

**CONVOCATION NOTICE OF
THE 96TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 96th Annual General Meeting of Shareholders of the Corporation to be held as set forth below. Your presence at such meeting will be highly appreciated.

If you will be unable to attend the Meeting, you are entitled to exercise your voting rights by written form or via the Internet*. In such case, we request you to exercise your voting rights, after reviewing the attached "Reference Materials for the General Meeting of Shareholders," by: filling up the Voting Card, indicating your assent or dissent to the items on the agenda, and returning the card to us by mail before 17:30 on Tuesday, June 24th, 2008; or, accessing the website (<http://www.evotep.jp/>) designated by the Company for voting using your personal computer, and exercising your voting right before 17:30 of the aforementioned day.

Yours very truly,

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

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

AGENDA

- 1. Date and Time: Wednesday, June 25, 2008 at 10:00 a.m.**
- 2. Place: Century Hall at the 5th Floor of the Headquarters Bldg. of SANTEN PHARMACEUTICAL CO., LTD.
9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka, Japan**

3. Agenda

- Reports:**
1. Business Report, Consolidated Financial Statements and Financial Statements for the 96th Business Term (April 1, 2007 to March 31, 2008)
 2. Independent Auditor Report and Corporate Auditor Report on the Consolidated Financial Statements for the 96th Business Term (April 1, 2007 to March 31, 2008)

Items for Resolution:

- Proposal No. 1** Appropriation of Surplus
- Proposal No. 2** Appointment of seven (7) Directors
- Proposal No.3** Appointment of one (1) Corporate Auditor
- Proposal No.4** Issuance of the Right to Subscribe for New Shares as Stock Options for the Directors
- Proposal No.5** Issuance of the Right to Subscribe for New Shares as Stock Options for the Corporate Officers

4.Matters Determined concerning the Convocation

Please see the “Information concerning the Exercise of Voting Rights, Etc.” on page 13.

If you will be attending the meeting, upon arrival, please present the enclosed Voting Card to a receptionist at the meeting.

Changes in the Reference Materials for the General Meeting of Shareholders, Business Report, Financial Statements or Consolidated Financial Statements, if any, shall be publicized via the Internet on the website of the Company (<http://www.santen.co.jp/>).

REFERENCE MATERIALS FOR
THE GENERAL MEETING OF SHAREHOLDERS

Proposals and Reference Information

Proposal No. 1 Appropriation of Surplus

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

Matters regarding Term-End Dividends of Profits

Basic Policy on Term-End Dividends of Profits

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

With the aim of generating a future stream of profits to fund more consistent and stable dividends to shareholders, we have adopted the dividend-on-equity (DOE) ratio¹ as a new performance indicator to measure dividends. DOE is calculated by multiplying the payout ratio with the return on equity (ROE). Under the 2006-2010 Medium-term Management Plan, the Company aims to raise DOE to 5.0% by fiscal year 2010, giving consideration to the distribution of profits to shareholders as well as maintaining capital efficiency.

Term-End Dividends of Profits for the 96th Business Term

For the 96th Business Term, the Board of Directors proposes term-end dividends of profits as follows:

Upon the approval of the term-end dividends of profits, the DOE for the current term will be increased to 5.4 %, which advances the achievement of the 5.0 % DOE aimed at in the 2006-2010 Medium-term Management Plan.

Also, in order to maintain capital efficiency and realize the fulfillment of the distribution of profits to shareholders, the Company acquired its own shares pursuant to the provision of Article 156 of the Companies Act, which is deemed to have been replaced by the provision of paragraph 3, Article 165 thereof. The acquisition was conducted during the period from February 1, 2008 to March 24, 2008, for 1,833,800 shares with a total acquisition amount of JPY 4,800,509,500.

- (1) Kind of dividend property: money
- (2) Matters concerning the distribution of the dividend property to shareholders and the aggregate amount thereof: JPY40 per share of the common stocks of the Company, which amounts to JPY 3,399,118,400, in the aggregate. Consequently, the total dividends for the annual business term, including the interim dividends previously distributed (JPY40 per share), will be JPY 80 per share a JPY15 increase compared to the previous term's.
- (3) Effective date of distribution of the dividends from the surplus: June 26, 2008

Proposal No.2 Appointment of Seven (7) Directors

¹ Equity is the aggregate sum of the shareholder's equity and the difference of the valuation and conversion.

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

The candidates for Director are as follows:

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

Candidate No.	Name (Date of birth)	Career summary (Positions and responsibilities at the Company and representative posts currently held in other juridical persons.)	Number of Santen shares owned
1	Takakazu Morita (February 10, 1945)	April 1980 Joined the Company November 1980 Head of Office of the President July 1981 Director July 1983 Managing Director July 1987 Senior Managing Director October 1990 President & CEO May 2002 President and Chief Executive Officer of Santen Holdings U.S., Inc. (incumbent) September 2005 Representative Director of Santen Pharmaceutical (China) Co., Ltd. (incumbent) June 2006 Chairman & CEO (incumbent) Representative positions held with other juridical persons: President of Santen Holdings U.S., Inc. Representative Director of Santen Pharmaceutical (China) Co., Ltd.	133,400 shares
2	Akira Kurokawa (September 5, 1952)	April 1977 Joined the Company April 1997 General Manager, Office of the Head of Sales & Marketing Division – Prescription Pharmaceuticals June 1997 Director June 1998 Deputy Head of Sales & Marketing Division – Prescription Pharmaceuticals May 2001 Head of Sales & Marketing Division, Prescription Pharmaceuticals June 2001 Corporate Officer July 2004 Senior Corporate Officer June 2006 President & COO (incumbent)	6,000 shares
3	Masahiro Mita (November 13, 1949)	April 1980 Joined the Company April 1981 Head of Marketing Management July 1983 Director June 1995 Managing Director (incumbent) May 2001 In charge of Corporate Management, Regulatory Affairs and Public Relations January 2004 In charge of Corporate Management, Social/Environmental and Regulatory Affairs July 2005 In charge of Corporate and Regulatory Affairs (incumbent)	234,000 shares
4	Katsuhiro Waga (April 2, 1950)	April 1994 Joined the Company October 1995 Deputy Head of Manufacturing Division June 1997 Director (incumbent) June 1997 Head of Manufacturing Division April 2000 Head of Product Supply Division June 2001 Corporate Officer June 2004 Senior Corporate Officer July 2005 In charge of Community & Environment Relations (incumbent)	2,200 shares

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5	Isao Muramatsu (August 14, 1939)	<p>January 1984 July 1991</p> <p>December 1992</p> <p>April 2001</p> <p>April 2002</p> <p>June 2005</p>	<p>Vice President, Sales, Pfizer Japan Representative Director, Executive Vice President and General Manager, Pharmaceuticals, Bristol-Myers Squibb Japan</p> <p>President and Representative Director, SmithKline Beecham Japan</p> <p>Board Member, Senior Advisor, GlaxoSmithKline Japan</p> <p>Representative Director, Pinecrest Company (incumbent)</p> <p>Outside Director of the Company (incumbent)</p>	Nil
6	Noboru Kotani (November 31, 1956)	<p>June 2000 April 2005</p> <p>April 2005</p> <p>June 2005</p> <p>June 2005</p> <p>December 2006</p> <p>December 2007</p>	<p>Director, Dream Incubator Inc. Representative Director, Vehicle Inc. (incumbent)</p> <p>University Lecturer, Graduate School of Business Science, University of Tsukuba</p> <p>Outside Director of the Company (incumbent)</p> <p>Outside Director of Combi Corporation (incumbent)</p> <p>Outside Director of JIN CO., LTD (incumbent)</p> <p>Visiting Professor, University of Tsukuba (incumbent)</p>	Nil
7	*Tatsuhiko Hamamoto (September 9, 1940)	<p>June 1995</p> <p>June 1998</p> <p>May 2006 January 2007</p>	<p>Corporate Auditor on the Board of Kawasaki Steel Corporation</p> <p>Chairman of the Board of Directors, California Steel Industry Inc.</p> <p>Outside Auditor, the Daiei, Inc.</p> <p>Outside Auditor, JAPAN JOB POSTING SERVICE, INC. (incumbent)</p>	Nil

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

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

(Note 3) Reasons for the appointment of the candidates for Outside Directors; independence as Outside Directors; and, an agreement with Outside Directors

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

- 1) As regards Isao Muramatsu, considering that he has extensive knowledge and experience amassed through long years of involvement in management in the pharmaceutical industry, the Board of Directors believes that he is well-qualified to be an Outside Director, and, proposes his appointment as such. His term of office as an Outside Director of the Company will be for three (3) years after the close of this Annual General Meeting of Shareholders.
- 2) As regards Noboru Kotani, considering that he has extensive knowledge and experience in corporate management as a management consultant, the Board of Directors believes that he is well-qualified to be an Outside Director, and, proposes his appointment as such. His term of office as an Outside Director of the Company will be for three (3) years after the close of this Annual General Meeting of Shareholders.
- 3) As regards Tatsuhiko Hamamoto, considering that he has extensive knowledge and experience amassed through long years of involvement in the management of companies both in Japan and abroad, the Board of Directors believes that he is well-qualified to be an Outside Director, and, proposes his appointment as such.

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

In order to further strengthen the Company's audit system through the invitation and appointment of capable and competent persons for the post of Outside Corporate Directors, it is provided, in Article 28 of the Company's current Articles of Incorporation, that the Company may enter into an agreement with any Outside Director to limit his/her liability for any damage that may be caused by his/her negligence in the performance of his/her duty. Pursuant to such provision, the Company has previously entered into an agreement with Isao Muramatsu and Noboru Kotani, respectively, to limit their liability for any such damage. Upon the approval of the reappointment of these two Outside Directors, it is scheduled that the foregoing agreements will be renewed. Also, upon the approval of the appointment of Tatsuhiko Hamamoto, a candidate for Outside Director, it is scheduled that the Company will enter into an agreement with him to also limit his liability.

The outline of such agreement is as follows:

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

Proposal No.3 Appointment of One (1) Corporate Auditor

The term of office of Yukinori Mizumoto as Corporate Auditor expires at the close of this Annual General Meeting of Shareholders. The Board of Directors proposes appointment of one (1) Corporate Auditor.

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

The candidate for Corporate Auditor is as follows:

Name (Date of birth)	Career summary (Positions and responsibilities at the Company and representative posts currently held in other juridical persons.)	Number of Santen shares owned
Yukinori Mizumoto (April 22, 1946)	March 1965 Joined the Company April 2003 Manager in charge of General Human Resources Affairs, the Human Resources Group, Corporate Development and Administration Division June 2004 Standing Corporate Auditor	1,200 shares

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

Proposal No. 4 Issuance of the Rights to Subscribe for New Shares as Stock Options for Directors

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

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under Article 361 of the Companies Act.

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

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

2. Details of rights to subscribe for new shares

(1) Grantees of rights to subscribe for new shares

Directors of the Company (except for Outside Directors)

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

Maximum 87,400 shares of common stock of the Company.

The number of shares of common stock to be issued for one (1) right to subscribe for new shares shall be 100 shares. In the event the Company conducts a free share allotment, a splitting of shares or consolidation of shares, the number of shares to be issued shall be adjusted in accordance with the 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 free share allotment, a splitting of shares, or consolidation

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 Company may adjust the number of shares to be issued for rights to subscribe for new shares as it deems necessary.

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

Maximum of 874 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 by the Board of Directors based on the authorization by this Annual General Meeting of Shareholders, the amount to be paid shall be without compensation (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

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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. (2) above.

The Exercise Price shall be the average of the closing prices (hereinafter, the “Closing Price”) of the Company’s shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the allotment of rights to subscribe for new shares falls (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 Company conducts a free share allotment, a splitting of shares or consolidation of shares, the Exercise Price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

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

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

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

Please be informed that the number of treasury stock held by the Company shall be deducted from the “number of shares issued” set forth in the above formula; also, in the event that the Company conducts a disposition of treasury stock, the “number of new shares issued” shall be deemed to be replaced with the “number of shares of treasury stock disposed of.”

Furthermore, through unavoidable circumstances, including a reduction of the stated capital of the Company, 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, 2010 to June 25, 2018

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- (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 Company 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 Company.
 - 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 determined in accordance with the agreement with respect to the granting of rights to subscribe for new shares, which shall be concluded between the Company and the grantees, pursuant to resolutions to be made at this Annual General Meeting of Shareholders and the meeting of the Board of Directors regarding the issuance of rights to subscribe for new shares.
- (8) Amount of stated capital and capital reserve to be increased in the event that new shares are issued upon exercise of 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 Companies. 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 Company becomes the disappearing company, is approved, or if a proposal for approval of a share-for-share exchange agreement or a proposal for a share transfer under which the Company shall become a wholly-owned subsidiary is approved at a General Meeting of Shareholders or the Board of Directors of the Company, the Company may revoke the rights to subscribe for new shares without consideration on a day separately determined by the Board of Directors of the Company.
 - 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)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 Company.
- (10) Restriction on the transfer of rights to subscribe for new shares:
The transfer of rights to subscribe for new shares shall require the approval of the Board of Directors of the Company.
- (11) Treatment of fractional shares

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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.

Proposal No. 5 Issuance of the Right to Subscribe for New Shares as Stock Options for Corporate Officers

Pursuant to the provisions under Articles 238, etc., of the Companies Act, the Board of Directors proposes to issue rights to subscribe for new shares without consideration to Corporate Officers of the Company in accordance with the following terms and conditions, and delegating to the Board of Directors the determination of the matters concerning the invitation for subscription:

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

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

2. Details of rights to subscribe for new shares

(1) Grantees of rights to subscribe for new shares

Corporate Officers of the Company

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

Maximum 74,300 shares of common stock of the Company.

The number of shares of common stock to be issued for one (1) right to subscribe for new shares shall be 100 shares. In the event the Company conducts a free share allotment, a splitting of shares or consolidation of shares, the number of shares to be issued shall be adjusted in accordance with the 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 free share allotment, a splitting of shares, or consolidation

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 Company may adjust the number of shares to be issued for rights to subscribe for new shares, as it deems necessary.

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

Maximum 743 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 by the Board of Directors based on the authorization by this Annual General Meeting of Shareholders, the amount to be paid shall be without compensation (i.e., it is not required to pay any amount of money in

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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.(2) above.

The Exercise Price shall be the average of the closing prices (hereinafter, the “Closing Price”) of the Company’s shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the allotment of rights to subscribe for new shares falls (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 Company conducts a free share allotment, a splitting of shares or consolidation of shares, the Exercise Price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded upward to the nearest yen:

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

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

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

Please be informed that the number of treasury stock held by the Company shall be deducted from the “number of shares issued” set forth in the above formula; also, in the event that the Company conducts a disposition of treasury stock, the “number of new shares issued” shall be deemed to be replaced with the “number of shares of treasury stock disposed of.”

Furthermore, through unavoidable circumstances, including a reduction of the stated capital of the Company, 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, 2010 to June 25, 2018

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- (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 Corporate Officers of the Company 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 Company.
 - 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 Company and the grantees, pursuant to resolutions to be made at this Annual General Meeting of Shareholders and the meeting of the Board of Directors regarding the issuance of rights to subscribe for new shares.
- (8) Amount of stated capital and capital reserve to be increased in the event that new shares are issued upon exercise of 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 Companies. 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 Company becomes the disappearing company, is approved, or if a proposal for approval of a share-for-share exchange agreement or a proposal for a share transfer under which the Company shall become a wholly-owned subsidiary is approved at a General Meeting of Shareholders or the Board of Directors of the Company, the Company may revoke the rights to subscribe for new shares without consideration on a day separately determined by the Board of Directors of the Company.
 - 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) 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 Company.
- (10) Restriction on the transfer of rights to subscribe for new shares:
The transfer of rights to subscribe for new shares shall require the approval of the Board of Directors of the Company.
- (11) Treatment of fractional shares
Any fractional share, included in the number of shares issued to the holder of the right to subscribe for new shares who has exercised such right, shall be rounded downward to the nearest whole number of shares.

Consolidated balance sheets

As of March 31, 2008

(Millions of yen)

Assets

Current assets:	102,754
Cash and deposits	35,483
Notes and accounts trade receivables	35,614
Marketable securities	15,868
Inventories	11,332
Deferred tax assets	1,699
Other current assets	2,757
Allowance for doubtful receivables	(1)
Fixed assets:	53,548
Tangible assets	29,848
Buildings and structures	15,160
Machinery, equipment and vehicles	2,656
Land	8,558
Construction in progress	1,879
Other tangible assets	1,594
Intangible assets	2,233
Goodwill	300
Software	1,602
Other intangible assets	330
Investments and other assets	21,466
Investment securities	16,949
Other assets	4,516
Deferred assets:	244
Total assets	156,547

Liabilities and net assets

Current liabilities:	26,561
Trade accounts payable	5,633
Current portion of long-term debt	5,168
Other payables	7,690
Income taxes payable	4,323
Reserve for bonuses	2,612
Other reserves	74
Other current liabilities	1,057
Non current liabilities:	2,867
Long-term debt	110
Deferred tax liabilities	17
Reserve for retirement benefits	1,815
Reserve for retirement benefits for directors and auditors	487
Other liabilities	437
Total liabilities	29,429
Shareholders' equity:	126,398
Common stock	6,418
Capital surplus	7,113
Retained earnings	117,786
Treasury stock at cost	(4,920)
Valuation, translation adjustment and others:	600
Unrealized gains on securities, net of taxes	2,273
Foreign currency translation adjustments	(1,673)
Stock subscription rights:	119
Total net assets	127,118
Total liabilities and net assets	156,547

Consolidated statements of income

(Millions of yen)

Year ended March 31, 2008

Net sales	103,394
Cost of sales	36,513
Selling, general and administrative expenses	46,510
Operating income	<u>20,370</u>
Non-operating income:	1,356
Interest and dividend income	606
Gain on insurance received	164
Other	584
Non-operating expense:	1,024
Interest expense	96
Loss on foreign currency exchange	746
Other	182
Ordinary income	<u>20,702</u>
Extraordinary gain:	237
Gains on sales of investment securities	237
Other	0
Extraordinary loss:	457
Loss on impairment of fixed assets	316
Other	140
Income before income taxes	<u>20,482</u>
Income taxes:	
Current	8,145
Deferred	(313)
Net income	<u><u>12,650</u></u>

Consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2008

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total Shareholders ' equity
Balance as of March 31, 2007	6,382	7,077	111,645	(106)	124,997
Changes during fiscal period					
Exercise of stock options	36	36			72
Cash dividends from retained earnings			(6,508)		(6,508)
Net income			12,650		12,650
Repurchase of treasury stock, net				(4,815)	(4,815)
Retirement of treasury stock		0		0	0
Other					—
Total changes during fiscal period	36	36	6,141	(4,814)	1,400
Balance as of March 31, 2008	6,418	7,113	117,786	(4,920)	126,398

	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation, translation adjustment and others	Stock subscription rights	Total net assets
Balance as of March 31, 2007	5,202	3	(1,618)	3,587	59	128,645
Changes during fiscal period						
Exercise of stock options						72
Cash dividends from retained earnings						(6,508)
Net income						12,650
Repurchase of treasury stock, net						(4,815)
Retirement of treasury stock						0
Other	(2,928)	(3)	(55)	(2,987)	60	(2,927)
Total changes during fiscal period	(2,928)	(3)	(55)	(2,987)	60	(1,527)
Balance as of March 31, 2008	2,273	—	(1,673)	600	119	127,118

Non consolidated balance sheets

As of March 31, 2008

(Millions of yen)

Assets

Current assets:	94,352
Cash and deposits	30,172
Notes receivable	192
Accounts receivable	33,769
Marketable securities	15,868
Finished goods and Merchandise	7,711
Semi-finished goods and work in process	610
Raw materials and supplies	1,232
Deferred tax assets	1,667
Other current assets	3,128
Allowance for doubtful receivables	(0)
Fixed assets:	60,961
Tangible assets	24,016
Buildings	12,421
Structures	271
Machinery and equipment	1,564
Vehicles	5
Tools, furniture and fixtures	1,174
Land	8,302
Construction in progress	275
Intangible assets	1,658
Trademarks	235
Software	1,381
Other intangible assets	40
Investments and other assets	35,287
Investment securities	16,464
Investments in subsidiaries	18,309
Long-term deferred tax assets	1,800
Other assets	2,508
Reserve for loss on investments	(3,794)
Total assets	155,313

Liabilities and net assets

Current liabilities:	24,880
Trade accounts payable	5,221
Current portion of long-term debt	5,168
Other payables	7,512
Income taxes payable	4,287
Consumption taxes payable	341
Accrued expense	40
Deposits	95
Reserves for bonuses	2,138
Reserves for returned goods	74
Non current liabilities:	2,396
Long-term debt	110
Reserve for retirement benefit	1,798
Reserve for retirement benefits for directors and auditors	487
Other liabilities	0
Total liabilities	27,276
Shareholders' equity:	125,643
Common stock	6,418
Capital surplus	7,113
Additional paid-in capital	7,113
Other capital surplus	0
Retained earnings	117,032
Earnings reserve	1,551
Other retained earnings	115,480
Reserve for retirement benefit	372
Special depreciation reserve	192
General reserve	89,109
Retained earnings carried forward	25,806
Treasury stock at cost	(4,920)
Valuation, translation adjustment and others:	2,273
Unrealized gains on securities, net of taxes	2,273
Stock subscription rights:	119
Total net assets	128,037
Total liabilities and net assets	155,313

Non consolidated statements of income

(Millions of yen)

Year ended March 31, 2008

Net sales	94,029
Cost of sales	32,062
Selling, general and administrative expenses	41,327
Operating income	<u>20,638</u>
Non-operating income:	1,120
Interest and dividend income	523
Other	597
Non-operating expense:	452
Interest expense	94
Loss on foreign currency exchange	248
Other	110
Ordinary income	<u>21,306</u>
Extraordinary gain:	237
Gains on sales of investment securities	237
Extraordinary loss:	4,183
Loss on impairment of fixed assets	316
Provision of the reserve for loss on investments in subsidiaries	3,794
Other	72
Income before income taxes	<u>17,359</u>
Income taxes:	
Current	8,122
Deferred	(302)
Net income	<u><u>9,540</u></u>

Non consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2008

	Capital surplus			Retained earnings					Treasury stock at cost	Total Shareholders' equity
	Common stock	Additional paid-in capital	Other capital surplus	Earnings reserve	Other retained earnings			Retained earnings carried forward		
					Reserve for retirement benefit	Special depreciation reserve	General reserve			
Balance as of March 31, 2007	6,382	7,076	0	1,551	372	259	89,109	22,708	(106)	127,353
Changes during fiscal period										
Exercise of stock options	36	36								72
Cash dividends from retained earnings								(6,508)		(6,508)
Reversal of special depreciation reserve						(66)		66		—
Net income								9,540		9,540
Repurchase of treasury stock, net									(4,815)	(4,815)
Retirement of treasury stock			0						0	0
Other										—
Total changes during fiscal period	36	36	0	—	—	(66)	—	3,097	(4,814)	(1,710)
Balance as of March 31, 2008	6,418	7,113	0	1,551	372	192	89,109	25,806	(4,920)	125,643

	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges	Total valuation, translation adjustment and others	Stock subscription rights	Total net assets
Balance as of March 31, 2007	5,202	3	5,206	59	132,619
Changes during fiscal period					
Exercise of stock options				72	
Cash dividends from retained earnings				(6,508)	
Reversal of special depreciation reserve				—	
Net income				9,540	
Repurchase of treasury stock, net				(4,815)	
Retirement of treasury stock				0	
Other	(2,928)	(3)	(2,932)	60	(2,871)
Total changes during fiscal period	(2,928)	(3)	(2,932)	60	(4,582)
Balance as of March 31, 2008	2,273	—	2,273	119	128,037