

Annual Report 2016

Year ended March 31, 2016



RAITO KOGYO CO., LTD.

PROFILE

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

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

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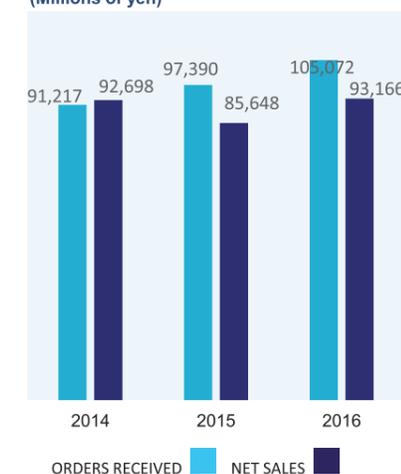
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CONSOLIDATED FINANCIAL HIGHLIGHTS

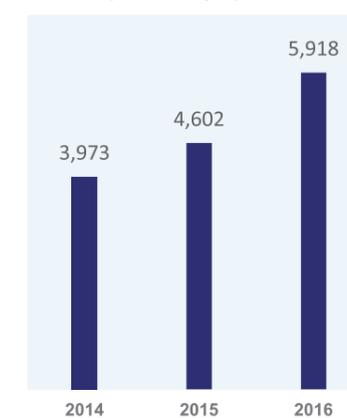
	Millions of yen						Thousands of U.S. dollars
	2016	2015	2014	2013	2012	2011	2016
FOR THE YEAR							
Orders received	¥105,072	¥97,390	¥91,217	¥79,139	¥74,685	¥64,390	\$932,978
Net sales	93,166	85,648	92,698	75,557	73,982	63,862	827,259
Income from operations	8,633	7,078	6,581	2,947	2,255	1,182	76,656
Income before income taxes	8,523	7,389	6,692	2,573	2,108	985	75,679
Net income attributable to owners of parent	5,918	4,602	3,973	1,973	1,678	866	52,548
AT YEAR-END							
Total assets	80,166	75,691	71,500	61,078	58,370	57,086	711,827
Net assets	46,349	41,631	35,803	33,291	31,137	29,627	411,552
Capital stock	6,119	6,119	6,119	6,119	6,119	6,119	54,333
AMOUNTS PER SHARE (in yen)							
Net income	112.39	87.40	75.45	37.47	31.88	16.45	
Net assets	880.17	790.56	679.89	632.17	591.27	562.59	
PERFORMANCE INDICATORS							
Equity capital ratio (%)	57.8	55.0	50.1	54.5	53.3	51.9	
Return on equity (%)	13.5	11.9	11.5	6.1	5.4	2.9	

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 ¥112.62 = US\$1.00, the rate on March 31, 2016.

ORDERS RECEIVED, NET SALES
(Millions of yen)



NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT
(Millions of yen)



PRESIDENT'S MESSAGE



OPERATING PERFORMANCE

In fiscal year 2015, ended March 31, 2016, corporate earnings and the employment and income environment improved on the back of the government's economic stimulus measures and the Bank of Japan's monetary easing measures. However, the economic outlook remains uncertain due to a slowdown in the economic growth of China and other emerging markets, as well as resource-rich countries, and ongoing volatility in currency and stock markets.

In the construction industry, although public-sector construction investment declined over the previous fiscal year, private-sector construction investment was solid overall thanks to a sustained recovery in corporate capital spending and private-sector housing investment.

In these conditions, the Raito Kogyo Group achieved an 8.8% year-on-year increase in net sales to ¥93,166 million. This can be attributed to an increase in orders as well as steady advances with construction projects in progress.

On the profit front, we posted gross profit of ¥17,295 million, up 12.7% over the previous fiscal year, due to higher sales and improvements in gross profit margin in specialized civil engineering and building construction projects.

This increased gross profit resulted in operating income totaling ¥8,633 million, up 22.0% from the previous year, and ordinary income of ¥8,666 million, up 17.7%. Net income attributable to owners of parent rose 28.6% over the previous fiscal year to ¥5,918 million.

BUSINESS SEGMENT REVIEW

Consolidated net sales in the construction segment, the Group's core business, were ¥92,619 million, up 9.0% over the previous fiscal year.

Orders received by this segment rose 7.9% year-on-year to ¥105,072 million. The status of orders for each of the main types of work is described below.

(1) Slope protection projects (slope protection and landslide prevention work)

Orders received decreased 2.8% year on year to ¥31,033 million. Although orders from local governments increased, this was not enough to offset the decrease in orders from the Ministry of Land, Infrastructure, Transport and Tourism and a reactionary decline following large-scale private-sector construction projects.

(2) Foundation and ground improvement projects

Although orders for seismic reinforcement and anti-liquefaction work related to roads, rivers, coasts, and harbors increased, orders received fell 4.4% from the previous fiscal year to ¥30,308 million, due to a decrease in ground improvement projects at the US subsidiary.

(3) Structural repair and reinforcement projects

Orders received rose 15.4% from the previous fiscal year to ¥3,637 million due to an increase in orders for tunnel repairs from local governments.

(4) Environmental restoration projects

Orders received totaled ¥8,773 million, up 112.4% from the previous fiscal year due to an increase in orders for radioactive material decontamination work.

(5) Building construction projects

Orders received in this segment totaled ¥21,953 million, up 50.8% from the previous fiscal year, due to steady demand for condominium construction in the Tokyo metropolitan area as well as orders for new construction and repair work on buildings following the Great East Japan Earthquake.

(6) General civil engineering and other projects

The total order intake amounted to ¥9,366 million, down 21.4% from the previous fiscal year, due mainly to decreased orders related to roads and rivers following the Great East Japan Earthquake.



MID-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.

(1) Strictly adhere to safety and health management and quality management

The Group strives to comply with all laws and regulations, and notifications related to workplace safety and health and to augment safety and health education. In addition, we are committed to building our reputation as a safe, reliable, and trustworthy company by strengthening quality management even further.

(2) Strengthen marketing capabilities in the specialized civil engineering field

The Group will improve customer trust by utilizing its management resources effectively and strengthening its marketing at all bases, including Group companies. In addition, we will focus on opening up new markets to reinforce our comprehensive marketing strengths and ensure an adequate volume of business.

(3) Maintain stable profitability in the building construction field

The Group will strengthen its employee education to ensure safety and quality and aim to raise customer satisfaction. We will also deepen relationships with existing customers and expand the range of our marketing by actively entering new fields, particularly growth markets, as we strive to maintain stable profitability.

(4) Improve profitability in overseas business segments

We will augment risk assessments based on market surveys at each base, and give priority to profitability in our marketing activities, while also reviewing employee assignments and reducing fixed costs with the aim of enhancing efficiency. These efforts will enable us to secure business volume, strengthen our management platform, and improve profitability.

(5) Strengthen technology development capacity

We will strengthen our technology development capacity for the future by bolstering our initiatives with new technology and establishing a system for research and development in the basic areas. For example, we will utilize ICT (Information and Communications Technology), which is rapidly gaining a foothold in the construction industry.

(6) Reinforce our financial position

We will further reduce fixed costs and strengthen our earnings capabilities to secure a stable stream of profit, as well as aggressively carrying out development and machinery investments with an eye on future growth. The Group will also further bolster its financial position by effectively utilizing its assets and improving asset efficiency.

OUTLOOK

In fiscal year ending March 31, 2017, the construction industry is expected to remain harsh due to a decrease in government construction investment in the special account for the Great East Japan Earthquake. However, a series of large-scale natural disasters across Japan are expected to add momentum to disaster response efforts, which should sustain solid conditions in the construction industry overall.

In these conditions, we will strive to strengthen marketing capacity in the specialized civil engineering field at each of our bases, including Group companies, and to secure business volume. In addition, we will endeavor to generate profits by reinforcing selective orders, further reducing cost of sales, and cutting expenses.

We will also work to generate the necessary income for the Group overall by further improving efficiency in the construction business and overseas business.

In the next fiscal year, we forecast consolidated net sales of ¥99,000 million, operating income of ¥8,600 million, ordinary income of ¥8,700 million, and net income attributable to owners of parent of ¥5,800 million.



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 nine members, two of whom are 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 re-presentative 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

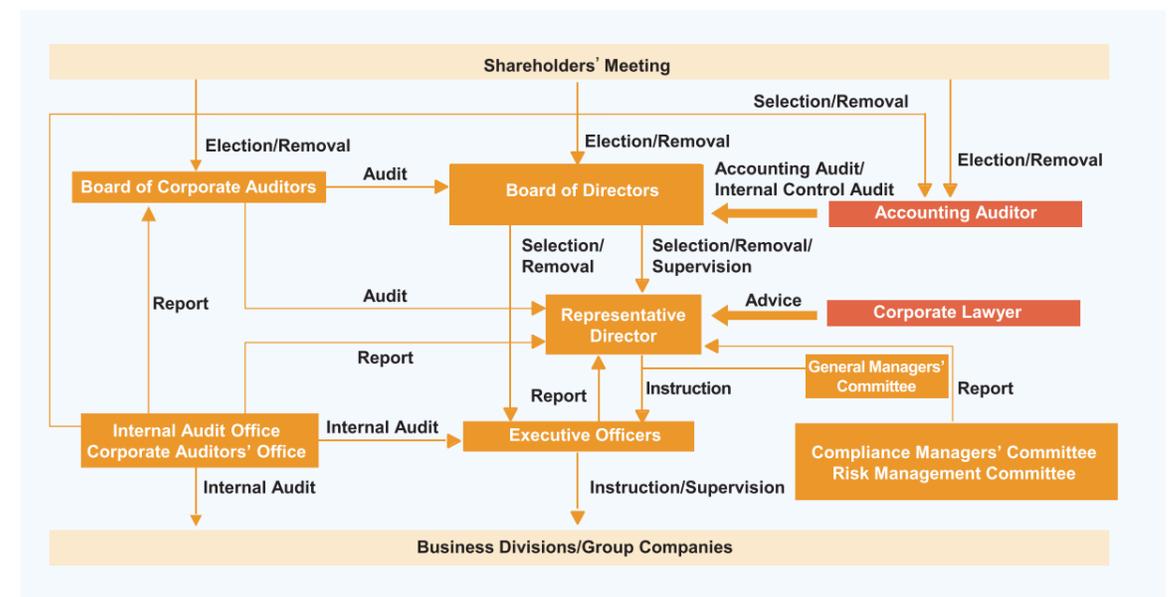
In order to improve the Group's ability to respond to and address risks that have the potential to significantly impact its operations, Raito Kogyo has established the internal Crisis Management Committee. By identifying and preventing risks in advance, the Group is better positioned to avoid any consequent 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 four 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 representative director.

STATUS OF ESTABLISHMENT OF SYSTEM TO OPTIMIZE SUBSIDIARY OPERATIONS

In order to ensure appropriate operations at subsidiaries, Raito Kogyo holds briefings for its subsidiaries based on the Basic Compliance Policy and the Raito Kogyo Group's Code of Conduct, thus ensuring familiarity. This process establishes and improves compliance and risk management systems and ensures appropriate operations.



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 ¥31,033 million and segment revenues from completed projects amounted to ¥29,134 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 ¥30,308 million, while segment revenues from completed projects were ¥30,589 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 ¥3,637 million. Segment revenues from completed projects were ¥3,398 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 ¥21,953 million, while segment revenues from completed projects amounted to ¥13,487 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 ¥18,139 million and segment revenues from completed projects amounted to ¥16,009 million.

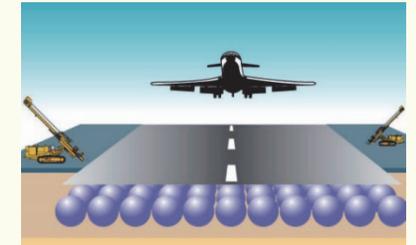


TECHNICAL TOPICS

Raito Kogyo is engaged in a broad range of research and development activities in an effort to respond to changes in market trends, expand its scope of business activities and upgrade technologies in each business segment. To this end, the Company is also active in joint R&D, and aggressively pursues joint-development opportunities with institutions in and out of the construction industry, universities and government authorities including the Ministry of Land, Infrastructure and Transport. R&D expenditures for the fiscal year under review were ¥238 million.

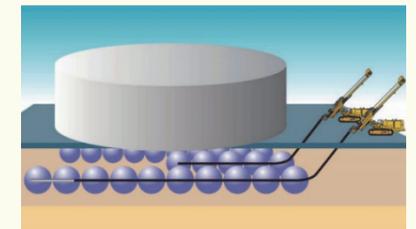
ANTI-LIQUEFACTION AND EARTHQUAKE-RESISTANT SOIL TREATMENT

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.

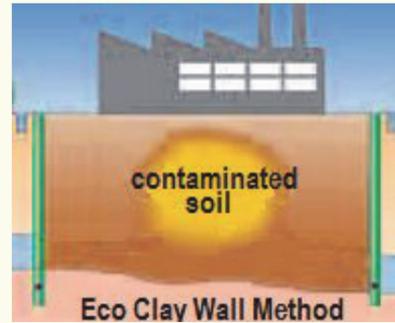


NAVIGATIONAL DRILLING SYSTEM

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.

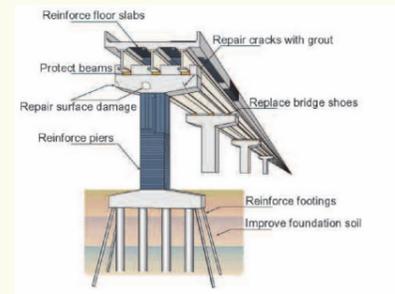


SOIL REMEDIATION TECHNOLOGY



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.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

CONSOLIDATED BALANCE SHEETS

March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
ASSETS			
Current assets:			
Cash and time deposits (Note 3)	¥19,606	¥17,543	\$174,089
Notes and accounts receivable — trade	27,663	25,305	245,631
Securities	3,600	1,100	31,965
Accumulated construction cost in progress (Note 4)	5,901	8,350	52,397
Merchandise and finished goods (Note 4)	24	19	213
Work in process (Note 4)	0	2	0
Raw materials and supplies (Note 4)	256	255	2,273
Accounts receivable — other	99	130	879
Deferred tax assets (Note 16)	567	489	5,034
Other current assets	685	733	6,082
Allowance for doubtful accounts	(77)	(101)	(683)
Total current assets	58,326	53,829	517,900
Non-current assets:			
Property, plant and equipment			
Buildings and structures	8,621	9,302	76,549
Accumulated depreciation	(5,208)	(5,545)	(46,244)
Buildings and structures, net (Note 10)	3,412	3,756	30,296
Machinery, vehicles and equipment	21,704	20,857	192,718
Accumulated depreciation	(19,506)	(19,029)	(173,201)
Machinery, vehicles and equipment, net	2,198	1,827	19,516
Land (Notes 7 and 10)	8,119	8,737	72,091
Lease assets	876	1,489	7,778
Accumulated depreciation	(510)	(878)	(4,528)
Lease assets, net	365	611	3,240
Construction in progress	89	1	790
Total property, plant and equipment	14,184	14,935	125,945
Intangible assets:			
Other	120	124	1,065
Total intangible assets	120	124	1,065
Investments and other assets:			
Investment securities (Notes 5 and 8)	3,536	3,830	31,397
Long-term prepaid expenses	648	730	5,753
Claims provable in bankruptcy, claims provable in rehabilitation and other	43	126	381
Real estate for investment	1,262	1,228	11,205
Others	1,657	1,461	14,713
Deferred tax assets (Note 16)	819	-	7,272
Allowance for doubtful accounts	(430)	(574)	(3,818)
Total investments and other assets	7,535	6,802	66,906
Total non-current assets	21,840	21,861	193,926
Total assets	¥80,166	¥75,691	\$711,827

The accompanying notes are an integral part of this statement.

March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
LIABILITIES			
Current liabilities:			
Notes and accounts payable — trade	¥17,367	¥18,407	\$154,208
Short-term bank loans payable (Notes 9 and 10)	900	700	7,991
Current portion of long-term loans payable (Note 10)	15	15	133
Accrued income taxes	2,388	1,743	21,204
Advance received on uncompleted contracts	5,555	6,532	49,325
Provision for warranties for completed construction	123	137	1,092
Allowance for anticipated loss on contract work	222	35	1,971
Accrued expenses	1,771	1,546	15,725
Other current liabilities	3,615	2,592	32,099
Total current liabilities	31,960	31,711	283,786
Non-current liabilities:			
Long-term loans payable (Note 10)	124	140	1,101
Deferred tax liabilities for land revaluation (Note 7)	865	1,054	7,680
Net defined benefit liability (Note 11)	578	435	5,132
Long-term accrued amount payable	27	41	239
Lease obligations	204	344	1,811
Deferred tax liabilities (Note 16)	3	276	26
Other non-current liabilities	52	55	461
Total non-current liabilities	1,856	2,348	16,480
Total liabilities	33,817	34,059	300,275
NET ASSETS			
Shareholders' equity:			
Capital stock	6,119	6,119	54,333
Capital surplus	6,358	6,358	56,455
Retained earnings	36,715	31,262	326,007
Treasury stock (Note 12)	(1,700)	(1,700)	(15,095)
Total shareholders' equity (Note 13)	47,492	42,040	421,701
Other accumulated comprehensive income:			
Valuation difference on available-for-sale securities	222	889	1,971
Revaluation reserve for land (Note 7)	(940)	(716)	(8,346)
Foreign currency translation adjustment	616	790	5,469
Remeasurements of defined benefit plans (Note 11)	(1,041)	(1,372)	(9,243)
Total other accumulated comprehensive income	(1,142)	(409)	(10,140)
Total net assets	46,349	41,631	411,552
Total liabilities and net assets	¥80,166	¥75,691	\$711,827

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales:			
Net sales of completed construction contracts	¥92,619	¥84,957	\$822,402
Net sales of sideline business	547	691	4,857
Total net sales	93,166	85,648	827,259
Cost of sales:			
Cost of sales of completed construction contracts	75,423	69,727	669,712
Cost of sales on sideline business	448	579	3,977
Total cost of sales	75,871	70,307	673,690
Gross profit:			
Gross profit of completed construction contracts	17,196	15,230	152,690
Gross profit on sideline business	98	111	870
Total gross profit	17,295	15,341	153,569
Selling, general and administrative expenses	8,661	8,263	76,904
Operating income	8,633	7,078	76,656
Non-operating income:			
Interest income	36	48	319
Dividends income	66	54	586
Foreign exchange gains	-	118	-
Royalty income	11	13	97
Insurance proceeds	5	104	44
Rent income on non-current assets	151	55	1,340
Other	85	75	754
Total non-operating income	355	470	3,152
Non-operating expenses:			
Interest expenses	25	27	221
Loss on sales of notes payable	4	5	35
Commission fee	16	83	142
Guarantee commission	19	32	168
Cost of lease revenue	62	-	550
Foreign exchange loss	122	-	1,083
Other	71	35	630
Total non-operating expenses	322	184	2,859
Ordinary income	8,666	7,364	76,949
Extraordinary income:			
Gain on sales of non-current assets	6	44	53
Gain on sales of investment securities	105	-	932
Gain from termination of retirement benefit plan	-	169	-
Settlement received	250	-	2,219
Total extraordinary income	361	214	3,205
Extraordinary loss:			
Impairment loss	315	-	2,797
Loss on sales and retirement of non-current assets	122	166	1,083
Loss on reconstruct	20	-	177
Loss on sales of investment securities	27	-	239
Loss on liquidation of subsidiaries and associates	13	-	115
Special extra retirement payments	5	6	44
Other	-	16	-
Total extraordinary losses	504	188	4,475
Income before income taxes	8,523	7,389	75,679
Income taxes-current	3,260	2,784	28,946
Income taxes-deferred	(655)	2	(5,816)
Total Income taxes	2,605	2,786	23,130
Net income	5,918	4,602	52,548
Net income attributable to owners of parent	¥5,918	¥4,602	\$52,548

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net Income	¥5,918	¥4,602	\$52,548
Other comprehensive income:			
Valuation difference on available-for-sale securities	(666)	326	(5,913)
Revaluation reserve for land	48	107	426
Foreign currency translation adjustment	(174)	432	(1,545)
Retirement benefit adjustment	331	211	2,939
Total other comprehensive income (Note 15)	(461)	1,078	(4,093)
Comprehensive income (Note 15)	5,456	5,680	48,446
(Breakdown)			
Comprehensive income attributable to owners of the parent	5,456	5,680	48,446
Comprehensive income attributable to non-controlling interests	¥ -	¥ -	\$ -

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Millions of yen										
	Shareholders' equity					Other accumulated comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income	
Balance at March 31, 2014	¥6,119	¥6,358	¥26,502	¥(1,699)	¥37,280	¥562	¥(814)	¥358	¥(1,584)	¥(1,477)	¥35,803
Accumulated effects of changes in accounting policy			673		673						673
Opening balance reflecting changes in accounting policy	6,119	6,358	27,175	(1,699)	37,954	562	(814)	358	(1,584)	(1,477)	36,477
Dividends from surplus			(526)		(526)						(526)
Net income attribute to owners of parent			4,602		4,602						4,602
Increase in treasury stock				(0)	(0)						(0)
Reversal of revaluation reserve for land			10		10						10
Net changes of items other than shareholders' equity						326	97	432	211	1,067	1,067
Balance at March 31, 2015	6,119	6,358	31,262	(1,700)	42,040	889	(716)	790	(1,372)	(409)	41,631
Dividends from surplus			(737)		(737)						(737)
Net income attribute to owners of parent			5,918		5,918						5,918
Increase in treasury stock				(0)	(0)						(0)
Reversal of revaluation reserve for land			272		272						272
Net changes of items other than shareholders' equity						(666)	(223)	(174)	331	(733)	(733)
Balance at March 31, 2016	¥6,119	¥6,358	¥36,715	¥(1,700)	¥47,492	¥222	¥(940)	¥616	¥(1,041)	¥(1,142)	¥46,349

Thousands of U.S. dollars

	Thousands of U.S. dollars										
	Shareholders' equity					Other accumulated comprehensive income					Total net assets
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income	
Balance at March 31, 2015	\$54,333	\$56,455	\$235,322	\$(15,086)	\$331,024	\$7,893	\$(6,357)	\$7,014	\$(12,182)	\$(3,631)	\$369,659
Dividends from surplus			(6,544)		(6,544)						(6,544)
Net income attribute to owners of parent			52,548		52,548						52,548
Increase in treasury stock				(0)	(0)						(0)
Reversal of revaluation reserve for land			2,415		2,415						2,415
Net changes of items other than shareholders' equity						(5,913)	(1,980)	(1,545)	2,939	(6,508)	(6,508)
Balance at March 31, 2016	\$54,333	\$56,455	\$326,007	\$(15,095)	\$421,701	\$1,971	\$(8,346)	\$5,469	\$(9,243)	\$(10,140)	\$411,552

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2016 and 2015	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities			
Income before income taxes	¥8,523	¥7,389	\$75,679
Depreciation and amortization	1,418	1,124	12,591
Impairment of non-current assets	315	-	2,797
Loss on retirement of non-current assets	18	10	159
Increase (decrease) in allowance for doubtful accounts	(167)	(145)	(1,482)
Increase (decrease) in provision for warranties for completed construction	(14)	(28)	(124)
Increase (decrease) in provision for loss on construction contracts	187	(11)	1,660
Increase (decrease) in net defined benefit liability	143	(380)	1,269
Interest and dividends of income	(102)	(102)	(905)
Interest expenses	25	27	221
Loss on sales of notes receivable - trade	4	5	35
Loss (gain) on valuation of investment securities	(78)	-	(692)
Loss on valuation of membership	0	-	0
Decrease (increase) in notes and accounts receivable - trade	(2,386)	7,571	(21,186)
Decrease (increase) in accumulated construction cost in progress	2,438	(3,458)	21,648
Decrease (increase) in other inventories	(8)	(43)	(71)
Increase (decrease) in notes and accounts payable - trade	(1,036)	(2,024)	(9,199)
Increase (decrease) in advances received on uncompleted construction contracts	(970)	1,306	(8,613)
Others	1,756	1,245	15,592
Subtotal	10,067	12,486	89,389
Interest income and dividend received (cash basis)	102	102	905
Interest payment (cash basis)	(25)	(27)	(221)
Payments for sales of notes receivable - trade	(4)	(5)	(35)
Income taxes paid	(3,000)	(3,272)	(26,638)
Net cash provided by (used in) operating activities	7,139	9,284	63,390
Net cash provided by (used in) investing activities			
Purchases of property, plant and equipment	(1,460)	(2,795)	(12,963)
Proceeds from sales of property, plant and equipment	443	246	3,933
Purchases of intangible assets	(42)	(57)	(372)
Purchase of securities	(4,599)	(1,100)	(40,836)
Proceeds from redemption of securities	999	400	8,870
Proceeds from sales of securities	900	-	7,991
Purchases of investment securities	(1,014)	(121)	(9,003)
Proceeds from sales of investment securities	732	-	6,499
Proceeds from redemption of investment securities	-	200	-
Proceeds from withdrawal of time deposits	100	-	887
Collection of loans receivable from subsidiaries and affiliates	4	104	35
Payments for investments in real estates	(2,834)	(1,242)	(25,164)
Proceeds from sales of investments in real estates	2,800	1,294	24,862
Others	(41)	83	(364)
Net cash provided by (used in) investing activities	(4,012)	(2,988)	(35,624)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	200	(400)	1,775
Cash dividends paid	(732)	(525)	(6,499)
Repayment of long-term loans payable	(15)	(54)	(133)
Repayments of finance lease obligations	(252)	(334)	(2,237)
Purchase of treasury stock	(0)	(0)	(0)
Net cash provided by (used in) financing activities	(801)	(1,315)	(7,112)
Effect of exchange rate change on cash and cash equivalents	(162)	362	(1,438)
Net increase (decrease) in cash and cash equivalents	2,162	5,343	19,197
Cash and cash equivalents at beginning of the year	17,443	12,099	154,883
Cash and cash equivalents at end of the year (Note 3)	¥19,606	¥17,443	\$174,089

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

The amounts are rounded to the nearest million yen. Therefore, total or subtotal amounts do not correspond with the aggregation of such account balances. The United States dollar amounts presented in the accompanying financial statements are included solely for convenience and are stated, as a matter of arithmetic computation only, at the rate of ¥112.62 = US\$1.00, which was the exchange rate prevailing at March 31, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its 9 significant subsidiaries: RAITO, INC., ONORYO CO., LTD., AURA CE CO., LTD., 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 SHINSANPEI 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 amortized cost method.

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, are mainly computed by the declining balance method, and depreciation for buildings acquired after April 1, 1998 are 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 ¥222 million.

(g) Accounting treatment for retirement benefits

i) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to periods up to and including the consolidated fiscal year under review using the benefit formula method.

ii) Treatment of actuarial differences and prior service cost

Prior service cost is amortized using the straight-line method over the predetermined period (10 years) which is shorter than the average remaining years of service of eligible employees at the time of incurrence of such cost.

An actuarial difference is amortized proportionately using the straight-line method over the predetermined period (10 years), which is shorter than the average remaining years of service of eligible employees at the time of occurrence in each consolidated fiscal year, beginning with the following consolidated fiscal year.

One of the Company's domestic consolidated subsidiaries posted 100% of the required benefit amount at the end of the consolidated fiscal year under review, 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.

3. CASH AND CASH EQUIVALENTS

Reconciliation between cash and time deposits and marketable securities on the consolidated balance sheets as of March 31, 2016 and 2015 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits on the consolidated balance sheets	¥19,606	¥17,543	\$174,089
Time deposits with terms exceeding 3 months	-	(100)	-
Cash and cash equivalents on the statement of cash flows	¥19,606	¥17,443	\$174,089

4. INVENTORIES

Inventories as of March 31, 2016 and 2015 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Accumulated construction cost in progress	¥5,901	¥8,350	\$52,397
Merchandise and finished goods, work in process and raw material and supplies	280	276	2,486
	¥6,181	¥8,626	\$54,883

5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2016 and 2015 are presented as follows

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Investment in securities (shares)	¥363	¥363	\$3,223

6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2016 and 2015 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Endorsed notes receivable	¥55	¥25	\$488

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, 2016, the carrying amount of the land after one-time revaluation exceed the market value by ¥2,794 million (\$24,809 thousand).

8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of listed securities, which are classified as Marketable securities, as of March 31, 2016 and 2015, are as follows:

	Millions of yen		Fair Value
	Cost	(Carrying Amount)	
As of March 31, 2016			
Marketable equity securities	¥1,221	¥1,686	¥465
Fund trust and other	49	52	2
	¥1,271	¥1,738	¥467

	Millions of yen		Fair Value
	Cost	(Carrying Amount)	
As of March 31, 2015			
Marketable equity securities	¥1,390	¥2,466	¥1,075
Fund trust and other	504	593	88
	¥1,895	¥3,059	¥1,163

Thousands of U.S. dollars

	Fair Value		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
As of March 31, 2016			
Marketable equity securities	\$10,841	\$14,970	\$4,128
Fund trust and other	435	461	17
	\$11,285	\$15,432	\$4,146

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 ¥9,651 million (\$85,695 thousand).

10. PLEDGED ASSETS AND SECURED LIABILITIES

Details of assets pledged as collateral as of March 31, 2016 and 2015 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Buildings	¥274	¥281	\$2,432
Land	336	336	2,983
Total	¥611	¥618	\$5,425

Details of secured liabilities as of March 31, 2016 and 2015 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Short-term bank loans payable	¥50	¥100	\$443
Current portion of long-term loans payable	15	15	133
Long-term loans payable	124	140	1,101
Total	¥190	¥256	\$1,687

11. EMPLOYEES' RETIREMENT BENEFIT AND PENSION PLAN

Consolidated fiscal year under review (from April 1, 2015, to March 31, 2016)

1. Overview of adopted retirement benefit plans

The Company and some of its consolidated subsidiaries have a savings-type defined benefit plan and a defined contributions plan to cover employees' retirement benefits.

The defined benefit corporate pension plan provides lump-sum payments or pensions according to the amount of benefit and length of service.

Retirement benefit trusts are established under the lump-sum retirement allowance plan.

The lump-sum retirement allowance plan provides, as retirement benefits, lump-sum payments according to the amount of salary and length of service.

Some of the consolidated subsidiaries calculate retirement benefit obligations and expenses using a simplified method, wherein retirement benefits payable at the term end for personal reasons are regarded as retirement benefit obligations.

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
	2016	2015	2016
Retirement benefit obligation at beginning of term	¥8,041	¥9,942	\$71,399
Accumulated effects of changes in accounting policy	-	(673)	-
Opening balance reflecting changes in accounting policy	8,041	9,268	71,399
Service cost	368	326	3,267
interest expense	47	42	417
Actuarial difference amounts incurred for the period	(9)	1,009	(79)
Retirement benefit payments	(736)	(616)	(6,535)
Decrease due to transfer to a defined contribution pension plan	-	(1,989)	-
Retirement benefit obligation at end of term	¥7,712	¥8,041	\$68,478

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets at beginning of term	¥7,605	¥8,240	\$67,527
Expected return on assets	104	95	923
Actuarial difference amounts incurred for the period	(505)	816	(4,484)
Contributions from employer	395	400	3,507
Retirement benefit payments	(466)	(424)	(4,137)
Decrease due to transfer to a defined contribution pension plan	-	(1,522)	-
Plan assets at end of term	¥7,133	¥7,605	\$63,336

(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
	2016	2015	2016
Retirement benefit obligation of funded plans	¥7,712	¥8,041	\$68,478
Plan assets	(7,133)	(7,605)	(63,336)
	578	435	5,132
Retirement benefit obligation of unfunded plans	-	-	-
Net assets and liabilities recorded on the consolidated balance sheets	¥578	¥435	\$5,132

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net defined benefit liability	¥578	¥435	\$5,132
Net assets and liabilities recorded on the consolidated balance sheets	¥578	¥435	\$5,132

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥368	¥326	\$3,267
Interest expense	47	42	417
Expected return on assets	(104)	(95)	(923)
Amount expensed for actuarial difference	364	107	3,232
Amount expensed for prior service cost	-	-	-
Retirement benefit expenses for the defined benefit plan	676	381	6,002
Gains from termination of retirement benefit plan	-	(169)	-
Retirement benefit expenses relating to defined benefit plans	¥676	211	\$6,002

(5) Remeasurements of defined benefit 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
	2016	2015	2016
Actuarial differences	¥131	¥211	\$1,163
Total	¥131	¥211	\$1,163

(6) Total remeasurements of defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized actuarial differences	¥1,504	¥1,372	\$13,354
Total	¥1,504	¥1,372	\$13,354

(7) Plan assets

i) Principal breakdown of plan assets

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

	2016	2015
Bonds	37%	38%
Shares	46%	45%
Cash on hand and in banks	0%	0%
Other	17%	17%
Total	100%	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.

(8) 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%
Expected rate of salary increase 2.9%

12. TREASURY STOCK

The Company holds 5,145,301 shares of treasury stock as of March 31, 2016.

13. 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.

14. 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, 2016 and 2015 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Kesennuma Regional Housing Producers Network	¥130	-	\$1,154

15. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2016 and 2015 is presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference on available-for-sale securities:			
The amount arising during the period	(¥780)	¥398	(\$6,925)
Reclassification adjustment	(78)	-	(692)
Foreign currency translation adjustment:			
The amount arising during the period	(187)	432	(1,660)
Reclassification adjustment	13	-	115
Retirement benefit adjustment			
The amount arising during the period	(496)	(193)	(4,404)
Reclassification adjustment	364	405	3,232
Before adjustment for tax effects	(1,164)	1,042	(10,335)
Amount of tax effects	703	35	6,242
Total other accumulated comprehensive income	(¥461)	¥1,078	(\$4,093)

Information relating to the amounts of tax effects applicable to other accumulated comprehensive income for the years ended March 31, 2016 and 2015 is presented as follows.

	Millions of yen		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	(¥858)	¥191	(¥666)
Revaluation reserve for land	-	48	48
Foreign currency translation adjustment	(174)	-	(174)
Remeasurements of defined benefit plans	(131)	463	331
Total other accumulated comprehensive income	(¥1,164)	¥703	(¥461)

	Millions of yen		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	¥398	(¥72)	¥326
Revaluation reserve for land	-	¥107	¥107
Foreign currency translation adjustment	432	-	432
Remeasurements of defined benefit plans	211	-	211
Total other accumulated comprehensive income	¥1,042	¥35	¥1,078

	Thousands of U.S. dollars		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	(\$7,618)	\$1,695	(\$5,913)
Revaluation reserve for land	-	426	426
Foreign currency translation adjustment	(1,545)	-	(1,545)
Remeasurements of defined benefit plans	1,163	4,111	2,939
Total other accumulated comprehensive income	\$10,335	\$6,242	(\$4,093)

16. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥1,216	¥1,195	\$10,797
Accrued expenses	317	236	2,814
Allowance for doubtful accounts	157	218	1,394
Provision for loss on construction denied for deduction	48	10	426
Net operating loss carryforwards	318	304	2,823
Impairment loss denied for deduction	160	189	1,420
Loss on support of subsidiaries and affiliates	915	959	8,124
Loss on valuation of stocks of subsidiaries and affiliates	411	431	3,649
Other	790	648	7,014
Subtotal	4,335	4,193	38,492
Valuation allowance	(2,569)	(3,387)	(22,811)
Total deferred tax assets	¥1,766	¥806	\$15,681
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	(297)	(313)	(2,637)
Valuation difference on available-for-sale securities	(78)	(269)	(692)
Special depreciation allowance for tax purposes	(4)	(5)	(35)
Disposal expenses relating to asset retirement obligations	(3)	(4)	(26)
Total deferred tax liabilities	(¥383)	(¥593)	(\$3,400)
Total net deferred tax assets	¥1,382	¥212	\$12,171

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, 2016 and 2015 are presented as follows.

	2016	2015
Statutory effective tax rate	33.1%	35.6%
(Adjustments)		
Non-deductible expenses such as entertainment	0.5	0.3
Per capita inhabitants' taxes	0.9	1.0
Increase / decrease in valuation reserves	(3.0)	(0.4)
Other	(1.0)	(1.1)
Burden rate of corporate taxes, etc. after application of tax-effect accounting	30.6%	37.7%

17. SEGMENT INFORMATION

a) Overview of reportable segments

The Group's reportable segments are the business units for which the Company is able to obtain the relevant financial information separately in order for the Company's Board of 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 construction 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 reportable "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 "Chief basis of preparation of the consolidated financial statements."

Reportable segment profit figures are based on operating income.

Intersegment transactions and transfers are based on market prices.

c) Industry segments

Summarized financial information by industry segment for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen				
	Year ended March 31, 2016				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	¥92,619	¥547	¥93,166	¥-	¥93,166
Inter-segments	-	1,628	1,628	(1,628)	0
Total	92,619	2,175	94,795	(1,628)	93,166
Operating expenses	84,038	2,125	86,164		
Operating income/loss	8,580	50	8,631	2	8,633
Assets	49,690	1,233	50,924	29,242	80,166
Depreciation	1,376	29	1,405	(16)	1,389
Capital expenditures	1,487	4	1,491	-	1,491

	Millions of yen				
	Year ended March 31, 2015				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	¥84,957	¥691	¥85,648	¥-	¥85,648
Inter-segments	-	1,350	1,350	(1,350)	0
Total	84,957	2,041	86,999	(1,350)	85,648
Operating expenses	77,921	2,001	79,922		
Operating income/loss	7,036	40	7,076	2	7,078
Assets	48,404	1,453	49,858	25,832	75,691
Depreciation	1,056	28	1,085	2	1,087
Capital expenditures	1,324	27	1,351	1,893	3,245

	Thousands of U.S. dollars				
	Year ended March 31, 2016				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	\$822,402	\$4,857	\$827,259	¥-	\$827,259
Inter-segments	-	14,455	14,455	(14,455)	0
Total	822,402	19,312	841,724	(14,455)	827,259
Operating expenses	746,208	18,868	765,086	(14,730)	750,355
Operating income/loss	76,185	443	76,638	266	76,904
Assets	441,218	10,948	452,175	259,651	711,827
Depreciation	12,218	257	12,475	(142)	12,333
Capital expenditures	13,203	35	13,239	-	13,239

"Others" are business segments not included in the reportable segments, and include product and material sales, leases, home-visit care and so on.

d) Geographical segments

Summarized financial information for revenues by geographical business segment for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥90,483	¥83,087	\$803,436
North America	979	1,203	8,692
Other	1,704	1,358	15,130
Total	¥93,166	¥85,648	\$827,259

18. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2016 and 2015 are presented as follows.

	Yen		Thousands of U.S. dollars
	2016	2015	2016
Net assets per share	¥880.17	¥790.56	\$7.81
Net income per share	112.39	87.40	\$0.99

19. SUBSEQUENT EVENT

On June 29, 2016 the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash dividends of 20.0 (0.17\$) per share (final for the year ended March 31, 2016)	¥1,053	¥737	\$9,351

Establishment of new R&D Center

In order to continually expand, the Company decided to create the R&D Center (provisional name). This will replace the current Research & Development Institute, whose functions have declined, and will also lead to the development of an organization and system that enable us to identify the technology and business areas that will be key to the next generation and pursue efficient research and development. The Company itself will construct the R&D Center.

1. Overview of facility

- (1) Name: R&D Center (provisional name)
- (2) Location: Tsukuba, Ibaraki Prefecture
- (3) Effective lot size: Approximately 12,000m²
- (4) Total investment: About ¥2.8 billion (including land)
- (5) Fund procurement method: Company funds

2. Start of facility operations

December 2017 (tentative)

3. Material impact of capital investment on marketing activity
The Company has determined that this capital investment will enable it to respond to next-generation markets, develop new construction techniques with the aim of creating new markets, and strengthen surveys, analysis, and material development. This will enhance the Company's technologies and contribute to the development of technology that sets the Company apart from its competitors.

BOARD OF DIRECTORS

PRESIDENT AND REPRESENTATIVE DIRECTOR	SENIOR MANAGING DIRECTORS	DIRECTORS
Kazuo Suzuki	Shigeaki Funayama Nobuyuki Fujisawa	Yusuke Murai Tadashi Shibata Makoto Shirai
	MANAGING DIRECTORS	(as of June 29, 2016)
	Yoichi Howa Makoto Nishi Kazuhiro Akutsu	

SHARE INFORMATION

COMMON STOCK	ANNUAL MEETING	DIVIDENDS
Authorized shares 198,000,000 shares (as of March 31, 2016)	June of each year in Tokyo, Japan	Dividends are normally paid in June.
Issued and outstanding shares 57,804,450 shares (as of June 29, 2016)	TRANSFER AGENT, REGISTRAR AND DIVIDEND PAYMENTS	PLEASE DIRECT INQUIRIES TO
Number of shareholders 8,444 (as of March 31, 2016)	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan Phone: 81-3-3323-7111	Publicity Office RAITO KOGYO CO., LTD. 4-2-35 Kudan-kita, Chiyoda-ku, Tokyo 102-8236, Japan Phone: 81-3-3265-2555 Fax: 81-3-3265-2689
FISCAL YEAR-END		
End of March each year		

CORPORATE DATA

HEAD OFFICE	STOCK TRADING
4-2-35 Kudan-kita, Chiyoda-ku, Tokyo 102-8236, Japan	Tokyo Stock Exchange, First Section
CAPITAL	MAJOR SHAREHOLDERS
¥6,119,475,000 US\$54,337,373 (¥112.62=US\$1.00) (as of March 31, 2016)	Japan Trustee Services Bank, Ltd. RAITO KOGYO CO., LTD. The Master Trust Bank of Japan, Ltd. Taiyo Life Insurance Company Sumitomo Mitsui Banking Corporation Nippon Life Insurance Company
DATE OF ESTABLISHMENT	EMPLOYEES
September 28, 1948	1,067 (as of March 31, 2016)

OVERSEAS NETWORK

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