

Santen Pharmaceutical Co., Ltd.

Financial Performance and Outlook

Year Ended March 31, 2005

**Summary of Year Ended March 2005;
Progress of 2003-2005 Medium-term Management Plan;
Returning Profit to Shareholders; and Corporate Governance**

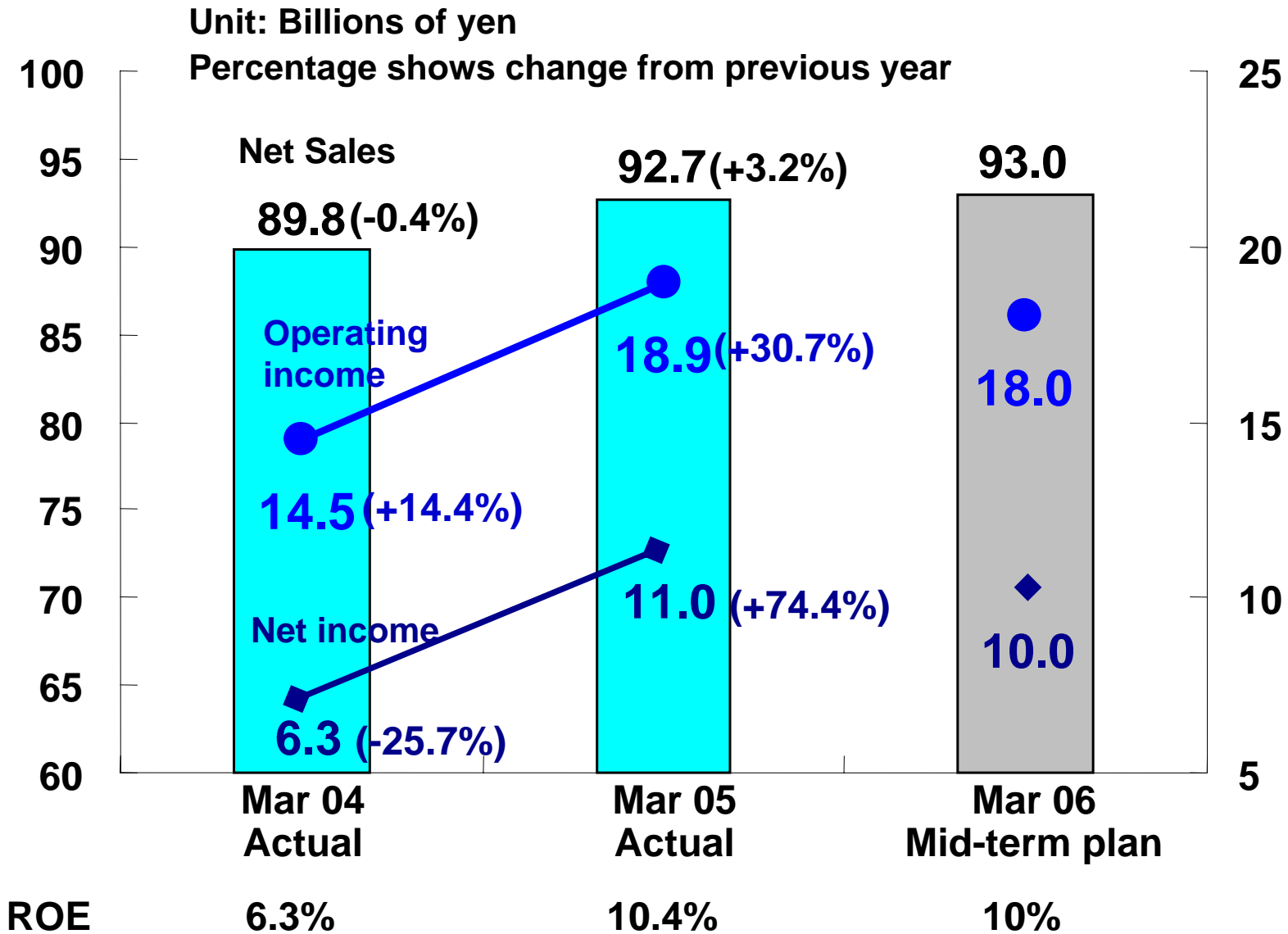
**May 10, 2005
Takakazu Morita
President and CEO**

[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.



Consolidated Sales and Profit



Year Ended March 2005 – Achievements

- **Restoration of Profitability**

Japan:

- Maintained/increased sales of priority ophthalmic areas (cornea, glaucoma and allergy) and anti-rheumatic drugs; started sales of the glaucoma treatment Rescula Eye Drops; cost reduction and business process reengineering
- OTC – Completed adjustment of trade inventory level; improved efficiency of selling expense
- Medical device – Concentrated resources on IOL business

Overseas: Turned US ophthalmic business profitable; Increased sales in Europe and Asia

- **Accelerating New Product Development**

Development of focus new product candidates (2 glaucoma, 1 dry eye, 1 anti-rheumatic) is on or ahead of schedule

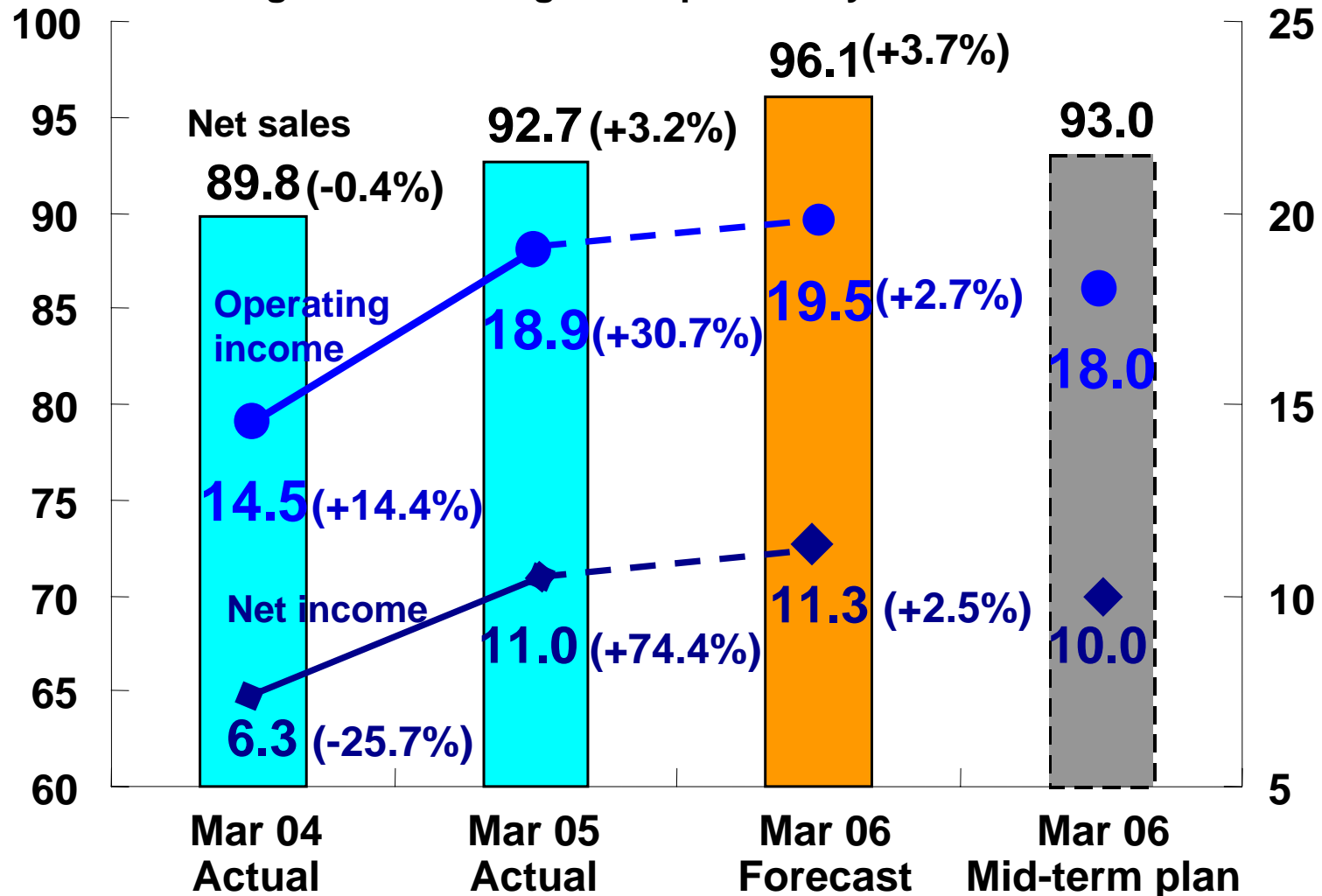
- **Reinforcement of Organizational Strength**

Made decision to enhance corporate governance system

Consolidated Forecast for Year Ending March 2006

Unit: Billions of yen

Percentage shows change from previous year



2003-2005 Medium-term Management Plan

Basic Objectives

Restoration of Profitability

Strengthening of R&D

Reinforcement of Organizational Strength

Focus Tasks

- Early profitability of U.S. operations
- Expense reduction
- Maintain and improve our domestic earnings base

- Accelerate new product development
- Enhance new product pipeline through focused resource allocation

- Strengthen corporate governance
- Employee education and enhancement of organizational management capabilities

Status of Medium-term Plan Objectives: Restoration of Profitability

	<u>Year ended</u> <u>March 2004</u> <u>Actual</u>	<u>Year ended</u> <u>March 2005</u> <u>Actual</u>	<u>Year ending</u> <u>March 2006</u> <u>Plan</u>
<u>Early profitability of U.S. operations</u>			
1. U.S. ophthalmics	Dec 03 Sales partnership	Turned profitable (before R&D expenses)	Enhance
<u>Reduction of expenses</u>			
2. Manufacturing cost	Introduced new bottles	Completed shift to new bottles	Additional measures
3. - Reform of sales offices	- Majority of sales offices relocated	- Completed relocation of all sales offices	- Full contribution
- Reform of purchasing	- Introduced e-purchasing system	- Transition of subject items to online purchase underway	- Full contribution
- Reform of business support	---	- Formulated plans	- Implement
<u>Maintenance and improvement of our domestic earnings base</u>			
4. Improve MR productivity	Installed MR activity support IT system	Conducted trial to improve customer segmentation and doctor targeting	Full-scale implementation
5. OTC business	---	Analyze cost structure and devise reform plans	Implement cost structure reform plans

Note:

For surgical business, MD-14 IOL sales & marketing planning underway.



Completed Shift to New Eye Drop Container *Dimple Bottle*

- **Easy identification:**
Large, color-coded caps; clear display of product names
- **Easy to use:**
Dimple – an easy grip; squeezability; slit window allowing users to see the remaining volume in the bottle



Previous bottle



Dimple Bottle

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

	<u>Year ended March 2004 Actual</u>	<u>Year ended March 2005 Actual</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)	Shortened pre-clinical period (New policy formulated)	Shorten clinical trials to 5 years and non-clinical studies to 1.5 years (for prioritized projects)
7. Enhance R&D pipeline	<ul style="list-style-type: none"> - Concentrate investment in promising themes - Enhance ophthalmic discovery research 	Increase the number of next-generation drug candidates (glaucoma, retina, dry eye and anti-inflammatory)	Bring 2 candidates to clinical study in about one year
<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	<ul style="list-style-type: none"> - Increase number of Board members (Add 2 outside and 1 internal Directors) - Add new committees
9. Employee education and enhancement of organizational management capabilities	<ul style="list-style-type: none"> - Continue management development programs 	Continue	Continue

Major New Drug Candidates

(as of May 2005; < > shows status of May 2004)

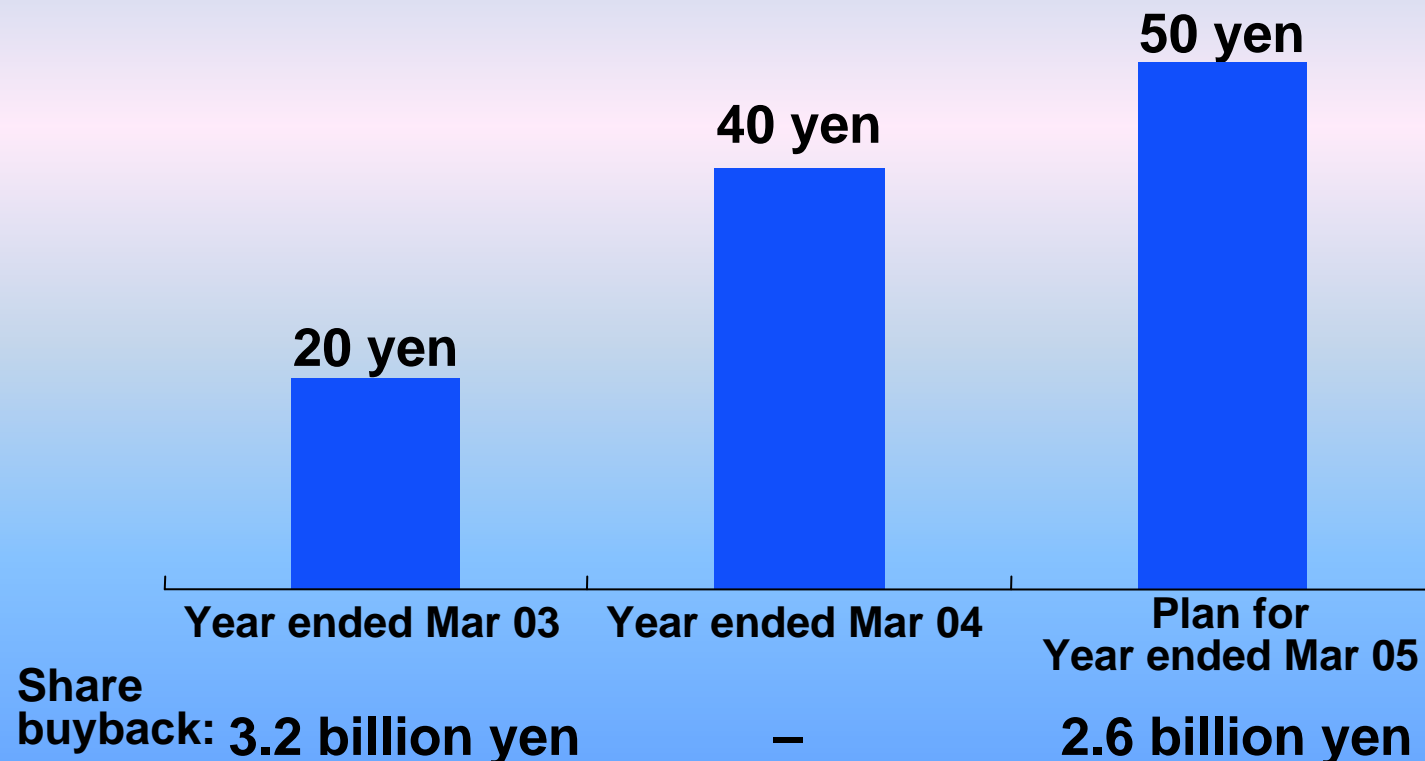
1) Ciclosporin DE-076 (in-licensed)	Vernal kerato- conjunctivitis	Immunosuppressant	NDA filed	NDA filed
2) MD-14 IOL (original)	—	Acrylic intraocular lens for cataract surgery	Japan: applied Aug 04 US: Clinical study	applied
3) Tafluprost DE-085 (original)	Glaucoma and ocular hypertension	Prostanoid FP receptor agonist Promotes uveoscleral outflow	Japan: P3 US & Europe: P3	NDA planned 3Q 06FY
4) Olmesartan DE-092 (in-licensed)	Glaucoma and ocular hypertension	Angiotensin II AT ₁ receptor antagonist Promotes uveoscleral outflow	Japan: P2b <P2a> US & Europe: P2 dose finding study	1Q FY08
5) Diquafosol tetrasodium DE-089 (in-licensed)	Dry eye	P2Y ₂ receptor agonist Stimulates tear secretion	Japan: P2b <P2a>	3Q FY08
6) <i>Undetermined</i> DE-096 (original)	Rheumatoid arthritis	Inhibit production of TNF-alpha	Japan: P2a <P1>	—

Key Goals of Year Ending March 2006

- The year ending March 2006 is the final (third) year of our “2003-2005 Medium-term Management Plan.” Santen will continue working on the tasks shown on slides 6 and 8 to achieve the Plan’s three basic objectives: restoration of profitability; strengthening of R&D; and reinforcement of organizational capabilities.
- The next medium-term goals are: to continue improvements in efficiency; and to prepare for future growth stimulated by new products currently in development.

Returning Profit to Shareholders

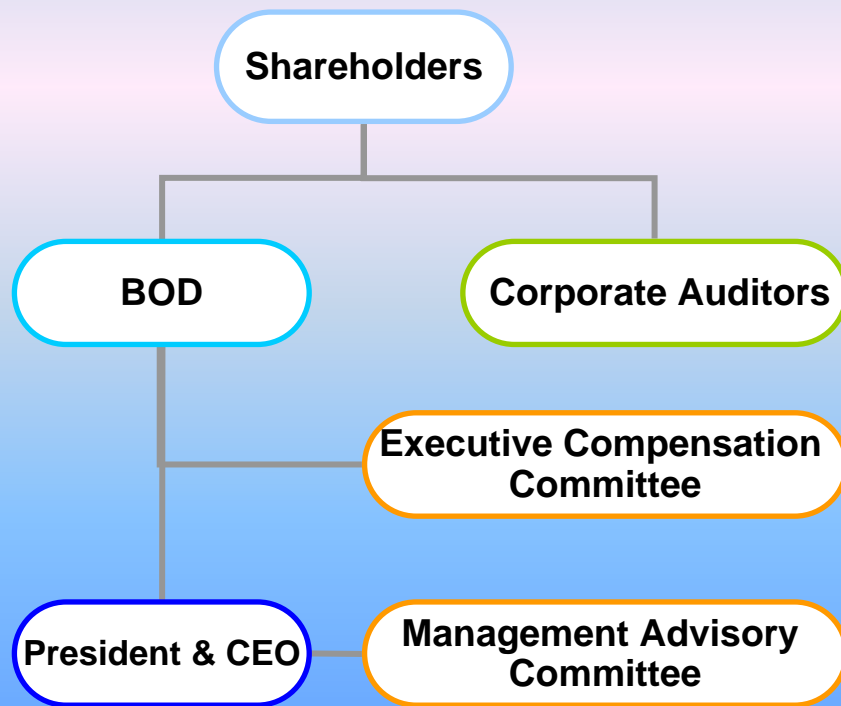
- Performance-based return of profits to shareholders
- Maintain and improve the level of cash dividends, considering the future demand of fund and financial forecasts
- Buyback and retirement of shares as an agile means of improving shareholder value and capital efficiency



Reinforcement of Corporate Governance

- Continue the corporate auditor system
- Board of Directors: 5 internal and 3 outside directors (increase 1 internal and 2 outside members)
- Committees: establish Corporate Strategy Committee and Nominating Committee; continue Executive Compensation Committee

Current



From July 2005

