

Santen believes improving and strengthening corporate governance is an indispensable means to maximizing our corporate value and ensures sound, transparent management under the following governance system.

BOARD OF DIRECTORS

As of August 2004, our Board of Directors consists of five directors, four internal and one outside. The Santen Board of Directors is intentionally small to facilitate thorough discussions and swift decision-making. The Board of Directors met 17 times during the year ended March 31, 2004, and made decisions on issues including the Santen Group's management policies and strategies, business plans, major agreements, as well as 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 Shareholders' Meeting, held on June 26, 2003, Santen shortened the office term of directors from two years to one. The shorter term not only allows for flexibility of appointment and dismissal – and thus immediate response to change in the business environment – but also clarifies the responsibilities of each director for a given fiscal year.

Also on June 26, 2003, Santen appointed Mr. Kosei Furukawa, Professor at Nakamura Gakuen University and Professor Emeritus at Keio University as Outside Director. Director Furukawa leveraged his broad knowledge and expertise in corporate management and played an active role in ensuring and further enhancing transparency and objectivity in our management during the year under review.

BOARD OF CORPORATE AUDITORS

Our Board of Corporate Auditors consists of four members, one internal and three outside, as of August 2004. To ensure that Santen is in compliance with the Commercial Code and other legal standards, the members audit the operation of directors and corporate officers, attend important company meetings including Board of Directors meetings, and review important company documents and conduct inspections at Santen's offices and subsidiaries.

The Board of Corporate Auditors met eight times during the year ended March 31, 2004 to approve financial statements, propose agendas for the Annual Shareholders'

Meeting and to discuss and resolve audit plans. The Board of Corporate Auditors received reports from independent accounting auditors on the results and methods of the independent audit. The Board of Corporate Auditors regularly reported the results of its audits to the Board of Directors, and submitted their annual report to the Board of Directors on May 7, 2004.

COMMITTEES

Santen has established an Executive Compensation Committee as a specialized committee within the Board of Directors and a Management Advisory Committee to advise the President. Our committees differ from those under the "Committee System" within the revised Commercial Code of Japan.

The Executive Compensation Committee has three members (the president, a managing director and an 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 system. This committee met three times during the year. 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 five members (the president, a managing director, a corporate officer and two members from outside Santen) who study and discuss issues that may have a significant medium-term impact on Santen. This committee met 11 times during the year to review the directions and strategies for achieving the 2003-2005 Medium-term Management Plan, among other matters.

CORPORATE OFFICER SYSTEM

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