



DAIHO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2015 AND 2014
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KPMG AZSA LLC
October 2015



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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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, 2015
Tokyo, Japan



DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current assets:			
Cash and time deposits (Notes 14 and 18)	¥ 16,307	¥ 18,624	\$ 135,699
Receivables:			
Trade notes and accounts receivable (Note 18)	68,257	55,675	568,004
Short-term loans receivable (Note 18)	25	31	208
Allowance for doubtful accounts (Note 18)	(177)	(271)	(1,473)
Costs on uncompleted construction contracts and other (Notes 3, and 8)	889	2,853	7,398
Deferred tax assets (Note 12)	556	11	4,627
Other current assets	8,970	4,351	74,644
Total current assets	94,827	81,274	789,107
Property and equipment:			
Land (Notes 6)	5,151	6,982	42,864
Buildings and structures (Notes 6)	5,098	5,093	42,423
Machinery and equipment	8,774	8,670	73,013
Leased assets	160	153	1,331
Construction in progress	3	0	26
	19,186	20,898	159,657
Accumulated depreciation	(11,615)	(11,383)	(96,655)
Net property and equipment	7,571	9,515	63,002
Intangible assets	137	134	1,140
Investments and other non-current assets:			
Investment securities (Notes 4, 6, 11 and 18)	5,406	4,381	44,986
Long-term loans receivable (Note 18)	102	381	849
Deferred tax assets (Note 12)	103	110	857
Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 18)	15	26	125
Other non-current assets	1,646	1,817	13,698
Allowance for doubtful accounts (Note 18)	(622)	(1,102)	(5,176)
Total investments and other non-current assets	6,650	5,613	55,339
Total assets	¥ 109,185	¥ 96,536	\$ 908,588

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2015 and 2014

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Current liabilities:			
Short-term loans payable (Notes 7 and 18)	¥ 8,400	¥ 5,049	\$ 69,901
Notes and accounts payable (Notes 5 and 18)	43,559	41,107	362,478
Advances received on uncompleted construction contracts	6,667	7,487	55,480
Income taxes payable (Note 12)	1,682	382	13,997
Allowance for losses on construction contracts (Note 8)	661	449	5,501
Deposits received (Note 18)	6,829	4,861	56,828
Allowance for warranties for completed construction	272	251	2,263
Other current liabilities	975	1,824	8,113
Total current liabilities	69,045	61,410	574,561
Long-term liabilities:			
Deferred tax liabilities (Note 12)	602	625	5,010
Net defined benefit liability (Note 9)	6,233	8,020	51,868
Allowance for losses on litigation	81	212	674
Other long-term liabilities	1,444	1,623	12,016
Total long-term liabilities	8,360	10,480	69,568
Total liabilities	¥ 77,405	¥ 71,890	\$ 644,129
Contingent liabilities (Notes 10)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock			
Authorized - 160,000,000 shares			
Issued - 75,670,143 shares	6,321	6,321	52,600
Capital surplus	5,246	5,246	43,655
Retained earnings	18,932	12,576	157,543
Less: Treasury stock, at cost	(153)	(141)	(1,272)
Accumulated other comprehensive income:			
Unrealized gains on securities	1,341	950	11,159
Deferred gains or losses on hedges	87	20	724
Foreign currency translation adjustment	(14)	(31)	(117)
Remeasurements of defined benefit plans	(467)	(577)	(3,886)
Subscription rights to shares	184	—	1,531
Minority interests:	303	282	2,522
Total net assets	31,780	24,646	264,459
Total liabilities and net assets	¥ 109,185	¥ 96,536	\$ 908,588

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Sales:	¥ 138,526	¥ 126,416	\$ 1,152,750
Costs and expenses:			
Cost of sales	127,824	119,707	1,063,693
Selling, general and administrative expenses	4,555	4,158	37,904
	<u>132,379</u>	<u>123,865</u>	<u>1,101,597</u>
Operating income	6,147	2,551	51,153
Other income (expenses):			
Interest and dividend income	60	53	499
Interest expense	(76)	(157)	(632)
Guarantee commission	(58)	(66)	(483)
Gain and loss on sale and disposal of property and equipment	150	(12)	1,248
Foreign currency exchange gains, net	173	128	1,440
Loss on litigation (Note 17)	(100)	(129)	(832)
Impairment loss on fixed assets (Notes 16)	(776)	(118)	(6,458)
Reversal of allowance for losses on litigation	123	—	1,024
Other, net	72	22	599
	<u>(432)</u>	<u>(279)</u>	<u>(3,595)</u>
Income before income taxes and minority interests	5,715	2,272	47,558
Income taxes (Note 12):			
Current	1,821	390	15,154
Deferred	(744)	(82)	(6,191)
Income before minority interests	4,638	1,964	38,595
Minority interests	22	99	183
Net Income	<u>¥ 4,616</u>	<u>¥ 1,865</u>	<u>\$ 38,412</u>

Amounts per share of common stock:	Yen		U.S. dollars (Note 1)
	¥	¥	\$
Net Income (Note 20)	61.67	27.92	0.51
Diluted net income per share	61.45	—	0.51
Cash dividends applicable to the year	3.00	2.00	0.02

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥ 4,638	¥ 1,964	\$ 38,596
Other comprehensive income: (Note 19)			
Unrealized gains on securities	391	100	3,254
Deferred gains or losses on hedges	67	(36)	558
Foreign currency translation adjustment	18	(1)	149
Remeasurements of defined benefit plans	110	—	915
Total other comprehensive income	<u>586</u>	<u>63</u>	<u>4,876</u>
Comprehensive income	<u>¥ 5,224</u>	<u>¥ 2,027</u>	<u>\$ 43,472</u>
Comprehensive income attribute to:			
Comprehensive income attributable to owners of the parent	¥ 5,202	¥ 1,928	\$ 43,289
Comprehensive income attributable to minority interests	22	99	183

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
 Years ended March 31, 2015 and 2014

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	Remeasurem- ents of defined benefit plans	Subscription rights to shares	Minority interests	Total
BALANCE AT APRIL 1, 2013	67,170	¥ 5,100	¥ 3,688	¥ 10,774	¥ (660)	¥ 850	¥ 56	¥ (31)	¥ —	¥ —	¥ 184	¥ 19,961
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	—	—	—	—	—	—	—	—	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
Cumulative effects of changes in accounting policies	—	—	—	1,890	—	—	—	—	—	—	—	1,890
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid (¥2.0 per share)	—	—	—	(150)	—	—	—	—	—	—	—	(150)
Net income	—	—	—	4,616	—	—	—	—	—	—	—	4,616
Disposal of treasury stock	—	—	0	—	0	—	—	—	—	—	—	0
Acquisition of treasury stock	—	—	—	—	(12)	—	—	—	—	—	—	(12)
Net change of items other than shareholders' equity	—	—	—	—	—	391	67	17	110	184	21	790
BALANCE AT MARCH 31, 2015	75,670	¥ 6,321	¥ 5,246	¥ 18,932	¥ (153)	¥ 1,341	¥ 87	¥ (14)	¥ (467)	¥ 184	¥ 303	¥ 31,780

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	Remeasurem- ents of defined benefit plans	Subscription rights to shares	Minority interests	Total
BALANCE AT APRIL 1, 2014	\$ 52,600	\$ 43,653	\$ 104,652	\$ (1,173)	\$ 7,905	\$ 166	\$ (258)	\$ (4,801)	\$ —	\$ 2,347	\$ 205,091
Cumulative effects of changes in accounting policies	—	—	15,728	—	—	—	—	—	—	—	15,728
Issuance of new shares	—	—	—	—	—	—	—	—	—	—	—
Cash dividends paid (\$0.02 per share)	—	—	(1,248)	—	—	—	—	—	—	—	(1,248)
Net income	—	—	38,411	—	—	—	—	—	—	—	38,411
Disposal of treasury stock	—	2	—	1	—	—	—	—	—	—	3
Acquisition of treasury stock	—	—	—	(100)	—	—	—	—	—	—	(100)
Net change of items other than shareholders' equity	—	—	—	—	3,254	558	141	915	1,531	175	6,574
BALANCE AT MARCH 31, 2015	\$ 52,600	\$ 43,655	\$ 157,543	\$ (1,272)	\$ 11,159	\$ 724	\$ (117)	\$ (3,886)	\$ 1,531	\$ 2,522	\$ 264,459

See accompanying notes



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
 Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	(Note 1) 2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 5,715	¥ 2,272	\$ 47,558
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	362	345	3,012
Stock-based compensation expense	184	—	1,531
Impairment loss on fixed assets	776	118	6,458
Loss on litigation	100	129	832
Interest and dividend income	(59)	(54)	(491)
Interest expense	76	157	632
Increase (Decrease) in allowance for doubtful accounts	(315)	(14)	(2,621)
Increase (Decrease) in employees' severance and retirement benefits	—	(7,311)	—
Increase (Decrease) in net defined benefit liability	100	7,444	832
Foreign currency exchange (gains) losses, net	(179)	(31)	(1,490)
Increase (Decrease) in allowance for losses on construction contracts	212	(22)	1,764
(Gain) Loss on sale and disposal of property and equipment	(150)	12	(1,248)
Increase (Decrease) in advances received on uncompleted contracts	(833)	1,030	(6,932)
(Increase) Decrease in receivables and other current assets	(12,612)	(529)	(104,951)
(Increase) Decrease in inventories	1,964	(568)	16,344
Increase (Decrease) in payables and accrued expenses	2,423	403	20,163
(Increase) Decrease in other assets	(4,203)	728	(34,975)
Increase (Decrease) in other liabilities	928	272	7,722
Increase(Decrease) in allowance from warranties for completed construction	20	78	166
Other, net	49	(5)	408
Subtotal	(5,442)	4,454	(45,286)
Interest and dividend received	59	53	491
Interest paid	(64)	(150)	(533)
Income taxes paid	(540)	(259)	(4,494)
Payments for loss on litigation	(55)	(92)	(457)
Net cash provided by (used in) operating activities	(6,042)	4,006	(50,279)
Cash flows from investing activities:			
Deposit in time deposits	(67)	(66)	(558)
Withdrawal from time deposits	67	66	558
Proceeds from sale of property and equipment	1,253	35	10,427
Payment for purchase of property and equipment	(245)	(257)	(2,039)
Purchase of investment securities	(651)	(269)	(5,417)
Proceeds from sale of investment securities	159	98	1,323
Payment for loans receivable	(5)	(7)	(42)
(Increase)Decrease in short-term loans receivable	6	(1)	50
Collection of loans receivable	22	21	183
Purchase of intangible assets	(32)	(20)	(266)
Net cash provided by (used in) investing activities	507	(400)	4,219
Cash flows from financing activities:			
Net decrease in short-term debt	3,350	(756)	27,877
Proceeds from issuance of common shares	—	2,424	—
Purchase of treasury stock	(12)	(6)	(100)
Proceeds from disposal of treasury stock	—	861	—
Cash dividends paid	(149)	(64)	(1,240)
Cash dividends paid to minority interests	(2)	(1)	(17)
Other, net	(74)	(52)	(615)
Net cash provided by (used in) financing activities	3,113	2,406	25,905
Effect of exchange rate changes on cash and cash equivalents	99	(9)	824
Net increase (decrease) in cash and cash equivalents	(2,323)	6,003	(19,331)
Cash and cash equivalents at beginning of year	18,558	12,555	154,431
Cash and cash equivalents at end of year (Note 14)	¥ 16,235	¥ 18,558	\$ 135,100

See accompanying notes.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014

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, 2015, which is ¥ 120.17 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, 2015 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. The buildings (excluding building fixtures) are depreciated using the straight-line method.

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

	<u>2015</u>	<u>2014</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
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(4) Intangible assets

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

(5) 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.

(6) 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 fiscal year for all assets and liabilities, and at the average rate during the fiscal year for revenues and expenses.

(7) 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 ¥121,889 million (\$1,014,305 thousand) and ¥99,361 million for the years ended March 31, 2015 and 2014, respectively.

(8) Marketable securities and investment securities

The Companies have neither 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 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 fair market value are stated at moving-average cost.

(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, 2015 and 2014 totaled ¥37 million (\$308 thousand) and ¥35 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) Allowance for warranties for completed construction

The allowance for warranties for completed construction is provided to cover expenses for defects claimed concerning completed work, based on the estimated amount for compensation to be paid in the future for the work completed during 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.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014

(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) Net defined benefit liability

(A) Method of attributing expected benefit to periods

For determining method of attributing expected benefit to periods, the Companies use a benefit formula basis.

(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

Certain 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.

(15) 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 consolidated 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.

(16) 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	Scheduled transactions denominated in foreign currencies

The Companies confirm that substantial terms and conditions of the hedging instrument and the hedged transactions are the same, as well as it will have been constantly offset fluctuation of fair value at the beginning of hedge and after that.

(17) 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 as of March 31, 2014 is not disclosed because potentially dilute securities had not been issued yet. Cash dividends per share represent dividends declared as applicable to the respective years.

(18) 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, 2015 and 2014

(19) 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

(20) 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.

(21) Application of new accounting standards

The Company and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from straight-line basis to a benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, the liability for retirement benefits obligation decreased by ¥ 1,890 million(\$15,728 thousand) and retained earnings increased by ¥ 1,890 million(\$15,728 thousand) at the beginning of the current fiscal year. In addition, operating income, and income before tax and minority interests decreased by ¥51 million(\$424 thousand) in the current fiscal year, respectively.

The effects on the earnings per share are explained in Note 20 "Per Share Information"



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2015 and 2014

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
	2015	2014	2015
Costs on uncompleted construction contracts	¥ 820	¥ 2,773	\$ 6,824
Costs on real estate business	—	0	—
Raw materials and supplies	69	80	574

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, 2015 and 2014:

Available-for-sale securities:

(1) Securities with book values exceeding acquisition costs

Type	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,144	¥ 4,155	¥ 2,011
Bonds	10	10	0
Others	100	116	16
Total	¥ 2,254	4,281	2,027

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	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	\$ 17,841	\$ 34,576	\$ 16,735
Bonds	83	83	0
Others	833	965	132
Total	\$ 18,757	35,624	16,867



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(2) Securities with book values not exceeding acquisition costs

Type	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	¥ 333	¥ 291	¥ (42)
Bonds	—	—	—
Others	—	—	—
Total	¥ 333	291	(42)

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

Type	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	\$ 2,771	\$ 2,422	\$ (349)
Bonds	—	—	—
Others	—	—	—
Total	\$ 2,771	2,422	(349)

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

Total sales, related gains and losses of available-for-sale securities are as follows:

Type	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Equity securities			
Sales	¥ 159	¥ 98	\$ 1,323
Related gains	25	22	208
Related losses	—	—	

(C) Available-for-sale securities impaired

Year ended March 31, 2015

Not applicable.

Year ended March 31, 2014

This information is omitted due to little importance of the amount of impairment recorded.



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5. Derivatives

(A) Derivative transactions to which hedge accounting is not applied as of March 31, 2015 and 2014.
 Not applicable.

(B) Derivative transactions to which hedge accounting is applied
 Currency related transaction

As of March 31, 2015

Transaction Type	Hedged items	Millions of Yen		
		Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts	scheduled transactions denominated in foreign currencies			
Buying contracts USD		437	102	78

Transaction Type	Hedged items	Thousands of U.S. dollars		
		Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts	scheduled transactions denominated in foreign currencies			
Buying contracts USD(note1)		3,637	849	649

(note1) The fair value of this derivative is based on quoted market prices of forward exchange.

As of March 31, 2014

Transaction Type	Hedged item	Millions of Yen		
		Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts	scheduled transactions denominated in foreign currencies			
Buying contracts USD		1,494	437	11

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

Transaction Type	Hedged items	Millions of Yen		
		Contract amount	Contract over one year	Fair Value
Foreign exchange forward contracts				
Buying contracts USD	Accounts payable	60	—	(note2)

(note2) The fair value of this derivative is based on quoted market prices of forward exchange.



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6. Pledged assets

As of March 31, 2015 and 2014, the following assets of the Companies are pledged to short-term loans payable.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Buildings and structures	784	1,516	6,524
Land	1,949	6,225	16,219
	¥ 2,733	¥ 7,741	\$ 22,743

As of March 31, 2015 and 2014, the following assets of the Companies are pledged to guarantee money for construction.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities	¥ 10	¥ 490	\$ 83

7. Short-term loans

Short-term loans consisted mainly of bank overdrafts from banks. The weighted average interest rates at March 31, 2015 and 2014 are 1.1 % and 2.3% 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 ¥1 million (\$8 thousand) and ¥9 million for the year ended March 31, 2015 and 2014, respectively.

The amount of Allowance of losses on construction contracts included in Cost of sales is ¥591 million (\$4,918 thousand) and ¥342 million for the year ended March 31, 2015 and 2014, respectively

9. Net defined benefit liability

(1)As of March 31,2015 and 2014,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.

(2)The following table shows movement in retirement benefit obligations for the year ended March 31,2015 and 2014 (including adoption a simplified method in computing their retirement benefit obligations as permitted by Japanese GAAP).



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	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at the beginning of year	¥ 8,020	¥ 8,201	\$ 66,739
The cumulative effect of a change in accounting policy	(1,890)	—	(15,728)
Service cost	549	505	4,569
Interest cost	50	66	416
Actuarial loss(gain)	(22)	(186)	(183)
Benefits paid	(474)	(566)	(3,945)
Balance at the end of year	¥ 6,233	¥ 8,020	\$ 51,868

(3) Movements in plan assets
 Not applicable

(4) 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
	2015	2014	2015
Unfunded retirement benefit obligations	¥ 6,233	¥ 8,020	\$ 51,868
Total Net defined benefit liability at the end of respective fiscal year	6,233	8,020	51,868
Defined benefit liability	¥ 6,233	¥ 8,020	\$ 51,868
Total Net defined benefit liability at the end of respective fiscal year	6,233	8,020	51,868

(5) The components of retirement benefit expenses for the year ended March 31, 2015 and 2014 (retirement benefit expenses in the consolidated subsidiaries using simplified method are recorded in service cost)are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 549	¥ 505	\$ 4,569
Interest cost	50	66	416
Net actuarial loss amortization	58	98	483
Past service costs amortization	30	30	249
Other	1	0	8
Total retirement benefit expenses for the respective fiscal year	688	¥ 699	\$ 5,725



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(6)The remeasurements of defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ 30	¥ —	\$ 250
Actuarial difference	80	—	665
Total remeasurements for the respective fiscal year	¥ 110	¥ —	\$ 915

(7)The accumulated remeasurements of defined benefit plans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial gains and losses that are yet to be recognized	¥ 440	¥ 520	\$ 3,661
Past service costs that are yet to be recognized	27	57	225
Total balance at the end of respective fiscal year	¥ 467	¥ 577	\$ 3,886

(8)Plan assets

The Companies have no plan assets. Therefore, the reconciliation of plan assets of beginning and ending balances, and the component ratio of main items included in plan assets for the years ended March 31, 2015 and 2014 are not presented.

(9)The principal actuarial assumptions at March 31, 2015 and 2014 (expressed as weighted averages) are as follows:

Discount rate 0.8~1.0%

(10)Defined contribution pension plan

The amount to be paid by the company and consolidated subsidiaries to the defined contribution pension plan was ¥171 million (\$1,423thousand) and ¥163 million for the year ended March 31, 2015 and 2014 respectively.

10. Contingent liabilities

The Companies are contingently liable as a guarantor of indebtedness of customers aggregating ¥1,403 million (\$1,675thousand) and ¥1,012 million at March 31, 2015 and 2014, respectively.

11. Investment securities loaned out under available-for-sale securities loan contracts

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities loaned	¥ 1,604	¥ 2,014	\$ 13,348



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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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively. The following table summarizes the main differences between the statutory tax rate and the Companies' effective tax rate for the years ended March 31, 2015 and 2014.

	2015		2014
Statutory tax rate	35.6	%	38.0 %
Permanent differences:			
Non-deductible expenses	1.2		3.5
Non-taxable income	(1.4)		(5.4)
Per capita inhabitant taxes	2.4		6.3
Decrease in valuation allowance	(21.9)		(38.2)
Decrease in deferred income tax assets due to tax rate change	0.9		4.5
Elimination of inter-company dividends	1.4		5.0
Other	0.6		(0.2)
Effective tax rate	18.8	%	13.5

Main components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥ 2,029	¥ 2,672	\$ 16,884
Write-down of inventories(*1)	374	413	3,112
Allowance for doubtful accounts	256	364	2,130
Allowance for losses on construction contracts	218	160	1,814
Impairment loss on fixed assets	350	109	2,913
Allowance for warranties for completed construction	89	88	741
Enterprise taxes payable	82	34	682
Non-deductible construction costs under the percentage-of-completion method	—	19	—
Tax loss carry forwards	215	1,257	1,789
Other	537	359	4,469
Subtotal	4,150	5,475	34,534
Valuation allowance	(3,300)	(5,355)	(27,461)
Total deferred tax assets	850	120	7,073
Deferred tax liabilities:			
Unrealized gains on securities	(643)	(527)	(5,351)
Deferred gains on property and equipment	(68)	(77)	(566)
Temporary differences about assets acquired through transfer of business	(30)	(35)	(250)
Other	(52)	(21)	(432)
Total deferred tax liabilities	(793)	(660)	(6,599)
Net deferred tax assets(liabilities)	¥ 57	¥ (540)	\$ 474



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(*1) "Write-down of inventories" is concerning the real estate reclassified from current assets to non-current assets by the change of the purpose.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets -Deferred tax assets	¥ 556	¥ 11	\$ 4,627
Investments and other non-current assets			
-Deferred tax assets	103	110	857
Current liabilities			
-Accrued and other current liabilities	—	(35)	—
Long-term liabilities -Deferred tax liabilities	(602)	(625)	(5,010)

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net long term deferred tax liabilities(after deducting the deferred tax assets) decreased by ¥ 15 million(\$125 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥ 50million(\$416 thousand), Unrealized gains on securities increased by ¥ 65 million(\$541 thousand).

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



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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 27, 2015, the shareholders approved cash dividends amounting to ¥225 million (\$ 1,872 thousand). Such appropriations are not reflected in the consolidated financial statements as of March 31, 2015. 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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and time deposits	¥ 16,307	¥ 18,624	\$ 135,699
Less: Time deposits with maturities exceeding three months	(72)	(66)	(599)
Cash and cash equivalents	¥ 16,235	¥ 18,558	\$ 135,100

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, 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 is operating income of consolidated statements of operations.



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

Year ended

March 31, 2015

Millions of yen

	Civil engineering	Building construction	Other	Total	Reconciliations (#1-#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 69,751	¥ 65,171	¥ 3,604	¥ 138,526	¥ —	¥ 138,526
Inter-segment	1	9	372	382	(382)	—
Total	69,752	65,180	3,976	138,908	(382)	138,526
Segment income	¥ 4,476	¥ 1,578	¥ 85	¥ 6,139	¥ 8	¥ 6,147
Identifiable assets	¥ 57,398	¥ 50,198	¥ 2,793	¥ 110,389	¥ (1,204)	¥ 109,185
Depreciation and amortization	208	135	28	371	(9)	362
Capital expenditures	120	93	50	263	—	263

Year ended

March 31, 2014

Millions of yen

	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 (loss)	¥ 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



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Year ended

March 31, 2015

Thousands of U.S. dollars

	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	\$ 580,436	\$ 542,323	\$ 29,991	\$ 1,152,750	\$ —	\$ 1,152,750
Inter-segment	8	75	3,096	3,179	(3,179)	—
Total	580,444	542,398	33,087	1,155,929	(3,179)	1,152,750
Segment income	\$ 37,247	\$ 13,131	\$ 708	\$ 51,086	\$ 67	\$ 51,153
Identifiable assets	\$ 477,640	\$ 417,725	\$ 23,242	\$ 918,607	\$ (10,019)	\$ 908,588
Depreciation and amortization	1,731	1,123	233	3,087	(75)	3,012
Capital expenditures	999	774	416	2,189	—	2,189

#1.Reconciliations of segment income in an amount of ¥8 million (\$67thousand) and ¥12million for the years ended March 31, 2015 and 2014, are eliminations of intersegment transactions.

#2.Consolidated amounts of segment income 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) Related information

(a) Information by product or service

As the same information is disclosed in "(1) General information about reportable segments", this information is omitted.

(b) Information by region

(Sales)

Disclosure of sales information by region is omitted, as the proportion of sales in Japan to total sales is over 90%.

(Property and equipment)

Disclosure of property and equipment information by region is omitted, as the proportion of property and equipment in Japan to total property and equipment is over 90%.

(c) Information about major customers

Of sales to external customers, sales to any specific customer account for less than 10% of net sales in the consolidated financial statements. Therefore this information is omitted.



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(5) 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, 2015 and 2014 is as follows:

		Millions of yen					
		Civil engineering	Building construction	Other	Total	Reconciliations	Consolidated
Year ended	March 31, 2015	¥ 0	¥ 776	—	¥ 776	¥ —	¥ 776
Impairment	loss						

		Thousands of U.S. dollars					
		Civil engineering	Building construction	Other	Total	Reconciliations	Consolidated
Year ended	March 31, 2015	\$ 0	\$ 6,458	—	\$ 6,458	\$ —	\$ 6,458
Impairment	loss						

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

(6) Amortization and balance of goodwill by reportable segment

Not applicable

(7) Amount of gain on negative goodwill by reportable segment

Not applicable

16. Impairment of Fixed Assets

For the year ended March 31, 2015, the Companies recognized impairment losses on the fixed assets as follows:

Major use	Asset category	Location	Amount
Idle assets	Land	Minato City, Tokyo Prefecture	¥776 million (\$6,458 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 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 ¥776 million (\$6,458 thousand).

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



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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
Real estate for rent	Land	Nishinomiya City, Hyogo Prefecture	¥23 million
Real estate for rent	Buildings	Nishinomiya City, Hyogo Prefecture	¥14 million
Idle assets	Land	Tateyama City, Chiba Prefecture	¥4 million
Idle assets	Land	Mimasaka City, Okayama Prefecture etc.	¥0 million

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.

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.

17. Loss on litigation

Components of losses on litigation for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of
	2015	2014	U.S. dollars
Compensation for damage	¥ —	¥ 39	\$ —
Settlement package	11	21	92
Allowance for loss on litigation	50	13	416
Others	39	56	324

18. Disclosure of fair values of financial instruments

Informations on financial instruments for the years ended March 31, 2015 and 2014 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



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(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, 2015 and 2014 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		
	2015		
	Book Value	Fair Value	Difference
Cash and time deposits	¥ 16,307	¥ 16,307	¥ —
Trade notes and accounts receivable	68,257	68,257	—
Short-term loans receivable	25	25	—
Investment securities	4,572	4,572	—
Long-term loans receivable	102		
Allowance for doubtful accounts	(70)		
Sub total	32	33	1
Claims provable in bankruptcy, claims provable in rehabilitation and other	15		
Allowance for doubtful accounts	(15)		
Sub total	—	—	—
Total assets	¥ 89,193	¥ 89,194	¥ 1
Short-term loans	¥ 8,400	¥ 8,400	¥ —
Trade notes and accounts payable	43,559	43,559	—
Deposits received	6,829	6,829	—
Total liabilities	¥ 58,788	¥ 58,788	¥ —
Derivative transactions	¥ 78	78	¥ —

	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
Short-term 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	¥ —



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	Thousands of U.S. dollars		
	2015		
	Book Value	Fair Value	Difference
Cash and time deposits	\$ 135,699	\$ 135,699	\$ —
Trade notes and accounts receivable	568,004	568,004	—
Short-term loans receivable	208	208	—
Investment securities	38,046	38,046	—
Long-term loans receivable	849		
Allowance for doubtful accounts	(583)		
Sub total	266	275	9
Claims provable in bankruptcy, claims provable in rehabilitation and other	125		
Allowance for doubtful accounts	(125)		
Sub total	—	—	—
Total assets	\$ 742,223	\$ 742,232	\$ 9
Bank loans	\$ 69,901	\$ 69,901	\$ —
Trade notes and accounts payable	362,478	362,478	—
Deposits received	56,828	56,828	—
Total liabilities	\$ 489,207	\$ 489,207	\$ —
Derivative transactions	\$ 649	\$ 649	\$ —

#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.



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#2. Since no quoted market price is available and it is extremely difficult to determine the fair values, nonmarketable securities for ended March 31, 2015 and 2014 (book value: ¥835 million (\$6,947 thousand) and ¥840 million) are not included in the above table

#3. The aggregate maturities subsequent to March 31, 2015 and 2014 for financial assets with maturity are as follows:

Type	Millions of yen			
	2015			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 16,307	¥ —	¥ —	¥ —
Trade notes and accounts receivable	68,257	—	—	—
Short-term loans receivable	25	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	10	—	—	—
Long-term loans receivable	—	22	10	—
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	—	—	—
Total	¥ 84,599	¥ 22	¥ 10	¥ —

Type	Millions of yen			
	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	¥ 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



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Type	Thousands of U.S. dollars			
	2015			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 135,699	\$ —	\$ —	\$ —
Trade notes and accounts receivable	568,004	—	—	—
Short-term loans receivable	208	—	—	—
Investment securities				
Available-for-sale securities				
with contractual maturities	83	—	—	—
Long-term loans receivable	—	183	83	—
Claims provable in bankruptcy, claims provable in rehabilitation and other	—	—	—	—
Total	<u>\$ 703,994</u>	<u>\$ 183</u>	<u>\$ 83</u>	<u>\$ —</u>

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:



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	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2015	2014	2015
Unrealized gains on securities			
Increase(decrease) during the year	542	156	4,510
Reclassification adjustments	(13)	—	(108)
Sub-total, before tax	529	156	4,402
Tax (expense) or benefit	(138)	(56)	(1,148)
Sub-total, net of tax	391	100	3,254
Deferred gains or losses on hedges			
Increase(decrease) during the year	114	(59)	949
Reclassification adjustments	(15)	—	(125)
Sub-total, before tax	99	(59)	824
Tax (expense) or benefit	(32)	23	(266)
Sub-total, net of tax	67	(36)	558
Foreign currency translation adjustment			
Increase(decrease) during the year	18	(1)	149
Reclassification adjustments	—	—	—
Sub-total, before tax	18	(1)	149
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	18	(1)	149
Remeasurements of defined benefit plans			
Increase(decrease) during the year	22	—	183
Reclassification adjustments	88	—	732
Sub-total, before tax	110	—	915
Tax (expense) or benefit	—	—	—
Sub-total, net of tax	110	—	915
Total other comprehensive income	586	63	4,876

20.Per Share Information

	Yen		U.S. dollars
	2015	2014	2015
Net income per share	¥ 61.67	¥ 27.92	\$ 0.51
Net assets per share	418.11	325.42	3.48
Net income per share (diluted)	61.45	—	0.51

The Companies have no dilutive common stock outstanding and posted a net loss as of March 31, 2014. Therefore, the information of diluted net income per share is not presented. In addition, due to the adoption of accounting standards described in Note 1 (21) Application of new accounting standards, Net income per share and net income per share (diluted) decreased by ¥0.69(\$0.006) and ¥0.68(\$0.006) per share, respectively, and net assets per share increased by ¥25.25(\$0.21) per share.



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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income	¥ 4,616	¥ 1,865	\$ 38,412
Amount not belonging to ordinary shareholders	—	—	—
Net income attributable to common stock	¥ 4,616	¥ 1,865	\$ 38,412
Weighted average number of ordinary shares (thousands of shares)	74,859	66,805	

The dilutive factor included in calculating diluted net income per share is as follows

	2015	2014
Subscription rights to shares (thousands of shares)	263	—

21. Stock option

Stock option expense that is accounted for under selling, general and administrative expenses on the Consolidated Statements of operations for the fiscal year ended March 31, 2015 amounted to ¥184 million (\$1,531 thousand)

A. Outline of stock options

	Resolution on Jun 27, 2014 and February 13, 2015
Title and number of grantees	7 Director 8 Corporate officer
Number of stock options(a)	264,000 common shares
Grant date	March 2, 2015
Exercise condition	(b)
Intended service period	No particular set
Exercise period	From March 3, 2015 to March 2, 2035

Notes:

(a) Number of stock options means total shares to be issued upon exercise of subscription rights to shares.

(b) It is required to fulfill the following working conditions.

(1) The grantees can exercise their rights from the following day of the day after one year from when lost the position as directors or corporate officer. This period are limited up to 9 years later from then.

(2) The grantees cannot exercise their rights if one of the following matters happen.

When the grantees commit a crime which deserves to imprisonment or something worse than that during the period of being as directors or corporate officer.

When the grantees or legal heirs offer to waive their every rights or part of them by written form given by the Company.

(3) The legal heirs can exercise the rights during 6 months from the date the grantees pass away regardless of the condition mentioned above (1)

(excluding those who succeeded again from the legal heirs when they pass away during that period.)



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B. Scale and changes in stock options

The following describes the scale and changes in stock options that existed during the fiscal year ended March 31, 2015. The number of stock options is translated into the number of shares.

Fiscal year ended March 31, 2015:

Number of stock options

Before vested:	
As of March 31, 2014	-
Granted	264,000
Forfeited	-
Vested	-
Outstanding	264,000
After vested:	
As of March 31, 2014	-
Vested	-
Exercised	-
Forfeited	-
Outstanding	-

Price information

Exercise price	¥1 (\$0.008) per share
Average price when exercised	-
Fair value at the grant date	¥696 (\$5.79) per subscription to share

C. Valuation method for estimating per share fair value of stock options

The valuation method used for valuating fair value of subscription rights to shares is as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method

Expected volatility of the underlying stock price(a)	55.84%
Expected remaining life of the option(b)	5.5 years
Expected dividends on the stock(c)	¥2 (\$0.017) per share
Risk-free interest rate during the expected option term(d)	0.06%

Notes:

(a) The volatility is calculated based on the actual stock prices during the five years and six months from September 1, 2009 to February 28, 2015.

(b) As reasonable estimate is difficult for lack of sufficient data, the Company made assumptions they will be exercised at the mid-point of the exercise period.

(c) Expected dividends are determined based on the latest actual dividends on common stock for the fiscal year ended March 31, 2014.

(d) Japanese government bond yield corresponding to the expected remaining life.



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D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have been forfeited is reflected.

22. Subsequent events

Issuance of important new shares

On July 13, 2015, the Board of Directors adopted the resolutions of an issuance of new shares and a secondary offering of shares. The payment for the issuance of new shares through public offering was completed on July 29, 2015. The outline is described below.

1. Issuance of new shares through public offering

- (1) Class and number of shares to be offered
10,000,000 shares of common stock of the Company
- (2) Issue price
¥494 (\$4) per share
- (3) Total amount of issue price
¥4,940 million (\$41,108 thousand)
- (4) Amount paid in
¥471.05 (\$4) per share
- (5) Total amount paid in
¥4,710 million (\$39,199 thousand)
- (6) Common stock and capital surplus increased
Increase in common stock: ¥ 2,355 million (\$19,599 thousand)
Increase in capital surplus: ¥2,355 million (\$19,599 thousand)
- (7) Payment date
July 29, 2015

2. Secondary offering of Shares through over-allotment

- (1) Class and number of shares to be sold
1,500,000 (\$12 thousand) shares of common stock
- (2) Selling price
¥494 (\$4) per share
- (3) Total amount of selling price
¥741 million (\$6,166 thousand)
- (4) Delivery date
July 30, 2015

3. Issuance of new shares through third-party allotment

- (1) Class and number of shares to be offered
Up to 1,500,000 shares of common stock of the Company
- (2) Amount paid in
¥471.05 (\$4) per share
- (3) Total amount of paid in
Up to ¥707 million (\$5,880 thousand)
- (4) Common stock and capital surplus increased
Increase in common stock: up to ¥353 million (\$2,940 thousand)
Increase in capital surplus: up to ¥353 million (\$2,940 thousand)



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(5) The allocated company and the allocation number of shares

Daiwa Securities Co., Ltd. 1,500,000 shares

(6) Payment due date

August 26, 2015

4. Use of proceeds

¥1,500 million of the total estimated proceeds up to ¥5,376 million are to be used as equipment capital for new establishment of the Equipment Center by March 31, 2017. The rest of them is to be used as a part of operating capital.