



Daimei Telecom Engineering Corp.

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Shinagawa-ku, Tokyo, Japan

August 6, 2010

**CONSOLIDATED FINANCIAL REPORT
FOR THE THREE MONTHS ENDED JUNE 30, 2010
(based on Japanese Standards)**

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: August 11, 2010

Date for start of dividend payments: --

Preparation of Quarterly Summary

Supplementary Explanatory Materials: Yes

Quarterly Earnings Briefings: No

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

1. Business Results for the Three-month Period ended June 30 (April 1, 2010 – June 30, 2010)

(1) Consolidated Operating Results (Year-to-Date)

(The percentages shown are the percent increase or decrease compared to the same quarter 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 | % |
| Three months ended | | | | | | | | |
| June 30, 2010 | 22,801 | (3.2) | (300) | — | (163) | — | (113) | — |
| June 30, 2009 | 23,559 | (7.3) | 706 | (20.5) | 750 | (20.6) | 339 | (32.5) |

| | Net Income per Share | Diluted Net Income per Share |
|--------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended | | |
| June 30, 2010 | (2.92) | — |
| June 30, 2009 | 8.88 | 8.23 |

(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 | | | | |
| June 30, 2010 | 61,532 | 45,673 | 72.3 | 1,148.89 |
| March 31, 2010 | 66,366 | 46,485 | 68.3 | 1,159.50 |

(Reference) Shareholders' equity As of June 30, 2010 ¥44,518 million
As of March 31, 2010 ¥45,309 million

2. Dividends

| (Date of Record) | Dividends per Share | | | | |
|--|---------------------|----------------|---------------|--------------|--------------|
| | First Quarter | Second Quarter | Third Quarter | Year-end | Full Year |
| Year Ended March 31, 2010 | Yen — | Yen 10.00 | Yen — | Yen 10.00 | Yen 20.00 |
| Year Ending March 31, 2011 | — | | | | |
| Year Ending March 31, 2011 (Forecast) | | 10.00 | — | — | — |

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

3. Projected Operating Results for the Consolidated Fiscal Year Ending March 2011 (April 1, 2010 - March 31, 2011)

(The percentages shown for the interim period and the full year are the percent increase or decrease compared to the interim period and full year of 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 |
| Interim period | 53,700 | 5.6 | 1,500 | (13.5) | 1,760 | (2.3) | 1,000 | 3.6 | 26.13 |
| Full Year | 117,000 | 1.1 | 4,000 | (14.6) | 4,500 | (7.0) | 2,600 | (14.4) | 67.94 |

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

4. Other (For details please refer to Other Information on Page 3 of the attached materials.)

(1) Were there changes to important subsidiaries during the period? No

Newly consolidated companies: 0 (Company name:)

Newly excluded companies: 0 (Company name:)

(Note) Changes in specific subsidiaries during the quarterly accounting period in conjunction with a change in the scope of consolidation.

(2) Has the Company applied simplified accounting treatment and special accounting treatment? Yes

(Note) Application of simplified accounting method and special accounting method in the preparation of quarterly consolidated financial statements.

(3) Changes in the principles, procedures or methods of presentation

(a) Are there changes in conjunction with revision of accounting standards? Yes

(b) Are there changes other than those in (a)? No

(Note) Changes in accounting principles, procedures and methods of presentation pertaining to preparation of the quarterly consolidated financial statements recorded in the Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements.

(4) Number of shares issued (common stock)

| | | | | |
|--|-----------------------------------|-------------------|-----------------------------------|-------------------|
| (a) Number of shares outstanding at the end of the period (including treasury stock) | First Quarter ended June 30, 2010 | 41,112,324 shares | Fiscal Year ended March 2010 | 41,112,324 shares |
| (b) Number of shares of treasury stock at the end of the period | First Quarter ended June 30, 2010 | 2,363,288 shares | Fiscal Year ended March 2010 | 2,035,943 shares |
| (c) Average number of shares outstanding during the period (quarter year-to-date) | First Quarter ended June 30, 2010 | 38,924,805 shares | First Quarter ended June 30, 2009 | 38,250,693 shares |

Note: Disclosure concerning status of implementation of quarterly review procedure

This quarterly earnings report is exempt from the quarterly review procedure based on the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly earnings report, the Company has not completed the quarterly review procedure for financial statements based on the Financial Instruments and Exchange Act.

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

- Daimei Telecom Engineering Corp. is planning to execute a management integration by establishing a joint holding company (MIRAIT Holdings Corporation) with Commuture Corp. and TODENTSU Corporation on October 1, 2010.
- The projected operating results for the consolidated fiscal year ending March 2011 have been prepared using Daimei's present organization as a premise. In addition, because the projected year-end dividend for the fiscal year ending March 2011 will be paid to the joint holding company the dividend amount is undecided at this time. Daimei plans to release a consolidated operating results projection and projected dividend for the new company again based on the management integration.
- 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. Please refer to the Qualitative Information Concerning Projected Operating Results on Page 2 of the attached materials for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

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1. Qualitative Information Concerning Consolidated Operating Results for the Quarter under Review

(1) Qualitative Information Concerning Consolidated Operating Results

During the first quarter consolidated accounting period under review, Japan's economy recovered steadily, supported by factors ranging from an upturn in personal consumption, a halt to the decline in corporate capital investment, the expansion of Asia's economies and government economic stimulus measures. At the same time, however, risks such as the plunging economic indicators and deflation affecting overseas business conditions, particularly in the United States and Europe, and the deterioration in Japan's employment situation, continued to act as drags on economic growth.

In the telecommunications sector, the convergence of fixed line and mobile service and the merger of telecommunications and broadcasting accelerated in conjunction with the shift to broadband and progress towards a ubiquitous communications society. Nevertheless, under the influence of sharp competition among carriers and the economic slump just recent ended, carrier capital investment followed a steep downward trend, and the demands from each carrier for cost reductions grew even louder.

As a result of this severe management environment, and negative factors such as a diminishing net increase in the number of FLETS Hikari telephone service subscribers and delay of orders from mobile telecommunications carriers, for the first quarter consolidated accounting period under review the value of orders received slipped 2.6% compared with the same quarter of the previous consolidated fiscal year to ¥26,448 million and net sales fell 3.2% year-on-year to ¥22,801 million.

From the standpoint of earnings, the Daimei Group came under pressure from the substantial decline in gross profit because of the drop in net sales as mentioned above, as well as factors such as a large increase in selling, general and administrative expenses, which jumped 12.6% compared with the same quarter of the previous consolidated fiscal year because of depreciation and amortization expense for buildings owned by Daimei. As a result, Daimei reported an operating loss of ¥300 million, an ordinary loss of ¥163 million and a first quarter net loss of ¥113 million.

Going forward, the Daimei Group will strengthen its sales activities aimed at boosting the value of orders received and net sales, and strive to lower costs including selling, general and administrative expenses.

(2) Qualitative Information Concerning Consolidated Financial Position

(Assets)

Total assets at the end of the consolidated accounting first quarter were ¥61,532 million. This was ¥4,833 million less than at the end of the previous consolidated fiscal year. Although cash and deposits, cost of construction work in progress and other assets increased, assets fell because of a decrease in accounts due for completed construction.

(Liabilities)

Total liabilities at the end of the consolidated accounting first quarter were ¥15,859 million. This was ¥4,021 million less than at the end of the previous consolidated fiscal year. This mainly reflected decreases in accrued construction and accrued income taxes.

(Net Assets)

Net assets at the end of the consolidated accounting first quarter decreased ¥812 million compared with the end of the previous consolidated fiscal year to ¥45,673 million. Treasury stock increased, but earned surplus fell.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

There are no changes in the figures for projected consolidated operating results for the interim period and full year announced on May 12, 2010.

2. Other Information

(1) Summary of Changes to Important Subsidiaries

There were no changes to important subsidiaries during the first quarter consolidated accounting period under review.

(2) Summary of Simplified Accounting Treatment and Special Accounting Treatment

1. Simplified accounting treatment

(a) Calculation method for 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 and methods used for tax planning.

(b) Calculation method for fixed asset depreciation

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.

2. Special accounting treatment for preparation of the first quarter consolidated financial statements

(a) Calculation of tax expense

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

Income tax adjustments are reported by inclusion in “corporate, inhabitants’ and enterprise taxes.”

(3) Summary of Changes in the Principles, Procedures or Methods of Presentation

1. Changes in matters concerning accounting standards

(a) Application of the Accounting Standard for Asset Retirement Obligations

Effective from the first quarter of the current consolidated fiscal year, the Daimei Group applies the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan Statement No. 18 dated March 31, 2008 and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 dated March 31, 2008).

As a result, the operating loss and ordinary loss for the first quarter consolidated accounting period under review each increased by ¥26 million and the net loss before income taxes and minority interests increased by ¥47 million, respectively, compared to what they otherwise would have been had the accounting standard used in past periods been applied. The change in asset retirement obligations as a result of the application of this standard was ¥111 million.

(b) Application of the Accounting Standard for Business Combinations etc.

Beginning from the first quarter of the current consolidated accounting fiscal year, the Daimei Group applies the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan Statement No. 21 dated December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 dated December 26, 2008), the Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23 dated December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 dated December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, portions dated December 26, 2008) and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Statement No. 10 dated December 26, 2008).

2. Changes in method of presentation

Based on application of the “Cabinet Office Ordinance Partially Revising the Regulations for Terminology, Formats and Preparation Methods of Financial Statements” (Cabinet Ordinance No. 5 dated March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 dated December 26, 2008), the Daimei Group has disclosed the line item “Quarter income (loss) before minority interests” for the first quarter consolidated accounting period.

(4) Summary of Important Events Etc. Concerning the Going Concern Assumption

The Company had no material items to report.

3. Quarterly Consolidated Financial Statements

(1) First Quarter Consolidated Balance Sheets

| | (Unit: Millions of yen) | |
|---|--|---|
| | First Quarter of the Consolidated Fiscal Year Under Review (As of June 30, 2010) | Prior Consolidated Fiscal Year Summary Balance Sheet (As of March 31, 2010) |
| Assets | | |
| Current Assets | | |
| Cash and bank deposits | 11,619 | 7,313 |
| Accounts receivable and accounts due for completed construction | 17,400 | 28,154 |
| Marketable securities | 200 | 486 |
| Cost of construction work in progress and other inventory | 9,399 | 7,506 |
| Deferred tax assets | 482 | 277 |
| Other current assets | 890 | 885 |
| Allowance for doubtful receivables | (8) | (10) |
| Total current assets | <u>39,984</u> | <u>44,612</u> |
| Fixed Assets | | |
| Tangible fixed assets | | |
| Buildings and structures (net) | 6,156 | 5,745 |
| Land | 8,039 | 8,039 |
| Construction suspense account | — | 332 |
| Other fixed assets (net) | 972 | 1,062 |
| Total tangible fixed assets | <u>15,168</u> | <u>15,180</u> |
| Intangible Fixed Assets | | |
| Goodwill | 26 | 29 |
| Other intangible fixed assets | 1,272 | 1,358 |
| Total intangible fixed assets | <u>1,298</u> | <u>1,388</u> |
| Investments and other assets | | |
| Investment securities | 2,699 | 2,789 |
| Long-term loans receivable | 124 | 124 |
| Deposits and guarantees | 726 | 712 |
| Deferred tax assets | 1,020 | 993 |
| Other investments and other assets | 820 | 876 |
| Allowance for doubtful receivables | (310) | (311) |
| Total investments and other assets | <u>5,081</u> | <u>5,184</u> |
| Total fixed assets | <u>21,548</u> | <u>21,753</u> |
| Total Assets | <u>61,532</u> | <u>66,366</u> |
| Liabilities | | |
| Current Liabilities | | |
| Notes payable and accrued construction | 8,781 | 13,601 |
| Short-term borrowings | 100 | 103 |
| Accrued income taxes | 51 | 621 |
| Advances received on uncompleted contracts | 677 | 313 |
| Allowance for losses on construction contracts | 100 | 60 |
| Accrued bonuses to directors | — | 5 |
| Allowance for completed construction indemnification | 11 | 13 |
| Asset retirement obligations due within 1 year | 104 | — |
| Other current liabilities | 2,764 | 1,751 |
| Total current liabilities | <u>12,591</u> | <u>16,470</u> |
| Long-term liabilities | | |
| Long-term debt | 1 | 1 |
| Long-term accrued expenses | 159 | 261 |
| Deferred tax liability | 3 | 3 |
| Reserve for employees' retirement benefits | 1,589 | 1,559 |
| Allowance for retirement benefits for directors | 141 | 148 |
| Asset retirement obligations | 7 | — |
| Negative goodwill | 1,286 | 1,355 |
| Deferred tax liability related to revaluations | 49 | 49 |
| Other long-term liabilities | 29 | 31 |
| Total long-term liabilities | <u>3,267</u> | <u>3,410</u> |
| Total Liabilities | <u>15,859</u> | <u>19,881</u> |
| Net Assets | | |
| Owners' equity | | |
| Paid-in capital | 5,610 | 5,610 |
| Capital surplus | 4,025 | 4,025 |
| Earned surplus | 36,748 | 37,253 |
| Treasury stock | (1,846) | (1,634) |
| Total Owners' Equity | <u>44,538</u> | <u>45,255</u> |
| Valuation and translation adjustments | | |
| Valuation difference on available for sale securities | 85 | 159 |
| Revaluation difference on land | (105) | (105) |
| Total valuation and translation adjustments | <u>(20)</u> | <u>53</u> |
| Minority interests | 1,154 | 1,176 |
| Total Net Assets | <u>45,673</u> | <u>46,485</u> |
| Total Liabilities and Net Assets | <u>61,532</u> | <u>66,366</u> |

(2) Quarterly Consolidated Statements of Income

(First Quarter Consolidated Statements of Income)

(Unit: Millions of yen)

| | First Quarter of the Previous Consolidated Fiscal Year (From April 1, 2009 to June 30, 2009) | First Quarter of the Consolidated Fiscal Year Under Review (From April 1, 2010 to June 30, 2010) |
|--|---|---|
| Net sales | 23,559 | 22,801 |
| Cost of sales | 20,541 | 20,498 |
| Gross profit | 3,018 | 2,302 |
| Sales, general, and administrative expenses | 2,311 | 2,603 |
| Operating income (loss) | 706 | (300) |
| Non-operating income | | |
| Interest income | 5 | 1 |
| Dividend income | 36 | 44 |
| Amortization of negative goodwill | 7 | 68 |
| Real estate rent income | 16 | 15 |
| Other income | 13 | 19 |
| Total non-operating income | 78 | 149 |
| Non-operating expenses | | |
| Interest expense | 31 | 0 |
| Worksite vicinity expense | — | 8 |
| Other non-operating expenses | 3 | 3 |
| Total non-operating expenses | 34 | 12 |
| Ordinary income (loss) | 750 | (163) |
| Extraordinary income | | |
| Gain on allotment of investment securities | — | 10 |
| Reversal of allowance for doubtful receivables | 3 | 4 |
| Reimbursement due to cancellation of insurance | 1 | 48 |
| Total extraordinary income | 4 | 62 |
| Extraordinary expenses | | |
| Loss on disposal of fixed assets | 27 | 22 |
| Loss on valuation of investment securities | 8 | — |
| Management integration expenses | — | 57 |
| Extraordinary expenses resulting from application of the Accounting Standard for Asset Retirement Obligations | — | 21 |
| Total extraordinary expenses | 36 | 101 |
| Quarter income (loss) before income taxes and minority interests | 718 | (202) |
| Corporate, inhabitants' and enterprise taxes | 348 | (71) |
| Quarter income (loss) before minority interests | — | (130) |
| Minority interest in income (loss) | 30 | (16) |
| Quarter net income (loss) | 339 | (113) |

(3) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(4) Notes on Significant Changes to Shareholders' Equity

The Company had no material items to report.

(5) Other Information to Note

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 | | First Quarter of the Previous Consolidated Fiscal Year From April 1, 2009 to June 30, 2009 | | First Quarter of the Consolidated Fiscal Year Under Review From April 1, 2010 to June 30, 2010 | | Increase (Decrease) | | (Reference) Previous Consolidated Fiscal Year From April 1, 2009 to March 31, 2010 | |
|---|-----------------------------------|--------|-----------|--|-----------|--|-----------|---------------------|-----------|--|--|
| | | Amount | Percent % | Amount | Percent % | Amount | Percent % | Amount | Percent % | | |
| Balance carried forward from prior period | NTT Network Engineering Work | 6,917 | 29.0 | 7,192 | 29.2 | 274 | 4.0 | 6,917 | 29.0 | | |
| | Mobile Network Solutions Work | 12,757 | 53.5 | 13,349 | 54.1 | 592 | 4.6 | 12,757 | 53.5 | | |
| | IT Solutions Work | 1,350 | 5.7 | 1,583 | 6.4 | 233 | 17.3 | 1,350 | 5.7 | | |
| | Civil Engineering and Other Works | 2,812 | 11.8 | 2,543 | 10.3 | (268) | (9.6) | 2,812 | 11.8 | | |
| | Total | 23,837 | 100.0 | 24,669 | 100.0 | 831 | 3.5 | 23,837 | 100.0 | | |
| Orders received | NTT Network Engineering Work | 9,119 | 33.6 | 7,384 | 27.9 | (1,734) | (19.0) | 36,167 | 31.0 | | |
| | Mobile Network Solutions Work | 12,879 | 47.5 | 11,912 | 45.1 | (967) | (7.5) | 57,541 | 49.4 | | |
| | IT Solutions Work | 2,395 | 8.8 | 2,470 | 9.3 | 75 | 3.1 | 9,541 | 8.2 | | |
| | Civil Engineering and Other Works | 2,753 | 10.1 | 4,681 | 17.7 | 1,928 | 70.0 | 13,252 | 11.4 | | |
| | Total | 27,147 | 100.0 | 26,448 | 100.0 | (698) | (2.6) | 116,501 | 100.0 | | |
| Construction completed | NTT Network Engineering Work | 8,283 | 35.1 | 7,044 | 30.9 | (1,238) | (15.0) | 35,892 | 31.0 | | |
| | Mobile Network Solutions Work | 11,417 | 48.5 | 10,723 | 47.0 | (694) | (6.1) | 56,948 | 49.2 | | |
| | IT Solutions Work | 1,882 | 8.0 | 1,970 | 8.7 | 88 | 4.7 | 9,307 | 8.1 | | |
| | Civil Engineering and Other Works | 1,976 | 8.4 | 3,062 | 13.4 | 1,086 | 55.0 | 13,521 | 11.7 | | |
| | Total | 23,559 | 100.0 | 22,801 | 100.0 | (758) | (3.2) | 115,670 | 100.0 | | |
| Balance carried forward to next period | NTT Network Engineering Work | 7,753 | 28.3 | 7,532 | 26.6 | (221) | (2.9) | 7,192 | 29.2 | | |
| | Mobile Network Solutions Work | 14,219 | 51.8 | 14,538 | 51.3 | 318 | 2.2 | 13,349 | 54.1 | | |
| | IT Solutions Work | 1,862 | 6.8 | 2,083 | 7.4 | 220 | 11.8 | 1,583 | 6.4 | | |
| | Civil Engineering and Other Works | 3,589 | 13.1 | 4,162 | 14.7 | 573 | 16.0 | 2,543 | 10.3 | | |
| | Total | 27,425 | 100.0 | 28,316 | 100.0 | 891 | 3.3 | 24,669 | 100.0 | | |