



Consolidated Financial Results
for the Half Year ended
March 31, 2006

Consolidated Financial Forecasts for
the Year ending March 2007

May10, 2006

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[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 Financial Results for
the Year ended March 2006



Consolidated Performance Summary

(Billions of yen)

	Year ended March,2005 Actual	Year ended March, 2006		
		Actual	Change from 2005	% change from 2005
Net sales	92.6	98.3	5.7	6.2 %
Operating income	18.9	20.9	2.0	10.6 %
Ordinary income	18.8	21.5	2.7	14.2 %
Net income	11.0	13.0	2.0	18.1 %



Consolidated Performance Forecasts : Difference Between the Forecasts of the Half Year Announcement (November,2005)

(Billions of yen)

	Year ended March,2006			
	Forecast as of Q2 (Nov. 2005)	Actual	Change from Q1	% change from Q1
Net sales	98.0	98.3	0.3	0.4 %
Operating income	21.2	20.9	-0.3	-1.0 %
Ordinary income	21.5	21.5	0.0	0.0 %
Net income	12.9	13.0	0.1	0.9 %



Net Sales by Business Segment / Overseas Sales

● Net Sales by Business Segment

(Billions of yen)

	Year ended March 2006					
	Japan		Overseas		Total	
	Net sales	% change from 2005	Net sales	% change from 2005	Net sales	% change from 2005
Prescription pharmaceuticals	80.30	4.4 %	9.94	34.3 %	90.25	7.1 %
Ophthalmic	71.21	4.1 %	9.70	34.0 %	80.92	7.0 %
Anti-rheumatic	8.86	7.6 %	0.17	—	9.04	8.2 %
Others	0.22	-16.4 %	0.06	—	0.28	-10.0 %
OTC pharmaceuticals	5.22	-0.6 %	0.02	—	5.24	-0.6 %
Medical devices	0.61	-14.9 %	0.01	—	0.63	-15.4 %
Others	0.62	11.9 %	1.63	-9.6 %	2.26	-4.5 %
Total	86.78	4.0 %	11.61	25.5 %	98.39	6.2 %

● Overseas Sales

(Billions of yen)

	Year ended March 2005 Actual	Year ended March 2006		
		Actual	Change from 2005	% change from 2005
Europe	4.79	6.08	1.29	27.0 %
North America	1.70	1.91	0.21	12.4 %
Others	2.75	3.60	0.85	31.1 %
Total	9.25	11.61	2.36	25.5 %



Consolidated Net Sales: Variances

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 Changes in Income Statements (1)

(Billions of yen)

	Year ended March 2005	Year ended March 2006		Major changes
		Actual	% change from 2005	
Net sales	92.6	98.3	5.7	
Cost of sales (% of net sales)	33.7 36.4%	34.5 35.1%	0.8 ▲ 1.3 ppt	<ul style="list-style-type: none"> ▪ Change in product mix (-0.4ppt) ▪ Improved operating rate(-0.2ppt) ▪ Cost reductions (-0.1ppt) ▪ EU subsidiaries (-0.4ppt)
Selling, general and administration expenses (% of net sales)	40.0 43.1%	42.8 43.6%	2.8 0.5 ppt	
SGA expenses excl. R&D (% of net sales)	27.3 29.5%	28.8 29.4%	1.5 ▲ 0.1 ppt	<ul style="list-style-type: none"> ▪ Japan Selling expenses increased (+0.8billion) ▪ Europe Selling expenses increased (+0.2billion) ▪ Asia Selling expenses increased (+0.3billion)
R&D expenses (% of net sales)	12.6 13.6%	13.9 14.2%	1.3 0.6 ppt	<ul style="list-style-type: none"> ▪ Increased in glaucoma treatments (+0.9 billion) ▪ Increased in cornea disorders (+0.4 billion) ▪ Increased in retina (+0.5 billion) ▪ Decreased in rheumatoid arthritis (-0.7 billion)
Operating income (% of net sales)	18.9 20.5%	20.9 21.3%	2.0 0.8 ppt	

< Exchange rates >		
	FY 2004	FY 2005
US\$	¥107.19	¥113.42
Euro	¥134.64	¥137.77



Summary of Changes in Income Statements (2)

(Billions of yen)

	Year ended March 2005 Actual	Year ended March 2006		Major items and factors
		Actual	% change from 2005	
Non-operating income/expenses	-0.1	0.5	0.6	
Non-operating income	0.8	1.0	0.2	[March 2005] -Interest income (0.2billion) - Receipt of matured insurance (0.1billion) - Other miscellaneous income (0.4billion) [March 2006] -Interest income (0.2billion) - Currency exchange loss (0.1billion) -Gains on investment limited partnership distribution (0.1billion) - Other miscellaneous income (0.3billion)
Non-operating expenses	0.9	0.5	-0.4	[March 2005] - Interest expenses (0.2 billion) -Amortization of goodwill (0.3 billion) -Currency exchange loss (0.3 billion) - Other miscellaneous income (0.1 billion) [March 2006] - Amortization of goodwill (0.3 billion)
Ordinary income	18.8	21.5	2.7	
Extraordinary gain/loss	-0.4	-1.2	-0.8	
Extraordinary gain	1.1	0.0	-1.1	[2005/3] -Gain on sale of fixed assets (0.3 billion) - Change of retirement benefit scheme (0.3 billion) - Establishment of retirement benefit trust (0.2 billion) - Prior-period adjustment (0.3 billion)
Extraordinary loss	1.5	1.2	-0.3	[March 2005] - Loss on impairment of fixed assets (0.8 billion) - U.S. business restructuring (0.4 billion) [March 2006] - Loss on impairment of fixed assets (0.9 billion) - Additional amount for retirement benefit (0.1 billion)
Net income before tax	18.4	20.3	1.9	
Income taxes	7.4	7.3	-0.1	Tax rate [March 2005] 40.2% [March 2006] 36.0%
Net income	11.0	13.0	2.0	

<Exchange rates>		
	FY 2004	FY 2005
US\$	¥107.19	¥113.42
Euro	¥134.64	¥137.7760



Performance by Geographic Segment

【Net sales】

(Billions of yen)

	Year ended Mar. 2005 Actual	Year ended Mar. 2006	
		Actual	Change from 2005
Japan	85.8	89.8	4.0
Europe	6.3	8.1	1.8
Europe	5.0	6.3	1.3
United States	1.3	1.7	0.4
Others ※1	0.4	0.3	-0.1
Total	92.6	98.3	5.7

【Operating income】

(Billions of yen)

	Year ended Mar. 2005 Actual	Year ended Mar. 2006	
		Actual	Change from 2005
Japan	22.1	22.6	0.5
Europe	-0.2	1.0	1.2
Europe	-0.7	0.0	0.7
United States	0.6	1.0	0.4
Others ※1	-0.7	-0.7	0.0
Elimination	-2.3	-1.8	0.5
Total	18.9	20.9	2.0

*1: "Others" are U.S., Taiwan and Korea. Details of major sales and expenses of "Others" are noted below.

Sales: Prescription pharmaceuticals in Taiwan and Korea

Expenses: R&D expenses for medical devices in the U.S.

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



Balance Sheets

(Billions of yen)

	Year ended Mar. 2005		Year ended Mar. 2006		
	Actual	% of total	Actual	% of total	Change
Current assets	82.7	59.1 %	93.8	62.4 %	11.1
Fixed assets	57.2	40.9 %	56.5	37.6 %	-0.7
Total assets	139.9	100.0 %	150.4	100.0 %	10.5
Current liabilities	22.2	15.9 %	24.1	16.0 %	1.9
Concurrent liabilities	9.5	6.8 %	7.7	5.1 %	-1.8
Total liabilities	31.7	22.7 %	31.8	21.1 %	0.1
Total shareholders' equity	108.2	77.3 %	118.6	78.9 %	10.4
Total liabilities and shareholders' equity	139.9	100.0 %	150.4	100.0 %	10.5

【Major changes】

- Current assets: Cash and deposits +10.6 billion yen, Notes and accounts receivable-trade -1.2 billion yen, Marketable securities +2.1 billion yen
- Fixed assets:
 - [Increase] Investment securities +3.4 billion yen, Tangible and intangible assets +2.1 billion yen
 - [Decrease] Impairment loss on the property for the distribution service -0.9 billion yen, Depreciation and amortization -4.8 billion yen
- Current liabilities: Income taxes payable +1.5 billion yen
- Noncurrent liabilities: Long-term debt -1.1 billion yen, Retirement and severance benefits for employee -0.2 billion yen
- Shareholders' equity:
 - [Increase] Net income + 13.0 billion yen, Unrealized holding gains on securities +1.9 billion yen
 - [Decrease] Cash dividends -4.7 billion yen



Summary of Cash Flows

(Billions of yen)

	Mar. 2006 Actual	Major changes
Cash and cash equivalents, beginning of year	32.3	
Net increase/decrease in cash and cash equivalents	13.7	
Cash flows from operating activities	20.8	<ul style="list-style-type: none"> - Income before income taxes (20.3 billion) - Depreciation and amortization (4.8 billion) - Increase in trade receivables (1.4 billion) - Loss on impairment of fixed assets (0.9 billion) - Income taxes paid (-6.5 billion)
Cash flows from investing activities	-1.3	<ul style="list-style-type: none"> - Increased/Decreased in fixed deposits (0.2 billion) - Proceeds from sale of marketable securities (0.5 billion) - Purchase of investment securities (-2.1 billion)
Cash flows from financing activities	-5.9	<ul style="list-style-type: none"> - Repayment of long-term debt (-1.1 billion) - Cash dividends paid (-4.7 billion)
Cash and cash equivalents, end of year	46.1	

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 Mar. 2005 Actual	Year ended Mar. 2006	
		Actual	% change from 2005
Capital expenditure	1.6	1.4	-0.2
Depreciation and amortization	3.6	3.3	-0.3
Lease expenses	1.0	1.1	0.1

● Major capital expenditures for the year ended March 2006

- Renewal of Japanese & overseas manufacturing equipment and R&D devices
- New unit dose line



Consolidated Financial Forecasts
for the Year
ending March 2007



Consolidated Performance Forecasts

(Billions of yen)

	Year ended March 2006 Actual	Year ending March 2007		
		Forecast	Change	% change
Net sales	98.3	100.0	1.7	1.6 %
Operating income	20.9	20.0	-0.9	-4.7 %
Ordinary income	21.5	20.0	-1.5	-7.0 %
Net income	13.0	13.0	0.0	-0.2 %



Net Sales by Business Segment / Overseas Sales

● Sales by business Segment

(Billions of yen)

	Year ending March 2007					
	Japan		Overseas		Total	
	Net sales	% change from previous year	Net sales	% change from previous year	Net sales	% change from previous year
Prescription pharmaceuticals	80.84	0.7 %	10.55	6.2 %	91.40	1.3 %
Ophthalmic	71.75	0.8 %	10.32	6.4 %	82.08	1.4 %
Anti-rheumatic	8.86	0.0 %	0.16	–	9.03	–0.1 %
Others	0.22	1.0 %	0.06	–	0.29	0.7 %
OTC pharmaceuticals	5.27	0.9 %	0.02	–	5.30	1.0 %
Medical devices	0.58	–6.3 %	0.02	–	0.60	–6.0 %
Others	0.62	–0.5 %	2.07	27.2 %	2.70	19.5 %
Total	87.32	0.6 %	12.67	9.1 %	100.00	1.6 %

● Overseas sales

(Billions of yen)

	Year ended March 2006 Actual	Year ending March 2007		
		Forecast	Change	% change
Europe	6.08	6.48	0.40	6.5 %
North America	1.91	2.17	0.26	13.6 %
Others	3.60	4.00	0.40	11.1 %
Total	11.61	12.67	1.06	9.1 %



Consolidated Net Sales: Variances

Net sales of the Year ended March 2006
98.39 billion yen

+1.61 billion yen

Net sales of the Year ending March 2007
100.0 billion yen

Japan +0.55 billion yen

[Increase]

- + Prescription ophthalmics +0.54 billion yen
- + OTC eye drops +0.05 billion yen

[Decrease]

- + Medical devices - 0.04 billion yen

Prescription ophthalmics in Japan

- + Anti-infective -1.10 billion yen
- + Corneal disorder +0.84 billion yen
- + Glaucoma -0.17 billion yen
- + Anti-allergy +0.78 billion yen
- + Others +0.19 billion yen

Overseas +1.06 billion yen

[Increase]

- + Europe +0.40 billion yen
- + North America +0.26 billion yen
- + Asia and Others +0.40 billion yen
 - China +0.28 billion yen
 - Korea +0.12 billion yen

Europe

- + Prescription ophthalmics +0.43 billion yen
 - Russia +0.13 billion yen
 - France +0.04 billion yen
- + Contract manufacturing -0.03 billion yen

North America

- + Prescription ophthalmics -0.22 billion yen
- + Contract manufacturing 0.48 billion yen



Summary of Changes in Income Statements (1)

(Billions of yen)

	Year ended March 2006 Actual	Year ending March 2007		Major factor for changes
		Forecast	Change	
Net sales	98.3	100.0	1.7	
Cost of sales (% of net sales)	34.5 35.1%	35.1 35.1%	0.6 0.0 ppt	- Impact of NHI drug price cut (+0.6%) - Change in product mix (-0.2ppt) - Improve operating rate (-0.1ppt) - Cost reduction in Japan (- 0.2ppt)
Selling, general and administrative expenses (% of net sales)	42.8 43.6%	44.9 44.9%	2.1 1.3 ppt	
SGA expenses excl. R&D (% of net sales)	28.8 29.4%	30.6 30.6%	1.8 1.2 ppt	- Selling expense in Japan (+0.8billion) - Operating expenses in China and Korea (+0.4 billion) - Selling expense in Europe (+0.3 billion)
R&D expenditures (% of net sales)	13.9 14.2%	14.3 14.3%	0.4 0.1 ppt	- Increase in Glaucoma treatment (-0.6billion) - Increase in Cornea disorders (+0.4 billion) - Decrease in retina (+0.3 billion)
Operating income (% of net sales)	20.9 21.3%	20.0 20.0%	-0.9 -1.3 ppt	

<Exchange rates>

	FY 2006	FY 2007 forecast
US\$	¥113.42	¥115.00
Euro	¥137.77	¥138.00



Summary of Changes in Income Statements (2)

(Billions of yen)

	Year ended March 2006 Actual	Year ending March 2007		Major items
		Forecast	Change	
Non-operating income/expenses	0.5	0.0	-0.5	
Non-operating income	1.0	0.5	-0.5	[March 2006] - Interest income (0.2 billion) - Currency exchange profit (0.1 billion) - Investment profit from investment partnership (0.1 billion) - Other miscellaneous (0.3 billion) [March 2007] - Interest income (0.2 billion) - Receipt of matured insurance (0.1 billion)
Non-operating expenses	0.5	0.5	0.0	[March 2006] - Amortization of goodwill (0.3 billion) [March 2007] - Amortization of goodwill (0.3 billion)
Ordinary income	21.5	20.0	-1.5	
Extraordinary gain/loss	-1.2	0.3	1.5	
Extraordinary gain	0.0	0.3	0.3	[March 2007] - Gain on sale of fixed assets (0.3 billion)
Extraordinary loss	1.2	0.0	-1.2	[March 2006] - Loss on impairment of fixed assets (0.9 billion) - Additional amount for retirement benefit (0.1 billion)
Net income before tax	20.3	20.3	0.0	
Income taxes	7.3	7.3	0.0	Tax rate [March 2006] 36.0% [March 2007] 36.0%
Net income	13.0	13.0	0.0	

<Exchange rates>		
	FY 2006	FY 2007 forecast
US\$	¥113.42	¥115.00
Euro	¥137.77	¥138.00



Forecast by Geographic Segment

[Net sales]

(Billions of yen)

	Year ended March 2006 Actual	Year ending March 2007	
		Forecast	Change
Japan	89.8	90.7	0.9
Europe	8.1	8.8	0.7
Europe	6.3	6.6	0.3
United States	1.7	2.1	0.4
Others *1	0.3	0.3	0.0
Total	98.3	100.0	1.7

[Operating income]

(Billions of yen)

	Year ended March 2006 Actual	Year ending March 2007	
		Forecast	Change
Japan	22.6	21.2	-1.4
Europe	1.0	1.1	0.1
Europe	0.0	0.0	0.0
United States	1.0	1.1	0.1
Others *1	-0.7	-0.6	0.1
Elimination	-1.8	-1.6	0.2
Total	20.9	20.0	-0.9

※1: "Others" are U.S., Taiwan and Korea. Details of major sales and expenses of "Others" are noted below.

Sales: Prescription pharmaceuticals in Taiwan and Korea

Expenses: R&D expenses for medical devices in the U.S.

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 2006 Actual	Year ending March 2007	
		Forecast	Change
Capital expenditure	1.4	2.9	1.5
Depreciation and amortization	3.3	3.4	0.1
Lease expenses	1.1	1.1	0.0

- Major capital expenditures for the year ending March 2007
 - Renewal of Japanese & overseas manufacturing equipment and R&D devices
 - New unit dose line