



DAIHO CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2021 AND 2020
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

KPMG AZSA LLC
September 2021



Independent auditor's report

To the Board of Directors of DAIHO CORPORATION.:

Opinion

We have audited the accompanying consolidated financial statements of DAIHO CORPORATION. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Reasonableness of the Company's estimate of total construction costs in applying the percentage-of-completion method and recognizing an allowance for losses on construction contracts]

The key audit matter	How the matter was addressed in our audit
<p>As described in Note2(20)“Significant accounting estimates” to the consolidated financial statements, DAIHO CORPORATION (“the Company”) recognized sales of ¥161,697 million (\$1,460,545 thousand), which included the sales of ¥150,572 million (\$1,360,057 thousand) recognized using the percentage-of-completion method and an allowance for losses on construction contracts recognized of ¥290 million (\$2,619 thousand).</p> <p>The Company applies the percentage-of-completion method to the construction projects for which the realization of the completed portion is assured at the end of the current fiscal year, by applying the cost proportion method to estimate the progress of such construction projects. In applying the percentage-of-completion method, it is necessary to reliably estimate total construction revenue and costs, and the progress toward completion of construction at the end of fiscal year.</p> <p>Furthermore, in order to prepare for losses on construction contracts, the Company provides an allowance for the losses on construction contracts, which are expected to be incurred in the next fiscal year and after, when the estimated construction costs will certainly exceed the ordered contract amount and such losses can be reasonably estimated.</p> <p>The details of construction contracts are highly unique, as basic specifications and work details are prepared based on customers' instructions. Therefore, it is difficult to determine criteria that are uniformly applicable to all construction contracts, when it comes to estimating the total construction costs considered in applying the percentage-of-completion method and recognizing an allowance for losses on construction contracts. Specifically, estimating the total construction costs involved a high degree of uncertainty as described below, and management's determination of the following aspects of construction had a significant effect on the estimated total construction costs at the end of the fiscal year:</p> <ul style="list-style-type: none"> • whether all construction details required to completely fulfill a construction contract were specified, and the estimated construction costs that were determined necessary were included in the estimated total construction costs; and 	<p>The primary procedures we performed to assess whether the Company's estimate of total construction costs in applying the percentage-of-completion method and recognizing an allowance for losses on construction contracts was reasonable included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of estimating total construction costs. In this assessment, we focused our testing on the following controls:</p> <ul style="list-style-type: none"> • controls to prepare and approve a project budget on which the estimate of total construction costs was based; and • controls to timely and reasonably reflect changes in circumstances that occurred during the process of construction in the estimate of total construction costs. <p>(2) Assessment of the reasonableness of the estimated total construction costs</p> <p>In order to assess the reasonableness and accuracy of the estimated total construction costs, we compared the actual construction costs at the end of the current fiscal year or the revised estimated total construction costs with the most recent estimate of total construction costs. In addition, Based on the results of this assessment and the contents of the investigation report of the External Investigation Committee that the Company received in March 2021, we inquired of management and the personnel responsible for construction work about the basis used for preparing the estimated total construction costs. In addition, we:</p> <ul style="list-style-type: none"> • assessed whether the total construction costs included were construction costs in line with the construction details agreed upon with customers, as well as ensured they did not include any items that were not agreed upon with customers, by comparing construction contracts and statements of construction items with respective construction costs included in the estimated total construction costs; • compared the estimated construction costs for each construction included in the estimated total

- whether a change made to a construction contract based on agreement newly reached between concerned parties during the process of construction, changes in work due to changes in construction conditions that occurred subsequent to the start of construction, and incidents that did not exist when the most recent estimate of the total construction costs was revised were timely and reasonably reflected in the estimated total construction costs.

We, therefore, determined that our assessment of the reasonableness of the Company's estimate of total construction costs in applying the percentage-of-completion method and recognizing an allowance for losses on construction contracts was of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

construction costs with external service providers' written estimates on which the estimated construction costs were based, or the details of the internally prepared documents supporting those costs;

- assessed whether the estimated total construction costs were timely and reasonably revised by comparing the actual construction costs at the end of the current fiscal year with the estimated total construction costs; and
- with respect to the construction contracts whose value was significant, inspected construction timelines and assessed whether the estimated total construction costs were revised by reflecting changes in work due to changes in construction conditions occurred after the launch of construction.

We observed certain of the construction sites that were significant in value and understood the details of constructions and the status of the items included in the estimated total construction costs.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

岩出 博男

Designated Engagement Partner

Certified Public Accountant

田中 淳一

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

September 27, 2021

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
<u>ASSETS</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current assets:			
Cash and time deposits (Notes 15 and 19)	¥ 28,213	¥ 30,294	\$ 254,836
Trade notes and accounts receivable (Note 19)	89,097	80,011	804,778
Electronically recorded monetary claims - operating (Note 19)	1,974	1,718	17,830
Short-term loans receivable (Note 19)	2	13	18
Allowance for doubtful accounts	(4)	(86)	(36)
Costs on uncompleted construction contracts and other (Notes 3,8 and 11)	3,081	4,596	27,829
Advances paid (Note 19)	16,506	12,419	149,092
Other current assets	2,083	1,763	18,814
Total current assets	<u>140,955</u>	<u>130,730</u>	<u>1,273,191</u>
Property and equipment:			
Land	8,868	5,547	80,101
Buildings and structures	10,881	8,004	98,283
Machinery and equipment	7,559	7,013	68,277
Leased assets	188	187	1,698
Construction in progress	11	155	99
	<u>27,510</u>	<u>20,908</u>	<u>248,487</u>
Accumulated depreciation	<u>(10,325)</u>	<u>(9,728)</u>	<u>(93,261)</u>
Net property and equipment	<u>17,184</u>	<u>11,180</u>	<u>155,216</u>
Intangible assets	189	113	1,707
Investments and other non-current assets:			
Investment securities (Notes 5, 6, 12 and 19)	8,904	6,732	80,426
Long-term loans receivable (Note 19)	2,236	1,639	20,196
Deferred tax assets (Note 13)	906	1,154	8,183
Other non-current assets	607	688	5,482
Allowance for doubtful accounts	(85)	(53)	(767)
Total investments and other non-current assets	<u>12,569</u>	<u>10,161</u>	<u>113,530</u>
Total assets	<u>¥ 170,899</u>	<u>¥ 152,187</u>	<u>\$ 1,543,663</u>

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED BALANCE SHEETS
March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
<u>LIABILITIES AND NET ASSETS</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current liabilities:			
Short-term loans payable (Notes 4 and 19)	¥ 7,950	¥ 1,850	\$ 71,809
Trade notes and accounts payable (Note 19)	32,882	39,295	297,010
Electronically recorded obligations -- operating (Note 19)	11,376	10,216	102,754
Advances received on uncompleted construction contracts	8,344	7,335	75,368
Income taxes payable (Note 13)	2,198	1,319	19,853
Allowance for losses on construction contracts (Note 8)	290	361	2,619
Deposits received (Note 19)	16,415	13,321	148,270
Allowance for warranties for completed construction	2,022	1,783	18,263
Other current liabilities	1,765	1,648	15,942
Total current liabilities	83,245	77,130	751,919
Non-current liabilities:			
Convertible bond-type bonds with share acquisition rights (Notes 7 and 19)	3,196	—	28,868
Long-term loans payable (Notes 7 and 19)	3,150	3,150	28,452
Deferred tax liabilities (Note 13)	21	17	189
Net defined benefit liability (Note 9)	6,179	6,043	55,812
Provision for share-based remuneration	125	52	1,129
Other long-term liabilities	850	804	7,677
Total long-term liabilities	13,523	10,067	122,147
Total liabilities	¥ 96,769	¥ 87,198	\$ 874,076
Contingent liabilities (Note 10)			
Net assets (Notes 14 and 20):			
Shareholders' equity:			
Common stock			
Authorized - 32,000,000 shares			
Issued - 18,433,163 shares	10,549	9,039	95,284
Capital surplus	9,564	7,998	86,387
Retained earnings	52,765	48,188	476,605
Less: Treasury stock, at cost (Note 23)	(1,288)	(1,825)	(11,633)
Accumulated other comprehensive income:			
Unrealized gains on securities	1,641	826	14,822
Foreign currency translation adjustment	(22)	(19)	(198)
Remeasurements of defined benefit plans	(37)	(124)	(334)
Subscription rights to shares	307	372	2,773
Non-controlling interests	651	532	5,880
Total net assets	74,130	64,988	669,587
Total liabilities and net assets	¥ 170,899	¥ 152,187	\$ 1,543,663

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Sales :	¥ 161,697	¥ 162,811	\$ 1,460,545
Costs and expenses:			
Cost of sales	146,600	148,379	1,324,180
Gross profit	15,097	14,432	136,365
Selling, general and administrative expenses	6,031	5,921	54,475
	<u>152,631</u>	<u>154,300</u>	<u>1,378,655</u>
Operating income	9,066	8,511	81,889
Other income (expenses):			
Interest and dividend income	164	139	1,481
Interest expense	(67)	(36)	(605)
Guarantee commission	(68)	(66)	(614)
Commission fee	(68)	(22)	(614)
Gain (loss) on sale and disposal of property and equipment	(18)	657	(162)
Foreign currency exchange gain (loss), net	347	(49)	3,134
Loss on litigation (Note 18)	(13)	(17)	(117)
Loss on sales of investment securities (Note 5)	(48)	—	(433)
Gain on sales of investment securities (Note 5)	179	232	(1,616)
Other, net	40	114	361
	<u>446</u>	<u>950</u>	<u>4,028</u>
Income before income taxes and non-controlling interests	<u>9,513</u>	<u>9,461</u>	<u>85,927</u>
Income taxes (Note 13):			
Current	3,233	2,735	29,202
Deferred	(105)	(18)	(948)
Net income	<u>6,385</u>	<u>6,744</u>	<u>57,673</u>
Profit attributable to non-controlling interests	122	97	1,101
Profit attributable to owners of parent	<u>¥ 6,262</u>	<u>¥ 6,647</u>	<u>\$ 56,562</u>

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (Note 21)	¥ 362.23	¥ 395.64	\$ 3.27
Diluted net income per share (Note 21)	326.37	392.06	2.95
Cash dividends applicable to the year	110.00	100.00	0.99

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net income	¥ 6,385	¥ 6,744	\$ 57,673
Other comprehensive income: (Note 20)			
Unrealized gains or losses on securities	814	(1,411)	7,353
Deferred gains or losses on hedges	—	(75)	—
Foreign currency translation adjustments	(3)	1	(27)
Remeasurements of defined benefit plans	86	17	777
Total other comprehensive income	<u>898</u>	<u>(1,468)</u>	<u>8,111</u>
Comprehensive income	<u>¥ 7,283</u>	<u>¥ 5,276</u>	<u>\$ 65,784</u>
Comprehensive income attribute to:			
Owners of parent	¥ 7,160	¥ 5,178	\$ 64,673
Non-controlling interests	122	97	1,102

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
Years ended March 31, 2021 and 2020

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
					¥	¥						
Balance at April 1, 2019	17,442	¥ 9,039	¥ 8,010	¥ 42,818	¥ (1,057)	¥ 2,237	¥ 75	¥ (20)	¥ (141)	¥ 427	¥ 436	¥ 61,826
Cash dividends paid (¥75.0 per share)	—	—	—	(1,277)	—	—	—	—	—	—	—	(1,277)
Profit attributable to owners of parent	—	—	—	6,647	—	—	—	—	—	—	—	6,647
Disposal of treasury stock	—	—	(12)	—	66	—	—	—	—	—	—	54
Acquisition of treasury stock	—	—	—	—	(834)	—	—	—	—	—	—	(834)
Net change of items other than shareholders' equity	—	—	—	—	—	(1,411)	(75)	1	17	(54)	95	(1,428)
Balance at March 31, 2020	17,442	¥ 9,039	¥ 7,998	¥ 48,188	¥ (1,825)	¥ 826	¥ —	¥ (19)	¥ (124)	¥ 372	¥ 532	¥ 64,988
Issuance of new shares	991	1,509	1,509	—	—	—	—	—	—	—	—	3,019
Cash dividends paid (¥100.0 per share)	—	—	—	(1,685)	—	—	—	—	—	—	—	(1,685)
Profit attributable to owners of parent	—	—	—	6,262	—	—	—	—	—	—	—	6,262
Disposal of treasury stock	—	—	56	—	1,792	—	—	—	—	—	—	1,849
Acquisition of treasury stock	—	—	—	—	(1,256)	—	—	—	—	—	—	(1,256)
Net change of items other than shareholders' equity	—	—	—	—	—	814	—	(3)	86	(64)	119	953
Balance at March 31, 2021	18,433	¥ 10,549	¥ 9,564	¥ 52,765	¥ (1,288)	¥ 1,641	¥ —	¥ (22)	¥ (37)	¥ 307	¥ 651	¥ 74,130

	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 adjustments	Remeasurements of defined benefit plans	Subscription rights to shares	Non-controlling interests	Total	
Balance at April 1, 2020	\$ 81,645	\$ 72,242	\$ 435,263	\$ (16,484)	\$ 7,460	\$ —	\$ (171)	\$ (1,120)	\$ 3,360	\$ 4,805	\$ 587,011	
Issuance of new shares	13,630	13,630	—	—	—	—	—	—	—	—	27,269	
Cash dividends paid (\$0.68 per share)	—	—	(15,219)	—	—	—	—	—	—	—	(15,219)	
Profit attributable to owners of parent	—	—	56,562	—	—	—	—	—	—	—	56,562	
Disposal of treasury stock	—	505	—	16,186	—	—	—	—	—	—	16,701	
Acquisition of treasury stock	—	—	—	(11,344)	—	—	—	—	—	—	(11,344)	
Net change of items other than shareholders' equity	—	—	—	—	7,352	—	(27)	776	(578)	1,074	8,608	
Balance at March 31, 2021	\$ 95,284	\$ 86,387	\$ 476,605	\$ (11,633)	\$ 14,822	\$ —	\$ (198)	\$ (334)	\$ 2,773	\$ 5,880	\$ 669,587	

See accompanying notes.

DAIHO CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	¥ 9,513	¥ 9,461	\$ 85,927
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation and amortization	1,038	671	9,375
Loss on litigation	13	17	117
Interest and dividend income	(164)	(139)	(1,481)
Interest expense	67	36	605
Increase (decrease) in allowance for doubtful accounts	(50)	(57)	(451)
Increase (decrease) in net defined benefit liability	221	(6)	1,996
Foreign currency exchange (gains) losses, net	(122)	23	(1,101)
Loss (gain) on sales of investment securities	(130)	(232)	(1,174)
Increase (decrease) in allowance for losses on construction contracts	(71)	(313)	(641)
Increase (decrease) in provision for share-based remuneration	73	52	659
(Gain) loss on sale and disposal of property and equipment	18	(657)	162
Increase (decrease) in advances received on uncompleted contracts	1,008	(2,721)	9,104
(Increase) decrease in receivables and other current assets	(9,335)	(10,870)	(84,319)
(Increase) decrease in inventories	1,605	(1,855)	14,497
Increase (decrease) in payables and accrued expenses	(5,258)	5,115	(47,493)
(Increase) decrease in other assets	(4,309)	(967)	(38,921)
Increase (decrease) in other liabilities	3,510	(125)	31,704
Increase (decrease) in allowance for warranties for completed construction	239	303	2,158
Other, net	105	82	948
Subtotal	(2,028)	(2,178)	(18,318)
Interest and dividend received	160	128	1,445
Interest paid	(66)	(36)	(596)
Income taxes paid	(2,392)	(3,166)	(21,605)
Payments for loss on litigation	(30)	(12)	(270)
Net cash provided by (used in) operating activities	(4,357)	(5,263)	(39,353)
Cash flows from investing activities:			
Deposit in time deposits	(10)	(20)	(90)
Withdrawal from time deposits	20	20	180
Proceeds from sales of property and equipment	22	1,639	198
Payments for purchase of property and equipment	(7,270)	(1,349)	(65,667)
Payments for retirement of property, plant and equipment	(29)	(33)	(261)
Purchase of securities	(500)	—	(4,516)
Proceeds from sale of securities	500	—	4,516
Purchase of intangible assets	(111)	(24)	(1,002)
Proceeds from sales of golf club memberships	—	144	—
Purchase of memberships	(5)	(8)	(45)
Purchase of investment securities	(1,297)	(376)	(11,715)
Proceeds from sales of investment securities	429	668	3,874
Payments for long-term loans receivable	(670)	(1,630)	(6,051)
(Increase) decrease in short-term loans receivable	14	1	126
Collection of long-term loans receivable	70	14	632
Payments for asset retirement obligations	(57)	(20)	(514)
Net cash provided by (used in) investing activities	(8,892)	(974)	(80,317)
Cash flows from financing activities:			
Net decrease in short-term loans payable	6,100	—	55,098
Proceeds from issuance of bond	7,973	—	72,016
Purchase of treasury stock	(1,256)	(834)	(11,344)
Cash dividends paid	(1,680)	(1,277)	(15,174)
Cash dividends paid to non-controlling interests	(2)	(2)	(18)
Other, net	(78)	(33)	(704)
Net cash provided by (used in) financing activities	11,054	(2,148)	99,846
Effect of exchange rate changes on cash and cash equivalents	123	(3)	1,111
Net increase (decrease) in cash and cash equivalents	(2,071)	(8,392)	(18,706)
Cash and cash equivalents at the beginning of year	30,274	38,667	273,453
Cash and cash equivalents at end of year (Note 15)	¥ 28,203	¥ 30,274	\$ 254,746

See accompanying notes.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and 2020

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 the 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 as at March 31, 2021, which is ¥110.71 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

(Significant subsidiaries)

Morimoto Corporation
Daiho Painting Industry Company Limited
Daiho real Estate Company Limited
Shinwa Machinery Company Limited
Thai Daiho Company limited

(Other subsidiaries)

Madagascar Daiho Corporation
Masters Comfort Company Limited

The consolidated financial statements as of March 31, 2021 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, and 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.

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(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>2021</u>	<u>2020</u>
Buildings and structures	3 to 50 years	3 to 50 years
Machinery and equipment	2 to 20 years	2 to 20 years

(4) Intangible assets (excluding leased assets)

Stated at straight-line method. Service life is determined using the same standard as set out in the Corporation Tax Law, provided however that software (for internal use) is subject to the straight-line method over the internally available period of 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, the 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 ¥150,572 million (\$1,360,057 thousand) and ¥151,394 million for the years ended March 31, 2021 and 2020, 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 the 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 financial statements of Comprehensive Income. Realized gains and losses on the sale of such securities are computed using the moving-average cost. Available-for-sale securities with no fair market value are stated at the 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, 2021 and 2020 totaled ¥93 million (\$840 thousand) and ¥98 million, respectively.

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(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 the 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 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) Provision for share-based remuneration

To prepare for the delivery of shares to directors, the Company recognizes an amount based on the expected board benefit obligations at the end of the current fiscal year in accordance with the "Rules on Provision of Shares to Officers."

(14) Net defined benefit liability

(A) Method of attributing expected benefit to periods

The Companies determine the method of attributing expected benefit to periods based on a benefit formula.

(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 financial 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 forward exchange contract rate. The following summarizes hedging derivative financial instruments used by the Companies and the items hedged:

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Hedging instruments

Forward foreign exchange contracts
 Foreign currency deposits

Items hedged

Foreign currency payables
 Scheduled transactions denominated in foreign currencies

The Companies confirm that substantial terms and conditions of the hedging instruments and the hedged transactions are 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.

(18) Cash and cash equivalents

In preparing the consolidated financial 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) Significant accounting estimates

Estimate of total construction costs in applying the percentage-of-completion method and recognizing an allowance for losses on construction contract

(Carrying amounts in the current year's consolidated financial statements)

	Millions of yen	Thousands of U.S. dollars
Construction revenue by the percentage of completion method	¥ 150,572	\$ 1,360,057
Allowance for losses on construction contracts	290	2,619

(Other information that assists users of consolidated financial statements in understanding the nature of the estimates)

In applying the percentage of completion method (Percentage of completion is estimated by measuring the proportion of costs incurred for the completed portion to total construction costs), it is necessary to reliably estimate total construction revenue and costs, and the progress toward completion of construction at the end of fiscal year.

Furthermore, in order to provide for losses on construction contracts, the Company recognizes an allowance for the losses on construction contracts, which are expected to be incurred in the next fiscal year and thereafter, when the estimated construction costs will certainly exceed the ordered contract amount and such losses can be reasonably estimated.

The terms of construction contracts are highly unique, as basic specifications and work details are prepared based on customers' instructions. Therefore, it is difficult to determine criteria that are uniformly applicable to all construction contracts, when it comes to estimating the total construction costs considered in applying the percentage-of-completion method and recognizing an allowance for losses on construction contracts.

Any changes in major assumptions might affect construction revenue and allowance for losses on construction contracts in the fiscal year ending March 31, 2022.

(21) Changes in accounting policies

There are no applicable items.

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(22) Unapplied accounting standards

(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 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30, March 26, 2021)

(A) Overview

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

Step 1: Identify contract(s) with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: 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 impact of the application of accounting standards for revenue recognition on the consolidated financial statements are insignificant.

- “Accounting Standard for Fair Value Measurement ”(ASBJ Statement No.30, July 4, 2019)
- “Accounting Standard for Inventory Valuation ” (ASBJ Statement No.9, July 4, 2019)
- “Accounting Standard for Financial instruments ” (ASBJ Statement No.10, July 4, 2019)
- “Guidance on Accounting Standard for Fair Value Measurement ” (ASBJ Statement No.31, July 4, 2019)
- “Guidance on Disclosure of Fair Value of Financial Instruments ” (ASBJ Statement No.19, March 31, 2020)

(A) Overview

It is a comprehensive standard for fair value measurement and disclosure of financial instruments.

• Fair value is defined as “exit price.”

• Depending on inputs, fair value is classified as Level 1, 2 or 3. The extent of disclosure varies according to the input level.

(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 subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(23) For preparation of consolidated financial statements

(A) Accounting for consumption taxes

The amount equivalent to consumption tax is non-taxable. Nonrecoverable taxes are recorded as an expense.

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(B) Accounting policies and procedures which are adopted when the provisions of the relevant accounting standards are not clear

(Accounting of Joint Venture)

The Company and certain consolidated subsidiaries incorporate it into their accounting in the way of recording the amount of revenue and cost of sales associated with construction contracts according to the interests held in the Construction Joint Venture.

(24) Changes in presentation method

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company and its subsidiaries adopted ASBJ Statement No.31 “Accounting Standard for Disclosure of Accounting Estimates”(March 31, 2020) to the consolidated financial statements for the current consolidated fiscal year, and therefore significant accounting estimates are disclosed in the note to the consolidated financial statements.

The note does not include information for the prior consolidated fiscal year in accordance with the transitional provision set out in paragraph 11 of the accounting Standard.

(25) Additional Information

(Impact of COVID-19 on Accounting Estimates)

It is uncertain when COVID-19 will be contained, The Company and subsidiaries are making the accounting estimates on the assumption that construction will be continued in terms of employment maintenance.

Measures include implementing remote working at offices across Japan and ensuring employee safety and health based on the measures to prevent infection at construction site.

The Company and subsidiaries expect the impact of the pandemic on the Group’s business will be minor for the fiscal year ended March 31,2021.

Changes in the business environment and spread of COVID-19 might affect the consolidated financial statements in the following fiscal year onward.

(Accounting policies and procedures which are adopted when the provisions of the relevant accounting standards are not clear)

The Company and its subsidiaries adopted “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24, March 31, 2020) in the consolidated financial statements for the current fiscal year, and therefore “accounting policies and procedures adopted in the absence of requirements in relevant accounting standards, etc. that specifically apply to events or transactions that are accounted for” are disclosed.

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
	2021	2020	2021
Costs on uncompleted construction contracts	¥ 1,996	¥ 4,135	\$ 18,029
Real estate business	992	389	8,960
Raw materials and supplies	92	71	830

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4. Commitment line agreements

The Company has entered into commitment line agreements for borrowings with 5 financial institutions for the purpose of efficient funding. The unused commitment line of credit based on such agreements for borrowings as of March 31, 2021, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Commitment line	¥ 15,000	¥ 5,000	\$ 135,489
Short-term Loan	7,000	—	63,228
	¥ 8,000	¥ 5,000	\$ 72,260

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, 2021 and 2020:

Available-for-sale securities:

(1) Securities with book values exceeding acquisition costs

Type	Millions of yen		
	2021		
	Acquisition cost	Book value	Difference
Equity securities	¥ 4,952	¥ 7,348	¥ 2,395
Bonds	10	10	0
Others	77	100	22
Total	¥ 5,039	¥ 7,459	¥ 2,419

Type	Millions of yen		
	2020		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,407	¥ 4,064	¥ 1,657
Bonds	10	10	0
Others	27	27	0
Total	¥ 2,444	¥ 4,102	¥ 1,658

Type	Thousands of U.S. dollars		
	2021		
	Acquisition cost	Book value	Difference
Equity securities	\$ 44,729	\$ 66,371	\$ 21,633
Bonds	90	90	0
Others	695	903	198
Total	\$ 45,515	\$ 67,374	\$ 21,849

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(2) Securities with book values not exceeding acquisition costs

Millions of yen			
2021			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 107	¥ 58	¥ (49)
Others	—	—	—
Total	¥ 107	¥ 58	¥ (49)

Millions of yen			
2020			
Type	Acquisition cost	Book value	Difference
Equity securities	¥ 2,296	¥ 1,848	¥ (448)
Others	74	61	(13)
Total	¥ 2,371	¥ 1,909	¥ (461)

Thousands of U.S. dollars			
2021			
Type	Acquisition cost	Book value	Difference
Equity securities	\$ 966	\$ 523	\$ (442)
Others	—	—	—
Total	\$ 966	\$ 523	\$ (442)

(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
	2021	2020	2021
Equity securities			
Sales	¥ 346	¥ 647	\$ 3,125
Related gains	170	232	1,535
Related losses	48	12	433
Others			
Sales	84	20	758
Related gains	9	0	81

(C) Available-for-sale securities impaired

Year ended March 31, 2021

Not applicable

Year ended March 31, 2020

During the fiscal year, impairment losses on other securities are recognized to be ¥12 million (\$108 thousand).

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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 30–50%, impairment treatment is carried out for the amount deemed necessary taking into consideration the possibility of recovery.

6. Pledged assets

As of March 31, 2021 and 2020, the following assets of the Companies are pledged to guarantee money.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities	¥ 10	¥ 10	\$ 90

7. Short-term and long-term loans payable and Convertible bond type bonds with subscription rights to shares payable

Short-term loans payable consisted mainly of bank overdrafts from banks. The weighted average interest rates as at March 31, 2021 and 2020 are 0.6% per annum and 0.5% per annum.

Long-term loans payable consisted mainly of bank overdrafts from banks. The weighted average interest rate as at March 31, 2021 and 2020 are 0.8% per annum and 0.8% per annum.

The annual maturities of long-term loans payable as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Over one year and less than two years	¥ 3,150	\$ 28,452
Over two years and less than three years	—	—
Over three years and less than four years	—	—
Over four years and less than five years	—	—
Total	¥ 3,150	\$ 28,452

The annual maturities of Convertible bond type bonds with subscription rights to shares payable as of March 31, 2021 are as follows:

	Millions of yen	Thousands of U.S. dollars
Over one year and less than two years	¥ —	\$ —
Over two years and less than three years	—	—
Over three years and less than four years	—	—
Over four years and less than five years	3,196	28,868
Total	¥ 3,196	\$ 28,868

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.

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The amount of allowance for losses on construction contracts, matching the amount of costs on uncompleted construction contracts, ¥1 million and is not applicable for the years ended March 31, 2021 and 2020, respectively. The amount of allowance for losses on construction contracts included in cost of sales is ¥300 million (\$2,709 thousand) and ¥157 million for the years ended March 31, 2021 and 2020, respectively.

9. Net defined benefit liability

(1) As of March 31, 2021 and 2020, 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 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, 2021 and 2020 (including the adoption of a simplified method to compute their retirement benefit obligations as permitted by Japanese GAAP).

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Balance at the beginning of the year	¥ 6,043	¥ 6,050	\$ 54,584
Service cost	540	531	4,877
Interest cost	49	49	442
Actuarial loss (gain)	(35)	18	(316)
Benefits paid	(419)	(607)	(3,784)
Balance at the end of the year	¥ 6,179	¥ 6,043	\$ 55,812

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unfunded retirement benefit obligations	¥ 6,179	¥ 6,043	\$ 55,812
Total net defined benefit liability at the end of the respective fiscal year	6,179	6,043	55,812
Defined benefit liability	¥ 6,179	¥ 6,043	\$ 55,812
Total net defined benefit liability at the end of the respective fiscal year	6,179	6,043	55,812

(4) The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 (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
	2021	2020	2021
Service cost	¥ 540	¥ 531	\$ 4,877
Interest cost	49	49	442
Net actuarial loss amortization	51	35	460
Total retirement benefit expenses for the respective fiscal year	¥ 641	¥ 617	\$ 5,789

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(5) The remeasurements of defined benefit plans (before considering tax effect) are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial difference	¥ 86	¥ 17	\$ 776
Total remeasurements for the respective fiscal year	¥ 86	¥ 17	\$ 776

(6) The accumulated remeasurements of defined benefit plans before considering tax effect are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gains and losses that are yet to be recognized	¥ 37	¥ 124	\$ 334
Total balance at the end of respective fiscal year	¥ 37	¥ 124	\$ 334

(7) The principal actuarial assumptions as at March 31, 2021 and 2020 (expressed as weighted averages) is the discount rate of 0.8–1.0%.

(8) Defined contribution pension plan

The amount to be paid by the Company and its consolidated subsidiaries to the defined contribution pension plan was ¥168 million (\$1,517thousand) and ¥172 million for the years ended March 31, 2021 and 2020, respectively.

10. Contingent liabilities

The Companies are contingently liable as a guarantor of indebtedness of customers aggregating is ¥4 million (\$36thousand) and ¥437 million as at March 31, 2021 and 2020, respectively.

11. Estimated loss on uncompleted construction contracts

An estimated loss on uncompleted construction contracts was recognized and included as part of inventories but was not offset against the amount on the balance sheet. It has been recorded as an allowance for losses on construction contracts in the amount of ¥1 million (\$9 thousand) and not applicable as of March 31, 2021 and 2020.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investment securities loaned	¥ —	¥ 1,694	\$ —

13. Income taxes

Income taxes consist of taxes on corporation, enterprise and inhabitants.

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The Companies are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal rate of 30.6% in Japan for the year ended March 31, 2021 and 2020. The following table summarizes the main differences between the statutory tax rate and the Companies' effective tax rate for the year ended March 31, 2021 and 2020.

	2021		2020	
Statutory tax rate	30.6	%	30.6	%
Permanent differences:				
Non-deductible expenses	0.5		0.8	
Per capita inhabitants taxes	1.5		1.4	
Decrease in valuation allowance	(0.0)		(2.9)	
Tax deduction for wage increases and productivity improvement	(0.2)		(1.1)	
Other	0.5		(0.1)	
Effective tax rate	32.9		28.7	

Main components of the Companies' deferred tax assets and liabilities as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Net defined benefit liability	¥ 1,900	¥ 1,858	\$ 17,161
Allowance for warranties for completed construction	619	546	5,591
Excess bonuses accrued	283	282	2,556
Enterprise taxes payable	141	97	1,273
Write-down of inventories (*1)	139	139	1,255
Subscription rights to shares	94	114	849
Impairment loss on fixed assets	93	93	840
Allowance for losses on construction contracts	88	110	794
Tax loss carryforwards	42	166	379
Allowance for doubtful accounts	29	40	261
Other	423	448	3,820
Subtotal	3,856	3,898	34,829
Valuation allowance (*2)	(2, 180)	(2, 325)	(19,691)
Total deferred tax assets	1,676	1,572	15,138
Deferred tax liabilities:			
Unrealized gains on securities	(728)	(369)	(6,575)
Deferred gains on property and equipment	(53)	(55)	(478)
Temporary differences on assets acquired through transfers of business	(8)	(8)	(72)
Other	(0)	(0)	(7)
Total deferred tax liabilities	(791)	(434)	(7,144)
Net deferred tax assets (liabilities)	¥ 885	¥ 1,137	\$ 7,993

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

(*2) "Valuation allowance" decreased by ¥145 million. The main reason of this decrease is due to a decrease in tax loss carryforwards.

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14. 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 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 29, 2021, the shareholders approved cash dividends amounting to ¥1,993million (\$18,001thousand). The appropriations were not reflected in the consolidated financial statements as of March 31, 2021. Such appropriations are recognized in the period when they are resolved.

15. 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 financial statements of cash flows as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and time deposits	¥ 28,213	¥ 30,294	\$ 254,836
Less: Time deposits with maturities exceeding three months	(10)	(20)	(90)
Cash and cash equivalents	¥ 28,203	¥ 30,274	\$ 254,746

DAIHO CORPORATION
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16. Segment information

(1) General information about reportable segments

The Companies' reportable segments include items in the constituent units of business, for which separate 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."

(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 financial statements of operations.

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

<u>Year ended</u> <u>March 31, 2021</u>		Millions of yen				
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#2·#4)	Consolidated (#3)
Sales:						
Outside customers	¥ 86,090	¥ 72,077	¥ 3,529	¥ 161,697	¥ —	¥ 161,697
Intersegment	—	5	339	344	(344)	—
Total	86,090	72,083	3,869	162,042	(344)	161,697
Segment income	¥ 5,054	¥ 3,666	¥ 334	¥ 9,055	¥ 10	¥ 9,066
Identifiable assets	¥ 88,513	¥ 80,640	¥ 4,687	¥ 173,841	¥ (2,941)	¥ 170,899
Depreciation and amortization	721	260	70	1,053	(15)	1,038
Capital expenditures	965	5,550	727	7,244	—	7,244

<u>Year ended</u> <u>March 31, 2020</u>		Millions of yen				
	Civil engineering	Building construction	Other	Total	Reconciliations (#1·#2·#4)	Consolidated (#3)
Sales:						
Outside customers	¥ 77,988	¥ 81,280	¥ 3,542	¥ 162,811	¥ —	¥ 162,811
Intersegment	—	6	460	467	(467)	—
Total	77,988	81,287	4,002	163,278	(467)	162,811
Segment income	¥ 4,648	¥ 3,623	¥ 280	¥ 8,551	¥ (40)	¥ 8,511
Identifiable assets	¥ 83,601	¥ 66,568	¥ 3,942	¥ 154,112	¥ (1,925)	¥ 152,187
Depreciation and amortization	394	237	55	687	(15)	671
Capital expenditures	576	593	296	1,467	(49)	1,418

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Year ended

March 31, 2021

Thousands of U.S. dollars

	Civil engineering	Building construction	Other	Total	Reconciliations (#1-#2-#4)	Consolidated (#3)
Sales:						
Outside customers	\$ 777,617	\$ 651,043	\$ 31,876	\$ 1,460,545	\$ —	\$ 1,460,545
Intersegment	—	45	3,062	3,107	(3,107)	—
Total	<u>777,617</u>	<u>651,097</u>	<u>34,947</u>	<u>1,463,661</u>	<u>(3,107)</u>	<u>1,460,545</u>
Segment income	\$ 45,650	\$ 33,113	\$ 3,016	\$ 81,790	\$ 90	\$ 81,889
Identifiable assets	\$ 799,503	\$ 728,389	\$ 42,335	\$ 1,570,237	\$ (26,564)	\$ 1,543,663
Depreciation and amortization	6,512	2,348	632	9,511	(135)	9,375
Capital expenditures	8,716	50,130	6,566	65,432	—	65,432

#1. Reconciliations of segment income amounting to ¥10 million (\$90 thousand) and ¥(40) million for the years ended March 31, 2021 and 2020 are eliminations of intersegment transactions.

#2. Reconciliations of identifiable assets amounting to ¥(2,941) million (\$26,564 thousand) and ¥(1,925) million for the years ended March 31, 2021 and 2020 are eliminations of intersegment transactions.

#3. Consolidated amounts of segment income above correspond to the amounts of operating income in the consolidated financial statements of operations.

#4. 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 segment

Information about impairment loss on fixed assets by reported segment for the fiscal year ended March 31, 2020 and 2021 is as follows:

Because of the low significance, the description is omitted.

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(6) Amortization and balance of goodwill by reportable segment
Not applicable

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

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17. Information on related parties

Year ended March 31, 2021

Name: Masters comfort Company Limited
Attribution: Non-consolidated subsidiary
Capital: ¥4 million (\$36 thousand)
Equity ownership percentage of the Company: 50%

	Million of yen Transaction amount	Million of yen Balance at end
Loan of funds	¥ 670 (Long-term loan)	¥ 2,230
	(Advances received on uncompleted construction contracts)	
Repayment of funds	70	59
Receipt of interest	49 (Other current assets)	14
	(Notes receivable accounts receivable from completed construction contracts and other)	
Work fee	41	61
Construction fee	277	

	Thousands of U.S. dollars Transaction amount	Thousands of U.S. dollars Balance at end
Non-consolidated subsidiary		
Loan of funds	\$ 6,051 (Long-term loan)	\$ 20,142
	(Advances received on uncompleted construction contracts)	
Repayment of funds	632	532
Receipt of interest	442 (Other current assets)	126
	(Notes receivable accounts receivable from completed construction contracts and other)	
Work fee	370	550
Construction fee	2,502	

Transaction terms and policies for determining transaction terms, etc.

(Note1). With regard to loan and collection of funds, efficient management of funds is carried out among group companies, and interest rates are determined in consideration of market interest rates. We do not accept or provide collateral.

(Note2). The transaction amount does not include consumption tax.

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Year ended March 31, 2020

Name: Masters comfort Company Limited
Attribution: Non-consolidated subsidiary
Capital: ¥4 million
Equity ownership percentage of the Company: 50%

	Million of yen		Million of yen
	Transaction amount		Balance at end
Loan of funds	¥ 1,630	(Long-term loan)	¥ 1,630
		(Advances received on uncompleted construction contacts)	
Receipt of interest	14		23
Work fee	2	(Other current assets)	10

Transaction terms and policies for determining transaction terms, etc.

(Note1). With regard to loan and collection of funds, efficient management of funds is carried out among group companies, and interest rates are determined in consideration of market interest rates. We do not accept or provide collateral.

(Note2). The transaction amount does not include consumption tax.

18. Loss on litigation

Components of the loss on litigation for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Settlement packages	¥ 14	¥ 6	\$ 126
Others	(0)	10	(3)

19. Financial instruments

Information on financial instruments for the years ended March 31, 2021 and 2020 is as follows:

(A) Status of financial instruments

(1) Policy for financial instruments

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

The Company use derivatives for the purpose of avoiding risks as described below and not for speculative transactions. Of funds

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

Trade notes and accounts receivable and Electronically recorded monetary claims - operating 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.

Trade notes and accounts payable and Electronically recorded obligations – operating 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 that possess high credit ratings in order to mitigate the counterparties' default risks.

DAIHO CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(B) Fair values of financial instruments

Book values of the financial instruments included in the consolidated balance sheet and their fair values as at March 31, 2021 and 2020 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		
	2021		
	Book value	Fair value	Difference
Cash and time deposits	¥ 28,213	¥ 28,213	¥ —
Trade notes and accounts receivable	89,097	89,097	—
Electronically recorded monetary claims - operating	1,974	1,974	—
Short-term loans receivable	2	2	—
Advances paid	16,506	16,506	—
Investment securities	7,517	7,517	—
Long-term loans receivable	2,236	2,222	(14)
Total assets	¥ 145,548	¥ 145,534	¥ (14)
Short-term loans payable	¥ 7,950	¥ 7,950	¥ —
Trade notes and accounts payable	32,882	32,882	—
Electronically recorded obligations – operating	11,376	11,376	—
Deposits received	16,415	16,415	—
Convertible bond type bonds with subscription rights to shares	3,196	4,106	910
Long-term loans payable	3,150	3,136	(13)
Total liabilities	¥ 74,970	¥ 75,868	¥ 897

	Millions of yen		
	2020		
	Book value	Fair value	Difference
Cash and time deposits	¥ 30,294	¥ 30,294	¥ —
Trade notes and accounts receivable	80,011	80,011	—
Electronically recorded monetary claims - operating	1,718	1,718	—
Short-term loans receivable	13		
Allowance for doubtful accounts	(10)		
Subtotal	3	3	—
Advances paid	12,419	12,419	—
Investment securities	6,011	6,011	—
Long-term loans receivable	1,639	1,618	(20)
Total assets	¥ 132,097	¥ 132,076	(20)
Short-term loans payable	¥ 1,850	¥ 1,850	¥ —
Trade notes and accounts payable	39,295	39,295	—
Electronically recorded obligations – operating	10,216	10,216	—
Deposits received	13,321	13,321	—
Long-term loans payable	3,150	3,136	(13)
Total liabilities	¥ 67,833	¥ 67,819	(13)

DAIHO CORPORATION
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	Thousands of U.S. dollars		
	2021		
	Book value	Fair value	Difference
Cash and time deposits	\$ 254,836	\$ 278,360	\$ —
Trade notes and accounts receivable	804,778	735,192	—
Electronically recorded monetary claims - operating	17,830	15,786	—
Short-term loans receivable	18		
Advances paid	149,092	114,113	—
Investment securities	67,898	55,232	—
Long-term loans receivable	20,196	20,070	(126)
Total assets	<u>\$ 1,314,677</u>	<u>\$ 1,314,551</u>	<u>\$ (126)</u>
Short-term loans payable	\$ 71,809	\$ 16,998	\$ —
Trade notes and accounts payable	297,010	361,067	—
Electronically recorded obligations – operating	102,754	93,871	—
Deposits received	148,270	122,401	—
Convertible bond type bonds with subscription rights to shares	28,868	37,087	8,219
Long-term loans payable	28,452	28,326	(117)
Total liabilities	<u>\$ 677,174</u>	<u>\$ 685,285</u>	<u>\$ 8,102</u>

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

Assets:

- (1) Cash and time deposits, trade notes and accounts receivable, Electronically recorded obligations – operating, short-term loans receivable and advances paid
 Since these items are settled in a short period of time, their book values approximate their 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.

Liabilities:

- (1) Short-term loans and trade notes and accounts payable, Electronically recorded obligations – operating, short-term loans payable and deposits received
 Since these items are settled in a short period of time, their book values approximate their fair values.
- (2) Convertible bond type bonds with subscription rights to shares
 The fair value of the bonds issued by the Corporation is based on the prevailing market price.
- (3) Long-term loans payable
 The fair values of long-term loans payable are based on the present value of discounted cash flows using the interest rate that may be applicable when the same kinds of borrowings are made.

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#2. As quoted prices are not readily available on unlisted stocks and the future cash flows cannot be estimated reliably, the fair value of the items is deemed to be extremely difficult to measure and are not included in "(2) Investment securities".

	Millions of yen		Thousands of U.S. dollars	
	2021	2020	2021	
Unlisted stocks	¥ 1,387	¥ 721	\$ 12,528	

Type	Millions of yen			
	2021			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 28,213	¥ —	¥ —	¥ —
Trade notes and accounts receivable	89,097	—	—	—
Electronically recorded monetary claims - operating	1,974	—	—	—
Short-term loans receivable	2	—	—	—
Advances paid	16,506	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	10	—	—
Long-term loans receivable	—	2,236	—	—
Total	¥ 135,794	¥ 2,246	¥ —	¥ —

Type	Millions of yen			
	2020			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	¥ 30,294	¥ —	¥ —	¥ —
Trade notes and accounts receivable	80,011	—	—	—
Electronically recorded monetary claims - operating	1,718	—	—	—
Short-term loans receivable	13	—	—	—
Advances paid	12,419	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	—	10	—
Long-term loans receivable	—	1,639	—	—
Total	¥ 124,456	¥ 1,639	¥ 10	¥ —

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Thousands of U.S. dollars				
Type	2021			
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Cash and time deposits	\$ 254,836	\$ —	\$ —	\$ —
Trade notes and accounts receivable	804,778	—	—	—
Electronically recorded monetary claims - operating	17,830	—	—	—
Short-term loans receivable	18	—	—	—
Advances paid	149,092	—	—	—
Investment securities				
Available-for-sale securities with contractual maturities	—	90	—	—
Long-term loans receivable	—	20,196	—	—
Total	<u>\$ 1,226,573</u>	<u>\$ 20,287</u>	<u>\$ —</u>	<u>\$ —</u>

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

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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
	2021	2020	2021
Unrealized gains on securities	¥	¥	\$
Increase (decrease) during the year	1,354	(1,814)	12,230
Reclassification adjustments	(180)	(220)	(1,625)
Subtotal, before tax	1,173	(2,034)	10,595
Tax (expense) or benefit	(358)	623	(3,233)
Subtotal, net of tax	814	(1,411)	7,352
Deferred gains and losses on hedges			
Increase (decrease) during the year	—	(85)	—
Reclassification adjustments	—	(24)	—
Subtotal, before tax	—	(109)	—
Tax (expense) or benefit	—	33	—
Subtotal, net of tax	—	(75)	—
Foreign currency translation adjustments			
Increase (decrease) during the year	(3)	1	(27)
Remeasurements of defined benefit plans			
Increase (decrease) during the year	35	(18)	316
Reclassification adjustments	51	35	460
Subtotal, before tax	86	17	776
Tax (expense) or benefit	—	—	—
Subtotal, net of tax	86	17	776
Total other comprehensive income	¥ 898	¥ (1,468)	\$ 8,111

21. Per share information

	Yen	U.S. dollars
	2021	2021
Net assets per share	¥ 4,061.98	\$ 36.69
Net income per share	362.23	3.27
Diluted earnings per share	326.37	2.95

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Basis of the calculation of earnings per share and diluted earnings per share is as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
(Net income per share)			
Profit attributable to owners of parent	¥ 6,262	¥ 6,647	\$ 56,562
Amount not belonging to ordinary shareholders	—	—	—
Net income attributable to common stock	¥ 6,262	¥ 6,647	\$ 56,562
Weighted average number of ordinary shares (thousands of shares)	17,288	16,801	
(Diluted earnings per share)			
Adjustment of profit attributable to owners of parent	¥ 1	—	\$ 9
Fees (after deduction of tax equivalent)	1	—	9

The Company's shares remaining in the trust, which are recorded as treasury shares in shareholders' equity, are deducted in the calculation of the average number of shares during the period for the calculation of net income per share and diluted net income per share. It is included in the number of shares, and also included in the number of treasury shares to be deducted from the total number of issued shares at the end of the term when calculating net assets per share. In calculating net income per share and diluted net income per share, the average number of shares of the treasury stock deducted during the period was 106,000 shares in the previous fiscal year and was 106,600 shares in the current fiscal year. The number of shares of treasury stock deducted in the calculation of net assets per share at the end of the period was 106,600 shares for the previous fiscal year and 106,600 shares for the current fiscal year.

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

	2021	2020
Subscription rights to shares (thousands of shares)	1,902	153

22. Stock options

No stock option expense is accounted for under selling, general and administrative expenses in the Consolidated financial statements of Operations for the fiscal years ended March 31, and 2021 and 2020.

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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)	52,800 common shares	106,600 common shares	89,000 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.

(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 grantees lost their position as director 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 results in 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 grantee's legal heir can exercise the rights during 6 months from the date the grantee passes away regardless of the condition mentioned above (1).

(Excluding those who succeeded again from the legal heirs when they pass 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, 2021. The number of stock options is translated into the number of shares.

Fiscal year ended March 31, 2021:

Number of stock options

	FY 2014 stock options	FY 2015 stock options	FY 2016 stock options
Before vested:			
As of March 31, 2020	28,000	60,600	56,200
Granted	-	-	-
Forfeited	-	-	-
Vested	8,000	15,400	13,000
Outstanding	20,000	45,200	43,200
After vested:			
As of March 31, 2020	600	4,800	1,200
Vested	8,000	15,400	13,000
Exercised	4,000	12,200	10,600
Forfeited	-	-	-
Outstanding	4,600	8,000	3,600

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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	¥2,572 (\$23.23) per share	¥2,522 (\$22.78) per share	¥2,600 (\$23.48) per share
Fair value at the grant date	¥3,480 (\$31.43) per subscription to share	¥2,035 (\$18.38) per subscription to share	¥2,435 (\$21.99) per subscription to share

As of October 1, 2018, the Company carried out a share consolidation at a ratio of 5 common shares to 1. The share prices are calculated after taking into account the share consolidation.

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.

23. Subsequent events

(A) Acquisition of treasury stock

The Company resolved the item related to the acquisition of treasury stock at the board of directors meeting held on August 7, 2020, in accordance with the article 156, paragraph 1 of the Japanese Corporate Law (the "Law"), which is applicable as replacement of the article 165, paragraph 3 of the law, as detailed below.

- (1) Type of stock to acquired: Common stock of the Company
- (2) Number of stocks to acquired: 188,100 stocks
- (3) Period of acquisition: April 1, 2021 to April 30, 2021
- (4) Total cost of acquisition: ¥ 749 million (\$6,765 thousand)
- (5) Method of acquisition: Buy at Tokyo Stock Exchange

(B) Resolve to acquisition of treasury stock

The Company resolved the item related to the acquisition of treasury stock at the board of directors meeting held on May 13, 2021, in accordance with the article 156, paragraph 1 of the Japanese Corporate Law (the "Law"), which is applicable as replacement of the article 165, paragraph 3 of the law, as detailed below.

(1) Reason of acquisition of treasury stock

The Company decided to acquire its treasury stock in order to enhance the shareholders' value per share and to improve the capital efficiency.

(2) Details

- (a) Type of stock to be acquired: Common stock of the Company
- (b) Number of stocks to be acquired: Up to 1,250,000 stocks (6.9% of the total outstanding stocks excluding treasury stock)
- (c) Period of acquisition: From May 14, 2021 to September 30, 2021
- (d) Total cost of acquisition: Up to ¥ 4,000 million (\$36,130 thousand)
- (e) Method of acquisition: Buy at Tokyo Stock Exchange

(3) implementation status by August 31, 2021

- (a) Number of stocks to acquired: 970,500 stocks
- (b) Total cost of acquisition: ¥ 3,999 million (\$36,121 thousand)
- (c) Progress: Completed on August 31