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 continue to strengthen its corporate governance based on the Corporate Governance Code outlined by the Tokyo Stock Exchange.

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, 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.

**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.

### Basis for Appointing Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Independent Director</th>
<th>Major Concurrent Positions</th>
<th>Reason for Appointment</th>
<th>Attendance in FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koji Furukawa</td>
<td>Yes</td>
<td>Advisor, Mitsubishi Corporation</td>
<td>Furukawa provides valuable insight from his extensive experience in financial management</td>
<td>14 of 14 Board of Directors meetings</td>
</tr>
<tr>
<td>Yukio Shuichiro</td>
<td>Yes</td>
<td>Representative, Showa Denko Corp.</td>
<td>Shuichiro provides valuable insight from his extensive experience in financial management</td>
<td>14 of 14 Board of Directors meetings</td>
</tr>
<tr>
<td>Kiyomi Sudo</td>
<td>Yes</td>
<td>Manager, Mizuho Life Insurance Co.; Member, Asahi Mutual &amp; EI Co., Ltd.</td>
<td>Sudo provides valuable insight from his extensive experience in financial management</td>
<td>14 of 14 Board of Directors meetings</td>
</tr>
</tbody>
</table>

**Basis for Appointing Outside Members of Audit & Supervisory Board**

<table>
<thead>
<tr>
<th>Name</th>
<th>Independent Director</th>
<th>Major Concurrent Positions</th>
<th>Reason for Appointment</th>
<th>Attendance in FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiyomi Sudo</td>
<td>Yes</td>
<td>Representative, Showa Denko Corp.</td>
<td>Sudo provides valuable insight from his extensive experience in financial management</td>
<td>14 of 14 Board of Directors meetings</td>
</tr>
<tr>
<td>Yukio Machida</td>
<td>Yes</td>
<td>Representative, Showa Denko Corp.</td>
<td>Machida brings specialized knowledge as a prosecutor and attorney, and provides valuable insight from his extensive legal experience</td>
<td>14 of 14 Board of Directors meetings</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Kiyomi Sudo</td>
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</tr>
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<td>14 of 14 Board of Directors meetings</td>
</tr>
</tbody>
</table>

**Majors Internal Meetings in FY2016**

<table>
<thead>
<tr>
<th>Major</th>
<th>Number of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>14 meetings</td>
</tr>
<tr>
<td>Management Committee</td>
<td>37 meetings</td>
</tr>
<tr>
<td>Joint Committee of Directors and Executive Officers</td>
<td>11 meetings</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board</td>
<td>15 meetings</td>
</tr>
</tbody>
</table>
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.

Evaluating the Effectiveness of the Board of Directors

The performance of the entire Kajima Board of Directors is evaluated once a year in order to raise its effectiveness. The evaluation begins with a report on the Board of Directors’ management in the previous fiscal year and on progress made following resolutions on major projects. Next, all members of the Board of Directors discuss ways to enhance the Board’s effectiveness while identifying issues and points for improvement.

The results of the recent Board of Directors evaluation indicate that the Board has been supplied in advance with appropriate information for its deliberations and has been carrying out appropriate management. It was also determined that opinions of the outside directors have been actively incorporated by the Board and that efforts to raise effectiveness continue.

Main IR Activities in FY2016

<table>
<thead>
<tr>
<th>Activity</th>
<th>Times conducted</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briefing for analysts and institutional investors</td>
<td>4</td>
<td>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.</td>
</tr>
<tr>
<td>Construction site tour for analysts and institutional investors</td>
<td>1</td>
<td>Annual tour of construction sites and Kajima development projects for analysts and institutional investors.</td>
</tr>
<tr>
<td>IR activities for institutional investors outside of Japan</td>
<td>Ongoing</td>
<td>Participated in three conferences arranged by securities companies, mainly holding one-on-one meetings with institutional investors. Telephone and individual meetings were also provided upon request.</td>
</tr>
</tbody>
</table>
Compliance Framework

Kajima continually raises compliance awareness among all of its executives and employees to ensure thorough compliance with laws and regulations and the Company’s corporate ethics. The Corporate Conduct Committee, headed by the president, meets once a year to examine the implementation results of various compliance-related measures and to check the plan for the upcoming fiscal year. Major examples of these measures are implemented by the Legal Department, which is responsible for overseeing compliance at Kajima. The department develops and distributes a compliance manual (Handbook for Practical Application of the Code of Conduct; revised in August 2016), and conducts group-wide training concerning the Corporate Code of Conduct.

Kajima operates a corporate ethics hotline for confidential, anonymous reporting by employees and other stakeholders, available internally through the head office and branches as well as externally through an attorney’s office. Information cards on the hotline are distributed to employees to raise awareness and encourage them to use it.

In addition, departments in each field formulate necessary regulations and guidelines, and carry out training to continue efforts related to compliance.

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 (revised in July 2016), regular monitoring of bid processes, and implementation of workshops on the Antimonopoly Act.

Kajima has designated 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

- Fair and Honest Corporate Conduct
- Harmony with Society
- Responsibility to the Environment
- Implementation of Corporate Code of Conduct
- Respect for All People Connected to the Kajima Group
- Good Governance
- Respect for Intellectual Property, Rights, and Assets
- Translucent Relations with Government
- Education and Awareness
- Conduct of Intellectual Activity
- Respect for the Unique Characteristics and Promoting Individual Development
- Avoiding Child Labor and Forced Labor

Compliance

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 2016, Kajima addressed seven issues for improvement resulting from audits of 25 sites.

For partner companies, Kajima also provides standard check sheets and online educational materials prepared by the Japan Federation of Construction Contractors. The Company is working to improve the level of information security at its partners.

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.

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.

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.