

Securities code: 4536

June 2, 2009

**CONVOCATION NOTICE OF
THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

We hereby inform you of the 97th Annual General Meeting of Shareholders of the Company to be held as set forth below. Your presence at the meeting will be highly appreciated.

If you will be unable to attend the Meeting, you are entitled to exercise your voting rights by written form or via the Internet*. In such case, we request you to exercise your voting rights, after reviewing the attached "Reference Materials for the General Meeting of Shareholders," by: filling up the Voting Card, indicating your assent or dissent to the items on the agenda, and returning the card to us by mail before 17:30 on Tuesday, June 23, 2009; or, accessing the website (<http://www.evotep.jp/>) designated by the Company for voting using your personal computer, and exercising your voting right before 17:30 of the aforementioned day.

Yours very truly,

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

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

AGENDA

- 1. Date and Time: Wednesday, June 24, 2009 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 97th Business Term (April 1, 2008 to March 31, 2009)

2. Independent Auditor Report and Corporate Auditor Report on the Consolidated Financial Statements for the 97th Business Term (April 1, 2008 to March 31, 2009)

Items for Resolution:

- Proposal No. 1** Appropriation of Surplus
- Proposal No. 2** Partial Amendments to the Articles of Incorporation
- Proposal No. 3** Appointment of Seven (7) Directors
- Proposal No. 4** Grant of Retirement Allowance to the Retiring Director
- Proposal No. 5** Issuance of the Right to Subscribe for New Shares as Stock Options for the Directors
- Proposal No. 6** 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 15*.

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

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

*Japanese version only.

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**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 97th Business Term

For the 97th Business Term, the Board of Directors proposes term-end dividends of profits as follows:

Upon the approval of the term-end dividends of profits, the DOE for the current term will be 5.4 %.

- (1) Kind of dividend property: 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 3,400,897,360 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.
- (3) Effective date of distribution of the dividends from the surplus: June 25, 2009

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

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Proposal No.2 Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

- (1) As a consequence of the enforcement of the Act Revising Part of the Laws Concerning Transfer of Bonds and Other Securities for the Purpose of Rationalizing Settlement Procedures for Stock and Other Securities Transactions (Act No. 88, 2004) on January 5, 2009, all shares of listed companies have been converted to book-entry shares (the so-called “Computerization of Shares”). To comply with this conversion, the Board of Directors proposes the deletion of the current provisions assuming the existence of the share certificates and making such other necessary changes thereto.
- (2) The Board of Directors also proposes the establishment of new supplementary provisions to stipulate transitional measures related to the amendments (Article 1 and Article 2 of the proposed Supplementary Provisions).

2. Details of the Amendments

Details of the proposed amendments are as follows:

(Parts proposed to be amended are underlined.)

Current Articles of Incorporation	Proposed amendment
<p><u>Article 7 (Issuance of the Share Certificates)</u></p> <p><u>The Corporation shall issue the share certificates pertaining to shares.</u></p>	[Deleted]
<p>Article <u>8</u> [Text omitted]</p>	Article <u>7</u> [No amendments to the text]
<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 total number of shares of the Corporation comprising one share unit shall be 100 shares.</p> <p><u>(2) Notwithstanding the provisions under Article 7, the Corporation shall not issue share certificates pertaining to fractional unit shares.</u></p>	<p>Article <u>8</u> (<i>Number of Shares Per Share Unit</i>)</p> <p>The total number of shares of the Corporation comprising one share unit shall be 100 shares.</p> <p>[Deleted]</p>
<p>Article <u>10</u> (<i>Rights Regarding Fractional Unit Shares</i>)</p> <p>A shareholder of the Corporation (<u>including the beneficial shareholders; same shall apply hereinafter</u>) may not exercise rights other than those set forth below in connection with fractional unit shares already held by such shareholder.</p> <ol style="list-style-type: none"> 1. Rights set forth under each item of paragraph 2, Article 189 of the Corporations Act; 2. Rights to a claim pursuant to provisions under paragraph 1, Article 166 of the Corporations Act; 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 4. Rights to claim as provided under the following article. 	<p>Article <u>9</u> (<i>Rights Regarding Fractional Unit Shares</i>)</p> <p>A shareholder of the Corporation may not exercise rights other than those set forth below in connection with fractional unit shares already held by such shareholder.</p> <ol style="list-style-type: none"> 1. Rights set forth under each item of paragraph 2, Article 189 of the Corporations Act; 2. Rights to a claim pursuant to provisions under paragraph 1, Article 166 of the Corporations Act; 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 4. Rights to claim as provided under the following article.
<p>Article <u>11</u> [Text omitted]</p>	Article <u>10</u> [No amendments to the text]

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<p>Article <u>12</u> (<i>Shareholder Register Agent</i>)</p> <p>The Corporation shall have a shareholder register agent.</p> <p>(2) The shareholder register agent and its place of business shall be determined by resolution of the Board of Directors, and public notice thereof shall be made.</p> <p>(3) Preparation, upkeep and other matters concerning the shareholder register of the Corporation (<u>including the beneficial shareholder register; same shall apply hereinafter</u>), the original register of the rights to subscribe for new shares <u>and the register of lost share certificates</u> shall be entrusted to the shareholder register agent, and not handled by the Corporation.</p> <p>Articles <u>13</u> through <u>40</u> [Text omitted]</p> <p>[To be newly established]</p> <p>[To be newly established]</p> <p>[To be newly established]</p>	<p>Article <u>11</u> (<i>Shareholder Register Agent</i>)</p> <p>The Corporation shall have a shareholder register agent.</p> <p>(2) The shareholder register agent and its place of business shall be determined by resolution of the Board of Directors, and public notice thereof shall be made.</p> <p>(3) Preparation, upkeep and other matters concerning the shareholder register of the Corporation <u>and</u> the original register of the rights to subscribe for new shares shall be entrusted to the shareholder register agent, and not handled by the Corporation.</p> <p>Articles <u>12</u> through <u>39</u> [No amendments to the text]</p> <p><u>Supplementary Provisions</u></p> <p><u>Article 1</u></p> <p><u>Preparation, upkeep and other matters concerning the register of lost share certificates of the Corporation shall be entrusted to the shareholder register agent, and not handled by the Corporation.</u></p> <p><u>Article 2</u></p> <p><u>The preceding Article and this Article shall be valid until January 5, 2010, after which the preceding Article and this Article shall be deleted as of January 6, 2010.</u></p>
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Proposal No.3 Appointment of Seven (7) Directors

The terms of office of all the Directors will expire at the close of this Annual General Meeting of Shareholders. The Board of Directors proposes the appointment of the 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 CEO of Santen Holdings U.S., Inc. September 2005 Representative Director of Santen Pharmaceutical (China) Co., Ltd. (incumbent) June 2006 Chairman & CEO June 2008 Chairman (incumbent) Representative position held with another juridical person: 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 June 2008 President of Santen Holdings U.S., Inc. (incumbent) June 2008 President & CEO (incumbent) Representative position held with another juridical person: Representative Director of Santen Holdings U.S., Inc.	14,000 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	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	Nil

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		<p>April 2001</p> <p>April 2002</p> <p>June 2005</p> <p>June 2007</p> <p>Representative position held with another juridical person: Representative Director, Pinecrest Company</p>	<p>Director, SmithKline Beecham Japan Board Member, Senior Advisor, GlaxoSmithKline Japan Representative Director, Pinecrest Company (incumbent) Outside Director of the Company (incumbent) External Director, Sosei Group Corporation (incumbent)</p>	
5	<p>Noboru KOTANI (November 31, 1956)</p>	<p>June 2000</p> <p>April 2005</p> <p>June 2005</p> <p>June 2005</p> <p>December 2006</p> <p>Representative position held with another juridical person: Representative Director, Vehicle Inc.</p>	<p>Director, Dream Incubator Inc. Representative Director, Vehicle Inc. (incumbent) Outside Director of the Company (incumbent) Outside Director of Combi Corporation (incumbent) Outside Director of JIN CO., LTD (incumbent)</p>	Nil
6	<p>Tatsuhiko HAMAMOTO (September 9, 1940)</p>	<p>June 1995</p> <p>June 1998</p> <p>May 2006</p> <p>January 2007</p> <p>June 2008</p>	<p>Corporate Auditor on the Board of Kawasaki Steel Corporation Chairman of the Board of Directors, California Steel Industry Inc. Outside Auditor, the Daiei, Inc. Outside Auditor, JAPAN JOB POSTING SERVICE, INC. (incumbent) Outside Director of the Company (incumbent)</p>	Nil
7	<p>* Toshiaki NISHIHATA (November 4, 1948)</p>	<p>August 1990</p> <p>March 1996</p> <p>June 1999</p> <p>April 2001</p> <p>December 2002</p> <p>July 2004</p>	<p>Department Manager, Pharmaceutical Development Department, Upjohn Pharmaceuticals Limited Tsukuba Research Laboratories Joined the Company Corporate Officer Head of QA/QC & Environmental Auditing Division and Head of R& D Strategic Integration Division Head of R&D Division (incumbent) Senior Corporate Officer (incumbent)</p>	11,500 shares

(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; 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 have been for four (4) years when this Annual General Meeting of Shareholders closes.
- 2) As regards Noboru Kotani, considering that he has extensive knowledge and experience

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in corporate management as a management consultant, the Board of Directors believes that he is well-qualified to be an Outside Director, and, proposes his appointment as such. His term of office as an Outside Director of the Company will have been for four (4) years when this Annual General Meeting of Shareholders closes.

- 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. His term of office as an Outside Director of the Company will be for one (1) year after the close of this Annual General Meeting of Shareholders.

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

In order to further ensure the Company's objective and transparent management through the invitation and appointment of capable and competent persons for the post of Outside Corporate Directors, it is provided, in Article 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, Noboru Kotani, and Tatsuhiko Hamamoto, respectively, to limit their liability for any such damage. Upon the approval of the reappointment of these three Outside Directors, it is intended that the foregoing agreements will be renewed. 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.4 Grant of Retirement Allowance to the Retiring Director

The Board of Directors proposes to grant, within the reasonable amounts allowed under the regulations of the Company, a retirement allowance to Katsuhiro Waga as compensation for his invaluable service to the Company during his term. Katsuhiro Waga will retire as Director at the close of this Annual General Meeting of Shareholders.

It is proposed that the amount, date and procedure of the grant be entrusted to the determination of the Board of Directors.

The following is the career summary of Katsuhiro Waga:

Name	Career summary
Katsuhiro WAGA	June 1997 Director (incumbent)

Proposal No. 5 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

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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 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 of 98,800 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	Number of shares	Percentages of free share allotment,	
after adjustment	= before adjustment	× 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

A maximum of 988 rights to subscribe for new shares shall be issued within one (1) year after the date of this Annual General Meeting of Shareholders.

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

As regards the rights to subscribe for new shares for which the matters pertaining to 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 (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 of the Company’s shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the allotment of rights to subscribe for new shares falls (the “Closing Price”). 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 27, 2011 to June 24, 2019

(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

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- 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 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 17 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

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to subscribe for new shares who has exercised such right, shall be rounded downward to the nearest whole number of shares.

Proposal No. 6 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 of 69,600 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 = $\frac{\text{Number of shares before adjustment}}{\text{Percentages of free share allotment, a splitting of shares, or consolidation}}$

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

A maximum of 696 rights to subscribe for new shares shall be issued within one (1) year after the date of this Annual General Meeting of Shareholders.

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

As regards the rights to subscribe for new shares for which the matters pertaining placing of shares may be determined by the Board of Directors based on the

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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 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 (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 of the Company’s shares of common stock on the Osaka Securities Exchange on each day (other than any day on which no sales are reported) of the month immediately preceding the month during which the date of the allotment of rights to subscribe for new shares falls (the “Closing Price”). 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:

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

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

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extent considering relevant conditions.

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

From June 27, 2011 to June 24, 2019

(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 17 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.

TRANSLATION/FOR REFERENCE PURPOSE ONLY

(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, 2009

(Millions of yen)

Assets

Current assets:	101,053
Cash and deposits	37,117
Notes and accounts trade receivables	36,011
Marketable securities	11,396
Inventories	12,235
Deferred tax assets	1,941
Other current assets	2,352
Allowance for doubtful receivables	(1)
Fixed assets:	49,959
Tangible assets	28,664
Buildings and structures	15,864
Machinery, equipment and vehicles	2,432
Land	8,678
Leased assets	39
Construction in progress	99
Other tangible assets	1,550
Intangible assets	1,549
Software	1,355
Other intangible assets	193
Investments and other assets	19,744
Investment securities	11,818
Deferred tax assets	6,409
Other assets	1,516
Total assets	151,012

Liabilities and net assets

Current liabilities:	22,439
Trade accounts payable	6,018
Short-term debt	545
Current portion of long-term debt	110
Other payables	7,414
Income taxes payable	4,163
Reserve for bonuses	2,590
Other reserves	69
Other current liabilities	1,528
Non current liabilities:	3,203
Lease obligations	43
Deferred tax liabilities	20
Reserve for retirement benefits	2,393
Reserve for retirement benefits for directors and auditors	505
Other non current liabilities	240
Total liabilities	25,643
Shareholders' equity:	129,808
Common stock	6,457
Capital surplus	7,152
Retained earnings	121,133
Treasury stock at cost	(4,934)
Valuation, translation adjustment and others:	(4,628)
Unrealized gains on securities, net of taxes	(246)
Foreign currency translation adjustments	(4,381)
Stock subscription rights:	188
Total net assets	125,368
Total liabilities and net assets	151,012

Consolidated statements of income

(Millions of yen)

Year ended March 31, 2009

Net sales	101,618
Cost of sales	35,947
Selling, general and administrative expenses	50,177
Operating income	15,494
Non-operating income:	1,430
Interest and dividend income	548
Exchange gains	184
Other	696
Non-operating expense:	989
Interest expense	65
Equity in losses of affiliates	679
Other	244
Ordinary income	15,935
Extraordinary gain:	18
Government subsidy	18
Extraordinary loss:	129
Loss on sales or disposal of fixed assets	73
Other	55
Income before income taxes	15,823
Income taxes:	
Current	8,269
Deferred	(2,568)
Net income	10,123

Consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2009

	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total Shareholders ' equity
Balance as of March 31, 2008	6,418	7,113	117,786	(4,920)	126,398
Effect of changes in accounting applied to overseas subsidiaries			209		209
Changes during fiscal period					
Exercise of stock options	38	38			77
Cash dividends from retained earnings			(6,799)		(6,799)
Net income			10,123		10,123
Repurchase of treasury stock, net				(15)	(15)
Retirement of treasury stock		0		1	1
Adoption of equity method for affiliate			(186)		(186)
Other					—
Total changes during fiscal period	38	38	3,137	(13)	3,200
Balance as of March 31, 2009	6,457	7,152	121,133	(4,934)	129,808

	Unrealized gains on securities, net of taxes	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Stock subscription rights	Total net assets
Balance as of March 31, 2008	2,273	(1,673)	600	119	127,118
Effect of changes in accounting applied to overseas subsidiaries					209
Changes during fiscal period					
Exercise of stock options					77
Cash dividends from retained earnings					(6,799)
Net income					10,123
Repurchase of treasury stock, net					(15)
Retirement of treasury stock					1
Adoption of equity method for affiliate					(186)
Other	(2,520)	(2,707)	(5,228)	68	(5,159)
Total changes during fiscal period	(2,520)	(2,707)	(5,228)	68	(1,959)
Balance as of March 31, 2009	(246)	(4,381)	(4,628)	188	125,368

Non consolidated balance sheets

As of March 31, 2009

(Millions of yen)

Assets

Current assets:	93,921
Cash and deposits	32,593
Notes receivable	451
Accounts receivable	34,031
Marketable securities	11,396
Finished goods and Merchandise	8,743
Work in process	58
Raw materials and supplies	1,267
Deferred tax assets	2,071
Other current assets	3,309
Allowance for doubtful receivables	(0)
Fixed assets:	60,232
Tangible assets	23,900
Buildings	12,550
Structures	278
Machinery and equipment	1,334
Vehicles	4
Tools, furniture and fixtures	1,202
Land	8,442
Leased assets	2
Construction in progress	84
Intangible assets	1,361
Trademarks	111
Software	1,174
Other intangible assets	75
Investments and other assets	34,969
Investment securities	11,231
Investments in subsidiaries	17,898
Deferred tax assets	5,492
Other assets	1,396
Reserve for loss on investments	(1,049)
Total assets	154,154

Liabilities and net assets

Current liabilities:	20,395
Trade accounts payable	5,476
Current portion of long-term debt	110
Other payables	7,560
Income taxes payable	4,134
Consumption taxes payable	333
Accrued expense	261
Deposits	231
Reserves for bonuses	2,217
Reserves for returned goods	69
Other	0
Non current liabilities:	2,852
Lease obligations	2
Reserve for retirement benefit	2,345
Reserve for retirement benefits for directors and auditors	505
Other	0
Total liabilities	23,248
Shareholders' equity:	130,963
Common stock	6,457
Capital surplus	7,152
Additional paid-in capital	7,151
Other capital surplus	0
Retained earnings	122,288
Earnings reserve	1,551
Other retained earnings	120,737
Reserve for retirement benefit	372
Special depreciation reserve	196
General reserve	89,109
Retained earnings carried forward	31,060
Treasury stock at cost	(4,934)
Valuation, translation adjustment and others:	(246)
Unrealized gains on securities, net of taxes	(246)
Stock subscription rights:	188
Total net assets	130,905
Total liabilities and net assets	154,154

Non consolidated statements of income

(Millions of yen)

Year ended March 31, 2009

Net sales	93,803
Cost of sales	32,705
Selling, general and administrative expenses	45,361
Operating income	15,735
Non-operating income:	1,298
Interest and dividend income	514
Exchange gains	239
Other	543
Non-operating expense:	189
Interest expense	55
Other	133
Ordinary income	16,844
Extraordinary gain:	1,169
Reversal of provision for loss on investment in subsidiaries	1,169
Other	0
Extraordinary loss:	92
Loss on sales or disposal of fixed assets	36
Other	55
Income before income taxes	17,922
Income taxes:	
Current	8,250
Deferred	(2,385)
Net income	12,056

Non consolidated statements of changes in net assets

(Millions of yen)

Year ended March 31, 2009

	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, 2008	6,418	7,113	0	1,551	372	192	89,109	25,806	(4,920)	125,643
Changes during fiscal period										
Exercise of stock options	38	38								77
Cash dividends from retained earnings								(6,799)		(6,799)
Reversal of special depreciation reserve						(62)		62		-
Reserve for special depreciation						66		(66)		-
Net income								12,056		12,056
Repurchase of treasury stock, net									(15)	(15)
Retirement of treasury stock			0						1	1
Other										-
Total changes during fiscal period	38	38	0	-	-	3	-	5,253	(13)	5,320
Balance as of March 31, 2009	6,457	7,151	0	1,551	372	196	89,109	31,060	(4,934)	130,963

	Unrealized gains on securities, net of taxes	Total valuation, translation adjustment and others	Stock subscriptions on rights	Total net assets
Balance as of March 31, 2008	2,273	2,273	119	128,037
Changes during fiscal period				
Exercise of stock options				77
Cash dividends from retained earnings				(6,799)
Reversal of special depreciation reserve				-
Reserve for special depreciation				-
Net income				12,056
Repurchase of treasury stock, net				(15)
Retirement of treasury stock				1
Other	(2,520)	(2,520)	68	(2,452)
Total changes during fiscal period	(2,520)	(2,520)	68	2,868
Balance as of March 31, 2009	(246)	(246)	188	130,905