

Sales of major prescription pharmaceuticals

(Millions of yen)

Brand name Generic name/formulation	Therapeutic category	Three months ended June 30, 2006 Actual	Six months ended September 30, 2006 Actual	Year ended March 31, 2007 Actual	Three months ended June 30, 2007 Actual	Six months ending September 30, 2007 Forecasts	Year ending March 31, 2008 Forecasts
Prescription pharmaceuticals		23,923 (2.6)	47,051 (3.3)	91,849 (1.8)	24,523 (2.5)	47,432 (0.8)	95,266 (3.7)
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	3,508 (0.5)	7,227 (2.0)	13,155 (0.5)	3,378 (3.7)	6,584 (8.9)	12,218 (7.1)
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	927 (20.1)	2,037 (12.4)	3,524 (14.0)	936 (1.0)	1,756 (13.8)	2,850 (19.1)
Timoptol timolol maleate/ophthalmic solution	Glaucoma	1,034 (10.3)	1,975 (9.8)	3,816 (9.4)	973 (5.9)	1,813 (8.2)	3,480 (8.8)
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	842 (4.3)	1,615 (4.5)	3,258 (6.1)	893 (6.1)	1,640 (1.6)	3,293 (1.1)
Detantol bunazosin hydrochloride	Glaucoma	605 (2.2)	1,158 (2.3)	2,288 (2.8)	609 (0.6)	1,162 (0.3)	2,283 (0.2)
Rescula unoprostone isopropyl	Glaucoma	1,334 (0.2)	2,590 (1.2)	5,127 (0.5)	1,309 (1.8)	2,479 (4.3)	4,937 (3.7)
Livostin levocabastine hydrochloride/ ophthalmic solution	Allergy	789 (3.8)	1,656 (12.1)	4,305 (8.0)	732 (7.2)	1,962 (18.4)	4,291 (0.3)
Hyalein sodium hyaluronate/ophthalmic solution	Corneal disease	4,594 (8.2)	9,022 (7.6)	17,891 (6.0)	5,008 (9.0)	9,362 (3.8)	20,002 (11.8)
Flumetholon fluorometholone/ophthalmic solution	Inflammation	1,216 (1.2)	2,466 (0.8)	4,854 (0.5)	1,232 (1.3)	2,572 (4.3)	5,014 (3.3)
Kary Uni pirenoxine/ophthalmic solution	Early-stage senile cataract	869 (2.8)	1,760 (3.3)	3,465 (3.7)	980 (12.8)	1,791 (1.8)	3,507 (1.2)
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	742 (2.5)	1,421 (1.3)	2,839 (3.4)	833 (12.2)	1,553 (9.3)	3,177 (11.9)
BSS PLUS oxiglutatione/ophthalmic perfusate and lotion	Perfusate / lotion	342 (3.4)	658 (2.5)	1,277 (3.0)	334 (2.3)	647 (1.7)	1,270 (0.5)
Rimatil bucillamine/tablet	Rheumatoid arthritis	1,393 (2.8)	2,608 (1.3)	4,912 (2.4)	1,309 (6.1)	2,525 (3.2)	4,986 (1.5)
Azulfidine EN salazosulfapyridine/enteric coated	Rheumatoid arthritis	1,043	1,957	3,889	1,071	2,077	4,152

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
	Ofraqix			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,	Inspire Pharm.	Japan						
Characteristics: A treatment for corneal and conjunctival epithelial disorder mostly associated with dry eye, etc. that stimulates the ocular surface to secrete tear fluid and moisture. Expected to be used in combination with existing treatments.										
Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Olmesartan	DE-092	Glaucoma/ Ocular hypertension	Daiichi Sankyo	Japan		pilot study				
				USA/Europe						
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 conducting 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,	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,	Daiichi Sankyo	USA						
Characteristics: It is expected to show a potent effect on corneal and conjunctival epithelial disorder mostly associated with dry eye, etc. 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	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	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.										
Generic name	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-103	Allergic Conjunctivitis	Ono Pharmaceutical	Japan						
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.										

*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..

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.			

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 Arge				

Changes from May 8, 2007

[Progress]

Dev. code	Indication	Status change	Clinical trial, NDA filing, Launch Region
DE-103	Allergic conjunctivitis	In preparation for clinical trials to Phase I	Japan

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Capital expenditures

(Millions of yen)

	Three months ended June 30, 2006 Acutual	Six months ended September 30, 2006 Acutual	Year ended March 31, 2007 Acutual	Three months ended June 30, 2007 Acutual	Six months ending September 30, 2007 Forecasts	Year ending March 31, 2008 Forecasts
Capital expenditures	856	1,558	2,716	399	2,650	3,730

Depreciation and amortization

(Millions of yen)

	Three months ended June 30, 2006 Acutual	Six months ended September 30, 2006 Acutual	Year ended March 31, 2007 Acutual	Three months ended June 30, 2007 Acutual	Six months ending September 30, 2007 Forecasts	Year ending March 31, 2008 Forecasts
Consolidated total	769	1,545	3,295	798	1,660	3,500
Manufacturing cost	354	716	1,494	388	830	1,790
Selling, general and administrative expenses	146	284	576	159	230	500
R&D expenses	265	538	1,212	249	530	1,070
Others	3	6	12	0	70	140

Lease expenses

(Millions of yen)

	Three months ended June 30, 2006 Acutual	Six months ended September 30, 2006 Acutual	Year ended March 31, 2007 Acutual	Three months ended June 30, 2007 Acutual	Six months ending September 30, 2007 Forecasts	Year ending March 31, 2008 Forecasts
Consolidated total	262	530	1,064	264	490	970
Manufacturing cost	234	468	936	232	460	920

R&D expenses

(Millions of yen)

	Three months ended June 30, 2006 Acutual	Six months ended September 30, 2006 Acutual	Year ended March 31, 2007 Acutual	Three months ended June 30, 2007 Acutual	Six months ending September 30, 2007 Forecasts	Year ending March 31, 2008 Forecasts
R&D expenses	3,488	6,332	13,663	3,139	7,200	14,000
Net sales ratio	13.4%	12.3%	13.6%	11.8%	13.8%	13.5%

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