

NOTICE: This is a translation of a notice in Japanese issued on June 3, 2014 and is made solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

Securities code: 4536

June 3, 2014

**CONVOCATION NOTICE OF
THE 102ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 102nd Annual General Meeting of Shareholders of the Company to be held as set forth below. Your presence at the meeting will be highly appreciated.

If you will be unable to attend the Meeting, you are entitled to exercise your voting rights by written form or via the Internet*. In such case, we request you to exercise your voting rights, after reviewing the attached “Reference Materials for the General Meeting of Shareholders,” by: filling up the Voting Card, indicating your assent or dissent to the items on the agenda, and returning the card to us by mail before 17:30 on Tuesday, June 24, 2014; or, accessing the website (<http://www.evotep.jp/>) designated by the Company for voting using your personal computer, and exercising your voting right before 17:30 of the aforementioned day.

Yours very truly,

Akira Kurokawa

President & CEO

SANTEN PHARMACEUTICAL CO., LTD.

9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka, Japan

[Corporate Headquarters: 4-20, Ofuka-cho, Kita-ku, Osaka, Japan]

*Please note that shareholders outside Japan may not directly use this means outside Japan.

AGENDA

1. **Date and Time: Wednesday, June 25, 2014 at 10:00 a.m.**
(Start admission at 9:00 a.m.)
2. **Place: HINOKI at the 2nd Floor of InterContinental Osaka**
3-60, Ofuka-cho, Kita-ku, Osaka, Japan
3. **Agenda**
Reports: 1. Reports on the Business Report, Consolidated Financial Statements and Financial Statements for the 102nd Business Term (April 1, 2013 to March 31, 2014)

2. Reports on the Audit Reports by the Accounting Auditors and the Board of Corporate Auditors on the Consolidated Financial Statements for the 102nd Business Term (April 1, 2013 to March 31, 2014)

Items for Resolution:

- Proposal No. 1** Appropriation of Surplus
- Proposal No. 2** Appointment of Five (5) Directors
- Proposal No. 3** Appointment of Two (2) Corporate Auditors

4. Matters Determined concerning the Convocation

Please see the “Information on the Exercise of Voting Rights, etc.” on page_3*.

*Japanese version only.

■ Disclosure via the Internet

Pursuant to laws and regulations as well as Article 16 of the Company’s Articles of Incorporation, the lists described below are posted on the website of the Company (<http://www.santen.co.jp/ja/ir/document/meeting.jsp>) and hence, are not provided in the Appendices* hereto.

- (1) The List of Consolidated Notes to the Consolidated Financial Statements; and
- (2) The List of Notes to the Financial Statements.

Please be informed that the Consolidated Financial Statements and the Financial Statements that have been audited by the Board of Corporate Auditors and the Accounting Auditors consist of documents included in the Appendices hereto as well as the List of Consolidated Notes and the List of Notes posted on the website of the Company.

*Japanese version only.

- ◎ If you will be attending the Meeting, upon arrival, please present the enclosed Voting Card to a receptionist at the Meeting.
- ◎ Changes in the Reference Materials for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Financial Statements, if any, shall be publicized via the Internet on the website of the Company (<http://www.santen.co.jp/ja/ir/document/meeting.jsp>).

REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

The Board of Directors proposes to appropriate the surplus as follows:

Matters regarding Term-End Dividends of Profits

Basic Policy on Dividends of Profits

The Company treats the distribution of profits to shareholders as a key management focus. The Company's policy is to set dividends at a level that is commensurate with the performance while, at the same time, maintaining capital efficiency and keeping a sound and flexible financial position that will allow the Company to invest on research and development, which will enhance the corporate value and build up sufficient retained earnings to facilitate our long-term growth strategy. In addition, the Company continues to consider the acquisition and cancellation of its treasury shares as appropriate.

With the aim of generating a future stream of profits to fund more consistent and stable dividends to shareholders, we have adopted the Dividend-on-Equity (DOE) ratio¹ as a performance indicator to measure dividends. DOE is calculated by multiplying the payout ratio with the Return on Equity (ROE). Under Medium-term Management Plan FY2011-2013, the Company aims to maintain DOE at around 5.0%, giving consideration to the distribution of profits to shareholders as well as maintaining capital efficiency.

Term-End Dividends of Profits for the 102nd Business Term

For the 102nd Business Term, the Board of Directors proposes term-end dividends of profits as follows:

Upon the approval of the term-end dividends of profits, the DOE for the current term will be 4.8 % and the average of the DOE under the Medium-term Management Plan FY2011-2013 will be 5.1%.

- (1) Kind of dividend property: cash
- (2) Matters concerning the distribution of the dividend property to shareholders and the aggregate amount thereof: JPY50 per share of the common stocks of the Company, which amounts to JPY 4,129,028,950 in the aggregate. Consequently, the total dividends for the annual business term, including the interim dividends previously distributed (JPY 50 per share), will be JPY 100 per share.
- (3) Effective date of distribution of the dividends from the surplus: June 26, 2014

¹ Equity is the aggregate sum of the shareholder's equity and other accumulated comprehensive income.

Proposal No. 2 Appointment of Five (5) Directors

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

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Profile (Positions and responsibilities at the Company and material posts concurrently held in other juridical persons)	Number of Santen shares owned
1	Akira KUROKAWA (September 5, 1952)	<p>April 1977 Joined the Company</p> <p>April 1997 General Manager, Office of the Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>June 1997 Director</p> <p>June 1998 Deputy Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>May 2001 Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>June 2001 Corporate Officer</p> <p>July 2004 Senior Corporate Officer</p> <p>June 2006 President & COO</p> <p>June 2008 President of Santen Holdings U.S., Inc.</p> <p>June 2008 President & CEO (incumbent)</p>	30,000 shares
2	Sadatoshi FURUKADO (January 14, 1954)	<p>April 1977 Joined the Company</p> <p>November 1996 Area Manager, Tokai Area, Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>April 2000 Head of Prescription Pharmaceuticals Sales Department</p> <p>July 2005 Corporate Officer</p> <p>June 2006 Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>July 2007 Senior Corporate Officer</p> <p>April 2011 Executive Corporate Officer, Japan and Asia Business and Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>June 2011 Director (incumbent)</p> <p>April 2013 Executive Corporate Officer, Japan Business and Human Resources Development, Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>April 2014 Vice President Corporate Officer, in charge of Japan Business and Global Human Resources Development (incumbent)</p>	10,000 shares

5	Takayuki KATAYAMA (October 9, 1945)	<p>June 1997 Director and General Manager, Sales Division of Films Business of Teijin Limited</p> <p>June 2000 Managing Director of Teijin Limited</p> <p>October 2001 General Manager, Films Business Group of Teijin Limited; and CEO of Teijin DuPont Films</p> <p>April 2004 CSO (Chief Strategy Officer) of Teijin Limited</p> <p>June 2004 Senior Managing Director and Representative Director of Teijin Limited</p> <p>June 2006 Executive Vice-President and Representative Director of Teijin Limited</p> <p>April 2007 CSRO (Chief Social Responsibility Officer) of Teijin Limited</p> <p>April 2009 CFO of Teijin Limited</p> <p>June 2011 Senior Advisor to CEO of Teijin Limited (incumbent)</p> <p>June 2012 Outside Director of the Company (incumbent)</p> <p>June 2012 Outside Corporate Auditor of Toyo Seikan Group Holdings, Ltd. (incumbent)</p> <p>Material posts concurrently held in other juridical persons: Senior Advisor to CEO of Teijin Limited Outside Corporate Auditor of Toyo Seikan Group Holdings, Ltd.</p> <p>Total term of office until this Meeting closes: Two (2) years</p> <p>Number of attendance to the Board of Directors' meeting: 13 out of 13 meetings</p>	Nil
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(Note 1) None of the above candidates for Director has a special conflict of interest with the Company.

(Note 2) Among the candidates for Director, Noboru Kotani, Akihiro Okumura and Takayuki Katayama are candidates for Outside Director.

(Note 3) The Company designated each of Noboru Kotani, Akihiro Okumura and Takayuki Katayama as Independent Officers, among the candidates for Director, as set forth under Article 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc., and has filed their names therewith.

(Note 4) Reasons for the appointment of the candidates for Outside Director; and agreement with Outside Directors on limitation of liability:

(1) Reasons for the appointment of the candidates for Outside Director:

(i) As regards Noboru Kotani, considering that he has extensive knowledge and experience in corporate management as a management consultant, the Board of Directors believes that he is well-qualified to be an Outside Director, and proposes his appointment as such.

(ii) As regards Akihiro Okumura, considering that he has extensive knowledge and experience amassed through long years of his professorship of business administration at the undergraduate and graduate schools of several universities, albeit he has no experience of direct involvement in the

management of companies, the Board of Directors believes that he is well-qualified to be an Outside Director, and proposes his appointment as such.

- (iii) As regards Takayuki Katayama, considering that he has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas, the Board of Directors believes that he is well-qualified to be an Outside Director, and proposes his appointment as such.

(2) Agreement with the Outside Directors to limit their liability:

In order to further ensure the Company's objective and transparent management through the invitation and appointment of capable and competent persons for the post of Outside Corporate Director, it is provided, in Article 27 of the Company's current Articles of Incorporation, that the Company may enter into an agreement with any Outside Director to limit his or her liability for any damage that may be caused by his or her negligence in the performance of his or her duty. Pursuant to such provision, the Company has previously entered into an agreement with each of Noboru Kotani, Akihiro Okumura and Takayuki Katayama, the candidates for Outside Director, to limit their liability for any such damage. Upon the approval of the reappointment of these Outside Directors under this Proposal, it is intended that the foregoing agreements will be renewed. The outline of such agreement is as follows:

- In case an Outside Director becomes liable for damages suffered by the Company due to his or her negligence in the performance of his or her duty, he or she shall be liable for such damages only up to the maximum amount set forth in Article 427, Paragraph 1 of the Companies Act.
- The aforementioned limitation on liability shall be allowed an Outside Director only if he or she executed his or her duty, which caused the damages, in good faith and without gross negligence.

Proposal No. 3 Appointment of Two (2) Corporate Auditors

The terms of office of the Corporate Auditors, Yoshihiro Noutsuka and Yasuo Sato will expire at the close of this Annual General Meeting of Shareholders. The Board of Directors proposes the appointment of the two (2) Corporate Auditors specified below.

The Board of Corporate Auditors has consented to the submission of this item for resolution.

The candidates for Corporate Auditor are as follows:

A candidate who is to be newly appointed is shown with an asterisk (*) mark next to their name.

Candidate No.	Name (Date of birth)	Profile (Positions and responsibilities in the Company/other entities and material posts concurrently held in other juridical persons.)	Number of Santen shares owned
1	Yoshihiro NOUTSUKA (March 21, 1953)	<p>April 1976 Joined the Company</p> <p>May 1999 Group Manager of Accounting & Finance Group</p> <p>May 2006 Deputy Head of Corporate Development and Administration Division (in charge of corporate management information planning, communication & control), Group Manager of Corporate Planning & Finance Group and Group Manager of Compliance Group</p> <p>June 2006 Head of Planning & Control Division and Group Manager of Corporate Planning & Finance Group</p> <p>July 2006 Corporate Officer, Head of Planning & Control Division</p> <p>October 2008 Corporate Officer, Corporate, Community and Environment Relations</p> <p>June 2010 Standing Corporate Auditor (incumbent)</p>	3,118 shares
2	* Koichi MATSUZAWA (December 13, 1948)	<p>April 1996 President & CEO, Kirin Europe GmbH</p> <p>March 2004 Executive Officer & General Manager of Production & Quality Control Department, Production Division of Kirin Brewery Company, Limited (currently, Kirin Holdings Company, Limited)</p> <p>March 2005 Managing Executive Officer & General Manager of Production & Quality Control Department, Production Division of the same company</p> <p>March 2006 Managing Director of the same company</p> <p>July 2007 Managing Director of Kirin Holdings Company, Limited</p> <p>March 2008 Representative Director & Managing Director of the same company</p> <p>March 2009 President & CEO of Kirin Brewery Company, Limited</p> <p>March 2012 Retired from the same company</p> <p>Material posts concurrently held in other juridical persons: Not applicable</p>	Nil

(Note 1) The above candidates for Corporate Auditor have no special conflict of interest with the Company.

(Note 2) Among the candidates for Corporate Auditor, Koichi Matsuzawa is a candidate for

Outside Corporate Auditor.

(Note 3) The Company, through a filing, has informed the Tokyo Stock Exchange, Inc. that, upon the approval of the appointment of Koichi Matsuzawa under this Proposal, he will become an Independent Officer as set forth under Article 436-2, Paragraph 1 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.

(Note 4) Reasons for the appointment of the Outside Corporate Auditor; and agreement with the Outside Corporate Auditor on limitation of liability:

(1) Reasons for the appointment of the Outside Corporate Auditor:

As regards Koichi Matsuzawa, he has extensive knowledge and experience amassed through long years of involvement in management in the country and overseas. Since there is no issue as to his independence in relation to the Company, the Board of Directors believes that he is well-qualified to be an Outside Corporate Auditor, and proposes his appointment as such.

(2) Agreement with the Outside Corporate Auditor to limit liability:

In order to further ensure the Company's objective and transparent management through the invitation and appointment of capable and competent persons for the post of Outside Corporate Auditor, it is provided, in Article 35 of the Company's current Articles of Incorporation, that the Company may enter into an agreement with any Outside Corporate Auditor to limit his or her liability for any damage that may be caused by his or her negligence in the performance of his or her duty. Pursuant to such provision, upon the approval of the appointment of Koichi Matsuzawa as the Outside Corporate Auditor under this Proposal, it is intended that the Company will enter into an agreement with him to limit his liability for any such damage. The outline of such agreement will be as follows:

- In case an Outside Corporate Auditor becomes liable for damages to the Company due to his or her negligence in the performance of his or her duties, he or she shall be liable for such damages to the maximum amount set forth in Article 427, Paragraph 1 of the Companies Act.
- The aforementioned limitation on the liability of an Outside Corporate Auditor shall be allowed only if he or she executed his or her duty, which caused the damages, in good faith and without gross negligence.

Consolidated balance sheets

As of March 31, 2014

(Millions of yen)

Assets

Current assets:	156,006
Cash and deposits	63,509
Trade notes and accounts receivables	52,086
Marketable securities	13,111
Inventories	20,031
Deferred tax assets	2,346
Other	4,925
Allowance for doubtful receivables	(3)
Fixed assets:	75,099
Tangible assets	27,628
Buildings and structures	14,146
Machinery, equipment and vehicles	2,210
Land	8,266
Lease assets	155
Construction in progress	816
Other	2,032
Intangible assets	16,585
Goodwill	6,297
In-process research and development	8,357
Software	1,826
Other	102
Investments and other assets	30,885
Investment securities	21,739
Deferred tax assets	5,488
Other	3,657
Total assets	231,105

Liabilities and net assets

Current liabilities:	39,093
Trade notes and accounts payables	14,270
Other payables	9,695
Income taxes payable	8,169
Reserve for bonuses	3,573
Provision for sales returns	135
Other	3,249
Non current liabilities:	10,802
Lease obligations	59
Deferred tax liabilities	2,796
Net defined benefit liability	5,400
Provision for business structure improvement	802
Asset retirement obligations	221
Other	1,521
Total liabilities	49,896
Shareholders' equity:	175,328
Common stock	7,264
Capital surplus	7,958
Retained earnings	160,115
Treasury stock at cost	(9)
Accumulated other comprehensive income:	5,481
Unrealized gains on securities, net of taxes	4,035
Foreign currency translation adjustments	2,574
Remeasurements of defined benefit plans	(1,128)
Stock subscription rights:	399
Total net assets	181,209
Total liabilities and net assets	231,105

Consolidated statements of income

(Millions of yen)

Year ended March 31, 2014

Net sales	148,663
Cost of sales	58,104
Gross profit	<u>90,558</u>
Selling, general and administrative expenses	<u>63,144</u>
Operating income	27,414
Non-operating income:	975
Interest and dividend income	601
Dividend income of insurance	147
Other	225
Non-operating expenses:	465
Interest expense	5
Foreign exchange losses	222
Depreciation	100
Loss on abandonment of trial product	64
Other	72
Ordinary income	<u>27,924</u>
Extraordinary gain:	473
Gain on sales of investment securities	473
Extraordinary loss:	1,504
Loss on disposal of fixed assets	27
Loss on impairment of fixed assets	94
Loss on valuation of right of using facilities	2
Business structure improvement expenses	1,380
Income before income taxes	26,893
Income taxes:	9,783
Current	11,762
Deferred	(1,978)
Income before minority interests	<u>17,109</u>
Net income	<u><u>17,109</u></u>

Consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2014

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total Shareholders' equity
Balance at April 1, 2013	7,080	7,775	151,001	(2)	165,855
Cumulative effect of changes in accounting policies			227		227
Retained earnings as restated	7,080	7,775	151,229	(2)	166,083
Changes during fiscal period					
Exercise of stock options	183	183			366
Cash dividends from retained earnings			(8,250)		(8,250)
Net income			17,109		17,109
Repurchase of treasury stock, net				(6)	(6)
Disposal of treasury stock, net		0		0	0
Other			26		26
Net changes of items other than shareholders' equity					—
Total changes during fiscal period	183	183	8,885	(6)	9,245
Balance at March 31, 2014	7,264	7,958	160,115	(9)	175,328

	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Stock subscription rights	Total net assets
Balance at April 1, 2013	1,920	(2,967)	—	(1,047)	324	165,132
Cumulative effect of changes in accounting policies			(1,713)	(1,713)		(1,485)
Retained earnings as restated	1,920	(2,967)	(1,713)	(2,761)	324	163,646
Changes during fiscal period						
Exercise of stock options						366
Cash dividends from retained earnings						(8,250)
Net income						17,109
Repurchase of treasury stock, net						(6)
Disposal of treasury stock, net						0
Other						26
Net changes of items other than shareholders' equity	2,115	5,541	585	8,242	74	8,317
Total changes during fiscal period	2,115	5,541	585	8,242	74	17,562
Balance at March 31, 2014	4,035	2,574	(1,128)	5,481	399	181,209

Non consolidated balance sheets

As of March 31, 2014

(Millions of yen)

Assets

Current assets:	133,527
Cash and deposits	49,019
Trade notes receivable	415
Trade accounts receivable	48,439
Marketable securities	13,111
Merchandise and finished goods	13,135
Work in process	11
Raw materials and supplies	2,618
Deferred tax assets	2,214
Other	4,560
Allowance for doubtful receivables	(0)
Fixed assets:	85,878
Tangible assets	22,729
Buildings	11,169
Structures	178
Machinery and equipment	1,526
Vehicles	2
Tools, furniture and fixtures	1,437
Land	8,013
Lease assets	18
Construction in progress	383
Intangible assets	1,696
Trademarks	2
Software	1,616
Other	77
Investments and other assets	61,452
Investment securities	21,737
Investments in subsidiaries	34,474
Deferred tax assets	2,709
Other	2,531
Total assets	219,406

Liabilities and net assets

Current liabilities:	34,371
Trade accounts payable	13,765
Lease obligations	2
Other payables	8,879
Accrued expense	45
Income taxes payable	7,820
Consumption taxes payable	803
Deposits	124
Unearned revenue	396
Reserves for bonuses	2,396
Provision for sales returns	135
Non current liabilities:	4,436
Lease obligations	16
Reserve for retirement benefit	3,449
Asset retirement obligations	221
Other	749
Total liabilities	38,807
Shareholders' equity:	176,157
Common stock	7,264
Capital surplus	7,958
Additional paid-in capital	7,958
Other capital surplus	0
Retained earnings	160,943
Earnings reserve	1,551
Other retained earnings	159,392
Reserve for retirement benefit	372
Special depreciation reserve	20
General reserve	89,109
Retained earnings carried forward	69,890
Treasury stock at cost	(9)
Valuation, translation adjustments:	4,042
Unrealized gains on securities, net of taxes	4,042
Stock subscription rights:	399
Total net assets	180,598
Total liabilities and net assets	219,406

Non consolidated statements of income

(Millions of yen)

Year ended March 31, 2014

Net sales	128,718
Cost of sales	52,638
Gross profit	<u>76,079</u>
Selling, general and administrative expenses	<u>46,859</u>
Operating income	29,220
Non-operating income:	800
Interest and dividend income	532
Dividend income of insurance	147
Other	119
Non-operating expenses:	273
Foreign exchange losses	90
Depreciation	100
Loss on abandonment of trial product	64
Other	17
Ordinary income	<u>29,747</u>
Extraordinary gain:	473
Gain on sales of investment securities	473
Extraordinary loss:	76
Loss on disposal of fixed assets	18
Loss on valuation of right of using facilities	1
Business structure improvement expenses	56
Income before income taxes	30,144
Income taxes:	10,282
Current	11,519
Deferred	(1,236)
Net income	<u><u>19,861</u></u>

Non consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2014

	Capital surplus			Retained earnings					Treasury stock at cost	Total Shareholders' equity
	Common stock	Additional paid-in capital	Other capital surplus	Earnings reserve	Other retained earnings			Retained earnings carried forward		
					Reserve for retirement benefit	Special depreciation reserve	General reserve			
Balance at April 1, 2013	7,080	7,775	—	1,551	372	29	89,109	58,042	(2)	163,958
Cumulative effect of changes in accounting policies								227		227
Retained earnings as restated	7,080	7,775	—	1,551	372	29	89,109	58,270	(2)	164,186
Changes during fiscal period										
Exercise of stock options	183	183								366
Cash dividends from retained earnings								(8,250)		(8,250)
Reversal of special depreciation reserve						(9)		9		—
Net income								19,861		19,861
Repurchase of treasury stock, net									(6)	(6)
Disposal of treasury stock, net			0						0	0
Net changes of items other than shareholders' equity										—
Total changes during fiscal period	183	183	0	—	—	(9)	—	11,620	(6)	11,970
Balance at March 31, 2014	7,264	7,958	0	1,551	372	20	89,109	69,890	(9)	176,157

	Unrealized gains on securities, net of taxes	Total valuation, translation adjustments	Stock subscription rights	Total net assets
Balance at April 1, 2013	1,920	1,920	324	166,203
Cumulative effect of changes in accounting policies				227
Retained earnings as restated	1,920	1,920	324	166,431
Changes during fiscal period				
Exercise of stock options				366
Cash dividends from retained earnings				(8,250)
Reversal of special depreciation reserve				—
Net income				19,861
Repurchase of treasury stock, net				(6)
Disposal of treasury stock, net				0
Net changes of items other than shareholders' equity	2,122	2,122	74	2,196
Total changes during fiscal period	2,122	2,122	74	14,167
Balance at March 31, 2014	4,042	4,042	399	180,598