



**Daimei Telecom Engineering Corp.**

2-11-20 Nishi-Gotanda

Shinagawa-ku, Tokyo, Japan

May 13, 2009

## CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2009

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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Regular General Meeting of the Shareholders: June 25, 2009

Scheduled dividend payment date: June 26, 2009

Scheduled date for submission of Financial Statements: June 25, 2009

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

### 1. Business Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)

#### (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	%
2009	120,379	0.2	6,924	(9.0)	7,018	(9.9)	3,852	(11.0)
2008	120,156	(3.7)	7,611	(7.0)	7,791	(5.3)	4,328	(1.5)

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Ordinary Income to Total Assets	Ordinary Income to Net Sales
	Yen	Yen	%	%	%
2009	100.72	90.33	9.4	9.9	5.8
2008	107.56	96.56	11.0	10.7	6.3

Reference: Equity in earnings of non-consolidated subsidiaries

Fiscal year ended March 31, 2009: ¥0

Fiscal year ended March 31, 2008: ¥0

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
2009	70,775	45,400	59.8	1,106.71
2008	71,047	42,436	55.5	1,031.48

Reference: Shareholders' equity

Fiscal year ended March 31, 2009: ¥42,329,000,000

Fiscal year ended March 31, 2008: ¥39,449,000,000

### (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
2009	5,809	(2,303)	(1,083)	17,503
2008	708	(2,879)	(3,724)	15,081

### 2. Dividends

(Date of Record)	Dividends per Share					Total Dividends (Full Year)	Dividend Payout Ratio (Consolidated)	Dividends to Net Assets (Consolidated)
	First Quarter	Second Quarter	Third Quarter	Year-end	Full Year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2008	-	8.00	-	12.00	20.00	786	18.6	2.0
2009	-	9.00	-	11.00	20.00	764	19.9	1.9
2010 (Planned)	-	10.00	-	10.00	20.00		19.1	

Breakdown of dividend for the fiscal year ended March 2008 Ordinary dividend: ¥6.00 Special dividend: ¥14.00

Breakdown of dividend for the fiscal year ended March 2009 Ordinary dividend: ¥6.00 Special dividend: ¥14.00

### 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2010

(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
Interim	58,800	4.8	2,860	(8.7)	2,920	(8.0)	1,700	(1.1)	44.45
Full Year	127,000	5.5	7,100	2.5	7,200	2.6	4,000	3.8	104.58

### 4. Other

(1) Were there changes to important subsidiaries during the period (Changes in specific subsidiaries in conjunction with a change in the scope of consolidation) No

(2) Changes in the principles, procedures or methods of presentation pertaining to preparation of the consolidated financial statements (matters recorded 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, 2009: 41,112,324 shares

Fiscal year ended March 31, 2008: 41,112,324 shares

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

Fiscal year ended March 31, 2009: 2,864,149 shares

Fiscal year ended March 31, 2008: 2,867,149 shares

## Reference: Summary of Non-consolidated Operating Results

### 1. Business Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 – March 31, 2009)

#### (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	%
2009	110,682	1.6	5,607	(9.4)	5,653	(10.1)	3,165	(9.3)
2008	108,930	(4.1)	6,189	(10.6)	6,287	(9.4)	3,488	2.4

  

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
2009	82.75	74.52
2008	86.70	78.15

#### (2) Non-consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
2009	61,910	37,515	60.6	980.83
2008	61,379	35,293	57.5	922.82

Reference: Treasury stock

Fiscal year ended March 31, 2009: ¥37,515,000,000

Fiscal year ended March 31, 2008: ¥35,293,000,000

### 2. Forecast of Non-consolidated Results for the Fiscal Year ending March 31, 2010

(April 1, 2009 – March 31, 2010)

(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
Interim	54,300	5.2	2,380	(2.5)	2,390	(2.6)	1,380	2.8	36.08
Full Year	117,000	5.7	5,950	6.1	6,000	6.1	3,400	7.4	88.89

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

- The projected operating results are based on information available to management and assumptions pertaining to uncertainty factors that could affect future operating results as of the date these materials were released. Daimei cautions various factors could cause actual results to differ materially from those discussed in the forward-looking statements. Please refer to Page 8 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, the environment surrounding Japan's economy remained serious as a result of the sharp, worldwide economic downturn triggered by the global financial crisis. Business conditions deteriorated, rapidly as the after-effects, including a slump in corporate earnings and capital investment and a decline in personal consumption, spread to the real economy.

Given such a market environment, the shift to broadband and multimedia access and unification of services in the telecommunications sector, aimed at construction of next-generation networks (NGN) and WiMAX-LTE, accelerated further under intensive service and rate-based competition among carriers.

The Daimei Group responded to these rapid changes in its operating environment by revamping the group's management organization, particularly in core operations in NTT engineering and mobile network solutions work, and sought to ensure sales through expansion of carrier support in areas such as maintenance, operations, surveys and testing. Because of weak demand in the private sector market, however, the value of orders received during the consolidated fiscal year under review slipped 2.6% from the level of the previous consolidated fiscal year to ¥120,960 million, while net sales edged upward 0.2% year-on-year to ¥120,379 million. From an earnings perspective, operating income decreased 9.0% compared with the previous consolidated fiscal year to ¥6,924 million, ordinary income declined 9.9% year-on-year to ¥7,018 million and net income fell 11.0% from the previous consolidated fiscal year level to ¥3,852 million, reflecting expenses for measures such as construction of internal mission-critical systems and financial controls and an increase in depreciation and amortization expense.

## **(Overview of Activities by Business Category)**

### 1) NTT network engineering work

General integration construction work including support for NGN remained steady. Plans for conversion to FLETS services were revised downward, however, and demand for service integration construction was weak. As a result, the value of orders received fell 2.9% year-on-year to ¥36,975 million, while net sales increased 1.2% compared with the previous consolidated fiscal year to ¥36,901 million.

### 2) Mobile network solutions work

Construction of facilities to support frequency reorganization and to improve telephone voice quality increased steadily. Daimei also sought to expand carrier support including maintenance, operations, surveys and testing. The value of orders received fell 0.2% from the previous consolidated fiscal year to ¥61,440 million, and net sales increased 2.6% year-on-year to ¥61,177 million.

### 3) IT solutions work

General private sector demand was weak and exhibited a sense of malaise, particularly in the finance and manufacturing industries, because of the deterioration in the business climate, including lower corporate earnings and cutbacks in capital investment. As a result, the value of orders received was down 7.0% compared with the previous consolidated fiscal year to ¥10,359 million, and net sales declined 0.4% year-on-year to ¥10,928 million.

### 4) Civil engineering and other works

As a result of efforts to be more selective and focus on the most profitable orders, the value of orders received declined 9.4% year-on-year to ¥12,185 million, and net sales declined 13.0% year-on-year to ¥11,371 million.

## Consolidated Orders Received

(Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT Network Engineering Work	38,089	36,975	(1,114)
Mobile Network Solutions Work	61,561	61,440	(120)
IT Solutions Work	11,136	10,359	(777)
Civil Engineering and Other Works	13,445	12,185	(1,259)
Total	124,232	120,960	(3,271)

## Consolidated Net Sales

(Millions of yen)

Construction category	Previous consolidated fiscal year	Consolidated fiscal year under review	Change
NTT Network Engineering Work	36,457	36,901	444
Mobile Network Solutions Work	59,654	61,177	1,522
IT Solutions Work	10,971	10,928	(42)
Civil Engineering and Other Works	13,072	11,371	(1,701)
Total	120,156	120,379	222

**(Forecast for the Fiscal Year ending March 31, 2010)**

In the fiscal year ending March 2010, the Daimei Group forecasts its business environment including general private sector demand and public sector demand to remain harsh. Negative factors range from a decrease in corporate earnings and capital investment to minimal investment in public works. The business climate is expected to deteriorate further, as Japan's economy is battered by the affects of the global recession.

Although a serious economic situation is forecasted in the future, in the telecommunications sector the shift to broadband and multimedia access and unification of services aimed at the construction of next-generation networks (NGN) and WiMAX-LTE, which are anticipated as the evolution of third-generation mobile phone service, will accelerate further under intensive service and rate-based competition among carriers.

The Daimei Group will continue to re-position itself as an "IT engineering & service firm" and respond to the expectations of its carrier clients and corporate customers in areas such as IT, and endeavor to provide full support that ranges from planning and negotiation to design, construction, maintenance and operation. The Company will seek to expand the volume of orders received in new sectors where it can take maximum advantage of the strengths and synergies of the Daimei Group, and focus on improving the productivity and efficiency of the Daimei Group and maintaining and enhancing profitability and competitiveness.

Based on these efforts, Daimei's outlook for consolidated operating results for the fiscal year is based on a 5.8% increase in value of orders received to ¥128,000 million, a 5.5% increase in net sales to ¥127,000 million, a 2.5% increase in operating income to ¥7,100 million, a 2.6% increase in ordinary income to ¥7,200 million and a 3.8% increase in net income to ¥4,000 million.

## **(2) Analysis of Financial Position**

### **(Analysis of Assets, Liabilities and Net Assets)**

#### 1) Assets

Total current assets decreased by ¥938 million compared with the end of previous consolidated fiscal year. This mainly reflected an increase in cash and bank deposits of ¥1,493 million and an increase in marketable securities of ¥813 million, and decreases in accounts due for completed construction and accounts receivable-trade totaling ¥2,531 million.

Total fixed assets were ¥665 million higher than at the end of previous consolidated fiscal year. The main factors were a decrease in investment securities of ¥245 million and an increase in the construction suspense account for tangible fixed assets (buildings and structures) of ¥1,048 million.

#### 2) Liabilities

Total liabilities decreased by ¥3,236 million compared with the end of previous consolidated fiscal year. This was mainly a decrease of ¥3,156 million in current liabilities for accrued construction.

#### 3) Net Assets

Total net assets increased by ¥2,963 million compared with the end of previous consolidated fiscal year, mainly as the result of a ¥3,049 million increase in earned surplus.

### **(Analysis of Cash Flows)**

Cash and cash equivalents (referred to below as “cash”) at the end of the consolidated fiscal year under review increased by ¥2,422 million compared with the end of previous consolidated fiscal year to ¥17,503 million. Cash was provided by income before income taxes and minority interests and increased collection of notes and accounts receivable, while cash was used for the acquisition of tangible fixed assets (construction suspense account).

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 fiscal year under review, cash flow provided by operating activities increased by ¥5,100 million compared with previous consolidated fiscal year to ¥5,809 million. Uses of cash included repayments of notes and accounts payable of ¥3,377 million and income taxes paid of ¥1,920 million, while sources of cash included income before income taxes and minority interests of ¥6,894 million and a decrease of ¥2,457 million in notes and accounts receivable.

#### 2) Cash flows from investing activities

Cash flows used in investing activities during the consolidated fiscal year under review totaled ¥2,303 million, an increase of ¥575 million compared with previous consolidated fiscal year. This mainly reflected ¥2,046 million used for the acquisition of tangible fixed assets and ¥354 million used for the acquisition of intangible fixed assets.

#### 3) Cash flows from financing activities

Cash flows used in financing activities during the consolidated fiscal year under review were ¥1,083 million, an increase of ¥2,640 million compared with the previous consolidated fiscal year. The largest use of funds was for payment of dividends of ¥800 million.

**(Cash flow indicator trends)**

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Shareholders' equity to total assets (%)	48.6	52.6	55.5	59.8
Shareholders' equity to total assets, market price base (%)	91.5	76.6	48.9	49.5
Interest-bearing debt ratio (%)	2.9	1.1	9.9	1.2
Interest coverage ratio	23.3	44.2	5.3	43.8

(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 calculations the Company uses cash flow provided by operating activities on the consolidated statement of cash flows as operating cash flow. Interest-bearing debt is all liabilities on which the Company pays interest that are included in liabilities accounted for on the consolidated balance sheet. The total interest payment on the consolidated statement 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 will pay a year-end dividend of ¥11 per share, bringing the full-year dividend including the interim dividend of ¥9 per share to a total of ¥20 per share.

With regard to its dividend for the next fiscal year, Daimei will pay a stable dividend while continuing to balance dividends against the need to fund internal reserves for future business development and emphasizing the distribution of earnings to shareholders.

Based on the above-mentioned policy, for the fiscal year ending March 2010 Daimei plans to pay a full-year dividend of ¥20 per share, consisting of an interim dividend of ¥10 and a fiscal year-end dividend of ¥10.

Although Daimei will abolish the special dividend beginning from the dividend for the next consolidated fiscal year, the amount will be added to the regular dividend, leaving the total dividend amount for the year unchanged.

## **2. Conditions of the Corporate Group**

Daimei has omitted disclosure of this information because there are no significant changes from the "Diagram of the Company's Businesses (Business Contents)" and "Affiliated Companies" in Daimei's most recent financial statements (submitted on June 26, 2008).

### **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.

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 Indicators Established as Objectives**

Because the current operating environment has deteriorated rapidly as a result of the global finance crisis, and because Daimei must consider the risk of changes in demand for related works based on sales of FLETS HIKARI telephone service in the future, the Daimei Group has made the following revisions to its management numerical targets for fiscal 2010, the final year of Daimei's Medium-Term Management Plan.

Consolidated net sales: ¥135,000 million (Initial objective: ¥150,000 million)

Ordinary income: At least ¥8,000 million (Initial objective: At least ¥9,000 million)

There is no change to the initial objectives for ROA (5% or higher) and ROE (10% or higher)

#### **(3) Medium and Long-term Management Strategy**

The market structure in Daimei's core business in the telecommunication sector is undergoing rapid change, including the convergence of fixed line and mobile telecommunications and telecommunications and broadcasting. This is being accompanied by an 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, as its management strategy the Company is seeking to improve corporate value through the eight key principles of maintaining and improving customer satisfaction and trust, enhancing the construction organization in the Company's core businesses, challenging new businesses, management reform, human resource development, strengthening worksite capabilities, promoting group management and establishing a secure business base. At the same time, the Company is focusing on various activities aimed at the sustainable development of local communities and the firm.

#### **(4) Issues to be Addressed**

To keep abreast of changes in the market, and develop new business areas and ensure new sources of earnings while implementing thorough efficiency and productivity improvements in its existing businesses, Daimei will focus its efforts on the following issues during the next consolidated fiscal year.

- 1) Develop and expand new earnings sectors and shift resources to promising areas
- 2) Pursue cost structure reform and raise productivity through development of wide-ranging and concrete measures
- 3) Establish management and construction systems that support client demands based on nationwide integrated branches
- 4) Strengthen group management (consolidate and expand core company)
- 5) Pursue improvements and reforms, and achieve customer satisfaction and trust, based on a hands-on policy
- 6) Practice PDCA through improvements in each employee's activities
- 7) Implement planned human resources training based on dialogue and collaboration
- 8) Create a base for maintaining safety, quality and compliance

**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)	
	Prior consolidated fiscal year (As of March 31, 2008)	Consolidated fiscal year under review (As of March 31, 2009)
<b>ASSETS</b>		
Current assets:		
Cash and bank deposits	12,089	13,582
Notes receivable	384	457
Accounts due for completed construction	26,625	24,458
Accounts receivable	965	601
Marketable securities	3,342	4,156
Cost of construction work in progress	7,283	6,792
Prepaid expenses	75	64
Deferred tax assets	660	421
Other current assets	631	576
Allowance for doubtful receivables	(20)	(11)
Total current assets	52,038	51,099
Fixed assets:		
Tangible assets:		
Buildings and structures	7,039	7,360
Machinery and equipment	4,122	3,857
Land	8,081	8,081
Construction suspense account	237	1,286
Accumulated depreciation	(7,097)	(7,218)
Total tangible fixed assets	12,383	13,367
Intangible assets:		
Goodwill	73	52
Software	452	1,589
Software suspense account	1,337	45
Other intangible assets	25	29
Total intangible fixed assets	1,888	1,715
Investments and other assets		
Investment securities	2,835	2,590
Long-term loans receivable	136	127
Deferred tax assets	442	572
Other investments	1,842	1,753
Allowance for doubtful receivables	(520)	(452)
Total investments and other assets	4,736	4,591
Total fixed assets	19,009	19,675
Total Assets	71,047	70,775

(Millions of yen)

	Prior consolidated fiscal year (As of March 31, 2008)	Consolidated fiscal year under review (As of March 31, 2009)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable	516	295
Accrued construction	15,264	12,108
Short-term borrowings	280	204
Convertible bonds repayable within one year	—	6,591
Accounts payable	1,452	1,092
Accrued income taxes	667	1,458
Advances received on uncompleted contracts	767	453
Allowance for losses on construction contracts	101	54
Accrued bonuses to directors	93	88
Allowance for completed construction indemnification	9	15
Other current liabilities	612	886
Total current liabilities	19,766	23,248
Long-term liabilities:		
Convertible bonds	6,752	—
Long-term debt	2	1
Deferred tax liability	17	9
Reserve for employees' retirement benefits	1,510	1,517
Allowance for retirement bonuses for directors	420	438
Negative goodwill	90	82
Deferred tax liability related to revaluations	49	49
Other long-term liabilities	2	27
Total long-term liabilities	8,844	2,126
Total Liabilities	28,611	25,375
<b>NET ASSETS</b>		
Owners' equity		
Paid-in capital	5,610	5,610
Capital surplus	4,058	4,052
Earned surplus	32,045	35,095
Treasury stock	(2,301)	(2,299)
Total Owners' Equity	39,413	42,459
Valuation and translation adjustments		
Valuation difference on available for sale securities	141	(24)
Revaluation difference on land	(105)	(105)
Total valuation and translation adjustments	35	(129)
Minority interests	2,987	3,070
Total Net Assets	42,436	45,400
Total Liabilities and Net Assets	71,047	70,775

**(2) Consolidated Statements of Income**

(Millions of yen)

	Prior consolidated fiscal year From April 1, 2007 to March 31, 2008	Consolidated fiscal year under review From April 1, 2008 to March 31, 2009
Net sales	120,156	120,379
Cost of sales	103,897	104,204
Gross profit	16,259	16,175
Selling, general and administrative expenses	8,647	9,250
Operating income	7,611	6,924
Non-operating income		
Interest income	79	62
Dividend income	77	67
Amortization of negative goodwill	49	28
Real estate net income	53	58
Other income	96	74
Total non-operating income	356	291
Non-operating expenses		
Interest expense	133	130
Transfer to allowance for doubtful receivables	—	33
Gain on sale of securities	9	—
Other expenses	33	33
Total non-operating expenses	177	196
Ordinary income	7,791	7,018
Extraordinary income		
Gain from sale of fixed assets	13	3
Gain on sale of investment securities	3	3
Reversal of allowance for doubtful receivables	21	—
Reimbursement due to cancellation of insurance	47	97
Total extraordinary income	84	105
Extraordinary expenses		
Loss on disposal of fixed assets	36	21
Loss on valuation of investment securities	29	162
Expenses related to lawsuit	—	45
Total extraordinary expenses	66	229
Income before income taxes and minority interests	7,809	6,894
Corporation, inhabitants' and enterprise taxes	2,645	2,685
Income tax adjustments	624	208
Total income taxes	3,269	2,894
Minority interests	211	147
Net income	4,328	3,852

### (3) Consolidated Statement of Changes in Net Assets

	(Millions of yen)	
	Prior consolidated fiscal year From April 1, 2007 to March 31, 2008	Consolidated fiscal year under review From April 1, 2008 to March 31, 2009
Owners' equity		
Paid-in capital		
Balance at end of the previous consolidated fiscal year	5,610	5,610
Change of items during the consolidated fiscal year		
Total change of items during the consolidated fiscal year	—	—
Balance at end of the consolidated fiscal year	5,610	5,610
Capital surplus		
Balance at end of the previous consolidated fiscal year	4,058	4,058
Change of items during the consolidated fiscal year		
Disposal of treasury stock	(0)	(5)
Total changes of items during the consolidated fiscal year	(0)	(5)
Balance at end of the consolidated fiscal year	4,058	4,052
Earned surplus		
Balance at end of the previous consolidated fiscal year	28,820	32,045
Change of items during the consolidated fiscal year		
Dividends from surplus	(1,104)	(803)
Net income	4,328	3,852
Reversal of revaluation difference for land	1	—
Total changes of items during the consolidated fiscal year	3,225	3,049
Balance at end of the consolidated fiscal year	32,045	35,095
Treasury stock		
Balance at end of the previous consolidated fiscal year	(84)	(2,301)
Change of items during the consolidated fiscal year		
Purchase of treasury stock	(2,220)	(9)
Disposal of treasury stock	2	12
Total changes of items during the consolidated fiscal year	(2,217)	2
Balance at end of the consolidated fiscal year	(2,301)	(2,299)
Total Owners' Equity		
Balance at end of the previous consolidated fiscal year	38,406	39,413
Change of items during the consolidated fiscal year		
Dividends from surplus	(1,104)	(803)
Net income	4,328	3,852
Purchase of treasury stock	(2,220)	(9)
Disposal of treasury stock	2	6
Reversal of revaluation difference for land	1	—
Total changes of items during the consolidated fiscal year	1,007	3,045
Balance at end of the consolidated fiscal year	39,413	42,459

	(Millions of yen)	
	Prior consolidated fiscal year From April 1, 2007 to March 31, 2008	Consolidated fiscal year under review From April 1, 2008 to March 31, 2009
Valuation and translation adjustments		
Valuation difference on available for sale securities		
Balance at end of the previous consolidated fiscal year	851	141
Change of items during the consolidated fiscal year		
Net changes of items other than owners' equity during the consolidated fiscal year	(710)	(165)
Total changes of items during the consolidated fiscal year	(710)	(165)
Balance at end of the consolidated fiscal year	141	(24)
Revaluation difference on land		
Balance at end of the previous consolidated fiscal year	(130)	(105)
Change of items during the consolidated fiscal year		
Net changes of items other than owners' equity during the consolidated fiscal year	24	—
Total changes of items during the consolidated fiscal year	24	—
Balance at end of the consolidated fiscal year	(105)	(105)
Total valuation and translation adjustments		
Balance at end of the previous consolidated fiscal year	721	35
Change of items during the consolidated fiscal year		
Net changes of items other than owners' equity during the consolidated fiscal year	(686)	(165)
Total changes of items during the consolidated fiscal year	(686)	(165)
Balance at end of the consolidated fiscal year	35	(129)
Minority Interests		
Balance at end of the previous consolidated fiscal year	2,839	2,987
Change of items during the consolidated fiscal year		
Net changes of items other than owners' equity during the consolidated fiscal year	148	83
Total changes of items during the consolidated fiscal year	148	83
Balance at end of the consolidated fiscal year	2,987	3,070
Total Net Assets		
Balance at end of the previous consolidated fiscal year	41,967	42,436
Change of items during the consolidated fiscal year		
Dividends from surplus	(1,104)	(803)
Net income	4,328	3,852
Purchase of treasury stock	(2,220)	(9)
Disposal of treasury stock	2	6
Reversal of revaluation difference for land	1	—
Net changes of items other than owners' equity during the consolidated fiscal year	(538)	(82)
Balance at end of the consolidated fiscal year	469	2,963
Balance at end of the consolidated fiscal year	42,436	45,400

#### (4) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Prior consolidated fiscal year From April 1, 2007 to March 31, 2008	Consolidated fiscal year under review From April 1, 2008 to March 31, 2009
Cash flows from operating activities		
Income before income taxes and minority interests	7,809	6,894
Depreciation and amortization	733	1,109
Increase (decrease) in various allowances	(23)	(69)
Increase (decrease) in allowance for losses on construction contracts	(83)	(46)
Increase in allowance for retirement bonuses for directors	48	17
Interest and dividend income	(157)	(130)
Interest expense	133	130
(Gain) loss on foreign currency exchange	5	(0)
Gain (loss) on redemption of securities	9	—
Loss on valuation of investment securities	29	162
(Gain) loss on sale of marketable securities and investment securities	(3)	(3)
(Gain) loss on sale and disposal of fixed assets	23	18
Non-cash revenues and expenses	(99)	68
Decrease (increase) in notes and accounts receivable	278	2,457
Decrease (increase) in construction in progress	(1,879)	491
Increase (decrease) in notes and accounts payable	(516)	(3,377)
Increase (decrease) in advances received on uncompleted contracts	452	(314)
Other, net	(962)	323
Subtotal	5,797	7,731
Interest and dividends received	157	130
Interest paid	(133)	(132)
Income taxes paid	(5,112)	(1,920)
Net cash provided by (used in) operating activities	708	5,809
Cash flows from investing activities		
Increase in time deposits	(267)	(145)
Decrease in time deposits	270	167
Decrease in long-term deposits	2,500	—
Funds used for the purchase of tangible fixed assets	(4,476)	(2,046)
Funds provided from the sale of tangible fixed assets	133	8
Funds used for the purchase of intangible fixed assets	(1,147)	(354)
Funds used for the purchase of investment securities	(1)	(112)
Funds provided from sale of investment securities	95	9
Funds used for loans	(36)	(4)
Funds provided from the recovery of loans	57	29
Funds used for the acquisition of subsidiary stock	(28)	(2)
Other, net	21	147
Net cash provided by (used in) investing activities	(2,879)	(2,303)
Cash flows from financing activities		
Net change in short-term debt	(107)	(76)
Proceeds from long-term debt	59	—
Repayment of long-term debt	(230)	(0)
Repayment of corporate bonds	(100)	—
Acquisition of treasury stock	(2,220)	(9)
Proceeds from sale of treasury stock	2	6
Repayment of lease liabilities	—	(8)
Cash dividends paid	(1,102)	(800)
Cash dividends paid to minority shareholders	(25)	(20)
Other, net	—	(172)
Net cash provided by (used in) financing activities	(3,724)	(1,083)
Effect of exchange rate changes on cash and cash equivalents	(2)	0
Increase (decrease) in cash and cash equivalents	(5,897)	2,422
Cash and cash equivalents at beginning of period	20,978	15,081
Balance of cash and cash equivalents at end of period	15,081	17,503

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

(Millions of yen)

Item		Period	Prior consolidated fiscal year From April 1, 2007 to March 31, 2008		Consolidated fiscal year under review From April 1, 2008 to March 31, 2009		Increase (Decrease)	
			Amount	%	Amount	%	Amount	%
Balance carried forward from prior period	NTT Network Engineering Work		5,211	27.2	6,843	29.4	1,632	31.3
	Mobile Network Solutions Work		10,588	55.2	12,494	53.7	1,906	18.0
	IT Solutions Work		1,755	9.1	1,920	8.3	164	9.4
	Civil Engineering and Other Works		1,624	8.5	1,997	8.6	372	23.0
	Total		19,180	100.0	23,255	100.0	4,075	21.3
Orders received	NTT Network Engineering Work		38,089	30.7	36,975	30.6	(1,114)	(2.9)
	Mobile Network Solutions Work		61,561	49.5	61,440	50.8	(120)	(0.2)
	IT Solutions Work		11,136	9.0	10,359	8.5	(777)	(7.0)
	Civil Engineering and Other Works		13,445	10.8	12,185	10.1	(1,259)	(9.4)
	Total		124,232	100.0	120,960	100.0	(3,271)	(2.6)
Construction completed	NTT Network Engineering Work		36,457	30.3	36,901	30.7	444	1.2
	Mobile Network Solutions Work		59,654	49.7	61,177	50.8	1,522	2.6
	IT Solutions Work		10,971	9.1	10,928	9.1	(42)	(0.4)
	Civil Engineering and Other Works		13,072	10.9	11,371	9.4	(1,701)	(13.0)
	Total		120,156	100.0	120,379	100.0	222	0.2
Balance carried forward to next period	NTT Network Engineering Work		6,843	29.4	6,917	29.0	74	1.1
	Mobile Network Solutions Work		12,494	53.7	12,757	53.5	262	2.1
	IT Solutions Work		1,920	8.3	1,350	5.7	(569)	(29.7)
	Civil Engineering and Other Works		1,997	8.6	2,812	11.8	814	40.8
	Total		23,255	100.0	23,837	100.0	581	2.5

## 5. Non-consolidated Financial Statements

### (1) Balance Sheets

(Millions of yen)

	Prior fiscal year (As of March 31, 2008)	Fiscal year under review (As of March 31, 2009)
<b>ASSETS</b>		
Current assets:		
Cash and bank deposits	9,998	11,283
Notes receivable	131	177
Accounts due for completed construction	24,648	23,085
Accounts receivable	302	96
Marketable securities	3,342	4,156
Cost of construction work in progress	5,388	4,938
Materials and supplies	11	99
Short-term loans receivable	1,381	1,020
Prepaid expenses	37	25
Deferred tax assets	520	276
Other current assets	627	764
Allowance for doubtful receivables	(9)	(6)
Total current assets	46,379	45,917
Fixed assets:		
Tangible assets:		
Buildings	4,642	4,961
Accumulated depreciation	(2,713)	(2,846)
Buildings (net)	1,929	2,115
Structures	462	468
Accumulated depreciation	(313)	(334)
Structures (net)	148	133
Machinery and equipment	5	5
Accumulated depreciation	(4)	(4)
Machinery and equipment (net)	1	0
Vehicles and transport equipment	59	55
Accumulated depreciation	(42)	(37)
Vehicles and transport equipment (net)	17	17
Tools and parts	1,494	1,467
Accumulated depreciation	(1,214)	(1,196)
Tools and parts (net)	280	270
Land	5,691	5,693
Lease assets	—	79
Accumulated depreciation	—	(12)
Lease assets (net)	—	67
Construction suspense account	249	1,286
Total tangible fixed assets	8,318	9,586
Intangible assets:		
Software	386	1,540
Software suspense account	1,337	45
Other intangible assets	3	3
Total intangible fixed assets	1,726	1,589
Investments and other assets:		
Investment securities	2,551	2,352
Stock of affiliated companies	2,730	2,732
Long-term loans to employees	2	1
Long-term loans receivable from affiliated companies	4	3
Credits in bankruptcy and reorganization	114	160
Deferred tax assets	198	278
Other investments	1,153	1,088
Allowance for doubtful receivables	(252)	(250)
Allowance for investment losses	(1,548)	(1,548)
Total investments and other assets	4,954	4,817
Total fixed assets	14,999	15,993
Total Assets	61,379	61,910

(Millions of yen)

	Prior fiscal year (As of March 31, 2008)	Fiscal year under review (As of March 31, 2009)
<b>LIABILITIES</b>		
Current liabilities:		
Accrued construction	14,710	12,497
Long-term debt due within one year	0	0
Convertible bonds due within one year	—	6,591
Leases	—	16
Accounts payable	1,534	1,072
Accrued income taxes	279	1,100
Accrued expenses	61	59
Advanced received on uncompleted contracts	667	318
Deposits received	1,134	1,866
Allowance for losses on construction contracts	86	33
Accrued bonuses to directors	75	70
Allowance for completed construction indemnification	9	15
Total current liabilities	18,559	23,641
Long-term liabilities		
Convertible bonds	6,752	—
Long-term debt	2	1
Leases	—	51
Reserve for employees' retirement benefits	547	466
Allowance for retirement benefits for directors	224	234
Total long-term liabilities	7,526	754
Total Liabilities	26,085	24,395
<b>NET ASSETS</b>		
Owners' equity		
Paid-in capital	5,610	5,610
Capital surplus		
Capital legal reserve	4,104	4,104
Other capital surplus	32	26
Total capital surplus	4,137	4,131
Earned surplus		
Earned legal surplus	916	916
Other earned surplus		
Fixed asset advance depreciation reserve	300	286
General reserve	22,580	25,280
Earned surplus brought forward	3,942	3,618
Total earned surplus	27,739	30,101
Treasury stock	(2,301)	(2,299)
Total owners' equity	35,186	37,544
Valuation and translation adjustments		
Valuation difference on available for sale securities	106	(29)
Total valuation and translation adjustments	106	(29)
Total Net Assets	35,293	37,515
Total Liabilities and Net Assets	61,379	61,910

## (2) Statements of Income

(Millions of yen)

	Prior fiscal year From April 1, 2007 to March 31, 2008	Fiscal year under review From April 1, 2008 to March 31, 2009
Net sales	108,930	110,682
Cost of sales	95,707	97,413
Gross profit	13,222	13,268
Selling, general and administrative expenses		
Compensation to directors	212	190
Transfer to accrued bonuses to directors	75	70
Employee salaries and allowances	2,613	2,919
Retirement obligation expense	134	160
Transfer to allowance for retirement benefits for directors	64	58
Legal welfare expense	393	399
Welfare expenses	109	125
Repairs and maintenance	583	866
Office supplies expense	275	287
Telecommunications and transportation expense	272	261
Power utilities expense	39	42
Survey and research expense	270	266
Research and development expense	341	129
Advertising and public relations expense	61	77
Entertainment expenses	110	93
Contributions	2	1
Rent expense	379	419
Depreciation and amortization	130	406
Taxes and public charges	210	200
Insurance premiums	11	11
Miscellaneous expenses	740	673
Total selling, general and administrative expenses	7,033	7,661
Operating income	6,189	5,607
Non-operating income		
Interest income	88	47
Interest on marketable securities	—	25
Dividend income	94	81
Real estate rent income	36	45
Other income	37	51
Total non-operating income	256	250
Non-operating expenses		
Interest expense	6	14
Corporate bond interest expense	121	120
Transfer to allowance for doubtful receivables	—	40
Loss on redemption of marketable securities	9	—
Other expenses	19	28
Total non-operating expenses	158	204
Ordinary income	6,287	5,653
Extraordinary income		
Gain on sale of investment securities	3	1
Reversal of allowance for doubtful receivables	9	—
Total extraordinary income	13	1
Extraordinary expenses		
Loss on disposal of fixed assets	25	18
Loss on valuation of investment securities	29	162
Total extraordinary expenses	54	180
Income before taxes and adjustments	6,246	5,475
Corporation, inhabitants' and enterprise taxes	2,065	2,066
Income tax adjustments	692	243
Total income taxes paid	2,757	2,309
Net income	3,488	3,165

**(3) Statement of Changes in Net Assets**

(Millions of yen)

	Prior fiscal year From April 1, 2007 to March 31, 2008	Fiscal year under review From April 1, 2008 to March 31, 2009
Owners' equity		
Paid-in capital		
Balance at end of prior fiscal year	5,610	5,610
Changes of items during the fiscal year		
Total changes of items during the fiscal year	—	—
Balance at end of fiscal year	5,610	5,610
Capital surplus		
Capital legal reserve		
Balance at end of prior fiscal year	4,104	4,104
Changes of items during the fiscal year		
Total changes of items during the fiscal year	—	—
Balance at end of fiscal year	4,104	4,104
Other capital surplus		
Balance at end of prior fiscal year	33	32
Changes of items during the fiscal year		
Disposal of treasury stock	(0)	(5)
Total changes of items during the fiscal year	(0)	(5)
Balance at end of fiscal year	32	26
Total capital surplus		
Balance at end of prior fiscal year	4,137	4,137
Changes of items during the fiscal year		
Disposal of treasury stock	(0)	(5)
Total changes of items during the fiscal year	(0)	(5)
Balance at end of fiscal year	4,137	4,131
Earned surplus		
Earned legal reserve		
Balance at end of prior fiscal year	916	916
Changes of items during the fiscal year		
Total changes of items during the fiscal year	—	—
Balance at end of fiscal year	916	916
Other earned surplus		
Fixed asset advanced depreciation reserve		
Balance at end of prior fiscal year	315	300
Changes of items during the fiscal year		
Reversal of fixed asset advanced depreciation reserve	(14)	(14)
Total changes of items during the fiscal year	(14)	(14)
Balance at end of fiscal year	300	286
General reserve		
Balance at end of prior fiscal year	20,080	22,580
Changes of items during the fiscal year		
Transfer to general reserve	2,500	2,700
Total changes of items during the fiscal year	2,500	2,700
Balance at end of fiscal year	22,580	25,280
Earned surplus brought forward		
Balance at end of prior fiscal year	4,043	3,942
Changes of items during the fiscal year		
Reversal of fixed asset advanced depreciation reserve	14	14
Transfer to general reserve	(2,500)	(2,700)
Dividends from surplus	(1,104)	(803)
Net changes of items during the fiscal year	3,488	3,165
Total changes of items during the fiscal year	(101)	(324)
Balance at end of fiscal year	3,942	3,618

(Millions of yen)

	Prior fiscal year From April 1, 2007 to March 31, 2008	Fiscal year under review From April 1, 2008 to March 31, 2009
Total earned surplus		
Balance at end of prior fiscal year	25,355	27,739
Changes of items during the fiscal year		
Dividends from surplus	(1,104)	(803)
Net income	3,488	3,165
Total changes of items during the fiscal year	2,384	2,361
Balance at end of fiscal year	27,739	30,101
Treasury stock		
Balance at end of prior fiscal year	(84)	(2,301)
Changes of items during the fiscal year		
Purchase of treasury stock	(2,220)	(9)
Disposal of treasury stock	2	12
Total changes of items during the fiscal year	(2,217)	2
Balance at end of fiscal year	(2,301)	(2,299)
Total Owners' Equity		
Balance at end of prior fiscal year	35,020	35,186
Changes of items during the fiscal year		
Dividends from surplus	(1,104)	(803)
Net income	3,488	3,165
Purchase of treasure stock	(2,220)	(9)
Disposal of treasury stock	2	6
Total changes of items during the fiscal year	166	2,358
Balance at end of fiscal year	35,186	37,544
Valuation and translation adjustments		
Valuation difference on available for sale securities		
Balance at end of prior fiscal year	776	106
Changes of items during the fiscal year		
Net changes of items other than owners' equity during the fiscal year under review	(669)	(136)
Total changes of items during the fiscal year	(669)	(136)
Balance at end of fiscal year	106	(29)
Total valuation and translation adjustments		
Balance at end of prior fiscal year	776	106
Changes of items during the fiscal year		
Net changes of items other than owners' equity during the fiscal year under review	(669)	(136)
Total changes of items during the fiscal year	(669)	(136)
Balance at end of fiscal year	106	(29)
Total Net Assets		
Balance at end of prior fiscal year	35,797	35,293
Changes of items during the fiscal year		
Dividends from surplus	(1,104)	(803)
Net income	3,488	3,165
Purchase of treasury stock	(2,220)	(9)
Disposal of treasury stock	2	6
Net changes of items other than owners' equity during the fiscal year under review	(669)	(136)
Total changes of items during the fiscal year	(503)	2,221
Balance at end of fiscal year	35,293	37,515

**(4) Events or conditions that may cast significant doubt on the assumption as a going concern**

The Company had no material items to report.

**(5) Net Sales and Value of Orders Received, by Category**

(Millions of yen)

Item		Period	Prior fiscal year From April 1, 2007 to March 31, 2008		Fiscal year under review From April 1, 2008 to March 31, 2009		Increase (Decrease)	
			Amount	%	Amount	%	Amount	%
Balance carried forward from prior period	NTT Network Engineering Work		5,211	28.2	6,843	30.4	1,632	31.3
	Mobile Network Solutions Work		10,548	57.2	12,445	55.3	1,896	18.0
	IT Solutions Work		1,408	7.6	1,525	6.8	116	8.3
	Civil Engineering and Other Works		1,289	7.0	1,674	7.5	384	29.8
	Total		18,458	100.0	22,488	100.0	4,030	21.8
Orders received	NTT Network Engineering Work		38,089	33.7	36,975	33.3	(1,114)	(2.9)
	Mobile Network Solutions Work		60,421	53.5	60,320	54.3	(100)	(0.2)
	IT Solutions Work		7,963	7.1	7,502	6.7	(461)	(5.8)
	Civil Engineering and Other Works		6,486	5.7	6,307	5.7	(178)	(2.8)
	Total		112,961	100.0	111,106	100.0	(1,854)	(1.6)
Construction completed	NTT Network Engineering Work		36,457	33.5	36,901	33.3	444	1.2
	Mobile Network Solutions Work		58,524	53.7	60,049	54.3	1,524	2.6
	IT Solutions Work		7,847	7.2	7,967	7.2	119	1.5
	Civil Engineering and Other Works		6,101	5.6	5,764	5.2	(337)	(5.5)
	Total		108,930	100.0	110,682	100.0	1,751	1.6
Balance carried forward to next period	NTT Network Engineering Work		6,843	30.4	6,917	30.2	74	1.1
	Mobile Network Solutions Work		12,445	55.3	12,716	55.5	271	2.2
	IT Solutions Work		1,525	6.8	1,060	4.6	(464)	(30.5)
	Civil Engineering and Other Works		1,674	7.5	2,217	9.7	543	32.4
	Total		22,488	100.0	22,912	100.0	423	1.9