



Consolidated Financial Results for
the Year ended March 2004

Consolidated Financial Forecasts for
the Year ending March 2005

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Consolidated Financial Results for the Year ended March 2004



Consolidated Performance Summary

(Billions of yen)

	Year ended March 2003 Actual	Year ended March 2004			
		Forecasts as of Nov 2003	Actual	Change from previous year	% change from previous year
Net sales	90.2	89.7	89.8	- 0.4	- 0.4%
Operating income	12.6	13.1	14.5	1.9	14.4%
Ordinary income	12.8	14.0	15.7	2.9	22.4%
Net income	8.5	6.1	6.3	- 2.2	- 25.7%



Net Sales by Business Segment / Overseas Sales

● Net Sales by Business Segment

(Billions of yen)

	Year ended March 2004					
	Japan		Overseas		Total	
	Net sales	% change from previous year	Net sales	% change from previous year	Net sales	% change from previous year
Prescription pharmaceuticals	70.86	- 1.6 %	9.19	25.3 %	80.06	0.9 %
Ophthalmic	62.71	- 2.0 %	9.02	26.9 %	71.74	0.9 %
Anti-rheumatic	7.86	4.3 %	0.10	-	7.96	4.4 %
Others	0.28	- 37.7 %	0.05	-	0.34	- 41.3 %
OTC pharmaceuticals	4.65	- 17.2 %	0.01	-	4.67	- 17.4 %
Medical devices	0.87	2.8 %	0.03	-	0.91	- 0.4 %
Others	1.07	- 13.8 %	3.13	1.6 %	4.20	- 2.8 %
Total	77.47	- 2.8 %	12.38	17.7 %	89.85	- 0.4 %

● Overseas Sales

(Billions of yen)

	Year ended March 2003	Year ended March 2004		
	Actual	Actual	Change from previous year	% change from previous year
North America	4.64	5.81	1.17	25.0 %
Europe	3.50	4.37	0.87	24.7 %
Others	2.36	2.19	- 0.17	- 7.1 %
Total	10.51	12.38	1.87	17.7 %



Consolidated Net Sales: Variances

Net sales for the
Year ended March
2003
90.2 billion yen

-0.4 billion yen

Net sales for the
Year ended March
2004
89.8 billion yen

Japan -2.3 billion yen

[Increase]
RA drugs +0.3 billion yen
[Decreases]
Prescription ophthalmics
-1.3 billion yen
OTC pharmaceuticals
-1.0 billion yen
Others -0.3 billion yen

Anti-infective -0.45 billion yen
Corneal disease +0.73 billion yen
Glaucoma ± 0.0 billion yen
Allergy -0.45 billion yen
FLUMETHOLON -0.58 billion yen
Others -0.55 billion yen

Overseas +1.9 billion yen

[Increases]
U.S. +1.2 billion yen
Europe +0.9 billion yen
Asia & Others -0.2 billion yen

QUIXIN +0.58 billion yen
ALAMAST +0.26 billion yen
BETIMOL +0.55 billion yen

Russia +0.2 billion yen
Sweden +0.2 billion yen
Finland +0.1 billion yen
Germany +0.1 billion yen

China +0.3 billion yen
Korea -0.4 billion yen



Summary of Changes in Income Statements (1)

(Billions of yen)

	Year ended March 2003	Year ended March 2004		Major factor for change
	Actual	Actual	Change from previous year	
Net sales	90.2	89.8	-0.4	
Cost of Sales	32.2	31.8	-0.4	- Change in product line-up (-0.5ppt) - Cost reduction (-0.3ppt) - Increase in cost of European subsidiaries, etc. (+ 0.5ppt) (incl. exchange rate fluctuations)
(% of net sales)	35.7%	35.4%	-0.3 ppt	
Selling, general and administrative expenses	45.2	43.4	-1.8	
(% of net sales)	50.2%	48.4%	-1.8 ppt	
SGA expenses excl. R&D	32.5	31.6	-0.9	- Japan: promotion costs (-0.3 billion) - Japan: advertisement (-0.3 billion) - US: sales costs (-0.3 billion)
(% of net sales)	36.1%	35.2%	-0.9 ppt	
R&D expenditures	12.7	11.8	-0.9	- Discontinuance of medical device development (Phacor) (-0.6 billion)
(% of net sales)	14.1%	13.2%	-0.9 ppt	
Operating income	12.6	14.5	1.9	
(% of net sales)	14.1%	16.2%	2.1 ppt	



Summary of Changes in Income Statements (2)

(Billions of yen)

	Year ended March 2003	Year ended March 2004		Major factor for change
	Actual	Actual	Change from previous year	
Non-operating income/expenses	0.2	1.2	1.0	
Non-operating income	1.2	2.9	1.7	- Receipt of matured insurance (1.7 billion) - Transfer of THIOLA Tablets manufacturing approval (0.2 billion)
Non-operating expenses	1.0	1.6	0.6	Currency exchange loss (0.5 billion)
Ordinary income	12.8	15.7	2.9	
Extraordinary gain/loss	-2.9	-2.0	0.9	
Extraordinary gain	0.0	0.6	0.6	Sale of investment securities (0.6 billion)
Extraordinary loss	2.9	2.6	-0.3	[03/3] - Special premium payment upon secession from Osaka Pharmaceutical Industry Pension Fund (2.2 billion) - Valuation loss of investment securities (0.6 billion) [04/3] - Discontinued operation of affiliates (0.8 billion) - Retirement benefit for carrier development plan (0.7 billion) - US business structure improvement (0.3 billion)
Net income before tax	9.9	13.7	3.8	
Income taxes	1.4	7.4	6.0	[03/3] Income tax adjustment due to subsidiary liquidation loss (5 billion)
Net income	8.5	6.3	-2.2	



Performance by Geographic Segment

[Net sales] (Billions of yen)

	Year ended March 2003 Actual	Year ended March 2004	
		Actual	Change from previous year
Japan	81.85	79.33	-2.52
Europe	6.64	8.84	2.20
Europe	3.83	4.64	0.81
U.S.	2.80	4.20	1.40
Others *1	1.75	1.67	-0.08
Total	90.25	89.85	-0.40

[Operating income] (Billions of yen)

	Year ended March 2003 Actual	Year ended March 2004	
		Actual	Change from previous year
Japan	20.65	20.35	-0.30
Europe	-3.81	-2.59	1.22
Europe	-0.45	-0.43	0.02
U.S.	-3.36	-2.16	1.20
Others *1	-1.08	-0.54	0.54
Elimination	-3.05	-2.67	0.38
Total	12.69	14.52	1.83

*1: Sales of "Others" include contract manufacturing of anti-infective otic pharmaceuticals. Expenses of "Others" include R&D expenses of medical device.

Note: Sales by geographic region differ from overseas sales (i.e. sales by destination).



Balance Sheets

(Billions of yen)

	Year ended March 2003		Year ended March 2004		
	Actual	% of total	Actual	% of total	Change from previous year
Current assets	83.4	56.7 %	91.2	60.7 %	7.8
Fixed assets	63.7	43.3 %	59.0	39.3 %	-4.7
Total assets	147.1	100.0 %	150.2	100.0 %	3.1
Current liabilities	39.6	26.9 %	27.1	18.1 %	-12.5
Noncurrent liabilities	10.3	7.1 %	19.5	13.0 %	9.2
Total liabilities	50.0	34.0 %	46.7	31.1 %	-3.3
Total shareholders' equity	97.1	66.0 %	103.4	68.9 %	6.3
Total liabilities and shareholders' equity	147.1	100.0 %	150.2	100.0 %	3.1

[Major changes]

- Current assets
 - Cash and deposits +10.4 billion yen
 - Other current assets -3.8 billion yen including income tax receivables of -2.1 billion yen
- Fixed assets
 - Construction in progress -3.2 billion yen; of which 1.4 billion yen had been transferred to leasing contract and 1.5 billion yen to buildings and structures
- Current liabilities
 - Current portion of convertible bonds -19.9 billion yen (2003/9/30 redeemed upon maturity)
 - Income taxes payable +8.1 billion yen
- Noncurrent liabilities
 - Long-term debt +9.5 billion yen (Borrowed 10 billion yen to fund the redemption of convertible bonds)



Summary of Cash Flows

(Billions of yen)

	Year ended March 2003 Actual	Major items
Cash and cash equivalents, beginning of year	25.0	
Net increase/decrease in cash and cash equivalents	16.4	
Cash flow from operating activities	23.2	<ul style="list-style-type: none"> - Income before income taxes 13.7 - Depreciation and amortization 4.5 - Increase/decrease in inventories 1.3 - Income taxes refund 1.9
Cash flow from investing activities	5.3	<ul style="list-style-type: none"> - Payments/proceeds for acquisition/sale of marketable securities [balance] 4.2 - Payments/proceeds for acquisition/sale of investment securities [balance] 0.5
Cash flows from financing activities	-12.1	<ul style="list-style-type: none"> - Income from long-term borrowing +10.0 - Redemption of convertible bonds -19.9 - Cash dividends paid -1.7
Cash and cash equivalents, end of year	41.4	

Note: "Cash and cash equivalents" include cash equivalents, and thus differ from "cash and deposits" shown in the Balance Sheets.



Capital Expenditures / Depreciation and Amortization / Lease Expenses

(Billions of yen)

	Year ended March 2003 Actual	Year ended March 2004	
		Actual	Change
Capital expenditure	4.1	2.8	-1.3
Depreciation and amortization	3.6	3.9	0.3
Lease expenses	0.6	0.7	0.1

- Major capital expenditures for the year ended March 2004
 - Manufacturing lines for new bottle (*Dimple Bottles*) Noto Plant (0.7 billion yen) and Shiga Plant (0.1 billion yen)
 - Expansion of the Nara Research & Development Center (0.3 billion yen)

- Major increase in depreciation and amortization for the year ended March 2004
 - Nara Research & Development Center (0.56 billion yen for 2003/3 → 0.86 billion yen for 2004/3: a 0.3 billion yen increase)



Consolidated Financial Forecasts for the Year ending March 2005



Consolidated Performance Forecasts

(Billions of yen)

	Year ended March 2004 Actual	Year ending March 2005		
		Forecast	Change	% change
Net sales	89.8	86.0	-3.8	-4.3 %
Operating income	14.5	14.0	-0.5	-3.6 %
Ordinary income	15.7	13.8	-1.9	-12.6 %
Net income	6.3	8.0	1.7	26.6 %



Net Sales by Business Segment / Overseas Sales

● Sales by business segment

(Billions of yen)

	Year ending March 2005					
	Japan		Overseas		Total	
	Sales	% change from previous year	Sales	% change from previous year	Sales	% change from previous year
Prescription pharmaceuticals	70.22	-0.9 %	6.93	-24.5 %	77.16	-3.6 %
Ophthalmic	61.89	-1.3 %	6.79	-24.7 %	68.69	-4.3 %
Anti-rheumatic	8.08	2.8 %	0.09	-	8.18	2.6 %
Others	0.25	-13.0 %	0.03	-	0.29	-16.5 %
OTC pharmaceuticals	5.22	12.1 %	0.01	-	5.24	12.2 %
Medical devices	0.79	-9.5 %	0.02	-	0.82	-10.4 %
Others	0.75	-30.2 %	2.03	-35.3 %	2.78	-34.0 %
Total	76.98	-0.6 %	9.01	-27.2 %	86.00	-4.3 %

● Overseas sales

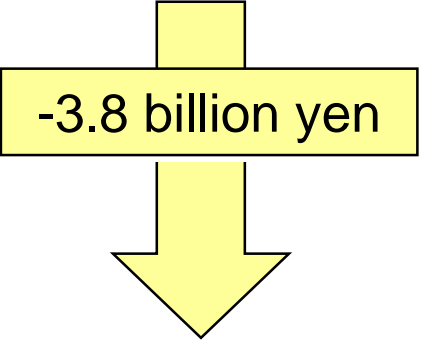
(Billions of yen)

	Year ended March 2004	Year ending March 2005		
	Actual	Forecast	Change	% change
North America	5.81	2.49	-3.32	-57.1 %
Europe	4.37	4.45	0.08	2.0 %
Others	2.19	2.05	-0.14	-6.2 %
Total	12.38	9.01	-3.37	-27.2 %



Consolidated Net Sales: Variances

Net sales of the
Year ended March
2004
89.8 billion yen



Net sales of the
Year ending March
2005
86.0 billion yen

Japan -0.5 billion yen

[Decrease]
Prescription ophthalmics → -0.8 billion yen
Others -0.3 billion yen
Medical devices -0.1 billion yen

[Increases]
OTC pharmaceuticals +0.5 billion yen
RA drugs +0.2 billion yen

Anti-infective -1.85 billion yen
Corneal disease +0.26 billion yen
Glaucoma -0.08 billion yen
Anti-allergy +1.16 billion yen
Impact of NHI drug price cut: -1.8 billion yen

Overseas -3.3 billion yen

[Decrease]
U.S. ophthalmic -2.3 billion yen
Asia -0.1 billion yen
Anti-infective otc contract manufacturing -1.0 billion yen

[Increase]
Europe +0.1 billion yen



Summary of Changes in Income Statements (1)

(Billions of yen)

	Year ended March 2004	Year ending March 2005		Major factor for change
	Actual	Forecast	Change	
Net sales	89.8	86.0	-3.8	
Cost of Sales	31.8	31.9	0.1	<ul style="list-style-type: none"> - Impact of NHI drug price cut (+0.8ppt) - Impact of US sales alliance (+0.5ppt) - Change in product line-up (+0.5ppt) - Cost reduction (-0.2ppt)
(% of net sales)	35.4%	37.0%	1.6 ppt	
Selling, general and administrative expenses	43.4	40.1	-3.3	
(% of net sales)	48.4%	46.6%	-1.8 ppt	
SGA expenses excl. R&D	31.6	27.0	-4.6	<ul style="list-style-type: none"> - Sales expenses decreased due to US sales alliance (-4 billion) - Sales office reform (-0.5 billion)
(% of net sales)	35.2%	31.4%	-3.8 ppt	
R&D expenditures	11.8	13.1	1.3	<ul style="list-style-type: none"> - Increase in glaucoma treatment clinical trials in the U.S. & Europe (1.0 billion)
(% of net sales)	13.2%	15.2%	2.0 ppt	
Operating income	14.5	14.0	-0.5	
(% of net sales)	16.2%	16.3%	0.1 ppt	



Summary of Changes in Income Statements (2)

(billion yen)

	Year ended March 2004	Year ending March 2005		Major factor of change
	Actual	Forecast	% change	
Non-operating income/expenses	1.2	-0.2	-1.4	
Non-operating income	2.9	0.5	-2.4	[2004/3] - Receipt of matured insurance (1.7 billion) - Transfer of THIOLA Tablets manufacturing approval (0.2 billion)
Non-operating expenses	1.6	0.7	-0.9	[2004/3] Currency exchange loss (0.5 billion), interest expenses (0.36 billion) [2005/3] Interest expenses (0.2 billion)
Ordinary income	15.7	13.8	-1.9	
Extraordinary gain/loss	-2.0	-0.6	1.4	
Extraordinary gain	0.6	0.2	-0.4	[2004/3] Gain on sale of investment securities (0.6 billion) [2005/3] Gain on sale of fixed assets (0.2 billion)
Extraordinary loss	2.6	0.8	-1.8	[2004/3] - Discontinued operation of affiliates (0.8 billion) - Retirement benefit for carrier development plan (0.7 billion) - US business restructuring (0.3 billion) [2005/3] Loss on sale of fixed assets (0.8 billion)
Net income before tax	13.7	13.2	-0.5	
Income taxes	7.4	5.2	-2.2	[2005/3] Increased sales in Japan, decreased overseas sales
Net income	6.3	8.0	1.7	



Forecast by Geographic Segment

[Net sales]

(Billions of yen)

	Year ended March 2004 Actual	Year ending March 2005	
		Forecast	Change
Japan	79.33	78.56	-0.77
Europe	8.84	7.00	-1.84
Europe	4.64	4.78	0.14
U.S.	4.20	2.22	-1.98
Others *1	1.67	0.44	-1.23
Total	89.85	86.00	-3.85

[Operating income]

(billion yen)

	Year ended March 2004 Actual	Year ending March 2005	
		Forecast	Change
Japan	20.35	16.90	-3.45
Europe	-2.59	0.38	2.97
Europe	-0.43	-0.37	0.06
U.S.	-2.16	0.75	2.91
Others *1	-0.54	-1.07	-0.53
Elimination	-2.67	-2.21	0.46
Total	14.52	14.00	-0.52

*1: Sales of "Others" include contract manufacturing of anti-infective otic pharmaceuticals. Expenses of "Others" include R&D expenses of medical device.

Note: Sales by geographic region differ from overseas sales (i.e. sales by destination).



Capital Expenditures / Depreciation and Amortization / Lease Expenses

(Billions of yen)

	Year ended March 2004 Actual	Year ending March 2005	
		Forecast	Change
Capital Expenditures	2.8	2.8	0.0
Depreciation and amortization	3.9	3.8	-0.1
Lease expenses	0.7	1.0	0.3

- Major capital expenditures for the year ending March 2005
 - Renewal of Japanese & overseas manufacturing facilities and R&D devices
- Major increase in lease expenses for the year ending March 2005
 - Start operation of new bottle (*Dimple Bottle*) manufacturing line

[For reference]

- Total capital expenditures for new bottle (*Dimple Bottle*) manufacturing line (Billions of yen)

	00/3 Actual	01/3 Actual	02/3 Actual	03/3 Actual	04/3 Actual	00/3-04/3 Subtotal	05/3 Forecast	Total
Noto Plant	0.12	1.23	2.21	0.48	0.68	4.72	0.06	4.78
Shiga Plant	-	0.10	3.13	0.27	0.10	3.60	-	3.60
Total	0.12	1.34	5.33	0.75	0.78	8.32	0.06	8.38

Note: Includes lease contracts

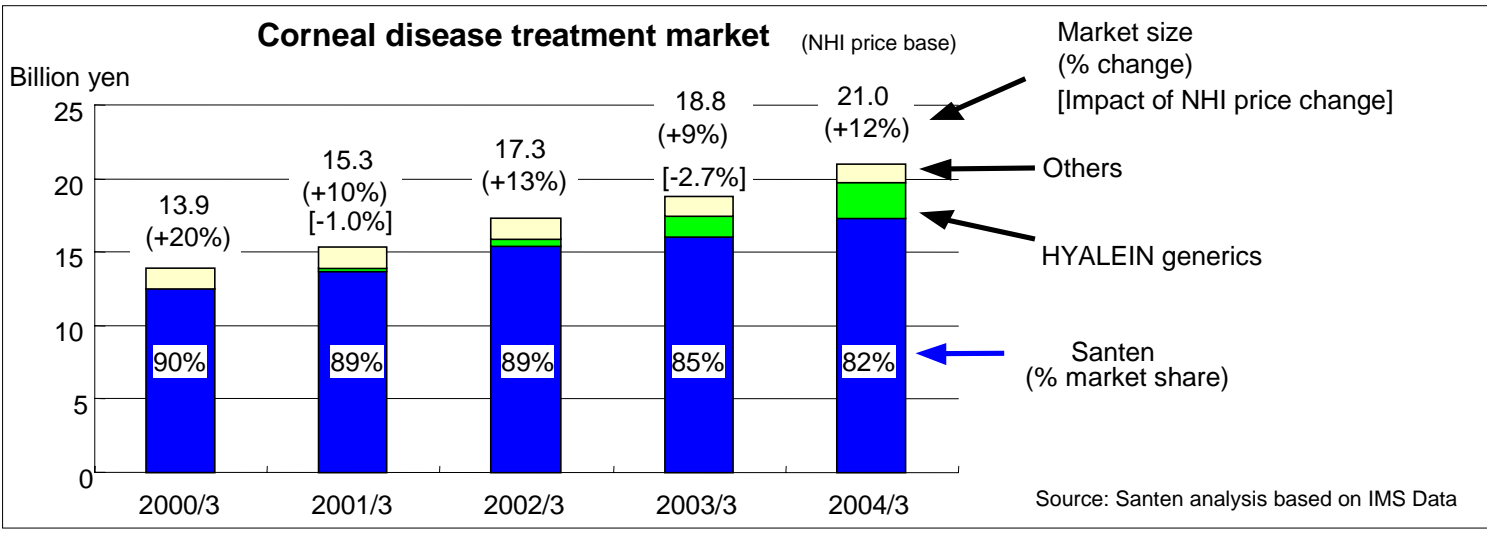
- Total capital expenditures for Nara Research & Development Center expansion (Billions of yen)

	00/3 Actual	01/3 Actual	02/3 Actual	03/3 Actual	04/3 Actual	00/3-04/3 Subtotal	05/3 Forecast	Total
Nara Research & Development Center	0.00	0.02	1.09	2.50	0.27	3.89	0.06	3.95



[For Reference]

Prescription Ophthalmics (Japan) – Corneal Disease Treatment



● Sales of Santen's major product in this category

(Billions of yen)

Major product	Year ended March 2003		Year ended March 2004		Year ending March 2005	
	Actual	% change from previous year	Actual	% change from previous year	Forecast	% change from previous year
HYALEIN	13.1	8.5 %	13.8	5.6 %	14.1	1.9 %

● Market

(2004/3) Double-digit growth by potential patients becoming elicited

(2005/3) Continues to grow due to increase in number of patients

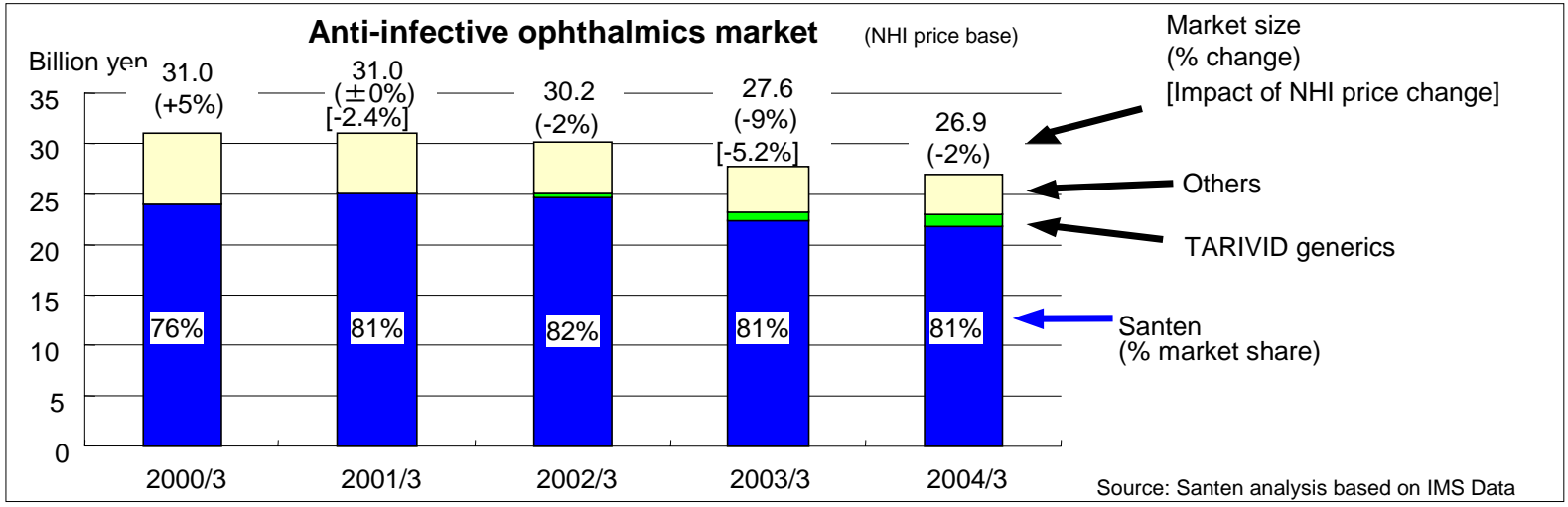
● Santen

(2004/3) HYLALALEIN sales exceeded previous year's sales by various successful promotion activities

(2005/3) Santen continues to raise medical institutions' awareness of dry eye, aiming to enlarge the market



Prescription Ophthalmics (Japan) – Anti-infective



- Sales of Santen’s major products in this category

(Billions of yen)

Major product	Year ended March 2003		Year ended March 2004		Year ending March 2005	
	Actual	% change from previous year	Actual	% change from previous year	Forecast	% change from previous year
CRAVIT	12.6	2.9 %	12.9	2.1 %	11.9	-7.9 %
TARIVID	5.5	-22.5 %	4.8	-12.9 %	4.0	-17.1 %
Total of 2 products	18.2	-6.5 %	17.8	-2.5 %	15.9	-10.4 %

- Market

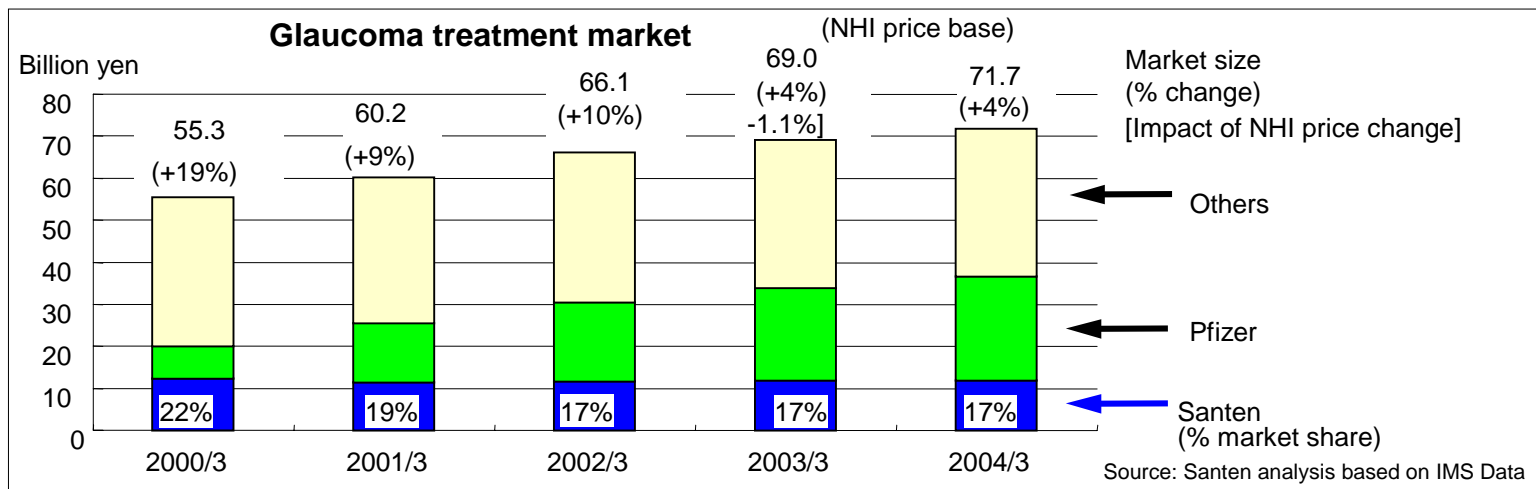
(2004/3) Contracted for third straight year, though decrease rate is on a recovery trend
 (2005/3) Continues to decline due to the NHI drug price reduction

- Santen

(2004/3) CRAVIT sales increased as a result of promotion activities and shift from TARIVID
 (2005/3) Assuming impacts of NHI drug price reduction and launch of Gatifloxacin



Prescription Ophthalmics (Japan) – Glaucoma



● Sales of Santen's major products in this category

Major product	Year ended March 2003		Year ended March 2004		Year ending March 2005	
	Actual	% change from previous year	Actual	% change from previous year	Forecast	% change from previous year
TIMOPTOL	5.2	-7.9 %	4.8	-8.4 %	4.3	-9.8 %
TIMOPTOL XE	2.4	15.4 %	2.6	7.1 %	2.7	4.4 %
Total TIMOPTOL	7.6	-1.6 %	7.4	-3.4 %	7.1	-4.8 %
DETANTOL	1.4	152.6 %	1.9	28.0 %	2.2	15.8 %
PIVALEPHRINE	0.6	-25.9 %	0.4	-24.8 %	0.4	-6.8 %
Total of 4 products	9.8	6.0 %	9.8	0.0 %	9.8	-0.9 %

(Billions of yen)

● Market

(2004/3) Maintained 4% sales growth in spite of changes in the healthcare system for elderly and the increase of patients' co-payment

(2005/3) Continues to grow due to increase in the number of patients

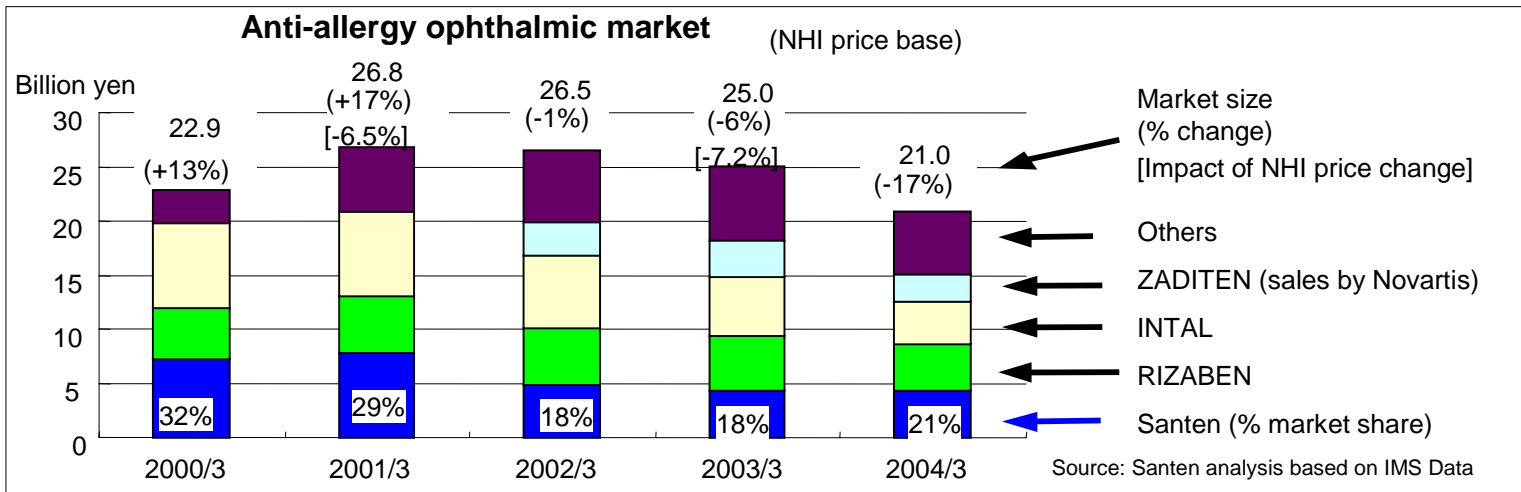
● Santen

(2004/3) DETANTOL sales increased significantly as a result of successful appeals on the product's blood flow improving action. TIMOPTOL products sales decreased slightly.

(2005/3) Aims to position DETANTOL as a standard NTG concomitant drug



Prescription Ophthalmics (Japan) – Anti-allergy



● Sales of Santen's major products in this category

(Billions of yen)

Major product	Year ended March 2003		Year ended March 2004		Year ending March 2005	
	Actual	% change from previous year	Actual	% change from previous year	Forecast	% change from previous year
LIVOSTIN	3.0	36.1 %	2.7	-9.9 %	3.8	39.6 %
ALEGYSAL	0.8	-2.0 %	0.6	-17.6 %	0.7	11.6 %
Total of 2 products	3.8	25.4 %	3.4	-11.6 %	4.5	33.9 %

● Market

- (2004/3) Double-digit decrease due to the significant decrease of pollens
- (2005/3) Dispersal of pollens expected to rebound

● Santen

- (2004/3) Total sales of two products showed a double-digit decrease, but the market share rose by 3 ppt
- (2005/3) Aims to gain higher market share by promoting all-year use of LIVOSTIN.

Assuming the launch of CICLOSPORIN (Forecast sales for the first year: 0.2 billion yen) ²⁴