
Santen Pharmaceutical Co., Ltd.

**Financial Performance for the Interim
Period ended September 30, 2004**

**November 5, 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, the launch of new products, fluctuations in exchange rates and changes in related laws and regulations.

**Summary for the interim period ended
September 30, 2004;
Forecast for the year ending March 2005; and
Progress of the Medium-term Management Plan**

**Takakazu Morita
President and CEO**

Summary of the first six months ending March 2005

Unit: Billions of yen

Percentage shows change from previous year

	Interim period ended Sept. 2003		Interim period ended Sept. 2004	
	Actual		Forecast as of July	Actual
Sales	46.1	(0.6%)	45.1	(2.3%)
Operating Profit	7.4	(+4.0%)	8.4	(+28.2%)
Net income	3	(+67.9%)	4	(+61.5%)

Forecast for the year ending March 2005

Unit: Billions of yen

Percentage shows change from previous year

	Year ended March 2004	Year ending March 2005	
	Actual	Forecast as of July	Forecast as of November
Sales	89.8 (0.4%)	90.8 (+1.0%)	90.5 (+0.7%)
Operating income	14.5 (+14.4%)	16.0 (+10.2%)	16.7 (+15.0%)
Net income	6.3 (25.7%)	8.7 (+37.6%)	8.9 (+40.8%)
ROE	6.3%	-	8.5%

Medium-term Management Plan

Unit: Billions of yen

	Year Ended March 2003 Actual	Year Ended March 2004 Actual	Year Ending March 2005 Forecast	Year Ending March 2006 Target
Net Sales	90.2	89.8	90.5	93.0
Operating Income	12.6	14.5	16.7	18.0
Net Income	8.5	6.3	8.9	10.0
ROE	8.8%	6.3%	8.5%	10.0%

Basic Policies

Improve Profitability

- Improve earnings in the U.S.
- Re-engineer cost structure
- Maintain/improve profit base in Japan

Key Issues

Strengthen R&D

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

Reinforce Organizational Strength

- Strengthen corporate governance
- Enhance employee education and organizational management capabilities

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

	<u>Year ended</u> <u>March 2004 Actual</u>	<u>Year ending</u> <u>March 2005 Plan</u>	<u>Year ending</u> <u>March 2006 Plan</u>
<u>Early profitability of U.S. operations</u>			
1. U.S. ophthalmics	Dec 03 Sales alliance	Turn profitable (before R&D expenses)	Enhance
<u>Reduction of expenses</u>			
2. Manufacturing cost	Introduced new 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 of items to be purchased online	- Full contribution
- Reform of business support	---	- Formulate plans	-Implement
<u>Maintenance and improvement of our domestic earnings base</u>			
4. Improve MR productivity	Installed MR activities support IT system	Start project to improve customer segmentation and doctor targeting	Full-scale implementation
5. OTC business, etc.	---	Analyze cost structure and devise reform plans	Implement cost structure reform plans

Note: SG division to develop Sales & Marketing plan for MD-1410L and implement the plan in 2006

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	Increased 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 R&D pipeline	<ul style="list-style-type: none"> - Concentrated investment in promising themes - Enhanced 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	Continue
9. Employee education and enhancement of organizational management capabilities	Continued leadership development programs	Continue	Continue