



Santen Pharmaceutical Co., Ltd.
Financial Performance and Outlook
Year Ended March 31, 2004

May 10, 2004
Investor Meeting

(A Caution Concerning Forward-Looking Statements)

Forecasts of future business results are based on the judgment of the management of Santen using information currently available. Actual results may differ materially from forecasts due to a number of factors, including but not limited to changes in the business environment, launch of new products, fluctuations in exchange rates and changes in related laws and regulations.



Summary of the Year ended March 2004;
Forecasts for the Year ending March 2005; and
Progress of the Medium-term Management Plan

Takakazu Morita
President and CEO



Summary of the Year ended March 2004

Unit: Billions of yen

Percentage shows change from previous year

	<u>Year ended March 2003 Actual</u>		<u>Year ended March 2004 Forecasts as of Nov. 2003</u>		<u>Year ended March 2004 Actual</u>
Net sales	90.2	1.4%	89.7		89.8 -0.4%
Operating income	12.7	7.7%	13.1		14.5 14.4%
Net income	8.5	60.3%	6.1		6.3 -25.7%
ROE	8.8%		-		6.3%



Forecasts for the Year ending March 2005

Unit: Billions of yen

Percentage shows change from previous year

	Year ended March 2004 <u>Actual</u>	Year ending March 2005 <u>Forecasts</u>		[For Reference] Year ending March 2006 <u>Medium-term Plan Target</u>	
Net Sales	89.8	86.0	-4.3%	93.0	8.1%
Operating income	14.5	14.0	-3.7%	18.0	28.6%
Net income	6.3	8.0	26.2%	10.0	20.0%
ROE	6.3%	7.4%		10%	



Medium-term Management Plan

**Items required for achieving the Medium-Term Management Plan
without losing speed of new product development**

Japan

- **Prescription pharmaceuticals**
- **OTC and medical devices business**
- **Selling, general and administrative expenses**

Overseas

- **U.S.**
- **Europe**
- **Asia**

New Product Development

- **Clinical development proceeding faster than planned**
- **Curb increase in R&D expenses**



Status of the Medium-term Plan Objectives: Restoration of Profitability

	<u>Year ended</u> March 2004 <u>Actual</u>	<u>Year ending</u> March 2005 <u>Plan</u>	<u>Year ending</u> March 2006 <u>Plan</u>
<u>Early profitability of U.S. operations</u>			
1. U.S. ophthalmics	Dec 03 Sales alliance	Turn profitable (before R&D expenses)	Continue and improve
<u>Reduction of expenses</u>			
2. Manufacturing cost	Introduced new eye drops bottles	Complete shift to new bottles	Additional measures
3. - Reform of sales offices	- Majority of sales offices relocated	- Complete relocation of all sales offices	- Full contribution
- Reform of purchasing	- Introduced e-purchasing system	- More than half items to be purchased online	- Full contribution
- Reform of business support	---	- Formulate plans	-Implementation
<u>Maintenance and improvement of our domestic earnings base</u>			
4. Renewal of medical rep activities	Installed sales force automation system	Start renewal of MR activities and formulate fundamental reform plans	Full-scale implementation
5. OTC business, etc.	---	Cost structure analyses and devise reform plans	Implement cost structure reform plans



Status of the Medium-term Plan Objectives: Strengthening of R&D and Reinforcement of Organizational Strength

	<u>Year ended March 2004 Actual</u>	<u>Year ending March 2005 Plan</u>	<u>Year ending March 2006 Plan</u>
<u>Strengthening of R&D</u>			
6. Accelerate new product development	Increase clinical development staff and process reform (glaucoma, cornea and RA)	Shorten pre-clinical period	Shorten clinical trials to 5 years and non-clinical studies to 1.5 years (for prioritized projects)
7. Enhance pipeline of drug candidates	<ul style="list-style-type: none"> - Concentrate investment in promising themes - Enhance ophthalmic discovery research 	Increase the number of next-generation drug candidates (glaucoma, cornea and anti-inflammatory)	Achieve enhancement of product pipeline
<u>Reinforcement of Organizational Strength</u>			
8. Strengthen corporate governance	<ul style="list-style-type: none"> - External Director elected - Shortened term of Directors (2 years to 1) 	Continue	Undecided
9. Employee education and enhancement of organizational management capabilities	<ul style="list-style-type: none"> - Continue leadership development programs 	Continue	Continue



Policy of Returning Profits to Shareholders

[Since Year Ended March 2001]

- **Acquired and retired own shares (to improve capital efficiency and balance supply and demand)**
 - **Retired 7,128,000 shares in total**
(7.5% of all issued shares as of March 2000)

[From Year Ended March 2004]

- **Structural supply-demand imbalance has been eliminated**
- **Maintain and improve the level of cash dividends, considering the flexibility and soundness of corporate finance and capital efficiency**
- **Will continue to consider acquisition and retirement of own shares as an agile means of improving shareholder value and capital efficiency**



Santen has decided to increase per-share dividends based on the policy of improving capital efficiency.

The annual per-share dividends will be 40 yen, after considering the status of asset and capital efficiency, income statements, cash flows, payout ratio and dividend amount.