



**Daimei Telecom Engineering Corp.**

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

August 13, 2008

**CONSOLIDATED FINANCIAL REPORT  
FOR THE THREE MONTHS ENDED JUNE 30, 2008**

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

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

1. Business Results for the Three-month Period ended June 30 (April 1, 2008 - June 30, 2008)

(1) Consolidated Operating Results

(The percentages shown are the percent increase or decrease compared to the prior consolidated fiscal year)

	Net Sales		Operating Income		Ordinary Income		Quarter Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30,2008	25,425	—	888	—	944	—	503	—
June 30,2007	23,733	9.8	1,079	84.5	1,140	88.7	629	135.7

	Quarter Net Income per Share	Quarter Diluted Net Income per Share
Three months ended	Yen	Yen
June 30,2008	13.16	11.97
June 30,2007	15.38	14.00

(2) Change in Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share
As of	Millions of yen	Millions of yen	%	Yen
June 30,2008	67,929	42,729	58.5	1,039.38
March 31,2008	71,047	42,436	55.5	1,031.48

(Reference) Shareholders' equity First quarter ended June 30, 2008 ¥39,758 million  
First quarter ended June 30, 2007 ¥39,449 million

## 2. Dividends

(Date of Record)	Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Full Year
Year ended March 31, 2008	Yen —	Yen 8.00	Yen —	Yen 12.00	Yen 20.00
Year ending March 31, 2009	—	—	—	—	—
Year ending March 31, 2009 (forecasts)	—	9.00	—	11.00	20.00

(Note) Has the Company revised the projected dividend for the quarter? No

## 3. Projected Operating Results for the Consolidated Fiscal Year Ending March 2009 (April 1, 2008 - March 31, 2009)

(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
First six months	59,600	17.3	3,000	17.7	3,100	16.6	1,750	15.8	45.75
Full Year	129,000	7.4	7,750	1.8	7,900	1.4	4,400	1.7	115.04

(Note) Has the Company revised its projected consolidated operating results for this quarter? No

## 4. Other

- (1) Were there transfers of important subsidiaries during the period (transfer of specific subsidiaries in conjunction with a change in the scope of consolidation)? No
- (2) Has the Company applied simplified accounting treatment and special accounting treatment for preparation of the quarterly consolidated financial statements? Yes  
Note: For details please refer to "4. Other" under Qualitative Information and Financial Statements on Page 4.
- (3) Changes in the principles, procedures or methods of presentation pertaining to preparation of the quarterly consolidated financial statements (Matters recorded in the Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements)
  - (a) Are there changes in conjunction with revision of accounting standards? Yes
  - (b) Are there changes other than those in (a)? Yes
 Note: For details please refer to "4. Other" under Qualitative Information and Financial Statements on Page 4.
- (4) Number of shares issued (common stock)
  - (a) Number of shares outstanding at the end of the period (including treasury stock)
 

First quarter ended June 30, 2008	41,112,324 shares
First quarter ended June 30, 2007	41,112,324 shares
  - (b) Number of shares of treasury stock at the end of the period
 

First quarter ended June 30, 2008	2,860,508 shares
First quarter ended June 30, 2007	2,867,149 shares
  - (c) Average number of shares outstanding during the period (consolidated cumulative quarterly period)
 

First quarter ended June 30, 2008	38,247,696 shares
First quarter ended June 30, 2007	40,920,245 shares

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

• Beginning from this consolidated accounting fiscal year, the Company has adopted the "Accounting Standard for Quarterly Financial Statements" (Accounting Standards Board of Japan Statement No. 12) and the "Implementation Guidance for Accounting Standard for Quarterly Financial Statements" (Accounting Standards Board of Japan Implementation Guidance No. 14). The Company prepares its quarterly consolidated financial statements in accordance with the "Regulation for Quarterly Consolidated Financial Statements."

• The projected consolidated operating results described above are forecasts based on information available at the time the forecasts were prepared and include various uncertainty factors. Actual results may differ from the projected values indicated above because of changes in operating results or other parameters.

## Qualitative Information and Financial Statements

### 1. Qualitative Information Concerning Change in Consolidated Operating Results

During the first quarter under review, Japan's economic recovery came to a standstill and the future outlook remained uncertain. There was little change in personal consumption or corporate capital investment, as individuals and firms were negatively affected by the sharp increase in global commodity prices and fluctuations in the stock and foreign exchange markets.

In the telecommunications sector, the demand for broadband services including optical fiber access and NGN, and the shift to greater utilization of mobile multi-media aimed at WiMAX and generation 3.5, 3.9 and 4.0 cellular telephones, both accelerated even further under an environment of intense competition among telecommunications carriers focusing on cost and service. During the first quarter, firms continued vigorous capital investment in the mobile communications market, including capital equipment construction to support frequency reorganization and improve telephone speech quality, in order to promote and enhance mobile service.

During the first quarter under review, the value of orders received increased 8.9% compared with the same quarter of the previous consolidated fiscal year to ¥31,976 million, and net sales increased 7.1% year-on-year to ¥25,425 million. This improvement in consolidated operating results reflected measures that included organizational expansion and aggressive business development focused on mobile network solutions work, the Daimei Group's core business.

From a profit perspective, earnings were affected by higher expenditures for measures such as the development and introduction of new internal mission-critical systems and enhancement of worker training. As a result, operating income declined 17.7% year-on-year to ¥888 million, ordinary income fell 17.2% from the same period one year earlier to ¥944 million and net income decreased 20.1% year-on-year to ¥503 million.

### 2. Qualitative Information Concerning Change in Consolidated Financial Position

#### (Assets)

Total assets at the end of the consolidated accounting first quarter were ¥67,929 million. This was ¥3,118 million less than at the end of the previous consolidated fiscal year. Accounts receivable and accounts due for completed construction decreased as a result of collection of outstanding amounts, and cash and bank deposits increased.

#### (Liabilities)

Total liabilities at the end of the consolidated accounting first quarter fell by ¥3,411 million from the end of previous consolidated fiscal year to ¥25,199 million. This mainly reflected a decrease in notes payable and accrued construction.

#### (Net Assets)

Total net assets at the end of the consolidated accounting first quarter under review increased by ¥293 million compared with the end of previous consolidated fiscal year to ¥42,729 million. In addition to the increase in earned surplus from net income, less dividends from surplus, this reflected an increase in valuation difference on available for sale securities.

### 3. Qualitative Information Concerning Projected Consolidated Operating Results

There are no changes to the second quarter and full-year consolidated operating results projection released on May 14.

### 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) Application of simplified accounting procedures and special accounting procedures for the preparation of quarterly consolidated financial statements

(a) Calculation of tax expense

The Company calculates its tax expense by reasonably estimating its effective tax rate after application of tax effect accounting to the consolidated accounting fiscal year income before income taxes and minority interest for the current consolidated accounting period including the first quarter, and multiplying the net income before income taxes and minority interest for the quarter by this estimated effective tax rate.

Income tax adjustments are reported by inclusion in “income taxes paid.”

(b) Method of calculating deferred tax assets and deferred tax liability

Because there has been no significant change in the operating environment or temporary differences since the end of the previous consolidated accounting fiscal year, for deferred tax assets that are judged to be recoverable the Company calculates deferred tax assets and deferred tax liabilities by using a method that employs the business forecasts used at the end of the previous fiscal year or tax planning.

(c) Calculation method for fixed asset depreciation expense

For assets for which it has adopted the declining balance method, the Company calculates the amount of depreciation and amortization pertaining to the consolidated fiscal year on a pro-rata basis for each period.

(3) Changes in the principles, procedures or methods of presentation pertaining to preparation of the quarterly consolidated financial statements

(a) Application of accounting standards etc. for quarterly financial statements

Beginning from the first quarter consolidated accounting period under review, the Company will apply the “Accounting Standard for Quarterly Financial Statements” (Accounting Standards Board of Japan Statement No. 12 dated March 14, 2007) and the “Implementation Guidance for Accounting Standard for Quarterly Financial Statements” (Accounting Standards Board of Japan Implementation Guidance No. 14 dated March 14, 2007). Quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(b) Application of Accounting Standard for Measurement of Inventories

Beginning from the first quarter consolidated accounting period under review the Company will apply the “Accounting Standard for Measurement of Inventories” (Accounting Standards Board of Japan Accounting Standard No. 9 dated July 5, 2006) and has revised its valuation standard from the cost accounting method to the valuation at cost method (write-down of book value because of a decrease in profitability). This effect of this

change on operating income, ordinary income and net income before taxes and minority interests for the period is not material.

(c) Application of accounting standard for lease transactions

The Company traditionally accounted for finance lease transactions that do not transfer ownership of the leased property to the lessee based on the accounting treatment for lease transactions. In conjunction with the change that allows companies to apply the “Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan Accounting Standard No. 13 dated June 17, 1993, final revision dated March 30, 2007) and the “Implementation Guidance on Accounting Standard for Lease Transactions” (Accounting Standards Board of Japan Implementation Guidance No. 16 dated January 18, 1994, final revision dated March 30, 2007) from the quarterly consolidated financial statements pertaining to the consolidated fiscal year beginning on or after April 1, 2008, beginning from the first quarter consolidated accounting period under review the Company will apply early adoption of the standard and account for leases as normal trading transactions. As the depreciation of finance lease transactions that do not transfer ownership of the leased property to the lessee, the Company has adopted straight-line depreciation using the lease term as the depreciable life and zero residual value.

For finance lease transactions that do not transfer ownership of the leased property to the lessee and began in fiscal years prior to the application of the revised standard, the Company will continue to apply the former accounting standard for ordinary lease transactions.

The affect of this change on lease asset balances, operating income, ordinary income and net income before taxes and minority interests for the period is not material.

## 5. Quarterly Consolidated Financial Statements

### (1) First Quarter Consolidated Balance Sheet

(Unit: Millions of yen)

	First Quarter of the Consolidated Fiscal Year Under Review As of June 30, 2008	Prior Consolidated Fiscal Year End Summary Balance Sheet As of March 31, 2008
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank deposits	14,389	12,089
Accounts receivable and accounts due for completed construction	17,324	27,975
Marketable securities	4,341	3,342
Cost of construction work in progress and other inventory	10,108	7,283
Deferred tax assets	708	660
Other current assets	818	706
Allowance for doubtful receivables	(20)	(20)
<b>Total current assets</b>	<b>47,671</b>	<b>52,038</b>
<b>Fixed assets</b>		
Tangible fixed assets		
Buildings and structures (net)	2,891	2,736
Land	8,081	8,081
Construction suspense account	933	237
Other fixed assets (net)	1,357	1,327
<b>Total tangible fixed assets</b>	<b>13,264</b>	<b>12,383</b>
Intangible assets		
Goodwill	67	73
Other intangible assets	1,848	1,815
<b>Total intangible fixed assets</b>	<b>1,916</b>	<b>1,888</b>
Investments and other assets		
Investment securities	3,337	2,835
Long-term loans receivable	133	136
Deferred tax assets	304	442
Other investments	1,787	1,842
Allowance for doubtful receivables	(487)	(520)
<b>Total investments and other assets</b>	<b>5,076</b>	<b>4,736</b>
<b>Total fixed assets</b>	<b>20,258</b>	<b>19,009</b>
<b>Total Assets</b>	<b>67,929</b>	<b>71,047</b>

	First Quarter of the Consolidated Fiscal Year Under Review As of June 30, 2008	Prior Consolidated Fiscal Year End Summary Balance Sheet As of March 31, 2008
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable and accrued construction	10,633	15,781
Short-term borrowings	362	280
Accrued income taxes	487	667
Advances received on uncompleted contracts	1,167	767
Allowance for losses on construction contracts	221	101
Accrued bonuses to directors	18	93
Allowance for completed construction indemnification	15	9
Other current liabilities	3,540	2,064
<b>Total current liabilities</b>	<b>16,446</b>	<b>19,766</b>
<b>Long-term liabilities</b>		
Convertible bonds	6,752	6,752
Long-term debt	2	2
Deferred tax liability	22	17
Reserve for employees' retirement benefits	1,446	1,510
Allowance for retirement benefits for directors	392	420
Negative goodwill	83	90
Deferred tax liability related to revaluations	49	49
Other long-term liabilities	4	2
<b>Total long-term liabilities</b>	<b>8,752</b>	<b>8,844</b>
<b>Total Liabilities</b>	<b>25,199</b>	<b>28,611</b>
<b>Net Assets</b>		
<b>Owners' equity</b>		
Paid-in capital	5,610	5,610
Capital surplus	4,055	4,058
Earned surplus	32,090	32,045
Treasury stock	(2,296)	(2,301)
<b>Total Owners' Equity</b>	<b>39,460</b>	<b>39,413</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available for sale securities	403	141
Revaluation difference on land	(105)	(105)
<b>Total valuation and translation adjustments</b>	<b>297</b>	<b>35</b>
<b>Minority interests</b>	<b>2,971</b>	<b>2,987</b>
<b>Total Net Assets</b>	<b>42,729</b>	<b>42,436</b>
<b>Total Liabilities and Net Assets</b>	<b>67,929</b>	<b>71,047</b>

## (2) First Quarter Consolidated Statement of Income

(Unit: Millions of yen)

First Quarter of the Consolidated Fiscal Year Under Review From April 1, 2008 to June 30, 2008	
<b>Net sales</b>	25,425
Cost of sales	22,122
<b>Gross profit</b>	3,303
Selling, general and administrative expenses	2,415
<b>Operating income</b>	888
Non-operating income	
Interest income	14
Dividends	32
Amortization of negative goodwill	7
Real estate net income	14
Other income	21
Total non-operating income	91
Non-operating expenses	
Interest expense	32
Other expenses	2
Total non-operating expenses	35
<b>Ordinary income</b>	944
Extraordinary income	
Gain on sale of fixed asset	0
Gain on sale of investment securities	0
Reversal of allowance for doubtful receivables	2
Reimbursement due to cancellation of insurance	4
Total extraordinary income	7
Extraordinary expenses	
Loss on disposal of fixed assets	3
Loss on valuation of investment securities	6
Total extraordinary expenses	9
Quarter income before income taxes and minority interests	942
Corporation, inhabitants' and enterprise taxes	435
Minority interests (loss)	4
<b>Quarter net income</b>	503

Beginning from this consolidated accounting fiscal year, the Company has adopted the “Accounting Standard for Quarterly Financial Statements” (Accounting Standards Board of Japan Accounting Statement No. 12 dated March 14, 2007) and the “Implementation Guidance for Accounting Standard for Quarterly Financial Statements” (Accounting Standards Board of Japan Implementation Guidance No. 14 dated March 14, 2007). The Company has prepared its quarterly consolidated financial statement in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(3) Notes Relating to the Going Concern Assumption

The Company had no matters to report.

(4) Note on Significant Changes to Shareholders' Equity

The Company had no matters to report.

**(Reference)**

(Summary) First Quarter Consolidated Statement of Income for the Previous Fiscal Year

(Unit: Millions of yen)

Item	First Quarter of the Previous Consolidated Fiscal Year From April 1, 2007 to June 30, 2007
<b>I Net sales</b>	23,733
II Cost of sales	20,676
<b>Gross profit</b>	3,057
III Selling, general and administrative expenses	1,977
<b>Operating income</b>	1,079
IV Non-operating income	96
Interest income	11
Dividends	35
Amortization of negative goodwill	11
Real estate net income	14
Other income	23
V Non-operating expenses	35
Interest expense	33
Other expenses	2
<b>Ordinary income</b>	1,140
VI Extraordinary income	52
Reversal of allowance for doubtful receivables	49
Reimbursement due to cancellation of insurance	3
VII Extraordinary expenses	7
Loss on disposal of fixed assets	6
Loss on valuation of investment securities	0
Quarter income before income taxes and minority interests	1,186
Corporation, inhabitants' and enterprise taxes	525
Minority interests (loss)	31
<b>Quarter net income</b>	629

**(Reference)**

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

(Unit: Millions of yen)

Item		Period		First Quarter of the Previous Consolidated Fiscal Year From April 1, 2007 to June 30, 2007		First Quarter of the Consolidated Fiscal Year Under Review From April 1, 2008 to June 30, 2008		Increase (Decrease)		(Reference) Previous Consolidated Fiscal Year From April 1, 2007 to March 31, 2008	
		Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)		
Balance carried forward from prior period	NTT Network Engineering Work	5,211	27.2	6,843	29.4	1,632	31.3	5,211	27.2		
	Mobile Network Solutions Work	10,588	55.2	12,494	53.7	1,906	18.0	10,588	55.2		
	IT Solutions Work	1,755	9.1	1,920	8.3	164	9.4	1,755	9.1		
	Civil Engineering and Other Works	1,624	8.5	1,997	8.6	372	22.9	1,624	8.5		
	Total	19,180	100.0	23,255	100.0	4,075	21.3	19,180	100.0		
Orders received	NTT Network Engineering Work	9,956	33.9	9,569	29.9	(386)	(3.9)	38,089	30.7		
	Mobile Network Solutions Work	13,203	45.0	16,888	52.8	3,685	27.9	61,561	49.5		
	IT Solutions Work	2,843	9.7	2,635	8.3	(207)	(7.3)	11,136	9.0		
	Civil Engineering and Other Works	3,353	11.4	2,882	9.0	(470)	(14.0)	13,445	10.8		
	Total	29,355	100.0	31,976	100.0	2,620	8.9	124,232	100.0		
Construction completed	NTT Network Engineering Work	8,441	35.6	8,180	32.2	(260)	(3.1)	36,457	30.3		
	Mobile Network Solutions Work	10,210	43.0	12,955	50.9	2,744	26.9	59,654	49.7		
	IT Solutions Work	2,303	9.7	1,972	7.8	(331)	(14.4)	10,971	9.1		
	Civil Engineering and Other Works	2,777	11.7	2,317	9.1	(460)	(16.6)	13,072	10.9		
	Total	23,733	100.0	25,425	100.0	1,692	7.1	120,156	100.0		
Balance carried forward to next period	NTT Network Engineering Work	6,726	27.1	8,232	27.6	1,506	22.4	6,843	29.4		
	Mobile Network Solutions Work	13,580	54.8	16,427	55.1	2,847	21.0	12,494	53.7		
	IT Solutions Work	2,295	9.2	2,583	8.7	288	12.6	1,920	8.3		
	Civil Engineering and Other Works	2,200	8.9	2,562	8.6	362	16.5	1,997	8.6		
	Total	24,801	100.0	29,806	100.0	5,004	20.2	23,255	100.0		