

Continuing to Be a Corporate Group that Can Be Trusted

Kajima has established an internal control system to ensure compliance and manage risk in its business operations. However, inappropriate transactions carried out by a subsidiary were uncovered in 2008. Taking this matter with the utmost seriousness, Kajima acted decisively to put a stop to the misconduct, and took steps to further strengthen internal controls throughout the entire Kajima Group.

Raising Awareness of Compliance and Risk Management

Handbook for implementing the Kajima Group Code of Conduct

The company has set the Kajima Group Code of Conduct as the very basis of its compliance program. In connection with the revision of the Kajima Group Code of Conduct in 2007, and in order to raise awareness of its importance, Kajima created the *Handbook for Practical Application of the Code of Conduct* and distributed it to all directors, officers, auditors and employees. In fiscal 2008, each Kajima group company also adapted the handbook according to its particular circumstances and distributed its own version to corporate officers and employees. These activities have led to a deeper awareness of compliance issues throughout the entire Kajima Group.

Instilling the Code of Conduct through e-learning

In fiscal 2008, the company began an e-learning training course for all employees in order to instill greater understanding and acceptance of the Kajima Group Code of Conduct. Based on the *Handbook for Practical Application of the Code of Conduct*, the course lectures provide Q&A sessions related to specific case studies to illustrate compliance issues.

All 9,130 of Kajima's employees designated to take the e-learning course have completed it, and an additional 5,549 corporate officers and employees of Kajima group companies have been enrolled. The company intends to continue e-learning activities periodically in the future.

Establishment of a whistleblower system

Kajima has set up a corporate ethics whistleblower system with a hotline to allow group employees to report on criminal or unethical behavior that they know of or suspect. The company strictly prohibits retaliation or harassment against whistleblowers. Instructional cards have been distributed to employees to promote the system and provide instructions on how to make use of it.

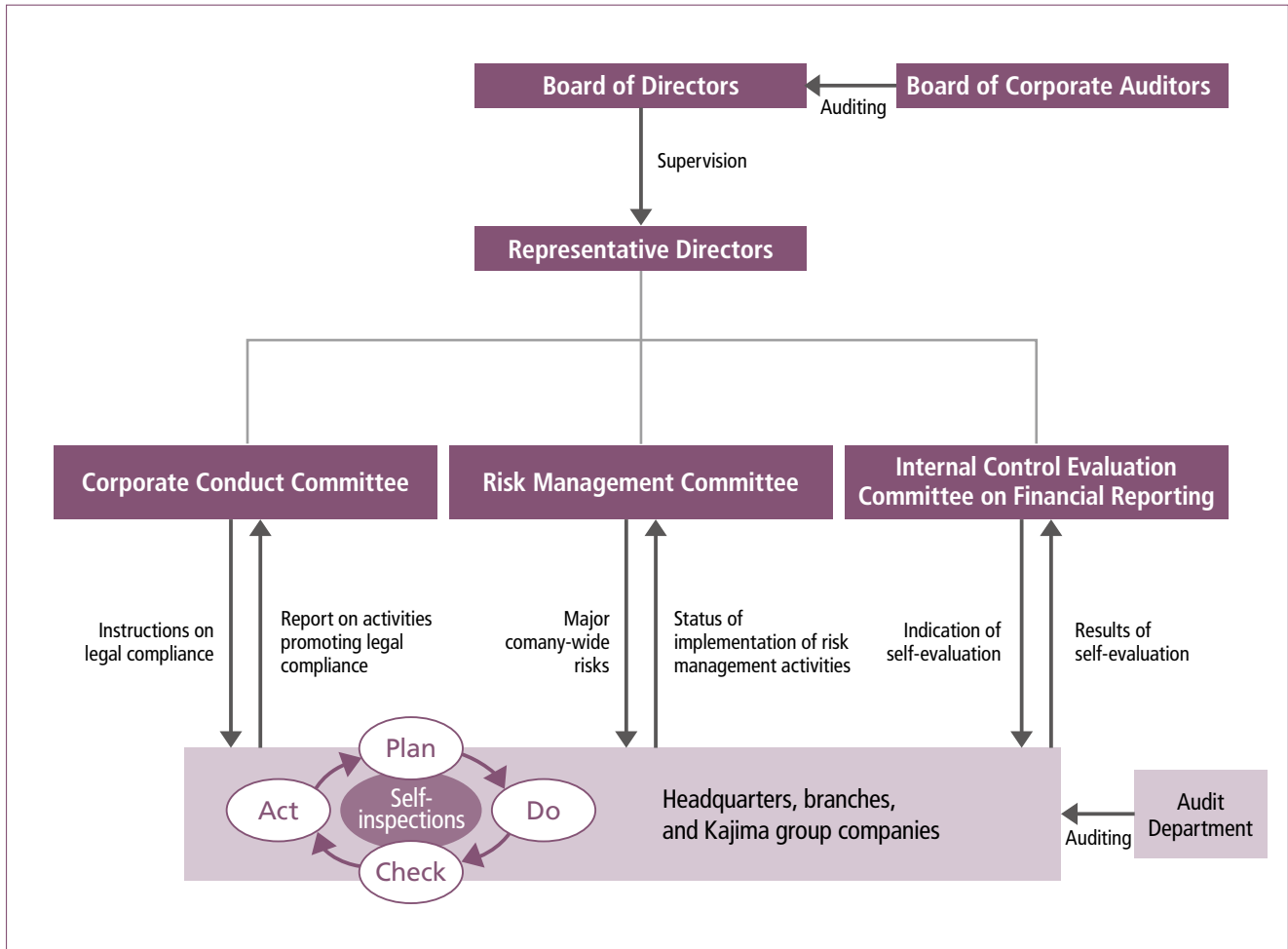
Company-wide risk management system

Chaired by the company president, the Kajima Risk Management Committee meets annually in March to identify major risks that must be managed on a company-wide basis, raise the level of risk awareness, and promote thorough implementation of risk management activities. Kajima group companies in Japan and overseas also have independently exercised risk management based on the PDCA (plan-do-check-act) cycle.

Application of internal control over financial reporting

In accordance with Japan's Financial Instruments and Exchange Act, companies are required to have an internal control reporting system in place by April 2008. To meet this requirement, Kajima and its group companies began to evaluate management through measures such as internal control documentation, self-inspections, and internal audits. Based on the results of the evaluation, Kajima disclosed its internal control report, declaring that the company's internal control over financial reporting was effective as of the end of fiscal 2008.

Kajima's compliance system



This conclusion was corroborated by the company's independent auditor. To ensure the future reliability of its financial reports, Kajima will continue working to improve its internal controls.

Ensuring information security

In August 2001, Kajima adopted an information security policy comprised of three components: information security by-laws that provide general principles for management systems and measures; information security implementation rules that set out more detailed requirements; and a code of conduct for information security measures that lays out concrete requirements governing the conduct of employees who handle business information. In January 2009, the by-laws and the code of conduct were revised to better enable Kajima group companies to create corresponding versions more suitable to their particular circumstances.

Kajima has set up a special intranet site for information security matters, prepared and distributed a handbook, provided face-to-face educational activities, and visited worksites to check progress in this area. The company also designated the month of May as "Information Security Improvement Month," and introduced a new e-learning program in May 2009 to determine the level of employees' understanding of security issues.

