



Daimei Telecom Engineering Corp.

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Shinagawa-ku, Tokyo, Japan

February 10, 2010

**CONSOLIDATED FINANCIAL REPORT
FOR THE NINE MONTHS ENDED DECEMBER 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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Note: Figures have been rounded off to eliminate amounts less than one million yen

1. Business Results for the Nine-month Period ended December 31 (April 1, 2009 - December 31, 2009)

(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	%
Nine months ended								
December 31, 2009	78,418	(5.1)	2,641	(42.2)	2,766	(40.4)	1,444	(42.3)
December 31, 2008	82,662	—	4,571	—	4,641	—	2,501	—

	Quarter Net Income per Share	Quarter Diluted Net Income per Share
	Yen	Yen
Nine months ended		
December 31, 2009	37.76	—
December 31, 2008	65.41	58.67

(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				
December 31, 2009	61,421	46,048	70.1	1,125.01
March 31, 2009	70,775	45,400	59.8	1,106.71

(Reference) Shareholders' equity As of December 31, 2009 ¥43,037 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 for the full year 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? 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)? 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)

Nine months ended December 31, 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

Nine months ended December 31, 2009	2,856,792 shares
Fiscal year ended March 31, 2009	2,864,149 shares
 - (c) Average number of shares outstanding during the period (third quarter year-to-date)

Nine months ended December 31, 2009	38,254,049 shares
Nine months ended December 31, 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 could cause actual results to differ materially from those discussed in the forward-looking statements.

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Consolidated Operating Results

During the third quarter of the consolidated fiscal year under review, Japan's economy moved beyond its darkest period. Nevertheless, business sentiment deteriorated further, as detrimental factors such as lackluster consumption, worsening employment conditions and the decline in corporate capital investment continued.

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

Conditions for telecommunications demand, on the other hand, 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 a decline in orders for mobile network solutions work, which reflected carrier reductions in capital investment costs. During the third quarter year-to-date period, the value of orders received dipped 5.9% compared with the same period of the previous consolidated fiscal year to ¥85,964 million, and net sales fell 5.1% year-on-year to ¥78,418 million.

From the standpoint of earnings, the Group worked to reduce selling, general and administrative expenses but was also affected by the drop in net sales. As a result, operating income plunged 42.2% compared with the same period of the previous consolidated fiscal year to ¥2,641 million, ordinary income decreased 40.4% from the same period one year earlier to ¥2,766 million and third quarter year-to-date net income declined 42.3% year-on-year to ¥1,444 million.

(Overview of Activities by Business Category)

(1) NTT Network Engineering Work

General integrated engineering work decreased and was somewhat delayed. As a result, the value of orders received decreased 3.8% compared with the same period of the previous consolidated fiscal year to ¥26,909 million, and net sales slipped 3.1% year-on-year to ¥24,959 million.

(2) Mobile Network Solutions Work

Because mobile telecommunications carriers reduced capital investment, the value of orders received fell 9.0% compared with the same period of the previous consolidated fiscal year to ¥42,696 million, and net sales were ¥39,406 million, 8.7% 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 was 6.1% lower than in the same period of the previous consolidated fiscal year, at ¥7,069 million. Net sales were 11.2% lower year-on-year at ¥6,080 million.

(4) Civil Engineering and Other Works

With public works also limited and severe competition for orders growing, Daimei Telecom sought to develop new sectors. As a result, the value of orders received rose 3.7% year-on-year to ¥9,289 million, and net sales increased 15.0% compared with the same period of the previous consolidated fiscal year to ¥7,972 million.

2. Qualitative Information Concerning Consolidated Financial Position

(Assets)

Total assets at the end of the consolidated accounting third quarter were ¥61,421 million. This was ¥9,353 million less than at the end of the previous consolidated fiscal year. Although buildings and structures increased because of the higher amount of cost of construction work in progress and completion of the Daimei Shinkiba Building, cash and deposits and marketable securities decreased because the Company allocated funds on hand to the redemption of convertible bonds, and accounts receivable and accounts due for completed construction also were lower.

(Liabilities)

Total liabilities at the end of the consolidated accounting third quarter decreased ¥1,001 million compared with the end of the previous consolidated fiscal year to ¥15,373 million. This mainly reflected a decrease in notes payable and accrued construction and lower accrued income taxes, and the redemption of convertible bonds due within one year.

(Net Assets)

Total assets at the end of the third quarter consolidated accounting period increased ¥647 million compared with the end of previous consolidated fiscal year to ¥46,048 million, mainly because of increases in earned surplus.

3. Qualitative information concerning projected consolidated operating results

The future outlook for the economic climate in Japan is expected to remain difficult, despite the continuing recovery of the global economy. In addition to cutbacks in capital investment as a result of the broad deterioration of corporate earnings, and deterioration of the employment situation, consumption spending remains weak.

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 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. Others

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

There were no changes in important subsidiaries during the third quarter year-to-date consolidated accounting period.

On July 1, 2009, Daimei Telecom Corp., 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 method and special accounting method in 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 third 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. 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 the first quarter consolidated accounting period under review, 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 third 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 third quarter year-to-date under review is not material.

5. Quarterly Consolidated Financial Statements

(1) Third Quarter Consolidated Balance Sheet

(Unit: Millions of yen)

	Third Quarter of the Consolidated Fiscal Year Under Review As of December 31, 2009	Prior Consolidated Fiscal Year End Summary Balance Sheet As of March 31, 2009
Assets		
Current Assets		
Cash and bank deposits	9,067	13,582
Accounts receivable and accounts due for completed	17,570	25,517
Marketable securities	285	4,156
Cost of construction work in progress and other inventory	11,139	6,792
Deferred tax assets	387	421
Other current assets	1,758	640
Allowance for doubtful receivables	(7)	(11)
Total current assets	40,200	51,099
Fixed Assets		
Tangible fixed assets		
Buildings and structures (net)	5,848	2,863
Land	8,107	8,081
Construction suspense account	224	1,286
Other fixed assets (net)	1,113	1,136
Total tangible fixed assets	15,294	13,367
Intangible Fixed Assets		
Goodwill	35	52
Other intangible fixed assets	1,415	1,663
Total intangible fixed assets	1,450	1,715
Investments and other assets		
Investment securities	2,609	2,590
Long-term loans receivable	125	127
Deferred tax assets	600	572
Other investments	1,476	1,753
Allowance for doubtful receivables	(335)	(452)
Total investments and other assets	4,476	4,591
Total fixed assets	21,220	19,675
Total Assets	61,421	70,775
Liability		
Current liabilities:		
Notes payable and accrued construction	10,651	12,404
Short-term borrowings	110	204
Convertible bonds due within one year	—	6,591
Accrued income taxes	89	1,458
Advance received on uncompleted contracts	685	453
Allowance for losses on construction contracts	111	54
Accrued bonuses to directors	—	88
Allowance for completed construction indemnification	14	15
Other current liabilities	1,686	1,979
Total current liabilities	13,350	23,248
Long-term liability:		
Long-term debt	1	1
Long-term accrued expenses	260	—
Deferred tax liability	3	9
Reserve for employees' retirement benefits	1,514	1,517
Allowance for retirement benefits for directors	139	438
Negative goodwill	32	82
Deferred tax liability related to revaluations	49	49
Other long-term liabilities	22	27
Total long-term liabilities	2,023	2,126
Total Liabilities	15,373	25,375
Net assets		
Owners' equity		
Paid-in capital	5,610	5,610
Capital surplus	4,048	4,052
Earned surplus	35,736	35,095
Treasury stock	(2,293)	(2,299)
Total owners' equity	43,102	42,459
Valuation and translation adjustments		
Valuation difference on available for sale securities	41	(24)
Revaluation difference on land	(105)	(105)
Total valuation and translation adjustments	(64)	(129)
Minority interests	3,010	3,070
Total net assets	46,048	45,400
Total Liabilities and Net Assets	61,421	70,775

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

(Unit: Millions of yen)

	Third Quarter of the Previous Consolidated Fiscal Year From April 1, 2008 to December 31, 2008	Third Quarter of the Consolidated Fiscal Year Under Review From April 1, 2009 to December 31, 2009
Net sales	82,662	78,418
Cost of sales	<u>71,200</u>	<u>68,925</u>
Gross profit	11,461	9,492
Selling, general, and administrative expenses	<u>6,890</u>	<u>6,850</u>
Operating Income	<u>4,571</u>	<u>2,641</u>
Non-operating income		
Interest income	50	11
Dividend income	59	63
Amortization of negative goodwill	21	19
Real estate rent income	45	48
Other income	<u>52</u>	<u>59</u>
Total non-operating income	<u>230</u>	<u>202</u>
Non-operating expenses		
Interest expense	98	64
Transfer to allowance for doubtful receivables	40	—
Other non-operating expenses	<u>21</u>	<u>13</u>
Total non-operating expenses	<u>160</u>	<u>77</u>
Ordinary income	<u>4,641</u>	<u>2,766</u>
Extraordinary income		
Gain on sales of fixed assets	0	0
Gain on sale of investment securities	3	1
Reversal of allowance for doubtful receivables	—	10
Reimbursement due to cancellation of insurance	84	22
Gain on change in equity interest	<u>—</u>	<u>107</u>
Total extraordinary income	<u>88</u>	<u>141</u>
Extraordinary expenses		
Loss on disposal of fixed assets	20	154
Loss on valuation of investment securities	<u>87</u>	<u>8</u>
Total extraordinary expenses	<u>107</u>	<u>162</u>
Income before income taxes and minority interests	<u>4,622</u>	<u>2,745</u>
Income taxes paid	2,006	1,260
Minority interest in income or loss	<u>114</u>	<u>40</u>
Quarter net income	<u>2,501</u>	<u>1,444</u>

Third Quarter Consolidated Statements of Income

(Unit: Millions of yen)

	Third Quarter of the Previous Consolidated Fiscal Year From October 1, 2008 to December 31, 2008	Third Quarter of the Consolidated Fiscal Year Under Review From October 1, 2009 to December 31, 2009
Net sales	26,555	27,567
Cost of sales	23,002	24,381
Gross profit	3,553	3,186
Selling, general, and administrative expenses	2,114	2,278
Operating Income	1,438	907
Non-operating income		
Interest income	13	0
Dividend income	22	20
Amortization of negative goodwill	7	9
Real estate rent income	15	15
Other income	13	14
Total non-operating income	71	62
Non-operating expenses		
Interest expense	33	1
Transfer to allowance for doubtful receivables	0	—
Other non-operating expenses	8	2
Total non-operating expenses	41	4
Ordinary income	1,468	965
Extraordinary income		
Gain on sales of fixed assets	0	0
Gain on sale of investment securities	1	0
Reversal of allowance for doubtful receivables	—	2
Reimbursement due to cancellation of insurance	6	—
Total extraordinary income	8	2
Extraordinary expenses		
Loss on disposal of fixed assets	7	124
Loss on valuation of investment securities	81	—
Total extraordinary expenses	89	124
Quarter income before income taxes and minority	1,387	843
Income taxes paid	581	377
Minority interest in income or loss	22	(12)
Quarter net income	783	479

(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		Period		Third Quarter of the Previous Consolidated Fiscal Year From April 1, 2008 to December 31, 2008		Third Quarter of the Consolidated Fiscal Year Under Review From April 1, 2009 to December 31, 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	27,958	30.6	26,909	31.3	(1,049)	(3.8)	36,975	30.6		
	Mobile Network Solutions Work	46,933	51.4	42,696	49.7	(4,237)	(9.0)	61,440	50.8		
	IT Solutions Work	7,530	8.2	7,069	8.2	(461)	(6.1)	10,359	8.5		
	Civil Engineering and Other Works	8,959	9.8	9,289	10.8	330	3.7	12,185	10.1		
	Total	91,382	100.0	85,964	100.0	(5,417)	(5.9)	120,960	100.0		
Construction completed	NTT Network Engineering Work	25,747	31.1	24,959	31.8	(787)	(3.1)	36,901	30.7		
	Mobile Network Solutions Work	43,138	52.2	39,406	50.2	(3,732)	(8.7)	61,177	50.8		
	IT Solutions Work	6,846	8.3	6,080	7.8	(766)	(11.2)	10,928	9.1		
	Civil Engineering and Other Works	6,930	8.4	7,972	10.2	1,042	15.0	11,371	9.4		
	Total	82,662	100.0	78,418	100.0	(4,243)	(5.1)	120,379	100.0		
Balance carried forward to next period	NTT Network Engineering Work	9,055	28.3	8,867	28.2	(187)	(2.1)	6,917	29.0		
	Mobile Network Solutions Work	16,290	51.0	16,047	51.1	(242)	(1.5)	12,757	53.5		
	IT Solutions Work	2,604	8.1	2,339	7.5	(264)	(10.2)	1,350	5.7		
	Civil Engineering and Other Works	4,026	12.6	4,129	13.2	103	2.6	2,812	11.8		
	Total	31,975	100.0	31,383	100.0	(592)	(1.9)	23,837	100.0		