

Risk Information

TAISEI CORPORATION and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2014

The main items of risk for the business of this Group which are considered to have the potential to have an important effect on the decisions of investors are as follows. The Group recognizes the possibility of occurrence of these risks, and intends to take measures to avoid these risks, and deal with them when they occur.

Matters described relating to the future are the judgment of the Group as of the end of this consolidated financial year.

1 Trends in the Construction and Real Estate Markets

If the construction or real estate markets suddenly shrink or if the competitive environment becomes severe, it could affect our results.

2 Risks Associated with Overseas Projects

We carry out projects in many countries throughout the world, so terrorism, war, violence, etc., could occur, the circumstances in the country could worsen, there could be sudden fluctuations in the economic situation, there could be large fluctuations in the exchange rates, and changes in laws and regulations could change without notice, and if it is not possible to hedge these risks through the contract, our results could be affected.

3 Customer Credit Risk

Normal contracts in the construction industry involve a large contract amount in a single transaction, and in most cases contracts are concluded on the condition that a large amount of the construction fee is paid when the constructed object is handed over. Therefore, if the customer runs into credit problems before the construction fee is received, it could affect our results.

4 Fluctuations in Material and Equipment Prices

If the price of raw materials suddenly increases, and if it is difficult to reflect this in the contract amount, our results could be affected.

5 Asset Holding Risks

Assets such as real estate and tradable securities, etc., are held out of necessity for sales activities, so our results could be affected by fluctuations in the present market price.

6 Retirement Benefit Obligations

If there are changes in the assumptions for calculating the retirement benefit obligations, such as a drop in the value of retirement assets, investment yield, discount rate, etc., our results could be affected.

7 Fluctuations in Interest Rates

If interest rates suddenly increased, our results could be affected.

8 Defects on Construction Products or Services

If we become liable for a large amount of compensation based on liability for defects caused by the Group's work or product liability, our results could be affected.

9 Ancillary Related Project Risks

The Group operates ancillary projects associated with PFI projects, leisure projects, as well as civil engineering, building, and real estate development projects. The project period for most of these is long, so if the project environment changes greatly in the future, our results could be affected.

10 Legal Controls Over the Civil Engineering and Building Construction Business

The civil engineering business and the building construction business are subject to legal controls such as the Construction Industry Act, the Building Standard Act, the Industrial Safety and Health Act, and the Anti-Monopoly Act, etc., and if these laws or regulations were amended or abolished, or if new laws or regulations were enacted, and if we were subjected to administrative disciplinary action in accordance with these laws or regulations, our results could be affected.

11 Occurrence of a Major Accident

If a major accident involving human injury or loss of life or damage to a structure occurs in the civil engineering or building construction fields, our results could be affected.

12 Large Scale Natural Disaster, etc., Risk

If a large scale earthquake, a large scale natural calamity such as wind or water damage, etc., or if an infectious disease became an epidemic, our results could be affected.