



Daimei Telecom Engineering Corp.

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Shinagawa-ku, Tokyo, Japan

November 11, 2009

**CONSOLIDATED FINANCIAL REPORT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 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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Date for submission of quarterly report: November 12, 2009

Date for start of dividend payments: December 7, 2009

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

1. Business Results for the Six-month Period ended September 30 (April 1, 2009 - September 30, 2009)

(1) Consolidated Operating Results

(The percentages shown are the percent increase or decrease compared with the interim period of 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	%
Six months ended								
September 30, 2009	50,850	(9.4)	1,734	(44.7)	1,800	(43.3)	964	(43.8)
September 30, 2008	56,106	—	3,133	—	3,173	—	1,718	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Six months ended		
September 30, 2009	25.22	—
September 30, 2008	44.92	40.27

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2009	62,217	46,095	69.2	1,125.86
March 31, 2009	70,775	45,400	59.8	1,106.71

(Reference) Shareholders' equity As of September 30, 2009 ¥43,070 million
As of March 31, 2009 ¥42,329 million

2. Dividends

(Date of Record)	Dividends per Share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Full Year
Year Ended March 31, 2009	Yen —	Yen 9.00	Yen —	Yen 11.00	Yen 20.00
Year Ending March 31, 2010	—	10.00			
Year Ending March 31, 2010 (Forecast)			—	10.00	20.00

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

3. Projected Operating Results for the Consolidated Fiscal Year Ending March 2010 (April 1, 2009 - March 31, 2010)

(The percentages shown are the percent increase or decrease compared to the prior consolidated 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
Full Year	121,000	0.5	6,000	(13.4)	6,150	(12.4)	3,450	(10.5)	90.19

(Note) Has the Company revised its projected consolidated operating results during this quarter? Yes

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)? No

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)

Six months ended September 30, 2009 41,112,324 shares

Fiscal year ended March 31, 2009 41,112,324 shares

(b) Number of shares of treasury stock at the end of the period

Six months ended September 30, 2009 2,856,792 shares

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

(c) Average number of shares outstanding during the period (first half)

Six months ended September 30, 2009 38,253,303 shares

Six months ended September 30, 2008 38,249,473 shares

Note: 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 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.
- For matters concerning the full-year consolidated forecasted operating results, the Company revised its forecasted numerical values based on its most recent operating results trends and other information. For information concerning the relevant revisions of the forecasted numerical values, please refer to the Notice Concerning Revisions to Forecasted Operating Results released on November 4, 2009.

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Consolidated Operating Results

During the first half of the consolidated accounting fiscal year under review, signs of recovery activity were evident in some segments of Japan's economy following a round of inventory adjustments and as a result of government measures to boost the economy. Nevertheless, the significant decline in corporate profits continued to be accompanied by negative factors, including deteriorating employment conditions and a decrease in capital investment, and business conditions remained difficult.

In the telecommunications sector, the demand for broadband services including NGN, and the shift to greater utilization of WiMAX and generation 3.9 (LTE) mobile multi-media, both appeared set to accelerate even further under an environment of intense competition among telecommunications carriers.

On the other hand, conditions for telecommunications demand were also severe, including little net growth in the number of contracts for optic fiber communications line service and mobile phones as a result of the slump in personal consumption, the drop in housing construction and other factors. Requests from telecommunications carriers to the telecommunications engineering industry for cost reductions also intensified.

In light of these conditions, the Daimei Group focused on efforts to "obtain customer trust through safety, security, high quality and on-time delivery," "strengthen cost competitiveness" and "actively address new fields," in order to respond to its customers' needs.

Consolidated operating results were affected by delays in orders for mobile network solutions work. During the second quarter under review, the value of orders received decreased 11.2% compared with the same period of the previous consolidated fiscal year to ¥55,754 million, and net sales declined 9.4% year-on-year to ¥50,850 million.

From the standpoint of earnings, the Group worked to reduce selling, general and administrative expenses but was also affected by the slow progress of net sales. As a result, operating income fell 44.7% compared with the same period of the previous consolidated fiscal year to ¥1,734 million, ordinary income decreased 43.3% from the same period one year earlier to ¥1,800 million and quarterly net income declined 43.8% year-on-year to ¥964 million.

(Overview of Activities by Business Category)

(1) NTT Network Engineering Work

General integrated engineering work decreased and were somewhat delayed. As a result, the value of orders received decreased 4.6% compared with the same period of the previous consolidated fiscal year to ¥18,040 million, and net sales slipped 1.3% year-on-year to ¥16,475 million.

(2) Mobile Network Solutions Work

Because mobile telecommunications carriers reduced capital investment and delayed orders for mobile base station construction, the value of orders received fell 15.2% compared with the same period of the previous consolidated fiscal year to ¥27,675 million, and net sales were ¥25,588 million, 14.2% lower than in the same period one year earlier.

(3) IT Solutions Work

Private sector corporations tended to restrict capital equipment investment, as technological innovations were developed and severe competition for orders continued. The value of orders received edged down 0.9% from the same period of the previous consolidated fiscal year to ¥4,867 million. Net sales were 16.0% lower year-on-year at ¥4,107 million.

(4) Civil Engineering and Other Works

Severe competition for orders prevailed, and public works were also limited. As a result, the value of orders received declined 18.6% year-on-year to ¥5,171 million, and net sales decreased 0.2% compared with the same period of the previous consolidated fiscal year to ¥4,679 million.

2. Qualitative Information Concerning Consolidated Financial Position

(Assets)

Total assets at the end of the consolidated accounting second quarter were ¥62,217 million. This was ¥8,557 million less than at the end of the previous consolidated fiscal year. Although the amount of construction work in progress and other inventory was higher, cash and deposits and marketable securities decreased because the Company allocated funds on hand to the redemption of convertible bonds, and notes and accounts receivable including accounts receivable and accounts due for completed construction were also lower.

(Liabilities)

Total liabilities at the end of the consolidated accounting second quarter decreased ¥9,252 million compared with the end of the previous consolidated fiscal year to ¥16,122 million. This mainly reflected a decrease in notes payable and accrued construction and the redemption of convertible bonds due within one year.

(Net Assets)

Total net assets at the end of the second quarter consolidated accounting period increased ¥694 million compared with the end of previous consolidated fiscal year to ¥46,095 million, mainly as the result of increases in earned surplus and valuation difference on available for sale securities.

3. Qualitative Information Concerning Projected Consolidated Operating Results

The future outlook for the economic climate is expected to remain difficult. In addition to cutbacks in capital investment as a result of the broad deterioration of corporate earnings, and deterioration of the employment situation, there also are concerns about the economic downturn in the aftermath of the global financial crisis.

As an "IT engineering & service company," the Daimei Group will work to expand orders in a way that will enable it to provide customers with total support in the broadband, mobile and IT sectors, including not only design and construction work but also encompassing maintenance and operation, and move aggressively on development in new fields. At the same time, the Company will seek to improve earnings capacity by continuously pursuing efficient management.

With regard to projected full-year consolidated operating results, the effects from customers' reductions of capital investment and delays of orders have been greater than the Company's initial assumptions. The volume of orders received has also declined. Based on these factors, the Company projects net sales will be ¥121,000 million, ¥6,000 million or 4.7% below its prior projection, operating income will be 6,000 million, down ¥1,100 million or 15.5% from its prior projection, and ordinary income will be ¥6,150 million (down ¥1,050 million or 14.6%). Projected full-year net income is ¥3,450 million, ¥550 million or 13.8% lower than the prior projection.

4. Other

(1) Transfers of important subsidiaries during the period (transfers of specific subsidiaries in conjunction with a change in the scope of consolidation)?

There were no changes in important subsidiaries during the interim consolidated accounting period.

On July 1, 2009, Daimei Telecom Co., Ltd., a consolidated subsidiary of Daimei Telecom Engineering Corp., absorbed and merged with Daimei Comtech Co., Ltd., another consolidated subsidiary, and changed its trade name to Daimei Next Co., Ltd.

(2) Application of simplified accounting treatment and special accounting treatment for preparation of the 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 second 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 "corporation, inhabitants' and enterprise taxes."

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 for tax planning.

c. Method of calculating fixed assets 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 accounting principles, procedures and reporting methods pertaining to preparation of the quarterly consolidated financial statements

Application of Accounting Standard for Construction Contracts

The Company traditionally reported revenues and costs of long-term construction contracts by applying the percentage of completion method for long-term, large-scale contract works (works for which the construction period is three or more fiscal years and the contract amount is at least ¥1.7 billion), and applying the completed-contract method for all other works. Beginning from the first quarter consolidated accounting period, the Company will apply the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15, December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Implementation Guidance No. 18, December 27, 2007). Beginning from works contracts for which construction activity was begun during or after the first quarter consolidated accounting period, the Company will apply the percentage of completion method for works for which the outcome of the construction activity is deemed certain by the end of the second quarter consolidated accounting period (with the estimate of the percentage of completion based on the cost incurred as a percentage of estimated total cost), and will apply the completed-contract method for all other works.

The effect of this change on net sales, operating income, ordinary income and income before income taxes and minority interests for the interim period under review is not material.

5. Quarterly Consolidated Financial Statements

(1) Second Quarter Consolidated Balance Sheet

(Unit: Millions of yen)

	Second Quarter of the Consolidated Fiscal Year Under Review As of September 30, 2009	Prior Consolidated Fiscal Year End Summary Balance Sheet As of March 31, 2009
Assets		
Current assets		
Cash and bank deposits	12,544	13,582
Accounts receivable and accounts due for completed construction	17,227	25,517
Marketable securities	285	4,156
Cost of construction work in progress and other inventory	9,556	6,792
Deferred tax assets	411	421
Other current assets	748	640
Allowance for doubtful receivables	(8)	(11)
Total current assets	<u>40,765</u>	<u>51,099</u>
Fixed assets		
Tangible fixed assets		
Buildings and structures (net)	3,212	2,863
Land	8,081	8,081
Construction suspense account	2,933	1,286
Other fixed assets (net)	1,052	1,136
Total tangible fixed assets	<u>15,281</u>	<u>13,367</u>
Intangible fixed assets		
Goodwill	41	52
Others	1,484	1,663
Total intangible fixed assets	<u>1,525</u>	<u>1,715</u>
Investments and other assets		
Investment securities	2,837	2,590
Long-term loans receivable	125	127
Deferred tax assets	489	572
Other investments	1,593	1,753
Allowance for doubtful receivables	(399)	(452)
Total investments and other assets	<u>4,645</u>	<u>4,591</u>
Total fixed assets	<u>21,452</u>	<u>19,675</u>
Total Assets	<u>62,217</u>	<u>70,775</u>
Liabilities		
Current liabilities		
Notes payable and accrued construction	9,860	12,404
Short-term borrowings	110	204
Convertible bonds due within one year	—	6,591
Accrued income taxes	904	1,458
Advanced received on uncompleted contracts	717	453
Allowance for losses on construction contracts	114	54
Accrued bonuses to directors	—	88
Allowance for completed construction indemnification	16	15
Other current liabilities	2,355	1,979
Total current liabilities	<u>14,079</u>	<u>23,248</u>
Long-term liabilities		
Long-term debt	1	1
Long-term accrued expenses	260	—
Deferred tax liability	3	9
Reserve for employees' retirement benefits	1,529	1,517
Allowance for retirement benefits for directors	131	438
Negative goodwill	42	82
Deferred tax liability related to revaluations	49	49
Other long-term liabilities	25	27
Total long-term liabilities	<u>2,043</u>	<u>2,126</u>
Total liabilities	<u>16,122</u>	<u>25,375</u>
Net Assets		
Owners' equity		
Paid-in capital	5,610	5,610
Capital surplus	4,048	4,052
Earned surplus	35,639	35,095
Treasury stock	(2,293)	(2,299)
Total Owners' Equity	<u>43,005</u>	<u>42,459</u>
Valuation and translation adjustments		
Valuation difference on available for sale securities	170	(24)
Revaluation difference on land	(105)	(105)
Total valuation and translation adjustments	<u>64</u>	<u>(129)</u>
Minority interests	3,025	3,070
Total Net Assets	<u>46,095</u>	<u>45,400</u>
Total Liabilities and Net Assets	<u>62,217</u>	<u>70,775</u>

(2) Quarterly Consolidated Statements of Income
 Second Quarter Year-to-Date Consolidated Statements of Income

(Unit: Millions of yen)

	Second Quarter of the Previous Consolidated Fiscal Year From April 1, 2008 to September 30, 2008	Second Quarter of the Consolidated Fiscal Year under Review From April 1, 2009 to September 30, 2009
Net sales	56,106	50,850
Cost of sales	48,198	44,543
Gross profit	7,908	6,306
Selling, general and administrative expense:	4,775	4,572
Operating Income	3,133	1,734
Non-operating income		
Interest income	37	10
Dividend income	37	42
Amortization of negative goodwill	14	10
Real estate rent income	29	32
Other income	38	44
Total non-operating income	158	140
Non-operating expenses		
Interest expense	65	63
Transfer to allowance for doubtful receivables	39	—
Other non-operating expenses	12	10
Total non-operating expenses	118	73
Ordinary income	3,173	1,800
Extraordinary income		
Gain on sale of fixed assets	0	—
Gain on sale of investment securities	2	1
Reversal of allowance for doubtful receivables	—	8
Reimbursement due to cancellation of insurance	77	22
Gain on change in equity interest	—	107
Total extraordinary income	80	139
Extraordinary expenses		
Loss on disposal of fixed assets	12	29
Loss on valuation of investment securities	6	8
Total extraordinary expenses	18	38
Income before income taxes and minority interest:	3,235	1,901
Income taxes paid	1,425	883
Minority interest in income or loss	92	53
Quarter net income	1,718	964

Second Quarter Consolidated Statements of Income

(Unit: Millions of yen)

	Second Quarter of the Previous Consolidated Fiscal Year From July 1, 2008 to September 30, 2008	Second Quarter of the Consolidated Fiscal Year Under Review From July 1, 2009 to September 30, 2009
Net sales	30,681	27,290
Cost of sales	26,075	24,002
Gross profit	4,605	3,288
Selling, general and administrative expenses	2,360	2,261
Operating Income	2,244	1,027
Non-operating income		
Interest income	22	5
Dividend income	5	6
Amortization of negative goodwill	7	2
Real estate rent income	15	16
Other income	17	31
Total non-operating income	67	61
Non-operating expenses		
Interest expense	33	31
Transfer to allowance for doubtful receivables	41	—
Other non-operating expenses	10	6
Total non-operating expenses	85	38
Ordinary income	2,226	1,050
Extraordinary income		
Gain on sale of fixed assets	0	—
Gain on sale of investment securities	1	1
Reversal of allowance for doubtful receivables	—	4
Reimbursement due to cancellation of insurance	72	20
Gain on change in equity interest	—	107
Total extraordinary income	74	134
Extraordinary expenses		
Loss on disposal of fixed assets	8	2
Loss on valuation of investment securities	—	0
Total extraordinary expenses	8	2
Quarter income before income taxes and minority interests	2,292	1,183
Income taxes paid	989	534
Minority interest in income or loss	87	22
Quarter net income	1,215	625

(3) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(4) Note on Significant Changes to Shareholders' Equity

The Company had no material items to report.

(Reference)

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

(Unit: Millions of yen)

Item		Previous Interim Consolidated Accounting Period From April 1, 2008 to September 30, 2008		Interim Consolidated Accounting Period Under Review From April 1, 2009 to September 30, 2009		Increase (Decrease)		(Reference) Previous Consolidated Fiscal Year From April 1, 2008 to March 31, 2009	
		Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)	Amount	Percent (%)
Balance carried forward from prior period	NTT Network Engineering Work	6,843	29.4	6,917	29.0	74	1.1	6,843	29.4
	Mobile Network Solutions Work	12,494	53.7	12,757	53.5	262	2.1	12,494	53.7
	IT Solutions Work	1,920	8.3	1,350	5.7	(569)	(29.7)	1,920	8.3
	Civil Engineering and Other Works	1,997	8.6	2,812	11.8	814	40.8	1,997	8.6
	Total	23,255	100.0	23,837	100.0	581	2.5	23,255	100.0
Orders received	NTT Network Engineering Work	18,914	30.1	18,040	32.4	(874)	(4.6)	36,975	30.6
	Mobile Network Solutions Work	32,631	52.0	27,675	49.6	(4,955)	(15.2)	61,440	50.8
	IT Solutions Work	4,912	7.8	4,867	8.7	(44)	(0.9)	10,359	8.5
	Civil Engineering and Other Works	6,352	10.1	5,171	9.3	(1,181)	(18.6)	12,185	10.1
	Total	62,810	100.0	55,754	100.0	(7,055)	(11.2)	120,960	100.0
Construction completed	NTT Network Engineering Work	16,700	29.8	16,475	32.4	(225)	(1.3)	36,901	30.7
	Mobile Network Solutions Work	29,827	53.2	25,588	50.3	(4,239)	(14.2)	61,177	50.8
	IT Solutions Work	4,888	8.7	4,107	8.1	(781)	(16.0)	10,928	9.1
	Civil Engineering and Other Works	4,690	8.3	4,679	9.2	(11)	(0.2)	11,371	9.4
	Total	56,106	100.0	50,850	100.0	(5,256)	(9.4)	120,379	100.0
Balance carried forward to next period	NTT Network Engineering Work	9,057	30.2	8,482	29.5	(574)	(6.3)	6,917	29.0
	Mobile Network Solutions Work	15,298	51.1	14,844	51.7	(453)	(3.0)	12,757	53.5
	IT Solutions Work	1,944	6.5	2,110	7.3	166	8.6	1,350	5.7
	Civil Engineering and Other Works	3,659	12.2	3,303	11.5	(355)	(9.7)	2,812	11.8
	Total	29,959	100.0	28,741	100.0	(1,217)	(4.1)	23,837	100.0