

## *Translation*

[**Disclaimer:** The following is meant to be an accurate translation from the original Notice of Shareholders Meeting of Santen Pharmaceutical Co., Ltd. 2005, written in Japanese, and is prepared for the convenience of shareholders outside Japan who have voting rights. However, in the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail. Please be advised that certain expressions for domestic voting procedures that are not applicable to the aforesaid shareholders are omitted or modified to avoid confusion.]

June 2, 2005

### **NOTICE OF THE 93<sup>RD</sup> ANNUAL GENERAL MEETING OF SHAREHOLDERS OF SANTEN PHARMACEUTICAL CO., LTD.**

Dear Shareholder:

We invite you to attend the 93rd Annual General Meeting of Shareholders of Santen Pharmaceutical Co. Ltd., on June 24, 2005. If you are unable to attend the Meeting, we ask you to exercise your voting rights using one of the following methods, after examining the attached "Reference Materials for Exercise of Voting Rights."

[VOTING RIGHTS FOR REGISTERED SHAREHOLDERS IN JAPAN]<sup>1</sup>

**Voting by Mail**

Please fill in the Voting Card<sup>2</sup>, indicating your consent or dissent to the items on the agenda, affix your seal or sign, and return the card to us by mail.

**Voting via the Internet**

Please access the website (<http://www.evotep.jp/>) to vote using your personal computer, using the "voting code" and "temporary password" shown on the enclosed Voting Card. Please follow the instructions on the screen and indicate your consent or dissent to the items on the agenda.

Yours very truly,

Takakazu Morita  
President & CEO  
SANTEN PHARMACEUTICAL CO., LTD.  
9-19, Shimoshinjo 3-chome,  
Higashiyodogawa-ku  
Osaka, Japan

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Notes:

- 1 Shareholders outside Japan are not entitled to use these voting procedures.
- 2 The Voting Card is not enclosed with the English translation.

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### **AGENDA**

- 1. Date and Time:** Friday, June 24, 2005 at 10:00 a.m.
- 2. Place:** Century Hall on the 5th Floor of the Headquarters Bldg. of Santen Pharmaceutical Co., Ltd.  
9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka

### **3. Agenda:**

#### **Reports:**

1. Business Report, Consolidated Balance Sheet, Consolidated Income Statement, Non-Consolidated Balance Sheet and Non-Consolidated Income Statement for the 93rd Business Term (April 1, 2004 to March 31, 2005)
2. Independent Auditor's Report and Corporate Auditors' Report on the consolidated financial statements
3. Report on the buy-back of Company stock pursuant to the resolution of the Board of Directors as authorized by the Articles of Incorporation

#### **Items for Resolution:**

- |            |  |
|------------|--|
| Item No. 1 | Approval of the Proposed Appropriation of Retained Earnings for the 93rd Business Term   |
| Item No. 2 | Election of eight (8) Directors  |
| Item No. 3 | Issuance of Stock Acquisition Rights as Stock Options. For details regarding this item, please see the attached "Reference Materials for Exercise of Voting Rights." |

## **REFERENCE MATERIALS FOR THE EXERCISE OF VOTING RIGHTS**

1. Total number of voting rights held by shareholders: 864,954
2. Items of Business and Information for Reference:

### **Item No. 1 Approval of the Proposed Appropriation of Retained Earnings for the 93rd Business Term**

The Board of Directors proposes to appropriate the retained earnings as stated in the Attachment (page 9).

Santen regards the return of profits to shareholders as a very important management task. Based on the policy to return appropriate profits to shareholders considering corporate performance, and to improve capital efficiency with the maintenance of flexibility and soundness in corporate finance, Santen returns profits to shareholders through dividends actively. In addition, the Company considers the acquisition and retirement of its own shares to be an effective means of improving shareholder value and capital efficiency. Based on this policy, Santen purchased and retired 1,351,100 of its own shares during the year under review.

For the 93<sup>rd</sup> Business Term, the Board of Directors proposes term-end dividends of JPY30 per share. Consequently, the total dividends for the annual business term including the interim dividends (JPY20 per share) will be JPY50 per share, a JPY 10 increase compared to the previous term.

### **Item No. 2 Election of Eight (8) Directors**

The terms of office of all of the five (5) Directors will expire at the close of this Annual General Meeting of Shareholders.

Strengthening corporate governance is essential to maximizing corporate value. Santen strives to improve its performance while assuring management transparency and soundness through structuring the corporate governance system.

To further improve and strengthen the Board of Directors, Santen plans to increase the number of Board members, including outside Directors. In addition, Santen plans to reorganize its existing committees: the “Executive Compensation Committee,” which operates under the Board of Directors; and the “Management Advisory Committee,” the President’s advisory panel, which includes external members.

Santen is planning to establish the following three committees: the “Corporate Strategy Committee,” the “Nominating Committee” and the “Executive Compensation Committee.” These committees will consist of both internal and outside Directors, operating as expert committees under the Board of Directors. (Please note that the committees are different from those of the committee-based corporate governance structure specified in the Commercial Code of Japan.)

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The Board of Directors wishes to ask you to elect a total of eight (8) Directors, including the current five (5) Directors as well as one (1) additional internal Director and two (2) additional outside Directors. The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary and representative posts currently held with other companies	Number of Santen shares owned
1.	Takakazu Morita (February 10, 1945)	<p>April 1980 Entered the Company  November 1980 Head of Office of the President  July 1981 Director  July 1983 Managing Director  July 1987 Senior Managing Director  October 1990 President &amp; CEO (incumbent)  May 2002 President of Santen Holdings U.S., Inc. (incumbent)</p> <p>Representative positions held with other companies:  President of Santen Holdings U.S., Inc.</p>	133,400 shares
2.	Masahiro Mita (November 13, 1949)	<p>April 1980 Entered the Company  April 1981 Head of Marketing Department  July 1983 Director  June 1993 President &amp; Director of Goyo Kigyo Co., Ltd. (incumbent)  June 1995 Managing Director (incumbent)  May 2001 In charge of Corporate Management and Regulatory Affairs  January 2004 In charge of Corporate Management, Social/Environmental and Regulatory Affairs (incumbent)</p> <p>Representative positions held with other companies:  President and Director of Goyo Kigyo Co., Ltd.</p>	234,000 shares
3.	Katsuhiro Waga (April 2, 1950)	<p>April 1987 Entered Procter &amp; Gamble Far East, Inc. Beauty Care Technical Support Manager of Product Supply Operations Division  April 1994 Resigned from Procter &amp; Gamble Far East, Inc.  April 1994 Entered the Company  October 1995 Deputy Head of Manufacturing Division  June 1997 Director (incumbent)  June 1997 Head of Manufacturing Division  April 2000 Head of Product Supply Division (incumbent)  June 2001 Corporate Officer  July 2004 Senior Corporate Officer (incumbent)</p>	3,200 shares
4.	Akira Kurokawa (September 5, 1952)	<p>April 1977 Entered the Company  April 1997 General Manager, Office of the Head of Sales &amp; Marketing Division - Prescription Pharmaceuticals  June 1997 Director (incumbent)  June 1998 Deputy Head of Sales &amp; Marketing Division - Prescription Pharmaceuticals  May 2001 Head of Sales &amp; Marketing Division - Prescription Pharmaceuticals (incumbent)  June 2001 Corporate Officer  July 2004 Senior Corporate Officer (incumbent)</p>	3,000 shares

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Candidate No.	Name (Date of birth)	Career summary and representative posts currently held with other companies	Number of Santen shares owned
5.	Kosei Furukawa (September 23, 1935)	<p>April 1986 Professor, Graduate School of Business Administration, Keio University</p> <p>June 1998 Corporate Auditor of the Company</p> <p>April 1999 Professor Emeritus, Keio University (to present)</p> <p>April 1999 Professor, Nakamura Gakuen University (to present)</p> <p>June 2003 Director of the Company (incumbent)</p>	2,000 shares
6.	* Ichiro Otokozawa (August 22, 1955)	<p>January 1995 Manager, Comptroller's Department NKK Corporation</p> <p>February 1997 Resigned from NKK Corporation</p> <p>March 1997 Entered the Company</p> <p>July 1999 Corporate Officer, Head of Business Development Division and General Manager of Office of the President</p> <p>May 2001 Corporate Officer, Head of Corporate Development and Administration Division</p> <p>April 2004 Corporate Officer, Head of Corporate Development and Administration Division, and responsible for Business Process Reengineering Division</p> <p>July 2004 Senior Corporate Officer and CFO Head of the Corporate Development and Administration Division, Europe and the United States Operations, and responsible for Business Process Reengineering Division (incumbent)</p>	Nil
7.	* Isao Muramatsu (August 14, 1939)	<p>January 1984 Vice President, Sales, Pfizer Japan</p> <p>March 1986 Resigned from Pfizer Japan</p> <p>July 1991 Representative Director, Executive Vice President and General Manager, Pharmaceuticals, Bristol-Myers Squibb Japan</p> <p>May 1992 Resigned from Bristol-Myers Squibb Japan</p> <p>December 1992 President and Representative Director, SmithKline Beecham Japan</p> <p>April 2001 Board member, Senior Advisor, GlaxoSmithKline Japan</p> <p>March 2002 Retired from GlaxoSmithKline Japan</p> <p>April 2002 Representative Director, Pinecrest Corporation (to present)</p>	Nil

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Candidate No.	Name (Date of birth)	Career summary and representative posts currently held with other companies	Number of Santen shares owned
8.	* Noboru Kotani (November 13, 1956)	<p>April 1981      Entered The Boston Consulting Group</p> <p>December 1991      Vice President, The Boston Consulting Group</p> <p>April 2000      Director, Dream Incubator Inc.</p> <p>June 2000      Representative Director, Dream Incubator Inc.</p> <p>March 2005      Resigned from Dream Incubator Inc.</p> <p>April 2005      Representative Director, Vehicle Inc. (to present)</p> <p>April 2005      University Lecturer, Business Science Course of the Postgraduate School of Tsukuba University (to present)</p>	Nil

Note 1: None of the above candidates has any special conflict of interest with the Company.

Note 2: Candidates Kosei Furukawa, Isao Muramatsu and Noboru Kotani fulfill the requirements for external Directors as prescribed in Article 188, paragraph 2, item 7-2 of the Commercial Code of Japan.

Asterisk (\*) shows candidate for new Director.

### **Item No. 3      Issuance of Stock Acquisition Rights as Stock Options**

The Board of Directors proposes issuing stock acquisition rights under specially favorable conditions to individuals other than shareholders of the Company in accordance with the following terms and conditions, pursuant to Article 280-20 and Article 280-21 of the Commercial Code of Japan:

1. Purpose of the issuance of stock acquisition rights under specially favorable conditions to people other than shareholders:

The Company plans to issue stock acquisition rights free of charge to directly link the compensation of Directors and Corporate Officers of the Company, as well as Directors of the Company's important overseas subsidiaries, to the creation of medium- and long-term shareholder value; to raise the motivation and morale of the Directors and Corporate Officers of the Company, as well as Directors of the Company's important overseas subsidiaries, for improvement in the Company's business results; and to further enhance shareholder value and customer satisfaction.

As stock acquisition rights shall be issued as stock options, such rights shall be issued free of charge as stated below, and the amount to be paid upon exercise of stock acquisition rights shall be based on the current market price as stated in 2. (5) below.

2. Summary of the issuance of stock acquisition rights:

- (1) Grantees of stock acquisition rights:

Directors and Corporate Officers of the Company, and Directors of the Company's important overseas subsidiaries

- (2) Class and number of shares to be issued for stock acquisition rights:

## *Translation*

Maximum of 136,000 shares of common stock of the Company.

In the event the Company conducts a stock split or stock consolidation of its outstanding shares, the number of shares to be issued for stock acquisition rights shall be adjusted in accordance with the following formula; provided, however, that the adjustment shall be made solely to the number of shares to be issued for stock acquisition rights that have not yet been issued upon the exercise of stock acquisition rights at the time of the stock split or stock consolidation, and any fraction of a share arising out of such adjustment shall be disregarded:

$$\begin{array}{l} \text{Number of shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Percentages of stock split (or} \\ \text{consolidation)} \end{array}$$

Also, in the event that stock acquisition rights are transferred by merger or consolidation between the Company and other companies or the Company becomes the 100% parent company by share exchange with other companies or the Company incorporates a company or transfers business by a corporate split, the number of shares to be issued for stock acquisition rights shall be appropriately adjusted if deemed necessary.

- (3) Aggregate number of stock acquisition rights to be issued:

Maximum 1,360 (The number of shares to be issued for one stock acquisition right shall be 100 shares; provided, however, that in the event any adjustment is made to the number of shares to be issued for stock acquisition rights as stated in 2. (2) above, the number of shares to be issued for one stock acquisition right shall be adjusted in the same way as stated in 2. (2) above.)

- (4) Issue price of stock acquisition rights:

Free of charge

- (5) Amount to be paid upon the exercise of each stock acquisition right:

The amount to be paid per share allotted for stock acquisition rights shall be the average of the closing prices (hereinafter, the “closing price”) of the Company's shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the issuance of stock acquisition rights falls. Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.

Notwithstanding the foregoing, if such amount is less than the closing price as of the date on which the stock acquisition rights are issued, then the closing price reported on the date on which the stock acquisition rights are issued shall be the amount to be paid.

In the event the Company issues new shares at a price less than the current market price (excluding the case in which new shares are issued upon exercise of stock acquisition rights), the amount to be paid shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:





ATTACHMENT

**Proposed Appropriation of Retained Earnings  
for the 93rd Business Term**

	(JPY)
Unappropriated retained earnings for the Term	11,600,558,908
Reversal of special depreciation reserve	<u>53,438,392</u>
Total	11,653,997,300
 <i>Proposed appropriation of the above:</i>	
Cash dividend (JPY30 per share)	2,598,571,290
Bonus to Directors	24,980,000
Special depreciation reserve	60,283,580
General reserve	5,000,000,000
Retained earnings to be carried forward to the next Term	3,970,162,430

(Note 1) Interim dividends on shares of Common Stock aggregating JPY1,758,931,620 (JPY20 per share) were paid on November 30, 2004.

(Note 2) Cash dividend was calculated based on the number of shares excluding Treasury Stock (39,660 shares).

(Note 3) The amount of reversal and reserve of special depreciation reserve has been determined by deducting amounts of tax effects from amounts calculated in accordance with the Special Taxation Measurement Law.

## Consolidated balance sheet

As of March 31, 2005

(Millions of yen)

<u>Assets</u>	
<b>Current assets:</b>	<b>82,735</b>
Cash and deposits	23,948
Notes and accounts trade receivables	35,625
Marketable securities	9,046
Inventory	9,826
Deferred tax assets	1,625
Other current assets	2,681
Allowance for doubtful receivables	(18)
<b>Fixed assets:</b>	<b>57,244</b>
Tangible assets	32,676
Buildings and structures	18,826
Machinery, equipment and vehicles	2,114
Land	9,486
Construction in progress	181
Other tangible assets	2,067
Intangible assets	3,318
Goodwill	1,015
Software	1,182
Consolidation adjustments	6
Other intangible assets	1,113
Investments and other assets	21,250
Investment securities	14,313
Deferred tax assets	1,051
Other assets	5,885
<b>Total assets</b>	<b>139,979</b>

*Translation*

**Liabilities and shareholders' equity**

<b>Current liabilities:</b>	<b>22,221</b>
Trade accounts payable	6,122
Current portion of long-term debt	268
Other payables	8,577
Income taxes payable	3,413
Reserve for bonuses	2,481
Other reserves	199
Other current liabilities	1,158
<b>Non current liabilities:</b>	<b>9,518</b>
Long-term debt	6,614
Deferred tax liabilities	23
Reserve for retirement benefits	1,455
Reserve for retirement benefits for directors and auditors	402
Other liabilities	1,023
<b>Total liabilities</b>	<b>31,740</b>
<b>Shareholders' equity:</b>	
Common stock	6,247
Additional paid-in capital	6,942
Retained earnings	95,901
Unrealized holding gains on securities	2,048
Foreign currency translation adjustments	(2,826)
Treasury stock at cost	(74)
<b>Total shareholders' equity</b>	<b>108,239</b>
<b>Total liabilities and shareholders' equity</b>	<b>139,979</b>

## Consolidated statement of income

(Millions of yen)

Year ended March 31, 2005

<b>Net sales</b>	<b>92,696</b>
<b>Cost of sales</b>	<b>33,709</b>
<b>Selling, general and administrative expenses</b>	<b>40,003</b>
<b>Operating income</b>	<b>18,982</b>
<b>Non-operating income:</b>	<b>803</b>
Interest and dividend income	249
Gains on insurance received	114
Other	440
<b>Non-operating expense:</b>	<b>948</b>
Interest expense	182
Amortization of goodwill	322
Loss on foreign currency transactions	310
Other	132
<b>Ordinary income</b>	<b>18,837</b>
<b>Extraordinary gain:</b>	<b>1,137</b>
Gains on sales or disposal of fixed assets	340
Gains and loss on the change of the retirement benefits program	316
Gains on the establishment of the retirement benefits trust	210
Gain from the prior year adjustment	265
Other	3
<b>Extraordinary loss:</b>	<b>1,538</b>
Loss on sales or disposal of fixed assets	102
Loss on impairment of fixed assets	823
Restructuring charge for the U.S. business	440
Other	172
<b>Income before income taxes</b>	<b>18,436</b>
<b>Income taxes:</b>	
Current	6,446
Deferred	966
<b>Net income</b>	<b>11,022</b>

## Non consolidated balance sheet

As of March 31, 2005

(Millions of yen)

### Assets

<b>Current assets:</b>	<b>78,075</b>
Cash and deposits	21,924
Notes receivable	374
Accounts receivable	34,197
Marketable securities	9,046
Finished goods and merchandise	6,650
Semi-finished goods and work in process	604
Raw materials and supplies	1,073
Deferred tax assets	1,609
Other current assets	2,612
Allowance for doubtful receivables	(18)
<b>Fixed assets:</b>	<b>64,687</b>
Tangible assets	28,459
Buildings	16,061
Structures	421
Machinery and equipment	975
Vehicles	6
Tools, furniture and fixtures	1,611
Land	9,227
Construction in progress	156
Intangible assets	2,073
Patents	432
Trademarks	596
Software	966
Other intangible assets	78
Investments and other assets	34,154
Investment securities	14,309
Investments in subsidiaries	13,148
Deferred tax assets	948
Other assets	5,748
<b>Total assets</b>	<b>142,762</b>

*Translation*

**Liabilities and shareholders' equity**

<b>Current liabilities:</b>	<b>20,686</b>
Trade accounts payable	5,469
Current portion of long-term debt	268
Other payables	8,732
Income taxes payable	3,372
Consumption taxes payable	460
Accrued expense	45
Deposits	76
Reserves for bonuses	2,037
Reserves for returned goods	199
Other current liabilities	23
<b>Noncurrent liabilities:</b>	<b>8,983</b>
Long-term debt	6,614
Reserve for retirement benefit	1,420
Reserve for retirement benefits for directors and auditors	402
Other liabilities	546
<b>Total liabilities</b>	<b>29,670</b>
<b>Shareholders' equity:</b>	
Common stock	6,247
Capital surplus reserves	6,942
Additional paid-in capital	6,942
Other capital surplus reserves	0
Retained earnings	97,927
Earnings reserve	1,551
Reserve for retirement benefit	372
Special depreciation reserve	294
General reserve	84,109
Unappropriated retained earnings	11,600
Unrealized holding gains on securities	2,048
Treasury stock at cost	(74)
<b>Total shareholders' equity</b>	<b>113,092</b>
<b>Total liabilities and shareholders' equity</b>	<b><u>142,762</u></b>

## Non consolidated statement of income

(Millions of yen)

Year ended March 31, 2005

Net sales	86,340
Cost of sales	29,964
Selling, general and administrative expenses	36,684
<b>Operating income</b>	<b>19,692</b>
<b>Non-operating income:</b>	<b>809</b>
Interest and dividend income	277
Gains on insurance received	114
Other	417
<b>Non-operating expense:</b>	<b>234</b>
Interest expense	143
Other	91
<b>Ordinary income</b>	<b>20,266</b>
<b>Extraordinary gain:</b>	<b>766</b>
Gains on sales or disposal of fixed assets	233
Gains and loss on the change of the retirement benefits program	316
Gains on the establishment of the retirement benefits trust	210
Other	5
<b>Extraordinary loss:</b>	<b>1,080</b>
Loss on sales or disposal of fixed assets	84
Loss on impairment of fixed assets	823
Other	172
<b>Income before income taxes</b>	<b>19,952</b>
<b>Income taxes:</b>	
Current	6,362
Deferred	987
<b>Net income</b>	<b>12,602</b>
Unappropriated retained earnings brought forward from previous period	3,305
Retirement of shares	2,548
Interim dividends	1,758
Unappropriated retained earnings as of the end of the fiscal period	11,600