

Santen to Issue Stock Acquisition Rights to the Directors for the Purpose of Granting Stock Options

May 9, 2006, Osaka, Japan -- Santen Pharmaceutical Co., Ltd. (President and CEO: Takakazu Morita; Headquarters: Osaka, Japan) announced that its Board of Directors today adopted a resolution to issue stock acquisition rights to its directors for the purpose of granting stock options as compensation within ¥40 million a year pursuant to Articles 361 of the Commercial Code.

1. Reason for Issuing Stock Acquisition Rights to the Directors

The Company will grant stock options to its directors to enhance their motivation and lead to improved corporate value and customer satisfaction, by connecting their compensation with creation of medium-term and long-term corporate value.

2. Outline of the Stock Option

(1) Persons to whom stock options will be granted

The Company's directors

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

Up to 61,500 shares of the Company's common stock will be reserved for issuance by the exercise of the stock options. If the Company carries out stock split or reverse stock split, the number of shares reserved for this purpose will be adjusted by the following calculation:

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

Also, in the event that stock acquisition rights are transferred by merger or consolidation between the Company and other companies or the Company becomes the 100% parent company by share exchange with other companies or the Company incorporates a company or transfers business by a corporate split, the number of shares to be issued for stock acquisition rights shall be appropriately adjusted if deemed necessary.

(3) Total stock options to be issued

Maximum of 615 options a year

(The number of shares to be issued for one stock acquisition right shall be 100 shares; provided, however, that in the event any adjustment is made to the number of shares to be issued for stock acquisition rights as stated in 2. (2) above, the number of shares to be issued for one stock acquisition right shall be adjusted in the same way as stated in 2. (2) above.)

(4) Price of the Stock Option

Each stock option is calculated based on Black-Scholes Model.

(5) Exercise Price of the Stock Option

The exercise price of each stock option is the number of stocks of each option set in 2.(3) multiplied by the price of each stock decided below.

The price of each stock is the average of the closing prices of the Company's common stock (any amount less than one yen is rounded up to one yen) traded on the Osaka Securities Exchange during the month (excluding the days no trading of the Company stock was made) immediately before the month the stock option is granted. If the amount determined by the calculation described above is lower than the closing price of the Company's common stock on the date the stock acquisition rights were issued, the exercise price shall be the closing price of the Company's common stock on the date the stock acquisition rights were issued. If new shares are issued at a price lower than the then market price (excluding the cases where new shares are issued by the exercise of a stock option), the exercise price of each stock option then outstanding shall be adjusted by the following calculation method, and any amount less than one yen shall be rounded up.

$$\text{Adjusted exercise price} = \frac{\text{Exercise price before adjustment} \times \frac{\text{Number of shares issued} \times \text{purchase price per share}}{\text{Outstanding shares} + \text{division/issuance of new shares}}}{\text{Outstanding shares} + \text{division/issuance of new shares}}$$

(6) Exercise Period of Stock Option

Each option granted in this program is exercisable during the period from June 28, 2008 to June 24, 2016.

(7) Terms and Conditions for Exercising the Stock Options

- ① The grantee of each stock option must be the Company's director during the exercise period; provided that the person is entitled to exercise the granted option as long as he/she retires or resigns as director upon expiration of the term or for any other due reason.
- ② Each stock option may be exercised partially as long as the shares issued by the exercise of the option are a multiple of a trading unit at the time of the option exercise.
- ③ If the grantee of the stock option dies during the exercise period of the stock price, the heir of the deceased may exercise the stock option during the exercise period.
- ④ Other details will be set forth in the Stock Option Agreement executed between the Company

and each grantee, subject to approval by the resolution of the General Meeting of Shareholders and the resolution of the Board of Directors made for the issuance of the stock option.

(8) Retirement of Stock Option and Conditions

- ① If a merger agreement is approved in accordance with which the Company is taken over, or if a proposal for approving a stock exchange agreement or a proposal for stock transfer, in accordance with which the Company becomes a wholly owned subsidiary of another company, is approved at the general meeting of shareholders, stock options granted may be retired without imposing any monetary liability on the Company.
- ② If a grantee ceases to satisfy the condition set forth in (7) ① above, any part of his/her stock option not exercised by that time may be retired without imposing any monetary liability on the Company.

(9) Restriction on Transfer of Stock Option

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

Note: The resolution will be submitted for, and subject to, approval at the company's Annual General Meeting of Shareholders, scheduled to be held on June 27, 2006.

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