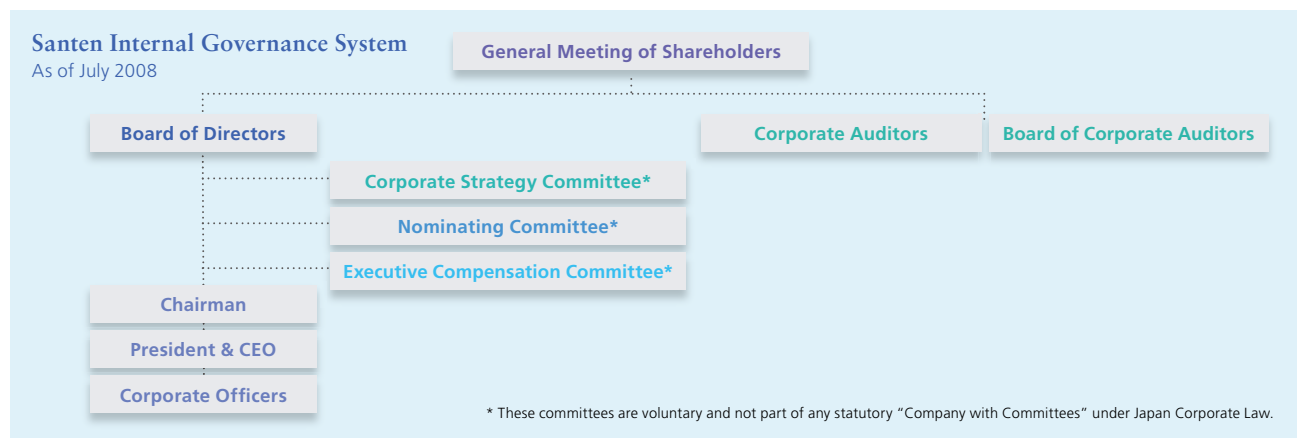


Corporate Governance



Santen recognizes that in order to achieve and enhance corporate value, and thus returns to shareholders, it is vital to upgrade and strengthen corporate governance. Accordingly, Santen is working to raise business performance while maintaining transparent and sound management practices through the development of effective corporate governance systems.

Governance Systems

● Board of Directors

In addition to various statutory functions, the Board of Directors formulates management policies, strategies and business plans for the Santen Group, makes decisions relating to the acquisition or disposal of major financial assets and important organizational or personnel-related moves, and oversees the execution of business at Santen and its subsidiaries. The Board convenes once a month in principle. As of July 31, 2008, the Board comprised seven members including three outside directors. The Board of Directors convened 11 times during fiscal 2007.

● Board of Corporate Auditors

Santen has adopted a governance system using corporate auditors. The Board of Corporate Auditors consists of four members, including outside auditors. Corporate auditors formulate auditing policies and plans and attend the Board of Directors' and other important business meetings as well as oversee the execution of duties by directors through auditing the operational and financial status of Santen's head office, major operating sites and subsidiaries. The Board of Corporate Auditors convened eight times during fiscal 2007.

● Voluntary Committees

Santen has established the following three committees composed of inside and outside directors as deliberative bodies to further strengthen corporate governance and to improve management transparency and objectivity.

- The Corporate Strategy Committee deliberates on key strategic issues such as business strategies.
- The Nominating Committee sets criteria for the selection and appointment of directors, clarifies the decision-making process and submits nominations to the Board of Directors based on its deliberations.
- The Executive Compensation Committee develops proposals for establishing and revising remuneration policies and related compensation systems for senior executives and deliberates on determining levels of actual compensation.

Note that these committees are not part of any statutory "Company with Committees" under Japan Corporate Law.

● Corporate Officer System

Santen has introduced a corporate officer system to strengthen management while improving the quality and speed of strategic decision-making processes. There were eight corporate officers at the end of July 2008, excluding some serving concurrently as directors.

Internal Governance System

Deeply aware of the sanctity of human life, Santen greatly values its customers, shareholders and employees as well as all members of the community. As a company active in the pharmaceuticals industry, Santen aims to maintain high ethical standards in all corporate activities undertaken by Santen directors and employees.

Our compliance system, the Santen Corporate Ethics Mission, which was formulated in December 1999 and revised in line with changing social conditions, consists of a corporate action declaration and a corporate code of conduct that defines strict ethical standards governing corporate activities. We also strive for thorough compliance through the specially established Corporate Social Responsibility (CSR) Group, CSR committees put in place across our corporate structure and employee

training programs via such means as e-learning. Santen maintains an internal employee reporting system for compliance-related enquiries and an external helpline to an attorney is also available to all employees, enabling them to report any suspected compliance violations or to receive advice.

As a risk management system, Santen has compiled an internal risk management manual that defines basic policies in crisis management situations, based on the Company's business philosophy, and lists internal action standards for crisis management. Specific internal units are responsible for managing the major risks associated with operating activities, by gathering daily information for risk management purposes, and coordinating ongoing efforts to prevent key risk-related occurrences.

The Risk Evaluation Committee meets regularly to assess risks, analyze any risk-related phenomena identified through internal or external information sources, review current preventive measures and implement appropriate measures.

The occurrence of an emergency situation triggers the operation of a Crisis Response Committee headed by a representative director according to the extent of the impact. Based on Santen's Risk Management Manual, this Committee coordinates efforts to minimize any losses or damages and institutes measures to prevent recurrence.

To maintain proper operating controls within the Group, Santen has created a system specifying that its subsidiaries must seek the final approval of Santen for important business transactions, based on internal approval criteria. Monthly operating and financial reporting controls are also in place.

By appointing presidents of major subsidiaries as Santen corporate officers, Santen has built strong links with its principal subsidiaries. Santen directors in charge of subsidiaries and the corporate officers (the subsidiaries' presidents) meet monthly to exchange information and report on important issues. Furthermore, formal operating and financial reports for all major subsidiaries are submitted to the Board of Directors on a quarterly basis.

The internal audit section, established as part of the Corporate Social Responsibility (CSR) Group to implement measures to verify that the aforementioned internal control systems work properly and efficiently, became the Internal Audit Group in April 2007. The Internal Audit Group now comprises three people including the chief officer.

Santen continues to promote activities aimed at disseminating internal controls to boost the reliability of financial reporting throughout the Santen Group. We are also continuing to meet requirements under the Japanese Financial Instruments and Exchange Act to report internal control matters, through maintaining and enhancing internal audit systems and self-inspection systems in each of our company divisions and principal subsidiaries.

Internal Audits and Corporate Auditors' Audits

● Cooperation between Corporate Auditors and Independent Auditors

The corporate auditors hold a meeting with the independent auditors at the beginning of each fiscal year to receive presentations on the financial auditing plans for the year and any key audit-related issues, and to exchange opinions including corporate auditors' requests. The independent auditors present audit findings to the corporate auditors at meetings twice a year, held after the interim and final results, to exchange opinions.

In addition, the corporate auditors attend an audit review meeting with the independent auditors after the conclusion of the year-end audit to share comments on audit results and procedures.

● Cooperation between Corporate Auditors and the Internal Audit Group

The corporate auditors inform the Internal Audit Group of any specific audit-related issues or future risk-related items that may be identified in the course of auditing Santen's head office or operating sites.

The Internal Audit Group also reports to the corporate auditors any important information gained from internal audits and related measures. The corporate auditors may provide support to the Internal Audit Group in implementing countermeasures as deemed necessary.

Compensation for Directors and Corporate Auditors

Total remuneration for directors and corporate auditors for fiscal 2007 equaled ¥310 million. The breakdown is as follows:

1. Compensation paid to directors:	¥263 million
(of which ¥32 million was paid to outside directors)	
2. Compensation paid to corporate auditors:	¥47 million
(of which ¥19 million was paid to outside auditors)	

Relationships between the Company and its Outside Directors and Outside Auditors

There are no special interest relationships between the Company and its outside directors and outside auditors.

Outline of Agreements to Limit Responsibilities

To invite and appoint competent experts to work for the Company as outside directors or outside auditors to ensure further management transparency and objectivity and further reinforce the audit system, the Company stipulates in its Articles of Incorporation that it can enter into an agreement with outside directors and outside auditors to limit their liabilities for compensation of damage they might incur within a certain range.