



Daimei Telecom Engineering Corp.

2-11-20 Nishi-Gotanda

Shinagawa-ku, Tokyo, Japan

May 14, 2007

CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2007

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

Regular General Meeting of the Shareholders: June 28, 2007

Scheduled dividend payment date: June 29, 2007

Scheduled date for submission of Financial Statements: June 28, 2007

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

(Percentages shown are the change from the prior consolidated fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	124,710	14.9	8,187	28.7	8,229	29.0	4,393	36.6
2006	108,556	7.4	6,363	2.6	6,380	3.5	3,215	7.9

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Net Sales
	Yen	Yen	%	%	%
2007	107.37	96.54	11.7	11.1	6.6
2006	77.12	69.47	9.4	8.9	5.9

Reference: Equity in earnings of non-consolidated subsidiaries

Fiscal year ended March 31, 2007: ¥0

Fiscal year ended March 31, 2006: ¥0

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
2007	74,401	41,967	52.6	956.22
2006	73,893	35,883	48.6	875.18

Reference: Shareholders' equity

Fiscal year ended March 31, 2007: ¥39,127,000,000

Fiscal year ended March 31, 2006: ¥0

(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
2007	6,614	601	(7,787)	20,978
2006	5,223	(201)	(1,914)	21,551

2. Dividends

(Date of Record)	Dividends per Share			Total Dividends (Full Year)	Dividend Payout Ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	Interim	Year-end	Full year			
	Yen	Yen	Yen	Millions of yen	%	%
2007	-	19.00	19.00	777	17.7	2.1
2006	-	16.00	16.00	654	20.8	1.9
2008 (Planned)	8.00	11.00	19.00		17.3	

Breakdown of dividend for the fiscal year ended March 2006 Ordinary dividend: ¥6.00 Special dividend: ¥10.00
 Breakdown of dividend for the fiscal year ended March 2007 Ordinary dividend: ¥6.00 Special dividend: ¥13.00

3. Forecast of Consolidated Results for the Fiscal Year ending March 31, 2008

(Percentages shown are the change from the interim period of the prior fiscal year or from the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending Sept. 30, 2007	57,300	2.3	3,570	(24.1)	3,600	(23.8)	2,000	(26.3)	48.88
Year ending March 31, 2008	127,600	2.3	8,250	0.8	8,300	0.9	4,500	2.4	109.97

4. Other

- (1) Were there changes to important subsidiaries during the period (Change in specific subsidiaries in conjunction with a change in the scope of consolidation)? No
- (2) Changes to the accounting principles or procedures or method of presentation pertaining to preparation of the consolidated financial statements (matters described in the Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements)
1. Changes in conjunction with revisions of accounting standards etc. Yes
2. Changes other than those described in 1. No
- (3) Number of shares issued (common stock)
1. Number of shares outstanding at the end of the term (including treasury stock)
- Fiscal year ended March 31, 2007: 41,112,324 shares
- Fiscal year ended March 31, 2006: 41,108,373 shares
2. Number of shares of treasury stock at the end of the term
- Fiscal year ended March 31, 2007: 192,978 shares
- Fiscal year ended March 31, 2006: 198,074 shares

Reference: Summary of Non-consolidated Operating Results

1. Business Results for the Fiscal Year Ended March 31

(1) Non-consolidated Operating Results

(Percentages shown are the change from the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	113,632	16.7	6,919	22.1	6,943	22.5	3,407	41.6
2006	97,383	6.8	5,667	10.8	5,669	17.6	2,406	5.7

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
2007	83.27	75.22
2006	57.22	51.97

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
2007	64,671	35,797	55.4	874.82
2006	65,807	33,521	50.9	817.43

Reference: Shareholders' equity

Fiscal year ended March 31, 2007: ¥35,797,000,000

Fiscal year ended March 31, 2006: ¥0

2. Forecast of Non-consolidated Results for the Fiscal Year ending March 31, 2008

(Percentages shown are the change from the interim period of the prior fiscal year or from the prior fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
6 months ending Sept. 30, 2007	52,400	1.8	3,290	(29.0)	3,300	(28.9)	1,900	(27.5)	46.43
Year ending March 31, 2008	116,700	2.7	7,300	5.5	7,320	5.4	4,100	20.3	100.20

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 12 of the appended materials for matters to note before using the assumptions and forecasted results

1. Operating Results

(1) Analysis of Operating Results

During the consolidated fiscal year under review, Japan's economy remained steady despite severe conditions affecting investment in public works. Domestic firms continued to achieve strong results, including improvements in corporate earnings and higher capital investment, and as the effects spread to the household sector, business conditions were expected to remain on track towards recovery, supported by domestic private demand.

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 progress in developments such as the convergence of fixed line and mobile telecommunications and the telecommunications and broadcasting businesses, helped to fuel major expectations of the realization of a broadband and ubiquitous 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 strove to improve construction efficiency and enhance cost competitiveness based on safety and product quality, through organizational controls that unified management 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 16.3% from the level of the previous consolidated fiscal year to ¥126,804 million, and net sales increased 14.9% year-on-year to ¥124,710 million.

Moreover, Daimei's efforts to increase operating efficiency and improve profitability resulted in ordinary income of ¥8,229 million, a 29.0% increase compared with the previous consolidated fiscal year. Net income increased 36.6% to ¥4,393 million.

(Overview of Activities by Business Category)

1) Network engineering work for NTT

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 8.2% year-on-year to ¥37,779 million, and net sales rose 9.9% compared to the previous consolidated fiscal year to ¥37,310 million.

2) Mobile network solutions work

Based on efforts to expand orders received for aggressive capital investment related to promotion of new services, including mobile number portability (MNP) and third-generation service, the value of orders received grew 36.5% compared to the previous consolidated fiscal year to ¥64,126 million, and net sales surged 36.6% year-on-year to ¥62,931 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. This included strengthening efforts to address the demand for systems solutions. As a result, the value of orders received grew

6.6% year-on-year to ¥10,592 million, and net sales rose 6.9% compared with the previous consolidated fiscal year to ¥10,204 million.

4) Integrated equipment engineering work

Public sector demand-related orders received continued to decline, and as a result of this and other factors the value of orders received fell 16.8% compared with the previous consolidated fiscal year to ¥14,306 million, and net sales dropped 24.9% year-on-year to ¥14,264 million.

Consolidated Orders Received

(Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT Network Engineering Work	34,928	37,779	2,850
Mobile Network Solutions Work	46,984	64,126	17,142
IT Solutions Work	9,939	10,592	652
Integrated Equipment Engineering Work	17,194	14,306	(2,888)
Total	109,047	126,804	17,757

Consolidated Net Sales

(Unit: Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT Network Engineering Work	33,939	37,310	3,370
Mobile Network Solutions Work	46,074	62,931	16,857
IT Solutions Work	9,544	10,204	659
Integrated Equipment Engineering Work	18,996	14,264	(4,732)
Total	108,556	124,710	16,154

(Forecast for the Fiscal Year ending March 31, 2008)

During the next fiscal year, Japan's economy is projected to remain steady despite the harsh conditions surrounding public works investment, as domestic firms continue to improve operating results and business conditions remain on track towards recovery, supported by domestic private demand in the household sector. At the same time, however, Daimei Telecom believes it will be necessary to carefully monitor the trend in prices for materials such as 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 based on its medium-term management plan, 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 next fiscal year is based on a 0.8% increase in value of orders received to ¥127,800 million, a 2.3% increase in net sales to ¥127,600 million, a 0.8% increase in operating income to ¥8,200 million, a 0.9% increase in ordinary income to ¥8,300 million, and a 2.4% increase in net income to ¥4,500 million.

(2) Analysis of Financial Position

(Analysis of Assets, Liabilities and Net Assets)

1) Assets

Current assets increased by ¥4,846 million compared with the end of the previous consolidated fiscal year. This mainly reflected an increase of ¥1,878 million in cash and bank deposits and an increase of ¥2,275 million in accounts due for completed construction.

Total fixed assets decreased by ¥4,337 million compared with the end of previous consolidated fiscal year, primarily because of a ¥2,007 million decrease resulting from the sale of land and a decrease in long-term deposits of ¥2,500 million reflecting the transfer of this amount to deposits maturing within one year.

2) Liabilities

Total liabilities decreased by ¥2,820 million compared with the end of previous consolidated fiscal year. This was mainly a decrease of ¥7,050 million in short-term borrowings, and an increase of ¥1,528 million in accrued construction and an increase of ¥2,059 million in accrued income taxes.

3) Net assets

Total net assets increased by ¥3,328 million compared with the end of previous consolidated fiscal year, mainly as the result of an increase of ¥3,652 million in retained surplus.

(Analysis of Cash Flows)

Cash and cash equivalents (referred to below as "cash") at the end of the consolidated accounting fiscal year under review fell by ¥572 million compared with the end of previous consolidated fiscal year to ¥20,978 million. Although Daimei Telecom achieved higher income before income taxes and minority interests, and an increase in funds provided from the sale of tangible fixed assets (land), the Company utilized it funds for repayments of long-term debt.

The main factors affecting cash flows for the consolidated fiscal year under review are described below.

1) Cash flows from operating activities

For the consolidated accounting fiscal year under review, cash flows from operating activities increased by ¥1,391 million compared with the previous consolidated fiscal year, to ¥6,614 million. Notes and accounts receivable rose by ¥2,120 million and income taxes paid were ¥2,165 million, but these uses of funds were offset by income before income taxes and minority interests of ¥8,301 million and a ¥1,535 million increase in notes and accounts payable.

2) Cash flows from investing activities

Net cash flow provided by investing activities during the consolidated fiscal year under review was ¥601 million. This was an increase of ¥803 million compared with previous consolidated fiscal year, and mainly reflected ¥2,423 million in funds provided from the sale of tangible fixed assets (land).

3) Cash flows from financing activities

Net cash flow used in financing activities during the consolidated fiscal year under review totaled ¥7,787 million, a decrease of ¥5,872 million compared with the previous consolidated fiscal year. The main use of funds was the repayment of ¥7,167 million in long-term debt.

(Cash flow indicator trends)

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Shareholders' equity to total assets (%)	42.9	46.4	48.6	52.6
Shareholders' equity to total assets, market price base (%)	31.7	48.9	91.5	76.6
Interest-bearing debt ratio (%)	4.1	5.1	2.9	1.1
Interest coverage ratio	15.7	13.3	23.3	44.2

(Notes) Shareholders' equity to total assets: Shareholders' equity/Total assets

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

Interest-bearing debt ratio: 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 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).
3. For the above calculation the Company uses cash flow provided by operating activities on the consolidated statements 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 sheets. The total interest payment on the consolidated statements of cash flows is used for interest payments.

(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year

Daimei seeks to distribute earnings while comprehensively taking into account factors such as its business performance and payout ratio, based on its fundamental management policy of maintaining a stable distribution of dividends to shareholders. 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.

Based on the need to balance its policy of funding internal reserves to provide for future business development with its objective of maintaining a stable dividend, Daimei initially planned to pay a full-year dividend of ¥16 per share, consisting of an ordinary dividend of ¥6 and an extraordinary dividend of ¥10. In light of its operating results for the consolidated fiscal year under review, Daimei currently plans to increase this amount by an additional ¥3, to a total of ¥19 per share.

With regard to its dividend for the next fiscal year, Daimei will pay the dividend while considering the need to fund internal reserves for future business development, while paying a stable dividend that emphasizes the distribution of earnings to its shareholders.

Furthermore, to increase its opportunities for distribution of earnings to shareholders, Daimei plans to introduce an interim dividend system during the consolidated fiscal year ending in March 2008. The Company plans to pay a full-year dividend for the next consolidated fiscal year of ¥19 per share including the interim dividend (interim dividend ¥8, year-end dividend ¥11).

(4) Business and Other Risks

1) Relationship with specific customers

As a telecommunications “IT engineering and service company,” Daimei is engaged continuously in stable transactions with telecommunications business companies, including the NTT group. These companies account for a high percentage of Daimei Telecom’s sales, and 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) Control of important data

In the course of providing services to construct, maintain and operate network-related facilities and systems, the Daimei Group receives personal data and other sensitive information from its customers and suppliers. Although the Daimei Group has obtained information security management system (ISMS) certification, and emphasizes and thoroughly implements efforts to prevent the disclosure of information by its employees, there is a possibility Daimei would lose the trust of its business partners, and be obligated to pay compensation for damages or be subject to restrictions on Daimei’s business operations, if the Company’s activities result in an unanticipated event involving a data leak, and this might have a material affect on Daimei’s operating results.

4) Customer and supplier credit risks

Though the Daimei Group has implemented thorough measures to avoid credit management, receivables collection difficulties and other credit control risks related to its customers, there is a possibility Daimei might be unable to recover funds or face construction delays if credit concerns or other financial problems at a customer are actualized, and this might have a material affect on Daimei’s operating results.

5) Intensifying competition

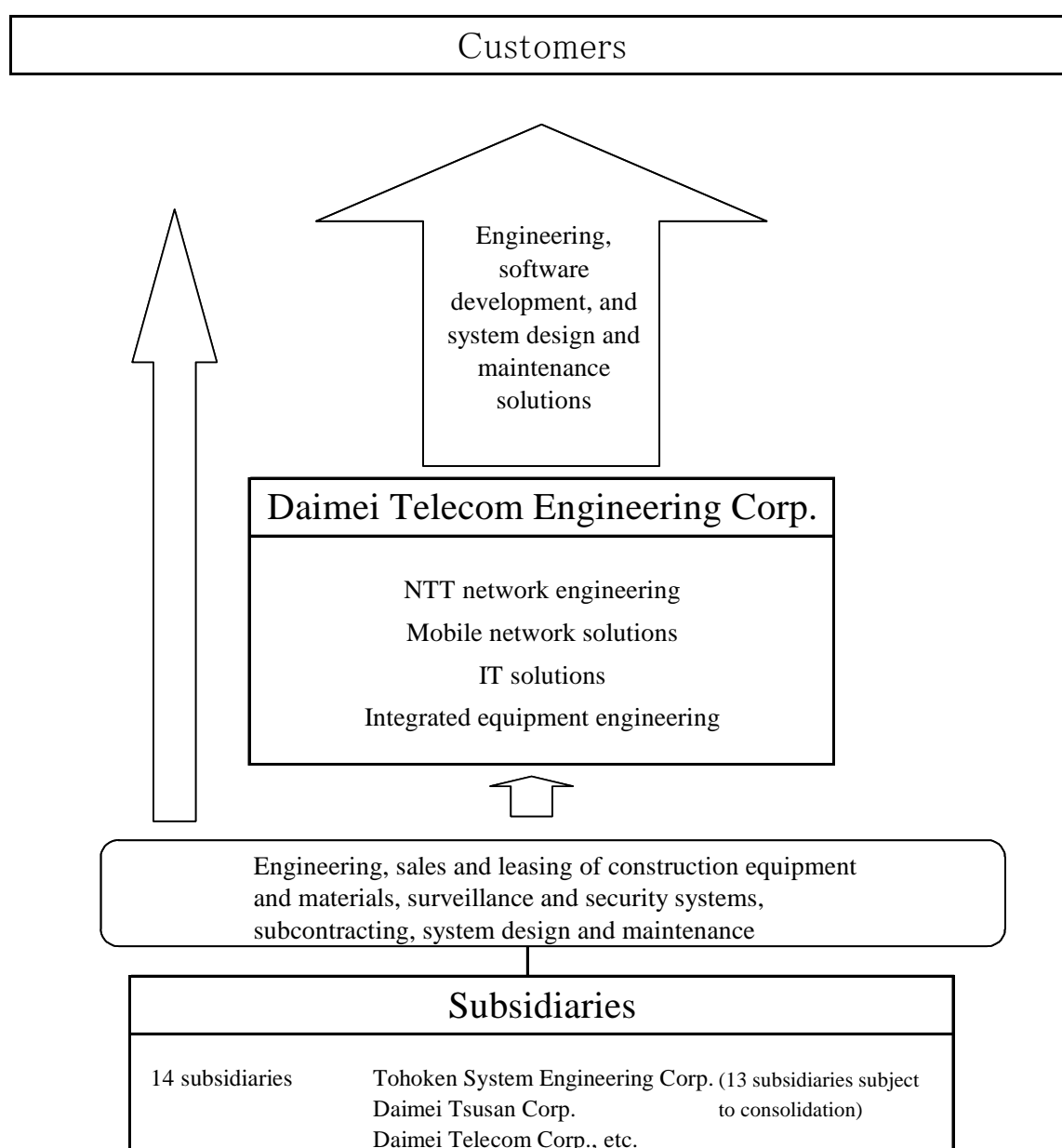
Competition in the Daimei Group’s business areas is subject to factors such as the sharp competition among companies in the telecommunications sector and shows an intensifying trend. Although the Daimei Group seeks to expand its business by responding to changes in its competitive environment based on the Company’s medium-term plan, there is a possibility the Daimei Group’s competitive dominance will be lessened as a result of the uncertainty of these changes in the business environment, and this might have a material affect on Daimei’s operating results.

2. Conditions of the Corporate Group

The Daimei Group, comprising the parent company and 14 subsidiaries, has core operations in four categories providing NTT network engineering, mobile network solutions, IT solutions and integrated equipment engineering. 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).



3. 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.

With the goal of creating a new Daimei, the Daimei Group adopted five basic management policies for its Three Year Medium-Term Management Plan launched in Fiscal 2007 – “Customer Focus,” “Change and Respond to the Competitive Environment,” “A Company Fostered by People, a Company that Fosters People,” “Build a Strong Market Presence and Enhance On-site Capabilities” and “Establish Bases of Safety, Peace of Mind and Trust” – and every company is working to expand Daimei’s businesses and increase its organizational capabilities as a group.

Based on its corporate conduct policy of acting with fairness and sound judgment, the Daimei Group 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) Managerial Indicator Established as an Objective

From the standpoint of increasing business growth and improving profitability, and efficient management of its assets, in its medium-term management plan the Daimei Group has established its objectives for the consolidated fiscal year ending March 2009 as consolidated net sales of ¥150,000 million and ordinary income of ¥9,000 million, and a ROA of at least 5% and ROE of 10% or more.

(3) Medium and Long-term Management Strategy

In Daimei’s core business in the telecommunication sector, the market structure is undergoing rapid change, including the convergence of fixed line and mobile telecommunications and telecommunications and broadcasting. This is being accompanied by the acceleration of efforts to realize a broadband and ubiquitous telecommunications society, through construction of next-generation networks (NGN) and other measures.

Faced with this business environment, the Company is seeking to improve corporate value and achieve sustainable development of local communities and the firm through the eight key issues Daimei has identified as its basic strategy in its medium-term plan, namely “maintain and improve customer satisfaction and trust,” “expand the organization for building core businesses,” “strive to develop new businesses,” “management reform,” “training of human resources,” “strengthening of on-site capabilities,” “promotion of group management” and “establishment of business bases.”

To broaden the content of its Group businesses, Daimei will strengthen its telecommunications-related IT and IP technology, and enhance preemptive efforts such as converting work in end-users’ homes to one-stop service as our customers’ “best partner,” while continuing to pursue its traditional core businesses in NTT network engineering work and mobile networks solutions work.

Daimei plans to separately release details of its medium-term management plan on May 28, 2007.

(4) Issues to be Addressed

The business environment surrounding the Company continues to improve steadily as domestic firms maintain their strong performance, including improved corporate earnings and increased capital investment, and the business recovery appears to be accelerating, supported by domestic private-sector demand as growth spreads to the household sector. In the Company's core business area in the telecommunications sector as well, Daimei anticipates substantial opportunities related to the formation of an advanced information and telecommunications society.

For this reason, responding to the substantial changes in market trends, enhancing profitability through concentration and expansion of operations and management reforms, and creating a strong business base in terms of human resources training, safety and product quality and security are fundamental management issues, and all of the companies in the Daimei Group are addressing the following issues.

- (1) Strengthening the construction organization to support 30 million NTT optic fiber subscribers
- (2) Creating a nationwide mobile communications construction organization to meet customer demand
- (3) Promoting new businesses in end-users' homes, solutions businesses, etc.
- (4) Developing management techniques to raise profitability
- (5) Establishing a corporate culture to foster human resources
- (6) Integrating management and field operations
- (7) Enhancing group capabilities
- (8) Strengthening management systems and consolidating internal controls

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, 2006		Consolidated fiscal year under review As of March 31, 2007		Increase (Decrease)
ASSETS						
I	Current assets:	54,528	73.8	59,374	79.8	4,846
	Cash and bank deposits	16,613		18,491		1,878
	Notes receivable	339		404		65
	Accounts due for completed construction	24,362		26,637		2,275
	Accounts receivable	1,433		1,212		(220)
	Marketable securities	5,250		5,533		283
	Cost of construction work in progress	5,557		5,404		(153)
	Prepaid expenses	63		66		2
	Deferred tax assets	358		1,111		752
	Other current assets	601		585		(15)
	Allowance for doubtful receivables	(51)		(72)		(21)
II	Fixed assets:	19,365	26.2	15,027	20.2	(4,337)
1	Tangible assets:	10,433		8,701		(1,732)
	Buildings and structures	6,970		6,988		18
	Machinery and equipment	4,029		4,127		98
	Land	6,705		4,697		(2,007)
	Accumulated depreciation	(7,271)		(7,112)		158
2	Intangible assets:	100		847		747
	Goodwill			95		95
	Software	95		104		9
	Software suspense account			618		618
	Other intangible assets	4		29		24
3	Investments and other assets:	8,831		5,478		(3,352)
	Investment securities	4,816		4,034		(782)
	Long-term deposits	2,500				(2,500)
	Long-term loans receivable	153		159		5
	Deferred tax assets	245		189		(55)
	Other investments	2,438		1,639		(799)
	Less allowance for doubtful receivables	(1,323)		(544)		779
Total Assets		73,893	100.0	74,401	100.0	508

Daimei Telecom Engineering Corp. (1943)
Consolidated Financial Report for the FY Ended March 31, 2007

(Millions of yen)

Item	Period	Prior consolidated fiscal year As of March 31, 2006		Consolidated fiscal year under review As of March 31, 2007		Increase (Decrease)
LIABILITIES						
III	Current liabilities:	26,045	35.2	23,384	31.4	(2,660)
	Notes payable	535		541		6
	Accrued construction	14,227		15,756		1,528
	Short-term borrowings	7,510		459		(7,050)
	Corporate bonds of repayment schedule for one year			100		100
	Accounts payable	1,274		1,671		397
	Accrued income taxes	1,101		3,160		2,059
	Advances received on uncompleted contracts	477		315		(161)
	Allowance for losses on construction contracts			184		184
	Accrued bonuses to directors			115		115
	Allowance for completed construction indemnification	6		5		(0)
	Deferred tax liability			2		2
	Other current liabilities	912		1,070		158
IV	Long-term liabilities:	9,209	12.5	9,049	12.2	(160)
	Corporate bonds	100				(100)
	Convertible bonds	6,757		6,752		(5)
	Long-term debt	155		102		(53)
	Deferred tax liability	70		114		44
	Reserve for employees' retirement benefits	1,555		1,440		(115)
	Allowance for retirement bonuses for directors	277		371		94
	Consolidation difference	134				(134)
	Negative goodwill			114		114
	Deferred tax liability related to revaluations	145		145		
	Other long-term liabilities	14		9		(5)
Total Liabilities		35,254	47.7	32,434	43.6	(2,820)
MINORITY INTERESTS						
	Minority interests	2,754	3.7			
SHAREHOLDERS' EQUITY						
I	Common stock	5,608	7.6			
II	Capital surplus	4,055	5.5			
III	Retained surplus	25,168	34.1			
IV	Revaluation loss	(130)	(0.2)			
V	Realized valuation gain (loss) on other marketable securities	1,259	1.7			
VI	Less reacquired stock	(78)	(0.1)			
Total Shareholders' Equity		35,883	48.6			
Total Liabilities, Minority Interests and Shareholders' Equity		73,893	100.0			
NET ASSETS						
I	Owners' equity			38,406	51.6	
	Paid-in capital			5,610	7.5	
	Capital surplus			4,058	5.5	
	Earned surplus			28,820	38.7	
	Treasury stock			(84)	(0.1)	
II	Valuation and translation adjustments			721	1.0	
	Valuation difference on available for sale securities			851	1.2	
	Revaluation difference on land			(130)	(0.2)	
III	Minority interests			2,839	3.8	
Total Net Assets				41,967	56.4	
Total Liabilities and Net Assets				74,401	100.0	

2. CONSOLIDATED STATEMENTS OF INCOME

(Millions of yen)

Item	Period	Prior consolidated fiscal year From April 1, 2005 to March 31, 2006		Consolidated fiscal year under review From April 1, 2006 to March 31, 2007		Increase (Decrease)	
Net sales		108,556	100.0	124,710	100.0		16,154
Cost of sales		94,574	87.1	108,101	86.7		13,527
Gross profit		13,982	12.9	16,609	13.3		2,626
Selling, general and administrative expenses		7,619	7.0	8,421	6.7		802
Operating income		6,363	5.9	8,187	6.6		1,824
Non-operating income:							
Interest income	12			34		22	
Dividend income	81			63		(17)	
Amortization of consolidation difference	44					(44)	
Amortization of negative goodwill				50		50	
Real estate rent income	78			64		(14)	
Other income	60	277	0.3	48	261	0.2	(11)
Non-operating expenses:							
Interest expense	217			160		(56)	
Other expenses	43	260	0.2	58	219	0.2	15
Ordinary income		6,380	5.9	8,229	6.6		1,848
Extraordinary income:							
Gain from sale of fixed assets				291		291	
Gain on sale of investment securities	5					(5)	
Reversal of allowance for doubtful accounts				29		29	
Reimbursement due to cancellation of insurance	52	58	0.1	5	327	0.2	(47)
Extraordinary expenses:							
Loss on disposal of fixed assets	22			35		13	
Directors' retirement bonuses	36			85		48	
Transfer to allowance for retirement bonuses for directors for past service years				93		93	
Loss on valuation of investment securities	331			41		(290)	
Loss due to impairment	214					(214)	
Transfer to allowance for doubtful receivables	130	734	0.7		255	0.2	(130)
Income before income taxes and minority interests		5,704	5.3	8,301	6.6		2,596
Corporation, inhabitants' and enterprise taxes	2,229			4,225		1,996	
Income tax adjustments	229	2,458	2.3	(365)	3,859	3.1	(595)
Minority interests		30	0.0		47	0.0	17
Net income		3,215	3.0	4,393	3.5		1,178

3. CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Millions of yen)

Item \ Period	Prior consolidated fiscal year From April 1, 2005 to March 31, 2006	
CAPITAL SURPLUS		
Capital surplus, beginning of year		3,992
Increase in capital surplus		
Increase in capital surplus from conversion of convertible bond	30	
Gain on disposal of treasury stock	32	63
Capital surplus, end of year		4,055
RETAINED SURPLUS		
Retained surplus, beginning of year		22,614
Increase in retained surplus		
Net income	3,215	3,215
Decrease in retained surplus		
Dividends	605	
Directors' bonuses	55	661
Retained surplus, end of year		25,168

4. CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Consolidated fiscal year under review (From April 1, 2006 to March 31, 2007)

(Millions of yen)

	Owners' Equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total owners' Equity
March 31, 2006 balance	5,608	4,055	25,168	(78)	34,754
Changes of items during the consolidated fiscal year					
Conversion of convertible bonds	2	2			4
Dividends from surplus (Note)			(654)		(654)
Bonuses to directors (Note)			(86)		(86)
Net income			4,393		4,393
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		0		5	5
Net changes of items other than owners' equity during the consolidated fiscal year					
Total changes of items during the consolidated fiscal year	2	2	3,652	(5)	3,651
March 31, 2007 balance	5,610	4,058	28,820	(84)	38,406

	Valuation and Translation Adjustments			Minority Interests	Total Net Assets
	Revaluation difference on land	Valuation difference on available for sale securities	Total valuation and translation adjustments		
March 31, 2006 balance	(130)	1,259	1,129	2,754	38,638
Changes of items during the consolidated fiscal year					
Conversion of convertible bonds					4
Dividends from surplus (Note)					(654)
Bonuses to directors (Note)					(86)
Net income					4,393
Purchase of treasury stock					(10)
Disposal of treasury stock					5
Net changes of items other than owners' equity during the consolidated fiscal year		(407)	(407)	84	(322)
Total changes of items during the consolidated fiscal year		(407)	(407)	84	3,328
March 31, 2007 balance	(130)	851	721	2,839	41,967

Note: Appropriation of earnings item approved by the Regular General Meeting of the Shareholders for the consolidated fiscal year ended March 2006.

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen)

Item	Period	Prior consolidated fiscal year From April 1, 2005 to March 31, 2006	Consolidated fiscal year under review From April 1, 2006 to March 31, 2007	Increase (Decrease)
I. Cash flows from operating activities				
Income before income taxes and minority interests		5,704	8,301	2,596
Depreciation and amortization		483	516	32
Loss due to impairment		214		(214)
Increase (decrease) in various allowances		112	(751)	(864)
Increase in allowance for losses on construction contracts			184	184
(Increase) decrease in allowance for retirement bonuses for directors		(36)	94	130
Interest and dividend income		(94)	(98)	(4)
Interest expense		217	160	(56)
Loss on foreign currency exchange		(4)	3	8
Loss of valuation of investment securities		331	41	(290)
Gain (loss) on sale of securities		(5)	(7)	(1)
Loss on sale and disposal of fixed assets		20	(202)	(222)
Non-cash revenues and expenses		(38)	(18)	19
Decrease (increase) in notes and accounts receivable		(731)	(2,120)	(1,388)
Decrease (increase) in construction in progress		(614)	153	767
Increase (decrease) in notes and accounts payable		2,382	1,535	(847)
Increase (decrease) in advances received on uncompleted contracts		(257)	(161)	96
Other, net		54	1,202	1,147
Subtotal		7,737	8,831	1,094
Interest and dividends received		94	98	4
Interest paid		(215)	(149)	66
Income taxes paid		(2,391)	(2,165)	226
Net cash provided by (used in) operating activities		5,223	6,614	1,391
II. Cash flows from investing activities				
Increase in time deposits		(326)	(340)	(13)
Decrease in time deposits		319	392	72
Funds used for the purchase of tangible fixed assets		(638)	(850)	(211)
Funds provided from the sale of tangible fixed assets		58	2,423	2,365
Funds used for the purchase of investment securities		(117)	(246)	(128)
Funds provided from sale of investment securities		452	7	(444)
Funds used for loans		(18)	(43)	(24)
Funds provided from the recovery of loans		68	22	(45)
Other, net		1	(764)	(766)
Net cash provided by investing activities		(201)	601	803
III. Cash flows from financing activities				
Net change in short-term debt		(1,182)	2	1,185
Proceeds from long-term debt		50	60	10
Repayments of long-term debt		(279)	(7,167)	(6,888)
Repayment of straight bonds		(56)	(0)	56
Acquisition of treasury stock		(21)	(10)	10
Proceeds from sale of treasury stock		209	5	(203)
Cash dividends paid		(605)	(655)	(49)
Cash dividends paid to minority shareholders		(28)	(22)	5
Net cash provided by (used in) financing activities		(1,914)	(7,787)	(5,872)
IV. Effect of exchange rate changes on cash and cash equivalents				
		(0)	(1)	(0)
V. Net increase in cash and cash equivalents				
		3,106	(572)	(3,678)
VI. Cash and cash equivalents at beginning of period				
		18,445	21,551	3,106
VII. Cash and cash equivalents at end of period				
		21,551	20,978	(572)

9. Net Sales and Value of Orders Received, by Category (Consolidated)

(Unit: Millions of yen)

Item		Period		Prior consolidated fiscal year From April 1, 2005 to March 31, 2006		Consolidated fiscal year under review From April 1, 2006 to March 31, 2007		Increase (decrease)	
		Amount	Percent	Amount		Amount	Percent		
Balance carried forward from prior period	NTT Network Engineering Work	3,754	22.6	4,742	27.7	988	26.3		
	Mobile Network Solutions Work	8,483	51.1	9,393	55.0	909	10.7		
	IT Solutions Work	972	5.9	1,367	8.0	395	40.6		
	Integrated Equipment Engineering Work	3,384	20.4	1,582	9.3	(1,802)	(53.2)		
	Total	16,595	100.0	17,086	100.0	491	3.0		
Orders received	NTT Network Engineering Work	34,928	32.0	37,779	29.8	2,850	8.2		
	Mobile Network Solutions Work	46,984	43.1	64,126	50.6	17,142	36.5		
	IT Solutions Work	9,939	9.1	10,592	8.3	652	6.6		
	Integrated Equipment Engineering Work	17,194	15.8	14,306	11.3	(2,888)	(16.8)		
	Total	109,047	100.0	126,804	100.0	17,757	16.3		
Construction completed	NTT Network Engineering Work	33,939	31.3	37,310	29.9	3,370	9.9		
	Mobile Network Solutions Work	46,074	42.4	62,931	50.5	16,857	36.6		
	IT Solutions Work	9,544	8.8	10,204	8.2	659	6.9		
	Integrated Equipment Engineering Work	18,996	17.5	14,264	11.4	(4,732)	(24.9)		
	Total	108,556	100.0	124,710	100.0	16,154	14.9		
Balance carried forward to next period	NTT Network Engineering Work	4,742	27.7	5,211	27.2	468	9.9		
	Mobile Network Solutions Work	9,393	55.0	10,588	55.2	1,195	12.7		
	IT Solutions Work	1,367	8.0	1,755	9.1	387	28.3		
	Integrated Equipment Engineering Work	1,582	9.3	1,624	8.5	42	2.7		
	Total	17,086	100.0	19,180	100.0	2,093	12.3		

Daimei Telecom Engineering Corp. (1943)
Consolidated Financial Report for the FY Ended March 31, 2007

(Unit: Millions of yen)

Period Item	Prior fiscal year As of March 31, 2006		Fiscal year under review As of March 31, 2007		Increase (decrease)
LIABILITIES		%		%	
I. Current liabilities:	24,582	37.4	21,290	32.9	(3,291)
Accrued construction	13,910		15,318		1,407
Current portion of long-term debt	7,001		0		(7,000)
Accounts payable	1,325		1,738		413
Accrued income taxes	977		2,730		1,752
Accrued expenses	61		60		(0)
Advances received on uncompleted projects	380		234		(146)
Deposits received	918		956		37
Allowance for losses on construction contracts			155		155
Accrued bonuses to directors			90		90
Allowance for completed construction indemnification	6		5		(0)
II. Long-term liabilities:	7,703	11.7	7,583	11.7	(120)
Convertible bonds	6,757		6,752		(5)
Long-term debt	6		3		(2)
Reserve for employees' retirement allowances	700		566		(134)
Transfer to allowance for retirement bonuses for directors	227		193		(34)
Deferred tax liability	12		68		55
Total Liabilities	32,286	49.1	28,874	44.6	(3,411)
SHAREHOLDERS' EQUITY					
I. Common stock	5,608	8.5			
II. Capital surplus	4,134	6.3			
Capital reserve	4,102				
Other capital surplus	32				
Gain on disposal of treasury stock	32				
III. Retained surplus	22,683	34.4			
1 Earned surplus	916				
2 Discretionary reserves	18,669				
Fixed asset advanced depreciation reserve	338				
Other reserve	18,330				
3 Unappropriated income at end of period	3,097				
IV. Valuation difference for other marketable securities	1,173	1.8			
V. Treasury stock	(78)	(0.1)			
Shareholders' Equity	33,521	50.9			
Total Liabilities and Shareholders' Equity	65,807	100.0			

Daimei Telecom Engineering Corp. (1943)
Consolidated Financial Report for the FY Ended March 31, 2007

(Unit: Millions of yen)

Item \ Period	Prior fiscal year As of March 31, 2006		Fiscal year under review As of March 31, 2007		Increase (decrease)
NET ASSETS		%		%	
I. Owner' equity			35,020	54.2	
1 Paid-in capital			5,610	8.7	
2 Capital surplus			4,137	6.4	
(1) Capital legal reserve			4,104		
(2) Other capital surplus			33		
Difference on disposal of treasury stock			33		
3 Earned surplus			25,355	39.2	
(1) Earned legal surplus			916		
(2) Other earned surplus			24,438		
Fixed asset advanced depreciation reserve			315		
General reserve			20,080		
Earned surplus brought forward			4,043		
4 Treasury stock			(84)	(0.1)	
II. Valuation and translation adjustments			776	1.2	
Valuation difference on available for sale securities			776		
Net Assets			35,797	55.4	
Total Liabilities and Net Assets			64,671	100.0	

2. STATEMENTS OF INCOME

(Unit: Millions of yen)

Item	Period	Prior fiscal year From April 1, 2005 to March 31, 2006		Fiscal year under review From April 1, 2006 to March 31, 2007			Increase (decrease)	
I. Net sales		97,383	100.0		113,632	100.0		16,248
II. Cost of sales		85,683	88.0		99,867	87.9		14,183
Gross profit		11,699	12.0		13,764	12.1		2,065
III. Selling, general and administrative expenses		6,031	6.2		6,845	6.0		813
Operating income		5,667	5.8		6,919	6.1		1,251
IV. Non-operating income:								
Interest income	19			54			34	
Dividend income	103			80			(22)	
Real estate rent income	47			37			(10)	
Other income	35	206	0.2	27	199	0.2	(8)	(6)
V. Non-operating expenses:								
Interest expense	67			28			(39)	
Corporate bond interest expense	122			121			(0)	
Other expenses	14	204	0.2	25	175	0.2	10	(29)
Ordinary income		5,669	5.8		6,943	6.1		1,274
VI. Extraordinary income:								
Gain on sale of fixed assets				291			291	
Gain on sale of investment securities				7			7	
Reversal of allowance for doubtful receivables				1,318	1,617	1.4	1,318	1,617
VII. Extraordinary expenses:								
Loss on disposal of fixed assets	20			33			13	
Loss due to impairment	33						(33)	
Loss on valuation of investment securities	324			40			(284)	
Transfer to allowance for doubtful receivables	636						(636)	
Transfer to allowance for investment losses		1,014	1.0	1,548	1,622	1.4	1,548	608
Income (loss) before income taxes Corporation, inhabitants' and enterprise taxes	1,938	4,654	4.8	3,671	6,938	6.1	1,733	2,283
Income tax adjustments	310	2,248	2.3	(139)	3,531	3.1	(450)	1,282
Net income		2,406	2.5		3,407	3.0		1,000
Income brought forward from the prior period		690						
Loss on disposal of treasury stock								
Unappropriated retained earnings		3,097						

3. Appropriation of Retained Earnings

(Unit: Millions of yen)

Item \ Period	Prior fiscal year (Period ended March 31, 2006)
Unappropriated retained earnings	3,097
Withdrawal from discretionary reserves	
Withdrawal from fixed asset advanced depreciation reserve	16
Total	3,113
To be appropriated as follows	
Amount of appropriated retained earnings	2,484
Cash dividends	654
Directors' bonuses	80
Discretionary reserves	1,750
Other reserve	1,750
Net income carried forward to the next period	628

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

4. Statement of Changes in Net Assets

Fiscal year under review (From April 1, 2006 to March 31, 2007)

(Unit: Millions of yen)

	Owners' Equity										
	Paid-in capital	Capital surplus			Earned surplus					Treasury stock	Total Owners' Equity
		Capital legal reserve	Other capital surplus	Total capital surplus	Earned legal reserve	Other earned surplus			Total earned surplus		
						Fixed asset advanced depreciation reserve	General reserve	Earned surplus brought forward			
March 31, 2006 balance	5,608	4,102	32	4,134	916	338	18,330	3,097	22,683	(78)	32,348
Changes of items during the fiscal year											
Conversion of convertible bonds	2	2		2							4
Transfer to fixed asset advanced depreciation reserve						8		(8)			
Reversal of fixed asset advanced depreciation reserve (Note 1)						(31)		31			
Transfer to general reserve (Note 2)							1,750	(1,750)			
Dividends from surplus (Note 2)								(654)	(654)		(654)
Bonuses to directors (Note 2)								(80)	(80)		(80)
Net income								3,407	3,407		3,407
Purchase of treasury stock										(10)	(10)
Disposal of treasury stock			0	0						5	5
Net changes of items other than owners' equity during the fiscal year under review											
Total changes of items during the fiscal year	2	2	0	2		(23)	1,750	946	2,672	(5)	2,672
March 31, 2007 balance	5,610	4,104	33	4,137	916	315	20,080	4,043	25,355	(84)	35,020

	Valuation and translation adjustments		Total Net Assets
	Valuation difference on available for sale securities	Total valuation and translation adjustments	
March 31, 2006 balance	1,173	1,173	33,521
Changes of items during the fiscal year			
Conversion of convertible bonds			4
Transfer to fixed asset advanced depreciation reserve			
Reversal of fixed asset advanced depreciation reserve (Note 1)			
Transfer to general reserve (Note 2)			
Dividends from surplus (Note 2)			(654)
Bonuses to directors (Note 2)			(80)
Net income			3,407
Purchase of treasury stock			(10)
Disposal of treasury stock			5
Net changes of items other than owners' equity during the fiscal year under review	(396)	(396)	(396)
Total changes of items during the fiscal year	(396)	(396)	2,275
March 31, 2007 balance	776	776	35,797

Note 1: The reversal of fixed asset advanced depreciation reserve items are as follows.

1. Reversal of fixed asset advanced depreciation reserve based on the resolution approved by the Regular General Meeting of the Shareholders for the fiscal year ended March 2006: ¥16.0 million
2. Reversal of fixed asset advanced depreciation reserve pertaining to the fiscal year under review: ¥15 million

Note 2: Appropriations of earnings items approved by the Regular General Meeting of the Shareholders for the fiscal year ended March 2006.

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

(Unit: Millions of yen)

Item		Period	Prior fiscal year From April 1, 2005 to March 31, 2006		Fiscal year under review From April 1, 2006 to March 31, 2007		Increase (decrease)	
			Amount	Percent	Amount	Percent	Amount	Percent
Balance carried forward from prior period	NTT Network Engineering Work		3,754	24.3	4,742	29.3	988	26.3
	Mobile Network Solutions Work		8,452	54.6	9,370	57.9	918	10.9
	IT Solutions Work		636	4.1	1,084	6.7	448	70.4
	Integrated Equipment Engineering Work		2,626	17.0	991	6.1	(1,635)	(62.3)
	Total		15,470	100.0	16,189	100.0	719	4.7
Orders received	NTT Network Engineering Work		34,928	35.6	37,779	32.6	2,850	8.2
	Mobile Network Solutions Work		45,958	46.9	62,951	54.3	16,992	37.0
	IT Solutions Work		7,591	7.7	7,570	6.5	(20)	(0.3)
	Integrated Equipment Engineering Work		9,624	9.8	7,600	6.6	(2,024)	(21.0)
	Total		98,103	100.0	115,901	100.0	17,798	18.1
Construction completed	NTT Network Engineering Work		33,939	34.8	37,310	32.8	3,370	9.9
	Mobile Network Solutions Work		45,040	46.3	61,773	54.4	16,732	37.2
	IT Solutions Work		7,142	7.3	7,246	6.4	103	1.5
	Integrated Equipment Engineering Work		11,259	11.6	7,302	6.4	(3,957)	(35.2)
	Total		97,383	100.0	113,632	100.0	16,248	16.7
Balance carried forward to next period	NTT Network Engineering Work		4,742	29.3	5,211	28.2	468	9.9
	Mobile Network Solutions Work		9,370	57.9	10,548	57.2	1,177	12.6
	IT Solutions Work		1,084	6.7	1,408	7.6	324	29.9
	Integrated Equipment Engineering Work		991	6.1	1,289	7.0	298	30.1
	Total		16,189	100.0	18,458	100.0	2,268	14.0