Raito Kogyo Co., Ltd.

ANNUAL REPORT 2010

PROFILE

Integrating originality, integrity and a keen sense of responsibility, Raito Kogyo Co., Ltd. has continued to develop and market proprietary technologies in tune with the needs of each era. Since its foundation in 1943 as a specialist civil engineering contractor, Raito Kogyo has endeavored to expand business operations encompassing tunnel repair and maintenance, disaster-proof slope protection, as well as soft-ground stabilization.

As a leading company in its field, Raito Kogyo enjoys significant market acclaim for its technological expertise. Active in the fields of land preservation, local infrastructure and environmental conservation, and based on the wealth of experience and skills cultivated over many years, the Company will consistently create new values and contribute to society in harmony with its natural surroundings.

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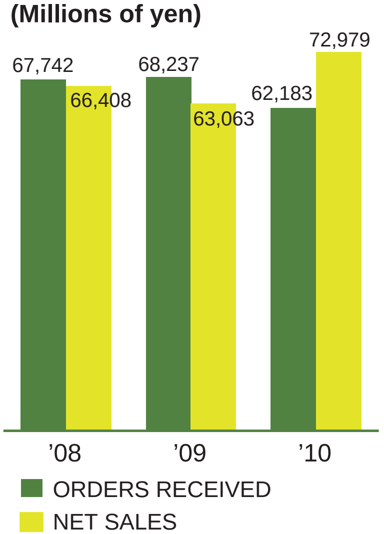
CONSOLIDATED FINANCIAL HIGHLIGHTS

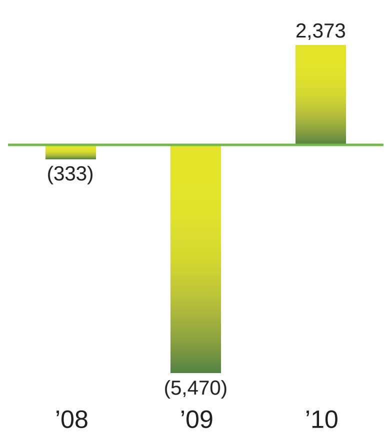
	Millions of yen						Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2005	2010
FOR THE YEAR:							
Orders received	¥62,183	¥68,237	¥67,742	¥64,955	¥67,067	¥65,123	$668,275
Net sales	72,979	63,063	66,408	66,648	65,519	67,133	784,299
Income (loss) from operations	3,373	(1,729)	111	1,093	(2,763)	702	36,254
Income (loss) before income taxes	2,576	(3,896)	61	1,249	(3,097)	292	27,683
Net income (loss)	2,373	(5,470)	(333)	1,181	(3,582)	121	25,450
AT YEAR-END:							
Total assets	58,154	64,953	66,280	66,908	63,352	68,252	624,972
Shareholders' equity	29,605	27,016	33,676	35,339	35,101	39,527	318,164
Common stock	6,119	6,119	6,119	6,119	6,119	6,119	65,765
AMOUNTS PER SHARE:							
(in yen and dollars)							
Net income (loss)	45.06	(103.86)	(6.32)	22.43	(68.02)	1.88	0.48
Shareholders' equity	562.16	512.99	639.43	670.98	666.44	750.03	6.04
PERFORMANCE INDICATORS:							
(%)							
Equity capital ratio	50.9	41.6	50.8	52.8	55.4	57.9	—
Return on equity	8.4	—	—	3.4	—	0.3	—
Number of employees	1,114	1,103	1,120	1,129	1,178	1,175	—

Note: U.S. dollar amounts above and elsewhere in this annual report are converted from Japanese yen, for convenience only, at the rate of ¥93.05=US$1.00, the rate on March 31, 2010 for the readers' convenience only.

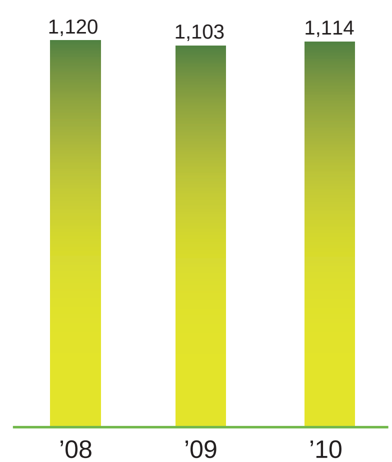
ORDERS RECEIVED, NET SALES (Millions of yen)



NET INCOME (LOSS) (Millions of yen)



NUMBER OF EMPLOYEES



PRESIDENT’S MESSAGE

OPERATING PERFORMANCE

During fiscal 2009, the fiscal year ended March 31, 2010, the Japanese economy confronted mixed conditions. While signs of a positive turnaround began to emerge due largely to improvements in overseas economies and the favorable effects of economic stimulus measures, employment conditions remained weak with the domestic economy entrenched in a deflationary spiral. On this basis, uncertainty continues to hang over future economic prospects. In the construction industry, companies were met with a harsh order environment. In addition to the slump in private-sector construction demand, brought on by the downturn in the overall economy, public-sector investment shifted into decline from the second half of the fiscal year under review.

Under these circumstances, the Raito Kogyo Group posted net sales of ¥72,979 million in fiscal 2009. This represented a year-on-year increase of 15.7% and was attributable to a variety of factors including the completion of large-scale overseas projects, the application of the percentage of completion method from the fiscal year under review and an increase in the sales of consolidated subsidiaries. From a profit perspective, the Group benefited from the aforementioned completion of large-scale overseas projects, an increase in overall construction earnings underpinned by the Group’s focus on high yield orders and a reduction in fixed costs derived through the efficient use of machinery. As a result, gross profit surged by 55.6% year on year to ¥11,401 million. Compared with the fiscal 2008 operating and ordinary losses of ¥1,728 million and ¥1,767 million, respectively, the Raito Kogyo Group reported operating income of ¥3,373 million and an ordinary profit of ¥3,473 million for the fiscal year under review. In addition to the increase in gross profit, these results can be attributable to successful organizational restructuring measures which helped curb selling, general and administrative expenses.

Turning to net income, the Company brought to account an extraordinary loss on valuation of investments in securities as well as an extraordinary impairment loss, indicative of the deterioration in market conditions. After incurring a net loss of ¥5,470 million in the previous fiscal year, Raito Kogyo reported final net income of ¥2,372 million for the 12-month period ended March 31, 2010.

BUSINESS SEGMENT REVIEW

Consolidated sales in the construction segment, which is the core business of the Raito Kogyo Group, increased by 15.5% compared with the previous fiscal year to ¥72,298 million.

Construction segment orders in the fiscal year under review contracted by 8.9% in year-on-year terms to ¥62,183 million. By project category, orders for slope-related projects increased due mainly to an upswing in local public authority demand for slope protection and landslide prevention projects. On the back of order activities that placed a high priority on profitability, however, orders for slope-related projects edged down by 1.0% compared with the previous fiscal year to ¥24,167 million. Orders for soil stabilization projects decreased by 21.7% in year-on-year terms to ¥21,266 million. Despite a higher level of orders received for anti-liquefaction works at airports, harbors and other facilities as well as Japan Railway-related ground improvement projects, this downturn was attributable to corrective measures taken in response to the large-scale overseas project orders recorded in the previous fiscal year. Orders for structural repair projects fell by 13.5% compared with the previous fiscal year to ¥3,673 million. In the fiscal year under review, the increase in project orders from the Ministry of Land, Infrastructure, Transport and Tourism as well as regional public authorities for construction work to prevent the collapse of bridges was insufficient to offset the drop in orders for large-scale bridge seismic reinforcement projects. In the anti-pollution sector, while demand was up for eco-friendly slope greening projects from regional public authorities, orders were down by 45.1% compared with the previous fiscal year to ¥833 million. This was mainly the result of lower orders for soil remediation projects reflecting the slump in private-sector construction demand. Elsewhere, a drop in orders from regional government authorities contributed to a 35.6% fall in year-on-year terms to ¥1,454 million in orders for construction works on sewage mains and other public utility conduits. As a part of Raito Kogyo's organizational reform measures, the Construction Division was elevated to headquarter status. Building on aggressive sales and marketing activities, orders for architectural contract works climbed by 120.4% compared with the previous fiscal year to ¥6,691 million. In the fiscal year under review, orders for general civil engineering works and other projects declined by 26.9% in year-on-year terms to ¥4,096 million.

MEDIUM-TERM BUSINESS STRATEGY AND RELATED ISSUES

Under these circumstances, we are 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 will endeavor to further enhance its safety and health management in efforts to eliminate the incidence of major disaster. By strictly adhering to this principle and garnering the increased trust of its customers, we will work diligently toward enhancing corporate value.

Strengthen the Group's Management Structure in the Specialized Civil Engineering Field

The Group will work to strengthen its management structure and secure an appropriate volume of business by bolstering its sales and marketing capabilities and further reducing costs, reinforcing its management and operating platform and ensuring that all Group companies in each region engage in marketing activities that are deeply rooted in the relevant local community.

Expand the Business Scale of Activities in the Building Construction and Overseas Business Segments

Positioning relevant and appropriate risk management at the head of building construction activities, the Raito Kogyo Group will proactively cultivate new customers in an effort to expand its business scale. The Group will upgrade and expand its market research and risk analysis in each area and region of overseas activity. Through these means, we will build a platform from which to grow our business scale and to secure appropriate levels of business volume.

Bolster Our Financial Position

Placing the utmost emphasis on profitability in the conduct of our sales and marketing activities, we plan to bolster our earning capabilities. At the same time, we will look to lift claim collection rates to secure adequate cash flow and promote asset efficiency through effective investment in machinery assets and rationalization of idle assets. On this basis, the Raito Kogyo Group will build a robust financial position that is capable of excelling amid adverse conditions.

OUTLOOK

Taking into consideration substantial cutbacks in the public works budget, the construction industry in fiscal 2010 can expect to face an increasingly harsh competitive environment. Despite indications of an improvement in corporate-sector earnings, uncertainty with respect to future economic conditions continues to fuel an overall cautious approach toward private-sector construction investment. On this basis, the Raito Kogyo Group anticipates little change in the current difficult operating environment. Against this backdrop, each Group company will continue to engage in marketing activities that remain deeply rooted in the local market within its region of responsibility. In order to expand the Group's footings and foundation, steps will also be taken to reinforce the Group's management structure in its specialized civil engineering operations and its activities in the building construction and overseas markets. Collectively, these measures are expected to help secure significant business volume. In addition, the Group will effectively operate and manage its machinery held, bolster its construction structure and systems and pare down overhead expenses. Through these means, the Raito Kogyo Group will secure sufficient profits to ensure its existence as a going concern. Taking all of the aforementioned into consideration, consolidated net sales, operating income, ordinary profit and net income are forecast to reach ¥66,000 million, ¥1,000 million, ¥1,000 million and ¥700 million, respectively for the fiscal year ending March 31, 2011.

August 2010

Toru Tamura

Toru Tamura

President

CORPORATE GOVERNANCE

FUNDAMENTAL POLICY

The Raito Kogyo Group's fundamental policy on corporate governance is to strive "to enhance the prosperity of all stakeholders, including customers, shareholders and employees." To realize this goal, Raito Kogyo recognizes that development and maintenance of a sound management structure and related systems is a key issue for senior managers.

CORPORATE GOVERNANCE FRAMEWORK

Management structure and oversight/supervisory systems

Raito Kogyo has established the General Managers' Committee to strengthen management functions and to facilitate timely and effective decision-making relating to key management policies and any urgent business matters.

The optimization of the number of members of the Board of Directors and the introduction of an executive officer system serve to enhance the management structure and to promote greater efficiency in decision-making and operational execution functions.

A corporate auditor system based on the Japanese model constitutes the core element of management oversight functions. As of June 2010, the Board of Corporate Auditors comprised three members, two of whom were external appointments. 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 non-consolidated basis.

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.

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

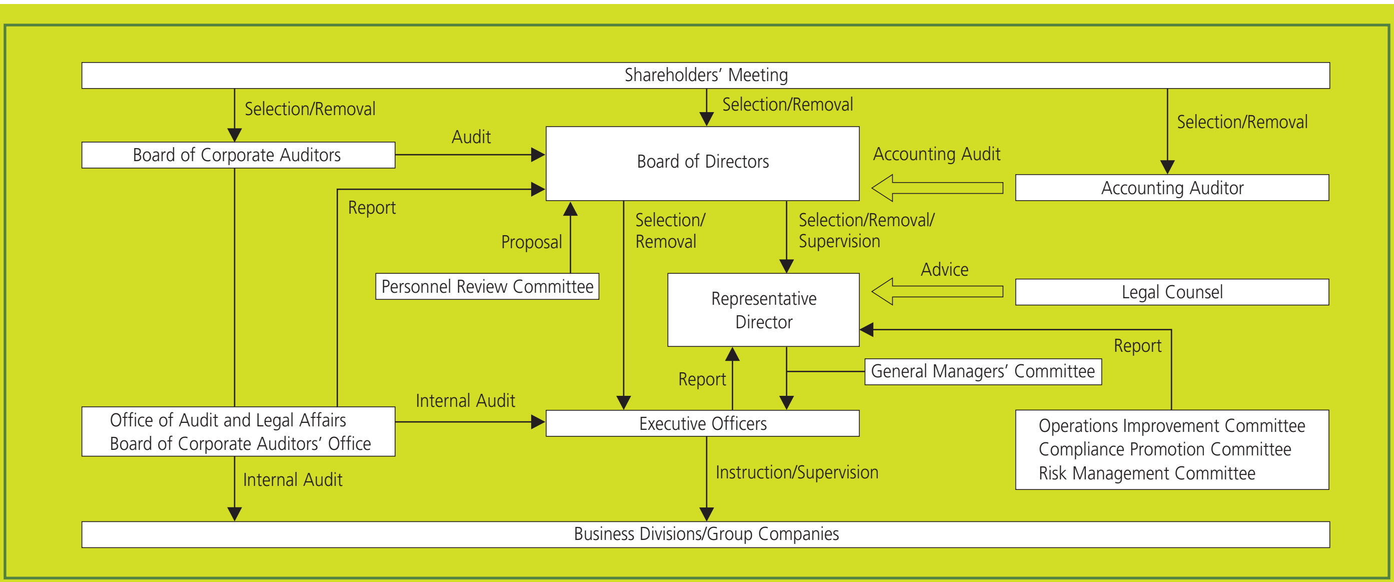
Raito Kogyo recognizes the importance of early disclosure of all relevant information to investors relating to financial results and performance. The Corporate Planning Department oversees the implementation of various IR activities, including financial results announcements, investor presentations and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

RISK MANAGEMENT SYSTEM

The Risk Management Committee coordinates efforts to ensure the early identification of risks, alongside implementation of preventive measures.

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 soundness of executive actions and business activities. 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 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 ¥24,166 million and segment revenues from completed projects amounted to ¥24,259 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 ¥21,266 million, while segment revenues from completed projects were ¥25,124 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 ¥3,673 million. Segment revenues from completed projects were ¥3,067 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 ¥6,691 million, while segment revenues from completed projects amounted to ¥1,359 million.

Others

In addition to anti-pollution projects, this segment spans a variety of engineering works, including the installation of sewage mains or other public utility conduits and the analysis of digitized data obtained from geological surveys or 3-D imaging. Orders received in the fiscal year under review were ¥5,550 million and segment revenues from completed projects amounted to ¥6,838 million.

ORDERS RECEIVED BY TYPE OF WORK (%)

Slope Protection Projects
38.9

Ground Improvement Projects
34.2

Structural Repair Projects
5.9

Building Construction Projects
10.8

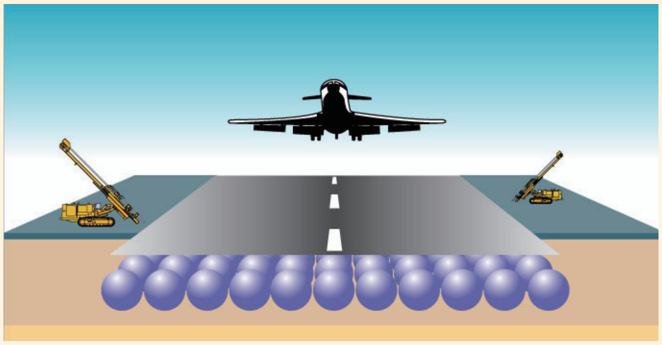
Others
10.2

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 ¥249 million.

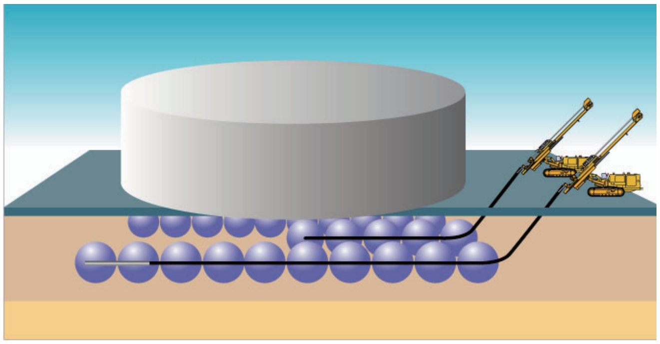
ANTI-LIQUEFACTION AND EARTHQUAKE-RESISTANT SOIL TREATMENT

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.



Close-Up!

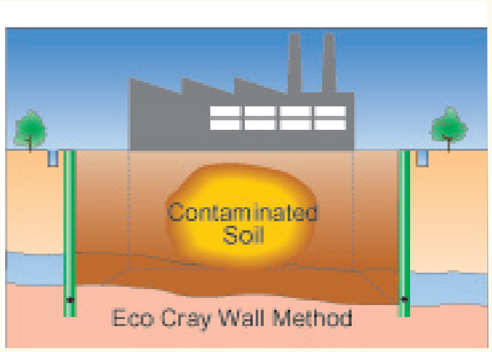
Navigational Drilling System



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 structures and obstacles.

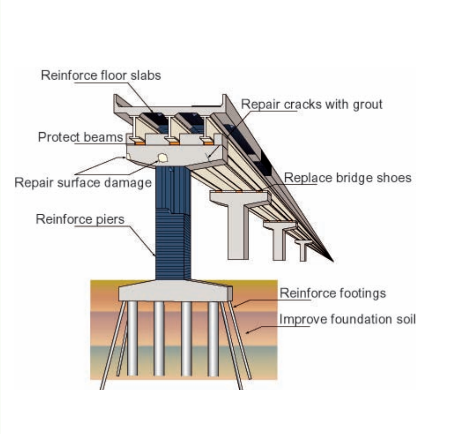
SOIL REMEDIATION TECHNOLOGY

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

Ground Improvement Work
for Angola LNG Project

Owner:
Angola LNG Limited

Client:
Bechtel International, Inc.

Duration:
June 2007 to March 2010

Project

KADOMA Junction Ramp
Viaduct Construction
(substructure and foundation)

Owner & Client:
Central Nippon Expressway Company Limited

Duration:
March 2006 to September 2009

Project

EBINA KITA Junction Ramp
Viaduct Construction
(substructure and foundation)

Owner & Client:
West Nippon Expressway Company Limited

Duration:
August 2005 to August 2009

Project

MYOSHOJI River Upgrading
Works (channel improvement
and embankment protection)

Owner & Client:
Tokyo Metropolitan Government

Duration:
October 2007 to November 2009

Project

Grouting Works for Mt. TAKAO
Tunnel Construction,
KENOUDO Motorway

Owner:
Japanese Government (Ministry of Land, Infrastructure, Transport and Tourism)

Client:
Taisei-Obayashi-Daiho Joint Venture

Duration:
August 2008 to June 2009

CONSOLIDATED BALANCE SHEETS

March 31, 2010 and 2009	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
ASSETS			
Current assets:			
Cash and time deposits (Note 3)	¥ 8,722	¥ 8,622	$ 93,733
Notes and accounts receivable, trade:			
Notes	2,576	2,774	27,679
Accounts	16,012	16,497	172,084
Allowance for doubtful accounts	(298)	(261)	(3,206)
Inventories (Note 4)	11,069	15,433	118,961
Other current assets	1,099	1,926	11,814
Total current assets	39,180	45,134	421,064
Property and equipment:			
Land (Note 5)	9,288	9,337	99,817
Buildings	8,865	8,998	95,273
Machinery and equipment	23,356	24,732	251,008
Construction in progress	0	12	3
	41,510	43,079	446,100
Accumulated depreciation	(27,447)	(27,236)	(294,974)
Net property and equipment	14,032	14,576	150,804
Investment and other assets:			
Investment in securities (Note 6)	2,528	2,369	27,173
Investment in non-consolidated subsidiaries and affiliate	368	349	3,955
Long-term loans to non-consolidated subsidiaries and affiliate	40	180	429
Long-term receivable	681	747	7,321
Allowance for doubtful accounts	(796)	(861)	(8,559)
Others	2,120	2,441	22,785
Total investment and other assets	4,941	5,224	53,104
Total assets	¥ 58,154	¥ 64,953	$ 624,972

The accompanying notes are an integral part of this statement.

March 31, 2010 and 2009	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans payable (Note 7)	¥ 100	¥ 4,819	$ 1,075
Current portion of long-term bank loans payable	416	—	4,471
Notes and accounts payable, trade:			
Notes	4,598	5,884	49,411
Accounts	10,469	11,408	112,506
Notes and accounts payable, other:			
Notes	83	129	896
Accounts	299	218	3,212
Advance received on uncompleted contracts	6,367	10,244	68,421
Allowance for anticipated loss on contract work	346	590	3,723
Provision for warranties for completed construction	119	40	1,279
Accrued expenses	1,184	1,557	12,723
Accrued income taxes	237	184	2,544
Other current liabilities	561	548	6,026
Total current liabilities	24,778	35,621	266,286
Non-current liabilities:			
Long-term loans payable	1,722	—	18,506
Deferred tax liabilities for land revaluation (Note 5)	1,393	1,394	14,971
Reserve for retirement benefits (Note 8)	231	181	2,481
Reserve for loss on liabilities for guarantee	16	137	177
Long-term accrued amount payable	198	488	2,132
Consolidation adjustment account	4	11	39
Other long-term liabilities	206	33	2,216
Total non-current liabilities	3,771	2,316	40,522
Total liabilities	28,549	37,937	306,808
Capital stock	6,119	6,119	65,765
Capital surplus	6,358	6,358	68,330
Retained earnings	19,594	17,719	210,574
Treasury stock (Note 9)	(1,698)	(1,698)	(18,251)
Total shareholders' equity (Note 10)	30,373	28,499	326,418
Valuation difference on available-for-sale securities	85	(567)	912
Revaluation reserve for land (Note 5)	(880)	(965)	(9,460)
Foreign currency translation adjustment	27	50	294
Total valuation and translation adjustments	(768)	(1,483)	(8,254)
Net assets	29,605	27,016	318,164
Liabilities and net assets	¥58,154	¥64,953	$624,972

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31, 2010 and 2009	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Net sales:			
Net sales of completed construction contracts	¥ 72,298	¥ 62,571	$ 776,982
Net sales of goods	681	492	7,317
Cost of sales:			
Cost of sales of completed construction contracts	(60,980)	(55,347)	(655,341)
Cost of goods sold	(598)	(389)	(6,424)
Gross profit of completed construction contracts	11,319	7,224	121,640
Gross profit-merchandise	83	104	894
Selling, general and administrative expenses	(8,028)	(9,056)	(86,280)
Operating income	3,373	(1,729)	36,254
Other income:			
Interest income	17	15	180
Dividends income	66	46	705
Royalty income	23	18	243
Rent income on non-current assets	30	29	321
Amortization of negative goodwill	7	7	78
Insurance premiums refunded cancellation	89	—	952
Other	106	83	1,138
Total on-operating income	336	198	3,616
Interest expenses	(42)	(36)	(447)
Loss on sales of notes payable	(4)	(1)	(39)
Commission fee	(22)	(23)	(242)
Guarantee commission	(11)	(11)	(117)
Foreign exchange losses	(87)	(55)	(938)
Other	(71)	(109)	(758)
Total on-operating expenses	(237)	(236)	(2,542)
Ordinary income	3,473	(1,767)	37,328
Gain on prior period adjustment	7	10	80
Gain on sales of non-current assets	8	5	84
Gain on sales of investment securities	9	—	97
Reversal of allowance for doubtful accounts	5	10	57
Other	15	2	166
Total extraordinary income	45	27	485
Loss on sales of non-current assets	(39)	(257)	(421)
Loss on valuation of noncurrent assets	(126)	—	(1,351)
Loss on valuation of membership	(0)	(9)	(4)
Loss on sales of investment securities	(79)	—	(852)
Loss on valuation of investment securities	(379)	(589)	(4,075)
Special extra retirement payments	(112)	(504)	(1,202)
Impairment loss	(186)	(584)	(1,994)
Loss on valuation of subsidiaries stocks	—	(89)	—
Other	(22)	(125)	(233)
Total extraordinary loss	(943)	(2,156)	(10,130)
Income before income taxes	2,576	(3,896)	27,683
Total income taxes	(204)	(202)	(2,192)
Income taxes-deferred	1	(1,372)	10
Net income	¥ 2,373	¥ (5,470)	$ 25,450

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

For the years ended March 31, 2010 and 2009	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Common stock:			
Balance at beginning of the year	¥ 6,119	¥ 6,119	$ 65,765
Balance at end of year	6,119	6,119	65,765
Additional paid-in capital:			
Balance at beginning of the year	6,358	6,358	68,330
Balance at end of year	6,358	6,358	68,330
Retained earnings:			
Balance at beginning of the year	17,719	23,786	190,429
Transfer from Revaluation surplus of Land			
Net income for the year	2,373	(5,470)	25,500
Cash dividends	(421)	(421)	(4,528)
Change of scope of consolidation	8	(87)	82
Reversal of revaluation reserve for land	(85)	(88)	(909)
Balance at end of year	19,594	17,719	210,574
Revaluation surplus of land:			
Balance at beginning of the year	(965)	(1,053)	(10,369)
Sales of revaluated land	85	88	909
Balance at end of year	(880)	(965)	(9,460)
Unrealized gain on available-for-sale securities:			
Balance at beginning of the year	(567)	105	(6,098)
Net change during the year	652	(672)	7,010
Balance at end of year	85	(567)	912
Foreign currency translation adjustments:			
Balance at beginning of the year	50	59	532
Net change during the year	(22)	(10)	(238)
Balance at end of year	27	50	294
Treasury stock:			
Balance at beginning of the year	(1,698)	(1,697)	(18,249)
Increase in treasury stock	(0)	(1)	(2)
Balance at end of year	¥ (1,698)	¥ (1,698)	$ (18,251)

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2010 and 2009	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Cash flows from operating activities:			
Income before income taxes	¥ 2,576	¥ (3,896)	$ 27,683
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation and amortization	1,289	1,356	13,853
Impairment of fixed assets	186	584	1,994
Amortization of negative goodwill	(7)	(7)	(78)
Increase (decrease) in allowance for doubtful accounts	(27)	232	(294)
Increase (decrease) in provision for warranties for completed construction	80	(23)	854
Increase (decrease) in reserve for loss on construction contracts	(244)	544	(2,624)
Increase (decrease) in reserve for employees' retirement benefits	50	(9)	537
Increase (decrease) in provision for loss on guarantees	(121)	(1)	(1,297)
Interest income and dividends received recognized on statement of income	(82)	(60)	(884)
Interest payment recognized on statement of income	42	36	447
Loss on sales of notes receivable-trade	4	1	39
Gain on sales of investment securities	70	—	754
Losses on devaluation of investment securities	379	589	4,075
Loss on valuation of membership	—	9	—
Decrease (increase) in notes and accounts receivable	899	2,989	9,659
Decrease (increase) in accumulated construction cost in progress	4,444	(5,789)	47,758
Decrease (increase) in other inventories	88	(76)	951
Increase (decrease) in notes and accounts payable	(2,251)	343	(24,195)
Increase (decrease) in advance received on uncompleted contracts	(3,889)	2,655	(41,798)
Others	710	(503)	7,628
Subtotal	4,193	(1,028)	45,062
Interest income and dividend received (cash basis)	82	60	884
Interest payment (cash basis)	(42)	(36)	(447)
Payments for sales of notes receivable-trade	(4)	(1)	(39)
Income taxes paid	(175)	(147)	(1,876)
Net cash provided by operating activities	4,055	(1,152)	43,584
Cash flows from investing activities:			
Purchases of fixed assets	(763)	(862)	(8,196)
Proceeds from sales of fixed assets	44	25	471
Purchases of investment securities	(242)	(759)	(2,603)
Proceeds from sales of investment securities	60	5	649
Purchases of intangible assets	(231)	(398)	(2,485)
Proceeds from sales of investments in subsidiaries	101	—	1,089
Purchase of investments in subsidiaries	(200)	—	(2,149)
Payments into time deposits	—	(400)	—
Proceeds from withdrawal of time deposits	—	600	—
Purchase of insurance funds	(200)	—	(2,147)
Proceeds from cancellation of insurance funds	384	0	4,130
Others	(27)	(353)	(294)
Net cash used in investing activities	(1,073)	(2,141)	(11,536)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowing	(4,722)	1,624	(50,744)
Repayment of long-term loans payable	(112)	—	(1,204)
Proceeds from long-term loans payable	2,250	—	24,181
Repayments of finance lease obligations	(20)	(9)	(216)
Purchases of treasury stock	(0)	(1)	(2)
Cash dividends paid	(419)	(424)	(4,508)
Net cash used in financing activities	(3,223)	1,190	(32,493)
Effect of exchange rate change on cash and cash equivalents	20	(6)	218
Net increase (decrease) in cash and cash equivalents	(21)	(2,109)	(228)
Cash and cash equivalents at beginning of the year	8,522	10,486	91,585
Increase in cash and cash equivalents from newly consolidated subsidiary	121	145	1,302
Cash and cash equivalents at end of the year (Note 3)	¥ 8,622	¥ 8,521	$ 92,658

The accompanying notes are an integral part of this statement.

1. Basis of preparation

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

In order to facilitate the understanding of readers outside Japan, certain reclassifications have been made to the consolidated financial statements prepared for domestic purposes and relevant notes and statements of shareholders' equity have been added. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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 of arithmetical computation only, at the rate of ¥93.05 = US$1.00, which was the exchange rate prevailing at March 31, 2010.

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 10 significant subsidiaries: AURA LUGAR CO., LTD., ONORYO CO., LTD., RAITO, INC., C.E. CREATE CO., LTD., MICHINOKU REALIZE CO., LTD., TOHOKU REALIZE CO., LTD., NISHINIHON REALIZE CO., LTD., HOKKAIDO REALIZE CO., LTD., RAITO SINGAPORE PTE. 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 CIVIL CO., LTD., MARUKI KENSETSU CO., LTD., EDO ENTERPRISE CO., LTD., YAMAGUCHI REALIZE CO., LTD., RAITO CARE 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) Debts and Assets of consolidated subsidiaries

Liabilities and assets of consolidated subsidiaries are carried at market value.

(v) 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

Securities are classified into three categories: trading, held-to-maturity or other available-for-sale securities, which are not classified as either trading or held-to-maturity.

Held-to-maturity securities are carried by the straight-line method of depreciation.

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.

Impairments of non-marketable securities are reduced net realized value by a charge to income.

c) Inventories

Inventories other than materials and supplies are stated at accumulated construction cost for each project. Selling, general and administrative expenses are excluded from such cost.

Materials and supplies are stated at cost determined by the first-in, first-out method.

d) Property and equipment depreciation

Property and equipment are carried at cost.

Regarding the Company and its domestic subsidiaries, depreciation for buildings, acquired before April 1, 1998, machinery 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 (generally 5 years).

f) 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.

g) Allowance for anticipated loss on contract work

Uncompleted construction expenditure 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 uncompleted construction expenditure relating to contract work where a loss is anticipated amounts to ¥346 million.

h) Reserve 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.

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.

Actuarial gain or loss is amortized in the fiscal year following the fiscal 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.

i) Recognition of net sales and related costs

"Accounting Standard for Construction Contracts" (2007, Accounting Standards Board of Japan) and its Guidance have been applied, from the fiscal year ended March 31, 2010, to recognize the revenue and the cost of construction contracts commenced in this fiscal year.

Following the Standard and Guideline, revenues and costs of contracts whose outcomes are deemed certain are recognized by applying the percentage-of-completion method. The percentage to completion is calculated as the percentage of the cost incurred. Other types of contracts remain recognized on a completed-contract method basis.

Revenues of contracts using the percentage-of-completion method totaled 2,407 million yen in the fiscal year ended March 31, 2010. As a result, net sales increased by 2,407 million yen and gross profit, ordinary income, and income before income taxes all increased by 286 million yen.

j) 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.

k) Amortization of goodwill and negative goodwill

The difference between the cost of an investment and equity in the net assets of a subsidiary at the date of acquisition is expressed in goodwill and negative goodwill.

Goodwill and negative goodwill are amortized using the straight line method over a reasonable number of years not exceeding more than 20 years. The amortization period is determined on a case by case basis.

3. Cash and cash equivalents

Reconciliation between cash and time deposits and marketable securities on the consolidated balance sheets as of March 31, 2010 and 2009 and cash and cash equivalents at end of years on the statements of cash flows for the year ended March 31, 2010 and 2009 are as follows:

	Millions of yen		U.S. dollars
	2010	2009	**2010**
Cash and time deposits on the consolidated balance sheets	¥8,622	¥8,622	$92,658
Time deposits with terms exceeding 3 months	(100)	(101)	(1,075)
Cash and cash equivalents on the statement of cash flows	¥8,522	¥8,521	$91,584

4. Inventories

Inventories as of March 31, 2010 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Accumulated construction cost in progress	¥10,840	¥15,256	$116,497
Materials and supplies	229	177	2,463
	¥11,069	¥15,433	$118,961

5. 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 ownuse land.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of 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, 2010, the carrying amount of the land after one-time revaluation exceed the market value by ¥1,857 million ($17,959 thousand).

6. Marketable securities and investment in securities

The market value of listed securities, which are classified as Marketable securities, as of March 31, 2010 and 2009, are as follows:

	Millions of yen		
	Fair Value		
As of March 31, 2010	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	¥1,451	¥1,416	¥ (36)
Fund trust and other	905	1,026	120
	¥2,357	¥2,442	¥ 85

	Thousands of U.S. dollars		
	Fair Value		
As of March 31, 2010	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	$15,597	$15,215	$ 382
Fund trust and other	9,730	11,025	(1,295)
	$25,327	$20,239	$ (912)

	Millions of yen		
	Fair Value		
As of March 31, 2009	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	¥1,753	¥1,361	¥(392,743)
Fund trust and other	1,090	915	(174,649)
	¥2,843	¥2,276	¥(567,391)

7. 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 ¥7,367 million.

8. Employees' retirement benefit and pension plan

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

The liability for employees' retirement benefits obligation at March 31, 2010 and 2009 consists of the followings;

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	¥(10,043)	¥(10,468)	$(107,926)
Plan assets at fair value	6,485	6,331	69,698
Retirement benefit trust	1,320	1,380	14,186
Unrecognized actuarial loss	2,752	3,648	29,573
Unrecognized prior service cost	(745)	(841)	(8,011)
Long-term prepaid expenses	—	(231)	—
Net liability	¥ (231)	¥ (181)	$ (2,481)

The components of net periodic benefit costs for the year ended March 31, 2010 and 2009,are as follows;

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service cost	¥ 398	¥ 427	$ 4,275
Interest cost	209	226	2,243
Expected return on plan assets	(127)	(337)	(1,361)
Amortization of actuarial loss	(96)	(95)	(1,030)
Amortization of prior service cost	410	208	4,407
Net periodic benefit costs	¥ 794	¥ 428	$ 8,534

Assumptions used for the year ended March 31, 2010 and 2009, are set forth as follows;

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	4.0%
Amortization period of actuarial gain/loss	13 years	15 years
Amortization period of prior service cost	13 years	15 years

9. Treasury stock

The Company holds 5,141,377 shares of treasury stock as of March 31, 2010 based on approval by the annual shareholder's meeting.

The Company has adopted the new "Financial Accounting Standards for Treasury Stock and Reduction of Legal Reserves" effective from April 1, 2002.

10. Shareholders' equity

Dividends may be approved by the shareholders after the end of each fiscal period. In accordance with the Commercial Code, 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.

11. 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, 2010 and 2009 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
	2010	2009	**2010**
Machinery and equipment:			
Acquisition cost equivalent	¥307	¥440	$3,301
Accumulated depreciation equivalent	224	275	2,412
Net book value equivalent	¥ 83	¥164	$ 889

Undiscounted future lease payments as of March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	¥47	¥ 77	$508
Thereafter	35	88	381
	¥83	¥164	$889

Lease payments for the years ended March 31, 2010 and 2009, are ¥77 million ($828 thousand) and ¥118 million, respectively. Depreciation expense equivalent is computed on a straight-line basis over the lease term with no residual value, and amounted to ¥77 million ($828 thousand) and ¥118 million for the years ended March 31, 2010 and 2009, respectively.

b) Future payments of operating lease as of March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	¥ 6	¥4	$ 61
Thereafter	10	2	110
	¥16	¥5	$170

12. Income taxes

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Reserve for employees' retirement benefit	¥1,361	¥ 1,145	$ 14,627
Long-term accounts payable	5	102	56
Amortization of transitional obligation	485	485	5,208
Accrued expenses	164	135	1,759
Net operating loss carryforwards	1,061	2,129	11,398
Allowance for doubtful accounts	518	455	5,567
Loss on support of subsidiaries and affiliates	1,424	1,424	15,305
Loss on valuation of stocks of subsidiaries and affiliates	654	654	7,023
Net unrealized holding gains on securities	—	230	—
Other	1,768	1,809	18,999
Subtotal	7,439	8,566	79,943
Valuation allowance	(7,045)	(8,062)	(75,716)
Total defferred tax assets	¥ 393	¥ 504	$ 4,227
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	(393)	(504)	(4,227)
Special depreciation allowance for tax purposes	(9)	(9)	(92)
Total deferred tax liabilities	¥ 402	¥ 513	$ 4,320
Total net deferred tax assets	¥ (9)	¥ (9)	$ (92)

13. Segment information

(1) Industry segments

Summarized financial information by industry segment for the years ended as of March 31, 2010 is as follows:

Millions of yen

	Year ended March 31, 2010				
	Construction	Goodssales	Total	Elimination	Consolidated
Revenues:					
Customers	¥72,298	¥ 681	¥72,979	¥ —	$72,979
Inter-segments	296	925	1,222	(1,222)	—
Total	72,594	1,606	74,201	(1,222)	72,979
Operating expenses	69,309	1,598	70,907	(1,301)	69,606
Operating income/loss	3,286	8	3,294	80	3,373
Assets	45,161	1,559	46,720	11,433	58,153
Depreciation	1,274	15	1,289	0	1,289
Capital expenditures	780	296	1,076	(61)	1,015

Thousands of U.S. dollars

	Year ended March 31, 2010				
	Construction	Goodssales	Total	Elimination	Consolidated
Revenues:					
Customers	$776,982	$ 7,317	$784,299	$ —	$784,299
Inter-segments	3,183	9,945	13,129	(13,129)	—
Total	780,165	17,263	797,427	(13,129)	784,299
Operating expenses	744,853	17,177	762,030	(13,985)	748,045
Operating income/loss	35,312	86	35,397	857	36,254
Assets	485,341	16,754	502,096	122,869	624,965
Depreciation	13,689	161	13,850	3	13,853
Capital expenditures	8,379	3,182	11,562	(656)	10,905

(2) Geographical segments

Summarized financial information by geographical business segment for the years ended as of March 31, 2010 is as follows:

Millions of yen

	Year ended March 31, 2010					
	Japan	North America	Southeast Asia	Total	Elimination	Consolidated
Revenues:						
Customers	¥69,188	¥3,691	¥98	¥72,979	¥ —	¥72,979
Inter-segments	—	33	—	33	(33)	—
Total	69,188	3,725	98	73,012	(33)	72,979
Operating expenses	66,672	2,867	96	69,636	(31)	69,605
Operating income/loss	2,515	858	2	3,376	(2)	3,373
Assets	43,724	964	2	44,691	13,462	58,153

Thousands of U.S. dollars

	Year ended March 31, 2010					
	Japan	North America	Southeast Asia	Total	Elimination	Consolidated
Revenues:						
Customers	$743,557	$ 39,667	$1,053	$784,299	¥ —	$784,299
Inter-segments	—	355	—	355	(355)	—
Total	743,557	346,611	1,053	784,653	(355)	784,299
Operating expenses	716,518	266,774	1,032	748,372	(333)	748,039
Operating income/loss	27,028	9,220	21	36,281	(311)	358,657
Assets	469,898	10,360	21	480,290	144,664	624,965

(3) Overseas sales

Overseas sales by geological location are summarized as follows:

	Millions of yen				
	Year ended March 31, 2010				
	North America	Southeast Asia	Africa	East Asia	Total
Overseas net sales	¥3,691	¥98	¥5,756	¥248	¥ 9,795
Consolidated net sales	—	—	—	—	72,979
Share of overseas net sales	5.1%	0.1%	7.9%	0.3%	13.4%

	Thousands of U.S. dollars				
	Year ended March 31, 2010				
	North America	Southeast Asia	Africa	East Asia	Total
Overseas net sales	$39,667	$1,053	$61,859	$2,665	$105,266
Consolidated net sales	—	—	—	—	784,299
Share of overseas net sales	5.1%	0.1%	7.9%	0.3%	13.4%

14. Subsequent event

On June 26, 2009, the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen	Thousands of U.S. dollars
Cash dividends of ¥8.0 ($0.09) per share (final for the year ended March 31, 2010)	¥421	$4,528

BOARD OF DIRECTORS AND AUDITORS

President

Toru Tamura

Executive Vice President

Shigeyoshi Kimura

Managing Director

Ayumu Yasukawa
Yasumi Irie

Director

Koji Sugiyama
Susumu Araki
Kazuo Suzuki
Sigeaki Funayama
Masahiko Ozawa
Yoichi Howa
Tadashi Shibata
(as of June 29, 2010)

SHARE INFORMATION

Common Stock:

Authorized shares
198,000,000 shares
(as of March 31, 2010)

Issued and outstanding shares
57,804,450 shares
(as of June 29, 2010)

Number of shareholders
11,767
(as of March 31, 2010)

Fiscal Year-End:

End of March each year

Annual Meeting:

In June of each year in Tokyo, Japan

Transfer Agent, Registrar and Dividend Payments:

The Chuo Mitsui Trust and Banking Co., Ltd.
3-33-1 Shiba, Minato-ku,
Tokyo 105-8574, Japan
Phone: 81-3-5232-8618
Fax: 81-3-5232-8698

Dividends:

Dividends are normally paid in June.

Please direct inquiries to:

Publicity Office
Raito Kogyo Co., Ltd.
4-2-35 Kudan-kita, Chiyoda-ku,
Tokyo 102-8236, Japan
Phone: 81-3-3265-2551
Fax: 81-3-3265-0879

CORPORATE DATA

Head Office:

4-2-35 Kudan-kita, Chiyoda-ku,
Tokyo 102-8236, Japan

Capital:

¥6,119,475,000
US$65,765,449
(¥93.05=US$1.00)
(as of March 31, 2010)

Date of Establishment:

September 28, 1948

Stock Trading:

Tokyo Stock Exchange,
First Section

Major Shareholders:

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

Employees:

1,114 (as of March 31, 2010)