

Translation

[**Disclaimer:** The following is meant to be an accurate translation from the original Notice of Shareholders Meeting of Santen Pharmaceutical Co., Ltd. 2006, written in Japanese, and is prepared for the convenience of shareholders outside Japan who have voting rights. However, in the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail. Please be advised that certain expressions for domestic voting procedures are not applicable to the aforesaid shareholders are omitted or modified to avoid confusion.]

Securities code : 4536

June 6, 2006

**CONVOCAATION NOTICE OF
THE 94TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 94th Annual General Meeting of Shareholders of the Corporation to be held as set forth below, and your presence at such meeting is highly appreciated.

If you are unable to attend the Meeting, we request you to exercise your voting rights using one of the following methods, after reviewing the attached “Reference Materials for Exercise of Voting Rights.”

VOTING RIGHTS FOR REGISTERED SHAREHOLDERS IN JAPAN¹

Voting by Mail

Please fill in the Voting Card², indicating your assent or dissent regarding the items on the agenda, affix your seal or signature, and return the card to us by mail.

Voting via the Internet

Please access the website (<http://www.evotep.jp/>) designated by the Corporation to vote using your personal computer, using the “voting code” and “temporary password” shown on the enclosed Voting Card. Please follow the instructions on the screen and indicate your assent or dissent regarding the items on the agenda.

Yours very truly,

Takakazu Morita
President & CEO
SANTEN PHARMACEUTICAL CO., LTD.
9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka, Japan

Notes:

1 Shareholder outside Japan are not entitled to use these voting procedures.

2 The Voting Card is not enclosed with the English translation.

AGENDA

- 1. Date and Time:** Tuesday, June 27, 2006 at 10:00 a.m.
- 2. Place:** Century Hall on 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 Balance Sheet, Consolidated Income Statement, Non-Consolidated Balance Sheet and Non-Consolidated Income Statement for the 94th Business Term (April 1, 2005 to March 31, 2006)
2. Independent Auditor Report and Corporate Auditor Report on the consolidated financial statements

Items for Resolution

- Proposal No. 1** Approval of the Proposed Appropriation of Retained Earnings for the 94th Business Term
- Proposal No. 2** Partial Amendments to the Articles of Incorporation
For details regarding this item, please see the attached “Reference Materials for the Exercise of Voting Rights.”
- Proposal No. 3** Appointment of Seven (7) Directors
- Proposal No. 4** Appointment of One (1) Corporate Auditor
- Proposal No. 5** Amendments to the Rules for Directors’ Remuneration
- Proposal No. 6** Amendment to the Regulations for Corporate Auditors’ Remuneration and amounts thereof
- Proposal No. 7** Issuance of Rights to Subscribe for New Shares as Stock Options for Directors
For details regarding this proposal, please see the attached “Reference Materials for the Exercise of Voting Rights.”
- Proposal No. 8** Issuance of Right to Subscribe for New Shares as Stock Options for Executive Officers
For details regarding this proposal, please see the attached “Reference Materials for the Exercise of Voting Rights.”

REFERENCE MATERIALS FOR THE EXERCISE OF VOTING RIGHTS

1. Total number of voting rights held by all the shareholders: 865,893
2. Proposals and Information for Reference

Proposal No. 1 Approval of the Proposed Appropriation of Retained Earnings for the 94th Business Term

The Board of Directors proposes to appropriate the retained earnings as stated on page 35 of the Attachment of the Convocation Notice of the 94th Annual General Meeting of Shareholders.

The Corporation regards the return of profits to shareholders as a very important management task. Based on the policy to return appropriate profits to shareholders considering corporate performance, and to improve capital efficiency with the maintenance of flexibility and soundness in corporate finance, the Corporation returns profits to shareholders through dividends actively. In addition, the Corporation considers the retirement of its own shares to be an effective means of improving shareholder value and capital efficiency. For the 94th Business Term, the Board of Directors proposes term-end dividends of profits of JPY35 per share. Consequently, the total dividends for the annual business term, including the interim dividends (JPY25 per share), will be JPY60 per share, a JPY10 increase compared to the previous term.

Proposal No. 2 Partial Amendments to the Articles of Incorporation

1. Reasons for Amendments

- (1) As a consequence of the enforcement of the Corporations Act (Act No. 86, 2005) on May 1, 2006, the Board of Directors proposes amending the Corporation's Articles of Incorporation as follows:
 - 1) In order to provide that the Corporation shall establish governing bodies of the Corporation according to the provisions stipulated under paragraph 2, Article 326 of the Corporations Act, the Board of Directors proposes newly establishing Article 4 (Governing Bodies).
 - 2) In order to provide that the Corporation shall issue share certificates according to the provisions stipulated under Article 214 of the Corporations Act, the Board of Directors proposes newly establishing Article 7 (Issuance of Share Certificates).
 - 3) In order to limit the right regarding fractional unit shares within a reasonable scope pursuant to paragraph 2, Article 189 of the Corporations Act, the Board of Directors proposes newly establishing Article 10 (Rights Regarding Fractional Unit Shares).
 - 4) Now that the disclosure of reference materials for the General Meeting of Shareholders has become a measure that is deemed as that in which the Corporation has presented such materials to shareholders pursuant to the Ordinance for Enforcement of the Corporations Act and the Rules of Accounts of Corporations, in order to enhance cost reductions, the Board of Directors proposes newly establishing Article 17 (Disclosure of Reference Materials for General Meeting of Shareholders and Deemed Presentation).
 - 5) In order to make resolutions of the Board of Directors flexibly in writing or by electromagnetic device if necessary, pursuant to provisions under Article 370 of the

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- Corporations Act, the Board of Directors proposes newly establishing Article 25 (Non-Adherence to the Resolution of the Board of Directors).
- 6) In order to further strengthen the Corporation's auditing system through inviting and appointing a capable competent person for the post of the outside corporate auditor pursuant to provisions under paragraph 1, Article 427 of the Corporations Act, the Board of Directors proposes newly establishing Article 36 (Agreement to Limit Responsibilities of Outside Auditors).
 - 7) In order to clarify each record date, the Board of Directors proposes newly establishing Article 15 (Record Date of the Annual General Meeting of Shareholders) in connection with the record date of the voting right at the annual general meeting of shareholders, and stipulating Article 38 (Year-End Dividend and Record Date Thereof) and Article 39 (Interim Dividend and Record Date Thereof) respectively in connection with the record date of the dividend of surplus. Consequently, the Board of Directors proposes deleting the current Article 11 (Record Date) of the Articles of Incorporation.
 - 8) The Board of Directors proposes deleting the current Article 16 (Minutes), as a consequence of the enforcement of the Corporations Act under which matters stipulated under the said article are optional entries and thus Directors present are not obliged to affix their seals to the minutes.
 - 9) The Board of Directors proposes changing terms under the former Commercial Code to those that are used in the Corporations Act, and partially amending expressions, number of articles, words and phrases, taking this opportunity.
 - 10) Due to the establishment and deletion of the aforementioned articles, the Articles of Incorporation will be renumbered.
- (2) As a consequence of the enforcement of the "Act to Amend a Part of Commercial Code, Etc., for the Electronic Public Notice System" (Act No. 87, 2004) on February 1, 2005, and now that the electronic public notice is admitted as the means of public notice thereunder, the Board of Directors proposes changing Article 4 (Method of Notice) of the current Articles of Incorporation as necessitated, in order to enhance publicity and promote streamlining, by publishing an electronic public notice instead of an article in the Nihon Keizai Shimbun; in addition, in order to provide occasional public notices by such means in preparation for unforeseen situations.
 - (3) In order to take measures more pertinently in connection with the operation of the general meeting of shareholders, the Board of Directors proposes amending "President" as the person convening the meeting of shareholders set forth under Article 13 (Person Convening the Meeting and Chairperson) of the current Articles of Incorporation to "Representative Director."
 - (4) The Board of Directors of the Corporation is able to have exhaustive discussions and swift decision-making by keeping the number of the members small. Considering such current number of Directors, which is seven (7), the Board of Directors proposes amending the prescribed number of Directors that is "twenty (20) or fewer" provided under Article 17 of the current Articles of Incorporation to "twelve (12) or fewer."
 - (5) In order to enable the appointment of the "Chief Executive Officer" (CEO) and "Chief Operating Officer" (COO) anew, the Board of Directors proposes newly establishing requisite provisions under Article 20 (Representative Directors and Directors with Executive Power) of the current Articles of Incorporation.

2. Details of the amendments

Details of the proposed amendments are as follows:

(Parts proposed to be amended are underlined.)

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Current Articles of Incorporation	Proposed amendment
<p>Article 2 (<i>Place of the Head Office</i>)</p> <p><u>The Corporation shall have its head office in Osaka City.</u></p>	<p>Article 2 (<i>Purposes</i>)</p> <p><u>The purposes of the Corporation shall be to engage in the following businesses:</u></p> <ol style="list-style-type: none"> <u>1. Manufacture, sale, purchase, export and import of pharmaceuticals, chemical agents, industrial agents, veterinary medicine, reagents, quasi-drugs, cosmetics, food products, food ingredients, beverages, animal feedstuff, feed additives, agricultural chemicals, medical agents for the prevention of epidemics, hygiene products, medical devices, measuring apparatus, and other chemical products;</u> <u>2. Sale, purchase, lease and maintenance of real estate;</u> <u>3. Sale, purchase, lease and brokerage of machines and instruments;</u> <u>4. Warehousing business;</u> <u>5. Motor truck carrier business and automobile forwarding business;</u> <u>6. Cleaning business; and</u> <u>7. Any and all other businesses and investments incidental to or relating to any of the foregoing.</u>
<p>Article 3 (<i>Purposes</i>)</p> <p><u>The purposes of the Corporation shall be to engage in the following businesses:</u></p> <ol style="list-style-type: none"> <u>1. Manufacture, sale, purchase, export and import of pharmaceuticals, chemical agents, industrial agents, veterinary medicine, reagents, quasi-drugs, cosmetics, food products, food ingredients, beverages, animal feedstuff, feed additives, agricultural chemicals, medical agents for the prevention of epidemics, hygiene products, medical devices, measuring apparatus, and other chemical products;</u> <u>2. Sale, purchase, lease and maintenance of real estate;</u> <u>3. Sale, purchase, lease and brokerage of machines and instruments;</u> <u>4. Warehousing business;</u> <u>5. Motor truck carrier business and automobile forwarding business;</u> <u>6. Cleaning business; and</u> <u>7. Any and all other businesses and investments incidental to or relating to any of the foregoing;</u> <p>[To be newly established]</p>	<p>Article 3 (<i>Place of the Head Office</i>)</p> <p><u>The Corporation shall have its head office in Osaka City.</u></p>
	<p>Article 4 (<i>Governing Bodies</i>)</p> <p><u>The Corporation establishes the following bodies other than the General Meeting of the Shareholders and Directors:</u></p>

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<p>Article <u>4</u> (<i>Method of Public Notice</i>)</p> <p>Public Notice of the Corporation <u>shall be by publishing in the Nihon Keizai Shimbun.</u></p> <p style="text-align: center;">Chapter II Shares</p> <p>Article <u>5</u> (<i>Total Number of Shares to be Issued by the Corporation</i>)</p> <p>The <u>total number of shares authorized to be issued</u> by the Corporation shall be <u>152,844,454</u> shares.</p> <p><u>However, in case shares are retired, the number of shares so retired shall be subtracted from the total number of shares so authorized.</u></p> <p>[To be newly established]</p> <p>Article <u>6</u> (<i>Share Repurchases</i>)</p> <p>The Corporation may, by resolution of the Board of Directors, repurchase its own shares pursuant to the provisions of <u>item 2, paragraph 1, Article 211-3 of the Commercial Code of Japan.</u></p> <p>Article <u>7</u> (<i>Number of Shares to Constitute One Unit and Non-Issuance of Certificates for Fractional Unit Shares</i>)</p> <p>The <u>number of shares</u> of the Corporation <u>to constitute one unit</u> shall be 100.</p> <p>(2) The Corporation shall not issue share certificates for <u>less-than-one-unit shares.</u></p> <p>[To be newly established]</p>	<p><u>1. The Board of Directors;</u> <u>2. Corporate Auditors;</u> <u>3. The Board of Corporate Auditors; and</u> <u>4. Independent Auditors.</u></p> <p>Article <u>5</u> (<i>Public Notice Means</i>)</p> <p><u>The means of public notice</u> of the Corporation shall be by <u>electronic public notice.</u> However, in the event the Corporation is not able to give a public notice by the electronic public notice, it shall be given by publication in the Nihon Keizai Shimbun.</p> <p style="text-align: center;">Chapter II Shares</p> <p>Article <u>6</u> (<i>Total Number of Issuable Shares of the Corporation</i>)</p> <p>The <u>total number of issuable shares</u> of the Corporation shall be <u>151,493,354</u> shares.</p> <p>Article <u>7</u> (<i>Issuance of the Share Certificates</i>)</p> <p><u>The Corporation shall issue the share certificates pertaining to shares.</u></p> <p>Article <u>8</u> (<i>Share Repurchases</i>)</p> <p>The Corporation is authorized to repurchase shares by <u>means including market transactions</u> upon resolution of the Board of Directors pursuant to provisions under <u>paragraph 2, Article 165 of the Corporations Act.</u></p> <p>Article <u>9</u> (<i>Number of Shares Per Share Unit and Non-Issuance of Certificates for Fractional Unit Shares</i>)</p> <p>The <u>total number of shares</u> of the Corporation <u>comprising one share unit</u> shall be <u>100</u> shares.</p> <p>(2) <u>Notwithstanding the provisions under Article 7,</u> the Corporation shall not issue share certificates pertaining to <u>fractional unit shares.</u></p> <p>Article <u>10</u> (<i>Rights Regarding Fractional Unit Shares</i>)</p> <p><u>A shareholder of the Corporation (including the beneficial shareholders; same shall apply hereinafter) may not exercise rights other than those set forth below in connection with fractional unit shares already held by such shareholder.</u></p>

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Current Articles of Incorporation	Proposed amendment
<p>Article 8 (<i>Purchase of Fractional Unit Shares</i>)</p> <p>A shareholder holding fractional unit shares of the Corporation (including the beneficial shareholders; same shall apply hereinafter) may request the Corporation to purchase specified numbers of shares which shall become one unit of shares if combined with the fractional unit shares already held by such shareholder, pursuant to the Share Handling Regulations.</p> <p>Article 9 (<i>Transfer Agent</i>)</p> <p>The Corporation shall have a <u>transfer agent with respect to its shares</u>.</p> <p><u>The transfer agent</u> and its place of business shall be <u>selected</u> by resolution of the Board of Directors, and public notice thereof shall be made.</p> <p>The shareholders register and the beneficial shareholders register, and the register of lost share certificates of the Corporation shall be kept at the place of business of the transfer agent, and registration of transfer of shares, registration of lost share certificates, purchase and sale of fractional unit shares by the Corporation, and other matters relating to shares shall be handled by the transfer agent, not by the Corporation.</p> <p>Article 10 (<i>Share Handling Regulations</i>)</p> <p>Denominations of share certificates, registration of transfer of shares of the Corporation, registration of lost share certificates, purchase and sale of fractional unit shares by the Corporation, and other matters concerning the handling of shares shall be governed by the Articles of Incorporation as well as the Share Handling Regulations established by the Board of Directors.</p>	<p><u>1. Rights set forth under each item of paragraph 2, Article 189 of the Corporations Act;</u></p> <p><u>2. Rights to a claim pursuant to provisions under paragraph 1, Article 166 of the Corporations Act;</u></p> <p><u>3. Rights to be granted an allotment of the offered shares and the offered rights to subscribe for new shares according to the number of shares already held by a shareholder; or</u></p> <p><u>4. Rights to claim as provided under the following article.</u></p> <p>Article 11 (<i>Request for purchase of Fractional Unit Shares</i>)</p> <p>The shareholder who holds fractional unit shares of the Corporation may request the Corporation to purchase a specified number of shares <u>which shall constitute one share unit</u> if combined with shares constituting such fractional unit shares, pursuant to the Share Handling Regulations.</p> <p>Article 12 (<i>Shareholder Register Agent</i>)</p> <p>The Corporation shall have a <u>shareholder register agent</u>.</p> <p><u>(2) The shareholder register agent</u> and its place of business shall be <u>determined</u> by resolution of the Board of Directors, and public notice thereof shall be made.</p> <p><u>(3) Preparation, upkeep and other matters concerning the shareholder register of the Corporation (including the beneficial shareholder register; same shall apply hereinafter), the original register of the rights to subscribe for new shares and the register of lost share certificates shall be entrusted to the shareholder register agent,</u> and not handled by the Corporation.</p> <p>Article 13 (<i>Share Handling Regulations</i>)</p> <p>Matters concerning the handling of shares of the Corporation and <u>handling fees</u> shall be governed by the <u>laws and regulations</u> or these Articles of Incorporation as well as the Share Handling Regulations established by the Board of Directors.</p>

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<p><u>Article 11 (Record Date)</u></p> <p><u>The Corporation shall deem those shareholders whose names have been entered or recorded in the last shareholders register and the beneficial shareholders register as of March 31 of each year as the shareholders who may exercise shareholders' rights at the annual general meeting of shareholders.</u></p> <p><u>In addition to the foregoing and in other cases provided by the provisions of Articles of Incorporation, if it is necessary, upon giving prior notice, the shareholders or registered pledgees whose names have been entered or recorded in the last shareholders register and the beneficial shareholders register as of a specific date shall be the shareholders or registered pledgees entitled to exercise shareholders' rights, pursuant to the resolution of the Board of Directors.</u></p> <p>Chapter III General Meeting of Shareholders</p> <p>Article <u>12</u> (Convocation) (Provisions intentionally omitted)</p> <p>[To be newly established]</p> <p>Article <u>13</u> (Person Convening the Meeting and Chairperson)</p> <p><u>President shall convene</u> the general meeting of shareholders pursuant to the resolution of the Board of Directors and shall chair such meeting. In the event that the <u>President</u> is unable to chair such meeting, the other Director shall take his or her place according to orders established by the Board of Directors in advance.</p> <p>[To be newly established]</p>	<p>[Deleted]</p> <p>Chapter III General Meeting of Shareholders</p> <p>Article <u>14</u> (Convocation) (Same as the current article)</p> <p><u>Article 15 (Record Date of the Annual General Meeting of Shareholders)</u></p> <p><u>The record date of the annual general meeting of shareholders of the Corporation shall be March 31 of each year.</u></p> <p>Article <u>16</u> (Person Convening the Meeting and Chairperson)</p> <p><u>Representative Director shall convene</u> and chair the general meeting of shareholders pursuant to the resolution of the Board of Directors and shall chair such meeting, <u>except cases where there are any separate provisions under laws and regulations.</u> In the event that <u>the Representative Director</u> is unable to chair such meeting, the other Director shall take his/her place according to orders established by the Board of Directors in advance.</p> <p><u>Article 17 (Disclosure via Internet and the Deemed Provision of Reference Materials for the Exercise of Voting Rights)</u></p> <p><u>The Corporation may deem that the Corporation has provided shareholders with information pertaining to matters to be described or presented in the reference materials for the exercise of voting rights, business report, non-consolidated financial statement and</u></p>

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<p>Article <u>14</u> (<i>Resolution</i>)</p> <p>Resolutions of the general meeting of shareholders shall be made by an affirmative vote of the majority of the voting rights of shareholders present at the meeting, except cases separately provided for in the laws and regulations or the Articles of Incorporation.</p> <p>(2) Resolutions <u>to be made</u> pursuant to <u>provisions of Article 343 of the Commercial Code of Japan</u> shall be adopted by an affirmative vote of two-thirds or more of the voting rights of shareholders present at the general meeting of shareholders, of which the quorum shall be one-third or more of the voting rights <u>owned by all shareholders.</u></p> <p>Article <u>15</u> (<i>Exercise of Voting Rights by Proxy</i>)</p> <p>Shareholders may exercise their voting rights through other shareholders holding voting rights of the Corporation as an agent.</p> <p>However, the shareholder or the agent shall present a document that certifies the proxy to the Corporation for each general meeting of shareholders.</p> <p>Article <u>16</u> (<i>Minutes</i>)</p> <p><u>The outline of proceedings and the result of items of business of the general meeting of shareholders shall be described in the minutes, with signatures of the chairperson and Directors present affixing their names and seals, and shall be kept in the head office of the Corporation for ten (10) years.</u></p> <p style="text-align: center;">Chapter IV Directors and the Board of Directors</p> <p>Article <u>17</u> (<i>Number of Directors</i>)</p> <p>The maximum number of directors of the Corporation shall be <u>twenty (20).</u></p> <p>Article <u>18</u> (<i>Appointment of Directors</i>)</p> <p>Directors shall be appointed in the general meeting of shareholders.</p> <p>The resolution for the appointment of Directors <u>requires</u> the presence of shareholders holding one-third or more of the voting rights of <u>the total number of</u></p>	<p><u>consolidated financial statement, if the Corporation discloses such information by means of using the Internet pursuant to provisions stipulated by the Ordinance of the Ministry of Justice.</u></p> <p>Article <u>18</u> (<i>Resolution</i>)</p> <p>Resolutions of the general meeting of shareholders shall be made by an affirmative vote of the majority of the voting rights of shareholders <u>entitled to exercise voting rights</u> who are present at the meeting, except cases separately provided for in the laws and regulations or these Articles of Incorporation.</p> <p>(2) Resolutions <u>pursuant to the provision in paragraph 2, Article 309 of the Corporations Act</u> shall be adopted by an affirmative vote of two-thirds or more of the voting rights represented by shareholders present holding one-third or more of the voting rights of shareholders <u>entitled to exercise voting rights.</u></p> <p>Article <u>19</u> (<i>Exercise of Voting Rights by Proxy</i>)</p> <p>Shareholders may exercise <u>their own</u> voting rights through <u>one (1)</u> other shareholder holding voting rights of the Corporation as an agent.</p> <p>However, the shareholder or the agent shall present a document that gives proof of the proxy to the Corporation for each general meeting of shareholders.</p> <p>[Deleted]</p> <p style="text-align: center;">Chapter IV Directors and the Board of Directors</p> <p>Article <u>20</u> (<i>Number of Directors</i>)</p> <p>The maximum number of directors of the Corporation shall be <u>twelve (12).</u></p> <p>Article <u>21</u> (<i>Appointment of Directors</i>)</p> <p>Directors shall be appointed in the general meeting of shareholders.</p> <p>(2) The resolution for the appointment of Directors <u>shall be adopted by the majority vote of the voting rights</u> represented by the shareholders present holding</p>

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<p><u>shareholders.</u> Resolution of the appointment of Directors shall not be made by cumulative voting.</p> <p>Article <u>19</u> (<i>Term of Office of Directors</i>) The term of office of Directors shall expire at the close of the annual general meeting of shareholders held with respect to <u>the last accounting period within</u> one year <u>after their assumption of office.</u></p> <p>Article <u>20</u> (<i>Representative Directors and Directors with Executive Power</i>) Three (3) or fewer Representative Directors shall be appointed by the resolution of the Board of Directors. A Chairperson, President, and several vice Chairpersons, Vice Presidents, Senior Managing Directors, Managing Directors and Senior Advisors may be <u>appointed</u> from Directors by resolutions of the Board of Directors. [To be newly established]</p> <p>Article <u>21</u> (<i>Time of Convocation of the Board of Directors</i>) In convening a meeting of the Board of Directors, a notice thereof shall be sent to each director and each corporate auditor not less than three (3) days prior to the meeting date. However, such period of notice may be shortened in case of emergency. [To be newly established]</p> <p>Article <u>22</u> (<i>Regulations of the Board of Directors</i>) Matters with respect to the Board of Directors shall be subject to these Articles of Incorporation, and in addition, the Board of Directors Regulations stipulated by the Board of Directors.</p>	<p>one-third or more of the voting rights of <u>the shareholders entitled to exercise voting rights.</u> (3) Resolution of the appointment of Directors shall not be adopted by cumulative voting.</p> <p>Article <u>22</u> (<i>Term of Office of Directors</i>) The term of office of Directors shall expire at the close of the annual general meeting of shareholders <u>with respect to the last business year that ends within one</u> year after <u>their appointment.</u></p> <p>Article <u>23</u> (<i>Representative Directors and Directors with Executive Power, Etc.</i>) The Board of Directors shall elect three (3) or fewer Representative Directors by its resolution. (2) <u>A Chairperson, President, and several Vice Chairpersons, Presidents, Senior Managing Directors, Managing Directors and Advisors/Directors may be elected</u> by resolutions of the Board of Directors. (3) <u>A Chief Executive Officer (CEO) and Chief Operating Officer (COO) may be appointed from Directors by resolutions of the Board of Directors.</u></p> <p>Article <u>24</u> (<i>Convocation Notice of the Board of Directors</i>) In convening a meeting of the Board of Directors, <u>a notice thereof</u> shall be sent to each Director and each Corporate Auditor not less than three (3) days prior to the meeting date. However, such period of notice may be shortened in case of emergency.</p> <p><u>Article 25 (Non-Adherence to Resolutions of the Board of Directors)</u> The Corporation shall deem that there has been a <u>resolution in the event all of the Directors gave their unanimous consent in writing or electromagnetic device regarding items for resolution of the Board of Directors. However, if a Corporate Auditor raises its objection, the foregoing shall not apply.</u></p> <p>Article <u>26</u> (<i>Regulations of the Board of Directors</i>) Matters with respect to the Board of Directors shall be subject to <u>laws and regulations or</u> these Articles of Incorporation and the Board of Directors Regulations determined by the Board of Directors.</p>

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<p>Article <u>23</u> (<i>Remuneration of Directors</i>)</p> <p>Remuneration of Directors shall be determined at the general meeting of shareholders.</p>	<p>Article <u>27</u> (<i>Remuneration, Etc. of Directors</i>)</p> <p>Remuneration, <u>bonuses and other property benefits that are paid by the Corporation in compensation for the execution of the duty (hereinafter referred to as the “Remuneration, etc.”)</u> shall be determined by resolutions of the general meeting of shareholders.</p>
<p>Article <u>24</u> (<i>Agreement with Outside Directors to Limit Liability</i>)</p> <p>The Corporation may enter into an agreement with any Outside Director to limit the liability for any damage that may be caused to the Corporation by <u>any act of the Outside Director as provided for in item 5, paragraph 1, Article 266 of the Commercial Code of Japan, pursuant to the provision of paragraph 19, Article 266 of the same code</u>; however, the maximum amount to limit the liability under such agreement shall be an amount as prescribed in laws and regulations.</p>	<p>Article <u>28</u> (<i>Agreement with Outside Directors to Limit Liability</i>)</p> <p>The Corporation may enter into an agreement with any outside director to limit the liability <u>for any damage that may be caused by negligence of duty</u>, pursuant to paragraph 1, Article 427 of the Corporations Act. However, the maximum amount to limit the liability under such agreement shall be an amount as prescribed in laws and regulations.</p>
<p>Chapter V Corporate Auditors and the Board of Corporate Auditors</p>	<p>Chapter V Corporate Auditors and the Board of Corporate Auditors</p>
<p>Article <u>25</u> (<i>Number of Corporate Auditors</i>) (Provisions intentionally omitted)</p>	<p>Article <u>29</u> (<i>Number of Corporate Auditors</i>) (Same as the current article)</p>
<p>Article <u>26</u> (<i>Appointment of Corporate Auditors</i>)</p> <p>Corporate Auditors shall be appointed in the general meeting of shareholders.</p> <p>The resolution for the appointment of Corporate Auditors requires <u>the attendance of</u> shareholders representing one third or more of <u>the total number of</u> the voting shares <u>issued</u>.</p>	<p>Article <u>30</u> (<i>Appointment of Corporate Auditors</i>)</p> <p>Corporate Auditors shall be appointed in the general meeting of shareholders.</p> <p><u>(2) The resolution for the appointment of corporate auditors shall be passed by the majority vote of the voting rights</u> represented by the shareholders present holding one-third or more of the voting rights of <u>the shareholders entitled to exercise voting rights</u>.</p>
<p>Article <u>27</u> (<i>Term of Office of Corporate Auditors</i>)</p> <p>The term of office of Corporate Auditors shall expire at the close of the annual general meeting of shareholders held with respect to <u>the last accounting period within</u> four (4) years after their assumption of office.</p> <p>The term of office of Corporate Auditors appointed to fill a vacancy shall be coterminous until the time when the term of office of the predecessor who has resigned <u>shall expire</u>.</p>	<p>Article <u>31</u> (<i>Term of Office of Corporate Auditors</i>)</p> <p>The term of office of Corporate Auditors shall expire at the close of the annual general meeting of shareholders <u>with respect to the last business year that ends within</u> four (4) years after <u>their appointment</u>.</p> <p><u>(2) The term of office of Corporate Auditors appointed to fill a vacancy shall be coterminous until the expiration</u> of the term of office of the predecessor who has resigned.</p>
<p>Article <u>28</u> (<i>Full-time Corporate Auditors and Standing Corporate Auditors</i>)</p>	<p>Article <u>32</u> (<i>Full-Time Corporate Auditors and Standing Corporate Auditors</i>)</p>

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Current Articles of Incorporation	Proposed amendment
<p>The full-time corporate auditor(s) of the Corporation shall be appointed by mutual vote of the Corporate Auditors.</p> <p>In addition to the provision under the preceding paragraph, the standing corporate auditor(s) of the Corporation shall be appointed by mutual vote.</p> <p>Article <u>29</u> (<i>Time of Convocation of the Board of Corporate Auditors</i>)</p> <p>In convening a meeting of the Board of Corporate Auditors, a notice thereof shall be sent to each corporate auditor not less than three (3) days prior to the meeting date. However, such period of notice may be shortened in case of emergency.</p> <p>Article <u>30</u> (<i>Regulations of the Board of Corporate Auditors</i>)</p> <p>Matters with respect to the Board of Corporate Auditors shall be subject to these Articles of Incorporation and the Board of Corporate Auditors Regulations stipulated by the Board of Corporate Auditors.</p> <p>Article <u>31</u> (<i>Remuneration of Corporate Auditors</i>)</p> <p>Remuneration of Corporate Auditors shall be determined <u>by</u> the resolution of the general meeting of shareholders.</p> <p>[To be newly established]</p> <p style="text-align: center;">Chapter VI Accounts</p> <p>Article <u>32</u> (<i>Business Year and Accounting Period</i>)</p> <p>The <u>business (Eigyo)</u> year of the Corporation shall commence on April 1 of each year and end on March 31 of the following year, <u>and the accounting period shall be the end of such business year.</u></p>	<p>The full-time Corporate Auditor(s) of the Corporation shall be <u>elected by resolutions of the Board of Corporate Auditors.</u></p> <p><u>(2)</u> Other than provided for under the preceding paragraph, the Standing Corporate Auditor(s) may <u>be elected</u> by resolutions of the Board of Corporate Auditors.</p> <p>Article <u>33</u> (<i>Convocation <u>Notice</u> of the Board of Corporate Auditors</i>)</p> <p>In convening a meeting of the Board of Corporate Auditors, <u>a notice thereof</u> shall be sent to each Corporate Auditor not less than three (3) days prior to the meeting date. However, such period of notice may be shortened in case of emergency.</p> <p>Article <u>34</u> (<i>Regulations of the Board of Corporate Auditors</i>)</p> <p>Matters with respect to the Board of Corporate Auditors shall be subject to <u>laws and regulations or</u> these Articles of Incorporation, and in addition, the Board of the Corporate Auditors Regulations determined by the Board of Corporate Auditors.</p> <p>Article <u>35</u> (<i>Remuneration, <u>Etc.</u> of Corporate Auditors</i>)</p> <p>Remuneration, <u>etc.</u> of Corporate Auditors shall be determined <u>by</u> the resolution of the general meeting of shareholders.</p> <p><u>Article 36 (Agreement with Outside Corporate Auditors to Limit Liability)</u></p> <p><u>The Corporation may enter into an agreement with any Outside Corporate Auditor to limit the liability for any damage that may be caused by negligence of duty, pursuant to paragraph 1, Article 427 of the Corporations Act. However, the maximum amount to limit the liability under such agreement shall be an amount as prescribed in laws and regulations.</u></p> <p style="text-align: center;">Chapter VI Accounts</p> <p>Article <u>37</u> (<i>Business Year</i>)</p> <p>The <u>business</u> year of the Corporation shall be one year which commences on April 1 of each year and ends on March 31 of the following year.</p>

Translation

Current Articles of Incorporation	Proposed amendment
<p>Article <u>33</u> (<i>Dividends of Profits</i>)</p> <p><u>Dividends of profits of the Corporation shall be distributed to such shareholders as are registered or recorded in the latest shareholder register and substantial shareholder register or to the registered pledgees, as of March 31 of each year.</u></p> <p>Article <u>34</u> (<i>Interim Dividends</i>)</p> <p><u>The Corporation may, by a resolution of the Board of Directors, distribute money as interim dividends to such shareholders as are registered or recorded in the latest shareholders register and substantial shareholders register, or to the registered pledgees, as of September 30 of each year.</u></p> <p>Article <u>35</u> (<i>Exclusion Period</i>)</p> <p><u>The Corporation shall be exempt from liability for any dividends of profits or interim dividends that have not been received for a period of three (3) years from the date upon which the distribution of such dividends started.</u></p>	<p>Article <u>38</u> (<i>Term-End Dividends and Record Date</i>)</p> <p><u>The Corporation may, by a resolution of the general meeting of shareholders, distribute surplus as the term-end dividends to shareholders or to the registered pledgees as of March 31 of each year that is set as the record date for the term-end dividends.</u></p> <p>Article <u>39</u> (<i>Interim Dividends and Record Date</i>)</p> <p><u>The Corporation may, by resolutions of the Board of Directors, distribute surplus as the interim dividends to shareholders or to the registered pledgees as of September 30 of each year that is set as the record date for the interim dividends.</u></p> <p>Article <u>40</u> (<i>Exclusion Period</i>)</p> <p><u>In the event that a property shall be distributed as money, the Corporation shall be exempt from liability for such payment that has not been received for a period of three (3) years from the date upon which such payment started.</u></p>

Proposal No.3 Appointment of Seven (7) Directors

The office terms of all Directors will expire¹ at the close of this Annual General Meeting of Shareholders. The Board of Directors proposes appointment of the following seven (7) Directors.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career summary and representative posts currently held with other corporations	Number of Santen shares owned
1	Takakazu Morita (February 10, 1945)	April 1980 Joined the Corporation November 1980 Head of Office of the President July 1981 Director July 1983 Managing Director July 1987 Senior Managing Director October 1990 President & CEO (incumbent) May 2002 President of Santen Holdings U.S., Inc. (incumbent) September 2005 Representative Director of Santen Pharmaceutical (China) Co., Ltd. (incumbent) Representative positions held with other corporations: President of Santen Holdings U.S., Inc.	133,400 shares

Translation

		Representative Director of Santen Pharmaceutical (China) Co., Ltd.	
2	Akira Kurokawa (September 5, 1952)	<p>April 1977 Joined the Corporation</p> <p>April 1997 General Manager, Office of the Head of Sales & Marketing Division – Prescription Pharmaceuticals</p> <p>June 1997 Director (incumbent)</p> <p>June 1998 Deputy Head of Sales & Marketing Division – Prescription Pharmaceuticals</p> <p>May 2001 Head of Sales & Marketing Division – Prescription Pharmaceuticals (incumbent)</p> <p>June 2001 Corporate Officer</p> <p>July 2004 Senior Corporate Officer (incumbent)</p>	3,000 shares
3	Masahiro Mita (November 13, 1949)	<p>April 1980 Joined the Corporation</p> <p>April 1981 Head of Marketing Department</p> <p>July 1983 Director</p> <p>June 1993 President & Director of Goyo Kigyo Co., Ltd. (incumbent)</p> <p>June 1995 Managing Director (incumbent)</p> <p>May 2001 In charge of Corporate Management, Regulatory Affairs and Public Relations</p> <p>January 2004 In charge of Corporate Management, Social/Environmental and Regulatory Affairs</p> <p>July 2005 In charge of Corporate and Regulatory Affairs (incumbent)</p> <p>Representative positions held with other corporations:</p> <p>President and Director of Goyo Kigyo Co., Ltd.</p>	234,000 shares
4	Katsuhiro Waga (April 2, 1950)	<p>April 1994 Joined the Corporation</p> <p>October 1995 Deputy Head of Manufacturing Division</p> <p>June 1997 Director (incumbent)</p> <p>June 1997 Head of Manufacturing Division</p> <p>April 2000 Head of Product Supply Division</p> <p>June 2001 Corporate Officer</p> <p>June 2004 Senior Corporate Officer</p> <p>July 2005 In charge of Community & Environment Relations (incumbent)</p>	2,200 shares
5	Kosei Furukawa (September 23, 1935)	<p>April 1986 Professor, Graduate School of Business Administration, Keio University</p> <p>June 1998 Corporate Auditor of the Corporation</p> <p>April 1999 Professor Emeritus, Keio University (to present)</p>	2,000 shares

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		June 2003 Director of the Corporation (incumbent)	
6	Isao Muramatsu (August 14, 1939)	January 1984 Vice President, Sales, Pfizer Japan July 1991 Representative Director, Executive Vice President and General Manager, Pharmaceuticals, Bristol-Myers Squibb Japan December 1992 President and Representative Director, SmithKline Beecham Japan April 2001 Board Member, Senior Advisor, GlaxoSmithKline Japan April 2002 Representative Director, Pinecrest Corporation (to present) June 2005 Director of the Corporation (incumbent)	Nil
7	Noboru Kotani (November 31, 1956)	June 2000 Representative Director, Dream Incubator Inc. April 2005 Representative Director, Vehicle Inc. (to present) April 2005 University Lecturer, Business Science Course of the Postgraduate School of Tsukuba University (to present) June 2005 Director of the Corporation (incumbent) June 2005 Director of Combi Corporation (to present)	Nil

(Note 1) None of the above candidates for Director has a special conflict of interest with the Corporation.

(Note 2) Kosei Furukawa, Isao Muramatsu and Noboru Kotani are candidates for Outside Directors.

Proposal No.4 Appointment of One (1) Corporate Auditor

Koji Hori as Corporate Auditor resigns at the close of this Annual General Meeting of Shareholders.

The candidate for Corporate Auditor is as follows:

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

Name (Date of birth)	Career summary and representative posts currently held with other corporations	Number of Santen shares owned
Yasuo Sato (September 30, 1942)	April 1965 Joined Teikoku Sanso Corporation (current AIR LIQUIDE Japan Ltd.) April 1999 Representative Director January 2003 Director, Chairman and Chairperson of the Auditing Committee March 2005 Director and Senior Advisor of AIR LIQUIDE Japan Ltd. (to present)	Nil

(Note 1) The above candidate for Corporate Auditor has no special conflict of interest with the

Corporation.

(Note 2) Yasuo Sato is a candidate for Outside Corporate Auditor.

Proposal No. 5 Amendments to the Rules for Directors' Remuneration

Current amounts of remuneration for Directors were resolved at the 83rd Annual General Meeting of Shareholders held on June 29, 1995 and hitherto existing, as "not more than 26 million yen per month exclusive of compensation received as an employee by a Director having duties in an employee's capacity." In order to incorporate bonus allowances for officers into remuneration for Directors, and further make consistent with the Directors' term of office, the Board of Directors proposes amending the current "not more than 26 million yen per month" to "not more than 312 million yen per year."

Such amounts of remuneration for Directors shall not include compensation to be received as an employee by the Director having duties in an employee's capacity as before.

Please be advised that the number of Directors shall be seven (7) if the Proposal 3 is passed in a resolution in the original form.

Proposal No. 6 Amendment to the Regulations for Corporate Auditors' Remuneration and amounts thereof

Current amounts of remuneration for Corporate Auditors were resolved at the 82nd Annual General Meeting of Shareholders held on June 29, 1994 and hitherto existing, as "not more than 5 million yen." In order to further strengthen the Corporation's auditing system through inviting and appointing capable and competent persons to the post of the Outside Corporate Auditor, the Board of Directors proposes increasing the amount of remuneration, and changing the remuneration standard from the amount per month to the amount per year as well as for Directors. In connection with this, the Board of Directors proposes amending the current "not more than 5 million yen per month" to "not more than 80 million yen per year" by increasing the amount by 20 million yen per year.

Please be advised that the number of Corporate Auditors shall be four (4) if the Proposal 4 is passed in a resolution in the original form.

Proposal No. 7 Issuance of Rights to Subscribe for New Shares as Stock Options for Directors

Pursuant to the provisions under Articles 238, etc. of the Corporations Act, the Board of Directors proposes: (i) issuing rights to subscribe for new shares as stock options without consideration; (ii) authorizing the Board of Directors of the Corporation to determine the matters regarding offering of shares; and (iii) the details of rights to subscribe for new shares stock options to be allotted to Directors of the Corporation as remuneration other than money pursuant to the provisions under Article 361 of the Corporations Act.

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

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

Translation

2. Details of rights to subscribe for new shares

(1) Grantees of rights to subscribe for new shares

Directors of the Corporation

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

61,500 shares of common stock of the Corporation.

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 Corporation 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 following formula; however, the adjustment shall be made solely to the number of shares to be issued for rights to subscribe for new shares that have not yet been issued upon the exercise of rights to subscribe for new shares at the time of 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.

Number of shares after adjustment = Number of shares before adjustment x Percentages of a free share allotment, a splitting or consolidation of shares.

Also, in the event that it is appropriate to change the number of shares by means of merger, a reduction of the stated capital other than those described in the above, the Corporation 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

Maximum of 615 rights to subscribe for new shares shall be issued within one (1) year after the day of this Annual General Meeting of Shareholders.

(However, in the event any adjustment is made to the number of shares as stated in 2. (2) above, the number of shares to be issued for one right to subscribe for new shares shall be adjusted in the same way.)

(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 placing of shares may be determined based on the authorization by this Annual General Meeting of Shareholders, the amount to be paid shall be without consideration (i.e., it is not required to pay an amount of money in return for such rights 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 (hereinafter referred to as the "Exercise Price") multiplied by the number of shares to be allotted for one right to subscribe for new shares as provided under 2. (3) above.

The Exercise Price shall be the average of the closing prices (hereinafter, the "Closing Price") of the Corporation'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 (hereinafter referred to as the "Closing Price"). Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.

Translation

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 where there is no Closing Price of such date, 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 Corporation 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:

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

In the event the Corporation 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 treasury stock held by the Corporation shall be deducted from the “number of shares issued” set forth in the above formula; also, in the event that the Corporation 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.”

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

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

From June 28, 2008 to June 24, 2016

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

- 1) A person who has been granted rights to subscribe for new shares shall be required to hold the post of Director of the Corporation during the period for exercising rights to subscribe for new shares; however, the grantee may exercise the right to subscribe for new shares in the event that the grantee retires for legitimate reasons, such as expiry of the term of the office.
- 2) 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 Corporation.
- 3) In the event that of the death of a holder of rights to subscribe for new shares, a successor may exercise rights to subscribe for new shares.
- 4) Other details relating to the exercise of rights to subscribe for new shares shall be

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determined in accordance with the agreement with respect to the granting of rights to subscribe for new shares, which shall be concluded between the Corporation 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 rights to subscribe for new shares

- 1) The amount of the stated capital to be increased in the event that new shares are issued upon exercise of rights to subscribe for new shares shall be one half of the maximum increased amount of the stated capital, etc., calculated pursuant to paragraph 1, Article 40 of the Ordinance for the Settlements of Accounts of Corporations. Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.
- 2) The amount of the capital reserve to be increased in the event that new shares are issued upon exercise of 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 the 1) above.

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

- 1) If a merger agreement, under which the Corporation becomes the disappearing corporation, 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 Corporation shall become a wholly-owned subsidiary is approved at General Meeting of Shareholders or the Board of Directors of the Corporation, the Corporation may revoke the rights to subscribe for new shares without consideration on a day separately determined by the Board of Directors of the Corporation.
- 2) 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 2. (7) 1) above before exercising 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 Corporation.

(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 Corporation.

(11) Treatment of fractional shares

Any fractional share, 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.

(12) Fair amount of right to subscribe for new shares

The fair amount of the right to subscribe for new shares shall be calculated adopting Black-Sholes model based on the market value per share based on several conditions as of the allotment date.

*For your information, the fair amount, calculated adopting Black-Sholes model as of March 31, 2006 is 593.59 yen per share.

Proposal No. 8 Issuance of Right to Subscribe for New Shares as Stock Options for Executive Officers

Pursuant to the provisions under Articles 238, etc., of the Corporations Act, the Board of Directors proposes issuing rights to subscribe for new shares without consideration to

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Executive Officers of the Corporation in accordance with the following terms and conditions:

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

The Corporation plans to issue rights to subscribe for new shares of the Corporation without consideration to directly link the remuneration of Executive Officer to the creation of medium- and long-term corporate value; to raise the motivation and morale of the Executive Officer of the Corporation, for improvement in the Corporation's business results; and to further enhance corporate value and customer satisfaction.

2. Details of rights to subscribe for new shares

(1) Grantees of rights to subscribe for new shares

Executive Officers of the Corporation

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

41,300 shares of common stock of the Corporation.

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 Corporation 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 following formula; however, the adjustment shall be made solely to the number of shares to be issued for rights to subscribe for new shares that have not yet been issued upon the exercise of rights to subscribe for new shares at the time of 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.

Number of shares after adjustment = Number of shares before adjustment x Percentages of a free share allotment, a splitting or consolidation of shares.

Also, in the event that it is appropriate to change the number of shares by means of merger, a reduction of the stated capital other than those described in the above, the Corporation 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

Maximum 413 rights to subscribe for new shares shall be issued within one (1) year after the day of this Annual General Meeting of Shareholders.

(However, in the event any adjustment is made to the number of shares as stated in 2.

(2) above, the number of shares to be issued for one right to subscribe for new shares shall be adjusted in the same way.)

(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 placing of shares may be determined based on the authorization by this Annual General Meeting of Shareholders, the amount to be paid shall be without consideration (i.e., it is not required to pay any amount of money in return for such rights 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 (hereinafter referred to as the "Exercise Price") multiplied by the number of shares to be allotted for one right to subscribe for new shares as provided under 2.(3) above.

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The Exercise Price shall be the average of the closing prices (hereinafter, the “Closing Price”) of the Corporation’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 (hereinafter referred to as the “Closing Price”). 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 where there is no Closing Price of such date, 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 Corporation 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:

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

In the event the Corporation 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:

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

Please be informed that the number of treasury stock held by the Corporation shall be deducted from the “number of shares issued” set forth in the above formula; also, in the event that the Corporation 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.”

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

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

From June 28, 2008 to June 24, 2016

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

1) A person who has been granted rights to subscribe for new shares shall be required to hold the post of Executive Officer of the Corporation during the period for exercising rights to subscribe for new shares; however, the grantee may exercise the right to subscribe for new shares in the event that the grantee retires for legitimate reasons.

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- 2) 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 Corporation.
 - 3) In the event of the death of a holder of rights to subscribe for new shares, a successor may exercise rights to subscribe for new shares.
 - 4) Other details relating to the exercise of 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 Corporation 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 rights to subscribe for new shares
- 1) The amount of the stated capital to be increased in the event that new shares are issued upon exercise of rights to subscribe for new shares shall be one half of the maximum increased amount of the stated capital, etc., calculated pursuant to paragraph 1, Article 40 of the Ordinance for the Settlements of Accounts of Corporations. Any amount less than one yen arising out of this calculation shall be rounded upward to the nearest yen.
 - 2) The amount of the capital reserve to be increased in the event that new shares are issued upon exercise of 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 the 1) above.
- (9) Events and conditions relating to the revoking of rights to subscribe for new shares
- 1) If a merger agreement, under which the Corporation becomes the disappearing corporation, 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 Corporation shall become a wholly-owned subsidiary is approved at General Meeting of Shareholders or the Board of Directors of the Corporation, the Corporation may revoke the rights to subscribe for new shares without consideration on a day separately determined by the Board of Directors of the Corporation.
 - 2) 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 2. (7) 1) above before exercising 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 Corporation.
- (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 Corporation.
- (11) Treatment of fractional shares
- Any fractional share, 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.
- (12) Fair amount of right to subscribe for new shares
- The fair amount of the right to subscribe for new shares shall be calculated adopting Black-Sholes model based on the market value per share based on several conditions as of the allotment date.
- *For your information, the fair amount, calculated adopting Black-Sholes model as of March 31, 2006 is 593.59 yen per share.

End.

Consolidated balance sheet

As of March 31, 2006

(Millions of yen)

Assets

Current assets:	93,892
Cash and deposits	34,583
Notes and accounts trade receivables	34,423
Marketable securities	11,201
Inventories	9,837
Deferred tax assets	1,651
Other current assets	2,196
Allowance for doubtful receivables	(1)
Fixed assets:	56,552
Tangible assets	30,395
Buildings and structures	17,119
Machinery, equipment and vehicles	2,021
Land	9,063
Construction in progress	274
Other tangible assets	1,916
Intangible assets	2,951
Goodwill	709
Software	1,035
Consolidation adjustments	2
Other intangible assets	1,204
Investments and other assets	23,205
Investment securities	17,715
Deferred tax assets	379
Other assets	5,109
Deferred assets:	13
Total assets	150,458

Liabilities and shareholders' equity

Current liabilities:	24,110
Trade accounts payable	5,630
Current portion of long-term debt	168
Other payables	9,308
Income taxes payable	4,946
Reserve for bonuses	2,483
Other reserves	81
Other current liabilities	1,492
Non current liabilities:	7,710
Long-term debt	5,446
Deferred tax liabilities	20
Reserve for retirement benefits	1,243
Reserve for retirement benefits for directors and auditors	462
Other liabilities	537
Total liabilities	31,820
Shareholders' equity:	
Common stock	6,319
Additional paid-in capital	7,014
Retained earnings	104,133
Unrealized holding gains on securities	3,995
Foreign currency translation adjustments	(2,735)
Treasury stock at cost	(90)
Total shareholders' equity	118,637
Total liabilities and shareholders' equity	150,458

Consolidated statements of income

(Millions of yen)

Year ended March 31, 2006

Net sales	98,397
Cost of sales	34,534
Selling, general and administrative expenses	42,868
Operating income	20,995
Non-operating income:	1,024
Interest and dividend income	261
Gain on foreign currency transactions	156
Other	606
Non-operating expense:	511
Interest expense	93
Amortization of goodwill	330
Other	88
Ordinary income	21,507
Extraordinary gain:	53
Reversal of allowance for doubtful receivables	30
Gains on sales or disposal of fixed assets	3
Gains on withdrawal from golf membership right	20
Other	0
Extraordinary loss:	1,219
Loss on sales or disposal of fixed assets	126
Loss on impairment of fixed assets	909
Special premium payment for retirement	148
Other	35
Income before income taxes	20,341
Income taxes:	
Current	7,999
Deferred	(679)
Net income	13,022

Non consolidated balance sheet

As of March 31, 2006

(Millions of yen)

Assets

Current assets:	88,004
Cash and deposits	31,655
Notes receivable	287
Accounts receivable	32,734
Marketable securities	11,201
Finished goods and Merchandise	7,197
Semi-finished goods and work in process	538
Raw materials and supplies	877
Deferred tax assets	1,647
Other current assets	1,864
Allowance for doubtful receivables	(0)
Fixed assets:	65,296
Tangible assets	26,489
Buildings	14,504
Structures	350
Machinery and equipment	1,052
Vehicles	5
Tools, furniture and fixtures	1,520
Land	8,786
Construction in progress	269
Intangible assets	1,961
Patents	280
Trademarks	477
Software	828
Other intangible assets	374
Investments and other assets	36,845
Investment securities	17,711
Investments in subsidiaries	13,855
Deferred tax assets	312
Other assets	4,967
Total assets	153,300

Liabilities and shareholders' equity

Current liabilities:	22,573
Trade accounts payable	5,115
Current portion of long-term debt	168
Other payables	9,672
Income taxes payable	4,910
Consumption taxes payable	465
Accrued expense	49
Deposits	108
Reserves for bonuses	1,988
Reserves for returned goods	81
Other current liabilities	15
Noncurrent liabilities:	7,231
Long-term debt	5,446
Reserve for retirement benefit	1,057
Reserve for retirement benefits for directors and auditors	462
Other liabilities	265
Total liabilities	29,804
Shareholders' equity:	
Common stock	6,319
Capital surplus reserves	7,014
Additional paid-in capital	7,013
Other capital surplus reserves	0
Retained earnings	106,256
Earnings reserve	1,551
Reserve for retirement benefit	372
Special depreciation reserve	301
General reserve	89,109
Unappropriated retained earnings	14,922
Unrealized holding gains on securities	3,995
Treasury stock at cost	(90)
Total shareholders' equity	123,495
Total liabilities and shareholders' equity	153,300

Non consolidated statements of income

(Millions of yen)

Year ended March 31, 2006

Net sales	90,840
Cost of sales	30,798
Selling, general and administrative expenses	39,397
Operating income	20,644
Non-operating income:	888
Interest and dividend income	262
Other	626
Non-operating expense:	156
Interest expense	79
Other	76
Ordinary income	21,376
Extraordinary gain:	41
Reversal of allowance for doubtful receivables	18
Gains on sales or disposal of fixed assets	3
Gains on withdrawal from golf membership right	20
Other	0
Extraordinary loss:	1,035
Loss on sales or disposal of fixed assets	126
Loss on impairment of fixed assets	908
Other	0
Income before income taxes	20,382
Income taxes:	
Current	7,987
Deferred	<u>(723)</u>
Net income	13,118
Unappropriated retained earnings brought forward from previous year	3,970
Interim dividends	2,166
Unappropriated retained earnings as of the end of the fiscal year	<u><u>14,922</u></u>

Attachment

**Proposed Appropriation of Retained Earnings
for the 94th Business Term**

	(JPY)
Unappropriated retained earnings for the Term	14,922,496,025
Reversal of special depreciation reserve	<u>62,223,649</u>
Total	14,984,719,674
 <i>Proposed appropriation of the above:</i>	
Cash dividend (JPY35 per share)	3,034,713,955
Special depreciation reserve	93,057,500
Retained earnings to be carried forward to the next Term	11,856,948,219

- (Note 1) Interim dividends on shares of Common Stock aggregating JPY2,166,358,000 (JPY25 per share) were paid on November 30, 2005.
- (Note 2) Cash dividend was calculated based on the number of shares excluding Treasury Stock (45,090 shares).
- (Note 3) The amount of reversal and reserve of special depreciation reserve has been determined by deducting amounts of tax effects from amounts calculated in accordance with the Special Taxation Measurement Law.