

Securities code: 4536

May 29, 2012

**CONVOCATION NOTICE OF
THE 100TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 100th 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 19, 2012; 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

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

AGENDA

1. **Date and Time: Wednesday, June 20, 2012 at 10:00 a.m.**
2. **Place: Century Hall at the 5th Floor of the Headquarters Bldg. of SANTEN PHARMACEUTICAL CO., LTD.
9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka, Japan**

3. Agenda

Reports: 1. Business Report, Consolidated Financial Statements and Financial Statements for the 100th Business Term (April 1, 2011 to March 31, 2012)

2. Independent Auditor Report and Corporate Auditor Report on the Consolidated Financial Statements for the 100th Business Term (April 1, 2011 to March 31, 2012)

Items for Resolution:

Proposal No. 1 Appropriation of Surplus

Proposal No. 2 Appointment of Six (6) Directors

Proposal No. 3 Issuance of Rights to Subscribe for New Shares as Stock Options in favor of the Directors

Proposal No. 4 Issuance of Rights to Subscribe for New Shares as Stock Options in favor of the Corporate Officers

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/jp/ir/events/agm.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 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/>).

**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 Term-End 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 the 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 100th Business Term

For the 100th 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 5.4 %.

- (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 4,357,277,850 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, which means a dividend increase of JPY 10 per share compared to the previous business term.
- (3) Effective date of distribution of the dividends from the surplus: June 21, 2012

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

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Proposal No. 2 Appointment of Six (6) 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 six (6) 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 April 1997 General Manager, Office of the Head of Sales & Marketing Division - Prescription Pharmaceuticals</p> <p>June 1997 Director 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 July 2004 Senior Corporate Officer June 2006 President & COO June 2008 President of Santen Holdings U.S., Inc. (incumbent) June 2008 President & CEO (incumbent)</p> <p>Material post concurrently held in other juridical persons: Representative Director of Santen Holdings U.S., Inc.</p>	29,800 shares
2	Toshiaki NISHIHATA (November 4, 1948)	<p>August 1990 Department Manager, Pharmaceutical Development Department, Upjohn Pharmaceuticals Limited Tsukuba Research Laboratories</p> <p>March 1996 Joined the Company July 1999 Corporate Officer May 2001 Corporate Officer, Head of QA/QC & Environmental Auditing Division and Head of R& D Strategic Integration Division</p> <p>December 2002 Head of R&D Division July 2004 Senior Corporate Officer June 2009 Director (incumbent) April 2010 President and C.E.O. of Santen Inc. April 2011 Executive Corporate Officer, U.S. and Europe Business, Head of Research and Development Division (incumbent)</p> <p>Material posts concurrently held in other juridical persons: Director of Santen Holdings U.S., Inc. Director of Santen Inc. Chairman of the Board of Santen Oy Director of Novagali Pharma S.A.S.</p>	16,100 shares

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3	Sadatoshi FURUKADO (January 14, 1954)	<p>April 1977 Joined the Company 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 June 2006 Head of Sales & Marketing Division, Prescription Pharmaceuticals</p> <p>July 2007 Senior Corporate Officer April 2011 Executive Corporate Officer, Japan and Asia Business and Head of Sales & Marketing Division - Prescription Pharmaceuticals (incumbent)</p> <p>June 2011 Director (incumbent)</p> <p>Material post concurrently held in other juridical persons: Director of Santen Pharmaceutical (China) Co., Ltd.</p>	5,900 shares
4	Noboru KOTANI (November 13, 1956)	<p>June 2000 Director, Dream Incubator Inc. April 2005 Representative Director, Vehicle Inc. (incumbent)</p> <p>June 2005 Outside Director of the Company (incumbent)</p> <p>June 2005 Outside Director of Combi Corporation (incumbent)</p> <p>December 2006 Outside Director of JIN CO., LTD (incumbent)</p> <p>Material posts concurrently held in other juridical persons: Representative Director, Vehicle Inc. Outside Director of Combi Corporation Outside Director of JIN CO., LTD</p>	Nil
5	Akihiro OKUMURA (December 1, 1945)	<p>April 1988 Professor, Keio Business School, Keio University</p> <p>October 2008 Professor Emeritus, Keio University (incumbent)</p> <p>October 2008 Professor, School of Management and Information, University of Shizuoka</p> <p>December 2008 Dean, Graduate School of Management and Information, University of Shizuoka</p> <p>April 2011 Dean, Graduate School of Management and Information of Innovation, University of Shizuoka (incumbent)</p> <p>June 2011 Outside Director of the Company (incumbent)</p> <p>Material posts concurrently held in another juridical person: Dean, Graduate School of Management and Information of Innovation, University of Shizuoka Professor Emeritus, Keio University</p>	Nil

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6	A candidate who is to be newly appointed	June 1997	Director and General Manager, Sales Division of Films Business of Teijin Limited	Nil
	Takayuki KATAYAMA (October 9, 1945)	June 2000	Managing Director of Teijin Limited	
		October 2001	General Manager, Films Business Group of Teijin Limited and CEO of Teijin DuPont Films	
		April 2004	CSO (Chief Strategy Officer) of Teijin Limited	
		June 2004	Senior Managing Director and Representative Director of Teijin Limited	
		June 2006	Executive Vice-President and Representative Director of Teijin Limited	
		April 2007	CSRO (Chief Social Responsibility Officer) of Teijin Limited	
		April 2009	CFO of Teijin Limited	
		June 2011	Senior Advisor to CEO of Teijin Limited (incumbent)	
		Material posts concurrently held in another juridical person: Senior Advisor to CEO of Teijin Limited		

(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 Directors.

(Note 3) The Company designated both Noboru Kotani and Akihiro Okumura 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 Article 7, Paragraph 1 of the Regulations on Codes of Corporate Conduct of the Osaka Securities Exchange (hereinafter the same shall apply), and has filed their names therewith. Upon the approval of the appointment of Takayuki Katayama under this Proposal, it is the intention that he will also be an Independent Officer, and the Company has filed his name accordingly as well.

(Note 4) Reasons for the appointment of the candidates for Outside Directors; and, an agreement with Outside Directors:

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

(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. His term of office as an Outside Director of the Company will have been for seven (7) years when this Annual General Meeting of Shareholders closes.

(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. His term of office as an Outside Director of the Company will have been for one (1) year when this Annual General Meeting of Shareholders closes.

(iii) As regards Takayuki Katayama, considering that he has extensive knowledge

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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 Directors, 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 both Noboru Kotani and Akihiro Okumura, the candidates for Outside Director, respectively, to limit their liability for any such damage. Upon the approval of the reappointment of these two Outside Directors under this Proposal, it is intended that the foregoing agreements will be renewed. Upon the approval of the appointment of Takayuki Katayama, who is a candidate for Outside Director under this Proposal, it is intended that the foregoing agreement will be entered into between him and the Company as well. 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 Issuance of Rights to Subscribe for New Shares as Stock Options in favor of the Directors

Aiming to directly link the remuneration of the Directors to the creation of medium-and long-term shareholder value; to raise the motivation and morale of the Directors of the Company to improve the Company's business results; and to further enhance shareholder value and customer satisfaction; pursuant to the provisions of Articles 238, etc. of the Companies Act, the Board of Directors proposes: (i) to issue rights to subscribe for new shares as stock options in accordance with the terms and conditions appearing below, without consideration, and to authorize the Board of Directors of the Company to determine the matters regarding the offering of shares; and (ii) the details of the stock options to be allotted to the three (3) Directors (excluding the Outside Directors) of the Company as remuneration, other than in the form of cash, pursuant to the provisions of Article 361 of the Companies Act.

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1. Purpose of the issuance of rights to subscribe for new shares without consideration

The Company plans to issue rights to subscribe for new shares of the Company without consideration to directly link the remuneration of Directors to the creation of medium-and long-term shareholder value; to raise the motivation and morale of the Directors of the Company to improve the Company's business results; and to further enhance shareholder value and customer satisfaction.

2. Details of rights to subscribe for new shares

(1) Grantees of rights to subscribe for new shares

Directors of the Company (excluding the Outside Directors)

(2) Class and number of shares to be issued for rights to subscribe for new shares

Maximum of 67,000 shares of common stock of the Company.

The number of shares of common stock to be issued for one (1) right to subscribe for new shares shall be 100 shares. In the event the Company conducts a free share allotment, a splitting of shares or consolidation of shares, the number of shares to be issued shall be adjusted in accordance with the formula appearing below; however, the adjustment shall be made only on the number of shares to be issued for rights to subscribe for new shares that have not yet been issued upon exercise of the rights to subscribe for new shares at the time of the free share allotment, the splitting of shares or consolidation of shares, and any fraction of a share that is less-than-one-share arising out of such adjustment shall be disregarded.

$$\begin{array}{l} \text{Number of shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Percentage of free share allotment,} \\ \text{splitting of shares, or consolidation} \end{array}$$

Also, in the event that it is appropriate to change the number of shares by means of a merger, or a reduction of the stated capital other than those described above, the Company may adjust the number of shares to be issued for rights to subscribe for new shares as it deems necessary.

(3) Aggregate number of rights to subscribe for new shares

A maximum of 670 rights to subscribe for new shares shall be issued within one (1) year after the date of this Annual General Meeting of Shareholders.

(4) Amount to be paid for rights to subscribe for new shares

As regards the rights to subscribe for new shares for which the matters pertaining to the placing of shares may be determined by the Board of Directors based on the authorization to be issued through this Annual General Meeting of Shareholders, no amount shall be paid therefor (i.e., there will be no requirement to pay any amount of money in return for the right to subscribe for new shares).

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(5) Value of the property to be contributed upon the exercise of each right to subscribe for new shares

The value of the property to be contributed upon the exercise of each right to subscribe for new shares shall be the amount to be paid per share, to be determined as set forth below (the “Exercise Price” under this Proposal), multiplied by the number of shares to be allotted for one right to subscribe for new shares as provided under sub-section (2) above.

The Exercise Price shall be the average of the closing prices of the Company’s shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the allotment of rights to subscribe for new shares falls (the “Closing Price” under this Proposal). Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.

Notwithstanding the foregoing, if such amount is less than the Closing Price as of the date immediately preceding the date on which the rights to subscribe for new shares are allotted (in case there is no Closing Price on such date, on the most immediate date prior to such date), then the Closing Price reported on the date immediately preceding the date on which the rights to subscribe for new shares are allotted shall be the amount to be paid.

In the event the Company conducts a free share allotment, a splitting of shares or consolidation of shares, the Exercise Price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times 1}{\text{Percentage of free share allotment, splitting of shares or consolidation of shares}}$$

In the event the Company issues new shares at a price less than the current market price (excluding the case in which new shares are issued upon exercise of rights to subscribe for new shares) or conducts a disposition of treasury stock after the allotment date, the Exercise Price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \frac{\text{Number of new Shares issued} \times \text{Amount to be paid per share}}{\text{Market price before issuance of new shares}}}{\text{Number of shares issued} + \text{Number of new shares to be issued}}$$

Please be informed that the “number of shares issued” set forth in the above formula refers to the aggregate number of shares issued by the Company minus the number of treasury stock held by the Company; also, in the event that the Company conducts a disposition of treasury stock, the “number of new shares issued” shall be deemed to be replaced with the “number of shares of treasury stock disposed of,” and the “market price before issuance of new shares” shall be deemed replaced with the “market price before disposition of treasury shares.”

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Furthermore, in case of unavoidable circumstances, including a reduction of the stated capital of the Company, the Exercise Price shall be appropriately adjusted to a reasonable extent considering the relevant conditions.

(6) Period during which rights to subscribe for new shares may be exercised:

From June 23, 2014 to June 20, 2022

(7) Conditions for exercising the rights to subscribe for new shares

- (i) A holder of the rights to subscribe for new shares shall be required to hold the post of Director of the Company during the period for exercising the rights to subscribe for new shares; however, the grantee may exercise the right to subscribe for new shares even if he or she no longer holds the post of Director in the event that the grantee retires for legitimate reasons, such as due to the expiration of the term of office.
- (ii) A partial exercise of one right to subscribe for new shares can only be exercised as long as the number of shares to be issued for the right to subscribe for new shares is an integral multiple of the number of shares for one stock trade unit of the Company.
- (iii) In the event of the death of the holder of the rights to subscribe for new shares, a successor may exercise the rights to subscribe for new shares.
- (iv) Other details relating to the exercise of the rights to subscribe for new shares shall be determined in accordance with the agreement with respect to the granting of rights to subscribe for new shares, which shall be concluded between the Company and the grantees, pursuant to resolutions to be made at this Annual General Meeting of Shareholders and the meeting of the Board of Directors regarding the issuance of rights to subscribe for new shares.

(8) Amount of stated capital and capital reserve to be increased in the event that new shares are issued upon exercise of the rights to subscribe for new shares

- (i) The amount of the stated capital to be increased in the event that new shares are issued upon exercise of the rights to subscribe for new shares shall be one half of the maximum increased amount of the stated capital, etc., calculated pursuant to Article 17, Paragraph 1 of the Ordinance for Accounting of Companies. Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.
- (ii) The amount of the capital reserve to be increased in the event that new shares are issued upon exercise of the rights to subscribe for new shares shall be the aforementioned maximum increased amount of the stated capital, etc., deducted by the amount of the stated capital to be increased as provided under sub-section (1) above.

(9) Events and conditions relating to the revocation of the rights to subscribe for new shares

- (i) If a merger agreement, under which the Company becomes the dissolved company, is approved, or if a proposal for approval of a share-for-share exchange agreement or a proposal for a share transfer under which the Company shall become a wholly-owned subsidiary is approved at a General Meeting of Shareholders or the Board of Directors of the Company, the Company may revoke the rights to subscribe for new shares without consideration on a day separately determined by the Board of Directors of the Company.
- (ii) If a grantee is not able to exercise his or her rights to subscribe for new shares because

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the grantee no longer falls under the conditions stated in sub-section (7) above before he or she is able to exercise his or her rights, the rights to subscribe for new shares may be revoked without consideration on a day separately determined by the Board of Directors of the Company.

(10) Restriction on the transfer of rights to subscribe for new shares

The transfer of rights to subscribe for new shares shall require the approval of the Board of Directors of the Company.

(11) Treatment of fractional shares

Any fractional share that may be included in the number of shares issued to the holder of the right to subscribe for new shares, who has exercised such right, shall be rounded downward to the nearest whole number of shares.

Proposal No. 4 Issuance of Rights to Subscribe for New Shares as Stock Options in favor of the Corporate Officers

Aiming to directly link the remuneration of the Corporate Officers to the creation of medium-and long-term shareholder value; to raise the motivation and morale of the Corporate Officers of the Company to improve the Company's business results; and to further enhance shareholder value and customer satisfaction; pursuant to the provisions of Articles 238, etc. of the Companies Act, the Board of Directors proposes to issue rights to subscribe for new shares without consideration to the Corporate Officers of the Company in accordance with the following terms and conditions, and delegating to the Board of Directors the determination of the matters concerning the invitation for subscription:

1. Purpose of the issuance of rights to subscribe for new shares without compensation

The Company plans to issue rights to subscribe for new shares of the Company without compensation to directly link the remuneration of Corporate Officers to the creation of medium-and long-term shareholder value; to raise the motivation and morale of the Corporate Officers of the Company to improve the Company's business results; and to further enhance shareholder value and customer satisfaction.

2. Details of rights to subscribe for new shares

(1) Grantees of rights to subscribe for new shares

Corporate Officers of the Company

(2) Class and number of shares to be issued for rights to subscribe for new shares

Maximum of 57,300 shares of common stock of the Company.

The number of shares of common stock to be issued for one (1) right to subscribe for new shares shall be 100 shares. In the event the Company conducts a free share allotment, a splitting of shares or consolidation of shares, the number of shares to be issued shall be adjusted in accordance with the formula appearing below; however, the adjustment shall be made only on the number of shares to be issued for rights to subscribe for new shares that have not yet been issued upon exercise of the rights to subscribe for new shares at the time of the

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free share allotment, the splitting of shares or consolidation of shares, and any fraction of a share that is less-than-one-share arising out of such adjustment shall be disregarded.

$$\begin{array}{l} \text{Number of shares} \\ \text{after adjustment} \end{array} = \begin{array}{l} \text{Number of shares} \\ \text{before adjustment} \end{array} \times \begin{array}{l} \text{Percentage of free share allotment,} \\ \text{splitting of shares, or consolidation} \end{array}$$

Also, in the event that it is appropriate to change the number of shares by means of a merger, or a reduction of the stated capital other than those described above, the Company may adjust the number of shares to be issued for rights to subscribe for new shares, as it deems necessary.

(3) Aggregate number of rights to subscribe for new shares

A maximum of 573 rights to subscribe for new shares shall be issued within one (1) year after the date of this Annual General Meeting of Shareholders.

(4) Amount to be paid for rights to subscribe for new shares

As regards the rights to subscribe for new shares for which the matters pertaining to the placing of shares may be determined by the Board of Directors based on the authorization to be issued through this Annual General Meeting of Shareholders, no amount shall be paid therefor (i.e., there will be no requirement to pay any amount of money in return for the right to subscribe for new shares).

(5) Value of the property to be contributed upon the exercise of each right to subscribe for new shares

The value of the property to be contributed upon the exercise of each right to subscribe for new shares shall be the amount to be paid per share to be determined as set forth below (the "Exercise Price" under this Proposal) multiplied by the number of shares to be allotted for one right to subscribe for new shares as provided under sub-section (2) above.

The Exercise Price shall be the average of the closing prices of the Company's shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the allotment of rights to subscribe for new shares falls (the "Closing Price" under this Proposal). Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.

Notwithstanding the foregoing, if such amount is less than the Closing Price as of the date immediately preceding the date on which the rights to subscribe for new shares are allotted (in case there is no Closing Price on such date, on the most immediate date prior to such date), then the Closing Price reported on the date immediately preceding the date on which the rights to subscribe for new shares are allotted shall be the amount to be paid.

In the event the Company conducts a free share allotment, a splitting of shares or consolidation of shares, the Exercise Price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

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$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times 1}{\text{Percentage of free share allotment, splitting of shares or consolidation of shares}}$$

In the event the Company issues new shares at a price less than the current market price (excluding the case in which new shares are issued upon exercise of the rights to subscribe for new shares) or conducts a disposition of treasury stock after the allotment date, the Exercise Price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \frac{\text{Number of Shares issued}}{\text{Number of shares issued + Number of new shares to be issued}} + \frac{\text{Amount to be paid per share}}{\text{Market price before issuance of new shares}}}{1}$$

Please be informed that the “number of shares issued” set forth in the above formula refers to the aggregate number of shares issued by the Company minus the number of treasury stock held by the Company; also, in the event that the Company conducts a disposition of treasury stock, the “number of new shares issued” shall be deemed replaced with the “number of shares of treasury stock disposed of,” and the “market price before issuance of new shares” shall be deemed replaced with the “market price before disposition of treasury shares.”

Furthermore, in case of unavoidable circumstances, including a reduction of the stated capital of the Company, the Exercise Price shall be appropriately adjusted to a reasonable extent considering the relevant conditions.

(6) Period during which rights to subscribe for new shares may be exercised:
From June 23, 2014 to June 20, 2022

(7) Conditions for exercising the rights to subscribe for new shares

- (i) A holder of the rights to subscribe for new shares shall be required to hold the post of Corporate Officer of the Company during the period for exercising the rights to subscribe for new shares; however, the grantee may exercise the right to subscribe for new shares even if he or she no longer holds the post of Corporate Officer in the event that the grantee retires for legitimate reasons, such as due to the expiration of the term of office.
- (ii) A partial exercise of one right to subscribe for new shares can only be exercised as long as the number of shares to be issued for the right to subscribe for new shares is an integral multiple of the number of shares for one stock trade unit of the Company.
- (iii) In the event of the death of the holder of the rights to subscribe for new shares, a successor may exercise rights to subscribe for new shares.
- (iv) Other details relating to the exercise of the rights to subscribe for new shares shall be determined in accordance with the agreement with respect to the granting of rights to subscribe for new shares, which shall be concluded between the Company and the grantees, pursuant to resolutions to be made at this Annual General Meeting of Shareholders and the meeting of the Board of Directors regarding the issuance of rights to subscribe for new shares.

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(8) Amount of stated capital and capital reserve to be increased in the event that new shares are issued upon exercise of the rights to subscribe for new shares

(i) The amount of the stated capital to be increased in the event that new shares are issued upon exercise of the rights to subscribe for new shares shall be one half of the maximum increased amount of the stated capital, etc., calculated pursuant to Article 17, Paragraph 1 of the Ordinance for Accounting of Companies. Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.

(ii) The amount of the capital reserve to be increased in the event that new shares are issued upon exercise of the rights to subscribe for new shares shall be the aforementioned maximum increased amount of the stated capital, etc., deducted by the amount of the stated capital to be increased as provided under sub-section (1) above.

(9) Events and conditions relating to the revocation of the rights to subscribe for new shares

(i) If a merger agreement, under which the Company becomes the dissolved company, is approved, or if a proposal for approval of a share-for-share exchange agreement or a proposal for a share transfer under which the Company shall become a wholly-owned subsidiary is approved at a General Meeting of Shareholders or the Board of Directors of the Company, the Company may revoke the rights to subscribe for new shares without consideration on a day separately determined by the Board of Directors of the Company.

(ii) If a grantee is not able to exercise his or her rights to subscribe for new shares because the grantee no longer falls under the conditions stated in sub-section (7) above before he or she is able to exercise his or her rights, the rights to subscribe for new shares may be revoked without consideration on a day separately determined by the Board of Directors of the Company.

(10) Restriction on the transfer of rights to subscribe for new shares

The transfer of rights to subscribe for new shares shall require the approval of the Board of Directors of the Company.

(11) Treatment of fractional shares

Any fractional share that may be included in the number of shares issued to the holder of the right to subscribe for new shares, who has exercised such right, shall be rounded downward to the nearest whole number of shares.

Consolidated balance sheets

As of March 31, 2012

(Millions of yen)

Assets

Current assets:	140,288
Cash and deposits	66,235
Notes and accounts trade receivables	37,923
Marketable securities	12,739
Inventories	17,949
Deferred tax assets	1,921
Other current assets	3,521
Allowance for doubtful receivables	(1)
Fixed assets:	58,513
Tangible assets	25,523
Buildings and structures	12,806
Machinery, equipment and vehicles	1,581
Land	8,213
Lease assets	166
Construction in progress	1,365
Other tangible assets	1,390
Intangible assets	12,877
Goodwill	5,801
In-process research and development	5,941
Software	831
Other intangible assets	301
Investments and other assets	20,112
Investment securities	12,411
Deferred tax assets	6,500
Other assets	1,200
Total assets	198,801

Liabilities and net assets

Current liabilities:	27,425
Trade accounts payable	8,074
Other payables	9,009
Income taxes payable	5,282
Reserve for bonuses	2,943
Other reserves	81
Other current liabilities	2,033
Non current liabilities:	6,514
Lease obligations	115
Deferred tax liabilities	1,996
Retirement and severance benefits	3,459
Retirement and severance benefits for directors	222
Asset retirement obligations	161
Other liabilities	559
Total liabilities	33,940
Shareholders' equity:	170,770
Common stock	6,694
Capital surplus	8,049
Retained earnings	156,030
Treasury stock, at cost	(4)
Accumulated other comprehensive income:	(6,255)
Unrealized gains on securities, net of taxes	51
Foreign currency translation adjustments	(6,306)
Stock subscription rights:	347
Total net assets	164,861
Total liabilities and net assets	198,801

Consolidated statements of income

(Millions of yen)

Year ended March 31, 2012

Net sales	114,416
Cost of sales	35,385
Selling, general and administrative expenses	52,298
Operating income	26,733
Non-operating income:	1,119
Interest and dividend income	528
Gain on insurance received	143
Exchange gains	106
Other	340
Non-operating expenses:	71
Interest expense	22
Other	48
Ordinary income	27,780
Extraordinary gain:	61
Gain on sale or disposal of fixed assets	4
Gain on sale of investment securities	57
Extraordinary loss:	51
Loss on sales or disposal of fixed assets	16
Loss on impairment of fixed assets	19
Loss on sale of investment securities	15
Income before income taxes	27,791
Income taxes:	
Current	9,912
Deferred	717
Income before minority interests	17,160
Net income	17,160

Consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2012

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total Shareholders ' equity
Balance as of March 31, 2011	6,614	7,968	147,578	(1)	162,159
Changes during fiscal period					
Exercise of stock options	80	80			160
Cash dividends from retained earnings			(8,708)		(8,708)
Net income			17,160		17,160
Repurchase of treasury stock, net				(2)	(2)
Retirement of treasury stock		(0)		0	0
Other					—
Total changes during fiscal period	80	80	8,451	(2)	8,610
Balance as of March 31, 2012	6,694	8,049	156,030	(4)	170,770

	Unrealized gains on securities, net of taxes	Foreign currency translation adjustments	Total accumulated other comprehensive income	Stock subscription rights	Total net assets
Balance as of March 31, 2011	(443)	(5,618)	(6,061)	305	156,404
Changes during fiscal period					
Exercise of stock options					160
Cash dividends from retained earnings					(8,708)
Net income					17,160
Repurchase of treasury stock, net					(2)
Retirement of treasury stock					0
Other	494	(688)	(194)	41	(152)
Total changes during fiscal period	494	(688)	(194)	41	8,457
Balance as of March 31, 2012	51	(6,306)	(6,255)	347	164,861

Non consolidated balance sheets

As of March 31, 2012

(Millions of yen)

Assets

Current assets:	127,192
Cash and deposits	57,662
Notes receivable	611
Accounts receivable	35,772
Marketable securities	12,736
Finished goods and Merchandise	12,828
Work in process	45
Raw materials and supplies	2,072
Deferred tax assets	1,840
Other current assets	3,887
Allowance for doubtful receivables	(264)
Fixed assets:	69,234
Tangible assets	21,072
Buildings	10,167
Structures	188
Machinery and equipment	882
Vehicles	0
Tools, furniture and fixtures	936
Land	8,013
Lease assets	13
Construction in progress	870
Intangible assets	904
Trademarks	4
Software	641
Other intangible assets	258
Investments and other assets	47,258
Investment securities	12,387
Investments in subsidiaries	28,916
Deferred tax assets	4,904
Other assets	1,050
Total assets	196,427

Liabilities and net assets

Current liabilities:	24,577
Trade accounts payable	7,766
Lease obligations	6
Other payables	8,635
Accrued expense	58
Income taxes payable	5,260
Consumption taxes payable	343
Deposits	114
Reserves for bonuses	2,309
Reserves for returned goods	81
Non current liabilities:	3,761
Lease obligations	8
Reserve for retirement benefit	3,367
Reserve for retirement benefits for directors	222
Asset retirement obligations	161
Total liabilities	28,338
Shareholders' equity:	167,691
Common stock	6,694
Capital surplus	8,049
Additional paid-in capital	7,389
Other capital surplus	659
Retained earnings	152,951
Earnings reserve	1,551
Other retained earnings	151,400
Reserve for retirement benefit	372
Special depreciation reserve	53
General reserve	89,109
Retained earnings carried forward	61,865
Treasury stock at cost	(4)
Valuation, translation adjustments:	51
Unrealized gains on securities, net of taxes	51
Stock subscription rights:	347
Total net assets	168,089
Total liabilities and net assets	196,427

Non consolidated statements of income

(Millions of yen)

Year ended March 31, 2012

Net sales	103,200
Cost of sales	32,341
Selling, general and administrative expenses	44,054
Operating income	26,804
Non-operating income:	1,025
Interest and dividend income	469
Gain on insurance received	143
Exchange gains	104
Other	308
Non-operating expenses:	53
Interest expense	16
Other	37
Ordinary income	27,776
Extraordinary gain:	61
Gain on sale or disposal of fixed assets	4
Gain on sale of investment securities	57
Extraordinary loss:	929
Provision of allowance for debtful accounts for subsidiaries and affiliates	264
Loss on valuation of stocks of subsidiaries and affiliates	616
Other	49
Income before income taxes	26,907
Income taxes:	
Current	9,901
Deferred	504
Net income	16,502

Non consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2012

	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 as of March 31, 2011	6,614	7,309	659	1,551	372	82	89,109	54,043	(1)	159,739
Changes during fiscal period										
Exercise of stock options	80	80								160
Cash dividends from retained earnings								(8,708)		(8,708)
Reversal of special depreciation reserve						(28)		28		—
Net income								16,502		16,502
Repurchase of treasury stock, net									(2)	(2)
Retirement of treasury stock			(0)						0	0
Other										—
Total changes during fiscal period	80	80	(0)	—	—	(28)	—	7,822	(2)	7,951
Balance as of March 31, 2012	6,694	7,389	659	1,551	372	53	89,109	61,865	(4)	167,691

	Unrealized gains on securities, net of taxes	Total valuation, translation adjustments	Stock subscription rights	Total net assets
Balance as of March 31, 2011	(443)	(443)	305	159,602
Changes during fiscal period				
Exercise of stock options				160
Cash dividends from retained earnings				(8,708)
Reversal of special depreciation reserve				—
Net income				16,502
Repurchase of treasury stock, net				(2)
Retirement of treasury stock				0
Other	494	494	41	536
Total changes during fiscal period	494	494	41	8,487
Balance as of March 31, 2012	51	51	347	168,089