



FY2007 Third Quarter Results Investor Conference Call

January 30, 2008

Santen Pharmaceutical Co., Ltd.



FY2007 Third Quarter Consolidated Financial Results

Chief Financial Officer
Yoshihiro Noutsuka



Consolidated Performance Summary

(Amounts in billions of yen)

	FY2006 Q3 Actual	FY2007		
		Q3 Actual	Change	% Change
Net Sales	77.7	79.2	1.5	2.0 %
Operating Profit	18.4	16.6	- 1.8	- 9.7 %
Ordinary Profit	18.6	17	- 1.6	- 8.3 %
Net Income	11.8	10.7	- 1.1	- 9.3 %



Net Sales by Business Segment/Overseas Sales

● Net Sales by Business Segment

(Amounts in billions yen)

	FY2007 Q3 Actual					
	Japan		Overseas		Total	
	Sales	Change	Sales	Change	Sales	Change
Prescription Pharmaceuticals	63.28	0.7 %	10.04	19.2 %	73.32	2.9 %
Ophthalmic	55.58	0.4 %	9.92	20.9 %	65.50	3.0 %
Anti-rheumatic	7.51	3.3 %	0.1	-37.1 %	7.62	2.3 %
Others	0.18	-2.6 %	0.01	-71.3 %	0.2	-16.5 %
OTC Pharmaceuticals	4.22	4.6 %	0.01	-33.0 %	4.23	4.4 %
Medical Devices	0.31	-20.5 %	0.01	-9.9 %	0.32	-20.1 %
Others	0.44	4.0 %	0.95	-40.3 %	1.4	-31.0 %
Total	68.26	0.8 %	11.02	9.6 %	79.29	2.0 %

● Overseas Sales

(Amounts in billions yen)

	FY 2006 3Q Actual	FY2007 3Q Actual		
		3Q Actual	Change	% Change
Europe	4.97	6.31	1.34	27.0 %
North America	1.58	1.19	-0.39	-24.5 %
Asia	3.47	3.51	0.04	1.1 %
Others	0.03	0.01	-0.02	-69.0 %
Total	10.06	11.02	0.96	9.6 %



Consolidated Net Sales: Variances

FY2006
Q3 Actual
Net Sales
77.76 billion yen

+1.53 billion
yen

FY2007
Q3 Actual
Net Sales
79.29 billion yen

Japan **+0.56**

[Increase]

- + Prescription ophthalmics +0.2
- + RA drugs +0.23
- + OTC drugs +0.18

[Decrease]

- + Medical Devices -0.08

Overseas **+0.96**

[Increase]

- + Europe +1.34
- + Asia +0.04

[Decrease]

- + North America -0.39

Prescription Ophthalmics in Japan

- + Anti-infective -0.7
- + Corneal disease +1.05
- + Allergy -0.26
- + Viscoelastic +0.33

Europe

- + Prescription Ophthalmics +1.34
 - + Russia +0.46
 - + North Europe +0.35
 - + Germany +0.14

North America

- + Prescription Ophthalmics +0.25
- + Contract manufacturing -0.63



Summary of Changes in Income Statement (1)

(Amounts in billion yen)

	FY2006 Q3 Actual	FY2007		Major Changes
		Q3 Actual	Change	
Net Sales	77.7	79.2	1.5	
Cost of Sales	27.2	27.8	0.6	
(% of net sales)	35.1%	35.1%	- 0.0 ppt	
Selling, general & administrative expense	32	34.7	2.7	
(% of net sales)	41.1%	43.9%	2.9 ppt	
SGA expense excl. R&D	22.6	25.0	2.4	<ul style="list-style-type: none"> • Japan: Increase of sales & marketing expense (+0.11) • Asia: Increase of sales & marketing expense (+0.3) • Europe: Increase of sales & marketing expense (+0.7)
(% of net sales)	29.1%	31.6%	2.5 ppt	
R&D	9.3	9.7	0.4	<ul style="list-style-type: none"> • Glaucoma: (+0.15) • Retina: (+0.2)
(% of net sales)	12.1%	12.3%	0.2 ppt	
Operating income	18.4	16.6	- 1.8	
(% of net sales)	23.8%	21.0%	- 2.7 ppt	



Summary of Changes in Income Statement (2)

(Amounts in billions yen)

	FY2006 3Q Actual	FY2007		Major Changes
		3Q Actual	Change	
Non-operating income/expense	0.2	0.4	0.2	
Non-operating income	0.7	0.9	0.2	[FY06] Interest income (0.3) Other income (0.3) [FY07] Interest income (0.4) Other income (0.4)
Non-operating expense	0.5	0.5	0	[FY06] Interest expense (0.1) Amortization for goodwill (0.2) Currency expense loss (0.2) [FY07] Currency expense loss (0.4)
Ordinary Income	18.6	17.0	- 1.6	
Extraordinary gain/loss	0.2	0.2	0	
Extraordinary gain	0.2	0.2	0	[FY06] Gain from sales of fixed assets (0.2) [FY07] Gain from sales of investment securities (0.2)
Extraordinary loss	0	0	0	
Net income before tax	18.8	17.2	- 1.6	
Income taxes	6.9	6.5	- 0.4	Tax rate [FY06] 37.0% [FY07] 37.6%
Net income	11.8	10.7	- 1.1	

<Exchange Rate>		
	FY2006	FY2007
US\$	115.96yen	117.37yen
Euro	146.48yen	162.33yen



Performance by Geographic Segment

【Net Sales】

(Amounts in billions yen)

	FY2006 3Q Actual	FY2007	
		3Q Actual	Changes
Japan	70.5	71.1	0.6
Europe	6.6	7.5	0.9
Europe	5	6.4	1.4
North America	1.5	1.1	-0.4
Others ※1	0.5	0.5	0
Total	77.7	79.2	1.5

【Operating Income】

(Amounts in billions yen)

	FY2006 3Q Actual	FY2007	
		3Q Actual	Changes
Japan	19.2	18.3	-0.9
Europe	0.7	0.4	-0.3
Europe	0	0	0
North America	0.7	0.5	-0.2
Others ※1	-0.4	-0.5	-0.1
Elimination	-1.1	-1.4	-0.3
Total	18.4	16.6	-1.8

※1 “Others” are the U.S., China, 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

(Amounts in billions yen)

	FY2007		FY2007 3Q		
	Actual	% of total	Actual	% of total	Change
Current assets	100.8	63.4%	103.7	64.9%	2.9
Fixed assets	58.2	36.6%	55.8	35.0%	-2.3
Deferred assets	0	0.0%	0.2	0.1%	0.1
Total Assets	159.0	100.0%	159.8	100.0%	0.7
Current liabilities	22.3	14.0%	25.3	15.9%	3.0
Fixed liabilities	8.0	5.1%	2.8	1.8%	-5.2
Total liabilities	30.4	19.1%	28.2	17.7%	-2.2
Total net assets	128.6	80.9%	131.6	82.3%	2.9
Total liabilities and net assets	159.0	100.0%	159.8	100.0%	0.7

【Major changes】

- Current assets: Cash and deposit (+1.5), Notes receivable and accounts receivable (+2.9), Securities (-1.5)
- Fixed assets: Investment securities (-2.1)
- Current liabilities: Current portion of long-term debt (+5), Income tax payable (-1.6)
- Fixed liabilities: Long-term debt (-5.1)
- Net assets: [Increase] Net income (+10.7)
[Decrease] Cash dividends (-6.5), Unrealized gains on securities, net of taxes (-1.6)



Summary of Cash Flows

(Amounts in billions yen)

	FY2007 Q3 Actual	Major changes												
Cash and cash equivalent beginning of fiscal year	49.8													
Net increase/decrease in cash equivalent	1.1													
<table border="1"> <tr> <td>Cash flows from operating activities</td> <td>9.1</td> <td> <ul style="list-style-type: none"> ▪ Income before income taxes 17.2 ▪ Depreciation and amortization 3.4 ▪ Increase and decrease in trade receivables -2.8 ▪ Increase and decrease in inventories -0.5 ▪ Income tax paid -7.6 </td> </tr> <tr> <td>Cash flows from investing activities</td> <td>-1.7</td> <td> <ul style="list-style-type: none"> ▪ Redemption of marketable securities 0.1 ▪ Purchase of property and equipment -2.4 ▪ Purchase & sale of investments securities -4.0 </td> </tr> <tr> <td>Cash flows from financial activities</td> <td>-6.3</td> <td> <ul style="list-style-type: none"> ▪ Cash dividends paid -6.3 </td> </tr> <tr> <td>Effect of exchange rate changes</td> <td>0.1</td> <td></td> </tr> </table>	Cash flows from operating activities	9.1	<ul style="list-style-type: none"> ▪ Income before income taxes 17.2 ▪ Depreciation and amortization 3.4 ▪ Increase and decrease in trade receivables -2.8 ▪ Increase and decrease in inventories -0.5 ▪ Income tax paid -7.6 	Cash flows from investing activities	-1.7	<ul style="list-style-type: none"> ▪ Redemption of marketable securities 0.1 ▪ Purchase of property and equipment -2.4 ▪ Purchase & sale of investments securities -4.0 	Cash flows from financial activities	-6.3	<ul style="list-style-type: none"> ▪ Cash dividends paid -6.3 	Effect of exchange rate changes	0.1			
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Effect of exchange rate changes	0.1													
Cash and cash equivalents end of Q3	50.9													

Note: "Cash and cash equivalents" includes cash equivalents, and thus differ from "cash and deposits" shown in the Balance Sheets.



Capital Expenditures/Depreciation and Amortization/Lease Expenses

(Amounts in billions yen)

	FY2006	FY2007	
	Q3 Actual	Q3 Actual	Change
Capital Expenditures	1.8	2.2	+ 0.4
Depreciation and Amortization	2.2	2.4	+ 0.2
Lease Expenses	0.7	0.7	±0

2007/ Q3 Major Term

- Investment in constructing a manufacturing plant in China
- Reconstruction of production facilities
- Replacing equipment for R&D, etc



Santen Pharmaceutical Co., Ltd

Status of Clinical Development

Toshiaki Nishihata, Ph.D.

Senior Corporate Officer

Head of Research and Development Division

January 30, 2008

Forward-looking statements: The process of drug research and development from discovery to final approval and sales in long, complex and uncertain. Individual compounds are subject to a multitude of uncertainties, including the termination of clinical development at various stages and the non-approval of products after a regulatory filing has been submitted. Progress of new product development is greatly influenced by various factors, such as the delay of approval, ambiguous results of clinical data, an uncertainty of safety and effectiveness, unforeseen side-effects, and delay of launch or development.



Status of major clinical study (Ophthalmic) DE-085

● DE-085 (Glaucoma/Ocular hypertension)

Area	Development Stage	Note
JP	Applied for manufacturing and marketing approval	Applied : July, FY2006
EU	Applied for manufacturing and marketing approval	Applied : April, FY2007
U.S.	Will decide our future development plan based on the study results and marketability	



Status of major clinical study (Ophthalmic) DE-089

●DE-089

(Corneal and conjunctival epithelial disorder associated with dry eye, etc.)

Area	Development stage	Note
JP	Phase 3*	To be filed : 2Q FY2008

* Comparative study was completed. Now the long-term clinical study is conducting.



Status of major clinical study (Ophthalmic)

— Corneal and conjunctival epithelial disorder associated with dry eye, etc.—

Code	Area	Indication	Development stage	Note
DE-099	JP	Corneal and conjunctival epithelial disorder associated with dry eye	P2	Generic name : Gefarnate
DE-101	U.S.	Corneal and conjunctival epithelial disorder associated with dry eye	P2	Generic name : Rivoglitazone
DE-103	JP	Allergic conjunctivitis	P2	PDE4 inhibitor



Status of major clinical study (Ophthalmic)

— Glaucoma/ Ocular hypertension —

Code	Area	Development stage	Note
DE-092	EU	Pilot study P2	Generic name: Olmesartan
DE-090	JP	P2	Generic name: Lomerizine HCl
DE-104	U.S.	P1(In preparation for P2)	ROCK inhibitor
	JP	P2(In preparation for P2)	



Status of major clinical study (Rheumatic/Retina)

Code	Area	Indication	Development stage	Note
DE-098*	JP EU	Rheumatoid arthritis	P1/2a	Anti-APO-1 antibody
DE-102	JP	Diabetic Macular Edema	P1/2a	Steroid DDS

* Domestic development rights was licensed to Argense, Inc.. Santen holds the marketing rights in Japan and development rights in overseas.

DE-096 was deleted from the list because of improving the oral formulation.