

Santen Pharmaceutical Co., Ltd.
Financial Performance and Outlook
Half Year Ended September 30, 2005

**Summary of Half Year Ended September 2005; and
Progress of 2003-2005 Medium-term Management Plan**

November 2, 2005
Takakazu Morita
President and CEO

[A Caution Concerning Forward-Looking Statements]

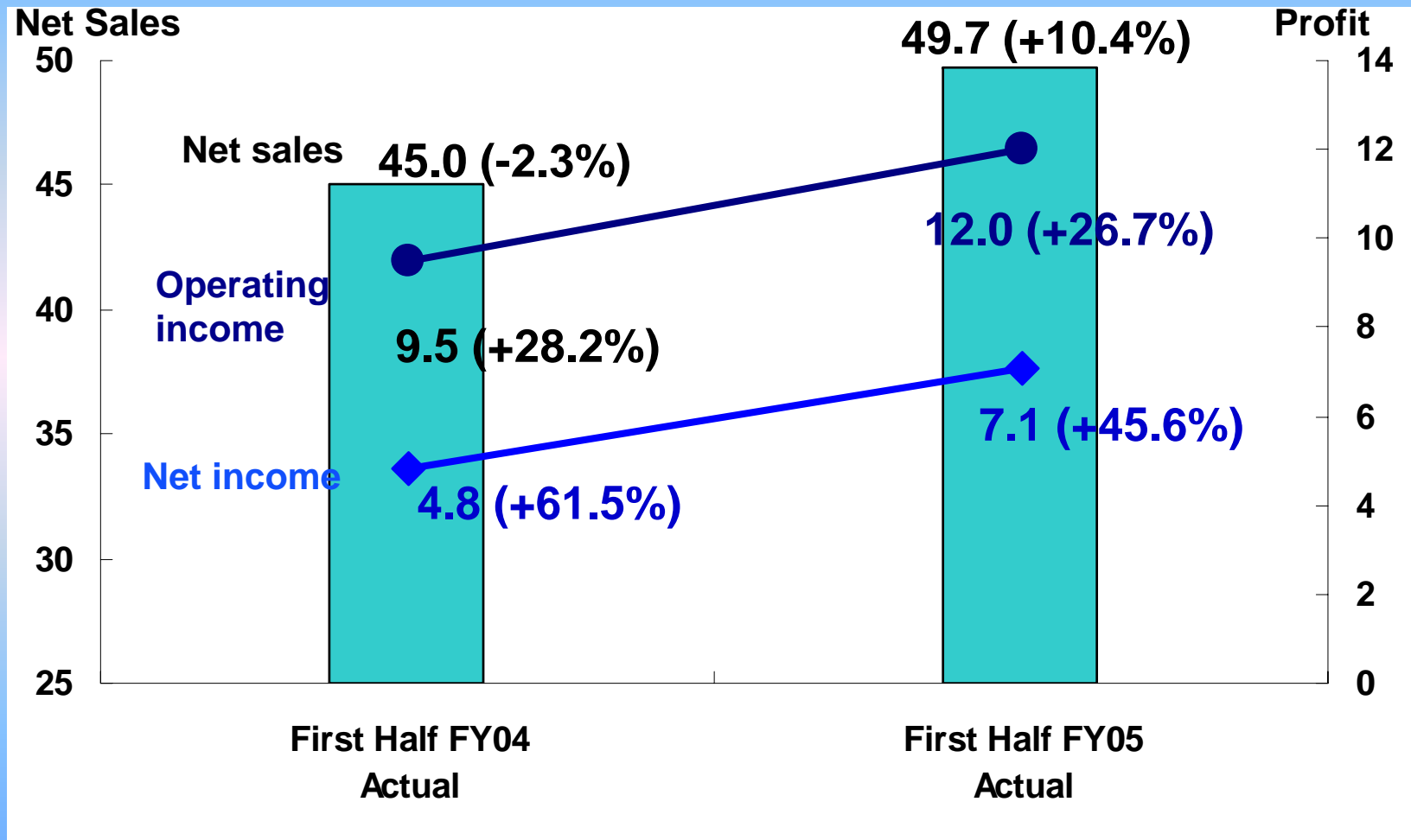
Forecasts of future business results are based on the judgment of the management of Santen using information currently available. Actual results may differ materially from forecasts due to a number of factors, including but not limited to changes in the business environment, launch of new products, fluctuations in exchange rates and changes in related laws and regulations.



Consolidated Sales and Profits

Unit: Billions of yen

Percentage shows change from previous year



Summary of Half Year Ended September 2005

- **Japan**
 - **Prescription Pharmaceuticals**
 - Ophthalmic
 - Anti-rheumatic
 - **OTC Pharmaceuticals**
 - **Medical Devices**
- **Overseas**
 - **United States**
 - **Europe**
 - **Asia**
- **Research & Development**

Major New Drug Candidates

(as of November 2005; underline shows progress from May 2005)

1) Ciclosporin DE-076 (in-licensed)	Vernal kerato- conjunctivitis	Immunosuppressant	<u>Approved Aug 05</u>	–
2) MD-14 IOL (original)	–	Acrylic intraocular lens for cataract surgery	Japan: applied Aug 04 US: Clinical study	–
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 US & Europe: P2 dose finding study	NDA planned 1Q FY08
5) Diquafosol tetrasodium DE-089 (in-licensed)	Dry eye	P2Y ₂ receptor agonist Stimulates tear secretion	Japan: P2b	NDA planned 3Q FY08
6) <i>Undetermined</i> DE-096 (original)	Rheumatoid arthritis	Inhibits production of TNF-alpha	Japan: P2a	–
	<u>Diabetic macular edema</u>			

2003-2005 Medium-term Management Plan

Basic Policies

Restoration of Profitability

Strengthening of R&D

Reinforcement of Organizational Strength

Key Issues

- 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>Actual & 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	Shift to new bottles	Additional measures <i>Integrate some lines; renew manufacturing control system</i>
3. - Reform sales offices - Reform purchasing - Reform of business support	- Majority of sales offices relocated - Introduced e-purchasing system ---	- All sales offices relocated - Transition of subject items to online purchase - Formulated plans	- Full contribution - Full contribution <i>Outsource physical distribution</i>
<u>Maintenance and improvement of our domestic earnings base</u>			
4. Improve MR productivity	Installed MR activity support IT system	Trial to improve customer segmentation and doctor targeting	Full-scale implementation
5. OTC business	---	Analyzed cost structure and devised reform plans	<i>Implement cost structure reform plans</i>

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 Actual & 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 	Increased number of next-generation drug candidates (glaucoma, retina, dry eye & 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) - Reestablish committees
9. Employee education and enhancement of organizational management capabilities	<ul style="list-style-type: none"> - Continue management development programs 	Continue	Continue

Forecast of Year Ending March 2006

Unit: Billions of yen

Percentage shows change from previous year

