

# Annual Report 2017

Year ended March 31, 2017



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, the Company will help protect the nation from disaster and contribute in the building of a robust nation that offers a strong sense of safety and security.

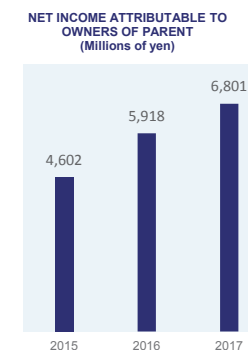
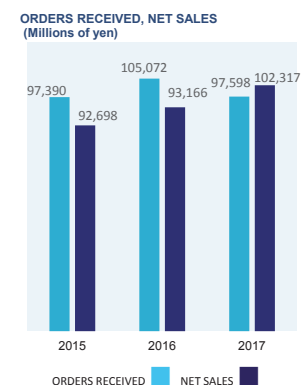
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## CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen						Thousands of U.S. dollars
	2017	2016	2015	2014	2013	2012	2017
<b>FOR THE YEAR</b>							
Orders received	<b>¥97,598</b>	¥105,072	¥97,390	¥91,217	¥79,139	¥74,685	<b>\$869,934</b>
Net sales	<b>102,317</b>	93,166	85,648	92,698	75,557	73,982	<b>911,997</b>
Income from operations	<b>9,799</b>	8,633	7,078	6,581	2,947	2,255	<b>87,342</b>
Income before income taxes	<b>9,752</b>	8,523	7,389	6,692	2,573	2,108	<b>86,923</b>
Net income attributable to owners of parent	<b>6,801</b>	5,918	4,602	3,973	1,973	1,678	<b>60,620</b>
<b>AT YEAR-END</b>							
Total assets	<b>89,090</b>	80,166	75,691	71,500	61,078	58,370	<b>794,099</b>
Net assets	<b>53,194</b>	46,349	41,631	35,803	33,291	31,137	<b>474,142</b>
Capital stock	<b>6,119</b>	6,119	6,119	6,119	6,119	6,119	<b>54,541</b>
<b>AMOUNTS PER SHARE (in yen)</b>							
Net income	<b>129.16</b>	112.39	87.40	75.45	37.47	31.88	
Net assets	<b>1,010.18</b>	880.17	790.56	679.89	632.17	591.27	
<b>PERFORMANCE INDICATORS</b>							
Equity capital ratio (%)	<b>59.7</b>	57.8	55.0	50.1	54.5	53.3	
Return on equity (%)	<b>13.7</b>	13.5	11.9	11.5	6.1	5.4	

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 ¥112.19 = US\$1.00, the rate on March 31, 2017.



## PRESIDENT'S MESSAGE



## OPERATING PERFORMANCE

In the fiscal year, ended March 31, 2017, the Japanese economy remained stagnant affected by overseas economies, but showed a sign of pickup in export and production activities in the latter half of the fiscal year backed by the moderate recovery in overseas economies.

Although the economy maintained a mild recovery trend due to the effect of ongoing economic measures by the government and the Bank of Japan, concerns over downward risks to the economy have grown due to mounting uncertainties in the future trends of overseas political situations and other factors.

In the construction industry, corporate capital spending and private-sector housing investment remained strong on the back of economic recovery, and private-sector construction investment was solid. As public-sector construction investment also remained at a high level thanks partially to the effect of the supplementary budget, construction investment was strong for both private and public sectors.

In these conditions, although orders decreased from the previous fiscal year, the Raito Kogyo Group achieved a 9.8% year-on-year increase in net sales to ¥102,317 million. This can be attributed to steady advances with construction projects while projects in progress increased along with a significant increase in carry-over projects from the previous fiscal year.

On the profit front, we posted gross profit of ¥19,044 million, up 10.1% over the previous fiscal year due to higher sales.

This increased gross profit resulted in operating income totaling ¥9,799 million, up 13.5% from the previous fiscal year, and ordinary income of ¥9,922 million, up 14.5%. Net income attributable to owners of parent rose 14.9% over the previous fiscal year to ¥6,801 million.

## BUSINESS SEGMENT REVIEW

Consolidated net sales in the construction segment, the Group's core business, were ¥101,535 million, up 9.6% over the previous fiscal year.

Orders received in this segment decreased 7.1% year-on-year to ¥97,598 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 ¥30,179 million. Although orders from the private-sector increased, this was not enough to offset the decrease in orders from government offices and the decrease in orders at consolidated subsidiaries due to a reactionary decline.

### (2) Foundation and ground improvement projects

Orders received increased 12.8% from the previous fiscal year to ¥34,179 million due to the increase in orders for anti-liquefaction work for harbors and such in addition to the increase in orders for ground improvement projects related to roads centering on belt highways maintenance/development in the Tokyo metropolitan area.

### (3) Structural repair and reinforcement projects

Orders received decreased 16.9% from the previous fiscal year to ¥3,021 million due to a decrease in orders from the Ministry of Land, Infrastructure, Transport and Tourism for bridge repair and reinforcement works.

### (4) Environmental restoration projects

Orders received decreased 37.6% from the previous fiscal year to ¥5,477 million due to a decrease in orders from the Ministry of the Environment for decontamination work, despite an increase in orders from the private-sector for soil contamination countermeasures work.

### (5) Building construction projects

Orders received decreased 24.9% from the previous fiscal year to ¥16,495 million due to a decrease brought by a reactionary decline from a large-scale construction project order received in the previous fiscal year at consolidated subsidiaries, despite steady orders for condominium construction in the Tokyo metropolitan area.

### (6) General civil engineering and other projects

Orders received decreased 12.0% from the previous fiscal year to ¥8,244 million due to a decrease in orders from government offices for conduit work.

## 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 will strive to build a reputation as a safe, reliable and trustworthy company by complying with all laws and regulations, and notifications related to workplace safety and health under the basic philosophy of "respect for human life and safety first," and by strengthening quality management with a thorough commitment.

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

The Group is committed to secure a comprehensive volume of business by clearly ascertaining customer needs and concentrating and shifting management resources so as to ensure their effective and efficient utilization, while at the same time, strengthening the Company's marketing operations at all our bases, including the Group companies, and improving customer trust and construction efficiency.

(3) Maintain stable profitability in the building construction field

The Group will enrich its employee education and strengthen organizational power 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 strive to improve profitability by augmenting risk assessments through strengthening market surveys at each base, and constructing business strategies that place priority on profitability while actively utilizing new schemes, such as through alliances, etc. with local companies, expanding marketing areas and engineering expertise, and optimizing the allocation of management resources.

(5) Strengthen technology development capacity

We will respond to the construction industry's changes, and next-generation markets while pursuing research and development for the creation of new markets by innovative approaches. For example, we will bolster our initiatives for new technology development through the utilization of ICT (Information and Communications Technology) and the like, and develop machines that improve construction efficiency.

(6) Reinforce our management and financial foundations

We will also further reinforce our management and financial foundations by promoting management efficiency through the appropriate allocation of fixed costs and the utilization of ICT and strengthening profitability so as to enable the securing of stable profit, while aggressively carrying out investments in the business divisions that lead to the next generation and making efforts to secure and develop the Group's core human resources.

## OUTLOOK

In the fiscal year ending March 31, 2018, although government construction investment in the special account for the Great East Japan Earthquake is likely to decrease, the construction industry is expected to continue to remain solid on the back of government construction investment in the general account projected to be roughly the same as the previous fiscal year in the initial budget and of the supplementary budget compiled for fiscal 2016.

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 continuing with selective order intakes, emphasizing profitability as well as by focusing on reducing cost of sales and fixed costs.

We will also aim to generate the necessary income for the Group overall by further developing the construction business and overseas business.

In the next fiscal year, we forecast consolidated net sales of ¥101,000 million, operating income of ¥9,000 million, ordinary income of ¥9,200 million, and net income attributable to owners of parent of ¥6,300 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 ten 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 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 non-consolidated 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

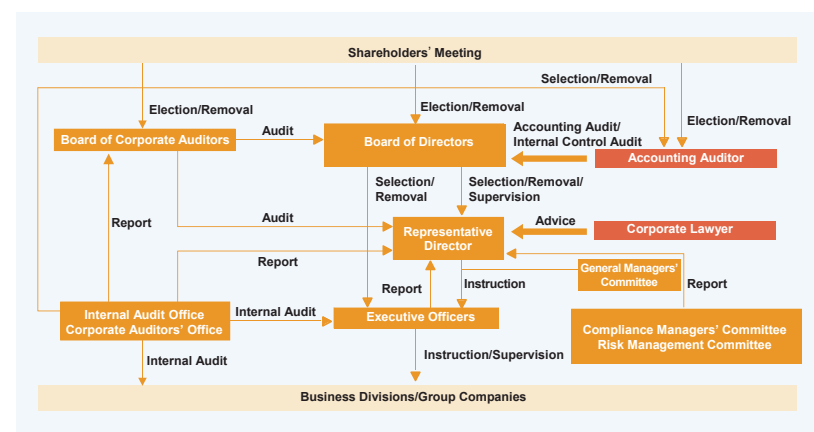
In order to improve the Group's ability to respond to and address risks that have the potential to significantly impact its operations, Raito Kogyo has established the Internal Crisis Management Committee. By identifying and preventing risks in advance, the Group is better positioned to avoid any consequent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

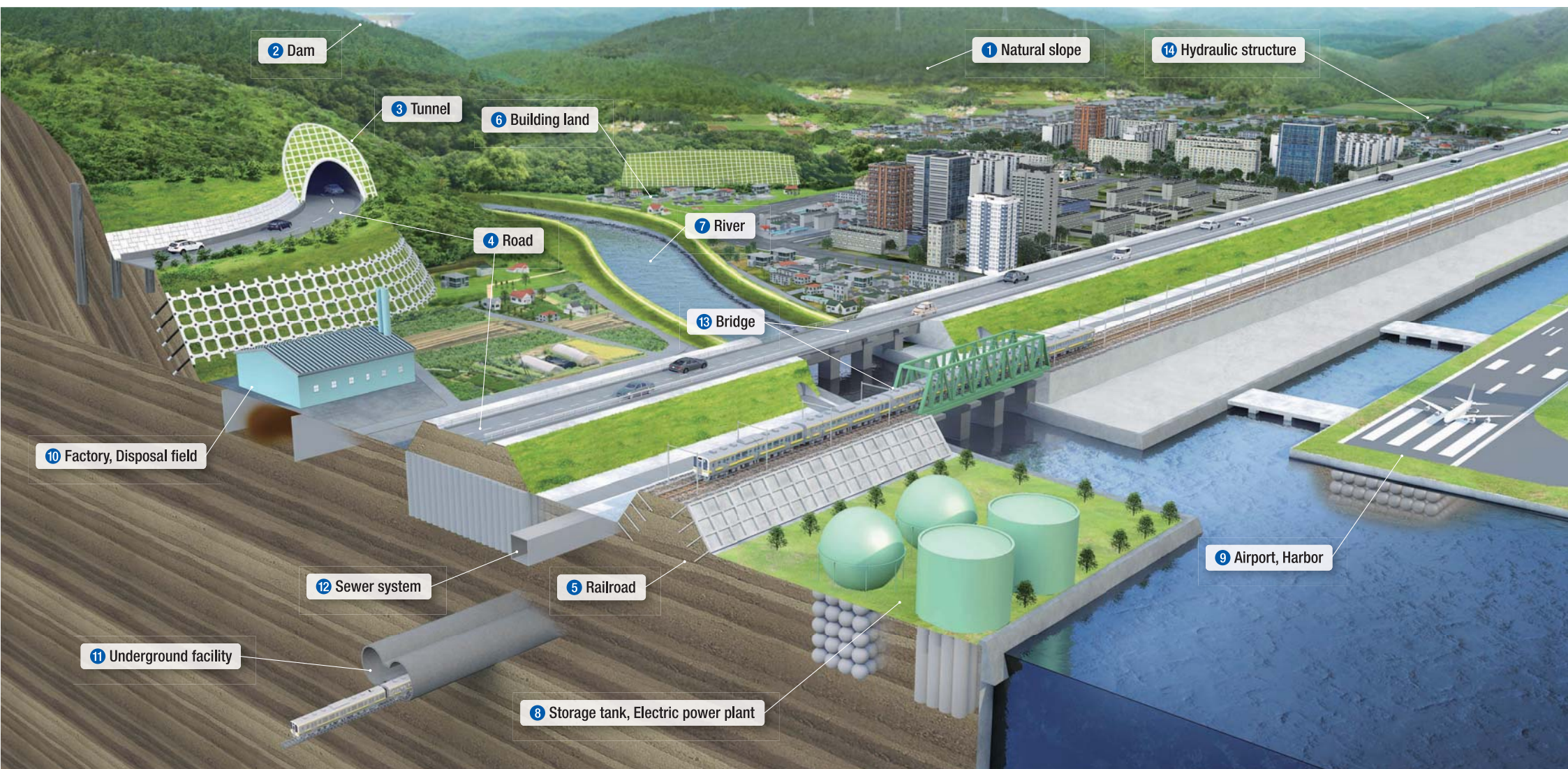
### INTERNAL AUDITS

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.





<b>1. Natural slope</b>	
Steep slope failure prevention	Slope protection
Landslide prevention	Slope protection
<b>2. Dam</b>	
Protection of cut slope	Slope protection
<b>3. Tunnel</b>	
Protection of slope at mine mouth of tunnel	Slope protection
Repair and protection of old tunnels	Repair and reinforcement of construction
<b>4. Road</b>	
Protection of cut slope	Slope protection
Prevention of settlement and prevention of sliding of embankment	Soil improvement

<b>5. Railroad</b>	
Prevention of settlement and prevention of sliding of embankment	Soil improvement
Seismic strengthening of embankment	Ground reinforcement
Protection of cut slope	Slope protection
<b>6. Building land</b>	
Protection of cut slope	Slope protection
Prevention of settlement	Soil improvement
<b>7. River</b>	
Leakage control of levee body	Consecutive underground wall
Vegetation of levee body	Slope protection
Earthquake strengthening of tide embankment	Soil improvement, Chemical grouting

<b>8. Storage tank, Electric power plant</b>	
Liquefaction prevention	Chemical grouting
Prevention of settlement	Soil improvement
Cutoff wall	Underground continuous wall
<b>9. Airport, Harbor</b>	
Liquefaction prevention	Chemical grouting
Prevention of settlement	Soil improvement
Reinforcement of quay	Soil improvement, Chemical grouting
<b>10. Factory, Disposal field</b>	
Leakage prevention of contamination	Consecutive underground wall

<b>11. Underground facility</b>	
Protection of launching and arriving of shield machine	Chemical grouting
Cutoff of defective part of retaining wall	Chemical grouting
<b>12. Sewer system</b>	
Installation of pipe	Pipe installation
Improvement of earthquake performance of manhole	Pipe installation
<b>13. Bridge</b>	
Repair and protection of bridge	Repair and reinforcement of construction
<b>14. Hydraulic structure</b>	
Repair of channel, sluiceway, sluice pipe	Repair and reinforcement of construction



## 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 landslide, 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.

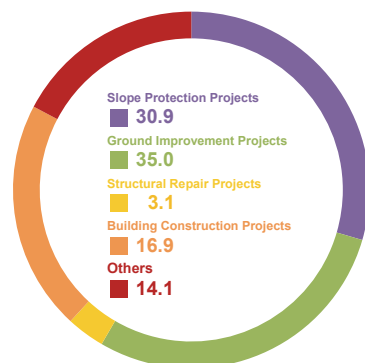


### BUILDING CONSTRUCTION PROJECTS

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.

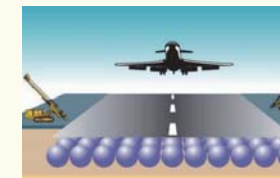


## TECHNICAL TOPICS

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 ¥473 million.

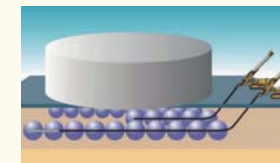
### ANTI-LIQUEFACTION AND EARTHQUAKE-RESISTANT SOIL TREATMENT

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.

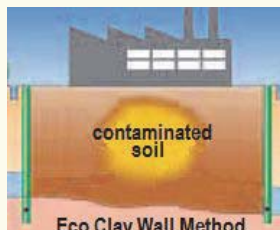


### NAVIGATIONAL DRILLING SYSTEM

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.

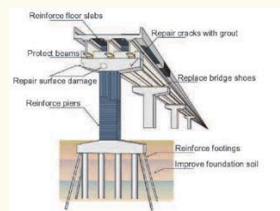


## SOIL REMEDIATION TECHNOLOGY



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, 2017



## CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31, 2017 and 2016	2017	2016	2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 3)	¥20,739	¥19,606	\$184,856
Notes and accounts receivable — trade	33,536	27,663	298,921
Securities	3,099	3,600	27,622
Accumulated construction cost in progress (Note 4)	5,955	5,901	53,079
Merchandise and finished goods (Note 4)	18	24	160
Work in process (Note 4)	0	0	0
Raw materials and supplies (Note 4)	284	256	2,531
Accounts receivable — other	137	99	1,221
Deferred tax assets (Note 16)	752	567	6,702
Other current assets	967	685	8,619
Allowance for doubtful accounts	(65)	(77)	(579)
Total current assets	65,426	58,326	583,171
<b>Non-current assets:</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	8,920	8,621	79,507
Accumulated depreciation	(5,200)	(5,208)	(46,349)
Buildings and structures, net (Note 10)	3,720	3,412	33,158
Machinery, vehicles and equipment	22,015	21,704	196,229
Accumulated depreciation	(19,597)	(19,506)	(174,676)
Machinery, vehicles and equipment, net	2,417	2,198	21,543
Land (Notes 7 and 10)	9,017	8,119	80,372
Lease assets	503	876	4,483
Accumulated depreciation	(359)	(510)	(3,199)
Lease assets, net	144	365	1,283
Construction in progress	328	89	2,923
Total property, plant and equipment	15,628	14,184	139,299
<b>Intangible assets:</b>			
Other	158	120	1,408
Total intangible assets	158	120	1,408
<b>Investments and other assets:</b>			
Investment securities (Notes 5 and 8)	3,194	3,536	28,469
Long-term prepaid expenses	1,010	648	9,002
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	43	115
Real estate for investment	1,470	1,262	13,102
Deferred tax assets (Note 16)	469	819	4,180
Net defined benefit asset	141	-	1,256
Others	1,968	1,657	17,541
Allowance for doubtful accounts	(391)	(430)	(3,485)
Total investments and other assets	7,876	7,535	70,202
Total non-current assets	23,663	21,840	210,918
Total assets	¥89,090	¥80,166	\$794,099
The accompanying notes are an integral part of this statement.			

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31, 2017 and 2016	2017	2016	2017
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable — trade	¥20,077	¥17,367	\$178,955
Short-term bank loans payable (Notes 9 and 10)	1,100	900	9,804
Current portion of long-term loans payable (Note 10)	15	15	133
Accrued income taxes	2,217	2,388	19,761
Advance received on uncompleted contracts	5,453	5,555	48,605
Provision for warranties for completed construction	99	123	882
Allowance for anticipated loss on contract work	41	222	365
Accrued expenses	2,005	1,771	17,871
Other current liabilities	3,724	3,615	33,193
Total current liabilities	34,734	31,960	309,599
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 10)	108	124	962
Deferred tax liabilities for land revaluation (Note 7)	852	865	7,594
Net defined benefit liability (Note 11)	-	578	-
Long-term accrued amount payable	47	27	418
Lease obligations	89	204	793
Deferred tax liabilities (Note 16)	2	3	17
Other non-current liabilities	60	52	534
Total non-current liabilities	1,161	1,856	10,348
Total liabilities	35,895	33,817	319,948
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	6,119	6,119	54,541
Capital surplus	6,358	6,358	56,671
Retained earnings	42,486	36,715	378,696
Treasury stock (Note 12)	(1,701)	(1,700)	(15,161)
Total shareholders' equity (Note 13)	53,262	47,492	474,748
<b>Other accumulated comprehensive income:</b>			
Valuation difference on available-for-sale securities	651	222	5,802
Revaluation reserve for land (Note 7)	(962)	(940)	(8,574)
Foreign currency translation adjustment	606	616	5,401
Remeasurements of defined benefit plans (Note 11)	(363)	(1,041)	(3,235)
Total other accumulated comprehensive income	(68)	(1,142)	(606)
Total net assets	53,194	46,349	474,142
Total liabilities and net assets	¥89,090	¥80,166	\$794,099
The accompanying notes are an integral part of this statement.			

## CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2017 and 2016	2017	2016	2017
<b>Net sales:</b>			
Net sales of completed construction contracts	¥101,535	¥92,619	\$905,027
Net sales of sideline business	781	547	6,961
Total net sales	102,317	93,166	911,997
<b>Cost of sales:</b>			
Cost of sales of completed construction contracts	82,606	75,423	736,304
Cost of sales on sideline business	666	448	5,936
Total cost of sales	83,273	75,871	742,249
<b>Gross profit:</b>			
Gross profit of completed construction contracts	18,929	17,196	168,722
Gross profit on sideline business	114	98	1,016
Total gross profit	19,044	17,295	169,747
<b>Selling, general and administrative expenses</b>	9,244	8,661	82,395
<b>Operating income</b>	9,799	8,633	87,342
<b>Non-operating income:</b>			
Interest income	40	36	356
Dividends income	81	66	721
Royalty income	21	11	187
Insurance proceeds	6	5	53
Rent income on non-current assets	153	151	1,363
Other	79	85	704
Total non-operating income	382	355	3,404
<b>Non-operating expenses:</b>			
Interest expenses	25	25	222
Loss on sales of notes payable	1	4	8
Commission fee	88	16	784
Guarantee commission	35	19	311
Cost of lease revenue	44	62	392
Foreign exchange loss	8	122	71
Other	55	71	490
Total non-operating expenses	259	322	2,308
<b>Ordinary income</b>	9,922	8,666	88,439
<b>Extraordinary income:</b>			
Gain on sales of non-current assets	51	6	454
Gain on sales of investment securities	1	105	8
Settlement received	-	250	-
Total extraordinary income	53	361	472
<b>Extraordinary loss:</b>			
Impairment loss	64	315	570
Loss on sales and retirement of non-current assets	89	122	793
Loss on reconstruct	-	20	-
Loss on sales of investment securities	16	27	142
Loss on liquidation of subsidiaries and associates	-	13	-
Special extra retirement payments	46	5	410
Loss on valuation of golf club membership	7	-	62
Total extraordinary losses	223	504	1,987
<b>Income before income taxes</b>	9,752	8,523	86,923
Income taxes-current	3,236	3,260	28,843
Income taxes-deferred	(285)	(655)	(2,540)
Total income taxes	2,951	2,605	26,303
<b>Net income</b>	6,801	5,918	60,620
<b>Net income attributable to owners of parent</b>	¥6,801	¥5,918	\$60,620

The accompanying notes are an integral part of this statement.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2017 and 2016	2017	2016	2017
<b>Net Income</b>	¥6,801	¥5,918	\$60,620
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	429	(666)	3,823
Revaluation reserve for land	-	48	-
Foreign currency translation adjustment	(10)	(174)	(89)
Retirement benefit adjustment	678	331	6,043
Total other comprehensive income (Note 15)	1,097	(461)	9,778
<b>Comprehensive income (Note 15)</b>	7,898	5,456	70,398
(Breakdown)			
Comprehensive income attributable to owners of the parent	7,898	5,456	70,398
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										Total net assets
	Shareholders' equity					Other accumulated comprehensive income					
	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	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
Dividends from surplus			(1,053)		(1,053)						(1,053)
Net income attribute to owners of parent			6,801		6,801						6,801
Increase in treasury stock				(0)	(0)						(0)
Reversal of revaluation reserve for land			22		22						22
Net changes of items other than shareholders' equity						429	(22)	(10)	678	1,074	1,074
Balance at March 31, 2017	¥6,119	¥6,358	¥42,486	¥(1,701)	¥53,262	¥651	¥(962)	¥606	¥(363)	¥(68)	¥53,194

	Thousands of U.S. dollars										Total net assets
	Shareholders' equity					Other accumulated comprehensive income					
	Capital stock	Capital surplus	Retained Earnings	Treasury stock	Total share-holders' 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, 2016	\$54,541	\$56,571	\$327,257	\$(15,152)	\$423,317	\$1,978	\$(8,378)	\$5,490	\$(9,278)	\$(10,179)	\$413,129
Dividends from surplus			(9,385)		(9,385)						(9,385)
Net income attribute to owners of parent			60,620		60,620						60,620
Increase in treasury stock				(0)	(0)						(0)
Reversal of revaluation reserve for land			196		196						196
Net changes of items other than shareholders' equity						3,823	(196)	(89)	6,043	9,573	61,003
Balance at March 31, 2017	\$54,541	\$56,571	\$378,696	\$(15,161)	\$474,748	\$5,802	\$(8,574)	\$5,401	\$(3,235)	\$(606)	\$474,142

The accompanying notes are an integral part of this statement.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2017 and 2016	Millions of yen		Thousands of U.S. dollars (Note 1)	
	2017	2016	2017	
<b>Cash flows from operating activities</b>				
Income before income taxes	¥9,752	¥8,523	\$89,923	
Depreciation and amortization	1,413	1,418	12,594	
Impairment of non-current assets	64	315	570	
Loss on retirement of non-current assets	12	18	106	
Increase (decrease) in allowance for doubtful accounts	(51)	(167)	(454)	
Increase (decrease) in provision for warranties for completed construction	(24)	(14)	(213)	
Increase (decrease) in provision for loss on construction contracts	(181)	187	(1,613)	
Increase (decrease) in net defined benefit asset	(141)	-	(1,256)	
Increase (decrease) in net defined benefit liability	(578)	143	(5,151)	
Interest and dividends of income	(121)	(102)	(1,078)	
Interest expenses	25	25	222	
Loss on sales of notes receivable - trade	1	4	8	
Loss (gain) on valuation of investment securities	14	(78)	124	
Decrease (increase) in notes and accounts receivable - trade	(5,876)	(2,386)	(52,375)	
Decrease (increase) in accumulated construction cost in progress	(54)	2,438	(481)	
Decrease (increase) in other inventories	(22)	(8)	(196)	
Increase (decrease) in notes and accounts payable - trade	2,711	(1,036)	24,164	
Increase (decrease) in advances received on uncompleted construction contracts	(101)	(970)	(900)	
Others	1,058	1,756	9,430	
Subtotal	7,900	10,067	70,416	
Interest income and dividend received (cash basis)	121	102	1,078	
Interest payment (cash basis)	(25)	(25)	(222)	
Payments for sales of notes receivable - trade	(1)	(4)	(8)	
Income taxes paid	(3,532)	(3,000)	(31,482)	
Net cash provided by (used in) operating activities	4,461	7,139	39,762	
<b>Net cash provided by (used in) investing activities</b>				
Purchases of property, plant and equipment	(3,074)	(1,460)	(27,399)	
Proceeds from sales of property, plant and equipment	199	443	1,773	
Purchases of intangible assets	(85)	(42)	(757)	
Purchase of securities	(13,099)	(4,599)	(116,757)	
Proceeds from redemption of securities	13,600	999	121,222	
Proceeds from sales of securities	-	900	-	
Purchases of investment securities	(11)	(1,014)	(98)	
Proceeds from sales of investment securities	979	732	8,726	
Purchase of stocks of subsidiaries and affiliates	(74)	-	(659)	
Proceeds from withdrawal of time deposits	-	100	-	
Collection of loans receivable from subsidiaries and affiliates	9	4	80	
Payments for investments in real estates	(856)	(2,834)	(7,629)	
Proceeds from sales of investments in real estates	647	2,800	5,767	
Others	(575)	(41)	(5,125)	
Net cash provided by (used in) investing activities	(2,342)	(4,012)	(20,875)	
<b>Net cash provided by (used in) financing activities</b>				
Net increase (decrease) in short-term loans payable	200	200	1,782	
Cash dividends paid	(1,050)	(732)	(9,359)	
Repayment of long-term loans payable	(15)	(15)	(133)	
Repayments of finance lease obligations	(111)	(252)	(989)	
Purchase of treasury stock	(0)	(0)	(0)	
Net cash provided by (used in) financing activities	(978)	(801)	(8,717)	
Effect of exchange rate change on cash and cash equivalents	(7)	(162)	(62)	
Net increase (decrease) in cash and cash equivalents	1,133	2,162	10,098	
Cash and cash equivalents at beginning of the year	19,606	17,443	174,757	
Cash and cash equivalents at end of the year (Note 3)	¥20,739	¥19,606	184,856	

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 arithmetical computation only, at the rate of ¥112.19 = US\$1.00, which was the exchange rate prevailing at March 31, 2017.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of consolidation

##### ii) 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 FECON INNONATIVE GEOTECHNICAL ENGINEERING JSC, 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

###### ii) 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.

###### iii) 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, 2017 and 2016 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and time deposits on the consolidated balance sheets	<b>¥20,739</b>	¥19,606	<b>\$184,856</b>
Time deposits with terms exceeding 3 months	-	-	-
Cash and cash equivalents on the statement of cash flows	<b>¥20,739</b>	¥19,606	<b>\$184,856</b>

### 4. INVENTORIES

Inventories as of March 31, 2017 and 2016 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Accumulated construction cost in progress	<b>¥5,955</b>	¥5,901	<b>\$53,079</b>
Merchandise and finished goods, work in process and raw material and supplies	<b>302</b>	280	<b>2,691</b>
	<b>¥6,257</b>	¥6,181	<b>\$55,771</b>

### 5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2017 and 2016 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investment in securities (shares)	<b>¥437</b>	¥363	<b>\$3,895</b>

### 6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2017 and 2016 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Endorsed notes receivable	<b>¥79</b>	¥55	<b>\$704</b>

### 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, 2017, the carrying amount of the land after one-time revaluation exceed the market value by ¥2,629 million (\$23,433 thousand).

### 8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of listed securities, which are classified as Marketable securities, as of March 31, 2017 and 2016, are as follows:

As of March 31, 2017	Millions of yen		
	Fair Value		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	<b>¥1,416</b>	<b>¥2,295</b>	<b>¥879</b>
Fund trust and other	<b>49</b>	<b>51</b>	<b>1</b>
	<b>¥1,466</b>	<b>¥2,327</b>	<b>¥881</b>

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

As of March 31, 2017	Thousands of U.S. dollars		
	Fair Value		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	<b>\$12,621</b>	<b>\$20,456</b>	<b>\$7,834</b>
Fund trust and other	<b>436</b>	<b>454</b>	<b>8</b>
	<b>\$13,067</b>	<b>\$20,741</b>	<b>\$7,852</b>

### 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 ¥9,646 million (\$85,979 thousand).

### 10. PLEDGED ASSETS AND SECURED LIABILITIES

Details of assets pledged as collateral as of March 31, 2017 and 2016 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Buildings	<b>¥267</b>	¥274	<b>\$2,379</b>
Land	<b>336</b>	336	<b>2,994</b>
Total	<b>¥604</b>	¥611	<b>\$5,383</b>

Details of secured liabilities as of March 31, 2017 and 2016 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-term bank loans payable	<b>¥50</b>	¥50	<b>\$445</b>
Current portion of long-term loans payable	<b>15</b>	15	<b>133</b>
Long-term loans payable	<b>108</b>	124	<b>962</b>
Total	<b>¥174</b>	¥190	<b>\$1,550</b>

### 11. EMPLOYEES' RETIREMENT BENEFIT AND PENSION PLAN

Consolidated fiscal year under review (from April 1, 2016, to March 31, 2017)

#### 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
	2017	2016	2017
Retirement benefit obligation at beginning of term	<b>¥7,712</b>	¥8,041	<b>\$68,740</b>
Service cost	<b>361</b>	368	<b>3,217</b>
Interest expense	<b>45</b>	47	<b>401</b>
Actuarial difference amounts incurred for the period	<b>71</b>	(9)	<b>632</b>
Retirement benefit payments	<b>(624)</b>	(736)	<b>(5,561)</b>
Retirement benefit obligation at end of term	<b>¥7,567</b>	¥7,712	<b>\$67,448</b>

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Plan assets at beginning of term	<b>¥7,133</b>	¥7,605	<b>\$63,579</b>
Expected return on assets	<b>102</b>	104	<b>909</b>
Actuarial difference amounts incurred for the period	<b>480</b>	(505)	<b>4,278</b>
Contributions from employer	<b>416</b>	395	<b>3,707</b>
Retirement benefit payments	<b>(424)</b>	(466)	<b>(3,779)</b>
Plan assets at end of term	<b>¥7,708</b>	¥7,133	<b>\$68,704</b>

(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
	2017	2016	2017
Retirement benefit obligation of funded plans	<b>¥7,567</b>	¥7,712	<b>\$67,448</b>
Plan assets	<b>(7,708)</b>	(7,133)	<b>(68,704)</b>
Retirement benefit obligation of unfunded plans	<b>(141)</b>	578	<b>(1,256)</b>
Net assets and liabilities recorded on the consolidated balance sheets	<b>(¥141)</b>	¥578	<b>(\$1,256)</b>

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Net defined benefit liability	<b>¥-</b>	¥578	<b>\$-</b>
Net defined benefit Asset	<b>(141)</b>	-	<b>(1,256)</b>
Net assets and liabilities recorded on the consolidated balance sheets	<b>(¥141)</b>	¥578	<b>(\$1,256)</b>

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	<b>¥361</b>	¥368	<b>\$3,217</b>
Interest expense	<b>45</b>	47	<b>401</b>
Expected return on assets	<b>(102)</b>	(104)	<b>(909)</b>
Amount expensed for actuarial difference	<b>571</b>	364	<b>5,089</b>
Amount expensed for prior service cost	-	-	-
Retirement benefit expenses for the defined benefit plan	<b>875</b>	676	<b>7,799</b>
Retirement benefit expenses relating to defined benefit plans	<b>¥875</b>	¥676	<b>\$7,799</b>

(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
	2017	2016	2017
Actuarial differences	<b>(¥979)</b>	¥131	<b>(\$8,726)</b>
Total	<b>(¥979)</b>	¥131	<b>(\$8,726)</b>

(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
	2017	2016	2017
Unrecognized actuarial differences	<b>¥524</b>	¥1,504	<b>\$4,670</b>
Total	<b>¥524</b>	¥1,504	<b>\$4,670</b>

(7) Plan assets

i) Principal breakdown of plan assets

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

	2017	2016
Bonds	<b>36%</b>	37%
Shares	<b>46%</b>	46%
Cash on hand and in banks	<b>0%</b>	0%
Other	<b>17%</b>	17%
Total	<b>100%</b>	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 5,145,848 shares of treasury stock as of March 31, 2017.

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, 2017 and 2016 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Kesennuma Regional Housing Producers Network	<b>¥113</b>	¥130	<b>\$1,007</b>

15. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2017 and 2016 is presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities:			
The amount arising during the period	<b>¥550</b>	¥398	<b>\$4,902</b>
Reclassification adjustment	<b>14</b>	-	<b>124</b>
Foreign currency translation adjustment:			
The amount arising during the period	<b>(10)</b>	432	<b>(89)</b>
Reclassification adjustment	-	-	-
Retirement benefit adjustment	-	-	-
The amount arising during the period	<b>408</b>	(193)	<b>3,636</b>
Reclassification adjustment	<b>571</b>	405	<b>5,089</b>
Before adjustment for tax effects	<b>1,534</b>	1,042	<b>13,673</b>
Amount of tax effects	<b>(437)</b>	35	<b>(3,895)</b>
Total other accumulated comprehensive income	<b>¥1,097</b>	¥1,078	<b>\$9,778</b>

Information relating to the amounts of tax effects applicable to other accumulated comprehensive income for the years ended March 31, 2017 and 2016 is presented as follows.

	Millions of yen		
	2017		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	<b>¥564</b>	(¥135)	<b>¥429</b>
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	<b>(10)</b>	-	<b>(10)</b>
Remeasurements of defined benefit plans	<b>979</b>	(301)	<b>678</b>
Total other accumulated comprehensive income	<b>¥1,534</b>	(¥437)	<b>¥1,097</b>

	Millions of yen		
	2016		
	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)

	Thousands of U.S. dollars		
	2017		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	<b>\$5,027</b>	<b>(\$1,203)</b>	<b>\$3,823</b>
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	<b>(89)</b>	-	<b>(89)</b>
Remeasurements of defined benefit plans	<b>8,726</b>	<b>(2,682)</b>	<b>6,043</b>
Total other accumulated comprehensive income	<b>\$13,673</b>	<b>(\$3,895)</b>	<b>\$9,778</b>



## 16. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars	
	2017	2016	2017
Deferred tax assets:			
Net defined benefit liability	<b>¥698</b>	¥1,216	<b>\$6,221</b>
Accrued expenses	<b>382</b>	317	<b>3,404</b>
Allowance for doubtful accounts	<b>133</b>	157	<b>1,185</b>
Provision for loss on construction denied for deduction	<b>12</b>	48	<b>106</b>
Net operating loss carryforwards	<b>443</b>	318	<b>3,948</b>
Impairment loss denied for deduction	<b>167</b>	160	<b>1,488</b>
Loss on support of subsidiaries and affiliates	<b>908</b>	915	<b>8,093</b>
Loss on valuation of stocks of subsidiaries and affiliates	<b>408</b>	411	<b>3,636</b>
Other	<b>1,274</b>	790	<b>11,355</b>
Subtotal	<b>4,428</b>	4,335	<b>39,468</b>
Valuation allowance	<b>(2,691)</b>	(2,569)	<b>(23,986)</b>
Total deferred tax assets	<b>¥1,737</b>	¥1,766	<b>\$15,482</b>
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	<b>(297)</b>	(297)	<b>(2,647)</b>
Valuation difference on available-for-sale securities	<b>(213)</b>	(78)	<b>(1,898)</b>
Special depreciation allowance for tax purposes	<b>(4)</b>	(4)	<b>(35)</b>
Disposal expenses relating to asset retirement obligations	<b>(2)</b>	(3)	<b>(17)</b>
Total deferred tax liabilities	<b>(¥518)</b>	(¥383)	<b>(\$4,617)</b>
Total net deferred tax assets	<b>¥1,218</b>	¥1,382	<b>\$10,856</b>

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, 2017 and 2016 are presented as follows.

	2017	2016
Statutory effective tax rate	<b>30.8%</b>	33.1%
(Adjustments)		
Non-deductible expenses such as entertainment	<b>0.5</b>	0.5
Per capita inhabitants' taxes	<b>0.8</b>	0.9
Increase / decrease in valuation reserves	<b>0.4</b>	(3.0)
Other	<b>(2.3)</b>	(1.0)
Burden rate of corporate taxes, etc. after application of tax-effect accounting	<b>30.2%</b>	30.6%

## 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, 2017 and 2016 is as follows:

	Millions of yen				
	Year ended March 31, 2017				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	<b>¥101,535</b>	<b>¥781</b>	<b>¥102,317</b>	<b>¥-</b>	<b>¥102,317</b>
Inter-segments	-	1,342	1,342	(1,342)	0
Total	<b>101,535</b>	<b>2,124</b>	<b>103,660</b>	<b>1,342</b>	<b>102,317</b>
Operating expenses	<b>91,794</b>	<b>2,068</b>	<b>93,863</b>	<b>(1,345)</b>	<b>92,518</b>
Operating income/loss	<b>9,741</b>	<b>56</b>	<b>9,797</b>	<b>2</b>	<b>9,799</b>
Assets	<b>57,915</b>	<b>1,373</b>	<b>59,289</b>	<b>29,801</b>	<b>80,090</b>
Depreciation	<b>1,371</b>	<b>25</b>	<b>1,396</b>	<b>(8)</b>	<b>1,388</b>
Capital expenditures	<b>3,537</b>	<b>8</b>	<b>3,545</b>	<b>-</b>	<b>3,545</b>

	Millions of yen				
	Year ended March 31, 2016				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	<b>¥92,619</b>	<b>¥547</b>	<b>¥93,166</b>	<b>¥-</b>	<b>¥93,166</b>
Inter-segments	-	1,628	1,628	(1,628)	0
Total	<b>92,619</b>	<b>2,175</b>	<b>94,795</b>	<b>(1,628)</b>	<b>93,166</b>
Operating expenses	<b>84,038</b>	<b>2,125</b>	<b>86,164</b>	<b>(1,631)</b>	<b>84,533</b>
Operating income/loss	<b>8,580</b>	<b>50</b>	<b>8,631</b>	<b>2</b>	<b>8,633</b>
Assets	<b>49,690</b>	<b>1,233</b>	<b>50,924</b>	<b>29,242</b>	<b>80,166</b>
Depreciation	<b>1,376</b>	<b>29</b>	<b>1,405</b>	<b>(16)</b>	<b>1,389</b>
Capital expenditures	<b>1,487</b>	<b>4</b>	<b>1,491</b>	<b>-</b>	<b>1,491</b>

	Thousands of U.S. dollars				
	Year ended March 31, 2017				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	<b>\$905,027</b>	<b>\$6,961</b>	<b>\$911,997</b>	<b>¥-</b>	<b>\$911,997</b>
Inter-segments	-	11,961	11,961	(11,961)	0
Total	<b>905,027</b>	<b>18,932</b>	<b>923,968</b>	<b>11,961</b>	<b>911,997</b>
Operating expenses	<b>818,201</b>	<b>18,433</b>	<b>836,643</b>	<b>(11,988)</b>	<b>824,654</b>
Operating income/loss	<b>86,825</b>	<b>499</b>	<b>87,325</b>	<b>17</b>	<b>87,342</b>
Assets	<b>516,222</b>	<b>12,238</b>	<b>528,469</b>	<b>265,629</b>	<b>794,099</b>
Depreciation	<b>12,220</b>	<b>222</b>	<b>12,443</b>	<b>(71)</b>	<b>12,371</b>
Capital expenditures	<b>31,526</b>	<b>71</b>	<b>31,598</b>	<b>-</b>	<b>31,598</b>

"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, 2017 and 2016 is as follows:

	Millions of yen	Thousands of U.S. dollars	
	2017	2016	2017
Japan	<b>¥100,157</b>	¥90,483	<b>\$892,744</b>
North America	<b>780</b>	979	<b>6,952</b>
Other	<b>1,379</b>	1,704	<b>12,291</b>
Total	<b>¥102,317</b>	¥93,166	<b>\$911,997</b>

## 18. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2017 and 2016 are presented as follows:

	Yen	Thousands of U.S. dollars	
	2017	2016	2017
Net assets per share	<b>¥1,010.180</b>	¥880.17	<b>\$9.00</b>
Net income per share	<b>129.16</b>	112.39	<b>\$1.15</b>

## 19. SUBSEQUENT EVENT

On June 29, 2017 the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen	Thousands of U.S. dollars	
	2017	2016	2017
Cash dividends of ¥20.0 (0.17\$) per share (final for the year ended March 31, 2016)	<b>¥1,316</b>	¥1,053	<b>\$11,734</b>

## BOARD OF DIRECTORS

### PRESIDENT AND REPRESENTATIVE DIRECTOR

Kazuo Suzuki

### SENIOR MANAGING DIRECTORS

Shigeaki Funayama  
Nobuyuki Fujisawa

### MANAGING DIRECTORS

Yoichi Howa  
Makoto Nishi  
Kazuhiro Akutsu

### DIRECTORS

Yusuke Murai  
Kohei Kawamura  
Tadashi Shibata  
Makoto Shirai

(as of June 29, 2017)

## SHARE INFORMATION

### COMMON STOCK

Authorized shares  
198,000,000 shares  
(as of March 31, 2017)

Issued and outstanding shares  
57,804,450 shares  
(as of June 29, 2017)

Number of shareholders  
8,689  
(as of March 31, 2017)

### FISCAL YEAR-END

End of March each year

### ANNUAL GENERAL MEETING

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

Corporate Planning Department,  
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

## CORPORATE DATA

### HEAD OFFICE

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

### CAPITAL

¥6,119,475,000  
US\$54,545,636  
(¥112.19=US\$1.00)  
(as of March 31, 2017)

### DATE OF ESTABLISHMENT

September 28, 1948

### STOCK TRADING

Tokyo Stock Exchange, First Section

### MAJOR SHAREHOLDERS

Japan Trustee Services Bank, Ltd.  
RAITO KOGYO CO., LTD.  
Taiyo Life Insurance Company  
Sumitomo Mitsui Banking Corporation  
The Master Trust Bank of Japan, Ltd.  
Nippon Life Insurance Company

### EMPLOYEES

1,063 (as of March 31, 2017)

## OVERSEAS NETWORK

### HEAD OFFICE

4-2-35 Kudan-kita, Chiyoda-ku, Tokyo 102-8236, Japan  
TEL: +81-3-3265-2551 FAX: +81-3-3265-0879

### Overseas Business Division

TEL: +81-3-3265-2506 FAX: +81-3-3265-2568

### OVERSEAS BRANCH OFFICES

#### Singapore

1003 Bukit Merah Central, #05-15, Singapore 159836  
TEL: +65-6862-7441 FAX: +65-6270-8043

### OVERSEAS SUBSIDIARIES

#### Raito, Inc. (USA)

32960 Alvarado-Niles Rd., Suite 680, Union City, CA  
TEL: +1-510-259-9900 FAX: +1-510-259-9900

#### Raito Engineering & Construction Ltd. (Hong Kong)

Room 2504, 25/F, Bonham Trade Centre, 50 Bonham Strand,  
Sheung Wan, Hong Kong  
TEL: +852-2851-0930 FAX: +852-2851-0960

#### Raito-Fecon Innovative Geotechnical Engineering JSC (Vietnam)

15th Floor CEO Tower, Lot HH2-1 Urban Me Tri Ha, Pham Hung Street,  
Ward Me Tri, Nam Tu Liem District, Hanoi  
TEL: +84-4-6256-4499 FAX: +84-4-6258-4000

