

## **Notice of Acquisition and Tender Offer of Treasury Stock**

Osaka, Japan, August 1, 2012-- Santen Pharmaceutical Co., Ltd. (Osaka, Ticker Code 4536JP) (the “Company”) hereby announces that it was resolved at the Board of Directors meeting held on August 1, 2012 to acquire treasury stock specifically by means of tender offer (“Tender Offer”) pursuant to Article 156, Paragraph 1, applied with certain replacement of terms as provided in Article 165, Paragraph 3 of the Company Act (Law No. 86 of 2005, as amended) and the provisions of its Articles of Association.

### 1. Purpose of Tender Offer

The Company has set the profit return to shareholders as the Company’s management priority, and has been offering appropriate dividends based on its business performance while considering investment in R&D, which improves the capital efficiency and enhances the corporate value, internal reserves required for the future development of business growth strategies and other factors. At the same time, the Company adopts as the dividend index DOE (dividend on equity ratio), a figure of dividend payout ratio multiplied by ROE (return on equity), with the aim of offering the shareholders dividends on a continuous and stable basis. Seeking to satisfy both the profit return to shareholders by dividend and the improvement of capital efficiency, the Company has established the target of 5% DOE in its mid-term management plan of the fiscal years from 2011 through 2013.

Under such circumstances, the Company was notified early July, 2012 by Mita Sangyo Co., Ltd., the Company’s second largest shareholder (holding 4,756,281 shares as of August 1, 2012 which account for 5.46 % (rounded off to two decimal places) of the Company’s total issued stock, 87,155,703 shares, as of July 31, 2012. “Mita Sangyo”), that Mita Sangyo intends to sell all of its holding common shares of the Company. Mita Sangyo is a corporation which has been engaged in the asset management business of the Company’s founders. The Company and Mita Sangyo have no significant personnel, capital, nor transaction relationships.

In response to the said notification by Mita Sangyo, the Company started a specific review of acquiring the relevant common shares as treasury stock based on a comprehensive assessment of the liquidity of the Company’s common shares and impact on the market price thereof as a result of the one-time release of not a small amount of shares on the market, as well as the Company’s financial status. The Company presumed that the Company’s acquisition of new treasury stock would improve the Company’s EPS (earnings per share), ROE and other capital efficiencies and lead to the profit return to the shareholders and that the said acquisition would not seriously affect the Company’s financial status and dividend policy, and concluded that the acquisition of new treasury stock would be in line with the Company’s basic policy on profit return mentioned above.

With regard to the specific method of acquiring new treasury stock, the Company judged, upon careful review from the perspectives of shareholder equality and transactional transparency, that the method of tender offer would be appropriate. In determining the purchase price for the Tender Offer (“Purchase Price”), the Company believed that the base price which is the appropriate price of the Company’s common stock should be based on the market price, with an emphasis on the clarity and objectivity of determining criteria. Accordingly, with the intent of respecting the interests of the shareholders who continue to hold the Company’s shares without subscribing for the Tender Offer, the Company decided, for the purpose of asset retention, that the acquisition of treasury stock should be conducted at a price after a certain discount from the market price. In addition, the maximum number of stock to be purchased in the

Tender Offer was determined to be 5,000,000 shares (5.74 % (rounded off to two decimal places) of the Company's total issued stock, 87,155,703 shares as of July 31, 2012) with the aim of offering an opportunity for subscription to the shareholders other than Mita Sangyo.

The Company plans to pay for the Tender Offer entirely on its own resources. The Company has liquid capital reserves (cash, bank deposits and investment securities) on a consolidated basis of approximately 66 billion yen as of the end of June 2012 and assures sufficient liquid capital reserves after paying approximately 14 billion yen for the Tender Offer. Furthermore, the Company believes that its financial health and safety will be secured even after payment for the Tender Offer on its own resources because the Company's cash flow will be constantly accumulated through business operations.

With the process explained above, the Company resolved at its Board of Directors meeting held on August 1, 2012 to implement the Tender Offer as a specific method of acquiring treasury stock pursuant to Article 156, Paragraph 1, which are applied with replacement provided in Article 165, Paragraph 3 of the Company Act and the provisions of its Articles of Association. The Company has received from Mita Sangyo a written pledge to offer all of the Company's common stock held by Mita Sangyo to the Tender Offer in the event that the Company resolved to make a tender offer of treasury stock.

For your reference, all of treasury stock newly acquired in the Tender Offer is scheduled to be canceled by the end of 2012.

## 2. Details of Board Resolution Regarding Acquisition of Treasury Stock

### (1) Details of Board Resolution

Class of Shares	Total Number of Shares	Aggregate Purchase Amount
Common Stock	Up to 5,000,100 shares	Up to 14,000,000,000 yen

(Note 1) Total number of issued stock: 87,155,703 shares as of July 31, 2012

(Note 2) Ratio against total number of issued stock: 5.74 % (rounded off to two decimal places)

(Note 3) Period of acquisition: August 2, 2012 through September 24, 2012

- (2) Listed shares, etc. related to treasury stock already acquired based on the resolution  
Not applicable.

## 3. Outline of Tender Offer, etc.

### (1) Time Table

① Date of Board Resolution	August 1, 2012 (Wednesday)
② Date of Public Notice for Commencing Tender Offer	August 2, 2012 (Thursday) Through EDINET (URL: <a href="http://info.edinet-fsa.go.jp/">http://info.edinet-fsa.go.jp/</a> ) and Nikkei Newspaper
③ Date of Tender Offer Notification	August 2, 2012 (Thursday)
④ Period of Tender Offer	From August 2, 2012 (Thursday) through August 29, 2012 (Wednesday) (20 business days in Japan)

- (2) Purchase Price                      2,782 yen per share

### (3) Calculation Basis for Purchase Price

#### 1) Calculation Basis

In calculating the Purchase Price, the Company made considerations based on the market price of the Company's common stock with an emphasis on the clarity and objectivity of determining criteria, while taking into account the

facts that the Company's common stock is listed and that acquisition of treasury stock by listed companies is generally conducted by purchasing shares on a financial instruments exchange. With respect to the calculation of adequate market price of the Company's common stock, in light of market fluctuations on a daily basis due to economic and other circumstances, the Company considered that it should take into account fluctuations of stock prices for a certain period and referred to the closing price of 3,335 yen for the Company's common stock on the business day (July 31, 2012) immediately preceding the date of the Board of Directors meeting which was convened to resolve the implementation of the Tender Offer, August 1, 2012, the average closing price of 3,284 yen (rounded off to the nearest whole number) for the Company's common stock for the past one month ending on July 31, 2012, and the average closing price of 3,092 yen (rounded off to the nearest whole number) for the Company's common stock for the past three month ending on July 31, 2012, on the First Section of Osaka Securities Exchange Co., Ltd. ("OSE").

On the other hand, the Company determined that it would be desirable for the Company to purchase the shares for treasury stock at a price that incorporated a certain amount of discount on the market price from the perspective of protecting the interests of the shareholders who continue to hold the Company's common stocks. With respect to the discount rate, reference was made to precedents of acquisition of treasury stock of tender offer.

In late July 2012, the Company proposed Mita Sangyo with respect to subscription in the event the Company proceeds with the Tender Offer at a discounted price of approximately 10% of the market price of the Company's common stocks, and Mita Sangyo responded that it would be willing to consider the subscription at such price level. Consequently, the Company received a written pledge from Mita Sangyo affirming its intention to subscribe all of its common stocks to the Tender Offer, in the event the Company resolved to effect the Tender Offer of treasury stock.

Accordingly, at the Board of Directors meeting convened on August 1, 2012, the Company decided that the Purchase Price shall be 2,782 yen (fractions of one yen truncated), derived from applying the discount rate of 10% on the average closing price of 3,092 yen (rounded to the nearest whole number) for the Company's common stock over the past three-month period ending on July 31, 2012 on the First Section of OSE, the period of which the most recent business performance is deemed to be adequately reflected on the share prices of the Company.

The Purchase Price of 2,782 yen represents a discount rate of 16.58% (rounded off to two decimal places) on the closing price of 3,335 yen for the Company's common stock on the business day (July 31, 2012) immediately preceding August 1, 2012, the date the Board of Directors convened and resolved on executing the Tender Offer, a discount rate of 15.29% (rounded off to two decimal places) on the average closing price of 3,284 yen (rounded to the nearest whole number) for the Company's common stock over the most recent one-month period ending on July 31, 2012, and a discount rate of 10.03% (rounded off to two decimal places) on the average closing price of 3,092 yen (rounded to the nearest whole number) for the Company's common stock over the most recent three-month period ending on July 31, 2012.

## 2) Background of Calculation

The Company has set the profit return to shareholders as the Company's management priority, and has been offering appropriate dividends based on its business performance while considering investment in R&D, which improves the capital efficiency and enhances the corporate value, internal reserves required for the future development of business growth strategies and other factors. Under such circumstances, the Company was notified early July, 2012 by Mita Sangyo that it intends to sell all of its holding common shares of the Company.

In response to the said notification by Mita Sangyo, the Company started a specific review of acquiring the relevant common shares as treasury stock based on a comprehensive assessment of the liquidity of the Company's common shares and impact on the market price thereof as a result of the one-time release of not a small amount of shares on the market, as well as the Company's financial status. The Company presumed that the Company's acquisition of new treasury stock would improve the Company's EPS (earnings per share), ROE and other capital efficiencies and lead to the profit return to the shareholders and that the said acquisition would not seriously affect the Company's financial status and dividend policy, and concluded that the acquisition of new treasury stock would be in line with the Company's basic policy on profit return mentioned above.

With regard to the specific method of acquiring new treasury stock, the Company judged, upon careful review from the perspectives of shareholder equality and transactional transparency, that the method of tender offer would be appropriate. In determining the purchase price for the Tender Offer (“Purchase Price”), the Company believed that the base price which is the appropriate price of the Company’s common stock should be based on the market price, with an emphasis on the clarity and objectivity of determining criteria. Accordingly, with the intent of respecting the interests of the shareholders who continue to hold the Company’s shares without subscribing for the Tender Offer, the Company decided, for the purpose of asset retention, that the acquisition of treasury stock should be conducted at a price after a certain discount from the market price. With respect to the discount rate, reference was made to precedents of acquisition of treasury stock of tender offer.

In late July 2012, the Company proposed Mita Sangyo with respect to subscription in the event the Company proceeds with the Tender Offer at a discounted price of approximately 10% of the market price of the Company’s common stocks, and Mita Sangyo responded that it would be willing to consider the subscription at such price level. Consequently, the Company received a written pledge from Mita Sangyo affirming its intention to subscribe all of its common stocks to the Tender Offer, in the event the Company resolved to effect the Tender Offer of treasury stock.

Accordingly, at the Board of Directors meeting convened on August 1, 2012, the Company decided that the Purchase Price shall be 2,782 yen (fractions of one yen truncated), derived from applying the discount rate of 10% on the average closing price of 3,092 yen (rounded to the nearest whole number) for the Company’s common stock over the past three-month period ending on July 31, 2012 on the First Section of the OSE, the period of which the most recent business performance is deemed to be adequately reflected on the share prices of the Company.

(4) Number of Shares Planned to be Acquired

Class of Shares	Number of Shares to be Acquired	Planned Number of Shares in Excess	Total Number of Shares
Common Stock	5,000,000 shares	– share	5,000,000 shares

(Note 1) If the total number of tendered shares does not exceed the number of shares planned to be acquired (5,000,000 shares), all of the tendered shares will be acquired. If the total number of listed shares subscribed exceeds the planned number to be acquired (5,000,000 shares), the excess portion shall not be acquired by tender offer either in full or in part, and transfer or other settlement procedures for the purchase of listed shares, etc. will be conducted by the proportional distribution method stipulated in Article 27-13, Paragraph 5 of the Financial Instruments and Exchange Act (1948 Act No. 25; including subsequent amendments; hereinafter the “Act”), as applied mutatis mutandis pursuant to Article 27-22-2, Paragraph 2 of the Act, and in Article 21 of the Cabinet Office Ordinance concerning the Disclosure of Tender Offers for Listed Shares and Other Securities by the Issuer (1994 Finance Ministry Ordinance No. 95; including subsequent amendments).

(Note 2) Shares numbering less than the trading unit shall be subject to this Tender Offer.

(Note 3) The ratio to the total number of outstanding shares 5.74%

(5) Funds Required for Purchase

13,932,000,000 yen

(Note) The amount of funds required for purchase includes the purchase price and the estimates of the relevant commissions, printing fees for public notices, instructions, and other necessary documents regarding the Tender Offer.

(6) Commencement Date and Method of Payment

1) Name and Address of Tender Offer Agent:

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.  
2-5-2 Marunouchi, Chiyoda-ku, Tokyo

- 2) Commencement Date of Payment:  
September 21, 2012 (Friday)

- 3) Method of Payment:

When the tender offer period ends, the Company will promptly send notification regarding purchase, etc. of the Tender Offer to addresses of subscribing shareholders (standing proxies in case of foreign shareholders).

The purchase will be made in cash. The net amount, after deducting the applicable withholding tax from the payment price of the purchased stock certificates (Note), will be promptly remitted from the tender offer agent to the subscribing shareholders (standing proxies in case of foreign shareholders) beginning on the payment commencement date.

(Note) Tax Issues on Purchased Stocks via Tender Offer

For specific tax-related questions, please consult with a tax accountant or other experts on tax to make a judgment on your own.

(a) Individual Shareholders:

- (i) In the event that subscribing shareholder are either residents or non-residents who own permanent establishment

If the monetary amount to be received via the Tender Offer exceeds the portion of the tender offeror's capital (if a consolidated corporation, then the amount of consolidated capital stock) corresponding to the stock that initiated the payment (if the Purchase Price per share of stock exceeds the tender offeror's capital per share of stock), the excess amount is deemed as a dividend and is subject to tax. Furthermore, the balance of the dividend subtracted from the monetary amount to be received via the Tender Offer will be considered as income from the transfer of shares. If there is no amount that shall be deemed as dividend (if the Purchase Price per share of stock is lower than the tender offer's capital per share of stock), all of the monetary amount to be received will be considered as income from the transfer of shares.

Any amount that shall be deemed as dividend is subject to 10% tax withholding at source (income tax of 7%, resident tax of 3% will be applied) (for any non-resident who owns permanent establishment in Japan, resident tax of 3% will not be applied). Provided, however, in case of large shareholders pursuant to Article 4-6-2, Paragraph12 of the Order for Enforcement of the Act on Special Measures Concerning Taxation ("Large Shareholders"), income tax of 20% will be withheld at source (only income tax will be applied). As a general rule, the balance of any acquisition cost subtracted from the income from the transfer of shares will be subject to separate taxation filing.

- (ii) In the event that subscribing shareholders are non-residents who do not own permanent establishment.

Any amount that shall be deemed as dividend is subject to 7% tax withholding at source (only income tax will be applied). In case of Large Shareholders, income tax of 20% will be withheld at source (only income tax will be applied). As a general rule, any income arising from the transfer of shares will not be subject to tax.

(b) Corporate Shareholders:

In the event that subscribing shareholders are corporate shareholders, and if the monetary amount to be received via this Tender Offer exceeds the portion of the tender offeror's capital corresponding to the stock that initiated the payment (if the Purchase Price per share of stock exceeds the tender offeror's capital per share of stock), the excess amount is deemed as a dividend and is subject to 7% tax withholding at source (only income tax will be applied).

Any foreign shareholders who wish to have income tax on the corresponding dividend amount reduced or exempted on the basis of applicable tax treaty shall inform the tender offer agent by August 29, 2012 that a notification regarding tax treaty will be submitted and submit the notification to the tender offer agent by the business day immediately prior to the payment commencement date (September 20, 2012).

(7) Miscellaneous

- 1) This Tender Offer is not conducted in the United States or for the United States, either directly or indirectly, and is not conducted by means of U.S. mail or other interstate or international commerce methods or means (including, but not limited to, telephone, telex, facsimile, electronic mail and internet communications), and moreover, is not conducted through any securities exchange facility in the United States. This Tender Offer may not be subscribed through any of the aforementioned methods or means, or through the aforementioned facilities, or from the United States.

Furthermore, tender offer notifications or any related documents regarding the Tender Offer are not sent to or distributed, or may not be sent or distributed, in the United States or from the United States by means of mail or any other methods. The Company will not accept any subscriptions to this Tender Offer that directly or indirectly violates the aforementioned restrictions.

Subscribing shareholders and other relevant parties (standing proxies in case of foreign shareholders) are requested to make the following representations and warranties to the tender offer agent.

Subscribing shareholders and other relevant parties: (i) are not in the United States at the times of subscription and submission of the tender offer subscription; (ii) have not received or sent any information regarding the Tender Offer (including any photocopies), directly or indirectly, in the United States, to the United States, or from the United States; (iii) have not used, directly or indirectly, any U.S. mail, other interstate or international commercial methods or means (including, but not limited to, telephone, telex, facsimile, electronic mail and internet communications), and securities exchange facilities in the United States, when signing and delivering any offer or tender offer subscription forms; and (iv) do not act as any other party's agent, trustee or mandatary without discretionary power (except when such other party gives all instructions regarding the offer from the outside of the United States).

- 2) Mita Sangyo, the Company's second largest shareholder, owns 4,756,281 shares of the Company's common stocks (as of August 1, 2012) (the shareholding ratio to the total number of outstanding shares (87,155,703 shares), as of July 31, 2012, is 5.46% (rounded off to two decimal places)), and the Company has received a written pledge from Mita Sangyo affirming its intention to subscribe all of its common stocks to the Tender Offer, in the event the Company resolved to effect the Tender Offer of treasury stock.
- 3) The Company has released, as of August 1, 2012, the latest financial statement (consolidated) for the first quarter of the fiscal year ending in March 2013 (under Japanese accounting standards). The brief summary of the Company's financial statement according to the release is as follows. Please note that the content of the said financial statement has not been given a quarterly review by any accounting firm pursuant to the provisions of Article 193.2.1 of the Act. Please refer to the content of the said release for details.

The brief summary of the financial statement (consolidated) for the first quarter of the fiscal year ending in March 2013 (under Japanese accounting standards (April 1, 2012 to June 30, 2012):

(a) Status of Profit and Loss

Accounting Period	The First Quarter of the Fiscal Year Ending in March 2013
Sales Revenue	27,958 million yen
Cost of Sales	9,448 million yen

Sales Expenses and Administrative Cost	12,387 million yen
Non-operating Income	466 million yen
Non-operating Expenses	42 million yen
Quarterly Net Income	4,277 million yen

(b) Status Per Share of Stock

Accounting Period	The First Quarter of the Fiscal Year Ending in March 2013
Quarterly Net Income Per Share	49.07 yen
Dividend Per Share	—
Amount of Net Assets Per Share	1,885.56 yen

(Note) Number of shares of treasury stock as of June 30, 2012

Number of outstanding shares (excluding treasury stocks): 87,154,108 shares

Number of shares of treasury stocks: 1,595 shares

**Santen Pharmaceutical contact**

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