



Daimei Telecom Engineering Corp.

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Shinagawa-ku, Tokyo, Japan

February 13, 2007

CONSOLIDATED FINANCIAL REPORT FOR THE NINE MONTHS ENDED DECEMBER 31, 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 Nine-month Period ended December 31 (April 1, 2006 – December 31, 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	83,460	19.3	6,326	—	6,373	—
2005	69,974	13.6	—	—	—	—
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	Yen	Yen
2006	3,598	—	87.93	—	78.95	—
2005	—	—	—	—	—	—
FY ended Mar '06	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, 2005 Third Quarter	Consolidated FY Ending March 31, 2006 Third Quarter	Change	Percentage Change
Orders Received	NTT network engineering work	26,355 (32.5%)	28,951 (30.2%)	2,596	9.9%
	Mobile network solutions work	34,864 (43.0)	48,874 (50.9)	14,009	40.2
	IT solutions work	6,705 (8.2)	7,640 (8.0)	934	13.9
	Integrated equipment engineering work	13,198 (16.3)	10,490 (10.9)	-2,708	-20.5
	Total	81,123 (100.0)	95,956 (100.0)	14,832	18.3
Net Sales	NTT network engineering work	24,293 (34.7%)	26,707 (32.0%)	2,413	9.9%
	Mobile network solutions work	27,834 (39.8)	40,018 (49.1)	13,184	47.4
	IT solutions work	5,482 (7.8)	6,649 (8.0)	1,167	21.3
	Integrated equipment engineering work	12,363 (17.7)	9,084 (10.9)	-3,279	-26.5
	Total	69,974 (100.0)	83,460 (100.0)	13,485	19.3

Qualitative information Concerning Consolidated Operating Results

During the third quarter under review, the value of orders received substantially exceeded the results in the same period of the previous consolidated fiscal year, centered on mobile network solutions work. This mainly reflected an increase in orders received for mobile telecommunications carrier-related work, and the steady pace of construction projects. Total orders received increased 18.3% year-on-year to ¥95,956 million. Net sales also were higher, rising 19.3% over the same period of the previous consolidated fiscal year to ¥83,460 million.

Ordinary income was ¥6,373 million, and net income was ¥3,598 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	65,576	41,117	58.4	936.60
2005	—	—	—	—
FY ended Mar '06	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	4,510	1,032	-7,790	19,303
2005	—	—	—	—
FY ended Mar '06	5,223	-201	-1,914	21,551

Qualitative Information Concerning Change in Consolidated Financial Position

Looking at the Company's financial position at the end of the third quarter, total assets decreased by ¥8,317 million compared with the end of previous consolidated fiscal year, to ¥65,576 million. The main factor was the repayment of ¥7,106 million of long-term debt from outside lenders.

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

	Net Sales	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Full Year	121,000	7,700	4,500

(Reference) Projected net income per share (full-year) ¥109.97

Qualitative Information Concerning Projected Operating Results

Because mobile telecommunications carrier-related work has proceeded at a steady pace since Daimei Telecom released its Consolidated Financial Report for the Six Months ended September 30, 2006, the Company projects consolidated operating results for the fiscal year ending March 21, 2007 will be higher than the forecast values released on November 15, 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	Third Quarter Under Review	(Reference) Previous Consolidated Fiscal Year-end
		(December 31, 2006)	(March 31, 2006)
ASSETS			
I	Current assets:		
	Cash and bank deposits	16,839	16,613
	Accounts receivable and accounts due for completed construction	16,385	26,135
	Marketable securities	5,440	5,250
	Cost of construction work in progress and other inventory	10,146	5,557
	Others	1,818	1,023
	Allowance for doubtful receivables	(38)	(51)
	Total current assets	50,590	54,528
II	Fixed assets:		
	1. Tangible assets:		
	Buildings and structures	2,667	2,728
	Land	4,676	6,705
	Other fixed assets	1,264	1,000
	Total tangible assets	8,607	10,433
	2. Intangible assets:	486	100
	3. Investments and other assets:		
	Investment securities	4,083	4,816
	Other investments	3,126	5,338
	Allowance for doubtful receivables	(1,318)	(1,323)
	Total investments and other assets	5,891	8,831
	Total fixed assets	14,985	19,365
	Total Assets	65,576	73,893

(Millions of yen)

Item	Period	Third Quarter Under Review	(Reference) Previous Consolidated Fiscal Year-end
		(December 31, 2006)	(March 31, 2006)
LIABILITIES			
I	Current liabilities:		
	Notes payable and accrued construction	10,633	14,762
	Short-term borrowings	443	7,510
	Advanced received on uncompleted contracts	802	477
	Other current liabilities	3,639	3,294
	Total current liabilities	15,520	26,045
II	Long-term liabilities:		
	Straight bonds	100	100
	Convertible bonds	6,752	6,757
	Long-term debt	112	155
	Reserve for employees' retirement benefits	1,451	1,555
	Other long-term liabilities	522	642
	Total long-term liabilities	8,938	9,209
	Total liabilities	24,458	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	28,025	—
	4 Treasury stock	(81)	—
	Total Owners' Equity	37,613	—
II	Valuation and translation adjustments		
	1 Realized valuation gain (loss) on other marketable securities	841	—
	2 Land revaluation loss	(130)	—
	Total valuation and translation adjustments	711	—
III	Minority interests	2,792	—
	Total Net Assets	41,117	—
	Total Liabilities and Net Assets	65,576	—

2. (Summary) Quarterly Consolidated Statements of Income

(Millions of yen)

Item	Period	Third Quarter Under Review	(Reference) Previous Consolidated Fiscal Year-end
		From April 1, 2006 to December 31, 2006	From April 1, 2005 to March 31, 2006
I	Net sales	83,460	108,556
II	Cost of sales	71,478	94,574
	Gross profit	11,981	13,982
III	Selling, general and administrative expenses	5,655	7,619
	Operating income	6,326	6,363
IV	Non-operating income	199	277
V	Non-operating expenses	152	260
	Ordinary income	6,373	6,380
VI	Extraordinary income	305	58
VII	Extraordinary expenses	129	734
	Quarterly (current period) income before income taxes and minority interests	6,549	5,704
	Tax expenses	2,875	2,458
	Minority interests (loss)	75	30
	Third quarter (current period) net income	3,598	3,215