

Raito Kogyo Co., Ltd.

ANNUAL REPORT 2013

YEAR ENDED MARCH 31, 2013



# PROFILE

As a specialist civil engineering contractor, Raito Kogyo Co., Ltd. has continued to significantly contribute to society since its establishment in 1943 by actively promoting the development and introduction of proprietary technologies and supporting efforts to enhance national disaster-prevention and infrastructure development.

Amid a construction industry experiencing considerable change throughout its operating environment, the Company draws on its abundant technological capabilities fostered over many years to bolster its operating structure and systems across its three core businesses encompassing specialist civil engineering, building construction and overseas businesses while enhancing project safety and quality. Working in harmony with the natural environment, Raito Kogyo will help protect the nation from disaster and contribute in the building of a robust nation that offers a strong sense of safety and security.

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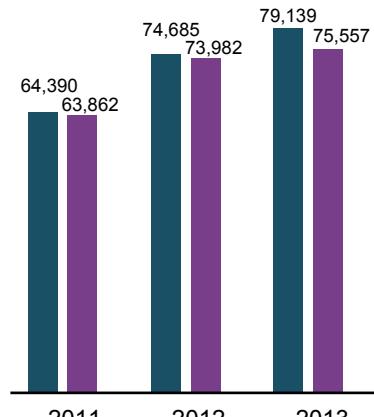
# CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen						Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2008	2013
<b>FOR THE YEAR:</b>							
Orders received	<b>¥79,139</b>	¥74,685	¥64,390	¥62,183	¥68,237	¥67,742	<b>\$841,821</b>
Net sales	<b>75,557</b>	73,982	63,862	72,979	63,063	66,408	<b>803,717</b>
Income (loss) from operations	<b>2,947</b>	2,255	1,182	3,373	(1,728)	111	<b>31,352</b>
Income (loss) before income taxes	<b>2,573</b>	2,108	985	2,575	(3,895)	(60)	<b>27,375</b>
Net income (loss)	<b>1,973</b>	1,678	866	2,372	(5,470)	(333)	<b>20,989</b>
<b>AT YEAR-END:</b>							
Total assets	<b>61,078</b>	58,370	57,086	58,153	64,953	66,280	<b>649,699</b>
Shareholders' equity	<b>33,291</b>	31,137	29,627	29,605	27,016	33,676	<b>354,123</b>
Common stock	<b>6,119</b>	6,119	6,119	6,119	6,119	6,119	<b>65,093</b>
<b>AMOUNTS PER SHARE:</b>							
(in yen)							
Net income (loss)	<b>37.47</b>	31.88	16.45	45.06	(103.86)	(6.32)	
Shareholders' equity	<b>632.17</b>	591.27	562.59	562.16	512.99	639.43	
<b>PERFORMANCE INDICATORS:</b>							
(%)							
Equity capital ratio	<b>54.5</b>	53.3	51.9	50.9	41.6	50.8	—
Return on equity	<b>6.1</b>	5.4	2.9	8.4	—	—	—
Number of employees	<b>1,016</b>	1,057	1,081	1,114	1,103	1,120	—

Note: U.S. dollar amounts above and elsewhere in this annual report are converted from Japanese yen, for the readers' convenience only, at the rate of ¥94.01=US\$1.00, the rate on March 31, 2013.

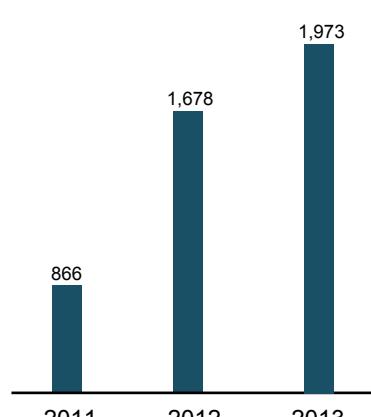
## ORDERS RECEIVED, NET SALES

(Millions of yen)

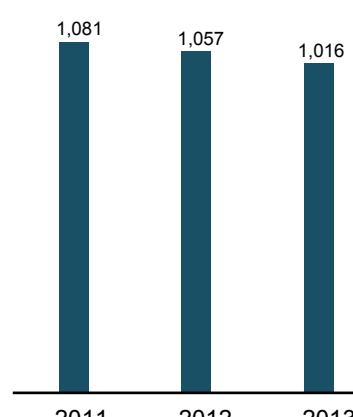


## NET INCOME

(Millions of yen)



## NUMBER OF EMPLOYEES



ORDERS RECEIVED NET SALES

# PRESIDENT'S MESSAGE



## OPERATING PERFORMANCE

In fiscal 2012, the fiscal year ended March 31, 2013, the Japanese economy confronted mixed conditions. On the one hand, signs of an economic recovery began to emerge with indications of an improvement in corporate-sector performance on the back of the weakening yen and increases in stock prices, which reflected expectations toward the pump-priming measures put forward by the newly elected administration. On the other hand, concerns surrounding a slowdown in the rates of economic growth in overseas countries and the prolonged debt crisis in Europe placed downward pressure on the economy. As a result, forecasts regarding future operating conditions remained shrouded in uncertainty.

The construction industry entered a recovery trend. This was largely attributable to an upswing in public works reflecting the shift from restoration to reconstruction following the earthquake disaster. Private-sector investment also showed signs of a positive turnaround.

Under these circumstances, the Raito Kogyo Group's orders received for the fiscal year under review increased on the back of both restoration and reconstruction demand. With steady progress in construction activities, net sales for the period improved 2.1% compared with the previous fiscal year to ¥75,557 million.

From a profit perspective, gross profit climbed 3.5% year on year to ¥10,541 million largely reflecting the upswing in net sales and improvements in gross profit margins. In addition to this improvement in gross profit, successful efforts to cutback fixed expenses and the decline in selling, general and administrative

expenses contributed to robust earnings. As a result, operating income surged 30.7% compared with the previous fiscal year to ¥2,947 million, and ordinary profit jumped 38.5% year on year to ¥3,159 million.

In the fiscal year under review, the Company incurred an extraordinary loss in connection with reconstruction of its head office premises. Despite this extraordinary loss, net income for fiscal 2012 came to ¥1,973 million, up 17.5% compared with fiscal 2011.

## BUSINESS SEGMENT REVIEW

Consolidated sales in the construction segment, which is the core business of the Raito Kogyo Group, increased by 2.1% compared with the previous fiscal year to ¥75,557 million.

Orders received in this segment climbed by 6.0% year on year to ¥79,139 million. By type of construction method, orders received in landslide prevention and slope protection work declined 3.8% compared with the previous fiscal year to ¥27,810 million. Despite an increase in public works-related orders mainly from regional authorities on the back of an upswing in public-sector investment, this downturn was largely attributable to the drop in large-scale private-sector works. Ground improvement projects attracted an increase of 0.8% in orders received year on year to ¥22,915 million. While ground improvement work declined at our U.S.-based subsidiary, this increase reflected higher orders received in Japan resulting from the increase in public-sector investment. In structural repair work, orders received surged 44.4% compared with the previous fiscal year to ¥2,944 million owing mainly to contracts from Japan's Ministry of Land, Infrastructure, Transport and Tourism as well as regional authorities. In environment restoration projects, the Company received large-scale soil contamination remediation orders. As a result, orders received in this segment jumped 288.3% year on year to ¥3,184 million. Buoyed by regional authority activity, orders received for construction work on sewage mains and other public utility conduits improved 9.1% compared with the previous fiscal year to ¥961 million. Turning to the building construction segment, orders received for condominium construction in the Tokyo Metropolitan area remained steady. Favored by positive trends in new building construction as well as repair work in the aftermath of the Great East Japan Earthquake, orders received climbed 5.8% compared with the previous fiscal year to ¥13,836 million. In general civil engineering works and other projects, the earthquake disaster triggered orders for debris removal work. This contributed to a substantial rise in orders received, up 20.2% year on year to ¥7,487 million.

## MEDIUM-TERM BUSINESS STRATEGY AND RELATED ISSUES

Under these circumstances, the Raito Kogyo Group is endeavoring to address the following issues in efforts to secure adequate business volumes across the Group and to improve our earning capabilities.

## **STRICTLY ADHERE TO SAFETY AND HEALTH MANAGEMENT**

The Raito Kogyo Group is committed to instilling in its customers and society as a whole a greater sense of trust and confidence in its capabilities. In addition to ensuring quality as a matter of course, we will strictly comply with Japan's Industrial Safety and Health Act as well as all related legislative and regulatory requirements. At the same time, we will make every effort to reduce the incidence of work-related accidents and to eliminate major disasters by further promoting risk assessment procedures associated with each work process.

## **STRENGTHEN THE GROUP'S MANAGEMENT STRUCTURE IN THE SPECIALIZED CIVIL ENGINEERING FIELD**

Moving forward, the Group will work to bolster its operating platform and secure business volume by strengthening its marketing capabilities, applying management resources effectively, and taking full advantage of each subsidiary's local presence, while making thoroughgoing efforts to reduce costs including operating overheads.

## **SECURE BUSINESS VOLUME IN THE BUILDING CONSTRUCTION FIELD**

With the aim of promoting stable growth, we will focus on further enhancing customer satisfaction by ensuring safety and quality. At the same time, we will work to secure business volume by garnering long-term and continuous trust.

## **EXPAND THE BUSINESS SCALE OF ACTIVITIES IN THE OVERSEAS BUSINESS SEGMENTS**

We will keep the imperative need to augment the evaluation of risk uppermost in our minds. To this end, we will conduct thoroughgoing market research. In addition to targeting market scale growth, we will strive to upgrade our organization, strengthen our management platform, and capture business scale.

## **TECHNOLOGY DEVELOPMENT ACTIVITIES**

In the specialized engineering field, the Raito Kogyo Group will conduct an organizational review of its development division and work to upgrade its structure and systems. Through these means, we will respond to dramatic changes in customer needs in a timely manner, promote new technology development that will form the base for the future, and capture a share of new business domains.

## **BOLSTER OUR FINANCIAL POSITION**

The Raito Kogyo Group will engage in activities that help to further curtail fixed expenses. At the same time, we will strengthen our earning capabilities in an effort to secure a stable stream of profits even during adverse market and operating conditions. We will build a robust financial position by improving cash

flows through the quick collection of construction proceeds and increasing the efficiency of assets by such means as the sale of idle real estate.

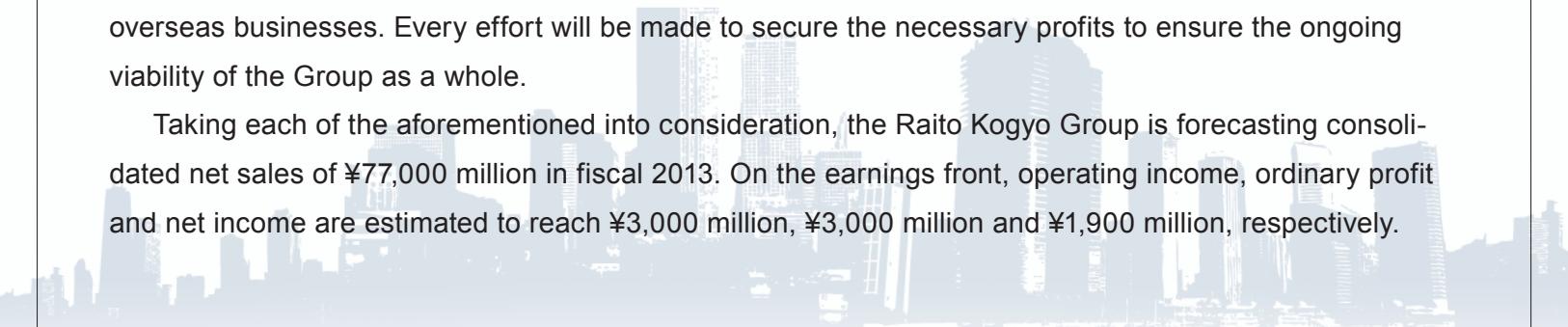
## OUTLOOK

Looking at the operating environment in fiscal 2013, the construction industry is projected to remain firm. Despite concerns surrounding an increase in material and labor costs, we expect the environment for orders received to improve. This is largely attributed to the forecast increase in public-sector construction investment against the backdrop of the government's hefty supplementary budget.

Under these circumstances, the Raito Kogyo Group will strengthen its operating platform in the specialized civil engineering field by effectively applying its management resources. At the same time, the Group will actively promote its proprietary technologies while promoting the development of new technologies to expand business volume for the future. Complementing these endeavors, we will strive to further reduce the cost of sales and overhead expenses in order to ensure a steady stream of profits.

Building on these initiatives, we will endeavor to upgrade and expand our building construction and overseas businesses. Every effort will be made to secure the necessary profits to ensure the ongoing viability of the Group as a whole.

Taking each of the aforementioned into consideration, the Raito Kogyo Group is forecasting consolidated net sales of ¥77,000 million in fiscal 2013. On the earnings front, operating income, ordinary profit and net income are estimated to reach ¥3,000 million, ¥3,000 million and ¥1,900 million, respectively.


Kazuo Suzuki  
President

# CORPORATE GOVERNANCE

## FUNDAMENTAL POLICY

The Raito Kogyo Group fundamental policy on corporate governance places the utmost emphasis on maintaining a sound management structure and associated systems. In this manner, the Group is better positioned to bring to fruition its corporate philosophy of enhancing the prosperity of all stakeholders including customers, shareholders and employees.

## CORPORATE GOVERNANCE FRAMEWORK

### Management structure and oversight/supervisory systems

Raito Kogyo maintains a Board of Directors comprised of 8 members, one of whom is appointed from outside the Company. At the same time, Raito Kogyo has established a three-member Board of Corporate Auditors, two of whom are appointed from outside the Company. In principle, the Board of Directors meets once a month. Special meetings of the Board of Directors are held, however, as and when required. In addition to its role as the ultimate decision-making authority for the Company, the Board of Directors also monitors and supervises management while overseeing the status of business execution by each director.

At the time Board of Directors' meetings are held, the representative director and outside director also engage in roundtable discussions to promote the open and free exchange of opinions. Through these and other means, steps are taken to enhance the objectivity of management decisions and to bolster the monitoring function.

Raito Kogyo has adopted a corporate auditor system. In addition to establishing a three-member Board of Corporate Auditors, this system ensures that corporate auditors attend meetings of the Board of Directors and important management committees. This strengthens oversight, helps to promote sound management and increases transparency.

The independent auditors undertake accounting audits of Raito Kogyo's financial statements on both a consolidated and nonconsolidated basis. There are no vested interests of any note between Raito Kogyo and its independent auditor, or with the officers of the independent auditor who conduct the Company's audit.

Raito Kogyo ensures the integrity of its internal control system through the aforementioned structure and systems.

## COMPLIANCE FRAMEWORK

Raito Kogyo has established the Compliance Promotion Committee, and has also instituted a fundamental policy on compliance along

with the Raito Kogyo Group Corporate Code of Conduct. These steps reflect the Company's commitment to adhering strictly to the highest standards of corporate ethics and complying with all statutory and regulatory requirements in its business activities.

## STATUS OF SYSTEM OF INTERNAL CONTROLS

On May 19, 2006, the Board of Directors decided to develop a fundamental policy on internal controls to guide the development of systems aimed at ensuring that the execution of duties by directors is in compliance with relevant laws, regulations and the articles of association, and that other management practices are consistently proper. Raito Kogyo continues to develop internal controls based on this policy, while making required revisions or improvements in response to any changes in the business environment.

## TIMELY DISCLOSURE

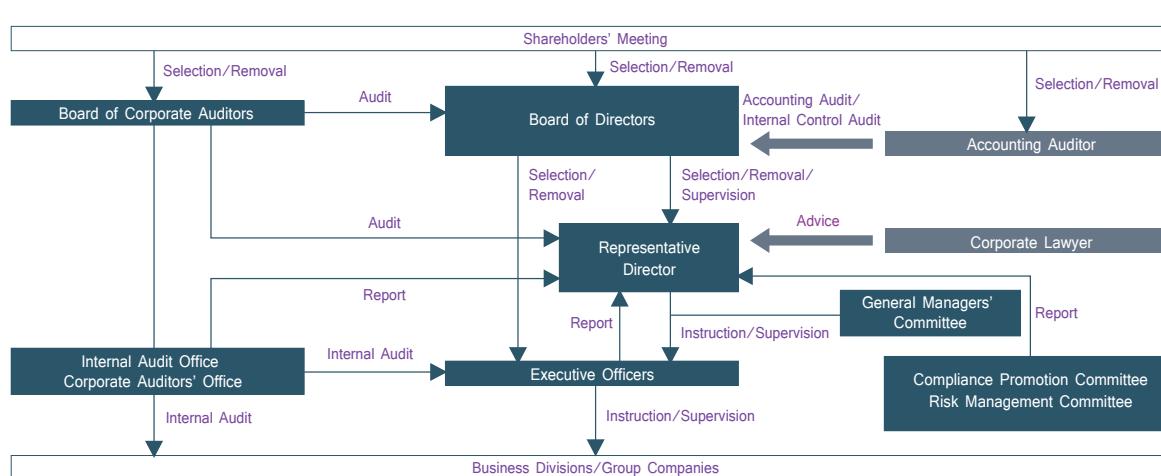
Raito Kogyo is fully cognizant of the importance of corporate governance in further enhancing management transparency. The Company recognizes the importance of early disclosure of all relevant information to investors relating to financial results and performance. The Corporate Planning Department oversees the implementation of various IR activities, including financial results announcements, investor presentations and the disclosure of investor-related information through media channels such as the corporate web site.

## RISK MANAGEMENT SYSTEM

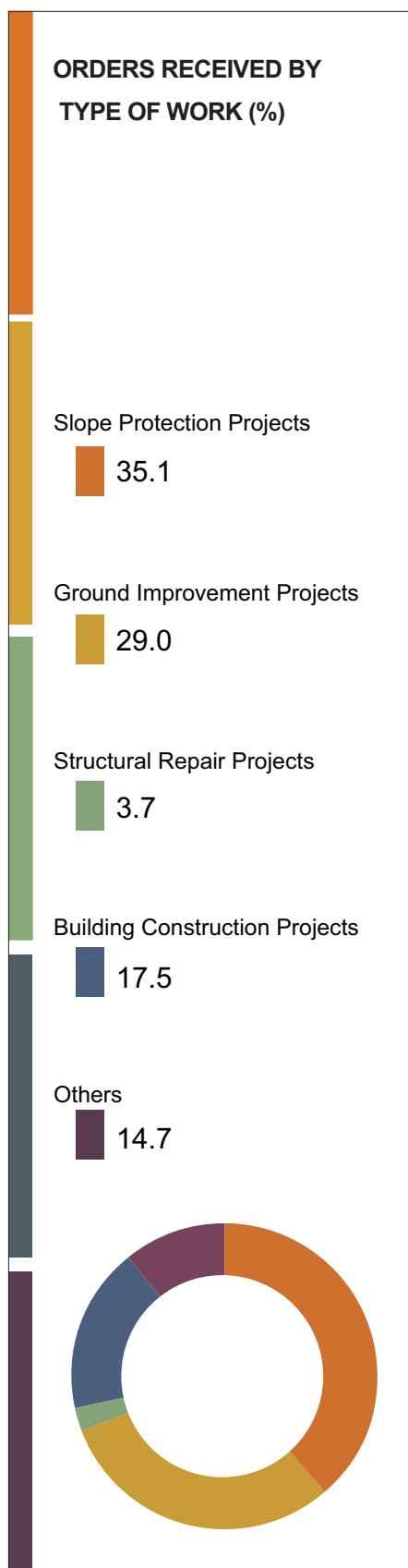
In order to improve the Group's ability to respond to and address risks that have the potential to significantly impact its operations, Raito Kogyo has established the Internal Crisis Management Committee. By identifying and preventing risks in advance, the Group is better positioned to avoid any consequent repercussions. Moreover, the Group will work to stabilize its operations and management in a bid to further enhance its ability to respond appropriately when a crisis arises.

## INTERNAL AUDITS

The Internal Audit Office, which comprised three members of staff, fulfills various internal audit functions. Based on annual auditing plans, it reviews the appropriateness of business execution and the effectiveness of internal controls. Internal audit results are reported to the corporate auditors and to the president.

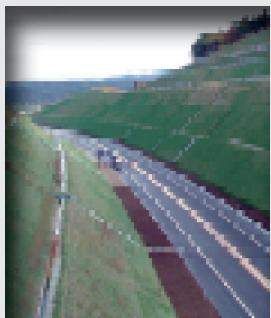


# RAITO KOGYO AT A GLANCE



## SLOPE PROTECTION PROJECTS

This sector includes engineering and construction works to protect slopes from degradation or weathering and to prevent disasters due to landslip, landslide, slope failure, mudslide or flooding. Orders received in the fiscal year under review totaled ¥27,810 million and segment revenues from completed projects amounted to ¥28,427 million.



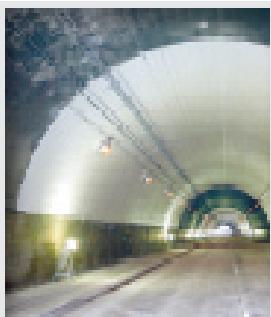
## GROUND IMPROVEMENT PROJECTS

Structural foundation and soft-ground stabilization works help to prevent ground subsidence or liquefaction during an earthquake. Orders received in the fiscal year under review totaled ¥22,915 million, while segment revenues from completed projects were ¥22,396 million.



## STRUCTURAL REPAIR PROJECTS

Activities in this sector include diagnostic survey and structural repair work for tunnels, bridges, sewage systems and other structures. Orders received in the fiscal year under review amounted to ¥2,944 million. Segment revenues from completed projects were ¥2,961 million.



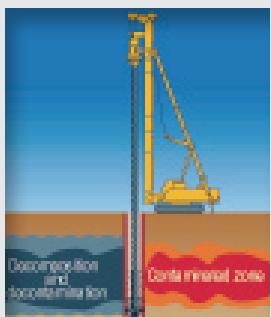
## BUILDING CONSTRUCTION PROJECTS

Through its building construction projects, the Company is largely engaged in the construction of condominiums. Raito Kogyo is particularly well versed in the construction of special-purpose condominiums, including those used by the elderly, as well as one-room condominiums for the singles demographic. Sales in both of these areas continue to expand. Orders received during the fiscal year under review totaled ¥13,836 million, while segment revenues from completed projects amounted to ¥12,406 million.



## OTHERS

In addition to anti-pollution projects, this segment spans a variety of engineering and construction works, including the installation of sewage mains or other public utility conduits. Orders received in the fiscal year under review were ¥11,632 million and segment revenues from completed projects amounted to ¥9,364 million.

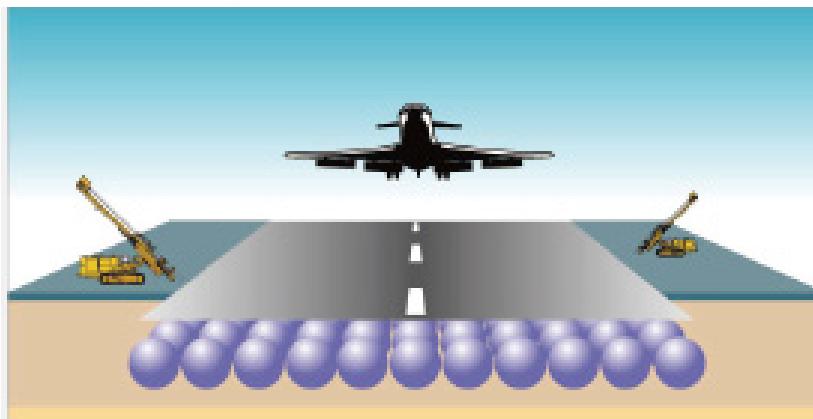


## TECHNICAL TOPICS

Raito Kogyo is engaged in a broad range of research and development activities in an effort to respond to changes in market trends, expand its scope of business activities and upgrade technologies in each business segment. To this end, the Company is also active in joint R&D, and aggressively pursues joint-development opportunities with institutions in and out of the construction industry, universities and government authorities including the Ministry of Land, Infrastructure and Transport. R&D expenditures for the fiscal year under review were ¥198 million.

### ANTI-LIQUEFACTION AND EARTHQUAKE-RESISTANT SOIL TREATMENT

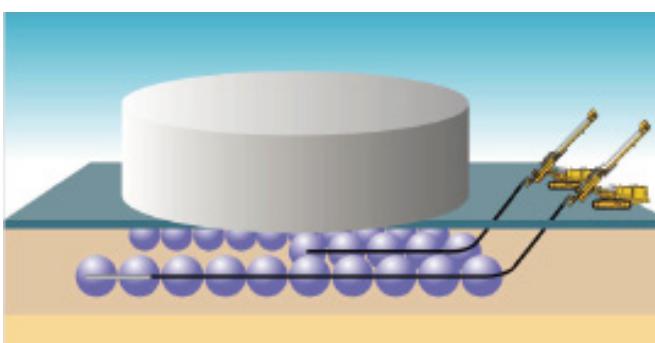
Raito Kogyo continues to actively pursue research and development in the field of anti-liquefaction soil treatment utilizing chemical grouting as a means of stabilization. Maxperm Grouting method facilitates the long-term effects of improvement and stabilization by using a highly durable grout. Utilized in areas such as air and sea ports, this soft-ground stabilization and anti-liquefaction soil treatment is attracting wide acclaim.



### NAVIGATIONAL DRILLING SYSTEM

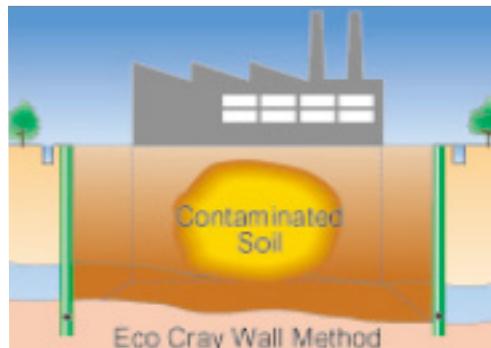
The navigational drilling system enables highly accurate curved drilling utilizing double-wall rod strings. Distinguished by the use of a double-wall system, the navigational drilling can be freely used in conjunction with a variety of existing chemical grouting and soil remediation methods.

By applying this method, greater efficiencies can be achieved in soil remediation works. The navigation drilling system is ideal for remediation in areas immediately beneath active plants and factories, condominiums, gas stations and petroleum storage tanks. This system can expand remediation capabilities by allowing the injection of materials that decompose contaminants without being hampered by underground structures and obstacles.



## SOIL REMEDIATION TECHNOLOGY

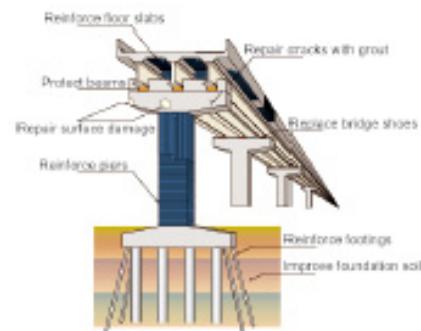
For many years, Raito Kogyo has conducted research and development on soil remediation technology as a long-standing strength of the Company. In particular, Raito Kogyo introduced the Steam Enhanced Remediation (SER)



method in an effort to treat soil contaminated by volatile organic compounds and petroleum-derived hydrocarbons. After a series of performance tests, the SER method was proved to be effective with outstanding results. In addition, the Company successfully developed the Eco Clay Wall method. This method serves to contain the contaminated ground by installing cut off walls without producing spoils during excavation. With a clay base material, the wall offers long-term stability and durability. At the same time, the plastic nature of the wall provides protection against cracking in the event of an earthquake.

## AGING CONCRETE REPAIR TECHNOLOGY

With the passing of time, newly constructed facilities enter a period of maintenance and repair. Basic infrastructure encompassing tunnels, bridges, roadways and viaducts are not exempt. While new structures continue to be built, adequate maintenance and repair of existing infrastructure plays an important role in safety and stability. In the maintenance and repair of basic structures, Raito Kogyo conducts detailed onsite inspections and analysis. Based on the results, the Company proposes the best method to effectively address structural damage and deterioration.



## GROUND IMPROVEMENT



Raito Kogyo has been a major player also in the ground improvement field in Japan and the U.S. The soft ground is improved to resist settlement and deformation by applying various technologies such as chemical grouting, jet grouting, shallow and deep soil mixing. Raito has capabilities to apply all these technologies so that the most efficient technology is proposed to address unique site and ground conditions as well as client needs. Raito Kogyo has continuously upgraded these technologies to widen the range of application and improve cost efficiency.

# CONSTRUCTION RESULTS

**Project:**

Disaster Mitigation Public Works  
(Road)

**Owner:**

Iwaki Construction Office, Fukushima  
Prefectural Government

**Client:**

Fukuhama-Daiichi Construction Co.,Ltd.

**Duration:**

May 2012 to March 2013

**Project:**

Ground Improvement Works for  
Tokushima Junction Construction,  
Shikoku Expressway, Tokushima, Japan

**Owner:**

West Nippon Expressway Company Limited

**Client:**

Toda Corporation

**Duration:**

September 2010 to March 2013

**Project:**

Anti-seismic Upgrading Works for  
Michigan Overpass, National Highway  
Route 2

**Owner & Client:**

Ministry of Land, Infrastructure, Transport and  
Tourism, Chugoku Regional Development  
Bureau

**Duration:**

June 2012 to March 2013

**Project:**

“Lebenheim Utsunomiya  
Higashishukugo II” Building  
Construction

**Owner & Client:**

Takara Leben Co., Ltd.

**Duration:**

October 2011 to December 2012

**Project:**

San Francisco Public Safety Building  
Construction

**Owner:**

City & County of San Francisco

**Client:**

Charles Pankow Builders Ltd

**Duration:**

February 2012 to May 2012

# CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	
March 31, 2013 and 2012			
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 3)	¥ 12,866	¥ 9,562	\$136,861
Notes and accounts receivable — trade	22,350	21,162	237,745
Accumulated construction cost in progress (Note 4)	6,090	6,512	64,786
Merchandise and finished goods (Note 4)	21	29	228
Work in process (Note 4)	18	18	197
Raw materials and supplies (Note 4)	163	141	1,734
Accounts receivable — other	104	320	1,114
Deferred tax assets (Note 18)	384	-	4,088
Other current assets	658	916	7,005
Allowance for doubtful accounts	(185)	(173)	(1,972)
Total current assets	42,472	38,491	451,790
<b>Non-current assets:</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	7,852	8,415	83,533
Accumulated depreciation	(5,717)	(6,132)	(60,822)
Buildings and structures, net (Note 10)	2,135	2,283	22,711
Machinery, vehicles and equipment	20,853	21,049	221,823
Accumulated depreciation	(20,238)	(20,408)	(215,282)
Machinery, vehicles and equipment, net	614	640	6,540
Land (Note 7 and 10)	8,969	9,116	95,404
Lease assets (Note 16)	1,606	1,514	17,090
Accumulated depreciation	(735)	(419)	(7,818)
Lease assets, net	871	1,094	9,271
Construction in progress	45	42	483
Total property, plant and equipment	12,635	13,177	134,411
<b>Intangible assets</b>			
Other	157	172	1,673
Total intangible assets	157	172	1,673
<b>Investments and other assets:</b>			
Investment securities (Note 5 and 8)	2,593	2,884	27,588
Long-term prepaid expenses	592	524	6,297
Claims provable in bankruptcy, claims provable in rehabilitation and other	179	202	1,909
Real estate for investment	1,345	1,889	14,313
Others	1,719	1,624	18,285
Allowance for doubtful accounts	(617)	(595)	(6,570)
Total investments and other assets	5,812	6,529	61,824
Total non-current assets	18,605	19,879	197,908
<b>Total assets</b>	¥ 61,078	¥58,370	\$649,699

The accompanying notes are an integral part of this statement.

	Millions of yen	Thousands of U.S. dollars (Note 1)	
March 31, 2013 and 2012	2013	2012	2013
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable — trade	¥15,751	¥15,583	\$167,553
Short-term bank loans payable (Note 9 and 10)	700	500	7,446
Current portion of long-term loans payable (Note 10)	66	453	702
Accrued income taxes	899	489	9,569
Advance received on uncompleted contracts	5,053	4,203	53,756
Provision for warranties for completed construction	148	78	1,576
Allowance for anticipated loss on contract work	122	114	1,308
Provision for losses attributable to disasters	-	64	-
Provision for reconstruction-related losses	103	-	1,099
Accrued expenses	1,218	1,184	12,962
Other current liabilities	736	933	7,829
Total current liabilities	24,800	23,606	263,804
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 10)	211	890	2,249
Deferred tax liabilities for land revaluation (Note 7)	1,167	1,217	12,419
Provision for retirement benefits (Note 11)	895	626	9,522
Long-term accrued amount payable	27	27	292
Lease obligations (Note 16)	583	805	6,202
Deferred tax liabilities (Note 18)	57	12	611
Other non-current liabilities	44	46	472
Total non-current liabilities	2,986	3,626	31,770
Total liabilities	27,787	27,233	295,575
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	6,119	6,119	65,093
Capital surplus	6,358	6,358	67,632
Retained earnings	22,950	21,303	244,130
Treasury stock (Note 13)	(1,698)	(1,698)	(18,069)
Total shareholders' equity (Note 14)	33,729	32,082	358,787
<b>Other accumulated comprehensive income:</b>			
Valuation difference on available-for-sale securities	226	(126)	2,413
Revaluation reserve for land (Note 7)	(814)	(717)	(8,661)
Foreign currency translation adjustment	148	(102)	1,583
Total other accumulated comprehensive income	(438)	(945)	(4,663)
Total net assets	33,291	31,137	354,123
Total liabilities and net assets	¥61,078	¥58,370	\$649,699

The accompanying notes are an integral part of this statement.

# CONSOLIDATED STATEMENTS OF OPERATIONS

	Millions of yen	Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2013 and 2012	2013	2012
<b>Net sales:</b>		
Net sales of completed construction contracts	¥75,005	\$797,845
Net sales of sideline business	552	5,872
Total net sales	75,557	803,717
<b>Cost of sales:</b>		
Cost of sales of completed construction contracts	64,585	687,010
Cost of sales on sideline business	429	4,572
Total cost of sales	65,015	691,582
<b>Gross profit:</b>		
Gross profit of completed construction contracts	10,419	110,835
Gross profit on sideline business	122	1,300
Total gross profit	10,541	112,135
<b>Selling, general and administrative expenses</b>	7,594	80,732
<b>Operating income</b>	2,947	31,352
<b>Non-operating income:</b>		
Interest income	27	296
Dividends income	63	673
Foreign exchange gains	129	1,372
Royalty income	20	218
Insurance premiums refunded cancellation	-	-
Rent income on non-current assets	60	646
Other	116	1,239
Total non-operating income	417	4,446
<b>Non-operating expenses:</b>		
Interest expenses	29	311
Loss on sales of notes payable	5	59
Commission fee	70	752
Guarantee commission	40	426
Taxes and dues	31	337
Settlement package	-	-
Other	28	306
Total non-operating expenses	206	2,193
<b>Ordinary income</b>	3,159	33,605
<b>Extraordinary income:</b>		
Gain on sales of non-current assets	7	80
Gain on sales of investment securities	37	400
Gain on transfer of business	-	-
Other	-	-
Total extraordinary income	45	481
<b>Extraordinary loss:</b>		
Loss on sales and retirement of non-current assets	1	16
Loss on valuation of membership	-	-
Special extra retirement payments	24	257
Loss on valuation of investment securities	-	-
Impairment loss	202	2,153
Loss on valuation of stocks of subsidiaries and affiliates	102	1,092
Reconstruction-related loss	299	3,190
Compensation for damages	-	-
Losses attributable to disasters	-	-
Other	0	0
Total extraordinary losses	630	6,710
<b>Income before income taxes</b>	2,573	27,375
Income taxes-current	1,040	11,073
Income taxes-deferred	(440)	(4,686)
Total Income taxes	600	6,386
<b>Income before minority interests</b>	1,973	20,989
<b>Net income</b>	¥ 1,973	\$ 20,989

The accompanying notes are an integral part of this statement.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2013	2012	2013
For the years ended March 31, 2013 and 2012			
<b>Income before minority interests</b>	<b>¥1,973</b>	<b>¥1,678</b>	<b>\$20,989</b>
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale	353	95	3,755
Revaluation reserve for land	(2)	170	(21)
Foreign currency translation adjustment	251	(13)	2,670
Total other comprehensive income (Note 17)	602	252	6,403
<b>Comprehensive income (Note 17):</b>	<b>2,575</b>	<b>1,931</b>	<b>27,393</b>
(Breakdown)			
Comprehensive income attributable to owners of the parent	2,575	1,931	27,393
Comprehensive income attributable to minority interests	¥ -	¥ -	\$ -

The accompanying notes are an integral part of this statement.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2013	2012	2013
<b>For the years ended March 31, 2013 and 2012</b>			
<b>Shareholders' equity</b>			
<b>Capital stock:</b>			
Balance at beginning of the period	¥ 6,119	¥ 6,119	\$ 65,093
Changes of items during the period	-	-	-
Total changes of items during the period	-	-	-
Balance at end of the period	6,119	6,119	65,093
<b>Capital surplus:</b>			
Balance at beginning of the period	6,358	6,358	67,632
Changes of items during the period	-	-	-
Total changes of items during the period	-	-	-
Balance at end of the period	6,358	6,358	67,632
<b>Retained earnings:</b>			
Balance at beginning of the period	21,303	20,038	226,613
Changes of items during the period	(421)	(421)	(4,481)
Dividends from surplus	1,973	1,678	20,989
Net income	94	7	1,008
Reversal of revaluation reserve for land	1,646	1,265	17,517
Total changes of items during the period	1,646	1,265	17,517
Balance at end of the period	22,950	21,303	244,130
<b>Treasury stock:</b>			
Balance at beginning of the period	(1,698)	(1,698)	(18,068)
Changes of items during the period	(0)	(0)	(1)
Increase in treasury stock	(0)	(0)	(1)
Total changes of items during the period	(0)	(0)	(1)
Balance at end of the period	(1,698)	(1,698)	(18,069)
<b>Total shareholders' equity</b>			
Balance at beginning of the period	32,082	30,818	341,271
Changes of items during the period	(421)	(421)	(4,481)
Dividends from surplus	1,973	1,678	20,989
Net income	94	7	1,008
Increase in treasury stock	(0)	(0)	(1)
Reversal of revaluation reserve for land	1,646	1,264	17,515
Total changes of items during the period	1,646	1,264	17,515
Balance at end of the period	33,729	32,082	358,787
<b>Other accumulated comprehensive income</b>			
<b>Valuation difference on available-for-sale securities:</b>			
Balance at beginning of the period	(126)	(221)	(1,341)
Changes of items during the period	353	95	3,755
Net changes of items other than shareholders' equity	353	95	3,755
Total changes of items during the period	226	(126)	2,413
Balance at end of the period	(126)	(126)	2,413
<b>Revaluation reserve for land:</b>			
Balance at beginning of the period	(717)	(880)	(7,630)
Changes of items during the period	(96)	162	(1,030)
Net changes of items other than shareholders' equity	(96)	162	(1,030)
Total changes of items during the period	(96)	162	(1,030)
Balance at end of the period	(814)	(717)	(8,661)
<b>Foreign currency translation adjustment:</b>			
Balance at beginning of the period	(102)	(88)	(1,086)
Changes of items during the period	251	(13)	2,670
Net changes of items other than shareholders' equity	251	(13)	2,670
Total changes of items during the period	251	(13)	2,670
Balance at end of the period	148	(102)	1,583
<b>Total other accumulated comprehensive income</b>			
Balance at beginning of the period	(945)	(1,190)	(10,058)
Changes of items during the period	507	245	5,394
Net changes of items other than shareholders' equity	507	245	5,394
Total changes of items during the period	507	245	5,394
Balance at end of the period	(438)	(945)	(4,663)
<b>Total net assets</b>			
Balance at beginning of the period	31,137	29,627	331,213
Changes of items during the period	(421)	(421)	(4,481)
Dividends from surplus	1,973	1,678	20,989
Net income	94	7	1,008
Purchase of treasury stock	(0)	(0)	(1)
Reversal of revaluation reserve for land	507	245	5,394
Net changes of items other than shareholders' equity	2,153	1,510	22,910
Total changes of items during the period	2,153	1,510	22,910
Balance at end of the period	¥33,291	¥31,137	\$354,123

The accompanying notes are an integral part of this statement.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	Thousands of U.S. dollars (Note 1)	
	2013	2012	2013
For the years ended March 31, 2013 and 2012			
<b>Cash flows from operating activities</b>			
Income before income taxes	¥ 2,573	¥2,108	\$ 27,375
Depreciation and amortization	850	884	9,051
Impairment of non-current assets	313	42	3,338
Increase (decrease) in allowance for doubtful accounts	33	268	353
Increase (decrease) in provision for warranties for completed construction	69	(20)	739
Increase (decrease) in provision for loss on construction contracts	7	(9)	84
Increase (decrease) in provision for employees' retirement benefits	268	147	2,857
Increase (decrease) in provision for losses attributable to disasters	(64)	(68)	(686)
Increase (decrease) in provision for reconstruction-related losses	103	-	1,099
Interest and dividends of income	(91)	(65)	(969)
Interest expenses	29	35	311
Loss on sales of notes receivable-trade	5	6	59
Loss (gain) on sales of investment securities	(37)	(28)	(396)
Loss (gain) on valuation of investment securities	-	97	-
Loss on valuation of stocks of subsidiaries and affiliates	102	100	1,092
Loss on valuation of membership	-	9	-
Decrease (increase) in notes and accounts receivable-trade	(1,141)	(1,398)	(12,141)
Decrease (increase) in accumulated construction cost in progress	421	1,318	4,486
Decrease (increase) in other inventories	(7)	36	(82)
Increase (decrease) in notes and accounts payable-trade	144	800	1,539
Increase (decrease) in advances received on uncompleted construction contracts	845	(1,308)	8,993
Others	410	(219)	4,364
<b>Subtotal</b>	<b>4,838</b>	<b>2,737</b>	<b>51,470</b>
Interest income and dividend received (cash basis)	91	65	969
Interest payment (cash basis)	(29)	(35)	(311)
Payments for sales of notes receivable-trade	(5)	(6)	(59)
Income taxes paid	(634)	(134)	(6,747)
<b>Net cash provided by (used in) operating activities</b>	<b>4,260</b>	<b>2,626</b>	<b>45,321</b>
<b>Net cash provided by (used in) investing activities</b>			
Purchases of property, plant and equipment	(505)	(259)	(5,380)
Proceeds from sales of property, plant and equipment	9	536	104
Purchase of intangible assets	(50)	(57)	(533)
Purchase of investment securities	(210)	(7)	(2,240)
Proceeds from sales of investment securities	647	51	6,889
Proceeds from redemption of investment securities	100	-	1,071
Payments of loans receivable from subsidiaries and affiliates	(86)	(218)	(921)
Collection of loans receivable from subsidiaries and affiliates	82	-	876
Purchase of investments in subsidiaries	-	(100)	-
Purchase of insurance funds	-	(197)	-
Proceeds from cancellation of insurance funds	1	203	20
Payments for investments in real estates	(1,928)	(1,884)	(20,509)
Proceeds from sales of investments in real estates	2,471	481	26,293
Others	(95)	(12)	(1,014)
<b>Net cash provided by (used in) investing activities</b>	<b>437</b>	<b>(1,466)</b>	<b>4,657</b>
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	200	400	2,127
Cash dividends paid	(424)	(417)	(4,515)
Proceeds from long-term loans payable	100	-	1,063
Repayment of long-term loans payable	(1,166)	(466)	(12,402)
Repayments of finance lease obligations	(317)	(266)	(3,379)
Purchase of treasury stock	(0)	(0)	(1)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,608)</b>	<b>(750)</b>	<b>(17,109)</b>
Effect of exchange rate change on cash and cash equivalents	213	(4)	2,269
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,303</b>	<b>404</b>	<b>35,138</b>
Cash and cash equivalents at beginning of the year	9,462	9,058	100,659
<b>Cash and cash equivalents at end of the year (Note 3)</b>	<b>¥12,766</b>	<b>¥9,462</b>	<b>\$135,798</b>

The accompanying notes are an integral part of this statement.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The accompanying consolidated financial statements of RAITO KOGYO CO., LTD. (the "Company") and consolidated subsidiaries are translated and compiled from the Japanese consolidated financial statements, which are prepared by the Company on the basis of accounting principles generally accepted in Japan and in accordance with the requirements of the Securities and Exchange Law of Japan. These requirements are different in certain respects from the application and disclosure rules of International Financial Reporting Standards.

The amounts are rounded to the nearest million yen. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balances. The United States dollar amounts presented in the accompanying financial statements are included solely for convenience and are stated, as a matter arithmetical computation only, at the rate of ¥94.01 = US\$1.00, which was the exchange rate prevailing at March 31, 2013.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Principles of consolidation

#### (i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its 9 significant subsidiaries: RAITO, INC., ONORYO CO., LTD., AURA CE CO., LTD., HOKKAIDO REALIZE CO., LTD., MICHINOKU REALIZE CO., LTD., TOHOKU REALIZE CO., LTD., TOKAI REALIZE CO., LTD., KYUSYU REALIZE CO., LTD. and YASASHIITE RAITO CO., LTD., after the elimination of all significant intercompany transactions, balances and unrealized profits.

The consolidated financial statements do not include the accounts of FUKUSHIMA REALIZE CO., LTD., NIIGATA REALIZE CO., LTD., YAMAGUCHI REALIZE CO., LTD., NISHINIHON REALIZE CO., LTD., SANYORYOKUKA CO., LTD., RAITO CARE CO., LTD., EDO ENTERPRISE CO., LTD. and SHINSAMPEI CONSTRUCTION CO., LTD. since the combined total assets, sales, net income and retained earnings of these subsidiaries are not significant and would not have a material impact on the consolidated financial statements.

#### (ii) Equity method

Investments in unconsolidated subsidiaries have been

carried at cost. The equity method is not applied to such investments since the effect of applying the equity method in these subsidiaries is not material.

### (iii) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, the Company and its consolidated subsidiaries consider all highly liquid investments with insignificant risk of changes in value and original maturity of three months or less at the date of acquisition to be cash equivalents.

### (iv) Fiscal year of consolidated subsidiaries

The fiscal years of consolidated subsidiaries are the same as that of the Company.

### b) Marketable securities and investments in securities

Marketable available-for-sale securities are carried at fair market value at the fiscal year-end. The cost of securities sold is determined based on the moving-average method. Unrealized holding gain or loss on available-for-sale securities, net of the applicable income taxes, is charged to shareholder's equity.

Non-marketable available-for-sale securities are carried at cost based on the moving-average method.

In case of impairment, non-marketable securities are reduced to net realized value by a charge to income.

### c) Inventories

Accumulated construction cost in progress is stated at cost determined by the identified cost method.

Merchandise and finished goods, work in progress and raw material and supplies (amounts reduced to their book value due to a decline in profitability) are stated at cost determined by the first-in, first-out method.

### d) Property, plant and equipment depreciation

Property, plant and equipment are carried at cost.

Regarding the Company and its domestic subsidiaries, depreciation for buildings, acquired before April 1, 1998, plant and equipment are mainly computed by the declining balance method, and depreciation for buildings acquired after April 1, 1998 is computed by the straight-line method over the applicable useful lives.

Regarding foreign subsidiaries, depreciation is mainly computed by the straight-line method over the estimated useful lives.

### e) Software

Software used by the Company and its consolidated

subsidiaries is depreciated using the straight-line method, based on the useful life as determined by the Company and its consolidated subsidiaries (5 years).

#### **f) Basis for recording important provisions**

##### **(i) Allowance for doubtful accounts**

Allowance for doubtful accounts of the Company and its consolidated subsidiaries are provided as follows:

For general receivables, allowance is provided at rates derived from historical credit loss experiences.

For doubtful receivables, allowance is provided at the amount considered uncollectible based on respective assessment on collectability.

##### **(ii) Provision for warranties for completed construction**

A provision for warranties for completed construction is provided at an estimated future amount for the fiscal year under review to cover expenses relating to defects on completed construction.

##### **(iii) Allowance for anticipated loss on contract work**

Accumulated construction cost in progress relating to contract work where a loss is anticipated and the allowance for anticipated loss on contract work are posted separately and not offset. The allowance for anticipated loss on contract work applicable to accumulated construction cost in progress relating to contract work where a loss is anticipated amounts to ¥122 million.

##### **(iv) Provision for retirement benefit**

Accrued retirement benefits are provided for the payment of retirement benefits at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the end of the current fiscal year.

Actuarial gain or loss is amortized in the fiscal years following the year in which the gain or loss is recognized primarily by the straight-line method over periods which are shorter than the average remaining fiscal years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over periods which are shorter than the average remaining years of service of the eligible employees.

One domestic consolidated subsidiary, ONORYO CO., LTD., however, posted 100% of the required benefit amount at the fiscal year-end calculated using the simplified method.

To date, the Company has recorded the prior service obligations and actuarial differences of provisions for retirement benefits as expenses for 13 years, representing the average remaining years of service of eligible employees. With the average remaining years of service falling shorter than the predetermined number (13), the decision was made to change the number of years applied to recorded expenses to 10, effective from the fiscal year under review.

As a result of this change, operating income, ordinary income, and income before income taxes each declined by ¥145 million.

##### **(v) Provision for reconstruction-related losses**

To prepare for any losses relating to the reconstruction of the Company head office building, a provision for reconstruction-related losses is provided at an amount that can be reasonably estimated in connection with demolishing and relocation expenses.

##### **(g) Basis for recording the amount of completed work and the cost of completed work**

In accounting for the amount of work completed, the percentage-of-completion method (the cost-to-cost method when estimating construction progress) is applied to the portion of progress where the certainty of results can be confirmed up to the end of the accounting period. For all other work the completed-contract method is applied.

##### **h) Consumption tax**

Consumption tax is taken out from all the revenue and expense items and balance sheet items, and recorded separately, except mainly for receivables and payables.

### **3. CASH AND CASH EQUIVALENTS**

Reconciliation between cash and time deposits and marketable securities on the consolidated balance sheets as of March 31, 2013 and 2012 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2013 and 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars	
	2013	2012	2013
Cash and time deposits on the consolidated balance sheets	¥12,866	¥9,562	\$136,861
Time deposits with terms exceeding 3 months	(100)	(100)	(1,063)
Cash and cash equivalents on the statement of cash flows	¥12,766	¥9,462	\$135,798

## 4. INVENTORIES

Inventories as of March 31, 2013 and 2012 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Accumulated construction cost in progress	¥6,090	¥6,512	\$64,786
Merchandise and finished goods, work in progress and raw material and supplies	203	190	2,160
	¥6,293	¥6,702	\$66,947

income taxes, as a component of shareholders' equity. There is no effect on the statements of operations. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

As of March 31, 2013, the carrying amount of the land after one-time revaluation exceed the market value by ¥2,845 million (\$3,272 thousand).

## 5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2013 and 2012 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investment in securities (shares)	¥393	¥583	\$4,187

## 6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2013 and 2012 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Discounted notes receivable	¥1,048	¥1,811	\$11,156
Endorsed notes receivable	23	7	252

## 7. REVALUATION OF LAND

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised on March 31, 2001, the Company has elected a one-time revaluation of its own use land.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of

## 8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of listed securities, which are classified as Marketable securities, as of March 31, 2013 and 2012, are as follows:

	Millions of yen		
	Fair Value		
As of March 31, 2013	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	¥1,372	¥1,684	¥311
Fund trust and other	494	459	(35)
	¥1,868	¥2,144	¥275

	Millions of yen		
	Fair Value		
As of March 31, 2012	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	¥1,356	¥1,284	¥(71)
Fund trust and other	1,014	959	(54)
	¥2,371	¥2,245	¥(126)

	Thousands of U.S. dollars		
	Fair Value		
As of March 31, 2013	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	\$14,614	\$17,924	\$3,310
Fund trust and other	5,265	4,886	(379)
	\$19,879	\$22,811	\$2,931

## 9. SHORT-TERM BANK LOANS PAYABLE

In order to ensure the efficient use and management of working capital, the Raito Kogyo Group has concluded overdraft and commitment lines of credit agreements with five banks. The total amount under overdraft and commitment lines of credit agreements as of the end of the fiscal year under review stood at ¥10,328 million.

## 10. PLEDGED ASSETS AND SECURED LIABILITIES

Details of assets pledged as collateral as of March 31, 2013 and 2012 are presented as follows.

	Millions of yen	Thousands of U.S. dollars	
	2013	2012	2013
Buildings	¥299	¥308	\$3,185
Land	336	336	3,580
Total	¥636	¥644	\$6,766

Details of secured liabilities as of March 31, 2013 and 2012 are presented as follows.

	Millions of yen	Thousands of U.S. dollars	
	2013	2012	2013
Short-term bank loans payable	¥150	¥150	\$1,595
Current portion of long-term loans payable	16	16	170
Long-term loans payable	174	190	1,850
Total	¥340	¥356	\$3,616

## 11. EMPLOYEES' RETIREMENT BENEFIT AND PENSION PLAN

The Company and its consolidated subsidiaries have established severance payment plans for employees.

The liability for employees' retirement benefits obligation at March 31, 2013 and 2012 consists of the followings;

	Millions of yen	Thousands of U.S. dollars	
	2013	2012	2013
Projected benefit obligation	¥(10,126)	¥(9,066)	\$(107,713)
Plan assets at fair value	6,004	5,718	63,876
Retirement benefit trust	1,692	1,420	17,999
Unrecognized actuarial loss	1,704	1,855	18,128
Unrecognized prior service cost	(170)	(553)	(1,813)
Net liability	¥ (895)	¥ (626)	\$ (9,522)

The components of net periodic benefit costs for the years ended March 31, 2013 and 2012 are as follows;

	Millions of yen	Thousands of U.S. dollars	
	2013	2012	2013
Service cost	¥336	¥376	\$3,584
Interest cost	177	186	1,891
Expected return on plan assets	(114)	(118)	(1,216)
Amortization of actuarial loss	(383)	(95)	(4,077)
Amortization of prior service cost	793	370	8,443
Net periodic benefit costs	¥810	¥719	\$8,625

Assumptions used for the years ended March 31, 2013 and 2012, are set forth as follows;

	2013	2012
Discount rate	0.6%	2.0%
Expected rate of return on plan assets	2.0%	2.0%
Amortization period of actuarial gain/loss	10years	13years
Amortization period of prior service cost	10years	13years

The discount rate applied as of the beginning of the fiscal year under review was 2.0%. By taking the low market interest rates into account, the decision was made to change the applicable discount rate to 0.6% as of the end of the fiscal year under review.

## 12. TRADE NOTES DUE ON THE LAST DAY OF THE FISCAL YEAR

Details of trade notes due on the last day of the years ended March 31, 2013 and 2012 are presented as follows.

Trade notes that mature on the last day of the fiscal year are accounted for on the date of clearance. Since the last day of the fiscal year was a bank holiday, trade notes maturing on this day were included in the ending balance for trade notes outstanding of the following fiscal year.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Note receivable	¥233	¥194	\$2,484
Notes payable	9	91	97

## 13. TREASURY STOCK

The Company holds 5,142,852 shares of treasury stock as of March 31, 2013.

## 14. SHAREHOLDERS' EQUITY

Dividends may be approved by the shareholders after the end of each fiscal period. In accordance with the Company Act of Japan, these dividends and the related appropriations of retained earnings are not reflected in the financial statements at the end of such fiscal year but are recorded at the time they are approved. However, dividends per share shown in the accompanying statements of income and retained earnings are included in the years to which they relate.

## 15. CONTINGENT LIABILITIES

The Company has provided guarantees to credit guaranty companies in connection with deposits received relating to the sale of houses and lots by the following company. Details as of March 31, 2013 and 2012 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Takara Leben Co., Ltd.	¥97	¥118	\$1,036

## 16. LEASES

a) The following is certain information on finance leases accounted for in the same manner as operating leases since ownership of the leased assets is not substantially transferred to the lessee.

The analysis of the leased assets as of March 31, 2013 and 2012 is as follows. The acquisition cost equivalent is computed based on undiscounted lease payments at the inception of the leases.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Machinery and equipment:			
Acquisition cost equivalent	¥14	¥28	\$153
Accumulated depreciation equivalent	12	23	130
Net book value equivalent	¥ 2	¥ 5	\$ 23

Undiscounted future lease payments as of March 31, 2013 and 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥2	¥3	\$21
Thereafter	0	2	1
Total	¥2	¥5	\$23

Depreciation expense equivalent is computed on a straight-line basis over the lease term with no residual value, and amounted to ¥2 million (\$29 thousand) and ¥26 million (\$321 thousand) for the years ended March 31, 2013 and 2012, respectively.

b) Prepaid lease payment applicable to operating lease transaction that cannot be cancelled as of March 31, 2013 and 2012 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	¥10	¥ 6	\$110
Thereafter	23	3	246
Total	¥33	¥10	\$356

## 17. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2013 and 2012 is presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference on available-for-sale securities:			
The amount arising during the period	¥438	¥ 26	\$4,669
Reclassification adjustment	(37)	69	(396)
Foreign currency translation adjustment:			
The amount arising during the period	251	(20)	2,670
Reclassification adjustment	-	7	-
Before adjustment for tax effects	652	82	6,943
Amount of tax effects	(50)	170	(539)
Total other accumulated comprehensive income	¥602	¥252	\$6,403

Information relating to the amounts of tax effects applicable to other accumulated comprehensive income for the years ended March 31, 2013 and 2012 is presented as follows.

	Millions of yen		
	2013		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	¥401	¥(48)	¥353
Revaluation reserve for land	-	(2)	(2)
Foreign currency translation adjustment	251	-	251
Total other accumulated comprehensive income	¥652	¥(50)	¥602

	Millions of yen		
	2012		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	¥95	¥ -	¥ 95
Revaluation reserve for land	-	170	170
Foreign currency translation adjustment	(13)	-	(13)
Total other accumulated comprehensive income	¥82	¥170	¥252

	Thousands of U.S. dollars		
	2013		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	\$4,273	\$(517)	\$3,755
Revaluation reserve for land	-	(21)	(21)
Foreign currency translation adjustment	2,670	-	2,670
Total other accumulated comprehensive income	\$6,943	\$(539)	\$6,403

## 18. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2013 and 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars	
	2013	2012	2013
Deferred tax assets:			
Provision for employees' retirement benefit	¥1,349	¥1,226	\$14,359
Long-term accounts payable	0	-	0
Amortization of transitional obligation	425	425	4,530
Accrued expenses	128	126	1,364
Loss on valuation of memberships denied for deduction	30	28	319
Allowance for doubtful accounts	168	237	1,792
Provision for loss on construction denied for deduction	46	41	497
Net operating loss carryforwards	261	416	2,782
Impairment loss denied for deduction	315	237	3,355
Loss on support of subsidiaries and affiliates	1,055	1,055	11,231
Loss on valuation of stocks of subsidiaries and affiliates	665	439	7,077
Other	630	754	6,708
Subtotal	5,078	4,989	54,019
Valuation allowance	(4,345)	(4,644)	(46,222)
Total deferred tax assets	¥ 733	¥ 345	\$ 7,797
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	(345)	(345)	(3,677)
Valuation difference on available-for-sale securities	(48)	-	(517)
Special depreciation allowance for tax purposes	(7)	(7)	(79)
Disposal expenses relating to asset retirement obligations	(4)	(4)	(52)
Total deferred tax liabilities	¥ (406)	¥(357)	\$ (4,327)
Total net deferred tax assets	¥ 326	¥ (12)	\$ 3,470

Major components of significant differences between the statutory effective tax rate and burden rate of corporate taxes, etc. after application of tax-effect accounting for the years ended March 31, 2013 and 2012 are presented as follows.

	2013	2012
Statutory effective tax rate	38.0%	40.5%
(Adjustments)		
Non-deductible expenses such as entertainment	1.7	2.2
Per capita inhabitants' taxes	2.9	3.8
Increase / decrease in valuation reserves	(22.3)	(22.5)
Other	3.0	(3.6)
Burden rate of corporate taxes, etc. after application of tax-effect accounting	23.3%	20.4%

## 19. SEGMENT INFORMATION

### a) Industry segments

Summarized financial information by industry segment for the years ended as of March 31, 2013 is as follows:

	Millions of yen				
	Year ended March 31, 2013				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	¥75,005	¥ 552	¥75,557	¥ -	¥75,557
Inter-segments	-	1,133	1,133	(1,133)	-
Total	75,005	1,685	76,690	(1,133)	75,557
Operating expenses	72,164	1,581	73,745		
Operating income/loss	2,840	104	2,945	2	2,947
Assets	42,755	1,310	44,065	17,014	61,078
Depreciation	797	30	828	(3)	824
Capital expenditures	594	2	597	4	602

	Thousands of U.S. dollars				
	Year ended March 31, 2013				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	\$797,845	\$ 5,872	\$803,717	\$ -	\$803,717
Inter-segments	-	12,055	12,055	(12,055)	-
Total	797,845	17,927	815,773	(12,055)	803,717
Operating expenses	767,626	16,819	784,445		
Operating income/loss	30,219	1,108	31,327	25	31,352
Assets	454,792	13,935	468,727	180,971	649,699
Depreciation	8,487	320	8,808	(33)	8,775
Capital expenditures	6,326	28	6,355	50	6,406

The "Others" segment includes the product and material sales, leasing and home care businesses.

### b) Geographical segments

Summarized financial information for revenues by geographical business segment for the years ended as of March 31, 2013 and 2012 is as follows:

	Thousands of yen		
	2013	2012	2013
Japan	¥73,460	¥69,337	\$781,408
North America	1,554	2,827	16,531
Other	543	1,817	5,777
Total	¥75,557	¥73,982	\$803,717

## 20. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2013 and 2012 are presented as follows.

	yen	U.S. dollars	
	2013	2012	2013
Net assets per share	¥632.17	¥591.27	\$6.72
Net income per share	37.47	31.88	0.40

## 21. SUBSEQUENT EVENT

On June 27, 2013 the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Thousands of U.S. dollars
	Millions of yen
Cash dividends of ¥8.0 (\$0.085) per share (final for the year ended March 31, 2013)	¥421
	\$4,481

# BOARD OF DIRECTORS AND AUDITORS

## CHAIRMAN OF THE BOARD

Yasumi Irie

## PRESIDENT AND REPRESENTATIVE DIRECTOR

Kazuo Suzuki

## MANAGING DIRECTORS

Susumu Araki  
Sigeaki Funayama

## DIRECTORS

Yoichi Howa  
Nobuyuki Fujisawa  
Makoto Nishi  
Tadashi Shibata

(as of June 27, 2013)

# SHARE INFORMATION

## COMMON STOCK:

Authorized shares  
198,000,000 shares  
(as of March 31, 2013)

Issued and outstanding shares  
57,804,450 shares  
(as of June 27, 2013)

Number of shareholders  
12,133  
(as of March 31, 2013)

## FISCAL YEAR-END:

End of March each year

## ANNUAL MEETING:

In June of each year in Tokyo,  
Japan

## TRANSFER AGENT, REGISTRAR AND DIVIDEND PAYMENTS:

Sumitomo Mitsui Trust  
Bank, Limited  
1-4-1 Marunouchi, Chiyoda-ku,  
Tokyo 100-8233, Japan  
Phone: 81-3-5232-8618

## DIVIDENDS:

Dividends are normally paid in  
June.

## PLEASE DIRECT INQUIRIES TO:

Publicity Office  
Raito Kogyo Co., Ltd.  
6-2 Goban-cho, Chiyoda-ku,  
Tokyo 102-8236, Japan  
Phone: 81-3-3265-2555  
Fax: 81-3-3265-2689

# CORPORATE DATA

## HEAD OFFICE:

6-2 Goban-cho, Chiyoda-ku,  
Tokyo 102-8236, Japan

## CAPITAL:

¥6,119,475,000  
US\$65,093,873  
(¥94.01=US\$1.00)  
(as of March 31, 2013)

## DATE OF ESTABLISHMENT:

September 28, 1948

## STOCK TRADING:

Tokyo Stock Exchange,  
First Section

## MAJOR SHAREHOLDERS:

Raito Kogyo Co., Ltd.  
Japan Trustee Services Bank, Ltd.  
The Master Trust Bank of Japan, Ltd  
Taiyo Life Insurance Company  
Sumitomo Mitsui Banking Corporation  
Nippon Life Insurance Company

## EMPLOYEES:

1,016 (as of March 31, 2013)