



FY 2009 Third Quarter Results

February 2, 2010

Santen Pharmaceutical Co., Ltd



Consolidated Results for the Q3 of FY2009

Satoshi Harada
Corporate Officer
Head of Administration Division

Performance Overview of 3Q FY2009

(JPY billions)

	Actual Q3 FY2008	Actual Q3 FY2009	Var. %
Net sales	77.81	86.30	10.9%
Operating income	11.49	25.70	123.6%
Ordinary income	12.34	25.81	109.1%
Net income	7.70	16.23	110.7%

Net Sales by Business Segment/ Oversea Sales

■ Sales by Business Segment

(JPY billions)

	Q3 FY2009 Actual Results					
	Domestic		Oversea		Total	
	Sales	Var. %	Sales	Var. %	Sales	Var. %
Prescription Pharmaceuticals	63.99	2.2 %	10.83	10.7 %	74.83	3.3 %
Ophthalmic	56.07	2.1 %	10.72	10.6 %	66.79	3.4 %
Anti-rheumatic	7.71	2.8 %	0.09	52.2 %	7.80	3.2 %
Others	0.21	▲5.1 %	0.01	▲36.2 %	0.22	▲8.0 %
OTC Drugs	4.03	0.4 %	0.01	180.1 %	4.05	0.7 %
Medical Devices	0.67	62.6 %	—	—	0.67	62.6 %
Others	0.41	11.0 %	6.32	987.1 %	6.73	607.2 %
Total	69.12	2.5 %	17.17	65.6 %	86.30	10.9 %

■ Oversea Sales

(JPY billions)

	Q3 FY2008 Actual	Q3 FY2009 Actual		
		Actual	Var.	Var. %
Europe	6.69	6.41	▲0.28	▲4.2 %
U.S.	0.60	6.35	5.74	945.3 %
Asia	3.06	4.40	1.34	43.7 %
Others	0.00	0.00	0.00	59.9 %
Total	10.37	17.17	6.80	65.6 %



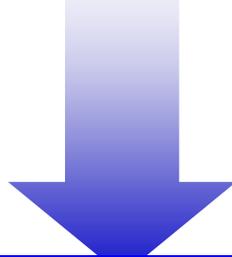
Net Sales Variances (vs. Q3 FY2008)

(JPY billions)

**Q3 FY2008
Cumulative
Actual Sales**

¥77.81

+¥8.49



**Q3 FY2009
Cumulative
Actual Sales**

¥86.30

Domestic Sales +¥1.68

- + Prescription Ophthalmics +¥1.16
- + Anti-RA +¥0.21
- + Medical Devices +¥0.26
- + OTC +¥0.01

Overseas Sales +¥6.80

- + Europe -¥0.28
(currency impact -¥1.10)
- + North America +¥5.74
- + Asia +¥1.34
 - + China +¥1.07
 - (currency impact -¥0.20)
 - + Korea +¥0.20

Prescription Ophthalmics (Japan)

- + Anti-infective -¥0.75
- + Corneal disease +¥0.51
- + Glaucoma +¥1.66
 - Tapros +¥2.51
- + Allergy -¥0.22
- + Others -¥0.03

Europe

- + Prescription Ophthalmics -¥0.28
 - +W. Europe +¥0.28
(Germany +¥0.30)
 - +E. Europe -¥0.04
 - +N. Europe -¥0.23
 - +Russia -¥0.28
- + Contract Manufacturing +¥0.02

	<Exchange Rate> (vs. JPY)	
	Q3 FY2008 Actual	Q3 FY2009 Actual
US\$	¥103.05	¥93.47
Euro	¥155.00	¥132.26
CNY	¥15.19	¥13.86



Summary of Changes in Income Statement

(JPY billions)

Cumulative Results	Q3 FY2008 Actual	FY2009		
		Q3 Actual	Variance	Major Changes
Net Sales	77.81	86.30	+8.49	
Cost of Sales (% of Net Sales)	27.08 34.8%	26.66 30.9%	-0.42 -3.9pt	Impact from product mix Impact from reduced manufacturing costs
SG&A Total (% of Net Sales)	39.22 50.4%	33.92 39.3%	-5.30 -11.1pt	
SG&A excluding R&D (% of Net Sales)	24.12 31.0 %	23.35 27.1%	-0.77 -3.9pt	Decrease in SG&A - Domestic (-¥0.5bil) - Europe (-¥0.2bil)
R&D Expense ((% of Net Sales)	15.10 19.4%	10.57 12.3%	-4.53 -7.1pt	FY2008 ¥5.3bil License-in expense related to DE-109
Operating Income (% of Net Sales)	11.49 14.8%	25.70 29.8%	14.21 15.0pt	
Non-operating Income	1.47	0.77	-0.70	
Non-operating Expense	0.63	0.67	0.04	
Ordinary Income	12.34	25.81	13.47	
Extraordinary Profit	0.01	0.07	0.06	
Extraordinary Loss	0.05	0.95	0.90	
Net Income before Tax	12.30	24.93	12.63	
Income Tax	4.60	8.69	4.09	
Net Income	7.70	16.23	8.53	

<Exchange Rate>	vs. JPY
Q3 FY2008 Actual	Q3 FY2010 Actual
US\$ ¥103.05	US\$ ¥93.47
Euro ¥155.00	Euro ¥132.26

Performance by Geographic Segment

■ Net Sales

(JPY billions)

	Actual Q3 FY2008	Q3 FY2009	
		Actual	Var.
Japan	69.80	76.47	+6.67
Europe	7.46	7.25	-0.21
Others*	0.54	2.57	+2.03
Total	77.81	86.30	+8.49

■ Operating Income

	Actual Q3 FY2008	Q3 FY2009	
		Actual	Var.
Japan	13.26	26.30	+13.04
Europe	0.32	0.61	+0.29
Others*	-0.29	0.40	+0.69
Elimination	-1.80	-1.62	+0.18
Total	11.49	25.70	+14.21

* "Others" are U.S., China, Korea and Taiwan.

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

Balance Sheet

(JPY billions)

	As of March 31, 2009		As of December 31, 2009		
	Actual	% of Total	Actual	% of Total	Var.
Current Assets	101.05	66.9 %	112.15	69.4 %	+11.10
Fixed Assets	49.95	33.1 %	49.34	30.6 %	-0.61
Deferred Assets	-	-	-	-	-
Total Assets	151.01	100.0 %	161.50	100.0 %	+10.49
Current Liabilities	22.43	14.9 %	21.63	13.4 %	-0.80
Non-current Liabilities	3.20	2.1 %	4.06	2.5 %	+0.86
Total Liabilities	25.64	17.0 %	25.69	15.9 %	+0.05
Total Net Assets	125.36	83.0 %	135.81	84.1 %	+10.45
Total Liabilities + Net Assets	151.01	100.0 %	161.50	100.0 %	+10.49

Major Changes:

- **Current Assets** : Cash & cash equivalents +¥12.7bil, Notes & accounts receivable +¥1.5bil, Marketable securities -¥1.7bil, Deferred tax assets -¥0.4bil
- **Fixes Assets** : Buildings and fixtures -¥0.9bil, Machineries & equipments.-¥0.3bil, Intangible assets -¥0.3bil, Investment securities +¥0.8bil, LT deferred tax assets +¥0.5bil
- **Current Liabilities** : Accounts payable -¥1.3bil, Unpaid tax +¥0.8bil, Provision for bonus -¥1.1bil, Other current liabilities +¥1.0bil
- **LT Liabilities** : Provision for retirement remuneration +¥0.4bil, Other LT liabilities +¥0.4bil
- **Shareholders Equity** : Retained earnings +¥9.4bil, Marketable securities revaluation profit +¥0.5bil, Currency exchange adjustments +¥0.3bil

Summary of Cash Flow

(JPY billions)

	Actual of Q3 FY2009
Cash and cash equivalents at the beginning of the year	45.95
Net increase/decrease in cash and cash equivalents	7.55
Cash flows from operating activities	19.16
Cash flows from investing activities	-4.93
Cash flows from financial activities	-6.39
Effect of exchange rate changes on cash and cash equivalents	-0.27
Cash and cash equivalents at the end of the year	53.51

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



Capital Expenditures / Depreciation & Amortization / Lease Expenses

(JPY billions)

	Actual Q3 FY2008	Q3 FY2009	
		Actual	Var.
Capital Expenditures	2.48	0.68	-1.79
Depreciation and Amortization	2.52	2.39	-0.12
Lease	0.71	0.42	-0.28



**Reference:
Financial Forecast for FY2009**



Sales/Income Outlook for FY2009

(JPY billions)

	FY2008 Actual	FY2009 Full Year	
		Forecast*	Var. vs. FY2009
Net Sales	101.61	113.50	+11.89
Cost of Sales	35.94	36.00	+0.06
(% of net sales)	35.4 %	31.7%	-3.7pt
SGA Total	50.17	48.50	-1.67
(% of net sales)	49.4 %	42.7%	-6.7 pt
SGA excluding R&D	31.72	33.20	+1.48
(% of net sales)	31.2 %	29.3%	-1.9 pt
R&D Expense	18.45	15.30	-3.15
(% of net sales)	18.2 %	13.5%	-4.7 pt
Operating Income	15.49	29.00	+13.51
(% of net sales)	15.2 %	25.6%	+10.4pt
Ordinary Income	15.93	29.00	+13.07
Net Income before Tax	15.82	29.00	+13.18
Income Taxes	5.70	11.00	+5.30
Net Income	10.12	18.00	+7.88

* FY2009 Forecast as revised on Nov.10, 2009

	< Currency Rate >	
	FY08 Actual	FY09 Forecast
US\$	JPY 100.81	JPY 100.00
Euro	JPY 146.71	JPY 130.00



FY2009 Third Quarter Status of Clinical Development

Toshiaki Nishihata, Ph.D.

Member of the Board

Senior Corporate Officer

Head of Research and Development Division

S Major Clinical Pipeline List (Red Letters: Changes from FY09 Q2)

Global Strategic Product

Global Product

Japan (Asia) Product

Domain	Phase I	Phase II	Phase III	NDA Filed	Approved
Glaucoma		DE-104 ROCK inhibitor		DE-085 Tafluprost China	Japan/Europe (launch) Korea (approval)
		DE-090 Lomerizine HCl			
Corneal Disease (Dry Eye)		DE-101 Rivoglitazone	DE-089 Diquafosol sodium China Japan		
		DE-105 Combination of peptides			
Retinal Disease		DE-109 Sirolimus			
		DE-102 Steroid DDS			
Others Inflammation Allergy RA	DE-110 SEGRA		DE-108 Levofloxacin (Higher concentration)		
		DE-098 Apoptosis inducer			

Status of Major Drug Candidate (DE-085)

- **DE-085** *Tapros* in Japan, *Taflotan* in Europe (Glaucoma, Ocular hypertension)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 11, 2009 (Previous announcement)	
Japan	Launched (December 2008 -)	Launched (December 2008 -)	Approved (October 2008)
Europe	Launched* (June 2008 -)	Launched (June 2008 -)	Approved (April 2008 -)
Asia	Korea: Approved China: P3	Korea: Approved China: P3	Korea: Approved (Jun. 2009)

* : Launched in Germany, Denmark, Finland, Sweden, Norway and Poland.

Merck launched in UK and Spain.

Granted marketing authorization to Merck for 24 countries (including CIS).

(Changes from the previous quarter have been highlighted with underlines).

U.S.	Out-licensed development and marketing rights to Merck (Apr. 2009)
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Status of Major Drug Candidate (DE-089)

- **DE-089** (Corneal and conjunctival epithelial disorders associated with dry eye)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 11, 2009 (Previous announcement)	
Japan	Filed	Filed	Generic name: Diquafosol sodium Japan: NDA Filed (May 2008)
Asia	China: P3	--	



Status of Major Pipeline - Glaucoma, Ocular hypertension -

- **DE-090**

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 11, 2009 (Previous announcement)	
Japan	P2	P2	Generic name: Lomerizine HCl

- **DE-104**

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 11, 2009 (Previous announcement)	
U.S.	P1/P2	P1/P2	ROCK inhibitor
Japan	P2	P2	



Status of Major Pipeline - Corneal and conjunctival disease -

- **DE-101** (Corneal and conjunctival epithelial disorders associated with dry eye)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
U.S.	Preparing P1 / 2*	Preparing P2b	Generic name: Rivoglitazone
Japan	P2b	Preparing P2b	

*Additional trial with high concentration formula prior to P2b

- **DE-105** (Persistent corneal epithelial defects)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
U.S.	Preparing P2	Preparing P2	Combination of peptides
Japan	P2	Preparing P2	



Status of Major Pipeline - Retinal Disease -

- **DE-102** (Diabetic macular edema)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
Japan	P1 / 2	P1 / 2	Steroid DDS

- **DE-109*** (Wet age related macular degeneration, diabetic macular edema)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
Japan	P1 / 2	P1 / 2	Generic name: Sirolimus

* Santen made a research and development collaboration and license agreement with MacuSight Inc. for the Japanese and Asian development and commercialization of sirolimus for the treatment of ocular diseases.

Status of Major Pipeline - Others -

- **DE-108** (Bacterial conjunctivitis)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
Japan	Preparing for NDA filing	P3	higher-concentration Levofloxacin

- **DE-098** (Rheumatoid arthritis)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
Japan	P1 / 2	P1 / 2	Anti-APO-1 antibody
Europe	P1 / 2	P1 / 2	

- **DE-110** (Allergic conjunctivitis)

Region	Development Stage		Remarks
	As of Feb. 2, 2010	As of Nov. 10, 2009 (Previous announcement)	
U.S.	P1	--	Selective Glucocorticoid Receptor Agonist (SEGRA)



Forward-Looking Statements

- Information given in this announcement and accompanying documentation contains certain forward-looking statements concerning forecasts, projections and plans whose realization is subject to risk and uncertainty from a variety of sources. Actual results may differ significantly from forecasts.
- Business performance and financial condition are subject to the effects of medical regulatory changes made by the governments of Japan and other nations concerning medical insurance, drug pricing and other systems, and to fluctuations in market variables such as interest rates and foreign exchange rates.
- The process of drug research and development from discovery to final approval and sales is 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. Forecasts and projections concerning new products take into account assumptions concerning the development pipelines of other companies and any co-promotion agreements, existing or planned. The success or failure of such agreements could affect business performance and financial condition significantly.
- Business performance and financial conditions could be affected significantly by a substantial drop in sales of a major drug, either currently marketed or expected to be launched, due to termination of sales as a result of factors such as patent expiry and complications, product defects or unforeseen side effects. Santen Pharmaceutical also sells numerous products under sales and/or manufacturing license from other companies. Business performance could be affected significantly by changes in the terms and conditions of agreements and/or the non-renewal of agreements.
- Santen Pharmaceutical is reliant on specific companies for supplies of certain raw materials used in production. Business performance could be affected significantly by the suspension or termination of supplies of such raw materials if such an event were to adversely affect supply capabilities for related final products.



Reference:

**Domestic Prescription Pharmaceutical Market
-Ophthalmics and Anti-rheumatics-**

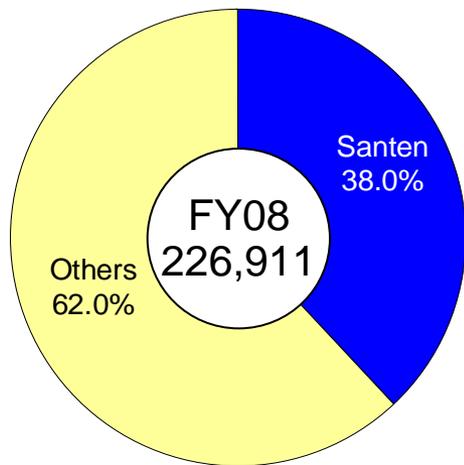


Japan: Trend & Competition by Category - 1

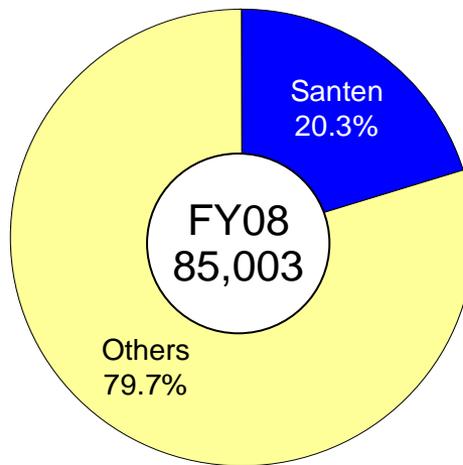
- **Ophthalmology total:** Market grew by 5.4% YoY in the period up to 3rd quarter FY09. While the market has been a rapid growth in the retinal segment, Santen maintained market share at 38.0%.
- **Glaucoma:** Santen outperformed the market with the contribution of the Tapros. Santen's share is at 22.8%.
- **Corneal:** Market continued to grow at 4.4% YoY. Santen manages to maintain market share at 77.3%.

Market Size:
millions of yen
%: Value Share

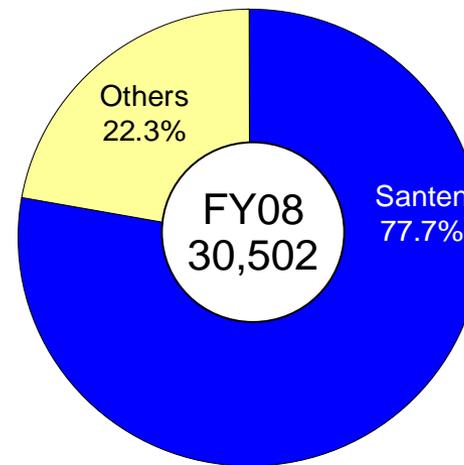
Ophthalmology Total



Anti-glaucoma



Corneal: Dry Eye



FY08 FY09 3QYTD

YoY change	Ophthalmology Total	
	FY08	FY09 3QYTD
Market	+2.6%	+5.4%
Santen	+0.3%	+3.0%
Santen's Share	38.0%	38.0%

FY08 FY09 3QYTD

Anti-glaucoma		
FY08	FY09 3QYTD	
Market	+2.2%	+3.8%
Santen	-0.4%	+18.3%
Santen's Share	20.3%	22.8%

FY08 FY09 3QYTD

Corneal: Dry Eye		
FY08	FY09 3QYTD	
Market	+5.7%	+4.4%
Santen	+4.4%	+3.7%
Santen's Share	77.7%	77.3%

-Santen:
-Glaucoma : Tapros, Timoptol/XE, Rescula, Detantol
-Cornea / Dry Eye : Hyalein

Source: ©2009 IMS Japan
IMS-JPM 2007-09
Santen analysis based on IMS data

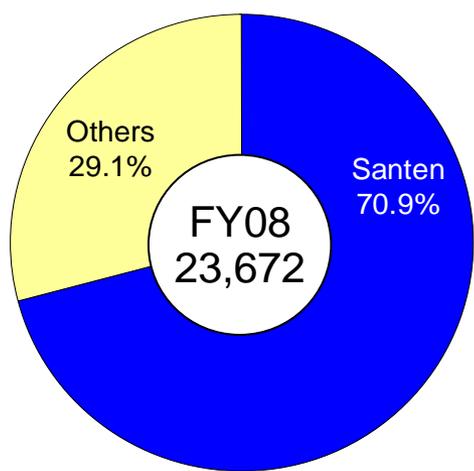


Japan: Trend & Competition by Category - 2

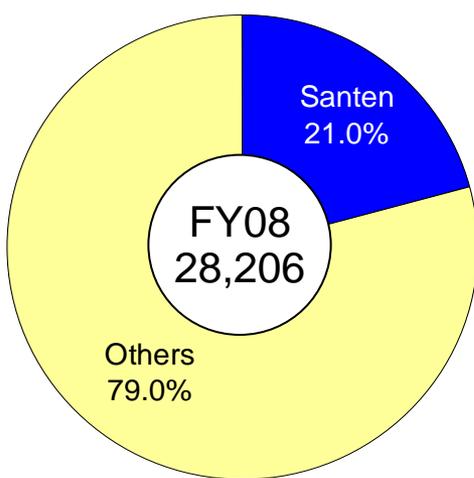
- **Anti-infection:** Market shrunk by 5.2% YoY in the period up to 3rd quarter FY09. Treatment days/head is in declining trend.
- **Anti-allergy:** Santen has been underperforming the market. Competitor's growth continues.
- **Anti-RA (DMARDs*):** Market shows solid growth by 4.9%. Santen manages its leading position by 44.0% market share.

Market Size:
millions of yen
%: Value Share

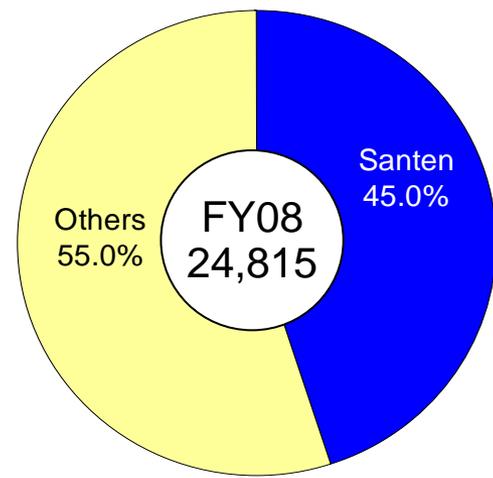
Anti-infection



Anti-allergy



Anti-RA (DMARDs*)



FY08 FY09 3QYTD

change YoY		FY08	FY09 3QYTD
	Market	-3.1%	-5.2%
	Santen	-5.0%	-6.4%
Santen's Share		70.9%	70.0%

FY08 FY09 3QYTD

	FY08	FY09 3QYTD
	+11.0%	-0.0%
	+2.3%	-8.1%
	21.0%	21.7%

FY08 FY09 3QYTD

	FY08	FY09 3QYTD
	+2.8%	+4.9%
	+0.4%	+1.9%
	45.0%	44.0%

-Santen:
 - Anti-infection: Cravit, Tarivid, etc.
 - Anti-allergy: Livostin, Alegysal
 - RA /DMARDs: Rimatil, Azulfidine EN, Metolate

*DMARDs: Disease Modifying Anti-Rheumatic Drugs

Source: ©2009 IMS Japan
 IMS-JPM 2007-09
 Santen analysis based on IMS data