

# Annual Report 2018

Year ended March 31, 2018



 **Raito**  
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.

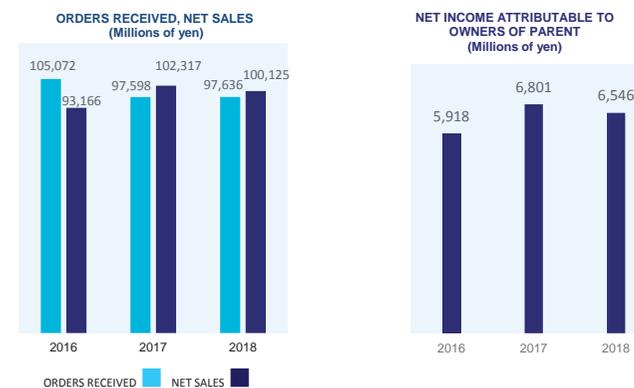
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## CONSOLIDATED FINANCIAL HIGHLIGHTS

	Millions of yen						Thousands of U.S. dollars
	2018	2017	2016	2015	2014	2013	2018
<b>FOR THE YEAR</b>							
Orders received	<b>¥97,636</b>	¥97,598	¥105,072	¥97,390	¥91,217	¥79,139	<b>\$918,927</b>
Net sales	<b>100,125</b>	102,317	93,166	85,648	92,698	75,557	<b>942,352</b>
Income from operations	<b>8,950</b>	9,799	8,633	7,078	6,581	2,947	<b>84,235</b>
Income before income taxes	<b>9,209</b>	9,752	8,523	7,389	6,692	2,573	<b>86,672</b>
Net income attributable to owners of parent	<b>6,546</b>	6,801	5,918	4,602	3,973	1,973	<b>61,609</b>
<b>AT YEAR-END</b>							
Total assets	<b>93,765</b>	89,090	80,166	75,691	71,500	61,078	<b>882,494</b>
Net assets	<b>58,785</b>	53,194	46,349	41,631	35,803	33,291	<b>553,270</b>
Capital stock	<b>6,119</b>	6,119	6,119	6,119	6,119	6,119	<b>57,590</b>
<b>AMOUNTS PER SHARE (in yen)</b>							
Net income	<b>124.43</b>	129.16	112.39	87.40	75.45	37.47	
Net assets	<b>1,118.11</b>	1,010.18	880.17	790.56	679.89	632.17	
<b>PERFORMANCE INDICATORS</b>							
Equity capital ratio (%)	<b>62.7</b>	59.7	57.8	55.0	50.1	54.5	
Return on equity (%)	<b>11.7</b>	13.7	13.5	11.9	11.5	6.1	

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 ¥106.25 = US\$1.00, the rate on March 31, 2018.



## PRESIDENT'S MESSAGE



## OPERATING PERFORMANCE

In the fiscal year, ended March 31, 2018, the Japanese economy continued to experience unstable international situations, but there has been an upward trend with regards to exports and production backed by mild recovery of overseas economies. Moreover, with the effects of various measures by the government, the Japanese economy maintained a mild recovery with continued improvements in employment and income environment and in corporate earnings.

In the construction industry, despite housing investment being weak, private-sector construction investment has been steady, with increases in facility investment backed by economic recovery in Japan and overseas. Furthermore, with regards to government construction investment, a favorable order environment has continued as a whole in the construction market in Japan, remaining at a high level.

In these conditions, net sales of the Raito Kogyo Group in the fiscal year under review decreased 2.1% year-on-year to ¥100,125 million due to decreases in orders for decontamination work from the Ministry of the Environment at the Company and due to effects from a decrease in construction in progress such as large-scale construction projects at consolidated subsidiaries.

On the profit front, profitability remained flat from the previous fiscal year throughout the entire Group; however, the decrease in net sales resulted in a 2.3% decrease year-on-year in gross profit to ¥18,598 million.

Furthermore, due to the decrease in gross profit and increases in selling, general and administrative expenses in conjunction with increases in labor costs, R&D costs, and the like at the Company, operating income and ordinary income decreased 8.7% year-on-year to ¥8,950 million and 7.2% year-on-year to ¥9,209 million, respectively. Net income attributable to owners of parent decreased 3.8% year-on-year to ¥6,546 million.

## BUSINESS SEGMENT REVIEW

Consolidated net sales in the construction segment, the Group's core business, were ¥99,465 million, decreased 2.0% over the previous fiscal year.

Orders received in this segment increased 0.04% year-on-year to ¥97,636 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 increased 8.9% year-on-year to ¥32,857 million due to the increase in orders for slope protection and landslide prevention work in recovery and restoration work related to the Kumamoto Earthquake and in the areas of roadways and dams.

### (2) Foundation and ground improvement projects

Orders received decreased 5.0% from the previous fiscal year to ¥32,462 million. Despite increases in ground improvement work for interim storage facilities in Fukushima Prefecture, orders for restoration-related projects following the Great East Japan Earthquake and at overseas subsidiaries decreased.

### (3) Structural repair and reinforcement projects

Orders received increased 19.5% from the previous fiscal year to ¥3,610 million due to an increase in orders from the Ministry of Land, Infrastructure, Transport and Tourism for bridge repair and reinforcement works.

### (4) Environmental restoration projects

Orders received decreased 18.8% from the previous fiscal year to ¥4,447 million due to a decrease in orders from the Ministry of the Environment and local governments for decontamination work, despite an increase in orders from the private-sector for soil contamination countermeasures work.

### (5) Building construction projects

Orders received decreased 3.3% from the previous fiscal year to ¥15,946 million due to a decrease in large-scale construction projects at consolidated subsidiaries, despite steady orders for condominium construction in the Tokyo metropolitan area.

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

Orders received increased 0.8% from the previous fiscal year to ¥8,311 million due to an increase in orders from local governments 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, 2019, 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 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 ¥9,500 million, ordinary income of ¥9,600 million, and net income attributable to owners of parent of ¥6,500 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 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

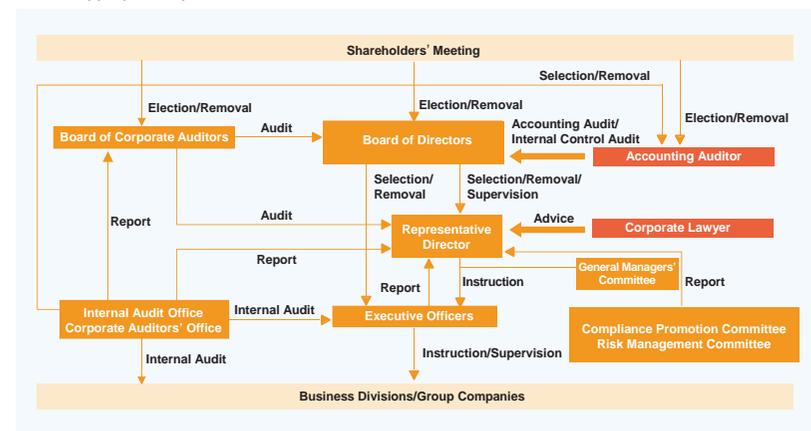
In order to improve the Group's ability to respond to and address risks that have the potential to significantly impact its operations, Raito Kogyo has established the Internal Crisis Management Committee. By identifying and preventing risks in advance, the Group is better positioned to avoid any consequent 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 three members of staff, fulfills various internal audit functions. Based on annual auditing plans, it reviews the appropriateness of business execution and the effectiveness of internal controls. Internal audit results are reported to the corporate auditors and to the representative director.

### STATUS OF ESTABLISHMENT OF SYSTEM TO OPTIMIZE SUBSIDIARY OPERATIONS

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





## RAITO KOGYO AT A GLANCE

### SLOPE PROTECTION PROJECTS

This sector includes engineering and construction works to protect slopes from degradation or weathering and to prevent disasters due to landslip, landslide, slope failure, mudslide or flooding. Orders received in the fiscal year under review totaled ¥32,857 million and segment revenues from completed projects amounted to ¥31,063 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 ¥32,462 million, while segment revenues from completed projects were ¥32,874 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 ¥3,610 million. Segment revenues from completed projects were ¥3,710 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 ¥15,946 million, while segment revenues from completed projects amounted to ¥18,292 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 ¥12,758 million and segment revenues from completed projects amounted to ¥13,525 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 ¥559 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.

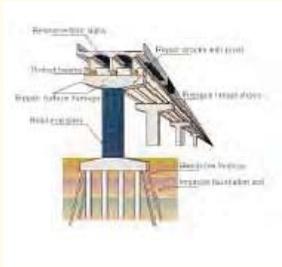


### SOIL REMEDIATION TECHNOLOGY



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, 2018

## CONSOLIDATED BALANCE SHEETS

March 31, 2018 and 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits (Note 3)	¥20,677	¥20,739	\$194,607
Notes and accounts receivable — trade	34,401	33,536	323,774
Securities	4,599	3,099	43,284
Accumulated construction cost in progress (Note 4)	4,349	5,955	40,931
Merchandise and finished goods (Note 4)	17	18	160
Work in process (Note 4)	0	0	0
Raw materials and supplies (Note 4)	349	284	3,284
Accounts receivable — other	258	137	2,428
Deferred tax assets (Note 16)	849	752	7,990
Other current assets	1,304	967	12,272
Allowance for doubtful accounts	(56)	(65)	(527)
Total current assets	66,752	65,426	628,254
<b>Non-current assets:</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	10,988	8,920	103,416
Accumulated depreciation	(5,377)	(5,200)	(50,607)
Buildings and structures, net (Note 10)	5,611	3,720	52,809
Machinery, vehicles and equipment	22,290	22,015	209,788
Accumulated depreciation	(19,336)	(19,597)	(181,985)
Machinery, vehicles and equipment, net	2,953	2,417	27,792
Land (Notes 7 and 10)	10,346	9,017	97,374
Lease assets	339	503	3,190
Accumulated depreciation	(260)	(359)	(2,447)
Lease assets, net	79	144	743
Construction in progress	37	328	348
Total property, plant and equipment	19,027	15,628	179,077
<b>Intangible assets:</b>			
Other	183	158	1,722
Total intangible assets	183	158	1,722
<b>Investments and other assets:</b>			
Investment securities (Notes 5 and 8)	3,801	3,194	35,774
Long-term prepaid expenses	1,049	1,010	9,872
Claims provable in bankruptcy, claims provable in rehabilitation and other	13	13	122
Real estate for investment	406	1,470	3,821
Deferred tax assets (Note 16)	265	469	2,494
Net defined benefit asset	693	141	6,522
Others	1,953	1,968	18,381
Allowance for doubtful accounts	(382)	(391)	(3,595)
Total investments and other assets	7,801	7,876	73,421
Total non-current assets	27,012	23,663	254,230
Total assets	¥93,765	¥89,090	\$882,494

The accompanying notes are an integral part of this statement.

March 31, 2018 and 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable — trade	¥19,751	¥20,077	\$185,891
Short-term bank loans payable (Notes 9 and 10)	950	1,100	8,941
Current portion of long-term loans payable (Note 10)	15	15	141
Accrued income taxes	1,138	2,217	10,710
Advance received on uncompleted contracts	4,424	5,453	41,637
Provision for warranties for completed construction	111	99	1,044
Allowance for anticipated loss on contract work	116	41	1,091
Accrued expenses	2,425	2,005	22,823
Other current liabilities	4,945	3,724	46,541
Total current liabilities	33,879	34,734	318,861
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 10)	92	108	865
Deferred tax liabilities for land revaluation (Note 7)	852	852	8,018
Long-term accrued amount payable	47	47	442
Lease obligations	26	89	244
Deferred tax liabilities (Note 16)	2	2	18
Provision for stock benefits for directors	17	-	160
Other non-current liabilities	60	60	564
Total non-current liabilities	1,100	1,161	10,352
Total liabilities	34,980	35,895	329,213
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	6,119	6,119	57,590
Capital surplus	6,358	6,358	59,840
Retained earnings	47,715	42,486	449,082
Treasury stock (Note 12)	(1,791)	(1,701)	(16,856)
Total shareholders' equity (Note 13)	58,401	53,262	549,656
<b>Other accumulated comprehensive income:</b>			
Valuation difference on available-for-sale securities	823	651	7,745
Revaluation reserve for land (Note 7)	(962)	(962)	(9,054)
Foreign currency translation adjustment	488	606	4,592
Remeasurements of defined benefit plans (Note 11)	34	(363)	320
Total other accumulated comprehensive income	383	(68)	3,604
Total net assets	58,785	53,194	553,270
Total liabilities and net assets	¥93,765	¥89,090	\$882,494

The accompanying notes are an integral part of this statement.

## CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31, 2018 and 2017	Millions of yen		Thousands of
	2018	2017	U.S. dollars (Note 1)
<b>Net sales:</b>			
Net sales of completed construction contracts	¥99,465	¥101,535	\$936,141
Net sales of sideline business	659	781	6,202
Total net sales	100,125	102,317	942,352
<b>Cost of sales:</b>			
Cost of sales of completed construction contracts	80,978	82,606	762,145
Cost of sales on sideline business	548	666	5,157
Total cost of sales	81,526	83,273	767,303
<b>Gross profit:</b>			
Gross profit of completed construction contracts	18,487	18,929	173,995
Gross profit on sideline business	111	114	1,044
Total gross profit	18,598	19,044	175,040
<b>Selling, general and administrative expenses</b>	9,647	9,244	90,795
<b>Operating income</b>	8,950	9,799	84,235
<b>Non-operating income:</b>			
Interest income	33	40	310
Dividends income	102	81	960
Royalty income	12	21	112
Insurance proceeds	74	6	696
Rent income on non-current assets	161	153	1,515
Other	104	79	978
Total non-operating income	489	382	4,602
<b>Non-operating expenses:</b>			
Interest expenses	21	25	197
Loss on sales of notes payable	1	1	9
Commission fee	9	88	84
Guarantee commission	59	35	555
Cost of lease revenue	70	44	658
Foreign exchange loss	31	8	291
Other	37	55	348
Total non-operating expenses	231	259	2,174
<b>Ordinary income</b>	9,209	9,922	86,672
<b>Extraordinary income:</b>			
Gain on sales of non-current assets	29	51	272
Gain on sales of investment securities	-	1	-
Total extraordinary income	29	53	272
<b>Extraordinary loss:</b>			
Office transfer expenses	101	-	950
Settlement package	30	-	282
Impairment loss	-	64	-
Loss on sales and retirement of non-current assets	12	89	112
Loss on sales of investment securities	-	16	-
Special extra retirement payments	15	46	141
Loss on valuation of golf club membership	-	7	-
Total extraordinary losses	160	223	1,505
<b>Income before income taxes</b>	9,078	9,752	85,440
Income taxes-current	2,667	3,236	25,101
Income taxes-deferred	(135)	(285)	(1,270)
Total Income taxes	2,532	2,951	23,830
<b>Net income</b>	6,546	6,801	61,609
<b>Net income attributable to owners of parent</b>	¥6,546	¥6,801	\$61,609

The accompanying notes are an integral part of this statement.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended March 31, 2018 and 2017	Millions of yen		Thousands of
	2018	2017	U.S. dollars (Note 1)
<b>Net Income</b>	¥6,546	¥6,801	\$61,609
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	171	429	1,609
Foreign currency translation adjustment	(118)	(10)	(1,110)
Retirement benefit adjustment	398	678	3,745
Total other comprehensive income (Note 15)	452	1,097	4,254
<b>Comprehensive income (Note 15)</b>	6,998	7,898	65,863
(Breakdown)			
Comprehensive income attributable to owners of the parent	6,998	7,898	65,863
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	Remeasurements of defined benefit plans	Total other accumulated comprehensive income	
<b>Balance at March 31, 2016</b>	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 attributable 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
<b>Balance at March 31, 2017</b>	<b>6,119</b>	<b>6,358</b>	<b>42,486</b>	<b>(1,701)</b>	<b>53,262</b>	<b>651</b>	<b>(962)</b>	<b>606</b>	<b>(363)</b>	<b>(68)</b>	<b>53,194</b>
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
<b>Balance at March 31, 2018</b>	<b>¥6,119</b>	<b>¥6,358</b>	<b>¥47,715</b>	<b>¥(1,791)</b>	<b>¥58,401</b>	<b>¥823</b>	<b>¥(962)</b>	<b>¥488</b>	<b>¥34</b>	<b>¥383</b>	<b>¥58,785</b>

	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	
<b>Balance at March 31, 2017</b>	<b>\$57,590</b>	<b>\$59,840</b>	<b>\$399,868</b>	<b>\$(16,009)</b>	<b>\$501,289</b>	<b>\$6,127</b>	<b>\$(9,054)</b>	<b>\$5,703</b>	<b>\$(3,416)</b>	<b>\$(640)</b>	<b>\$500,649</b>
Dividends from surplus			(12,385)		(12,385)						(12,385)
Net income attributable to owners of parent			61,609		61,609						61,609
Increase in treasury stock				(847)	(847)						(847)
Reversal of revaluation reserve for land											
Net changes of items other than shareholders' equity						1,609	-	(1,110)	3,745	4,254	4,254
<b>Balance at March 31, 2018</b>	<b>\$57,590</b>	<b>\$59,840</b>	<b>\$449,082</b>	<b>\$(16,856)</b>	<b>\$549,656</b>	<b>\$7,745</b>	<b>\$(9,054)</b>	<b>\$4,592</b>	<b>\$320</b>	<b>\$3,604</b>	<b>\$553,270</b>

The accompanying notes are an integral part of this statement.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2018 and 2017	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
<b>Cash flows from operating activities</b>			
Income before income taxes	¥9,078	¥9,752	\$85,440
Depreciation and amortization	1,449	1,413	13,637
Impairment of non-current assets	-	64	-
Loss on retirement of non-current assets	8	12	75
Increase (decrease) in allowance for doubtful accounts	(18)	(51)	(169)
Increase (decrease) in provision for warranties for completed construction	12	(24)	112
Increase (decrease) in provision for loss on construction contracts	75	(181)	705
Increase (decrease) in net defined benefit asset	(551)	(141)	(5,185)
Increase (decrease) in net defined benefit liability	-	(578)	-
Increase (decrease) in provision for stock benefits for directors	17	-	160
Interest and dividends of income	(136)	(121)	(1,280)
Interest expenses	21	25	197
Loss on sales of notes receivable - trade	1	1	9
Loss (gain) on valuation of investment securities	-	14	-
Decrease (increase) in notes and accounts receivable - trade	(882)	(5,876)	(8,301)
Decrease (increase) in accumulated construction cost in progress	1,605	(54)	15,105
Decrease (increase) in other inventories	(66)	(22)	(621)
Increase (decrease) in notes and accounts payable - trade	(395)	2,711	(3,717)
Increase (decrease) in advances received on uncompleted construction contracts	(1,025)	(101)	(9,647)
Others	2,319	1,058	21,825
Subtotal	11,513	7,900	108,357
Interest income and dividend received (cash basis)	136	121	1,280
Interest payment (cash basis)	(21)	(25)	(197)
Payments for sales of notes receivable - trade	(1)	(1)	(9)
Income taxes paid	(4,060)	(3,532)	(38,211)
Net cash provided by (used in) operating activities	7,565	4,461	71,200
<b>Net cash provided by (used in) investing activities</b>			
Purchase of securities	(3,999)	(13,099)	(37,637)
Proceeds from redemption of securities	2,499	13,600	23,520
Purchases of property, plant and equipment	(4,911)	(3,074)	(46,221)
Proceeds from sales of property, plant and equipment	40	199	376
Purchases of intangible assets	(66)	(85)	(621)
Purchases of investment securities	(214)	(11)	(2,014)
Proceeds from sales of investment securities	-	979	-
Purchase of stocks of subsidiaries and affiliates	(152)	(74)	(1,430)
Collection of loans receivable from subsidiaries and affiliates	4	9	37
Collection of loans receivable	63	-	592
Payments for investments in real estates	(406)	(856)	(3,821)
Proceeds from sales of investments in real estates	1,542	647	14,512
Others	(302)	(575)	(2,842)
Net cash provided by (used in) investing activities	(5,903)	(2,342)	(55,557)
<b>Net cash provided by (used in) financing activities</b>			
Net increase (decrease) in short-term loans payable	(150)	200	(1,411)
Repayment of long-term loans payable	(15)	(15)	(141)
Purchase of treasury stock	(90)	(0)	(847)
Repayments of finance lease obligations	(63)	(111)	(592)
Cash dividends paid	(1,312)	(1,050)	(12,348)
Net cash provided by (used in) financing activities	(1,632)	(978)	(15,360)
Effect of exchange rate change on cash and cash equivalents	(91)	(7)	(856)
Net increase (decrease) in cash and cash equivalents	(61)	1,133	(574)
Cash and cash equivalents at beginning of the year	20,739	19,606	195,190
Cash and cash equivalents at end of the year (Note 3)	¥20,677	¥20,739	194,607

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 ¥106.25 = US\$1.00, which was the exchange rate prevailing at March 31, 2018.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of consolidation

##### i) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Company and its 9 significant subsidiaries: RAITO, INC., ONORYO CO., LTD., AURA CE CO., LTD., RAITO ENGINEERING & CONSTRUCTION LIMITED, MICHINOKU REALIZE CO., LTD., TOHOKU REALIZE CO., LTD., TOKAI REALIZE CO., LTD., KYUSYU REALIZE CO., LTD. and YASASHIITE RAITO CO., LTD., after the elimination of all significant intercompany transactions, balances and unrealized profits.

The consolidated financial statements do not include the accounts of FUKUSHIMA REALIZE CO., LTD., NIIGATA REALIZE CO., LTD., YAMAGUCHI REALIZE CO., LTD., NISHINIHON REALIZE CO., LTD., SANYORYOKUKA CO., LTD., RAITO 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, 2018 and 2017 and cash and cash equivalents at end of years on the statements of cash flows for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and time deposits on the consolidated balance sheets	¥20,677	¥20,739	\$194,607
Time deposits with terms exceeding 3 months	-	-	-
Cash and cash equivalents on the statement of cash flows	¥20,677	¥20,739	\$194,607

### 4. INVENTORIES

Inventories as of March 31, 2018 and 2017 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Accumulated construction cost in progress	¥4,349	¥5,955	\$40,931
Merchandise and finished goods, work in process and raw material and supplies	366	302	3,444
	¥4,715	¥6,257	\$44,376

### 5. INVESTMENT SECURITIES

Information on investment in securities of non-consolidated subsidiaries and affiliated companies as of March 31, 2018 and 2017 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investment in securities (shares)	¥575	¥437	\$5,411

### 6. NOTES RECEIVABLE - TRADE

Information relating to the balances of discounted notes receivable and endorsed notes receivable as of March 31, 2018 and 2017 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2017
Endorsed notes receivable	¥82	¥79	\$771

### 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, 2018, the carrying amount of the land after one-time revaluation exceeds the market value by ¥2,517 million (\$23,689 thousand).

### 8. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

The market value of listed securities, which are classified as marketable securities, as of March 31, 2018 and 2017, are as follows:

As of March 31, 2018	Millions of yen		
	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

As of March 31, 2017	Millions of yen		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	¥1,416	¥2,295	¥879
Fund trust and other	49	51	1
	¥1,466	¥2,347	¥881

As of March 31, 2018	Thousands of U.S. dollars		
	Cost	(Carrying Amount)	Unrealized Gain (Loss)
Marketable equity securities	\$11,727	\$22,352	\$10,616
Fund trust and other	461	489	18
	\$12,197	\$22,842	\$10,635

### 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 ¥9,625 million (\$90,588 thousand).

### 10. PLEDGED ASSETS AND SECURED LIABILITIES

Details of assets pledged as collateral as of March 31, 2018 and 2017 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Buildings	¥258	¥267	\$2,428
Land	336	336	3,162
Total	¥595	¥604	\$5,600

Details of secured liabilities as of March 31, 2018 and 2017 are presented as follows.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Short-term bank loans payable	¥50	¥50	\$470
Current portion of long-term loans payable	15	15	141
Long-term loans payable	92	108	865
Total	¥158	¥174	\$1,487

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

Consolidated fiscal year under review (from April 1, 2017, to March 31, 2018)

#### 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
	2018	2017	2018
Retirement benefit obligation at beginning of term	¥7,567	¥7,712	\$71,218
Service cost	363	361	3,416
Interest expense	44	45	414
Actuarial difference amounts incurred for the period	29	71	272
Retirement benefit payments	(601)	(624)	(5,656)
Retirement benefit obligation at end of term	¥7,403	¥7,567	\$69,675

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets at beginning of term	¥7,708	¥7,133	\$72,545
Expected return on assets	106	102	997
Actuarial difference amounts incurred for the period	242	480	2,277
Contributions from employer	452	416	4,254
Retirement benefit payments	(412)	(424)	(3,877)
Plan assets at end of term	¥8,097	¥7,708	\$76,207

(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
	2018	2017	2018
Retirement benefit obligation of funded plans	¥7,403	¥7,567	\$69,675
Plan assets	(8,097)	(7,708)	(76,207)
Retirement benefit obligation of unfunded plans	(693)	(141)	(6,522)
Net assets and liabilities recorded on the consolidated balance sheets	(¥693)	(¥141)	(\$6,522)

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2017
Net defined benefit liability	¥-	¥-	\$-
Net defined benefit asset	(693)	(141)	(6,522)
Net assets and liabilities recorded on the consolidated balance sheets	(¥693)	(¥141)	(\$6,522)

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥363	¥361	\$3,416
Interest expense	44	45	414
Expected return on assets	(106)	(102)	(997)
Amount expensed for actuarial difference	362	571	3,407
Amount expensed for prior service cost	-	-	-
Retirement benefit expenses for the defined benefit plan	664	875	6,249
Retirement benefit expenses relating to defined benefit plans	¥664	¥875	\$6,249

(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
	2018	2017	2018
Actuarial differences	(¥575)	(¥979)	(\$5,411)
Total	(¥575)	(¥979)	(\$5,411)

(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
	2018	2017	2018
Unrecognized actuarial differences	(¥50)	¥524	(\$470)
Total	(¥50)	¥524	(\$470)

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

	2018	2017
Bonds	33%	36%
Shares	44%	46%
Cash on hand and in banks	4%	0%
Other	16%	17%
Total	100%	100%

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

(8) Basis for actuarial calculations  
The major actuarial assumptions for the consolidated fiscal year under review (shown as the weighted average)  
Discount rate 0.6%  
Expected rate of return on long-term plan assets 2.0%  
Expected rate of salary increase 2.7%

3. Defined contribution plan

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

12. TREASURY STOCK

The Company holds 5,229,117 shares of treasury stock as of March 31, 2018.

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, 2018 and 2017 are presented as follows.

	Millions of yen			Thousands of U.S. dollars
	2018	2017	2017	
Kesennuma Regional Housing Producers Network	¥-	¥113		\$-

15. CONSOLIDATED COMPREHENSIVE INCOME

Information relating to the amounts of reclassification adjustment applicable to other accumulated comprehensive income for the years ended March 31, 2018 and 2017 is presented as follows.

	Millions of yen			Thousands of U.S. dollars
	2018	2017	2018	
Valuation difference on available-for-sale securities:				
The amount arising during the period	¥236	¥550	\$2,221	
Reclassification adjustment	-	14	-	
Foreign currency translation adjustment:				
The amount arising during the period	(118)	(10)	(1,110)	
Reclassification adjustment	-	-	-	
Retirement benefit adjustment:				
The amount arising during the period	213	408	2,004	
Reclassification adjustment	362	571	3,407	
Before adjustment for tax effects	693	1,534	6,522	
Amount of tax effects	(241)	(437)	(2,268)	
Total other accumulated comprehensive income	¥452	¥1,097	\$4,254	

Information relating to the amounts of tax effects applicable to other accumulated comprehensive income for the years ended March 31, 2018 and 2017 is presented as follows.

	Millions of yen		
	2018	2017	2017
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

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

	Thousands of U.S. dollars		
	2018	2017	2017
Valuation difference on available-for-sale securities	\$2,221	(\$602)	\$1,609
Revaluation reserve for land	-	-	-
Foreign currency translation adjustment	(1,110)	-	(1,110)
Remeasurements of defined benefit plans	5,411	(1,665)	3,745
Total other accumulated comprehensive income	\$6,522	(\$2,268)	\$4,254

## 16. INCOME TAXES

The significant components of the Company's deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net defined benefit liability	¥530	¥698	\$4,988
Accrued expenses	404	382	3,802
Allowance for doubtful accounts	136	133	1,280
Provision for loss on construction denied for deduction	35	12	329
Net operating loss carryforwards	392	443	3,689
Impairment loss denied for deduction	166	167	1,562
Loss on support of subsidiaries and affiliates	908	908	8,545
Loss on valuation of stocks of subsidiaries and affiliates	440	408	4,141
Other	1,341	1,274	12,621
Subtotal	4,356	4,428	40,997
Valuation allowance	(2,660)	(2,691)	(25,035)
Total deferred tax assets	¥1,695	¥1,737	\$15,952
Deferred tax liabilities:			
Gain on securities contributed to employees' retirement benefit	(297)	(297)	(2,795)
Valuation difference on available-for-sale securities	(278)	(213)	(2,616)
Special depreciation allowance for tax purposes	(4)	(4)	(37)
Disposal expenses relating to asset retirement obligations	(2)	(2)	(18)
Total deferred tax liabilities	(¥582)	(¥518)	(\$5,477)
Total net deferred tax assets	¥1,112	¥1,218	\$10,465

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, 2018 and 2017 are presented as follows.

	2018	2017
Statutory effective tax rate	30.8%	30.8%
(Adjustments)		
Non-deductible expenses such as entertainment	0.6	0.5
Per capita inhabitants' taxes	0.9	0.8
Increase / decrease in valuation reserves	0.1	0.4
Tax credit	(3.9)	(0.6)
Other	(0.8)	(1.7)
Burden rate of corporate taxes, etc. after application of tax-effect accounting	27.8%	30.2%

## 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, 2018 and 2017 is as follows:

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

	Millions of yen				
	Year ended March 31, 2017				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	¥101,535	¥781	¥102,317	¥-	¥102,317
Inter-segments	-	1,342	1,342	(1,342)	0
Total	101,535	2,124	103,660	(1,342)	102,317
Operating expenses	91,794	2,068	93,863	(1,345)	92,518
Operating income/loss	9,741	56	9,797	2	9,799
Assets	57,915	1,373	59,289	29,801	89,090
Depreciation	1,371	25	1,396	(8)	1,388
Capital expenditures	3,537	8	3,545	-	3,545

	Thousands of U.S. dollars				
	Year ended March 31, 2018				
	Construction	Others	Total	Elimination	Consolidated
Revenues:					
Customers	\$936,141	\$6,202	\$942,352	\$-	\$942,352
Inter-segments	-	11,727	11,727	(11,727)	0
Total	936,141	17,938	954,089	(11,727)	942,352
Operating expenses	852,508	17,327	869,844	(11,727)	858,117
Operating income/loss	83,632	602	84,235	0	84,235
Assets	572,555	11,774	584,329	298,164	882,494
Depreciation	13,289	216	13,515	(18)	13,496
Capital expenditures	46,381	-	46,381	-	46,381

"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, 2018 and 2017 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japan	¥98,131	¥100,157	\$923,585
North America	562	780	5,289
Other	1,431	1,379	13,468
Total	¥100,125	¥102,317	\$942,352

## 18. PER SHARE INFORMATION

Details of net assets per share and net income per share for the years ended March 31, 2018 and 2017 are presented as follows:

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share	¥1,118.11	¥1,010.18	\$10.52
Net income per share	¥124.43	¥129.16	\$1.17

## 19. SUBSEQUENT EVENT

On June 28, 2018 the following appropriations of retained earnings were approved at the shareholders' meeting of the Company:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash dividends of ¥35.0 (\$0.32) per share (final for the year ended March 31, 2018)	¥1,843	¥1,316	\$17,346

## BOARD OF DIRECTORS

<p><b>PRESIDENT AND REPRESENTATIVE DIRECTOR</b></p> <p>Kazuo Suzuki</p>	<p><b>SENIOR MANAGING DIRECTORS</b></p> <p>Shigeaki Funayama Nobuyuki Fujisawa</p> <p><b>MANAGING DIRECTORS</b></p> <p>Yoichi Howa Makoto Nishi Kazuhiro Akutsu</p>	<p><b>DIRECTORS</b></p> <p>Yusuke Murai Kohei Kawamura Akinobu Yamamoto Tadashi Shibata Makoto Shirai</p> <p>(as of June 28, 2018)</p>
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## SHARE INFORMATION

<p><b>COMMON STOCK</b></p> <p>Authorized shares 198,000,000 shares (as of March 31, 2018)</p> <p>Issued and outstanding shares 57,804,450 shares (as of June 28, 2018)</p> <p>Number of shareholders 7,744 (as of March 31, 2018)</p> <p><b>FISCAL YEAR-END</b></p> <p>End of March each year</p>	<p><b>ANNUAL GENERAL MEETING</b></p> <p>June of each year in Tokyo, Japan</p> <p><b>TRANSFER AGENT, REGISTRAR AND DIVIDEND PAYMENTS</b></p> <p>Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan Phone: 81-3-3323-7111</p>	<p><b>DIVIDENDS</b></p> <p>Dividends are normally paid in June.</p> <p><b>PLEASE DIRECT INQUIRIES TO</b></p> <p>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</p>
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## CORPORATE DATA

<p><b>HEAD OFFICE</b></p> <p>4-2-35 Kudan-kita, Chiyoda-ku, Tokyo 102-8236, Japan</p> <p><b>CAPITAL</b></p> <p>¥6,119,475,000 US\$57,595,058 (¥106.25=US\$1.00) (as of March 31, 2018)</p> <p><b>DATE OF ESTABLISHMENT</b></p> <p>September 28, 1948</p>	<p><b>STOCK TRADING</b></p> <p>Tokyo Stock Exchange, First Section</p> <p><b>MAJOR SHAREHOLDERS</b></p> <p>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</p> <p><b>EMPLOYEES</b></p> <p>1,067 (as of March 31, 2018)</p>
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## OVERSEAS NETWORK

<p><b>HEAD OFFICE</b></p> <p>4-2-35 Kudan-kita, Chiyoda-ku, Tokyo 102-8236, Japan TEL: +81-3-3265-2551 FAX: +81-3-3265-0879</p> <p>Overseas Business Division TEL: +81-3-3265-2506 FAX: +81-3-3265-2568</p> <p><b>OVERSEAS BRANCH OFFICES</b></p> <p>Singapore</p> <p>1003 Bukit Merah Central, #05-15, Singapore 159836 TEL: +65-6862-7441 FAX: +65-6270-8043</p> <p><b>OVERSEAS SUBSIDIARIES</b></p> <p>Raito, Inc. (USA) 32960 Alvarado-Niles Rd., Suite 680, Union City, CA TEL: +1-510-259-9900 FAX: +1-510-259-9900</p> <p>Raito Engineering &amp; 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</p> <p>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</p>
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