



DAIHO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2018 AND 2017
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KPMG AZSA LLC
September 2018



Independent Auditor's Report

To the Board of Directors 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, 2018 and 2017, 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 misstatement, 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 judgment, 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, 2018 and 2017, 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, 2018 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.

KPMG AZSA LLC
September 26, 2018
Tokyo, Japan



DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2018 and 2017

<u>ASSETS</u>	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Current assets:			
Cash and time deposits (Notes 14 and 19)	¥ 44,252	¥ 31,612	\$ 416,528
Receivables:			
Trade notes and accounts receivable (Notes 4 and 19)	66,028	67,292	621,498
Short-term loans receivable (Note 19)	20	19	188
Allowance for doubtful accounts (Note 19)	(91)	(162)	(856)
Costs on uncompleted construction contracts and other (Notes 3 and 8)	2,374	2,125	22,345
Advances paid (Note 19)	7,777	10,285	73,202
Deferred tax assets (Note 12)	672	745	6,325
Other current assets	1,617	949	15,220
Total current assets	122,651	112,867	1,154,471
Property and equipment:			
Land	5,572	5,845	52,447
Buildings and structures	8,397	5,156	79,038
Machinery and equipment	5,358	8,799	50,432
Leased assets	172	168	1,618
Construction in progress	1,319	27	12,415
	20,820	19,996	195,971
Accumulated depreciation	(10,950)	(11,348)	(103,068)
Net property and equipment	9,869	8,647	92,893
Intangible assets	134	132	1,261
Investments and other non-current assets:			
Investment securities (Notes 5, 7, 11 and 19)	7,585	6,614	71,394
Long-term loans receivable (Note 19)	42	60	395
Deferred tax assets (Note 12)	100	91	941
Other non-current assets	851	960	8,010
Allowance for doubtful accounts (Note 19)	(119)	(142)	(1,120)
Total investments and other non-current assets	8,460	7,584	79,631
Total assets	¥ 141,115	¥ 129,232	\$ 1,328,266

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2018 and 2017

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Current liabilities:			
Short-term loans payable (Note 19)	¥ 1,850	¥ 1,850	\$ 17,413
Current portion of long-term loans payable (Note 19)	3,150	—	29,649
Trade notes and accounts payable (Notes 6 and 19)	44,231	41,496	416,330
Advances received on uncompleted construction contracts	8,933	9,241	84,083
Income taxes payable (Note 12)	2,137	1,470	20,114
Allowance for losses on construction contracts (Note 8)	541	717	5,092
Deposits received (Note 19)	10,739	10,863	101,082
Allowance for warranties for completed construction	336	399	3,162
Other current liabilities	3,079	1,855	28,981
Total current liabilities	74,999	67,894	705,939
Long-term liabilities:			
Long-term loans payable (Note 19)	—	3,150	—
Deferred tax liabilities (Note 12)	784	618	7,379
Net defined benefit liability (Note 9)	6,285	6,294	59,158
Allowance for losses on litigation	—	73	—
Other long-term liabilities	1,137	1,219	10,702
Total long-term liabilities	8,208	11,356	77,259
Total liabilities	¥ 83,207	¥ 79,251	\$ 783,198
Contingent liabilities (Note 10)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock			
Authorized - 160,000,000 shares			
Issued - 87,210,143 shares	9,039	9,030	85,080
Capital surplus	7,997	7,960	75,272
Retained earnings	37,974	30,867	357,435
Less: Treasury stock, at cost	(160)	(170)	(1,506)
Accumulated other comprehensive income:			
Unrealized gains on securities	2,083	1,533	19,606
Deferred gains or losses on hedges	257	103	2,419
Foreign currency translation adjustment	(22)	(25)	(207)
Remeasurements of defined benefit plans	(179)	(269)	(1,684)
Subscription rights to shares	545	610	5,129
Non-controlling interests	372	340	3,501
Total net assets	57,908	49,981	545,067
Total liabilities and net assets	¥ 141,115	¥ 129,232	\$ 1,328,266

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Sales:	¥ 149,649	¥ 143,613	\$ 1,408,593
Costs and expenses (Note 16):			
Cost of sales	133,266	128,398	1,254,386
Selling, general and administrative expenses	5,155	5,167	48,522
	<u>138,421</u>	<u>133,566</u>	<u>1,302,908</u>
Operating income	11,227	10,047	105,675
Other income (expenses):			
Interest and dividend income	120	83	1,129
Interest expense	(34)	(39)	(320)
Guarantee commission	(66)	(69)	(621)
Commission fee	(74)	(30)	(696)
Gain and (loss) on sale and disposal of property and equipment	116	(14)	1,091
Foreign currency exchange gain and (loss), net	(10)	91	(94)
Loss on litigation (Note 18)	(43)	(25)	(404)
Reversal of allowance for losses on litigation	—	128	—
Reversal of provision for loss on construction contracts	67	—	630
Loss on valuation of investment securities (Note 5)	(54)	—	(508)
Allowance for losses on construction contracts	—	(307)	—
Directors' retirement benefits	(129)	—	(1,214)
Other, net	74	48	696
	<u>(33)</u>	<u>(135)</u>	<u>(310)</u>
Income before income taxes and non-controlling interests	11,193	9,911	105,355
Income taxes (Note 12):			
Current	3,358	2,886	31,607
Deferred	(82)	(40)	(771)
Net income	<u>7,917</u>	<u>7,065</u>	<u>74,519</u>
Profit attributable to non-controlling interests	34	27	320
Profit attributable to owners of parent	<u>¥ 7,883</u>	<u>¥ 7,037</u>	<u>\$ 74,199</u>

Amounts per share of common stock:	Yen		U.S. dollars (Note 1)
	2018	2017	2018
Net income (Note 21)	¥ 91.25	¥ 81.53	\$ 0.86
Diluted net income per share (Note 21)	90.05	80.75	0.85
Cash dividends applicable to the year	15.00	9.00	0.14

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net income	¥ 7,917	¥ 7,065	\$ 74,520
Other comprehensive income: (Note 20)			
Unrealized gains or losses on securities	549	337	5,168
Deferred gains or losses on hedges	154	64	1,450
Foreign currency translation adjustments	3	1	28
Remeasurements of defined benefit plans	89	110	838
Total other comprehensive income	<u>796</u>	<u>514</u>	<u>7,492</u>
Comprehensive income	<u>¥ 8,714</u>	<u>¥ 7,580</u>	<u>\$ 82,022</u>
Comprehensive income attribute to:			
Owners of parent	¥ 8,680	¥ 7,552	\$ 81,702
Non-controlling interests	34	28	320

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2018 and 2017

		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 adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non- controlling interests	Total
		¥	¥	¥	¥	¥	¥	¥	¥	¥	¥	¥
87,170	BALANCE AT APRIL 1, 2016	9,030	7,955	24,261	(163)	1,196	38	(27)	(379)	400	314	42,626
	Issuance of new shares											
	Cash dividends paid (¥5.0 per share)			(431)								(431)
	Profit attributable to owners of parent			7,037								7,037
	Disposal of treasury stock		5		2							7
	Acquisition of treasury stock				(8)							(8)
	Net change of items other than shareholders' equity					337	64	1	110	209	26	750
87,170	BALANCE AT MARCH 31, 2017	9,030	7,960	30,867	(170)	1,533	103	(25)	(269)	610	340	49,981
40	Issuance of new shares	9										19
	Cash dividends paid (¥9.0 per share)			(776)								(776)
	Profit attributable to owners of parent			7,883								7,883
	Disposal of treasury stock				18							45
	Acquisition of treasury stock				(8)							(8)
	Net change of items other than shareholders' equity					549	154	3	89	(64)	31	763
87,210	BALANCE AT MARCH 31, 2018	9,039	7,997	37,974	(160)	2,083	257	(22)	(179)	545	372	57,908

Thousands of U.S. dollars (Note 1)

		Thousands of U.S. dollars (Note 1)										
Number of shares of common stock		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 adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non- controlling interests	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
84,996	BALANCE AT APRIL 1, 2017	84	74,924	290,540	(1,600)	14,429	969	(235)	(2,532)	5,741	3,200	470,453
	Issuance of new shares	84										178
	Cash dividends paid (\$0.08 per share)			(7,304)								(7,304)
	Profit attributable to owners of parent			74,199								74,199
	Disposal of treasury stock				169							423
	Acquisition of treasury stock				(75)							(75)
	Net change of items other than shareholders' equity					5,167	1,449	28	837	(602)	291	7,181
85,080	BALANCE AT MARCH 31, 2018	84	75,272	357,435	(1,506)	19,606	2,419	(207)	(1,684)	5,129	3,501	545,067

See accompanying notes.



DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 11,193	¥ 9,911	\$ 105,356
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation and amortization	498	438	4,687
Stock-based compensation expense	—	216	—
Loss on litigation	43	25	404
Interest and dividend income	(120)	(83)	(1,129)
Interest expense	34	39	320
Increase (decrease) in allowance for doubtful accounts	(94)	(616)	(884)
Increase (decrease) in net defined benefit liability	(9)	34	(84)
Foreign currency exchange (gains) losses, net	(10)	(36)	(94)
Increase (decrease) in allowance for losses on construction contracts	(175)	229	(1,647)
(Gain) loss on sale and disposal of property and equipment	(116)	14	(1,091)
Increase (decrease) in advances received on uncompleted contracts	(308)	3,580	(2,899)
(Increase) decrease in receivables and other current assets	1,294	(4,711)	12,179
(Increase) decrease in inventories	(249)	(777)	(2,343)
Increase (decrease) in payables and accrued expenses	2,723	(1,390)	25,630
(Increase) decrease in other assets	2,085	(4,121)	19,625
Increase (decrease) in other liabilities	626	3,083	5,892
Increase (decrease) in allowance for warranties for completed construction	(63)	42	(592)
Other, net	365	152	3,435
Subtotal	<u>17,715</u>	<u>6,030</u>	<u>166,745</u>
Interest and dividend received	120	82	1,129
Interest paid	(34)	(41)	(320)
Income taxes paid	(2,668)	(3,982)	(25,112)
Payment for loss on litigation	(122)	(26)	(1,148)
Net cash provided by (used in) operating activities	<u>15,010</u>	<u>2,062</u>	<u>141,283</u>
Cash flows from investing activities:			
Deposit in time deposits	(124)	(109)	(1,167)
Withdrawal from time deposits	124	118	1,167
Proceeds from sale of property and equipment	628	6	5,911
Payment for purchase of property and equipment	(1,879)	(1,300)	(17,686)
Purchase of intangible assets	(28)	(15)	(263)
Purchase of investment securities	(321)	(449)	(3,021)
Proceeds from sale of investment securities	99	101	931
Payment for long-term loans receivable	(2)	(1)	(18)
(Increase) decrease in short-term loans receivable	4	6	37
Collection of long-term loans receivable	17	20	160
Net cash provided by (used in) investing activities	<u>(1,480)</u>	<u>(1,621)</u>	<u>(13,930)</u>
Cash flows from financing activities:			
Proceeds from long-term loans payable	—	3,150	—
Repayment of long-term loans payable	—	(3,150)	—
Purchase of treasury stock	(8)	(8)	(75)
Proceeds from disposal of treasury stock	0	0	0
Cash dividends paid	(774)	(429)	(7,285)
Cash dividends paid to non-controlling interests	(2)	(1)	(18)
Other, net	(88)	(55)	(828)
Net cash provided by (used in) financing activities	<u>(874)</u>	<u>(496)</u>	<u>(8,226)</u>
Effect of exchange rate changes on cash and cash equivalents	(16)	15	(150)
Net increase (decrease) in cash and cash equivalents	<u>12,639</u>	<u>(40)</u>	<u>118,966</u>
Cash and cash equivalents at the beginning of year	31,592	31,633	297,364
Cash and cash equivalents at end of year (Note 14)	<u>¥ 44,232</u>	<u>¥ 31,592</u>	<u>\$ 416,340</u>

See accompanying notes.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

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 from 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 to U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018, which is ¥ 106.24 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.

Amounts less than one million yen have been omitted. As a result, the total amounts in Japanese yen and translated U.S. dollars shown in the consolidated financial statements and notes to the consolidated financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

(1) Principles of consolidation

The consolidated financial statements as of March 31, 2018 include the accounts of the Company and its 8 significant subsidiaries. The 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 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.

(2) Inventories

Costs on uncompleted construction contracts, costs of real estate business and raw materials and supplies are stated at cost as determined on a specific basis. Costs of 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 principally based on the declining-balance method. Buildings (excluding fixtures attached to buildings) acquired on or after April 1, 1998 and fixtures attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.

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

	<u>2018</u>	<u>2017</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, 2018 and 2017

(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) Lease assets

Assets of finance leases that do not transfer ownership of lease property to the lessee are depreciated over the lease term using the straight-line method with a residual value of 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 and cost recognition

The Companies recognize revenue by applying the percentage-of-completion method for the construction projects with the 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 as per the percentage-of-completion method amounted to ¥130,700 million (\$1,230,233 thousand) and ¥128,075 million for the years ended March 31, 2018 and 2017, 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 on the Consolidated Statements of Comprehensive Income. Realized gains and losses on the 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, 2018 and 2017 totaled ¥58 million (\$545 thousand) and ¥51 million, respectively.

(10) Allowance for doubtful accounts

The Companies provide the allowance for doubtful accounts based principally on the historical bad debt ratio during a certain reference period, plus the 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.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(12) Allowance for losses on construction contracts

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

(13) Allowance for losses on litigation

The Companies provide an 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 the method of attributing expected benefit to periods, the Companies use a benefit formula basis.

(B) Method of processing actuarial gains and losses

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 years 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 inhabitants taxes. The Companies recognize the 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 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 translated at the corresponding the forward exchange contract rate. The following summarizes hedging derivative financial instruments used by the Companies and the items hedged:

<u>Hedging instruments</u>	<u>Items 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 instruments and the hedged transactions are the same, as the hedge items to ensure the effectiveness for offsetting the fluctuation of fair value from the start of transaction and thereafter.

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



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(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 not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

(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 the current year. These changes had no impact on the previously reported results of operations or shareholders' equity.

(21) Changes in accounting policies

There are no applicable items.

(22) Accounting standards of unapplied

(Standards and guidance not yet adopted)

The following standard and guidance have been issued but not yet adopted.

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30, March 30, 2018)

(A) Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.

Step2: Identify the performance obligations in the contract.

Step3: Determine the transaction price.

Step4: Allocate the transaction price to the performance obligation in the contract.

Step5; Recognize revenue when (or as) the entity satisfies a performance obligation.

(B) Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

(C) Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

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
	2018	2017	2018
Costs on uncompleted construction contracts	¥ 2,292	¥ 2,033	\$ 21,573
Real estate business spending	7	26	65
Raw materials and supplies	74	65	696



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

4. Notes maturing at the end of the year

Notes maturing at the end of the year are settled as of the clearing day. If days at the end of year when notes are due to be cleared are holidays of financial institutions, notes maturing at the end of the year are included in the balance at the end of the year as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Trade notes	¥ 36	¥ -	\$ 338

5. 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, 2018 and 2017:

Available-for-sale securities:

(1) Securities with book values exceeding acquisition costs

Type	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	¥ 3,386	¥ 6,395	¥ 3,009
Bonds	10	10	0
Others	58	78	19
Total	¥ 3,529	¥ 6,560	¥ 3,031

Type	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,878	¥ 5,166	¥ 2,287
Bonds	10	10	0
Others	66	78	12
Total	¥ 2,955	¥ 5,255	¥ 2,300

Type	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	\$ 31,871	\$ 60,193	\$ 28,322
Bonds	94	94	0
Others	545	734	178
Total	\$ 33,217	\$ 61,746	\$ 28,529



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(2) Securities with book values not exceeding acquisition costs

Type	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	¥ 214	¥ 191	¥ (22)
Others	21	20	(0)
Total	¥ 235	¥ 211	¥ (23)

Type	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Equity securities	¥ 530	¥ 450	¥ (79)
Others	101	95	(5)
Total	¥ 631	¥ 546	¥ (85)

Type	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	\$ 2,014	\$ 1,797	\$ (207)
Others	197	188	(0)
Total	\$ 2,211	\$ 1,986	\$ (216)

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

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

Type	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
	Equity securities		
Sales	¥ 99	¥ 101	\$ 931
Related gains	13	1	122
Related losses	1	—	9

(C) Available-for-sale securities impaired

Year ended March 31, 2018

During the fiscal year, impairment losses on other securities are recognized to be ¥ 54 million. Impairment accounting is applied to all cases where the market price falls by more than 50% from the acquisition cost at the end of the period, and if it falls by about 30 to 50%, impairment treatment is carried out for the amount deemed necessary taking into consideration the possibility of recovery.

Year ended March 31, 2017

Not applicable.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

6. Derivatives

(A) Derivative transactions to which hedge accounting is not applied as of March 31, 2018 and 2017.
Not applicable.

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

As of March 31, 2018

Hedge accounting method	Transaction type	Hedged items	Millions of yen		
			Contract amount	Contract over one year	Fair value
Allocation method	Foreign exchange forward contracts	Scheduled transactions denominated in foreign currencies	1,025	398	152
	Buying contracts Euro				

Hedge accounting method	Transaction type	Hedged items	Thousands of U.S. dollars		
			Contract amount	Contract over one year	Fair value
Allocation method	Foreign exchange forward contracts	Scheduled transactions denominated in foreign currencies	9,647	3,746	1,430
	Buying contracts Euro				

(Note 1) The fair value of this derivative is based on quoted market prices of forward exchange.

As of March 31, 2017

Hedge accounting method	Transaction type	Hedged items	Millions of yen		
			Contract amount	Contract over one year	Fair value
Allocation method	Foreign exchange forward contracts	Scheduled transactions denominated in foreign currencies	2,943	1,025	138
	Buying contracts Euro				

(Note 1) The fair value of this derivative is based on quoted market prices of forward exchange.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

7. Pledged assets

As of March 31, 2018 and 2017, the following assets of the Companies are pledged to guarantee money.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investment securities	¥ 10	¥ 10	\$ 94

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 for losses on construction contracts, matching with the amount of costs on uncompleted construction contracts, is ¥2 million (\$18 thousand) and ¥291 million for the years ended March 31, 2018 and 2017, respectively. The amount of allowance for losses on construction contracts included in cost of sales is ¥406 million (\$3,821 thousand) and ¥210 million for the years ended March 31, 2018 and 2017, respectively.

9. Net defined benefit liability

(1) As of March 31, 2018 and 2017, the Company and certain consolidated subsidiary provide two types of severance and retirement benefit plans: defined contribution pension plans and severance lump-sum payment plans based on points. Other consolidated subsidiaries provide unfunded lump-sum payment plans.

(2) The following table shows movement in retirement benefit obligations for the years ended March 31, 2018 and 2017 (including adoption of a simplified method to compute their retirement benefit obligations as permitted by Japanese GAAP).

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	¥ 6,294	¥ 6,260	\$ 59,243
Service cost	539	531	5,073
Interest cost	51	51	480
Actuarial loss (gain)	(13)	(52)	(122)
Benefits paid	(586)	(494)	(5,515)
Balance at the end of the year	¥ 6,285	¥ 6,294	\$ 59,158

(3) Movements in plan assets
Not applicable.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unfunded retirement benefit obligations	¥ 6,285	¥ 6,294	\$ 59,158
Total net defined benefit liability at the end of the respective fiscal year	6,285	6,294	59,158
Defined benefit liability	¥ 6,285	¥ 6,294	\$ 59,158
Total net defined benefit liability at the end of the respective fiscal year	6,285	6,294	59,158

(5) The components of retirement benefit expenses for the years ended March 31, 2018 and 2017 (retirement benefit expenses in the consolidated subsidiaries using the simplified method are recorded in service cost) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 539	¥ 531	\$ 5,073
Interest cost	51	51	480
Net actuarial loss amortization	76	58	715
Total retirement benefit expenses for the respective fiscal year	¥ 667	¥ 641	\$ 6,278

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial difference	89	110	837
Total remeasurements for the respective fiscal year	¥ 89	¥ 110	\$ 837

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains and losses that are yet to be recognized	¥ 179	¥ 269	\$ 1,684
Total balance at the end of respective fiscal year	¥ 179	¥ 269	\$ 1,684

(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 the main items included in plan assets for the years ended March 31, 2018 and 2017 are not presented.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(9) The principal actuarial assumptions as at March 31, 2018 and 2017 (expressed as weighted averages) is the Discount rate of 0.8~1.0%.

(10) Defined contribution pension plan

The amount to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plan was ¥178 million (\$1,675 thousand) and ¥172 million for the years ended March 31, 2018 and 2017, respectively.

10. Contingent liabilities

The Companies are contingently liable as a guarantor of indebtedness of customers aggregating ¥525 million (\$4,941 thousand) and ¥864 million at March 31, 2018 and 2017, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investment securities loaned	¥ 1,521	¥ 1,422	\$ 14,316

12. Composition of deferred tax assets and liabilities

The Companies are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal rate of 30.9% in Japan for the years ended March 31, 2018 and 2017. The following table summarizes the main differences between the statutory tax rate and the Companies' effective tax rate for the years ended March 31, 2018 and 2017.

	2018		2017	
	30.9	%	30.9	%
Statutory tax rate				
Permanent differences:				
Non-deductible expenses	0.7		0.8	
Non-taxable income	(0.6)		(1.6)	
Per capita inhabitants taxes	1.1		1.3	
Decrease in valuation allowance	(1.7)		(2.6)	
Elimination of intercompany dividends	0.6		1.6	
Other	(1.7)		(1.6)	
Effective tax rate	29.3		28.7	



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

Main components of the Companies' deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥ 1,932	¥ 1,936	\$ 18,185
Write-down of inventories (*1)	246	353	2,315
Allowance for doubtful accounts	63	91	592
Allowance for losses on construction contracts	165	220	1,553
Impairment loss on fixed assets	212	331	1,995
Allowance for warranties for completed construction	102	123	960
Enterprise taxes payable	123	101	1,157
Excess bonuses accrued	260	208	2,447
Tax loss carryforwards	164	184	1,543
Subscription rights to shares	167	186	1,571
Other	392	235	3,689
Subtotal	3,830	3,973	36,050
Valuation allowance	(2,728)	(2,942)	(25,677)
Total deferred tax assets	1,101	1,030	10,363
Deferred tax liabilities:			
Unrealized gains on securities	(924)	(680)	(8,697)
Deferred gains on property and equipment	(58)	(60)	(545)
Temporary differences on assets acquired through transfers of business	(9)	(18)	(84)
Other	(121)	(54)	(1,138)
Total deferred tax liabilities	(1,113)	(813)	(10,476)
Net deferred tax assets (liabilities)	¥ (11)	¥ 217	\$ (103)

(*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
	2018	2017	2018
Current assets -Deferred tax assets	¥ 672	¥ 745	\$ 6,325
Investments and other non-current assets -Deferred tax assets	100	91	941
Long-term liabilities -Deferred tax liabilities	(784)	(618)	(7,379)

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.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

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 exceeds 25% of common stock, these 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.

At the annual shareholders' meeting held on June 28, 2018, the shareholders approved cash dividends amounting to ¥1,296 million (\$ 12,198 thousand). The appropriations were not reflected in the consolidated financial statements as of March 31, 2018. Such appropriations 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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits	¥ 44,252	¥ 31,612	\$ 416,528
Less: Time deposits with maturities exceeding three months	(20)	(20)	(188)
Cash and cash equivalents	¥ 44,232	¥ 31,592	\$ 416,340

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 are reviewed regularly by the Board of Directors to determine the distribution of management resources and evaluate business results. Accordingly, the company has three reportable segments; "Civil engineering," "Building construction" and "Other" as reportable segments.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(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 the operating income of the consolidated statements of operations.

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

Year ended

March 31, 2018

Millions of yen

	Civil engineering	Building construction	Other	Total	Reconciliations (#1-#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 73,928	¥ 71,519	¥ 4,201	¥ 149,649	¥ —	¥ 149,649
Intersegment	191	6	2,273	2,471	(2,471)	—
Total	74,120	71,525	6,474	152,120	(2,471)	149,649
Segment income	¥ 7,283	¥ 3,764	¥ 250	¥ 11,298	¥ (70)	¥ 11,227
Identifiable assets	¥ 77,751	¥ 62,274	¥ 4,121	¥ 144,146	¥ (3,030)	¥ 141,115
Depreciation and amortization	382	103	27	513	(15)	498
Capital expenditures	1,644	532	6	2,183	(275)	1,907

Year ended

March 31, 2017

Millions of yen

	Civil engineering	Building construction	Other	Total	Reconciliations (#1-#3)	Consolidated (#2)
Sales:						
Outside customers	¥ 75,141	¥ 65,294	¥ 3,177	¥ 143,613	¥ —	¥ 143,613
Intersegment	—	6	755	762	(762)	—
Total	75,141	65,301	3,933	144,376	(762)	143,613
Segment income	¥ 6,155	¥ 3,783	¥ 109	¥ 10,048	¥ (1)	¥ 10,047
Identifiable assets	¥ 74,206	¥ 53,487	¥ 2,939	¥ 130,633	¥ (1,400)	¥ 129,232
Depreciation and amortization	296	114	37	449	(10)	438
Capital expenditures	1,211	120	4	1,337	(21)	1,315



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

Year ended

March 31, 2018

Thousands of U.S. dollars

	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#3)	Consolidated (#2)
Sales:						
Outside customers	\$ 695,858	\$ 673,183	\$ 39,542	\$ 1,408,593	\$ —	\$ 1,408,593
Intersegment	1,797	56	21,394	23,258	(23,258)	—
Total	<u>697,665</u>	<u>673,239</u>	<u>60,937</u>	<u>1,431,852</u>	<u>(23,258)</u>	<u>1,408,593</u>
Segment income	<u>\$ 68,552</u>	<u>\$ 35,429</u>	<u>\$ 2,353</u>	<u>\$ 106,344</u>	<u>\$ (658)</u>	<u>\$ 105,675</u>
Identifiable assets	\$ 731,842	\$ 586,163	\$ 38,789	\$ 1,356,795	\$ (28,520)	\$ 1,328,266
Depreciation and amortization	3,595	969	254	4,828	(141)	4,687
Capital expenditures	15,474	5,007	56	20,547	(2,588)	17,949

#1. Reconciliations of segment income in an amount of ¥ (70) million (\$ (658) thousand) and ¥ (1) million for the years ended March 31, 2018 and 2017 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.

(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

For 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.

(5) Information about impairment loss on fixed assets by reported segments

Information about impairment loss on fixed assets by reported segments for the fiscal year ended March 31, 2017 and 2018 is as follows:

Because of the low significance, a description is omitted.

(6) Amortization and balance of goodwill by reportable segment

Not applicable.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

- (7) Amount of gain on negative goodwill by reportable segment
Not applicable.

16. Costs and expenses

An impact of fraudulent transactions which led to a decline in sales by ¥33 million (\$310thousand) and increase in cost of sales by ¥55 million (\$517thousand) are included for the year ended March 31, 2018.

17. Information on Related Parties

Year ended March 31, 2018
Not applicable.

Year ended March 31, 2017
Not applicable.

18. Loss on litigation

Components of the loss on litigation for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Settlement packages	¥ 33	¥ 6	\$ 310
Others	10	18	94

19. Financial instruments

Information on financial instruments for the years ended March 31, 2018 and 2017 is as follows.

(A) Status of financial instruments

(1) Policy for financial instruments

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

The Company use derivatives 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 the credit standing of their main customers, due dates and outstanding balances of individual customers.

Advances paid is a credit mainly occurred by construction transactions other than trade notes and accounts receivables and the account is exposed to credit risk in relation to customers.

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



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

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

The purpose of loans payable is mainly for working capital finance.

Derivative used by the company is forward exchange contracts for the purpose of hedging exchange rate fluctuations, which affect overseas transactions. 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 the 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, 2018 and 2017 are as follows. The following table does not include financial instruments for which the fair value is extremely difficult to determine (Refer to #2 below).

	Millions of yen		
	2018		
	Book value	Fair value	Difference
Cash and time deposits	¥ 44,252	¥ 44,252	¥ —
Trade notes and accounts receivable	66,028	66,028	—
Short-term loans receivable	20	20	—
Advances paid	7,777	7,777	—
Investment securities	6,772	6,772	—
Long-term loans receivable	42		
Allowance for doubtful accounts	(26)		
Subtotal	15	15	0
Total assets	¥ 124,866	¥ 124,866	¥ 0
Short-term loans payable	¥ 1,850	¥ 1,850	¥ —
Trade notes and accounts payable	44,231	44,231	—
Current portion of long-term loans payable	3,150	3,150	—
Deposits received	10,739	10,739	—
Total liabilities	¥ 59,970	¥ 59,970	¥ —
Derivative transactions	¥ 152	¥ 152	¥ —



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

	Millions of yen		
	2017		
	Book value	Fair value	Difference
Cash and time deposits	¥ 31,612	¥ 31,612	¥ —
Trade notes and accounts receivable	67,292	67,292	—
Short-term loans receivable	19	19	—
Advances paid	10,285	10,285	—
Investment securities	5,801	5,801	—
Long-term loans receivable	60		
Allowance for doubtful accounts	(41)		
Subtotal	19	19	0
Total assets	¥ 115,032	¥ 115,032	¥ 0
Short-term loans payable	¥ 1,850	¥ 1,850	¥ —
Trade notes and accounts payable	41,496	41,496	—
Deposits received	10,863	10,863	—
Long-term loans payable	3,150	3,134	(15)
Total liabilities	¥ 57,359	¥ 57,344	¥ (15)
Derivative transactions	¥ 138	¥ 138	¥ —

	Thousands of U.S. dollars		
	2018		
	Book value	Fair value	Difference
Cash and time deposits	\$ 416,528	\$ 416,528	\$ —
Trade notes and accounts receivable	621,498	621,498	—
Short-term loans receivable	188	188	—
Advances paid	73,202	73,202	—
Investment securities	63,742	63,742	—
Long-term loans receivable	395		
Allowance for doubtful accounts	(244)		
Subtotal	141	141	0
Total assets	\$ 1,175,320	\$ 1,175,320	\$ 0
Short-term loans payable	\$ 17,413	\$ 17,413	\$ —
Trade notes and accounts payable	416,330	416,330	—
Current portion of long-term loans payable	29,649	29,649	—
Deposits received	101,082	101,082	—
Total liabilities	\$ 564,476	\$ 564,476	\$ —
Derivative transactions	\$ 1,430	\$ 1,430	\$ —

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

Assets:

- (1) Cash and time deposits, trade notes and accounts receivable, short-term loans receivable and advances paid

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.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(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.

Liabilities:

- (1) Trade notes and accounts payable, short-term loans payable, current portion of long-term loans payable 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 determined by prices quoted by financial institutions.

#2. Since no quoted market prices are available and it is extremely difficult to determine the fair values, nonmarketable securities for the years ended March 31, 2018 and 2017 (book value: ¥813 million (\$7,652 thousand) and ¥813 million, respectively,) are not included in the above table.

#3. The aggregate maturities subsequent to March 31, 2018 and 2017 for financial assets with maturity are as follows:

Type	Millions of yen			
	2018			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 44,252	¥ —	¥ —	¥ —
Trade notes and accounts receivable	66,028	—	—	—
Short-term loans receivable	20	—	—	—
Advances paid	7,777	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	10	—
Long-term loans receivable	—	11	4	—
Total	¥ 118,077	¥ 11	¥ 14	¥ —



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

Type	Millions of yen			
	2017			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 31,612	¥ —	¥ —	¥ —
Trade notes and accounts receivable	67,292	—	—	—
Short-term loans receivable	19	—	—	—
Advances paid	10,285	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	10	—
Long-term loans receivable	—	13	5	—
Total	¥ 109,210	¥ 13	¥ 15	¥ —

Type	Thousands of U.S. dollars			
	2018			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 416,528	\$ —	\$ —	\$ —
Trade notes and accounts receivable	621,498	—	—	—
Short-term loans receivable	188	—	—	—
Advances paid	73,202	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	94	—
Long-term loans receivable	—	103	37	—
Total	\$ 1,111,417	\$ 103	\$ 131	\$ —

#1. Part of long-term loans receivable, have no redemption schedule are not included in the table above.

(C) The annual maturities of long-term loans payable

The annual maturities of long-term loans payable as of March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Over 1 year and less than 2 years	¥ 3,150	\$ 28,077
Over 2 years and less than 3 years	-	-
Over 3 years and less than 4 years	-	-
Over 4 years and less than 5 years	-	-
Total	¥ 3,150	\$ 28,077



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

20. Accounting Standards for Presentation of Comprehensive Income

Amounts reclassified to net income (loss) in the current period that are 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
	2018	2017	2018
Unrealized gains on securities	¥	¥	\$
Increase (decrease) during the year	749	487	7,050
Reclassification adjustments	43	(1)	(404)
Subtotal, before tax	793	486	7,464
Tax (expense) or benefit	(243)	(148)	(2,287)
Subtotal, net of tax	549	337	5,167
Deferred gains and losses on hedges			
Increase (decrease) during the year	222	93	2,089
Reclassification adjustments	—	—	—
Subtotal, before tax	222	93	2,089
Tax (expense) or benefit	(67)	(28)	(630)
Subtotal, net of tax	154	64	1,449
Foreign currency translation adjustments			
Increase (decrease) during the year	3	1	28
Reclassification adjustments	—	—	—
Subtotal, before tax	3	1	28
Tax (expense) or benefit	—	—	—
Subtotal, net of tax	3	1	28
Remeasurements of defined benefit plans			
Increase (decrease) during the year	13	52	122
Reclassification adjustments	76	58	715
Subtotal, before tax	89	110	837
Tax (expense) or benefit	—	—	—
Subtotal, net of tax	89	110	837
Total other comprehensive income	¥ 796	¥ 514	\$ 7,492



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

21. Per Share Information

	Yen		U.S. dollars
	2018	2017	2018
Net income per share	¥ 91.25	¥ 81.53	\$ 0.85
Net assets per share	659.30	567.98	6.20
Net income per share (diluted)	90.05	80.75	0.84

Basis of the calculation of net income per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Profit attributable to owners of parent	¥ 7,883	¥ 7,037	\$ 74,199
Amount not belonging to ordinary shareholders	—	—	—
Net income attributable to common stock	¥ 7,883	¥ 7,037	\$ 74,199
Weighted average number of ordinary shares (thousands of shares)	86,397	86,323	

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

	2018	2017
Subscription rights to shares (thousands of shares)	1,145	831

22. Stock options

Stock options expense that is accounted for under selling, general and administrative expenses in the Consolidated Statements of Operations for the fiscal years ended March 31, and 2017 amounted to ¥216 million.

A. Outline of stock options

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Title and number of grantees	7 Directors 8 Corporate officers	7 Directors 11 Corporate officers	7 Directors 11 Corporate officers
Number of stock options (a)	264,000 common shares	533,000 common shares	445,000 common shares
Grant date	March 2, 2015	March 1, 2016	March 1, 2017
Exercise conditions	(b)	(b)	(b)
Intended service period	No particular set	No particular set	No particular set
Exercise period	From March 3, 2015 to March 2, 2035	From March 2, 2016 to March 1, 2036	From March 2, 2017 to March 1, 2037

Notes:

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



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(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 the grantee lost the position as directors or corporate officer. This period is limited to 9 years from the date.

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

The grantee commits a crime that deserves to imprisonment or worse than that during the time as a director or corporate officer.

The grantees or legal heirs offer to waive all their rights or a part of their rights in writing using the format provided by the Company.

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

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

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, 2018. The number of stock options is translated into the number of shares.

Fiscal year ended March 31, 2018:

Number of stock options

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Before vested:			
As of March 31, 2017	235,000	486,000	405,000
Granted	-	-	-
Forfeited	-	-	-
Vested	8,000	18,000	-
Outstanding	227,000	468,000	405,000
After vested:			
As of March 31, 2017	19,000	47,000	40,000
Vested	8,000	18,000	-
Exercised	27,000	65,000	40,000
Forfeited	-	-	-
Outstanding	-	-	-

Price information

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Exercise price	¥1 (\$0.009) per share	¥1 (\$0.009) per share	¥1 (\$0.009) per share
Average price when exercised	¥538 (\$5.06) per share	¥538 (\$5.06) per share	¥528 (\$4.96) per share
Fair value at the grant date	¥696 (\$6.55) per subscription to share	¥407 (\$3.83) per subscription to share	¥487 (\$4.58) per subscription to share

C. 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.



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

23. Subsequent events

(Share consolidation and change to the number of shares constituting one share unit and change in the total number of issuable shares)

The Company's Board of Directors, at its meeting on May 11, 2018, resolved to submit a proposal for share consolidation, and to change the number of shares constituting one share unit and partially change the Articles of incorporation, to the 69th Ordinary General Meeting of Shareholders to be held on June 28, 2018. This proposal was subsequently approved by the shareholders.

(1) Purpose of the share consolidation and the change in the number of shares constituting one share unit
Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units with the aim of standardizing the trading units of the common stock of all domestic companies listed on Japanese stock exchanges at 100 shares by October 1, 2018.

As the Company is listed on the Tokyo Stock Exchange, the Company is going to change its share unit from 1,000 shares to 100 shares. In conjunction with that decision, the Company decided to consolidate its common stock.

(2) Details of the share consolidation

(a) Type of shares subject to consolidation:

Common shares

(b) Method and ratio of the consolidation

The consolidation to be executed on October 1, 2018, at a ratio of 1 share for every 5 shares owned by shareholders, will be recorded in the latest shareholders registry as of September 30, 2018.

(c) Share reduction resulting from the consolidation

Total number of outstanding shares before consolidation as of March 31, 2018	87,210,143 shares
Share decrease due to the consolidation	69,768,115 shares
Shares outstanding after the consolidation	17,442,028 shares

(d) Treatment of any fraction less than one share

If the share consolidation results in fractional shares of less than one share unit, such shares shall be subject to a bulk sale in accordance with Article 235 of the Companies Act. The proceeds shall be distributed to the target shareholders in proportion to their respective holdings.

(3) Details of the change in number of shares constituting one share unit

As of October 1, 2018, the number of the Company's shares that constitute one trading unit is scheduled to be changed from 1,000 to 100.

(4) Contents of change in total number of issuable shares

The number of authorized shares will be decreased from 160 million shares to 32 million shares according to the ratio of the consolidation, the effective date for the consolidation of shares on October 1, 2018 according to the ratio of the consolidation.

Pursuant to Article 182, Paragraph 2 of the Companies Act, the Articles of incorporation, prescribed total number of authorized shares, shall be deemed to be changed from the same date.

(5) Schedules of the share consolidation and the change in number of shares constituting one share unit

The date of resolution by the Company's Board of Directors: May 11, 2018

The date of resolution by the Ordinary General Meeting of Shareholders: June 28, 2018

The date of the share consolidation and the change in number of shares constituting one share unit: October 1, 2018



DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018 and 2017

(6) Impact on per share information

Per share information in the previous consolidated fiscal year and the current consolidated fiscal year under the assumption that the share consolidation was executed at the beginning of the previous consolidated fiscal year is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net assets per share	¥ 3,296.48	¥ 2,839.90	\$ 31,028.61
Net income per share	456.24	407.63	4,294.42
Net income per share assuming full dilution	450.27	403.74	4,238.23