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Securities Code 6417  
June 9, 2014

**To Those Shareholders with Voting Rights**

Kimihisa Tsutsui  
Representative Director, President & COO  
SANKYO CO., LTD.  
3-29-14 Shibuya, Shibuya-ku, Tokyo, Japan

**NOTICE OF THE 49<sup>th</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to the 49<sup>th</sup> Ordinary General Meeting of Shareholders of the Company. The meeting will be held as stated below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders as described hereinafter, and exercise your voting rights by no later than 6:00 p.m. on Thursday, June 26, 2014.

- 1. Date and Time:** Friday, June 27, 2014 at 10:00 a.m.
- 2. Place:** Star Room, The Westin Tokyo, B2F, 1-4-1 Mita, Meguro-ku, Tokyo (located within Yebisu Garden Place)
- 3. Agenda of the Meeting:**
  - Matters to be reported:**
    1. Business Report, Consolidated Financial Statements for the 49<sup>th</sup> Fiscal Term (from April 1, 2013 to March 31, 2014) and results of audits by the Accounting Auditor and the Board of Statutory Auditors of the Consolidated Financial Statements
    2. Non-Consolidated Financial Statements for the 49<sup>th</sup> Fiscal Term (from April 1, 2013 to March 31, 2014)
  - Proposals to be resolved:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Election of Four Directors
    - Proposal No. 3:** Final Payment of Retirement Benefits to Directors upon Abolition of the Retirement Benefit Plan
    - Proposal No. 4:** Final Payment of Retirement Benefits to Statutory Auditors upon Abolition of the Retirement Benefit Plan
    - Proposal No. 5:** Granting of Subscription Rights to Shares to Directors as Stock Compensation-type Stock Options

## Reference Documents for the General Meeting of Shareholders

### Proposals and references

#### **Proposal No. 1: Appropriation of Surplus**

The Company regards the return of profits to shareholders as one of the most important management priorities. The Company's dividend policy is to maintain a payout ratio of 25% of consolidated net income and the aim is to continuously increase dividends.

The Company will effectively utilize retained earnings for product development, capital investment, and sales & marketing to improve business performance.

In accordance with the policy mentioned above, we would like to propose the year-end dividends for the 49<sup>th</sup> fiscal term as follows:

Matters concerning the year-end dividends

(1) Type of dividend property

Dividends will be paid in cash.

(2) Appropriation of dividend property to shareholders and total amount

¥75 per share of the Company's common stock, for a total amount of ¥7,021,943,325

As a result, the annual dividend for this term, including interim dividend, would be ¥150 per share.

(3) Effective date of dividends from surplus

June 30, 2014

**Proposal No. 2: Election of Four Directors**

The term of office of all three Directors of the Company will expire at the closing of this General Meeting of Shareholders. The Company proposes an increase of the number of Directors by one to strengthen the management system as well as the election of four Directors.

The candidates for Directors are as follows:

| No. | Name<br>(Date of birth)                   | Career summary, position, assignment and significant concurrent positions  | Number of shares of the Company held |
|-----|---|--|--------------------------------------|
| 1   | Hideyuki Busujima<br>(September 30, 1952) | <p>June 1985 Executive Director of the Company<br/> January 1988 Senior Executive Director of the Company<br/> February 1992 Representative Senior Executive Director of the Company<br/> June 1992 Representative Director &amp; Senior Executive Vice President of the Company<br/> June 1996 Representative Director, President &amp; CEO of the Company<br/> April 2008 Representative Director, Chairman of the Board &amp; CEO of the Company (to present)</p> <p>(Significant concurrent positions)<br/> Representative Director &amp; President of Sankyo Create Co., Ltd.</p>   | 2,898,100                            |
| 2   | Kimihisa Tsutsui<br>(April 1, 1953)       | <p>June 1998 Director &amp; Office Manager of the President's Office of the Company<br/> June 2002 Executive Director &amp; Office Manager of the President's Office of the Company<br/> July 2002 Executive Director &amp; Office Manager of Corporate Planning Office of the Company<br/> April 2005 Executive Director &amp; General Manager of Corporate Planning Division of the Company<br/> April 2008 Director &amp; Senior Executive Operating Officer, Head of Administration Division &amp; General Manager of Accounting &amp; Finance Department and General Manager of Corporate Planning Division of the Company<br/> April 2010 Director &amp; Senior Executive Vice President, Supervising Administration Division, Manufacturing Division, Intellectual Property Division and Corporate Planning Division &amp; Head of Intellectual Property Division of the Company<br/> April 2011 Director &amp; Senior Executive Vice President, Supervising Administration Division, Manufacturing Division, Intellectual Property Division and Corporate Planning Division of the Company<br/> April 2012 Representative Director, President &amp; COO of the Company (to present)</p> <p>(Significant concurrent positions)<br/> Director of Sankyo Create Co., Ltd.</p> | 10,000                               |

| No. | Name<br>(Date of birth)                 | Career summary, position, assignment and significant concurrent positions   | Number of shares of the Company held |
|-----|---|---|--------------------------------------|
| 3   | Akihiko Ishihara<br>(September 9, 1962) | <p>April 2008 Operating Officer &amp; General Manager of Sales Planning Department of the Company</p> <p>April 2010 Executive Operating Officer, Head of Administration Division &amp; General Manager of General Affairs Department of the Company</p> <p>April 2011 Senior Executive Operating Officer, Head of Administration Division &amp; General Manager of General Affairs Department of the Company</p> <p>June 2012 Director &amp; Senior Executive Operating Officer, Head of Administration Division &amp; General Manager of General Affairs Department of the Company (to present)</p> <p>(Significant concurrent positions)<br/>Statutory Auditor of Sankyo Excel Co., Ltd.</p>  | 4,400                                |
| 4   | Ichiro Tomiyama*<br>(March 13, 1958)    | <p>April 2008 Operating Officer &amp; Deputy Head of Sales &amp; Marketing Division &amp; Regional General Manager for the Kinki &amp; Shikoku Region &amp; General Manager of Osaka Branch of the Company</p> <p>April 2009 Operating Officer &amp; Deputy Head of Sales &amp; Marketing Division &amp; Regional General Manager for the Kinki Region &amp; General Manager of Osaka Branch of the Company</p> <p>April 2010 Operating Officer &amp; Deputy Head of Sales &amp; Marketing Division of the Company</p> <p>April 2011 Operating Officer &amp; Regional General Manager for the Kinki Region &amp; General Manager of Osaka Branch of the Company</p> <p>April 2012 Executive Operating Officer, Head of Sales &amp; Marketing Division &amp; General Manager of Sales Strategy Department &amp; Senior General Manager of Head Office Sales Department of the Company</p> <p>April 2014 Executive Operating Officer, Head of Sales &amp; Marketing Division &amp; General Manager of Sales Strategy Department of the Company (to present)</p> | 3,300                                |

Notes: 1. \* indicates a new candidate for Director.

2. No conflict of interest exists between the Company and any of the above candidates.

**Proposal No. 3: Final Payment of Retirement Benefits to Directors upon Abolition of the Retirement Benefit Plan**

As part of a review of the Company's compensation system for Directors and Statutory Auditors, at the meeting of the Board of Directors held on May 27, 2014, the Company resolved to abolish the retirement benefit plan upon conclusion of this General Meeting of Shareholders in order to have the compensation system better reflect the Company's financial performance and achievements.

Following this decision, the Company proposes to pay retirement benefits to three Directors, Mr. Hideyuki Busujima, Mr. Kimihisa Tsutsui, and Mr. Akihiko Ishihara, all of whom will remain in office subject to approval of Proposal No. 2, within a reasonable range in accordance with the standard prescribed by the Company in order to reward their services during their respective terms of office.

The Company also proposes that such final payment be made at the time of retirement of each Director and that the specific amount, method of payment, etc., be determined at the discretion of the Board of Directors.

The career summaries of the Directors to whom the final payments are to be made are described below.

| Name              | Career summary   |   |
|-------------------|--|---|
| Hideyuki Busujima | June 1985<br>January 1988<br>February 1992<br>June 1992<br><br>June 1996<br>April 2008 | Executive Director of the Company<br>Senior Executive Director of the Company<br>Representative Senior Executive Director of the Company<br>Representative Director & Senior Executive Vice President of the Company<br><br>Representative Director, President & CEO of the Company<br>Representative Director, Chairman of the Board & CEO of the Company (to present) |
| Kimihisa Tsutsui  | June 1998<br>June 2002<br>April 2008<br>April 2010<br>April 2012                       | Director of the Company<br>Executive Director of the Company<br>Director & Senior Executive Operating Officer of the Company<br>Director & Senior Executive Vice President of the Company<br>Representative Director, President & COO of the Company (to present)   |
| Akihiko Ishihara  | June 2012  | Director & Senior Executive Operating Officer of the Company (to present)   |

**Proposal No. 4: Final Payment of Retirement Benefits to Statutory Auditors upon Abolition of the Retirement Benefit Plan**

As part of a review of the Company's compensation system for Directors and Statutory Auditors, at the meeting of the Board of Directors held on May 27, 2014, the Company decided to abolish the retirement benefit plan upon conclusion of this General Meeting of Shareholders.

Following this decision, the Company proposes to pay retirement benefits to four Statutory Auditors, Mr. Shohachi Ugawa, Mr. Toshiaki Ishiyama, Mr. Yoshiro Sanada, and Mr. Fumiyoshi Noda, all of whom are currently in office, within a reasonable range in accordance with the standard prescribed by the Company in order to reward their services during their respective terms of office.

The Company also proposes that such final payment be made at the time of retirement of each Statutory Auditor and that the specific amount, method of payment, etc., be determined at the discretion of Statutory Auditors.

Furthermore, the Company proposes that the specific amount, time of payment, and method of payment, etc. of retirement benefits to Mr. Shohachi Ugawa during his office as Director be determined at the discretion of the Board of Directors.

The career summaries of the Statutory Auditors to whom the final payments are to be made are described below.

| Name              | Career summary |  |
|-------------------|----------------|--|
| Shohachi Ugawa    | June 2006      | Director of the Company                                |
|                   | June 2007      | Standing Statutory Auditor of the Company (to present) |
| Toshiaki Ishiyama | June 1994      | Statutory Auditor of the Company (to present)          |
| Yoshiro Sanada    | June 2003      | Statutory Auditor of the Company (to present)          |
| Fumiyoshi Noda    | June 2007      | Statutory Auditor of the Company (to present)          |

## **Proposal No. 5: Granting of Subscription Rights to Shares to Directors as Stock Compensation-type Stock Options**

In accordance with Paragraph 1, Article 361 of the Companies Act of Japan, the Company secured approval at the 41st Ordinary General Meeting of Shareholders held on June 29, 2006, for payment of compensation to the Company's Directors in an amount not exceeding 800 million yen a year (excluding the salaries they receive as employees). However, in view of the abolition of the retirement benefit plan for Directors and Statutory Auditors as a result of the review of the compensation system for Directors and Statutory Auditors and for various other reasons, the Company proposes to grant subscription rights to shares to Directors as stock compensation-type stock options in an amount not exceeding 200 million yen a year (excluding the salaries they receive as employees), separately from the above-stated monetary compensation.

The concrete procedure is as follows. The Company shall pay to a Director receiving allotment of subscription rights to shares monetary compensation equal to the amount to be paid in for subscription rights to shares so that the Director's obligation to pay in is offset by the said compensation receivable from the Company.

The amount of compensation as stock options shall be the fair value of a subscription right to shares calculated on the date of allotment of subscription rights to shares, multiplied by the total number of subscription rights to shares to be allotted.

The said stock options are stock compensation-type stock options whose exercise price, that is, the amount to be paid per share granted upon exercise of a subscription right to shares, is one yen per share. The Company also proposes that dates of issuance of subscription rights to shares, allotment to each Director, etc. be determined at the discretion of the Board of Directors in order to take into consideration various factors, such as the degree of contribution by each Director to the Company, in a comprehensive manner.

Although the Company has three Directors at present, the Company will have four Directors if Proposal No. 2 is approved as proposed.

### 1. Reason for considering that granting of subscription rights to shares to Directors as stock compensation-type stock options is appropriate

The purpose of introducing stock compensation-type stock options is to inspire and motivate the Directors to contribute to medium to long-term improvement of the Company's performance and corporate value and to place greater emphasis on the interests of shareholders in business operations, by having the Directors share with the Company's shareholders not only the benefits of the increase of the Company's share price but also the risk of its decrease. Thus, the Company considers that granting of subscription rights to shares to Directors is appropriate as a compensation system.

### 2. Details of compensation (Details of subscription rights to shares to be issued per year as stock compensation-type stock options)

#### (1) Total number of subscription rights to shares

The number of subscription rights to shares to be allotted within one year from the date of the Ordinary General Meeting of Shareholders for each fiscal year shall not exceed 1,000.

#### (2) Class and number of shares to be issued upon exercise of subscription rights to shares

The class of shares to be issued upon exercise of subscription rights to shares shall be the Company's common stock and the number of shares to be issued upon exercise of one subscription right to shares (hereinafter referred to as the "Number of Shares Granted") shall be 100.

However, in the event that, on and after the date of the resolution of this proposal (hereinafter referred to as the "Resolution Date"), the Company conducts a share split (including gratis allotment of shares of the Company's common stock; the same applies to the references to share split below) or a share consolidation for the Company's common stock, the Number of Shares Granted with respect to unexercised subscription rights to shares at the time of such share split or share consolidation shall be adjusted in accordance with the following formula:

$$\begin{aligned} &\text{Number of Shares Granted after adjustment} \\ &= \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or share consolidation} \end{aligned}$$

In the event that any other unavoidable circumstance arises that requires adjustment of the Number of Shares Granted after Resolution Date, the Company may make adjustment to the Number of Shares Granted as deemed necessary at a meeting of the board of directors.

Fractions of less than one unit resulting from such adjustment shall be rounded down.

(3) Amount to be paid in for subscription rights to shares

The amount to be paid in for subscription rights to shares shall be the fair value of the stock option per share calculated using the Black-Scholes model on the date of allotment of subscription rights to shares, multiplied by the Number of Shares Granted.

A person who receives allotment of subscription rights to shares (hereinafter referred to as the “Holder of subscription rights to shares”) offsets payment of the said amount to be paid in with compensation receivable from the Company and thus is not required to pay any money.

(4) Amount of assets to be contributed upon exercise of subscription rights to shares

The amount of assets to be contributed upon exercise of subscription rights to shares shall be the amount to be paid (hereinafter referred to as the “exercise price”) per share granted upon exercise of a subscription right to shares multiplied by the number of shares granted.

The exercise price shall be one yen per share.

(5) Period during which subscription rights to shares may be exercised

The period during which subscription rights to shares may be exercised shall be determined by the board of directors but shall not exceed 50 years from the following date of the date of allotment of the subscription rights to shares.

(6) Restrictions on the acquisition of subscription rights to shares by way of transfer

The acquisition of subscription rights to shares by way of transfer shall require approval of the board of directors.

(7) Conditions for the exercise of subscription rights to shares

1) A holder of subscription rights to shares may exercise all the subscription rights to shares at any time within 10 days from the date following the date on which such holder loses the position of a director, a statutory auditor, or an operating officer of the Company during the period stated in (5) above.

2) Other conditions for the exercise of subscription rights to shares shall be determined by resolution of the board of directors.

(8) Other conditions concerning subscription rights to shares

Other matters concerning subscription rights to shares shall be determined at a meeting of the board of directors where the conditions of stock acquisition rights are to be decided.

(Reference)

The Company intends to allot subscription rights to shares equivalent to the subscription rights to shares described above to the operating officers of the Company and directors of the Company’s subsidiaries by resolution of the board of directors.