

03 Corporate Governance

True to its corporate philosophy, the Kajima Group strives to continually advance its business operations and contribute to society. The Group's objective is to earn the trust and regard of all stakeholders, including stockholders, customers, business partners, local communities and employees.

Fundamental Stance

Kajima's fundamental commitment on corporate governance is to ensure fair and transparent corporate activities using enhanced management supervision by the Board of Directors and Audit & Supervisory Board. This is combined with risk management and accountability achieved via internal controls and systematic steps to secure compliance.

Kajima will keep working to strengthen its corporate governance by implementing policies fundamentally consistent with the Corporate Governance Code outlined by the Tokyo Stock Exchange.

Governance Structure—Board of Corporate Auditors

Directors: 14 persons (including three outside directors)
 Term: 2 years
 Audit & Supervisory Board Members: 5 persons (including three outside members)
 Executive officer system: Yes
 Independent directors: 6 persons

Kajima has elected to use a Board of Corporate Auditors structure with a Board of Directors to make key business decisions and monitor business execution and to use an Audit & Supervisory Board to audit the execution of duties by directors.

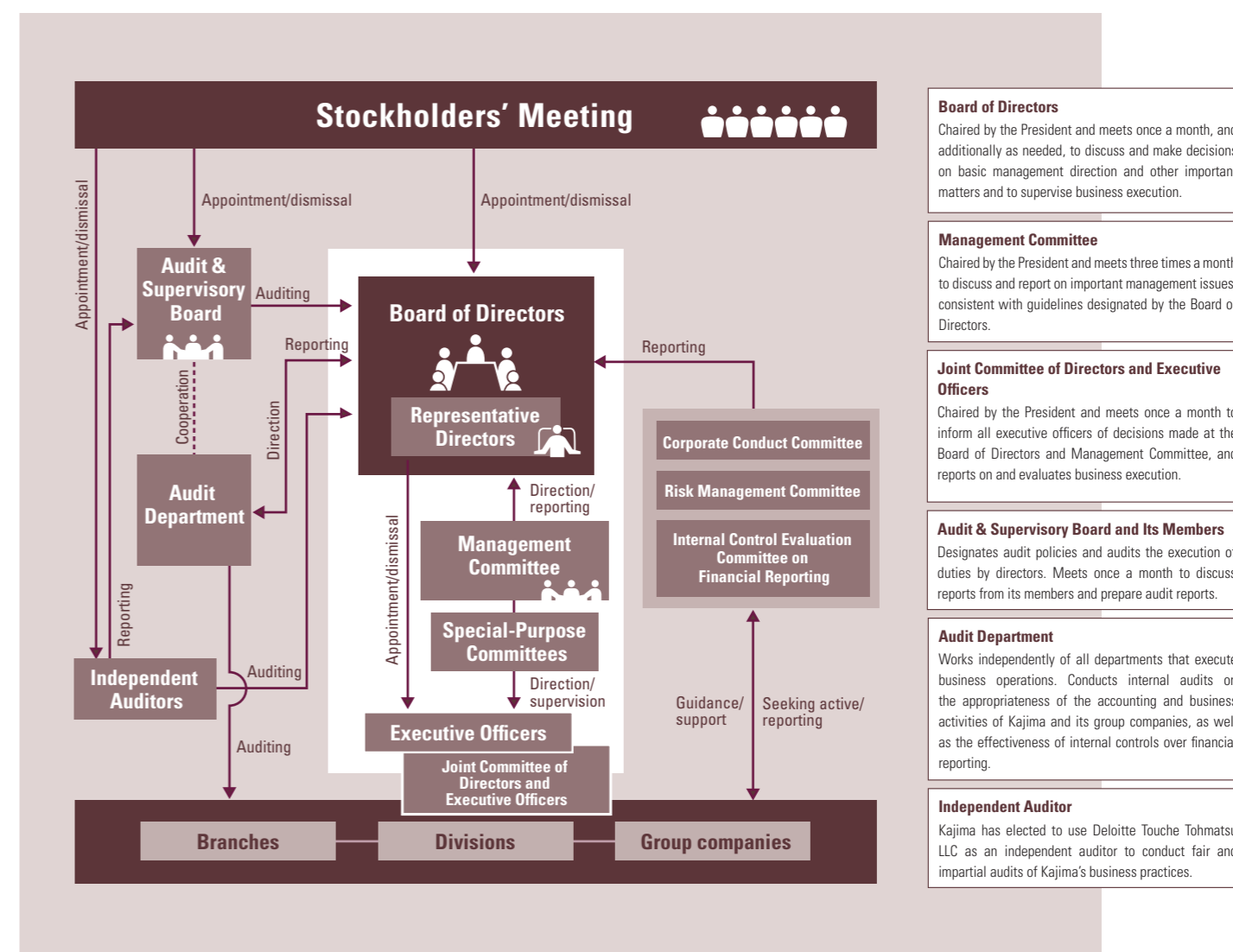
The Board of Directors meets once a month and additionally as needed. In addition to 11 internal directors with expert knowledge of the Company's businesses, the Board has had three outside directors since June 2015, who add an independent perspective on key decisions and enhance management supervision. The total membership of the Board of Directors is 14 persons. Board meetings are attended by the five members of the Audit & Supervisory Board, including its three outside members.

The outside directors and outside members of the Audit & Supervisory Board apply their experience and provide insight regarding the appropriateness and validity of decisions made by the Board of Directors. They also provide input from a third-

party perspective to enhance objectivity and neutrality.

In 2005, Kajima adopted an executive officer system to clarify the responsibilities and functions of directors who execute business. Also, a Management Committee headed by the President meets three times a month to discuss important management issues, endeavoring to increase the efficiency and speed of business execution.

The Audit & Supervisory Board comprises two inside and three outside members, including finance and accounting experts. They attend important meetings, including Board of Directors meetings, and audit the appropriateness and validity of business execution by directors, with the support of the Audit Department. They also work closely with independent auditors and the Audit Department, receiving information from the Risk Management Committee and Internal Control Evaluation Committee on Financial Reporting concerning the implementation of internal controls, and working to enhance the effectiveness and efficiency of auditing.



Board of Directors
 Chaired by the President and meets once a month, and additionally as needed, to discuss and make decisions on basic management direction and other important matters and to supervise business execution.

Management Committee
 Chaired by the President and meets three times a month to discuss and report on important management issues, consistent with guidelines designated by the Board of Directors.

Joint Committee of Directors and Executive Officers
 Chaired by the President and meets once a month to inform all executive officers of decisions made at the Board of Directors and Management Committee, and reports on and evaluates business execution.

Audit & Supervisory Board and Its Members
 Designates audit policies and audits the execution of duties by directors. Meets once a month to discuss reports from its members and prepare audit reports.

Audit Department
 Works independently of all departments that execute business operations. Conducts internal audits on the appropriateness of the accounting and business activities of Kajima and its group companies, as well as the effectiveness of internal controls over financial reporting.

Independent Auditor
 Kajima has elected to use Deloitte Touche Tohmatsu LLC as an independent auditor to conduct fair and impartial audits of Kajima's business practices.

Current Outside Directors and Outside Members of Audit & Supervisory Board

Kajima appoints three outside directors and three outside members of the Audit & Supervisory Board, with an emphasis on securing a high degree of independence. Appointees must satisfy certain requirements for independent directors laid down by stock exchanges, and all are on file as independent directors with the Tokyo Stock Exchange and Nagoya Stock Exchange.

Major Internal Meetings in FY2015

Board of Directors	16 meetings
Management Committee	35 meetings
Joint Committee of Directors and Executive Officers.....	11 meetings
Audit & Supervisory Board.....	12 meetings

Basis for Appointing Outside Directors

Name	Independent Director	Major Concurrent Positions	Reason for Appointment	Attendance in FY2015
Koji Furukawa	Yes	Advisor, Mitsubishi Corporation	Furukawa provides valuable insight from his extensive experience in senior management positions with leading organizations in different industries, including Mitsubishi Corporation, Mitsubishi Motors Corporation, Japan Post Bank Co., Ltd., and Japan Post Network Co., Ltd.	12 of 12 Board of Directors meetings
Masahiro Sakane	Yes	Councilor, Komatsu Ltd.; Outside Director, Asahi Glass Company, Limited; Outside Director, Takeda Pharmaceutical Company Limited	Sakane provides valuable insight from his experience leading a global manufacturer. He served as President and later as Chairman of the Board of Komatsu Ltd.	12 of 12 Board of Directors meetings
Kiyomi Saito	Yes	President, JBond Totan Securities Co., Ltd.; Outside Audit & Supervisory Board Member, Showa Denko K.K.; Outside Director, Japan Post Insurance Co., Ltd.	Saito provides valuable insight from her extensive experience gained as a business leader and entrepreneur. She served as Executive Director at Morgan Stanley and founding President of JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.).	11 of 12 Board of Directors meetings

Basis for Appointing Outside Members of Audit & Supervisory Board

Name	Independent Director	Major concurrent positions	Reason for Appointment	Attendance in FY2015
Kinro Nakamura	Yes	-	Nakamura provides valuable input from a neutral and objective perspective, based on his extensive knowledge of finance and accounting and his years of experience at financial institutions. He served as general manager and auditor at Sumitomo Bank Limited and Sumitomo Mitsui Banking Corporation.	16 Board of Directors meetings 12 Audit & Supervisory Board meetings
Shuichiro Sudo	Yes	-	Sudo provides valuable input from a neutral and objective perspective, based on insight gained from his extensive experience in senior management positions at insurance companies including The Dowa Fire and Marine Insurance Co., Ltd. and Nissay Dowa General Insurance Co., Ltd.	16 Board of Directors meetings 12 Audit & Supervisory Board meetings
Yukio Machida	Yes	Lawyer; Outside Audit & Supervisory Board Member, Asahi Mutual Life Insurance Co.; Outside Director, Mizuho Bank, Ltd.	Machida brings specialized knowledge as a prosecutor and attorney, and provides valuable input from a neutral and objective perspective based on insight gained from his extensive legal experience.	12 Board of Directors meetings 8 Audit & Supervisory Board meetings

Remuneration for Directors

In keeping with its policy on determining remuneration for directors, Kajima pays directors monthly wages as fixed payments and variable compensation in conjunction with a business performance bonus, decided according to their positions (including operating officer positions for directors concurrently serving in that role) and tenure, within parameters

determined by resolution at Stockholder's Meetings. Outside directors, however, are paid only monthly wages. Total remuneration for Audit & Supervisory Board members is decided at Audit & Supervisory Board meetings according to working conditions, within parameters determined by resolution at Stockholder's Meetings.

FY2015 Remuneration for Board of Directors and Audit & Supervisory Board Members

(¥ million)

Position	Total remuneration	Monthly remuneration	Bonus	No. of persons
Directors (excluding outside directors)	549	496	52	12
Audit & Supervisory Board members (excluding outside members)	55	55	-	3
Outside directors and members of the Audit & Supervisory Board	87	87	-	6

Outside Director Support System

The Executive Office is responsible for providing support to outside directors, and the Office of Audit & Supervisory Board Members is responsible for providing support to outside Audit & Supervisory Board members. In addition to providing orientations prior to Board of Directors meetings, these offices also supply outside directors and board members with the information they need to serve in their positions.

Kajima management regularly meets with outside directors and provides tours of branch offices and construction sites to enhance management supervision by ensuring that outside directors have an incisive understanding of Kajima business.



Directors tour the Hibiya Project (Tentative name) in May 2016.

Message from the Chairman of the Board Mitsuyoshi Nakamura Chairman, Representative Director

In June 2015, Kajima welcomed its first outside directors. Each of the three new directors brings a wealth of distinguished business experience in industries other than construction. As chairman of the board, I sought deliberation on each and every agenda item at the Board of Directors' meetings held from July on, knowing full well that we would not gain the agreement of our shareholders and investors without the understanding of our outside directors. Our Board meetings are more effective than ever due to the intensive discussions among outside directors, outside Audit & Supervisory Board members, and the rest of the board. We discuss director-related appointment and remuneration issues with our outside directors before these matters are discussed at Board meetings. Thanks to their vast experience and expertise, we also routinely receive valuable advice from them outside of regular meetings, and for this, I am very grateful.

Over the past year, we have focused on improving the manner in which our Board of Directors operates. To foster greater understanding on the part of outside directors of the work Kajima does, we strive to provide information in a variety of formats and continue to add richer content to these packets. Better communication with our outside directors will strengthen our corporate governance and increase corporate value over the medium to long term.

Investor Relations

Kajima strives to engage in timely and appropriate disclosure of corporate and business information to keep shareholders, investors, and others well informed about the Kajima Group.

Policy on Constructive Dialogue with Stockholders

Kajima has instituted the following systems and measures to foster constructive, mutual dialogue with stockholders and investors that helps ensure sustainable growth and increasing corporate value for the Kajima Group over the medium to long term.

(1) The financial director and the executive officer in charge of the Corporate Planning Department oversee dialogue with stockholders and investors.

(2) The Corporate Planning Department's IR Group plays the central role at Kajima in fostering this dialogue. The group shares information as needed to encourage organic coordination among all involved departments.

(3) In addition to one-on-one meetings, earnings briefings and construction site tours are held regularly to increase opportunities for dialogue between the Company and its stockholders and investors.

(4) The opinions expressed by stockholders and investors during these dialogues are regularly reported in a timely and appropriate manner to the Board of Directors and other bodies.

(5) Insider information is appropriately handled in the context of dialogue with stockholders and investors in accordance with prescribed internal rules.

Main IR Activities in FY2015

Activity	Times conducted	Description
Briefing for analysts and institutional investors	4	Earnings briefing with the president held at the end of Q2 and the fiscal year. IR teleconference briefings were held at the end of Q1 and Q3.
Construction site tour for analysts and institutional investors	1	Annual tour of construction sites and Kajima development projects for analysts and institutional investors.
IR activities for institutional investors outside of Japan	-	Participated in three conferences arranged by a securities company, mainly holding one-on-one meetings with institutional investors.
Release of documents at IR website	-	Released earnings briefing documents, Fact Book, quarterly earnings reports, and data on contract awards at Kajima's investor relations website. http://www.kajima.co.jp/english/ir/

Compliance

Kajima designates compliance as one of the five cornerstones of its framework for corporate social responsibility (CSR). Compliance is considered fundamental to all corporate conduct, a stance that is outlined in the Kajima Group Code of Conduct.

Kajima Group Code of Conduct	
1 Fair and Honest Corporate Conduct <ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 2 Providing a safe and secure workplace environment 3 Respecting employee's unique characteristics and promoting individual development 4 Avoiding child labor and forced labor
2 Harmony with Society <ol style="list-style-type: none"> 1 Building solid community relations 2 Respecting cultures and customs of all nations and people 3 Timely and appropriate disclosures and communications of information 	4 Responsibility to the Environment <ol style="list-style-type: none"> 1 Approach to environmental issues
3 Respect for All People Connected to the Kajima Group <ol style="list-style-type: none"> 1 Prohibiting discrimination and unfair treatment 	5 Implementation of Corporate Code of Conduct <ol style="list-style-type: none"> 1 Education and awareness 2 Establishment of an effective internal monitoring structure
	6 Occurrence of Code Violations <ol style="list-style-type: none"> 1 Accountability and preventive measures 2 Disciplinary action

Prevention of Bid Rigging

Kajima operates an Antitrust Law Committee under the Corporate Conduct Committee, and implements a variety of ongoing initiatives to prevent bid rigging within the Company. These initiatives include the internal circulation of a Manual for Compliance with the Antimonopoly Act, regular monitoring of bid processes, and implementation of workshops on the Antimonopoly Act. In fiscal 2015, workshops on the Antimonopoly Act were conducted for 958 employees, mainly focusing on staff in sales positions and encompassing 162 employees of 18 Group companies.

In January and March 2016, subsidiary Kajima Road Co., Ltd. was subject to a compulsory criminal investigation and on-site inspection by the Japan Fair Trade Commission and prosecutors related to suspected violations of the Antimonopoly Act. Kajima sincerely regrets the fact that its subsidiary is being investigated for bid rigging, and is redoubling its efforts as a Group to prevent bid rigging and ensure that no Kajima Group company is in a situation to be suspected of violating the law again in the future.



Left: Handbook for Practical Application of the Code of Conduct
Right: Manual for Compliance with the Antimonopoly Act (FY2016 revision)

Information Security

Kajima firmly prioritizes constant risk management and operates an information security policy. Employees of the Kajima Group and its business partners receive an annual online course on information security. Special emphasis is placed on response to targeted cyber-attacks.

In the construction industry, project offices are often housed in temporary structures, and there is frequent communication with clients and business partners during the construction process. These factors increase information security risk. Accordingly, Kajima regularly inspects and audits to verify that physical, personal, and technical measures are in place, while it also continues enhancing such measures. In fiscal 2015, Kajima addressed nine issues for improvement resulting from audits of 22 sites.

Kajima conducts e-learning classes accessible by smartphone for employees and workers at partner companies. The Company also offers educational programs addressing issues of information security.

Kajima has also joined the Computer Security Incident Response Team in Japan in order to share knowledge on addressing information security with outside parties.

Risk Management

With appropriate and efficient risk management systems established, the Kajima Group has made its best effort to exactly identify risks in day-to-day operations and prevent them. The Group also strives to keep improving corporate value by winning the trust of shareholders, clients, and others with timely information disclosure.

Company-Wide Risk Management System

Kajima conducts company-wide activities to eliminate or reduce operational risks. The Management Committee and special-purpose committees deliberate on countermeasures to deal with such risks, including for new businesses and development investments.

The Risk Management Committee, which meets every March and is chaired by the president, identifies major business risks that must be controlled company-wide. Kajima seeks to raise awareness of these risks and undertake risk management initiatives based on the PDCA cycle. Group companies in and outside of Japan have adopted standardized systems and have independently introduced risk management initiatives.

Business Continuity Plan: Preparing for Disasters

In the event of an earthquake or other natural disaster, the construction industry must quickly mobilize to ensure business continuity, as well as rapidly restore social infrastructure such as roads and bridges. To meet these responsibilities, and as a member of the Japan Federation of Construction Contractors, which acts at the behest of the Japanese government, Kajima has put in place a business continuity plan (BCP), conducts regular drills, and periodically updates the plan to prepare for contingencies. Kajima also has agreements with government bodies at various levels to cooperate on disaster preparedness.

During the Kinugawa River flooding (September 2015) and the Kumamoto earthquake (April 2016), Kajima was able to quickly ascertain the safety of its employees and their families, with corporate headquarters and branch offices readily sharing information. This quick response helped to ensure that Kajima was able to immediately attend to

restoration work. These disasters put Kajima's BCP to the test, identifying the aspects that were effective and those that needed further improvement.

Addressing Risks Outside of Japan

Kajima has established an International Emergency Response Committee to oversee the Group's response and ensure the safety of employees and their families when emergencies arise outside of Japan. In the event of a terrorist attack, major earthquake or other disaster outside of Japan, Kajima focuses first on gathering information to verify the safety of employees and their families and next on providing aid to the affected area.

Kajima has compiled a manual on preparedness measures and emergency response in areas where it operates and is currently educating employees on assignment outside of Japan on these topics.



A disaster response meeting at Kajima following the Kumamoto earthquake.

Internal Controls

In keeping with the Companies Act in Japan, Kajima has established a basic internal control systems policy to ensure that its financial reporting is accurate and reliable. The Company draws on this system to operate appropriately and effectively while ensuring thorough compliance and risk management.

Application of Internal Controls over Financial Reporting

Kajima issues internal control reports on the validity of its financial reporting, in accordance with the requirements of Japan's Financial Instruments and Exchange Act. The most recent report evaluated management activities and internal controls designed to ensure the accuracy of all reported information, and received a favorable opinion by an independent auditing firm. Kajima will continue to improve its internal control reporting system to ensure consistently credible financial reporting.

Directors and Auditors (As of June 28, 2016)



Mitsuyoshi Nakamura

Chairman; Representative Director

- 1965 Joined the Company
- 1996 Director
- 1999 Managing Director
- 2002 Senior Managing Director; General Manager, Sales and Marketing Division; and General Manager, Kansai Sales and Marketing Division
- 2005 President; Representative Director
- 2015 Chairman; Representative Director (to the present)



Yoshikazu Oshimi

President; Representative Director

- 1974 Joined the Company
- 2005 Executive Officer, General Manager, Yokohama Branch Office
- 2008 Managing Executive Officer
- 2009 General Manager, Building Construction Management Division
- 2010 Senior Executive Officer
- 2013 General Manager, Kansai Branch
- 2015 Executive Vice President; President (to the present); Representative Director (to the present)



Shoichi Kajima

Director; Senior Advisor

- 1953 Director
- 1959 Executive Vice President; Representative Director
- 1978 Vice Chairman; Representative Director
- 1984 President; Representative Director
- 1990 Co-Chairman and CEO; Representative Director
- 1994 Director (to the present); Senior Advisor (to the present)



Naoki Atsumi

Representative Director; Executive Vice President

- 1986 Joined the Company
- 1995 Director
- 1997 Managing Director
- 2000 Senior Managing Director
- 2002 Representative Director; Executive Vice President; Responsible for Executive Office, Human Resources and Audit
- 2005 Representative Director (to the present); Executive Vice President (to the present); General Manager, Corporate Planning Division; Responsible for CSR and Overseeing Executive Office, Audit Department, New Business Department, Affiliated Business Department and IT Solutions Department



Tamiharu Tashiro

Representative Director; Executive Vice President

- 1971 Joined the Company
- 2005 Executive Officer; General Manager, Tokyo Civil Engineering Branch, Tokyo Metropolitan Business Division
- 2007 Managing Executive Officer; General Manager, Civil Engineering Management Division; Overseeing Machinery and Electrical Engineering Department
- 2008 Senior Executive Officer
- 2009 Director
- 2010 Representative Director (to the present); Executive Vice President (to the present)



Hiroyoshi Koizumi

Representative Director; Executive Vice President; General Manager, Building Construction Management Division

- 1973 Joined the Company
- 2004 Managing Director, Kajima Overseas Asia Pte Ltd
- 2008 Executive Officer
- 2010 Managing Executive Officer
- 2013 Senior Executive Officer; General Manager, Building Construction Management Division (to the present)
- 2015 Representative Director (to the present); Executive Vice President (to the present)



Takashi Hinago

Director; Executive Vice President; General Manager, Sales and Marketing Division

- 1968 Joined the Company
- 2003 Director
- 2005 Executive Officer
- 2006 Managing Executive Officer
- 2007 General Manager, Sales and Marketing Division (to the present)
- 2008 Senior Executive Officer
- 2011 Executive Vice President (to the present)
- 2012 Director (to the present)



Koji Furukawa

Director*

- 1962 Joined Mitsubishi Corporation
- 1999 Director, Senior Executive Vice President, Mitsubishi Corporation
- 2004 Vice Chairman of the Board, Mitsubishi Motors Corporation
- 2007 Chairman and CEO, Representative Director, Japan Post Bank Co., Ltd.
- 2009 Chairman and CEO, Representative Director, Japan Post Network Co., Ltd.
- 2012 Chairman and CEO, Representative Director, Japan Post Co., Ltd.
- 2013 Advisor, Japan Post Co., Ltd.; Advisor, Mitsubishi Corporation (to the present)
- 2015 Director (to the present)



Masahiro Sakane

Director*

- 1963 Joined Komatsu Ltd.
- 1989 Director, Komatsu Ltd.
- 1999 Executive Vice President, Representative Director, Komatsu Ltd.
- 2001 President, Representative Director, Komatsu Ltd.
- 2003 President and CEO, Representative Director, Komatsu Ltd.
- 2007 Chairman of the Board, Representative Director, Komatsu Ltd.
- 2010 Chairman of the Board, Director, Komatsu Ltd.
- 2013 Councilor, Komatsu Ltd. (to the present)
- 2015 Director (to the present)



Kiyomi Saito

Director*

- 1973 Joined Nikkei Inc.
- 1975 Joined Sony Corporation
- 1984 Joined Morgan Stanley
- 1990 Executive Director, Morgan Stanley
- 2000 President, JBond Co., Ltd. (currently JBond Totan Securities Co., Ltd.) (to the present)
- 2015 Director (to the present)



Kinro Nakamura

Audit & Supervisory Board Member**

- 1972 Joined the Sumitomo Bank, Limited
- 2002 Corporate Auditor, Sumitomo Mitsui Banking Corporation
- 2003 Managing Director, Managing Executive Officer, Sumitomo Mitsui Card Company, Limited
- 2006 Audit & Supervisory Board Member (to the present)



Masayasu Kayano

Director; Executive Vice President; General Manager, Civil Engineering Management Division

- 1974 Joined the Company
- 2001 Secretary Senior Manager
- 2007 Executive Officer; General Manager, Tokyo Civil Engineering Branch
- 2009 Managing Executive Officer
- 2011 General Manager, Civil Engineering Management Division (to the present); Overseeing Machinery and Electrical Engineering Department
- 2012 Senior Executive Officer
- 2014 Director (to the present); Executive Vice President (to the present)



Hiroshi Ishikawa

Director; Executive Vice President

- 1989 Joined the Company
- 1997 Representative Director; Vice President, Kajima Leasing Corporation
- 2000 Director
- 2002 Managing Director
- 2004 Senior Managing Director
- 2005 Director (to the present); Senior Executive Officer; General Manager, Sales and Marketing Division
- 2007 Responsible for Sales and Marketing (to the present)
- 2016 Executive Vice President (to the present)



Hironobu Takano

Director; Senior Executive Officer; General Manager, Treasury Division

- 1972 Joined the Company
- 2008 Executive Officer; Deputy General Manager, Treasury Division
- 2010 General Manager, Treasury Division (to the present)
- 2011 Managing Executive Officer
- 2012 Senior Executive Officer (to the present); Director (to the present)



Nobuyuki Hiraizumi

Director

- 1984 Joined the Company
- 2005 Principal Economist, Research Department, Policy Research Institute, Ministry of Finance
- 2007 Senior Manager, Asset Management Service Department, Real Estate Development Division
- 2009 Retired from the Company; Advisor, Avant Associates, Inc. (to the present)
- 2012 Director (to the present)



Toshinobu Nakatani

Audit & Supervisory Board Member

- 1976 Joined the Company
- 2010 General Manager, Accounting Department, Treasury Division
- 2011 Executive Officer; Deputy General Manager, Treasury Division
- 2015 Managing Executive Officer; Overseeing Audit Department
- 2016 Audit & Supervisory Board Member (to the present)



Atsuhiko Takata

Audit & Supervisory Board Member

- 1977 Joined the Company
- 2005 General Manager, Legal Department, Administration and Human Resources Division
- 2006 General Manager, Legal Department
- 2007 General Manager, Human Resources Department, Administration and Human Resources Division
- 2013 Audit & Supervisory Board Member (to the present)



Shuichiro Sudo

Audit & Supervisory Board Member**

- 1964 Joined The Dowa Fire and Marine Insurance Co., Ltd.
- 1991 Director, The Dowa Fire and Marine Insurance Co., Ltd.
- 1996 Managing Director, The Dowa Fire and Marine Insurance Co., Ltd.
- 1998 President, Representative Director, The Dowa Fire and Marine Insurance Co., Ltd.
- 2001 President, Representative Director, Nissay Dowa General Insurance Co., Ltd.
- 2006 Chairman, Representative Director, Nissay Dowa General Insurance Co., Ltd.
- 2010 Representative Director, Aioi Nissay Dowa Insurance Co., Ltd.
- 2012 Audit & Supervisory Board Member (to the present)



Yukio Machida

Audit & Supervisory Board Member**

- 1969 Public Prosecutor, Tokyo District Public Prosecutor's Office
- 2002 Director-General, Public Security Investigation Agency
- 2004 Superintending Prosecutor, Sendai High Public Prosecutor's Office
- 2004 Deputy Prosecutor-General, Supreme Public Prosecutor's Office
- 2005 Retired from Public Prosecutors' Office; Admitted to the bar
- 2015 Audit & Supervisory Board Member (to the present)

* Outside Director as defined in Article 2, Item 15, of the Companies Act.
 ** Outside Company Auditor as defined in Article 2, Item 16, of the Companies Act.