

Corporate Governance

Santen's corporate governance employs a corporate auditor system to ensure sound, transparent management that will allow continuous enhancement of shareholder value.

Board of Directors

As of August 2003, our Board of Directors is made up of five directors — four internal and one external. The Board of Directors is kept small to facilitate thorough discussion and swift decision-making. The Board of Directors met sixteen times during the year ended March 31, 2003, and made decisions on issues including the Santen Group's management policies and strategies, business plans, acquisition and disposal of major assets, and important organizational and personnel changes. In addition, the Board of Directors supervised and directed the execution of business at Santen and its subsidiaries.

Following the approval of the 91st Annual General Meeting of Shareholders, held on June 26, 2003, we shortened the office term of directors from two years to one and appointed Kosei Furukawa, Professor at Nakamura Gakuen University and Honorary Professor at Keio University, as an outside director. We expect Director Furukawa to use his broad knowledge and expertise in corporate management to play an active role in ensuring and further enhancing transparency and objectivity in our management.

Board of Corporate Auditors

There are four members of the Board of Corporate Auditors — two internal and two external. The Board of Corporate Auditors met eight times during the year ended March 31, 2003 to approve financial statements and proposed items for the General Meeting of Shareholders and to discuss and resolve audit plans. In addition, the Board of Corporate Auditors received reports from corporate auditors on the results of the audit of business executed by directors, as well as reports from independent accounting auditors on the results and methods of the audit. The Board of Corporate Auditors regularly reported the results of its audits to the Board of Directors, and submitted an audit report to the Board of Directors meeting held on May 9, 2003.

In order to audit the management and performance of directors, corporate auditors attended important company meetings, including Board of Directors meetings, reviewed important company documents and conducted inspections at Santen's offices and subsidiaries.

Committees

Santen has established an Executive Compensation Committee as a specialized committee within the Board of Directors and a Management Advisory Committee headed by the president.

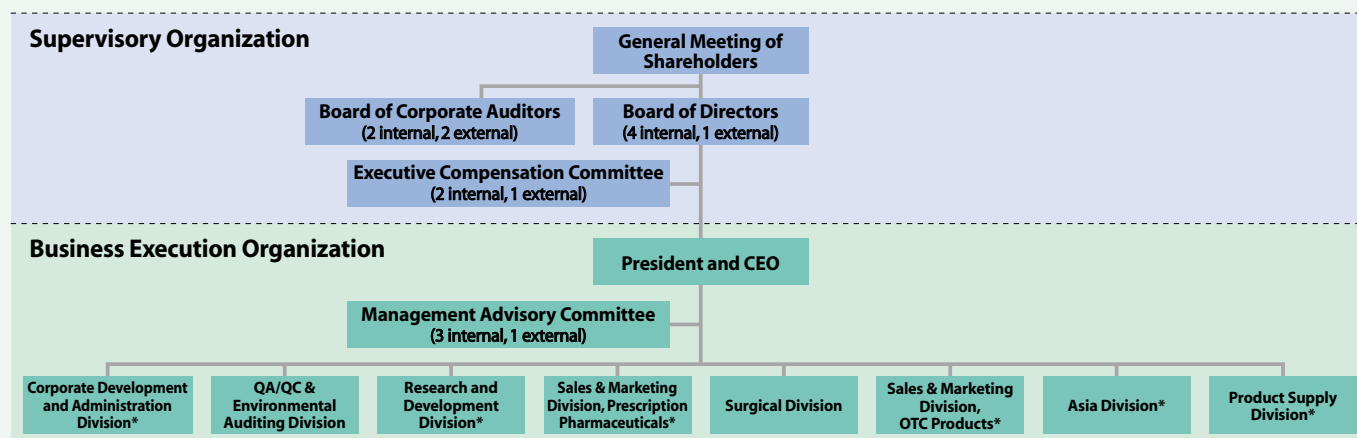
The Executive Compensation Committee has three members (the president, a managing director and the outside director) who decide on policies for the compensation of executives, review the executive compensation system and determine the compensation of individual executives. Duties also include supervising impartial decision-making of compensation issues and the fair implementation of the compensation system. This committee met twice during the year ended March 31, 2003.

In April 1999, we introduced a performance-based executive compensation system that establishes a clear link between company objectives and compensation of executives.

The Management Advisory Committee has four members (the president, a managing director, a corporate officer and a member from outside Santen) who study and discuss issues with a significant medium-term impact on Santen. This committee met twelve times during the year ended March 31, 2003 regarding the analysis of current conditions, management tasks and deliberation over the direction and strategies needed in drawing up the 2003-2005 Medium-term Management Plan, among other matters of importance.

Corporate Officer System

We introduced the Corporate Officer System in July 1999 to separate management supervision and important decision-making from daily operations.



Notes:

1. Heads of divisions with an asterisk (*) hold the position of corporate officer.
2. Three directors serve concurrently as corporate officers.
3. The Executive Compensation Committee and the Management Advisory Committee are different from the committees in the "Company with Committees" system as set forth in the April 2003 revisions to the Commercial Code of Japan.