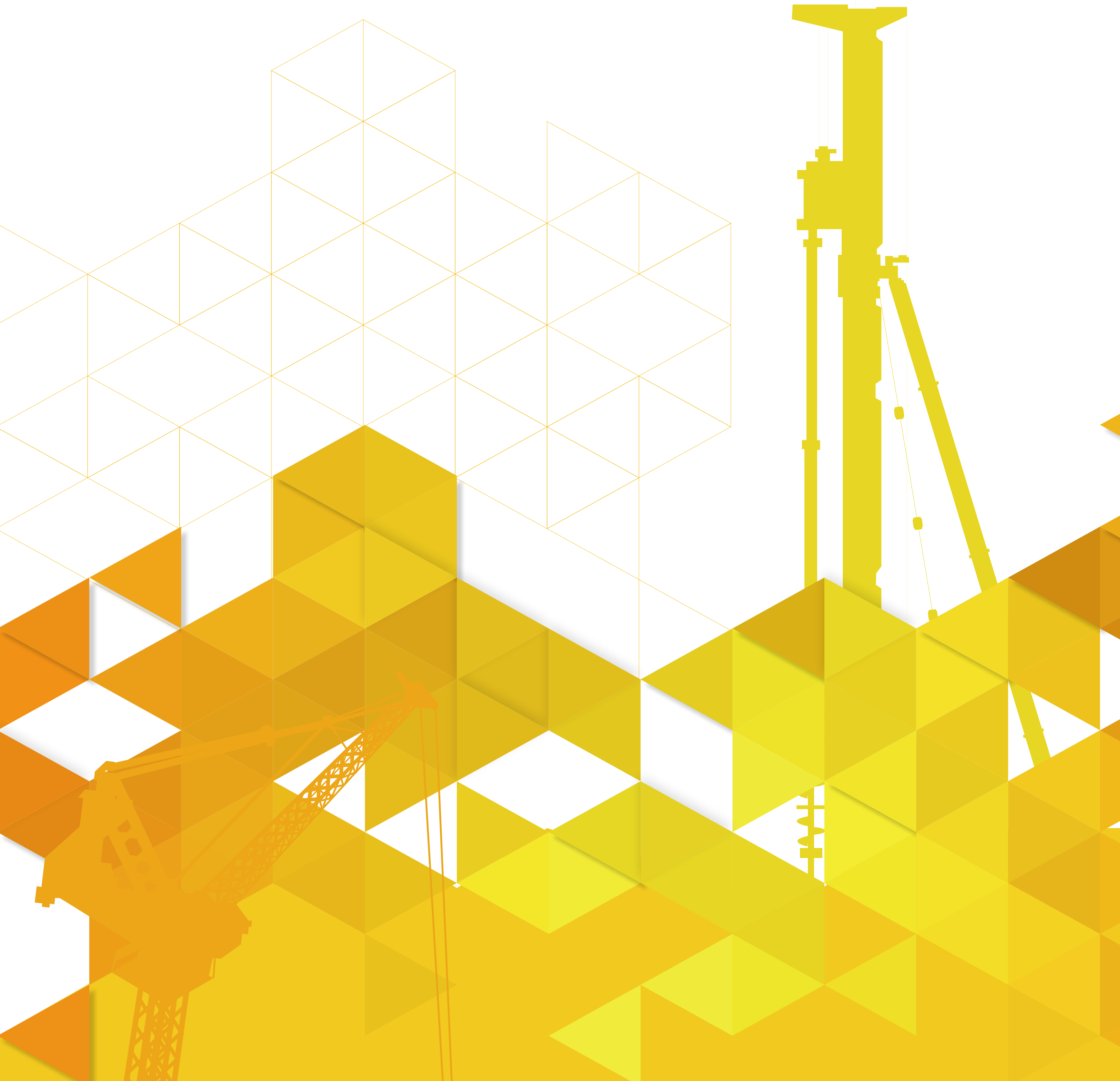


Raito

Raito Kogyo Co., Ltd.

Annual Report 2014

Year ended March 31, 2014

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.

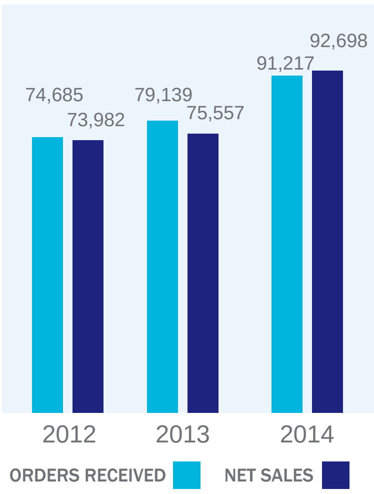
CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

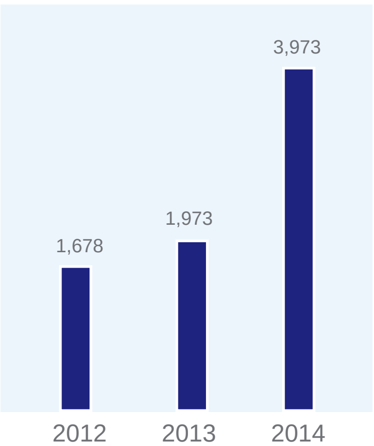
	Millions of yen						Thousands of U.S. dollars
	2014	2013	2012	2011	2010	2009	2014
FOR THE YEAR:							
Orders received	¥91,217	¥79,139	¥74,685	¥64,390	¥62,183	¥68,237	$886,643
Net sales	92,698	75,557	73,982	63,862	72,979	63,063	901,032
Income (loss) from operations	6,581	2,947	2,255	1,182	3,373	(1,728)	63,973
Income (loss) before income taxes	6,692	2,573	2,108	985	2,575	(3,895)	65,048
Net income (loss)	3,973	1,973	1,678	866	2,372	(5,470)	38,621
AT YEAR-END:							
Total assets	71,500	61,078	58,370	57,086	58,153	64,953	694,992
Shareholders' equity	35,803	33,291	31,137	29,627	29,605	27,016	348,015
Capital stock	6,119	6,119	6,119	6,119	6,119	6,119	59,481
AMOUNTS PER SHARE:							
(in yen)							
Net income (loss)	75.45	37.47	31.88	16.45	45.06	(103.86)	
Shareholders' equity	679.89	632.17	591.27	562.59	562.16	512.99	
PERFORMANCE INDICATORS:							
Equity capital ratio (%)	50.1	54.5	53.3	51.9	50.9	41.6	—
Return on equity (%)	11.5	6.1	5.4	2.9	8.4	—	—
Number of employees	1,038	1,016	1,057	1,081	1,114	1,103	—

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 ¥102.88=US$1.00, the rate on March 31, 2014.

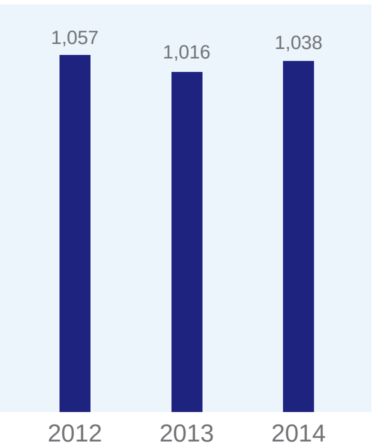
ORDERS RECEIVED, NET SALES
(Millions of yen)



NET INCOME
(Millions of yen)



NUMBER OF EMPLOYEES



OPERATING PERFORMANCE

In fiscal 2013, the fiscal year ended March 31, 2014, the Japanese economy continued to experience improved business conditions. This was largely attributable to the aggressive implementation of measures aimed at invigorating the economy including steps by the government and the Bank of Japan to ease monetary conditions. Moreover, the value of the yen continued to decline while stock prices increased throughout the fiscal year under review. Collectively these factors led to signs of an improvement in the results of the corporate sector. From April 2014, however, uncertainties surrounding the future began to cloud operating conditions owing to such concerns as the impact on personal consumption by the increase in Japan's consumption tax rate.

Conditions in the construction industry remained firm. Despite the high level of material and labor costs, this positive environment was mainly due to the continued recovery in private-sector capital investment as well as the favorable flow-on effects on public-sector expenditure of the implementation of the government's supplementary budget for fiscal 2012 and the increase in the public-sector investment budget for fiscal 2013.

Under these circumstances, and thanks to the increase in orders received on the back of higher public-sector investment, together with steady progress in construction activities, net sales for the period improved 22.7% compared with the previous fiscal year to ¥92,698 million.

From a profit perspective, gross profit climbed 32.3% year on year to ¥13,948 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 123.3% compared with the previous fiscal year to ¥6,581 million, and ordinary profit jumped 113.6% year on year to ¥6,748 million.

In the fiscal year under review, the Company took steps to normalize its tax burden. As a result, net income for fiscal 2013 came to ¥3,973 million, up 101.4% compared with fiscal 2012.

BUSINESS SEGMENT REVIEW

Consolidated sales in the construction segment, which is the core business of the Raito Kogyo Group, increased by 22.7% compared with the previous fiscal year to ¥92,002 million.

Orders received in this segment climbed by 15.3% year on year to ¥91,217 million. By type of construction method, landslide prevention and slope protection work saw an increase of 3.3% compared with the previous fiscal year to ¥28,739 million. This was largely attributable to the upswing in orders received for public works mainly from Japan's Ministry of Land, Infrastructure, Transport and Tourism reflecting growth in public-sector investment. In ground improvement work, results improved by 23.2% year on year to ¥28,228 million. This was mainly due to the increase in orders received for ground improvement work related to roadways, airports and harbors. In structural repair work, prime contracting orders from Japan's Ministry of Land, Infrastructure, Transport and Tourism. As a result, orders received climbed by 19.4% compared with the previous fiscal year to ¥3,515 million. In environment restoration projects, orders received edged down by 0.4% year on year to ¥3,172 million. While orders received for radioactive material decontamination work, this slight downturn was primarily due to the decline in large-scale soil contamination remediation orders from the private sector. Buoyed by an upswing in orders received from regional authorities, orders received for construction work on sewage mains and other public utility conduits jumped by 106.7% compared with the previous fiscal year to ¥1,986 million. Turning to the building construction segment, performance was impacted by a decline in orders received for the construction of new buildings as well as repair work following the Great East Japan Earthquake. As a result, orders received fell by 21.4% year on year to ¥10,877 million. In general civil engineering works and other projects, the Company continued to receive orders for harbor and roadway repair work as well debris removal in the aftermath of the Great East Japan Earthquake. This contributed to a 96.3% year-on-year surge in orders received to ¥14,697 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 2014, there are concerns that material and labor costs in the construction industry will rise ever further. At the same time, public-sector construction investment is projected to decline. Despite these negative factors, conditions are expected to remain firm overall.

Under these circumstances, subsidiary companies in each region will strengthen their sales and marketing activities that are deeply rooted in each region in the specialized civil engineering field. In this manner, every effort will be made to secure an appropriate volume of business. In addition, we will bolster our focus on the selective acceptance of order and work to further cutback direct as well as operating costs. Through these means, we will endeavor to secure 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 ¥83,500 million in fiscal 2014. On the earnings front, operating income, ordinary profit and net income are estimated to reach ¥4,700 million, ¥4,800 million and ¥3,000 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

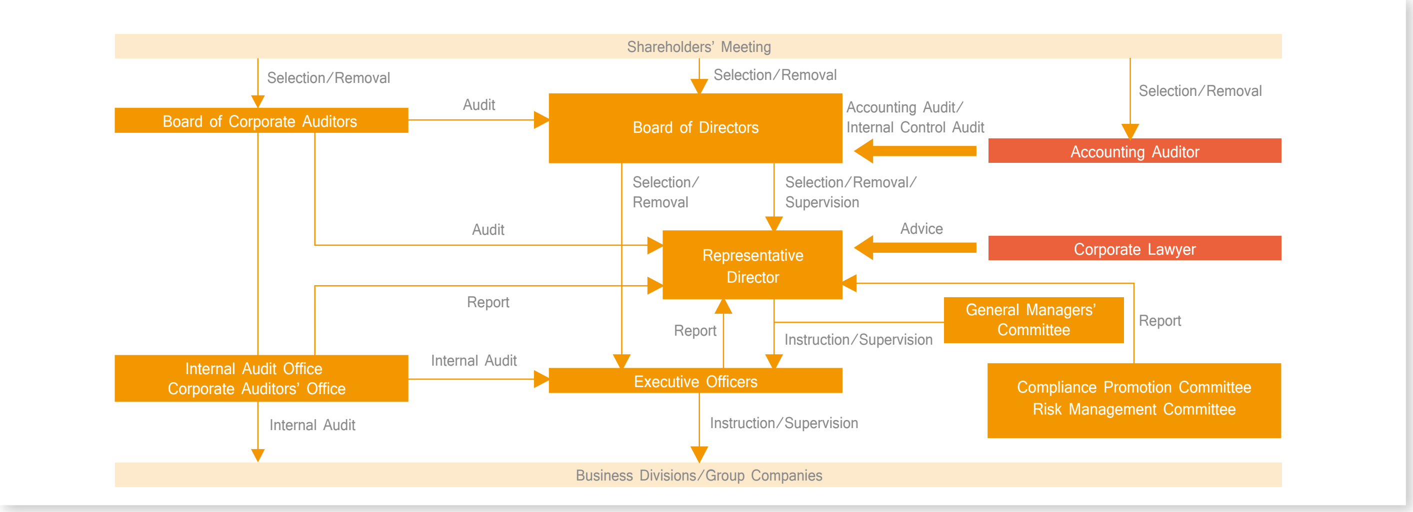
Raito Kogyo is fully cognizant of the importance of corporate governance in further enhancing management transparency. The Company recognizes the importance of early disclosure of all relevant information to investors relating to financial results and performance. The Corporate Planning Department oversees 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.



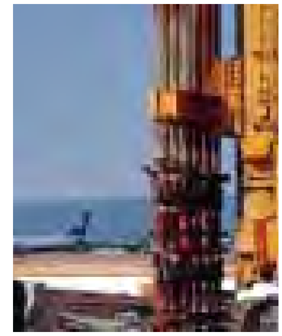
RAITO KOGYO AT A GLANCE

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 ¥28,739 million and segment revenues from completed projects amounted to ¥30,494 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 ¥28,228 million, while segment revenues from completed projects were ¥29,959 million.

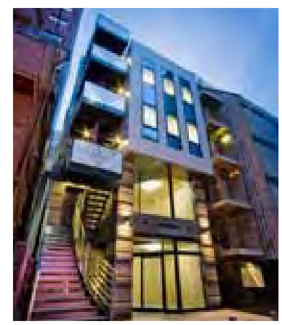


STRUCTURAL REPAIR PROJECTS

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 ¥3,515 million. Segment revenues from completed projects were ¥3,287 million.

BUILDING CONSTRUCTION PROJECTS

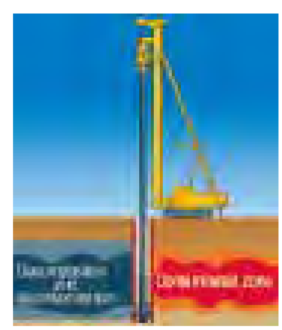
Through its building construction projects, the Company is largely engaged in the construction of condominiums. Raito Kogyo is particularly well versed in the construction of special-purpose condominiums, including those used by the elderly, as well as one-room condominiums for the singles demographic. Sales in both of these areas continue to expand. Orders received during the fiscal year under review totaled ¥10,877 million, while segment revenues from completed projects amounted to ¥14,041 million.



ORDERS RECEIVED BY TYPE OF WORK (%)

OTHERS

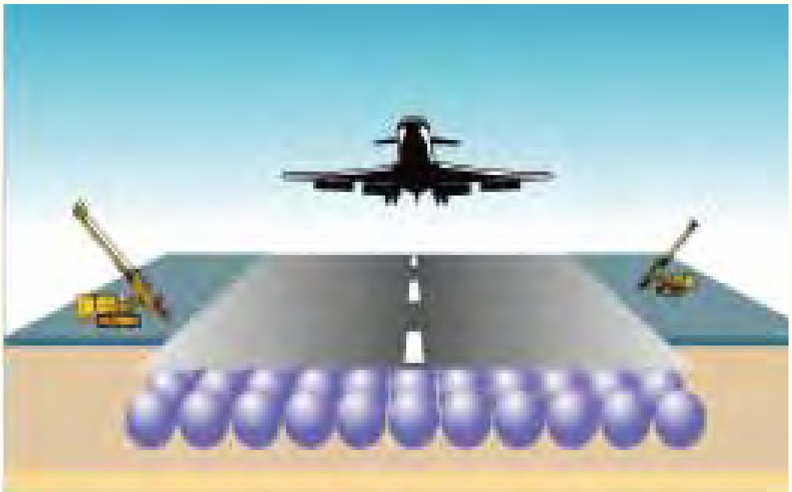
In addition to anti-pollution projects, this segment spans a variety of engineering and construction works, including the installation of sewage mains or other public utility conduits. Orders received in the fiscal year under review were ¥19,855 million and segment revenues from completed projects amounted to ¥14,910 million.



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 ¥117 million.

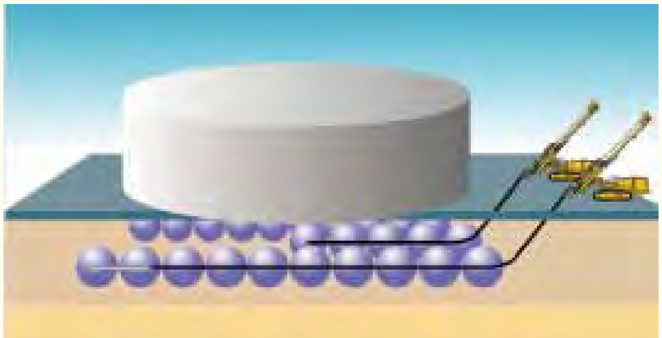
ANTI-LIQUEFACTION AND EARTHQUAKE-RESISTANT SOIL TREATMENT

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

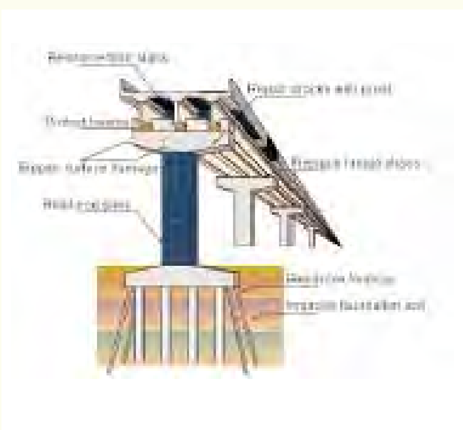
The navigational drilling system enables highly accurate curved drilling utilizing double-wall rod strings. Distinguished by the use of a double-wall system, the navigational drilling can be freely used in conjunction with a variety of existing chemical grouting and soil remediation methods. By applying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

Okawadani Mountainside (Stage 2) Construction

OWNER:
Rokko Sabo Office, Kinki Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism of Japan

DURATION:
December 2009 to September 2013

Source: Rokko Sabo Office, Kinki Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism of Japan

PROJECT:

Bridge repair work along the northern area of Tanabe along National Route 42

OWNER:
Kinan Office of River and National Highway, Kinki Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism of Japan

DURATION:
July 2013 to March 2014

PROJECT:

Improvement work in the Sagami Longitudinal Sumida Mitsukurisan Region

OWNER:
Soubu Office of National Highway, Kanto Regional Development Bureau, Ministry of Land, Infrastructure, Transport and Tourism of Japan

CLIENT:
OBAYASHI CORPORATION

DUATION:
May 2013 to December 2013

PROJECT:

Edagawa 1-chome Apartments (tentative name) new construction work

OWNER:
COSMOS INITIA Co., Ltd.

DURATION:
November 2011 to June 2013

PROJECT:

Feather River West Levee Project Area A/C

OWNER:
Sutter Butte Flood Control Agency

CLIENT:
Nordic/Magnus Pacific Joint Venture

DURATION:
July 2013 to October 2013

CONSOLIDATED BALANCE SHEETS

March 31, 2014 and 2013	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
ASSETS			
Current assets:			
Cash and time deposits (Note 3)	**¥ 12,199**	¥12,866	**$118,582**
Notes and accounts receivable — trade	**32,764**	22,350	**318,477**
Securities	**400**	-	**3,888**
Accumulated construction cost in progress (Note 4)	**4,892**	6,090	**47,551**
Merchandise and finished goods (Note 4)	**23**	21	**230**
Work in process (Note 4)	**-**	18	**-**
Raw materials and supplies (Note 4)	**210**	163	**2,043**
Accounts receivable — other	**17**	104	**166**
Deferred tax assets (Note 17)	**499**	384	**4,854**
Other current assets	**549**	658	**5,342**
Allowance for doubtful accounts	**(156)**	(185)	**(1,524)**
Total current assets	**51,400**	42,472	**499,611**
Non-current assets:			
Property, plant and equipment			
Buildings and structures	**7,832**	7,852	**76,134**
Accumulated depreciation	**(5,806)**	(5,717)	**(56,439)**
Buildings and structures, net (Note 10)	**2,026**	2,135	**19,695**
Machinery, vehicles and equipment	**19,850**	20,853	**192,945**
Accumulated depreciation	**(18,973)**	(20,238)	**(184,425)**
Machinery, vehicles and equipment, net	**876**	614	**8,519**
Land (Note 7 and 10)	**8,969**	8,969	**87,179**
Lease assets	**1,778**	1,606	**17,286**
Accumulated depreciation	**(870)**	(735)	**(8,459)**
Lease assets, net	**908**	871	**8,827**
Construction in progress	**391**	45	**3,801**
Total property, plant and equipment	**13,171**	12,635	**128,023**
Intangible assets			
Other	**126**	157	**1,234**
Total intangible assets	**126**	157	**1,234**
Investments and other assets:			
Investment securities (Note 5 and 8)	**3,510**	2,593	**34,122**
Long-term prepaid expenses	**921**	592	**8,955**
Claims provable in bankruptcy, claims provable in rehabilitation and other	**253**	179	**2,461**
Real estate for investment	**1,279**	1,345	**12,439**
Others	**1,502**	1,719	**14,608**
Allowance for doubtful accounts	**(665)**	(617)	**(6,464)**
Total investments and other assets	**6,802**	5,812	**66,122**
Total non-current assets	**20,100**	18,605	**195,380**
Total assets	**¥ 71,500**	¥61,078	**$694,992**

The accompanying notes are an integral part of this statement.

March 31, 2014 and 2013	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
LIABILITIES			
Current liabilities:			
Notes and accounts payable — trade	**¥20,408**	¥15,751	**$198,367**
Short-term bank loans payable (Note 9 and 10)	**1,100**	700	**10,692**
Current portion of long-term loans payable (Note 10)	**53**	66	**520**
Accrued income taxes	**2,221**	899	**21,589**
Advance received on uncompleted contracts	**5,202**	5,053	**50,571**
Provision for warranties for completed construction	**165**	148	**1,612**
Allowance for anticipated loss on contract work	**46**	122	**451**
Provision for reconstruction-related losses	**-**	103	**-**
Accrued expenses	**1,451**	1,218	**14,110**
Other current liabilities	**1,133**	736	**11,018**
Total current liabilities	**31,783**	24,800	**308,933**
Non-current liabilities:			
Long-term loans payable (Note 10)	**158**	211	**1,535**
Deferred tax liabilities for land revaluation (Note 7)	**1,167**	1,167	**11,343**
Provision for retirement benefits (Note 11)	**-**	895	**-**
Net defined benefit liability (Note 11)	**1,701**	-	**16,540**
Long-term accrued amount payable	**27**	27	**267**
Lease obligations	**606**	583	**5,894**
Deferred tax liabilities (Note 17)	**206**	57	**2,009**
Other non-current liabilities	**46**	44	**452**
Total non-current liabilities	**3,913**	2,986	**38,044**
Total liabilities	**35,697**	27,787	**346,977**
NET ASSETS			
Shareholders' equity:			
Capital stock	**6,119**	6,119	**59,481**
Capital surplus	**6,358**	6,358	**61,801**
Retained earnings	**26,502**	22,950	**257,608**
Treasury stock (Note 13)	**(1,699)**	(1,698)	**(16,518)**
Total shareholders' equity (Note 14)	**37,280**	33,729	**362,373**
Other accumulated comprehensive income:			
Valuation difference on available-for-sale securities	**562**	226	**5,469**
Revaluation reserve for land (Note 7)	**(814)**	(814)	**(7,914)**
Foreign currency translation adjustment	**358**	148	**3,488**
Remeasurements of defined benefit plans (Note 11)	**(1,584)**	-	**(15,402)**
Total other accumulated comprehensive income	**(1,477)**	(438)	**(14,358)**
Total net assets	**35,803**	33,291	**348,015**
Total liabilities and net assets	**¥71,500**	¥61,078	**$694,992**

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2014 and 2013	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Net sales:			
Net sales of completed construction contracts	**¥92,002**	¥75,005	**$894,267**
Net sales of sideline business	**695**	552	**6,764**
Total net sales	**92,698**	75,557	**901,032**
Cost of sales:			
Cost of sales of completed construction contracts	**78,167**	64,585	**759,795**
Cost of sales on sideline business	**582**	429	**5,659**
Total cost of sales	**78,749**	65,015	**765,454**
Gross profit:			
Gross profit of completed construction contracts	**13,834**	10,419	**134,472**
Gross profit on sideline business	**113**	122	**1,105**
Total gross profit	**13,948**	10,541	**135,577**
Selling, general and administrative expenses	**7,366**	7,594	**71,604**
Operating income	**6,581**	2,947	**63,973**
Non-operating income:			
Interest income	**24**	27	**242**
Dividends income	**46**	63	**455**
Foreign exchange gains	**68**	129	**667**
Royalty income	**28**	20	**272**
Insurance premiums refunded cancellation	**8**	-	**79**
Rent income on non-current assets	**55**	60	**541**
Other	**114**	116	**1,117**
Total non-operating income	**347**	417	**3,377**
Non-operating expenses:			
Interest expenses	**29**	29	**287**
Loss on sales of notes payable	**6**	5	**63**
Commission fee	**39**	70	**382**
Guarantee commission	**34**	40	**338**
Taxes and dues	**-**	31	**-**
Other	**70**	28	**683**
Total non-operating expenses	**180**	206	**1,756**
Ordinary income	**6,748**	3,159	**65,593**
Extraordinary income:			
Gain on sales of non-current assets	**10**	7	**99**
Gain on sales of investment securities	**0**	37	**0**
Total extraordinary income	**10**	45	**99**
Extraordinary loss:			
Loss on sales and retirement of non-current assets	**33**	1	**325**
Loss on valuation of membership	**0**	-	**3**
Special extra retirement payments	**11**	24	**110**
Impairment loss	**21**	202	**206**
Loss on valuation of stocks of subsidiaries and affiliates	**-**	102	**-**
Reconstruction-related loss	**-**	299	**-**
Other	**-**	0	**-**
Total extraordinary losses	**66**	630	**645**
Income before income taxes	**6,692**	2,573	**65,048**
Income taxes-current	**2,834**	1,040	**27,548**
Income taxes-deferred	**(115)**	(440)	**(1,122)**
Total Income taxes	**2,718**	600	**26,426**
Income before minority interests	**3,973**	1,973	**38,621**
Net income	**¥ 3,973**	¥ 1,973	**$ 38,621**

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31, 2014 and 2013	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Income before minority interests	**¥3,973**	¥1,973	**$38,621**
Other comprehensive income:			
Valuation difference on available-for-sale securities	**335**	353	**3,263**
Revaluation reserve for land	**-**	(2)	**-**
Foreign currency translation adjustment	**210**	251	**2,041**
Total other comprehensive income (Note 16)	**545**	602	**5,304**
Comprehensive income (Note 16):	**4,519**	2,575	**43,926**
(Breakdown)			
Comprehensive income attributable to owners of the parent	**4,519**	2,575	**43,926**
Comprehensive income attributable to minority interests	**¥ -**	¥ -	**$ -**

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CHANGES IN NET EQUITY

Millions of yen

	Shareholders' equity					Other accumulated comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total sharehold-ers' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehen-sive income	
Balance at March 31, 2012	¥6,119	¥6,358	¥21,303	¥(1,698)	¥32,082	¥(126)	¥(717)	¥(102)	¥ -	¥ (945)	¥31,137
Dividends from surplus			(421)		(421)						(421)
Net income			1,973		1,973						1,973
Increase in treasury stock				(0)	(0)						(0)
Reversal of revaluation reserve for land			94		94						94
Net changes of items other than shareholders' equity						353	(96)	251	-	507	507
Balance at March 31, 2013	6,119	6,358	22,950	(1,698)	33,729	226	(814)	148	-	(438)	33,291
Dividends from surplus			**(421)**		**(421)**						**(421)**
Net income			**3,973**		**3,973**						**3,973**
Increase in treasury stock				**(0)**	**(0)**						**(0)**
Net changes of items other than shareholders' equity						**335**	**-**	**210**	**(1,584)**	**(1,038)**	**(1,038)**
Balance at March 31, 2014	**¥6,119**	**¥6,358**	**¥26,502**	**¥(1,699)**	**¥37,280**	**¥562**	**¥(814)**	**¥358**	**¥(1,584)**	**¥(1,477)**	**¥35,803**

Thousands of U.S. dollars

	Shareholders' equity					Other accumulated comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total sharehold-ers' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehen-sive income	
Balance at March 31, 2013	$59,481	$61,801	$ 223,082	$(16,511)	$327,853	$2,205	$(7,914)	$1,447	$ -	$ (4,261)	$323,592
Dividends from surplus			**(4,094)**		**(4,094)**						**(4,094)**
Net income			**38,621**		**38,621**						**38,621**
Increase in treasury stock				**(6)**	**(6)**						**(6)**
Net changes of items other than shareholders' equity						**3,431**	**-**	**2,041**	**(15,402)**	**(10,097)**	**(10,097)**
Balance at March 31, 2014	**$59,481**	**$61,801**	**$257,608**	**$(16,518)**	**$362,373**	**$5,469**	**$ (7,914)**	**$3,488**	**$(15,402)**	**$(14,358)**	**$348,015**

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2014 and 2013	**2014**	2013	**2014**
Cash flows from operating activities			
Income before income taxes	**¥ 6,692**	¥ 2,573	**$ 65,048**
Depreciation and amortization	**958**	850	**9,321**
Impairment of non-current assets	**21**	313	**206**
Loss on retirement of non-current assets	**31**	-	**305**
Increase (decrease) in allowance for doubtful accounts	**18**	33	**183**
Increase (decrease) in provision for warranties for completed construction	**17**	69	**171**
Increase (decrease) in provision for loss on construction contracts	**(76)**	7	**(743)**
Increase (decrease) in provision for employees' retirement benefits	**(895)**	268	**(8,701)**
Increase (decrease) in net defined benefit liability	**117**	-	**1,138**
Increase (decrease) in provision for losses attributable to disasters	**-**	(64)	**-**
Increase (decrease) in provision for reconstruction-related losses	**(103)**	103	**(1,004)**
Interest and dividends of income	**(71)**	(91)	**(698)**
Interest expenses	**29**	29	**287**
Loss on sales of notes receivable-trade	**6**	5	**63**
Loss (gain) on valuation of investment securities	**(0)**	(37)	**(0)**
Loss on valuation of stocks of subsidiaries and affiliates	**-**	102	**-**
Loss on valuation of membership	**0**	-	**0**
Decrease (increase) in notes and accounts receivable-trade	**(10,515)**	(1,141)	**(102,213)**
Decrease (increase) in accumulated construction cost in progress	**1,198**	421	**11,649**
Decrease (increase) in other inventories	**(27)**	(7)	**(267)**
Increase (decrease) in notes and accounts payable-trade	**4,654**	144	**45,237**
Increase (decrease) in advances received on uncompleted construction contracts	**147**	845	**1,431**
Others	**640**	410	**6,223**
Subtotal	**2,843**	4,838	**27,637**
Interest income and dividend received (cash basis)	**71**	91	**698**
Interest payment (cash basis)	**(29)**	(29)	**(287)**
Payments for sales of notes receivable-trade	**(6)**	(5)	**(63)**
Income taxes paid	**(1,555)**	(634)	**(15,115)**
Net cash provided by (used in) operating activities	**1,323**	4,260	**12,868**
Net cash provided by (used in) investing activities			
Purchases of property, plant and equipment	**(938)**	(505)	**(9,120)**
Proceeds from sales of property, plant and equipment	**41**	9	**401**
Purchases of intangible assets	**(47)**	(50)	**(458)**
Purchase of securities	**(500)**	-	**(4,861)**
Proceeds from redemption of securities	**99**	-	**971**
Purchases of investment securities	**(757)**	(210)	**(7,363)**
Proceeds from sales of investment securities	**196**	647	**1,907**
Proceeds from redemption of investment securities	**100**	100	**972**
Payments of loans receivable from subsidiaries and affiliates	**(70)**	(86)	**(680)**
Collection of loans receivable from subsidiaries and affiliates	**54**	82	**532**
Proceeds from cancellation of insurance funds	**235**	1	**2,290**
Payments for investments in real estates	**(2,077)**	(1,928)	**(20,193)**
Proceeds from sales of investments in real estates	**2,143**	2,471	**20,833**
Others	**(281)**	(95)	**(2,737)**
Net cash provided by (used in) investing activities	**(1,801)**	437	**(17,506)**
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	**400**	200	**3,888**
Cash dividends paid	**(419)**	(424)	**(4,072)**
Proceeds from long-term loans payable	**-**	100	**-**
Repayment of long-term loans payable	**(66)**	(1,166)	**(641)**
Repayments of finance lease obligations	**(308)**	(317)	**(3,000)**
Purchase of treasury stock	**(0)**	(0)	**(6)**
Net cash provided by (used in) financing activities	**(394)**	(1,608)	**(3,834)**
Effect of exchange rate change on cash and cash equivalents	**204**	213	**1,991**
Net increase (decrease) in cash and cash equivalents	**(666)**	3,303	**(6,480)**
Cash and cash equivalents at beginning of the year	**12,766**	9,462	**124,089**
Cash and cash equivalents at end of the year (Note 3)	**¥12,099**	¥12,766	**$117,609**

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 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 ¥102.88 = US$1.00, which was the exchange rate prevailing at March 31, 2014.

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: RAITO, INC., ONORYO CO., LTD., AURA CE CO., LTD., RAITO NEW ZEALAND LIMITED, RAITO ENGINEERING & CONSTRUCTION LIMITED, 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

Held-to-maturity securities are carried based on 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.

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.

g) Accounting treatment for retirement benefits

(i) The method of attributing expected retirement benefits to periods

Up until the end of the consolidated fiscal year under review, the straight-line method was applied in calculating the projected amount of retirement benefit obligation under the service period attribution method.

(ii) Treatment of actuarial differences and prior service cost

Prior service cost is amortized as incurred by the straight-line method for the predetermined period (10 years) which is shorter than the average remaining years of service of the eligible employees.

Actuarial gain and loss is amortized by the straight-line method over the same period (10 years) at the time of recognition, and allocated proportionately from the fiscal year following the year of recognition.

However, one of the Company's domestic consolidated subsidiaries posted 100% of the required benefit amount at the fiscal year-end calculated using the simplified method.

h) 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.

i) 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.

j) Changes in Accounting Policy

Application of Accounting Standards Concerning Retirement Benefits

From the end of the consolidated fiscal year under review, the Company adopted "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 26, issued May 17, 2012, hereinafter "Accounting Standard for Retirement Benefits") and "Implementation Guidance on Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan Statement No. 25, issued May 17, 2012, hereinafter "Guidance on Accounting Standard for Retirement Benefits"). (The Company, however, chose to exclude adoption of the provisions stated in paragraph 35 of the Accounting Standard for Retirement Benefits, and paragraph 67 in the Guidance on Accounting Standard for Retirement Benefits). Switching to a method by which the amount of plan assets are subtracted from retirement benefit obligations and the balance is recorded in net defined benefit liability (asset), unrecognized actuarial losses and past service costs are reflected on the consolidated balance sheets under net assets and recorded in net defined benefit liability (asset).

With the adoption of the Accounting Standard for Retirement Benefits, in accordance with the provision for transitional treatment as stated in paragraph 37 of the Accounting Standard for Retirement Benefits, the amount of the impact stemming from this change is added to or subtracted from remeasurements of defined benefit plans under accumulated other comprehensive income as of the end of the consolidated fiscal year under review.

As a result of these changes, a net defined benefit liability of ¥1,701 million and a decrease in other accumulated comprehensive income of ¥1,584 million were recorded as of the end of the consolidated fiscal year under review.

Net assets per share decreased by ¥30.09 with these changes.

3. CASH AND CASH EQUIVALENTS

Reconciliation between cash and time deposits and marketable securities on the consolidated balance sheets as of March 31, 2014 and 2013 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and time deposits on the consolidated balance sheets	**¥12,199**	¥12,866	**$118,582**
Time deposits with terms exceeding 3 months	**(100)**	(100)	**(972)**
Cash and cash equivalents on the statement of cash flows	**¥12,099**	¥12,766	**$117,609**

4. INVENTORIES

Inventories as of March 31, 2014 and 2013 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Accumulated construction cost in progress	**¥4,892**	¥6,090	**$47,551**
Merchandise and finished goods, work in process and raw material and supplies	**233**	203	**2,273**
	¥5,125	¥6,293	**$49,824**

5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2014 and 2013 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investment in securities (shares)	**¥363**	¥393	**$3,535**

6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2014 and 2013 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Discounted notes receivable	**¥866**	¥1,048	**$8,421**
Endorsed notes receivable	**14**	23	**145**

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 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, 2014, the carrying amount of the land after one-time revaluation exceed the market value by ¥3,075 million ($29,896 thousand).

8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of held-to-maturity securities, as of March 31, 2014, is as follows:

	Millions of yen		
	Fair Value		
As of March 31, 2014	Market Value	(Carrying Amount)	Unrealized Gain (Loss)
Held-to-maturity securities	**¥300**	**¥300**	**¥(0)**
	¥300	**¥300**	**¥(0)**

	Thousands of U.S. dollars		
	Fair Value		
As of March 31, 2014	Market Value	(Carrying Amount)	Unrealized Gain (Loss)
Held-to-maturity securities	**$2,918**	**$2,917**	**$(0)**
	$2,918	**$2,917**	**$(0)**

The market value of listed securities, which are classified as Marketable securities, as of March 31, 2014 and 2013, are as follows:

	Millions of yen		
		Fair Value	
As of March 31, 2014	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	**¥1,381**	**¥2,181**	**¥800**
Fund trust and other	**950**	**910**	**(39)**
	¥2,332	**¥3,092**	**¥760**

	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

	Thousands of U.S. dollars		
		Fair Value	
As of March 31, 2014	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	**$13,431**	**$21,207**	**$7,776**
Fund trust and other	**9,239**	**8,854**	**(384)**
	$22,670	**$30,062**	**$7,392**

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 ¥10,234 million ($ 99,480 thousand).

10. PLEDGED ASSETS AND SECURED LIABILITIES

Details of assets pledged as collateral as of March 31, 2014 and 2013 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Buildings	**¥290**	¥299	**$2,824**
Land	**336**	336	**3,272**
Total	**¥627**	¥636	**$6,096**

Details of secured liabilities as of March 31, 2014 and 2013 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term bank loans payable	**¥ 50**	¥150	**$ 486**
Current portion of long-term loans payable	**16**	16	**155**
Long-term loans payable	**158**	174	**1,535**
Total	**¥224**	¥340	**$2,177**

11. EMPLOYEES' RETIREMENT BENEFIT AND PENSION PLAN

Previous consolidated fiscal year (from April 1, 2012, to March 31, 2013)

1. Overview of adopted retirement benefit plans

The Company and domestic consolidated subsidiaries set up defined benefit corporate pension plans. There are also cases of extra severance being paid when an employee retires.

The Company is establishing retirement benefit trusts.

2. Retirement benefit obligation

	Millions of yen	Thousands of U.S. dollars
(1) Retirement benefit obligation	¥(10,126)	$(107,713)
(2) Pension assets	6,004	63,876
(3) Retirement benefit trust	1,692	17,999
(4) Unfunded retirement benefit obligation (1) + (2) + (3)	(2,429)	(25,838)
(5) Unrecognized actuarial difference	1,704	18,128
(6) Unrecognized prior service obligation (obligation decrease)	(170)	(1,813)
(7) Net amount recorded on consolidated balance sheet (4) + (5) + (6)	(895)	(9,522)
(8) Retirement benefit reserve	¥ (895)	$ (9,522)

(Note) One consolidated subsidiary in Japan applies the simplified system in calculating retirement.

3. Retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
(1) Service cost	¥336	$3,584
(2) Interest expense	177	1,891
(3) Projected return on assets	(114)	(1,216)
(4) Amount expensed for prior service cost	(383)	(4,077)
(5) Amount expensed for actuarial difference	793	8,443
(6) Retirement benefit expense (1) + (2) + (3) + (4) + (5) + (6)	¥810	$8,625

4. Basis for calculating retirement benefit obligations

(1) Projected amount of retirement benefit under periodic distribution method

Periodic straight-line basis

(2) Discount rate 0.6%

(3) Expected rate of return on long-term plan assets 2.0%

(4) Amortization period of actuarial gains and losses

10 years (a period less than the average remaining service years of employees when incurred; the actuarial losses are treated as an expense and recognized from the following consolidated fiscal year using the straight line method)

(5) Amortization period of prior service obligation

10 years (a period less than the average remaining service years of employees when incurred; the prior service obligation is treated as an expense using the straight line method)

Consolidated fiscal year under review (from April 1, 2013, to March 31, 2014)

1. Overview of adopted retirement benefit plans

The Company and domestic consolidated subsidiaries set up defined benefit corporate pension plans. There are also cases of extra severance being paid when an employee retires.

The Company is establishing retirement benefit trusts.

2. Defined benefit plan

(1) Adjustments to retirement benefit obligation at beginning of term and at end of term

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation at beginning of term	¥10,126	$98,426
Service cost	410	3,992
Interest expense	59	580
Actuarial difference amounts incurred for the period	(14)	(143)
Retirement benefit payments	(639)	(6,218)
Retirement benefit obligation at end of term	¥ 9,942	$96,637

(2) Adjustments to plan assets at beginning of term and at end of term

	Millions of yen	Thousands of U.S. dollars
Plan assets at beginning of term	**¥7,697**	**$ 74,816**
Expected return on assets	**120**	**1,167**
Actuarial difference amounts incurred for the period	**496**	**4,822**
Contributions from employer	**359**	**3,497**
Retirement benefit payments	**(432)**	**(4,206)**
Plan assets at end of term	**¥8,240**	**$ 80,096**

(3) Retirement benefit obligations and plan assets at end of term and adjustments to liabilities and assets relating to retirement benefits recorded on the consolidated balance sheets

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation of funded plans	**¥9,942**	**$ 96,637**
Plan assets	**(8,240)**	**(80,096)**
	1,701	**16,540**
Retirement benefit obligation of unfunded plans	**-**	**-**
Net assets and liabilities recorded on the consolidated balance sheets	**¥1,701**	**$ 16,540**

	Millions of yen	Thousands of U.S. dollars
Net defined benefit liability	**¥1,701**	**$ 16,540**
Net assets and liabilities recorded on the consolidated balance sheets	**¥1,701**	**$ 16,540**

(4) Retirement benefit expenses and itemized breakdown of their main amounts

	Millions of yen	Thousands of U.S. dollars
Service cost	**¥ 410**	**$ 3,992**
Interest expense	**59**	**580**
Expected return on assets	**(120)**	**(1,167)**
Amount expensed for actuarial difference	**(391)**	**(3,802)**
Amount expensed for prior service cost	**(170)**	**(1,656)**
Retirement benefit expenses relating to defined benefit plans	**¥ (211)**	**$(2,053)**

(5) Remeasurements of defined denefit plans

A breakdown of items (before any applicable tax effect) recorded in remeasurements of defined benefit plans is as follows.

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial differences	**¥1,584**	**$15,402**
Total	**¥1,584**	**$15,402**

(6) Plan assets

(i) Principal breakdown of plan assets

The ratios by major classification with regard to total plan asset are as follows.

	%
Bonds	**45%**
Shares	**37**
Cash on hand and in banks	**15**
Other	**3**
Total	**100%**

(ii) Method for setting expected rate of return on long-term plan assets

In deciding the expected rate of return on long-term plan assets, consideration is given to current and future plan asset distributions and to the current and future expected long-term rate of return from the variety of assets that constitute plan assets.

(7) Basis for actuarial calculations

The major actuarial assumptions for the consolidated fiscal year under review (shown as the weighted average)

Discount rate 0.6%

Expected rate of return on long-term plan assets 2.0%

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, 2014 and 2013 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 previous 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
	2014	2013	**2014**
Note receivable	**¥-**	¥233	**$ -**
Notes payable	**-**	9	**-**

13. TREASURY STOCK

The Company holds 5,142,852 shares of treasury stock as of March 31, 2014.

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, 2014 and 2013 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Takara Leben Co., Ltd.	**¥392**	¥97	**$3,812**
Global L-Seed Corporation	**127**	-	**1,234**
JOINT CORPORATION CO.,LTD.	**2**	-	**28**

16. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2014 and 2013 is presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Valuation difference on available-for-sale securities:			
The amount arising during the period	**¥485**	¥438	**$4,714**
Reclassification adjustment	**0**	(37)	**(1)**
Foreign currency translation adjustment:			
The amount arising during the period	**210**	251	**2,041**
Before adjustment for tax effects	**694**	652	**6,755**
Amount of tax effects	**(149)**	(50)	**(1,450)**
Total other accumulated comprehen sive income	**¥545**	¥602	**$5,304**

Information relating to the amounts of tax effects applicable to other accumulated comprehensive income for the years ended March 31, 2014 and 2013 is presented as follows.

	Millions of yen		
	2014		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	**¥484**	**¥(149)**	**¥335**
Foreign currency translation adjustment	**210**	**-**	**210**
Total other accumulated comprehen-sive income	**¥694**	**¥(149)**	**¥545**

	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

	Thousands of U.S. dollars		
	2014		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	**$4,713**	**$(1,450)**	**$3,263**
Foreign currency translation adjustment	**2,041**	**-**	**2,041**
Total other accumulated comprehensive income	**$6,755**	**$(1,450)**	**$5,304**

17. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Reserve for employees' retirement benefit	**¥ -**	¥1,349	**$ -**
Net defined benefit liability	**910**	-	**8,847**
Amortization of transitional obligation	**425**	425	**4,140**
Accrued expenses	**253**	128	**2,466**
Loss on valuation of memberships denied for deduction	**30**	30	**291**
Allowance for doubtful accounts	**135**	168	**1,315**
Provision for loss on construction denied for deduction	**16**	46	**156**
Net operating loss carryforwards	**224**	261	**2,179**
Impairment loss denied for deduction	**323**	315	**3,140**
Loss on support of subsidiaries and affiliates	**1,055**	1,055	**10,262**
Loss on valuation of stocks of subsidiaries and affiliates	**665**	665	**6,467**
Other	**564**	630	**5,482**
Subtotal	**4,603**	5,078	**44,749**
Valuation allowance	**(3,757)**	(4,345)	**(36,519)**
Total deferred tax assets	**¥ 846**	¥ 733	**$ 8,230**
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	**(345)**	(345)	**(3,353)**
Valuation difference on available-for-sale securities	**(197)**	(48)	**(1,916)**
Special depreciation allowance for tax purposes	**(7)**	(7)	**(73)**
Disposal expenses relating to asset retirement obligations	**(4)**	(4)	**(38)**
Total deferred tax liabilities	**¥ (553)**	¥ (406)	**$ (5,381)**
Total net deferred tax assets	**¥ 293**	¥ 326	**$ 2,848**

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, 2014 and 2013 are presented as follows.

	2014	2013
Statutory effective tax rate	**38.0%**	38.0%
(Adjustments)		
Non-deductible expenses such as entertainment	**0.5**	1.7
Per capita inhabitants' taxes	**1.1**	2.9
Increase / decrease in valuation reserves	**(2.7)**	(22.3)
Other	**3.6**	3.0
Burden rate of corporate taxes, etc. after application of tax-effect accounting	**40.6%**	23.3%

Modification of amount of deferred tax assets and deferred tax liabilities due to changes in tax rates and income taxes

The "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, and the Reconstruction Special Corporation Tax was not being imposed effective from business fiscal years commencing on or after April 1, 2014. Consequently, the statutory effective tax rate for the calculation of deferred tax assets and deferred tax liabilities will be lowered from the current 38.0% to 35.6% for temporary differences expected to be used in the consolidated fiscal years commencing April 1, 2014. The impact of this change will be negligible.

18. SEGMENT INFORMATION

a) Overview of reportable segments

The Raito Kogyo Group's reportable segments are the business units for which the Company is able to obtain respective financial information separately in order for the Company's directors to conduct periodic investigations to distribute management resources and evaluate their business results.

The Group positions branch offices and consolidated subsidiaries by region, and each branch office and consolidated subsidiary determines comprehensive domestic and overseas strategies with regard to receiving orders and execution as well as product and material sales in the course of developing its business activities.

Regarding the branch offices and consolidated subsidiaries as its basis, the Group thus consists of businesses that include civil engineering, building construction, and product and material sales. To provide appropriate information on business activities and the management environment, the Group consolidates multiple segments with similar business structures into the "Construction Business" segment.

The works encompassed by the Construction Business include slope protection, landslide prevention, foundation/ground improvement, structural repair/reinforcement, environmental restoration, and sewage system construction in addition to general civil engineering and building construction.

b) Calculation method for sales, profit and loss, assets, and other item amounts by reportable segment

The accounting method for reportable business segments generally follows the principles stated in the Section 2 of this Note.

Reportable segment profit figures are based on operating income.

Intersegment transactions or transfers are based on market prices.

c) Industry segments

Summarized financial information by industry segment for the years ended as of March 31, 2014 and 2013 is as follows:

	Millions of yen				
	Year ended March 31, 2014				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	**¥92,002**	**¥ 695**	**¥92,698**	**¥ -**	**¥92,698**
Inter-segments	**-**	**1,280**	**1,280**	**(1,280)**	**0**
Total	**92,002**	**1,976**	**93,978**	**(1,280)**	**92,698**
Operating expenses	**85,483**	**1,907**	**87,390**		
Operating income/loss	**6,518**	**68**	**6,587**	**(5)**	**6,581**
Assets	**52,452**	**1,376**	**53,828**	**17,672**	**71,500**
Depreciation	**895**	**27**	**923**	**(4)**	**918**
Capital expenditures	**1,449**	**6**	**1,455**	**0**	**1,455**

	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, 2014				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	**$894,267**	**$ 6,764**	**$901,032**	**$ -**	**$901,032**
Inter-segments	**-**	**12,442**	**12,442**	**(12,442)**	**0**
Total	**894,267**	**19,207**	**913,474**	**(12,442)**	**901,032**
Operating expenses	**830,905**	**18,537**	**849,442**		
Operating income/loss	**63,362**	**669**	**64,031**	**(56)**	**63,974**
Assets	**509,837**	**13,378**	**523,215**	**171,778**	**694,994**
Depreciation	**8,700**	**271**	**8,972**	**(44)**	**8,928**
Capital expenditures	**14,088**	**59**	**14,147**	**0**	**14,147**

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

d) Geographical segments

Summarized financial information for revenues by geographical business segment for the years ended as of March 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Japan	**¥89,624**	¥73,460	**$871,159**
North America	**1,895**	1,554	**18,428**
Other	**1,177**	543	**11,445**
Total	**¥92,698**	¥75,557	**$901,032**

19. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2014 and 2013 are presented as follows:

	yen		U.S. dollars
	2014	2013	**2014**
Net assets per share	**¥679.89**	¥632.17	**$6.61**
Net income per share	**75.45**	37.47	**0.73**

20. SUBSEQUENT EVENT

On June 26, 2014 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 ¥10.0 ($0.097) per share (final for the year ended March 31, 2014)	**¥526**	**$5,118**

BOARD OF DIRECTORS AND AUDITORS

CHAIRMAN OF THE BOARD

Yasumi Irie

PRESIDENT AND REPRESENTATIVE DIRECTOR

Kazuo Suzuki

SENIOR MANAGING DIRECTOR

Susumu Araki

MANAGING DIRECTORS

Sigeaki Funayama
Nobuyuki Fujisawa

DIRECTORS

Yoichi Howa
Makoto Nishi
Tadashi Shibata

(as of June 26, 2014)

SHARE INFORMATION

COMMON STOCK:

Authorized shares
198,000,000 shares
(as of March 31, 2014)

Issued and outstanding shares
57,804,450 shares
(as of June 26, 2014)

Number of shareholders
9,270
(as of March 31, 2014)

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: 81-3-3323-7111

DIVIDENDS:

Dividends are normally paid in June.

PLEASE DIRECT INQUIRIES TO:

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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$59,481,677
(¥102.88=US$1.00)
(as of March 31, 2014)

DATE OF ESTABLISHMENT:

September 28, 1948

STOCK TRADING:

Tokyo Stock Exchange,
First Section

MAJOR SHAREHOLDERS:

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

EMPLOYEES:

1,038(as of March 31, 2014)