

1) System to Ensure that Duties Performed by Directors and Employees Comply with Laws, Regulations and the Articles of Incorporation

- a. To reinforce initiatives aimed at fulfilling our corporate social responsibility, we have established the CSR Committee, chaired by the president. The committee will restructure our system for promoting responsible care and take overall charge of CSR activities, including compliance.
- b. Regarding corporate ethics and compliance with laws and regulations, the Compliance Committee, which is subordinate to the CSR Committee, supervises the promotion and auditing of essential activities, such as overseeing plans on a Companywide scale, tracking rates of progress, confirming the actual status of compliance and establishing and maintaining appropriate inquiry and notification functions.
- c. The supervisory departments* develop rules on functions under their control in regards to compliance, plan and implement individual training programs, plan and promote specific activities including encouragement of self-assessment, and conduct inspections and audits to confirm the status of compliance.

* Supervisory departments are departments that supervise specific business functions of the Company and the overall Group, such as the Personnel Department, the General Affairs Department and the Finance and Accounting Department.

- d. Concerning cross-divisional issues outside the scope of the supervisory departments, the Company has established organizations with specific missions to oversee the promotion of plans and related matters. Such organizations, which are subordinate to the CSR Committee, include the Global Environment Committee, the Central Committee on Environment, Safety and Human Health, the Product Safety Examination Committee, and the Plant Management Conference. This also applies to Items b and c.
- e. We maintain absolutely no relationships with antisocial forces, and we take a firm companywide stand to thoroughly counter any illegal or inappropriate demands from such forces. We have also established an internal department to take overall charge of gathering and managing information related to such forces, and communicating and cooperating with police and other outside organizations and foundations. Through these efforts, we are working to enhance the corporate structure for extirpating anti-social forces.
- f. To ensure the reliability of our financial reporting, we have established and are enhancing internal controls related to such financial reporting. These activities are supervised by the Internal Control Department.

2) Regulations and Other Systems to Manage Risk of Loss

Risks that significantly influence the Company's businesses and financial position are addressed as follows:

- a. Fundamentally, individual operating divisions and the

supervisory departments concerned with certain risks take appropriate preventive measures and deal with the situation appropriately in the event that such risks are realized.

- b. Based on these actions, the Compliance Committee oversees measures to prevent potential risks, and the Risk Management Committee works with the division concerned in a timely fashion to deal with risks that have been realized and risks that are specifically deemed likely to be realized.

3) System to Ensure Efficient Performance by Directors

- a. Dynamic execution is ensured by giving division managers extensive authority over daily business operations, while senior directors are in charge of multiple operating departments and divisions and supervise the execution of operations.
- b. Important issues are first discussed at a Management Conference in accordance with internal proposal and decision making procedures based on the decision-making standards, and then are resolved and implemented by the Board of Directors.
- c. The Board of Directors convenes a regular meeting once a month, at which important issues are decided and the status of the performance of the directors' duties and related matters are reported.
- d. Division managers convene a meeting on a monthly basis, at which management policies, corporate performance and other matters are announced, and business plans and status of progress are reported by designated division managers.

4) System to Store and Manage Information on Directors' Performance of Duties

Information on decision making and execution of operations in the Company, not limited to the actions of directors, is stored and managed together with other relevant materials pursuant to the provisions of laws, regulations and internal rules, regardless of whether in paper or electronic document format.

5) System to Ensure Appropriate Operations within the Enterprise Group Consisting of the Company and Its Subsidiaries

Items a through d above also apply to the Company's subsidiaries. The divisions, supervisory departments and subsidiaries work together to further develop and improve the effectiveness of the system (basic policies, rules, responsibility framework, etc.).

6) System for Directors and Employees to Report to the Auditors and Other Systems to Report to the Auditors

- a. The auditors attend the meetings of the Board of Directors, division manager meetings, Management Conferences and other important meetings.

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- b. Directors and others report to the auditors on the execution of important operations, such as the results of environment and safety inspections, internal audit results, monthly operations and financial overviews.
- c. Important decision related documents are passed on to the auditors, such as proposal documents, resolution notices regarding matters decided by the President and matters decided by officers in charge.

7) Matters Concerning Employees Assisting Auditors in Their Duties and the Independence of Such Assistants from Directors in Case Such Assistants are Appointed

- a. A secretariat will be established within the Board of Auditors to allocate assistants to aid auditors in performing their duties.
- b. The appointment, transfer and evaluation of such assistants are decided with the approval of the auditors to ensure independence of such assistants from the directors.

8) Other Systems to Ensure that Audits Are Conducted Effectively by the Auditors

- a. The representative director and the auditors periodically meet to exchange opinions.
- b. The auditors interview directors about the execution status of operations whenever necessary.
- c. The auditors interview the Internal Control Department concerning the execution status of audits.
- d. The auditors periodically receive reports from and liaise with the accounting auditor to exchange opinions.
- e. The auditors investigate the execution status of operations and the asset management status whenever necessary at the Company's places of business, including its head office and plants, as well as at its major subsidiaries.

3. Basic Approach to and Status of Advancement of the Removal of Antisocial Forces

The Group has established a Basic Policy on Corporate Activities and Ethical Behavior Standards provide the basic standards the Company's officers and employees are to adhere to in conducting business activities. These policies require that absolutely no relationships with antisocial forces, that demands from antisocial forces are dealt with resolutely, and that unlawful or unjust demands are opposed on an individual level as well. The executive directors and others in top management discipline themselves to set an example in upholding these standards of behavior, working to develop internal structures and increase awareness within the Company.

To address this issue, the Company has established a division to collect and manage information on a daily basis and coordinate with law enforcement and other outside entities and related organizations. The Company remains committed to developing and reinforcing its internal structure for eliminating

antisocial forces.

4. Status of Internal Audit and Auditors' Audit

The Company employs an auditor system. There are four auditors, two of whom are external auditors. There is no noteworthy information regarding any personal, equity, business or other special-interest relationship between the external auditors and the Company. One replacement auditor is also appointed in case the number of auditors falls below that required by law.

The Board of Auditors conducts audits in coordination with other parties concerned, such as requiring the Internal Control Department to report as necessary on the status of internal audits and the accounting auditors to provide explanations on accounting audits.

5. Status of Accounting Audit

The certified public accountants who provided the Company with accounting audit services during the year are Koichi Inoue, Masahiro Nishio, and Yoshitaka Yamaguchi, all belonging to KPMG AZSA & Co. Other personnel who assisted in accounting audit tasks include four certified public accountants and 13 junior certified public accountants.

6. Relationship with External Auditors

External directors Hiroaki Tsukamoto and Kouji Hirokawa were appointed because of their high degree of insight as attorneys and their abundant experience applicable to audit activities. Their independence is ensured by their lack of any noteworthy special interest relationship with the Company.

7. Breakdown of Executive Compensation

Executive compensation for the fiscal year under review was as follows.

Positions	People Compensated	Total Compensation
Directors	16	¥547 million
Auditors (Of whom, external auditors)	4 (2)	¥82 million (¥34 million)

Notes:

1. Amounts less than the specified unit have been rounded off.
2. Total compensation includes compensation paid to three directors who retired from their positions at the close of the 84th Ordinary General Meeting of Shareholders on June 27, 2008.
3. The above mentioned total compensation includes a payment of executive compensation approved and passed at the 85th Ordinary General Meeting of Shareholders. This amount includes scheduled payments to directors of ¥65 million.
4. The above mentioned total compensation includes ¥45 million in expenses posted in the fiscal year under review for stock acquisition rights (stock option equity compensation) granted to 13 directors.
5. Maximum compensation to directors is ¥46 million per month (resolved at the 76th Ordinary General Meeting of Shareholders on June 29, 2000), and annual stock option equity compensation of ¥75 million (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).
6. Maximum compensation to auditors is ¥7.8 million per month (resolved at the 83rd Ordinary General Meeting of Shareholders on June 28, 2007).

8. Requirements for Determination of Director Appointments

The Company's Articles of Incorporation stipulate that shareholders possessing at least one-third of the shareholder voting rights exercisable at the General Meeting of Shareholders shall attend the meeting and determine the appointment of directors based on a majority vote. The Articles of Incorporation further specify that the appointment of directors shall not be resolved by cumulative voting.

9. Resolutions of the General Meeting of Shareholders that May Be Determined by the Board of Directors

In order to ensure an expeditious capital and profit redistribution policy, it was resolved at the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006, to stipulate in the Articles of Incorporation that any of the items provided in Article 459, Paragraph 1 (each item) of the Companies Act, including those concerning payment of dividends from retained earnings, may be determined by a resolution of the Board of Directors and that none of the items provided in Paragraph 1 of the same Article are to be determined by a resolution of the General Meeting of Shareholders.

10. Requirements for Special Resolutions at the General Meeting of Shareholders

To ensure a smooth General Meeting of Shareholders, the Company's Articles of Incorporation stipulates that shareholders possessing at least one-third of the shareholder voting rights exercisable shall attend the meeting and determine by a two-thirds majority vote the "requirements for special resolutions at general meetings of shareholders" provided in Article 309, Paragraph 2 of the Companies Act.

Takeover Defense Measures

At its Board of Directors meeting held on April 6, 2007, the Company adopted the Basic Policy regarding Persons Who Control the Company's Decisions on Financial Matters and Business Policies (hereinafter the "Basic Policy"). The Policy Regarding Countermeasures to Large-Scale Acquisitions of Kaneka Shares, under which the Basic Policy is subsumed, was approved at the 83rd Ordinary General Meeting of Shareholders held on June 28, 2007. An overview is provided below.

1. Content of the Basic Policy

As a publicly held corporation, the Company recognizes that its shares should be freely traded. Thus, even in the event of a hostile takeover without the consent of the Board of Directors, the Company will not necessarily resist such an action, provided the takeover promises to enhance the corporate value of the

11. Compensation for Audits

1) Compensation for Audits and Other Activities by Certified Public Accountants

The certified public accountants who provided the Company with accounting audit services during the year belonged to KPMG AZSA & Co. Compensation paid by the Company and its consolidated subsidiaries to KPMG AZSA & Co. was as follows.

	Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2009	
	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)	Compensation based on audit certification activities (Millions of yen)	Compensation based on non-audit activities (Millions of yen)
Kaneka	—	—	67	—
Consolidated subsidiaries	—	—	7	—
Total	—	—	75	—

2) Other Significant Compensation

Kaneka Texas Corporation and other consolidated subsidiaries pay compensation for tax-related activities to KPMG, which belongs to the same network as the certified public accountants who provide auditing services for the Company.

3) Compensation for Activities Other than Audits by Certified Public Accountants

Nothing to report.

4) Method of Determining Compensation for Audits

Nothing to report.

Company and the collective interests of its shareholders. However, we consider it necessary to ensure that adequate information is provided to shareholders when attempts are made to acquire a large number of the Company's shares. We also believe necessary and proper measures must be taken to protect the corporate value of the Company and the collective interests of its shareholders in the event that the Company is subject to a hostile and abusive takeover bid that threatens to harm corporate value and collective shareholder interests, such as any takeover bid that is intended solely to advance the personal gain of the bidder.

2. Measures to Effectively Utilize the Company's Resources, Form an Appropriate Corporate Group and Realize Other Fundamental Policies

The Company adheres to the guidelines set forth below in contributing to the realization of the Basic Policy provisions to secure and enhance the corporate value of the Company and the collective interests of its shareholders.

- Achievement of rapid growth and strong earnings by combining high-growth and high-value-added businesses with those that generates stable revenues, based on diversified management
- Concentration of investment on management resources in growth sectors, making efforts to improve profitability through continual cost improvement activities
- Focusing the driving force of management on “research and development targeting next-generation growth sectors,” “further reinforcement of overseas business operations” and the common foundation of each of these: “personnel who aggressively take on challenges toward high targets”

Moreover, the new medium-term plan beginning from FY 2009 emphasizes the ideal of a corporation centered on technology and the pursuit of qualitative reforms. Seeking to raise corporate value through business and personal development, the Company will work to implement the following priority management policies.

- We will place technology at the core of management to unite business policy with technology strategy so that technology will become the driver of corporate growth.
- We will implement qualitative reforms in three areas: business structure, R&D and human resources. Recognizing the Company's strengths in technology, we will reform the business structure to substantially improve our position as a cutting-edge leader in growth areas. We will also reform R&D to develop innovative technologies with greater speed and practical applicability and reform human resources to cultivate employees imbued with the strong spirit of challenge to realize such reforms.
- We will continue to invest our management resources intensively in functional plastics, electronics products and life science products as the key strategic fields in which we can capitalize on our specialized technologies.

The Company is implementing the following takeover defense measures to prevent the Company's decisions on financial and

business policies from being controlled by entities regarded as inappropriate according to the Basic Policy.

- a. The Company shall stipulate in advance procedures to be observed in case of an attempted large-scale purchase of the Company's shares and other securities (hereinafter, “Large-Scale Purchase Rules”), demanding disclosure of necessary and adequate information regarding such a purchase, collecting and examining information related to the purchase and securing the opportunity and necessary time for the Board of Directors of the Company to present its opinion and alternative plans to shareholders or to negotiate with the purchaser.
- b. Whether or not the purchaser observes the Large-Scale Purchase Rules, provisions to protect the corporate value of the Company and the collective interests of its shareholders may be taken against such purchases if they are deemed to cause irreparable damage to the Company or otherwise significantly harm the corporate value of the Company or the collective interests of its shareholders.

3. Compliance with Requirements, Judgment and Reasoning of the Board of Directors

The Board of Directors of the Company judge that the measures in the preceding item comply with the following three requirements: they are in line with this Basic Policy, they do not harm the common interests of the Company's shareholders and they are not intended to maintain the positions of the corporate officers of the Company. The reasoning behind this judgment is as follows.

- a. The measures satisfy the requirements of the policies of the Ministry of Economy, Trade and Industry and the Ministry of Justice concerning takeover defense measures.
- b. The measures will be implemented with the aim of securing and improving the common interests of the shareholders.
- c. The measures place emphasis on the will of the shareholders.
- d. The measures place emphasis on the judgment of highly independent external parties.
- e. The measures provide rational and objective requirements.
- f. The measures allow for the procurement of opinions from third party experts.
- g. The measures are not “dead-hand” takeover defense measures.