

**Basic Policy on Corporate Governance**

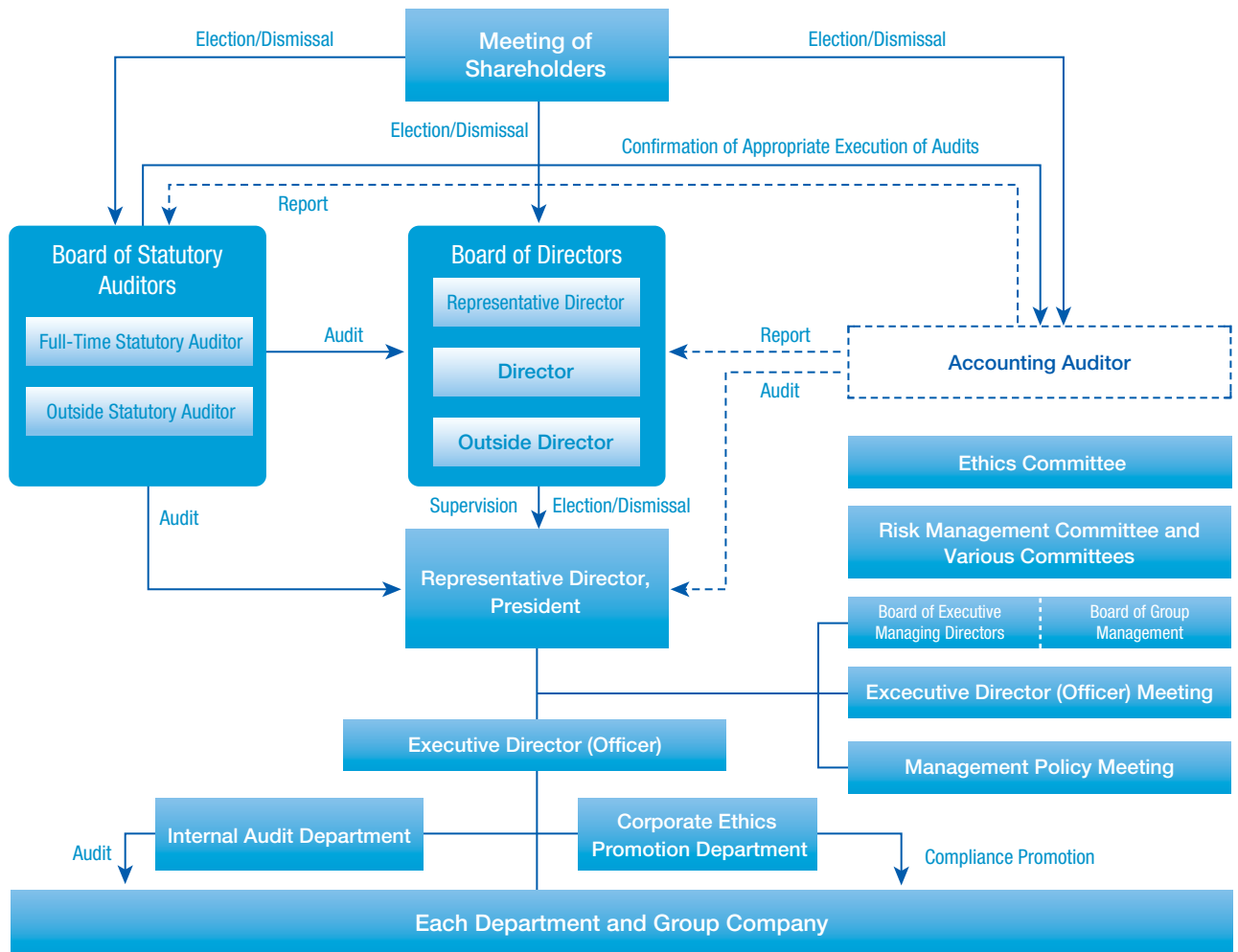
The Mochida Pharmaceutical Group strives to increase its corporate value by placing the fulfillment of corporate governance and the reinforcement of compliance at the axis of its overall Group management, to better respond to its stakeholders' trust and expectations.

As part of measures for fulfilling corporate governance, important management decisions are made at meetings of the Board of Executive Managing Directors and the Board of Group Management, which are held weekly respectively, based on the outcome of sufficient discussions at the Management Policy Meeting. We clearly separate the functions of the Board of Directors into management decision-making and the supervision of business operations. For the purpose of expediting management decision-making and business operations, the Group has introduced an Executive Director (Officer) system.

**Governance Structure**

Mochida Pharmaceutical put in place the Board of Directors (including Outside Directors) and the Board of Statutory Auditors (including Outside Statutory Auditors) as organizations under the Companies Act.

**Corporate Governance Structure**



As reasons for adopting this governance structure, considering the Company's size and business nature, we judged that at this point in time, the most suitable governance structure (1) to ensure the appropriate function of checking the management and (2) to pursue management efficiency simultaneously requires: (1) management decision-making by the Board of Directors with a reasonable number of members, comprising Inside Directors with thorough knowledge of the Company and its business and Outside Directors with abundant knowledge and experience in specialized fields, and (2) the system for checking the management by Statutory Auditors including Outside Statutory Auditors.

### **Internal Control System, Risk Management System, Compliance System, and CSR**

The Mochida Pharmaceutical Group constructs, maintains, and evaluates its internal control system based on resolutions by the Board of Directors under the Companies Act and on the Financial Instruments and Exchange Act. Specifically, we maintain a companywide risk management system based on the "Mochida Pharmaceutical Group Risk Management Rules" to manage major risks affecting our overall business, as part of our internal control system based on the Companies Act.

As measures for reinforcing compliance, we maintain our compliance system by (1) establishing "Code of Conduct of Mochida Pharmaceutical Group", (2) holding regular meetings of the Ethics Committee which includes outside experts, (3) establishing the Corporate Ethics Promotion Department etc.; and we run regular training programs on compliance for our group employees. The Mochida Pharmaceutical Group will continue striving to ensure full compliance, and to respond promptly to various environmental changes, by receiving appropriate advice from our attorneys and Accounting Auditor as necessary etc.

While the concerned departments are earnestly addressing Corporate Social Responsibility (CSR), we have also established the CSR Promotion Liaison Committee as a basic body to promote CSR throughout the Mochida Pharmaceutical Group and to meet more precisely the social demands.

### **Audit Structure**

Mochida Pharmaceutical has established the Internal Audit Department as an organization which implements internal audits of the Pharmaceutical Business (Sales) Division, Research Division and other divisions as necessary.

To secure lawfulness and transparency of management decision-making and business operations, in accordance with fiscal year auditing policy and plans, each Statutory Auditor strives to (1) smoothly communicate with Board Directors, the Internal Audit Department etc., (2) collect the relevant information and (3) improve the auditing environments, attends meetings of the Board of Directors and other important meetings, and investigates business operations and assets at the headquarters, main business offices and subsidiaries of Mochida Pharmaceutical—including supervision and verification of the status of the internal control system, the independence of the Accounting Auditor and the appropriate execution of audits by the Accounting Auditor.

Mochida Pharmaceutical is also audited by our Accounting Auditor, Deloitte Touche Tohmatsu LLC, based on the provisions of the Companies Act and the Financial Instruments and Exchange Act. The Internal Audit Department, Statutory Auditors and Accounting Auditor work closely to secure effectiveness of the audits.