



**DAIHO CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2010 AND 2009**  
**TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

KPMG AZSA & Co.  
June 2010



## Independent Auditors' Report

To the Shareholders and Board of Directors of  
DAIHO CORPORATION:

We have audited the accompanying consolidated balance sheets of DAIHO CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DAIHO CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

*KPMG AZSA & Co.*

Tokyo, Japan  
June 29, 2010

**DAIHO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2010 and 2009**

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current assets:			
Cash and time deposits (Notes 11 and 15)	¥ 19,369	¥ 18,425	\$ 208,179
Receivables:			
Trade notes and accounts receivable (Notes 4, 7 and 15)	45,045	50,299	484,147
Short-term loans receivable (Note 15)	71	108	763
Allowance for doubtful accounts	(253)	(189)	(2,719)
Costs on uncompleted construction contracts and other (Note 4)	10,968	24,064	117,885
Deferred tax assets (Note 9)	341	524	3,665
Other current assets	6,265	6,468	67,336
Total current assets	81,806	99,699	879,256
Property and equipment:			
Land (Notes 4 and 14)	4,659	6,397	50,075
Buildings and structures (Notes 4 and 14)	4,417	6,661	47,474
Machinery and equipment	10,172	12,412	109,330
Construction in progress	—	12	—
	19,248	25,482	206,879
Accumulated depreciation	(11,560)	(14,114)	(124,248)
Net property and equipment	7,688	11,368	82,631
Investments and other non-current assets:			
Investment securities (Notes 3, 4, 8 and 15)	3,427	3,622	36,834
Long-term loans receivable (Note 15)	818	715	8,792
Deferred tax assets (Note 9)	607	515	6,524
Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 15)	1,884	718	20,249
Other non-current assets	1,777	1,553	19,099
Allowance for doubtful accounts	(1,836)	(1,050)	(19,733)
Total investments and other non-current assets	6,677	6,073	71,765
Total assets	¥ 96,171	¥ 117,140	\$ 1,033,652

See accompanying notes.

**DAIHO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**March 31, 2010 and 2009**

<b>LIABILITIES AND NET ASSETS</b>	<b>Millions of yen</b>		<b>Thousands of U.S. dollars (Note 1)</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Current liabilities:</b>			
Bank loans (Notes 5 and 15)	¥ 8,917	¥ 18,769	\$ 95,840
Commercial papers (Note 15)	997	—	10,716
Trade notes and accounts payable (Note 15)	35,258	40,046	378,955
Deferred tax liabilities (Note 9)	—	2	—
Advances received on uncompleted contracts	10,538	16,878	113,263
Income taxes payable (Note 9)	141	257	1,515
Allowance for losses on construction contracts	956	706	10,275
Deposits received (Note 15)	4,904	5,492	52,709
Accrued and other current liabilities	2,093	1,916	22,496
Total current liabilities	63,804	84,066	685,769
<b>Long-term liabilities:</b>			
Long-term debt (Note 5)	—	1,500	—
Deferred tax liabilities (Note 9)	440	268	4,729
Employees' severance and retirement benefits (Note 6)	7,344	7,004	78,934
Allowance for losses on construction contracts	—	422	—
Allowance for losses on litigation	69	81	742
Other long-term liabilities	2,229	2,391	23,957
Total long-term liabilities	10,082	11,666	108,362
<b>Contingent liabilities (Notes 7 and 15)</b>			
<b>Net assets (Note 10):</b>			
<b>Shareholders' equity:</b>			
<b>Common stock</b>			
Authorized - 160,000,000 shares			
Issued - 67,170,143 shares	5,100	5,100	54,815
Capital surplus	3,689	3,690	39,650
Retained earnings	13,547	12,922	145,604
Less: Treasury stock, at cost	(651)	(651)	(6,997)
<b>Valuation and translation adjustments:</b>			
Net unrealized gains on securities, net of tax	453	225	4,869
<b>Minority interests:</b>			
Total net assets	22,285	21,408	239,521
Total liabilities and net assets	¥ 96,171	¥ 117,140	\$ 1,033,652

**DAIHO CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Years ended March 31, 2010 and 2009**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Sales:	¥ 120,979	¥ 142,353	\$ 1,300,290
Costs and expenses:			
Cost of sales	113,931	135,008	1,224,538
Selling, general and administrative expenses	4,786	5,829	51,440
	<u>118,717</u>	<u>140,837</u>	<u>1,275,978</u>
Operating income	2,262	1,516	24,312
Other income (expenses):			
Interest and dividend income	54	146	580
Interest expense	(382)	(382)	(4,106)
Amortization of negative goodwill	—	1,235	—
Provision for doubtful accounts	(787)	(75)	(8,459)
Gain on sale of investment securities (Note 3)	173	502	1,859
Gain on collection of business acquisition receivables	—	12	—
Gain loss on sale and disposal of property and equipment	592	1,122	6,363
Loss on valuation of investment securities	(232)	(695)	(2,493)
Impairment loss on fixed assets (Note 13 and 14)	(380)	—	(4,084)
Early extra retirement payments	—	(747)	—
Reversal of allowance for losses on construction contracts	—	979	—
Other, net	(180)	(432)	(1,934)
	<u>(1,142)</u>	<u>1,665</u>	<u>(12,274)</u>
Income before income taxes and minority interests	1,120	3,181	12,038
Income taxes (Note 9):			
Current	127	239	1,365
Prior periods	233	—	2,505
Deferred	110	6,451	1,182
	<u>470</u>	<u>6,690</u>	<u>5,052</u>
Income (loss) before minority interests	650	(3,509)	6,986
Minority interests	25	28	268
Net income (loss)	<u>¥ 625</u>	<u>¥ (3,537)</u>	<u>\$ 6,718</u>
Amounts per share of common stock:			
		Yen	U.S. dollars (Note 1)
Net income (loss) (Note 16)	¥ 9.83	¥ (55.68)	\$ 0.11
Cash dividends applicable to the year	1.00	—	0.01

See accompanying notes.

**DAIHO CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
Years ended March 31, 2010 and 2009

	Number of shares of common stock (Thousands)	Millions of yen						Total
		Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities, net of tax	Minority interests	
BALANCE AT MARCH 31, 2008	67,170	¥ 5,100	¥ 3,691	¥ 16,586	¥ (649)	¥ 1,231	¥ 140	¥ 26,099
Cash dividends paid (¥2.0 per share)	—	—	—	(127)	—	—	—	(127)
Net loss	—	—	—	(3,537)	—	—	—	(3,537)
Sale of treasury stock	—	—	(1)	—	2	—	—	1
Acquisition of treasury stock	—	—	—	—	(4)	—	—	(4)
Net change in the year	—	—	—	—	—	(1,006)	(18)	(1,024)
BALANCE AT MARCH 31, 2009	67,170	¥ 5,100	¥ 3,690	¥ 12,922	¥ (651)	¥ 225	¥ 122	¥ 21,408
Net income	—	—	—	625	—	—	—	625
Sale of treasury stock	—	—	(1)	—	1	—	—	0
Acquisition of treasury stock	—	—	—	—	(1)	—	—	(1)
Net change in the year	—	—	—	—	—	228	25	253
BALANCE AT MARCH 31, 2010	67,170	¥ 5,100	¥ 3,689	¥ 13,547	¥ (651)	¥ 453	¥ 147	¥ 22,285

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized gains on securities, net of tax	Minority interests	Total
BALANCE AT MARCH 31, 2009	\$ 54,815	\$ 39,661	\$ 138,886	\$ (6,997)	\$ 2,418	\$ 1,312	\$ 230,095
Net income	—	—	6,718	—	—	—	6,718
Sale of treasury stock	—	(11)	—	11	—	—	0
Acquisition of treasury stock	—	—	—	(11)	—	—	(11)
Net change in the year	—	—	—	—	2,451	268	2,719
BALANCE AT MARCH 31, 2010	\$ 54,815	\$ 39,650	\$ 145,604	\$ (6,997)	\$ 4,869	\$ 1,580	\$ 239,521

See accompanying notes.

**DAIHO CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years ended March 31, 2010 and 2009**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Cash flows from operating activities:			
Net income before income taxes and minority interests	¥ 1,120	¥ 3,181	\$ 12,038
Adjustments to reconcile net income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	735	959	7,900
Amortization of negative goodwill	—	(1,235)	—
Impairment loss on fixed assets	380	—	4,084
Interest and dividend income	(54)	(146)	(580)
Interest expense	382	382	4,106
Increase in allowance for doubtful accounts	814	164	8,749
Increase in employees' severance and retirement benefits	340	44	3,654
Foreign exchange (gain) loss, net	(5)	119	(54)
Decrease in allowance for losses on construction contracts	(172)	(1,431)	(1,849)
Gain loss on sale and disposal of property and equipment	(592)	(1,122)	(6,363)
Early extra retirement payments	—	747	—
Gain loss on sale of investment securities	(161)	(353)	(1,730)
Loss on valuation of investment securities	242	695	2,601
Decrease in advances received on uncompleted contracts	(6,340)	(10,629)	(68,143)
Decrease in receivables and other current assets	2,281	7,774	24,516
Decrease in inventories	13,037	9,255	140,123
Decrease in payables and accrued expenses	(3,677)	(10,670)	(39,521)
Decrease in other assets	233	474	2,504
Increase (decrease) in other liabilities	162	(1,229)	1,741
Other, net	(120)	(245)	(1,289)
Subtotal	8,605	(3,266)	92,487
Interest and dividend received	55	145	591
Interest paid	(344)	(393)	(3,697)
Income taxes paid	(340)	(961)	(3,654)
Income taxes refund	113	—	1,214
Compensation for damage paid	(39)	(73)	(419)
Payments for early extra retirement payments	—	(2,152)	—
Net cash provided by (used in) operating activities	8,050	(6,700)	86,522
Cash flows from investing activities:			
Deposit in time deposits	(20)	(40)	(215)
Withdrawal from time deposits	30	40	322
Proceeds from sale of property and equipment	3,515	1,662	37,779
Payment for purchase of property and equipment	(789)	(452)	(8,480)
Proceeds from redemption of securities	—	330	—
Purchase of investment securities	(51)	(234)	(548)
Proceeds from sale of investment securities	561	1,822	6,030
Payment for loans receivable	(13)	(31)	(140)
Collection of loans receivable	23	1,276	247
Purchase of memberships	(7)	—	(75)
Proceeds from redemption of membership	44	41	473
Proceeds from sales of membership	—	88	—
Other, net	(22)	(27)	(236)
Net cash provided by investing activities	3,271	4,475	35,157
Cash flows from financing activities:			
Decrease in short-term debt	(11,052)	(3,986)	(118,788)
Increase in commercial papers	997	—	10,716
Repayment of long-term debt	(300)	(10)	(3,224)
Purchase of treasury stock	(1)	(4)	(11)
Proceeds from sale of treasury stock	0	1	0
Cash dividends paid	(0)	(127)	(0)
Cash dividends paid to minority interests	(1)	(2)	(11)
Other, net	(2)	—	(21)
Net cash used in financing activities	(10,359)	(4,128)	(111,339)
Effect of exchange rate changes on cash and cash equivalents	(8)	(68)	(87)
Net increase (decrease) in cash and cash equivalents	954	(6,421)	10,253
Cash and cash equivalents at beginning of year (Note 11)	18,395	24,816	197,711
Cash and cash equivalents at end of year (Note 11)	¥ 19,349	¥ 18,395	\$ 207,964

See accompanying notes.

**DAIHO CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2010 and 2009**

**1. Basis of presenting consolidated financial statements**

The accompanying consolidated financial statements of DAIHO CORPORATION (the "Company") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2010, which is ¥ 93.04 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

**2. Significant accounting policies**

(1) Principles of consolidation

The consolidated financial statements as of March 31, 2010 include the accounts of the Company and its 6 (7 in 2009) significant subsidiaries. Another 4 subsidiaries are not consolidated as they have no material effect on the accompanying consolidated financial statements. All significant inter-company transactions and accounts have been eliminated. Eitai Engineering Co., Ltd. was excluded from consolidation due to liquidation in 2010.

Investments in the other subsidiaries and affiliated companies are stated at costs since the Company's equity in net income or retained earnings in such companies is not material.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The negative goodwill which is difference between the cost of investments and equity in net assets at the date of acquisition is being amortized over five years with minor exceptions.

(2) Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts are stated at cost as determined on a specific project basis. On July 5, 2006, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value.

The Companies adopted the new accounting standard for measurement of costs of uncompleted contracts in the year ended March 31, 2009. As permitted under the superseded accounting standard, the Companies previously stated inventories at cost. As a result of this adoption of ASBJ Statement No.9, operating income and income before income taxes decreased by ¥183 million for the year ended March 31, 2009. The effects on segment information are described in Note 13.

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(3) Property, equipment and depreciation

Property and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for the buildings acquired after March 31, 1998, which are depreciated using the straight-line method.

Estimated useful lives of the property and equipment are as follows:

	<u>2009</u>	<u>2010</u>
Buildings and structures	3 to 50 years	3 to 50 years
Machinery and equipment	2 to 20 years	2 to 20 years

Effective from the year ended March 31, 2009, the Companies changed the useful lives of machinery based on the reassessment of the useful lives in light of the change in the Corporate Tax Law of Japan. As a result of this change, operating income and income before income taxes decreased by ¥7 million in the year ended March 31, 2009.

(4) Accounting for certain lease transactions

Effective April 1, 2008, the Companies adopted "Accounting Standard for Lease Transactions" (Statement No.13 by ASBJ on March 30, 2007) and the Guidance on Accounting Standard for Lease Transactions (Implementation Guidance No.16 by ASBJ on March 30, 2007).

The method of accounting for finance leases that do not transfer ownership of leased property to the lessee changed from treating such leases as rental transactions to treatment as sale / purchase transactions, recognizing them as lease assets.

Under the existing accounting standards, finance leases, commenced prior to April 1, 2008, which do not transfer ownership of leased property to the lessee are permitted to be accounted for in the same manner as operating leases if certain "as if capitalized" information is disclosed in a note to the Information on Certain Lease as Lessee (See Note 12).

The adoption of the New Accounting Standards had no impact on the consolidated statements of operations for the year ended March 31, 2009.

(5) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

(6) Revenue recognition

Prior to the year ended March 31, 2010, the Company and consolidated domestic subsidiaries (together, the "domestic companies") accounted for revenues and costs of construction contracts whose contract values exceeded ¥300 million and for which the construction periods exceeded one year by using the percentage-of-completion method. All other construction contracts were accounted for using the completed-contract method. Effective from the year ended March 31, 2010, the domestic companies adopted the "Accounting Standard for Construction Contracts" ASBJ Statement No.15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007). Accordingly, when the outcome of individual contracts can be estimated reliably, the domestic companies apply the percentage-of-completion method to work commencing during the year ended March 31, 2010, otherwise the completed-contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

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As a result of adopting the new accounting standard, sales increased by ¥2,370 million (\$25,473 thousand), and operating income and income before income taxes and minority interests increased by ¥44 million (\$473 thousand) for the year ended March 31, 2010. Effects of the change on the segment information are described in Note13.

Construction revenues recognized by the percentage-of-completion method amounted to ¥80,892 million (\$869,433 thousand) and ¥82,700 million for the years ended March 31, 2010 and 2009, respectively.

(7) Marketable securities and investment securities

The present accounting standard for financial instruments requires companies to examine the intent of holding each security and classify those securities as (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, or (d) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

The Companies did not have trading securities or held-to-maturity debt securities. Equity securities issued by subsidiaries which are not consolidated or accounted for using the equity method are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets section in the balance sheets. Realized gains and losses on sale of such securities are computed using moving-average cost. Available-for-sale securities with no available fair market value are stated at moving-average cost.

Investment in a silent partnership is recorded under the equity method and based on the latest financial statements available on the reportable date under the partnership contracts.

If the market value of available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between the fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries not on the equity method, and the fair market value of available-for-sale securities is not readily available, such securities should be written down to net asset value with a corresponding charge in the statements of operations in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next fiscal year-end.

(8) Software costs

The Company amortizes software for internal use using the straight-line method over the estimated useful life (five years).

(9) Allowance for doubtful accounts

The Companies provide allowance for doubtful accounts principally at an amount computed based on the historical bad debt ratio during a certain reference period, plus an estimated uncollectible amount based on the analysis of certain individual accounts, including claims in bankruptcy.

(10) Employees' severance and retirement benefits

The Company provides two types of severance and retirement benefit plans, defined contribution pension plans and severance lump-sum payment plans based on the point. The consolidated subsidiaries provide unfunded lump-sum payment plans.

The Companies provide allowance for employees' severance and retirement benefits at year-end based on the estimated amounts of projected benefit obligation. Prior service costs are recognized in expenses using the straight-line method over 10 years within the average of the estimated remaining service lives of the employees. Actuarial gains and losses are recognized in expenses using the straight-line method over 10

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years within the average of the estimated remaining service lives of the employees commencing with the succeeding period.

(11) Allowance for losses on construction contracts

The Companies provide allowance for losses on uncompleted construction contracts at the fiscal year-end when losses are certainly anticipated for the next fiscal year and later and such losses can be reasonably estimated.

(12) Allowance for losses on litigation

In order to prepare for losses on litigation, the estimated amount of loss based on the progress of the litigation is accounted for.

(13) Income taxes

Income taxes comprise corporation, enterprise and inhabitant taxes. The Companies recognize tax effects of temporary differences between the financial statement basis and the tax basis of assets and liabilities. The provision for income taxes is computed based on the pretax income included in the statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences.

(14) Amounts per share of common stock

Net income (loss) per share is computed using the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share is not disclosed because potentially dilute securities are not issued and because of the net loss of the Companies for the year ended March 31, 2009. Cash dividends per share represent dividends declared as applicable to the respective years.

(15) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities of not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(16) Appropriations of retained earnings

Appropriations of retained earnings are reflected in the accompanying consolidated financial statements for the following year upon the shareholders' meeting approval.

(17) Reclassifications

Certain prior year amounts have been reclassified to conform to the 2010 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

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**3. Market value information for securities**

(A) The following tables summarize acquisition costs and book values of securities with available fair values as of March 31, 2010 and 2009:

Available-for-sale securities:

(1) Securities with book values exceeding acquisition costs

Millions of yen			
2010			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 1,134	¥ 1,954	¥ 820
Bonds	10	10	0
Others	—	—	—
Total	¥ 1,144	1,964	820

Millions of yen			
2009			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 1,282	¥ 1,858	¥ 576
Bonds	10	10	0
Others	—	—	—
Total	¥ 1,292	1,868	576

Thousands of U.S. dollars			
2010			
Type	Acquisition cost	Book value	Difference
Equity securities	\$ 12,188	\$ 21,002	\$ 8,814
Bonds	107	107	0
Others	—	—	—
Total	\$ 12,295	21,109	8,814

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(2) Securities with book values not exceeding acquisition costs

Type	Millions of yen		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	¥ 620	¥ 558	¥ (62)
Bonds	—	—	—
Others	—	—	—
Total	¥ 620	558	(62)

Type	Millions of yen		
	2009		
	Acquisition cost	Book value	Difference
Equity securities	¥ 1,050	¥ 851	¥ (199)
Bonds	—	—	—
Others	—	—	—
Total	¥ 1,050	851	(199)

Type	Thousands of U.S. dollars		
	2010		
	Acquisition cost	Book value	Difference
Equity securities	\$ 6,664	\$ 5,997	\$ (667)
Bonds	—	—	—
Others	—	—	—
Total	\$ 6,664	5,997	(667)

(B) The following tables summarize book values of securities with no available fair values as of March 31, 2010 and 2009:

Available-for-sale securities:

Type	Millions of yen		Thousands of U.S. dollars
	Book value		Book value
	2010	2009	2010
Unlisted equity securities	¥ 900	¥ 898	\$ 9,673

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(C) Available-for-sale securities with maturities

Type	Millions of yen				Total
	2009				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	
Bonds	¥ —	¥ 10	¥ —	¥ —	¥ 10
Others	—	—	—	—	—
<b>Total</b>	<b>¥ —</b>	<b>¥ 10</b>	<b>¥ —</b>	<b>¥ —</b>	<b>¥ 10</b>

(D) Available-for-sale securities sold, and the related gains and losses

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total sales of available-for-sale securities sold	¥ 561	¥ 1,822	\$ 6,030
Gain on sale of available-for-sale securities	173	502	1,859
Loss on sale of available-for-sale securities	12	149	129

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**4. Pledged assets**

As of March 31, 2010, the following assets of the Companies are in pledged to short-term loans payable.

	Millions of yen	Thousands of U.S. dollars
Accounts receivable from completed construction contracts	¥ 34	\$ 365
Costs on uncompleted construction contracts and other	2,939	31,589
Buildings and structures	1,349	14,499
Land	3,943	42,380
	<u>¥ 8,265</u>	<u>\$ 88,833</u>

As of March 31, 2010, the following assets of the Companies are in pledged to guarantee money for construction.

	Millions of yen	Thousands of U.S. dollars
Investment securities	¥ 430	\$ 4,622

**5. Bank loans and long-term debt**

Bank loans consisted mainly of bank overdrafts. The weighted average interest rates at March 31, 2010 and 2009 are 2.76 % and 1.96% per annum, respectively.

Long-term debt as of March 31, 2010 and 2009 comprises of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured long-term borrowing from banks	¥ 1,200	¥ 1,500	\$ 12,898
Less amount due within one year	1,200	—	12,898
Long-term debt	<u>¥ —</u>	<u>¥ 1,500</u>	<u>\$ —</u>

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**6. Employees' severance and retirement benefits**

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2010 and 2009 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 7,362	¥ 7,223	\$ 79,127
Unrecognized actuarial differences	158	(13)	1,698
Unrecognized prior service costs	(176)	(206)	(1,891)
	<u>¥ 7,344</u>	<u>¥ 7,004</u>	<u>\$ 78,934</u>

Included in the consolidated statements of operations for the years ended March 31, 2010 and 2009 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service costs – benefits earned during the year	¥ 586	¥ 609	\$ 6,298
Interest cost on projected benefit obligation	138	171	1,483
Amortization of actuarial differences	(10)	(3)	(107)
Amortization of prior service costs	30	30	322
Defined contribution pension plans premium	113	140	1,215
Early extra retirement payments	—	747	—
Other	6	145	65
Severance and retirement benefit expenses	<u>¥ 863</u>	<u>¥ 1,839</u>	<u>\$ 9,276</u>

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. The discount rate used by the Companies is 2.0%. Prior service costs are recognized in expenses using the straight-line method over 10 years. Actuarial gains and losses are recognized in the consolidated statements of operations using the straight-line method over 10 years commencing with the succeeding year.

**7. Contingent liabilities**

As of March 31, 2010, the Companies are contingently liable for trade notes discounted of ¥50 million (\$537 thousand). The Companies are also contingently liable as a guarantor of indebtedness of customers aggregating ¥414 million (\$4,450 thousand).

**8. Investment securities loaned out under marketable securities loan contracts**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investment securities loaned	<u>¥ 1,765</u>	<u>¥ 1,974</u>	<u>\$ 18,970</u>

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**9. Income taxes**

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicate statutory rate in Japan of approximately 40.2% for the years ended March 31, 2010 and 2009. The following table summarizes the main differences between the statutory tax rate and the Companies' effective tax rate for the years ended March 31, 2010 and 2009.

	2010	2009
Statutory tax rate	40.2 %	40.2 %
Permanent differences:		
Non-deductible expenses	5.1	2.1
Non-taxable income	(7.7)	(7.0)
Per capita inhabitant taxes	9.9	5.1
Increase in valuation allowance	17.2	165.7
Surcharge	—	0.2
Elimination of inter-company dividends	7.6	6.5
Tax loss carryforwards	(49.1)	(0.7)
Prior periods income taxes	20.8	—
Other	(2.0)	(1.8)
Effective tax rate	42.0 %	210.3 %

Main components of the Companies' deferred tax assets and liabilities as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Employees' severance and retirement benefits	¥ 2,953	¥ 2,801	\$ 31,739
Allowance for doubtful accounts	506	362	5,439
Allowance for losses on construction contracts	386	455	4,149
Accrued bonuses	78	77	838
Enterprise taxes payable	30	26	322
Impairment loss on fixed assets	222	221	2,386
Tax loss carryforwards	1,217	2,598	13,080
Write-down of inventories	195	—	2,096
Non-deductible construction costs under the percentage-of-completion method	691	—	7,427
Other	446	812	4,794
Subtotal	6,724	7,352	72,270
Valuation allowance	(5,716)	(6,238)	(61,436)
Total deferred tax assets	1,008	1,114	10,834
Deferred tax liabilities:			
Unrealized gain on securities	(316)	(152)	(3,396)
Deferred gains on property and equipment	(128)	(132)	(1,376)
Temporary differences about assets acquired through transfer of business	(56)	(59)	(602)
Other	—	(2)	—
Total deferred tax liabilities	(500)	(345)	(5,374)
Net deferred tax assets	¥ 508	¥ 769	\$ 5,460

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**10. Net assets**

The Japanese Corporate Law (“the Law”) became effective on May 1, 2006, replacing the Japanese Commercial Code (“the Code”). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional aid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the annual shareholders' meeting held on June 29, 2010, the shareholders approved cash dividends amounting to ¥64 million (\$ 688 thousand). Such appropriations were not accrued in the consolidated financial statements as of March 31, 2010. Such appropriations were recognized in the period in which they were resolved.

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**11. Cash and cash equivalents**

Reconciliations of cash and time deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and time deposits	¥ 19,369	¥ 18,425	\$ 208,179
Less: Time deposits with maturities exceeding three months	(20)	(30)	(215)
Cash and cash equivalents	¥ 19,349	¥ 18,395	\$ 207,964

**12. Information on certain leases as lessee**

Finance leases accounted for as operating leases

(1) As discussed in Note 2 (4), finance leases commenced prior to April 1, 2008 which do not transfer ownership of leased assets to lessees are accounted for as operating leases. Assumed amounts of acquisition cost and accumulated depreciation at March 31, 2010 and 2009 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Machinery and equipment:			
Acquisition cost	¥ 25	¥ 49	\$ 269
Accumulated depreciation	(13)	(32)	(140)
Net book value	¥ 12	¥ 17	\$ 129

(2) Future lease payments inclusive of interest as of March 31, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Amount due within one year	¥ 4	¥ 5	\$ 43
Amount due after one year	8	12	86
Total	¥ 12	¥ 17	\$ 129

(3) Lease payments and depreciation equivalent for the years ended March 31, 2010 and 2009.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease payment	¥ 5	¥ 9	\$ 54
Depreciation equivalent	5	9	54

(4) Calculation of depreciation equivalent

Assumed depreciation amounts are computed using the straight-line method over the lease terms assuming no residual value.

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**13. Segment information**

(A) Business segment information

Business segments are principally composed of the followings:

Construction.....Building construction and civil engineering, etc.

Real Estate.....Resale and rental of land and buildings, etc.

Other.....Sales and rental of construction materials, etc.

<u>Year ended March 31, 2010</u>	<u>Millions of yen</u>				
	<u>Construction</u>	<u>Real Estate</u>	<u>Other</u>	<u>Elimination</u>	<u>Consolidated</u>
Sales:					
Outside customers	¥ 116,388	¥ 2,523	¥ 2,068	¥ —	¥ 120,979
Inter-segment	32	93	1,256	(1,381)	—
Total	116,420	2,616	3,324	(1,381)	120,979
Operating expenses	114,030	2,870	3,240	(1,423)	118,717
Operating income (loss)	<u>¥ 2,390</u>	<u>¥ (254)</u>	<u>¥ 84</u>	<u>¥ 42</u>	<u>¥ 2,262</u>
Total identifiable assets	¥ 94,197	¥ 1,337	¥ 1,258	¥ (621)	¥ 96,171
Depreciation	652	61	29	(7)	735
Impairment loss on fixed assets	0	380	—	—	380
Capital expenditures	786	5	54	(35)	810

<u>Year ended March 31, 2009</u>	<u>Millions of yen</u>				
	<u>Construction</u>	<u>Real Estate</u>	<u>Other</u>	<u>Elimination</u>	<u>Consolidated</u>
Sales:					
Outside customers	¥ 137,927	¥ 2,040	¥ 2,386	¥ —	¥ 142,353
Inter-segment	726	254	4,758	(5,738)	—
Total	138,653	2,294	7,144	(5,738)	142,353
Operating expenses	136,507	2,378	7,086	(5,134)	140,837
Operating income (loss)	<u>¥ 2,146</u>	<u>¥ (84)</u>	<u>¥ 58</u>	<u>¥ (604)</u>	<u>¥ 1,516</u>
Total identifiable assets	¥ 114,593	¥ 4,586	¥ 2,085	¥ (4,124)	¥ 117,140
Depreciation	828	106	28	(3)	959
Capital expenditures	461	1	17	—	479

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<u>Year ended March 31, 2010</u>	Thousands of U.S. dollars				
	Construction	Real Estate	Other	Elimination	Consolidated
Sales:					
Outside customers	\$ 1,250,946	\$ 27,117	\$ 22,227	\$ –	\$ 1,300,290
Inter-segment	344	1,000	13,499	(14,843)	–
Total	1,251,290	28,117	35,726	(14,843)	1,300,290
Operating expenses	1,225,602	30,847	34,823	(15,294)	1,275,978
Operating income (loss)	\$ 25,688	\$ (2,730)	\$ 903	\$ 451	\$ 24,312
Total identifiable assets	\$ 1,012,436	\$ 14,370	\$ 13,521	\$ (6,675)	\$ 1,033,652
Depreciation	7,008	656	311	(75)	7,900
Impairment loss on fixed assets	0	4,084	–	–	4,084
Capital expenditures	8,448	54	580	(376)	8,706

As explained in Note 2 (2), on July 5, 2006, the Accounting Standards Board of Japan issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". As permitted under the superseded accounting standard, the Companies previously stated inventories at cost. The new accounting standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net realizable value. Replacement cost may be used in lieu of the net realizable value, if appropriate. As a result of this adoption of ASBJ Statement No.9, operating income was decreased by ¥183 million for the year ended March 31, 2009.

As explained in Note 2 (6), effective from the year ended March 31, 2010, the domestic companies adopted the "Accounting Standard for Construction Contracts" ASBJ Statement No.15, issued on December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007). As a result, sales and operating income for the year ended March 31, 2010 in Construction segment were increased by ¥2,370 million (\$25,473 thousand), and ¥44 million (\$473 thousand), respectively.

(B) Geographical segment information

The disclosure of geographical segment information has omitted as net revenues and total assets in Japan constituted more than 90% of the consolidated totals for the years ended March 31, 2010 and 2009, respectively.

(C) Overseas revenues information

Overseas sales for the years ended March 31, 2010 and 2009 are not shown since overseas sales are less than 10% of the Companies' consolidated net sales.

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**14. Impairment of Fixed Assets**

For the year ended March 31, 2010, the Companies recognized impairment losses on the fixed assets as follows:

Major use	Asset category	Location	Amount
Real estate for rent	Land	Kyoto City, Kyoto Prefecture	¥369 million (\$3,966 thousand)
Real estate for rent	Building	Kyoto City, Kyoto Prefecture	¥10 million (\$107 thousand)
Idle assets	Land	Rokkasho Village, Aomori Prefecture etc.	¥1 million (\$11 thousand)

The Companies' business assets based on business units, idle assets and assets used for rent based on each asset. The business assets are constituted by each branch of the Companies.

Carrying amounts of certain assets used for rent, idle properties and business assets were devalued to their recoverable amounts, due to sluggish rental market or substantial declines in the fair market value. As a result, the Companies recognized an impairment loss of ¥380 million (\$4,084 thousand).

Recoverable amounts of certain assets were net selling price at disposition. The Companies used selling price for real estate for rent, and used valuation by road rating for idle assets.

**15. Disclosure of fair values of financial instruments**

Effective from the fiscal year ended March 31, 2010, the Companies adopted the revised Accounting Standard, "Accounting Standard for Financial Instruments" ASBJ Statement No. 10 revised on March 10, 2008) and the "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the year ended March 31, 2010 required pursuant to the revised accounting standards is as follows.

(A) Status of financial instruments

(1) Policy for financial instruments

The Companies limit their fund management to short-term deposits and raise funds through borrowings from financial institutions including banks.

(2) Types of financial instruments, related risk and risk management

Trade notes and accounts receivable are exposed to credit risk in relation to customers. The Companies timely monitor credit worthiness of their main customers, due dates and outstanding balances by individual customer.

Investment securities are exposed to risk of market price fluctuations. Those securities are composed mainly of the shares of other companies with which the Companies have business relationship. Fair values of those securities are periodically reviewed and reported to the board of directors.

Trade notes and accounts payable have payment due dates mainly within one year.

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(B) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their fair values at March 31, 2010 are as follows. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to #2, #3 below).

	Millions of yen		
	2010		
	Book Value	Fair Value	Difference
Cash and time deposits	¥ 19,369	¥ 19,369	¥ —
Trade notes and accounts receivable	45,045	45,045	—
Short-term loans receivable	71	71	—
Investment securities	2,522	2,522	—
Long-term loans receivable	818		
Allowance for doubtful accounts	(454)		
Sub total	364	364	(0)
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,884		
Allowance for doubtful accounts	(647)		
Sub total	1,237	1,234	(3)
Total assets	¥ 68,608	¥ 68,605	¥ (3)
Bank loans	¥ 8,917	¥ 8,917	¥ —
Commercial papers	997	997	—
Trade notes and accounts payable	35,258	35,258	—
Deposits received	4,904	4,904	—
Total liabilities	¥ 50,076	¥ 50,076	¥ —

	Thousands of U.S. dollars		
	2010		
	Book Value	Fair Value	Difference
Cash and time deposits	\$ 208,179	\$ 208,179	\$ —
Trade notes and accounts receivable	484,147	484,147	—
Short-term loans receivable	763	763	—
Investment securities	27,107	27,107	—
Long-term loans receivable	8,792		
Allowance for doubtful accounts	(4,880)		
Sub total	3,912	3,912	(0)
Claims provable in bankruptcy, claims provable in rehabilitation and other	20,249		
Allowance for doubtful accounts	(6,954)		
Sub total	13,295	13,263	(32)
Total assets	\$ 737,403	\$ 737,371	\$ (32)
Bank loans	\$ 95,840	\$ 95,840	\$ —
Commercial papers	10,716	10,716	—
Trade notes and accounts payable	378,955	378,955	—
Deposits received	52,709	52,709	—
Total liabilities	\$ 538,220	\$ 538,220	\$ —

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#1. Fair value of financial instruments and matters pertaining to securities

Assets:

- (1) Cash and time deposits, Trade notes and accounts receivable and Short-term loans receivable  
 Since these items are settled in a short period of time, the book values approximate fair values.
- (2) Investment securities  
 The fair values of equity securities are based on quoted market prices. The fair values of bonds are based on either quoted market prices or prices provided by the financial institutions.
- (3) Long-term loans receivable  
 The fair values of long-term loans receivable are stated at the present value using future cash flows discounted by the premium-added rate on the proper index like yield on the government bonds. The fair values of employee loans are computed by discounting probable collection amounts of principals and interest by secure interest rate corresponding to the remaining period.
- (4) Claims provable in bankruptcy, claims provable in rehabilitation and other  
 With respect to claims provable in bankruptcy, claims provable in rehabilitation and other, and allowance for bad debts is estimated based on the amount expected. Consequently, the book values of those receivables less the estimated allowance for bad debts are deemed to approximate the fair values.

Liabilities:

- (1) Trade notes and accounts payable, Bank loans, Commercial papers and Deposits received  
 Since these items are settled in a short period of time, the book values approximate fair values.

#2. Since no quoted market price is available and it is extremely difficult to determine the fair values, the unlisted stocks (book value: ¥904 million (\$9,716 thousand) are not included in the above table.

#3. Since it is extremely difficult to determine the fair values, contingent liabilities as a guarantor of indebtedness of customers aggregating ¥414 million (\$4,450 thousand) are not included in the above table.

#4. The aggregate maturities subsequent to March 31, 2010 for financial assets with maturity are as follows:

Type	Millions of yen			
	2010			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 19,369	¥ —	¥ —	¥ —
Trade notes and accounts receivable	45,045	—	—	—
Short-term loans receivable	71	—	—	—
Investment securities				
Available-for-sale securities				
with contractual maturities	—	10	—	—
Long-term loans receivable	—	28	12	2
Claims provable in bankruptcy, claims provable in rehabilitation and other	83	5	2	—
Lease obligations	3	9	—	—
Total	<u>¥ 64,571</u>	<u>¥ 52</u>	<u>¥ 14</u>	<u>¥ 2</u>

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Type	Thousands of U.S. dollars			
	2010			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 208,179	\$ —	\$ —	\$ —
Trade notes and accounts receivable	484,147	—	—	—
Short-term loans receivable	763	—	—	—
Investment securities				
Available-for-sale securities				
with contractual maturities	—	107	—	—
Long-term loans receivable	—	301	129	21
Claims provable in bankruptcy, claims provable in rehabilitation and other	892	54	21	—
Lease obligations	32	97	—	—
<b>Total</b>	<b>\$ 694,013</b>	<b>\$ 559</b>	<b>\$ 150</b>	<b>\$ 21</b>

**16. Per Share Information**

	Yen		U.S. dollars
	2010	2009	2010
Net income (loss) per share	¥ 9.83	¥ (55.68)	\$ 0.11
Net assets per share	348.65	337.11	3.75

The Companies have no dilutive common stock outstanding and posted a net loss as of March 31, 2010 and 2009. Therefore, the information of diluted net income per share was not presented.

The basis for calculation of net income per share was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net income (loss)	¥ 625	¥ (3,537)	\$ 6,718
Amount not belonging to ordinary shareholders	—	—	—
Net income (loss) attributable to common stock	¥ 625	¥ (3,537)	\$ 6,718
Weighted average number of ordinary shares (thousands of shares)	63,502	63,525	

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**17. Subsequent event**

For the year ended March 31, 2009

(The bankruptcy of the client)

On May 29, 2009, JOINT CORPORATION, which was the client of the Company, has applied for Corporation Reorganization Law to Tokyo District Court and the application has been accepted.

The Company's amount of claim to JOINT CORPORATION was ¥412 million on the same time. In the next fiscal year, the Company will provide the allowance for doubtful account to the uncollectible amount of the claim.

For the year ended March 31, 2010

None