

Stock Option (Warrant)

May 28, 2002 --- The Board of Directors of Santen Pharmaceutical Co., Ltd. resolved that a proposal be presented for approval in the Annual General Meeting of Shareholders to be held on June 26 (Wed) to implement a stock warrant program that grants stock options to certain persons other than existing shareholders to purchase new shares of the Company stock with especially favorable terms, in accordance with the provision of Articles 280.20 and 280.21, as follows:

1 . Outline of the Stock Option

(1) Persons to whom stock option will be granted

Twelve directors and executive officers of the Company and two directors of a major overseas subsidiary of the Company

(2) Type and number of shares subject to the proposed stock option

Up to 92,000 shares of the Company's common stock will be reserved for issuance by the exercise of the stock option.

If the Company carries out stock split or reverse stock split, the number of shares reserved for this purpose will be adjusted by the following calculation:

Number of shares to be reserved after adjustment =
Number of shares to be reserved before adjustment × ratio of stock split (or reverse stock split)

The adjustment will be made only for shares reserved for the stock option program and not exercised at the time of the stock split (or reverse stock split) and any numbers less than one share resulting from the adjustment will be discarded.

If the Company merges with another company or consolidates into a newly established company and the stock option of the Company is taken over by the surviving or the newly established company, or if the Company becomes the parent company that own 100% stock of another company by stock exchange, or if the Company is divided into more than one company and certain businesses of the Company are transferred to the newly established companies, or if the Company transfers certain businesses to an

existing company (or companies), the Company may make necessary adjustment to the number of shares reserved for the stock option program.

(3) Total stock options to be issued

Up to 920 options

(Each option grants to a grantee the rights to purchase 100 new shares of the Company's common stock. If the adjustment described in 1. (2) is made to the total shares to be reserved for the stock option program, the number of shares to be granted for each option will be also adjusted by the same calculation described in 1. (2).

(4) Price of the Stock Option

Each stock option is granted free of charge.

(5) Exercise Price of the Stock Option

The exercise price of each stock option is the average of the closing prices of the Company's common stock (any amount less than one yen is rounded up to one yen) traded on the Osaka Securities Exchange during the month (excluding the days no trading of the Company stock was made) immediately before the month the stock option is granted

If the amount determined by the calculation described above is lower than the closing price of the Company's common stock on the option grant date, the exercise price shall be the closing price of the Company's common stock on the option grant date.

If new shares are issued at a price lower than the then market price (excluding the cases where new shares are issued by the exercise of a stock option), the exercise price of each stock option then outstanding shall be adjusted by the following calculation method, and any amount less than one yen shall be rounded up.

Number of shares issued x purchase price per share

$$\text{Adjusted exercise price} = \text{Exercise price before adjustment} \times \frac{\text{Outstanding shares} + \frac{\text{Shares issued} \times \text{Price}}{\text{Division/issuance of new shares}}}{\text{Outstanding shares} + \text{Division/issuance of new shares}}$$

(6) Exercise Period of Stock Option

Each option granted in this program is exercisable during the period from June 27, 2004 to June 25, 2012.

(7) Terms and Conditions for Exercising the Stock Option

The grantee of each stock option must be a director or executive officer of the Company or a director of a major overseas subsidiary of the Company during the exercise period; provided that the person is entitled to exercise the granted option as long as he/she retires or resigns as director or executive officer upon expiration of the term or for any other due reason.

Each stock option may be exercised partially as long as the shares issued by the exercise of the option are a multiple of a trading unit at the time of the option exercise.

If the grantee of the stock option dies during the exercise period of the stock price, the heir of the deceased may exercise the stock option during the exercise period.

Other details will be set forth in the Stock Option Agreement executed between the Company and each grantee, subject to approval by the resolution of the General Meeting of Shareholders and the resolution of the Board of Directors made for the issuance of the stock option.

(8) Retirement of Stock Option and Conditions

If a merger agreement is approved in accordance with which the Company is taken over, or if a proposal for approving a stock exchange agreement or a proposal for stock transfer, in accordance with which the Company becomes a wholly owned subsidiary of another company, is approved at the general meeting of shareholders, stock options granted may be retired without imposing any monetary liability on the Company.

If a grantee ceases to satisfy the condition set forth in (7) above, any part of his/her stock option not exercised by that time may be retired without imposing any monetary liability on the Company.

(9) Restriction on Transfer of Stock Option

Transfer of any stock option shall obtain prior approval of the Board of Directors.

2 . Reason for Issuing Stock Option with Favorable Terms to Persons Other Than Existing Shareholders

Connecting the compensation of directors and executive officers of the Company and directors of major overseas subsidiaries with the mid-term and long-term corporate value of the Company will enhance their morale and motivation for improving the operational performance, and will also enhance the corporate value and customer satisfaction. To this end, the Company proposes free grant of stock option, which requires approval by shareholders of the Company.

Each stock option will be granted free of charge as described above, and the grantee shall pay the exercise price determined based on the market price of the Company's common stock as described in (5) above when he/she exercise the option.