

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (Clinical studies)

Generic name	Brand name/dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Levofloxacin (0.5%)	Cravit	Bacterial conjunctivitis	Daiichi Sankyo	Japan						Apr-00
	Quixin			USA						Nov-00
	Oftaquin			Europe						May-02
Levofloxacin + prednisolone A	DE-094	Infectious keratitis	Daiichi Sankyo	USA						

Characteristics: Fluoroquinolone antibacterial agent. Levofloxacin + prednisolone A is a combination treatment with steroids.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Tafluprost	DE-085	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Japan				Jul-06		
				Europe				Apr-07		
				USA						

Characteristics: Prostaglandin glaucoma treatment for ocular hypertension. In Japan, a comparison study demonstrated its non-inferiority to latanoprost and we filed for manufacturing and marketing approval for glaucoma and ocular hypertension. In Europe, applied for approval in April, 2007 based on the results of 1) the sub-analysis of the comparison study demonstrated its non-inferiority to latanoprost although it did not demonstrate its non-inferiority to latanoprost for the primary analysis, and 2) another comparison study demonstrated non-inferiority to timolol maleate ophthalmic solution. In the USA, we will decide our future development plan based on the study results and marketability.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Diquafosol tetrasodium	DE-089	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Inspire Pharm.	Japan						

Characteristics: A treatment for corneal and conjunctival epithelial disorder associated with dry eye, etc. that stimulates the ocular surface to secrete tear fluid and moisture. Expected to be used in combination with existing dry eye treatments.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Olmесartan	DE-092	Glaucoma/ Ocular hypertension	Daiichi Sankyo	Japan USA/Europe		In preparation for pilot study				

Characteristics: The angiotensin II receptor antagonist. In Japan, Europe and the USA, the Phase II studies did not demonstrate clear dose-response relationship, and therefore we decided to suspend clinical studies. We are now preparing for the phase II pilot study with different formulation.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Lomerizine HCL	DE-090	Glaucoma	Nippon Organon	Japan						

Characteristics: A new type of oral glaucoma treatment studied for inhibiting the progression of visual field defects. The only calcium antagonist in full-fledged development as a glaucoma treatment. Compared with NMDA receptor antagonists, fewer generalized side effects are expected, thus having excellent safety. Marketed by Nippon Organon as a migraine drug.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-096	Rheumatoid arthritis	Original	Japan						
		Diabetes Macular Edema		Japan						

Characteristics: An oral TNF inhibitor. Anti-rheumatic effect comparable to injectable biological agents. In addition to RA, the effect on DME was also observed in basic research, and the phase II studies are being conducted with both diseases.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Gefarnate	DE-099	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Original	Japan						

Characteristics: Treats corneal and conjunctival epithelial disorder mostly associated with dry eye, by stimulating the secretion of mucin and promoting the corneal epithelial migration. Preservative-free eye ointment that can be used in combination with existing drugs.

Generic name (USA)	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Rivoglitazone	DE-101	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Daiichi Sankyo	USA						

Characteristics: It is expected to show a potent effect on corneal and conjunctival epithelial disorders by directly acting on the corneal and conjunctival epithelial cells. It has an action mechanism which differs from any other existing treatment or drug candidate in development. The compound is currently under development by Daiichi Sankyo as an oral anti-diabetic in the USA.

Generic name (USA)	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-102	Diabetes Macular Edema	Co-development with Oakwood (USA)	Japan		(Phase I / IIa)				

Characteristics: A steroid microsphere product for a sustained release injectable drug delivery. Demonstrated sustained efficacy when injected around the affected area. In order to produce sterile microsphere in commercial scale, we collaborate with Oakwood Laboratories (USA).

Generic name (USA)	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-104	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	USA						

Characteristics: A ROCK inhibitor co-development with Ube Industries for treatment of glaucoma and ocular hypertension which has a different action mechanism from other existing drugs. It is expected to show a strong IOP-reduction by promoting aqueous humor outflow by acting directly on trabecular cells.

*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.

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (In preparation for clinical trials)

Generic name	Brand name	Indication	Original/in-licensor
Bucillamine	Rimatil	Osteoarthritis (additional indication)	Original

Characteristics: Shown to be effective on joint inflammation caused by osteoarthritis.

Generic name	Dev. code	Indication	Original/in-licensor
(Undetermined)	DE-103	Allergic conjunctivitis	Ono Pharmaceutical

Characteristics: A PDE4 (Phosphodiesterase type 4) inhibitor for allergic conjunctivitis which has a different action mechanism from the existing drugs. Expected to be effective for allergic conjunctivitis through its inhibitory effect against PDE4.

■ Medical Device

Product under development	Product name	Region
Intraocular lens	MD-14	Japan and USA

Characteristics: Foldable intraocular lens using acrylic material with high refractive index. Developed by U.S. subsidiary Advanced Vision Science, Inc. Approved in October, 2006 in Japan. Preparing for NDA filing in USA.

■ License out

Dev. code	Indication	Licensee	Status	in-licensor
DE-098 (Anti-APO-1 antibody)	Rheumatoid arthritis	Argenes	Phase I / IIa	Centocor

Characteristics: Joint injection that induces apoptosis in diseased joints of rheumatoid arthritis patients. Bulk pharmaceutical manufacturing process for actual production scale has been established. Santen granted the domestic development rights to Argenes, Inc. The compound had been in-licensed from Centocor. In Europe, the clinical study has been started. Santen continues to hold the marketing rights in Japan and the overseas marketing and development rights.

■ Changes from November 1, 2006

[Progress]

Dev. code	Indication	Status change	Clinical trial, NDA filing, Launch Region
DE-085	Glaucoma/ ocular hypertension	In preparation for NDA filing to NDA filed	Europe
DE-099	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	In preparation for Phase II to Phase II	Japan
DE-101	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Phase I to Phase II	USA
DE-102	Diabetes Macular Edema	In preparation for clinical trials to Phase I / IIa	Japan
DE-104	Glaucoma/ ocular hypertension	In preparation for clinical trials to Phase I	USA
DE-098	Rheumatoid arthritis	In preparation for clinical trials to Phase I / IIa	Europe

*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.

Pharmaceutical market in Japan

■ Revision of National Health Insurance (NHI) drug prices

(%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Industry average	-	-6.8	-4.4	-9.7	-	-7.0	-	-6.3	-	-4.2	-	-6.7	-
Ophthalmic drugs	-	-3.5	-1.8	-7.5	-	-6.2	-	-6.0	-	-2.7	-	-5.5	-
Santen	-	-2.6	-1.3	-7.2	-	-5.7	-	-6.0	-	-3.2	-	-5.3	-

(Compiled by Santen)

Revision of NHI drug prices: In Japan, drug prices are generally revised every two years to reflect their market price. The drugs marketed at lower market prices will bear larger reduction margins at the revision.

■ Major healthcare reforms

	1997	Enforcement of the Revised Health Insurance System Law Increased contribution for insured employees (10% to 20%) Revision of the Insurance Law for Seniors Contribution: 500 yen/day for out-patients (up to four times a month) and 1,000 yen/day for in-patients
	2001	Revision of the Insurance Law for Seniors Contribution: fixed rate of 10% for out-patients and in-patients
April	2002	Reimbursed consulting fee for physicians were reduced by 2.7% on average Revision of prescription fee (two points are added for every prescription of generic drugs)
October	2002	Increased contribution for seniors (fixed amount system was abolished for a uniform fixed rate system of 10% contribution)
April	2003	Increased contribution for insured employees (20% to 30%)
April	2006	Revision of the prescription form from the standpoint of attempting environmental considerations of the generic use promotion
October	2006	Increased contribution for seniors (from the age of 70) who have a certain amount of income (20% to 30%)

■ Market shares

(Billions of yen)

Year ended March 31	2003	2004	2005	2006	2007
Prescription ophthalmics	38.9%	39.0%	39.6%	40.9%	39.7%
	195.8	194.7	207.7	213.1	214.4
Anti-rheumatic drugs	42.1%	42.5%	42.9%	45.2%	46.3%
	21.1	22.2	23.3	23.8	23.2

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

- Anti-rheumatic drugs exclude immunosuppressants and biologic agents.

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Source: Santen analysis based on IMS data

Period: 2002-2007; Unauthorized copy prohibited

■ Market shares by therapeutic area - prescription ophthalmics

(Billions of yen)

Year ended March 31	2003	2004	2005	2006	2007
Anti-glaucoma	17.3%	16.7%	20.0%	23.2%	22.1%
	69.0	71.7	74.9	79.0	79.9
Anti-infective	80.9%	81.0%	80.3%	78.3%	76.1%
	27.6	26.9	26.5	26.7	25.9
Anti-allergy	17.5%	20.7%	22.4%	24.8%	24.3%
	25.0	20.8	28.4	24.6	24.7
Agents for surgeries	39.6%	39.1%	41.0%	42.6%	42.8%
	14.8	14.5	13.6	14.4	14.1
Corneal disease treatments	85.4%	82.4%	81.0%	80.7%	79.3%
	18.8	21.0	23.0	25.5	26.4
Anti-cataract	53.3%	55.4%	57.4%	60.3%	62.6%
	7.7	7.1	6.8	6.5	6.3
Corticosteroids	53.1%	51.6%	52.8%	52.6%	51.4%
	11.4	10.9	11.5	11.2	10.8

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

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Source: Santen analysis based on IMS data

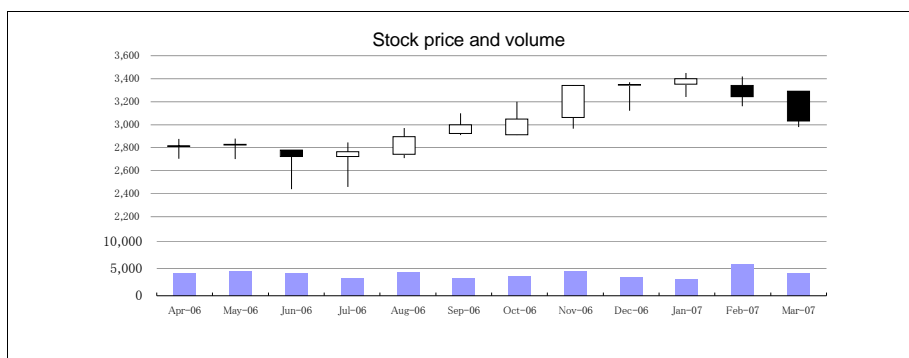
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Stock information

■ Stock price (Osaka Securities Exchange 1st market)

(Yen and thousand shares)

	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Stock price:												
Open	2,810	2,830	2,780	2,720	2,740	2,920	2,910	3,060	3,340	3,350	3,340	3,290
High	2,875	2,880	2,780	2,845	2,970	3,100	3,200	3,340	3,370	3,450	3,420	3,290
Low	2,705	2,700	2,440	2,460	2,710	2,910	2,910	2,965	3,120	3,240	3,160	2,980
End of month	2,815	2,820	2,720	2,765	2,895	3,000	3,050	3,340	3,350	3,400	3,240	3,030
Volume	4,103	4,537	4,166	3,321	4,276	3,243	3,559	4,596	3,335	2,946	5,777	4,116



■ Major shareholders

As of March 31, 2007

Name	Number of shares held	Percentage of investment
	Thousand shares	%
Japan Trustee Service Bank, Ltd.	6,335	7.3
Northern Trust CO. (AVFC) Sub-account American Clients	5,660	6.5
Mita Sangyo Co., Ltd.	4,756	5.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,296	5.0
Japan master Trust and Banking Co., Ltd.	3,824	4.4
Nippon Life Insurance Company	2,961	3.4
The Tokio Marine and Nichido Fire Insurance Co., Ltd.	2,668	3.1
Trust and Custody Services Bank, Ltd.	2,360	2.7
Northern Trust CO. AVFC Re U.S. tax exempted Pension Funds	2,321	2.7
Mitsubishi UFJ Trust and Banking Corporation	1,924	2.2

■ Shares and stock option

Year ended March 31	2001	2002	2003	2004	2005	2006	2007
Number of shares outstanding (thousand shares)	92,720	90,704	90,704	87,963	86,658	86,751	86,825
Stock option balance (thousand shares)	199	243	335	472.6	504.3	541	569.6
Granted in June 1998 - 106 thousand shares at 1,540 yen/share	73	62	62	62	35	27	24
Granted in June 1999 - 66 thousand shares at 2,480 yen/share	66	66	66	66	66	57.3	48
Granted in June 2000 - 60 thousand shares at 2,705 yen/share	60	60	60	60	60	58	48.2
Granted in June 2001 - 55 thousand shares at 2,299 yen/share	-	55	55	55	55	42.6	38.6
Granted in June 2002 - 92 thousand shares at 1,326 yen/share	-	-	92	92	72.5	53.7	32.1
Granted in June 2003 - 137.6 thousand shares at 1,176 yen/share	-	-	-	137.6	137.6	95	72.9
Granted in June 2004 - 78.2 thousand shares at 1,743 yen/share	-	-	-	-	78.2	78.2	73.9
Granted in June 2005 - 129.2 thousand shares at 2,480 yen/share	-	-	-	-	-	129.2	129.2
Granted in June 2006 - 102.7 thousand shares at 2,715 yen/share	-	-	-	-	-	-	102.7

■ Extinguishment of Treasury stock

	2003	2004	2005	2006	2007
An extinguished amount of money (millions of yen)	-	3,239	2,548	-	-
The number of the extinguished stocks (thousand shares)	-	2,741	1,351	-	-

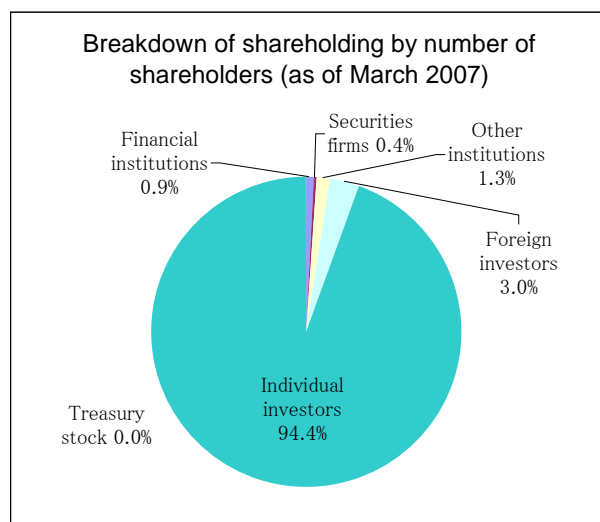
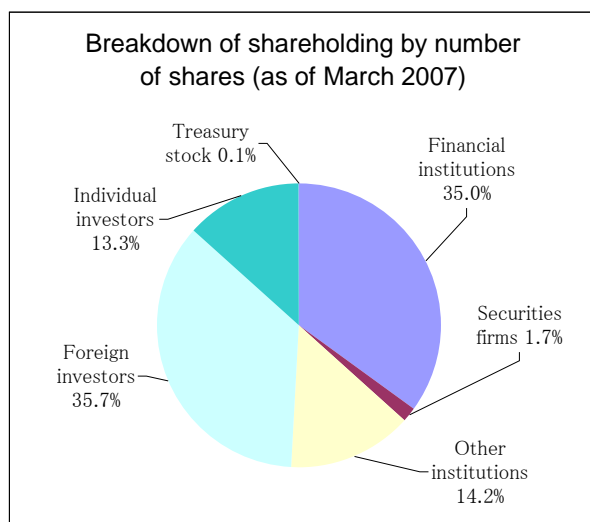
■ Breakdown of shareholding by number of shares

Year ended March 31	2003		2004		2005		2006		2007	
	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)
Financial institutions	36,302	40.0	30,740	34.9	28,423	32.8	29,514	34.0	30,366	35.0
City & regional banks	6,660	7.3	5,428	6.2	4,636	5.3	4,659	5.4	4,628	5.3
Trust banks	19,018	21.0	16,201	18.4	15,768	18.2	16,577	19.1	17,049	19.6
(concerned in trust works)	15,743		13,422		13,022		14,039		14,538	
Life and non-life insurance	10,414	11.5	9,007	10.2	7,973	9.2	8,004	9.2	8,470	9.8
Other financial institutions	208	0.2	103	0.1	45	0.1	274	0.3	217	0.3
Securities firms	293	0.3	368	0.4	346	0.4	865	1.0	1,486	1.7
Other institutions	10,555	11.6	10,512	12.0	11,788	13.6	11,823	13.6	12,375	14.2
Foreign investors	24,580	27.1	31,306	35.6	32,874	38.0	31,519	36.3	31,024	35.7
Individual investors	16,200	17.9	15,001	17.1	13,187	15.2	12,985	15.0	11,521	13.3
Treasury stock	2,771	3.1	33	0.0	39	0.0	45	0.1	50	0.1
Total	90,704	100.0	87,963	100.0	86,658	100.0	86,751	100.0	86,825	100.0

Note: Trading unit for Santen shares were reduced to 100 shares from 1,000 shares effective August 1, 2002

■ Breakdown of shareholding by number of shareholders

Year ended March 31	2003		2004		2005		2006		2007	
	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)
Financial institutions	98	1.2	83	1.0	91	1.1	107	0.8	88	0.9
City & regional banks	8	0.1	7	0.1	9	0.1	10	0.1	7	0.1
Trust banks	55	0.7	46	0.6	47	0.6	52	0.4	44	0.4
Life and non-life insurance	29	0.3	27	0.3	31	0.4	32	0.2	26	0.3
Other financial institutions	6	0.1	3	0.0	4	0.0	13	0.1	11	0.1
Securities firms	28	0.4	28	0.4	28	0.3	31	0.2	37	0.4
Other institutions	134	1.7	130	1.7	128	1.5	236	1.7	133	1.3
Foreign investors	119	1.5	122	1.5	172	2.0	255	1.9	306	3.0
Individual investors	7,493	95.2	7,498	95.4	8,089	95.1	12,927	95.4	9,451	94.4
Treasury stock	1	0.0	1	0.0	1	0.0	1	0.0	1	0.0
Total	7,873	100.0	7,862	100.0	8,509	100.0	13,557	100.0	10,016	100.0



News releases

News releases during April 2006-March 2007

For details, please refer to our Web site (<http://www.santen.com>).

(Date) (Summary)

2006

14-Apr Announcement of Change of Representative Directors

At the meeting of the Board of Directors held on June 27, 2006, Takakazu Morita was elected as Representative Director, Chairman and Chief Executive Officer; and Akira Kurokawa as Representative Director, President and Chief Operating Officer. They all assumed their offices.

9-May Joint Development of ROCK Inhibitor for Glaucoma and Ocular Hypertension Drug Candidate

Santen and Ube Industries, Ltd. reached a basic agreement to jointly develop ROCK inhibitor (development code: DE-104) as an agent for glaucoma and ocular hypertension, for which they discovered an application possibility for ophthalmic treatment in joint research. DE-104 is considered to have a different action mechanism from any other existing anti-glaucoma agents. And it is expected to show potent intraocular pressure lowering effect by facilitating aqueous humor outflow from the main route among multiple routes.

**9-May Santen Issues Stock Acquisition Rights to the Directors
Santen Issues Stock Acquisition Rights to the Corporate Officers**

Santen's Board of Directors adopted a resolution to issue rights to subscribe for new shares without consideration to Santen's directors and corporate officers. The resolution was approved at the 94th Annual General Meeting of Shareholders held on June 27, 2006.

25-Jul 2006-2010 Medium-term Management Plan

Santen formulated its five-year management plan for the period FY2006 to 2010. The basic policies of the Plan are to develop new drug candidates and to generate growth in promising regions by leveraging Santen's strength in global development. As a step to become a leading global ophthalmic company in the coming decade, Santen will actively address the following goals during the medium-term management plan: enhancement of the global strategic product pipeline; growth in Japan as well as in Northern/Eastern Europe, Russia and China; and a focus on clinical and business development in the U.S.

1-Aug Santen Files for Manufacturing and Marketing Approval for its Glaucoma and Ocular Hypertension Drug Candidate DE-085 (INN: Tafluprost)

Santen applied manufacturing and marketing approval for its glaucoma and ocular hypertension treatment DE-085 (INN: Tafluprost) on July 31, 2006. DE-085 is a novel prostaglandin drug candidate being studied for the reduction of intraocular pressure in primary open angle glaucoma and ocular hypertension which is under co-development by Santen and Asahi Glass Co., Ltd. Santen is conducting pharmaceutical and clinical development, while Asahi Glass is responsible for manufacturing development of the active pharmaceutical ingredient. DE-085 demonstrated a potent and stable inter ocular pressure lowering effect by promoting uveoscleral outflow in a Phase III studies conducted in Japan.

25-Sep Santen to Launch OTC Eye Drops Sante Medical 10

Santen launched the new OTC eye drop Sante Medical 10, which focused on visual fatigue relief in response to 90% of the eye drop users needs, on October 10, 2006. Sante Medical 10 contains 10 active ingredients formulated to relieve visual fatigue for overworked eyes, and is highly effective against eye fatigue symptoms by improving the ciliary muscle that controls focus adjustment and by stimulating the eye metabolism.

News releases during April 2006-March 2007

(Date) (Summary)

13-Nov Santen Launches Sante AL Cool II

Santen launched Sante AL Cool II, a reformulated eye drop of former Sante AL Cool on November 17, 2006. *Sante AL Cool II* contains a well-balanced combination of active ingredients effective for itchy and red eyes associated with allergies.

2007

30-Jan "Pollen" Information Service through Mobile Phone

Santen started the new information services of "forecasting pollen count" through the mobile phones in Japan, named "Muzukayu Mobile Kafun Jyohoshitsu" during the season of hay fever.

27-Feb Santen Announces Proposed Dividends Change

Returning profits to shareholders has been an issue of key importance for Santen. Santen seeks to return profits commensurate with performance, while maintaining capital efficiency and keeping a sound and flexible finance position that will allow us to pursue product acquisition, licensing and alliance activities and to build up sufficient retained earnings to fund our long-term growth strategy. Taking the current status of shareholders' equity and our forecast performance of the year ending March 2007 into account, Santen will propose a year-end dividend of 35yen to the company's 95th Annual General Meeting of Shareholders which will be held in June 2007. The new forecast year-end dividend of 35yen will be an increase of 5yen per share over the former forecast, making an annual total dividend of 65yen per share.