

## Sales of major prescription pharmaceuticals

(Millions of yen)

Brand name Generic name/formulation	Therapeutic category	Three months ended December 31, 2005 Actual	Nine months ended December 31, 2005 Actual	Year ended March 31, 2006 Actual	Three months ended December 31, 2006 Actual	Nine months ended December 31, 2006 Actual	Year ending March 31, 2007 Forecasts
<b>Prescription pharmaceuticals</b>		25,022 ( 8.6 )	70,583 ( 10.9 )	90,251 ( 7.1 )	24,219 ( 3.2 )	71,271 ( 1.0 )	91,790 ( 1.7 )
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	3,686 ( 8.2 )	10,769 ( 3.3 )	13,227 ( 3.1 )	3,453 ( 6.3 )	10,680 ( 0.8 )	12,930 ( 2.2 )
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	1,058 ( 4.8 )	3,384 ( 6.8 )	4,100 ( 7.4 )	774 ( 26.8 )	2,811 ( 16.9 )	3,460 ( 15.6 )
Timoptol timolol maleate/ophthalmic solution	Glaucoma	1,211 ( 3.1 )	3,401 ( 3.8 )	4,210 ( 4.6 )	1,069 ( 11.7 )	3,044 ( 10.5 )	3,790 ( 10.0 )
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	887 ( 8.9 )	2,433 ( 9.4 )	3,072 ( 8.3 )	935 ( 5.4 )	2,550 ( 4.8 )	3,210 ( 4.5 )
Pivalephrine dipivefrine hydrochloride	Glaucoma	94 ( 13.1 )	268 ( 16.2 )	324 ( 17.6 )	80 ( 15.2 )	229 ( 14.4 )	270 ( 16.7 )
Detantol bunazosin hydrochloride	Glaucoma	651 ( 5.9 )	1,784 ( 4.1 )	2,226 ( 3.3 )	647 ( 0.7 )	1,805 ( 1.2 )	2,330 ( 4.7 )
Rescula unoprostone isopropyl	Glaucoma	1,486 ( 7.3 )	4,107 ( 156.3 )	5,152 ( 94.7 )	1,501 ( 1.0 )	4,092 ( 0.4 )	5,210 ( 1.2 )
Livostin levocabastine hydrochloride/ ophthalmic solution	Allergy	816 ( 5.2 )	2,294 ( 4.3 )	3,984 ( 19.0 )	798 ( 2.2 )	2,455 ( 7.0 )	4,470 ( 12.2 )
Alegysal pemirolast potassium/ophthalmic solution	Allergy	182 ( 7.2 )	515 ( 10.2 )	749 ( 21.5 )	159 ( 12.7 )	519 ( 0.6 )	740 ( 1.2 )
Hyalein sodium hyaluronate/ophthalmic solution	Corneal disease	4,862 ( 16.0 )	13,250 ( 13.3 )	16,879 ( 12.6 )	5,060 ( 4.1 )	14,083 ( 6.3 )	17,980 ( 6.5 )
Flumetholon fluorometholone/ophthalmic solution	Inflammation	1,300 ( 9.4 )	3,746 ( 0.2 )	4,879 ( 8.9 )	1,206 ( 7.2 )	3,672 ( 2.0 )	4,830 ( 1.0 )
Kary Uni pirenoxine/ophthalmic solution	Early-stage senile cataract	911 ( 1.8 )	2,614 ( 1.7 )	3,341 ( 3.8 )	983 ( 7.9 )	2,743 ( 4.9 )	3,460 ( 3.6 )
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	797 ( 15.2 )	2,200 ( 19.0 )	2,746 ( 15.7 )	823 ( 3.3 )	2,244 ( 2.0 )	2,890 ( 5.2 )
BSS PLUS oxiglutatione/ophthalmic perfusate and lotion	Perfusate / lotion	380 ( 7.0 )	1,057 ( 4.2 )	1,316 ( 3.3 )	355 ( 6.5 )	1,014 ( 4.0 )	1,290 ( 2.0 )
Rimatil bucillamine/tablet	Rheumatoid arthritis	1,478 ( 7.1 )	4,055 ( 4.3 )	5,033 ( 3.1 )	1,333 ( 9.8 )	3,942 ( 2.8 )	4,970 ( 1.3 )
Azulfidine EN salazosulfapyridine/enteric coated tablet	Rheumatoid arthritis	1,080 ( 9.8 )	2,963 ( 10.9 )	3,717 ( 10.1 )	1,117 ( 3.4 )	3,075 ( 3.7 )	3,860 ( 3.8 )
Prescription ophthalmic pharmaceuticals for U.S.A. (Quixin, Betimol and Alamast)		233 ( 67.6 )	617 ( 88.2 )	1,149 ( 47.0 )	53 ( 76.9 )	546 ( 11.4 )	950 ( 17.3 )
<b>OTC pharmaceuticals</b>		1,321 ( 9.1 )	4,098 ( 1.3 )	5,247 ( 0.6 )	1,301 ( 1.5 )	4,058 ( 1.0 )	5,300 ( 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..

## 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 Pharmaceutical	Japan						Apr-00
	Quixin			USA						Nov-00
	Ofraqix			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	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			In preparation			
				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, 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,	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
Olmesartan	DE-092	Glaucoma/ Ocular hypertension	Sankyo	Japan						
				USA/Europe			In preparation for pilot study			

Characteristics: The angiotensin II receptor antagonist. In preparation for 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-licenso	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	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	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	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 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	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 November 1, 2006

[Progress]

Dev. code	Indication	Status change	Clinical trial, NDA filing, Launch Region
DE-099	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	In preparation for Phase II to Phase II	Japan

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## Capital expenditures

(Millions of yen)

	Three months ended December 31,2005	Nine months ended December 31,2005	Year ended March 31,2006	Three months ended December 31,2006	Nine months ended December 31,2006	Year ending March 31,2007
	Actual	Actual	Actual	Actual	Actual	Forecasts
Capital expenditures	129	882	1,420	280	1,839	2,790

## Depreciation and amortization

(Millions of yen)

	Three months ended December 31,2005	Nine months ended December 31,2005	Year ended March 31,2006	Three months ended December 31,2006	Nine months ended December 31,2006	Year ending March 31,2007
	Actual	Actual	Actual	Actual	Actual	Forecasts
Consolidated total	836	2,479	3,343	739	2,285	3,230
Manufacturing cost	388	1,139	1,546	371	1,088	1,480
Selling, general and administrative expenses	164	514	626	94	379	590
R&D expenses	281	816	1,157	270	809	1,140
Others	3	9	12	3	9	30

## Lease expenses

(Millions of yen)

	Three months ended December 31,2005	Nine months ended December 31,2005	Year ended March 31,2006	Three months ended December 31,2006	Nine months ended December 31,2006	Year ending March 31,2007
	Actual	Actual	Actual	Actual	Actual	Forecasts
Consolidated total	265	812	1,104	265	796	1,070
Manufacturing cost	240	729	994	233	702	940

## R&D expenses

(Millions of yen)

	Three months ended December 31,2005	Nine months ended December 31,2005	Year ended March 31,2006	Three months ended December 31,2006	Nine months ended December 31,2006	Year ending March 31,2007
	Actual	Actual	Actual	Actual	Actual	Forecasts
R&D expenses	3,535	9,507	13,971	3,049	9,382	13,600
Net sales ratio	13.1%	12.4%	14.2%	11.6%	12.1%	13.5%

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