

## **OUTLINE OF RENEWAL OF THE COUNTERMEASURES TO LARGE-SCALE PURCHASES OF THE CORPORATION'S SHARES (TAKEOVER DEFENSE MEASURES)**

The Board of Directors of Santen Pharmaceutical Co., Ltd. (the "Company") determined at its meeting held today to partially revise the countermeasures to large-scale purchases of the Corporation's shares (takeover defense measures) that was introduced subject to the resolution at the meeting of the Board of Directors held on May 8, 2007 and the resolution at the annual general meeting of shareholders held on June 26, 2007 and to introduce a renewed plan (the introduction is to be referred to as the "Renewal," and the renewed plan is to be referred to as the "Plan"). The Renewal will be subject to approval by the shareholders at the annual general meeting of shareholders for the 98th fiscal year scheduled to be held on June 23, 2010.

### Details

The Company believes that its shareholders decide to become shareholders via free transactions in the market and therefore the shareholders of the Company should make the final decisions as to whether or not to accept a proposal of a purchase that would result in a change of control of the Company.

However, it is envisioned that some Large-scale Purchase of the Company's shares or such proposals might entail the following:

- (1) The likelihood of causing obvious harm to the corporate value of the Company and the common interests of the shareholders, in view of the purpose of such purchase and management policies thereafter;
- (2) The threat of effectively compelling the shareholders to sell their shares;
- (3) Purchases that do not provide the Company the reasonably necessary period of time to present alternative plans;
- (4) Purchases conducted without providing sufficient information reasonably necessary for the Company's shareholders to make judgments on the content of the purchase;
- (5) Purchase conditions (including the amount and type of consideration, purchase timing, the purchase method and the like) that are inappropriate or insufficient considering the Company's intrinsic value; or
- (6) Purchases that may lead to material harm to the corporate value of the Company and the common interests of the shareholders, by materially damaging relations with employees, business acquaintances including customers, creditors and other stakeholders, all of whom are indispensable for sustainable growth in the Company's corporate value.

The Company believes a Large-scale Purchaser or a person or company who proposes such an action

is inappropriate to control decisions regarding the Company's financial and business policies.

The purpose of Renewal and outline of the Plan are as follows.

1. Purpose of Renewal

The purpose of the Plan is to ensure and improve the corporate value of the Company and the common interests of the shareholders by clarifying procedures with which the purchaser or the person proposing the purchase shall comply, by securing sufficient information and time necessary for shareholders to make appropriate decisions and the opportunity to negotiate with the purchaser in case of a purchase of the Company's shares or a similar action or proposal occurring, preventing decisions on the Company's financial and business policies from being controlled by persons or companies regarded as inappropriate according to the basic policy.

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 (i) purchase of the Company's share certificates, etc. by a Group of shareholders with the intent of holding a ratio of share certificates, etc. or owning a ratio of share certificates, etc. of the Company of at least 20% or (ii) purchase of the Company's share certificates, etc. resulting in a Group of shareholders' holding ratio of share certificates, etc. or ownership ratio of share certificates, etc. of the Company being at least 20% (except when the Board of Directors of the Company has given its consent to the action in advance) (the "Large-scale Purchase") arises, pursuant to which the Company requests the person or company conducting the Large-scale Purchase (the "Large-scale Purchaser") to provide information to the Company in advance, secures the time to collect information regarding the Large-scale Purchase and examine such information, and thereafter presents the opinion or alternative proposals of the Board of Directors of the Company to the shareholders, as well as discusses or negotiates with the Large-scale Purchaser directly or indirectly through the Independent Committee or the Board of Directors of the Company.

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

If (i) the Large-scale Purchaser fails to comply with the procedures under the Plan, or (ii) the Large-scale Purchase complies with the procedures under the Plan, but the Large-scale Purchase falls under any of the following requirements set forth in the Plan and obviously harms the corporate value of the Company and common interests of its shareholders, the Company may allot one unit of the right to subscribe for new shares for no consideration for each share of common stock of the Company held by shareholders of the Company at that time unless there are special circumstances such as the Large-scale Purchaser continues to provide information or it is necessary to discuss or negotiate with the Large-scale Purchaser. The rights to subscribe for new shares will include a condition prohibiting the Large-scale Purchaser from exercising the right to subscribe for new shares, and an acquisition clause under which the Company may acquire the rights to subscribe for the new shares from shareholders of the Company other than the Large-scale Purchaser in exchange for the issuance the shares of the Company (the "Rights to Subscribe for New Shares"). However, the number of the shares of common stock of the Company for each Right to Subscribe for New Shares may be less than one share depending on the number of shares that are issuable at the time of the allotment of the Rights to Subscribe for New Shares.

- (i) The purchase could cause obviously harm the corporate value of the Company and the common interests of the shareholders, due to the following conduct:
  - (a) buy-out of the Company's shares in order to demand that the Company purchase the said shares at an inflated price;
  - (b) set-up of management to serve the interests of the Large-scale Purchaser to the detriment of the Company by actions such as obtaining temporary control of the Company's management to enable the Large-scale Purchaser to make a low-cost acquisition of the Company's material assets, etc.;
  - (c) diversion of the Company's assets to secure or repay the debts of the Large-scale Purchaser or of its group company; or
  - (d) temporary control of the Company's management to bring about a disposal of its high-value assets that have no current relevance to the Company's business and declaring temporary high dividends from the profits of the disposal, or selling the shares at a high price, taking advantage of the opportunity afforded by the sudden rise in share price created by the temporary high dividends.
- (ii) In case the purchase threatens to have the effect of coercing the shareholders to sell their shares, such as in the case of a coercive two-tiered tender offer.
- (iii) The terms of the purchase are inadequate or inappropriate in light of the Company's intrinsic value.
- (iv) The purchase materially threatens to oppose the corporate value of the Company and the common interests of shareholders, by destroying relationships with the Company's shareholders, employees, business acquaintances, medical institutions, customers, and other stakeholders, which are indispensable to the generation of the Company's corporate value.

### (3) Convocation of the Confirmation Meeting

Upon implementing the countermeasures, the Board of Directors of the Company may convene a general meeting of shareholders (the "Confirmation Meeting") and confirm the intent of the Company's shareholders regarding the implementation of countermeasures if (i) the Independent Committee recommends implementation of the countermeasures subject to approval by the general meeting of shareholders in advance, or (ii) the applicability of the requirements listed in (i) through (iv) of (2) above becomes an issue regarding the Large-scale Purchase and the Board of Directors of the Company determines it appropriate to confirm the shareholders' intent taking into consideration the time required to convene a general meeting of shareholders and other matters pursuant to the duty of care of a good manager.

### (4) Impact on Shareholders and Investors Resulting from the Countermeasures

The allotment of the rights to subscribe for new shares for no consideration will not be conducted at the time of Renewal. It will not have any direct impact on the rights or interests of shareholders of the Company and investors.

Moreover, even if the Company implements the allotment of the rights to subscribe for new shares for no consideration pursuant to the Plan, and, pursuant thereto, the shareholders of the Company other than the Large-scale Purchaser exercise such right, or if the shares of the Company are issued to shareholders of the Company other than the Large-scale Purchaser in exchange for the acquisition by the Company of the Rights to Subscribe for New Shares, the ratio of voting rights of the shareholders of

the Company, other than the Large-scale Purchaser, will not be diluted. On the other hand, the ratio of the voting rights of the Large-scale Purchaser may be diluted.

### 3. Reasonableness of the Plan

The Company believes that the Plan conforms to the basic policy of the Company. Also, the Company believes that the Plan is neither harmful to the corporate value of the Company or the common interests of shareholders nor intended to maintain the status of directors and/or statutory auditors of the Company in light of the basic policy for the following reasons.

#### (1) Satisfaction of requirements under guidelines regarding takeover defense measures

The Plan fully satisfies the three principles set out in the Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. Also, the Plan is reasonable by introducing details based on the Takeover Defense Measures in Light of Recent Environmental Changes released on June 30, 2008 by the Corporate Value Study Group established under the Ministry of Economy, Trade and Industry.

#### (2) Placing high value on the intent of shareholders

The Plan will be renewed subject to the shareholder's approval at the Company's annual general meeting of shareholders for the 98th fiscal year scheduled to be held on June 23, 2010. The Board of Directors of the Company may, under certain circumstances, confirm the intent of the Company's shareholders at the Confirmation Meeting regarding the need to implement the Plan. Further, the Plan is subject to a so-called sunset clause setting the effective period of approximately three years and if, even before the expiration of the effective period of the Plan, the Board of Directors of the Company resolves to abolish the Plan, the Plan will be abolished at that time.

#### (3) Emphasis on the decisions of independent outside directors and establishment of reasonable, objective requirements

The Company must obtain a determination by the Independent Committee, composed of three members who are highly independent outside directors, when making decisions for the implementation of the Plan, and the Board of Directors of the Company must respect the recommendation by the Independent Committee to the fullest extent and make a resolution in accordance with the recommendation. The Plan is established so that it will not be implemented unless reasonable, detailed and objective requirements have been satisfied, and ensures a structure to eliminate arbitrary implementing by the Board of Directors of the Company.

#### (4) Obtaining the advice of third-party experts

If the Large-scale Purchaser emerges, the Independent Committee may obtain advice from independent third-party experts (including financial advisors, certified public accountants, lawyers, consultants and other experts) at the Company's expense, which is a mechanism to even further ensure the fairness and objectivity of the decisions made by the Independent Committee.

#### (5) Prevention of abuse of the Plan by the Board of Directors

The Plan is not a takeover defense measure in which even if a majority of the members of the

Board of Directors are replaced, the implementing of the Plan cannot be stopped. Also, the Plan is not a takeover defense measure in which implementing takes more time to stop due to the fact that all members of the Board of Directors cannot be replaced at once.

This document is prepared only for better understanding of the countermeasures to large-scale purchases of the Company's shares (takeover defense measures). Please refer to the material disclosed by the Company on May 11, 2010 for further details.