



Daimei Telecom Engineering Corp.

2-11-20 Nishi-Gotanda
Shinagawa-ku, Tokyo, Japan

August 7, 2007

**CONSOLIDATED FINANCIAL REPORT
FOR THE THREE MONTHS ENDED JUNE 30, 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 Haruo Hasebe
Director, Management & Administration Department
Tel: +81-3-5434-1121

1. Business Results for the Three-month Period ended June 30 (April 1, 2007 - June 30, 2007)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Quarter (Fiscal Year) Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007	23,733	9.8	1,079	84.5	1,140	88.7	629	135.7
2006	21,622	11.9	585	—	604	—	267	—
FY Ended March 2007	124,710	14.9	8,187	28.7	8,229	29.0	4,393	36.6

	Quarter (Fiscal Year) Net Income per Share	Quarter (Fiscal Year) Diluted Net Income per Share
	Yen	Yen
2007	15.46	14.06
2006	6.52	6.17
FY Ended March 2007	107.37	96.54

(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
2007	66,634	41,818	58.5	956.90
2006	68,221	37,969	51.7	862.07
FY Ended March 2007	74,401	41,967	52.6	956.22

(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
2007	999	(231)	(581)	21,164
2006	2,739	(179)	(588)	23,521
FY Ended March 2007	6,614	601	(7,787)	20,978

2. Dividends

The Company did not pay dividends using the end of the first quarter as the date of record.

There are no changes to the projected interim dividend and fiscal year-end dividend for the fiscal year ending March 31, 2008 that were released on May 14, 2007.

(Date of Record)	Dividends per Share		
	Interim	Year-End	Full Year
FY ended March 31, 2007	— ^{Yen}	19.00 ^{Yen}	19.00 ^{Yen}
2008 (Planned)	8.00	11.00	19.00

3. Projected Operating Results for the Consolidated Fiscal Year Ending March 2008 (April 1, 2007 - March 31, 2008)

(Reference)

(The percentages shown for the interim and full year are the percent increase or decrease compared to the prior consolidated fiscal year interim period and prior consolidated fiscal year, respectively)

	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
Interim	57,300	2.3	3,570	(24.1)	3,600	(23.8)	2,000	(26.3)	49.10
Full Year	127,600	2.3	8,250	0.8	8,300	0.9	4,500	2.4	110.48

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) Has the Company adopted simplified methods for accounting treatment? | Yes |
| (3) Are there any differences with the methods of recognition used in the accounting treatment for the most recent consolidated fiscal year? | Yes |

Note: For details please refer to “4. Other” under Qualitative Information and Financial Statements on Page 3.

*Explanation concerning appropriate use of the projected operating results and other items to note

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.

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Change in Consolidated Operating Results

Based on the fundamental policies outlined in its Medium-term Management Plan (FY2007- FY2009), the Daimei Group is implementing various measures aimed at achieving a business program that is based on safety, peace of mind and trust.

During the first quarter under review, net sales increased 9.8% compared with the same period of the prior consolidated fiscal year to ¥23,733 million as a result of increased completion of orders carried forward from the prior period. At the same time, the value of orders received was down 8.6% year-on-year to ¥29,355 million.

Operating income rose substantially, increasing 84.5% compared with the same period of the prior consolidated fiscal year to ¥1,079 million, and ordinary income jumped 88.7% year-on-year to ¥1,140 million. Net income for the period was ¥629 million, 135.7% higher than in the same period of the prior consolidated fiscal year.

2. Qualitative Information Concerning Change in Consolidated Financial Position

Total assets at the end of the first quarter under review were ¥66,634 million. This was ¥7,767 million less than at the end of the previous consolidated fiscal year, mainly because of a decrease in accounts receivable and accounts due for completed construction.

Total liabilities declined to ¥24,815 million, ¥7,618 million lower than at the end of the previous consolidated fiscal year, as a result of a decrease in notes payable and accrued construction and lower accrued income taxes.

Total Net Assets decreased by ¥148 million compared with the end of the previous consolidated fiscal year to ¥41,818 million. Although net income rose by ¥629 million, net assets were reduced by dividends from surplus totaling ¥777 million.

Financial Position (Consolidated Cash Flows)

Cash flows from operating activities were ¥999 million. Despite an increase in cost of construction work in progress, a decrease in notes and accounts payable and payments for income taxes, funds were available from the collection of notes and accounts receivable and income before income taxes and minority interests. Cash flows used in investing activities were ¥231 million, mainly for acquisitions of tangible fixed assets. Cash flows used in financing activities were ¥581 million, reflecting dividends paid. As a result of the above, cash and cash equivalents at the end of the first quarter totaled ¥21,164 million.

3. Qualitative Information Concerning Projected Consolidated Operating Results

Consolidated operating results for the first quarter under review generally were strong. Based on this performance, the Company has not made any changes to the projected interim period and full year operating results released on May 14, 2007.

4. Other

(1) Changes to important subsidiaries during the period (Change in specific subsidiaries in conjunction with a change in the scope of consolidation)

The Company had no material items to report.

(2) Adoption of the simplified methods for accounting treatment

To account for corporation and other taxes the Company has adopted the simple method based on the statutory effective tax rate.

(3) Changes in the methods of recognition used in the accounting treatment for the most recent consolidated fiscal year

The Company has changed its accounting treatment for depreciation and amortization expense for tangible fixed assets acquired after April 1, 2007 based on changes to the Corporation Tax Law after revision of the Corporation Tax Law in FY2007.

5. (Summary) Quarterly Consolidated Financial Statements

(1) (Summary) First Quarter Consolidated Balance Sheets

(Unit: Millions of yen)

Item	First Quarter of the Previous Consolidated Fiscal Year As of June 30, 2006		First Quarter of the Consolidated Fiscal Year Under Review As of June 30, 2007		Increase (Decrease)		(Reference) Prior Consolidated Fiscal Year End As of March 31, 2007	
	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)
(Assets)								
I Current assets								
Cash and bank deposits	18,607		18,641		33	0.2	18,491	
Accounts receivable and accounts due for completed construction	15,077		17,282		2,204	14.6	28,254	
Marketable securities	5,249		5,337		87	1.7	5,533	
Cost of construction work in progress and other inventory	9,021		8,266		(755)	(8.4)	5,404	
Deferred tax assets	378		1,126		747	197.6	1,111	
Other current assets	721		663		(58)	(8.1)	651	
Allowance for doubtful receivables	(46)		(24)		21	(46.3)	(72)	
Total current assets	49,010	71.8	51,291	77.0	2,281	4.7	59,374	79.8
II Fixed assets								
1. Tangible fixed assets								
Buildings and structures	2,694		2,603		(91)	(3.4)	2,643	
Land	6,705		4,697		(2,007)	(29.9)	4,697	
Other fixed assets	1,053		1,395		342	32.5	1,360	
Total tangible fixed assets	10,453	15.3	8,696	13.0	(1,756)	(16.8)	8,701	11.7
2. Intangible assets								
Goodwill	—	—	90		90	—	95	
Other intangible assets	111		823		711	636.3	751	
Total intangible fixed assets	111	0.2	913	1.4	802	717.0	847	1.1
3. Investments and other assets								
Investment securities	4,538		4,216		(321)	(7.1)	4,034	
Long-term loans receivable	172		156		(16)	(9.3)	159	
Deferred tax assets	334		197		(137)	(41.0)	189	
Other investments	4,920		1,659		(3,261)	(66.3)	1,639	
Allowance for doubtful receivables	(1,319)		(498)		821	(62.3)	(544)	
Total investments and other assets	8,646	12.7	5,732	8.6	(2,914)	(33.7)	5,478	7.4
Total fixed assets	19,211	28.2	15,342	23.0	(3,868)	(20.1)	15,027	20.2
Total Assets	68,221	100.0	66,634	100.0	(1,586)	(2.3)	74,401	100.0

(Unit: Millions of yen)

Item	First Quarter of the Previous Consolidated Fiscal Year As of June 30, 2006		First Quarter of the Consolidated Fiscal Year Under Review As of June 30, 2007		Increase (Decrease)		(Reference) Prior Consolidated Fiscal Year End As of March 31, 2007	
	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)
(Liabilities)								
I Current liabilities								
Notes payable and accrued construction	9,769		10,706		936	9.6	16,298	
Short-term borrowings	7,483		527		(6,956)	(93.0)	459	
Corporate bonds repayable within one year	—		100		100	—	100	
Accrued income taxes	282		556		274	97.2	3,160	
Advances received on uncompleted contracts	1,136		1,009		(127)	(11.2)	315	
Allowance for losses on construction contracts	—		271		271	—	184	
Accrued bonuses to directors	—		17		17	—	115	
Allowance for completed construction indemnification	6		2		(4)	(67.1)	5	
Other current liabilities	2,548		2,660		112	4.4	2,744	
Total current liabilities	21,227	31.1	15,851	23.8	(5,376)	(25.3)	23,384	31.4
II Long-term liabilities								
Corporate bonds	100		—		(100)	(100.0)	—	
Convertible bonds	6,752		6,752		—	—	6,752	
Long-term debt	154		105		(48)	(31.5)	102	
Deferred tax liability	50		107		56	112.5	114	
Reserve for employees' retirement benefits	1,512		1,396		(116)	(7.7)	1,440	
Allowance for retirement benefits for directors	172		345		173	100.6	371	
Negative goodwill	123		103		(20)	(16.5)	114	
Deferred tax liability related to revaluations	145		145		—	—	145	
Other long-term liabilities	13		8		(4)	(36.3)	9	
Total long-term liabilities	9,023	13.2	8,964	13.4	(59)	(0.7)	9,049	12.2
Total Liabilities	30,251	44.3	24,815	37.2	(5,435)	(18.0)	32,434	43.6
(Net Assets)								
I Owners' equity								
Paid-in capital	5,610	8.2	5,610	8.4	—	—	5,610	7.5
Capital surplus	4,058	6.0	4,058	6.1	0	0.0	4,058	5.5
Earned surplus	24,694	36.2	28,673	43.0	3,978	16.1	28,820	38.7
Treasury stock	(77)	(0.1)	(83)	(0.1)	(5)	7.2	(84)	(0.1)
Total Owners' Equity	34,286	50.3	38,259	57.4	3,973	11.6	38,406	51.6
II Valuation and translation adjustments								
Valuation difference on available for sale securities	1,119	1.6	844	1.3	(274)	(24.5)	851	1.2
Revaluation difference on land	(130)	(0.1)	(130)	(0.2)	—	—	(130)	(0.2)
Total valuation and translation adjustments	989	1.5	714	1.1	(274)	(27.8)	721	1.0
III Minority interests	2,693	3.9	2,844	4.3	150	5.6	2,839	3.8
Total Net Assets	37,969	55.7	41,818	62.8	3,848	10.1	41,967	56.4
Total Liabilities and Net Assets	68,221	100.0	66,634	100.0	(1,586)	(2.3)	74,401	100.0

(2) (Summary) First Quarter Consolidated Statements of Income

(Unit: Millions of yen)

Item	First Quarter of the Previous Consolidated Fiscal Year From April 1, 2006 to June 30, 2006		First Quarter of the Consolidated Fiscal Year Under Review From April 1, 2007 to June 30, 2007		Increase (Decrease)		(Reference) Previous Consolidated Fiscal Year From April 1, 2006 to March 31, 2007	
	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)
I Net sales	21,622	100.0	23,733	100.0	2,111	9.8	124,710	100.0
II Cost of sales	19,080	88.2	20,676	87.1	1,595	8.4	108,101	86.7
Gross profit	2,541	11.8	3,057	12.9	515	20.3	16,609	13.3
III Selling, general and administrative expenses	1,956	9.1	1,977	8.3	21	1.1	8,421	6.7
Operating income	585	2.7	1,079	4.6	494	84.5	8,187	6.6
IV Non-operating income	78	0.4	96	0.4	18	23.5	261	0.2
Interest income	5		11		6	129.6	34	
Dividends	29		35		6	20.4	63	
Amortization of negative goodwill	10		11		1	10.1	50	
Real estate net income	19		14		(5)	(26.9)	64	
Other income	13		23		9	70.6	48	
V Non-operating expenses	59	0.3	35	0.2	(23)	(39.5)	219	0.2
Interest expense	54		33		(20)	(37.7)	160	
Other expenses	5		2		(2)	(58.2)	58	
Ordinary income	604	2.8	1,140	4.8	536	88.7	8,229	6.6
VI Extraordinary income	16	0.0	52	0.2	35	210.6	327	0.2
Gain on sale of fixed asset	—		—		—	—	291	
Gain on sale of investment securities	7		—		(7)	(100.0)	—	
Reversal of allowance for doubtful receivables	2		49		47	2244.9	29	
Reimbursement due to cancellation of insurance	7		3		(3)	(53.6)	5	
VIII Extraordinary expenses	74	0.3	7	0.0	(67)	(90.4)	255	0.2
Loss on disposal of fixed assets	6		6		(0)	(1.4)	35	
Directors' retirement bonuses	37		—		(37)	(100.0)	85	
Transfer to allowance for retirement benefits for directors for past years service	—		—		—	—	93	
Loss on valuation of investment securities	30		0		(29)	(97.8)	41	
Quarter (fiscal year) income before income taxes and minority interests	546	2.5	1,186	5.0	639	116.9	8,301	6.6
Corporation, inhabitants' and enterprise taxes	306	1.4	525	2.2	219	71.5	4,225	3.4
Income tax adjustments	—		—		—	—	(365)	(0.3)
Minority interests (loss)	(26)	(0.1)	31	0.1	57	216.4	47	0.0
Quarter (fiscal year) net income	267	1.2	629	2.7	362	135.7	4,393	3.5

(3) (Summary) Quarter Consolidated Statements of Cash Flows

(Unit: Millions of yen)

Item	Period	First Quarter of the Consolidated Fiscal Year Ending March 31, 2008 From April 1, 2007 to June 30, 2007	(Reference) Prior Consolidated Fiscal Year From April 1, 2006 to March 31, 2007
		Amount	Amount
I Cash flows from operating activities			
Quarter (fiscal year) income before income taxes and minority interests		1,186	8,301
Depreciation and amortization		145	516
Increase (decrease) in various allowances		(150)	(751)
Increase in allowance for losses on construction contracts		86	184
(Increase) decrease in allowance for retirement bonuses to directors		(26)	94
Interest and dividend income		(47)	(98)
Interest expense		33	160
Loss on foreign currency exchange		1	3
Loss on valuation of investment securities		0	41
Gain (loss) on sale of securities		—	(7)
(Gain) loss on sale and disposal of fixed assets		6	(202)
Non-cash revenues and expenses		(9)	(18)
Decrease (increase) in notes and accounts receivable		10,972	(2,120)
Decrease (increase) in construction work in progress		(2,861)	153
Increase (decrease) in notes and accounts payable		(5,591)	1,535
Increase (decrease) in advances received on uncompleted contracts		693	(161)
Other, net		(367)	1,202
Subtotal		4,072	8,831
Interest and dividends received		47	98
Interest paid		(2)	(149)
Income taxes paid		(3,118)	(2,165)
Net cash provided by operating activities		999	6,614
II Cash flows from investing activities			
Increase in time deposits		(64)	(340)
Decrease in time deposits		100	392
Funds used for the purchase of tangible fixed assets		(244)	(850)
Funds provided from the sale of tangible fixed assets		1	2,423
Funds used for the purchase of investment securities		0	(246)
Funds provided from the sale of investment securities		—	7
Funds used for loans		—	(43)
Funds provided from the recovery of loans		8	22
Other, net		(32)	(764)
Net cash provided by (used in) investing activities		(231)	601
III Cash flows from financing activities			
Net change in short-term debt		42	2
Proceeds from long-term debt		49	60
Repayments of long-term debt		(20)	(7,167)
Repayment of corporate bonds		—	0
Acquisition of treasury stock		0	(10)
Proceeds from sale of treasury stock		1	5
Cash dividends paid		(628)	(655)
Cash dividends paid to minority shareholders		(25)	(22)
Net cash provided by (used in) financing activities		(581)	(7,787)
IV Effect of exchange rate changes on cash and cash equivalents		0	(1)
V Net increase (decrease) in cash and equivalents		185	(572)
VI Cash and cash equivalents at beginning of period		20,978	21,551
Vii Cash and cash equivalents at end of quarter (fiscal year)		21,164	20,978

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

(Unit: Millions of yen)

Item		First Quarter of the Previous Consolidated Fiscal Year From April 1, 2006 to June 30, 2006		First Quarter of the Consolidated Fiscal Year Under Review From April 1, 2007 to June 30, 2007		Increase (Decrease)		(Reference) Previous Consolidated Fiscal Year From April 1, 2006 to March 31, 2007	
		Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)
Balance carried forward from prior period	NTT Network Engineering Work	4,742	27.7	5,211	27.2	468	9.9	4,742	27.7
	Mobile Network Solutions Work	9,393	55.0	10,588	55.2	1,195	12.7	9,393	55.0
	IT Solutions Work	1,367	8.0	1,755	9.1	387	28.3	1,367	8.0
	Integrated Equipment Engineering Work	1,582	9.3	1,624	8.5	42	2.7	1,582	9.3
	Total	17,086	100.0	19,180	100.0	2,093	12.3	17,086	100.0
Orders received	NTT Network Engineering Work	10,463	32.6	9,956	33.9	(507)	(4.9)	37,779	29.8
	Mobile Network Solutions Work	16,251	50.6	13,203	45.0	(3,048)	(18.8)	64,126	50.6
	IT Solutions Work	2,604	8.1	2,843	9.7	238	9.2	10,592	8.3
	Integrated Equipment Engineering Work	2,780	8.7	3,353	11.4	572	20.6	14,306	11.3
	Total	32,100	100.0	29,355	100.0	(2,745)	(8.6)	126,804	100.0
Construction completed	NTT Network Engineering Work	8,784	40.6	8,441	35.6	(342)	(3.9)	37,310	29.9
	Mobile Network Solutions Work	8,388	38.8	10,210	43.0	1,822	21.7	62,931	50.5
	IT Solutions Work	1,707	7.9	2,303	9.7	596	34.9	10,204	8.2
	Integrated Equipment Engineering Work	2,742	12.7	2,777	11.7	35	1.3	14,264	11.4
	Total	21,622	100.0	23,733	100.0	2,111	9.8	124,710	100.0
Balance carried forward to next period	NTT Network Engineering Work	6,422	23.3	6,726	27.1	303	4.7	5,211	27.2
	Mobile Network Solutions Work	17,256	62.6	13,580	54.8	(3,675)	(21.3)	10,588	55.2
	IT Solutions Work	2,264	8.2	2,295	9.2	30	1.3	1,755	9.1
	Integrated Equipment Engineering Work	1,621	5.9	2,200	8.9	579	35.7	1,624	8.5
	Total	27,564	100.0	24,801	100.0	(2,762)	(10.0)	19,180	100.0