[Translation]

News Release

Santen

Company Name:	Santen Pharmaceutical Co., Ltd.
Company Representative:	Akira Kurokawa, President and Chief Executive Officer (Code: 4536; 1st Sections of Tokyo Stock Exchange and Osaka Securities Exchange)
Contact:	Takashi Hibi, General Manager Corporate Communication Group (TEL: 06-6321-9957)

Notice Concerning Execution of Business and Capital Alliance Agreement and Disposal of Treasury Stock Through Third-Party Allotment

Santen Pharmaceutical Co., Ltd. (the "Company") hereby announces that at a meeting of its board of directors held on February 8, 2011 the Company resolved to enter into a business and capital alliance with Development Bank of Japan Inc. ("DBJ") through execution of a business and capital alliance agreement (the "Business and Capital Alliance Agreement") with DBJ and to dispose of the Company's treasury stock through a third-party allotment to DBJ (the "Third-party Allotment") and that on the same date the Company executed that Business and Capital Alliance Agreement. Details are provided below.

I. Execution of the Business and Capital Alliance Agreement

1. Outline of the business and capital alliance

(1) Purpose of and reasons for the business and capital alliance

The Company has made contributions to the maintenance and improvement of human eyesight and health as a unique pharmaceutical company that specializes in the areas of ophthalmology and rheumatoid arthritis. It has established for itself a leading position in the Japanese market for prescription ophthalmic pharmaceuticals and anti-rheumatic pharmaceuticals. The Company has also expanded its business globally, based on the solid foundation it has established in Japan through its pharmaceutical operations. The first step in those efforts was the establishment of a U.S. subsidiary in 1993. Since then, the Company has entered into European and Asian markets and now continues to expand its business overseas in seven countries. Growth in prescription ophthalmic markets overseas continues to outpace that in the Japanese market. This trend is particularly evident in Asian markets including China and other emerging markets, where predictions indicate further large-scale expansion of those markets. In the future, the Company aims to provide patients around the world with the newest in pharmaceutical products by accelerating the development of its overseas businesses.

At the same time, DBJ has been strengthening its efforts to carry out "value-creating equity investment to assist corporate growth strategy." In making these efforts, DBJ has adopted an investment style through which DBJ assists clients targeted for DBJ investment, improving each of those client's medium- and long-term corporate value by providing the client with multifaceted support in terms of not only financing, but also networks, expertise, and human resources for specific areas of the growth strategies developed by those clients, including overseas strategies, alliance and M&A strategies, and capitalization strategies.

DBJ, who has had an ongoing business relationship with the Company, proposed a business and capital alliance for the purpose of supporting its business development through equity investment to the Company.

Upon receipt of the proposal, the Company, mindful of market trends surrounding the Company and the Company's strategies, held discussions with DBJ and decided to enter into a Business and Capital Alliance Agreement with DBJ for the purpose of taking advantage of DBJ's experience as an industry supporting financial institution and its overseas network and receiving from DBJ support for procurement of human resources suited to the Company's diversifying business environment in the future and prospective M&A related support, in order to facilitate the active development of the Company's global operations including the area of prescription ophthalmic pharmaceuticals and anti-rheumatic pharmaceuticals.

In the future, when the Company considers development of its business in emerging markets, this business alliance will allow the Company to receive DBJ's support and advice based on DBJ's extensive experience and knowledge as an industry supporting financial institution, including provision of information on overseas markets through the utilization of DBJ's overseas network, introduction of business partners, M&A related assistance, and procurement of human resources required by the Company.

(2) Details of the business alliance

DBJ will provide the Company with support to enhance the Company's corporate value, with a focus on the following areas:

(i) overseas strategies;

(ii) alliance and M&A strategies; and

(iii) capitalization strategies.

The main details of specific support that DBJ will provide the Company are as follows:

a. cooperation to reinforce professional human resources;

b. introduction of candidates for the roles of outside directors and outside auditors;

c. provision of information related to overseas business strategies and M&A strategies, through the utilization of DBJ's domestic and international network; and

d. support for execution of individual deals and projects, including advisory services.

If the Company considers it necessary for the business alliance, the Company and DBJ will, for each transaction, enter into an agreement stipulating details of fees, costs, confidentiality, and other provisions concerning advice and support provided by DBJ.

(3) Details of the capital alliance

In order to strengthen the relationship of trust between the Company and DBJ and to smoothly promote the business alliance, DBJ intends to acquire the Company's shares of common stock by March 31, 2011 in a certain amount (equal to approximately 4% of the Company's outstanding shares), and the Company intends to cooperate in the acquisition to a reasonable extent. The Third-party Allotment will be carried out as a part of the capital alliance and DBJ is expected to acquire 1,910,100 shares of the Company's treasury stock. The number of the Company's shares of common stock to be acquired by DBJ through the Third-party Allotment constitutes 2.19% of the total number of the Company's outstanding shares.

2. Schedule

(1) Board of directors resolution	February 8, 2011
(2) Execution of business and capital alliance agreement	February 8, 2011
(3) Payment date for Third-party Allotment	February 25, 2011

3. Future prospects

Although the Company expects that this business and capital alliance will contribute to improving its corporate value, there is no change to the consolidated business results forecast on fiscal year ended March 31, 2011. If any change occurs in the future, the Company will provide prompt notification.

II. Third-party Allotment through third-party allotment

1. Outline of disposal

(1) Disposal date	February 25, 2011
(2) Number of shares for disposal	1,910,100 shares of common stock
(3) Disposal price	2,953 yen per share
(4) Amount to be raised	5,640,525,300 yen
(5) Method of disposal	Third-party allotment
(6) Transferee	Development Bank of Japan Inc.
(7) Other	Not applicable

2. Purpose of and reasons for disposal

As described in "1. Outline of business and capital alliance" of "I. Execution of the Business and Capital Alliance Agreement" above, the Company and DBJ have agreed to enter into the business and capital alliance in order to expand the Company's business, with a particular focus on its overseas business, and to strengthen the Company's competitiveness. The Company has decided to dispose of the Company's shares of treasury stock with DBJ as prospective transferee, in conjunction with the execution of the Business and Capital Alliance Agreement, in order to build a relationship of trust between the Company and DBJ and to smoothly promote cooperation between both parties.

3. Amount, intended use of, and payment schedule for funds to be raised

(1) Amount of funds to be raised

Total amount to be paid (yen)	Estimated expenses for issuance (yen)	Estimated net after expenses (yen)
5,640,525,300	1,500,000	5,639,025,300

(2) Specific intended use of funds to be raised

The estimated net after expenses above (5,639,025,300 yen) are scheduled to be appropriated in full to the purchase of candidates for development of prescription ophthalmic pharmaceuticals in relation to research and development of globally strategic products (pharmaceuticals targeting domestic and overseas markets) by the Company. The Company plans to use the funds during the fiscal year ending March 31, 2012. The Company will suitably manage the raised funds at the bank account of the Company until they are used.

4. Rationale for use of funds

The Company will raise the funds through the Third-party Allotment in order to utilize them for purchasing [candidates for development of prescription ophthalmic pharmaceuticals in relation to research and development of globally strategic products] necessary for the medium- and long-term growth of the Company and seek to improve its medium- and long-term corporate value. The Company regards the use of the funds in this manner to be reasonable and therefore believes that raising these funds will benefit the existing shareholders of the Company.

5. Rationale for terms and conditions of disposal

(1) Basis of calculation of disposal price and related details

The disposal price of 2,953 yen (rounding upwards any fraction of a yen) is the simple average closing price of the Company's shares of common stock quoted by Osaka Securities Exchange Co., Ltd. for the one-month period prior to February 7, 2011, which is the trading day immediately preceding the date of the board of directors resolution regarding the Third-party Allotment (February 8, 2011). The Company decided on the disposal price upon consultation with the prospective transferee, based on the judgment that the recent market price of shares for a certain period is a reasonable and an objective basis of calculation for the disposal price.

The disposal price is (i) the closing price of the Company's shares of common stock (2,995 yen) on the trading day immediately preceding the date of the board of directors resolution with a discount of 1.40 %, (ii) the simple average closing price (2,891 yen) for the three-month period prior to the trading day immediately preceding the date of the board of directors resolution with a premium of 2.14 %, and (iii) the simple average closing price (2,927 yen) for the six-month period prior to the trading day immediately preceding the date of the board of directors resolution with a premium of 0.89 %.

The Company believes that the basis of calculation for the disposal price stated above conforms to the "Guide for Handling Capital Increase Through Third-Party Allotment" of the Japan Securities Dealers Association. In addition, all four statutory auditors of the Company (three of whom are outside statutory auditors), who attended the board of directors meeting regarding the disposal of treasury stock, expressed their opinion that the disposal price stated above is not a particularly favorable disposal price and should be considered lawful.

(2) Rationale for decision that number of shares for disposal and scale of share dilution are reasonable

The number of shares subject to the Third-party Allotment (1,910,100 shares (19,101 voting rights)) is equal to 2.19% of the total number of outstanding shares of the Company (voting rights ratio: 2.20%) as of January 31, 2011 (total number of outstanding shares: 87,033,003 shares (total number of voting rights: 869,505*)), and the Company believes that the scale of share dilution and its effect on the secondary market will be insignificant. Also, the Company believes that the Third-party Allotment, together with the execution of the Business and Capital Alliance Agreement with the prospective transferee, will strengthen the relationship of trust between the Company and the prospective transferee and facilitate the business alliance between them, thereby enhancing the corporate value of the Company group. For these reasons, the Company decided that the number of shares to be disposed of and the scale of share dilution are reasonable.

* The total number of voting rights is the total number of voting rights (850,404) as of September 30, 2010, plus the number of voting rights (19,101) by which the total number of voting rights will increase as a result of the Third-party Allotment.

6. Reason for selecting prospective transferee and other related matters

(1) Overview of prospective transferee

(1) Name	Development Bank of Japan Inc.
(2) Location	9-1, Otemachi 1-chome, Chiyoda-ku, Tokyo
(3) Name and title of representative	Minoru Murofushi, President and Representative Director
(4) Principal business	Finance and Insurance
(5) Capital	1,181,194 million yen
(6) Date of incorporation	October 1, 2008
(7) Number of outstanding shares	43,623,880 shares
(8) Fiscal year-end	March 31

(9)	Number of employees	1,079 (as of March 31, 2010)
(10)	Main clients	-
(11)	Main banks	-
(12)	Major shareholders and shareholding ratio	Finance Minister of Japan (100%)
(13)	Relationship with the Company	
	Capital relationship	There is no capital relationship of note between the Company and DBJ. Also, there is no important capital relationship between the affiliated persons and affiliated companies of the Company and the affiliated persons and affiliated companies of DBJ.
	Personnel relationship	There is no personnel relationship of note between the Company and DBJ. Also, there is no important personnel relationship between the affiliated persons and affiliated companies of the Company and the affiliated persons and affiliated companies of DBJ.
	Business relationship	Banking transactions are carried out between the Company and DBJ.
	Status of related parties	DBJ is not deemed to be a related party of the Company. Also, persons and companies affiliated with DBJ are not deemed to be related parties of the Company.

(14) Operating results and financial position for the last three years (Unit: millions of yen, unless otherwise specified)

Fiscal year-end	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009 (Six-month results)	Fiscal year ended March 31, 2010
Consolidated net assets	-	2,086,456	2,327,538
Consolidated gross assets	-	14,028,056	15,595,740
Consolidated net assets per share (yen)	-	51,921.75	52,829.56
Consolidated total income	-	154,831	353,707

Consolidated income before income taxes and minority interest	-	(118,120)	51,105
Consolidated net income	-	(128,342)	39,893
Consolidated net income per share (yen)	-	(3,208.55)	970.47
Dividend per share (non-consolidated) (yen)	-	-	230.00

* Figures in brackets indicate losses.

* As the prospective transferee was established on October 1, 2008, there is no information on results for the fiscal year ended March 2008, and the results for the fiscal year ended March 2009 are the six-month results from October 1, 2008 through March 31, 2009.

* The Company has confirmed that the prospective transferee has formulated a "Basic Policy for Internal Control," established a system to ensure that the performance of duties by the officers and employees of the prospective transferee complies with laws and ordinances and the articles of incorporation of the prospective transferee, and maintains a system to block any connection with anti-social forces that pose a threat to the order and safety of society. In addition, the shareholder of the prospective transferee is the Finance Minister of Japan. Based on the reasons stated above, the Company has confirmed that no connection exists between the officers, employees, and shareholders of the prospective transferee and any anti-social forces and has submitted written confirmation to that effect to Tokyo Stock Exchange, Inc. and Osaka Securities Exchange, Co., Ltd.

(2) Reasons for selection of prospective transferee

Please refer to "2. Purpose of and reasons for disposal" set out above.

(3) Prospective transferee's policy regarding holding shares

The Company has been notified by the prospective transferee that the prospective transferee intends to hold on an ongoing and medium- to long-term basis the Company's shares of treasury stock that the prospective transferee is to acquire through the Third-party Allotment.

In addition, the Company has obtained the prospective transferee's informal consent that the prospective transferee will submit a written commitment to the Company agreeing that (i) if, at any time during a two-year period commencing on the date of the Third-party Allotment, the prospective transferee transfers all or any number of the Company's shares acquired by it through the Third-party Allotment, the prospective transferee will report to the Company the name of the party receiving that transfer and the number of shares transferred and any other details without delay and (ii) the Company will inform Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd. of the details of the prospective transferee's report and the details of the report will be made available for public inspection.

(4) Verification of existence of funds required for payment by prospective transferee

The Company has verified that the prospective transferee has sufficient funds to pay for the Third-party Allotment by examining the interim balance sheet included in the semi-annual report submitted by the prospective transferee to the Director of Kanto Local Finance Bureau on December 24, 2010, which indicates that the prospective transferee has cash and deposits of 44,770 million yen (as of September 30, 2010).

7. Major shareholders and their shareholding ratio after disposal

Before the disposal (as of September 30, 2010)		After the disposal	
Japan Trustee Services Bank, Ltd.	14.47%	Japan Trustee Services Bank, Ltd.	14.47%
Mita Sangyo Co., Ltd.	5.46%	Mita Sangyo Co., Ltd.	5.46%
The Master Trust Bank of Japan, Ltd.	5.09%	The Master Trust Bank of Japan, Ltd.	5.09%
State Street Bank and Trust Company	3.68%	State Street Bank and Trust Company	3.68%
Nippon Life Insurance Company	3.46%	Nippon Life Insurance Company	3.46%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3.07%	Tokio Marine & Nichido Fire Insurance Co., Ltd.	3.07%
Mellon Bank Treaty Clients Omnibus	2.44%	Mellon Bank Treaty Clients Omnibus	2.44%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.44%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.44%
Trust & Custody Services Bank, Ltd.	2.20%	Trust & Custody Services Bank, Ltd.	2.20%
	-	Development Bank of Japan Inc.	2.19%

8. Future prospects

This disposal of the Company’s treasury stock is a capital transaction and has no effect on the consolidated business results of the Company for the fiscal year ended March 31, 2011.

9. Matters concerning procedures relating to corporate code of conduct

There is no need to obtain an opinion from an independent third party or the consent of the shareholders, as provided for in Article 432 of the Securities Listing Regulations stipulated by the Tokyo Stock Exchange and in Article 2 of the Regulations regarding Code of Corporate Conduct stipulated by Osaka Securities Exchange Co., Ltd., because the Third-party Allotment will not result in (i) a dilution of 25% or more or (ii) a change in the controlling shareholders (no change is expected in the controlling shareholders even if all of the share options or put options are exercised).

10. Matters concerning transactions with controlling shareholders

This business and capital alliance and the Third-party Allotment do not fall under a transaction with controlling shareholders.

11. Business results and equity finance conditions for the last three years

(1) Business results for last three years (consolidated)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Consolidated net sales	103,394 million yen	101,618 million yen	110,594 million yen
Consolidated operating income	20,370 million yen	15,494 million yen	29,640 million yen
Consolidated ordinary income	20,702 million yen	15,935 million yen	29,862 million yen
Consolidated net income	12,650 million yen	10,123 million yen	18,722 million yen
Consolidated net income per share	146.15 yen	119.08 yen	220.10 yen
Dividend per share	80.00 yen	80.00 yen	80.00 yen
Consolidated net assets per share	1,494.48 yen	1,472.32 yen	1,614.08 yen

(2) Current number of outstanding shares and potential shares (as of January 31, 2011)

	Number of shares	Ratio to outstanding shares
Number of outstanding shares	87,033,003 shares	100.0%
Number of potential shares at current conversion price (exercise price)	96,860 shares	0.1 %
Number of potential shares at minimum conversion price (exercise price)	0 shares	0 %
Number of potential shares at maximum conversion price (exercise price)	0 shares	0 %

(3) Recent share price trends

(i) Share prices for last three years

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Opening	3,070 yen	2,330 yen	2,755 yen

High	3,390 yen	3,050 yen	3,340 yen
Low	2,140 yen	2,125 yen	2,460 yen
Closing	2,325 yen	2,740 yen	2,806 yen

(ii) Share prices for last six months

	August	September	October	November	December	January
Opening	2,900 yen	3,015 yen	2,881 yen	2,778 yen	2,861 yen	2,851 yen
High	3,100 yen	3,140 yen	3,025 yen	2,917 yen	2,948 yen	3,050 yen
Low	2,783 yen	2,873 yen	2,753 yen	2,694 yen	2,820 yen	2,824 yen
Closing	3,010 yen	2,891 yen	2,778 yen	2,879 yen	2,820 yen	2,946 yen

(iii) Share price on business day prior to issuance resolution date

	February 7, 2011
Opening	3,010 yen
High	3,010 yen
Low	2,979 yen
Closing	2,995 yen

(4) Equity finance conditions for last three years

Not applicable

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