



December 9, 2009

For Immediate Release

Listed company name	Daimei Telecom Engineering Corp.
Representative	President Goro Yagihashi
(Stock Code	Tokyo Stock Exchange First Section, 1943)
Inquiries	Managing Director Haruo Hasebe Director, Management & Administration Dept.
(TEL	03-5434-1121)

Listed company name	Tohoken System Engineering Corporation
Representative	President Tsuneo Hayakawa
(Stock Code	JASDAQ, 1990)
Inquiries	Director Hideo Sato General Manager, Administration Division
(TEL	0283-24-5556)

Notice of Conclusion of Share Exchange Agreement to Make Tohoken System Engineering Corporation a Wholly Owned Subsidiary of Daimei Telecom Engineering Corp.

The boards of directors of Daimei Telecom Engineering Corp. (Daimei Telecom) and Tohoken System Engineering Corporation (Tohoken) resolved at their board meetings held today to implement an exchange of shares (“the share exchange”) to make Daimei Telecom the wholly owning parent company and Tohoken a wholly owned subsidiary and concluded a Share Exchange Agreement between the two companies. Details are provided below.

Daimei Telecom plans to execute the share exchange without obtaining approval at a General Meeting of the Shareholders, based on the procedure for a simple share exchange provided in Article 796 paragraph 3 of the Companies Act. Tohoken plans to execute the share exchange using March 25, 2010 as the effective date, after having received approval at an Extraordinary Meeting of Shareholders scheduled to be held on February 23, 2010.

Tohoken plans to delist its common stock on the Jasdax Securities Exchange, Inc. (JASDAQ) prior to the effective date of the share exchange (the final trading date will be March 18, 2010).

1. Purpose of Making Tohoken a Wholly Owned Subsidiary Through a Share Exchange

(1) Purpose of the share exchange

Since being established in 1944, Daimei Telecom has been developing its business in telecommunication facilities construction, and currently provides services on a nationwide basis ranging from construction of fixed-line and mobile telecommunications networks to the provision of IT solutions including LAN and WAN construction.

Daimei Telecom made Tohoken a consolidated subsidiary in September 1999. Since then the two companies have worked to strengthen their construction organizations for telecommunications facility works in the northern Kanto Region through effective mutual use of management resources. As a result of Daimei Telecom strengthening its transaction relationship with Tohoken, Daimei Telecom and the Daimei Telecom Group accounted for 95.1% of Tohoken’s net sales in the fiscal year ended March 2009.

On the other hand, as a core firm in the Daimei Telecom Group, Tohoken has mainly played a role in building the infrastructure for an information society, particularly in construction of telecommunication facilities located mainly in the northern Kanto Region.

The business environment in the telecommunications sector is changing rapidly. Requests from telecommunications carriers to reduce costs are growing louder, as the sharp competition among telecommunications carriers accelerates together with advances in areas such as conversion of fixed-line access networks to optic fiber, construction of next-generation networks (NGN) and faster transmission speeds and diversification of services in mobile telecommunications. Daimei believes the optimal approach for both companies will be to improve group cohesiveness, by

enhancing its construction organization and mutually and effectively utilizing the advanced technologies the two firms have cultivated and the business information and management resources they have accumulated until now, including human resources, to enable both companies to respond flexibly and rapidly to changes and comply with customer requests in the future. Moreover, because of recent systemic changes the cost of listing shares has been increasing each year, and the two companies judged it is more reasonable for Tohoken and Daimei Telecom to pursue group management together, rather than for Tohoken to list its shares separately.

The two companies judged that to realize these objectives, making Tohoken a wholly owned subsidiary of Daimei Telecom through an exchange of shares will help increase the medium to long-term corporate value of the Daimei Telecom Group and contribute to optimizing the benefits for all of Daimei Telecom and Tohoken shareholders, and have decided to implement the share exchange.

In the future, both companies will work to strengthen cooperation within the Daimei Telecom Group, further improve systems for cooperation as a group, broaden opportunities to receive orders through efforts to “obtain customer trust through safety, security, high quality and on-time delivery,” “strengthen cost competitiveness” and “actively address new fields” and reduce costs by increasing management efficiency.

In a separate development, Daimei Telecom has reached a basic agreement to execute a management integration with Commutere Corp. and TODENTSU Corporation as reported on November 27, 2009. At this time, Daimei Telecom plans to delist in late September 2010 its shares listed on the Tokyo Stock Exchange and become a wholly owned subsidiary of a joint holding company that will be established on October 1, 2010. In conjunction with this change, Daimei Telecom stock will be allocated to all shareholders holding Tohoken stock on March 25, 2010, the effective date of the share exchange, and subsequently the stock of the joint holding company, which will apply to be newly listed on October 1, 2010, will be allocated for the shares of Daimei Telecom. The three companies plan to announce the details concerning the share transfer ratio to be applied when the above-mentioned management integration is executed and the listing application and delisting of shares as soon as a decision has been made.

(2) Prospects and reason for the delisting

Tohoken will become a wholly owned subsidiary of Daimei Telecom on March 25, 2010, the effective date, as a result of the share exchange. Before becoming a wholly owned subsidiary, Tohoken plans to delist its common stock on March 19, 2010 through the prescribed procedures in accordance with JASDAQ’s criteria for delisting (the final trading date will be March 18, 2010).

After the delisting it will no longer be possible to trade shares of Tohoken common stock on JASDAQ.

(3) Reason for the delisting and status of investigation of replacement measures

The purpose of the share exchange is to make Tohoken a wholly owned subsidiary of Daimei Telecom as described in (1) above. Although the direct purpose is not to delist the common stock of Tohoken, Tohoken plans to delist its common stock based on the share exchange, as described in (2) above. There is a possibility for shareholders who own 400 or more shares of Tohoken stock and receive allocation of more than 100 shares of Daimei Telecom stock, which is the number of shares constituting one unit of Daimei Telecom stock, to receive a partial allocation of shares equaling less than one stock unit as a result of the share exchange, in proportion to the number of shares owned. However, because the common stock of Daimei Telecom that will be the remuneration in the share exchange is listed on the TSE, Daimei Telecom believes it will be possible to continue trading shares of more than one unit on the Tokyo Stock Exchange (TSE) even after the share exchange, and that Daimei Telecom will be able to ensure the liquidity of its shares.

Although shareholders who own less than 400 shares of Tohoken common stock and receive less than one unit of Daimei Telecom stock (less than 100 shares) as a result of the share exchange will be unable to sell their shares of less than one unit on the TSE, they will be able to utilize Daimei Telecom’s buyback program for shares of less than one unit. For details concerning the administration of shares less than one unit, please refer to (Note 3) in Section 2. (3). For details concerning the administration of shares when a fractional amount of less than one share has resulted in conjunction with the share exchange, please refer to (Note 4) in Section 2. (3).

Tohoken shareholders will be able to buy and sell on JASDAQ the Tohoken common stock they own just as they have in the past, and will be able to exercise the rights provided under the Companies Act and other applicable laws and regulations, until March 18, 2010 (tentative), the final trading date.

(4) Measures to ensure fairness

Because Daimei Telecom owns 43.75% (2,611,000 shares) of Tohoken's issued and outstanding shares, to ensure the fairness and validity of the stock exchange ratio for the share exchange the Company negotiated and conferred by referring to advice pertaining to the share exchange ratio calculation from Heiseikaikeisha Tax Corporation (HSK), a third-party calculation organization, as a reference, and the Company's Board of Directors studied and resolved to execute the share exchange based on the stock exchange ratio that was agreed upon as a result.

On the other hand, to ensure the fairness and validity of the stock exchange ratio for the share exchange, Tohoken negotiated and conferred by referring to advice pertaining to the share exchange ratio calculation from MIRAI Consulting, Inc. (MIRAI Consulting), a third-party calculation organization, as a reference, and Tohoken's Board of Directors studied and resolved to execute the share exchange based on the stock exchange ratio that was agreed upon as a result.

Neither Daimei Telecom nor Tohoken has obtained a fairness opinion (fairness evaluation) from its respective third-party calculation organization.

(5) Measures to avoid conflicts of interest

From the viewpoint of avoiding a conflict of interest, Managing Director Kazumi Suwa and Outside Director Osatoshi Ishizaki did not participate in the discussions and resolution concerning the share exchange by Tohoken's Board of Directors because they now serve concurrently as employees of Daimei Telecom, and Outside Auditor Ryuhei Horishima also did not declare an opinion because he now serves concurrently as an employee of Daimei Telecom.

(6) Matters concerning transactions with controlling shareholders etc.

As described in (4) above, Daimei Telecom owns 43.75% (2,611,000 shares) of Tohoken's issued and outstanding shares, meaning the share exchange corresponds to a transaction with a controlling shareholder.

Traditionally, Tohoken has ensured its management independence when engaging in transactions with the parent company by properly deciding its internal intentions on the basis of standards similar to those for transactions with other firms, in order to prevent damages to Tohoken and minority stockholders resulting from the parent company using its influence to carry out transactions that would benefit the parent company. In addition, Tohoken has ensured transparency and fairness through regular internal audits by its corporate auditor. To ensure the above-mentioned management independence in the share exchange as well, Tohoken has judged the share exchange after further securing fairness by implementing the measures described in (4) and (5) above.

2. Summary of the Share Exchange

(1) Schedule for the share exchange

Wednesday, December 9, 2009	Board of Directors resolution on the share exchange (both companies)
Wednesday, December 9, 2009	Signing of Share Exchange Agreement (both companies)
Thursday, December 10, 2009 (tentative)	Notification of Date of Record for the Extraordinary General Meeting of the Shareholders (Tohoken)
Friday, December 25, 2009 (tentative)	Date of Record for the Extraordinary General Meeting of the Shareholders (Tohoken)
Tuesday, February 23, 2010 (tentative)	Extraordinary General Meeting of the Shareholders for Approval of Share Exchange (Tohoken)
Thursday, March 18, 2010 (tentative)	Final trading date (Tohoken)
Friday, March 19, 2010 (tentative)	Delisting date (Tohoken)
Thursday, March 25, 2010 (tentative)	Scheduled date for share exchange (effective date)

(Note 1) At Daimei Telecom, the share exchange will be executed without obtaining approval at a General Meeting of the Shareholders, using the procedure for a simple share exchange based on the provisions of Article 796 paragraph 3 of the Companies Act.

(Note 2) The scheduled date of the share exchange (effective date) is subject to change based on the mutual agreement of both companies.

(2) Method for the share exchange

Daimei Telecom shall become the wholly owning parent company through the share exchange, and Tohoken shall become the wholly owned subsidiary through the share exchange.

(3) Details of the allocation pertaining to the share exchange

Company name	Daimei Telecom Engineering Co., Ltd. (Wholly owning parent company through the share exchange)	Tohoken System Engineering Corporation (Wholly owned subsidiary through the share exchange)
Allocation pertaining to exchange of shares	1	0.25
Number of new shares issued by exchange of shares	No new shares will be issued	

(Note 1) Share allocation ratio

Daimei Telecom will allocate and deliver 0.25 shares of common stock for 1 share of Tohoken common stock. However, no shares will be allocated and delivered for the 2,611,990 of Tohoken common stock owned by Daimei Telecom.

(Note 2) Number of new shares to be issued through the share exchange

Daimei Telecom will allocate and deliver 779,250 shares of common stock (tentative) through the share exchange, and plans to allocate treasury stock for the shares to be delivered. There is a possibility the number of shares to be allocated through the share exchange will be revised in the future for various reasons including the repayment of treasury stock by Tohoken.

(Note 3) Administration of shares less than one unit

Tohoken shareholders who own less than one unit of Daimei Telecom stock (less than 100 shares of stock) as a result of the share exchange will have the right to receive Daimei Telecom dividends for which a date after the effective date of the share exchange is the date of record, in accordance with the number of shares owned, but will not be able to sell their shares of less than one unit of stock on the TSE. Shareholders who are to own shares of less than one unit of Daimei Telecom stock will be able to utilize the following system for their Daimei Telecom shares.

- Buyback program for shares of less than one unit of stock (sale of less than 100 shares)

This system enables shareholders who own shares of less than one unit of Daimei Telecom stock to request Daimei Telecom to purchase their owned shares of less than one unit based on the provision of Article 192 paragraph 1 of the Companies Act.

(Note 4) Administration of fractions of less than one share

Daimei Telecom will pay, to shareholders who receive delivery of a fraction of less than one share in conjunction with the share exchange, an amount in proportion to the fraction of less than one share, in accordance with the provision of Article 234 of the Companies Act.

3. Summary of the Companies to the Share Exchange

(As of September 30, 2009)

	Wholly Owing Parent Company in the Share Exchange	Wholly Owned Subsidiary Company in the Share Exchange
(1) Trade name	Daimei Telecom Engineering Corp. (Consolidated)	Tohoken System Engineering Corporation
(2) Businesses	NTT Network Engineering Business, Mobile Networks Solutions Business, Civil Engineering and Other Works, IT Solutions Business	Telecommunications Line Business, Mobile Telecommunications Business, IP Business, Electrical Equipment Business, Civil Engineering Works-Related Operation and Construction Business
(3) Established	December 21, 1944	September 19, 1946
(4) Head Office	2-11-20 Nishi-Gotanda, Shinagawa-ku, Tokyo	204-7 Koena-cho, Sanoshi, Tochigi Prefecture
(5) Representative Position and Name	President Goro Yagihashi	President Tsuneo Hayakawa
(6) Paid-in Capital	¥5,610 million	¥817 million
(7) Shares Issued	41,112,000 shares	5,970,000 shares
(8) Net assets	¥46,095 million	¥3,219 million
(9) Total Assets	¥62,217 million	¥4,899 million
(10) Fiscal Year-End	March 31	March 31
(11) Number of Employees	2,999	145
(12) Main Customers	NTT East Corporation NTT West Corporation NTT DOCOMO, INC. KDDI Corp. EMOBILE Ltd.	Daimei Telecom Engineering Corp.
(13) Largest Shareholders and Percentage of Shares Held (As of September 30, 2009)	Japan Trustee Services Bank, Ltd. (Trust Account) 15.96% The Master Trust Bank of Japan, Ltd. (Trust Account) 6.33% State Street Bank and Trust Company 4.23% Japan Trustee Services Bank, Ltd. (Trust Account No. 9) 3.99% Mizuho Corporate Bank, Ltd. 3.27%	Daimei Telecom Engineering Corp. 43.75% Tohoken Employees Share Holding Company 4.57% Hiromitsu Hoshino 2.39% Masayuki Furuhashi 1.74% Religious Corporation Soushuuji 1.33%
(14) Relationship Between the Companies	1. Capital relationship	Daimei Telecom owns 43.75% (2,611,000 shares) of Tohoken's issued shares as of September 30, 2009
	2. Personnel relationship	Two employees and one managing officer of Daimei Telecom are serving concurrently as Executive Directors and Corporate Auditor of Tohoken. Daimei Telecom has also seconded two employees to Tohoken.
	3. Transaction relationship	Tohoken receives orders from Daimei Telecom mainly for telecommunications works and builds such works. In the most recent fiscal year (FY ended March 2009), net sales for construction ordered by Daimei Telecom were ¥7,656 million.
	4. Concerned party status	Daimei Telecom accounts for Tohoken as a consolidated subsidiary and corresponds to a concerned party.

(15) Operating results for the most recent three years

	Daimei Telecom Engineering Corp. (Consolidated) (Wholly Owning Parent Company in the Share Exchange)			Tohoken System Engineering Corporation (Wholly Owned Subsidiary Company in the Share Exchange)		
Accounting period	FYE March 2007	FYE March 2008	FYE March 2009	FYE March 2007	FYE March 2008	FYE March 2009
Net sales (mil. yen)	124,710	120,156	120,379	9,299	7,716	8,047
Operating income (mil. yen)	8,187	7,611	6,924	160	138	126
Ordinary income (mil. yen)	8,229	7,791	7,018	204	184	167
Net income (mil. yen)	4,393	4,328	3,852	40	183	98
Total assets (mil. yen)	74,401	71,047	70,775	5,093	4,946	5,204
Net assets (mil. yen)	41,967	42,436	45,400	3,017	3,158	3,201
Net income per share (yen)	107.37	107.56	100.72	7.00	31.46	16.98
Full-year dividends per share (yen)	19.00	20.00	20.00	5.00	5.00	5.00
Shareholders' equity per share (yen)	956.22	1,031.48	1,106.71	516.96	541.43	558.82

4. Summary of Accounting Treatment

The share exchange is expected to correspond to a transaction with minority stockholders as a transaction between entities under common control. The transaction is expected to create goodwill. The amount of goodwill that will be created is undetermined at this time.

5. Future Outlook

Tohoken is a consolidated subsidiary of Daimei Telecom, and the influence of the share exchange on Daimei Telecom's consolidated and non-consolidated operating results is expected to be immaterial.

(Reference) Daimei Telecom's projected operating results for the current consolidated fiscal year (released on November 11, 2009) and actual consolidated operating results for the prior consolidated fiscal year (Unit: Million yen).

	Consolidated net sales	Consolidated operating income	Consolidated ordinary income	Consolidated net income
Current fiscal year projection (Fiscal year ending March 2010)	121,000	6,000	6,150	3,450
Prior fiscal year actual (Fiscal Year ended March 2009)	120,379	6,924	7,018	3,852