

NOTICE: This is a translation of a document issued in Japanese and is made solely for the convenience of the foreign readers. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

## Corporate Governance Report

Last Update: June 29, 2020

**Santen Pharmaceutical Co., Ltd.**

Shigeo Taniuchi, Representative Director, President & CEO

Contact: Kaori Itagaki

General Manager of Investor Relations Group

Telephone: +81-6-6321-7000

Securities Code: 4536

<https://www.santen.com/>

The corporate governance of Santen Pharmaceutical Co., Ltd. (“Santen”) is described below.

### **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

#### **1. Basic Views**

Santen believes that it is vital to upgrade and strengthen the corporate governance system in order to achieve and enhance corporate value, and thus, returns to shareholders.

Santen has adopted a “Company with a Board of Company Auditors” system as defined in Japan’s Companies Act. Santen will continuously be working to upgrade and strengthen corporate governance by making the most of the current system.

First, the function of the Board of Directors is to make decisions concerning the vital execution of the business as well as to monitor the execution of the business by the management and Directors. Santen will operate with a focus on swift and appropriate managerial decision-making.

Santen expects its Outside Directors to be actively involved in the Board of Directors in decision-making on individual managerial issues, taking advantage of their wide range of experience and knowledge. Santen will also ask for their opinions from the view of strengthening the function of monitoring Santen’s management.

Furthermore, Santen has taken some specific steps such as establishing the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees made up of Inside and Outside Directors, and introducing a corporate officer system to strengthen management and improve the speed of business execution. Santen will go forward with the aim of improving management transparency and objectivity.

Corporate Auditors audit the Board of Directors and executive sections by utilizing the Corporate Auditor’s Group or collaborating with the Internal Auditing Group, bringing into view not only the legality but also the appropriateness and effectiveness of the performance of their duties, and Santen will endeavor to strengthen their function.

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

Santen implements all the principles of the Corporate Governance Code.

#### **[Disclosure Based on the Principles of the Corporate Governance Code] UPDATED**

[Principle 1.4]

[Policy on the Holding of Shares of Other Listed Companies as Strategic-Shareholdings]

As to strategic-shareholdings, Santen shall hold shares as strategic-shareholdings when it determines that they will entail medium- to long-term strengthening of business relationships with Santen and contribute to enhancing its corporate value.

Upon shareholding, Santen will verify the propriety of holding each particular brand at least once a year at the Board of Directors, taking into consideration the economic rationality based on circumstances such as collaborative contracts, business development and business environment or the like, and sell out brands that are deemed to be rarely meaningful.

[Outline of the Verification of Propriety of the Strategic-shareholdings of Each Particular Brand]

Santen has established the maximum amount of investment securities to be held by it as a whole under transaction price standard and market price standard, within the scope of which Santen holds shares limiting to those of partners, which are imperative for its business development, as strategic-shareholdings. The Board of Directors verifies whether or not such shareholdings are within such maximum amount under the abovementioned standards and whether or not, for each particular brand of strategic-shareholding, the benefit of having ties to strengthen business relationships with Santen through such shareholding should be given priority even taking into account the investment amount and investment risk involved in the strategic shareholdings, and Santen has implemented the sell out of brands that were deemed to be rarely meaningful.

[Criteria for the Exercise of Voting Rights of Strategic-Shareholdings]

With regard to the exercise of voting rights of strategic-shareholdings, Santen will, upon exercise thereof, determine whether or not to approve the items to be resolved based on a comprehensive assessment, taking into account whether or not it would lead to an enhancement of the corporate value of the issuing company or Santen.

[Principle 1.7]

[Framework for Related Party Transactions]

In case Santen is to engage in transactions with its officers or major shareholders (*i.e.*, related party transactions), then the Board of Directors will make a resolution thereon after deliberating on the material facts, manner of the transaction and other matters, in order to ensure that such transactions do not harm the interests of Santen or the common interests of its shareholders, and to prevent causing any concern with respect to such harm.

[Principle 2-6]

[Efforts regarding the Management of Corporate Pension Funds]

Santen is fully aware that the management of the accumulated corporate pension funds impacts asset formation for employees and Santen's own financial standing. As such, in the course of managing the corporate pension funds, Santen has recruited and assigned, in a well-planned manner, the CFO and other qualified persons with expertise in financial matters as the persons in charge, and regularly monitors the operational status through its Asset Management Committee which is made up of persons responsible in financial, personnel divisions and others. In regard to the management, Santen places importance on the coverage ratio of the projected benefit obligation (PBO) as a measure of the integrity of the funds. Santen also flexibly makes additional contributions to pension assets, and concurrently therewith, implements changes to the portfolio or other measures depending on the circumstances, for instance, it is scheduled to make additional contributions to pension assets within three (3) years from the fiscal year of 2019 based on a system of premiums responding to risks. In addition, Santen has been appropriately dealing with ensuring the integrity of the pension assets through taking measures, as it thinks proper, including reporting on the operational status of pension assets at meetings of the Board of Directors.

[Principle 3.1]

[Full Disclosure]

(i) Santen has formulated its values and long-term management visions, and disclosed them on its website:  
<https://www.santen.com/en/about/>

Santen has also disclosed its mid-term management plan on its website:  
<https://www.santen.com/en/ir/document/plan.jsp>

(ii) Santen has disclosed on its website its basic policy on and approach to corporate governance:  
<https://www.santen.com/en/about/governance/>

(iii) Santen has disclosed its policy and procedures in deciding the remuneration for the top management and Directors in the “Matters pertaining to the policy on the determination of the amount of remuneration of officers and the method of calculation thereof” as described in its securities report:

<https://www.santen.co.jp/ja/ir/document/securities.jsp> (Japanese report)

(iv) Santen has disclosed its policy and procedures in selecting candidates for Directors and Corporate Auditors in the “Outline of the policy on the selection of candidates for Director and Corporate Auditor” as described in its securities report:

<https://www.santen.co.jp/ja/ir/document/securities.jsp> (Japanese report)

Furthermore, Santen appoints Corporate Officers by a resolution of the Board of Directors. In selecting them, Santen applies its guidelines, such as, that they positively endeavor as senior managerial personnel to address managerial issues in the key affairs of Santen and the conduct of its business, as well as that they have the capability and experience appropriate in providing solutions or conducting the business concerning current managerial issues arising from the managerial circumstances around them.

When dismissing a senior management, Santen has stipulated in its internal rules that he or she may be dismissed by a resolution of the Board of Directors in the event he or she commits any act that is suspected as unjust, unfair or constitutes a betrayal; if he or she is determined to lack qualification; if he or she falls under disciplinary events according to the rules of employment; or if it is deemed that he or she is not appropriate as a member of the senior management or it is deemed appropriate to change his or her position as senior management.

(v) With respect to the individual appointments and nominations of candidates for Directors and Corporate Auditors, Santen has disclosed the reasons for appointing and nominating them in the Convocation Notice of the General Meeting of Shareholders:

<https://www.santen.com/en/ir/document/meeting.jsp>

In addition, an individual explanation of each dismissal shall be made through respective external disclosures.

#### [Supplementary Principle 4.1.1]

##### [Brief Summary of the Scope of Entrustment to Management]

In addition to various statutory functions, Santen has stipulated in the Rules of the Board of Directors the matters to be decided by the Board of Directors such as management policies, strategies, business plans, the acquisition and disposal of material assets as well as decisions to be made on important organizational or personnel-related matters.

Furthermore, Santen endeavors to improve the quality and speed of the decision-making process by delegating to Corporate Officers authority concerning the conduct of the business. More specifically, Corporate Officers will make and execute decisions including the formulation of the business plans of the organizations they control, management of the business activities of the organizations they are in charge of, as well as the formulation and execution of the fiscal budget.

#### [Supplementary Principle 4.1.3]

##### [Succession Plan for the CEO and Other Top Executives]

Our Representative Director recognizes that the cultivation of succession candidates for the Chief Executive Officers (CEO) and other top executives is one of the Representative Director’s most important responsibilities, and systematically promotes discovery, selection and the cultivation of candidates. The Nominating Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors, dispenses advice regarding, and oversees the planning and implementation of, such cultivation plan. In determining successors, the criteria, evaluation, and methods for the selection of successors are determined by the Nominating Committee, which determines a plan for successors after deliberating on whether or not any successor (including those for outside executives) holds the appropriate credentials, achievements and the like, and then recommends successors to the Board of Directors. The Board of Directors oversees whether or not the succession plan is appropriately progressing, deliberates the succession plan prepared by the Nominating Committee, and determines successors.

#### [Supplementary Principle 4.3.3]

##### [Procedures for Dismissal of a CEO]

When it is deemed, via an appropriate evaluation of Santen’s business results, that the CEO is not adequately fulfilling the CEO’s responsibilities, Santen has established procedures for dismissal of a CEO to

ensure that objective, timely, and transparent procedures are implemented through its predetermined formalities whereby dismissal of the CEO is deliberated in the Nominating Committee, which is chaired by an Outside Director and the majority of which is composed of the Outside Directors, and then decided by the Board of Directors.

[Principle 4.8]

[Effective Use of Independent Directors]

Santen's Board of Directors monitor whether the Outside Directors who satisfy the Criteria of Independence of Outside Directors and Outside Corporate Auditors are appropriately executing business from a position independent of Santen's management. In addition, in order to deliberate from an objective viewpoint, all of the Outside Directors are serving on the Nominating Committee and the Executive Compensation Committee which are voluntary committees, and Santen has appointed Outside Directors as the chair of respective committees. Santen expects its Outside Directors to be actively involved in the Board of Directors in decision-making on individual managerial issues, taking advantage of their wide range of experience and knowledge. Concurrently therewith, Santen also asks for their opinions from the view of strengthening the function of monitoring of Santen's management.

Also, Santen regularly holds meetings solely comprised of Independent Outside Directors as a place where information can be exchanged and awareness shared.

[Supplementary Principle 4.8.2]

[Independent Outside Directors' Cooperation with the Management and Corporate Auditors or the Board of Corporate Auditors]

Santen seeks the appropriate opinion and advice of each of the Independent Outside Directors at the meetings of the Board of Directors based on the variety of their experience and knowledge. Moreover, considering that Santen provides opportunities from time to time for Independent Outside Directors to cooperate with the management, Corporate Auditors or the Board of Corporate Auditors, Santen has endeavored to establish a framework for cooperating therewith.

Also, Santen regularly holds meetings comprised of Independent Outside Directors and Corporate Auditors for the purpose of providing information necessary for the Board of Directors to further improve the quality of discussion and deepen mutual cooperation.

[Principle 4.9]

[Independence Standards and Qualifications of Independent Outside Directors]

Santen has determined the "Criteria of Independence of Outside Directors and Outside Corporate Auditors," and has disclosed the same in the Convocation Notice of the General Meeting of Shareholders and securities reports.

<https://www.santen.com/en/ir/document/meeting.jsp>

<https://www.santen.co.jp/ja/ir/document/securities.jsp> (Japanese report)

[Supplementary Principle 4.11.1]

[Approach to the Composition of the Board of Directors, etc.]

Santen will appoint plural numbers of Outside Directors who will maintain a degree of distance from the conduct of our business and does not have close ties with the management. On such basis, the Board of Directors of Santen will consist of a number of Directors as allowed by Japan's Companies Act and Santen's Articles of Incorporation. The said Board of Directors will be well balanced in terms of knowledge, experience and skills in order to fulfill and discharge its roles and responsibilities efficiently, and it will be constituted in a manner to that would achieve both diversity and the appropriate size.

[Supplementary Principle 4.11.2]

[Positions Concurrently Held by Directors and Corporate Auditors]

Santen has disclosed in its Business Reports and Reference Materials for the General Meeting of Shareholders the material posts concurrently held by each of the Directors and Corporate Auditors in other juridical persons including listed companies.

<https://www.santen.com/en/ir/document/meeting.jsp>

[Supplementary Principle 4.11.3]

[Summary of the Results of the Analysis and Evaluation of the Board of Directors' Effectiveness]

With the aim of further improving the role and function of its Board of Directors, Santen's Board of Directors has conducted an evaluation of the effectiveness thereof in the fiscal year 2019. The overview of results of the same is as follows:

(Evaluation Method)

At first, the assessment questionnaires to Directors and Corporate Auditors were conducted on the items described below. The said questionnaires took a form that allows a four-level quantitative evaluation of each question and also allows the free inscription of comments. Additionally, in order to further understand in more depth the contents of the responses to the questionnaires, individual interviews of all of the Outside Directors and Outside Corporate Auditors were made; based on the foregoing, the evaluation results were discussed at the meeting of the Board of Directors held in April 2020.

[Major Categories of the Questionnaire Items]

- Function of managerial decision-making
- Function of managerial monitoring
- Support system for Outside Directors

(Summary of the Results)

Our Board of Directors has assessed that its effectiveness was ensured for the fiscal year of 2019. The reason therefor is that the overall average evaluation mark response was "mostly effective," and responses indicated "effective" and "mostly effective" at high rates. Among all the responses, the following items obtained a high evaluation in the questionnaire and individual interviews:

- The composition of the Directors is well balanced.
- There is a well-organized climate where opinions of Outside Directors are accepted and constructive free and open exchange of views can take place.
- Provision of information to Outside Directors is made in a proactive and appropriate manner.

We recognize that our continuous improvement undertaken by Santen in its operation based on the result of previous effectiveness evaluations have contributed to the above; such improvements include the provision of materials for meetings of the Board of Directors in advance and by way of electronic means, a realization of systematic deliberations through prior planning of the matters to be discussed throughout the year, provision of opportunities for Outside Directors to attend management meetings and other important executive meetings, and furthermore, thorough explanation as necessary on individual agenda items in advance.

(Initiatives Going Forward)

On the other hand, the necessity of taking continuous action was discussed from the viewpoint of further enhancing the effectiveness and further enriching the quality of decision-making at the Board of Directors, as well as strengthening supervisory functions, and specific issues, and the outline of actions to be taken towards improvement were acknowledged to be as follows:

- Enhancement of the quality of important strategic discussions  
Based on the recognition that we should further be aware of the positioning of any important strategy within an overall strategy and conduct discussions and make decisions that further focus on essential issues, Santen has determined to take the following initiatives:
  - ✓ Enhance the collaboration between the meetings of both the Corporate Strategy Committee, a voluntary committee, and the Board of Directors when setting agendas, so that discussions at the Corporate Strategy Committee pertaining to medium- to long-term strategies and the business and development portfolio, are organically linked with deliberations on issues of individual strategies to be discussed at the Board of Directors.
  - ✓ In the explanation materials on such individual issues, endeavor to clarify the positioning in the overall strategy, be conscious of summarizing issues based on the same, and deepen the discussions.
- Strengthening of the monitoring of important issues resolved at the Board of Directors  
As for any important issue resolved at the Board of Directors, based on the recognition that we should establish a mechanism in which progress is regularly and continuously monitored to ensure steady achievement of the goal set at the time of the resolution, Santen has determined to endeavor as follows:
  - ✓ Improve specific contents, including a guideline on issues that will be subject to monitoring, the frequency of the progress report, points to be contained in the report (*i.e.*, viewpoint of the monitoring) and the department that will act as the driving force behind the progress reports.

- ✓ Steadily implement the monitoring based on the contents of the foregoing decisions.
- Strengthening of the monitoring of the internal control system  
In accordance with the expansion of Santen's business, while the scope of internal control is expanding geographically as well as in terms of the kinds of activities controlled, based on a recognition that we should allow the Board of Directors to engage in further effective supervision and assistance pertaining to the establishment and operation of our internal control system, Santen has determined to endeavor as follows:
  - ✓ To continue regular reports regarding the overall internal control and enhance the content of such reports.
  - ✓ To enhance the report on the situation in relation to individual important topics pertaining to internal control.

In this fiscal year, Santen will focus on the three points above as key initiatives, and, concurrently therewith, continuously review measures to enhance the effectiveness of the Board of Directors.

Santen believes that, for continued enhancement of Santen's corporate value while it addresses internal and external changes, it is crucial to improve the governance of the Board of Directors and other corporate organs.

Based on these evaluation results, Santen endeavors to continuously improve the function of the Board of Directors.

[Supplementary Principle 4.14.2]

[Training Policy for Directors and Corporate Auditors]

Santen will timely provide the information and opportunities necessary for each Director and Corporate Auditor to fulfill his or her role and responsibility, the expenses for which shall be borne by Santen.

Also, Santen will provide Outside Directors and Outside Corporate Auditors opportunities, such as visits to offices in Japan and abroad, that are necessary for them to fulfill their roles.

[Principle 5-1]

[Policy concerning the Improvement of the System and Efforts to Enhance Constructive Dialogue with Shareholders]

Santen will determine the division in charge of IR, and will be thorough in the swift, precise and fair disclosure of corporate information from the standpoint of the shareholders and investors, and commits to disclose information proactively and in a manner easily understandable.

More specifically, Santen holds financial results meeting presentations after the release of interim and full-year results for analysts and institutional investors, and also conducts conference calls to such audiences after its first- and third-quarter results announcements. Furthermore, Santen participates in conferences hosted by securities companies around the world and visits overseas shareholders and investors. Besides, Santen holds meetings to exchange opinions among institutional investors, Directors and Corporate Auditors. Santen has also put effort into providing information that leads to the enhancement of its corporate value, including R&D presentation meetings, factory tours and small meetings. Moreover, Santen conducts presentations for individual investors from time to time, with the aim of explaining its business to a wide range of investors.

With respect to the opinions of the shareholders, investors and analysts, Santen positively considers such viewpoints in reviewing its management strategies and the like, and will control insider information in all dialogues with such stakeholders.

[Principle 5-2]

[Establishing and Disclosing Business Strategies and Mid-to-Long Term Business Plans]

Aiming for realization of Santen's long term strategic vision 2020 ("Vision 2020") to become "a Specialized Pharmaceutical Company with a Global Presence by 2020," Santen has actively implemented growth investments such as those relating to research and development activities or business development, and concurrently therewith, actively promoted business expansion in Asia and EMEA where high market growth is expected. In June 2018, aiming for the realization of Vision 2020 and construction of a path toward sustainable growth beyond 2020, Santen publicized "MTP 2020," which is the mid-term business plan for 2018 to 2020.

In MTP 2020, while increases in the three functions of "customer satisfaction," "profitability" and "organizational strength" are positioned as the core of our activities, Santen endeavors to outperform the market through making progress in global business strategy, enhancing our product pipeline and developing new treatment options, while raising the strength/efficiency of our business framework and boosting our

human resource and organizational capabilities. In addition, given that Santen will actively take initiatives to realize profits and invest in growth, Santen has set three financial indicators (*i.e.*, sales growth rate, core operating profit margin and full ROE) as goals and objectives.

Looking ahead to 2030 and onwards, Santen will plan its long term vision and strategy, and be actively involved in the resolution of social issues relating to the health of people's eyes as a company specializing in the field of ophthalmology.

Santen aims to enhance profitability and maximize cash generation and eventually shareholder value, through formulation of competitive advantage in the field of ophthalmology. In addition, Santen has formulated its capital policy, fundamental to which is implementing in an appropriate balance both the retention of earnings for future growth and the distribution of profits to shareholders, while pursuing a capital structure, including capital efficiency and financial soundness, which is optimal for Santen. Through optimization of profitability, capital efficiency and financial soundness, retained earnings, and shareholder returns, Santen makes efforts to improve its ROE.

Also, Santen's basic policy concerning profitability is to achieve more profit than capital cost, and thus it has set evaluation standards therefor, based on which investment decisions have been made. Furthermore, regarding recovery of invested capital, in addition to the improvement of a management control system to monitor a business situation that is globally expanding and developing, Santen has made efforts to maximize cash through a cash management system that includes management of tax issues.

Santen has disclosed its long-term visions and mid-term managerial plans on its website. Concurrently, Santen has explained, through shareholders meetings and results briefings, specific measures and policies toward the achievement of its goals.

<https://www.santen.co.jp/ja/ir/document/plan.jsp>

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

### [Status of Major Shareholders] UPDATED

Name / Company Name	Number of Shares Owned (shares)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust account)	34,386,600	8.61
STATE STREET BANK AND TRUST COMPANY 505223	33,391,001	8.36
The Master Trust Bank of Japan, Ltd. (Trust account)	31,564,900	7.90
Nippon Life Insurance Company	10,661,710	2.67
MUFG Bank, Ltd.	10,604,930	2.65
Ono Pharmaceutical Co., Ltd.	9,306,525	2.33
Japan Trustee Services Bank, Ltd. (Trust account 7)	8,639,000	2.16
RBC 1ST 15 PCT LENDING ACCOUNT – CLIENT ACCOUNT	7,875,848	1.97
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,585,000	1.90
Trust & Custody Services Bank, Ltd. as trustee for Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	6,862,500	1.72

Controlling Shareholder (except for Parent Company)	--
Parent Company	None

Supplementary Explanation **UPDATED**

1. In addition to the above, there are 591,635 treasury shares. The number of such treasury shares does not include Santen's 16,430 shares held in trust related to its stock-linked remuneration program.
2. Among the numbers of shares owned as described in the above, respective numbers of shares related to trust services are as follows (unit: 1,000 shares):

Japan Trustee Services Bank, Ltd. (Trust account)	34,387
The Master Trust Bank of Japan, Ltd. (Trust account)	31,565
Japan Trustee Services Bank, Ltd. (Trust account 7)	8,639
Japan Trustee Services Bank, Ltd. (Trust account 5)	7,585

3. The number of shares owned by Trust & Custody Services Bank, Ltd. as trustee for Eisai Co., Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. represents Santen's shares which had been owned by Eisai Co., Ltd. and entrusted to Mizuho Trust & Banking Co., Ltd., which re-entrusted to Trust & Custody Services Bank, Ltd., the voting rights of which have been reserved by Eisai Co., Ltd.
4. While BlackRock Japan Co., Ltd. and its five (5) joint holders sent a copy of the large shareholding report dated May 11, 2015 and reported that the following entities are holding their respective shares described below as of April 30, 2015, the respective numbers of shares substantially owned thereby as of March 31, 2020 have not been confirmed.

The following shareholding ratio is calculated based on the aggregate number of outstanding shares as of March 31, 2020.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
BlackRock Japan Co., Ltd.	5,361	1.34
BlackRock Life Limited	1,104	0.28
BlackRock Asset Management Ireland Limited	2,021	0.51
BlackRock Fund Advisors	5,320	1.33
BlackRock Institutional Trust Company, N.A.	5,955	1.49
BlackRock Investment Management (UK) Limited	949	0.24

5. While the large shareholding report (change report) made available for public inspection as of April 16, 2018 states that Mitsubishi UFJ Financial Group, Inc. and its three (3) joint holders respectively hold the following shares as of April 9, 2018, the numbers of shares substantially owned by Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Asset Management Co., Ltd. as of March 31, 2020 have not been confirmed, and thus Mitsubishi UFJ Trust and Banking Corporation is not included in the Major Shareholders described in the above.

The following shareholding ratio is calculated based on the aggregate number of outstanding shares as of March 31, 2020.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
MUFG Bank, Ltd.	10,605	2.65
Mitsubishi UFJ Trust and Banking Corporation	16,915	4.23
Mitsubishi UFJ Asset Management Co., Ltd.	1,540	0.39



6. While the large shareholding report (change report) made available for public inspection as of December 20, 2018 states that Sumitomo Mitsui Trust Bank, Limited and its two (2) joint holders, respectively hold the following shares as of December 14, 2018, the respective numbers of shares substantially owned thereby as of March 31, 2020 have not been confirmed, and thus they are not included in the Major Shareholders described in the above.

The following shareholding ratio is calculated based on the aggregate number of outstanding shares as of March 31, 2020.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	13,126	3.29
Nikko Asset Management Co., Ltd	8,060	2.02

7. While the large shareholding report made available for public inspection as of March 19, 2019 states that Black Creek Investment Management Inc. holds the following shares as of March 15, 2019, the number of shares substantially owned thereby as of March 31, 2020 has not been confirmed, and thus it is not included in the Major Shareholders described in the above.

The following shareholding ratio is calculated based on the aggregate number of outstanding shares as of March 31, 2020.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
Black Creek Investment Management Inc.	20,372	5.10

8. While the large shareholding report (change report) made available for public inspection as of July 8, 2019 states that MFS Investment Management K.K and Massachusetts Financial Services Company, its joint holder, respectively hold the following shares as of July 1, 2019, the respective numbers of shares substantially owned thereby as of March 31, 2020 have not been confirmed, and thus Massachusetts Financial Services Company is not included in the Major Shareholders described in the above.

The following shareholding ratio is calculated based on the aggregate number of outstanding shares as of March 31, 2020.

Name / Company Name	Number of Shares Owned (1,000 shares)	Percentage (%)
MFS Investment Management K.K.	1,702	0.43
Massachusetts Financial Services Company	45,679	11.44

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Pharmaceutical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From JPY 100 billion to less than JPY1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with a Controlling Shareholder**

--

**5. Other Special Circumstances which may have a Material Impact on Corporate Governance**

--

**II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Conduct of the Business, and Oversight in Management**

**1. Organizational Composition and Operation**

Organization Form	Company with a Board of Company Auditors
-------------------	--

**[Directors]**

Maximum Number of Directors Stipulated the in Articles of Incorporation	Twelve (12)
Term of Office Stipulated in the Articles of Incorporation	One (1) year
Chairperson of the Board	Chairman
Number of Directors	Six (6)
Appointment of Outside Directors	Appointed
Number of Outside Directors	Three (3)
Number of Independent Directors	Three (3)

Outside Directors' Relationship with the Company (1) **UPDATED**

Name	Attribute	Relationship with Santen*											
		a	b	c	d	e	f	g	h	i	j	K	
Kanoko Oishi	From another company								△				
Yutaro Shintaku	From another company												
Kunihito Minakawa	From another company												

\* Categories of "Relationship with Santen"

\* "○" when the director presently falls or has recently fallen under the category

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category

"▲" when a close relative of the director fell under the category in the past

a. Executive of Santen or its subsidiaries

b. Non-executive director or executive of a parent company of Santen

c. Executive of a fellow subsidiary company of Santen

d. A party whose major client or supplier is Santen or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from Santen besides compensation as a director/corporate auditor
- g. Major shareholder of Santen (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of Santen (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and Santen outside directors/corporate auditor are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from Santen (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **UPDATED**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Kanoko Oishi	Designated	<p>Representative Director, Mediva Inc. Representative Director, Seeds 1 External Board Member, Ezaki Glico Co., Ltd. External Director, Shiseido Company, Limited</p> <p>While a consulting agreement had been executed, in the fiscal year of 2019, between the Company and Mediva Inc., represented by Kanoko Oishi as its Representative Director, the transaction value between them is less than 1% of the sales of Mediva Inc. and less than 0.1% of selling, general and administrative expenses of the Company, and below the base amount of JPY 10 million specified by the criteria of independence established by the Company. Based on the foregoing, Santen believes that such agreement is not, in light of its extent and nature, likely to affect decisions by shareholders and investors.</p>	<p>Considering that she has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas, and that she has contributed to enhance the quality of the discussions in the Board of Directors by expressing her opinions actively throughout the proceedings at meetings, the Board of Directors believes that she is well-qualified to be an Outside Director, and Santen has appointed her as such.</p> <p>Furthermore, since she is not an appointee from Santen's subsidiaries or affiliates, major shareholders or leading business partners, fulfills all of the independence standards of stock exchanges in Japan, satisfies the Criteria of Independence of Outside Directors and Outside Corporate Auditors established by the Company as described in "Matters relating to Independent Directors/Corporate Auditors" below, and it is deemed that there is no likeliness to cause conflicts of interest with ordinary shareholders, Santen believes that independence is secured.</p>
Yutaro Shintaku	Designated	External Director of J-Oil Mills Inc.	Considering that he has extensive knowledge and experience amassed

		<p>Outside Director of Kubota Corporation Specially Appointed Professor of, Business Administration, Hitotsubashi University Business School Outside Director of KOZO KEIKAKU ENGINEERING Inc.</p>	<p>through long years of involvement in management in the country and overseas, including as a management executive of a major company manufacturing and distributing medical equipment and pharmaceutical products, and that he has contributed to enhance the quality of the discussions in the Board of Directors by expressing his opinions actively throughout the proceedings at meetings, the Board of Directors believes that he is well-qualified to be an Outside Director, and Santen has appointed him as such.</p> <p>Furthermore, since he is not an appointee from Santen's subsidiaries or affiliates, major shareholders or leading business partners, fulfills all of the independence standards of stock exchanges in Japan, satisfies the Criteria of Independence of Outside Directors and Outside Corporate Auditors established by the Company as described in "Matters relating to Independent Directors/Corporate Auditors" below, and it is deemed that there is no likeliness to cause conflicts of interest with ordinary shareholders, Santen believes that independence is secured.</p>
Kunihito Minakawa	Designated	<p>Commissioner of the Certified Public Accountants and Auditing Oversight Board, Financial Services Agency</p>	<p>Considering that he has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas, as well as extensive insight and business experience in finance and auditing, and that he has contributed to enhance the quality of the discussions in the Board of Directors by expressing his opinions actively throughout the proceedings at meetings, the Board of Directors believes that he is well qualified to be an Outside Director, and Santen has appointed him as such.</p> <p>Furthermore, since he is not an appointee from Santen's subsidiaries or affiliates, major shareholders or leading business partners, fulfills all of the independence standards of stock exchanges in Japan, satisfies the Criteria of Independence of Outside Directors and Outside Corporate Auditors established by the Company as described in "Matters relating to Independent Directors/Corporate Auditors" below, and it is deemed that there is no likeliness to cause conflicts of interest with ordinary shareholders,</p>

			Santen believes that independence is secured.
--	--	--	---

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

#### Committee's Name, Composition, and Attributes of the Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nominating Committee	Executive Compensation Committee
All Committee Members	Five (5)	Five (5)
Full-time Members	None	None
Inside Directors	Two (2)	Two (2)
Outside Directors	Three (3)	Three (3)
Outside Experts	None	None
Others	None	None
Chairperson	Outside Director	Outside Director

#### Supplementary Explanation **UPDATED**

Furthermore, Santen has established the Corporate Strategy Committee, the Nominating Committee and the Executive Compensation Committee, which are all voluntary committees, composed of Inside and Outside Directors.

The Corporate Strategy Committee aims to deliberate on key strategic issues such as business strategies, and is composed of six (6) Directors, including three (3) Outside Directors.

The Nominating Committee aims to deliberate on the selection of candidates for Directors and submit recommendations therefor, as well as to provide advice in response to consultations concerning the selection of candidates for Corporate Officers and Corporate Auditors. This committee is composed of five (5) Directors, including three (3) Outside Directors.

The Executive Compensation Committee aims to deliberate on the compensation of Directors and Corporate Officers and submit recommendations therefor, as well as to provide advice to the Board of Corporate Auditors with respect to the policy on determining the compensation of Corporate Auditors with reference to market levels. This committee is composed of five (5) Directors, including three (3) Outside Directors.

The names of constituent members of respective committees and the names/titles of their chairpersons are as follows:

Committee	Name of the Constituent Members	Name/Title of the Chairpersons
Corporate Strategy Committee	Inside: Akira Kurokawa, Shigeo Taniuchi, Takeshi Ito Outside: Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa	Shigeo Taniuchi Representative Director, President & CEO
Nominating Committee	Inside: Akira Kurokawa, Shigeo Taniuchi Outside: Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa	Yutaro Shintaku Outside Director
	Inside: Akira Kurokawa, Shigeo Taniuchi	Yutaro Shintaku

Executive Compensation Committee	Outside: Kanoko Oishi, Yutaro Shintaku, Kunihito Minakawa	Outside Director
----------------------------------	---	------------------

In the fiscal year of 2019, the Corporate Strategy Committee, Nominating Committee and Executive Compensation Committee were held, and deliberations were conducted therein, four (4) times, five (5) times and eight (8) times respectively. The Corporate Strategy Committee mainly deliberated on the long-term strategic direction, key managerial issues, etc.; the Nominating Committee mainly deliberated on the constitution and system of the execution of duties, etc. by the Board of Directors in and after the fiscal year of 2020; and the Executive Compensation Committee mainly deliberated on the planning of the policy on compensation and the design of a compensation system (e.g., establishing achievement targets, deliberations on reasonableness of the performance-based remuneration, appropriateness of standards and composition of remuneration, and the amount of remuneration under the Company's compensation system).

#### [Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	Five (5)
Number of Corporate Auditors	Four (4)

#### Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

##### (Cooperation between Corporate Auditors and Accounting Auditors)

The Corporate Auditors hold a meeting with the accounting 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 as well as to exchange opinions, including requests from the Corporate Auditors. The accounting auditors present audit findings to the Corporate Auditors at the quarterly reviews and fiscal year-end audit result briefings four (4) times a year to exchange opinions.

In addition, the Corporate Auditors attend each review meeting with the accounting auditors held after the conclusion of the quarterly reviews and fiscal year-end audit to exchange opinions on the quarterly reviews and fiscal year-end audit results and procedures. During the fiscal year, the Corporate Auditors perform audits of the auditing methods of the accounting auditors and exchange information with the accounting auditors as necessary.

##### (Cooperation between Corporate Auditors and the Internal Audit Departments)

Santen's Corporate Auditors and the Internal Auditing Group cooperate closely at all times. For instance, they hold regular meetings at which they share progress with their respective audit plans and audits, and items to confirm, while also simultaneously visiting business sites and subsidiaries to conduct audits as necessary.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	Three (3)
Number of Independent Corporate Auditors	Three (3)

#### Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with Santen*												
		a	b	c	d	e	f	g	h	i	j	k	l	M

Yasuyuki Miyasaka	A certified public accountant													
Hirofumi Yasuhara	From another company													
Yumiko Ito	An attorney-at-law													

- \* Categories of “Relationship with Santen”
- \* “○” when the director presently falls or has recently fallen under the category
- “△” when the director fell under the category in the past
- \* “●” when a close relative of the director presently falls or has recently fallen under the category
- “▲” when a close relative of the director fell under the category in the past

- a. Executive of Santen or its subsidiary
- b. Non-executive director or accounting advisor of Santen or its subsidiaries
- c. Non-executive director or executive of a parent company of Santen
- d. Corporate auditor of a parent company of Santen
- e. Executive of a fellow subsidiary company of Santen
- f. A party whose major client or supplier is Santen or an executive thereof
- g. Major client or supplier of Santen or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from Santen besides compensation as a corporate auditor
- i. Major shareholder of Santen (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of Santen (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
- k. Executive of a company, between which and Santen outside directors/corporate auditor are mutually appointed (the corporate auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from Santen (the corporate auditor himself/herself only)
- m. Others

#### Outside Corporate Auditors' Relationship with the Company (2) **UPDATED**

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Yasuyuki Miyasaka	Designated	Head of Yasuyuki Miyasaka Certified Public Account Office Outside Director of ITOCHU SHOKUHIN Co., Ltd.	Since he has extensive knowledge and experience amassed through long years of involvement in audits as a certified public accountant in the country and overseas, and, at the meetings of the Board of Corporate Auditors and the Board of Directors, he has expressed appropriate audit opinions from the standpoint of Santen as a whole, the Board of Directors believes that he is well-qualified to be an Outside Corporate Auditor, and Santen has appointed him as its Outside Corporate Auditor. Furthermore, since he is not an appointee from Santen's subsidiaries or affiliates, major shareholders or leading business partners, fulfills all of the independence

			standards of stock exchanges in Japan, satisfies the Criteria of Independence of Outside Directors and Outside Corporate Auditors established by the Company as described in “Matters relating to Independent Directors/Corporate Auditors,” and it is deemed that there is no likeliness to cause conflicts of interest with ordinary shareholders, Santen believes that independence is secured.
Hirofumi Yasuhara	Designated	Outside Corporate Auditor of Sumitomo Rubber Industries, Ltd. Outside Corporate Auditor of Hitachi Zosen Corporation	<p>Since he has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas, and he has been involved in auditing services as a standing corporate auditor of a company listed on the First section of the Tokyo Stock Exchange, Inc., it is promising that, at the meetings of the Board of Corporate Auditors and the Board of Directors, he will express appropriate audit opinions in line with the managerial viewpoint from the standpoint of Santen as a whole, the Board of Directors believes that he is well-qualified to be an Outside Corporate Auditor, and Santen has appointed him as its Outside Corporate Auditor.</p> <p>Furthermore, since he is not an appointee from Santen’s subsidiaries or affiliates, major shareholders or leading business partners, fulfills all of the independence standards of stock exchanges in Japan, satisfies the Criteria of Independence of Outside Directors and Outside Corporate Auditors established by the Company as described in “Matters relating to Independent Directors/Corporate Auditors,” and it is deemed that there is no likeliness to cause conflicts of interest with ordinary shareholders, Santen believes that independence is secured.</p>
Yumiko Ito	Designated	Representative of Ito Law Office Independent Director of Kobe Steel, Ltd.	<p>Since she is a legal expert qualified as an attorney-at law both in Japan and the U.S. and has extensive knowledge and experience amassed through involvement in management as an officer of a global corporation, it is promising that, at the meetings of the Board of Corporate Auditors and the Board of Directors, she will express appropriate audit opinions from the standpoint of Santen as a whole, the Board of Directors believes that she is well-qualified to be an Outside Corporate Auditor, and Santen has appointed him as such.</p>



			Furthermore, since she is not an appointee from Santen's subsidiaries or affiliates, major shareholders or leading business partners, fulfills all of the independence standards of stock exchanges in Japan, satisfies the Criteria of Independence of Outside Directors and Outside Corporate Auditors established by the Company as described in "Matters relating to Independent Directors/Corporate Auditors," and it is deemed that there is no likeliness to cause conflicts of interest with ordinary shareholders, Santen believes that independence is secured.
--	--	--	---

#### [Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	Six (6)
--	---------

#### Matters relating to Independent Directors/Corporate Auditors

Santen has established the Criteria of Independence of Outside Directors and Outside Corporate Auditors as described below:

##### [Criteria of Independence of Outside Directors and Outside Corporate Auditors]

From the viewpoint of further strengthening corporate governance as well as enhancing the transparency and objectiveness of management, the Company has established the following criteria in determining that each of the Outside Directors and Outside Corporate Auditors (each, "Outside Officer," and collectively, "Outside Officers") has no interest in the Company and its affiliate companies (collectively, the "Santen Pharmaceutical Group"), and that each of them is "independent."

- (1) In the past, the relevant Outside Officer has never been a director, corporate auditor or employee of the Santen Pharmaceutical Group.
- (2) The relevant Outside Officer is not a consultant, accounting expert or legal expert, regardless of whether he/she/it is an individual or a juridical person, who has ever been directly involved in the business of the Santen Pharmaceutical Group, and has never obtained money or other assets in an amount of JPY 10 million or more per year therefrom, during the past three (3) years.
- (3) During the past three (3) years, the relevant Outside Officer has never been a director and the like (including a corporate officer or other person equivalent thereto; hereinafter, the same shall apply) of a company with sales to the Santen Pharmaceutical Group amounting to 2% or more of the annual sales of such company. Also, during the past three (3) years, the relevant Outside Officer has never been a director and the like of a company with sales by the Santen Pharmaceutical Group amounting to 2% or more of the annual sales of the Santen Pharmaceutical Group.
- (4) The relevant Outside Officer is not a director and the like of a company, 10% or more of the aggregate number of outstanding shares of which is held by the Santen Pharmaceutical Group, or a company holding 10% or more of the aggregate number of outstanding shares of the Company.
- (5) The relevant Outside Officer has never taken office as a director and the like of the Santen Pharmaceutical Group's main bank, lead managing securities companies, main life insurance company or main non-life insurance company.
- (6) The relevant Outside Officer is not an officer of the Santen Pharmaceutical Group, a spouse or another relative within the third degree of kinship of any person classified under any of items (1) to (5) above.
- (7) There is no matter concerning the relevant Outside Officer that may raise a material conflict of interest in his/her performing the duties of an Outside Officer, or any relationship that may affect his/her judgment as an Outside Officer.

## [Incentives]

Incentive Policies for Directors	Introduction of A Performance-linked Stock Remuneration System
----------------------------------	--

### Supplementary Explanation

At the Annual General Meeting of Shareholders held on June 26, 2018, for the purpose of encouraging the Directors of Santen, excluding Outside Directors, to proactively engage in achieving Santen's vision and pursuing its strategy, and to promote the further sharing of value with shareholders from the perspective of enhancing the stock-linked remuneration program's functions and effectiveness by further clarifying the message conveyed by the program so that it contributes to Santen's continuous growth and the improvement of its corporate value on a medium- to long-term basis, it was resolved that Santen will introduce the stock-linked remuneration program. This program consists of two types of systems, namely, the "performance share unit system" (a performance-linked stock stem), a type of remuneration that is linked to the achievement rate of numerical targets or the like during a certain performance evaluation period, and the "restricted stock-linked remuneration system," a stock-linked remuneration with a transfer restriction that is lifted by satisfying conditions such as holding the target director position continuously for a certain period.

Santen's remuneration system for Directors excluding Outside Directors consists of three systems: a basic remuneration, annual bonus, and stock-linked remuneration. The component ratio of each remuneration to the base amount of aggregate remuneration shall be: basic remuneration 1: annual bonus 0.25: stock-linked remuneration 0.25. The standard of the aggregate remuneration is determined by reference to benchmark results of pharmaceutical companies.

Based on the degree of achievement of the performance indicators used for the Performance Share Unit System (a performance-linked stock remuneration system), which are the rate of sales growth (growth rate converted to annual value for three (3) years), core operating profit margin (average amount for three (3) years) and full ROE (average amount for three (3) years) that are the target indicators of achievement for the medium-term management plan established for three (3) business years from 2018 to 2020, the stock delivery ratio shall be determined within the scope of 0% to 200 %.

Recipients of Stock Options	--
-----------------------------	----

### Supplementary Explanation

--
----

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
--	--------------------

### Supplementary Explanation **UPDATED**

The amount of remunerations and the like for Directors in the fiscal year of 2019 is disclosed in the business report and other documents. Such amount is JPY 357 million in aggregate, JPY 46 million of which is the remuneration for Outside Directors.

Particulars are as follows:

#### Directors excluding Outside Directors

- Basic remuneration: JPY 219 million
- Annual bonus: JPY 51 million
- The Performance Share Unit System: JPY 13 million
- The Restricted Stock-Linked Remuneration System: JPY 28 million

#### Outside Directors

➤ Basic remuneration: JPY 46 million

At the Annual General Meeting of Shareholders held on June 26, 2018, the revision of the limit of the monetary remuneration for Directors and the stock-linked remuneration program for Directors excluding Outside Directors (“Target Directors”) was resolved. As to the limit of the monetary remuneration for Directors, it was resolved that the limit was revised to JPY 600 million or less per year for Target Directors (of which JPY 400 million or less is base salary and JPY 200 million or less is annual bonus), and to JPY 60 million or less per year for Outside Directors as monetary remuneration of only a fixed base salary, in addition to the remuneration for Target Directors.

Also, as the stock-linked remuneration program for Target Directors, Santen has introduced a new stock-linked remuneration program which is comprised of the Performance Share Unit System (a performance-linked stock remuneration system) and the Restricted Stock-Linked Remuneration System. As for the Performance Share Unit System (a performance-linked stock remuneration system), Santen has set the total amount of the monetary remuneration claims to be granted for the issuance of a number of common shares of Santen during the performance evaluation period at no more than JPY 100 million per year, multiplied by the number of years of each performance evaluation period, and the total amount of cash for tax payment purposes to be paid during the performance period at no more than 100 thousand shares per year multiplied by the number of years of each performance evaluation period, which is then multiplied by the share price at the time of issuance, and for the Restricted Stock-Linked Remuneration System, Santen has set the total amount of the monetary remuneration claims to be granted in one fiscal year at no more than JPY 100 million per year.

As to Directors who receive compensation and other payments in an aggregate amount of more than JPY 100 million, disclosure has been made individually in securities reports in compliance with statutory requirements.

Securities reports are posted on Santen’s website and made available for public inspection.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Santen has established an Executive Compensation Committee as one of the voluntary committees (albeit these committees are not part of the statutory “Company with a Nominating Committee, etc., System” under Japan’s Companies Act), which is chaired by an Outside Director and the majority of which is composed of Outside Directors. It has stipulated the basic policy on the determination of compensation and other payments to be received by Directors, Corporate Auditors and Corporate Officers as follows:

- (a) Ensure effectiveness that contributes to Santen’s sustainable growth and enhancement of mid-and-long term corporate value to enable them to be engaged in the achievement of Santen’s vision and the medium-term management plan with high motivation;
- (b) Deepen the sharing of values with shareholders;
- (c) Objectiveness is secured through a highly transparent process for making decisions on remunerations to ensure high accountability to stakeholders;
- (d) Provide a competitive level of compensation capable of recruiting outstanding human resources; and
- (e) Appropriately encourage the Target Directors to fulfill their respective functions in executing duties and supervising.

#### [Support System for Outside Directors and/or Corporate Auditors] **UPDATED**

Legal and Compliance Department is in charge of supporting Outside Directors.

- Coordination of the agenda and materials for the Board of Directors and various committees.
- Provision of internal and external relevant information pertaining to the agenda and ensure opportunities for explanation.

Office of the Corporate Auditors is in charge of supporting Outside Corporate Auditors.

- Coordination of the agenda and materials for the Board of Corporate Auditors.
- Support in the investigation and analysis of, preparation of materials, provision of internal and external information and the like for, audit activities as a whole.

- Support in the cooperation with Accounting Auditors and internal audit departments.

As to the key items of the agenda of the meetings of the Board of Directors, sufficient explanations thereon are made in advance to Outside Directors and Outside Corporate Auditors.

**[Status of persons who have retired from a position such as Representative Director and President]**

**Name and other details of corporate counselors, advisors, etc., who have formerly served as Representative Director and President, etc., of the Company**

Name	Title/Position	Duties	Working Arrangements / Conditions (Full-time / Part-time, With or Without Remunerations, or the like)	Date of Retirement as President or from other Position	Term
--	--	--	--	--	--

Total Number of Corporate Counselors, Advisors, etc., Who Have Formerly Served as Representative Director and President, Etc.	None
---	------

**Other Matters**

--

**2. Matters on Functions of Conduct of the Business, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) UPDATED**

Santen has adopted a “Company with a Board of Company Auditors” system as defined in Japan’s Companies Act, and, within such framework, has introduced a corporate officer system to further strengthen management while improving the quality and speed of decision-making processes.

Santen’s management structure in and after the closing of the annual general meeting of shareholders in June 2020 is comprised of six (6) Directors (*i.e.*, five (5) males and one (1) female) including three (3) Outside Directors, four (4) Corporate Auditors (*i.e.*, three (3) males and one (1) female) including three (3) Outside Corporate Auditors, and thirteen (13) Corporate Officers excluding some serving concurrently as Directors.

Santen’s Board of Directors features well-balanced knowledge, experience and the ability to effectively fulfill its role and responsibilities with a structure that satisfies both diversity and an adequate number of the members. Moreover, Santen has appointed as its Corporate Auditors persons with the expertise necessary to properly perform audits, including in academic, legal affairs and accounting.

All of Santen’s Outside Directors and Outside Corporate Auditors are independent officers who maintain neutrality as they are independent from Santen and its subsidiaries or affiliates.

The term of office of Directors and Corporate Officers is one (1) year.

The number of meetings of the Board of Directors convened in the fiscal year of 2019, including extraordinary meetings, is fourteen (14). The average attendance rate of both the Outside Directors and the Outside Corporate Auditors is 100% in the fiscal year of 2019. To promote meaningful discussions at the meetings of the Board of Directors, for important agenda to be taken at the meetings of the Board of Directors, materials for the meeting and the relevant information were provided to the Outside Directors and the Outside Corporate Auditors, and thereafter, sufficient explanations were made to them prior to such meetings concerning the background, purposes and details of the agenda of the said meetings.

**3. Reasons for Adoption of Current Corporate Governance System**

Santen’s governance is based on the corporate organizational form of a “Company with a Board of Company Auditors” as defined in Japan’s Companies Act. This structure enables us to have objective audits by Corporate Auditors who are in independent positions in the conduct of the business by the Directors. Furthermore, to secure transparency, objectivity and appropriateness of management, Santen believes that

making the most of systems such as the voluntary committees on business strategy, nomination of officers, executive compensation and the like will contribute to the strengthening of the current corporate governance system. As a material management matter, Santen commits to continuously review the improvement and strengthening of the said system.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

UPDATED

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Santen dispatches the document three (3) weeks in advance.
Scheduling AGMs Avoiding the Peak Day	The Annual General Meeting of Shareholders for the fiscal year of 2019 was held on June 24, 2020.
Allowing Electronic Exercise of Voting Rights	Voting rights can be exercised via the Internet by accessing the voting rights exercising website.
Participation in Electronic Voting Platform	Santen has participated in and made available to investors the electronic voting platform operated by ICJ, Inc., a joint venture company established by the Tokyo Stock Exchange, Inc. and another company.
Providing Convocation Notice in English	The Convocation Notice in English has been posted on Santen's website.
Others	Business reports at the General Meeting of Shareholders are made with explanations accompanied by projected images. Also, the convocation notices are posted on Santen's website. A brief summary of the General Meeting of Shareholders and the results of the exercise of the voting rights on the items for resolution are posted on Santen's website.

#### 2. IR Activities

UPDATED

	Supplementary Explanations	Explanations by Santen's Representatives Themselves
Preparation and Publication of Disclosure Policy	In Santen's Disclosure Policy on the disclosure of information, it has stipulated to be thorough in the swift, precise and fair disclosure of corporate information from the standpoint of the shareholders and investors, and commits to disclose information proactively and in a manner easily understandable.	
Regular Investor Briefings for Individual Investors	Santen timely holds briefings and its representatives conduct briefings as appropriate.	Available
Regular Investor Briefings for Analysts and Institutional Investors	Santen holds financial results meeting presentations after the release of interim and full-year results for analysts and institutional investors, and also conducts conference calls for them after its first- and third-quarter results are announced. Also, Santen holds small meetings and business briefings with analysts and institutional investors. In addition, Santen actively participates in conferences in Japan hosted by securities companies. Besides, Santen holds meetings to exchange opinions among institutional investors, Directors and Corporate Auditors.	Available

Regular Investor Briefings for Overseas Investors	Santen conducts regular briefings on its business for and conversations with a wide range of investors, through visits to shareholders and investors overseas and participation in conferences overseas for investors. Also, Santen delivers videos and discloses transcripts in relation to financial result meetings, conference calls and briefing sessions on its business.	Available
Posting of IR Materials on Website	Santen's website ( <a href="https://www.santen.co.jp/ja/ir/">https://www.santen.co.jp/ja/ir/</a> and <a href="https://www.santen.com/en/ir/">https://www.santen.com/en/ir/</a> ) carries materials on financial results, consolidated reports (annual reports), timely disclosure materials, materials for briefing sessions on its business, annual securities reports, materials for the General Meetings of Shareholders as well as other materials including Notices to Shareholders.	
Establishment of Department and/or Manager in Charge of IR	Department in charge: Investor Relations Group, Corporate Development Division Person responsible for IR administration contact: General Manager of Investor Relations Group	
Others	Since the fiscal year of 2017, Santen has integrated the former "Annual Report" and "CSR Report" into an "Annual Report" that has been prepared as an integral report, comprehensively embracing financial information and non-financial information such as management strategies, summary of business and CSR activities, and posted it on Santen's website.	

### 3. Measures to Ensure Due Respect for Stakeholders UPDATED

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In the Santen Code of Practice, Santen represents its basic approaches in conducting its business activities as specified under the titles "Building Trust with Customers," "Promoting Employee Responsibility and Growth" and "Maintaining Harmony with Society."
Implementation of Environmental Activities, CSR Activities, etc.	Santen positions contributions to society through its business as the central focus of its social responsibility. As a specialized ophthalmic pharmaceutical company, we develop products that can fulfill unmet needs in ophthalmology, and provide products, services and information that can fulfill needs specific to individual countries and regions. Guided by Santen's Values, Santen strives to continue its contribution to society through improving Quality of Life (QOL) of patients around the world by conducting business activities which provide valuable products and services. Also, based on "Santen Group Guidelines for Environmental Conservation," Santen devotes efforts to lower its greenhouse gas emissions as a climate change countermeasure, reduce waste and promote the preservation of water resources and prevent environmental pollution as measures to reduce environmental loads. Details of Santen's CSR activities are disclosed on its website entitled "Corporate Social Responsibility (CSR)" <a href="https://www.santen.co.jp/ja/csr/">https://www.santen.co.jp/ja/csr/</a> and <a href="https://www.santen.com/en/csr/">https://www.santen.com/en/csr/</a>
Development of Policies on Information Provision to Stakeholders	Information provisions to customers, shareholders and the like have been set forth in the Code of Conduct. Along therewith, a Policy on IR Activities has been internally established. Furthermore, in the Declaration of Timely

	Disclosure, it is represented that Santen commits to disclose corporate information timely and appropriately.
--	---

## IV. Matters Related to the Internal Control System

### 1. Basic Views on the Internal Control System and the Progress of System Development UPDATED

#### **Basic Policy on Internal Control**

In accordance with Japan's Companies Act and the Ordinance for Enforcement of the Companies Act, Santen has passed the resolution to maintain the basic policy on a system to ensure the appropriateness of business (internal control) of Santen Group, and Santen endeavors according to the details contained therein. In the meeting of the Board of Directors held on April 28, 2020, it was resolved to revise the said policy as described below:

#### **(1) Santen's Values**

- A. The Santen's Values of Santen Group are set forth below:  
**"Tenki ni sanyo suru"**  
 (meaning "exploring the secrets and mechanisms of nature in order to contribute to people's health")
  - In order to contribute to people's health by exploring the secrets and mechanisms of nature, we think carefully about what is essential, decide clearly what we should do, and act quickly.
  - Santen's basic mission is to, by focusing on ophthalmology, develop unique scientific knowledge and organizational capabilities that contribute to the well-being of patients, their loved ones and consequently to society.
- B. As a company that assumes some responsibility for medical care, Santen Group, under its Values, contributes to society focused on patients and their loved ones and aims to create unparalleled value for all of our stakeholders and consequently achieve sustainable growth.

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

- A. Santen Group's Directors and Employees shall consider as norms the 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 constituents.
- B. To promote the Santen's Values and the Santen Code of Practice by Santen Group as a whole, Santen shall endeavor to ensure the proper recognition and thorough compliance thereof under the direction of officers dedicated thereto.
- C. 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. As regards any suspected compliance violation within Santen Group entities, Santen Group shall endeavor to ensure the presence of measures that would allow the seeking of direct advice and reporting through the maintenance of an internal and external help desk; and concurrently, Santen Group entities shall handle the said advice and reporting in collaboration with the relevant departments or Santen.
- 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 for information security, internal approvals and document control.

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

- A. For 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 of its business corporations and organizations shall endeavor to comprehend and manage risk of loss from normal times, construct systems that will formulate policies / countermeasures and gather information, and endeavor to avoid

or minimize risk of loss. Specifically, Santen's risk management division shall, collaborating with its subsidiaries, comprehend and evaluate Santen Group's risks, and formulate and implement necessary countermeasures.

- B. Upon the occurrence of any event that may evolve into a material risk or if such an event is reported, the Crisis Management Committee chaired by Santen's Representative Director, President & CEO shall be established within Santen, which will endeavor to address the matter and settle the situation, and concurrently therewith, institute measures to prevent a recurrence.
- C. Santen's Internal Auditing Group shall conduct internal audit of the status of management of the risk of loss within Santen Group from its independent viewpoint.

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

- A. The Corporate Officers appointed by Santen's Board of Directors shall be entrusted with the execution of the business including the operation of subsidiaries, and consequently shall endeavor to enhance the quality and speed of decision-making concerning the operation and management.
- B. Santen shall hold meetings of the Board of Directors at least once a 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 Santen Group's management policies and conduct of the business.
- E. Santen shall establish the Rules of the Board of Directors and the rules for Corporate Officers clarifying their duties and powers. Furthermore, Santen shall maintain rules and standards concerning internal approvals and clarify procedures for decision-making.
- F. For each of Santen Group entities to promote its global business operation, personnel and organizational system shall be maintained to clarify its role and implement strategies with more certainty and to enable further contribution to customers. Furthermore, rules and standards concerning the organization shall be established to clarify the authority and responsibilities of each organization and subsidiary.

**(6) System to Ensure Proper Operating Controls Within Santen Group**

- A. Santen shall maintain a system in which a division in charge of internal control shall be a body under the direct control of Santen's Representative Director, President & CEO, and a managerial system shall be established whereby Santen makes recommendations and instructions to enhance the appropriateness of corporate activities within the Santen Group.
- B. Santen shall maintain rules on control of subsidiaries to clarify matters necessary to ensure proper operation of its subsidiaries and shall apply the same to all entities within Santen Group and strengthen the auditing function of its key subsidiaries. Concurrently, Santen shall establish a system whereby developments and applications of its subsidiaries' internal control systems are ascertained.
- 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, when the Board of Corporate Auditors Seeks to Adopt Him or Her as an Assistant, Matters regarding the Independence of such Employee from Directors, and Matters regarding Ensuring the Effectiveness of Directions to such Employee**

- A. A full-time staff, who will provide assistance to Santen's Corporate Auditors as well as discharge other duties as necessary, and who does not belong under the line of supervision and direction of the management, shall be employed.
- B. Personnel transfers of the staff of the Corporate Auditors shall be made by Santen's Representative Director in accordance with the internal rules and with the consent of the Corporate Auditors. As to the evaluation thereof, the contents thereof examined and determined by the Corporate Auditors in accordance with the internal rules shall be duly respected.

**(8) System for Directors and Employees of Santen Group to Report to Corporate Auditors, System regarding Other Reports to Corporate Auditors, and System to Ensure that the Person who Reported to Corporate Auditors Will Not Receive Any Adverse Treatment by Reason of such Reporting**



- A. In the event the Directors and employees of Santen Group come to know of any specific matter that may cause any tremendous damage to the company, they shall report the same to Santen's Corporate Auditors and Board of Corporate Auditors without delay.
- B. Santen's Corporate Auditors may seek reports from Santen Group's Directors and employees as needed and as necessary even for matters other than those described in item A above.
- 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 plans, and the results of their internal audits as well as exchange information therewith.
- D. No disadvantageous treatment shall be suffered by any employee of Santen Group on the ground that such employee blew the whistle to the Corporate Auditors concerning any internal suspicious compliance violation and the like within Santen Group entities, regardless of whether or not it was made 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 Director, but also with Santen Group's Directors and employees as deemed necessary, to exchange opinions on issues such as issues that the companies must address and substantial issues relating to audit, and enhance 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 Director, and state their opinion on procedures regarding substantial decision-making and the state of the conduct of the business.
- C. Santen shall bear the expenses necessary for Santen's Corporate Auditors to perform their duties.

## 2. Basic Views on Eliminating Anti-Social Forces

The Santen Code of Practice stipulates that Santen will not respond to any demands whatsoever made by anti-social forces that threaten the order and stability of civil society, or intend to obtain an unfair advantage from companies, and Santen endeavors to ensure the proper recognition and thorough compliance thereof by all of the officers and company members.

Furthermore, Santen promotes activities to avoid in advance damages by anti-social forces and entities, by building and maintaining close collaboration with the competent police offices, external specialized institutions and the like to proactively collect information concerning such anti-social forces and entities, and such information is shared by the entire Company.

## V. Others

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation

--

### 2. Other Matters Concerning the Corporate Governance System UPDATED

1. Basic Approach to Timely Disclosure of Corporate Information
 

Santen has established the Santen Code of Practice that stipulates standard corporate ethics as the base of the corporate activities of all of the officers and company employees in order to conduct such corporate activities from a common standpoint.

The Santen Code of Practice stipulates its basic approach to the disclosure of information whereby Santen is to not only disclose reports and information prepared regularly concerning its business, but also to timely and appropriately disclose corporate information, as well as handle formalities, such as those concerning permits or approvals by, reports to or filings with governmental authorities, without any false representation

or causing any misunderstanding. Based on the foregoing, Santen commits to make proactive, fair, easily understandable and accurate disclosure of information.

Furthermore, the Santen Code of Practice has been translated into major languages and posted at Santen's internal portal site, and concurrently, it has been distributed to all of company officers and company employees to ensure the proper recognition and thorough compliance thereof.

## 2. Departments Handling Information

Santen has established Investor Relations Group ("IR") and a Corporate Communications Group ("CCG") as the departments involved in handling internal and external information. Both divisions play the primary role in timely disclosure, by handling in an integrated manner the information from the individual divisions including the subsidiaries and headquarters. Both divisions endeavor to maintain the system to be capable of collecting information on matters required to be disclosed, prevent disclosures mistakenly made without first obtaining internal approval, as well as disclose accurately the content of any critical incident that may have a material effect on Santen.

## 3. Information to be Timely Disclosed

### (1) Information concerning Events that have Occurred

Santen makes daily efforts to collect information regularly in accordance with its Risk Management Rules. Upon the occurrence of any event that may evolve into a material risk, or if such an event is reported, the Crisis Management Committee chaired by Santen's Representative Director, President & CEO shall be established. Based on Santen's Risk Management Rules, the committee will endeavor to collect information and consider the necessity of disclosure concerning the information collected.

If, upon the consideration of the departments relevant to the information, IR and the CCG, it is determined that disclosure is necessary, then information shall be disclosed after the acknowledgement of the Head of Corporate Development Division, who is a Senior Corporate Officer, and the approval of the Representative Director are obtained.

### (2) Information concerning Corporate Decisions

IR and CCG shall obtain information concerning corporate decisions through meetings such as the Board of Directors' meetings or other meetings attended by the management and the committees, and consider whether or not it is necessary to disclose such corporate decisions.

If, upon the consideration of the departments relevant to the information and CCG, it is determined that disclosure is necessary, then information shall be disclosed after the acknowledgement of the Head of Corporate Development Division, who is a Senior Corporate Officer, and the approval of the Representative Director are obtained.

### (3) Information concerning Financial Closing

As to information concerning financial closing approved by the Board of Directors, IR shall consider whether or not disclosure is necessary, taking into account the recommendations by the Accounting and Tax Group. The flash reports shall be disclosed after the acknowledgement by the Head of the Finance & Administration Division (who is a Senior Corporate Officer) and the Head of Corporate Development Division (who is a Senior Corporate Officer), and the approval of the Representative Director are obtained.

## 4. Disclosure Criteria

The necessity of disclosing specific information will be determined pursuant to the criteria described below:

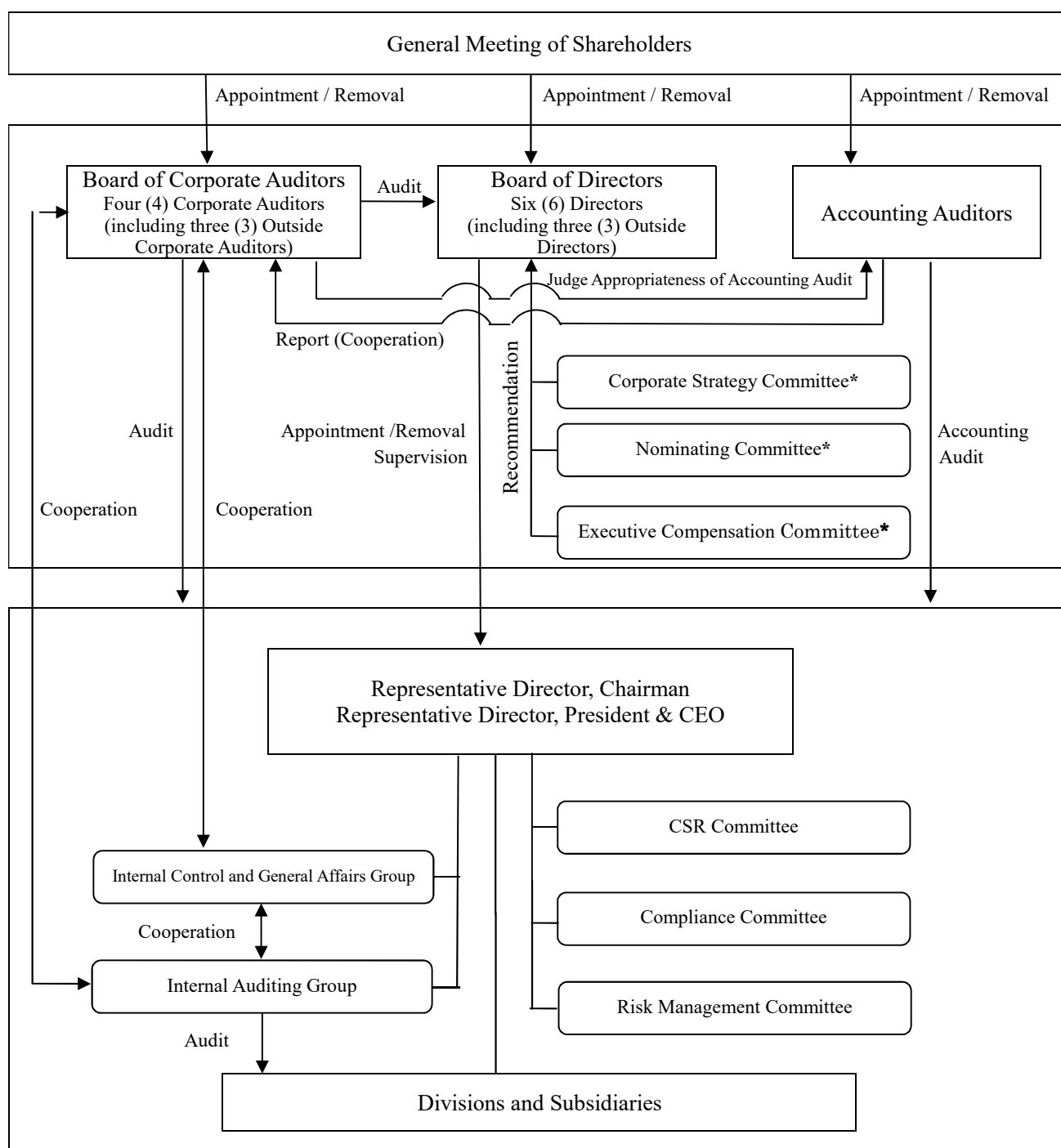
- (1) Guidelines on disclosure of information stipulated by the Tokyo Stock Exchange
- (2) Applicable laws and regulations including Japan's Financial Instruments and Exchange Act
- (3) Guidelines on disclosure of information established by Santen independently

## 5. Disclosure Methods

Corporate information approved to be disclosed will be promptly registered by IR and CCG with the Tokyo Stock Exchange Timely Disclosure Network (TDnet) and timely disclosed, and disclosed fairly to the shareholders and investors through various means such as mailing of materials, press conferences, and posting to Santen's website. Furthermore, Santen endeavors to ensure proper and thorough internal awareness by posting the information disclosed to Santen's internal portal site.

## 6. Improvement of Monitoring of Timely Disclosure System

The Corporate Auditors and the Internal Auditing Group will assess, from their respective standpoints, the timeliness and appropriateness of the information released to the public.



\*These committees are voluntary and not part of the statutory “Company with a Nominating Committee, etc., System” under Japan’s Companies Act.