

Ensuring Compliance

While the construction industry receives fair recognition of its contribution to society from the public, the industry's image in the eyes of the public is not always positive. Nevertheless, when considering the vital responsibility that the industry has in supporting the activities of society and individuals over a long time, we recognize anew the importance of efforts to become a trusted company.

Being a Trusted Corporate Group

In order to achieve our social missions in business activities, Kajima considers it essential that each director and employee acts in accordance with the highest level of corporate ethics.

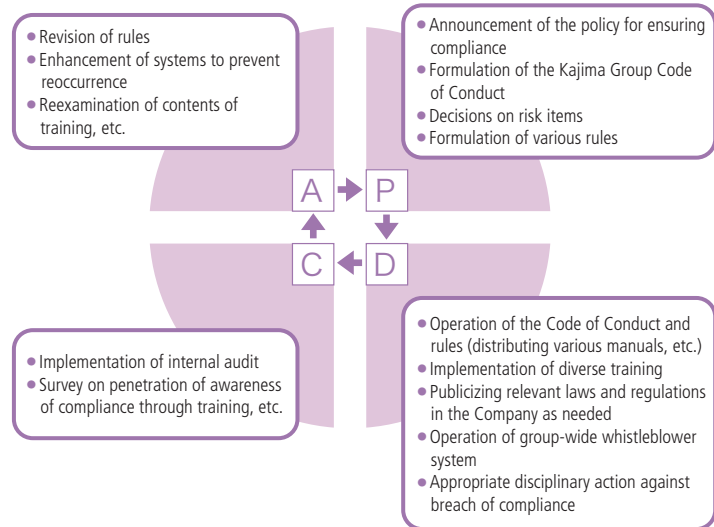


Corporate Ethics and Compliance with Laws and Regulations

Systems to ensure compliance

Kajima has established systems to ensure compliance based on the Kajima Group Code of Conduct, as shown below. By following the cycle of Plan (P) – Do (D) – Check (C) – Act (A), we ensure the proper functioning of internal compliance systems, and continue to improve each director's and employee's awareness of compliance.

PDCA Cycle Chart for Ensuring Compliance



Ensuring full awareness of Kajima's Code of Conduct

Kajima distributes its Handbook for the Practical Application of the Code of Conduct to all directors and employees in an effort to raise awareness of the importance of the Kajima Group Code of Conduct. Furthermore, we have conducted an annual e-learning training course covering the Kajima Group Code of Conduct. In fiscal 2011, about 16,000 persons participated in the course, including directors and employees of group companies.

Group-wide whistleblower system

The Kajima Group has a corporate ethics whistleblower system that provides a hotline for employees or others. To ensure awareness of the system and encourage its use if necessary, instructional cards have been distributed to all Group employees.

The Company has hotline services in place, both internally (Head Office and all branch offices) and externally (law firm offices), making anonymous reporting possible.



Initiatives in fiscal 2011

In fiscal 2011, with an eye to ensuring compliance, we worked especially on activities for “eliminating relationships with organized crime syndicates” and “fair trade with subcontractors,” which were newly designated as the primary risks to be dealt with.

Major compliance-related initiatives conducted in fiscal 2011

- ◆ Eliminating relationships with organized crime syndicates
- ◆ Fair trade with subcontractors
- ◇ Strictly operating bid-rigging prevention systems
- ◇ Initiatives to strengthen information security
- ◇ Managing intellectual property

Eliminating relationships with organized crime syndicates

The Company has included the item, “Eradication of Antisocial Activity,” in the Kajima Group Code of Conduct. This reflects the strong determination of Kajima’s management to stand behind all officers and employees in eliminating relationships with organized crime syndicates.

In October 2011, we established rules to deal with organized crime syndicates that provide requisites for building and operating the Kajima Group Code of Conduct and systems to deal with organized crime syndicates. With these rules, we have taken more concrete measures for eliminating relationships with organized crime syndicates.

■ Guideline for Dealing with Organized Crime Syndicates

In February 2012, we prepared the Guideline for Dealing with Organized Crime Syndicates, and distributed it to officers and employees. Specific procedures and attitudes to deal with organized crime syndicates are stated in this guideline, as shown below:

Primary contents of the guideline

1. Enhancement of systems to deal with organized crime syndicates (organizational response)
2. Procedures concerning elimination of relationships with organized crime syndicates (Screening of business partners in advance, inclusion of stipulations against the participation of organized crime syndicates in all of its contracts, etc.)
3. Links with external expert groups such as the police authority
4. How to handle undue claims

■ Implementation of seminars, etc.

Reinforcing cooperation among the Head Office, branch offices, and group companies, we have held meetings for general managers of administration departments of branch offices and group companies, as well as seminars, etc., in cooperation with the police station with jurisdiction, in order to share information and raise awareness.



Seminar held at Tokyo Architectural Construction Branch

Kajima Group Code of Conduct

1 Fair and Honest Corporate Conduct

- 1 Observing the law and social norms
- 2 Emphasizing the needs of society and clients
- 3 Fair, transparent and free competition, and appropriate trade
- 4 Protection of intellectual property, rights and assets
- 5 Transparent relations with government
- 6 Eradication of antisocial activity
- 7 Maintaining adequate accounting

2 Harmony with Society

- 1 Building solid community relations
- 2 Respecting cultures and customs of all nations and people
- 3 Timely and appropriate disclosures and communications of information

3 Respect for All People Connected to the Kajima Group

- 1 Prohibiting discrimination and unfair treatment
- 2 Providing a safe and secure workplace environment
- 3 Respect employees’ unique characteristics and promote individual development
- 4 No child labor or forced labor

4 Responsibility to the Environment

- 1 Approach to environmental issues

5 Implementation of Corporate Code of Conduct

- 1 Education and awareness
- 2 Establishment of an effective internal monitoring Structure

6 Occurrence of Code Violations

- 1 Accountability and preventive measures
- 2 Disciplinary action

More information about the Kajima Group Code of Conduct can be viewed on the company website.

Fair trade with subcontractors

Kajima has included “maintaining equal relationships with subcontractors” in the Kajima Group Code of Conduct. This is because we believe that the achievement of fair contractual relationships with subcontractors and the maintenance of a fair construction system are linked directly to the building and reinforcement of trust and strong bonds between Kajima and its construction partners, which will ultimately ensure construction quality and enhance construction capacity.

■ Ensuring fair contractual relationships with subcontractors and construction systems

We have complied with relevant laws and regulations such as the Construction Business Act and Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and appropriately responded to policies, guidelines, and instructions issued by regulatory agencies and clients. Furthermore, aiming for co-existence and co-prosperity for Kajima and its subcontractors, we are working together with the Head Office, branch offices, and construction sites for achievement of fair contractual relationships with subcontractors and the maintenance of a fair construction system.

In fiscal 2011, we reviewed Kajima’s business flows and system concerning contracts and payment, and improved systems to make contracts before starting construction, due dates of payment of subcontract proceeds, and instructions to subcontractors in relation to construction systems. In construction sites, we have in place an intranet for information sharing, which makes available subcontractor checklists, as well as all-encompassing legal information, in order to facilitate ensuring of fair contractual relationships with subcontractors.

In fiscal 2011, with upgraded education programs on the Construction Business Act, we held seminars 21 times in total at all branch offices, in which 1,781 persons participated. We also provided the same training for 20 group companies and 122 employees in total.

Strictly operating bid-rigging prevention systems

The Company has included the item, "Fair, Transparent and Free Competition," in the Kajima Group Code of Conduct. In addition to compliance with laws and regulations including the Antimonopoly Act, we have taken the practical measures described below to avoid violation of laws and involvement with the misconduct of other companies, while conducting our operations in accordance with the spirit of laws.

■ Visualization of bidding process

We have systems in place not to allow our employees to be involved in misconduct by recording and visualizing the bidding process and outside meetings in relation to public works, etc.

This system is periodically audited by lawyers and relevant departments in the Company in order to ensure appropriateness of its operation.

■ Manual for compliance with the Antimonopoly Act

The Manual for Compliance with the Antimonopoly Act has been distributed to all officers and employees in order to ensure compliance with the Antimonopoly Act and other laws and guidelines related to sales activities. In August 2011, the Manual was enlarged, revised, and redistributed, taking into account matters found in consulting cases and amendment of relevant laws and regulations, etc.

■ Workshops on the Antimonopoly Act

Workshops on the Antimonopoly Act have been held every year, mainly for sales personnel at the Head Office and all branch offices.



Japan Antimonopoly Act workshop at Chubu Branch



Initiatives to strengthen information security

The Company has included "Ensuring Appropriate Management of Information on Individuals, Clients, and Others," in the Kajima Group Code of Conduct. Considering it essential to eliminate the risk of information leaks in corporate activities, we have formulated rules including the Code of Conduct for Information Security Measures and Kajima Rules for Handling of Personal Information, which stipulate company-wide systems to implement information management.

■ Ensuring awareness of information security

Kajima has distributed the Handbook for Strengthening Information Security to all officers and employees with an eye to ensuring their awareness of information security. An information security program using e-learning tools is provided annually.

Furthermore, we take advantage of security patrols at factory and office locations as an opportunity to inspect information security measures undertaken by subcontractors. Appropriate training is provided through our commitment to improve the level of information management.

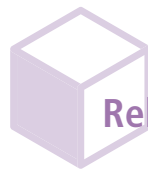
Managing intellectual property (IP)

The Company has included "Respecting Intellectual Properties" in the Kajima Group Code of Conduct. For this purpose, we have established relevant internal policies such as a rule to prevent infringement of intellectual property rights in an effort to invite attention to the handling of intellectual property rights of others, etc.

■ Educating employees about intellectual property

Kajima provides courses on selected intellectual property topics and patent search respectively twice a year, in order to enable employees to acquire knowledge, and learn about laws and rules in relation to intellectual properties. If an inappropriate event occurs, preventive education and training against reoccurrence is provided as necessary in an attempt to draw attention to and raise awareness of intellectual property rights.

In fiscal 2011, a workshop on copyright law was held in order to encourage employees to use copyrighted works properly. A lawyer familiar with intellectual property rights was invited as a lecturer, and the content of the workshop was shared with branch offices in the form of an online conference.



Reliable Corporate Governance

Risk management

With appropriate and efficient risk management systems established, the Kajima Group has made its best efforts for exactly identifying risks in day-to-day operations and preventing them. We also aim for continuous improvement of corporate value by winning the trust of shareholders, clients, and others with efforts for timely information disclosure.

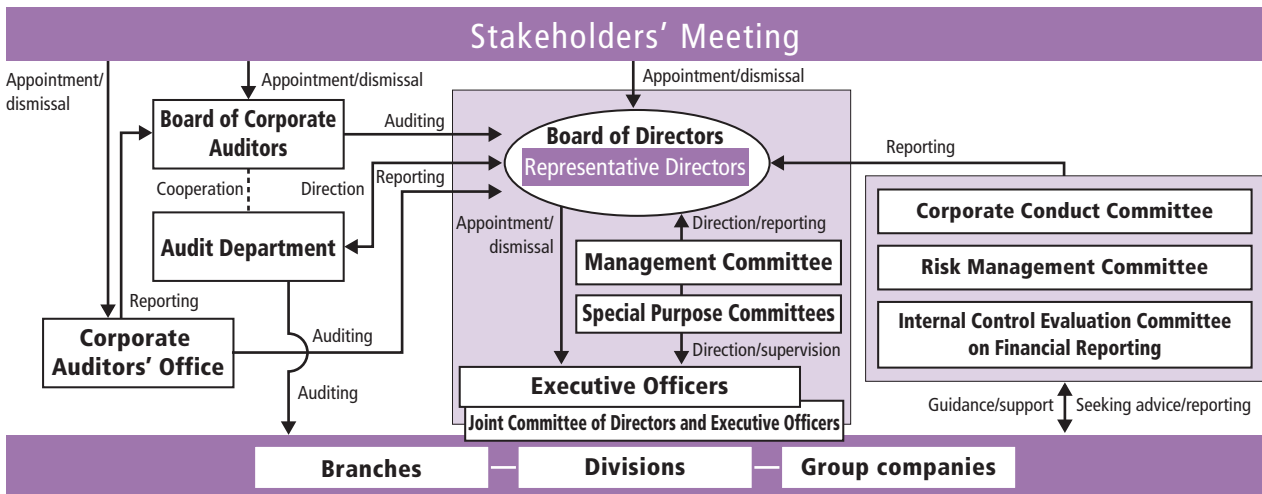
■ Company-wide risk management system

Kajima carries out company-wide activities aimed at eliminating or reducing the occurrence of risks to its operations. Specifically, the Company's Management Committee and special purpose committees deliberate on countermeasures that can accurately deal with risks related to its business, including new business and investment in development.

Kajima's Risk Management Committee, which meets annually in March and is chaired by the president, has identified major business risks that must be managed on a company-wide basis. Accordingly, the Company promoted awareness of these risks, and introduced risk management initiatives based on the PDCA (plan-do-check-act) cycle. Kajima Group companies in and outside Japan have also adopted the Company's standardized systems and independently introduced risk management initiatives.

Note: Eight types of risk, including "laws and regulations," "production quality," "labor safety," "the environment," and "systems"

Corporate Governance System



■ Business Continuity Management at Kajima

In preparation for “natural disaster risk,” one type of business risk, Kajima established its Business Continuity Plan (BCP) to deal with the occurrence of a major earthquake with an epicenter below the Tokyo metropolitan region in 2006. The following year, Kajima commenced operations of Business Continuity Management (BCM) practices.

With the experience of the Great East Japan Earthquake in March 2011, points to be modified were reflected in BCM. As part of the modification, a system for prompt reporting from disaster sites in the BCM platform* was improved, with which the situation of disaster-hit construction sites can be grasped, and it has become possible to report with mobile phones, etc., even at the time of a blackout caused by large-scale natural disasters such as earthquakes and typhoons. Presently, other systems have been improved, and new systems have been under development.

We also implement nationwide emergency drills on a regular basis in preparation for the occurrence of a large-scale earthquake.

* “Integrated information infrastructure” to share information on damages and restoration measures immediately after occurrence of earthquakes

Corporate governance

Kajima’s basic stance on corporate governance is to conduct all business activities and transactions with fairness and transparency by proactively taking measures to enhance management supervision by auditors, directors and other bodies; strengthening internal controls for managing risks and ensuring accountability; and implementing measures designed to ensure strict compliance. The objective of this stance is to build on the value and trust that stakeholders have for the Company, based on Kajima’s corporate philosophy of “contributing to society through the development of the Company’s business operations.”

■ Corporate governance system

Board of Directors and management systems

As of March 31, 2012, Kajima’s Board of Directors was composed of nine members, who all have extensive experience in the Company’s business. In principle, the Board of Directors meets once per month, or as necessary, to deliberate and decide on fundamental business policies and important matters, as well as to monitor the Company’s performance and execution of business plans. In addition, Kajima has adopted an executive officer system to separate management and supervision functions, strengthen business execution functions, as well as to raise the efficiency and speed of management. The Company has also established a committee system, which includes the Management Committee and the Joint Committee of Directors and Executive Officers, to increase the efficiency of management decision-making.

Audit system

Kajima has adopted a corporate audit system, by which members of the Board of Auditors, which includes three external auditors as of March 2012, attend Board of Directors meetings and other important meetings to audit the propriety and suitability of business execution carried out by directors. As independent third parties with no vested interest in the Company, the external auditors provide opinions based on their legal and accounting expertise to help ensure objectivity and neutrality in management decisions. The Board of Corporate Auditors cooperates closely with the Audit Department, which conducts independent internal audits, as well as accounting auditors to improve the effectiveness and efficiency of auditing.

Remuneration for directors

With the policy on deciding amounts of remuneration for directors established, Kajima pays to directors monthly wages as fixed payment and variable compensation in conjunction with business performance (bonus), which are decided in consideration of position (including position of operating officer in a case of concurrently serving as an operating officer) and tenure.

Internal control

On the basis of the Corporate Law of Japan, Kajima has established a basic policy for its internal control systems to ensure the accuracy and reliability of its financial reporting. Through the employment of this system, the Kajima Group strives to conduct its operations appropriately and effectively while carrying out thorough compliance and risk management.

■ Application of internal control over financial reporting

Kajima issued an internal control report on the validity of its financial reporting, in accordance with the requirement under Japan’s Financial Instruments and Exchange Act for companies to implement an internal control reporting system. The report evaluated management activities and internal controls designed to ensure the accuracy of all reported information, and was given a favorable opinion by an independent auditing firm. Kajima intends to make continuous improvements to its internal control reporting system, in order to consistently guarantee highly credible financial reporting.

