

## ■ Sales of major prescription pharmaceuticals

(Millions of yen)

Brand name Generic name/formulation	Therapeutic category	Three months ended June 30, 2005 Actual	Six months ended September 30, 2005 Actual	Year ended March 31, 2006 Actual	Three months ended June 30, 2006 Actual	Six months ending September 30, 2006 Forecasts	Year ending March 31, 2007 Forecasts
<b>Prescription pharmaceuticals</b>		<b>23,308</b>	<b>45,561</b>	<b>90,251</b>	<b>23,923</b>	<b>46,060</b>	<b>91,400</b>
		( 15.0 )	( 12.2 )	( 7.1 )	( 2.6 )	( 1.1 )	( 1.3 )
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	3,492	7,082	13,227	3,508	7,020	12,870
		( 4.5 )	( 1.0 )	( 3.1 )	( 0.5 )	( 0.9 )	( 2.7 )
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	1,161	2,325	4,100	927	2,000	3,420
		( 9.1 )	( 7.7 )	( 7.4 )	( 20.1 )	( 14.0 )	( 16.6 )
Timoptol timolol maleate/ophthalmic solution	Glaucoma	1,153	2,190	4,210	1,034	1,960	3,780
		( 0.8 )	( 4.2 )	( 4.6 )	( 10.3 )	( 10.5 )	( 10.2 )
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	807	1,546	3,072	842	1,540	3,090
		( 13.6 )	( 9.6 )	( 8.3 )	( 4.3 )	( 0.4 )	( 0.6 )
Pivalephrine dipivefrine hydrochloride	Glaucoma	93	173	324	82	140	270
		( 16.6 )	( 17.8 )	( 17.6 )	( 12.3 )	( 19.1 )	( 16.7 )
Detantol bunazosin hydrochloride	Glaucoma	592	1,132	2,226	605	1,120	2,310
		( 6.2 )	( 3.1 )	( 3.3 )	( 2.2 )	( 1.1 )	( 3.8 )
Rescula unoprostone isopropyl	Glaucoma	1,331	2,621	5,152	1,334	2,640	5,300
		( — )	( — )	( 94.7 )	( 0.2 )	( 0.7 )	( 3.0 )
Livostin levocabastine hydrochloride/ ophthalmic solution	Allergy	820	1,478	3,984	789	1,630	4,480
		( 10.3 )	( 3.8 )	( 19.0 )	( 3.8 )	( 10.3 )	( 12.4 )
Alegysal pemirolast potassium/ophthalmic solution	Allergy	180	333	749	181	320	720
		( 12.9 )	( 11.7 )	( 21.5 )	( 0.9 )	( 3.9 )	( 3.9 )
Hyalein sodium hyaluronate/ophthalmic solution	Corneal disease	4,245	8,387	16,879	4,594	8,780	17,750
		( 15.3 )	( 11.8 )	( 12.6 )	( 8.2 )	( 4.7 )	( 5.2 )
Flumetholon fluorometholone/ophthalmic solution	Inflammation	1,231	2,446	4,879	1,216	2,450	4,910
		( 2.9 )	( 4.7 )	( 8.9 )	( 1.2 )	( 0.2 )	( 0.6 )
Kary Uni pirenoxine/ophthalmic solution	Early-stage senile cataract	846	1,703	3,341	869	1,790	3,530
		( 1.4 )	( 1.6 )	( 3.8 )	( 2.8 )	( 5.1 )	( 5.7 )
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	724	1,402	2,746	742	1,330	2,680
		( 26.5 )	( 21.3 )	( 15.7 )	( 2.5 )	( 5.1 )	( 2.4 )
BSS PLUS oxiglutatione/ophthalmic perfusate and lotion	Perfusate / lotion	354	676	1,316	342	660	1,290
		( 7.6 )	( 2.6 )	( 3.3 )	( 3.4 )	( 2.4 )	( 2.0 )
Rimatil bucillamine/tablet	Rheumatoid arthritis	1,356	2,576	5,033	1,393	2,470	4,850
		( 7.2 )	( 2.8 )	( 3.1 )	( 2.8 )	( 4.1 )	( 3.6 )
Azulfidine EN salazosulfapyridine/enteric coated tablet	Rheumatoid arthritis	977	1,883	3,717	1,043	1,890	3,740
		( 15.5 )	( 11.6 )	( 10.1 )	( 6.8 )	( 0.4 )	( 0.6 )
Prescription ophthalmic pharmaceuticals for U.S.A. (Quixin, Betimol and Alamast)		145	383	1,149	159	450	920
		( 2.6 )	( 103.4 )	( 47.0 )	( 10.0 )	( 17.5 )	( 19.9 )
<b>OTC pharmaceuticals</b>		<b>1,316</b>	<b>2,777</b>	<b>5,247</b>	<b>1,260</b>	<b>2,740</b>	<b>5,300</b>
		( 8.8 )	( 7.1 )	( 0.6 )	( 4.2 )	( 1.3 )	( 1.0 )

lower: year on year percentage change

\*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 (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 Pharmaceutical	Japan						Apr-00
	Quixin			USA						Nov-00
	Oftaquix			Europe						May-02
Levofloxacin + prednisolone A	DE-094	Infectious keratitis	Daiichi Pharmaceutical	USA						

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

Generic name	Brand name	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Pemirolast potassium	Alegysal	Allergic conjunctivitis	Mitsubishi Pharma	Japan						Apr-95
	Alamast			USA						Jul-00
	Alamast			Europe						Dec-99

Characteristics: A mast cell stabilizer with superior efficacy on allergic conjunctivitis and vernal keratoconjunctivitis.

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						In preparation
				Europe						In preparation
				USA						

Characteristics: Prostaglandin glaucoma treatment for ocular hypertension. In Japan, a comparison study demonstrated its non-inferiority to latanoprost and we are preparing for NDA filing. In Europe, also preparing for NDA filing 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						In preparation

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
Olmesartan	DE-092	Glaucoma/ Ocular hypertension	Sankyo	Japan						Suspended
				USA/Europe						Suspended

Characteristics: The angiotensin II receptor antagonist. In Japan, Europe and the USA, the Phase II studies did not demonstrate clear dose-response relationship nor sufficient IOP-lowering effect, and therefore we decided to suspend clinical studies. We will decide whether we resume the clinical studies after conducting another pilot study with different doses and different formulation since the results of the Phase II studies differed from the result of the early Phase II study conducted with different formulation in Japan.

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/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Rivoglitazone	DE-101	Corneal and conjunctival epithelial disorder associated with dry eye.	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 Sankyo as an oral anti-diabetic in the USA.

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■ 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 (USA)	Dev. code	Indication	Original/in-licensor
(Undetermined)	DE-102	Diabetes Macular Edema	Co-development with Oakwood (USA)

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
(Undetermined)	DE-103	Allergic conjunctivitis	Ono

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.

Generic name (USA)	Dev. code	Indication	Original/in-licensor
(Undetermined)	DE-104	Glaucoma/ Ocular hypertension	Co-development with Ube Industries

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.

■ Medical Device

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

Characteristics: Foldable intraocular lens using new material with high refractive index. Developed by U.S. subsidiary Advanced Vision Science, Inc.. NDA filed in Japan. In clinical trials in USA.

■ License out

Dev. code	Indication	Region	Licensee	Status	in-licensor
DE-098 (Anti-APO-1 antibody)	Rheumatoid arthritis	Japan	Argenes	preparing for clinical trials	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, and drug development is being studied. Santen granted the domestic development rights to Argenes, Inc. The compound had been in-licensed from Centocor. Santen continues to hold the marketing rights in Japan and the overseas marketing and development rights.

■ Changes from May 9, 2006

[Progress]

Dev. code	Indication	Status change	Clinical trial, NDA filing, Launch Region
DE-101	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	In preparation for phase I to Phase I	USA

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■ Capital expenditures

(Millions of yen)

	Three months ended June 30, 2005 Acutual	Six months ended September 30, 2005 Acutual	Year ended March 31, 2006 Acutual	Three months ended June 30, 2006 Acutual	Six months ending September 30, 2006 Forecasts	Year ending March 31, 2007 Forecasts
Capital expenditures	452	753	1,420	856	1,380	2,920

■ Depreciation and amortization

(Millions of yen)

	Three months ended June 30, 2005 Acutual	Six months ended September 30, 2005 Acutual	Year ended March 31, 2006 Acutual	Three months ended June 30, 2006 Acutual	Six months ending September 30, 2006 Forecasts	Year ending March 31, 2007 Forecasts
Consolidated total	811	1,642	3,343	769	1,670	3,420
Manufacturing cost	373	751	1,546	354	750	1,530
Selling, general and administrative expenses	173	349	626	146	250	560
R&D expenses	261	534	1,157	265	630	1,230
Others	3	6	12	3	50	100

■ Lease expenses

(Millions of yen)

	Three months ended June 30, 2005 Acutual	Six months ended September 30, 2005 Acutual	Year ended March 31, 2006 Acutual	Three months ended June 30, 2006 Acutual	Six months ending September 30, 2006 Forecasts	Year ending March 31, 2007 Forecasts
Consolidated total	276	546	1,104	262	550	1,100
Manufacturing cost	244	488	994	234	470	940

■ R&D expenses

(Millions of yen)

	Three months ended June 30, 2005 Acutual	Six months ended September 30, 2005 Acutual	Year ended March 31, 2006 Acutual	Three months ended June 30, 2006 Acutual	Six months ending September 30, 2006 Forecasts	Year ending March 31, 2007 Forecasts
R&D expenses	2,968	5,971	13,971	3,488	7,300	14,300
Net sales ratio	11.8%	12.0%	14.2%	13.4%	14.5%	14.3%

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