



FY 2010 Third Quarter Results

February 8, 2011

Santen Pharmaceutical Co., Ltd



Consolidated Results FY2010 Third Quarter

Corporate Officer
Head of Administration Division
Satoshi Harada

Performance Overview of 3Q FY2010

(JPY billions)

	FY2009 3Q Actual	FY2010 3Q Actual	Var. %
Net Sales	86.30	82.10	- 4.9%
Operating Income	25.70	22.10	- 14.0%
Ordinary Income	25.81	22.82	- 11.6%
Net Income	16.23	14.67	- 9.6%



Net Sales: Variances (vs. 3Q FY2009)

**FY2009
3Q
Net Sales
(Actual)
¥86.30billion**

-¥4.19billion

**FY2010
3Q
Net Sales
(Actual)**

¥82.10billion

Japan: +0.61billion

- + Prescription Ophthalmics +¥0.74billion
- + Anti-rheumatics -¥0.14billion
- + OTC Drugs -¥0.42billion
- + Medical Devices +¥0.38billion
- + Others +¥0.04billion

Outside Japan - ¥4.80billion

- + U.S. -¥5.49billion
(Forex loss impact -¥0.09billion)
- + Europe -¥0.18billion
(Forex loss impact -¥0.95billion)
- + Asia +¥0.86billion
 - China +¥0.72billion
(Forex loss impact: -¥0.16billion)
 - Korea +¥0.15billion
(Forex loss impact: +¥0.00billion)

**Prescription
Ophthalmics (Japan)**

- + Anti-infective -¥0.03billion
- + Cornea (Dry Eye) -¥0.04billion
- + Glaucoma +¥1.83billion
 - Tapros: +¥1.77billion
 - Cosopt: +¥1.94billion
- + Anti-allergy -¥0.22billion
- + Others -¥0.78billion

Europe

- + Prescription Ophthalmics +¥0.02billion
 - Western Europe +¥0.16billion
(Germany +¥0.13billion)
 - Eastern Europe -¥0.05billion
 - Northern Europe +¥0.09billion
 - Russia -¥0.18billion

<Currency Rates>

	FY09 Q3 actual	FY10 Q3 actual
US\$	JPY 93.47	JPY 86.72
Euro	JPY 132.26	JPY 114.50
CNY	JPY 13.86	JPY 13.15



Summary of Changes in Income Statement

(JPY billions)

	FY2009	FY2010														
	3Q Actual	3Q Actual	Var.	Major Changes												
Net Sales	86.30	82.10	-4.19	(Details in pervious slide.)												
Cost of Sales (% of net sales)	26.66 30.9%	26.19 31.9%	-0.47 1.0pt	Affected by improved product mix, NHI price revision and reduced one-time income realized in FY10.												
SGA Total (% of net sales)	33.92 39.3%	33.80 41.2%	-0.12 1.9pt													
SGA excluding R&D (% of net sales)	23.35 27.1%	24.05 29.3%	0.69 2.2pt	<ul style="list-style-type: none"> •Domestic (JPY +0.25bil) •Overseas (JPY +0.27bil) •Others (JPY +0.19bil) 												
R&D Expenses (% of net sales)	10.57 12.3%	9.75 11.9%	-0.81 -0.4pt													
Operating Profit (% of net sales)	25.70 29.8%	22.10 26.9%	-3.60 -2.9pt													
Non-operating Income	0.77	0.84	0.06													
Non-operating Expense	0.67	0.12	-0.54													
Ordinary Income	25.81	22.82	-2.99													
Extraordinary Gain	0.07	0.01	-0.06													
Extraordinary Loss	0.95	0.26	-0.68													
Net Income before Tax	24.93	22.56	-2.36	<Currency Rates> <table border="1"> <thead> <tr> <th></th> <th>FY09 Q3 actual</th> <th>FY10 Q3 actual</th> </tr> </thead> <tbody> <tr> <td>US\$</td> <td>JPY 93.47</td> <td>JPY 86.72</td> </tr> <tr> <td>Euro</td> <td>JPY 132.26</td> <td>JPY 114.50</td> </tr> <tr> <td>CNY</td> <td>JPY 13.86</td> <td>JPY 13.15</td> </tr> </tbody> </table>		FY09 Q3 actual	FY10 Q3 actual	US\$	JPY 93.47	JPY 86.72	Euro	JPY 132.26	JPY 114.50	CNY	JPY 13.86	JPY 13.15
	FY09 Q3 actual	FY10 Q3 actual														
US\$	JPY 93.47	JPY 86.72														
Euro	JPY 132.26	JPY 114.50														
CNY	JPY 13.86	JPY 13.15														
Corporate Tax	8.69	7.88	-0.80													
Net Profit	16.23	14.67	-1.56													



**Reference:
Consolidated Results
FY2010 Third Quarter**



Comparison of Actual Excluding One-time Income

(JPY billions)	Actual of 3Q FY2009 (YTD)	Actual of 3Q FY2010 (YTD)	Var.
Net sales (excluding one-time income*)	80.61	81.71	1.4%
Cost of sales (% of net sales)	26.66 33.1%	26.19 32.1%	-1.8% -1.0pt
Operating income (% of net sales)	20.01 24.8%	21.71 26.6%	8.5% +1.7pt

*One time income related to licensing contracts (i.e., upfront fee and milestone payment)



Net Sales by Business Segment

(JPY billions)

	Actual of 3Q of FY2010					
	Japan		Overseas		Total	
	Sales	Var.	Sales	Var.	Sales	Var.
Pharmaceuticals	68.65	0.3 %	11.97	-28.5 %	80.63	-5.3 %
Prescription Pharmaceuticals	65.05	1.0 %	11.96	-28.5 %	77.01	-5.1 %
Ophthalmic	56.82	1.3 %	11.45	6.9 %	68.28	2.2 %
Anti-RA	7.56	-1.8 %	0.07	-20.3 %	7.64	-2.1 %
Others	0.65	7.9 %	0.43	-92.7 %	1.09	-83.3 %
OTC Pharmaceuticals	3.60	-10.6 %	0.00	-58.5 %	3.61	-10.8 %
Others	1.07	55.7 %	0.39	-5.4 %	1.47	32.5 %
Medical Devices	1.06	57.4 %	0.39	-5.4 %	1.46	33.3 %
Others	0.00	-34.3 %	—	—	0.00	-34.3 %
Total	69.73	0.9 %	12.37	-28.0 %	82.10	-4.9 %



Net Sales by Oversea Sales

(JPY billions)

	Actual of 3Q of FY2009	Actual of 3Q of FY2010		
		Actual	Var.	Var. %
Europe	6.41	6.23	-0.18	-2.8%
U.S.	6.35	0.85	-5.49	-86.5%
Asia	4.40	5.27	0.86	19.7%
Others	0.00	0.00	0.00	80.7%
Total	17.17	12.37	-4.80	-28.0%



Summary of Change in Balance Sheet

(JPY billions)

	As of March 31, 2010		As of December 31, 2010		
	Actual	% of Total	Actual	% of Total	Var.
Current Asset	118.83	71.2%	118.98	71.6%	0.15
Fixed Asset	48.04	28.8%	47.17	28.4%	-0.86
Deferred Asset	-	-	-	-	-
Total Asset	166.87	100.0%	166.16	100.0%	-0.71
Current Liabilities	25.28	15.2%	18.01	10.8%	-7.26
Non-current Liabilities	3.98	2.4%	4.14	2.5%	0.15
Total Liabilities	29.27	17.5%	22.16	13.3%	-7.11
Total Net Asset	137.60	82.5%	144.00	86.7%	6.40
Total Liabilities Net Assets	166.87	100.0%	166.16	100.0%	-0.71

Major Changes

- **Current Asset:** Cash and deposits -3.8bil, Accounts receivable +2.9bil, Marketable securities +2.5bil, Deferred tax assets -0.9bil
- **Fixed Asset :** Tangible assets -1.4bil, Investment securities +0.7bil
- **Current Liabilities:** Income tax payable -5.5bil, Reserve for bonus -1.1bil
- **Net asset :** Retained earnings +7.8bil, Unrealized gains on securities, net of taxes -0.5bil, Foreign currency translation adjustments -1.0bil



Summary of Cash Flows

(JYP billions)		FY2010 3Q Actual
Cash and cash equivalents at the beginning of the year		64.34
Net increase/decrease in cash and cash equivalents		-6.28
	Cash flows from operating activities	9.45
	Cash flows from investing activities	-8.11
	Cash flows from financial activities	-7.15
	Effect of exchange rate changes on cash and cash equivalents	-0.46
Cash and cash equivalents at the end of the year		58.06

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)	FY2009 3Q Actual	FY2010 3Q	
		Actual	Var.
Capital Expenditures	0.68	0.91	0.22
Depreciation and Amortization	2.39	2.08	-0.30
Lease Payments	0.42	0.14	-0.28



**Reference:
FY2010 Financial Forecasts**

Overall Outlook of FY2010

(JPY billions)

	FY2009 Actual	FY2010 Forecast	Var. vs. FY2009
Net Sales	110.59	108.50	-1.9%
Operating Income	29.64	26.30	-11.3%
Ordinary Income	29.86	27.00	-9.6%
Net Income	18.72	17.50	-6.5%

ROE	14.3%	12.3%	-2.0pt
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Sales/Income Outlook for FY2010

(JPY billions)

	FY2009 Actual	FY2010	
		Forecast	Var. vs. FY2009
Net Sales	110.59	108.50	-2.09
Cost of Sales	34.71	35.00	0.29
(% of net sales)	31.4 %	32.3 %	0.9pt
SGA Total	46.24	47.20	0.96
(% of net sales)	41.8 %	43.5 %	1.7pt
SGA excluding R&D	32.12	33.10	0.98
(% of net sales)	29.0 %	30.5 %	1.5 pt
R&D Expense	14.12	14.10	-0.02
(% of net sales)	12.8 %	13.0 %	0.2 pt
Operating Income	29.64	26.30	-3.34
(% of net sales)	26.8 %	24.2%	-2.6pt
No operating profit and loss	0.22	0.70	0.48
Ordinary Income	29.86	27.00	-2.86
Extraordinary loss	-1.25	0.00	1.25
Net Income before Tax	28.61	27.00	-1.61
Income Taxes	9.88	9.50	-0.38
Net Income	18.72	17.50	-1.22
ROE	14.3%	12.3%	-2.0pt



**Reference:
Market Overview of
Prescription Ophthalmics in Japan**

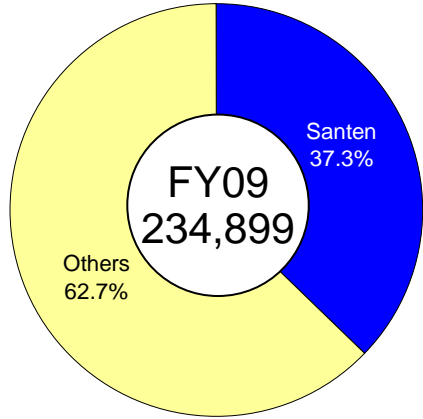


Japan: Trend & Competition in Ophthalmics - 1

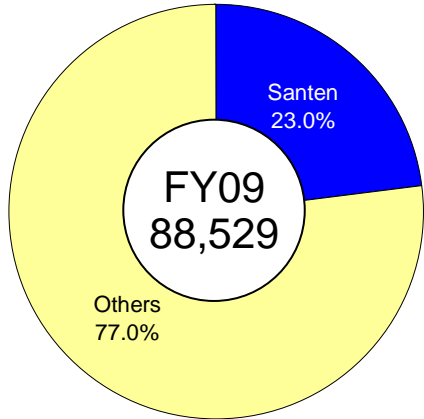
- Ophthalmology Total:** Market grew by 2.4% in the period up to 3rd quarter FY10. Santen maintained market share at 36.8% under the situation of rapid growth in the retinal segment.
- Glaucoma:** Market grew by 2.0%. Santen increased market share at 25.3% by the contribution of Tapros and Cosopt.
- Corneal:** Market slightly declined by 0.9% in the period up to 3rd quarter FY10. Santen's market share was 75.4%.

Market Size:
millions of yen
%: Value Share

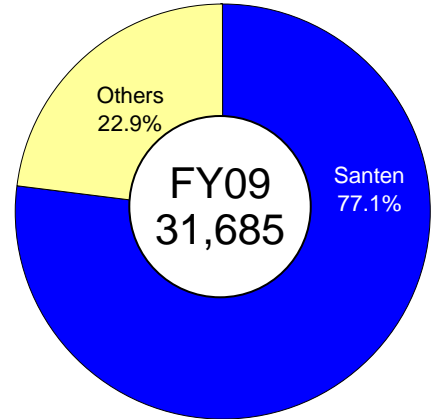
Ophthalmology Total



Anti-glaucoma



Corneal: Dry Eye



		FY09	FY10 3QYTD
YoY change	Market	+3.5%	+2.4%
	Santen	+1.7%	-1.0%
Santen's Share		37.3%	36.8%

		FY09	FY10 3QYTD
YoY change		+4.1%	+2.0%
Santen		+18.4%	+12.8%
Santen's Share		23.0%	25.3%

		FY09	FY10 3QYTD
YoY change		+3.9%	-0.9%
Santen		+3.0%	-3.4%
Santen's Share		77.1%	75.4%

-Santen:
 -Glaucoma : Tapros, Timoptol/XE, Rescula, Detantol, Cosopt, etc.
 -Cornea / Dry Eye : Hyalein, Diquas etc.

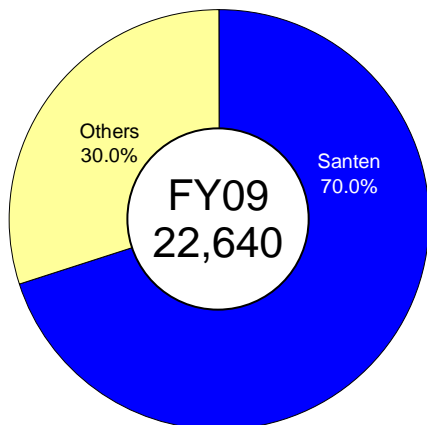


Japan: Trend & Competition in Ophthalmics - 2

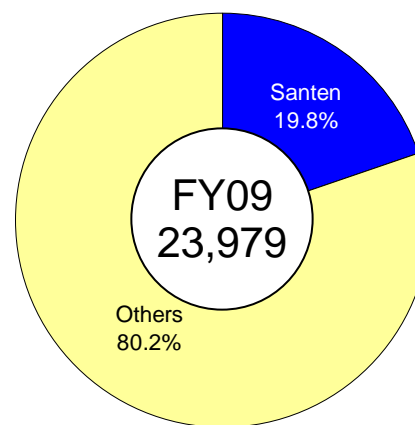
- **Anti-infection:** Market size almost maintained at 0.5% decline in the period up to 3rd quarter FY10.
- **Anti-allergy:** Santen has been underperforming the market. Competitor's growth continues.

Market Size:
millions of yen
%: Value Share

Anti-infection



Anti-allergy



		FY09	FY10 3QYTD
YOY change	Market	-4.4%	-0.5%
	Santen	-5.6%	-2.7%
Santen's Share		70.0%	68.5%

		FY09	FY10 3QYTD
YOY change		-15.0%	-2.3%
Santen		-19.7%	-16.3%
Others		+19.8%	18.6%

- Santen:
 - Anti-infection: Cravit, Tarivid, etc.
 - Anti-allergy: Livostin, Alegysal



FY2010 Third Quarter Status of Clinical Development

Member of the Board
Senior Corporate Officer
Head of Research and Development Division
Toshiaki Nishihata, Ph.D.



Major Clinical Pipeline List (Red Letters: Changes from FY10 2Q)

Global product

Japan (Asia) Product

Domain	Phase I	Phase II	Phase III	NDA filed	Approved
Glaucoma		DE-112 Adenosine A _{2A} Agonist	DE-111 Tafluprost/ Timolol maleate (combination drug) Europe (Japan: preparing)	DE-085 Tafluprost China	(Launch) JP, HG, Korea EU, Latin America
		DE-090 Lomerizine HCl			
Corneal Disease (Dry Eye)		DE-101 US Rivoglitazone JP	DE-089 China	DE-089 Diquafosol sodium	(Launch) Japan
		DE-105 Combination of peptides			
		DE-110 SEGRA			
Retinal Disease		DE-109 Sirolimus			
		DE-102 Steroid DDS			
Others Infection, RA		DE-098 Apoptosis inducer			DE-108 Levofloxacin (Higher Concentration)

Status of Major Drug Candidate (DE-085)

- **DE-085 (Glaucoma, Ocular hypertension)**

TAPROS, TAFLOTAN in Santen areas, *SAFLUTAN* in Merck* areas

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	Launched	Launched	Generic name: Tafulprost Launched in: Japan (Dec. 2008) Europe (Jun. 2008) Asia (Mar. 2010) Latin America (Aug. 2010) Out-licensed to: Merck & Co., (Apr. 2009)
Europe**	Launched: 25 countries Approved: 29 countries Partly out-licensed to Merck*	Launched: 23 countries Approved: 28 countries Partly out-licensed to Merck*	
Asia	Launched: 2 countries Approved: 4 countries China: NDA filed	Launched: 2 countries Approved: 3 countries China: P3	
U.S./ Others	Out-licensed to Merck* Launched: 4 countries Approved: 4 countries	Out-licensed to Merck* Launched: 4 countries Approved: 4 countries (Latin America)	

Launched: Total 32 countries worldwide (newly added: 2 countries)

- Santen: Japan, 2 countries in Asia (Hong Kong, Korea), and 18 countries in Europe (16 countries including Germany, Finland, Belarus and Ukraine)
- Merck*: 7 countries in Europe (U.K., Spain, Netherlands, Italy, Portugal, Austria, Switzerland), and 4 countries in Latin America (Bahamas, etc.)

Approved: Total 38 countries worldwide (newly added: 2 countries; Indonesia and Belarus)

*Merck areas (since April 2009): Western Europe except Germany, North America, South America, and Africa

**Including CIS



Status of Major Drug Candidate (DE-089)

- **DE-089 (Dry eye)**
DIQUAS in Japan

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	Launched (December, 2010)	Approved	Generic name: Diquafosol sodium
Asia	China: P3	China: P3	



Status of Major Pipeline - Glaucoma, Ocular hypertension -

- DE-090

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	P2	P2	Generic name: Lomerizine HCl

- DE-111

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	Preparing P3	P1 (PK test*)	Generic name: Tafluprost/ Timolol maleate (Combination drug)
Europe	P3	Preparing P3	

*PK test: Pharmacokinetics test, to clarify drug disposition

- DE-112

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
U.S.	P1/2a	-	Adenosine A _{2A} agonist



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 February 8, 2011	As of November 2, 2010 (Previous announcement)	
U.S.	P1 / 2*	P1 / 2*	Generic name: Rivoglitazone
Japan	P2b	P2b	

*Pilot P2b trial using higher concentration formula.

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

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
U.S.	Preparing P2	Preparing P2	Combination of peptides
Japan	P2	P2	

- DE-110** (Corneal and conjunctival epithelial disorders associated with dry eye)

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
U.S.	P2	P2	A selective glucocorticoid receptor agonist (SEGRA)



Status of Major Pipeline - Retinal Disease -

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

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (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 February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	P1 / 2	P1 / 2	Generic name: Sirolimus

*Santen acquired global development, manufacturing and marketing rights of sirolimus in June 2010.

Status of Major Pipeline - Others -

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

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	Approved	NDA Filed	Levofloxacin (1.5%)

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

Region	Development Stage		Remarks
	As of February 8, 2011	As of November 2, 2010 (Previous announcement)	
Japan	P2	P1 / 2	Anti-APO-1 antibody
Europe	Completed P1 / 2	P1 / 2	



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.