

Santen Pharmaceutical Co., Ltd.
Investor Meeting on FY 2006 Results

**Summary of the Year Ended March 2007;
Forecast of the Year Ending March 2008;
Status of 2006-2010 Medium-term Management Plan
Takeover Defense Measures and Policy for Return to Shareholders**

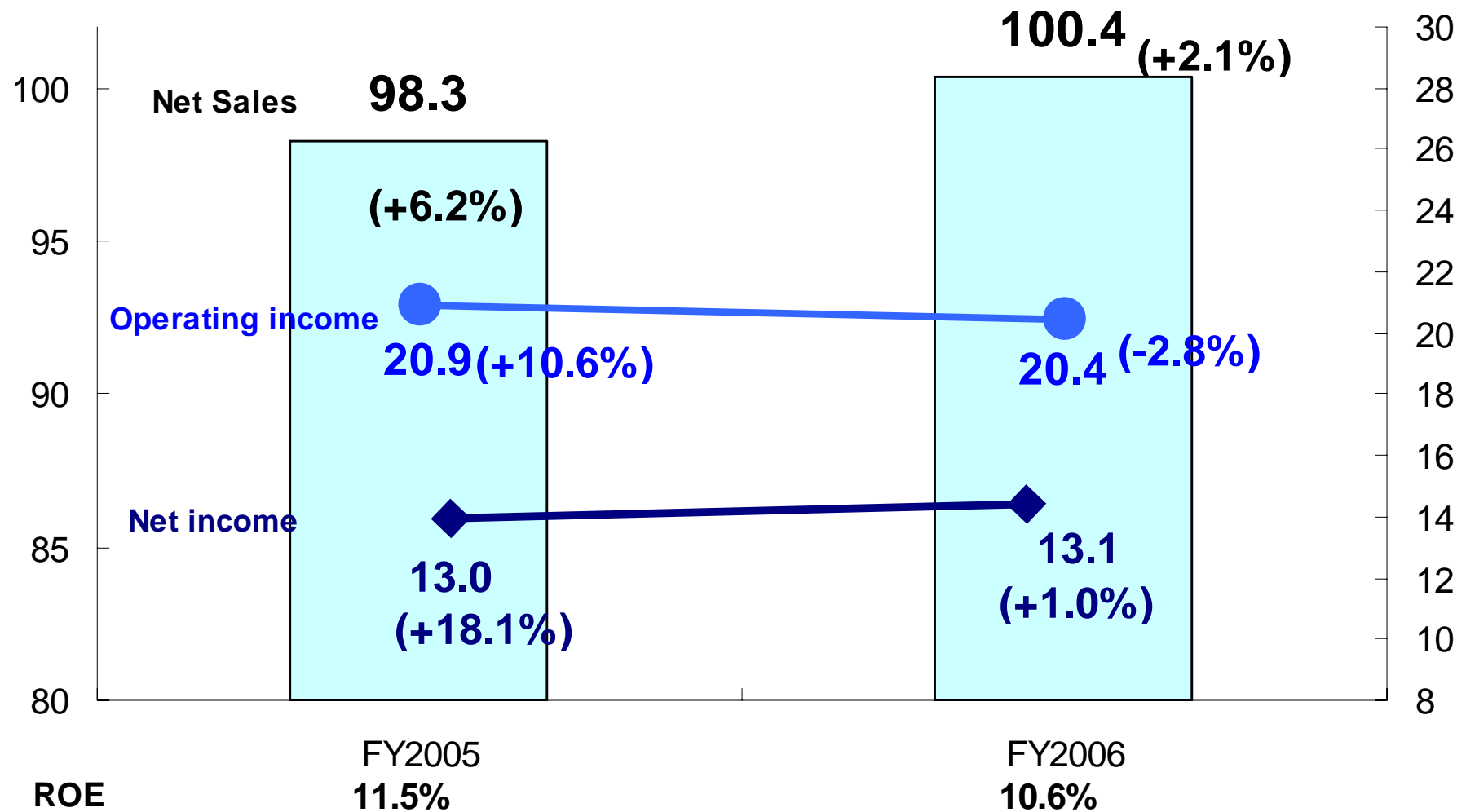
**May 9, 2007
President and CEO
Takakazu Morita**

FY2006 Highlight

1. In spite of an average of 5.5% NHI drug price reductions, Santen achieved the net sales of ¥ 100.4 billion, a 2.1% increase from FY2005
2. Operating profit was ¥20.4 billion, a 2.8% reduction from FY2005
3. Net income was ¥13.1 billion, a 1.0% increase from FY2005
4. In R&D, four new drug candidates proceeded to next stages: DE-085, DE-089, DE-101 and DE-099
5. Takakazu Morita was appointed Chairman & CEO, and Akira Kurokawa was appointed President & COO on June 27,2006
6. Santen announced its 2006-2010 Medium-term Management Plan on July 25,2006

FY2006 Consolidated Sales and Profits

Unit: Billions of yen, Percentage shows change from previous year



Net Sales of 2006FY

(Billions of yen)

	Year ended March 2007					
	Japan		Overseas		Total	
	Net Sales	% change from 2006	Net Sales	% change from 2006	Net Sales	% change from 2006
Prescription pharmaceuticals	80.74	0.5 %	11.10	11.7 %	91.84	1.8 %
Ophthalmic	71.27	0.1 %	10.88	12.1 %	82.15	1.5 %
Anti-rheumatic	9.20	3.8 %	0.17	-0.9 %	9.37	3.7 %
Others	0.26	17.6 %	0.05	-14.7 %	0.31	10.4 %
OTC pharmaceuticals	5.28	1.1 %	0.02	3.9 %	5.30	1.1 %
Medical devices	0.51	-16.6 %	0.02	8.7 %	0.53	-15.9 %
Others	0.60	-3.8 %	2.18	34.0 %	2.79	23.5 %
Total	87.15	0.4 %	13.33	14.8 %	100.48	2.1 %

Business Outline of FY2006

1. Overall

- In spite of an average 5.5% NHI drug price reduction, Japanese Ophthalmic market slightly expanded compared to the previous year due to a growth in glaucoma and corneal disorders. The OTC eye drop market also expanded due to the growth of contact lenses and the subsequent demand for dry eye drops.
- Steady growth in EU,US and Asia

2. Japan

· Prescription ophthalmics:

[Market] Expanded 0.6% regardless of drug price reductions

[Santen] Slightly increased by value-added promotional activities reflecting each medical institution's varied needs

· Anti-rheumatic Drugs:

[Market] DMARDs market contracted -2.3 due to NHI drug price reduction

[Santen] A 3.8% increase from FY2005 by further market penetration of our three products, which were designated as "Recommendation Grade A" by the guideline for the Management of RA.

· OTC Eye Drops:

[Market] Flattening trend

[Santen] Flattening trend. Focus promotional sales activities mainly for eye fatigue, blurred vision and eye refreshment

· Medical Device: A flattening trend with increase in the number of cataract surgery cases and intensified competition

3. Overseas

[Market] Growing trend

[Santen] ·EU : Sales grown in Northern and Eastern Europe and Germany due to sales promotion and currency exchange

·US : Growing trend due to contract manufacturing

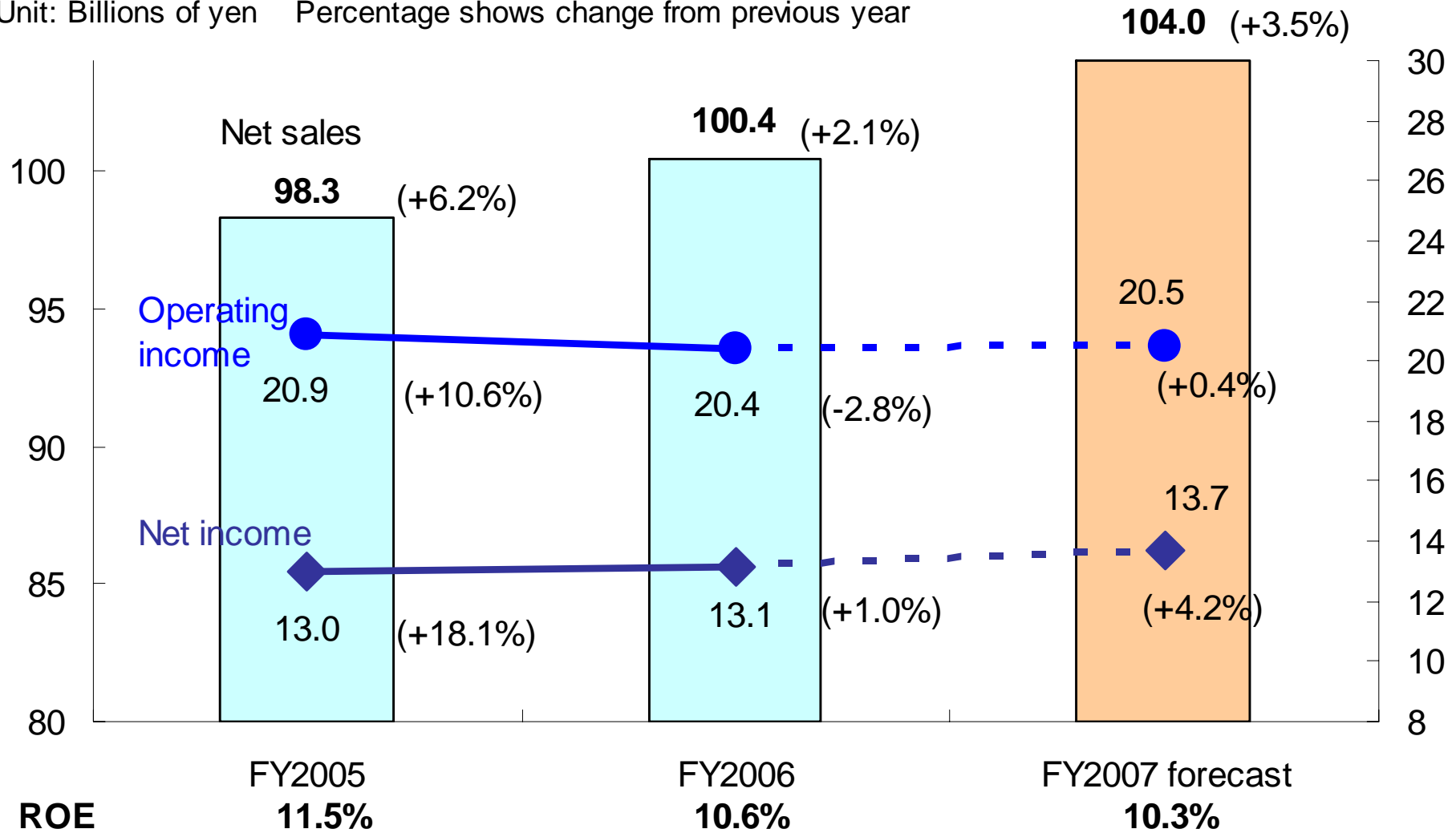
Major New Drug Candidates

(as of May 2007, underline shows progress from May 2006)

Generic name / development code	Indication	Category/Mechanism	Status	NDA
1) Tafluprost DE-085 (original)	Glaucoma and ocular hypertension	Prostanoid FP receptor agonist. Promotes uveoscleral outflow	<u>Japan: applied Jul 06</u> <u>Europe: applied Apr 07 application</u>	-
2) Diquafosol tetrasodium DE-089 (in-licensed)	Dry eye	P2Y ₂ receptor agonist. Stimulates tear secretion	<u>Japan:P3</u>	3Q FY08
3) Olmesartan DE-092 (in-licensed)	Glaucoma and ocular hypertension	Angiotensin II AT ₁ receptor antagonist. Promotes uveoscleral outflow	<u>P2 in preparation for pilot study</u>	-
4) <i>Undetermined</i> DE-096 (original)	Rheumatoid arthritis and Diabetes Macular Edema	Inhibits production of TNF-alpha	Japan: P2a	-
5) Gefarnate DE-099 (original)	Dry eye	Corneal and conjunctival epithelial disorder	<u>Japan:P2a</u>	-
6) Rivoglitazone DE-101 (in-licensed)	Dry eye	Corneal and conjunctiva epithelial disorder	<u>US:P2a</u>	-
7) Posterior IOL MD-14 (original)	Vision correction of aphakic eyes	Acrylic IOL	<u>Japan: approved Oct 06</u> <u>US: preparing for application</u>	-
8) <i>Undetermined</i> DE-102 (original)	Diabetes Macular Edema	Steroid microsphere	<u>Japan:P1/2a</u>	-
9) <i>Undetermined</i> DE-104 (original)	Glaucoma and ocular hypertension	ROCK inhibitor	<u>US:P1</u>	-

Forecast of FY2007

Unit: Billions of yen Percentage shows change from previous year



Outlook for FY2007

1. Japan

No NHI drug price reduction is expected this year. Competition will intensify due to the launch of competitors' products. Santen plans to earn higher sales than in FY2006 by defending against competitors and by disease-awareness campaigns for dry eye-related diseases.

2. Overseas

Santen reinforces value-added promotional activities in Europe and Asia to increase sales in the steadily growing markets. Our U.S. activities continue to focus on clinical development and business development.

3. R&D

Santen accelerates development of its key product candidates DE-101 and DE-104. Santen also works to enhance its new product pipeline by reinforcing in-house drug discovery, collaborations with outside parties and in-licensing.

4. Profits

Profits are expected to grow only slightly due to the increase in the academic information provision/collection activities both in Japan and overseas, increase in the launch preparation expenses of new products (DE-085 and MD-14) and the up-front investment in China.

2006-2010 Medium-term Management Plan

Policies and Targets

Mid-term Policies

Santen's Global Development: Creating new drug candidates and generating growth in promising regions by leveraging strengths

1. Enhance the global strategic product pipeline

2. Generate growth mainly in Japan, Northern/Eastern Europe, Russia and China. Focus U.S. activities on clinical and business development

3. Strengthen manufacturing bases

4. Strengthen HR and organizational capabilities on a global basis

Targets

11. Gain approval of product candidates currently in the process from preparation of clinical studies to new drug application

12. Drug discovery through competitive and effective methods

13. Effective collaborations through focused licensing

21. Japan

- Successful launch of new glaucoma, corneal and IOL products and early maximization of their product value
- Reinforce promotion for Hyalein and other existing products

22. Northern/Eastern Europe and Russia

- Maximize the value of Oftaquix and existing products

23. China

- Strengthen our business base and competitiveness by start of local production and by establishment of direct sales organization; Further improvement of market position

24. U.S.

- Focus on clinical development and business development

31. Promote efficiency by reorganizing production lines

41. Develop human resources. Reinforce and integrate organizations

Financial Targets for FY2010

- Net sales: 115 billion yen+ (FY2005-10 CAGR 3%+)
- Operating income: 32 billion yen+ (FY2005-10 CAGR 8%+)
- Net income: 22 billion yen+
- ROE: 13%+
- R&D expense: approx. 16 billion yen

Status of Mid-term Plan - 1

FY2006 achievements FY2007 plans

FY2008-10 plans

1. Enhance the global strategic product pipeline

11. Development of global strategic product candidates

DE-101 proceeded to P2a
DE-104 proceeded to P1

P3: FY09

DE-085 applied in JP&EU
MD-14 approved
DE-089 in P3

Apply for approval of IOL injector

Apply for approval of DE-089 in FY08

2. Generate growth in regions where Santen can leverage strengths

21. **Japan:** Successful launch of new glaucoma, corneal and IOL products and early maximization of their product value

Glaucoma (new)

Started DE-085 launch preparation

Full-scale preparation incl. pre-marketing

DE-085 launch expected in FY08; early maximization of product value

Glaucoma (existing)

Increased sales

Continue

Cornea (new)

Cornea (existing)

Formulated Hyalein disease-awareness strategy

Conduct disease-awareness campaigns

DE-089 launch expected in FY10

Increase prescription

IOL

Formulated MD-14 sales strategy

Preparation and start of sales

Status of Mid-term Plan - 2

FY2006 achievements

FY2007 plans

FY2008-10 plans

2. Generate growth in regions where Santen can leverage strengths

22. Northern/Eastern Europe and Russia:

Maximize value of Oftaquix and existing products; Launch DE-085

Maximize value of new and existing products

Reinforced promotions for existing products

Continue promotions; launch Oftaquix in Russia

DE-085 applied April 07

Formulate DE-085 launch plan

23. China: Strengthen business base and competitiveness by start of local production and establishment of direct sales organization

Establish direct sales organization

Hired and trained sales force

Increase prescription by academic information provision

Start sales

24. U.S.: Focus on clinical development and business development

3. Strengthen manufacturing bases Strengthen manufacturing bases by reorganizing production lines and sites in Japan, Finland and China

31. Promote efficiency by reorganizing production lines

Formulated a reorganization plan

Complete line reorganization

Started China plant construction

Complete China plant construction

Start manufacturing in China

4. Strengthen HR and organization Develop human resources; reorganizations

41. Develop core HR

Assessed HR

Formulate HR development plan

Implement plan

42. Develop organizational capabilities

Enhance planning and business development

Enhance global organization

Introduction of Countermeasures to Abusive Takeover

Purpose

To deter large-scale purchases that may lead to infringement of the corporate value of the Santen Group, and consequently, of the common interests of the shareholders.

Needed for implementing the Medium-term Plan and achieving our Long-Term Vision under Santen's core value.

Outline

Takeover defense by advance warning system

1. Establish the procedures

The defense measure can be taken only against purchase that would result in the acquisition of 20% or more of the total voting rights

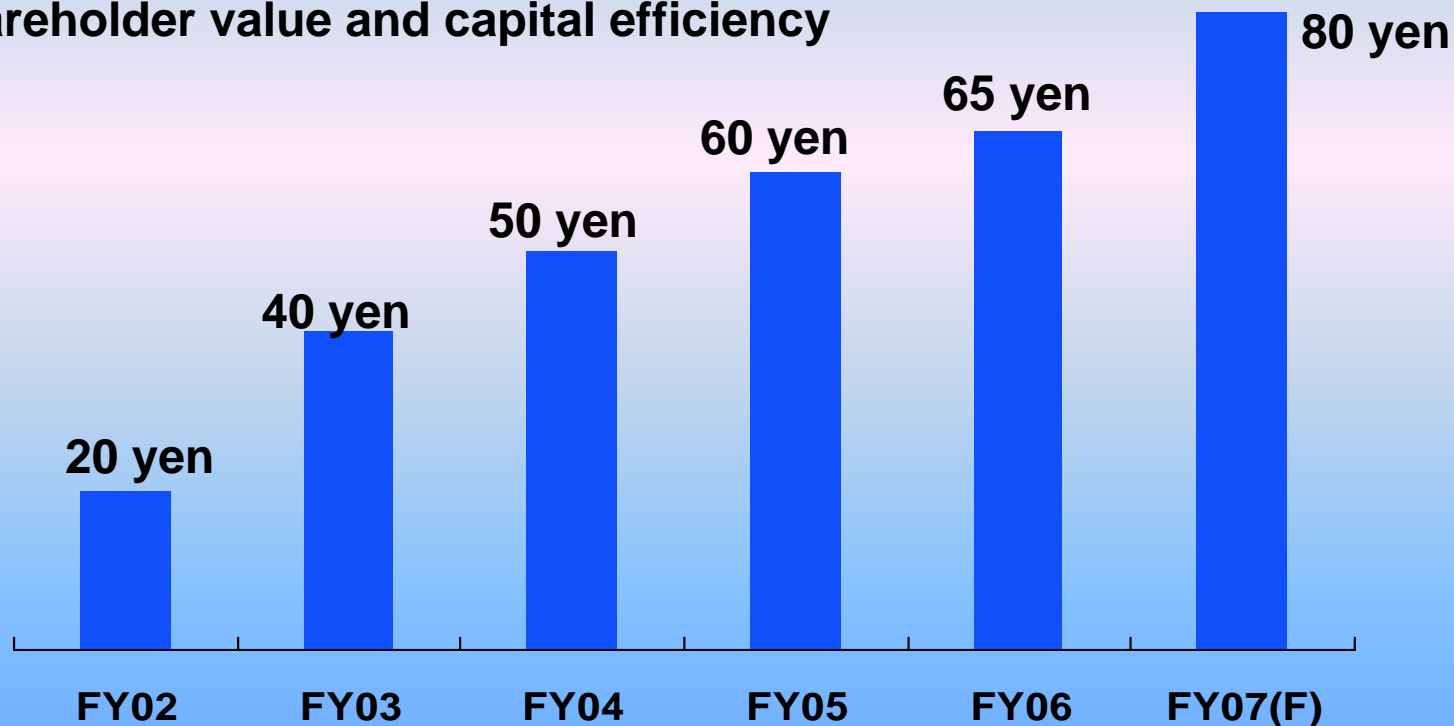
2. Utilize the allotment of the right to subscribe for new shares for no consideration

3. Independent Committee to avoid the arbitrary determination by the Board of Directors

Committee consists of 3 Outside Directors

Policy for Return to Shareholders

- Performance-based return of profits to shareholders while improving the capital efficiency and maintaining funds for R&D investments or other activities needed for future growth strategy
- Achieve DOE of 5% this year, which was originally a FY2010 target
- Buyback and retirement of shares as an agile means of improving shareholder value and capital efficiency



(Reference)

Share buyback: 3.2 billion yen -

2.6 billion yen -

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