



# **Financial Performance and Outlook Interim Period Ended September 30, 2003**

**November 17, 2003**

## **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.**

## **Investor Meeting for the Interim Period ended September 30, 2003**

	<b>Page</b>
<b>Summary of the Interim Period</b>	<b>4-5</b>
<b>Consolidated Performance Summary</b>	<b>6</b>
<b>Summary of Consolidated Results</b>	<b>7-8</b>
<b>Net Sales by Business Segment</b>	<b>9</b>
<b>Sales of Major Prescription Ophthalmic Products (Japan)</b>	<b>10</b>
<b>Overseas Sales/U.S. Ophthalmic Pharmaceutical Sales by Product</b>	<b>11</b>
<b>Statement of Income -- Summary Comparison</b>	<b>12-13</b>
<b>Information by Company Location</b>	<b>14</b>
<b>Summary of Balance Sheets</b>	<b>15</b>
<b>Summary of Cash Flows</b>	<b>16</b>
<b>Capital Expenditures/Depreciation /Leases</b>	<b>17</b>

**(Note)**

**All amounts have been rounded down to the nearest hundred million yen. For year-on-year comparison rates, amounts before rounding down have been used for calculation, and results are then rounded to one decimal.**

	<b>Page</b>
<b>Second-Half Forecast for the Year Ending March 31, 2004</b>	<b>18-20</b>
<b>Consolidated Performance Forecast for Year Ending March 31, 2004</b>	<b>21</b>
<b>Consolidated Performance Forecast</b>	<b>22-23</b>
<b>Net Sales Forecast by Business Segment</b>	<b>24</b>
<b>Sales Forecast for Major Prescription Ophthalmic     Pharmaceuticals in Japan</b>	<b>25</b>
<b>Overseas Sales Forecast/ U.S. Ophthalmic Pharmaceutical</b>	
<b>Sales Forecast by Product</b>	<b>26</b>
<b>Statement of Income - - Summary Comparison</b>	<b>27-28</b>
<b>Capital Investment / Depreciation / Leases</b>	<b>29</b>
<b>Clinical Development Status</b>	<b>30-31</b>
<b>Status of 2003-2005 Medium-term Management Plan</b>	<b>32-36</b>



# **Summary of the Interim Period Ended September 30, 2003**



# Summary of the Interim Period Ended September 30, 2003

## Results for the Interim Period Ended September 30, 2003

(Comparison with same period of previous year)

- |                     |        |   |
|---------------------|--------|---|
| • Net sales:        | -0.6%  | ) Slight decrease in sales,<br>increase in net income |
| • Operating income: | +4.0%  |   |
| • Ordinary income:  | -4.7%  |   |
| • Net income:       | +67.9% |   |
- Net sales and income were higher than original projections.

### Sales

- Sales expansion in U.S. and Europe offset decrease due to factors such as stagnation in some parts of ophthalmic pharmaceutical market in Japan and wholesaler's inventory decrease for OTC eye drops.
- Large increase in U.S. sales includes temporary increase of wholesalers' inventories.

### Expenses

- Cost of sales decreased due to changes in product mix and cost reduction
- Restrained increase in selling, general and administrative expenses

### Research and Development

Applications filed: Vernal keratoconjunctivitis treatment (Japan), high-concentration anti-infective ophthalmic solution (U.S.)

Advanced to next phase: Rheumatoid arthritis treatment (DE-096) -- Phase I

Phase II: Four products in Japan, two overseas (DE-085 in Phase II in both Japan and the U.S.), including three for treatment of glaucoma

Intraocular lenses MD-13, MD-14: In clinical development



# **Consolidated Performance Summary**

**for the Interim Period Ended**

**September 30, 2003**



# Summary of Consolidated Results

(100 million yen)

	Interim Period ended September 30, 2002 Actual	Interim Period ended September 30, 2003		
		Actual	Change from previous year	% change from previous year
Net sales	464	461	-3	-0.6 %
Cost of sales	169	158	-11	-6.0 %
Selling, general and administrative expenses	223	228	5	1.9 %
Operating income	71	74	3	4.0 %
Non-operating income	-2	-8	-6	-
Ordinary income	69	66	-3	-4.7 %
Extraordinary gain/loss	-22	-5	17	-
Income Taxes	28	30	2	3.9 %
Net income	17	30	13	67.9 %



## Summary of Consolidated Results: Difference from Original Forecast of May 12

(100 million Yen)

	Interim Period ended September 30, 2003			
	forecast May 12, 2003	Actual	change from original forecast	% change from original forecast
Net sales	455	461	6	1.4 %
Cost of sales	158	158	0	0.6 %
Selling, general and administrative expenses	237	228	-9	-3.7 %
Operating income	60	74	14	24.1 %
Non-operating income	0	-8	-8	-
Ordinary income	60	66	6	10.5 %
Extraordinary gain/loss	-3	-5	-2	-
Income Taxes	31	30	-1	-2.9 %
Net income	26	30	4	16.2 %





## Net Sales by Business Segment

( 100 million yen )

	Interim Period ended September 30, 2003					
	Japan		Overseas		Total	
	Net Sales	% Change from previous year	Net Sales	% Change from previous year	Net Sales	% Change from previous year
Prescription pharmaceuticals	359.4	-2.4 %	54.2	38.0 %	413.6	1.5 %
Ophthalmic	318.2	-2.7 %	53.4	39.7 %	371.7	1.8 %
Anti-rheumatic	39.7	3.7 %	0.3	-	40.2	4.0 %
Others	1.4	-49.9 %	0.2	-	1.7	-51.4 %
OTC pharmaceuticals	21.9	-32.5 %	0.0	-	22.0	32.8 %
Medical devices	4.5	6.1 %	0.1	-	4.7	1.6 %
Others	6.4	14.6 %	14.6	5.2 %	21.0	7.9 %
Total	392.4	-4.4 %	69.0	28.4 %	461.5	-0.6 %



## Sales of Major Prescription Ophthalmic Pharmaceuticals (Japan)

( 100 million yen, % )

Indication	Brand Name	Interim Period ended September 30, 2002		Interim Period ended September 30, 2003	
		Actual	Change from previous year	Actual	Change from previous year
Anti-infective ophthalmics	Cravit	68	8.5	68	-1.0
	Tarivid	28	-28.1	22	-18.2
	<b>Total (2 products)</b>	<b>96</b>	<b>-5.5</b>	<b>91</b>	<b>-6.0</b>
Glaucoma treatments	Timoptol	27	-5.7	24	-11.3
	Timoptol-EX	12	21.7	13	4.6
	Detantol	6	225.8	9	33.0
	Pivalephrine	3	-25.5	2	-26.2
	<b>Total (4 products)</b>	<b>50</b>	<b>9.0</b>	<b>49</b>	<b>-2.3</b>
Corneal disorder treatments	Hyalein	63	10.8	65	2.7
Anti-allergy ophthalmics	Livostin	7	21.6	11	40.3
	Alegysal	3	4.5	3	-12.4
	<b>Total (2 products)</b>	<b>11</b>	<b>15.5</b>	<b>14</b>	<b>23.5</b>



## Overseas Sales/U.S. Ophthalmic Pharmaceutical Sales by Product

### Overseas Sales

( 100 million yen )

	Interim Period ended September 30, 2002 Actual	Interim Period ended September 30, 2003		
		Actual	Change from previous year	% Change from previous year
North America	21.9	34.4	12.5	57.0 %
Europe	17.4	21.3	3.9	22.9 %
Others	14.4	13.2	-1.2	-8.4 %
<b>Total</b>	<b>53.8</b>	<b>69.0</b>	<b>15.2</b>	<b>28.4 %</b>

### U.S. Ophthalmic Pharmaceutical Sales by Product

( 100 million yen )

Brand Name	Product type	Interim Period ended September 30, 2002 Actual	Interim Period ended September 30, 2003		
			Actual	Change from previous year	% Change from previous year
Quixin	Anti-infective ophthalmics	4.9	13.5	8.6	128.4 %
Alamast	Anti-allergy ophthalmics	0.9	3.1	2.2	224.1 %
Betimol	Glaucoma treatment	4.2	8.4	4.2	98.5 %
<b>Total (3 products)</b>		<b>11.1</b>	<b>25.1</b>	<b>14.0</b>	<b>125.5 %</b>



## Statement of Income -- Summary Comparison (1)

(100 million yen)

	Interim Period ended September 30, 2002 Actual	Interim Period ended September 30, 2003		Major factor for change
		Actual	Change from previous Interim Period	
Cost of sales (% of net sales)	169 36.4%	158 34.4%	-11 -2.0 ppt	<ul style="list-style-type: none"> <li>· change in product line up</li> <li>· reduction</li> </ul>
Selling, general and administration expenses (% of net sales)	223 48.2%	228 49.5%	5 1.3 ppt	
not including R&D (% of net sales)	160 34.6%	166 36.0%	6 1.4 ppt	<ul style="list-style-type: none"> <li>· Established the Sales Force Automation System</li> <li>· Increase of Expenses by appreciation of yen</li> </ul>
Research & development (% of net sales)	63 13.6%	62 13.5%	-1 -0.1 ppt	



## Statement of Income -- Summary Comparison (2)

(100 million yen)

	Interim period ended September 30, 2002 Actual	Interim period ended September 30, 2003		Major factor
		Actual	Change from previous year	
<b>Non-operating income/expenses</b>	<b>-2</b>	<b>-8</b>	<b>-6</b>	
Non-operating income	3	4	1	
Non-operating expenses	5	12	7	- Increased foreign currency exchange loss
<b>Extraordinary gain/loss</b>	<b>-22</b>	<b>-6</b>	<b>16</b>	
Extraordinary gain	0	4	4	- Gain on sale of securities
Extraordinary loss	22	10	-12	2002/9 - Withdrawal from Osaka Pharmaceutical Industry Pension Fund (2.2 billion) 2003/9 - Discontinuation of investment in subsidiary Phacor Inc. (300 million) - Employee retirement benefits associated with implementation of "second career support program" (700 million)
<b>Income taxes</b>	<b>28</b>	<b>30</b>	<b>2</b>	



## Information by Company Locations

### 【 Sales 】

(100 million yen)

	Interim Period ended September 30, 2002 Actual	Interim Period ended September 30, 2003		
		Actual	Change from previous year	% change from previous year
Japan	424	404	-20	-4.9 %
Europe * <sup>1</sup>	31	49	18	56.4 %
Others * <sup>2</sup>	8	8	0	-0.1 %
<b>Total</b>	<b>464</b>	<b>461</b>	<b>-3</b>	<b>-0.6 %</b>

### 【 Operating income 】

(100 million yen)

	Interim Period ended September 30, 2002 Actual	Interim Period ended September 30, 2003		
		Actual	Change from previous year	% change from previous year
Japan	106	103	-3	-3.3 %
Europe * <sup>1</sup>	-17	-12	5	-
Others * <sup>2</sup>	-3	-1	2	-
Elimination	-13	-13	0	-
<b>Total</b>	<b>71</b>	<b>74</b>	<b>3</b>	<b>4.0 %</b>

\*1 Sales and marketing expenses of U.S. ophthalmic pharmaceutical business are included in Europe

\*2 Principal sales and expenses in other regions are as follows:

Sales: Consignment manufacturing of anti-infective ear drops;

Expenses: Medical equipment R&D expenses



# Summary of Balance Sheets

(100 million yen)

	March 31, 2003		September 30, 2003		
	Actual	% of total	Actual	% of total	Change
Current assets	834	56.7 %	800	56.4 %	-34
Fixed assets	637	43.3 %	617	43.6 %	-20
Total assets	1,471	100.0 %	1,418	100.0 %	-53
Current liabilities	396	26.9 %	222	15.7 %	-174
Noncurrent liabilities	103	7.1 %	196	13.9 %	93
Total liabilities	500	34.0 %	418	29.5 %	-82
Total shareholders' equity	971	66.0 %	999	70.5 %	28
Total liabilities and shareholders' equity	1,471	100.0 %	1,418	100.0 %	-53

## [Significant changes]

**Current liabilities: Convertible bonds due within one year (19.9 billion decrease)**

**Redemption at maturity on September 30, 2003**

**Long-term liabilities: Long-term debt ( 9.7 billion increase)**

**10 billion borrowed as funds for redemption of convertible bonds**



# Summary of Cash Flows

( 100 million yen)

	Interim Period ended September 30, 2002 Actual	Major factor
Cash equivalence initial balance	<b>250</b>	
Cash equivalence increase and decrease	<b>-2</b>	
cash flow from operating activities	<b>95</b>	<ul style="list-style-type: none"> <li>• Income before income taxes 6 billion</li> <li>• Depreciation 2.2 billion</li> <li>• Increase in trade accounts payable -1.5 billion</li> <li>• Income taxes paid 1.9 billion</li> </ul>
cash flow from investing activity	<b>12</b>	
cash flow from financing activity	<b>-110</b>	<ul style="list-style-type: none"> <li>• Proceeds from long-term borrowings + 10 billion</li> <li>• Payment for redemption of convertible bonds 19.9 billion</li> </ul>
translation difference of cash	<b>0</b>	
Cash equivalence term-end balance	<b>248</b>	





## Capital Investment / Depreciation / Leases

( 100 million yen)

	Interim Period ended September 30, 2002		Interim Period ended September 30, 2003	
	Actual	Actual	Actual	Actual
Capital expenditures	19		17	-2
Depreciation	16		18	2
Lease expenses	3		3	0

### Major capital investments for the Interim Period ended September 30, 2003

- Production lines for new *Dimple Bottle* ophthalmic solution container  
Noto Plant: 600 million yen, Shiga Plant: 100 million yen
- Expansion of Nara Research and Development Center: 300 million yen

### Factors in increase of depreciation expenses in the Interim Period ended September 30, 2003

- Start of depreciation of Nara Research and Development Center



# **Second-Half Forecast for the Year Ending March 31, 2004**



## Year Ending March 31, 2004 Second-Half Forecast (1)

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### Market Conditions in the Second Half

- Prescription Ophthalmics in Japan: Expected to remain at the same level
- OTC Ophthalmics in Japan: Slight increase expected
- United States: Increasing competition in the anti-infective market

### Measures to be Implemented in the Second Half

- U.S. Ophthalmic Pharmaceutical Business: Contract signing and start of sales & marketing alliance
- *Dimple Bottle*: Startup of two new production lines
- Conversion of sales offices to satellite offices and centralization of sales support operations
- Indirect goods: Start of electronic purchasing
- Start of Phase III for DE-085



## **Year Ending March 31, 2004 Second-Half Forecast (2)**

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### **Full-Year Forecast for Year Ending March 31, 2004 (Year-on-Year Comparison)**

<b>Net sales:</b>	<b>-0.6%</b>
<b>Operating income:</b>	<b>+ 3.2%</b>
<b>Ordinary income:</b>	<b>+ 8.5%</b>
<b>Net income:</b>	<b>-28.3%</b>

### **Full-Year Forecast for Year Ending March 31, 2004 (Comparison with Original Forecast)**

<b>Net sales:</b>	<b>-1.2%</b>
<b>Operating income:</b>	<b>-1.5%</b>
<b>Ordinary income:</b>	<b>-5.4%</b>
<b>Net income:</b>	<b>-10.3%</b>

- Adjustment of Performance Forecast for Second Half**

**[Reasons]**

**Net sales: Prescription ophthalmics (Japan) and OTC eye drops**

**Cost of goods: Decreased production volume, change in product mix**



# **Consolidated Performance Forecast for Year Ending March 31, 2004**



# Consolidated Performance Forecast

(100 million yen)

	Year ended March 31,2003 Actual	Year ending March 31,2004			
		September 30 Actual	Second-Half Forecast	Full-year Forecast	% change from previous year
Net sales	902	461	435	897	-5
Cost of sales	322	158	160	319	-3
Selling, general and administrative expenses	452	228	218	447	-5
Operating income	126	74	56	131	5
Non-operating income	2	-8	17	9	7
Ordinary income	128	66	73	140	12
Extraordinary gain/loss	-29	-5	-10	-16	13
Income tax	14	30	32	63	49
Net income	85	30	30	61	-24



## Consolidated Performance Forecast: Difference from Original Forecast (May 12)

(100 million yen)

	Year ending March 31, 2004			
	Initial forecast	Revised forecast	Variance (amount)	Variance (%)
Net sales	908	897	-11	-1.2 %
Cost of sales	316	319	3	0.9 %
Selling, general and administrative expenses	459	447	-12	-2.6 %
Operating income	133	131	-2	-1.5 %
Non-operating income	15	9	-6	-40.0 %
Ordinary income	148	140	-8	-5.4 %
Extraordinary gain/loss	-11	-16	-5	-
Income tax	69	63	-6	-8.7 %
Net income	68	61	-7	-10.3 %



# Net Sales Forecast by Business Segment

(100 million yen)

	Year ending March 31, 2004					
	Japan		Overseas		Total	
	Sales	Year-on-Year Change(%)	Sales	Year-on-Year Change(%)	Sales	Year-on-Year Change(%)
Prescription pharmaceuticals	<b>706.2</b>	<b>-1.9 %</b>	<b>90.7</b>	<b>23.7 %</b>	<b>797.0</b>	<b>0.4 %</b>
Ophthalmic	<b>626.0</b>	<b>-2.2 %</b>	<b>88.0</b>	<b>23.8 %</b>	<b>714.1</b>	<b>0.4 %</b>
Anti-rheumatic	<b>77.9</b>	<b>3.4 %</b>	<b>1.0</b>	<b>-</b>	<b>79.0</b>	<b>3.5 %</b>
Others	<b>2.2</b>	<b>-50.8 %</b>	<b>1.6</b>	<b>-</b>	<b>3.9</b>	<b>-34.1 %</b>
OTC pharmaceuticals	<b>46.3</b>	<b>-17.6 %</b>	<b>0.1</b>	<b>-</b>	<b>46.5</b>	<b>-17.8 %</b>
Medical devices	<b>9.0</b>	<b>6.6 %</b>	<b>0.6</b>	<b>-</b>	<b>9.7</b>	<b>5.6 %</b>
Others	<b>10.6</b>	<b>-14.1 %</b>	<b>33.1</b>	<b>7.3 %</b>	<b>43.8</b>	<b>1.1 %</b>
<b>Total</b>	<b>772.4</b>	<b>-3.1 %</b>	<b>124.5</b>	<b>18.4 %</b>	<b>897.0</b>	<b>-0.6 %</b>





## Sales Forecast for Major Prescription Ophthalmic Pharmaceuticals in Japan

( 100 million yen )

Product type	Brand name	Year ended March 31,2003		Year ending March 31,2004	
		Actual	Year-on-year change(%)	Forecast	Year-on-year change(%)
Anti-infective Ophthalmics	Cravit	126	2.9 %	126	-0.3 %
	Tarivid	50	-26.7 %	42	-15.4 %
	<b>Total(2 products)</b>	<b>176</b>	<b>-7.7 %</b>	<b>168</b>	<b>-4.6 %</b>
Glaucoma treatment	Timoptol	52	-7.9 %	47	-10.6 %
	Timoptol-XE	24	15.4 %	27	10.2 %
	Detantol	14	152.6 %	19	32.2 %
	Pivalephrine	6	-25.9 %	4	-25.2 %
	<b>Total(4 products)</b>	<b>98</b>	<b>6.0 %</b>	<b>99</b>	<b>0.2 %</b>
Corneal disorder treatment	Hyalein	126	6.9 %	128	2.2 %
Anti-allergy Ophthalmics	Livostin	30	36.1 %	34	14.3 %
	Allegysal	8	-2.0 %	7	-8.0 %
	<b>Total(2 products)</b>	<b>38</b>	<b>25.4 %</b>	<b>42</b>	<b>9.4 %</b>



# Overseas Sales Forecast/ U.S. Ophthalmic Pharmaceutical Sales Forecast by Product

## 【Overseas sales】

( 100 million yen )

	Year ended March 31,2003 Actual	Year ending March 31,2004		
		Forecast	Year-on-year change(amount)	Year-on-year change(%)
North America	46.4	60.9	14.5	31.0 %
Europe	35.0	42.8	7.8	22.3 %
Others	23.6	20.7	-2.9	-12.1 %
<b>Total</b>	<b>105.1</b>	<b>124.5</b>	<b>19.4</b>	<b>18.4 %</b>

## 【U.S. ophthalmic sales by product】

( 100 million yen )

Brand name	Product type	Year ended March 31,2003 Actual	Year ending March 31, 2004		
			Forecast	Year-on-year change(amoun	Year-on-year change(%)
Quixin	Anti-infective ophthalmics	13.9	20.6	6.7	47.2 %
Alamast	Anti-allergy ophthalmics	1.9	4.8	2.9	141.2 %
Betimol	Glaucoma treatment	8.5	13.4	4.9	56.5 %
<b>Total(3 products)</b>		<b>24.5</b>	<b>38.8</b>	<b>14.3</b>	<b>58.1 %</b>



# Statement of Income -- Summary Comparison (1)

(100 million yen)

	Year ended March 31,2003 Actual	Year ending March 31,2004		Main factors in change
		Forecast	Change from previous year	
<b>Cost of sales</b> <b>(% of net sales)</b>	<b>322</b> <b>35.7%</b>	<b>319</b> <b>35.6%</b>	<b>-3</b> <b>-0.1 ppt</b>	-Changes in product mix -Cost reduction
<b>Selling,general and administrative expenses</b> <b>(% of net sales)</b>	<b>452</b> <b>50.2%</b>	<b>447</b> <b>49.8%</b>	<b>-5</b> <b>-0.3 ppt</b>	
<b>Except for R&amp;D</b> <b>(% of net sales)</b>	<b>325</b> <b>36.1%</b>	<b>317</b> <b>35.3%</b>	<b>-8</b> <b>-0.7 ppt</b>	Decrease in domestic and overseas selling expenses
<b>R&amp;D expenses</b> <b>(% of net sales)</b>	<b>127</b> <b>14.1%</b>	<b>130</b> <b>14.5%</b>	<b>3</b> <b>0.4 ppt</b>	(Factor in increase)Reinforcement of domestic clinical development (Factor in decrease)Decrease in medical equipment related business



## Statement of Income -- Summary Comparison (2)

(100 million yen)

	Year ended March 31, 2003 Actual	Year ending March 31, 2004		Major factors
		Forecast	Change from previous year	
<b>Non-operating income/expenses</b>	<b>2</b>	<b>9</b>	<b>7</b>	
<b>Non-operating income</b>	<b>12</b>	<b>25</b>	<b>13</b>	• Refund on maturity payment of postal insurance
<b>Non-operating expenses</b>	<b>10</b>	<b>16</b>	<b>6</b>	• Foreign currency exchange loss
<b>Extraordinary gain/loss</b>	<b>-29</b>	<b>-16</b>	<b>13</b>	
<b>Extraordinary gain</b>	<b>0</b>	<b>6</b>	<b>6</b>	
<b>Extraordinary loss</b>	<b>29</b>	<b>22</b>	<b>-7</b>	<u>2003/3</u> • Withdrawal from Osaka Pharma-ceutical Industry Pension Fund (2.2 billion yen) <u>2004/3</u> • Discontinuation of investment in subsidiary Phacor Inc. (0.6 billion yen) • Employee retirement benefits associated with implementation of Second Career Support Program (0.7 billion yen) • Loss on impairment of land, etc.
<b>Income taxes</b>	<b>14</b>	<b>63</b>	<b>49</b>	<u>2003/3</u> • Decrease in taxes due to actuarial loss at subsidiary



## Capital Investment / Depreciation / Leases

(100 million yen)

	Year ended March 31, 2003 Actual	Year ending March 31, 2004	
		Forecast	Change from previous year
Capital expenditures	41	35	-6
Depreciation	36	39	3
Lease expenses	6	7	1

### Major capital investments in year ending March 31, 2004

- Production lines for the new ophthalmic solution container *Dimple Bottle*  
Noto Plant: 800 million yen. Shiga Plant: 100 million yen
- Expansion of Nara Research and Development Center: 300 million yen

### Factors in increase of depreciation expenses for year ending March 31, 2004

- Start of depreciation of Nara Research and Development Center



# Clinical Development Status



## Pipeline at a Glance (Selected Items)

	Phase 1	Phase 2	Phase 3	NDA
Glaucoma		<ul style="list-style-type: none"><li>• DE-085 [Japan, USA]</li><li>• DE-092 olmesartan [Japan]</li><li>• DE-090 lomerizine HCL [Japan]</li></ul>		
Anti-infective		<ul style="list-style-type: none"><li>• DE-094 levofloxacin (steroid combo) [USA]</li></ul>		<ul style="list-style-type: none"><li>• <i>levofloxacin 1.5% high concentration [USA]</i></li></ul>
Dry eye		<ul style="list-style-type: none"><li>• Hyalein (under preparation) [USA]</li><li>• DE-089 INS365 [Japan]</li></ul>		
Anti-allergy				<ul style="list-style-type: none"><li>• <i>cyclosporine (orphan drug) [Japan]</i></li><li>• <i>Alamast [Europe]</i></li></ul>
Rheumatoid arthritis	<ul style="list-style-type: none"><li>• <i>DE-096 [Japan]</i></li></ul>			

- ***Red-lettered italics*** indicate items that proceeded to new phase after April 1, 2003
- Intraocular lenses MD-13, MD-14: In clinical development
- Development terminated: DE-081 apafant (anti-allergy)



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# **Status of 2003-2005 Medium-term Management Plan**





## 2003-2005 Medium-term Management Plan -- Basic Objectives

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### 1. Improve Profitability

- (1) Improve earnings in the U.S.
- (2) Re-engineer cost structure
- (3) Maintain/improve profit base in Japan

### 2. Strengthen R&D

- (1) Accelerate new product development
- (2) Focus resource allocation

### 3. Reinforce Organizational Strength

#### Financial targets

	Year ending March 31, 2006
Net Sales	¥93.0 billion
Operating Income	¥18.0 billion
Net Income	¥10.0 billion
Return on Equity	10.0%



## 2003-2005 Medium-term Management Plan -- Status (1)

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### Initiatives under 2003-2005 Medium-term Management Plan

#### 1. Improve profitability

##### (1) Early profitability of U.S. operations

###### **Negotiations in progress for sales and marketing alliance**

- Closing and start of alliance targeted for second half of this fiscal year

##### (2) Reduction of expenses

###### **• Improved productivity with full introduction of new container**

###### ***Dimple Bottle***

- Full-scale operation of one production line started in first half. Two new lines scheduled to start up in second half

###### **• Establishment of Cost Structure Reform Committee**

- Review company-wide costs and implement measures to reduce costs and control cost increases

###### **• Convert sales bases to satellite offices and centralize sales support operations**

- Began process in first half, implementation planned in stages

###### **• Indirect goods: Electronic purchasing to start in second half**



## 2003-2005 Medium-term Management Plan -- Status (2)

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### Initiatives under 2003-2005 Medium-term Management Plan

#### 1. Improve profitability

##### (3) Maintain/improve profit base in Japan

- Concentrate resources on core and growth areas of prescription pharmaceuticals
- Establish and introduce sales force automation system
  - Start-up of SAIN (Santen Activity Improved Navigator) in September

#### 2. Strengthen R&D

##### (1) Accelerating new drug development

- Shift personnel to clinical development sections

##### (2) Focusing resource allocation

- Concentrate resources on promising research themes
  - DE-085 scheduled to enter Phase 3 during second half
- Share know-how between rheumatic/osteoarthritic and ophthalmic drug discovery
  - Implementation of organizational changes



## **2003-2005 Medium-term Management Plan -- Status (3)**

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### **Initiatives under 2003-2005 Medium-term Management Plan**

#### **3. Reinforce organizational strength**

##### **(1) Strengthening corporate governance**

- Appointment of outside director
- Directors' office terms shortened from two years to one

##### **(2) Enhancing employee education and organizational management capabilities**

- **Career Development Support System introduced**  
Support employee skill and career development with the following three comprehensive measures:

###### **i. Rank-based training**

- New employees; newly appointed managers

###### **ii. Elective, topic-based training**

- Core skills training (12 programs, some mandatory)
- Santen Innovation Project (Elective internal business school)
- Global communications training (Language skills, cross-cultural training, etc.)

###### **iii. Selection of career development support**

- Candidacy system
- Internal recruiting system
- Second career development support (career design seminars, etc.)