News Release

Santen

Introduction of Countermeasures to
Large-scale Purchases of the Corporation's Shares
(Takeover Defense Measures)

Osaka, Japan, May 8, 2007---Santen Pharmaceutical Co., Ltd. (the "Corporation") announces that its Board of Directors, at a meeting held today, determined the specific content of the Countermeasures to Large-scale Purchases of the Corporation's Shares (Takeover Defense Measures) (the "Plan"), which the Corporation introduces on the condition that they are approved by the shareholders at the annual general shareholders' meeting of the Corporation to be held on June 26, 2007 (the "Annual General Shareholders' Meeting"). The aim of the Plan is to secure and improve the corporate value of the Corporation, and, consequently, the common interests of the shareholders.

The Corporation believes that it is its shareholders who are the ones who decide whether to become shareholders, via free transactions in the market, and therefore the shareholders of the Corporation make the final decision as to whether or not to accept a proposal of a large-scale purchase that would result in a change in the control of the Corporation.

It is envisioned that a large-scale purchase of the Corporation's shares or the proposals of such may lead to the material infringement of the corporate value of the Corporation, and, consequently, of the common interests of the shareholders, through actions such as the threat of effectively compelling the shareholders to sell their shares, damaging relations with employees, with business acquaintances including customers, creditors and other stakeholders, or through other similar actions. The Corporation made this Plan in order to secure and to improve the corporate value of the Corporation, and, consequently, the common interests of shareholders.

<u>The focus of the Takeover Defense Measures</u> is as follows:

1. <u>Purpose of Introducing the Plan</u>

The Plan aims to deter large-scale purchases that may lead to material infringement of the corporate value of the Corporation, and, consequently, of the common interests of the shareholders. It functions to secure the information as well as the time necessary for the shareholders of the Corporation to make the decision as to whether or not to accept the proposal of a large-scale purchase, or for the Board of Directors of the Corporation to present the shareholders of the Corporation with an alternative plan, and to allow discussion or negotiation with the acquirer, in case the large-scale purchase of the Corporation's shares occurs.

2. Outline of the Plan

(1) Establishment of the procedures for the implementation of the Plan

The Plan establishes the procedures to be followed when a purchase of the shares of the Corporation would result in the acquisition of 20 % or more of the total voting rights of the Corporation or of its similar activities (the "Purchase"), pursuant to which the Corporation would ask the person or corporation conducting the Purchase (the "Purchaser") to provide information to the Corporation before the commencement of the Purchase, as well as secure the time during which the Corporation may collect information regarding such Purchase and examine such information. Thereafter, the Corporation shall present the shareholders of the Corporation with the management's proposition or an alternative plan, as well as discuss or negotiate with the Purchasers.

(2) Utilization of the allotment of the right to subscribe for new shares for no consideration

If the Purchaser satisfies any of the requirements below, as set forth in the Plan, the Corporation may allot the right to subscribe for new shares, for no consideration, for each share of common stock of the Corporation held by all of the shareholders of the Corporation at that time. The exercise of such right will have the condition which would prohibit the Purchaser from subscribing for new shares, and will provide an acquisition clause under which the Corporation may acquire the right to subscribe for the new shares from the shareholders of the Corporation, other than the Purchaser (the "Right to Subscribe for New Shares") (provided, however, that the common stock of the Corporation for each Right to Subscribe for New Shares may be fractional depending on the number of shares that are issuable at the time of the issue of the Right to Subscribe for New Shares).

- If the Purchaser does not comply with the procedures of the Plan;
- If the Purchase or a proposal for the Purchase might entail the likelihood of causing obvious harm to the corporate value of the corporation, and, consequently, to the common interests of the

shareholders, which harm may include the threat to buy out the Corporation's shares in order to demand that the Corporation purchase such shares at an inflated price, or obtaining temporary control of the Corporation's management to bring about a disposal of its high-value assets and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price;

- If the Purchase may lead to the material infringement of the corporate value of the Corporation, and, consequently, of the common interests of the shareholders, by materially damaging relations with employees, business acquaintances, including customers.

(3) <u>Utilization of the Independent Committee to avoid the arbitrary determination by the Board of Directors</u>

In order to avoid the arbitrary determination by the Board of Directors on whether to implement the allotment of the Right to Subscribe for New Shares for no consideration, or as to the acquisition thereof and the like, the Plan requires that the Independent Committee make its own determination thereof. The Independent Committee shall be an organization that will be independent from the management of the Corporation, which committee shall consist of all of the outside directors of the Corporation. In addition, in order to ensure transparency, the Plan requires the Corporation to disclose information to the shareholders of the Corporation at the appropriate time.

(4) <u>Exercise of the Right to Subscribe for New Shares and the acquisition thereof by the Corporation</u>

Upon the introduction of the Plan, there should be no immediate impact on the shareholders and investors, since the allotment of the Right to Subscribe for New Shares is not to be implemented immediately. Moreover, even if the Corporation implements the allocation of the Right to Subscribe for New Shares for no consideration pursuant to the Plan, and, pursuant thereto, the shareholders of the Corporation other than the Purchaser exercise such right, or if the shares of the Corporation are issued to shareholders of the Corporation other than the Purchaser in exchange for the acquisition of Right to Subscribe for New Shares by the Corporation, the aggregate value of the shares of the Corporation held by the shareholders of the Corporation, other than the Purchaser, remains unchanged. On the other hand, the ratio of the voting rights of the shares of the Corporation held by the Purchaser may be diluted.

3. <u>Reasonableness of the Plan</u>

(1) The Plan fulfills the requirements of the guideline for takeover defense plans.

The Plan completely fulfills the three principles envisaged in the guideline called “Ensuring and/or increasing corporate value and stakeholder profits: takeover defense guidelines” released by the Ministry of Economy, Trade and Industry, and the Ministry of Justice on May 27, 2005.

(2) The decision to introduce the Plan is to be made by a resolution of the meeting of shareholders.

The Plan is expected to be introduced upon the condition that the shareholders approve it at the Annual General Shareholders’ Meeting. It shall remain effective until the close of the annual general shareholders’ meeting for the last business term, which ends within three (3) years after the close of the Annual General Shareholders’ Meeting. Even before the expiration of such effective term, the Plan may be abolished by a resolution of the Board of Directors of the Corporation.

(3) Respect for the decision of the outside directors who are highly independent and the establishment of reasonable objective conditions.

The Plan ensures the avoidance of the arbitrary implementation of the takeover defense measures by the Board of Directors of the Corporation by setting up procedures to be observed upon the implementation of the takeover defense measures, for which the Independent Committee that consists of three (3) outside directors who are highly independent shall make an independent determination. The Board of Directors of the Corporation shall respect the recommendation of the Independent Committee to the fullest extent and adhere thereto. The Plan shall not be implemented unless reasonable and detailed objective conditions are fulfilled.

(4) Obtaining the opinion of third-party professionals

Pursuant to the Plan, upon the emergence of the Purchaser, the Independent Committee may receive advice from independent third parties (including financial advisors, certified public accountants, lawyers, consultants and other professionals) at the Corporation’s expense. Such system shall further ensure that the decision made by the Independent Committee shall be fair and objective.

This document is prepared with an aim to describe the outline of the Countermeasures to Large-scale Purchases of the Corporation’s Shares (Takeover Defense Measures) and to make the Countermeasures easy to understand. For accuracy, please refer the disclosed materials of the Corporation dated May 8, 2007.

Attachment: Countermeasures to Large-scale purchases of the Corporation’s Shares (Takeover Defense Measures)

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