

Santen Pharmaceutical Co., Ltd.
Financial Performance and Outlook
for the Year Ended March 31, 2006

Summary of the Year Ended March 2006;
Forecast of the Year Ending March 2007;
Progress of 2003-2005 Medium-term Management Plan;
Corporate Governance; and Returning Profit to Shareholders

May 10, 2006
Takakazu Morita
President and CEO

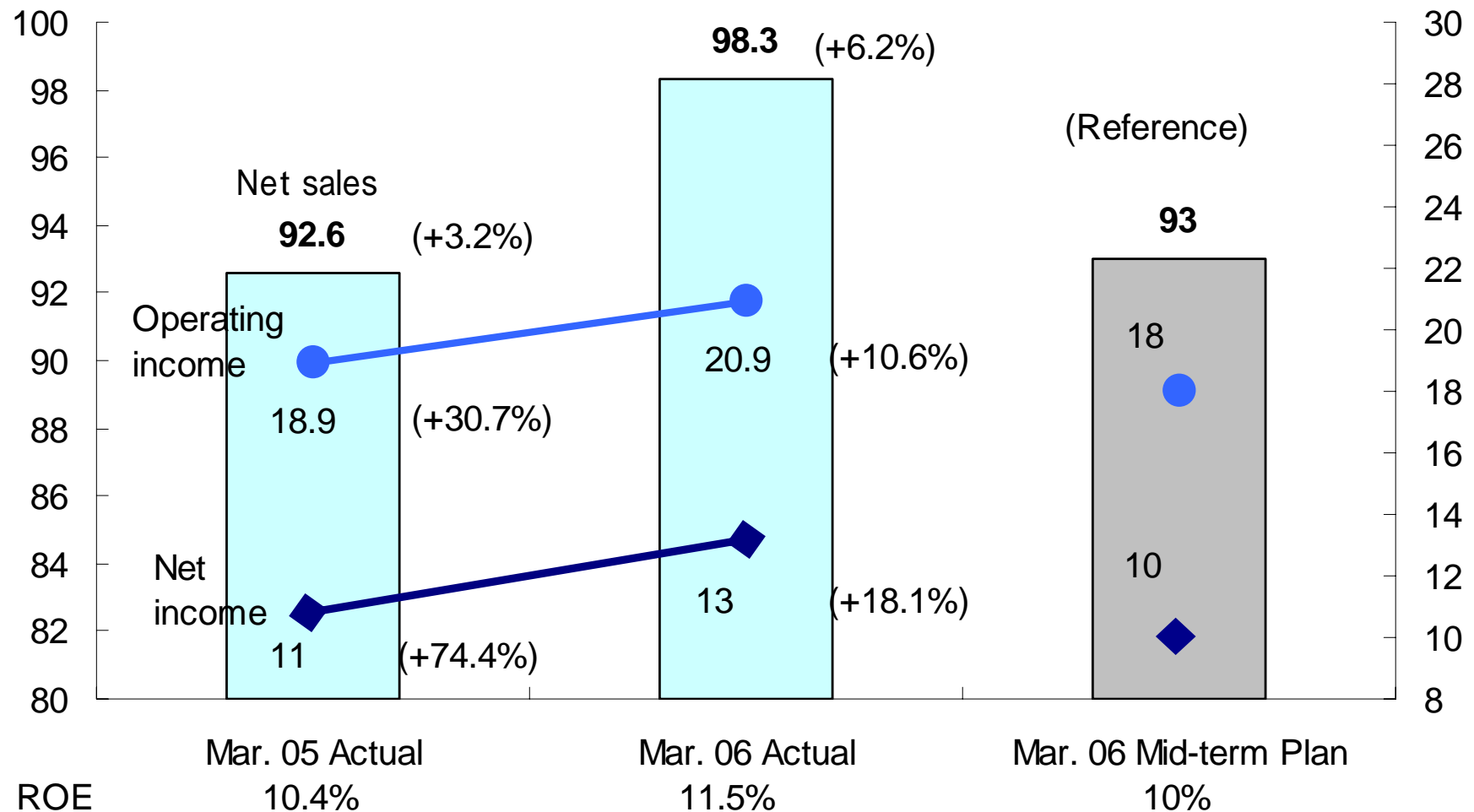
[A Caution Concerning Forward-Looking Statements]

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 Profits

- Double-digit growth for the second consecutive year
- Record high sales and profits

Unit: Billions of yen Percentage shows change from previous year



Consolidated Net Sales by Segment

Net sales for the Year ended March 2005

92.6 billion yen

+5.7 billion yen

Net sales for the Year ended March 2006

98.3 billion yen

Japan +3.34 billion yen

[Increase]

- + Prescription ophthalmics +2.83 billion yen
- + RA drugs +0.62 billion yen

[Decrease]

- + Medical devices - 0.1 billion yen
- + OTC eye drops - 0.03 billion yen

Overseas +2.36 billion yen

[Increase]

- + Europe + 1.29 billion yen
- + North America + 0.21 billion yen
- + Asia & Others + 0.85 billion yen
 - China + 0.31 billion yen
 - Korea + 0.44 billion yen

Prescription ophthalmics Japan

- + Anti-infective - 0.2 billion yen
- + Corneal disease + 1.68 billion yen
- + Glaucoma + 2.48 billion yen
 - Rescula* + 2.51 billion yen
- + Allergy - 1.14 billion yen
- + Opegans + 0.45 billion yen
- + Others - 0.44 billion yen

Europe

- + Prescription ophthalmics + 1.32 billion yen
 - Russia + 0.45 billion yen
 - Germany + 0.30 billion yen
 - Sweden + 0.13 billion yen
 - Finland + 0.09 billion yen
- + Contract manufacturing - 0.03 billion yen

North America

- + Prescription ophthalmics + 0.36 billion yen
- + Contract manufacturing and others - 0.15 billion yen

Summary of the Year Ended March 2006

1. Overall

- Sales in the Japanese corneal disease and rheumatoid arthritis (RA) segments increased due to focused promotion. Glaucoma drug sales grew mainly due to full-year contribution of *Rescula*.
- Sales in Europe including Russia and Germany expanded by 27% from previous year; sales in Asia including China and Korea grew by 31%.

2. Japan

- Ophthalmics: Market expanded by increased number of patients. Santen continued to focus resources on key growth areas.
- RA: Disease Modifying Anti-Rheumatic Drugs market expanded. Santen's three products continued strong market penetration.
- OTC: Market stayed almost flat. Santen conducted promotions of products for eye strain, blurred vision and cooling effects. Implemented OTC sales and marketing structural reform.
- Medical devices: Santen focused on intraocular lens sales.

3. Overseas

Most of the markets continued positive growth.

- **Europe:** Strong sales in Russia and Germany.
- **US:** Distribution inventory levels normalized.
- **Asia:** Sales in China and Korea continue to be strong. Established a subsidiary in China.

Year Ended March 2006: R&D

1. Research and Development

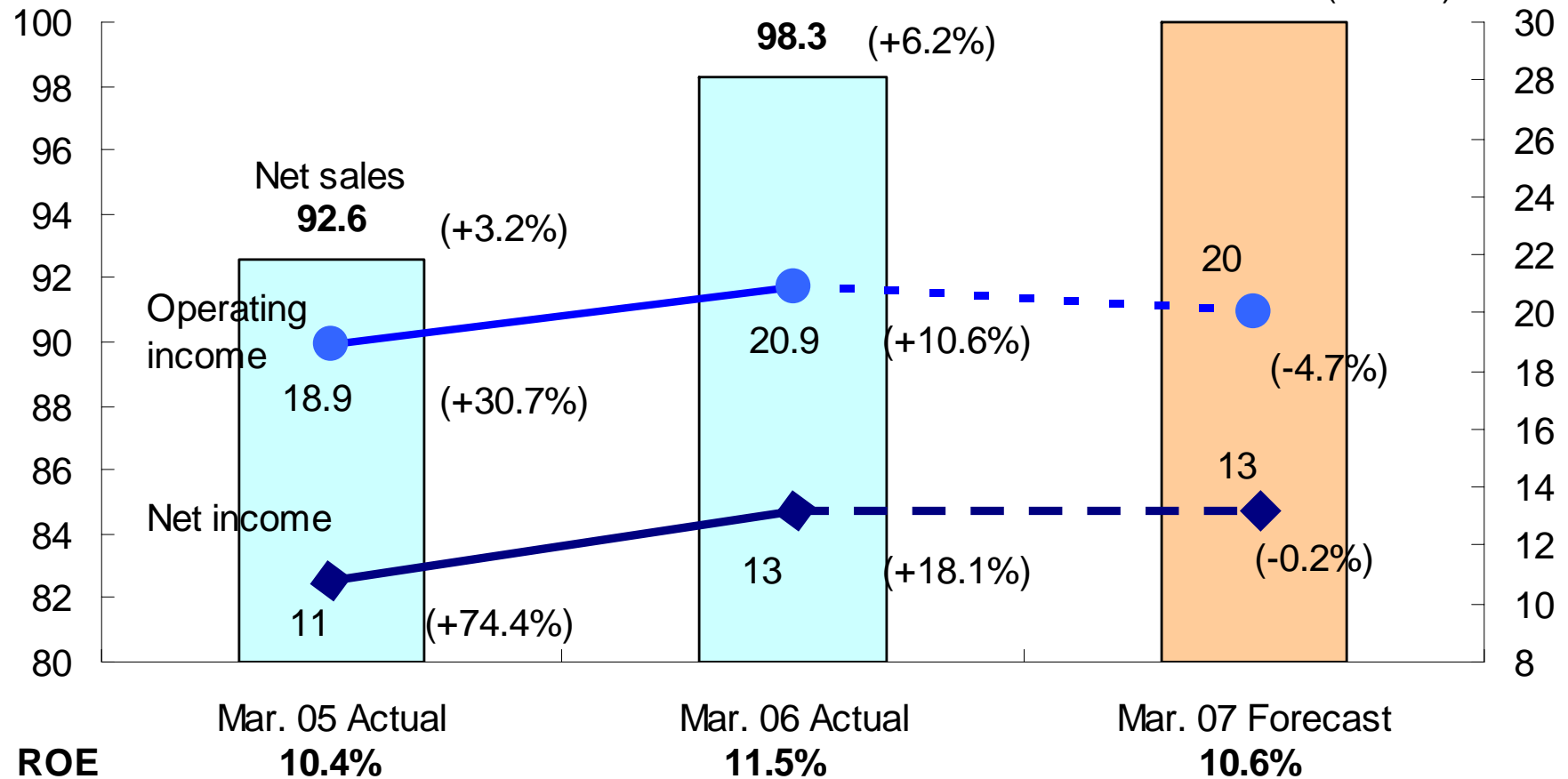
- *Papilock Mini* launched in January 2006
- Preparing for DE-085 new drug application in Japan and Europe; future development plan for DE-085 in the U.S. to be decided. Development of DE-092 has been suspended
- DE-089 in preparation of PIII clinical trials in Japan
- Other clinical development projects on schedule
- Active licensing and co-development activities (DE-101,102,103,104, etc.)

Major New Drug Candidates (as of May 2006)

Generic name / development code	Indication	Category/Mechanism	Status	NDA
1) Cyclosporin <i>Papilock Mini</i> (in-licensed)	Vernal kerato-conjunctivitis	Immunosuppressant	Launched Jan 06	–
2) MD-14 IOL (original)	–	Acrylic intraocular lens	Japan: applied Aug 04 US: Clinical study	–
3) Tafluprost DE-085 (original)	Glaucoma and ocular hypertension	Prostanoid FP receptor agonist Promotes uveoscleral outflow	Japan: preparing for application Europe: preparing for application	Japan: Q3 FY06 Europe: Q4 FY06
4) Olmesartan DE-092 (in-licensed)	Glaucoma and ocular hypertension	Angiotensin II AT ₁ receptor antagonist Promotes uveoscleral outflow	Japan, US & Europe: suspended	–
5) Diquafosol tetrasodium DE-089 (in-licensed)	Dry eye	P2Y ₂ receptor agonist Stimulates tear secretion	Japan: preparing for P3	3Q FY08
6) <i>Undetermined</i> DE-096 (original)	Rheumatoid arthritis and Diabetes Macular Edema	Inhibits production of TNF-alpha	Japan: P2a	–

Forecast of Year Ending March 2007

Unit: Billions of yen Percentage shows change from previous year



Outlook for the Year Ending March 2007

1. Japan

The impact of 2006 NHI drug price reduction and intensifying competition by the launch of competitors' products are expected. Santen strives to further strengthen its competitive advantage by addressing our competitors' products, and thereby increasing sales in such categories as corneal treatment and anti-allergy.

2. Overseas

Santen reinforces promotional activities in Europe and Asia to increase sales in the growing markets.

3. R&D

Santen has achieved acceleration of R&D. Santen works to enhance its pipeline by reinforcing in-house drug discovery, collaborations with outside parties, and in-licensing.

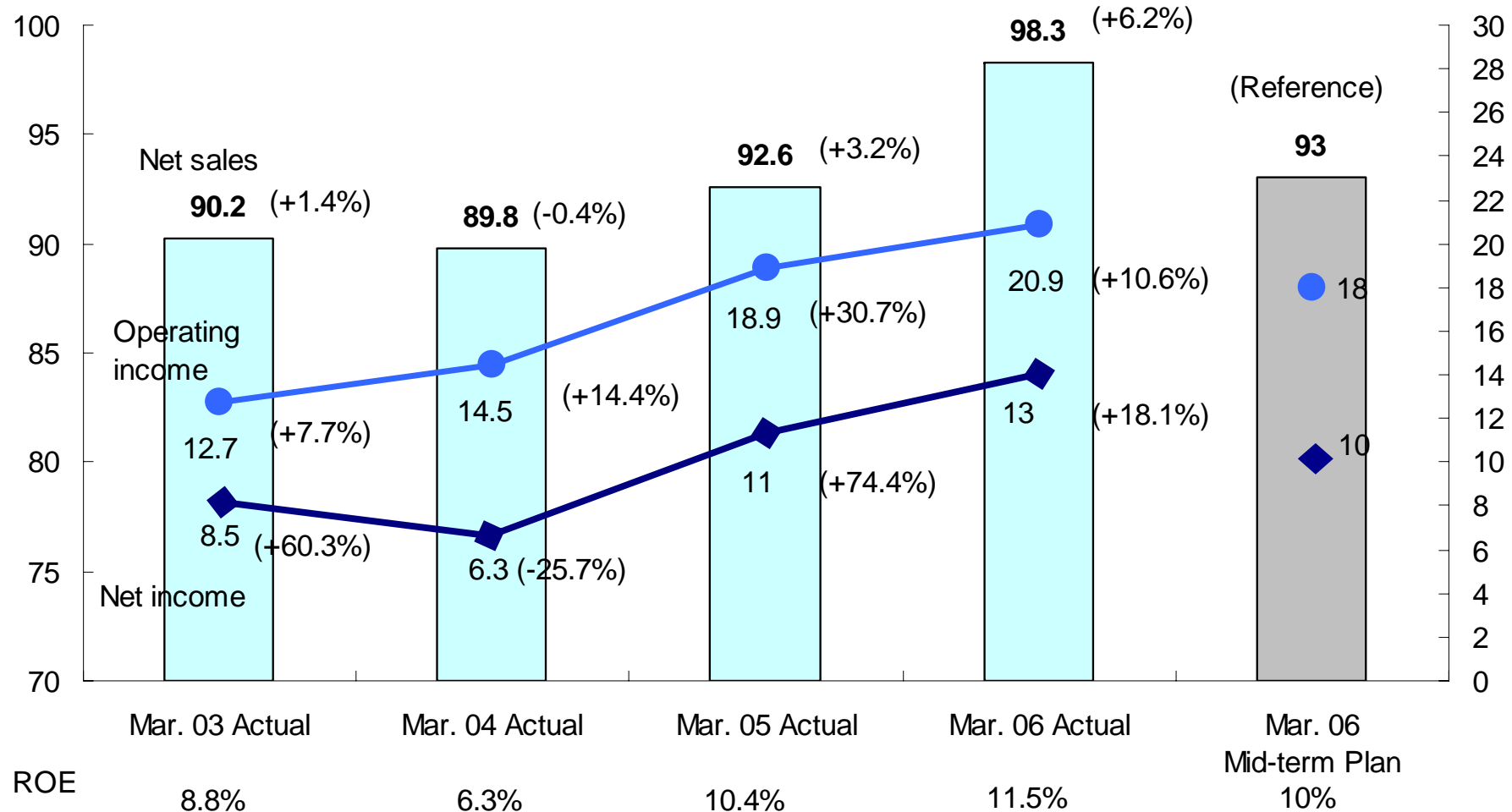
4. Profits

Profits are expected to decrease slightly due to activities to address our competitors' products in Japan, up-front investment in China, and increased promotions in Europe. Santen continues to seek further efficiency.

Progress of 2003-2005 Medium-term Management Plan

Profit targets achieved one year ahead of schedule

Unit: Billions of yen Percentage shows change from previous year



2003-2005 Medium-term Management Plan: Variance between Target and Actual Numbers

1. Net sales

93 billion yen [target] → 98.3 billion yen [actual]: +5.3 billion yen

Due to in-licensing of *Rescula*, major products' sales boosted in Japan, positive results in Europe and Asia

2. Cost-to-sales ratio

33.4% [target] → 35.1% [actual]: +1.7ppt

Due to in-licensing of *Rescula*

3. Selling, general and administration expenses

43.9 billion yen [target] → 42.8 billion yen [actual]: -1.1 billion yen
(Expenses excl. R&D

31.4 billion yen [target] → 28.8 billion yen [actual]: -2.6 billion yen)
(R&D expenses

12.5 billion yen [target] → 13.9 billion yen [actual]: +1.4 billion yen)

Due to progress of major development projects

4. Operating income

18 billion yen [target] → 20.9 billion yen [actual]: +2.9 billion yen

Achievement of 2003-2005 Key Issues

1. Restoration of Profitability

Tasks	Measures	Achievements									
1.1 Early profitability of U.S. operations	<ul style="list-style-type: none"> ● Transition from direct sales to sales partnership 	<ul style="list-style-type: none"> ● Operating income of U.S. business Mar. 03: -3.3 billion yen Mar. 06: +1 billion yen → improved 4.3 billion yen 									
1.2 Expense reduction <ul style="list-style-type: none"> ● Manufacturing cost ● Reform of sales offices, purchasing and business support 	<ul style="list-style-type: none"> ● Improve productivity by introduction of new bottles ● Reform of sales offices Relocated to satellite offices; Introduced e-purchasing system; Centralized business support 	<ul style="list-style-type: none"> ● Reduced approx. 17 billion yen (Mar. 03 vs. Mar. 06) 									
1.3 Maintain and improve our domestic earnings base <ul style="list-style-type: none"> ● Improve medical rep (MR) productivity ● OTC business 	<ul style="list-style-type: none"> ● Focused resource allocation on key growth categories; MR activity support IT system; improve customer satisfaction ● OTC business cost structure reform plans 	<ul style="list-style-type: none"> ● Customer satisfaction - prescription ophthalmic sales and market share <table border="1"> <thead> <tr> <th>Mar. 06</th> <th>Plan target</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Share</td> <td>38%</td> <td>41%</td> </tr> <tr> <td>Sales</td> <td>62.2 billion</td> <td>71.2 billion</td> </tr> </tbody> </table> <ul style="list-style-type: none"> ● OTC business turned profitable 	Mar. 06	Plan target	Actual	Share	38%	41%	Sales	62.2 billion	71.2 billion
Mar. 06	Plan target	Actual									
Share	38%	41%									
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Achievement of 2003-2005 Key Issues

2. Strengthening of R&D

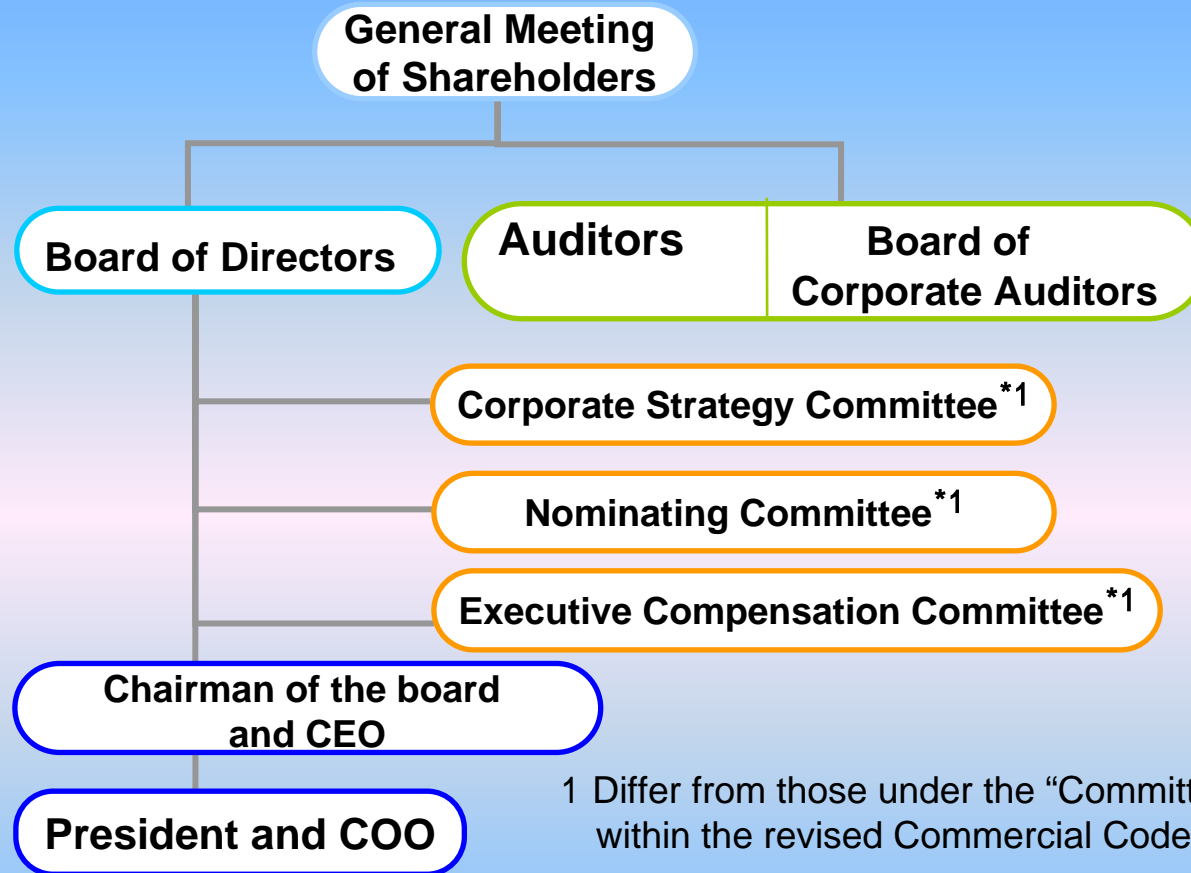
Tasks	Measures	Achievements
2.1 Accelerate new drug development	<ul style="list-style-type: none"> ● Increase clinical development staff and reform process (shorten transition period between phases) ● Formulate and implement new policy for non-clinical tests 	<ul style="list-style-type: none"> ● Shortened clinical trials to 5 years for prioritized projects ● Shortened non-clinical studies to 1.5 years
2.2 Enhance new drug candidate pipeline	<ul style="list-style-type: none"> ● Concentrate investment in promising themes ● Enhance ophthalmic discovery research (unite ophthalmic and rheumatic research know-how) ● Increase opportunity by alliances 	<ul style="list-style-type: none"> ● Progress in major projects (glaucoma and corneal disease drugs) ● Increased number of candidates for clinical stage (DE-101, DE-102, DE-103 and DE-104) ● Started DE-096 clinical studies for anti-rheumatic and for diabetes macular edema

Achievement of 2003-2005 Key Issues

3. Reinforce Organizational Strength

Tasks	Measures	Achievements
3.1 Strengthen corporate governance	<ul style="list-style-type: none"> ● Introducing External Director system ● Shortened term of Directors to 1yr. ● Reestablish committees 	<ul style="list-style-type: none"> ● Improvement of Governance
3.2 Employee education and enhancement of organizational management capabilities	<ul style="list-style-type: none"> ● Continue management development programs ● Skill training ● Expansion of in-house staff recruitment system 	<ul style="list-style-type: none"> ● Implement human resources development of restructuring theme ● Effective relocation of human resources

Internal Governance System as of June 27



Change of Representative Directors as of June 27

- Chairman of the Board and CEO: Takakazu Morita (Current Title: President and CEO, Member of the Board)
- President and COO: Akira Kurokawa (Current Title: Member of the Board, Senior Corporate Officer)

The new Medium-Term Management Plan

- **Maintain and strengthen our competitive advantage in domestic business by maximizing our existing strengths in sales and marketing**
- **Growth in Asian and European markets, and consolidating Santen's positioning in the US market**
- **Enhancing new product pipeline candidates by self-development, co-development and licensing-in**
- **Pursuing steady growth in profits**
- **Planning to announce the new Medium-Term Management Plan in the end of July, 2006**

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

