



# **Annual Report 2019**

Year ended March 31, 2019

## 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.

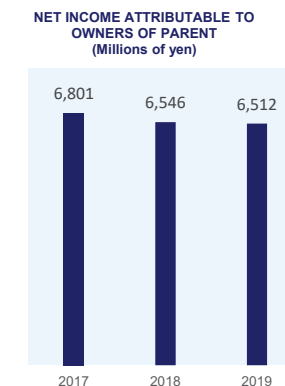
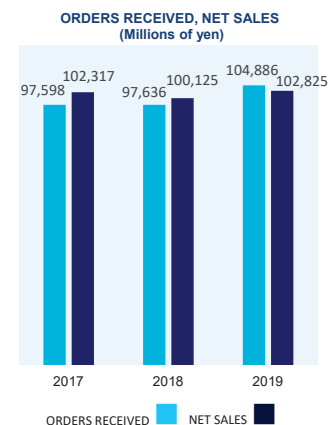
## CONTENTS

2	CONSOLIDATED FINANCIAL HIGHLIGHTS	18	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
3	PRESIDENT'S MESSAGE	19	CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
7	CORPORATE GOVERNANCE	20	CONSOLIDATED STATEMENTS OF CASH FLOWS
9	BUSINESS FIELDS	21	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
11	RAITO KOGYO AT A GLANCE	29	BOARD OF DIRECTORS
12	TECHNICAL TOPICS	29	SHARE INFORMATION
15	CONSOLIDATED BALANCE SHEETS	29	CORPORATE DATA
17	CONSOLIDATED STATEMENTS OF INCOME	30	OVERSEAS NETWORK

## CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen						Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2014	2019
<b>FOR THE YEAR</b>							
Orders received	<b>¥104,886</b>	¥97,636	¥97,598	¥105,072	¥97,390	¥91,217	<b>\$944,918</b>
Net sales	<b>102,825</b>	100,125	102,317	93,166	85,648	92,698	<b>926,351</b>
Income from operations	<b>9,702</b>	8,950	9,799	8,633	7,078	6,581	<b>87,405</b>
Income before income taxes	<b>9,608</b>	9,078	9,752	8,523	7,389	6,692	<b>86,558</b>
Net income attributable to owners of parent	<b>6,512</b>	6,546	6,801	5,918	4,602	3,973	<b>58,666</b>
<b>AT YEAR-END</b>							
Total assets	<b>96,745</b>	93,765	89,090	80,166	75,691	71,500	<b>871,576</b>
Net assets	<b>62,747</b>	58,785	53,194	46,349	41,631	35,803	<b>565,288</b>
Capital stock	<b>6,119</b>	6,119	6,119	6,119	6,119	6,119	<b>55,126</b>
<b>AMOUNTS PER SHARE (in yen)</b>							
Net income	<b>124.35</b>	124.43	129.16	112.39	87.40	75.45	
Net assets	<b>1,209.47</b>	1,118.11	1,010.18	880.17	790.56	679.89	
<b>PERFORMANCE INDICATORS</b>							
Equity capital ratio (%)	<b>64.9</b>	62.7	59.7	57.8	55.0	50.1	
Return on equity (%)	<b>10.7</b>	11.7	13.7	13.5	11.9	11.5	

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 ¥111.00 = US\$1.00, the rate on March 31, 2019.



## PRESIDENT'S MESSAGE



## OPERATING PERFORMANCE

In the fiscal year ended March 31, 2019, the Japanese economy continued to experience gradual recovery, backed by improvements in corporate earnings and in the employment and income environment. Meanwhile, the future of overseas economies remains uncertain, due to the trade friction caused by international trade policies of the United States, the effects of geopolitical risks, and apprehensions concerning uncertainty of overseas economies.

In the construction industry, government construction investment has remained at a high level, and private-sector construction investment has continued in a favorable order environment, with trends for increases in facility investment backed by improved corporate earnings and other factors.

In these conditions, net sales of the Raito Kogyo Group in the fiscal year under review increased 2.7% year-on-year to ¥102,825 million, largely due to an increase in orders received in the specialized civil engineering field, primarily at the Company, and steady construction progress, despite decreases in the sales of consolidated subsidiaries based in the Tohoku region as the boom in restoration demands for the Great East Japan Earthquake run its course.

On the profit front, gross profit increased 4.5% year-on-year to ¥19,427 million due to an increase in net sales and improved profitability.

Furthermore, due to increased gross profit, operating income and ordinary income increased 8.4% year-on-year to ¥9,702 million and 9.9% year-on-year to ¥10,124 million, respectively. Net income attributable to owners of parent decreased 0.5% year-on-year to ¥6,512 million.

## BUSINESS SEGMENT REVIEW

Consolidated net sales in the construction segment, the Group's core business, were ¥102,125 million, an increase of 2.7% over the previous fiscal year.

Orders received in this segment increased 7.4% year-on-year to ¥104,886 million. As for the status of orders for each of the main types of work, for slope protection projects (slope protection and landslide prevention work), orders received increased by 15.1% year-on-year to ¥37,811 million, due to an increase in disaster recovery work for the torrential rainfall in July of 2018 and an increase in orders received for track banking earthquake countermeasure works for railways.

For foundation and ground improvement projects, orders received increased by 15.7% year-on-year to ¥37,550 million, due to an increase in orders for liquefaction countermeasure construction in the airport and harbor sectors and an increase in orders at a consolidated subsidiary in the United States.

For structural repair and reinforcement projects, orders received decreased 9.2% year-on-year to ¥3,277 million, due to a decrease in public-sector orders for bridge repair and reinforcement works.

For environmental restoration projects, orders received decreased 49.8% year-on-year to ¥2,233 million, due to a decrease in orders for soil/groundwater contamination countermeasure works from the private sector.

For building construction projects, orders received decreased 6.8% year-on-year to ¥14,859 million, due to a decrease in large-scale construction projects at subsidiaries based in the Tohoku region.

For general civil engineering and other projects, orders received increased 10.2% year-on-year to ¥9,155 million, mainly due to increase in orders for new constructions of tide embankments for harbors and rivers.



## 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.

### ***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.

### ***Strengthen competitive capabilities in the specialized civil engineering field***

With the aim of improving construction efficiency to allow for work-style reforms, the Group will strive for improvements in productivity through proactive investments in hardware/software, while securing stable profits based on sales rooted in each region, utilizing the characteristics of the Group.

### ***Obtain growth in construction business sector***

The Group will strive to secure its amount of business through the expansion of sales areas, enhancing business in the non-residential and renovation fields, and achieve further growth by working to create a new business structure by participating in public works and cooperating with business partners.

### ***Obtain growth in overseas business***

The Group will strive to strengthen alliances with local partners and advance further localization in each region, and achieve further growth by reinforcing the ability to respond to global construction projects by enhancing its information gathering activities.

### ***Strengthen technology development capacity***

The Group will respond to changes in the construction industry and adapt to next-generation markets, enhance initiatives for new technologies utilizing ICT (Information and Communications Technology) in order to create new markets, and take innovative approach to bolster research and development of machinery and the like, aiming to improve construction efficiency.

### ***Reinforce our management and financial foundations***

We will also strive to expand investment capacity by establishing a strong financial base, invest for the future and secure human resources to allow for a new level of growth, and sophisticate the use of ICT to improve business efficiency in order to further reinforce our management and financial foundations.

## OUTLOOK

In the fiscal year ending March 31, 2020, government construction investment and private-sector construction investment are expected to remain flat from the previous fiscal year, and a favorable market environment is expected to continue in the construction industry.

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 ¥103,000 million, operating income of ¥9,800 million, ordinary income of ¥10,300 million, and net income attributable to owners of parent of ¥6,800 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 eleven members, two of whom are appointed from outside the Company. At the same time, Raito Kogyo has established a four-member Board of Corporate Auditors, three 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 four-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 the Basic Compliance Policy and the Raito Kogyo Group's 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

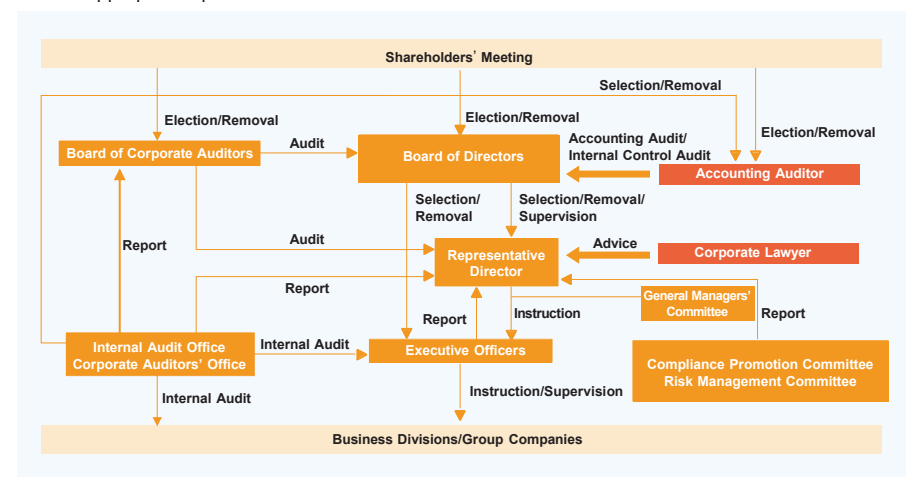
In order to improve the Group's ability to respond to and address risks that have the potential to significantly impact its operations, Raito Kogyo has established the Internal Crisis Management Committee. By identifying and preventing risks in advance, the Group is better positioned to avoid any consequent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

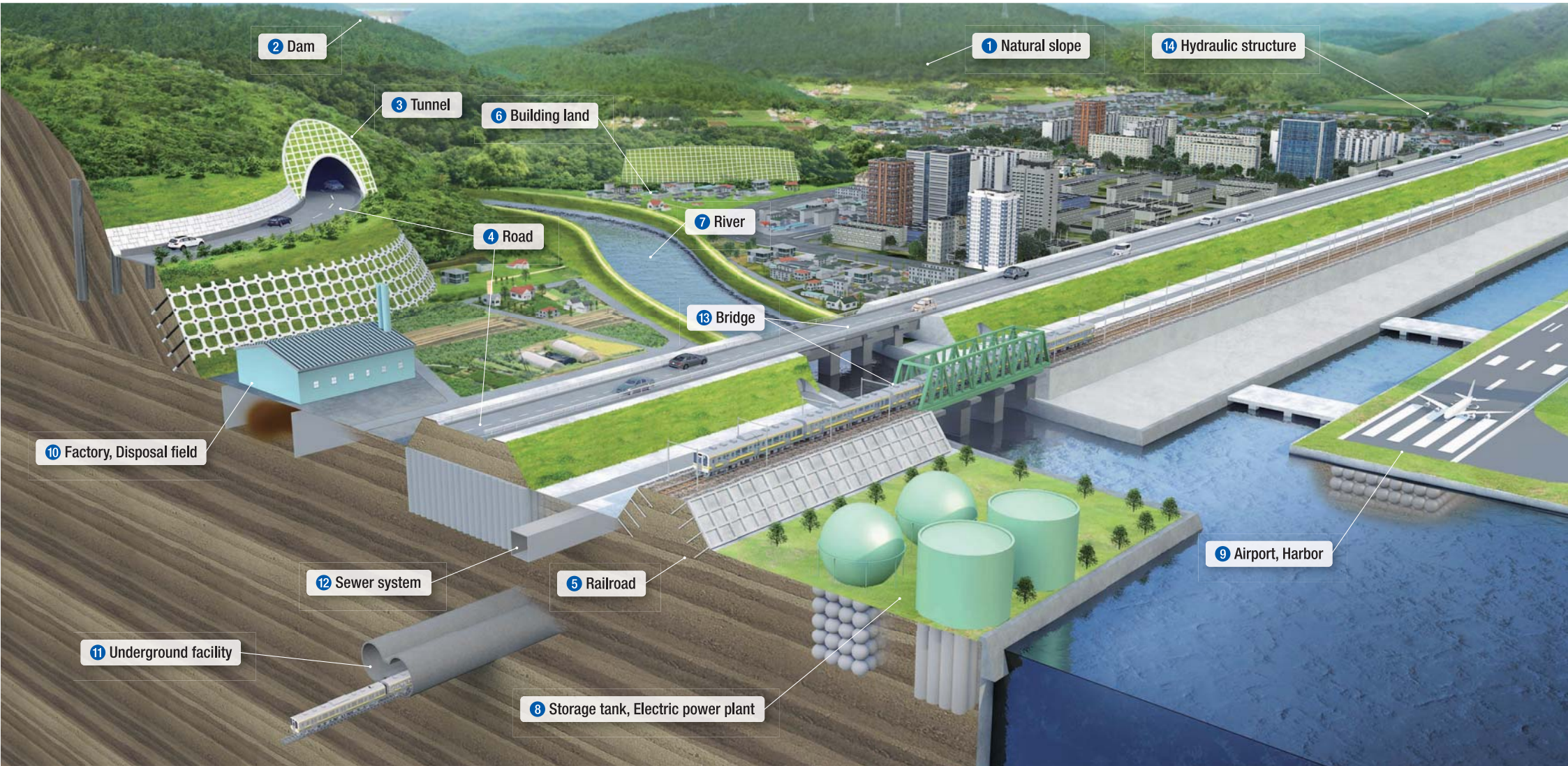
The Internal Audit Office, which comprised four members of staff, fulfills various internal audit functions. Based on annual auditing plans, it reviews the appropriateness of business execution and the effectiveness of internal controls. Internal audit results are reported to the corporate auditors and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







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

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

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

11. Underground facility	
Protection of launching and arriving of shield machine	Chemical grouting
Cutoff of defective part of retaining wall	Chemical grouting
12. Sewer system	
Installation of pipe	Pipe installation
Improvement of earthquake performance of manhole	Pipe installation
13. Bridge	
Repair and protection of bridge	Repair and reinforcement of construction
14. Hydraulic structure	
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 ¥37,811 million and segment revenues from completed projects amounted to ¥36,429 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 ¥37,550 million, while segment revenues from completed projects were ¥35,349 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 ¥3,277 million. Segment revenues from completed projects were ¥3,108 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 ¥14,859 million, while segment revenues from completed projects amounted to ¥15,555 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 ¥11,389 million and segment revenues from completed projects amounted to ¥11,683 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 and Tourism. R&D expenditures for the fiscal year under review were ¥604 million.

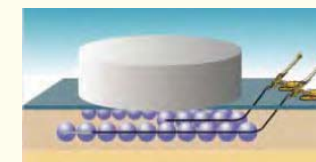
### ANTI-LIQUEFACTION AND EARTHQUAKE-RESISTANT SOIL TREATMENT

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.



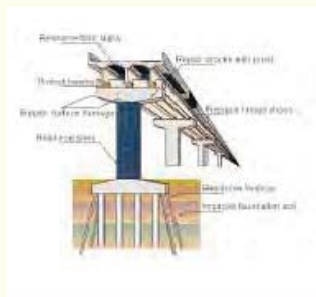
## SOIL REMEDIATION TECHNOLOGY



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.

## CONSOLIDATED FINANCIAL STATEMENTS

## 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.

March 31, 2019



## CONSOLIDATED BALANCE SHEETS

March 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 3)	¥21,992	¥20,677	\$198,126
Notes and accounts receivable — trade	36,126	34,401	325,459
Securities	5,299	4,599	47,738
Accumulated construction cost in progress (Note 4)	3,881	4,349	34,963
Merchandise and finished goods (Note 4)	25	17	225
Work in process (Note 4)	0	0	0
Raw materials and supplies (Note 4)	779	349	7,018
Accounts receivable — other	283	258	2,549
Other current assets	1,271	1,304	11,450
Allowance for doubtful accounts	(46)	(56)	(414)
Total current assets	69,614	65,902	627,153
<b>Non-current assets:</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	10,333	10,988	93,090
Accumulated depreciation	(5,224)	(5,377)	(47,063)
Buildings and structures, net (Note 10)	5,109	5,611	46,027
Machinery, vehicles and equipment	23,579	22,290	212,423
Accumulated depreciation	(20,408)	(19,336)	(183,855)
Machinery, vehicles and equipment, net	3,171	2,953	28,567
Land (Notes 7 and 10)	10,037	10,346	90,423
Lease assets	106	339	954
Accumulated depreciation	(68)	(260)	(612)
Lease assets, net	38	79	342
Construction in progress	113	37	1,018
Total property, plant and equipment	18,470	19,027	166,396
<b>Intangible assets:</b>			
Other	244	183	2,198
Total intangible assets	244	183	2,198
<b>Investments and other assets:</b>			
Investment securities (Notes 5 and 8)	3,250	3,801	29,279
Long-term prepaid expenses	1,208	1,049	10,882
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	13	117
Real estate for investment	-	406	-
Deferred tax assets (Note 15)	1,273	1,115	11,468
Net defined benefit asset	898	693	8,090
Others	2,143	1,953	19,306
Allowance for doubtful accounts	(371)	(382)	(3,342)
Total investments and other assets	8,416	8,651	75,819
Total non-current assets	27,131	27,862	244,423
Total assets	¥96,745	¥93,765	\$871,576

The accompanying notes are an integral part of this statement.

March 31, 2019 and 2018	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable — trade	¥19,161	¥19,751	\$172,621
Short-term bank loans payable (Notes 9 and 10)	870	950	7,837
Current portion of long-term loans payable (Note 10)	92	15	828
Accrued income taxes	2,219	1,138	19,990
Advance received on uncompleted contracts	3,380	4,424	30,450
Provision for warranties for completed construction	115	111	1,036
Allowance for anticipated loss on contract work	145	116	1,306
Accrued expenses	2,568	2,425	23,135
Other current liabilities	4,492	4,945	40,468
Total current liabilities	33,046	33,879	297,711
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 10)	-	92	-
Deferred tax liabilities for land revaluation (Note 7)	786	852	7,081
Long-term accrued amount payable	44	47	396
Lease obligations	15	26	135
Deferred tax liabilities (Note 15)	2	2	18
Provision for stock benefits for directors	40	17	360
Other non-current liabilities	61	60	549
Total non-current liabilities	950	1,100	8,558
Total liabilities	33,997	34,980	306,279
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	6,119	6,119	55,126
Capital surplus	6,358	6,358	57,279
Retained earnings	53,009	47,715	477,558
Treasury stock (Note 12)	(2,792)	(1,791)	(25,153)
Total shareholders' equity (Note 13)	62,694	58,401	564,810
<b>Other accumulated comprehensive income:</b>			
Valuation difference on available-for-sale securities	530	823	4,774
Revaluation reserve for land (Note 7)	(1,107)	(962)	(9,972)
Foreign currency translation adjustment	572	488	5,153
Remeasurements of defined benefit plans (Note 11)	58	34	522
Total other accumulated comprehensive income	53	383	477
Total net assets	62,747	58,785	565,288
Total liabilities and net assets	¥96,745	¥93,765	\$871,576

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, 2019 and 2018	2019	2018	2019
<b>Net sales:</b>			
Net sales of completed construction contracts	¥102,125	¥99,465	\$920,045
Net sales of sideline business	699	659	6,297
Total net sales	102,825	100,125	926,351
<b>Cost of sales:</b>			
Cost of sales of completed construction contracts	82,815	80,978	746,081
Cost of sales on sideline business	582	548	5,243
Total cost of sales	83,397	81,526	751,324
<b>Gross profit:</b>			
Gross profit of completed construction contracts	19,310	18,487	173,963
Gross profit on sideline business	117	111	1,054
Total gross profit	19,427	18,598	175,018
<b>Selling, general and administrative expenses</b>	<b>9,725</b>	<b>9,647</b>	<b>87,612</b>
<b>Operating income</b>	<b>9,702</b>	<b>8,950</b>	<b>87,405</b>
<b>Non-operating income:</b>			
Interest income	39	33	351
Dividends income	102	102	918
Royalty income	15	12	135
Insurance proceeds	220	74	1,981
Rent income on non-current assets	167	161	1,504
Foreign exchange gains	34	-	306
Other	93	104	837
Total non-operating income	672	489	6,054
<b>Non-operating expenses:</b>			
Interest expenses	13	21	117
Loss on sales of notes payable	3	1	27
Commission fee	21	9	189
Guarantee commission	54	59	486
Cost of lease revenue	109	70	981
Foreign exchange losses	-	31	-
Other	48	37	432
Total non-operating expenses	250	231	2,252
<b>Ordinary income</b>	<b>10,124</b>	<b>9,209</b>	<b>91,207</b>
<b>Extraordinary income:</b>			
Gain on sales of non-current assets	21	29	189
Gain on sales of investment securities	10	-	90
Total extraordinary income	31	29	279
<b>Extraordinary loss:</b>			
Office transfer expenses	71	101	639
Settlement package	-	30	-
Loss on sales and retirement of non-current assets	301	12	2,711
Special extra retirement payments	-	15	-
Loss on valuation of investment securities	5	-	45
Loss on business withdrawal	168	-	1,513
Total extraordinary losses	547	160	4,927
<b>Income before income taxes</b>	<b>9,608</b>	<b>9,078</b>	<b>86,558</b>
Income taxes-current	3,255	2,667	29,324
Income taxes-deferred	(159)	(135)	(1,432)
Total Income taxes	3,096	2,532	27,891
<b>Net income</b>	<b>6,512</b>	<b>6,546</b>	<b>58,666</b>
<b>Net income attributable to owners of parent</b>	<b>¥6,512</b>	<b>¥6,546</b>	<b>\$58,666</b>

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, 2019 and 2018	2019	2018	2019
<b>Net Income</b>	<b>¥6,512</b>	<b>¥6,546</b>	<b>\$58,666</b>
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	(293)	171	(2,639)
Foreign currency translation adjustment	83	(118)	747
Retirement benefit adjustment	23	398	207
Total other comprehensive income (Note 14)	(186)	452	(1,675)
<b>Comprehensive income (Note 14)</b>	<b>6,326</b>	<b>6,998</b>	<b>56,990</b>
(Breakdown)			
Comprehensive income attributable to owners of the parent	6,326	6,998	56,990
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 share-holders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income	
Balance at March 31, 2017	¥6,119	¥6,358	¥42,486	(¥1,701)	¥53,262	¥651	(¥962)	¥606	(¥363)	(¥68)	¥53,194
Change of scope of consolidation											
Dividends from surplus			(1,316)		(1,316)						(1,316)
Net income attributable to owners of parent			6,546		6,546						6,546
Increase in treasury stock				(90)	(90)						(90)
Reversal of revaluation reserve for land											
Net changes of items other than shareholders' equity						171	-	(118)	398	452	452
Balance at March 31, 2018	6,119	6,358	47,715	(1,791)	58,401	823	(962)	488	34	383	58,785
Change of scope of consolidation			479		479						479
Dividends from surplus			(1,843)		(1,843)						(1,843)
Net income attributable to owners of parent			6,512		6,512						6,512
Increase in treasury stock				(1,000)	(1,000)						(1,000)
Reversal of revaluation reserve for land			144		144						144
Net changes of items other than shareholders' equity						(293)	(144)	83	23	(330)	(330)
Balance at March 31, 2019	¥6,119	¥6,358	¥53,009	(¥2,792)	¥62,694	¥530	(¥1,107)	¥572	¥58	¥53	¥62,747

Thousands of U.S. dollars											
	Shareholders' equity					Other accumulated comprehensive income					Total net assets
	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	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income	
Balance at March 31, 2018	\$55,126	\$57,279	\$429,864	(\$16,135)	\$526,135	\$7,414	(\$8,666)	\$4,396	\$306	\$3,450	\$529,594
Change of scope of consolidation			4,315		4,315						4,315
Dividends from surplus			(16,603)		(16,603)						(16,603)
Net income attributable to owners of parent			58,666		58,666						58,666
Increase in treasury stock				(9,009)	(9,009)						(9,009)
Reversal of revaluation reserve for land			1,297		1,297						1,297
Net changes of items other than shareholders' equity						(2,639)	(1,297)	747	207	(2,972)	(2,972)
Balance at March 31, 2019	\$55,126	\$57,279	\$477,558	(\$25,153)	\$564,810	\$4,774	(\$9,972)	\$5,153	\$522	\$477	\$565,288

The accompanying notes are an integral part of this statement.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2019 and 2018	Thousands of U.S. dollars (Note 1)		
	Millions of yen	2019	2018
<b>Cash flows from operating activities</b>			
Income before income taxes	¥9,608	¥9,078	\$86,558
Depreciation and amortization	1,737	1,449	15,648
Loss on retirement of non-current assets	280	8	2,522
Increase (decrease) in allowance for doubtful accounts	(21)	(18)	(189)
Increase (decrease) in provision for warranties for completed construction	3	12	27
Increase (decrease) in provision for loss on construction contracts	29	75	261
Increase (decrease) in net defined benefit asset	(204)	(551)	(1,837)
Increase (decrease) in provision for stock benefits for directors	22	17	198
Interest and dividends of income	(141)	(136)	(1,270)
Interest expenses	13	21	117
Loss on sales of notes receivable - trade	3	1	27
Loss (gain) on sales of investment securities	(10)	-	(90)
Loss (gain) on valuation of investment securities	5	-	45
Decrease (increase) in notes and accounts receivable - trade	(1,395)	(882)	(12,567)
Decrease (increase) in accumulated construction cost in progress	551	1,605	4,963
Decrease (increase) in other inventories	(425)	(66)	(3,828)
Increase (decrease) in notes and accounts payable - trade	(772)	(395)	(6,954)
Increase (decrease) in advances received on uncompleted construction contracts	(1,120)	(1,025)	(10,090)
Others	(142)	2,319	(1,279)
Subtotal	8,022	11,513	72,270
Interest income and dividend received (cash basis)	141	136	1,270
Interest payment (cash basis)	(13)	(21)	(117)
Payments for sales of notes receivable - trade	(3)	(1)	(27)
Income taxes paid	(2,586)	(4,060)	(23,297)
Net cash provided by (used in) operating activities	5,560	7,565	50,090
<b>Cash flows from investing activities</b>			
Purchase of securities	(5,000)	(3,999)	(45,045)
Proceeds from redemption of securities	4,299	2,499	38,729
Purchases of property, plant and equipment	(1,485)	(4,911)	(13,378)
Proceeds from sales of property, plant and equipment	340	40	3,063
Purchases of intangible assets	(132)	(66)	(1,189)
Purchases of investment securities	(215)	(214)	(1,936)
Proceeds from sales of investment securities	19	-	171
Purchase of stocks of subsidiaries and affiliates	(100)	(152)	(900)
Collection of loans receivable from subsidiaries and affiliates	19	4	171
Collection of loans receivable	-	63	-
Payments for investments in real estates	(11)	(406)	(99)
Proceeds from sales of investments in real estates	417	1,542	3,756
Proceeds from maturity of insurance funds	196	-	1,765
Others	(476)	(302)	(4,288)
Net cash provided by (used in) investing activities	(2,127)	(5,903)	(19,162)
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term loans payable	(80)	(150)	(720)
Repayment of long-term loans payable	(15)	(15)	(135)
Purchase of treasury stock	(1,000)	(90)	(9,009)
Repayments of finance lease obligations	(34)	(63)	(306)
Cash dividends paid	(1,838)	(1,312)	(16,558)
Net cash provided by (used in) financing activities	(2,969)	(1,632)	(26,747)
Effect of exchange rate change on cash and cash equivalents	58	(91)	522
Net increase (decrease) in cash and cash equivalents	521	(61)	4,693
Cash and cash equivalents at beginning of the year	20,677	20,739	186,279
Increase in cash and cash equivalents from newly consolidated subsidiary	793	-	7,144
Cash and cash equivalents at end of the year (Note 3)	¥21,992	¥20,677	\$198,126

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 ¥111.00 = US\$1.00, which was the exchange rate prevailing at March 31, 2019.

### 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 13 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., FUKUSHIMA REALIZE CO., LTD., NIIGATA REALIZE CO., LTD., YAMAGUCHI REALIZE CO., LTD., SANYORYOKUKA 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, NISHINIHON REALIZE CO., LTD., TOUGH EARTH CO., LTD., RAITO FECON INNOVATIVE 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 and facilities attached to buildings and structures acquired after April 1, 2016 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 ¥116 million.

##### iv) Provision for stock benefits for directors

To grant directors with shares of the Company's stock, the Company provides an allowance in an amount accrued during the fiscal year under review based on the estimated amount of benefits.

#### (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, 2019 and 2018 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and time deposits on the consolidated balance sheets	<b>¥21,992</b>	¥20,677	<b>\$198,126</b>
Time deposits with terms exceeding 3 months	-	-	-
Cash and cash equivalents on the statement of cash flows	<b>¥21,992</b>	¥20,677	<b>\$198,126</b>

### 4. INVENTORIES

Inventories as of March 31, 2019 and 2018 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Accumulated construction cost in progress	<b>¥3,881</b>	¥4,349	<b>\$34,963</b>
Merchandise and finished goods, work in process and raw material and supplies	<b>804</b>	366	<b>7,243</b>
	<b>¥4,685</b>	¥4,715	<b>\$42,207</b>

### 5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2019 and 2018 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investment in securities (shares)	<b>¥266</b>	¥575	<b>\$2,396</b>

### 6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2019 and 2018 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Endorsed notes receivable	<b>¥30</b>	¥82	<b>\$270</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, 2019, the carrying amount of the land after one-time revaluation exceeds the market value by ¥2,296 million (\$20,684 thousand).

### 8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of listed securities, which are classified as marketable securities, as of March 31, 2019 and 2018, are as follows:

	Millions of yen		
As of March 31, 2019	Fair Value		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	<b>¥1,233</b>	<b>¥2,039</b>	<b>¥806</b>
Fund trust and other	<b>49</b>	<b>52</b>	<b>2</b>
	<b>¥1,283</b>	<b>¥2,092</b>	<b>¥808</b>

	Millions of yen		
As of March 31, 2018	Fair Value		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	¥1,246	¥2,375	¥1,128
Fund trust and other	49	52	2
	¥1,296	¥2,427	¥1,130

	Thousands of U.S. dollars		
As of March 31, 2019	Fair Value		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	<b>\$11,108</b>	<b>\$18,369</b>	<b>\$7,261</b>
Fund trust and other	<b>441</b>	<b>468</b>	<b>18</b>
	<b>\$11,558</b>	<b>\$18,846</b>	<b>\$7,279</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 ¥9,682 million (\$87,225 thousand).

### 10. PLEDGED ASSETS AND SECURED LIABILITIES

Details of assets pledged as collateral as of March 31, 2019 and 2018 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Buildings	<b>¥249</b>	¥258	<b>\$2,243</b>
Land	<b>336</b>	336	<b>3,027</b>
Total	<b>¥586</b>	¥595	<b>\$5,279</b>

Details of secured liabilities as of March 31, 2019 and 2018 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term bank loans payable	<b>¥ -</b>	¥50	<b>¥ -</b>
Current portion of long-term loans payable	<b>92</b>	15	<b>828</b>
Long-term loans payable	-	92	-
Total	<b>¥92</b>	¥158	<b>\$828</b>

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

Consolidated fiscal year under review (from April 1, 2018, to March 31, 2019)

#### 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 contribution 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
	2019	2018	2019
Retirement benefit obligation at beginning of term	<b>¥7,403</b>	¥7,567	<b>\$66,693</b>
Service cost	<b>368</b>	363	<b>3,315</b>
Interest expense	<b>44</b>	44	<b>396</b>
Actuarial difference amounts incurred for the period	<b>(38)</b>	29	<b>(342)</b>
Prior service costs incurred for the period	<b>(84)</b>	-	<b>(756)</b>
Retirement benefit payments	<b>(423)</b>	(601)	<b>(3,810)</b>
Retirement benefit obligation at end of term	<b>¥7,270</b>	¥7,403	<b>\$65,495</b>

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Plan assets at beginning of term	<b>¥8,097</b>	¥7,708	<b>\$72,945</b>
Expected return on assets	<b>111</b>	106	<b>1,000</b>
Actuarial difference amounts incurred for the period	<b>(174)</b>	242	<b>(1,567)</b>
Contributions from employer	<b>452</b>	452	<b>4,072</b>
Retirement benefit payments	<b>(319)</b>	(412)	<b>(2,873)</b>
Plan assets at end of term	<b>¥8,168</b>	¥8,097	<b>\$73,585</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
	2019	2018	2019
Retirement benefit obligation of funded plans	<b>¥7,270</b>	¥7,403	<b>\$65,495</b>
Plan assets	<b>(8,168)</b>	(8,097)	<b>(73,585)</b>
	<b>(898)</b>	(693)	<b>(8,090)</b>
Retirement benefit obligation of unfunded plans	-	-	-
Net assets and liabilities recorded on the consolidated balance sheets	<b>(¥898)</b>	(¥693)	<b>(\$8,090)</b>

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net defined benefit liability	<b>¥-</b>	¥-	<b>\$-</b>
Net defined benefit asset	<b>(898)</b>	(693)	<b>(8,090)</b>
Net assets and liabilities recorded on the consolidated balance sheets	<b>(¥898)</b>	(¥693)	<b>(\$8,090)</b>

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	<b>¥368</b>	¥363	<b>\$3,315</b>
Interest expense	<b>44</b>	44	<b>396</b>
Expected return on assets	<b>(111)</b>	(106)	<b>(1,000)</b>
Amount expensed for actuarial difference	<b>85</b>	362	<b>765</b>
Amount expensed for prior service cost	-	-	-
Retirement benefit expenses for the defined benefit plan	<b>387</b>	664	<b>3,486</b>
Retirement benefit expenses relating to defined benefit plans	<b>¥387</b>	¥664	<b>\$3,486</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
	2019	2018	2019
Prior service costs	<b>(¥84)</b>	¥-	<b>(\$756)</b>
Actuarial differences	<b>50</b>	(575)	<b>450</b>
Total	<b>(¥33)</b>	(¥575)	<b>(\$297)</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
	2019	2018	2019
Unrecognized prior service costs	<b>(¥84)</b>	¥-	<b>(\$756)</b>
Unrecognized actuarial differences	<b>0</b>	(50)	<b>0</b>
Total	<b>(¥84)</b>	(¥50)	<b>(\$756)</b>

(7) Plan assets

i) Principal breakdown of plan assets  
The ratios by major classification with regard to total plan asset are as follows.

	2019	2018
Bonds	<b>35%</b>	33%
Shares	<b>40%</b>	44%
Cash on hand and in banks	<b>6%</b>	4%
Other	<b>17%</b>	16%
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 2.7%

3. Defined contribution plan

The required amount of contribution to the defined contribution plan of the Company is ¥114 million for the previous fiscal year and ¥113 million for the fiscal year under review.

12. TREASURY STOCK

The Company holds 5,923,928 shares of treasury stock as of March 31, 2019.

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. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2019 and 2018 is presented as follows.

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2019	
Valuation difference on available-for-sale securities:				
The amount arising during the period	<b>(¥358)</b>	¥236	<b>(\$3,225)</b>	
Reclassification adjustment	<b>(10)</b>	-	<b>(90)</b>	
Foreign currency translation adjustment:				
The amount arising during the period	<b>83</b>	(118)	<b>747</b>	
Reclassification adjustment	-	-	-	
Retirement benefit adjustment:				
The amount arising during the period	<b>(51)</b>	213	<b>(459)</b>	
Reclassification adjustment	<b>85</b>	362	<b>765</b>	
Before adjustment for tax effects	<b>(251)</b>	693	<b>(2,261)</b>	
Amount of tax effects	<b>65</b>	(241)	<b>585</b>	
Total other accumulated comprehensive income	<b>(¥186)</b>	¥452	<b>(\$1,675)</b>	

Information relating to the amounts of tax effects applicable to other accumulated comprehensive income for the years ended March 31, 2019 and 2018 is presented as follows.

	Millions of yen		
	2019		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	<b>(¥369)</b>	<b>¥75</b>	<b>(¥293)</b>
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	<b>83</b>	-	<b>83</b>
Remeasurements of defined benefit plans	<b>33</b>	<b>(10)</b>	<b>23</b>
Total other accumulated comprehensive income	<b>(¥251)</b>	<b>¥65</b>	<b>(¥186)</b>

	Millions of yen		
	2018		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	¥236	(¥64)	¥171
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	(118)	-	(118)
Remeasurements of defined benefit plans	575	(177)	398
Total other accumulated comprehensive income	¥693	(¥241)	¥452

	Thousands of U.S. dollars		
	2019		
	Before adjustment for tax effects	Amount of tax effects	After adjustment for tax effects
Valuation difference on available-for-sale securities	<b>(\$3,324)</b>	<b>\$675</b>	<b>(\$2,639)</b>
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	<b>747</b>	-	<b>747</b>
Remeasurements of defined benefit plans	<b>297</b>	<b>(90)</b>	<b>207</b>
Total other accumulated comprehensive income	<b>(\$2,261)</b>	<b>\$585</b>	<b>(\$1,675)</b>



## 15. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2019 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Net defined benefit liability	<b>¥473</b>	¥530	<b>\$4,261</b>
Accrued expenses	<b>424</b>	404	<b>3,819</b>
Allowance for doubtful accounts	<b>129</b>	136	<b>1,162</b>
Provision for loss on construction denied for deduction	<b>44</b>	35	<b>396</b>
Net operating loss carryforwards	<b>492</b>	392	<b>4,432</b>
Impairment loss denied for deduction	<b>156</b>	166	<b>1,405</b>
Loss on support of subsidiaries and affiliates	<b>908</b>	908	<b>8,180</b>
Loss on valuation of stocks of subsidiaries and affiliates	<b>408</b>	440	<b>3,675</b>
Other	<b>1,443</b>	1,341	<b>13,000</b>
Subtotal	<b>4,482</b>	4,356	<b>40,378</b>
Valuation allowance	<b>(2,705)</b>	(2,660)	<b>(24,369)</b>
Total deferred tax assets	<b>¥1,777</b>	¥1,695	<b>\$16,009</b>
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	<b>(297)</b>	(297)	<b>(2,675)</b>
Valuation difference on available-for-sale securities	<b>(202)</b>	(278)	<b>(1,819)</b>
Special depreciation allowance for tax purposes	<b>(4)</b>	(4)	<b>(36)</b>
Disposal expenses relating to asset retirement obligations	<b>(2)</b>	(2)	<b>(18)</b>
Total deferred tax liabilities	<b>(¥506)</b>	(¥582)	<b>(\$4,558)</b>
Total net deferred tax assets	<b>¥1,270</b>	¥1,112	<b>\$11,441</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, 2019 and 2018 are presented as follows.

	2019	2018
Statutory effective tax rate	<b>30.6%</b>	30.8%
(Adjustments)		
Non-deductible expenses such as entertainment	<b>0.5</b>	0.6
Per capita inhabitants' taxes	<b>0.8</b>	0.9
Increase / decrease in valuation reserves	<b>0.2</b>	0.1
Tax credit	<b>(0.5)</b>	(3.9)
Other	<b>0.4</b>	(0.8)
Burden rate of corporate taxes, etc. after application of tax-effect accounting	<b>32.2%</b>	27.8%

## 16. 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, 2019 and 2018 is as follows:

	Millions of yen				
	Year ended March 31, 2019				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	<b>¥102,125</b>	<b>¥699</b>	<b>¥102,825</b>	<b>¥-</b>	<b>¥102,825</b>
Inter-segments	-	1,266	1,266	(1,266)	0
Total	<b>¥102,125</b>	<b>¥1,965</b>	<b>¥104,091</b>	<b>(¥1,266)</b>	<b>¥102,825</b>
Operating expenses	<b>92,452</b>	<b>1,936</b>	<b>94,389</b>	<b>(1,266)</b>	<b>93,123</b>
Operating income/loss	<b>9,673</b>	<b>28</b>	<b>9,702</b>	<b>0</b>	<b>9,702</b>
Assets	<b>62,242</b>	<b>1,228</b>	<b>63,471</b>	<b>33,274</b>	<b>96,745</b>
Depreciation	<b>1,695</b>	<b>22</b>	<b>1,717</b>	<b>(5)</b>	<b>1,711</b>
Capital expenditures	<b>1,574</b>	<b>2</b>	<b>1,577</b>	<b>-</b>	<b>1,577</b>

	Millions of yen				
	Year ended March 31, 2018				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	<b>¥99,465</b>	<b>¥659</b>	<b>¥100,125</b>	<b>¥-</b>	<b>¥100,125</b>
Inter-segments	-	1,246	1,246	(1,246)	0
Total	<b>¥99,465</b>	<b>¥1,906</b>	<b>¥101,372</b>	<b>(¥1,246)</b>	<b>¥100,125</b>
Operating expenses	<b>90,579</b>	<b>1,841</b>	<b>92,421</b>	<b>(1,246)</b>	<b>91,175</b>
Operating income/loss	<b>8,886</b>	<b>64</b>	<b>8,950</b>	<b>-</b>	<b>8,950</b>
Assets	<b>60,834</b>	<b>1,251</b>	<b>62,085</b>	<b>31,680</b>	<b>93,765</b>
Depreciation	<b>1,412</b>	<b>23</b>	<b>1,436</b>	<b>(2)</b>	<b>1,434</b>
Capital expenditures	<b>4,928</b>	<b>-</b>	<b>4,928</b>	<b>-</b>	<b>4,928</b>

	Thousands of U.S. dollars				
	Year ended March 31, 2019				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	<b>\$920,045</b>	<b>\$6,297</b>	<b>\$926,351</b>	<b>¥-</b>	<b>\$926,351</b>
Inter-segments	-	11,405	11,405	(11,405)	0
Total	<b>\$920,045</b>	<b>\$17,702</b>	<b>\$937,756</b>	<b>(\$11,405)</b>	<b>\$926,351</b>
Operating expenses	<b>832,900</b>	<b>17,441</b>	<b>850,351</b>	<b>(11,405)</b>	<b>838,945</b>
Operating income/loss	<b>87,144</b>	<b>252</b>	<b>87,405</b>	<b>0</b>	<b>87,405</b>
Assets	<b>560,738</b>	<b>11,063</b>	<b>571,810</b>	<b>299,765</b>	<b>871,576</b>
Depreciation	<b>15,270</b>	<b>198</b>	<b>15,468</b>	<b>(45)</b>	<b>15,414</b>
Capital expenditures	<b>14,180</b>	<b>18</b>	<b>14,207</b>	<b>-</b>	<b>14,207</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, 2019 and 2018 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	<b>¥100,236</b>	¥98,131	<b>\$903,027</b>
North America	<b>824</b>	562	<b>7,423</b>
Other	<b>1,764</b>	1,431	<b>15,891</b>
Total	<b>¥102,825</b>	¥100,125	<b>\$926,351</b>

## 17. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2019 and 2018 are presented as follows:

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	<b>¥1,209.47</b>	¥1,118.11	<b>\$10.89</b>
Net income per share	<b>¥124.35</b>	¥124.43	<b>\$1.12</b>

## 18. SUBSEQUENT EVENT

On June 27, 2019 the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash dividends of ¥38.0 (\$0.34) per share (final for the year ended March 31, 2019)	<b>¥1,974</b>	¥1,843	<b>\$17,789</b>

## BOARD OF DIRECTORS

### PRESIDENT AND REPRESENTATIVE DIRECTOR

Kazuo Suzuki

### SENIOR MANAGING DIRECTORS

Shigeaki Funayama  
Nobuyuki Fujisawa  
Yoichi Howa  
Kazuhiro Akutsu

### MANAGING DIRECTORS

Makoto Nishi  
Yusuke Murai  
Kohei Kawamura

### DIRECTORS

Akinobu Yamamoto  
Tadashi Shibata  
Makoto Shirai

(as of June 27, 2019)

## SHARE INFORMATION

### COMMON STOCK

Authorized shares  
198,000,000 shares  
(as of June 27, 2019)

Issued and outstanding shares  
57,804,450 shares  
(as of June 27, 2019)

Number of shareholders  
7,125  
(as of March 31, 2019)

### 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

## 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: +1-510-259-9901

#### 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)

19th Floor CEO Tower, Lot HH2-1 Urban Me Tri Ha, Pham Hung Street,  
Ward Me Tri, Nam Tu Liem District, Hanoi  
TEL: +84-24-6256-4499 FAX: +84-24-6258-4000

## CORPORATE DATA

### HEAD OFFICE

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

### CAPITAL

¥6,119,475,000  
US\$55,130,405  
(¥111.00=US\$1.00)  
(as of March 31, 2019)

### DATE OF ESTABLISHMENT

September 28, 1948

### STOCK TRADING

Tokyo Stock Exchange, First Section

### MAJOR SHAREHOLDERS

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

### EMPLOYEES

1,122 (as of March 31, 2019)

