



Basic Policy on Internal Control

In accordance with the Japanese Companies Act and the Regulation for Enforcement of the Japanese Companies Act, Santen Pharmaceutical Co., Ltd. (hereinafter, "Santen") has passed the Basic Policy on Internal Control of its corporate group consisting of Santen and its subsidiaries (hereinafter, "the Santen Group") as described below:

(1) Santen Group's CORE PRINCIPLE and OUR VISION

A. Santen Group's CORE PRINCIPLE and OUR VISION are set forth below:

(CORE PRINCIPLE)

"Tenki ni sanyo suru"

- Exploring the secrets and mechanisms of nature in order to contribute to people's health

(OUR VISION)

- Based on its CORE PRINCIPLE, the Santen Group pursues its OUR VISION, which defines the world it ultimately aspires to achieve: "Happiness with Vision: the Happiest Life for every individual, through the Best Vision Experience."
- B. Under the CORE PRINCIPLE and OUR VISION, we in the Santen Group carefully consider what is essential in each situation, determine what we should do, and act quickly by bearing in mind our guiding principles and values toward happy lives through vision.

(2) System to Ensure That the Execution of Duties of the Directors and Employees of the Santen Group Complies with Laws, Regulations and the Articles of Incorporation

- A. The Santen Group's Directors and Employees shall consider as norms Santen's Values and the Santen Code of Practice, which provides the behavioral guidelines for all of the corporate activities to be conducted by all of the Group's constituents.
- B. Santen shall endeavor to ensure the proper recognition of, and thorough compliance with, Santen's Values and the Santen Code of Practice, under the directions of dedicated officers who have been appointed to promote the implementation of the Values and Code throughout the Santen Group.
- C. The Santen Group shall stipulate in the Santen Code of Practice that it will never respond to any demand by an anti-social force; and concurrently, cooperate with the relevant authorities, as necessary, to eliminate any relationship with such anti-social forces.
- D. Regarding any suspected compliance violations within Santen Group entities, the Santen Group shall endeavor to ensure that any parties have the means to directly consult and report to the Group through internal and external help desks; and concurrently, the Santen Group entities shall handle the said

consultation and reporting in collaboration with the relevant departments or Santen to solve the reported compliance violation issues.

- E. To strengthen and enhance the function of monitoring management, Santen shall appoint multiple highly independent Outside Directors; and concurrently, it shall endeavor to enhance the audit by Corporate Auditors as well as the internal audit system of the Internal Auditing Group under the direct control of the President.

(3) System on Retention and Management of Information on the Execution of Duties of the Directors

- A. As to the treatment of information concerning the execution of the duties of Directors of Santen, Santen shall appropriately maintain and administer such information based on internal rules such as those regarding information security, internal approvals and document control.

(4) Rules and Other Systems on the Management of Risk of Loss of the Santen Group

- A. For the Santen Group to respond appropriately to assumable major risks of loss related to its business activities in accordance with the rules on risk management, each incorporated business entity or organization in the Group shall endeavor to identify and manage the risk of loss even at ordinary times, and to avoid or minimize the risk of loss by constructing systems for developing relevant policies and countermeasures and collecting information. Specifically, Santen's departments in charge of risk management shall collaborate with its subsidiaries in identifying and assessing risks to the Santen Group and developing and implementing necessary countermeasures.
- B. If an event that is expected to develop into a serious crisis occurs or is reported, a Crisis Management Committee chaired by Santen's President and CEO shall be established to endeavor to respond to and control the event, and implement measures to prevent the recurrence of similar events.
- C. Santen's Internal Auditing Group shall conduct an internal audit of the status of management of the risk of loss within the Santen Group from its independent viewpoint.

(5) System to Ensure the Efficient Execution of Duties of the Directors of the Santen Group

- A. Santen shall strengthen its system for the governance of business executions by building a global management system whereby the Corporate Management Members appointed by the Board of Directors play a key role in making optimal decisions quickly from a Company-wide perspective.
- B. Santen shall hold a meeting of the Board of Directors every month in principle, and shall hold special meetings of the Board of Directors as necessary.
- C. Santen shall establish the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, to deliberate on prescribed matters and submit recommendations to Santen's Board of Directors.

- D. Santen shall establish various meeting bodies in order to swiftly and efficiently decide on important matters concerning the Santen Group's management policies and business executions.
- E. Santen shall establish the Rules of the Board of Directors and the rules for Corporate Officers to clarify their duties and powers. Furthermore, Santen shall develop rules and standards concerning internal approvals to clarify procedures for decision-making.
- F. In order for the Santen Group entities to promote their businesses globally, their roles shall be clearly defined and their strategies shall be steadily implemented. In addition, to enable them to further contribute to customers, personnel and organizational systems shall be developed. Furthermore, organizational rules and standards shall be established to clarify the authority and responsibilities of each organization or subsidiary.

(6) System to Ensure Proper Operating Controls within the Santen Group

- A. Santen shall construct a managerial system whereby the division in charge of internal control plays a central part in giving recommendations and instructions on enhancing the appropriateness of corporate activities within the Santen Group.
- B. Santen shall develop rules on subsidiary control to clarify matters necessary to ensure proper operation of its subsidiaries, and shall apply the same rules to all entities within the Santen Group to strengthen the auditing function of its key subsidiaries. Moreover, Santen shall build a system for checking the status of development and operation of its subsidiaries' internal control systems.
- C. To ensure the credibility of financial reports, a system shall be established whereby each of Santen's relevant divisions and subsidiaries will perform a self-check concerning the appropriateness of its business, and then Santen's Internal Auditing Group will verify the adequacy thereof.

(7) Matters regarding an Employee, If Any, Whom the Board of Corporate Auditors Seeks to Adopt as an Assistant, Matters regarding the Independence of the Employee from Directors, and Matters regarding Ensuring the Effectiveness of Directions to the Employee

- A. A full-time staff member shall be appointed to provide assistance to Santen's Corporate Auditors as well as to discharge other duties as necessary. The assistant shall not be under the line of supervision and direction of the management.
- B. The personnel transfers of the assistant to the Corporate Auditors shall be conducted by Santen's Representative Directors in accordance with the internal rules and with the consent of the Corporate Auditors. As to the evaluation thereof, examinations and decisions made by the Corporate Auditors in accordance with the internal rules shall be duly respected.

(8) System for Directors and Employees of the Santen Group to Report to Corporate Auditors, System regarding Other Reports to Corporate Auditors, and System to Ensure That Any Persons Who

Have Reported to Corporate Auditors Will Not Receive Any Adverse Treatment for the Reason of Such Reporting

- A. In the event that Directors and employees of the Santen Group come to know of any specific matter that may cause any tremendous damage to the company, they shall report to Santen's Corporate Auditors and Board of Corporate Auditors thereof without delay.
- B. Santen's Corporate Auditors may seek reports even concerning matters other than those described in item A above from the Santen Group's Directors and employees at any time as needed.
- C. Santen's Internal Auditing Group and the auditing divisions in key subsidiaries shall regularly report to Santen's Board of Corporate Auditors their audit policies and plan, and the results of their internal audits, as well as exchanging the information therewith.
- D. No Santen Group directors and employees shall be treated disadvantageously on the ground that they have blown the whistle to the Corporate Auditors concerning any suspected internal compliance violations or the like within Santen Group entities, regardless of whether or not they have done so through an internal or external help desk.

(9) Other Systems to Ensure the Effective Conduct of the Audit by the Corporate Auditors

- A. Santen's Corporate Auditors and Board of Corporate Auditors shall hold meetings regularly or as needed with not only Santen's Representative Directors but also with the Santen Group's Directors and employees whom the Auditors and Board need to meet, in order to exchange opinions on issues such as issues that the companies must address and substantial issues relating to the audit, and enhance their mutual awareness and the fiduciary relationship.
- B. Santen's Corporate Auditors may attend meetings that they wish to attend upon consultation with Santen's Representative Directors, and state their opinion on substantial decision-making procedures and the state of conduct of the business.
- C. Santen shall bear the expenses necessary for Santen's Corporate Auditors to perform their duties.

*This policy has been approved by the Board of Directors.