



Santen Pharmaceutical Co., Ltd

**Financial Performance and Outlook
Half Year Ended**

November 5, 2007

President & COO

Akira Kurokawa

Forward-looking statements: Information given in this announcement contains certain forward-looking statements. This outlook is based on estimations by the management executives at Santen Pharmaceutical Co., Ltd. Accordingly, actual results may differ significantly from the outlook and may be subject to change with fluctuations in market variables such as interest rates and foreign exchange rates, adverse economic conditions, medical regulatory change, timing of receiving new product approval and any other variances.



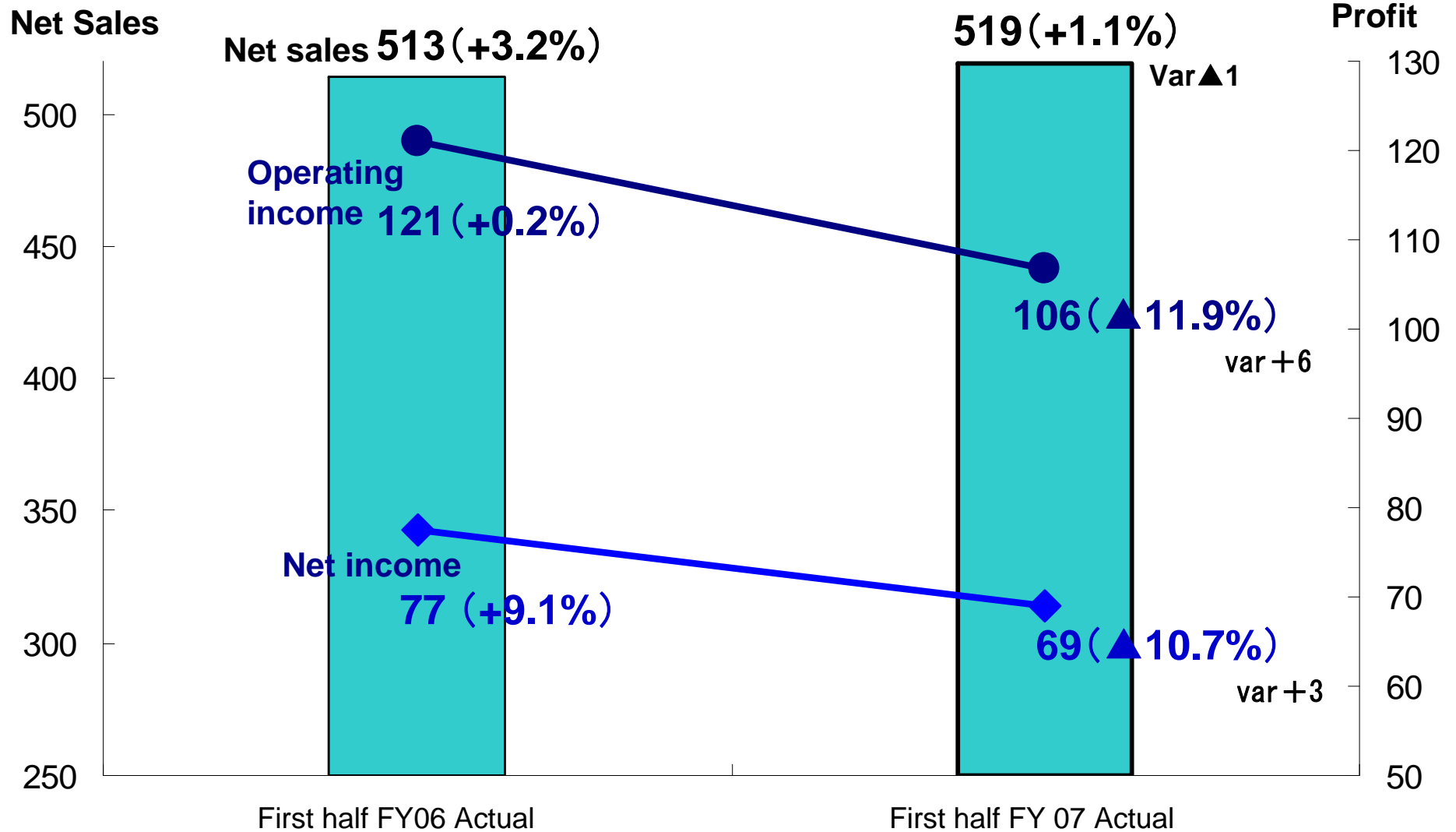
Consolidated Financial Summary for Half Year Ended September 30, 2007



Consolidated Sales and Profit FY2007 First Half

Amounts in: ¥0.1billion

%shows changes from previous year





Summary of First Half FY 2007

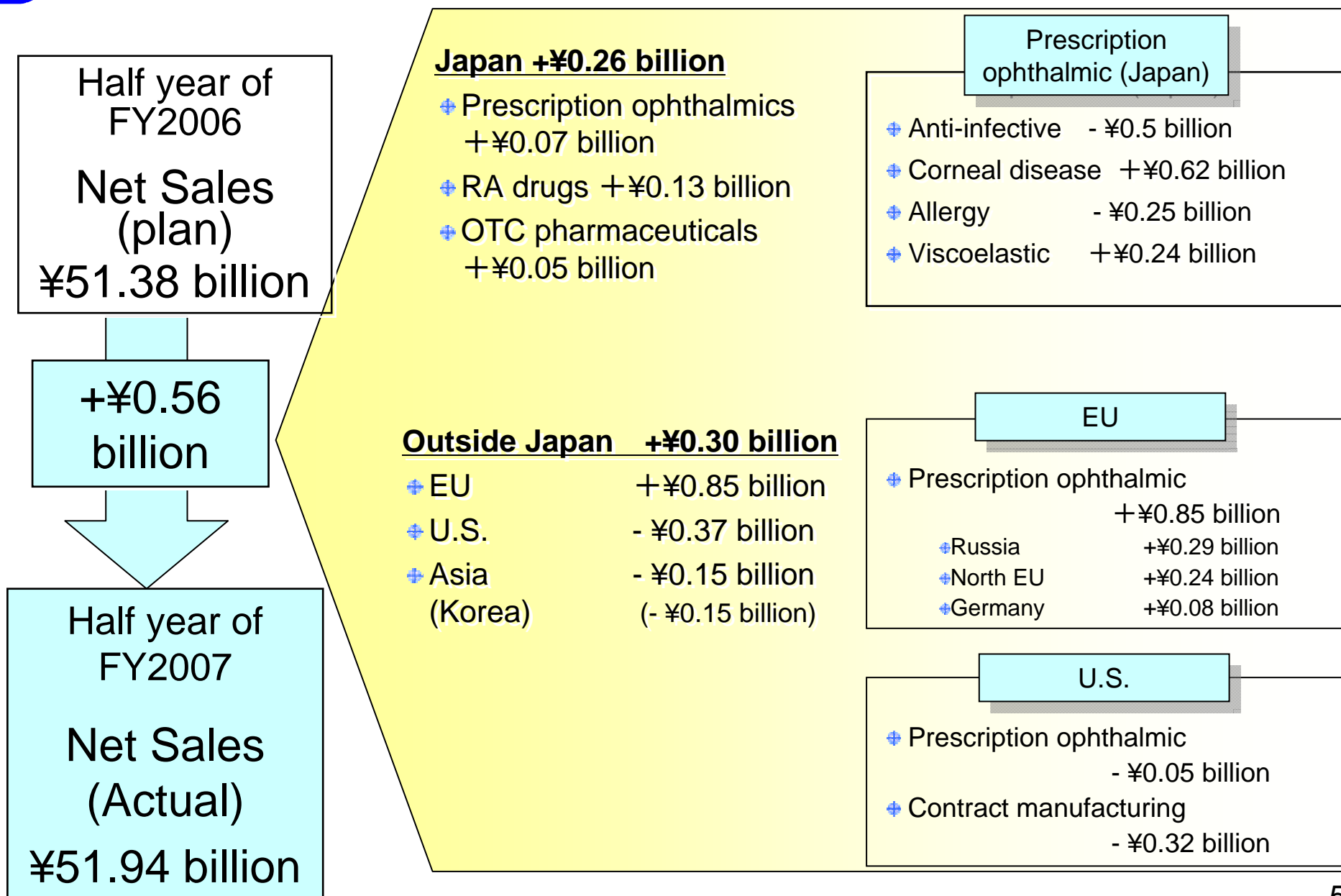
Net Sales

- ↑ Growth in HYLEIN: Prepare for the dry-eye disease-awareness activity
- ↑ Cravit, Tarivid: Maintain competitive force
- ↓ Decrease contract manufacturing of synthetic anti-infective for the U.S. market

Operating Income

- ↓ Increase sales expense: Prepare for the dry-eye disease-awareness activity, defend competitors, enhance promotion for Asia and EU
- ↓ R&D expense: Underspend budget for some projects (progress is on track)

Consolidated Net Sales: Variances





Half Year 2007 Share of Domestic Market

		Plan (FY07)		Actual (FY07, September)				Var		Share
		Amounts	Share	Amounts	Growth	Share	Var/ FY06	Amounts	Var	
Ophthalmic	Market	108,423		107,540	1.7%			-883	-0.8%	
	Santen	43,230	39.9%	42,903	-0.7%	39.9%	-1.0	-327	-0.8%	0.0
Anti-infective	Market	13,190		12,773	-2.7%			-417	-3.2%	
	Santen	9,157	69.4%	9,318	-6.3%	73.0%	-2.8	161	1.8%	3.6
Glaucoma	Market	40,806		41,375	3.7%			569	1.4%	
	Santen	8,639	21.2%	8,826	-1.0%	21.3%	-1.0	187	2.2%	0.1
Allergy	Market	9,967		9,461	-2.7%			-506	-5.1%	
	Santen	2,738	27.5%	2,366	-12.4%	25.0%	-2.8	-372	-13.6%	-2.5
Corneal Disease viscoelastic	Market	14,102		14,032	7.1%			-70	-0.5%	
	Santen	11,099	78.7%	11,071	6.2%	78.9%	-0.6	-28	-0.3%	0.2
RA drugs	Market	5,794		5,990	7.5%			196	3.4%	
	Santen	2,519	43.5%	2,503	10.3%	41.8%	1.1	-16	-0.6%	-1.7
		12,286		12,047	2.6%			-239	-1.9%	
		5,744	46.8%	5,576	2.7%	46.3%	0.0	-168	-2.9%	-0.5

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Source : Analyzed by Santen Pharmaceutical Co., Ltd based on IMS

Term : April-September, 2007



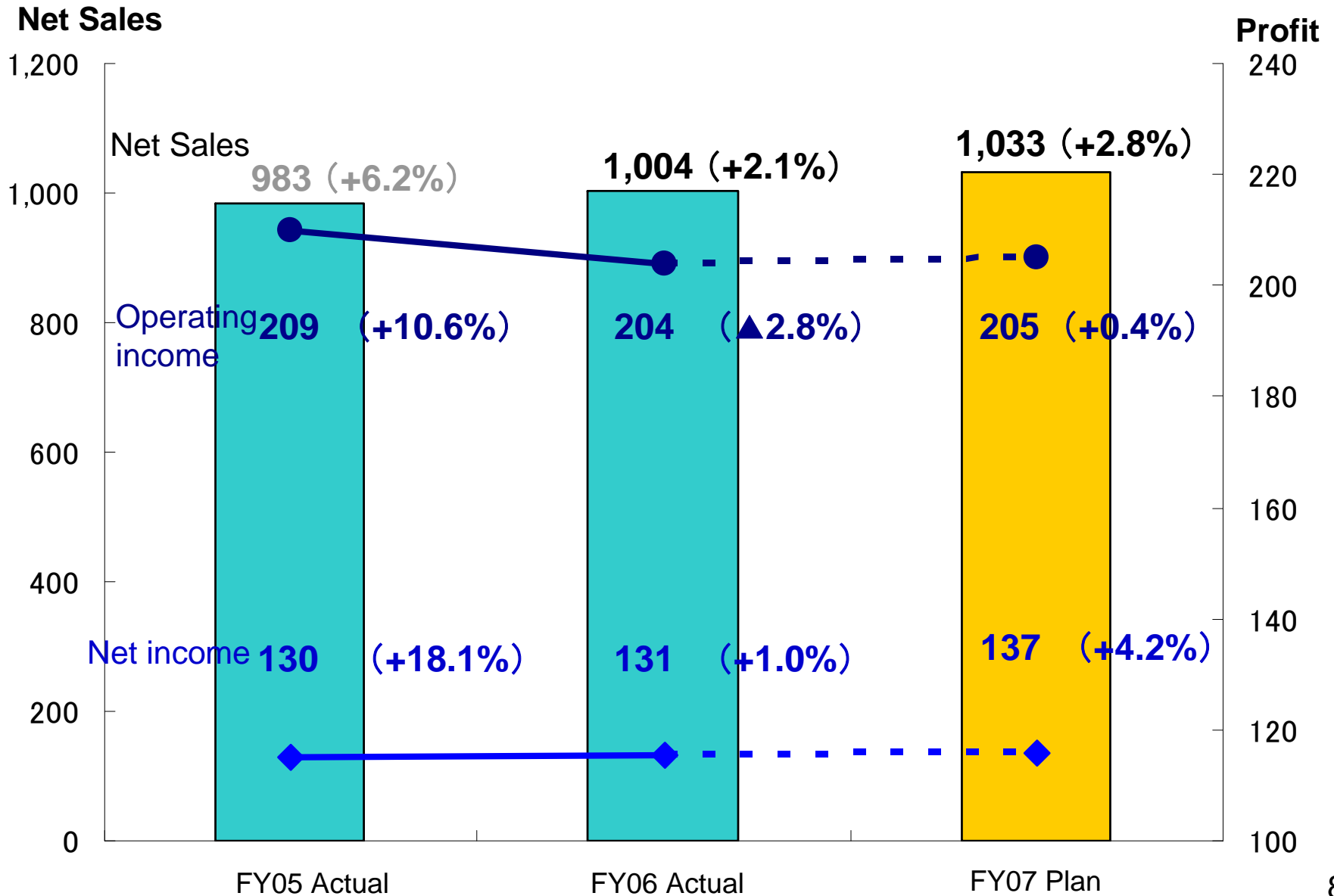
Consolidated Financial Outlook for FY2007



Outlook FY2007

Amounts in: ¥0.1billion

%shows changes from previous year





Highlights FY2007

Enhance disease-awareness activity for dry-eye

Measures for future growth

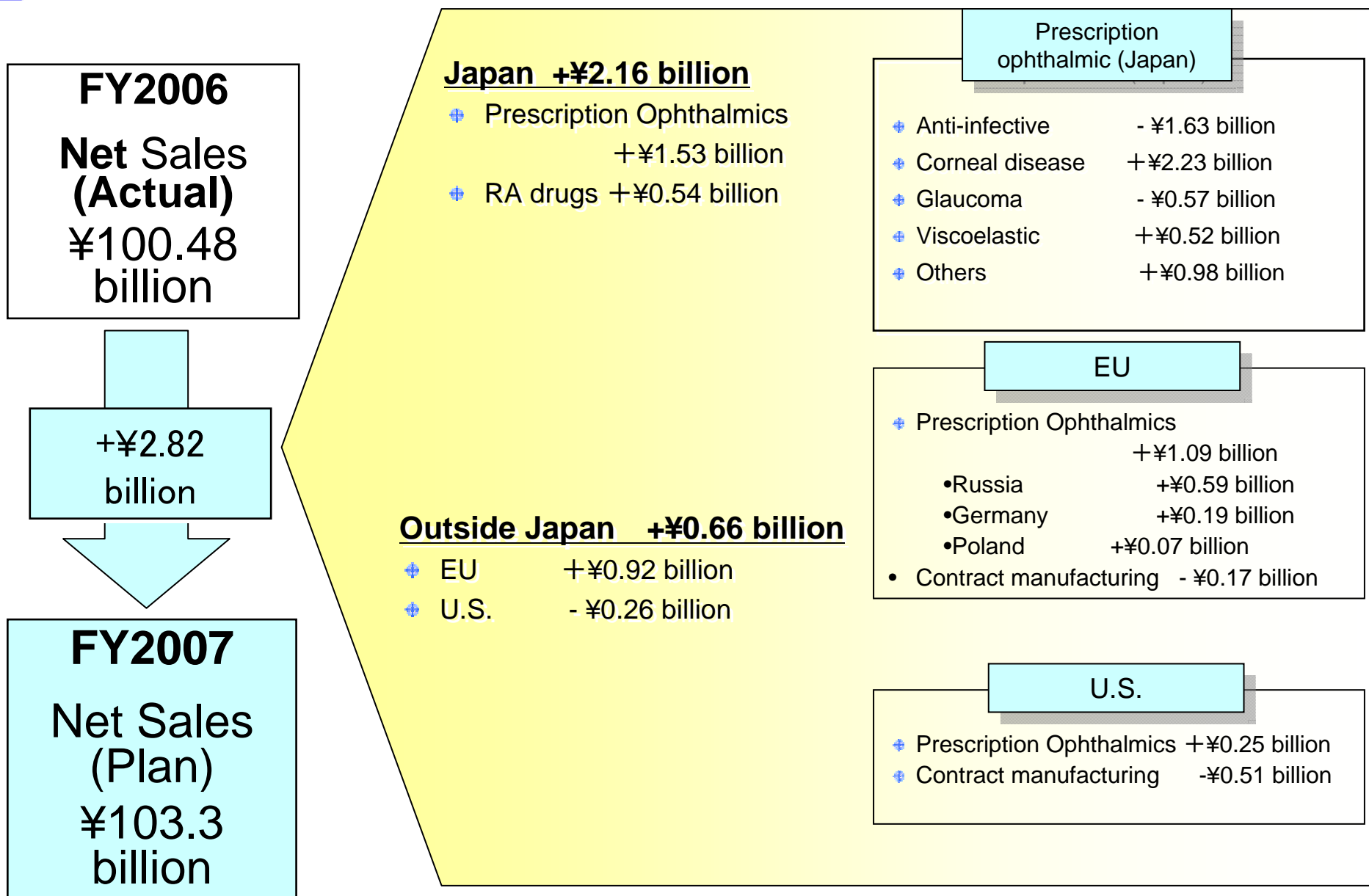
Sales strategy against competing products, preparation for smooth market introduction of new product launch, strengthening market presence in EU and China

Cost reduction of sold goods along with the change of product items

Spend SAG including R&D expense as scheduled in budget



Consolidated Net Sales: Variances





Sales for Major Products

(Amounts in: 0.1billion yen)

Effect	Items	FY2006		FY2007	
		Actual	Var	Plan	Var
Corneal and Conjunctival Epithelial Disorders	Hyalein	178	6.0 %	200	11.8 %
Glaucoma	Timoptol	38	▲ 9.4 %	34	▲ 8.8 %
	Timootol XE	32	6.1 %	32	1.1 %
	Detantol	22	3 %	22	0 %
	Rescula	51	▲ 0.5 %	49	▲ 3.7 %
	Sum	144	▲ 1.4 %	139	▲ 3.4 %
Anti-infective	Cravit	131	▲ 0.5 %	122	▲ 7.1 %
	Tarivid	35	▲ 14.0 %	28	▲ 19.1 %
	Sum	166	▲ 3.7 %	150	▲ 9.7 %
Anti-allergy	Livostin	43	8.1 %	42	0 %
Anti-Rheumatic	Rimatil	49	▲ 6.2 %	49	1.5 %
	Azulfidine EN	38	4.6 %	41	6.8 %



References

**Consolidated Financial Summary for Half
Year Ended September 30, 2007**



Net Sales by Division & Oversea Sales

■ Sales by division

(Amounts in: ¥0.1 billion)

	FY2007 (half year ended September 30)					
	Domestic		Overseas		Total	
	Amounts	Var	Amounts	Var	Amounts	Var
Prescription Pharmaceuticals	410.7	0.5 %	68.1	10.2 %	478.8	1.8 %
Ophthalmic	361.3	0.2 %	67.3	12.8 %	428.7	2.0 %
Anti-rheumatic drugs	48.1	2.7 %	0.6	▲ 62.0 %	48.8	0.4 %
Other prescription pharmaceuticals	1.2	3.7 %	0.0	▲ 72.7 %	1.3	▲ 12.7 %
OTC pharmaceuticals	27.9	2.0 %	0.1	▲ 40.9 %	28.0	1.7 %
Medical devices	2.1	▲ 16.2 %	0.1	32.0 %	2.3	▲ 14.3 %
Others	2.9	15.8 %	7.2	▲ 30.8 %	10.1	▲ 21.7 %
Total	443.8	0.6 %	75.5	4.2 %	519.4	1.1 %

■ Oversea Sales

(Amounts in: ¥0.1 billion)

	FY2006 Actual	FY2007		
		Actual	Var	Var
EU	33.7	42.2	8.5	25.2 %
U.S.	11.9	8.2	▲ 3.7	▲ 31.3 %
Asia	26.5	25.0	▲ 1.5	▲ 5.5 %
Others	0.2	0.0	▲ 0.2	▲ 100.0 %
Total	72.5	75.5	3.0	4.2 %



Summary of Changes in Income Statement (1)

(Amounts in: ¥0.1 billion)

	FY2006 Actual	FY2007		Major changes
		Actual	Var	
Net sales	513	519	6	
Cost of sales (% of net sales)	180 35.2%	183 35.2%	3 0.0 ppt	
Selling, general and administration expense (% of net sales)	211 41.2%	229 44.3%	18 3.1 ppt	
SGA expenses excl. R&D (% of net sales)	148 28.9%	166 32.0%	18 3.1 ppt	<ul style="list-style-type: none"> • Domestic SGA expense increases (+¥1 billion) • Asia SGA expense increases (+¥0.2 billion) • EU SGA expense increases (+¥0.4 billion)
R&D expense (% of net sales)	63 12.3%	63 12.2%	0 ▲ 0.1 ppt	
Operating income (% of net sales)	121 23.6%	106 20.5%	▲ 15 ▲ 3.1 ppt	

<Exchange rate>

	FY2006	FY 2007
US\$	¥115.25	¥119.35
Euro	¥144.56	¥161.78



Summary of Changes in Income Statement (2)

(Amounts in: ¥0.1 billion)

	FY2006 Actual	FY2007		Major changes
		Actual	Var	
Non-operating loss	1	3	2	
Non-operating income	4	5	1	[Half year FY06] Interest and dividend income (¥0.2 billion) Sundry income (¥0.2 billion) [Half year FY07] Interest and dividend income (¥0.2 billion) Sundry income (¥0.2 billion)
Non-operating expenses	3	2	▲ 1	[Half year FY06] Maturity return (¥0.1 billion) Amortization for goodwill (¥0.2 billion) [Half year FY07] Maturity return (¥0.2 billion)
Ordinary income	122	109	▲ 13	
Extraordinary gain or loss	2	0	▲ 2	
Extraordinary gain	2	0	▲ 2	[Half year FY06] Gain on sales of fixed assets (¥0.2 billion)
Extraordinary loss	0	0	0	
Net income before tax	124	109	▲ 15	
Income taxes	47	40	▲ 7	Tax rate: [Half year FY06] 37.9% [Half year FY07] 36.7%
Net income	77	69	▲ 8	

<Exchange rate>		
	FY2006	FY 2007
US\$	¥115.25	¥119.35
Euro	¥144.56	¥161.78



Performed by Geographic Segment

【Net Sales】

(Amounts in ¥0.1 billion)

	FY2006 Actual	FY2007	
		Actual	Var
Japan	464	464	0
EU&U.S.	46	51	5
EU	34	42	8
U.S.	11	8	▲ 3
Others ※1	3	3	0
Total	513	519	6

【Operating income】

(Amounts in ¥0.1 billion)

	FY2006 Actual	FY2007	
		Actual	Var
Japan	124	116	▲ 8
EU&U.S.	6	4	▲ 2
EU	0	0	0
U.S.	5	3	▲ 2
Others ※1	▲ 2	▲ 3	▲ 1
Corporate and elimination	▲ 6	▲ 10	▲ 4
Total	121	106	▲ 15

※1 “Others” are U.S., China, Korea and Taiwan. Details of major sales and expenses of “Others” are noted below.
Sales: Prescription Ophthalmics for Korea and Taiwan, Expenses: R&D expense for medical devices in U.S.

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



Balance Sheets

(Amounts in: ¥0.1 billion)

	FY2007 (the end of March)		FY2007 (the end of September)		
	Actual	Ratio	Actual	Ratio	Var
Current assets	1,008	63.4 %	1,034	64.3 %	26
Fixed assets	582	36.6 %	572	35.6 %	▲ 10
Deferred assets	0	0.0 %	1	0.1 %	1
Total assets	1,590	100.0 %	1,607	100.0 %	17
Current liabilities	223	14.0 %	261	16.2 %	38
Noncurrent liabilities	80	5.1 %	28	1.8 %	▲ 52
Total liabilities	304	19.1 %	289	18.0 %	▲ 15
Total net assets	1,286	80.9 %	1,318	82.0 %	32
Total liabilities and net	1,590	100.0 %	1,607	100.0 %	17

【Major variations】

- Current assets: Cash and deposits +¥2.8 billion, notes and accounts +¥1.3 billion, receivable trade - ¥1.5 billion
- Fixed assets: Investment securities - ¥0.5 billion, investments and other assets - ¥0.5 billion
- Current liabilities: Notes and accounts payable-trade - ¥1.1 billion, current portion of long-term debt +¥5 billion
- Noncurrent liabilities: Long-term debt - ¥5 billion
- Net assets: Major increase variances (half year ended FY2007) Gross profit +¥6.9 billion
Major decrease variance cash dividend - ¥3 billion, value variance of marketable securities - ¥0.7 billion



Statements of Cash Flow

(Amounts in: ¥0.1 billion)

	FY2007 Actual	Major items
Cash and cash equivalent at beginning of year	498	
Net increase/ decrease in cash and cash equivalents	30	
Cash flows from operating activities	71	<ul style="list-style-type: none"> ·Income before income taxes: 109 ·Depreciation and amortization: 22 ·Increase/decrease in trade receivables: -13 ·Increase/decrease in inventories: -11 ·Income tax paid: -38
Cash flows from investing activities	▲ 9	<ul style="list-style-type: none"> ·Decrease in fixed deposits (Net): 6 ·Proceeds from sales of marketable securities: 10 ·Payments of acquisition of fixed assets: -19 ·Purchase of investment securities: -10
Cash flows from financing activities	▲ 30	<ul style="list-style-type: none"> ·Dividends paid: -30
Cash and cash equivalent at the end of the year	528	

Note: As cash here includes cash and cash equivalents, there is no consistency between cash and deposits in balance sheet and cash stated above



Capital Expenditures / Description & Amortization/ Lease Expense

	FY2006 Actual	FY2007	
		Actual	Var
Capital expenditures	15	17	2
Depreciation and amortization	15	16	1
Lease expenses	5	5	0

■ Major capital expenditure of half year ended 2007

- ✦ Plant construction in Santen Pharmaceutical (China) Co., Ltd
- ✦ Replacing of production facilities and machinery for research and development



References

Consolidated Financial Outlook for FY2007



Outlook for 2007 by Division & Oversea Sales

■ Sales by division

(Amounts in: ¥0.1 billion)

	FY2007					
	Domestic		Overseas		Total	
	Sales	Var	Sales	Var	Sales	Var
Prescription pharmaceuticals	828.1	2.6 %	124.4	12.1 %	952.6	3.7 %
Ophthalmic	728.0	2.2 %	122.3	12.5 %	850.4	3.5 %
Anti-rheumatic drugs	97.5	5.9 %	1.4	▲ 12.2 %	99.0	5.6 %
Other prescription pharmaceuticals	2.6	▲ 0.3 %	0.6	11.0 %	3.2	1.6 %
OTC pharmaceuticals	53.0	0.3 %	0.1	▲ 8.1 %	53.2	0.2 %
Medical devices	6.1	18.4 %	0.5	159.3 %	6.6	24.1 %
Others	5.7	▲ 5.1 %	14.7	▲ 32.6 %	20.4	▲ 26.7 %
Total	893.0	2.5 %	139.9	5.0 %	1,033.0	2.8 %

■ Oversea Sales

(Amounts in: ¥0.1 billion)

	FY2006 Actual	FY2007		
		Plan	Var	Var %
EU	69.1	78.3	9.2	13.3 %
U.S.	21.2	18.6	▲ 2.6	▲ 12.3 %
Asia	42.4	42.4	0.0	▲ 0.0 %
Others	0.4	0.4	0.0	7.3 %
Total	133.3	139.9	6.6	5.0 %



Summary of Changes in Income Statement (1)

(Amounts in: ¥0.1 billion)

	2006年度 実績	2007年度		Major changes
		予想	増減	
Net sales	1,004	1,033	29	
Cost of sales (% of net sales)	354 35.3%	360 34.8%	6 ▲ 0.5 ppt	<ul style="list-style-type: none"> • Influenced by the increase of fixed cost (+0.4ppt) • Increase of capacity utilization (-0.1ppt) • Change of product items (-0.3ppt) • Reduction for cost of sales, by EU & U.S. subsidiary company (-0.3ppt)
SGA expenses (% of net sales)	445 44.4%	468 45.3%	23 0.9 ppt	
SGA expenses excl. R&D (% of net sales)	309 30.8%	330 31.9%	21 1.1 ppt	<ul style="list-style-type: none"> • Increase of domestic SGA expenses (+¥1.2 billion) • Increase of EU GSA expenses (+¥0.5 billion) • Increase of Asia GSA expenses (+¥0.4 billion)
R&D expenses (% of net sales)	136 13.6%	138 13.3%	2 ▲ 0.3 ppt	
Operating income (% of net sales)	204 20.3%	205 19.8%	1 ▲ 0.5 ppt	

<Exchange rates>

	<u>FY2006</u>	<u>FY2007</u>
US\$	¥116.86	¥115.00
Euro	¥148.99	¥150.00



Summary of Changes in Income Statement (2)

(Amounts: ¥0.1 billion)

	FY2006 Actual	FY2007		Major items
		Plan	Var	
Non-operating loss	4	7	3	
Non-operating income	11	9	▲ 2	[07/03] Interest and dividend income (¥0.4 billion) Maturity return (¥0.1 billion) Sundry income (¥0.5 billion) [08/03] Interest and dividend income (¥0.4 billion) Maturity return (¥0.1 billion) Sundry income (¥0.2 billion)
Non-operating expenses	7	2	▲ 5	[07/3] interest costs (¥0.1 billion), amortization for goodwill (¥0.3 billion) Currency expense loss (¥0.1 billion) [08/3] interest cost (¥0.1 billion)
Ordinary income	208	212	4	
Extraordinary gain or loss	2	0	▲ 2	
Extraordinary gain	2	0	▲ 2	[07/3] Proceeds from sale of fixed assets (¥0.2 billion)
Extraordinary loss	0	0	0	
Net income before tax	210	212	2	
Income taxes	78	75	▲ 3	
Net income	131	137	6	Tax rate [07/3] 37.5% [08/3] 35.4% Increase of profit by subsidiary company (reduction of loss) and others

<Exchange rates>

	FY2006	FY2007
US\$	¥116.86	¥115.00
Euro	¥148.99	¥150.00



Performed by Geographic Segment

【Net sales】

(Amounts in: ¥0.1 billion)

	FY2006 Actual	FY2007	
		Plan	Var
Japan	906	929	23
EU&U.S.	91	97	6
EU	70	79	9
U.S.	21	17	▲ 3
Others ※1	6	6	0
Total	1,004	1,033	29

【Operating income】

(Amounts in: ¥0.1 billion)

	FY2006 Actual	FY2007	
		Plan	Var
Japan	217	219	2
EU&U.S.	9	11	2
EU	0	1	1
U.S.	9	10	1
Others ※1	▲ 7	▲ 5	2
Corporate and elimination	▲ 15	▲ 20	▲ 5
Total	204	205	1

※1 “Others” are U.S., China, Korea and Taiwan. Details of major sales and expenses of “Others” are noted below.

Sales: Prescription Ophthalmics for Korea and Taiwan, Expenses: R&D expense for medical devices in U.S.

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



Capital Expenditures / Description & Amortization/ Lease Expense

(Amounts in: ¥0.1 billion)

	FY2006	FY2007	
	Actual	Plan	Var
Capital expenditures	27	37	10
Depreciation and amortization	32	35	3
Lease expenses	10	9	▲ 1

■ Major capital expenditure FY2007

- ✦ Plant construction in Santen Pharmaceutical (China) Co., Ltd
- ✦ Replacing of production facilities and machinery for research and development
- ✦ Extension of the Nara Research and Developing Center