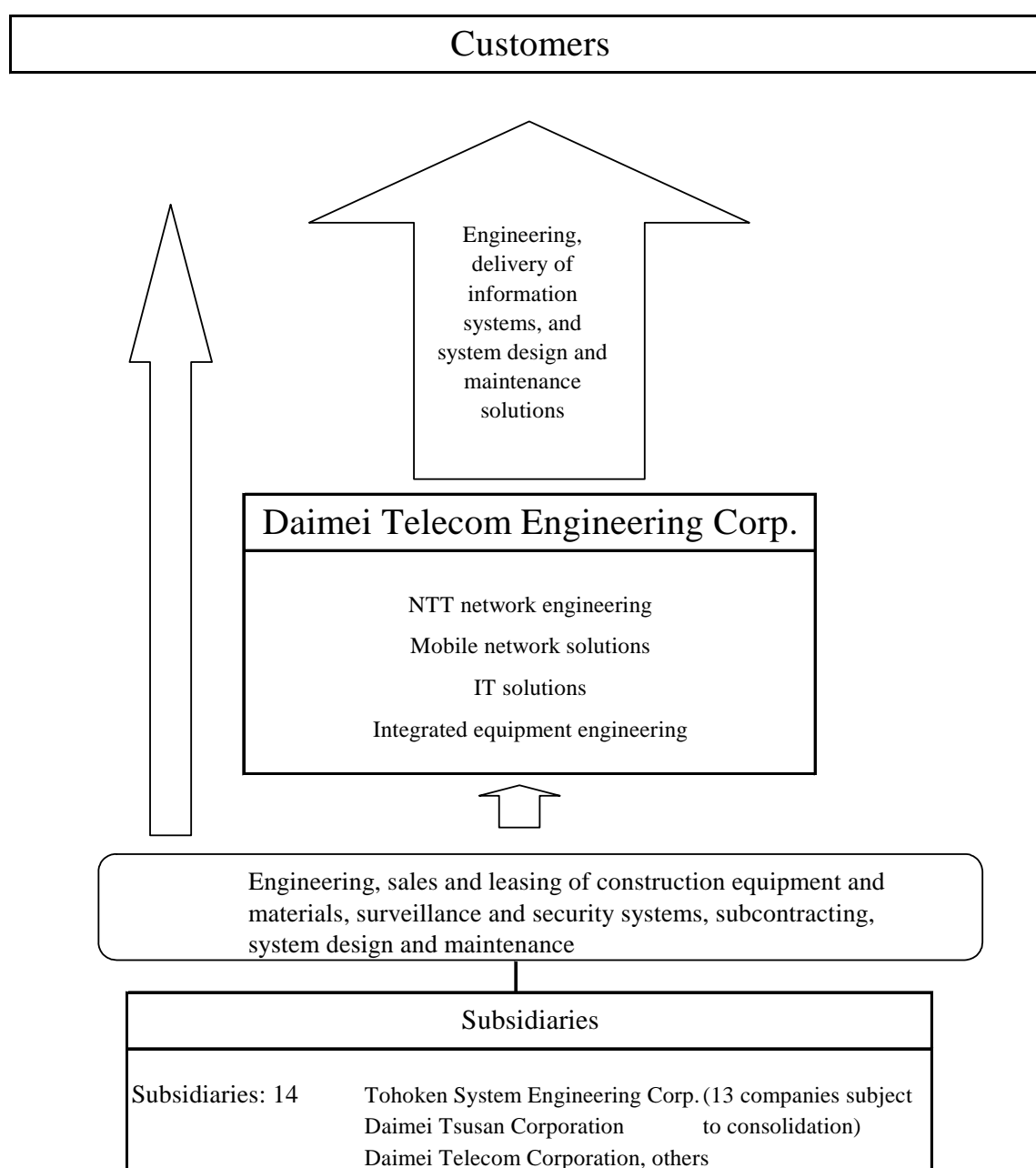
Statements made in this report with respect to Daimei's current plans, estimates, strategies and beliefs and other statements are based on management's assumptions and beliefs in light of the information available at the time such statements were created and are not guaranteed. Daimei cautions that a 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 and 14 subsidiaries, is developing four 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 and performance of work on a subcontract basis.

The relationship among the Company's businesses is shown below.

Note: Tohoken System Engineering Corporation, one of the subsidiaries shown below, is listed on the Jasdag Securities 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 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.

Based on its corporate conduct policy of acting with fairness and sound judgment, Daimei also is promoting full compliance with regulations and sincerity in words and actions, while striving to maintain society's trust as a good corporate citizen and achieve sustainable development for society and the firm.

(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, with the objective of increasing corporate value.

(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 a comprehensive evaluation of present circumstances, including the level of stock prices, number of company shareholders, cost-benefit considerations and the Company's financial position, we believe conditions are not appropriate for executing an immediate reduction in the number of shares in the Company's unit stock. Daimei will consider this issue prudently while continuing to give 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 forming Daimei's core business, efforts intended to achieve an advanced information and telecommunications society are accelerating. This includes construction of next-generation networks (NGN) as the market structure undergoes rapid change, exemplified by developments such as the "merger of communications and broadcasting" and "integration of fixed and mobile telecommunications" in conjunction with the transition to full IP-based networks.

Faced with this business environment, as its medium-term management strategy the Company is striving to improve the value of the firm by building an organization to support the IT and IP markets, expanding and enhancing its mobile telecommunications-related businesses, and increasing customer satisfaction (CS) and securing customers' trust by enhancing cost competitiveness and improving

quality. At the same time, the Company will focus on the sustainable development of local communities and the firm.

To broaden the content of its Group businesses, Daimei will strengthen its telecommunications-related IT and IP technology, and work to maintain its dominance and strengthen competitiveness in IT and IP business markets such as the solutions business, while continuing to pursue its traditional telecommunications network engineering works and mobile networks solutions works as its core businesses.

(6) Issues to be Addressed

The business environment surrounding the Company is projected to improve further as Japan's economic recovery continues, supported by private-sector demand and positive factors such as the gradually improving performance among domestic firms. In the Company's core business area in the telecommunications sector as well, Daimei anticipates substantial opportunities related to the formation of a broadband ubiquitous society.

For this reason, responding to the substantial changes in market trends, enhancing profitability through concentration and expansion of operations and reduction of costs, and ensuring safety and improving product quality are fundamental management issues, and all of the companies in the Daimei Group are addressing the following issues.

- 1) Development of new mobile telecommunications markets
- 2) Fostering multi-skilled engineers and creating an organization to support IT and IP
- 3) Enhancing the construction organization
- 4) Strengthening cost and service competitiveness
- 5) Consolidating various management systems and strengthening internal controls

(7) Matters Concerning the Parent Company

Daimei Telecom Engineering Corp. does not have a parent company and there are no matters to report concerning this item.

3. Business Results and Financial Position

(1) Review of the Interim Period ended September 30, 2006

During the interim period under review, Japan's economy remained steady as the economic recovery supported by private demand was anticipated to continue. Despite the severity of cutbacks in public investment, growth is being sustained by factors such as gradually improving domestic corporate performance and the expansion of capital investment.

In the telecommunications sector, the market environment experienced tremendous changes. The advent of a true broadband era continued to unfold, based on optical fiber access services, which contributed to widespread anticipation of progress towards a ubiquitous computer society and mobile 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 response to growing broadband markets, including full-scale development of optical IP services.

In addition, every mobile telecommunications carrier continued to embark on bullish capital investment in conjunction with expansion of its third-generation cellular telephone service areas and improvements to network quality.

In light of this business environment, in its engineering business Daimei strove to improve construction efficiency and enhance cost competitiveness based on safety and product quality, through organizational management combining the production and construction divisions. In its solutions business, Daimei sought to improve operating results by expanding the volume of orders received through increased utilization of proposal-based marketing for its clients, and by aggressively pursuing measures such as enhancements to IP technology capabilities.

As a result, the value of orders received during the interim period under review increased by 21.7% year-on-year to ¥63,436 million, and consolidated net sales rose 18.7% compared to the same period of the previous fiscal year to ¥56,031 million.

Moreover, as a result of Daimei's efforts to improve operating efficiency and focus on profitability, ordinary income jumped 71.2% compared with the same period of the previous fiscal year to ¥4,725 million, and net income for the interim period climbed 113.8% year-on-year to ¥2,714 million.

(2) Overview of Activities by Business Category

1) Network engineering work for NTT

Regarding the NTT network engineering business, construction of access-related optical fiber networks has been continued, in preparation for the era of full-fledged broadband applications. As a result of its efforts to expand orders received for this business, Daimei increased the value of orders received increased by 12.0% year-on-year to ¥20,070 million, and net sales rose 12.5% compared to the previous consolidated fiscal year to ¥17,654 million.

2) Mobile network solutions work

Because base station construction work to support mobile number portability (MNP) was concentrated in the first half of the year, and as a result of Daimei's efforts to expand orders received for this business, the value of orders received grew 47.6% compared with the same period of the previous consolidated fiscal year to ¥31,482 million, and net sales jumped 43.6% year-on-year to ¥28,092 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 addressing the markets for on-demand management and systems solutions. As a result, the value of orders received increased 16.2% year-on-year to ¥5,292 million, and net sales rose 17.8% compared with the same period of the previous consolidated fiscal year to ¥4,384 million.

4) Integrated equipment engineering work

The value of orders received declined for both public sector-related work and ADSL-related construction. As a result, the value of orders received declined 20.6% from the same period of the previous consolidated fiscal year to ¥6,590 million, and net sales fell 28.2% year-on-year to ¥5,901 million.

Consolidated Orders Received (Millions of yen)

Construction category	Prior interim consolidated accounting period	Interim consolidated accounting period under review	Change
NTT network engineering work	17,924	20,070	2,146
Mobile network solutions work	21,326	31,482	10,155
IT solutions work	4,554	5,292	737
Integrated equipment engineering work	8,299	6,590	(1,709)
Total	52,105	63,436	11,331

Consolidated Net Sales (Millions of yen)

Construction category	Prior interim consolidated accounting period	Interim consolidated accounting period under review	Change
NTT network engineering work	15,693	17,654	1,961
Mobile network solutions work	19,566	28,092	8,525
IT solutions work	3,720	4,384	663
Integrated equipment engineering work	8,218	5,901	(2,317)
Total	47,198	56,031	8,833

(3) Outlook for the fiscal year

Japan's economic recovery, which is being supported by private demand, is expected to continue. Despite the severity of cutbacks in public investment, growth is being sustained by factors such as gradually improving domestic corporate performance, and the expansion of capital investment. The outlook must be tempered, however, by uncertain factors such as the trend in prices for crude oil.

In Daimei's business area in the telecommunications sector, the growing demand for broadband services including optical fiber access and IP telephony, and the introduction of mobile number portability (MNP) and 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 and service competitiveness and enhance profitability.

Given these circumstances, the Company's outlook for consolidated operating results for the fiscal year is based on a 7.3% increase in value of orders received to ¥117,000 million, a 6.9% increase in net sales to ¥116,000 million, a 11.6% increase in operating income to ¥7,100 million, a 12.8% increase in ordinary income to ¥7,200 million, and a 21.3% increase in net income to ¥3,900 million.

With regard to the annual dividend for the fiscal year, Daimei seeks to pay a stable dividend

balanced against considerations for accumulating internal reserves to provide for future business development. The Company plans to pay an annual dividend of ¥16 per share, consisting of an ordinary dividend of ¥6 and extraordinary dividend of ¥10.

(4) Financial position (Cash Flows)

Factors affecting cash flows for the interim consolidated accounting period under review are described below.

During the interim consolidated accounting period under review, Daimei increased funds by increasing net income before income taxes and minority interest, decreasing notes and accounts receivable and selling tangible fixed assets (land). The major use of cash was repayments of long-term debt. As a result, the balance of cash and cash equivalents at the end of the interim consolidated accounting period under review was ¥17,486 million, a decrease of ¥5,377 million compared with the same period of the previous consolidated fiscal year.

Factors affecting cash flows for the interim consolidated accounting period under review are described below.

(Cash flow provided by operating activities)

Cash flow provided by operating activities for the interim consolidated accounting period under review was ¥1,695 million. Income before income taxes and minority interests was ¥4,913 million, and funds from a decrease in notes and accounts receivable totaled ¥3,372 million. Funds used to increase construction in progress were ¥2,705 million, and funds used to decrease notes and accounts payable totaled ¥2,235 million.

Compared with the prior interim consolidated accounting period, net cash flow from operating activities decreased by ¥3,895 million. This mainly reflected an increase in the balance of accounts receivable and accounts due for completed construction of ¥6,436 million compared with the end of the prior interim consolidated period.

(Cash flow used in investing activities)

Net cash provided by investing activities in the interim consolidated accounting period under review was ¥1,952 million. This mainly reflected income from the sale of property and equipment of ¥2,423 million, which increased by ¥2,349 million compared with the prior interim consolidated accounting period.

(Cash flow used in financing activities)

Net cash flow used in financing activities was ¥7,712 million, a decrease of ¥6,937 million year-on-year that mainly was the result of repayments of long-term debt totaling ¥7,106 million.

Cash flow indicator trends

	Fiscal year ended March 31, 2005	Interim period ended September 30, 2005	Fiscal year ended March 31, 2006	Interim period ended September 30, 2006
Shareholders' equity ratio (%)	46.4	49.1	48.6	56.2
Shareholders' equity ratio, market price base (%)	48.9	70.9	91.5	74.8
Debt redemption (years)	5.1	1.4	2.8	2.2
Interest coverage ratio	13.3	32.5	24.3	11.9

(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

1. All indicators are calculated using financial values on a consolidated basis.
2. Total market capitalization is calculated by multiplying the (interim) share closing price of the Company's stock at the end of the period by the (interim) number of shares outstanding at the end of the period (After deducting treasury stock).
3. For the above calculation the Company uses (interim) 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 (interim) consolidated balance sheet. The total interest payment on the (interim) consolidated statement of cash flows is used for interest payments.
4. The figures for debt redemption (years) shown for the interim periods have been calculated by multiplying the operating cash flow for each interim period by two to convert the cash flows into annual amounts.

(5) Business Risks

1) Relationship with specific customers

NTT East Corporation and NTT West Corporation, which account for approximately 30% of the net sales of the Daimei Telecom Group, are pursuing construction of a broadband environment. Consequently, the structure of Daimei's net sales also is shifting rapidly towards optical access-related network construction. In addition, mobile telecommunications companies, which account for approximately 50% of the Company's net sales, are aggressively making investments related to third-generation mobile phone service, and Daimei's mobile communications network equipment construction also is growing at a steady pace.

Although Daimei continues to engage in stable transactions with these telecommunications business companies including the NTT group, the percentage of sales accounted for by these customers is high. There is a possibility telecommunications services capital investment trends and telecommunications equipment technical innovations might have a material affect on Daimei's operating results.

2) Safety and quality control

The Daimei Group has positioned safety and quality as the foundation of the Daimei brand, and considers the introduction and application of safe, sanitary, high-quality management systems and the delivery of high-quality engineering and services that are trusted and evaluated positively by customers as central to its mission. There is a possibility restrictions might be placed on Daimei's business operations if the Company's activities result in a serious accident or other harmful consequences for society, and this might have a material affect on Daimei's operating results.

3) Information security control

As an IT engineering and services company, the Daimei Group provides equipment and system construction, maintenance and operating services mainly on networks. The Daimei Group acquires substantial quantities of customer information in the course of managing its businesses. Although Daimei has obtained information security management system (ISMS) certification, and emphasizes and thoroughly implements efforts of prevent the disclosure of information by the Group's employees, there is a possibility restrictions might be placed on Daimei's business operations if the Company's activities result in a serious accident or other harmful consequences for society, and this might have a material affect on Daimei's operating results.

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

(Millions of yen)

Item	Period	Prior interim consolidated accounting period	Interim consolidated accounting period under review	Prior consolidated fiscal year
		As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
ASSETS				
I. Current assets:		48,474	49,995	54,528
Cash and bank deposits		18,864	12,471	16,613
Accounts receivable and accounts due for completed construction		16,325	22,761	26,135
Marketable securities		4,250	5,438	5,250
Cost of construction work in progress and other		—	8,262	5,557
Cost of construction work in progress		7,354	—	—
Other inventory		431	—	—
Deferred tax assets		620	372	358
Other current assets		700	722	664
Allowance for doubtful receivables		(71)	(34)	(51)
II. Fixed assets:		19,689	16,867	19,365
1. Tangible assets:		10,421	8,364	10,433
Buildings and structures		2,753	2,661	2,728
Land		6,697	4,592	6,705
Other fixed assets		969	1,110	1,000
2. Intangible assets:		103	161	100
3. Investments and other assets:		9,164	8,341	8,831
Investment securities		4,845	4,078	4,816
Long-term loans receivable		156	168	153
Deferred tax assets		535	467	245
Other investments		5,000	4,945	4,938
Allowance for doubtful receivables		(1,373)	(1,319)	(1,323)
Total Assets		68,164	66,862	73,893

(Millions of yen)

Item	Period	Prior interim consolidated accounting period	Interim consolidated accounting period under review	Prior consolidated fiscal year
		As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
LIABILITIES				
I. Current liabilities:		22,800	17,573	26,045
Notes payable and accrued construction		9,985	12,527	14,762
Short-term borrowings		8,668	497	7,510
Accrued income taxes		1,278	2,253	1,101
Advances received on uncompleted contracts		1,189	588	477
Accrued bonuses to directors and auditors		—	30	—
Allowance for completed construction indemnification		10	7	6
Other current liabilities		1,666	1,669	2,186
II. Long-term liabilities:		9,159	9,003	9,209
Straight bonds		100	100	100
Convertible bonds		6,819	6,752	6,757
Long-term debt		176	133	155
Deferred tax liability		43	48	70
Reserve for employees' retirement benefits		1,566	1,500	1,555
Reserve for directors' retirement bonuses		242	198	277
Consolidation adjustment account		49	—	134
Negative goodwill		—	112	—
Deferred tax liability related to revaluations		145	145	145
Other long-term liabilities		16	12	14
Total Liabilities		31,959	26,576	35,254
Minority Interests				
Minority interests		2,762	—	2,754
Shareholders' Equity				
I. Common stock		5,577	—	5,608
II. Capital surplus		4,024	—	4,055
III. Retained surplus		23,222	—	25,168
IV. Land revaluation loss		(130)	—	(130)
V. Realized valuation gain (loss) on other marketable securities		866	—	1,259
VI. Treasury stock		(117)	—	(78)
Total Shareholders' Equity		33,442	—	35,883
Total Liabilities, Minority Interests and Shareholders' Equity		68,164	—	73,893
Net Assets				
I. Owners' equity				
Paid-in capital		—	5,610	—
Capital surplus		—	4,058	—
Earned surplus		—	27,141	—
Treasury stock		—	(79)	—
Total Owners' Equity		—	36,731	—
II. Valuation and translation adjustments				
Valuation difference on available-for-sale securities		—	942	—
Land revaluation loss		—	(130)	—
Total Valuation and Translation Adjustments		—	812	—
III. Minority interests		—	2,742	—
Total Net Assets		—	40,286	—
Total Liabilities and Net Assets		—	66,862	—

(2) INTERIM CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Period	Prior interim consolidated accounting period From April 1, 2005 to September 30, 2005		Interim consolidated accounting period under review From April 1, 2006 to September 30, 2006		Prior consolidated fiscal year From April 1, 2005 To March 31, 2006	
I. Net sales			47,198		56,031		108,556
II. Cost of sales			40,784		47,496		94,574
Gross profit			6,414		8,535		13,982
III. Selling, general and administrative expenses			3,663		3,829		7,619
Operating income			2,751		4,705		6,363
IV. Non-operating income:							
Interest income	6			11		12	
Dividends	38			34		81	
Amortization of consolidation adjustment account	26			—		44	
Amortization of negative goodwill	—			21		—	
Real estate rent income	27			30		78	
Other income	41	141		30	128	60	277
V. Non-operating expenses:							
Interest expense	109			93		217	
Other expenses	23	133		15	109	43	260
Ordinary income			2,759		4,725		6,380
VI. Extraordinary income:							
Gain on sale of fixed asset	—			292		—	
Gain on sale of investment securities	6			7		5	
Reimbursement due to cancellation of insurance	—	6		5	305	52	58
VII. Extraordinary expenses:							
Loss on disposal of fixed assets	12			29		22	
Directors' retirement bonuses	9			56		36	
Loss on valuation of investment securities	—			30		331	
Loss on valuation of goods	214			—		214	
Transfer to allowance for doubtful accounts	135	371		—	116	130	734
Interim (fiscal year) income before income taxes and minority interests Corporation, inhabitants' and enterprise taxes	1,180	2,394		2,178	4,913	2,229	5,704
Income tax adjustments	—	1,180		—	2,178	229	2,458
Minority interests (loss)		(56)			20		30
Interim (fiscal year) net income		1,269			2,714		3,215

(3) INTERIM CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Item \ Period	Prior interim consolidated accounting period From April 1, 2005 to September 30, 2005		Prior consolidated fiscal year From April 1, 2005 To March 31, 2006	
Capital surplus				
I. Capital surplus, beginning of period		3,992		3,992
II. Increase in capital surplus				
Increase in capital reserve from conversion of convertible bonds	—		30	
Gain on disposal of treasury stock	32	32	32	63
III. Capital surplus, end of interim period (fiscal year)		4,024		4,055
Retained surplus				
I. Retained surplus, beginning of period		22,614		22,614
II. Increase in retained surplus				
Interim (fiscal year) net income	1,269	1,269	3,215	3,215
III. Decrease in retained surplus				
Dividends	605		605	
Directors' bonuses	55	661	55	661
IV. Retained surplus, end of interim period (fiscal year)		23,222		25,168

(4) INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Interim consolidated accounting period under review (April 1, 2006 - September 30, 2006)

(Millions of yen)

	Owners' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total owners' equity
Balance on March 31, 2006	5,608	4,055	25,168	(78)	34,754
Change of items during the interim consolidated accounting period under review					
Issuance of new shares from conversion of convertible bonds	2	2			4
Dividends from earned surplus brought forward (Note)			(654)		(654)
Directors and auditors' bonuses (Note)			(86)		(86)
Net income			2,714		2,714
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		4	4
Net changes of items other than owners' equity during the interim consolidated accounting period under review					
Total changes of items during the interim consolidated accounting period under review	2	2	1,973	(1)	1,977
Balance on September 30, 2006	5,610	4,058	27,141	(79)	36,731

	Valuation and translation adjustments			Minority interests	Total net assets
	Land revaluation loss	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance on March 31, 2006	(130)	1,259	1,129	2,754	38,638
Change of items during the interim consolidated accounting period under review					
Issuance of new shares from conversion of convertible bonds					4
Dividends from earned surplus brought forward (Note)					(654)
Directors and auditors' bonuses (Note)					(86)
Net income					2,714
Purchase of treasury stock					(5)
Disposal of treasury stock					4
Net changes of items other than owners' equity during the interim consolidated accounting period under review		(317)	(317)	(11)	(329)
Total changes of items during the interim consolidated accounting period under review	—	(317)	(317)	(11)	1,648
Balance on September 30, 2006	(130)	942	812	2,742	40,286

(Note) Appropriation of earnings item at the Regular General Meeting of the Shareholders for the fiscal year ended March 31, 2006.

(4) INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Item	Period	Prior interim consolidated accounting period From April 1, 2005 to September 30, 2005	Interim consolidated accounting period under review From April 1, 2006 to September 30, 2006	Prior consolidated fiscal year From April 1, 2005 To March 31, 2006
I. Cash flows from operating activities				
Interim (fiscal year) income before income taxes and minority interests		2,394	4,913	5,704
Depreciation and amortization		243	226	483
Loss on valuation of goods		214	—	214
Increase (decrease) in various allowances		143	(28)	112
Increase in reserve for director's retirement bonuses		(72)	(78)	(36)
Interest and dividend income		(45)	(46)	(94)
Interest expense		109	93	217
Loss on foreign currency exchange		(3)	(0)	(4)
Loss of valuation of investment securities		7	30	331
Gain (loss) on sale of securities		(6)	(7)	(5)
Gain (loss) on sale or disposal of fixed assets		10	(262)	20
Non-cash revenues and expenses		(26)	(9)	(38)
Decrease (increase) in notes and accounts receivable		9,078	3,372	(731)
Decrease (increase) in construction in progress		(2,841)	(2,705)	(614)
Increase (decrease) in notes and accounts payable		(2,394)	(2,235)	2,382
Increase (decrease) in advances received on uncompleted contracts		454	110	(257)
Other, net		(317)	(517)	54
Subtotal		6,949	2,855	7,737
Interest and dividends received		45	46	94
Interest paid		(171)	(143)	(215)
Income taxes paid		(1,232)	(1,062)	(2,391)
Net cash provided by (used in) operating activities		5,590	1,695	5,223
II. Cash flows from investing activities				
Increase in time deposits		(157)	(195)	(326)
Decrease in time deposits		212	274	319
Purchases of property and equipment		(413)	(368)	(638)
Income from sale of property and equipment		24	2,423	58
Purchases of investment securities		(107)	(28)	(117)
Proceeds from sale of investment securities		52	7	452
Expenditures for lending		(51)	(34)	(18)
Proceeds from collection on loans		85	8	68
Other, net		(42)	(135)	1
Net cash provided by investing activities		(397)	1,952	(201)
III. Cash flows from financing activities				
Net change in short-term debt (decrease:)		(93)	10	(1,182)
Proceeds from long-term debt		—	60	50
Repayments of long-term debt		(139)	(7,106)	(279)
Redemption of straight bonds		(56)	(0)	(56)
Acquisition of treasury stock		(8)	(5)	(21)
Proceeds from sale of treasury stock		154	4	209
Cash dividends paid		(604)	(654)	(605)
Cash dividends paid to minority shareholders		(28)	(22)	(28)
Net cash provided by (used in) financing activities		(774)	(7,712)	(1,914)
IV. Effect of exchange rate changes on cash and cash equivalents		0	0	(0)
V. Net increase (decrease) in cash and cash equivalents		4,419	(4,064)	3,106
VI. Cash and cash equivalents at beginning of period		18,445	21,551	18,445
VII. Cash and cash equivalents at end of interim period (fiscal year)		22,864	17,486	21,551

5. NET SALES AND VALUE OF ORDERS RECEIVED, BY CATEGORY

(Millions of yen)

Item		Period		Prior interim consolidated accounting period From April 1, 2005 to September 30, 2005		Interim consolidated accounting period under review From April 1, 2006 to September 30, 2006		Prior consolidated fiscal year From April 1, 2005 to March 31, 2006	
		Amount	Percent	Amount	Amount	Percent	Amount		
Balance carried forward from prior period	NTT Network Engineering Work	3,754	22.6	4,742	27.7	3,754	22.6		
	Mobile Network Solutions Work	8,483	51.1	9,393	55.0	8,483	51.1		
	IT Solutions Work	972	5.9	1,367	8.0	972	5.9		
	Integrated Equipment Engineering Work	3,384	20.4	1,582	9.3	3,384	20.4		
	Total	16,595	100.0	17,086	100.0	16,595	100.0		
Orders received	NTT Network Engineering Work	17,924	34.4	20,070	31.6	34,928	32.0		
	Mobile Network Solutions Work	21,326	40.9	31,482	49.6	46,984	43.1		
	IT Solutions Work	4,554	8.8	5,292	8.4	9,939	9.1		
	Integrated Equipment Engineering Work	8,299	15.9	6,590	10.4	17,194	15.8		
	Total	52,105	100.0	63,436	100.0	109,047	100.0		
Construction completed	NTT Network Engineering Work	15,693	33.2	17,654	31.5	33,939	31.3		
	Mobile Network Solutions Work	19,566	41.5	28,092	50.2	46,074	42.4		
	IT Solutions Work	3,720	7.9	4,384	7.8	9,544	8.8		
	Integrated Equipment Engineering Work	8,218	17.4	5,901	10.5	18,996	17.5		
	Total	47,198	100.0	56,031	100.0	108,556	100.0		
Balance carried forward to next period	NTT Network Engineering Work	5,985	27.8	7,159	29.2	4,742	27.7		
	Mobile Network Solutions Work	10,243	47.7	12,783	52.2	9,393	55.0		
	IT Solutions Work	1,806	8.4	2,275	9.3	1,367	8.0		
	Integrated Equipment Engineering Work	3,465	16.1	2,272	9.3	1,582	9.3		
	Total	21,501	100.0	24,490	100.0	17,086	100.0		



Daimei Telecom Engineering Corp.

2-11-20 Nishi-Gotanda

Shinagawa-ku, Tokyo, Japan

November 15, 2006

NON-CONSOLIDATED FINANCIAL REPORT FOR THE SIX MONTHS ENDED SEPTEMBER 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>)

Representative: Representative Director and President, Goro Yagihashi
For further information contact: Managing Director Seiichi Ootomo
Director, Management & Administration Department
Tel: +81-3-5434-1121

Semi-annual Board of Directors Meeting: November 15, 2006

Interim dividend system: No

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 Six-month Period ended September 30 (April 1, 2006 - September 30, 2006)

(1) Non-consolidated Operating Results

	Net Sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006	51,485	21.1	4,633	94.0	4,640	92.9
2005	42,501	12.9	2,388	21.3	2,405	25.3
FY ended Mar '06	97,383	6.8	5,667	10.8	5,669	17.6

	Interim (Fiscal Year) Net Income		Interim (Fiscal Year) Net Income per Share	
	Millions of yen	%	Yen	
2006	2,620	100.4	64.05	
2005	1,307	49.7	32.27	
FY ended Mar '06	2,406	5.7	57.22	

Notes: 1. Average number of shares outstanding:

Six months ended September 30, 2006: 40,917,575 shares

Six months ended September 30, 2005: 40,520,582 shares

Fiscal year ended March 31, 2006: 40,656,882 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) Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Stockholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2006	58,610	35,107	59.9	857.94
2005	59,812	31,957	53.4	784.53
FY ended Mar '06	65,807	33,521	50.9	817.43

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

Six months ended September 30, 2006: 40,920,450 shares

Six months ended September 30, 2005: 40,735,027 shares

Fiscal year ended March 31, 2006: 40,910,299 shares

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

Six months ended September 30, 2006: 191,874 shares

Six months ended September 30, 2005: 324,343 shares

Fiscal year ended March 31, 2006: 198,074 shares

2. Forecast of Results for the Fiscal Year ending March 31, 2007 (April 1, 2006 – March 31, 2007)

	Net Sales	Ordinary Income	Net Income
Year ending March 31, 2007	Millions of yen 106,000	Millions of yen 6,800	Millions of yen 3,500

Reference: Estimated net income per share for the fiscal year: ¥85.53

3. Dividends

• Cash dividends	Dividend per Share (yen)		
	Interim	Year-end	Annual
2006	—	16.00	16.00
2007 (Actual)	—	—	16.00
2007 (Planned)	—	16.00	16.00

Note: Details of fiscal year-end dividend for the fiscal year ended March 2006: Regular dividend ¥6.00, extraordinary dividend ¥10.00

Cautionary Statement

Statements made in this report with respect to Daimei's current plans, estimates, strategies and beliefs and other 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 INTERIM FINANCIAL STATEMENTS**(1) INTERIM BALANCE SHEETS**

(Millions of yen)

Item	Period	Prior interim non-consolidated accounting period	Interim non-consolidated accounting period under review	Prior non-consolidated fiscal year
		As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
ASSETS				
I. Current assets:		43,510	45,868	50,484
Cash and bank deposits		16,824	10,870	14,933
Notes receivable		93	135	61
Accounts due for completed construction		14,197	20,678	23,091
Marketable securities		4,250	5,438	5,250
Cost of construction work in progress and other		—	5,589	3,974
Cost of construction work in progress		5,798	—	—
Other inventory assets		17	—	—
Deferred tax assets		822	529	529
Other current assets		2,199	3,506	3,320
Allowance for doubtful receivables		(694)	(879)	(675)
II. Fixed assets:		16,302	12,742	15,323
1. Tangible assets:		6,607	4,475	6,637
Buildings and structures		2,058	2,001	2,049
Land		4,179	2,074	4,188
Other tangible fixed assets		369	400	399
2. Intangible assets:		40	102	43
3. Investments and other assets:		9,655	8,163	8,642
Investment securities		6,142	5,339	6,046
Long-term loans to employees		16	12	14
Deferred tax assets		252	195	—
Other investments		4,071	4,098	4,051
Allowance for doubtful receivables		(827)	(1,482)	(1,469)
Total Assets		59,812	58,610	65,807

(Millions of yen)

Item	Period	Prior interim non-consolidated accounting period	Interim non-consolidated accounting period under review	Prior non-consolidated fiscal year
		As of September 30, 2005	As of September 30, 2006	As of March 31, 2006
Liabilities				
I. Current liabilities:		20,183	15,964	24,582
Accrued construction		9,051	11,740	13,910
Current portion of long-term debt		7,002	1	7,001
Accrued income taxes		1,100	2,057	977
Advances received on uncompleted projects		1,103	421	380
Accrued bonuses to directors and auditors		—	30	—
Allowance for completed construction indemnification		10	7	6
Other current liabilities		1,914	1,706	2,305
II. Long-term liabilities:		7,671	7,538	7,703
Convertible bonds		6,819	6,752	6,757
Long-term debt		7	4	6
Reserve for employees' retirement allowances		648	619	700
Reserve for directors' retirement bonuses		197	161	227
Deferred tax liabilities		—	—	12
Total Liabilities		27,854	23,503	32,286
Shareholders' Equity				
I. Common stock		5,577	—	5,608
II. Capital surplus		4,103	—	4,134
Additional paid-in capital		4,071	—	4,102
Other capital surplus		32	—	32
III. Retained surplus		21,584	—	22,683
Earned surplus		916	—	916
Discretionary reserves		18,669	—	18,669
Unappropriated income at end of interim period (fiscal year)		1,998	—	3,097
IV. Realized valuation gain (loss) on other marketable securities		810	—	1,173
V. Treasury stock		(117)	—	(78)
Total Shareholders' Equity		31,957	—	33,521
Total Liabilities and Shareholders' Equity		59,812	—	65,807
Net Assets				
I. Owners' equity				
1. Paid-in capital		—	5,610	—
2. Capital surplus		—	4,137	—
(1) Capital legal reserve		—	4,104	—
(2) Other capital surplus		—	33	—
3. Earned surplus		—	24,569	—
(1) Earned legal reserve		—	916	—
(2) Other earned surplus		—	23,652	—
Reserve for advanced depreciation of fixed assets		—	315	—
Other reserve		—	20,080	—
Earned surplus brought forward		—	3,257	—
4. Treasury stock		—	(79)	—
Total Owners' Equity		—	34,238	—
II. Valuation and translation adjustments				
Valuation difference on other available-for-sale securities		—	869	—
Total Valuation and Translation Adjustments			869	
Total Net Assets			35,107	
Total Liabilities and Net Assets			58,610	

(2) INTERIM STATEMENTS OF INCOME

(Millions of yen)

Item	Period		Interim non-consolidated accounting period under review		Prior non-consolidated fiscal year	
	Prior interim non-consolidated accounting period From April 1, 2005 to September 30, 2005		From April 1, 2006 to September 30, 2006		From April 1, 2005 to March 31, 2006	
I. Net sales		42,501		51,485		97,383
II. Cost of sales		37,190		43,724		85,683
Gross profit		5,310		7,760		11,699
III. Selling, general and administrative expenses		2,922		3,127		6,031
Operating income		2,388		4,633		5,667
IV. Non-operating income:						
Interest income	9		21		19	
Dividend income	60		52		103	
Other income	48	118	30	105	83	206
V. Non-operating expenses						
Interest expense	95		88		189	
Other expenses	5	101	10	98	14	204
Ordinary income		2,405		4,640		5,669
VI. Extraordinary income						
Gain from sale of fixed assets	—		291		—	
Gain on sale of investment securities	—		7		—	
Provision for doubtful receivables	21	21	—	298	—	—
VII. Extraordinary expenses						
Loss on disposal of fixed assets	12		27		20	
Loss on valuation of investment securities	1		30		324	
Loss on valuation of goods	33		—		33	
Transfer to allowance for doubtful accounts	—	47	230	288	636	1,014
Interim period (fiscal year) income before income taxes		2,380		4,650		4,654
Corporation, inhabitants' and enterprise taxes	1,072		2,029		1,938	
Income tax adjustments	—	1,072	—	2,029	310	2,248
Interim period (fiscal year) net income		1,307		2,620		2,406
Income brought forward from the prior period		690		—		690
Interim period (fiscal year) unappropriated income		1,998		—		3,097

(3) Interim Statement of Changes in Net Assets

Interim non-consolidated accounting period under review (April 1, 2006 - September 30, 2006)

(Millions of yen)

	Owners' equity										
	Paid-in capital	Capital surplus			Earned legal reserve	Earned surplus				Treasury stock	Total Owners' Equity
		Capital legal reserve	Other capital surplus	Total capital surplus		Other earned surplus			Total earned surplus		
					Reserve for advanced depreciation of fixed assets	General reserve	Earned surplus brought forward				
Balance on March 31, 2006	5,608	4,102	32	4,134	916	338	18,330	3,097	22,683	(78)	32,348
Change of items during the interim non-consolidated accounting period under review											
Issuance of new shares from conversion of convertible bonds	2	2		2							4
Reversal of reserve for advanced depreciation of fixed assets (Note 1)						(23)		23	—		—
Amount funded to other reserve (Note 2)							1,750	(1,750)	—		—
Dividends from earned surplus brought forward (Note 2)								(654)	(654)		(654)
Directors and auditors' bonuses (Note 2)								(80)	(80)		(80)
Net income								2,620	2,620		2,620
Purchase of treasury stock										(5)	(5)
Disposal of treasury stock			0	0						4	4
Net changes of items other than owners' equity during the interim non-consolidated accounting period under review											
Total changes of items during the interim non-consolidated accounting period under review	2	2	0	2	—	(23)	1,750	160	1,886	(1)	1,890
Balance on September 30, 2006	5,610	4,104	33	4,137	916	315	20,080	3,257	24,569	(79)	34,238

	Valuation and translation adjustments		Total Net Assets
	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments	
Balance on March 31, 2006	1,173	1,173	33,521
Change of items during the interim non-consolidated accounting period under review			
Issuance of new shares from conversion of convertible bonds			4
Reversal of reserve for advanced depreciation of fixed assets (Note 1)			—
Amount funded to other reserve (Note 2)			—
Dividends from earned surplus brought forward (Note 2)			(654)
Directors and auditors' bonuses (Note 2)			(80)
Net income			2,620
Purchase of treasury stock			(5)
Disposal of treasury stock			4
Net changes of items other than owners' equity during the interim non-consolidated accounting period under review	(304)	(304)	(304)
Total changes of items during the interim non-consolidated accounting period under review	(304)	(304)	1,586
Balance on September 30, 2006	869	869	35,107

(Note 1) The reversal of the reserve for advanced depreciation of fixed assets consisted of the following items.

- Reversal of the reserve for advanced depreciation of fixed assets for the fiscal year ended March 31, 2006 based on a resolution of the Regular General Meeting of the Shareholders: 16.0 million yen
- Reversal of the reserve for advanced depreciation of fixed assets related to the interim non-consolidated accounting period under review: 7.0 million yen

(Note 2) Appropriation of earnings item for the fiscal year ended March 31, 2006 based on a resolution of the Regular General Meeting of the Shareholders

There are no matters to report.

4. NET SALES AND VALUE OF ORDERS RECEIVED, BY CATEGORY

(Millions of yen)

Item		Period	Prior interim non-consolidated accounting period From April 1, 2005 to September 30, 2005		Interim non-consolidated accounting period under review From April 1, 2006 to September 30, 2006		Prior non-consolidated fiscal year From April 1, 2005 to March 31, 2006	
			Amount	Percent	Amount	Percent	Amount	Percent
Balance carried forward from prior period	NTT Network Engineering Work		3,754	24.3	4,742	29.3	3,754	24.3
	Mobile Network Solutions Work		8,452	54.6	9,370	57.9	8,452	54.6
	IT Solutions Work		636	4.1	1,084	6.7	636	4.1
	Integrated Equipment Engineering Work		2,626	17.0	991	6.1	2,626	17.0
	Total		15,470	100.0	16,189	100.0	15,470	100.0
Orders received	NTT Network Engineering Work		17,924	38.0	20,070	34.5	34,928	35.6
	Mobile Network Solutions Work		20,995	44.5	30,875	53.1	45,958	46.9
	IT Solutions Work		3,441	7.3	3,665	6.3	7,591	7.7
	Integrated Equipment Engineering Work		4,798	10.2	3,577	6.1	9,624	9.8
	Total		47,160	100.0	58,188	100.0	98,103	100.0
Construction completed	NTT Network Engineering Work		15,693	36.9	17,654	34.3	33,939	34.8
	Mobile Network Solutions Work		19,321	45.5	27,574	53.6	45,040	46.3
	IT Solutions Work		2,684	6.3	3,101	6.0	7,142	7.3
	Integrated Equipment Engineering Work		4,802	11.3	3,154	6.1	11,259	11.6
	Total		42,501	100.0	51,485	100.0	97,383	100.0
Balance carried forward to next period	NTT Network Engineering Work		5,985	29.8	7,159	31.3	4,742	29.3
	Mobile Network Solutions Work		10,127	50.3	12,671	55.3	9,370	57.9
	IT Solutions Work		1,393	6.9	1,647	7.2	1,084	6.7
	Integrated Equipment Engineering Work		2,623	13.0	1,414	6.2	991	6.1
	Total		20,129	100.0	22,892	100.0	16,189	100.0