



DAIHO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KPMG AZSA LLC
October 2014



Independent Auditor's Report

To the Board of Directors of DAIHO CORPORATION:

We have audited the accompanying consolidated financial statements of DAIHO CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of DAIHO CORPORATION and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 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 LLC

October 1, 2014
Tokyo, Japan

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2014 and 2013

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current assets:			
Cash and time deposits (Notes 14 and 18)	¥ 18,624	¥ 12,618	\$ 180,956
Receivables:			
Trade notes and accounts receivable (Note 18)	55,675	55,104	540,954
Short-term loans receivable (Note 18)	31	70	301
Allowance for doubtful accounts (Note 18)	(271)	(331)	(2,633)
Costs on uncompleted construction contracts and other (Notes 3, and 8)	2,853	2,114	27,721
Deferred tax assets (Note 12)	11	11	107
Other current assets	4,351	5,226	42,275
Total current assets	81,274	74,812	789,681
Property and equipment:			
Land (Notes 6)	6,982	7,027	67,839
Buildings and structures (Notes 6)	5,093	5,092	49,485
Machinery and equipment	8,670	8,726	84,240
Lease assets	153	131	1,487
Construction in progress	0	8	—
	20,898	20,984	203,051
Accumulated depreciation	(11,383)	(11,271)	(110,601)
Net property and equipment	9,515	9,713	92,450
Investments and other non-current assets:			
Investment securities (Notes 4, 6, 11 and 18)	4,381	4,036	42,567
Long-term loans receivable (Note 18)	381	368	3,702
Deferred tax assets (Note 12)	110	20	1,069
Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 18)	26	40	253
Other non-current assets	1,951	2,031	18,956
Allowance for doubtful accounts (Note 18)	(1,102)	(1,060)	(10,707)
Total investments and other non-current assets	5,747	5,435	55,840
Total assets	¥ 96,536	¥ 89,960	\$ 937,971

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2014 and 2013

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current liabilities:			
Bank loans (Notes 7 and 18)	¥ 5,049	¥ 5,805	\$ 49,058
Trade notes and accounts payable (Notes 5 and 18)	41,107	40,733	399,407
Advances received on uncompleted contracts	7,487	6,459	72,746
Income taxes payable (Note 12)	382	220	3,712
Allowance for losses on construction contracts (Note 8)	449	471	4,363
Deposits received (Note 18)	4,861	4,914	47,231
Accrued and other current liabilities	2,075	1,265	20,160
Total current liabilities	61,410	59,867	596,677
Long-term liabilities:			
Deferred tax liabilities (Note 12)	625	564	6,073
Employees' severance and retirement benefits (Note 9)	—	7,311	—
Net defined benefit liability (Note 9)	8,020	—	77,925
Allowance for losses on litigation	212	228	2,060
Other long-term liabilities	1,623	2,029	15,769
Total long-term liabilities	10,480	10,132	101,827
Total liabilities	¥ 71,890	¥ 69,999	\$ 698,504
Contingent liabilities (Notes 10)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock			
Authorized - 160,000,000 shares			
Issued - 75,670,143 shares	6,321	5,100	61,417
Capital surplus	5,246	3,688	50,972
Retained earnings	12,576	10,774	122,192
Less: Treasury stock, at cost	(141)	(660)	(1,370)
Accumulated other comprehensive income:			
Unrealized gains on securities, net of tax	950	850	9,230
Deferred gains or losses on hedges, net of tax	20	56	194
Foreign currency translation adjustment	(31)	(31)	(302)
Remeasurements of defined benefit plans	(577)	—	(5,606)
Minority interests:	282	184	2,740
Total net assets	24,646	19,961	239,467
Total liabilities and net assets	¥ 96,536	¥ 89,960	\$ 937,971

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Sales:	¥ 126,416	¥ 112,740	\$ 1,228,294
Costs and expenses:			
Cost of sales	119,707	109,107	1,163,107
Selling, general and administrative expenses	4,158	4,267	40,401
	<u>123,865</u>	<u>113,374</u>	<u>1,203,508</u>
Operating income (loss)	2,551	(634)	24,786
Other income (expenses):			
Interest and dividend income	53	61	515
Interest expense	(157)	(167)	(1,525)
Gain and loss on sale and disposal of property and equipment	(12)	252	(117)
Foreign currency exchange gains, net	128	295	1,244
Loss on litigation (Note 17)	(129)	(1,400)	(1,253)
Impairment loss on fixed assets (Notes 16)	(118)	(0)	(1,147)
Other, net	(44)	(32)	(428)
	<u>(279)</u>	<u>(991)</u>	<u>(2,711)</u>
Income (loss) before income taxes and minority interests	2,272	(1,625)	22,075
Income taxes (Note 12):			
Current	390	167	3,789
Deferred	(82)	811	(797)
Income (loss) before minority interests	<u>1,964</u>	<u>(2,603)</u>	<u>19,083</u>
Minority interests	99	26	962
Net Income (loss)	<u>¥ 1,865</u>	<u>¥ (2,629)</u>	<u>\$ 18,121</u>

	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Amounts per share of common stock:			
Net Income (loss) (Note 20)	¥ 27.92	¥ (41.46)	\$ 0.27
Cash dividends applicable to the year	2.00	1.00	0.02

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income (loss) before minority interests	¥ 1,964	¥ (2,603)	\$ 19,083
Other comprehensive income: (Note 19)			
Unrealized gains on securities, net of tax	100	478	972
Deferred gains or losses on hedges, net of tax	(36)	56	(350)
Foreign currency translation adjustment	(1)	8	(10)
Total other comprehensive income	<u>63</u>	<u>542</u>	<u>612</u>
Comprehensive income	<u>¥ 2,027</u>	<u>¥ (2,061)</u>	<u>\$ 19,695</u>
Comprehensive income attribute to:			
Comprehensive income attributable to owners of the parent	¥ 1,928	¥ (2,087)	\$ 18,733
Comprehensive income attributable to minority interests	99	26	962

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2014 and 2013

Millions of yen

	Number of shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests	Total
BALANCE AT APRIL 1, 2012	67,170	¥ 5,100	¥ 3,688	¥ 13,411	¥ (651)	¥ 372	¥ —	¥ —	¥ —	¥ 158	¥ 22,078
Change of scope of consolidation	—	—	—	56	—	—	—	(39)	—	—	17
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid (¥1.0 per share)	—	—	—	(64)	—	—	—	—	—	—	(64)
Net loss	—	—	—	(2,629)	—	—	—	—	—	—	(2,629)
Disposal of treasury stock	—	—	(0)	—	0	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	(9)	—	—	—	—	—	(9)
Net change of items other than shareholders' equity	—	—	—	—	—	478	56	8	—	26	568
BALANCE AT MARCH 31, 2013	67,170	¥ 5,100	¥ 3,688	¥ 10,774	¥ (660)	¥ 850	¥ 56	¥ (31)	¥ —	¥ 184	¥ 19,961
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—	—
Issuance of new shares	8,500	1,221	1,221	—	—	—	—	—	—	—	2,442
Cash dividends paid (¥1.0 per share)	—	—	—	(63)	—	—	—	—	—	—	(63)
Net income	—	—	—	1,865	—	—	—	—	—	—	1,865
Disposal of treasury stock	—	—	337	—	526	—	—	—	—	—	863
Acquisition of treasury stock	—	—	—	—	(7)	—	—	—	—	—	(7)
Net change of items other than shareholders' equity	—	—	—	—	—	100	(36)	(0)	(577)	98	(415)
BALANCE AT MARCH 31, 2014	75,670	¥ 6,321	¥ 5,246	¥ 12,576	¥ (141)	¥ 950	¥ 20	¥ (31)	¥ (577)	¥ 282	¥ 24,646

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on securities, net of tax	Deferred gains or losses on hedges, net of tax	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Minority interests	Total
BALANCE AT APRIL 1, 2013	\$ 49,553	\$ 35,834	\$ 104,683	\$ (6,413)	\$ 8,259	\$ 544	\$ (301)	\$ —	\$ 1,788	\$ 193,947
Change of scope of consolidation	—	—	—	—	—	—	—	—	—	—
Issuance of new shares	11,864	11,864	—	—	—	—	—	—	—	23,728
Cash dividends paid (\$0.01 per share)	—	—	(612)	—	—	—	—	—	—	(612)
Net income	—	—	18,121	—	—	—	—	—	—	18,121
Disposal of treasury stock	—	3,274	—	5,111	—	—	—	—	—	8,385
Acquisition of treasury stock	—	—	—	(68)	—	—	—	—	—	(68)
Net change of items other than shareholders' equity	—	—	—	—	971	(350)	(1)	(5,606)	952	(4,034)
BALANCE AT MARCH 31, 2014	\$ 61,417	\$ 50,972	\$ 122,192	\$ (1,370)	\$ 9,230	\$ 194	\$ (302)	\$ (5,606)	\$ 2,740	\$ 239,467

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities:			
Income(loss) before income taxes and minority interests	¥ 2,272	¥ (1,625)	\$ 22,075
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	345	396	3,352
Impairment loss on fixed assets	118	0	1,147
Loss on litigation	129	1,400	1,253
Interest and dividend income	(54)	(61)	(525)
Interest expense	157	167	1,525
Increase (Decrease) in allowance for doubtful accounts	(14)	53	(136)
Increase (Decrease) in employees' severance and retirement benefits	(7,311)	34	(71,036)
Increase (Decrease) in net defined benefit liability	7,444	—	72,328
Foreign currency exchange (gains) losses, net	(31)	(139)	(301)
Increase (Decrease) in allowance for losses on construction contracts	(22)	(107)	(214)
(Gain) Loss on sale and disposal of property and equipment	12	(252)	117
Increase (Decrease) in advances received on uncompleted contracts	1,030	(1,939)	10,008
(Increase) Decrease in receivables and other current assets	(529)	(4,211)	(5,140)
(Increase) Decrease in inventories	(568)	154	(5,519)
Increase (Decrease) in payables and accrued expenses	403	3,580	3,916
(Increase) Decrease in other assets	728	(215)	7,073
Increase (Decrease) in other liabilities	272	411	2,643
Other, net	73	(114)	710
Subtotal	4,454	(2,468)	43,276
Interest and dividend received	53	61	515
Interest paid	(150)	(165)	(1,457)
Income taxes paid	(259)	(135)	(2,517)
Income taxes refund	—	262	—
Payments for loss on litigation	(92)	(852)	(894)
Net cash used in operating activities	4,006	(3,297)	38,923
Cash flows from investing activities:			
Deposit in time deposits	(66)	(62)	(641)
Withdrawal from time deposits	66	69	641
Proceeds from sale of property and equipment	35	475	340
Payment for purchase of property and equipment	(257)	(288)	(2,497)
Purchase of investment securities	(269)	(80)	(2,614)
Proceeds from sale of investment securities	98	39	952
Payment for loans receivable	(7)	(8)	(68)
Collection of loans receivable	20	26	194
Other, net	(20)	33	(194)
Net cash (used in) provided by investing activities	(400)	204	(3,887)
Cash flows from financing activities:			
Net decrease in short-term debt	(756)	(600)	(7,346)
Proceeds from issuance of common shares	2,424	—	23,552
Purchase of treasury stock	(6)	(1)	(58)
Proceeds from disposal of treasury stock	861	—	8,366
Cash dividends paid	(64)	(64)	(622)
Cash dividends paid to minority interests	(1)	(1)	(10)
Other, net	(52)	(30)	(505)
Net cash (used in) provided by financing activities	2,406	(696)	23,377
Effect of exchange rate changes on cash and cash equivalents	(9)	139	(86)
Net increase (decrease) in cash and cash equivalents	6,003	(3,650)	58,327
Cash and cash equivalents at beginning of year	12,555	16,177	121,988
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	28	—
Cash and cash equivalents at end of year (Note 14)	¥ 18,558	¥ 12,555	\$ 180,315

See accompanying notes.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014 and 2013

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, 2014, which is ¥ 102.92 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, 2014 include the accounts of the Company and its 8 significant subsidiaries.

Other 2 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.

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 by using the fair value at the time the Company acquired control of the respective subsidiaries.

(2) Inventories

Costs on uncompleted construction contracts, costs on real estate business and raw materials and supplies are stated at cost as determined on a specific basis. Costs on real estate business and raw materials and supplies are measured at the lower of cost or net realizable value.

(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>2014</u>	<u>2013</u>
Buildings and structures	3 to 50 years	3 to 50 years
Machinery and equipment	2 to 20 years	2 to 20 years

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014 and 2013

(4) Accounting for certain lease transactions

Assets of finance leases that do not transfer ownership of lease property to the lessee is depreciated over the lease term using the straight-line method that residual value is zero.

(5) Foreign currency translation

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

The items of financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the current rate at the end of the year for all assets and liabilities, and at the average rate during the fiscal year for revenues and expenses.

(6) Revenue recognition

The Companies recognize revenue by applying the percentage-of-completion method for the construction projects with condition that the outcome of the construction activity is deemed certain at the end of the reporting period. To estimate the progress of such construction project, method to calculate the percentage of the cost incurred to the estimated total cost (= cost proportion method) has been applied. Other contract revenue is accounted for using the completed-contract method

Construction revenues recognized by the percentage-of-completion method amounted to ¥99,361 million (\$965,420 thousand) and ¥87,758 million for the years ended March 31, 2014 and 2013, respectively.

(7) Marketable securities and investment securities

The Companies do not have trading securities nor 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 and unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the Consolidated Statements of Comprehensive Income. 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, which is based on the latest financial statements available on the reportable date under the partnership contracts.

(8) Software costs

Software for its own use is amortized over the estimated useful life (five years) using the straight-line method.

(9) Costs of research and development

All research and development costs are charged to income as incurred. Costs of research and development for the years ended March 31, 2014 and 2013 totaled ¥35 million (\$340 thousand) and ¥43 million, respectively.

(10) 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.

(11) Net defined benefit liability

(A) Method of attributing expected benefit to periods

For determining method of attributing expected benefit to periods, the Companies use straight-line basis.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014 and 2013

(B) Method of processing actuarial gains and losses and prior service costs

Prior service costs are recognized as expenses using the straight-line method over 10 years, which falls within the average of the estimated remaining service lives of the employees. Actuarial gains and losses are recognized as expenses using the straight-line method over 10 years, which falls within the average of the estimated remaining service lives of the employees, commencing from the succeeding period.

(C) Adoption of simplified method for small entities

Some of the Company's consolidated subsidiaries calculate net defined benefit liability and retirement benefit expenses by using a simplified method in which retirement benefit obligations are equal to the amount that would be paid if all employees resigned voluntarily at the end of the fiscal year.

(12) 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.

(13) Allowance for losses on litigation

The Companies provide allowance for losses on litigation at an amount estimated based on the progress of the litigation

(14) 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.

(15) Derivatives and hedging activities

Foreign exchange forward contracts are utilized by the Companies to manage their exposures to fluctuations in foreign exchange. The Companies do not enter into derivatives for trading purposes or speculative purposes.

The companies state derivative financial instruments at fair value and recognize changes in the fair value as gains or losses unless the derivative instruments are used for hedging purposes.

When a foreign exchange forward contract meets certain conditions, the hedged item is stated by the forward exchange contract rate.

The following summarizes hedging derivative financial instruments used by the Companies and item hedged:

<u>Hedging instruments</u>	<u>Item hedged</u>
Forward foreign exchange contracts	Foreign currency payables
Foreign currency deposits	Foreign currency planned business

(16) Amounts per share of common stock

Net income 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. Cash dividends per share represent dividends declared as applicable to the respective years.

(17) 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.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014 and 2013

(18) 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.

(19) Reclassifications

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

(20) Application of new accounting standards

From the fiscal year ended March 31, 2014, the Companies applied the "Accounting Standard for Retirement Benefits" (Accounting Standard Board of Japan ("ASBJ") Statement No26, May17, 2012) and "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No25, May 17, 2012) except the main clause of the Article 35 of the accounting standard and the Article 67 of the guidance. Accordingly, the projected benefit obligation is reported as net defined benefit liability. And actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized as accumulated other comprehensive income, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments.

As a result, "net defined benefit liability" was recognized at ¥8,020million, and accumulated other comprehensive income decreased by ¥577million. In addition, net assets per share also decreased by ¥7.7 due to this change.

(21) Unapplied accounting standards

-Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012)

-Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012)

(A) Summary

The main changes are the accounting methods for unrecognized actuarial gains and losses and unrecognized prior service costs and the calculation methods for retirement benefit obligations and service cost; as well as enhanced disclosures.

(B) Effective date

The revision of the calculation method for retirement benefit obligations and service cost will be applied from the beginning of the fiscal year ended on March 31, 2015. Since transitional handling has been specified in mentioned above accounting standard, the standard will not be applied retrospectively to the consolidated financial statements of prior periods.

(C) Effect of application of the standard

Due to the application of this standard, operating income(loss) and income(loss) before income taxes and minority interests in the next fiscal year would decrease by ¥52million, respectively.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2014 and 2013

3. Costs on uncompleted construction contracts and other

Costs on uncompleted construction contracts and other are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Costs on uncompleted construction contracts	¥ 2,773	¥ 1,135	\$ 26,944
Costs on real estate business	0	890	0
Raw materials and supplies	80	89	777

4. 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, 2014 and 2013:

Available-for-sale securities:

(1) Securities with book values exceeding acquisition costs

Type	Millions of yen		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	¥ 1,537	¥ 3,088	¥ 1,551
Bonds	10	10	0
Others	129	132	3
Total	¥ 1,676	3,230	1,554

Type	Millions of yen		
	2013		
	Acquisition cost	Book value	Difference
Equity securities	¥ 1,414	¥ 2,818	¥ 1,404
Bonds	10	10	0
Others	33	51	18
Total	¥ 1,457	2,879	1,422

Type	Thousands of U.S. dollars		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	\$ 14,934	\$ 30,004	\$ 15,070
Bonds	97	97	0
Others	1,253	1,283	30
Total	\$ 16,284	31,384	15,100

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(2) Securities with book values not exceeding acquisition costs

Millions of yen			
2014			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 388	¥ 311	¥ (77)
Bonds	—	—	—
Others	—	—	—
Total	¥ 388	311	(77)

Millions of yen			
2013			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 411	¥ 311	¥ (100)
Bonds	—	—	—
Others	—	—	—
Total	¥ 411	311	(100)

Thousands of U.S. dollars			
2014			
Type	Acquisition cost	Book value	Difference
Equity securities	\$ 3,770	\$ 3,022	\$ (748)
Bonds	—	—	—
Others	—	—	—
Total	\$ 3,770	3,022	(748)

(B) Available-for-sale securities sold, and the related gains and losses
Disclosure is omitted due to less importance.

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5. Derivatives

(A) Derivative transactions to which hedge accounting is not applied as of March 31, 2014 and 2013.
 Not applicable.

(B) Derivative transactions to which hedge accounting is applied
 Currency related transaction
As of March 31, 2014

		Millions of Yen		
Transaction Type	Hedged items	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Foreign currency planned business	1,494	437	11
USD				

		Thousands of U.S. dollars		
Transaction Type	Hedged items	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Foreign currency planned business	14,680	4,300	112
USD				

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates.

		Millions of Yen		
Transaction Type	Hedged items	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Accounts payable	60	—	(note1)
USD				

		Thousands of U.S. dollars		
Transaction Type	Hedged items	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Accounts payable	600	—	(note1)
USD				

(note1)The fair value is included in those of their hedged items in the notes of "18.Disclosure of fair values of financial instruments"

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As of March 31, 2013

		Millions of Yen		
Transaction Type	Hedged item	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Foreign currency planned business	278	—	28
USD				

		Thousands of U.S. dollars		
Transaction Type	Hedged item	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Foreign currency planned business	3,250	—	343
USD				

The following foreign exchange forward contracts meet certain conditions and their corresponding hedged items are stated by the forward exchange contract rates.

		Millions of Yen		
Transaction Type	Hedged item	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Accounts payable	118	—	(note1)
USD				

		Thousands of U.S. dollars		
Transaction Type	Hedged item	Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts	Accounts payable	1,465	—	(note1)
USD				

(note1)The fair value is included in those of their hedged items in the notes of "18.Disclosure of fair values of financial instruments"

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6. Pledged assets

As of March 31, 2014 and 2013, the following assets of the Companies are pledged to short-term loans payable.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Buildings and structures	1,516	1,532	14,730
Land	6,225	6,304	60,484
	¥ 7,741	¥ 7,836	\$ 75,214

As of March 31, 2014 and 2013, the following assets of the Companies are pledged to guarantee money for construction.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities	¥ 490	¥ 513	\$ 4,761

7. Bank loans

Bank loans consisted mainly of bank overdrafts from banks. The weighted average interest rates at March 31, 2014 and 2013 are 2.3 % and 2.5% per annum, respectively.

8. Allowance for losses on construction contracts

Costs on uncompleted construction contracts for which a construction loss is anticipated and Allowance for losses on construction contracts are presented without being offset.

The amount of Allowance of losses on construction contracts matching with the amount of Costs on uncompleted construction contracts is ¥9 million (\$87 thousand) and ¥16 million for the year ended March 31, 2014 and 2013, respectively.

The amount of Allowance of losses on construction contracts included in Cost of sales is ¥342 million (\$3,323 thousand) and ¥428 million for the year ended March 31, 2014 and 2013, respectively

9. Employees' severance and retirement benefits

As of March 31, 2014 and 2013, the Company and certain consolidated subsidiaries provide two types of severance and retirement benefit plans, defined contribution pension plans and severance lump-sum payment plans based on the point. Other consolidated subsidiaries provide unfunded lump-sum payment plans.

The following table shows movement in retirement benefit obligations for the year ended March 31, 2014 (including adoption a simlified method in computing their retirement benefit obligations as permitted by Japanese GAAP).

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	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1,2013	¥ 8,201	\$ 79,683
Service cost	505	4,907
Interest cost	66	641
Actuarial loss(gain)	(186)	(1,807)
Benefits paid	(566)	(5,499)
Balance at March 31,2014	¥ 8,020	\$ 77,925

The reconciliation from retirement benefit obligations to net defined benefit liability(including adoption a simplified method stated above) is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unfunded retirement benefit obligations	¥ 8,020	\$ 77,925
Total Net defined benefit liability at March 31,2014	8,020	77,925
Defined benefit liability	¥ 8,020	\$ 77,925
Total Net defined benefit liability at March 31,2014	8,020	77,925

The components of retirement benefit expenses for the year ended March 31,2014 (retirement benefit expenses in the consolidated subsidiaries using simplified method are recorded in service cost) is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 505	\$ 4,907
Interest cost	66	641
Net actuarial loss amortization	98	952
Past service costs amortization	30	291
Other	0	0
Total retirement benefit expenses for the fiscal year ended March 31,2014	¥ 699	\$ 6,791

The remeasurements of defined benefit plans is as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Actuarial gains and losses that are yet to be recognized	¥ 520	\$ 5,052
Past service costs that are yet to be recognized	57	554
Total balance at March 31,2014	¥ 577	\$ 5,606

The principal actuarial assumptions at March 31, 2014 (expressed as weighted averages) follow:

Discount rate 0.8~1.0%

At March 31, 2014, the company and consolidated subsidiaries are obliged to contribute ¥164 million (\$1,593thousand) to defined contribution pension plan.

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The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 consist of the following:

	Millions of yen
	2013
Projected benefit obligation	¥ 8,201
Unrecognized actuarial differences	(803)
Unrecognized prior service costs	(87)
	¥ 7,311

Included in the consolidated statements of operations for the years ended March 31, 2013 are severance and retirement benefit expenses comprised of the following:

	Millions of yen
	2013
Service costs – benefits earned during the year	¥ 469
Interest cost on projected benefit obligation	140
Amortization of actuarial differences	(62)
Amortization of prior service costs	30
Defined contribution pension plans premium	167
Other	1
Severance and retirement benefit expenses	¥ 745

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 at March 31, 2013 are 0.8%-1.0%.

10. Contingent liabilities

The Companies are contingently liable as a guarantor of indebtedness of customers aggregating ¥1,012 million (\$9,833 thousand) and ¥901 million at March 31, 2014 and 2013, respectively.

11. Investment securities loaned out under marketable securities loan contracts

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities loaned	¥ 2,014	¥ 1,777	\$ 19,569

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12. Income taxes

The Companies are subject to a number of taxes based on income, which, in the aggregate, indicate the rate in Japan is approximately 38.0% for the years ended March 31, 2014 and 2013. The following table summarizes the main differences between the statutory tax rate and the Companies' effective tax rate for the years ended March 31, 2014.

No figures are shown for 2013 as a net loss was recorded.

	<u>2014</u>
Statutory tax rate	38.0 %
Permanent differences:	
Non-deductible expenses	3.5
Non-taxable income	(5.4)
Per capita inhabitant taxes	6.3
Decrease in valuation allowance	(38.2)
Decrease in deferred income tax assets due to tax rate changes	4.5
Elimination of inter-company dividends	5.0
Other	(0.2)
Effective tax rate	<u>13.5 %</u>

Main components of the Companies' deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>
Deferred tax assets:			
Net defined benefit liability	¥ 2,672	¥ —	\$ 25,962
Employees' severance and retirement benefits	—	2,651	—
Write-down of inventories	413	413	4,013
Allowance for doubtful accounts	364	330	3,537
Allowance for losses on construction contracts	160	182	1,555
Impairment loss on fixed assets	109	69	1,059
Enterprise taxes payable	34	19	330
Non-deductible construction costs under the percentage-of-completion method	19	16	185
Tax loss carry forwards	1,257	2,295	12,213
Other	447	367	4,343
Subtotal	<u>5,475</u>	<u>6,342</u>	<u>53,197</u>
Valuation allowance	(5,355)	(6,308)	(52,031)
Total deferred tax assets	120	34	1,166
Deferred tax liabilities:			
Unrealized gains on securities	(527)	(471)	(5,120)
Deferred gains on property and equipment	(77)	(80)	(748)
Temporary differences about assets acquired through transfer of business	(35)	(35)	(340)
Other	(21)	(38)	(204)
Total deferred tax liabilities	<u>(660)</u>	<u>(624)</u>	<u>(6,412)</u>
Net deferred tax assets	<u>¥ (540)</u>	<u>¥ (590)</u>	<u>\$ (5,246)</u>

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Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets -Deferred tax assets	¥ 11	¥ 11	\$ 107
Investments and other non-current assets	109	20	1,059
-Deferred tax assets			
Current liabilities	(35)	(57)	(339)
-Accrued and other current liabilities			
Long-term liabilities -Deferred tax liabilities	(625)	(564)	(6,073)

Effect of changes in the corporate tax rate

Following the promulgation of the “Act on the Partial Revision of the income tax” on March 31, 2014, special income tax for reconstruction has been abolished from the fiscal year beginning on or after April 1, 2014. Accordingly, the statutory income tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been changed from 38.0% to 35.6% for temporary differences expected to be realized or settled in the fiscal years beginning on or after April 1, 2014. The impact of this change is immaterial.

13.Net assets

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 paid-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 Japanese Corporate Law (“the Law”), companies are 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 equal 25% of common stock.

Under the Japanese Commercial Code (“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 remains equal to or exceeded 25% of common stock, they are 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.

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At the annual shareholders' meeting held on June 27, 2014, the shareholders approved cash dividends amounting to ¥150 million (\$ 1,457 thousand). Such appropriations are not reflected in the consolidated financial statements as of March 31, 2014. They are recognized in the period when they are resolved.

14. 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, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and time deposits	¥ 18,624	¥ 12,618	\$ 180,956
Less: Time deposits with maturities exceeding three months	(66)	(63)	(641)
Cash and cash equivalents	¥ 18,558	¥ 12,555	\$ 180,315

15. Segment information

(1) General information about reportable segments

The Companies' reportable segments include items in the constituent units of business, for which separately financial information is available, and which reviewed regularly by the Board of Directors to determine the distribution of management resources and evaluate business results.

Therefore, the Companies categorize its operating activities into "Civil engineering", "Building construction" and "Other" businesses as reportable segments.

(2) Methods of measurement for the amounts of sales, income (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Significant Accounting Policies".

Segment income (loss) is operating income of consolidated statements of operations.

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(3) Information about sales, income (loss), assets and other items is as follows:

<u>Year ended</u>		Millions of yen				
<u>March 31, 2014</u>						
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 56,305	¥ 66,702	¥ 3,409	¥ 126,416	¥ —	¥ 126,416
Inter-segment	—	11	608	619	(619)	—
Total	56,305	66,713	4,017	127,035	(619)	126,416
Segment income	¥ 1,841	¥ 675	¥ 23	¥ 2,539	¥ 12	¥ 2,551
Identifiable assets	¥ 38,613	¥ 55,938	¥ 2,949	¥ 97,500	¥ (964)	¥ 96,536
Depreciation and amortization	208	135	15	358	(13)	345
Capital expenditures	141	124	12	277	—	277

<u>Year ended</u>		Millions of yen				
<u>March 31, 2013</u>						
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 52,589	¥ 56,240	¥ 3,911	¥ 112,740	¥ —	¥ 112,740
Inter-segment	—	365	385	750	(750)	—
Total	52,589	56,605	4,296	113,490	(750)	112,740
Segment income (loss)	¥ 2	¥ (648)	¥ (1)	¥ (647)	¥ 13	¥ (634)
Identifiable assets	¥ 43,154	¥ 45,334	¥ 2,513	¥ 91,001	¥ (1,041)	¥ 89,960
Depreciation and amortization	272	122	22	416	(20)	396
Capital expenditures	163	136	23	322	(8)	314

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Year ended

March 31, 2014

Thousands of U.S. dollars

	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	\$ 547,075	\$ 648,096	\$ 33,123	\$ 1,228,294	\$ —	\$ 1,228,294
Inter-segment	—	107	5,907	6,014	(6,014)	—
Total	547,075	648,203	39,030	1,234,308	(6,014)	1,228,294
Segment income	\$ 17,888	\$ 6,558	\$ 223	\$ 24,669	\$ 117	\$ 24,786
Identifiable assets	\$ 375,175	\$ 543,510	\$ 28,653	\$ 947,338	\$ (9,366)	\$ 937,972
Depreciation and amortization	2,021	1,312	145	3,478	(126)	3,352
Capital expenditures	1,370	1,205	116	2,691	—	2,691

#1.Reconciliations of segment income (loss) in an amount of ¥12 million (\$117 thousand) and ¥13million for the years ended March 31, 2014 and 2013, are eliminations of intersegment transactions.

#2.Consolidated amounts of segment income (loss) above correspond to the amounts of operating income in the consolidated statements of operations.

#3.All assets are allocated to the respective business segments without holding all-segment-covering ones.

(4) Information about impairment loss of fixed assets by reported segments

Information about impairment loss of fixed assets by reported segments for the fiscal year ended March 31, 2014 is as follows:

Disclosure for the fiscal year ended March 31, 2013 is omitted due to less importance.

Millions of yen

	Civil engineering	Building construction	Other	Total	Reconciliations	Consolidated
Year ended March 31, 2014						
Impairment loss	¥ 36	¥ 82	—	¥ 118	¥ —	¥ 118

Thousands of U.S. dollars

	Civil engineering	Building construction	Other	Total	Reconciliations	Consolidated
Year ended March 31, 2014						
Impairment loss	\$ 350	\$ 797	—	\$ 1,147	\$ —	\$ 1,147

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16. Impairment of Fixed Assets

For the year ended March 31, 2014, the Companies recognized impairment losses on the fixed assets as follows:

Major use	Asset category	Location	Amount
Business assets	Land	Nagoya City, Aichi Prefecture	¥77 million (\$748 thousand)
Real estate for rent	Land	Nishinomiya City, Hyogo Prefecture	¥23 million (\$224 thousand)
Real estate for rent	Buildings	Nishinomiya City, Hyogo Prefecture	¥14 million (\$136 thousand)
Idle assets	Land	Tateyama City, Chiba Prefecture	¥4 million (\$39 thousand)
Idle assets	Land	Mimasaka City, Okayama Prefecture etc.	¥0 million (\$0 thousand)

Grouping of the Companies' business assets are based on business units (per branch), and idle assets and assets used for rent are based on each asset.

Carrying amounts of certain assets used for rent, idle properties were devalued to their recoverable amounts, due to lowered profitability or substantial declines in the fair market value.

As a result, the Companies recognized an impairment loss of ¥118 million (\$1,147 thousand).

Recoverable amounts of certain assets are net selling price at disposition. The Companies use appraisal value or road rating for business assets, road rating or selling price for real estate for rent, and road rating for idle assets.

For the year ended March 31, 2013, the Companies recognized impairment losses on the fixed assets as follows:

Major use	Asset category	Location	Amount
Idle assets	Land	Mimasaka City, Okayama Prefecture etc.	¥0 million (\$0 thousand)

The Companies' business assets are based on business units, and idle assets and assets used for rent are 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 lowered profitability or substantial declines in the fair market value.

As a result, the Companies recognized an impairment loss of ¥0 million.

Recoverable amounts of certain assets are net selling price at disposition. The Companies use appraisal value or selling price for real estate for rent, and road rating for idle assets.

Among asset used for business, those difficult to sell assumes net sale value a zero.

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17. Loss on litigation

Components of losses on litigation for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Compensation for damage	¥ 39	¥ 2	\$ 379
Settlement package	21	927	204
Provision for loss on litigation	13	168	126
Provision of allowance for doubtful accounts	—	252	—
Others	56	51	544

18. Disclosure of fair values of financial instruments

Informations on financial instruments for the years ended March 31, 2014 and 2013 are 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.

The Companies use derivative for the purpose of avoiding risks as described below, and not for speculative transactions.

(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 standing of their main customers, due dates and outstanding balances of individual customers.

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.

The derivative is forward exchange contracts for the purpose of the hedging for the exchange rate fluctuations which affect overseas business.

The execution and management of derivative transactions are conducted in accordance with the Company's internal regulations. Furthermore, in actual operations, derivative transactions are entered into only with financial institutions in possession of high credit ratings in order to mitigate counterparties' default risks.

(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, 2014 and 2013 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 below).

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	Millions of yen		
	2014		
	Book Value	Fair Value	Difference
Cash and time deposits	¥ 18,624	¥ 18,624	¥ —
Trade notes and accounts receivable	55,675	55,675	—
Short-term loans receivable	31	31	—
Investment securities	3,541	3,541	—
Long-term loans receivable	381		
Allowance for doubtful accounts	(341)		
Sub total	40	42	2
Claims provable in bankruptcy, claims provable in rehabilitation and other	26		
Allowance for doubtful accounts	(15)		
Sub total	11	10	(1)
Total assets	¥ 77,922	¥ 77,923	¥ 1
Bank loans	¥ 5,049	¥ 5,049	¥ —
Trade notes and accounts payable	41,107	41,107	—
Deposits received	4,861	4,861	—
Total liabilities	¥ 51,017	¥ 51,017	¥ —
Derivative transactions	¥ 11	11	¥ —

	Millions of yen		
	2013		
	Book Value	Fair Value	Difference
Cash and time deposits	¥ 12,618	¥ 12,618	¥ —
Trade notes and accounts receivable	55,104	55,104	—
Short-term loans receivable	70	70	—
Investment securities	3,190	3,190	—
Long-term loans receivable	368		
Allowance for doubtful accounts	(325)		
Sub total	43	44	1
Claims provable in bankruptcy, claims provable in rehabilitation and other	40		
Allowance for doubtful accounts	(8)		
Sub total	32	31	(1)
Total assets	¥ 71,057	¥ 71,057	¥ (0)
Bank loans	¥ 5,805	¥ 5,805	¥ —
Trade notes and accounts payable	40,733	40,733	—
Deposits received	4,914	4,914	—
Total liabilities	¥ 51,452	¥ 51,452	¥ —
Derivative transactions	28	28	—

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	Thousands of U.S. dollars		
	2014		
	Book Value	Fair Value	Difference
Cash and time deposits	\$ 180,956	\$ 180,956	\$ —
Trade notes and accounts receivable	540,954	540,954	—
Short-term loans receivable	301	301	—
Investment securities	34,405	34,405	—
Long-term loans receivable	3,702		
Allowance for doubtful accounts	(3,313)		
Sub total	389	408	19
Claims provable in bankruptcy, claims provable in rehabilitation and other	253		
Allowance for doubtful accounts	(146)		
Sub total	107	97	(10)
Total assets	\$ 757,112	\$ 757,121	\$ 10
Bank loans	\$ 49,058	\$ 49,058	\$ —
Trade notes and accounts payable	399,407	399,407	—
Deposits received	47,231	47,231	—
Total liabilities	\$ 495,696	\$ 495,696	\$ —
Derivative transactions	\$ 107	\$ 107	\$ —

#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, their 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, allowance for bad debts are estimated based on the amount expected to collect. 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 and Deposits received

Since these items are settled in a short period of time, their book values approximate fair values.

Derivative transactions:

The fair value of derivative transactions is valued from prices quoted by financial institutions.

- #2. Since no quoted market price is available and it is extremely difficult to determine the fair values, nonmarketable securities for ended March 31, 2014 and 2013 (book value: ¥840 million (\$8,162 thousand) and ¥846 million) are not included in the above table.

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#3. The aggregate maturities subsequent to March 31, 2014 and 2013 for financial assets with maturity are as follows:

Millions of yen				
2014				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 18,624	¥ —	¥ —	¥ —
Trade notes and accounts receivable	55,675	—	—	—
Short-term loans receivable	31	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	10	—	—
Long-term loans receivable	—	26	13	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	11	—	—
Total	¥ 74,330	¥ 47	¥ 13	¥ 0

Millions of yen				
2013				
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 12,618	¥ —	¥ —	¥ —
Trade notes and accounts receivable	55,104	—	—	—
Short-term loans receivable	70	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	10	—	—	—
Long-term loans receivable	—	25	18	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	12	11	—	—
Total	¥ 67,814	¥ 36	¥ 18	¥ 0

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Type	Thousands of U.S. dollars			
	2014			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 180,956	\$ —	\$ —	\$ —
Trade notes and accounts receivable	540,954	—	—	—
Short-term loans receivable	301	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	97	—	—
Long-term loans receivable	—	253	126	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	107	—	—
Total	\$ 722,211	\$ 457	\$ 126	\$ 0

19. Accounting Standards for Presentation of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2014	2013	2014
Unrealized gains on securities			
Increase(decrease) during the year	156	743	1,516
Reclassification adjustments	—	—	—
Sub-total, before tax	156	743	1,516
Tax (expense) or benefit	(56)	(265)	(544)
Sub-total, net of tax	100	478	972
Deferred gains or losses on hedges			
Increase(decrease) during the year	(59)	91	(573)
Reclassification adjustments	—	—	—
Sub-total, before tax	(59)	91	(573)
Tax (expense) or benefit	23	(35)	223
Sub-total, net of tax	(36)	56	(350)
Foreign currency translation adjustment			
Increase(decrease) during the year	(1)	8	(10)
Reclassification adjustments	—	—	—
Sub-total, before tax	(1)	8	(10)
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	(1)	8	(10)
Total other comprehensive income	63	542	612

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20. Per Share Information

	Yen		U.S. dollars
	2014	2013	2014
Net income (loss) per share	¥ 27.92	¥ (41.46)	\$ 0.27
Net assets per share	325.42	312.00	3.16

The Companies have no dilutive common stock outstanding and posted a net loss as of March 31, 2014 and 2013. Therefore, the information of diluted net income (loss) per share is not presented.

The basis for calculation of net income (loss) per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income (loss)	¥ 1,865	¥ (2,629)	\$ 18,121
Amount not belonging to ordinary shareholders	—	—	—
Net income (loss) attributable to common stock	¥ 1,865	¥ (2,629)	\$ 18,121
Weighted average number of ordinary shares (thousands of shares)	66,805	63,428	

21. Subsequent events

At the Ordinary General Meeting of Shareholders held on June 27, 2014, the Company resolved introduction of remuneration of directors in the form of stock acquisition rights as stock options.