

## Consolidated information

# Consolidated income statements

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	% Change 2006/2005
<b>Net sales</b>	<b>88,966</b>	<b>90,252</b>	<b>89,857</b>	<b>92,696</b>	<b>98,397</b>	6.2
Cost of sales	32,699	32,271	31,857	33,709	34,534	2.4
(Percentage of net sales)	36.8%	35.7%	35.4%	36.4%	35.1%	
<b>Gross profit</b>	<b>56,266</b>	<b>57,981</b>	<b>58,000</b>	<b>58,986</b>	<b>63,863</b>	8.3
(Percentage of net sales)	63.2%	64.3%	64.6%	63.6%	64.9%	
Selling, general and administrative expenses	44,475	45,284	43,474	40,003	42,868	7.2
(Percentage of net sales)	50.0%	50.2%	48.4%	43.1%	43.6%	
R&D expenses	12,186	12,719	11,853	12,619	13,971	10.7
(Percentage of net sales)	13.7%	14.1%	13.2%	13.6%	14.2%	
<b>Operating income</b>	<b>11,790</b>	<b>12,697</b>	<b>14,525</b>	<b>18,982</b>	<b>20,995</b>	10.6
(Percentage of net sales)	13.2%	14.1%	16.2%	20.5%	21.3%	
Non-operating income	1,128	1,269	2,908	803	1,024	27.5
Non-operating expenses	811	1,066	1,643	948	511	-46.1
<b>Ordinary income</b>	<b>12,107</b>	<b>12,899</b>	<b>15,790</b>	<b>18,837</b>	<b>21,507</b>	14.2
(Percentage of net sales)	13.6%	14.3%	17.6%	20.3%	21.9%	
Extraordinary gain	952	17	682	1,137	53	-95.3
Extraordinary loss	380	2,969	2,698	1,538	1,219	-20.7
<b>Income before income taxes</b>	<b>12,678</b>	<b>9,947</b>	<b>13,774</b>	<b>18,436</b>	<b>20,341</b>	10.3
(Percentage of net sales)	14.3%	11.0%	15.3%	19.9%	20.7%	
Income taxes - current	6,932	463	8,750	6,446	7,999	24.1
Income taxes - deferred	440	981	-1,297	966	-679	-170.3
<b>Net income</b>	<b>5,305</b>	<b>8,502</b>	<b>6,321</b>	<b>11,022</b>	<b>13,022</b>	18.1
(Percentage of net sales)	6.0%	9.4%	7.0%	11.9%	13.2%	

## Exchange rates

(Yen)

Year ended March 31	2002	2003	2004	2005	2006	2007 Estimate
Exchange rate: US dollar	125.57	121.87	113.29	107.19	113.42	115.00
Euro	110.07	119.93	132.40	134.64	137.77	138.00

\*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

## ■ Major change in net sales

[Prescription pharmaceuticals]

Domestic:

Sales of prescription ophthalmics amounted to 71,215 million yen and increased by 4.1% from the corresponding period of the previous year due to the contribution of the newly introduced product for anti-glaucoma and the favorable sales growth for corneal disease treatments, despite the decrease in the sales of anti-allergy ophthalmics by the lower airborne pollen count and of anti-infective ophthalmics due to the downturn of the market and the competitive products.

Sales of anti-rheumatic ophthalmics amounted to 8,869 million yen and increased by 7.6% from the corresponding period of the previous year due to the steady penetration to the market.

Overseas:

due to the increase in the sales in the U.S., Europe and Asia. No adjustment of the trade inventory from the previous term resulted in the sales increase in the U.S. despite the intensifying competition for anti-infective in the U.S.

[OTC pharmaceuticals]

Sales amounted to 5,247 million yen and slightly decreased by 0.6% from the corresponding period of the previous year despite the continuing sales promotion from the previous term.

[Others]

Sales amounted to 2,260 million yen and decreased by 4.5% from the corresponding period of the previous year due to the decrease in contract manufacturing in the U.S. and Europe.

## ■ Selling, general and administrative expenses

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	% Change 2006/2005
Personnel expenses	11,919	12,084	11,313	11,109	11,195	0.8
Sales promotion expenses	4,014	4,253	4,201	3,057	3,662	19.8
Royalty expenses	2,457	2,173	2,279	2,113	2,058	-2.6
Advertising expenses	2,189	2,218	1,948	1,616	1,623	0.4
R&D expenses	12,186	12,719	11,853	12,619	13,971	10.7

## ■ Non-operating income and expenses

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	% Change 2006/2005
Interest and dividend income	304	268	239	249	261	5.1
Gains on distribution of investment limited partnership	—	—	—	—	135	—
Interest expense	465	480	365	182	93	-48.7
Amortization expenses of goodwill	263	287	317	322	330	2.3

## ■ Extraordinary gain and loss

(Millions of yen)

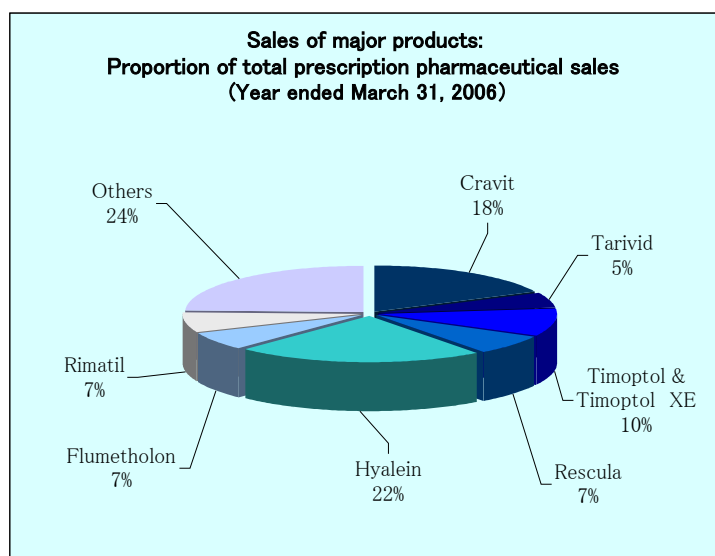
Year ended March 31	2002	2003	2004	2005	2006
Gain on settlement of suit regarding Princeton Bonds	886	—	—	—	—
Gain on sale of fixed assets	19	1	5	340	3
Gain on sale of investment securities	32	15	675	0	0
Gain and loss on change of retirement benefit scheme	—	—	—	316	—
Gain on establishment of retirement benefit trust	—	—	—	210	—
Gain on prior period adjustment	—	—	—	265	—
Loss on valuation of investment securities	178	601	200	50	—
Special premium payment incurred upon secession from pension fund	—	2,202	—	—	—
Retirement benefit for carrier development support	—	—	719	—	—
Loss on discontinued operation of affiliates	—	—	855	—	—
Restructuring change for U.S. business	—	—	386	440	—
Loss on impairment of fixed assets	—	—	376	823	909

# Sales details

## ■ Sales of major prescription pharmaceuticals

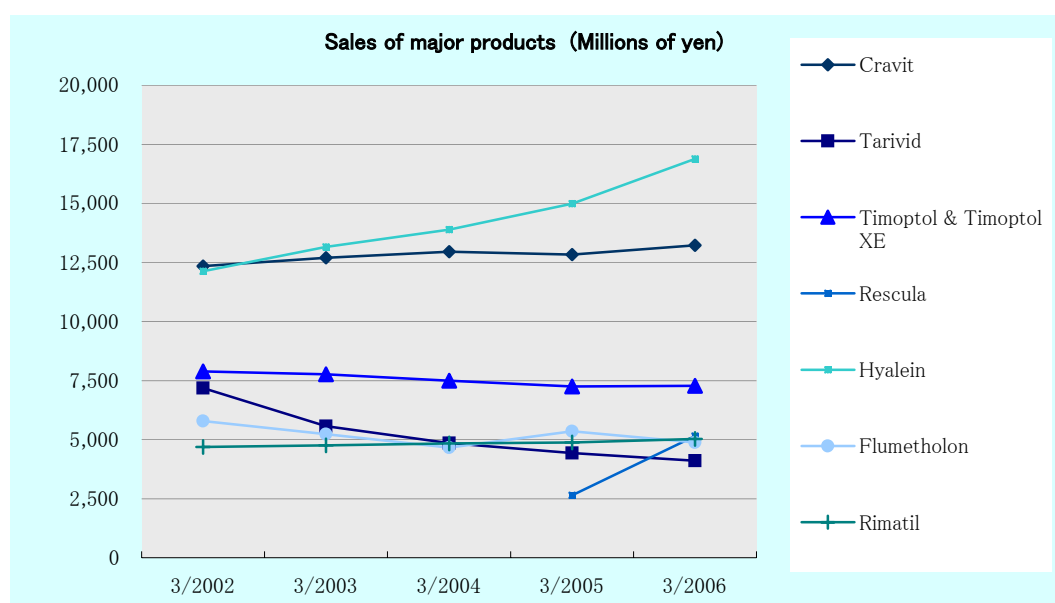
Therapeutic category	Generic name/formulation	Brand name	Region	Launched
Bacterial conjunctivitis	levofloxacin/ophthalmic solution	<b>Cravit</b>	Japan	Apr-00
	ofloxacin/ophthalmic solution	<b>Tarivid</b>	Japan	Sep-87
	timolol maleate/ophthalmic solution	<b>Timoptol</b>	Japan	Sep-81
Glaucoma	timolol maleate/ long-acting ophthalmic solution	<b>Timoptol XE</b>	Japan	Nov-99
	dipivefrine hydrochloride	<b>Pivalephrine</b>	Japan	Dec-88
	bunazosin hydrochloride	<b>Detantol</b>	Japan	Sep-01
	Isopropyl Unoprostone	<b>Rescula</b> ※	Japan	Oct-94
	levocabastine hydrochloride/ ophthalmic solution	<b>Livostin</b>	Japan	Jan-01
Allergy	pemirolast potassium/ophthalmic solution	<b>Alegysal</b>	Japan	Apr-95
Corneal disease	sodium hyaluronate/ophthalmic solution	<b>Hyalein</b>	Japan	Jun-95
Inflammation	fluorometholone/ophthalmic solution	<b>Flumetholon</b>	Japan	Oct-75
Early-stage senile cataract	pirenoxine/ophthalmic solution	<b>Kary Uni</b>	Japan	Jul-92
Adjuvant for ophthalmic operations	sodium hyaluronate/ adjuvant for ophthalmic operations	<b>Opegan Hi</b>	Japan	Jan-95
Perfusate/lotion	oxiglutatione/ophthalmic perfusate and lotion	<b>BSS Plus</b>	Japan	Jan-92
Rheumatoid arthritis	bucillamine/tablet	<b>Rimatil</b>	Japan	Sep-87
	salazosulfapyridine/enteric coated tablet	<b>Azulfidine EN</b>	Japan	Dec-95

※Rescula: This product, which was launched in October 1994, is to be sold by Santen Pharmaceutical Co., Ltd. in October 2004.



(Millions of yen)

Year ended March 31					Year ended March 31			Brand name
2002	2003	2004	2005	2006	% Change 2006/2005	2007 Estimate	% Change 2007/2006	
12,338	12,691	12,957	12,833	13,227	3.1	12,870	-2.7	Cravit
7,184	5,566	4,847	4,429	4,100	-7.4	3,420	-16.6	Tarivid
5,745	5,289	4,846	4,415	4,210	-4.6	3,780	-10.2	Timoptol
2,145	2,477	2,654	2,837	3,072	8.3	3,090	0.6	Timoptol XE
848	628	472	394	324	-17.6	270	-16.7	Pivalephrine
593	1,498	1,917	2,155	2,226	3.3	2,310	3.8	Detantol
—	—	—	2,645	5,152	94.7	5,300	2.9	Rescula
2,225	3,028	2,729	4,917	3,984	-19.0	4,480	12.4	Livostin
865	848	699	954	749	-21.5	720	-3.9	Alegysal
12,130	13,156	13,893	14,987	16,879	12.6	17,750	5.2	Hyalein
5,792	5,234	4,658	5,354	4,879	-8.9	4,910	0.6	Flumetholon
3,092	3,326	3,295	3,220	3,341	3.8	3,530	5.7	Kary Uni
2,319	2,305	2,267	2,374	2,746	15.7	2,680	-2.4	Opegan Hi
2,010	1,505	1,358	1,274	1,316	3.3	1,290	-2.0	BSS Plus
4,685	4,751	4,836	4,881	5,033	3.1	4,850	-3.6	Rimatil
2,605	2,880	3,132	3,376	3,717	10.1	3,740	0.6	Azulfidine EN



■ Sales for JJVCI

(Millions of yen)

Year ended March 31					Year ended March 31		
2002	2003	2004	2005	2006	% Change 2006/2005	2007 Estimate	% Change 2007/2006
—	—	—	781	1,149	47.0	920	-19.9

\*Prescription ophthalmic pharmaceuticals for U.S.A.(Quixin, Betimol and Alamast) changes a sales transfer in February, 2004.

\*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

# Sales details

## ■ Sales by division

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	% Change 2006/2005
Prescription pharmaceuticals	78,149	79,345	80,061	84,298	90,251	7.1
Ophthalmic	70,043	71,122	71,744	75,624	80,922	7.0
Anti-rheumatic drugs	7,291	7,631	7,969	8,353	9,041	8.2
Other prescription pharmaceuticals	814	591	347	319	287	-10.0
OTC pharmaceuticals	6,592	5,656	4,672	5,277	5,247	-0.6
Medical devices	916	918	914	754	638	-15.4
Others	3,308	4,332	4,209	2,366	2,260	-4.5
Total net sales	88,966	90,252	89,857	92,696	98,397	6.2

## [Domestic]

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	% Change 2006/2005
Prescription pharmaceuticals	72,270	72,010	70,868	76,895	80,308	4.4
Ophthalmic	64,425	64,009	62,717	68,383	71,215	4.1
Anti-rheumatic drugs	7,156	7,537	7,862	8,244	8,869	7.6
Other prescription pharmaceuticals	688	463	288	267	223	-16.4
OTC pharmaceuticals	6,555	5,623	4,657	5,260	5,227	-0.6
Medical devices	839	853	877	726	618	-14.9
Others	982	1,245	1,073	562	629	11.9
Total net sales	80,647	79,732	77,477	83,446	86,784	4.0
(Percentage of total net sales)	90.7%	88.3%	86.2%	90.0%	88.2%	—

## [Overseas]

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	% Change 2006/2005
Prescription pharmaceuticals	5,878	7,335	9,193	7,402	9,942	34.3
Ophthalmic	5,617	7,112	9,027	7,241	9,706	34.0
Anti-rheumatic drugs	134	94	106	108	172	58.3
Other prescription pharmaceuticals	126	128	58	52	64	22.4
OTC pharmaceuticals	36	32	14	16	20	20.9
Medical devices	76	65	37	27	19	-28.5
Others	2,325	3,086	3,135	1,803	1,631	-9.6
Total overseas sales	8,318	10,519	12,380	9,250	11,613	25.5
(Percentage of total net sales)	9.3%	11.7%	13.8%	10.0%	11.8%	—

# Breakdown by geographic segment



## ■ Breakdown by geographic segment

Year ended March 31		2002		2003		2004		2005		2006	
		Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Net sales by geographic segment	Japan	82,623	92.9	81,857	90.7	79,338	88.3	85,837	92.6	89,881	91.3
	Europe	4,844	5.4	6,642	7.4	8,848	9.8	6,374	6.9	8,155	8.3
	Others	1,497	1.7	1,752	1.9	1,671	1.9	484	0.5	360	0.4
	Total	88,966	100.0	90,252	100.0	89,857	100.0	92,696	100.0	98,397	100.0
Operating expenses by geographic segment	Japan	64,263		61,865		60,004		64,216		68,244	
	Europe	9,327		11,442		12,603		8,148		9,192	
	Others	9,385		10,482		8,255		3,798		3,927	
	Total	82,976		83,790		80,863		76,162		81,364	
	Corporate and eliminations	-5,800		-6,234		-5,531		-2,448		-3,961	
	Consolidated total	77,175		77,555		75,332		73,713		77,402	
Operating income by geographic segment	Japan	18,879		20,652		20,351		22,169		22,623	
	Europe	-3,384		-3,816		-2,599		-149		951	
	Others	-473		-1,082		-548		-743		-708	
	Total	15,021		15,753		17,204		21,276		22,866	
	Corporate and eliminations	-3,230		-3,056		-2,678		-2,294		-1,871	
	Consolidated total	11,790		12,697		14,525		18,982		20,995	

Europe: Finland, Germany and Sweden

Others: U.S.A., Korea and Taiwan

**Note:** Sales of prescription ophthalmics in the U.S.A. are included in sales in Europe.

## ■ Overseas sales

Year ended March 31	2002		2003		2004		2005		2006	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Europe	3,009	36.2	3,505	33.3	4,370	35.3	4,794	51.8	6,089	52.4
North America	3,499	42.1	4,649	44.2	5,813	47.0	1,703	18.4	1,915	16.5
Others	1,809	21.7	2,364	22.5	2,196	17.7	2,752	29.8	3,608	31.1
Total	8,318	100.0	10,519	100.0	12,380	100.0	9,250	100.0	11,613	100.0

Europe: Finland, Russia, Sweden, Germany and Norway

North America: U.S.A. and Canada

Others: Asian countries

**Note:** Overseas sales represent sales generated in countries or regions other than Japan by Santen Pharmaceutical Co., Ltd. and its subsidiaries.

# Consolidated balance sheets

## ■ Assets

(Millions of yen)

March 31	2002		2003		2004		2005		2006	
		%		%		%		%		%
<b>Current assets</b>	<b>86,064</b>	<b>56.6</b>	<b>83,431</b>	<b>56.7</b>	<b>91,230</b>	<b>60.7</b>	<b>82,735</b>	<b>59.1</b>	<b>93,892</b>	<b>62.4</b>
Cash and deposits	24,185		23,136		33,629		23,948		34,583	
Notes and accounts receivable-trade	39,415		32,516		32,456		35,625		34,423	
Marketable securities	4,131		7,771		9,303		9,046		11,201	
Inventories	12,371		11,684		10,393		9,826		9,837	
Deferred tax assets	1,870		1,201		2,255		1,625		1,651	
Other current assets	4,157		7,262		3,448		2,681		2,196	
Allowance for doubtful receivables	-67		-141		-256		-18		-1	
<b>Fixed assets</b>	<b>66,038</b>	<b>43.4</b>	<b>63,716</b>	<b>43.3</b>	<b>59,006</b>	<b>39.3</b>	<b>57,244</b>	<b>40.9</b>	<b>56,552</b>	<b>37.6</b>
Tangible assets	42,159	27.7	40,850	27.8	37,237	24.8	32,676	23.3	30,395	20.2
Buildings and structures	18,562		20,351		20,577		18,826		17,119	
Machinery, equipment and vehicles	1,926		1,958		1,882		2,114		2,021	
Land	11,009		10,990		10,645		9,486		9,063	
Construction in progress	8,200		4,966		1,750		181		274	
Other tangibles	2,460		2,582		2,382		2,067		1,916	
Intangible assets	5,164	3.4	4,781	3.2	4,000	2.7	3,318	2.4	2,951	2.0
Goodwill	2,260		1,598		1,323		1,015		709	
Software	992		911		1,207		1,182		1,035	
Consolidation adjustments	17		13		10		6		2	
Other intangibles	1,893		2,256		1,458		1,113		1,204	
Investments and other assets	18,715	12.3	18,085	12.3	17,769	11.8	21,250	15.2	23,205	15.4
Investment securities	9,821		9,945		11,482		14,313		17,715	
Deferred tax assets	2,515		2,331		1,814		1,051		379	
Other assets	6,392		5,808		4,476		5,885		5,109	
Allowance for doubtful receivables	-13		-0		-3		—		—	
<b>Deferred assets</b>	<b>—</b>		<b>—</b>		<b>—</b>		<b>—</b>		<b>13</b>	<b>0.0</b>
<b>Total assets</b>	<b>152,103</b>	<b>100.0</b>	<b>147,147</b>	<b>100.0</b>	<b>150,237</b>	<b>100.0</b>	<b>139,979</b>	<b>100.0</b>	<b>150,458</b>	<b>100.0</b>

### 【Major variances between March 31, 2005 and March 31, 2006】

<b>Cash and deposits :</b>	Due to the increase in income before income taxes and the decrease in the payment of income taxes.
<b>Notes and accounts receivable-trade:</b>	Due to the decrease in the sales of anti-allergy ophthalmics for the 4 <sup>th</sup> quarter, 2006 mainly.
<b>Marketable securities:</b>	Due to the purchase of commercial paper of 1,800 million yen.
<b>Tangible assets:</b>	Due to the impairment loss of 909 million yen on the property for the distribution service.
<b>Investment securities:</b>	Due to the increase in fair value of investment securities.

**■ Liabilities and shareholders' equity**

(Millions of yen)

March 31	2002		2003		2004		2005		2006	
		%		%		%		%		%
<b>Current liabilities</b>	<b>26,334</b>	<b>17.3</b>	<b>39,637</b>	<b>26.9</b>	<b>27,153</b>	<b>18.1</b>	<b>22,221</b>	<b>15.9</b>	<b>24,110</b>	<b>16.0</b>
Accounts payable-trade	4,798		5,476		5,039		6,122		5,630	
Current portion of convertible bonds	—		19,945		—		—		—	
Current portion of long-term	1,417		416		416		268		168	
Other payables	11,754		9,117		8,853		8,577		9,308	
Income taxes payable	3,428		1		8,132		3,413		4,946	
Consumption taxes payable	484		283		566		475		468	
Reserve for bonuses	2,311		2,432		2,228		2,481		2,483	
Other reserves	1,067		741		650		199		81	
Other current liabilities	1,071		1,222		1,265		682		1,023	
<b>Noncurrent liabilities</b>	<b>30,668</b>	<b>20.2</b>	<b>10,384</b>	<b>7.1</b>	<b>19,584</b>	<b>13.0</b>	<b>9,518</b>	<b>6.8</b>	<b>7,710</b>	<b>5.1</b>
Convertible bonds	19,945		—		—		—		—	
Long-term debt	3,103		2,686		12,270		6,614		5,446	
Other payables - long-term	—		86		84		636		381	
Retirement and severance benefits for employee	5,156		5,288		5,331		1,455		1,243	
Retirement and severance benefits for directors and auditors	444		465		441		402		462	
Deffered tax liabilities	34		32		26		23		20	
Other liabilities	1,983		1,825		1,429		386		155	
<b>Total liabilities</b>	<b>57,002</b>	<b>37.5</b>	<b>50,021</b>	<b>34.0</b>	<b>46,737</b>	<b>31.1</b>	<b>31,740</b>	<b>22.7</b>	<b>31,820</b>	<b>21.1</b>
Common stock	6,214		6,214		6,214		6,247		6,319	
Additional paid-in capital	6,908		6,908		6,908		6,942		7,014	
Retained earnings	83,892		90,551		91,844		95,901		104,133	
Unrealized holding gains on securities	474		293		1,426		2,048		3,995	
Foreign currency translation adjustments	-2,382		-3,566		-2,853		-2,826		-2,735	
Treasury stock at cost	-5		-3,276		-40		-74		-90	
<b>Total shareholders' equity</b>	<b>95,101</b>	<b>62.5</b>	<b>97,125</b>	<b>66.0</b>	<b>103,499</b>	<b>68.9</b>	<b>108,239</b>	<b>77.3</b>	<b>118,637</b>	<b>78.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>152,103</b>	<b>100.0</b>	<b>147,147</b>	<b>100.0</b>	<b>150,237</b>	<b>100.0</b>	<b>139,979</b>	<b>100.0</b>	<b>150,458</b>	<b>100.0</b>

**【Major variances between March 31, 2005 and March 31, 2006】**

**Income taxes payable:** Due to the increase in income taxes driven by the increase in income before income taxes.

**Long-term debt:** Due to the repayment of the bank loan ahead of schedule.

# Consolidated statements of cash flows

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006
<b>I. Cash flows from operating activities:</b>					
Income before income taxes	12,678	9,947	13,774	18,436	20,341
Depreciation and amortization	5,333	4,311	4,521	4,749	4,824
Loss on impairment of fixed assets	—	—	376	823	909
Increase/decrease for retirement and severance benefits	97	132	43	-2,550	-212
Interest and dividend income	-304	-268	-239	-249	-261
Gains on insurance received	—	—	-1,712	-114	-74
Interest expense	465	480	365	182	93
Increase/decrease in trade receivables	1,804	6,965	-315	-3,082	1,407
Increase/decrease in inventories	-183	647	1,342	594	-18
Increase/decrease in trade accounts payable	-2,137	660	-440	1,065	-495
Other, net	-2,509	-753	1,045	-2,262	570
Subtotal	15,244	22,122	18,761	17,592	27,085
Interest and dividend income received	227	140	232	246	265
Interest expense paid	-464	-458	-328	-183	-95
Insurance received	—	—	3,003	198	129
Income taxes paid	-8,065	-5,996	-453	-11,235	-6,507
Income taxes refunded	—	—	1,980	—	—
Net cash provided by operating activities	6,941	15,807	23,196	6,619	20,878
<b>II. Cash flows from investing activities:</b>					
Increase in fixed deposits	-2,840	-1,251	-622	-1,548	-803
Decrease in fixed deposits	1,697	1,810	915	2,904	1,041
Payments for acquisition of marketable securities	-0	-4,000	-6,399	-4,499	—
Proceeds from sale of marketable securities	200	3,043	10,604	4,817	504
Payments for acquisition of fixed assets	-6,585	-7,045	-3,225	-4,906	-2,106
Proceeds from sale of fixed assets	—	—	3,770	2,488	29
Purchase of investment securities	-267	-3,703	-510	-3,229	-57
Proceeds from sale of investment securities	856	472	1,073	1,059	20
Payment for acquisition of shares of subsidiaries due to change in consolidation	-537	—	—	—	—
Other, net	1,101	723	-359	7	41
Net cash provided by investing activities	-6,373	-9,951	5,246	-2,907	-1,330
<b>III. Cash flows from financing activities:</b>					
Proceeds from long-term debt	—	—	10,000	—	—
Repayment of long-term debt	-624	-1,420	-416	-5,804	-1,268
Redemption of convertible bonds	—	—	-19,945	—	—
Purchase of treasury stock	-3,313	-3,273	-3	-2,582	-15
Proceeds from sale of treasury stock	90	—	—	0	0
Dividends paid	-1,854	-1,812	-1,758	-4,393	-4,759
Other, net	17	—	—	68	143
Net cash provided by financing activities	-5,683	-6,507	-12,122	-12,711	-5,900
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>176</b>	<b>84</b>	<b>49</b>	<b>-42</b>	<b>75</b>
<b>V. Net increase/decrease in cash and cash equivalents</b>	<b>-4,939</b>	<b>-566</b>	<b>16,369</b>	<b>-9,042</b>	<b>13,723</b>
<b>VI. Cash and cash equivalents, beginning of year</b>	<b>30,555</b>	<b>25,619</b>	<b>25,053</b>	<b>41,422</b>	<b>32,380</b>
<b>VII. Effect from consolidating subsidiaries previously unconsolidated on cash and cash equivalents</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>VIII. Cash and cash equivalents, end of year</b>	<b>25,619</b>	<b>25,053</b>	<b>41,422</b>	<b>32,380</b>	<b>46,104</b>

# Capital expenditures and number of employees

## ■ Capital expenditures

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	2007 Estimate
Consolidated	8,516	4,134	2,871	1,674	1,420	2,920
Non-consolidated	7,507	3,820	2,291	1,178	1,232	2,280

**Note:** Includes investment in manufacturing facilities to be spent on a lease contract basis.

### 【Major items】

- Remodeling of existing production facilities
- Replacing of machinery for research and development

## ■ Depreciation and amortization

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	2007 Estimate
Manufacturing cost	1,783	1,549	1,626	1,613	1,546	1,530
Selling, general and administrative expenses	829	699	746	740	626	560
R&D expenses	1,190	1,224	1,499	1,312	1,157	1,230
Others	34	164	40	30	12	100
Consolidated	3,837	3,638	3,914	3,696	3,343	3,420
Non-consolidated	3,347	2,967	3,219	3,005	2,674	2,700

## ■ Lease expenses

(Millions of yen)

Year ended March 31	2002	2003	2004	2005	2006	2007 Estimate
Consolidated	1,879	675	784	1,012	1,104	1,100
Manufacturing cost	1,817	588	656	891	994	940
Non-consolidated	1,879	675	784	1,012	1,104	1,100

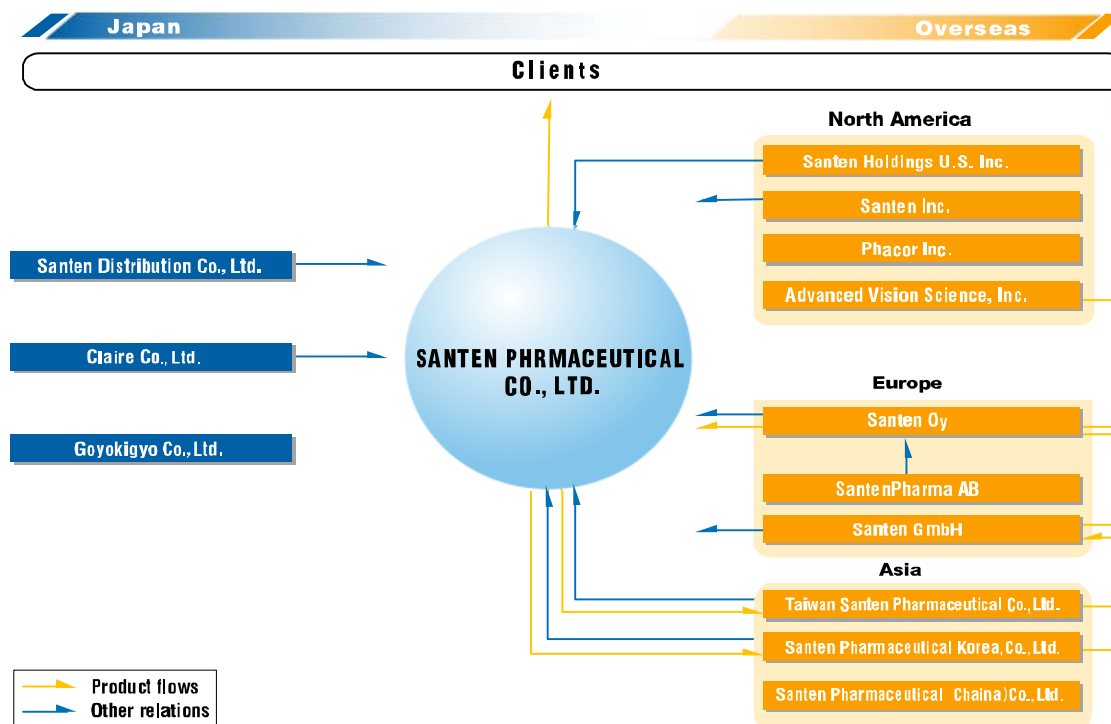
## ■ Number of employees

Year ended March 31	2002	2003	2004	2005	2006
Consolidated	2,463	2,500	2,335	2,308	2,312
Sales division	884	862	771	790	785
Production division	878	909	883	827	787
R&D division	479	485	455	460	483
Corporate or back-office division	222	244	226	231	257
Non-consolidated	1,702	1,740	1,694	1,691	1,695

\*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

# Affiliated companies

## ■ Santen group



## ■ Consolidated subsidiaries 【Domestic】

Santen Distribution Co., Ltd.					
Main business	Storage and shipping of pharmaceuticals				
Location	Osaka, Japan	Paid-in capital	30 million yen	Equity owned	100%
Claire Co., Ltd.					
Main business	Cleaning of antidust and sterilized clothing				
Location	Shiga, Japan	Paid-in capital	90 million yen	Equity owned	100%
Goyokigyo Co., Ltd.					
Main business	—				
Location	Osaka, Japan	Paid-in capital	90 million yen	Equity owned	100%

## 【Overseas】

Santen Holdings U.S. Inc.					
Main business	Holding company for North American business				
Location	California, U.S.A.	Paid-in capital	24,784 thousand US\$	Equity owned	100%
Santen Inc.					
Main business	Clinical development of pharmaceuticals				
Location	California, U.S.A.	Paid-in capital	8,765 thousand US\$	Equity owned	100%*
Phacor Inc.					
Main business	—				
Location	California, U.S.A.	Paid-in capital	10 thousand US\$	Equity owned	100%*
Advanced Vision Science, Inc.					
Main business	Research and development of medical devices				
Location	California, U.S.A.	Paid-in capital	10 thousand US\$	Equity owned	100%*
Santen Oy					
Main business	Development, production and marketing of pharmaceuticals				
Location	Tampere, Finland	Paid-in capital	20,000 thousand euros	Equity owned	100%
SantenPharma AB					
Main business	Marketing support of pharmaceuticals				
Location	Stockholm, Sweden	Paid-in capital	500 thousand S.KR	Equity owned	100%
Santen GmbH					
Main business	Marketing of pharmaceuticals and business development				
Location	Germaring, Germany	Paid-in capital	25 thousand euros	Equity owned	100%
Taiwan Santen Pharmaceutical Co., Ltd.					
Main business	Import and marketing of pharmaceuticals				
Location	Taipei, Taiwan	Paid-in capital	42,000 thousand Taiwan dollars	Equity owned	100%
Santen Pharmaceutical Korea, Co., Ltd.					
Main business	Import and marketing of pharmaceuticals				
Location	Seoul, Korea	Paid-in capital	1,500,000 thousand won	Equity owned	100%
Santen Pharmaceutical (China) Co., Ltd.					
Main business	—				
Location	Suzhou, China	Paid-in capital	345 million yen	Equity owned	100%

\* Indirect investment through Santen Holdings U.S. Inc.