Santen

Vision and Innovation

Annual Report **2011**

Year Ended March 31, 2011

SANTEN PHARMACEUTICAL CO., LTD.

Santen's **Values**

Contents

NOTE CONCERNING REFERENCE TO FISCAL YEARS
"Fiscal 2010" refers to our fiscal year ended March 31, 2011, and other fiscal years are referred to in a corresponding manner in this annual report.

NOTE CONCERNING GRAPHS
Graphs in this annual report are based on fiscal years ended March 31, if no note is specified.

NOTE CONCERNING DATA
Some information in this annual report is based on IMS data (JPM, MIDAS).
Period: January 1995 to March 2011

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS
This annual report contains forward-looking statements regarding the Company's plans, outlook, strategies and results for the future. All forward-looking statements are based on judgments derived from the information available to the Company at the time of publication. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses, competitive pressures, changes in related laws and regulations, status of product development programs and changes in exchange rates.

Santen's Values

Core Value

Tenki ni sanyo suru[1]

We think carefully about what is essential, decide clearly what we should do, and act quickly.

Mission Statement

By focusing our efforts on ophthalmology and related areas, we develop scientific knowledge and organizational capabilities which are unique and original to Santen. We use our unique capabilities to contribute to patients and their loved ones, and consequently to society.

1. Santen's original interpretation of a passage from chapter 22 of *Zhongyong* (*The Doctrine of the Mean*) by Confucius, meaning "exploring the secrets and mechanisms of nature in order to contribute to people's health"

Santen's Values embody what the Company has continued to recognize as important since its foundation in 1890. Based on Santen's Values—the essence of which is "*tenki ni sanyo suru*"—we have put in place a virtuous cycle of creation and innovation while contributing to the protection and improvement of eyesight and health as a specialty company in the ophthalmic and anti-rheumatic fields. Building on the scientific knowledge and organizational capabilities that Santen has nurtured for over 120 years, the Company will continue to contribute to society, working primarily for the benefit of patients and their loved ones.

Santen's **Specialty**

Ratio of Prescription Ophthalmic Pharmaceutical Business Sales to Total Net Sales

Over 80%

Japan's Prescription Ophthalmic Pharmaceutical Market ▶ **No.1**

Japan's Market for Disease-Modifying Anti-Rheumatic Drugs ▶ **No.1**

Forging a Strong Position in the Japanese Market

The number of ophthalmologists in Japan is currently around 13,000. Santen's approximate 400-strong medical representative (MR) workforce strives diligently to call on virtually every one of Japan's ophthalmologists to provide detailed pharmaceutical information. Backed by a rich product lineup and specific knowledge in ophthalmologic disorders, MRs strive to not only deliver medical information, but also to grasp and appropriately address the wide-ranging needs of the medical community. By consistently providing high-quality medical information, Santen has endeavored to build strong ties of trust with doctors and patients. At 35.8%, the Company boasts the leading share in Japan's prescription ophthalmic pharmaceutical market. Accounting for more than 80% of total net sales, prescription ophthalmic pharmaceuticals represent the Company's core business.

In addition to the ophthalmic field, Santen has forged a strong position in the area of rheumatoid arthritis (RA). Santen's anti-rheumatics *Rimatil, Azulfidine EN* and *Metolate* are each rated "Grade A – Highly Recommended" under the medical treatment guideline based on EBM (Evidence Based Medicine), which gives them a high profile as strongly recommended treatment options. In this manner, the Company is playing an important role in the treatment of RA. Santen today holds a high 43.0% share of Japan's market for disease-modifying anti-rheumatic drugs (DMARDs)[1].

1. A class of medicines that is used not only to alleviate symptoms but also to treat the causes of disease. The anti-rheumatic effect works by calming inflammation through the correction of immune abnormalities, which are considered a cause of RA.

Santen's **Globalization**

Countries in Which Products are Sold

Over 50 countries

Annual Production Capacity of Ophthalmic Solutions

Approximately 300 million units

A Steady Track Record in Successful Overseas Business Development

Based on Santen's Values, Santen engages in activities that contribute to society focusing mainly on patients as well as their loved ones in Japan and overseas. Currently, Santen maintains 11 bases spread across eight countries. Its products are sold in over 50 countries worldwide. The Company commenced direct marketing in China and Korea in 2009 and 2010, respectively. Utilizing its MR workforce to deliver high-quality medical information, Santen is building strong ties of mutual trust with medical professionals.

The Company is also actively engaged in putting in place a structure that is capable of ensuring the stable supply of high-quality products to patients worldwide. Currently, Santen's prescription ophthalmic solutions are manufactured at plants in Japan and Finland. Operations also commenced at a manufacturing plant in Suzhou, China, in 2008. With an annual production capacity of approximately 300 million units, Santen boasts a world-leading production scale for ophthalmic solutions. In addition to ensuring compliance with all relevant quality control statutory and regulatory requirements, the Company has also established its own criteria to further address and secure increased safety with respect to product use. Through these means, Santen adheres strictly to policy of product safety.

Santen was also quick to establish a clinical development structure in Japan, the U.S. and Europe to better promote new drug development. Active in implementing clinical development in Asia, the Company is responding steadily to the growing internationalization of testing. *Tapros*[1], a glaucoma and ocular hypertension treatment and Santen's initial attempt at simultaneous global development, has received manufacturing and marketing approval, and is sold in 36 countries[2] around the world.

1. The product name differs depending on the country in which it is sold.
2. Including sales based on licensing agreements with Merck & Co., Inc. of the U.S. (as of August 2, 2011)

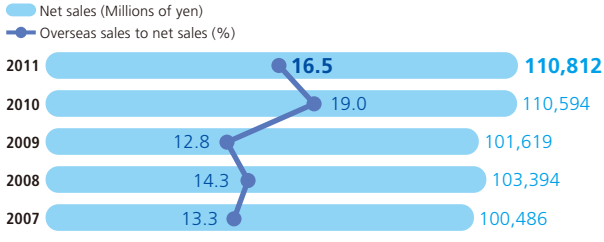
Consolidated Financial Highlights

Santen Pharmaceutical Co., Ltd. and Subsidiaries
Years ended March 31, 2011 and 2010

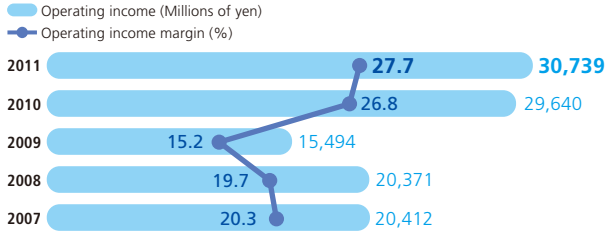
	Millions of yen		Change	Thousands of U.S. dollars
	2011	2010	2011/2010	2011
For the year:				
Net sales	¥ 110,812	¥ 110,594	0.2%	$1,332,678
Operating income	30,739	29,640	3.7	369,676
Net income	21,333	18,723	13.9	256,571
Comprehensive income	19,797	18,826	5.2	238,084
R&D expenditures	13,221	14,123	(6.4)	159,005
Capital expenditures	1,651	1,315	25.6	19,855
Depreciation and amortization	2,976	3,421	(13.0)	35,794
At year-end:				
Total assets	¥ 184,801	¥ 166,878	10.7%	$2,222,508
Long-term debt	152	75	104.3	1,828
Equity	156,099	137,343	13.7	1,877,311
Per share data (yen and U.S. dollars):				
Net income – basic	¥ 249.71	¥ 220.10	13.5%	$ 3.00
Net income – diluted	249.42	219.85	13.5	3.00
Equity	1,793.15	1,614.08	11.1	21.57
Cash dividends, applicable to the period	90.00	80.00	12.5	1.08
Other financial data:				
Operating income margin (%)	27.7	26.8		
Overseas sales to net sales (%)	16.5	19.0		
R&D expenditures to net sales (%)	11.9	12.8		
Return on equity (ROE) (%)	14.5	14.3		
Dividend on equity (DOE) (%)	5.3	5.2		
Number of employees	2,867	2,756		

Notes: 1. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥83.15 to U.S.$1.00, the exchange rate prevailing on March 31, 2011.
2. See Notes 2. 13) and 11 of Notes to Consolidated Financial Statements in respect of per share data.
3. Figures in parentheses indicate a decrease.
4. Equity comprises shareholders' equity and accumulated other comprehensive income.

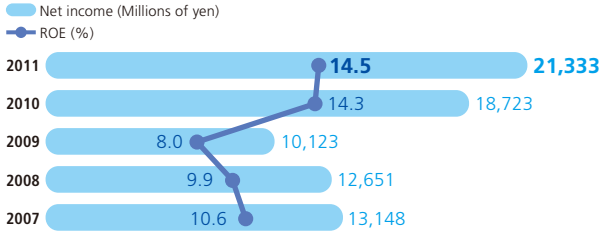
Net Sales and Overseas Sales to Net Sales



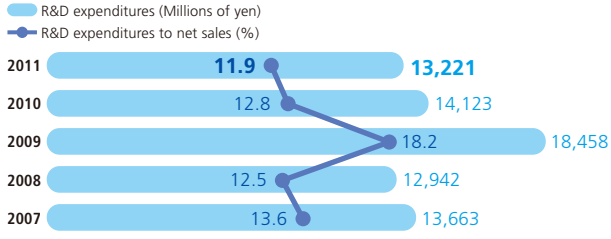
Operating Income and Operating Income Margin



Net Income and ROE

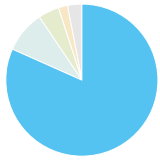


R&D Expenditures and R&D Expenditures to Net Sales



Sales Composition

Prescription Ophthalmic Pharmaceuticals



81.9%

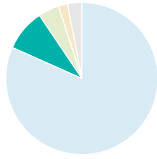
Share of Japanese Market 35.8%[1]

Position in Japanese Market No. 1[1]

In Japan, approximately 400 medical representatives (MRs) implement promotional campaigns. Marketing a broad range of ophthalmic pharmaceutical products, such as treatments for corneal and conjunctival epithelial disorders including dry eye, glaucoma, anti-infective ophthalmics and anti-allergy ophthalmics, Santen has been keeping its market-leading positions.

Overseas, Santen markets *Hyalein*, *Cravit* and *Tapros* (brand names differ according to region) and other products through sales networks in Europe and Asia.

Prescription Anti-Rheumatic Pharmaceuticals



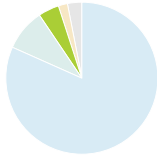
8.9%

Share of Japanese Market 43.0%[1]

Position in Japanese Market No. 1[1]

In Japan, we offer *Rimatil*, *Azulfidine EN* and *Metolate*, the doctors' disease-modifying anti-rheumatic drugs (DMARDs)[2] of choice for treating rheumatoid arthritis (RA).

Over-the-Counter Pharmaceuticals



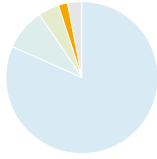
4.3%

Share of Japanese Market 19.5%

Position in Japanese Market No. 2[3]

Our over-the-counter (OTC) pharmaceutical business markets eye drop brands in Japan, such as the *Sante FX* series, one of Japan's leading eye drop brands; the *Sante 40* series, which improves blurred vision; and the *Sante Medical 10* series, for tired eyes.

Medical Devices



2.0%

In Japan, Santen handles medical devices used in cataract surgery, including the acrylic intraocular lenses *Eternity* and *Eternity Natural*.

Others

2.9%

Including other pharmaceuticals and related products

1. Market share and market position in Japan for the fiscal year ended March 31, 2011. The share and position for anti-rheumatic pharmaceuticals represent those in the DMARDs segment.
   Source: Santen analysis based on IMS data.
2. A class of medicines that are used not only to alleviate symptoms but also to treat the causes of disease. The anti-rheumatic effect works by calming inflammation through the correction of immune abnormalities, which are considered a cause of RA.
3. Market share and market position in the Japanese OTC eye drop market for the fiscal year ended March 31, 2011.
   Source: Santen Pharmaceutical Co., Ltd.

Major Topics in Fiscal 2010

2010	Apr. 30	Concluded an in-licensing agreement with respect to the selective adenosine A_{2A} agonist with Clinical Data, Inc. (currently Forest Laboratories, Inc.)
	May 6	Released *Taflotan*, a glaucoma and ocular hypertension treatment, in Korea
	Jun. 11	Released *Cosopt Combination Ophthalmic Solution*, a glaucoma and ocular hypertension treatment
	Sep. 28	Announced details of the transfer of production and supply chain management functions from the Osaka Plant to the Shiga Plant
	Dec. 13	Released *Diquas*, a treatment for dry eye

A Message from the President and CEO

Akira Kurokawa
President and Chief Executive Officer

Santen's Vision

Consistent with "Santen's Values," we have continued to bolster our accumulated experience in creating and innovating products and services in an effort to become a "specialized pharmaceutical company with a global presence."

Contributing to Healthcare Based on Santen's Values through the Pursuit of "Creation and Innovation"

Santen celebrated its 120th anniversary in 2010, marking a significant milestone in its ongoing evolution. Since its foundation in 1890, Santen has been guided by a set of values described in the Japanese phrase "*tenki ni sanyo suru*[1]." These values are principles that are at the core of our business activities and which drive Santen's contribution to people's health. Throughout a history that has extended over 120 years, and despite an operating environment in a constant state of flux, Santen has continued to grow and develop by remaining one step ahead of the times and bolstering the "creation and innovation" capabilities that are its catalyst of change. Today, we are specialized in ophthalmology and rheumatology. Working primarily in these two areas, we strive to contribute to patient health as well as the quality of life (QOL) of people.

As we focus on global business expansion, we recognize the growing importance of insuring that our actions are based on Santen's Values. These values represent our aspiration to better contribute to society as well as patients and their loved ones. Moreover, we are aware that it is the core mission of a pharmaceutical company to accurately grasp unmet medical needs and to deliver essential products and services quickly to those who are in need. In this context, Santen acknowledges the critical importance of a philosophy that positions the concerns and interests of customers at the heart of its pursuit of creation and innovation.

1. Santen's Values encapsulated in the Japanese phrase "*tenki ni sanyo suru*" is derived from Santen's original interpretation of a passage from a Chinese text, "*The Doctrine of the Mean,*" one of the four books of the five classics of Confucianism. This passage advocates the exploration of the secrets and mechanisms of nature thereby contributing to improving people's health.

Bringing New Products to Market and Strengthening Our Earnings Base

We worked diligently to create new drug candidates and generate growth in promising regions by leveraging our strengths based on our 2006–2010 Medium-Term Management Plan ("the previous medium-term management plan"). In implementing initiatives aimed at bolstering these strengths, we have laid the foundation for future growth.

Recording Historic Highs in Both Net Sales and Operating Income

In fiscal 2010, the final year of the previous medium-term management plan, net sales edged up 0.2% compared with the previous fiscal year, to ¥110.8 billion. Operating income increased 3.7% year on year, to ¥30.7 billion, and net income climbed 13.9%, to ¥21.3 billion. Although results were below our original targets, both net sales and operating income represented historic highs.

We have made several major accomplishments under the previous medium-term management plan. First, we launched a number of new products including the glaucoma and ocular hypertension treatment tafluprost (sold as *Tapros* in Japan). Second, the Company released *Diquas* (diquafosol sodium), a new treatment for dry eye and the world's first approved $P2Y_2$ receptor agonist, in Japan in December 2010. Third, Santen entered into a co-promotion agreement with Banyu Pharmaceutical Co., Ltd. (currently MSD K.K.) regarding the glaucoma and ocular hypertension treatment *Cosopt Combination Ophthalmic Solution* in March 2010, and launched it in June 2010.

Results were buoyed by contributions from each of these new products. Tafluprost, in particular, garnered significant market acceptance in Japan; sales in fiscal 2010 grew 41.5% year on year, to ¥6.6 billion. In Europe, doctors acknowledged the attributes of tafluprost, resulting in an upswing in sales especially in Germany. Product

penetration throughout Asia including Korea and Hong Kong is steady and we filed an application for manufacturing and marketing approval in China. In April 2009, we entered licensing agreements for tafluprost with U.S.-based Merck & Co., Inc., encompassing Western Europe (excluding Germany), North America, South America, and Africa. Tafluprost experienced particularly strong sales growth in Europe. Building on these initiatives, we are entering into a license agreement, which will generate royalty income and is expected to further strengthen our earnings base. Boasting strong intraocular pressure reduction, tafluprost is today sold in 36 countries[2] worldwide with a particular focus on Japan, Europe, and Asia.

Glaucoma, for which tafluprost is indicated, is recognized globally as a leading cause of blindness. With few obvious symptoms, it is common for afflicted individuals to suffer considerable deterioration of vision before a diagnosis is made. In this regard, the Company's success in expanding treatment options is considered of major significance.

2. Including sales based on licensing agreements with Merck & Co., Inc. of the U.S. (as of August 2, 2011)

Steady Progress in Preparations for Future Growth

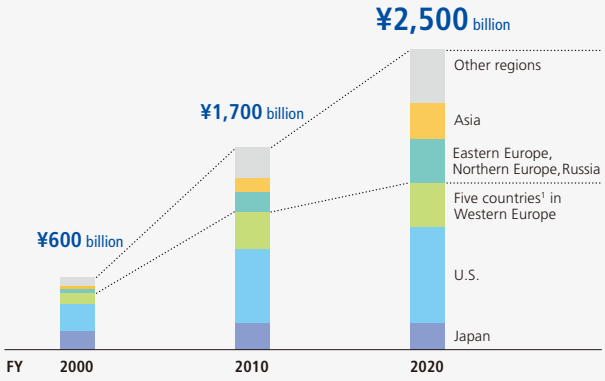
Another major achievement under the previous medium-term management plan was the growth in our overseas businesses, including Europe and China. Oversea sales have contributed positively to Company earnings. As previously mentioned, increased sales of tafluprost have contributed significantly to our results in Europe. In Asia, we enjoy a leading position in China's prescription ophthalmic pharmaceutical market; in 2009 we began direct marketing in China as a part of efforts to further enhance our standing. Our medical representatives (MRs) help strengthen our ability to deliver products and scientific information addressing the needs of customers, a core competence of the Group as a whole.

From an R&D perspective, Santen was successful in bringing tafluprost and *Diquas* to the market. Concurrently, considerable advances were made with respect to the development of new drug candidates. We are focusing on the in-house creation of new drugs to address a wide variety of ophthalmic disorders such as dry eye. We have also made steady progress on other projects including DE-110 and DE-105. Through our business development activities, we are focusing on the in-licensing of several promising compounds. In April 2010, we concluded a licensing agreement with U.S.-based Clinical Data, Inc. (which has subsequently been acquired by Forest Laboratories, Inc.) for the selective adenosine A_{2A} agonist ATL313 (development code: DE-112). Together with the acquisition of global rights from U.S.-based MacuSight, Inc. for the development, manufacture, and marketing of sirolimus (development code: DE-109) in June 2008, we hold high expectations for each new drug candidate.

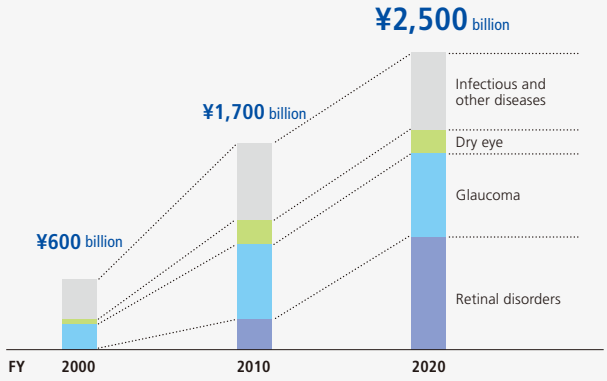
In terms of its production capabilities, in 2007 Santen completed construction of its Suzhou Plant in China, which boasts state-of-the-art technology. With this initiative, we have established a global production network spanning Japan, Europe, and Asia. With a focus on enhanced efficiency, plans are in place to transfer Osaka Plant's production technologies and supply chain management operations to the Shiga Plant by the end of fiscal 2012. Moving forward, we will put in place production structures and systems that boast world-class productivity and quality.

Forecast Trends in the Global Ophthalmic Market

By Region



By Segment



1. United Kingdom, France, Germany, Spain, Italy

Source: Santen analysis

Striving to Become a Specialized Pharmaceutical Company with a Global Presence by 2020

Santen has announced its long-term strategic vision for 2020. In order to evolve into a specialized pharmaceutical company with a global presence, we have set the goal of becoming one of the top three companies in the global prescription ophthalmic pharmaceutical market by 2020.

To achieve this, we will deliver innovative products and services in the ophthalmic treatment field and become a company that is recognized worldwide across every facet of business, including scale, quality, and promise. Our focus extends well beyond the simple expansion of sales. The platform from which we hope to secure a global presence and standing will rest on our ability to secure the confidence and trust of patients, medical professionals, and society as a whole. Through these means, we are confident of broadening our support and stakeholder base while generating a growing number of business opportunities.

The global prescription ophthalmic pharmaceutical market is expected to expand 1.5 times over the next decade. This in part reflects marked growth in developing countries. By operation, the glaucoma and retinal disorder segments are projected to record consistent high rates of growth. By combining the early introduction of outstanding new drugs with the Company's strength in delivering quality information to doctors and patients, we are confident of achieving our goal of a top three position in the global prescription ophthalmic pharmaceutical market.

Formulating the Fiscal 2011–2013 Medium-Term Management Plan

As a first step toward becoming a specialized pharmaceutical company with a global presence, we have formulated our Medium-Term Management Plan for fiscal 2011–2013 ("the new medium-term management plan"). We will pursue the following five objectives in an effort to enhance our competitive advantage.

In order to evolve into a specialized pharmaceutical company with a global presence, we have set the goal of becoming one of the top three companies in the global prescription ophthalmic pharmaceutical market by 2020.

Medium-Term Management Plan for FY2011–2013

Strategic Objectives

To become a "Specialized Pharmaceutical Company with a Global Presence"

1. Promote global oriented research and development.
2. Obtain high domestic market share and achieve growth through the promotion of new products and implementation of marketing strategies.
3. Accelerate growth in both Asia and Europe by reinforcing marketing platforms.
4. Establish a global product supply system with our existing four plants[1], which enable us to meet emerging market needs.
5. Develop talents and organizational capabilities to promote "creation and innovation" on a global level.

1. Four plants: Noto and Shiga (both in Japan); Suzhou (China); Tampere (Finland)

FY2013 Objectives

Net Sales	Over ¥121 billion
Operating Income	Over ¥31 billion
Net Income	Over ¥20 billion
R&D Expenditures	Around ¥15.5 billion
Dividend on Equity	Around 5%

STRATEGIC OBJECTIVE 1

Promote global oriented research and development

In order to accelerate the pace of development, we relocated our clinical development system base from Japan to the U.S. With respect to the processes required to establish POC[3], we are placing particular emphasis on the U.S. to promote late-stage clinical trials in such countries and regions as Europe, Japan, and Asia. In this manner, we are improving the probability of POC success. Complementing these endeavors, we are strengthening the development of Phase 3 compounds and undertaking proactive clinical development investment in order to better respond to the increase in late-stage clinical development products.

Creating outstanding new products in a timely manner that meet the needs of patients throughout the world is essential to realizing our long-term vision.

In relocating our clinical development system base to the U.S., we are placing additional weight on development promotion, a key factor in bringing new products to the global market, and working to further broaden the orientation of researchers to a more global vision. As we need to fulfill global healthcare needs, it is vital that we fully reflect the opinions and advice of clinical practitioners in our clinical development system. Already, we are seeing the lively exchange of both information and personnel between Nara Research facility and Santen Inc., our subsidiary in the U.S., which is charged with the responsibility of discovering new drugs, and now serves as a global clinical development base. This is in turn helping to significantly stimulate the work of researchers.

Furthermore, to be in a position to continuously launch new drugs that match medical needs by fiscal 2020, we are focusing not only on in-house discovery, but also actively introducing through our business development activities promising compounds from external sources. In addition to our strengths in the dry eye segment, we will prioritize investment in the glaucoma and retinal disorder segments, which are forecast to record significant growth. Moving forward, Santen will promote life cycle management[4] using the Company's unique drug formulation technologies to maximize the value of existing products.

3. Proof of Concept (POC) is the realization of a certain method or idea to demonstrate feasibility or safety.
4. Aligning one compound to treatment needs over the long term and augmenting through variations in use, dosage and formulation to increase product value.

STRATEGIC OBJECTIVE 2

Obtain high domestic market share and achieve growth through the promotion of new products and implementation of marketing strategies

Santen takes great pride in its mature organizational structure in Japan. It maintains a strict focus on customer needs as well as the robust ties of mutual trust with medical professionals nurtured over time. Taking into consideration changing conditions and an increasingly competitive market, it is important for the Company to further reinforce its sales and marketing capabilities.

As one example, the declining consultation rate at medical institutions reflects the growing burden imposed on patients as a result of measures aimed at reducing public healthcare costs. Under these circumstances, it is increasingly important for MRs to be armed with

a comprehensive knowledge of the efficacy and safety of various therapeutic agents as well as an understanding of the economic circumstances and needs of patients. At the same time, it is vital for us to fully comprehend the ever-changing needs of customers, including patients and medical professionals in an appropriate and flexible manner.

As we firmly maintain our market share, we support our MRs in cultivating their intuitive, inquisitive, and communicative skills to meet shifting customer needs. As competition within the market intensifies, we are supporting the activities of our MRs to satisfy our customers.

In the short term, we will work to expand sales of *Tapros* and *Cosopt* in the glaucoma segment. In the corneal conjunctival epithelial disorder segment, we will secure a firm foothold within the market through our mainstay product *Hyalein* and the recently released *Diquas*.

STRATEGIC OBJECTIVE 3

Accelerate growth in both Asia and Europe by reinforcing marketing platforms

In our overseas business pursuits, a key strategy is actively promoting growth initiatives in our Asian and European businesses, which are projected to experience high rates of growth.

In our Asia business, and particularly in China, which is enjoying strong market growth, we will endeavor to increase sales by 15% annually on a local currency basis.

With China as a key to growth, Santen will redouble its efforts to strengthen an operating platform based on local production and direct marketing. In addition to increasing the number of MRs, we will harness the know-how unique to a specialized ophthalmic company and position our doctor marketing (DM) strategy[5] at the heart of our operations. At the same time, we will build an independent sales and marketing structure in China. Santen has filed for approval of tafluprost and is steadily preparing for product launch in China. Moving to further deepen the ties of mutual trust with medical professionals nurtured over a lengthy period, we will secure our position as the leading ophthalmic pharmaceutical manufacturer in China by bringing to market new products in the glaucoma and corneal conjunctival epithelial disorder segments.

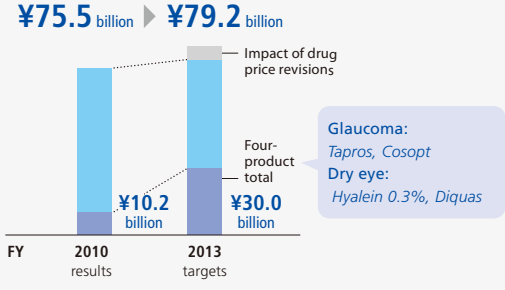
In Korea, Santen is producing a steady flow of successful results. In addition to the launch of tafluprost in the previous year, Santen Pharmaceutical Korea Co., Ltd. (Santen Korea) has commenced direct marketing and is now providing its customers with scientific information. As a result, Santen Korea has experienced steady success. Moving forward, we will upgrade and expand our sales and marketing platform, while quickly bringing to market new products in the ophthalmic pharmaceutical areas of glaucoma, ophthalmic infections and corneal and conjunctival epithelial disorders.

We will continue to pursue opportunities in Europe in developed markets focusing mainly on Germany. Steps will also be taken to upgrade and expand our sales and marketing platforms in developing countries and regions in Eastern Europe and Russia. Building on the success MRs have shown in delivering scientific information relevant to customer concerns and needs, our efforts are steadily taking hold. In an environment where our products are being developed across a large number of countries and, where healthcare and drug

Strategies by Region

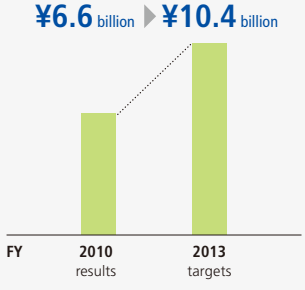
Business in Japan
Drive business by new products value maximization

Target Prescription Ophthalmic Pharmaceutical Sales in Japan



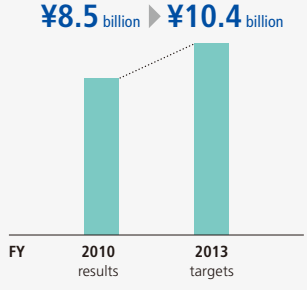
Business in Asia
Growth in fast growing markets

Target Sales in Asia



Business in Europe
Sustained growth with the *Taflotan* family

Target Sales in Europe



prices differ, we will position tafluprost at the center of our operations in Europe. We will target an annual growth rate of 10% in Europe on a local currency basis.

5. Doctor marketing (DM) is a strategy original to Santen. Under this strategy, we provide solutions suited to the needs of each doctor and offer appropriate recommendations for prescriptions. This develops closer relationships with doctors and thereby secures a competitive advantage, which leads to favorable business results.

STRATEGIC OBJECTIVE 4

Establish a global product supply system with our existing four plants, which enable us to meet emerging market needs

One of our strengths is our ability to consistently manufacture in excess of approximately 300 million units[6] of eye drops each year. In addition, our world-class technological capability ensures the quality of our products. Under the new medium-term management plan, we will further utilize the outstanding competitive advantage of our specialized and technological competencies.

While ensuring the continuous stable supply of pharmaceuticals, we will work diligently to reduce costs while maintaining product quality. We will also work to establish a product supply structure that is capable of meeting both the diverse regulatory and customer requirements of different regions, and the wide-ranging demands of producing our diverse product line which includes not only eye drops but also different types of drugs such as injectable solutions and ointments. As we move forward, undertaking essential capital investment will play an increasingly important role for our manufacturing capabilities.

With the completion of construction of the Suzhou Plant during the period of the previous medium-term management plan, Santen has put in place a global production network spanning Japan, Asia, and Europe. This network comprises the Shiga Plant, which is positioned at the core of Santen's global manufacturing structure, the Noto Plant, which boasts a world-class ophthalmic solution production capability and the Suzhou Plant. Santen will push forward with a global four-plant[7] structure including the Tampere Plant and continue to focus strictly on production and quality control, while bolstering performance that takes into account the unique attributes of each plant. By promoting production line efficiency commensurate with worldwide standards, Santen will build a product supply structure distinguished by its high competitive advantage including reduced cost.

6. On a 5mL bottle conversion basis
7. Shiga Plant and Noto Plant (Japan), Suzhou Plant (China), and Tampere Plant (Finland). Functions of the Osaka Plant will be transferred to the Shiga Plant by the end of fiscal 2012.

STRATEGIC OBJECTIVE 5

Develop talents and organizational capabilities to promote "creation and innovation" on a global level

In becoming a truly "specialized pharmaceutical company with a global presence," we recognize the critical need to broaden the mindset of each and every employee to a more global perspective. This will entail increasing awareness of the importance of patient health not only in Japan but also the rest of the world, and ensuring a stronger recognition of the global market as our operating domain.

In addition, we are convinced that the mission of management is to build a platform grounded in "creation and innovation." Our

Product Supply Strategy

Develop an efficient global supply chain by optimizing the functions of four plants, and establish a competitive cost structure

Improve production capabilities based on global site planning.

- Shiga Plant: Drive innovation in technology and process as a core plant.
- Noto Plant: Improve the efficiency of production as a mother plant.
- Suzhou Plant: Start integrated production in FY2012.
- Tampere Plant: Increase capacities for new product supply to European markets and improve efficiency.

Design an optimal global supply chain system from long-term point of view.

- Meet market needs, supply new products and realize competitive cost structure in emerging markets.
- Explore candidates of new plants and review the functions of existing plants.

ongoing evolution and strength is based on our ability to consistently come up with fresh ideas. At the same time, the presence of powerful leaders, capable of steering the organization in a flexible and dynamic manner consistent with established strategies, is of vital importance. We will promote free and open discussion among employees, and foster a corporate culture that welcomes innovation and the spirit of competition as a source of mutual stimulation. For example, it is important that we continue to evolve by undertaking wide-ranging research that extends beyond the ophthalmology and rheumatology fields. This we believe will become the wellspring for the development of new products that excel on the world stage.

Currently, around one-third of our workforce is employed outside of Japan. Our aspirations are to cultivate an organizational climate that welcomes the diverse talents and thoughts of each individual employee in order to stimulate a constant flow of fresh ideas. Within a diverse organization, we desire that employees find "Santen's Values" to be all the more important as a guide for their attitudes and conduct.

Providing Continuous Stable Returns to Shareholders

Santen has positioned the return of profits to shareholders as a key management priority. In order to ensure the continuous and stable payment of dividends, the Company has adopted the dividend on equity (DOE) ratio as an indicator for determining dividends.

Under the previous medium-term management plan, we identified a DOE target of 5.0% or greater. In fiscal 2010, we paid a full-year dividend of ¥90 per share, resulting DOE of 5.3%. This represents the fourth consecutive fiscal year in which DOE exceeded 5.0%. We remain committed to the stable return of profits to shareholders and a DOE of 5.0% or more under the new medium-term management plan. At the same time, we will continue to fund R&D and other investments essential to future growth while adopting a flexible stance that includes the acquisition of treasury stock.

Contributing to Society through Business Activities

An important facet of Santen's social contribution activities is the delivery of outstanding pharmaceuticals to patients and medical professionals. In addition to its support activities aimed at improving healthcare in the ophthalmology and rheumatology fields, Santen strives to contribute to society and protect the environment through a variety of initiatives including giving aid in instances of large-scale natural disaster.

Following the Great East Japan Earthquake, which struck the nation in March 2011, affected areas suffered unprecedented damage. In the immediate aftermath of the disaster, we were quick to deliver pharmaceuticals to devastated areas. Every effort was made to work with and support national and local government authorities and industry associations in their medical and relief activities. In addition to a donation of ¥100 million, we adopted a matching gift initiative under which we donated an amount equivalent to contributions collected from employees.

Santen recognizes the importance of complementing one-off donations and the immediate supply of pharmaceuticals with initiatives over the medium to long term that encompass the infrastructure needs of the medical frontline. In order to assist in the complete reconstruction and recovery of affected areas, every effort will be made to help medical professionals as they carry out their work and continue to support patients through employees volunteering and other activities.

We will work toward becoming a "specialized pharmaceutical company with a global presence." As we endeavor to accomplish this goal, we kindly ask for the continued support of all stakeholders.

September 2011

Akira Kurokawa
President and Chief Executive Officer

Special Feature

Fulfilling Unmet Ophthalmic Treatment Needs

Contributing to Dry Eye Treatment

As a leader in the dry eye market, Santen has consistently contributed to improving the quality of life (QOL) of patients. As the number of dry eye patients continues to grow worldwide, we will expand our activities to encompass the global market.

Market Trends in the Dry Eye Domain

A growing number of dry eye patients worldwide

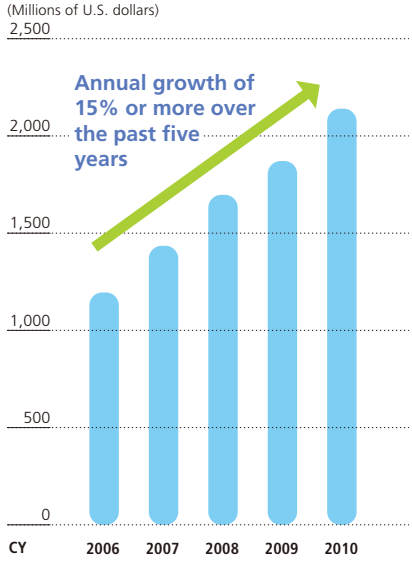
Dry eye was defined by the Dry Eye Society[1] in Japan in 2006, and subsequently described in a research paper in 2007 as a chronic disease pertaining to tears and the ocular surface of the eye with symptoms that can result in discomfort and visual disturbance, and that can be attributed to a variety of factors. Much more than the dry eye name suggests, this disorder can cause both discomfort and pain resulting in damage to the ocular surface. Left untreated, dry eye can trigger additional complications including the onset of related infectious diseases. It has also been pointed out that dry eye can cause a temporary deterioration of vision, with dry eye often occurring with extended visual display terminal (VDT)[2] use and while driving.

Among a host of causes, a decrease in the volume of tears due to advancing age, a change in tear fluid composition, and Sjogren's syndrome[3] are commonly cited. However, the vast majority of causes can be traced to work and lifestyle habits. For example, with the rapid development of IT in recent years, the amount of time spent in front of VDTs has increased both at the office and home. Consequently, looking at monitors and screens for an extended period reduces the frequency of blinking, leading to dry eye. The use of contact lenses is also a major factor. For these reasons, dry eye is often referred to as a modern-day disease resulting in a significant deterioration in patient's QOL.

There are large numbers of dry eye sufferers mainly in developed countries including Japan. The number of potential dry eye patients in Japan is estimated at over eight million. Taking into account the aging populations and advance of IT in emerging countries, the number of patients is only expected to grow. As a result, the market for dry eye treatments is consequently on the rise worldwide. Over the past five years, the scale of the market has effectively doubled. Looking ahead, the dry eye market is projected to expand at a rate of 10% or more annually.

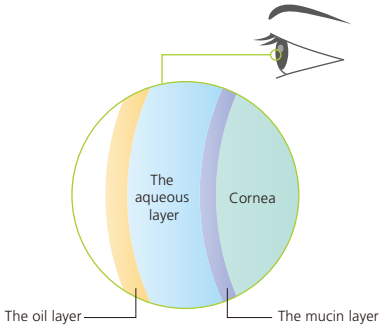
1. Launched in 1990, the Dry Eye Society is made up of doctors and researchers focusing mainly on the field of ophthalmology. The Society undertakes fact-finding surveys, strives to uncover the primary causes of the disorder, and contributes to improved diagnosis and treatment.
2. Visual display terminals (VDTs): Display and monitor devices including those for PCs, video games, and mobile phones.
3. An auto-immune disease characterized mainly by a general dryness, especially of the eyes and mouth. Middle-aged and elderly women are particularly prone to this disease.

Trends in the Global Dry Eye Market



Source: MIDAS 2006–2010CY
Market scale is the total of corneal disorder treatments (including artificial tear solutions) and sales of Cyclosporine in the U.S.

The Structure of Tears



The oil layer: Helps prevent moisture evaporation

The aqueous layer: In addition to moistening the surface of the eye, the aqueous layer contains the nutrient components of the cornea and the antiseptic components of microbes

The mucin layer: Helps to ensure tear stability and protect the tear membrane that covers the eye

Diquas

What is mucin?

Mucin is a macromolecular protein, whose key characteristic is its ability to form an adhesive gel, that is present in both the aqueous and mucin layers of the eye. Mucin helps to prevent the ocular surface from drying while guarding the eye against foreign matter and microbes. It also prevents the corneal epithelium (the eye) and palpebral conjunctival epithelium (the eyelid) from sticking. In this regard, Mucin plays an extremely important role. A decrease in mucin causes deterioration in each of these functions. As a result, the tear membrane that covers the surface of the eye becomes fragile, increasing the risk of dry eye.

Current Status of Dry Eye Treatment

A disorder that causes abnormalities in the volume and quality of tears

Tears play an extremely important role in protecting eyes from the irritation of foreign substances and preventing the ocular surface from drying. A drop in volume therefore impacts the ability of tears to fulfill their function, increasing the potential for dry eye.

In addition, the quality of tears is of equal importance to volume. Tears are essentially composed of three layers: the oil layer, the aqueous layer, and the mucin layer. Of these three layers, the largest portion is the aqueous layer. Not only does the aqueous layer ensure the ocular surface remains moist, it helps eliminate bacteria, prevent irritation from foreign substances, supply oxygen, and provide nutritional support. The external or oil layer, which is actually an oily film, acts to prevent evaporation of the tear film from the eye. The internal or mucin layer serves to ensure that tears remain stable, thereby protecting the ocular surface. As a result, any change in the characteristics of the mucin and oil layers raises the potential for tears to become unstable even in the event of a fixed volume of tears. This in turn is one factor in the incidence of dry eye.

Diagnosis by a doctor essential to proper treatment

The volume of tears is not the only cause of dry eye. Quality is also a factor. Treatment methods therefore differ depending on the characteristics and condition of tears. Disorders such as dry eye can also trigger complications including inflammation and infection. With this in mind, it is vital to seek medical attention at any sign of discomfort and to obtain a diagnosis from a doctor with respect to the appropriate treatment.

In reality, however, many patients lack an adequate understanding of the disorder and its treatment. For example, patients suffering from the symptoms of dry eye often rely on extended use of over-the-counter (OTC) eye drops that could cause the condition to deteriorate over time. Of the approximate eight million patients suffering from dry eye in Japan, only around two million receive treatment prescribed by a doctor.

Initiatives in the Dry Eye Domain

Driving growth in the domestic market

Japan's prescription ophthalmic pharmaceutical market for corneal and conjunctival epithelial disorders has more than doubled over the past 10 years. When Santen first launched *Hyalein* (sodium hyaluronate) as the first corneal and conjunctival epithelial disorder treatment in Japan in 1995, it was the only prescription ophthalmic solution

on the market. In this sense, the Company served as an engine for market growth. Boasting outstanding efficacy in the treatment of corneal and conjunctival epithelial disorders associated with dry eye, *Hyalein* has for 15 years contributed to patient QOL. In addition to attracting high praise from the medical community, Santen has secured a dominant position accounting for close to 80% of the corneal conjunctival epithelial disorder market.

Santen launched a disease awareness campaign for dry eye in 2007, in an effort to promote a better understanding of the disorder among the general public and to ensure proper treatment by medical institutions. Utilizing a broad spectrum of media, the Company was successful in raising awareness. At the same time, steps were taken to provide comprehensive information to medical professionals relating to the disorder and its treatment. Santen also continued to conduct academic seminars as an opportunity for specialist doctors to further disseminate information within the medical community. Building on these endeavors, the level of interest in dry eye has witnessed a steady rise. In addition to an increase in the number of dry eye specialists, indications are that medical institutions are establishing dry eye clinics.

Diquas, the world's first P2Y2 receptor agonist released

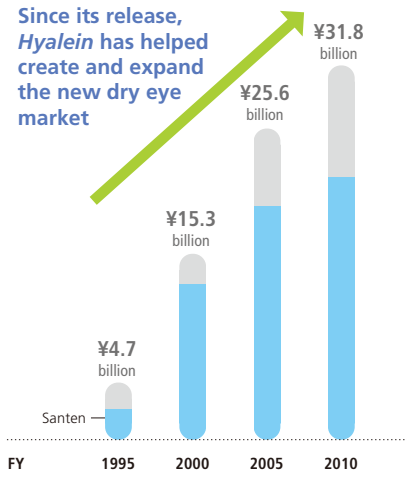
In December 2010, Santen released *Diquas* (diquafosol sodium), a highly effective dry eye ophthalmic solution in Japan. *Hyalein* is a highly water-retentive ophthalmic solution that helps maintain moisture on the surface of the eye, provide tear film stability, and alleviate corneal and conjunctival epithelial disorders while replenishing tear volume. *Diquas*, on the other hand, promotes the secretion of mucin and water, the main components of tears, thereby significantly improving tear quality. In releasing the two ophthalmic solutions of *Hyalein* and *Diquas* with different mechanisms of action, Santen has helped address an unmet need with respect to dry eye treatment.

Steady market penetration throughout Asia

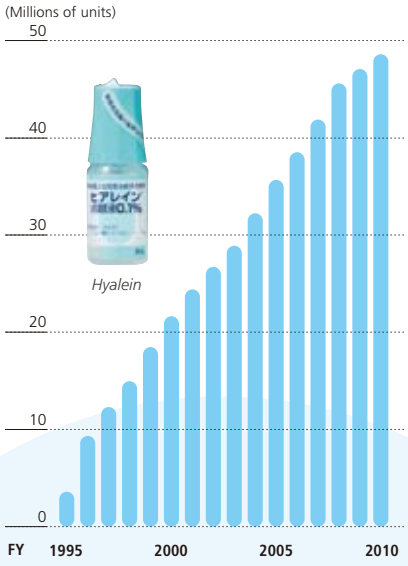
Hyalein is currently sold in nine countries in Asia. It was first launched in Korea and Hong Kong in 1996 followed by China in 1997. Thereafter, sales were also expanded to other countries throughout the region, attracting significant acclaim wherever it was sold.

As the number of VDT and contact lens users has grown together with an increase in the elderly population in Asia, so too has the number of dry eye sufferers. This has led to growing demand for relief from its symptoms. Santen's *Hyalein* has steadily penetrated the Asia market, securing a leading position in China and Korea.

The Scale of Japan's Market for Corneal and Conjunctival Epithelial Disorder Treatments



Trends in the Number of Estimated *Hyalein* Units Sold in Japan



Source: JPM1995–2010, Santen's analysis
(number converted to 5mL equivalent units)

Demand for Further Options in the Treatment of Dry Eye

Importance of expanding treatment options

The severity of dry eye symptoms can range from light to extremely serious. Patient symptoms also vary from individual to individual. It is therefore important to separate and select the type of treatment. Even in doing so, however, existing treatments may not be sufficient depending on these differing symptoms and the area of the eye where inflammation occurs. As a result, increasing the options available to patients is vital in enhancing treatment efficacy.

Bolstering the product lineup in Japan and Asia

In addition to launching *Diquas* in Japan, Santen also released the higher concentration *Hyalein* ophthalmic solution 0.3% in November 2010. With a different dosage and method of administration, the Company has contributed to addressing the growing treatment needs of patients.

In addition, Asia and particularly China are earmarked as markets of considerable growth potential. Despite a population that is almost ten times larger than Japan, China's prescription ophthalmic pharmaceutical market is only one-eighth the size of the Japanese market. Clearly, there are a large number of patients whose needs remain unmet in the dry eye domain. In order to address this pressing need, Santen will accelerate efforts to bolster its product lineup in Asia. *Diquas* clinical development has already commenced in China, with the product currently undergoing Phase 3 clinical trials. Furthermore, in Korea, we have filed for registration and are awaiting approval.

Contributing to Global Treatment

Sadatoshi Furukado
Director
Executive Corporate Officer,
Japan and Asia Business,
Head of Sales and Marketing Division,
Prescription Pharmaceuticals

In the 1990s when *Hyalein* was released, there was little or no recognition of dry eye as a disease. Accordingly, awareness and understanding of the dry eye disorder was extremely low. Consequently, Santen took steps to consistently provide patients and medical professionals with relevant information and to stress the critical need for early treatment. Recently, and with the support of medical professionals, the level of knowledge and understanding has begun to rise. Today, there are a growing number of dry eye specialists who recognize that dry eye is a disorder that cannot be left untreated. At the same time, consultation rates are increasing steadily. In partnership with doctors, Santen is engaging in educational activities in addition to its development endeavors. We take great pride in our contributions in establishing a fundamental understanding of dry eye.

In the global market, recognition of dry eye as a disorder still remains low even today. Depending on the country, diagnosis standards are unclear. While Santen currently markets *Hyalein* in Asia, the Company intends to continue providing products that fulfill unmet needs. At the same time, we disseminate information to the global market on Japan's high medical standards in the diagnosis and treatment of dry eye in an effort to promote early detection and treatment, thereby alleviating the suffering of dry eye patients. With this in mind, we are working diligently to fulfill our mission of contributing to global treatment.

Developing new products that address unmet needs

While the number of dry eye patients around the world is growing contributing to significant growth in the market, the options available for effective ophthalmic treatment in the field of dry eye are limited. In addition to the development and sale of such outstanding products as *Hyalein* and *Diquas*, Santen is also deeply involved in initiatives aimed at better educating the public and medical professionals. Looking ahead, the Company will continue to capitalize on its strengths while using its accumulated experience to contribute to dry eye treatment around the world.

Currently, Santen is developing several promising ophthalmic treatments focusing particularly on corneal and conjunctival epithelial disorders associated with dry eye. There are high expectations that the selective glucocorticoid receptor agonist DE-110, and DE-101 (rivoglitazone), a PPARgamma agonist, will not only meet the unmet needs of global patients but also contribute to improved treatment. These products are in the process of development in the U.S. and offer different mechanisms of action from *Hyalein* and *Diquas*. While DE-110 is currently undergoing Phase 2 clinical trials, Santen is preparing for DE-101 to enter Phase 2 clinical trials following a change in its target profile. The Company will engage in clinical development in an effort to bring new products to market in a timely manner.

Fulfilling Unmet Needs in the Dry Eye Domain

Toshiaki Nishihata, Ph.D.
Director
Executive Corporate Officer,
U.S. and Europe Business,
Head of Research and Development Division

I think that research and development in dry eye is a major strength of the Company. In addition to *Hyalein*, which has continued to drive the market for over 15 years, we have launched *Diquas*, a dry eye ophthalmic solution with a new mechanism of action. Through these products, we are currently contributing to dry eye treatment centered on Japan and Asia. Moving forward, Santen will push ahead with products currently under development in the U.S., including the selective glucocorticoid receptor agonist DE-110 as well as DE-101 (rivoglitazone). The goals are for us to become a leading company in the field of dry eye globally and to deliver significant benefits to patient treatment worldwide.

Dry eye still remains a little-known, little-understood disorder among patients. Dry eye is characterized by its wide-ranging subjective symptoms, which differ markedly from patient to patient. At the same time, difficulties in development are exacerbated by diversities in the new drug approval requirements of each country as well as diagnosis criteria applied at medical institutions. For these very reasons, Santen's success in the dry eye development domain has considerable meaning and purpose. These reasons also provide significant motivation for Santen to fulfill its mission of bringing effective treatments to patients around the world. Santen is committed to quickly bringing new products to market in an effort to fulfill the unmet needs of patients. At the same time, our aspirations lie in raising dry eye treatment standards worldwide.

Santen's R&D

Toshiaki Nishihata, Ph.D.
Director
Executive Corporate Officer,
U.S. and Europe Business,
Head of Research and Development Division

Focusing on the Development of New Drugs Based on Global Medical Needs

Santen strives to create outstanding pharmaceuticals that fulfill unmet medical needs in a timely manner. To this end, we engage in research and development focusing mainly on the ophthalmic and anti-rheumatic fields. While doing so, we harness our inherent strengths and maintains a basic policy of channeling management resources into fields that offer the promise of future growth. In the ophthalmic field in particular, there is strong demand for the early development of effective new drugs focusing mainly on such areas as corneal disorders, where treatments are yet to be fully developed from a global perspective, as well as glaucoma and retinal disorders, where the number of patients is increasing worldwide. By promptly addressing this demand, I am determined to see that Santen enhances the quality of life (QOL) of patients worldwide.

Research Activities that Harness Inherent Strengths

Santen engages in proprietary discovery research as well as application research pertaining to medicines developed as systemic drugs focusing on the ophthalmic field. At the same time, Santen partners with leading companies while also pursuing development under license. We are enriching our development pipeline while building on our accumulated ophthalmic research capabilities to further enhance the quality, volume, and speed of our R&D activities.

In particular, Santen works to discover new compounds using its own research capabilities while also proceeding in parallel with a unique method called "network-based drug discovery." This method of drug design takes simultaneous advantage of our considerable accumulated knowledge and technologies as well as leading-edge technologies from other pharmaceutical companies and research institutions. By utilizing these external resources, the potential for the early discovery of effective new compounds increases significantly. Specifically, joint research is conducted based on in-house ideas in an effort to discover outstanding compounds. At the same

time, we access the chemical libraries of collaborating pharmaceutical companies and research institutions using our own abundant resources and an ophthalmic disease model to select and introduce highly effective new compounds.

We also plan to utilize the active ingredients of compounds over which we holds rights. Employing our unique formulation and other technologies, we will adopt a more aggressive approach toward expanding indications while supplementing formulations, usage, and dosage. For example, steps are being taken to develop the combination drug DE-111 (tafluprost / timolol maleate) as a part of the life cycle management[1] of products that effectively use existing compounds.

In addition, as a network-based drug discovery innovation in technology, Santen has identified the significant goal of developing medicines that retain their efficacy over longer periods and utilizing formulation technologies including drug delivery systems (DDSs). Currently, Santen is developing DE-102 (betamethasone DDS), a drug candidate in the retinal disorder field that will provide sustained release while working in collaboration with other companies with respect to the development of formulation technologies that incorporate the DDS concept.

Furthermore, in order to develop marketed products, Santen is working to generate clinical evidence based on data encompassing the ophthalmic and anti-rheumatic fields as a part of its pharmaceutical discovery and development activities.

1. Aligning one compound to treatment needs over the long term and augmenting through variations in use, dosage and formulation to increase product value.

Transferring to a Clinical Development System Based in the U.S.

I recognize that discovering and bringing to the market new drugs as quickly as possible is essential to fulfilling Santen's long-term strategic vision of securing a top three position in the global ophthalmic pharmaceutical market by 2020. In addition to further enriching our development pipeline, I also acknowledge the importance of accelerating the pace of global clinical development.

To date, Santen has put in place an in-house clinical development structure that encompasses Japan, the U.S., and Europe. Currently, the Company is engaging in joint international clinical trials in emerging countries as well as in most major countries throughout Asia including China and India.

Under the new medium-term management plan, Santen is shifting its global clinical development base from Japan to the U.S. to meet the critical need to redouble its efforts and pace in the clinical development area. In specific terms, the process through to POC[2] establishment will first be undertaken mainly in the U.S. Then we will pursue late-stage clinical development which is based on the characteristics of new drug candidate compounds and the needs of each market. We also plan to oversee efforts aimed at strategically augmenting Santen's product lineup in accordance with individual regional needs.

With the differences in pharmaceutical approval systems between the U.S. and Japan, it is generally possible to shorten the time required for certain clinical development stages in the U.S. where the relevant authorities also promote adaptive design[3]. As an example, while completing Phase 1/2 clinical trials in Japan for DE-109 (sirolimus), Santen initiated Phase 3 clinical trials for uveitis then commenced in the U.S. Currently the number of treatments for uveitis is limited and accordingly, there are strong calls for new treatment methods from the medical community. Having taken a significant step, DE-109 is expected to fill an unmet medical need within this underserved area.

2. Proof of Concept (POC) is the realization of a certain method or idea to demonstrate feasibility or safety.
3. An adaptive design allows modifications made to the procedures of ongoing clinical trials based on accrued data without impacting trial validity and integrity.

Strengthening the Clinical Development Structure to Accurately Reflect the Status of Treatment

In line with the shift of the global clinical development structure to the U.S., our U.S.-based subsidiary Santen Inc. will assume a key role in clinical development. In July 2011, Santen Inc.'s headquarters was relocated to Emeryville, California, a suburb of San Francisco. In addition to securing outstanding personnel qualified in the field of ophthalmology, plans are in place to significantly increase our capabilities. Attracting and hiring ophthalmologists with a greater understanding of current conditions regarding treatment is a source of considerable strength in effectively and quickly promoting clinical development.

When developing products, I recognize the importance of setting objectives based on current treatment conditions and to clarify determination criteria for each process. In doing so, we not only facilitate risk assessment, but also increase the probability of clinical testing success as well as the speed of development.

Santen's R&D has taken significant strides. This is helping to accelerate the Company into becoming a specialized pharmaceutical company with a global presence. At the same time, patient and customer concerns remain at the heart of our new drug development stance. Looking ahead, Santen will continue to create products that genuinely address medical needs in an effort to contribute to the health of an increasing number of patients while significantly bolstering its unique strengths.

Taking the Lead in Shifting to a Global Vision

I am convinced that Santen Inc. will play an important role in Santen's long-term strategic vision to become one of the top three ophthalmic pharmaceutical companies in the world by 2020. In addition to shouldering this enormous responsibility since assuming the position of COO at Santen Inc., the Company's U.S. subsidiary, in April 2010, I am confident that the U.S. organization will be a significant contributor to Santen's future global presence.

Today, our most pressing task is to commercialize products at the earliest possible opportunity that will bring relief to patients. Therefore, it is vital that we channel our energies toward accelerating clinical development, enriching our development pipeline, and commercializing new drug candidates. Of equal importance, however, we must stand at the forefront of the Santen Group as we work toward realizing our shared goals. Only in taking a proactive stance in spearheading the Group's endeavors can we hope to secure an overwhelming advantage and presence in the global market. As a first step, we are moving beyond the status quo to build a new organizational structure and decision-making process that delegates appropriate levels of authority and is capable of making swift and timely decisions.

In addition, we are placing considerable weight on attracting human resources with a rich knowledge, awareness, and experience in ophthalmology in the U.S. to further promote organic clinical development that reflects the opinions of highly qualified medical professionals. Recognizing the importance of Santen Inc.'s role under the new medium-term management plan, the unmistakable spirit and growing morale within each and every employee is clearly evident. Standing at the vanguard of Santen's globalization endeavors, Santen Inc. is dedicated to creating products that fulfill the unmet needs of patients in a timely manner and to live up to the expectations of stakeholders.

Akihiro Tsujimura
Corporate Officer
COO, Santen Inc.

Naveed Shams, M.D. Ph.D.
Head of Global Clinical Development
& Medical Affairs,
Global R&D Division
Vice President, Santen Inc.

Taking Up the Challenge of Accelerating Clinical Development and Employing New Ideas

Santen places significant value on "hard work" and "harmony." These concepts are considered essential to promoting the advancement of clinical development. At the same time, I believe it is vital to further accelerate the pace at which new drugs are developed, a characteristic of clinical development that is increasingly becoming an imperative for the industry.

With this in mind, there are two factors of critical importance. The first is to ensure that any risk associated with clinical trials falls directly on the Company and as a consequence should not be borne by the patient. I am constantly reminding my colleagues that when planning clinical evaluation of a drug, imagine that it is one of your family members who may be the person receiving the treatment—I ask, "would you encourage your family member to participate in this trial?" Second, it is essential that we think outside the box or outside of our own comfort zone and adopt new, improved methodologies to achieve our mission. This will ensure a continuous stream of great new ideas to build and sustain the growth of Santen. Innovating from an entirely new perspective is key to the long-term success and competitiveness of Santen on the world stage. In the spirit of innovation and in order to realize the 2020 vision, we are using newer methodologies to conduct clinical research and development. Santen has for the first time incorporated adaptive design[1] in undertaking clinical development in the U.S.; clinical programs for DE-110 and DE-112 are excellent examples of this new approach. We are certain that such an approach will accelerate the development of drugs in our pipeline. Yet another very exciting example is the development of DE-109 for non-infectious posterior uveitis. DE-109 is now being evaluated for uveitis in a large, multi-regional clinical trial that is being conducted worldwide. In this instance, we leveraged our understanding of the pathobiology of uveitis and the characteristics of DE-109, and launched this Phase 3 global clinical trial based on the findings of one single Phase 1 and 2 clinical trial.

I am convinced that Santen will realize its long-term strategic vision to become the world's leading company in the ophthalmic pharmaceutical market. Taking full advantage of the Company's unlimited potential, the question lies in how quickly we can contribute to the well-being of patients by producing results based on a Companywide commitment to self-improvement and evolution. This is a challenge that I have accepted for myself, and hope everyone at Santen will accept this challenge as well.

1. An adaptive design allows modifications made to the procedures of ongoing clinical trials based on accrued data without impacting trial validity and integrity.

Pipeline of Prescription Pharmaceuticals (Clinical Development)

As of Augst 2, 2011

Category: Global product Japan (Asia) product

Corneal and Conjunctival Disorders

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 / 2 / 3 / NDA Filed / Approved
DE-101	Rivoglitazone	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Daiichi Sankyo	U.S.	Phase 2 (under preparation)
DE-105	Undetermined	Persistent corneal epithelial defects	Original	U.S.	
				Japan	
DE-110	Undetermined	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Original	U.S.	
DE-089	Diquafosol sodium	Dry eye	Inspire	Japan	Launched, December 2010
				Asia (excluding Japan)	March 2011

DE-101 (generic name: rivoglitazone) Currently, preparations are being made to conduct renewed Phase 2 clinical trials for DE-101, a PPARgamma agonist which is thought to improve the condition, quality and volume of tear film. This action is a part of the development policy adopted after having completed Phase 2b clinical trials in Japan as well as additional Phase 1 and Phase 2 clinical trials in the U.S. with higher dosages.

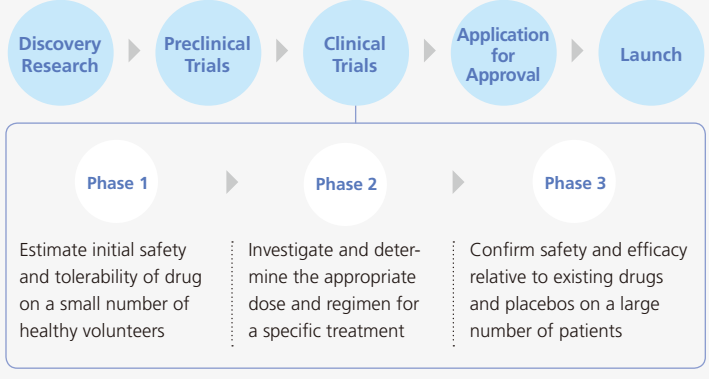
DE-105 (generic name: undetermined) A new drug candidate that is expected to provide high levels of safety for persistent corneal epithelial defects compared with existing therapy, DE-105 helps repair corneal epithelial defects by accelerating corneal epithelial migration. Phase 2 clinical trials are being conducted in Japan with preparations being made for Phase 2 clinical trials in the U.S.

DE-110 (generic name: undetermined) A selective glucocorticoid receptor agonist (SEGRA), DE-110 is in Phase 2 clinical trials in the U.S. as a treatment for corneal and conjunctival epithelial disorders associated with dry eye.

DE-089 (generic name: diquafosol sodium) A treatment for dry eye that stimulates the ocular surface to secrete mucin and tear fluid, DE-089 offers a different mechanism of action from the existing ophthalmic solution *Hyalein* (sodium hyaluronate). Launched as a dry eye treatment in Japan under the name *Diquas* in December 2010. Phase 3 clinical trials are being conducted in China with an NDA filed in Korea.

About Research and Development

After passing preclinical trials for safety and efficacy, new drug candidates are put through the clinical trial phases outlined on the right. Upon receiving manufacturing and marketing approval, they can be sold as prescription pharmaceuticals.



Glaucoma

Category: Global product Japan (Asia) product

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 2 3 / NDA Filed / Approved
DE-085	Tafluprost	Glaucoma Ocular hypertension	Co-development with Asahi Glass	Japan	Launched, December 2008
				Europe	Launched, June 2008
				U.S.	(License out)
				Latin America	(License out) Launched, August 2010
				Asia (excluding Japan)	Launched, March 2010
DE-111	Tafluprost / timolol maleate	Glaucoma Ocular hypertension	Original	Japan	
			Co-development	Europe	
DE-112	Undetermined	Glaucoma Ocular hypertension	Forest Laboratories[1]	U.S.	Phase 1/2a
DE-090	Lomerizine HCl	Glaucoma	MSD[2]	Japan	

1. Formerly Clinical Data 2. Formerly Banyu Pharmaceutical

DE-085 (generic name: tafluprost) A prostaglandin derivative for the treatment of glaucoma and ocular hypertension, DE-085 increases uveoscleral outflow of the aqueous humor and shows a potent and stable IOP-lowering effect. DE-085 was launched in German in June 2008 and in Japan in December 2011. It is currently directly marketed in 20 countries throughout Europe as well as in Asia—beginning with Hong Kong in March 2010, Korea in May 2010, and Indonesia and Singapore in 2011. An NDA has been filed in China. A licensing agreement with U.S.-based Merck & Co. was concluded in April 2009 that granted sales rights in Western Europe (excluding Germany), North America, South America and Africa. Tafluprost has been marketed by Merck & Co. in a total of 11 countries including the United Kingdom, Spain and Italy since September 2009. Additionally, an NDA has been filed in the U.S. Incorporating sales under this licensing agreement, tafluprost is currently sold in a total of 36 countries worldwide.

DE-111 (generic name: tafluprost / timolol maleate) A combination prostaglandin derivative and beta-adrenergic receptor blocker drug for the treatment of glaucoma and ocular hypertension, DE-111 is in Phase 3 clinical trials in Japan and also in Europe.

DE-112 (generic name: undetermined) A treatment for glaucoma and ocular hypertension with a new mechanism of action, DE-112 is a highly selective adrenosine A_{2A} receptor agonist that differs from a prostaglandin derivative while promoting aqueous humor outflow from trabecular meshwork cells. Santen concluded a licensing agreement with Clinical Data, Inc. (U.S.) (currently Forest Laboratories, Inc.) in April 2010, allowing the Company to engage in its ophthalmic development. Phase 1 and Phase 2b clinical trials are being conducted in the U.S.

DE-090 (generic name: lomerizine HCl) A new type of glaucoma treatment which inhibits the progression of visual field defects, DE-090 is in Phase 2 clinical trials conducted in Japan. It is the only calcium antagonist being developed as an oral glaucoma treatment. Compared to NMDA receptor antagonists, systematic adverse drug reactions are mild, offering an excellent safety profile. The compound is also marketed by MSD K.K. in Japan as a migraine treatment drug.

Category: Global product Japan (Asia) product

Retinal Disorders

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 2 3 / NDA Filed / Approved
DE-102	Betamethasone DDS	Diabetic macular edema	Co-development with Oakwood	Japan	Phase 2/3
DE-109	Sirolimus	Uveitis	Original	U.S.	

DE-102 (generic name: betamethasone DDS) A steroid microsphere product for sustained release injection, DE-102 is in Phase 2 and Phase 3 clinical trials in Japan as a treatment for diabetic macular edema. Animal studies demonstrated sustained efficacy when injected around the affected area. Santen is collaborating with Oakwood Laboratories of the U.S. in the development of the microsphere delivery platform for this product.

DE-109 (generic name: sirolimus) An intravitreal injection with immunosuppressive, anti-angiogenic, and other effects, Santen acquired global development, manufacturing and marketing rights of sirolimus from MacuSight, Inc. (U.S.) in June 2010. After completing Phase 1 and Phase 2 clinical trials in Japan, Santen considered the next step in its DE-109 development policy. Accordingly, Phase 3 clinical trials are being conducted in the U.S. as a treatment for uveitis.

Ocular Infections / Allergy

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 2 3 / NDA Filed / Approved
DE-108	Levofloxacin (1.5%)	Bacterial conjunctivitis	Daiichi Sankyo	Japan	Launched, June 2011
DE-114	Epinastine HCl	Allergic conjunctivitis	Nippon Boehringer Ingelheim	Japan	

DE-108 (generic name: levofloxacin (1.5%)) A fluoroquinolone antibacterial agent with higher concentration, DE-108 was launched in Japan in June 2011 as an indication for bacterial conjunctivitis.

DE-114 (generic name: epinastine HCl) An H1 receptor antagonist with membrane-stabilizing function as a treatment for allergic conjunctivitis, DE-114 was licensed from Nippon Boehringer Ingelheim Co., Ltd. and is currently in Phase 3 clinical trials in Japan.

Rheumatoid Arthritis

Dev. Code	Generic Name	Indication	Original / Licensor	Region	Phase 1 2 3 / NDA Filed / Approved
DE-098	Undetermined	Rheumatoid arthritis	Centocor	Japan	

DE-098 (generic name: undetermined) A joint injection that induces apoptosis in diseased joints of rheumatoid arthritis patients, DE-098 is an anti-APO-1 antibody in-licensed from Centocor, Inc. for the treatment of rheumatoid arthritis. Phase 2 clinical trials are currently being conducted in Japan.

Review of Operations

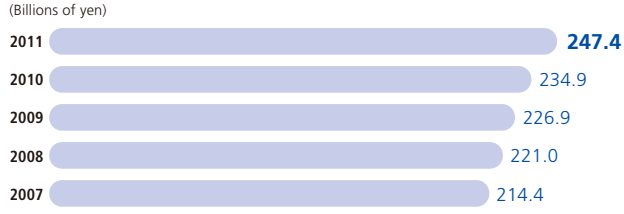
Santen's business activities are mainly concentrated in the prescription pharmaceuticals (prescription ophthalmic pharmaceuticals and prescription anti-rheumatic pharmaceuticals), over-the-counter (OTC) pharmaceuticals, and medical devices fields, with operations in Japan, Europe, Asia, and the U.S.

Domestic Operations

Prescription Ophthalmic Pharmaceuticals

Despite the impact of National Health Insurance (NHI) drug price revisions, the Japanese prescription ophthalmic pharmaceutical market grew 5.3%, to ¥247,400 million in Fiscal 2010, due to growth in sales of products for glaucoma and retinal disorders. Amid these market conditions, Santen's domestic prescription ophthalmic pharmaceutical sales increased 4.0%, to ¥75,585 million. This increase was due to our advancement of promotional activities in which our MRs provided individual doctors and medical facilities with scientific information tailored to their changing needs. Based on these results, Santen maintained its top share of the domestic prescription ophthalmic pharmaceutical market, which currently stands at 35.8%.

Prescription Ophthalmic Pharmaceutical Market



Sales

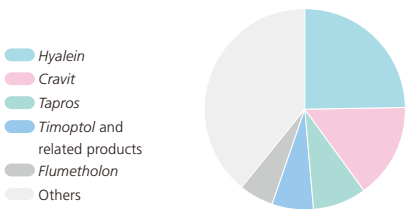
Fiscal year ended March 31, 2011

¥75,585 million

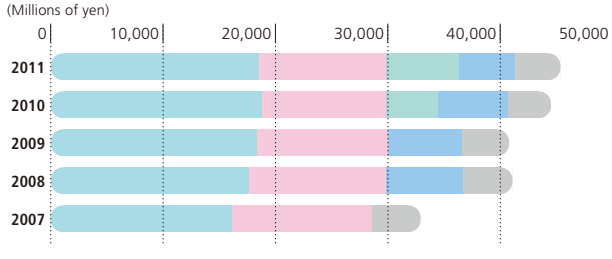
+4.0%

Composition of the Top Five Products in Japan by Sales

(Fiscal year ended March 31, 2011)



Sales Trends for the Top Five Products in Japan



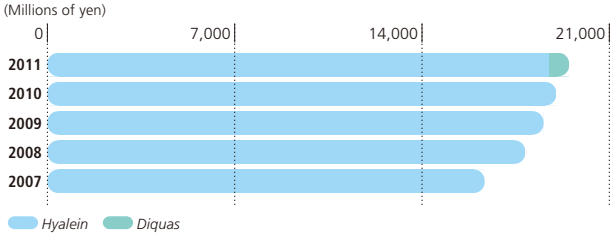
Treatments for Corneal and Conjunctival Epithelial Disorders

Market Trends The market for corneal and conjunctival epithelial disorders treatments associated with dry eye expanded 1.0%, to ¥32,000 million, in fiscal 2010. Dry eye is a disorder caused by inadequate tear fluid volume or a change in tear fluid composition that can result in corneal damage. Proper treatment is dependent upon the correct diagnosis through regular consultations with an ophthalmologist. As this disorder is not widely recognized, many patients with obvious symptoms do not consult a doctor. In addition, the number of people suffering from dry eye is trending upward with increased use of PCs and contact lenses as well as the aging of Japan's population. Based on the aforementioned, the market for corneal and conjunctival epithelial disorder treatments is expected to continue growing.

Operating Results In fiscal 2010, the number of *Hyalein* units sold, a mainstay Santen product, grew steadily. This was largely due to the product's attributes, which help improve patients' quality of life (QOL), and Santen's dry eye awareness campaign targeting patients and medical professionals. However, with NHI drug price revisions, sales of *Hyalein* declined 1.3%, to ¥18,762 million. Adding to the treatment options for dry eye disorders, Santen launched *Diquas* in December 2010. Sales of *Diquas* for the fiscal year under review totaled ¥745 million. While the Company's share of the corneal and conjunctival epithelial disorder treatment market contracted slightly, it still maintains a dominant position at 76.0%.

Santen plans to continue promoting a greater understanding toward the diagnosis and treatment of dry eye and to further raise awareness. In strongly advocating that new and existing patients consult their doctors to receive proper and continuous treatment, Santen will link efforts to further enhance awareness toward the treatment of dry eye with aims to strengthen the Company's presence and standing within the corneal and conjunctival epithelial disorder field. In addition, Santen has increased the treatment choices open to dry eye patients with the release of *Diquas*. Moving forward, Santen will continue to bolster its product lineup and bring new additional treatment methods to market that address the needs of patients and medical professionals.

Sales of *Hyalein* and *Diquas*



Hyalein (Released in 1995)

Hyalein was Japan's first corneal and conjunctival epithelial disorder treatment. It is a highly water-retentive ophthalmic solution that increases tear film stability. *Hyalein* accelerates corneal epithelial bonding and migration, which in turn helps repair corneal epithelial damage. It is generally used as a treatment for damage to the eye caused by dry eye, eye surgery, contact lens use or Sjogren's syndrome[1].

1. An auto-immune disease characterized mainly by a general dryness, especially of the eyes and mouth. Middle-aged and elderly women are particularly prone to this disease.

Diquas (Released in 2010)

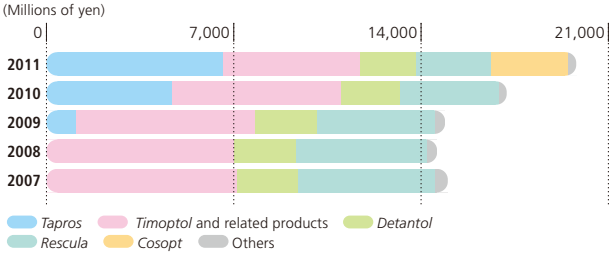
Diquas is the first approved P2Y$_2$ receptor agonist in the world to be formulated as an ophthalmic pharmaceutical and has a new mechanism of action for the treatment of dry eye. *Diquas* promotes the secretion of mucin and tear fluid, helping to heal damage to the ocular surface by improving the condition of tears.

Treatments for Glaucoma

Market Trends The glaucoma treatment market grew 1.8%, to ¥90,100 million. Treatments for glaucoma represent the largest segment of Japan's prescription ophthalmic pharmaceutical market, accounting for approximately 36% of the total. Increased intraocular pressure is a significant risk factor resulting in damage to the optic nerve. This can lead to visual field loss and in some cases blindness. Glaucoma is the most common cause of blindness in people with ophthalmic disease in Japan. According to epidemiological studies, there are a large number of individuals with glaucoma who have not been diagnosed by doctors. A key issue remains early detection and treatment of this disorder. The glaucoma market has expanded steadily in recent years mainly due to the increase in patient numbers owing to the aging population. This trend is forecast to continue into the future.

Operating Results In December 2008, Santen introduced *Tapros*, which meets the treatment needs of patients with glaucoma and ocular hypertension. Reflecting steady market penetration, *Tapros* sales reached ¥6,578 million in fiscal 2010. In June 2010, Santen launched *Cosopt Combination Ophthalmic Solution*. Sales of this product have also climbed steadily to reach ¥2,935 million, and the Company's share of the glaucoma treatment market has improved to 25.7% in fiscal 2010.

Sales of Treatments for Glaucoma



Santen aims to rapidly maximize the value of *Tapros* while continuing to highlight the particular benefits of *Rescula* and *Detantol*. In addition to enhancing awareness of *Cosopt*, which helps to improve dosage and administration compliance, the Company will upgrade and expand its product lineup in the glaucoma field. Looking ahead, we will increase our presence in the glaucoma market by actively providing the latest glaucoma-related information and advice on prescribing pharmaceuticals as well as medical information that meets the needs of medical professionals.

Tapros (Released in 2008)

Tapros is a prostaglandin-related treatment with strong intraocular pressure-reduction properties. It its the first product of its kind to undergo clinical trials as a treatment for normal tension glaucoma, the most common glaucoma disorder among Japanese people. *Tapros* is also effective in increasing retinal arterial and tissue blood flow, which is thought to affect the progress of normal tension glaucoma.

Cosopt (Released in 2010)

Recognizing the difficulties involved in maintaining ocular pressure below specific targeted levels with a single agent, the vast majority of medications for glaucoma and ocular hypertension are combinations of two or more agents. In this context, calls for the registration of combination products have remained high. *Cosopt* is a leading treatment for glaucoma that combines dorzolamide hydrochloride and *Timoptol Ophthalmic Solution,* delivering a significant reduction in ocular pressure in a single agent. Moreover, in decreasing frequency of use, *Cosopt Combination Ophthalmic Solution* helps enhance dosage and administration compliance.

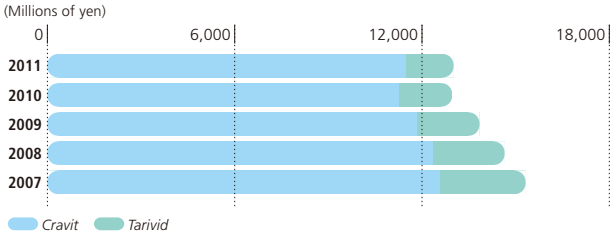
Anti-Infective Ophthalmics

Market Trends The overall scale of the anti-infective ophthalmic market contracted 1.0%, to ¥22,400 million, continuing the declining trend over recent years. One reason is the shortening of the duration of treatment for anti-infective ophthalmic products after cataract and other ocular surgeries.

Operating Results Despite the market's contraction, sales of the Company's two key products, *Cravit* and *Tarivid*, totaled ¥13,011 million, essentially unchanged from the previous fiscal year. Santen's share of the anti-infective ophthalmic market fell slightly to 68.4% year on year. However, the Company continues to maintain a dominate position in this market.

In June 2011, amid strong demand for higher concentration anti-infective ophthalmic pharmaceuticals, Santen released the higher concentration *Cravit Ophthalmic Solution 1.5%*, which leverages the high solubility of levofloxacin. Clinical trials have confirmed significant efficacy, prompting high expectations of the early dissipation of major symptoms and reflecting advances in pharmacokinetics research.

Sales of *Cravit* and *Tarivid*



Cravit (Released in 2000)

Cravit is a fluoroquinolone antibacterial agent. Its active ingredient, levofloxacin, is an optically active isomer of ofloxacin, the active ingredient of *Tarivid Ophthalmic Solution*. With effectively double the antibacterial activity of ofloxacin, and approximately 10 times the neutral domain solubility, *Cravit* offers strong antibacterial properties and intraocular penetration when compared with *Tarivid Ophthalmic Solution*.

Tarivid (Released in 1987)

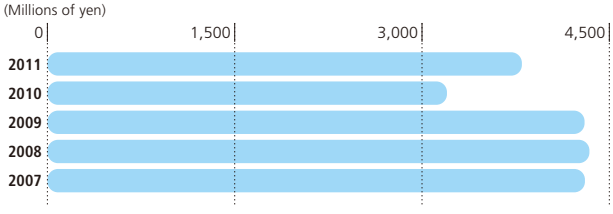
Tarivid is the world's first fluoroquinolone anti-infective ophthalmic pharmaceutical. It is a synthetic antibacterial drug containing the active ingredient, ofloxacin, that was developed by Daiichi Sankyo Co., Ltd. With a broad spectrum coverage, *Tarivid Ophthalmic Solution* displays strong antibacterial activity and boasts high clinical utility when compared with existing antibiotic ophthalmic solutions.

Anti-Allergy Ophthalmics

Market Trends In fiscal 2010, the anti-allergy ophthalmic pharmaceutical market increased 22.3%, to ¥29,300 million. This was mainly attributable to cedar pollen levels, a major cause of allergic conjunctivitis, which were much higher in Japan during the fiscal year under review.

Operating Results In fiscal 2010, Santen focused on providing information on its products as well as allergic disorders. Although the Company suffered from the impact of competing products, sales of *Livostin* climbed 17.7%, to ¥3,800 million, due to much higher levels of cedar pollen compared with the previous fiscal year.

Sales of *Livostin*



Santen's share of the anti-allergy ophthalmic pharmaceutical market contracted to 16.7%. Despite this decline, the Company still maintains a high market presence.

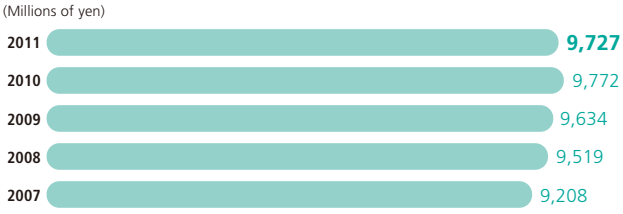
Livostin provides rapid relief from year-round and seasonal allergy symptoms such as itching and redness and thus contributes to an improved patient's QOL. By continuing to emphasize these product characteristics, we aim to expand both sales and market share of this product.

Livostin (Released in 2001)

Livostin is an H1 blocker ophthalmic solution that boasts high compatibility and specificity with respect to histamine H1-receptors and a long duration of antihistaminic action. In 2010, in an effort to improve comfort at the time of application, steps were taken to alleviate irritation and to change to a Dimple Bottle developed by the Company.

Prescription Anti-Rheumatic Pharmaceuticals

Sales



Fiscal year ended March 31, 2011

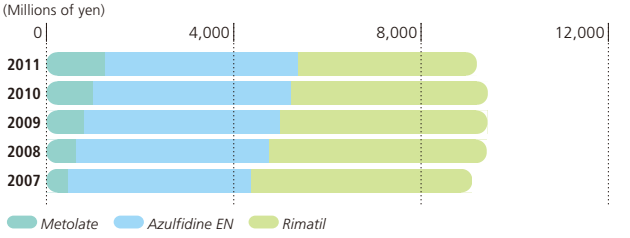
¥9,727 million

−0.5%

Market Trends The Japanese market for disease-modifying anti-rheumatic drugs (DMARDs)[1] contracted 0.9%, to ¥25,500 million mainly due to revisions in NHI drug prices. Although the causes of rheumatoid arthritis (RA) are yet to be fully identified, RA is thought to be a chronic inflammatory disorder that affects the whole body. Inflammation occurs particularly in the joints, causing pain and swelling. It can also lead to bone and cartilage damage and subsequent joint deformity. It is estimated that there are approximately 700,000 people with RA in Japan today. The number of RA patients is expected to rise in the future in line with the nation's aging population. The overall size of the market is also projected to increase owing to progress in diagnostic technologies, greater access to those technologies, increased prescriptions of higher-priced medications and other factors.

Operating Results In fiscal 2010, sales of *Rimatil* and *Azulfidine EN* declined 9.0% and 2.6%, respectively, compared with the previous fiscal year. This largely reflected revisions to NHI drug prices. However, sales of *Metolate,* a product which continues to make steady inroads in the market since its launch in July 2004, climbed 25.6%. As a result, sales of prescription anti-rheumatic pharmaceuticals decreased 0.5%, to ¥9,727 million. Santen continues to maintain its position as leader of the DMARDs market with a 43.0% share.

Sales of *Metolate*, *Azulfidine EN* and *Rimatil*



With the introduction of biological drugs, the market environment for RA treatments is undergoing significant change. Looking ahead, DMARDs will continue to serve an essential function as a standard treatment. Santen's *Rimatil, Azulfidine EN* and *Metolate* are each rated "Grade A – Highly Recommended" under the EBM (Evidence Based Medicine) guidelines, which gives them a high profile as strongly recommended treatment options. In this context, the Company will endeavor to promote increased market penetration and use to better contribute to patients' QOL.

1. A class of medicines that are used not only to alleviate symptoms but also to treat the causes of disease. The anti-rheumatic effect works by calming inflammation through the correction of immune abnormalities, which are considered a cause of RA.

Rimatil (Released in 1987)
Azulfidine EN (Released in 1995)

Rimatil, which has been on the market for over 20 years, and *Azulfidine EN*, which is used extensively worldwide, are standard treatments for RA. Used by a large number of patients, these products help improve symptoms as well as patients' QOL.

Metolate (Released in 2004)

Metolate is a methotrexate drug formulation that plays a central role in the treatment of RA. Offering the improved dividing property of a scored tablet, *Metolate* has received positive acclaim from patients for its ease of consumption.

Over-the-Counter Pharmaceuticals

Sales

Fiscal year ended March 31, 2011

¥4,715 million

−9.9%

Market Trends In fiscal 2010, the OTC pharmaceuticals market contracted year on year. In addition to a drop in demand, there was also a decline in distribution prices.

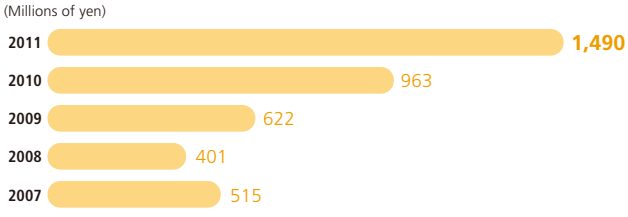
Operating Results Santen's OTC pharmaceutical sales are almost entirely generated in the Japanese OTC ophthalmic market. The Company's OTC business is centered on a range of ophthalmic products, including the *Sante FX* series, one of Japan's top-selling ophthalmic solution brands, and the *Sante 40* series, highly effective in improving blurred vision. In fiscal 2010, Santen concentrated efforts on promotional activities for an ophthalmic solution that refreshes the eyes, *Sante FX V Plus*; an ophthalmic solution that improves blurred vision, *Sante 40i*; and an ophthalmic solution for eye fatigue, *Sante Medical 10*. Despite these efforts, OTC pharmaceutical sales declined 9.9%, to ¥4,715 million, compared with the previous fiscal year owing mainly to a decrease in demand and the impact of competing products. With fierce competition set to continue in this market, Santen will continue promoting sales while maintaining the market share of its existing product range, concentrating on ophthalmic products for eye refreshment, blurred vision, and eye fatigue.

Sante 40i


Sante FX V Plus

Medical Devices

Sales



Fiscal year ended March 31, 2011

¥1,490 million

+54.6%

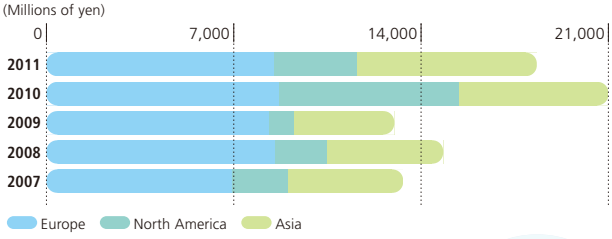
Market Trends Santen's medical device business specializes in the cataract surgery field, focusing primarily on intraocular lenses (IOLs). In recent years, IOL demand has shifted primarily to foldable lenses that can be inserted through a small incision.

Review of Operations Targeting this trend, Santen sells the *Eternity* foldable IOL, which is made of a new glistening-free hydrophobic acrylic optical material manufactured by Advanced Vision Science, Inc., a U.S. subsidiary of Santen. In fiscal 2010, Santen focused mainly on boosting the market penetration of its products through promotional activities. In addition to activities centering on its *Eternity* foldable IOL, the Company released *Eternity Natural*, a blue-light blocking foldable IOL, in December 2009 to strengthen its product lineup. We also improved the injector used to insert the *Eternity* IOL, which accelerated market penetration. Thanks to these initiatives, sales of medical devices were up 54.6%, to ¥1,490 million. Santen will continue efforts to enhance awareness and use of the *Eternity* series and thereby increase sales of medical devices.

Overseas Operations

In fiscal 2010, the overseas prescription ophthalmic pharmaceuticals market was solid mainly in Asia. Amid these conditions, Santen focused efforts on promotional campaigns for its products, implementing various initiatives including the distribution of medical information in Europe. As a result, the Company's new treatment for glaucoma and ocular hypertension, *Taflotan*, gained a foothold in the markets of Germany and other countries in Europe. Santen also undertook promotional campaigns throughout Asia focusing mainly on China and Korea. Thanks to these endeavors, the Company successfully increased its share in each market. Revenue on a local currency basis increased in both Europe and Asia. On a yen basis, sales of prescription ophthalmic pharmaceuticals increased 7.1%, to ¥15,211 million. Excluding the year-on-year decrease in one-time milestone payments included in revenues derived from license agreements, overall overseas sales contracted 13.1%, to ¥18,262 million.

Overseas Sales



Steady Growth in the Regions in which Tafluprost is Sold

Tafluprost has been approved for sale in 37 countries in Europe and five countries in Asia. Currently, Santen directly markets tafluprost in 25 countries worldwide including Japan. The Company has granted tafluprost sales rights in certain countries under a licensing agreement with Merck & Co., Inc. Together with this relationship with Merck & Co., tafluprost is sold in 36 countries around the globe (as of August 2, 2011).

Europe

The European market for prescription ophthalmic pharmaceuticals has been growing for several years at approximately 10% per year, triggered by a combination of rising numbers of patients diagnosed with glaucoma and dry eye disorders as well as increasing economic prosperity in Eastern Europe and Russia. At the same time, various European governments actively encourage the use of generic products as part of their healthcare cost containment policies, so conditions surrounding the European prescription ophthalmic pharmaceutical market are becoming increasingly challenging. In addition, the European market is characterized by its diversity—each country in the region has a different health insurance system and different medical treatment practices. Under these circumstances, it is imperative that the Company engage in sales and marketing activities that capture the specific characteristics of each country.

Santen is advancing its sales and marketing activities in 32 European countries, including Russia, Germany and countries in Northern and Eastern Europe. The anti-infective ophthalmic solution *Oftaquix* (sold as *Cravit* in Japan) has gained an excellent reputation among ophthalmologist surgeons for its superior reliability in preventing and healing eye infections and is now available in 28 countries. Additionally, Santen has already obtained approval for *Taflotan* (tafluprost, sold as *Tapros* in Japan), a treatment for glaucoma and ocular hypertension, in 37 countries throughout Europe. Currently, we market this product directly in 20 countries including Germany. Under a licensing agreement with U.S.-based Merck & Co., Inc., granting sales rights in Western Europe (except Germany), an area in which Santen does not have a sales platform, tafluprost is sold in seven countries in Europe.

Enhancing Our Presence and Standing in the European Market

Jyrki Liljeroos
Corporate Officer
President of Santen Oy

The glaucoma and ocular hypertension treatment *Taflotan* is driving business growth in Europe. This product continues to fulfill unmet needs in the glaucoma field and is experiencing steady market acceptance. As a result, we, as an ophthalmic pharmaceutical company defined by its outstanding R&D capabilities, are attracting high acclaim throughout Europe. This is largely attributable to the successful efforts to highlight *Taflotan*'s superior evidence-based efficacy. Through the work of MRs, as well as at academic and other conferences, steps are being taken to inform patients and the medical profession of *Taflotan*'s minimal side effects and wide-ranging benefits.

In addition to showcasing *Taflotan*'s appeal, the deepening and widening of ties of mutual trust with medical professionals is also critical in ensuring *Taflotan*'s continued growth in the glaucoma market amid intense competition. This endeavor allows us to make full use of our inherent strength derived from our ability to provide medical information that incorporates the perspective of patients. Santen has garnered the support of a great many stakeholders including medical professionals.

Moving forward, and with the aim of expanding our business in Europe, we will work to secure increased penetration in markets where *Taflotan* has already been launched, while also introducing *Taflotan* to new markets throughout Europe. At the same time, we will work toward the successive launch of new products. Currently, we have a number of development projects in progress, and expectations are high for their early market release. Building on our outstanding products as well as our relationships of mutual trust nurtured over time, we will work toward further enhancing our presence and standing in the European market.

Furthermore, the Company's subsidiary in Finland, Santen Oy, manufactures pharmaceuticals for the European and the U.S. markets at its Tampere Plant, while also conducting product development in Europe.

Asia

In Asia, Santen operates in China, Korea, and the ASEAN nations. The Company's vision for the Asian market is to become the top ophthalmic specialty pharmaceutical company. Accordingly, Santen is striving to enhance long-term relationships with patients and medical professionals, thereby contributing to the improvement of ophthalmic treatment in the region.

The Chinese market is expected to expand strongly in the medium to long term as its economy steadily grows. At the same time, the number of patients and doctors will increase as the government enhances its medical system and infrastructure. In September 2005, the Company established Santen Pharmaceutical (China) Co., Ltd., which commenced operations at the Suzhou Plant in October 2008 and began marketing using its own MRs in January 2009. Santen Pharmaceutical (China) is extending its operations from China's major metropolitan cities to major outlying cities. Through these activities, the company is providing high-quality academic information. Santen Pharmaceutical (China) has branches in Beijing, Shanghai, and Guangzhou as well as 30 sales offices throughout China. The company sells prescription ophthalmic pharmaceutical products including *Cravit* anti-infective eye drops, and *Hyalein,* a corneal and conjunctival epithelial disorder treatment. Also, Santen is working to increase market awareness and penetration of the Santen brand in the Korean and ASEAN markets through Santen Pharmaceutical Korea Co., Ltd. in conjunction with local distributors and agents. In May 2010, *Taflotan,* a glaucoma and ocular hypertension treatment was launched in Korea. At the same time, Santen commenced direct marketing through Santen Pharmaceutical Korea and is providing academic information on ophthalmic disease through its own MRs.

North America

In the U.S., Santen is currently advancing the clinical development of DE-101 (rivoglitazone), DE-105, DE-109 (sirolimus) DE-110 and DE-112. In IOLs, Santen granted worldwide rights, excluding Japan, for the development, manufacture and marketing of *Eternity* and its materials to Bausch & Lomb Inc. in March 2009. Through this alliance with Bausch & Lomb, Santen is advancing commercialization efforts with the aim of bringing this new product to major countries including the U.S. as quickly as possible.

Working to further bolster its R&D function, steps were taken to relocate the head office of U.S. subsidiary Santen Inc. from Napa to Emeryville, California, near San Francisco in July 2011. Moving forward, Santen is augmenting the number of personnel in the clinical development field and linking this initiative to efforts aimed at building a global clinical development structure based in the U.S. At the same time, the Company is endeavoring to strengthen business development activities that contribute to the upgrade and expansion of its development pipeline.

Santen Inc.'s new office
Relocated to the San Francisco area in July 2011

Building a Firm Position in the Chinese Market

Masahiro Inoue
Head of Asia Division

More than two years have passed since Santen commenced direct marketing operations in China. Building on the efforts of MRs, who provide the market with high-quality medical- and scientific drug-related information, we have received strong recognition and support from patients and medical professionals alike. This in turn has allowed us to achieve profitability in China for fiscal 2010. This is, I believe, a clear indication that we were able to achieve a steady start to these operations.

Currently, Santen maintains a leading position in China's ethical ophthalmic pharmaceutical market. Taking into consideration growing signs of an increasingly competitive market environment, it is critical for us to develop a constant stream of new products for our market share to grow. To this end, we are taking all necessary steps in preparation for bringing new products to market, while at the same time maximizing product value.

Recognizing that our sustainable competitive advantage in China rests in delivering critical scientific information that addresses local medical needs, and further strengthening our long-standing relationships with medical professionals, we are fully committed to training and strengthening our MRs both in quality and quantity. At the same time, we are providing MRs with the necessary tools to perform their work through various training and development initiatives. By steadily enhancing the capabilities of our MRs, who stand at the forefront of our marketing activities, I believe that we will be better positioned to ensure rapid new product sales growth after their launch. In line with this strategy, we are currently preparing in China for the launch of tafluprost, a glaucoma and ocular hypertension treatment drug, for which a submission has already been completed. By building an even stronger and more robust sales and marketing platform while working on existing product life cycle management and preparing for the launch of new products, we will strengthen our market position and secure our role as China's leading ophthalmic pharmaceuticals company.

Santen's CSR

Kenji Morishima
Corporate Officer
Head of Human Resources
Development and CSR Division

Contributing to Society through Sound Business Activities

Guided by Santen's Values—the core value of which is *"tenki ni sanyo suru"*—and through its business activities, we provide outstanding products and services as well as information regarding their safe and effective use. I strongly believe that by helping to enrich the quality of life (QOL) of patients and their loved ones worldwide, we can best fulfill our mission and contribute to society.

In order to remain a trusted partner of society, we recognize the critical importance of complying with the statutory requirements of each country, and ensuring that our directors and employees act with integrity and engage in conduct that is consistent with the highest ethical standards and social norms. In 1999, the Company formulated the Santen Corporate Ethics Mission ("Ethics Mission"), a clearly identified set of principles designed to govern employee conduct. We have continued to revise this mission statement in response to changes in society and our operating environment, and in 2010 we took steps to better incorporate the three specific perspectives of building relationships of trust with customers, promoting employee responsibility and growth, and maintaining harmony with society.

Building a Platform to Better Fulfill Our Social Responsibilities

In order to support our employees in their efforts to engage in business activities based on Santen's Values and the Ethics Mission, we established the CSR Division in April 2011.

Santen will implement three broad measures with the aims of supporting each division and its head office in their endeavors to contribute to healthcare, and putting in place a pleasant workplace environment for employees. The first is to ensure that the Ethics Mission is more widely disseminated and understood within the Group. Second, every effort must be made to put in place a CSR management system that facilitates business activities and conduct consistent with the Ethics Mission. In specific terms, the CSR Division will provide assistance to Santen's business activities as well as efforts to establish a PDCA[1] system while promoting the development of a risk management framework. Third, considerable emphasis must be placed on strengthening the Group's crisis management function to help minimize the impact of any crisis. By steadfastly implementing these measures, the Santen Group will work toward mitigating any and all risks that hinder its ability to provide products, information, and services.

Santen will utilize the ISO 26000 social responsibility framework issued by the International Organization for Standardization (ISO) as a part of efforts to incorporate these measures into its ongoing activities. The Company will use the guidance provided by ISO 26000 as a reference in plans to develop its own specific activity plan and targets. While recognizing the growing importance of its customers, society, and employees—the Company will incorporate dialogue not only with each of these stakeholders but also with its shareholders, who continue to provide their support, as a part of efforts to ramp up its CSR activities.

1. A method to facilitate the smooth management of business activities through a P (Plan), D (Do), C (Check) and A (Action) business activity cycle.

Steadfastly Responding to Priority Issues

Santen is currently confronted by several priority issues. It is vital, for example, that the Company focus on further enhancing awareness and understanding of the recently renewed transparent policy with medical and related institutions. This policy aims to ensure that Santen's perception regarding its sales and marketing activities are in line with social trends and norms. We must also consider measures aimed at preventing chemical hazards[2] as a part of efforts to provide a safe workplace environment. In addition, Santen commenced assessments of the impact of chemical substances used at its plants in fiscal 2009. By implementing specific and detailed risk reduction measures, we will work toward developing an increasingly safe workplace environment. Also, we will further bolster our endeavors to protect of our customers' and employees' personal information. At the same time, we will more actively engage in social contribution and environmental conservation activities.

With our shareholders very much in mind, we will aggressively promote IR activities in order to deepen their understanding of our business activities. Currently, Santen is working to address not only domestic patient needs, but also provide outstanding pharmaceuticals to patients worldwide in an effort to expand its overseas business. In this context, we will engage in communication that best fits the needs of each stakeholder in order to stimulate a better understanding of our business activities. In addition, we recognize the critical need to broaden the mindset of each individual employee and to foster a deeper appreciation of the importance of diversity. This is essential if we are to respond in a meaningful manner to diversity and differences in culture and lifestyles. As a first step in this process, we will strengthen the collaboration between employees globally.

2. Chemical substances that are hazardous to human health.

Becoming a Company that can Consistently Contribute to Society

The Great East Japan Earthquake that struck the nation in March 2011 brought into question Japan's ability to deal and respond to a crisis on a nationwide basis. In the immediate aftermath of the disaster, Santen took steps to provide pharmaceuticals including ophthalmic solutions to devastated areas as a matter of course. At the same time, the Company prepared a list of medications with photographs of other companies' products for the benefit of evacuees unable to undergo medical checkups from their usual doctors. We also provided every support to enable doctors to smoothly treat and prescribe medications at relief and evacuation stations.

With regard to the Company's risk management, maintaining a structure and the systems that can ensure the uninterrupted delivery of pharmaceuticals during periods of crisis is extremely important. Measures that address such risks as the loss of business continuity must be carefully determined. In addition to consistently implementing preventive measures aimed at minimizing the affects of unexpected situations and ensuring business continuity, we will take all necessary precautions and preparatory steps to lower damages as much as possible incurred in the event of a crisis situation.

With the impact of the recent earthquake, Japan is currently confronted by issues regarding nuclear power generation and insufficient supplies of electric power. Looking ahead, and with the possibility of additional unforeseen occurrences, it is vital that we put in place business continuity management (BCM)[3] that covers these and other potential risks. As risks differ depending on country, there are calls to put in place the necessary countermeasures while gaining a deep understanding of the systems and cultures of other countries.

Moving forward, Santen will continue to strengthen its CSR activities with the aim of becoming a company that is trusted by society.

3. A management method that aims to ensure business continuity, or the early resumption of business activities, in the event of an unforeseen event including natural disaster, accident, the outbreak of an infectious disease or system failure.

Social and Environmental Report

Under the Santen Corporate Ethics Mission, the Company engages in social contribution and environmental conservation activities that emphasize the importance of building relationships of trust with customers, promoting employee responsibility and growth and maintaining harmony with society.

For more details on each of the aforementioned activities, please refer to the Company's Social and Environmental Report (Japanese only) and its environmental data book, which are posted on Santen's homepage. (http://www.santen.co.jp/).

Building Relationships of Trust with Customers

Developing and Providing Outstanding Pharmaceuticals

Santen is committed to not only focusing on the development of pharmaceuticals that enrich the QOL of patients and their loved ones, but also to put in place a structure that is capable of consistently supplying safe pharmaceuticals.

The Quality Compliance Division is deeply involved in such wide-ranging processes as product research and development, manufacture and sales. In this manner, the division strives diligently to maintain product quality. In Japan, the Medicine Act stipulates strict standards for pharmaceutical quality control and post-marketing safety supervision. In addition to adhering to these standards, Santen has established a world-class quality assurance system based on its own specifications and standards.

From a manufacturing perspective, Santen maintains a domestic plant network encompassing Noto, Shiga and Osaka[1]. Overseas, the Company operates plants in Tampere in Finland and Suzhou in China. Collectively, this represents a structure that ensures the stable manufacture of approximately 300 million units of prescription ophthalmic solutions to patients worldwide.

1. Plans are in place to suspend activities at the Osaka Plant by the end of fiscal 2012 and to transfer operations to the Shiga Plant.

Providing Accurate Information in a Timely Manner

Providing medical professionals with information about indications, side effects, and methods of use is essential to ensuring the correct use of products. Santen accordingly has a sales force of approximately 400 MRs in Japan who rapidly provide accurate and pertinent information. In order to further enhance the quality of this flow of information, we continuously update MR training with specialized education.

Moreover, we established the Customer Service Center to deal comprehensively with customer inquiries on a centralized basis. Channeling this customer feedback to the product development process, we are working to improve our products and enhance our information services. The Dimple Bottle, an eye-drop container that was developed by Santen in response to customers' needs, is one example of this feedback. This Dimple Bottle has earned high praise from its patient-friendliness and won the Good Design Award in 2008.

The Company recognizes that disseminating medical product and device information throughout society is another key function. Utilizing our website, we provide a broad spectrum of information covering eye disorders, the correct use of ophthalmic solutions and information relating to rheumatism.

Promoting Employee Responsibility and Growth

Respect for the Individual

In addition to working diligently to provide a workplace environment free from bias and discrimination, Santen has established a designated unit responsible for promoting human rights education.

In order to provide a workplace in which people with disabilities can work with vigor and enthusiasm, we consistently improve conditions while encouraging the development of competencies. We also established Claire Co., Ltd., a specified subsidiary in 1996 to promote the employment of people with disabilities. This company currently shares in the responsibilities of Santen's business.

Ensuring a Safe and Comfortable Workplace Environment

Santen has put in place the Occupational Health and Safety Principal Policies as well as its Occupational Health and Safety Action Guidelines, which collectively set the direction and principles for occupational health and safety. The Company strives to maintain a safe, clean and comfortable workplace environment while promoting improved employee health.

In order to maintain and enhance occupational health and safety standards at plants, research facilities and its head office, Santen is also establishing the Occupational Health and Safety Committee. Based on the annual policies and plans of office, Santen engages in various activities including workplace patrols as well as environment measurement. An evaluation of the status of activities is reflected in the following year's policies and plans. In this manner, we are working to continuously implement improvements. In addition, we identify and evaluate hazards inherent at facilities and in workplace practices. These hazards are addressed in order of priority and linked to efforts aimed at reducing risk.

Furthermore, Santen has also set up healthcare teams staffed by industrial doctors and nurses at its head office, plants and research facilities to assist employees in maintaining and improving their health. In addition to establishing an in-house health consulting service for its employees covering physical as well as mental health, we also provide access to an external consulting service for employee families.

Fair Personnel Evaluation and Human Resource Development

Santen places considerable weight on establishing a structure that helps improve their specialist capabilities enabling each and every employee to fulfill his or her potential. Through a variety of measures including the adoption of a fair personnel evaluation system that recognizes individual achievement and the implementation of wide-ranging training programs, we strive to heighten employee motivation toward work. At the same time, we promote systems that help employees balance the commitments of their professional and private lives, actively supporting employees in their efforts to

manage workplace and childrearing responsibilities. In fiscal 2005, we launched a project with the aim of developing the next generation and thereafter introduced a broad spectrum of follow-up programs. Santen acquired the so-called "Kurumin" certification based on Japan's Act for Measure to Support the Development of the Next Generation in 2007 and 2010.

Maintaining Harmony with Society

In Partnership with the Global Environment

Santen has placed environmental conservation activities high on its list of management priorities. The Basic Environmental Policy and the Environmental Guidelines underscore our environmental conservation promotion activities. To increase the effectiveness of these activities, the environmental management systems of all of our manufacturing plants in Japan have received certification under ISO 14001. We continue to maintain this certification. Major activities include taking steps to reduce CO_2 emissions, water resource use as well as waste, and to engage in the proper management of chemical substances. In addition, we are working to reduce our environmental burden by analyzing the costs and benefits of environmental conservation.

While gaining the understanding and cooperation of our suppliers, we are working to procure environmentally friendly raw materials and products. As a part of these efforts, we have formulated a set of green procurement guidelines covering policies relating to the purchase of various items required for manufacturing.

Furthermore, to make our environmental conservation activities even more effective, we strive to inspire our employees to be more aware. We conduct environmental education and training as well as awareness campaigns, and encourage employees to participate in regional environmental conservation activities. Complementing these initiatives, we engage in green procurement encompassing office supplies.

As a Good Corporate Citizen

Santen engages in a variety of social contribution activities that support advances in medical treatment and contribute to local communities.

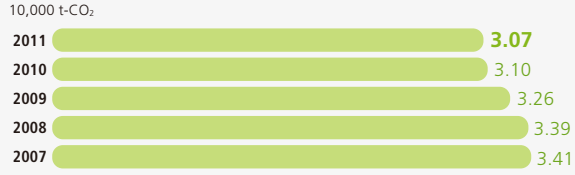
As one example, a joint lecture program was formed with the Nara Institute of Science and Technology to develop personnel who will advance leading-edge science and technology in the future. In this program, researchers from the Nara Research and Development Center instruct students at research facilities. Also, with the aim of contributing to other ophthalmic treatments, Santen continuously donates to a number of welfare and non-profit organizations including Helen Keller International, which is devoted to fighting and treating preventable blindness in developing countries, as well as the Japan Eye Bank Association and the Japan National Society for the Prevention of Blindness. In Asian countries and regions where medical infrastructure is yet to be fully developed, we are supporting the education of ophthalmologists. We also support the Chinese Ophthalmology Scholarship Program in China and the Ophthalmology Training Fund in Korea.

In addition, Santen contributes to local communities through concerted efforts to beautify and promote the greening of the areas surrounding its research facilities, manufacturing plants, and offices while actively participating in crime prevention campaigns. We also make donations and provide free supplies of pharmaceuticals in response to relief efforts for large-scale disasters. In addition to the delivery of pharmaceuticals to areas affected by the Great East Japan Earthquake that struck the nation in March 2011, we donated ¥100 million to relief efforts. Moreover, Santen has introduced a contribution matching system under which the Company donates an amount equivalent to contributions provided by employees. Looking ahead, we will continue to do our utmost in support of devastated areas including employee volunteer and reconstruction activities.

Toward the Prevention of Global Warming

Santen continues to implement initiatives with the aim of consistently reducing CO_2 emissions. In the fiscal year under review, we overhauled our Groupwide energy management structure and took concrete measures to implement energy conservation initiatives at plants and research facilities. This was in response to revisions to the Act on Temporary Measures for Promotion of Rational Uses of Energy and Recycled Resources in Business Activities. In addition, we stepped up efforts to promote the use of hybrid vehicles in our sales and marketing activities and introduced LED lighting as a part of ongoing endeavors. As a result, we achieved a CO_2 emission volume of 30,656 t-CO_2 in the fiscal year under review, a year-on-year reduction of 1.2%.

CO_2 Emission Volumes



In Response to the Great East Japan Earthquake

Santen promoted measures to conserve energy over the summer period between July and September on a Groupwide basis. This initiative was in response to concerns surrounding deterioration in the balance between the supply of and demand for electric power as a result of the Great East Japan Earthquake. While maintaining sufficient office lighting in accordance with the Industrial Safety and Health Act, we are reducing illumination in office work areas by 50%, setting room air-conditioning to 28°C, and switching off all lights unless absolutely necessary. In addition, approximately 90 sales and marketing offices nationwide are avoiding the use of lighting between the hours of 1:00 and 3:00 pm. During periods of use, employees are taking great care to do their utmost in support of energy conservation endeavors.

A poster promoting the conservation of energy displayed at Santen's office in Japan

Corporate Governance

Santen recognizes that it is vital to upgrade and strengthen corporate governance systems in order to achieve and enhance corporate value, and thus returns to shareholders. Accordingly, Santen is working to raise business performance while maintaining transparent and sound management practices through the development of effective corporate governance systems.

Governance Systems

Board of Directors

In addition to various statutory functions, the board of directors formulates management policies, strategies, and business plans for the Santen Group. The board of directors makes decisions relating to the acquisition or disposal of major financial assets and important organizational or personnel-related matters, as well as oversees the execution of business at Santen and its subsidiaries. The board convenes once a month in principle. As of July 31, 2011, the board comprised six members including three outside directors. The board of directors convened 11 times during fiscal 2010.

Board of Corporate Auditors

Santen has adopted a governance system using corporate auditors. Santen will continue to further heighten the effectiveness and efficiency of this auditing system in collaboration with internal audit divisions. The board of corporate auditors consists of four members, including outside auditors. Corporate auditors formulate auditing policies and plans as well as attend meetings of the board of directors and other important business meetings. In addition, corporate auditors oversee the execution of duties by directors through auditing the operational and financial status of Santen's headquarters, major operating sites, and subsidiaries. The board of corporate auditors convened nine times during fiscal 2010.

Voluntary Committees

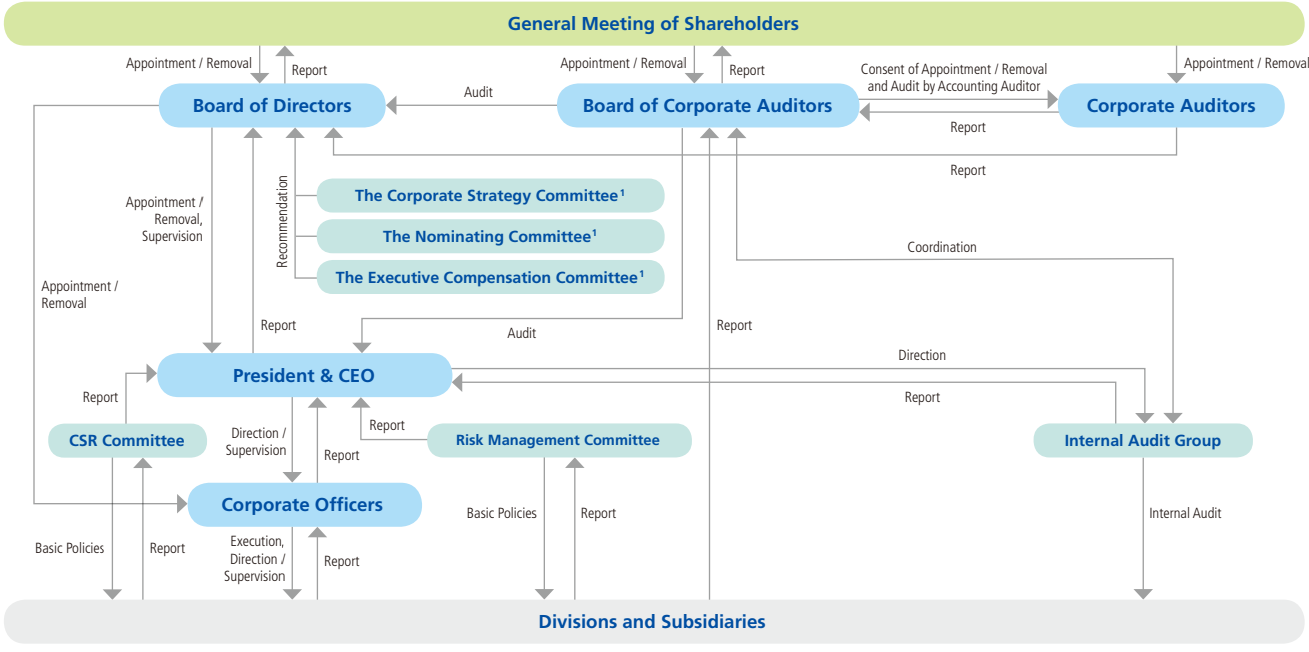
Santen has established the following three committees composed of inside and outside directors as deliberative bodies to further strengthen corporate governance and to improve management transparency and objectivity.

- The Corporate Strategy Committee deliberates on key strategic issues such as business strategies.
- The Nominating Committee deliberates on the selection of directors and submits recommendations to the Board of Directors as well as deliberates on the selection of corporate officers and corporate auditors and submits recommendations to the Board of Directors
- The Executive Compensation Committee deliberates on the compensation of directors and corporate officers as well as submits recommendations to the Board of Directors.

Note that these committees are not part of any statutory "Company with Committees" system under Japanese Corporate Law.

Santen Internal Governance System

As of July 2011



1. These committees are voluntary and not part of any statutory

Corporate Officer System

Santen has introduced a corporate officer system to strengthen management while improving the quality and speed of strategic decision-making processes. There were seven corporate officers at the end of July 2011, excluding some serving concurrently as directors.

Internal Governance System

Santen benefits society through its business activities, with a particular focus on contributing to patients and their loved ones—which incorporates Santen's Values—as a company active in the pharmaceutical industry. At the same time, aiming to heighten society's recognition of our values to society and achieve sustainable growth, we are developing the following internal control systems.

Our compliance system, the Santen Corporate Ethics Mission, which was formulated in December 1999 and revised in line with changing social conditions, consists of a corporate action declaration and a corporate code of conduct that defines strict ethical standards governing corporate activities. The Santen Corporate Ethics Mission stipulates that the Company will not respond to any demands whatsoever made by antisocial forces that threaten the order and stability of civil society.

In addition, we have established the CSR Committee as a Companywide lateral organization tasked with ensuring rigorous compliance. Further, we maintain an internal system for compliance-related inquiries and an external helpline to an independent attorney, which enable employees to report directly any suspected compliance violations or to receive compliance-related advice.

Santen has built a system for responding appropriately to major risks related to its business activities, which is based on a risk management procedure manual that sets out basic policies and a code of conduct for crisis management. Operating divisions and headquarters avoid or minimize risk by routinely gathering information as well as preparing risk management policies and countermeasures for their operations. Further, the Risk Evaluation Committee discusses risk management policies and countermeasures for significant risks that transcend several divisions.

An emergency situation affecting Santen beyond a certain level triggers the operation of the Crisis Response Committee headed by a representative director. Based on Santen's Risk Management Procedure Manual, the committee coordinates efforts to minimize any losses or damages and institutes measures to prevent a recurrence. The division responsible for crisis management checks the status of such risk management efforts from a Companywide viewpoint, while the Internal Audit Group examines them from an independent standpoint.

Regarding information control systems, Santen appropriately stores and controls information relating to the execution of duties by directors based on in-house rules for basic information security, decision-making authority, and document control.

Santen aims to increase the appropriateness of the Santen Group's operations, which comprise the operations of the Company and its subsidiaries, by building a control system in which the Company provides recommendations and guidance on increasing appropriateness, developing regulations for the control of Group companies to clarify their roles and responsibilities, and strengthening audit functions at major Group companies.

As a department independent from operating divisions, the Internal Audit Group—comprised of four people including the chief officer—verifies that the above internal control systems work efficiently.

Regarding internal control related to the reliability of financial reports, Santen has established a system whereby divisions and principal subsidiaries check the appropriateness of their systems, while the Internal Audit Group checks the suitability of these self-checks. In fiscal 2010, Santen did not discover any significant deficiencies or omissions that could undermine the reliability of its financial reports. Santen will continue to develop and maintain systems that consistently meet the requirements of the internal control reporting system, which is based on Japan's Financial Instruments and Exchange Law.

Internal Audits and Corporate Auditors' Audits

Cooperation between Corporate Auditors and Independent Auditors

The corporate auditors hold a meeting with the independent auditors at the beginning of each fiscal year to receive presentations on the financial auditing plans for the year and any key audit-related issues as well as to exchange opinions, including requests from the corporate auditors. The independent auditors present audit findings to the corporate auditors at meetings three times a year to exchange opinions.

In addition, the corporate auditors attend an audit review meeting with the independent auditors after the conclusion of the quarterly and year-end audit review to exchange opinions on audit results and procedures.

Cooperation between Corporate Auditors and the Internal Audit Group

The corporate auditors inform the Internal Audit Group of any specific audit-related issues or future risk-related items that may be identified in the course of auditing Santen's head office or operating sites.

The Internal Audit Group, comprising four members, also reports to the corporate auditors any important information gained from internal audits and related countermeasures. The corporate auditors may provide support to the Internal Audit Group in implementing these countermeasures as deemed necessary.

▶ Please refer to Santen's Corporate Governance Report (Japanese only) posted on the Company's website for details. (http://www.santen.co.jp/)

Board of Directors and Corporate Auditors

As of August 2011

Directors

① **Akira Kurokawa**
President and Chief Executive Officer

② **Toshiaki Nishihata, Ph.D.**
Director
Executive Corporate Officer
U.S. and Europe Business
Head of Research and Development Division

③ **Sadatoshi Furukado**
Director
Executive Corporate Officer
Japan and Asia Business
Head of Sales and Marketing Division,
Prescription Pharmaceuticals

④ **Isao Muramatsu**[1]
Director

⑤ **Noboru Kotani**[1]
Director

⑥ **Akihiro Okumura**[1]
Director

Corporate Auditors

Yoshihiro Noutsuka
Standing Corporate Auditor

Yasuo Sato[2]
Corporate Auditor

Yasuaki Tsuchiya[2]
Corporate Auditor

Yutaka Mizuno[2]
Corporate Auditor

1. Outside Director
2. Outside Corporate Auditor

Corporate Officers (Not including directors that also serve as corporate officers)

As of August 2011

⑦ **Masamichi Sato**
Corporate Officer
Head of Corporate Development Division

⑧ **Jyrki Liljeroos**
Corporate Officer
President of Santen Oy

⑨ **Kenji Morishima**
Corporate Officer
Head of Human Resources Development
and CSR Division

⑩ **Satoshi Harada**
Corporate Officer
Head of Administration Division

⑪ **Atsutoshi Ota**
Corporate Officer
Head of Product Supply Division

⑫ **Akio Kimura**
Corporate Officer
Head of Quality Compliance Division

⑬ **Akihiro Tsujimura**
Corporate Officer
Chief Operating Officer of Santen Inc.

Financial Section

Report and Analysis of Operating Results and Financial Condition

OPERATING RESULTS

Net Sales

Santen's activities essentially encompass the pharmaceutical and other businesses. At 98.0%, the vast majority of sales come from the pharmaceuticals segment. In fiscal 2010, ended March 31, 2011, sales from the pharmaceuticals segment edged down 0.4% compared with the previous year, to ¥108,576 million. Excluding temporary income from license agreements, results in this segment were up 3.0% year on year. Sales from the other businesses segment climbed 45.5%, to ¥2,236 million. On this basis, total net sales for the fiscal year under review edged up 0.2%, to ¥110,812 million.

Pharmaceuticals Business

Prescription Pharmaceuticals

Santen's prescription pharmaceuticals are divided into three categories: ophthalmics, anti-rheumatics and other pharmaceuticals. While revenues from ophthalmics increased year on year, sales from anti-rheumatics and other pharmaceuticals (including payments derived from technology-sharing agreements as well as contract work and manufacturing) decreased. As a result, prescription pharmaceutical sales increased slightly, to ¥103,853 million, representing 93.7% of consolidated net sales.

(Ophthalmics)

Despite the impact of National Health Insurance (NHI) drug price revisions, domestic sales of prescription ophthalmic pharmaceuticals improved 4.0%, to ¥75,585 million. This was largely attributable to successful promotional campaigns in Japan to provide individual medical facilities with scientific information tailored to their specific and changing needs.

Overseas, prescription ophthalmic pharmaceutical revenues were up 7.1%, to ¥15,211 million, after conversion to yen. In Europe, our concentration on promotional campaigns centered on providing medical and other information saw *Taflotan* (sold as *Tapros* in Japan), a new glaucoma and ocular hypertension treatment, increase its market share in Germany and other areas of Europe. In Asia, market penetration of the Company's products also progressed mainly in China and Korea. This was again attributable to successful promotional campaigns.

As a result, total prescription ophthalmic pharmaceutical sales increased 4.5%, to ¥90,797 million.

(Anti-Rheumatics)

Rimatil, Azulfidine EN and *Metolate* are highly recommended in the *Manual on the Medical Treatment of Rheumatoid Arthritis and Medical Treatment Guidelines Based on EBM,* compiled by a study group of the Ministry of Health, Labour and Welfare of Japan and published by the Japan Rheumatism Foundation. Despite this strong recommendation, sales of anti-rheumatics declined slightly, to ¥9,834 million, due largely to the impact of NHI drug price revisions.

(Other Pharmaceuticals)

Sales of other pharmaceuticals contracted 54.2%, to ¥3,222 million. This was largely attributable to the year-on-year decline in one-time milestone payments included in revenues from technology-sharing agreements.

OTC Pharmaceuticals

In ophthalmic products for tired eyes, blurred vision and eye refreshment, the Company's promotional campaigns focused on *Sante Medical 10, Sante 40i* and *Sante FX V Plus.* Despite these endeavors, sales of OTC pharmaceuticals fell 10.1%, to ¥4,723 million, due mainly to lower demand in Japan and the impact of increased competition.

Other Businesses

Medical Devices

As a result of focusing initiatives on promotional campaigns for the *Eternity* foldable intraocular lens, which is made of a glistening-free hydrophobic acrylic optical material, sales of medical devices increased 46.3%, to ¥2,225 million.

Others

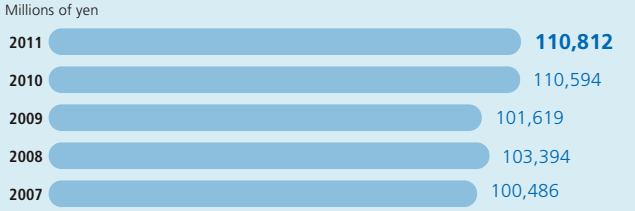
Other sales totaling ¥11 million come from the cleaning of antidust and sterilized clothing operations of consolidated subsidiary Claire Co., Ltd.

Net Sales by Business Segment

	Millions of yen		%
	2011	2010	Change
Pharmaceuticals Business	**¥108,576**	¥109,057	(0.4)
Prescription pharmaceuticals	**103,853**	103,806	0.0
Ophthalmics	**90,797**	86,867	4.5
Anti-rheumatics	**9,834**	9,908	(0.7)
Other pharmaceuticals	**3,222**	7,031	(54.2)
OTC pharmaceuticals	**4,723**	5,251	(10.1)
Other Businesses	**2,236**	1,537	45.5
Medical devices	**2,225**	1,521	46.3
Others	**11**	16	(30.8)
Total	**¥110,812**	¥110,594	0.2

Note: Net sales for each segment refer to sales to outside customers.

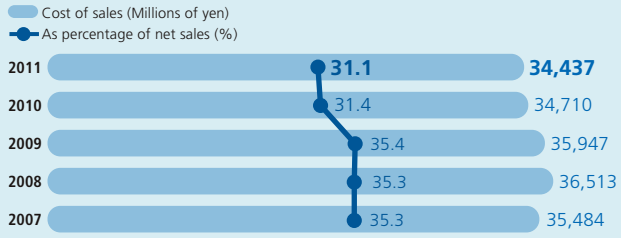
Net Sales



Cost of Sales

Cost of sales declined 0.8%, to ¥34,437 million. The cost of sales as a percentage of net sales improved 0.3 of a percentage point, to 31.1%. This was despite the impact of NHI drug price revisions in Japan.

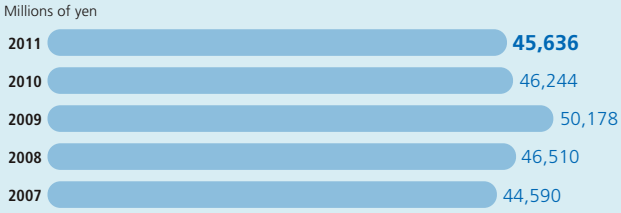
Cost of Sales and As Percentage of Net Sales



Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 1.3%, to ¥45,636 million, which included a 6.4% decline in R&D expenditures, to ¥13,221 million.

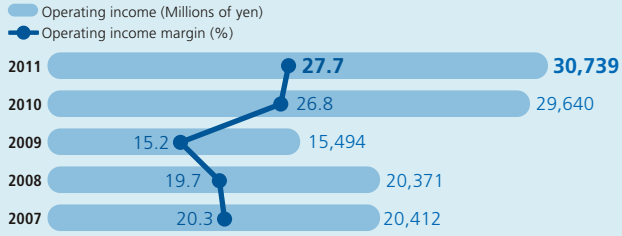
Selling, General and Administrative Expenses



Operating Income

Operating income was up 3.7%, to ¥30,739 million. The operating income margin was 27.7%, up from 26.8% in the previous fiscal year. Operating income after excluding payments from technology-sharing agreements climbed 18.9%, to ¥28,306 million. The operating income margin calculated on the same basis improved from 22.7% in fiscal 2009 to 26.1% in the fiscal year under review.

Operating Income and Operating Income Margin



Other Income and Expenses

Net other income for the fiscal year ended March 31, 2011 was ¥335 million.

Other income was up ¥109 million, to ¥1,026 million. Despite the absence of the ¥74 million gain on sale of investment securities recorded as other income in the previous fiscal year, this was largely attributable to increases in dividend income of insurance as well as other interest and dividend income.

Other expenses narrowed ¥1,256 million, to ¥691 million. While Santen incurred other expenses totaling ¥135 million due to office relocation and ¥109 million following the application of the accounting standard relating to asset retirement obligations, the improvement in other expenses was mainly due to the absence of equity in losses of affiliates, loss on sale of investment securities and loss on impairment of fixed assets totaling ¥564 million, ¥197 million and ¥397 million, respectively, recorded in the previous fiscal year, as well as decreases in exchange losses, net and write-down of investment securities.

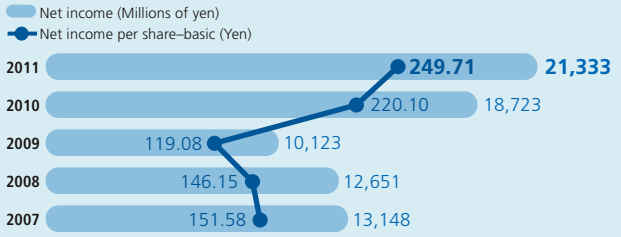
Income Taxes

Income taxes totaled ¥9,741 million. The effective tax rate declined to 31.3% compared with 34.6% for the previous fiscal year.

Net Income

Net income was up 13.9%, to ¥21,333 million. The ratio of net income to net sales was 19.3%, up from 16.9% in the previous fiscal year. Basic net income per share was ¥249.71 compared with ¥220.10 in the previous fiscal year, and diluted net income per share was ¥249.42, up from ¥219.85 in the previous fiscal year.

Net Income and Net Income per Share–Basic



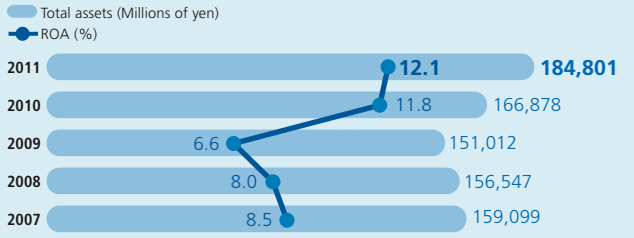
FINANCIAL CONDITION

Assets

As of March 31, 2011, total assets were at ¥184,801 million, up ¥17,923 million, or 10.7%, compared with the previous fiscal year-end. This was mainly due to an increase in cash and cash quivalents, trade receivables and short-term securities. Return on total assets (ROA) was 12.1%, up from 11.8% in the previous fiscal year.

Total current assets were ¥137,668 million, and the ratio of total current assets to total assets rose from 71.2% as of the previous fiscal year-end to 74.5% as of March 31, 2011. Within fixed assets of ¥47,133 million, net property, plant and equipment totaled ¥24,957 million, and total investments and other assets amounted to ¥22,176 million.

Total Assets and ROA



Liabilities

Total liabilities as of March 31, 2011, were ¥28,397 million, down ¥878 million, or 3.0%, compared with the previous fiscal year-end. This was largely attributable to the decrease in income taxes payable.

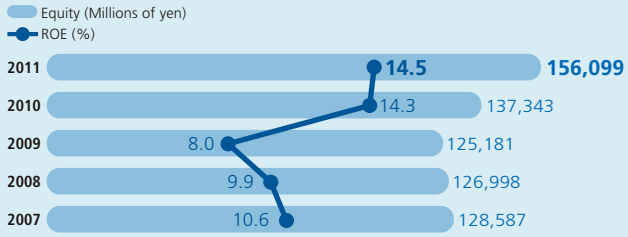
Total current liabilities were ¥24,105 million, and total non-current liabilities were ¥4,292 million. Interest-bearing debt was ¥152 million, a decline of ¥466 million, or 69.5%, compared with the previous fiscal year-end.

Net Assets

Net assets amounted to ¥156,404 million, up ¥18,801 million, or 13.7%, compared with the previous fiscal year-end, principally reflecting higher retained earnings.

The equity ratio improved from 82.3% to 84.5%. Equity per share was ¥1,793.15, an increase of ¥179.07, or 11.1%, compared with the end of the previous fiscal year. Return on equity (ROE) increased to 14.5%, up from 14.3%.

Equity and ROE



Capital and Liquidity

Santen strives to maintain a healthy balance sheet and to ensure an appropriate level of liquidity and sufficient resources to fund its business activities.

Cash and cash equivalents as of the end of the fiscal year under review amounted to ¥72,482 million, up ¥8,133 million, or 12.6%, compared with the previous fiscal year-end. Net cash provided by operating activities was ¥17,768 million, of which ¥7,676 million was used in investing activities and ¥1,570 million in financing activities.

Cash Flows

Net cash provided by operating activities was ¥17,768 million, which mainly resulted from income before income taxes of ¥31,074 million and income taxes paid of ¥11,952 million.

Net cash used in investing activities was ¥7,676 million, mainly attributable to purchase of short-term investments of ¥5,873 million and purchase of investment securities totaling ¥4,296 million.

Net cash used in financing activities was ¥1,570 million. The major cash inflow was proceeds from the retirement of treasury stock by way of third-party allocation of ¥5,641 million. The principal cash outflow was dividends paid of ¥6,808 million.

As a result, cash and cash equivalents as of the end of the fiscal year amounted to ¥72,482 million, an increase of ¥8,133 million compared with the previous fiscal year-end.

Cash Flows Summary

	Millions of yen		
	2011	2010	Change
Cash flows from operating activities	¥17,768	¥26,110	¥ (8,342)
Cash flows from investing activities	(7,676)	(829)	(6,847)
Cash flows from financing activities	(1,570)	(6,753)	5,183
Cash and cash equivalents at end of year	¥72,482	¥64,349	¥ 8,133

Note: Figures in parentheses indicate a decrease.

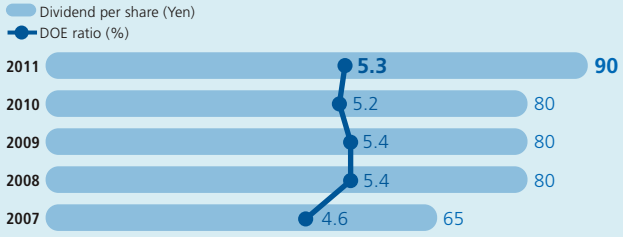
Distribution of Profits

Santen views returns to shareholders as one of its most important management goals and has instituted the following fundamental policies for the distribution of profits:

- We will implement an appropriate dividend policy based on the Company's operating results while taking into consideration the need to secure sufficient internal reserves to fund R&D and the implementation of growth strategies for the purposes of enhancing capital efficiency and expanding corporate value.
- We will strive to increase the level of dividends in line with such factors as the Company's demand for funds and the Company's financial position.
- We will consider the repurchase and retirement of treasury stock as a flexible method of providing a return to shareholders.

To maintain a stable level of dividends, we target a dividend on equity (DOE) ratio, which combines the dividend payout ratio and ROE. Taking into consideration returns to shareholders through dividends and the improvement of capital efficiency, for fiscal 2010—the final year of the Company's Medium-Term Management Plan—our DOE target was set at 5.0%. On this basis, the annual dividend per share was ¥90, an increase of ¥10 per share compared with the previous fiscal year, resulting in a DOE ratio of 5.3%.

Dividend per Share and DOE Ratio



Risks Related to Our Business

Forward-looking Information and Factors that Might Affect Future Results

Any statements that we make, other than historical facts, contain forward-looking information based on our business plans and assumptions at the time of disclosure. Such forward-looking information includes, but is not limited to, our expected growth strategies, projected operating results, market forecasts and anticipated timing for developing, obtaining approval and bringing products to market. Our business, as well as each product we develop and market, is subject to various risks and uncertainties beyond our control. Therefore, these forward-looking statements might differ substantially from actual results. Risks and uncertainties that could affect the Company's future results and financial condition include, but are not limited to, the factors described below.

External Factors

Regulatory Controls

Our prescription pharmaceutical business is subject to government regulatory controls regarding healthcare programs and drug prices in Japan and other countries. Although our current operating and / or financial projections were made in full consideration of drug price revisions in Japan to the best extent possible, those revisions that may take place beyond the scope of our anticipated projections or other revisions in healthcare programs might also affect our operating and / or financial results. In other countries and markets where we manufacture and sell our products, we continue to face a variety of regulatory controls over prices of prescription pharmaceuticals and government pressure for drug price reduction.

Social and Economic Conditions and Changes in the Law

Santen's future results might be affected by political and economic changes in key markets worldwide in which we operate. Our anticipated performance and financial condition might also be affected by changes in applicable accounting principles, and laws and regulations concerning taxes, the Product Liability Law, the Antitrust Law, environmental laws and regulations and other factors.

Foreign Exchange

Overseas sales and expenses, as well as the assets of overseas subsidiaries, affect our sales, profits and financial conditions depending on foreign exchange rate fluctuations. Overseas sales for the fiscal year ended March 31, 2011 accounted for 16.5% of our consolidated net sales.

Competitive Factors

Generic Products

The sale of generic products both in and outside Japan has the potential of impacting the Company's performance.

Other companies have already released generic products in Japan for such items as *Hyalein* and *Cravit*. Looking ahead, the impact from generic products is projected to grow.

Dependency on Specific Products and Business Partners

Dependency on Mainstay Products

Total sales of *Hyalein* and *Cravit* accounted for 30% of Santen's consolidated net sales for the fiscal year ended March 31, 2011. Should any sales suspension or a decline in sales occur due to any unanticipated negative influences, such as potential product defects or newly discovered side effects, our business results and financial performance might be negatively affected.

Dependency on In-Licensed Products

Many products that the Santen Group sells are licensed by other companies. We hold exclusive rights to manufacture and sell ophthalmic formulations such as *Cravit, Detantol, Tapros* and *Diquas*. We also have sales rights in Japan for *Timoptol, Timoptol XE* and *Livostin,* and exclusive sales rights in Japan for *Cosopt, Azulfidine EN* and *Rescula*. Should changes be made in the terms and conditions after the expiration of such contracts or should the agreements not be renewed, our business performance might be affected.

Dependency on Specific Business Partners

In the U.S., we have a distribution agreement with VISTAKON Pharmaceuticals, LLC for certain prescription ophthalmics. In the event that VISTAKON cannot achieve sufficient sales of such products we consigned, our financial results might be affected.

We depend on specific business partners for the supply of certain raw materials such as the active pharmaceutical ingredient for *Cravit* and containers for our OTC pharmaceuticals. If supply of these materials is interrupted or discontinued for any reason, our pharmaceutical production might be adversely affected. Should it subsequently affect the supply of our products and cause any interruption or discontinuance, it would adversely affect our business performance.

The percentage of our business conducted with the top 10 wholesalers in Japan has reached 70% of our consolidated net sales. If our wholesale partners experience bankruptcy leading to a lending loss, our business performance might be adversely affected.

R&D Activities

Uncertainties in New Product Development

Years are required to bring new drugs from initial R&D to final approval and marketing. Various uncertainties exist at every stage in the development process that could sidetrack a new product, such as discontinuance of development or rejection after the application is filed. It is difficult for us to accurately predict when new products, new indications or formulations under development will reach the approval stage and be ready for launch. Forecasting a precise time-line for project development and completion depends on a number of variable factors, including, but not limited to, delayed government reviews, conflicting or unusable clinical data that does not indicate significant differences in relation to competitor products, safety and efficacy concerns and unexpected side effects—which might lead to discontinued development or delayed product release and thereby negatively affect projected sales of new drugs.

Potentially Insufficient Returns on R&D Investment

The creation and development of new pharmaceuticals, as well as the development of new indications and formulations, is critical for the future growth of Santen. Every year we invest significantly in R&D, and there is a possibility that future investments will not result in sales of new products sufficient to provide an adequate return.

Issues of Alliances

Forecasts for new pharmaceuticals include various assumptions of alliances in development and / or sales. Actual results of these alliances might affect our overall sales and financial condition.

Other Factors

Production Interruptions or Delays

The interruption or delay of production activities due to natural disasters or other catastrophes such as fire might affect our financial performance and condition. Certain products are only manufactured at one location. If a specific plant is forced to halt production, supply of some products might be interrupted or delayed.

Cancellation of Sales and Product Withdrawals

If sales of certain products are cancelled, or if we withdraw products due to product quality defects, unexpected side effects, tampering or other causes, our overall financial results might be negatively affected.

Litigation

Our main business involves the production and sales of prescription pharmaceuticals. The nature of our business makes us vulnerable to litigation related to patents, the Product Liability Law, violation of the Antitrust Law and consumer-related and environmental lawsuits. If such legal actions take place, the proceedings might affect our overall performance and financial condition. Currently, we are involved in no litigation that substantially impacts the management of the Company.

Eleven-year Summary of Selected Financial Data

Years ended March 31

	2001	2002	2003	2004
For the year:				
Net sales	¥ 88,449	¥ 88,966	¥ 90,253	¥ 89,858
Cost of sales	33,385	32,701	32,272	31,859
Selling, general and administrative expenses	38,546	44,475	45,284	43,475
Operating income	16,518	11,790	12,697	14,524
Interest expense	430	465	480	366
Income before income taxes	15,521	12,679	9,947	13,775
Income taxes	7,807	7,373	1,444	7,454
Net income	7,714	5,306	8,503	6,321
Capital expenditures	4,943	6,586	7,046	3,226
Depreciation and amortization	5,683	5,334	4,311	4,521
R&D expenditures	10,511	12,187	12,719	11,853
Per share data (yen and U.S. dollars):				
Net income – basic	¥ 81.32	¥ 57.34	¥ 93.67	¥ 71.65
Net income – diluted	75.01	53.07	85.97	71.64
Equity	1,022.99	1,048.51	1,104.21	1,176.83
Cash dividends, applicable to period	20.00	20.00	20.00	40.00
Cash flows:				
Net cash provided by operating activities	¥ 6,832	¥ 6,941	¥ 15,808	¥ 23,196
Net cash (used in) provided by investing activities	(3,172)	(6,374)	(9,951)	5,246
Net cash used in financing activities	(7,193)	(5,684)	(6,507)	(12,122)
Interest coverage ratio (times)	16.8	14.9	34.5	70.6
Debt to cash flow ratio (%)	367.3	352.5	145.8	54.7
At year-end:				
Total current assets	¥ 88,025	¥ 86,064	¥ 83,431	¥ 91,231
Net property, plant and equipment	36,684	42,159	40,850	37,237
Total assets	153,243	152,103	147,148	150,238
Long-term debt	25,482	24,467	23,047	12,686
Equity	94,834	95,101	97,126	103,500
Return on equity (ROE) (%)	8.1	5.6	8.8	6.3
Return on total assets (ROA) (%)	5.1	3.5	5.7	4.3
Equity ratio (%)	61.9	62.5	66.0	68.9
Equity ratio on stock price basis (%)	134.3	86.6	68.7	101.8
Price earnings ratio (PER) (times)	27.3	25.3	12.3	24.3
Dividend on equity (DOE) (%)	2.0	1.9	1.9	3.5
Issued shares (thousands)	92,721	90,704	90,704	87,963
Number of employees	2,167	2,463	2,500	2,335

Notes: 1. U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥83.15 to U.S.$1.00, the exchange rate prevailing on March 31, 2011.
2. See Notes 2. 13) and 11 of Notes to Consolidated Financial Statements in respect of per share data.
3. Equity comprises shareholders' equity and accumulated other comprehensive income.

Millions of yen							Thousands of U.S. dollars
2005	2006	2007	2008	2009	2010	2011	2011
¥ 92,696	¥ 98,398	¥ 100,486	¥ 103,394	¥ 101,619	¥ 110,594	¥110,812	$1,332,678
33,710	34,535	35,484	36,513	35,947	34,710	34,437	414,155
40,004	42,868	44,590	46,510	50,178	46,244	45,636	548,847
18,982	20,995	20,412	20,371	15,494	29,640	30,739	369,676
182	94	91	97	65	53	36	439
18,436	20,342	21,039	20,483	15,824	28,610	31,074	373,722
7,413	7,319	7,891	7,832	5,701	9,887	9,741	117,151
11,023	13,023	13,148	12,651	10,123	18,723	21,333	256,571
4,907	2,106	3,556	3,151	2,953	1,315	1,651	19,855
4,750	4,824	4,761	4,593	4,210	3,421	2,976	35,794
12,620	13,971	13,663	12,942	18,458	14,123	13,221	159,005
¥ 125.85	¥ 150.26	¥ 151.58	¥ 146.15	¥ 119.08	¥ 220.10	¥ 249.71	$ 3.00
125.71	150.01	151.31	145.94	118.97	219.85	249.42	3.00
1,249.32	1,368.27	1,481.83	1,494.48	1,472.32	1,614.08	1,793.15	21.57
50.00	60.00	65.00	80.00	80.00	80.00	90.00	1.08
¥ 6,619	¥ 20,879	¥ 14,959	¥ 15,468	¥ 11,849	¥ 26,110	¥ 17,768	$ 213,701
(2,907)	(1,330)	(5,846)	(2,083)	(5,619)	(829)	(7,676)	(92,327)
(12,712)	(5,900)	(5,691)	(11,415)	(11,373)	(6,753)	(1,570)	(18,883)
36.1	218.7	164.3	163.6	165.5	558.1	488.5	
104.0	26.9	36.4	34.1	5.5	2.5	1.1	
¥ 82,735	¥ 93,893	¥ 100,820	¥ 102,754	¥ 101,053	¥ 118,832	¥137,668	$1,655,664
32,676	30,395	30,485	29,849	28,665	26,574	24,957	300,140
139,980	150,458	159,099	156,547	151,012	166,878	184,801	2,222,508
6,882	5,614	5,446	5,278	154	75	152	1,828
108,240	118,637	128,587	126,998	125,181	137,343	156,099	1,877,311
10.4	11.5	10.6	9.9	8.0	14.3	14.5	
7.6	9.0	8.5	8.0	6.6	11.8	12.1	
77.3	78.9	80.8	81.1	82.9	82.3	84.5	
142.3	163.0	165.3	126.2	154.3	143.1	156.2	
18.3	18.8	20.0	15.9	23.0	12.7	13.3	
4.1	4.6	4.6	5.4	5.4	5.2	5.3	
86,659	86,751	86,825	86,867	86,916	86,992	87,053	
2,308	2,312	2,409	2,483	2,690	2,756	2,867	

Consolidated Balance Sheets

Santen Pharmaceutical Co., Ltd. and Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2011	2010	2011
Current assets:			
Cash and cash equivalents (Note 4)	¥ 72,482	¥ 64,349	$ 871,705
Short-term investments (Notes 4 and 5)	6,409	1,327	77,078
Trade receivables (Note 4):			
Notes	984	792	11,833
Accounts	37,997	34,476	456,969
Allowance for doubtful receivables	(2)	(1)	(20)
Net trade receivables	38,979	35,267	468,782
Inventories (Note 6)	14,704	13,624	176,841
Deferred tax assets (Note 14)	1,987	2,166	23,893
Other current assets	3,107	2,099	37,365
Total current assets	137,668	118,832	1,655,664
Property, plant and equipment (Notes 7 and 8):			
Land	8,216	8,418	98,815
Buildings and structures	40,720	41,569	489,712
Machinery and equipment	11,050	11,039	132,895
Tools, furniture and vehicles	11,041	10,962	132,781
Lease assets	234	133	2,813
Construction in progress	186	43	2,240
Total	71,447	72,164	859,256
Accumulated depreciation and impairment loss	(46,490)	(45,590)	(559,116)
Net property, plant and equipment	24,957	26,574	300,140
Investments and other assets:			
Investments in affiliates (Note 4)	16	16	188
Investment securities (Notes 4 and 5)	12,126	12,223	145,836
Intangible assets	991	1,231	11,923
Deferred tax assets (Note 14)	7,538	6,703	90,657
Other assets	1,505	1,299	18,100
Total investments and other assets	22,176	21,472	266,704
Total assets	¥184,801	¥ 166,878	$2,222,508

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 3) 2011
Current liabilities:			
Short-term borrowings (Notes 4 and 9)	¥ —	¥ 543	$ —
Trade accounts payable (Note 4)	6,031	5,600	72,537
Other payables (Note 4)	8,444	7,937	101,556
Accrued expenses	3,614	3,354	43,465
Income taxes payable (Notes 4 and 14)	4,631	6,618	55,697
Other current liabilities	1,385	1,235	16,651
Total current liabilities	24,105	25,287	289,906
Non-current liabilities:			
Long-term debt (Note 9)	152	75	1,828
Retirement and severance benefits (Note 10)	3,266	2,911	39,283
Retirement and severance benefits for directors and corporate auditors (Note 10)	454	456	5,458
Deferred tax liabilities (Note 14)	21	15	249
Asset retirement obligation	160	—	1,928
Other liabilities	239	531	2,869
Total non-current liabilities	4,292	3,988	51,615
Contingent liabilities (Note 15)			
Total liabilities	28,397	29,275	341,521
Net assets (Note 11):			
Shareholders' equity:			
Common stock (Note 12):			
Authorized – 220,000,000 shares (220,000,000 shares in 2010) Issued – 87,053,103 shares (86,992,503 shares in 2010)	6,615	6,539	79,550
Capital surplus (Note 12)	7,969	7,234	95,836
Retained earnings	147,578	133,053	1,774,845
Treasury stock, at cost:			
464 shares in 2011 and 1,902,026 shares in 2010	(2)	(4,958)	(22)
Total shareholders' equity	162,160	141,868	1,950,209
Accumulated other comprehensive income:			
Unrealized (losses) gains on securities, net of taxes (Note 5)	(443)	136	(5,333)
Foreign currency translation adjustments	(5,618)	(4,661)	(67,565)
Total accumulated other comprehensive income	(6,061)	(4,525)	(72,898)
Stock subscription rights (Note 12)	305	260	3,676
Total net assets	156,404	137,603	1,880,987
Total liabilities and net assets	¥184,801	¥ 166,878	$2,222,508

Consolidated Statements of Income and Comprehensive Income

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	2011
Net sales	¥110,812	¥ 110,594	¥ 101,619	$1,332,678
Cost of sales	34,437	34,710	35,947	414,155
Gross profit	76,375	75,884	65,672	918,523
Selling, general and administrative expenses	45,636	46,244	50,178	548,847
Operating income	30,739	29,640	15,494	369,676
Other income (expenses):				
Interest and dividend income	521	418	549	6,273
Dividends income of insurance	137	128	104	1,643
Exchange gains (losses), net	(123)	(383)	185	(1,474)
Interest expense	(36)	(53)	(65)	(439)
Equity in losses of affiliates	—	(564)	(679)	—
Gain on sale of investment securities	—	74	—	—
Loss on sale of investment securities	—	(197)	(37)	—
Write-down of investment securities (Note 5)	(150)	(254)	—	(1,809)
Office transfer expenses of U.S. subsidiaries	(135)	—	—	(1,618)
Loss on adjustment for change of accounting standard for asset retirement obligations	(109)	—	—	(1,306)
Loss on impairment of fixed assets (Note 8)	—	(397)	—	—
Other, net	230	198	273	2,776
Income before income taxes	31,074	28,610	15,824	373,722
Income taxes (Note 14):				
Current	9,970	10,687	8,269	119,907
Deferred	(229)	(800)	(2,568)	(2,756)
	9,741	9,887	5,701	117,151
Income before minority interests	21,333	18,723	10,123	256,571
Net income	21,333	18,723	10,123	256,571
Income before minority interests	21,333	18,723	10,123	256,571
Other comprehensive income:				
Unrealized gains (losses) on securities, net of taxes	(579)	383	(2,520)	(6,974)
Foreign currency translation adjustments	(957)	(280)	(2,707)	(11,513)
Other comprehensive income	(1,536)	103	(5,227)	(18,487)
Total comprehensive income	19,797	18,826	4,896	238,084
Total comprehensive income attributable to:				
Owners of the parent	¥19,797	¥18,826	¥4,896	$238,084
Minority interests	—	—	—	—

	Yen			U.S. dollars (Note 3)
Per share data:	2011	2010	2009	2011
Net income – basic	¥ 249.71	¥ 220.10	¥ 119.08	$ 3.00
Net income – diluted	249.42	219.85	118.97	3.00
Cash dividends, applicable to the period	90.00	80.00	80.00	1.08

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on securities, net of taxes	Foreign currency translation adjustments	Stock subscription rights
Balance at March 31, 2008	¥ 6,419	¥ 7,114	¥ 117,787	¥ (4,921)	¥ 2,273	¥ (1,674)	¥ 120
Effect of changes in accounting policies applied to foreign subsidiaries			210				
Changes during the fiscal year:							
Exercise of stock options	38	38					
Cash dividends			(6,800)				
Net income			10,123				
Repurchase of treasury stock, net				(15)			
Disposal of treasury stock		0		2			
Effect of applying the equity method of accounts			(186)				
Other, net					(2,520)	(2,707)	68
Balance at March 31, 2009	¥ 6,457	¥ 7,152	¥ 121,134	¥ (4,934)	¥ (247)	¥ (4,381)	¥ 188
Exercise of stock options	82	82					
Cash dividends			(6,804)				
Net income			18,723				
Repurchase of treasury stock, net				(24)			
Disposal of treasury stock		0		0			
Other, net					383	(280)	72
Balance at March 31, 2010	¥ 6,539	¥ 7,234	¥ 133,053	¥ (4,958)	¥ 136	¥ (4,661)	¥ 260
Exercise of stock options	76	76					
Cash dividends			(6,808)				
Net income			21,333				
Repurchase of treasury stock, net				(26)			
Disposal of treasury stock		659		4,982			
Other, net					(579)	(957)	45
Balance at March 31, 2011	**¥ 6,615**	**¥ 7,969**	**¥ 147,578**	**¥ (2)**	**¥ (443)**	**¥(5,618)**	**¥ 305**

	Thousands of U.S. dollars (Note 3)						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on securities, net of taxes	Foreign currency translation adjustments	Stock subscription rights
Balance at March 31, 2010	$78,636	$86,997	$1,600,157	$(59,632)	$ 1,640	$(56,052)	$3,132
Exercise of stock options	914	913					
Cash dividends			(81,883)				
Net income			256,571				
Repurchase of treasury stock, net				(310)			
Disposal of treasury stock		7,926		59,920			
Other, net					(6,973)	(11,513)	544
Balance at March 31, 2011	**$79,550**	**$95,836**	**$1,774,845**	**$ (22)**	**$(5,333)**	**$(67,565)**	**$3,676**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Santen Pharmaceutical Co., Ltd. and Subsidiaries
For the years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 3)
	2011	2010	2009	2011
Cash flows from operating activities:				
Income before income taxes	¥31,074	¥ 28,610	¥ 15,824	$ 373,722
Depreciation and amortization	2,976	3,421	4,210	35,794
Loss on impairment of fixed assets (Note 8)	—	397	—	—
Increase in retirement and severance benefits	359	517	554	4,319
Interest and dividend income	(521)	(418)	(549)	(6,273)
Interest expense	36	53	65	439
Equity in losses of affiliates	—	564	679	—
(Increase) decrease in trade receivables	(3,893)	699	(916)	(46,818)
Increase in inventories	(1,299)	(1,438)	(1,334)	(15,629)
Increase (decrease) in trade accounts payable	522	(248)	509	6,278
Other, net	(11)	1,873	759	(135)
Subtotal	29,243	34,030	19,801	351,697
Interest and dividend income received	513	419	551	6,175
Interest expense paid	(36)	(47)	(72)	(437)
Income taxes paid	(11,952)	(8,292)	(8,431)	(143,734)
Net cash provided by operating activities	17,768	26,110	11,849	213,701
Cash flows from investing activities:				
Capital expenditures	(1,651)	(1,315)	(2,953)	(19,855)
Proceeds from sale of property, plant and equipment	188	3	3	2,262
Purchase of investment securities	(4,296)	(1,028)	(2,081)	(51,669)
Proceeds from sale of investment securities	20	309	463	242
Purchase of short-term investments	(5,873)	(5,836)	(4,421)	(70,631)
Proceeds from sale of short-term investments	3,922	7,036	3,359	47,172
Increase in loans receivable	(1)	(49)	(300)	(10)
Proceeds from collection of loans receivable	—	49	311	—
Other, net	15	2	0	162
Net cash used in investing activities	(7,676)	(829)	(5,619)	(92,327)
Cash flows from financing activities:				
Proceeds from short-term borrowings	259	548	546	3,112
Repayment of short-term borrowings	(776)	(521)	—	(9,337)
Repayment of long-term debt	—	(110)	(5,168)	—
Repurchase of treasury stock	(26)	(24)	(15)	(310)
Disposal of treasury stock	5,641	0	2	67,846
Dividends paid	(6,808)	(6,804)	(6,799)	(81,876)
Other, net	140	158	61	1,682
Net cash used in financing activities	(1,570)	(6,753)	(11,373)	(18,883)
Effect of exchange rate changes on cash and cash equivalents	(389)	(136)	(570)	(4,676)
Net increase (decrease) in cash and cash equivalents	8,133	18,392	(5,713)	97,815
Cash and cash equivalents at beginning of year	64,349	45,957	51,670	773,890
Cash and cash equivalents at end of year	¥72,482	¥ 64,349	¥ 45,957	$ 871,705

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Santen Pharmaceutical Co., Ltd. and Subsidiaries

1 Basis of Presentation of Consolidated Financial Statements

The consolidated financial statements of Santen Pharmaceutical Co., Ltd. (the "Company") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

The accounts of consolidated overseas subsidiaries have been prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, as required under "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" issued by the Accounting Standards Board of Japan ("ASBJ"). In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income are accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit and loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

The consolidated financial statements have been restructured and translated into English (with certain expanded disclosures) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in these consolidated financial statements.

2 Summary of Significant Accounting Policies

1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (the "Companies"). All significant intercompany balances and transactions are eliminated on consolidation.

Investment in an unconsolidated subsidiary is accounted for using the equity method.

Investment in an affiliated company is stated at cost due to immateriality.

2) Use of estimates

The preparation of the consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

3) Short-term investments, investment securities and golf membership rights (see Notes 4 and 5)

The Company and its domestic subsidiary have adopted the "Accounting Standard for Financial Instruments" which was issued and revised by the Business Accounting Council in Japan. In accordance with this standard, securities are classified into three categories; trading, held-to-maturity, or other securities.

Based on this classification, all trading securities and, any held-to-maturity and other securities with a maturity of less than one year, are included in current assets. All other securities are included in investment securities as noncurrent assets.

Those classified as other securities with an available market value are reported at fair value with unrealized holding gains (losses), net of related taxes reported as a separate component of net assets.

Realized gains and losses on sales of such securities are determined by the moving average cost method. Other securities with no available market value are carried at cost, which is determined by the moving average cost method.

In addition, this standard also requires the recognition of an impairment loss on golf membership rights, included in other assets, on the consolidated balance sheets, when the market value shows a substantial decline and is not anticipated to recover.

4) Derivative instruments (see Note 4)

Derivatives are initially measured at fair value and are subsequently remeasured to fair value at each reporting date. Apart from those derivatives designated as qualifying hedging instruments, all changes in carrying value are recognized in profit. The Company utilizes derivatives for hedging the exposure risk arising from fluctuation in foreign currency exchange rates and interest rates and does not enter into derivatives for trading or speculative purposes. Derivatives that are designated as qualifying hedging instruments are accounted for using deferred hedge accounting. Recognition of gains or losses resulting from changes in fair values of derivative financial instruments are deferred until the related losses or gains on the hedged items are realized if derivative financial instruments are used as hedges and meet certain hedging criteria. Foreign exchange contracts that meet the criteria are accounted for under the allocation method. The allocation method requires recognized foreign currency receivables or payables to be translated using the corresponding foreign exchange contract rates. Interest rate swaps that meet the criteria are accounted for under the special method, as regulated in the accounting standard, as if the interest rates under interest rate swaps were originally applied to underlying borrowings.

The Company has also developed a hedging policy to control various aspects of derivative instruments including authorization levels and transaction volumes. Based on this policy, the Company hedges the risk exposure arising from fluctuations in foreign currency exchange rates, interest rates, and prices of securities. The Company evaluates hedge effectiveness by comparing the cumulative changes in cash flows from hedged items and corresponding changes in hedging derivative instruments. With respect to interest rate swaps under the special method, the evaluation of hedge effectiveness is omitted.

5) Allowance for doubtful receivables

Allowance for doubtful receivables is provided principally at an amount determined based on the historical experience of bad debts and the estimated uncollectible amounts based on the specific analysis of receivables with default possibility.

6) Inventories (see Note 6)

Inventories of the Company and its domestic subsidiary are stated at the lower of average cost or net realizable value under the "Accounting Standard for Measurement of Inventories" which was issued by ASBJ.

Inventories of consolidated foreign subsidiaries are principally stated at the lower of first-in, first-out cost or net realizable value.

7) Property, plant and equipment (excluding lease assets)

Property, plant and equipment is stated at cost. For the Company and its domestic subsidiary, depreciation of buildings, acquired prior to April 1, 1998, and other property, plant and equipment is computed over the estimated useful lives of the assets using the declining-balance method. Buildings (other than leasehold improvements), which were acquired on or after April 1, 1998, are depreciated using the straight-line method for the Company and its domestic subsidiary. For all overseas subsidiaries, depreciation is computed over the estimated useful lives of the assets using the straight-line method.

The principal estimated useful lives are as follows:

Buildings and structures	31 to 50 years
Machinery and equipment	7 to 8 years
Tools, furniture and vehicles	4 to 10 years

8) Leases (see Note 7)

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the leased property's estimated useful lives or lease terms, in accordance with the "Accounting Standard for Lease Transactions" and the "Guidance on Accounting Standard for Lease Transactions" which were issued by ASBJ. As permitted under the accounting standard, the Company and its domestic subsidiary account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information.

9) Impairment of fixed assets (see Note 8)

In accordance with the "Accounting Standards for Impairment of Fixed Assets" which was issued by the Business Accounting Council in Japan, fixed assets, such as property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset, or group of assets, to estimated undiscounted future cash flows expected to be generated. If the carrying amount of an asset, or group of assets, exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the greater of its net realizable value or value in use.

10) Retirement and severance benefits (see Note 10)

Employees of the Company and certain subsidiaries are generally entitled to lump-sum severance and, in certain cases, annuity payments on retirement, based on current rates of pay, length of service and certain other factors.

The Companies have adopted the "Accounting Standard for Retirement Benefits" which was issued by the Business Accounting Council. In accordance with this standard, the allowance for retirement benefits for employees is provided based on the estimated retirement benefit obligation and the plan assets. Actuarial gains and losses are amortized, from the year in which the actuarial gains and losses are incurred, using the straight-line method, over the estimated average remaining service years of employees.

The Company has a retirement benefit scheme, which is a combination of lump-sum severance plan, cash balance and defined contribution pension plan. The Company also has a retirement benefits trust.

A certain overseas subsidiary has a retirement benefit scheme which is a combination of a cash balance and defined contribution pension plan, and other overseas subsidiaries have defined contribution pension plan. The amounts contributed under the plans are charged to income.

In addition, the Company has an unfunded retirement benefit plan for directors and corporate auditors. The amounts required under the plan have been fully accrued according to internal regulations.

11) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing on the balance sheet date, except for those items covered by forward exchange contracts.

The Company and its domestic subsidiary have adopted the "Accounting Standard for Foreign Currency Transactions" which was issued by the Business Accounting Council in Japan.

Financial statements of overseas subsidiaries are translated into yen at year-end rates for all assets and liabilities and at weighted average rates for income and expense accounts. Adjustments resulting from the translation of financial statements are reflected

under the caption, "Foreign currency translation adjustments", in net assets.

12) Research and development and computer software (see Note 13)

Research and development expenditures are charged to income when incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred except if they contribute to the generation of income or to future cost savings. Such expenditures are capitalized as an asset and are amortized using the straight-line method over the estimated useful lives of five years.

13) Net income and dividends per share (see Note 11)

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. The average number of shares used in the computation for the years ended March 31, 2011, 2010 and 2009 was 85,433 thousand, 85,065 thousand and 85,011 thousand.

The diluted net income per share assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock. The average number of shares used in the computation for the years ended March 31, 2011, 2010 and 2009 was 85,534 thousand, 85,162 thousand and 85,089 thousand.

Cash dividends per share shown in the accompanying Consolidated Statements of Income and Comprehensive Income are the amounts applicable to the respective years.

14) Income taxes (see Note 14)

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss carry forwards and foreign tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

15) Cash and cash equivalents

Cash and cash equivalents mainly include cash on hand, readily available deposits and all highly liquid debt investments, generally with a maturity of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value.

16) Changes in accounting policies

Effective April 1, 2010, the Company and its domestic subsidiary adopted the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No.18 issued on March 31, 2008) and the "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008). As a result of adopting these standards, operating income decreased by ¥12 million ($148 thousand) and income before income taxes decreased by ¥120 million ($1,454 thousand) for the year ended March 31, 2011.

Effective March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010) and the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 revised on June 30, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statements of income and comprehensive income in the consolidated financial statements for the year ended March 31, 2011.

The consolidated balance sheet as of March 31, 2010 has been modified to conform with the new presentation rules of 2011. In addition, the Company has presented the consolidated statements of income and comprehensive income and the consolidated statements of changes in net assets for the years ended March 31, 2010 and 2009 as well as that for the year ended March 31, 2011.

17) Reclassifications

Certain reclassifications have been made to prior years' consolidated financial statements to conform with the presentation used for the year ended March 31, 2011.

3 Translation into United States Dollars

The accompanying consolidated financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ¥83.15 to U.S.$1.00, the exchange rate prevailing on March 31, 2011. The translation should not be construed as a representation that the Japanese yen have been, could have been, or could in the future be converted into United States dollars at that rate or any other rate.

4 Financial Instruments

The Companies have adopted the "Accounting Standard for Financial Instruments" and the "Guideline on Disclosures about Fair Value of Financial Instruments."

Information on Financial instruments for the year ended March 31, 2011 and 2010 is as follows:

(1) Policies for financing activities

The Companies principally use, highly liquid and safe financial instruments in financing activities. The Companies basically rely on their own resources to finance operations and use derivative financial instruments only to hedge foreign exchange rate risk for foreign currency denominated assets and liabilities and do not use derivative financial instrument for speculative purposes.

(2) Risk management

Trade receivables are exposed to customer credit risk. To manage this risk, the Company performs due date and credit limit controls in accordance with the Companies' credit management rules and periodically assesses the financial reliability of each customer taking into account the customer's financial position and other factors.

Bonds in Short-term investments are exposed to the credit risk of the issuing institution. The Company invests only in high-rated bonds.

Investment securities are exposed to market risk, most of which are stocks of companies with which the Company has business relationships. The Company periodically reviews the fair market values of these securities and report on them at the Company's board meeting.

Trade accounts payable, other payables and income taxes payable (the "operating payables") are due within one year.

Bank loans in Short-term borrowings and Long-term debt do not occur regularly. The Companies use them as short-term funding for business necessities according to the situation.

Operating payables and the bank loans are exposed to liquidity risk. The Company manages the risk by monitoring the monthly cash flows of each group company.

To reduce credit risk, the Company uses derivative instruments according to its policies for hedging, including rules for authorization levels, transaction volumes and entering into transactions only with highly rated banks.

The book value and fair value of the financial instruments on the consolidated balance sheet at March 31, 2011 and 2010 were as follows:

	Millions of yen					
	2011			2010		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and cash equivalents	¥72,482	¥72,482	¥ (0)	¥ 64,349	¥ 64,348	¥ (1)
Trade receivables	38,981	38,981	—	35,268	35,268	—
Short-term investments and Investment securities:						
Time deposits	2,075	2,075	—	1,327	1,327	—
Maturities of investments	5,373	5,360	(13)	—	—	—
Other securities	10,941	10,941	—	11,907	11,907	—
Short-term borrowings	—	—	—	(543)	(543)	—
Trade accounts payable	(6,031)	(6,031)	—	(5,600)	(5,600)	—
Other payables	(8,444)	(8,444)	—	(7,937)	(7,937)	—
Income taxes payable	(4,631)	(4,631)	—	(6,618)	(6,618)	—
Derivatives	—	—	—	—	—	—

	Thousands of U.S. dollars		
	2011		
	Book value	Fair value	Difference
Cash and cash equivalents	$ 871,705	$ 871,699	$ (6)
Trade receivables	468,802	468,802	—
Short-term investments and Investment securities:			
Time deposits	24,960	24,960	—
Maturities of investments	64,622	64,457	(165)
Other securities	131,584	131,584	—
Short-term borrowings	—	—	—
Trade accounts payable	(72,537)	(72,537)	—
Other payables	(101,556)	(101,556)	—
Income taxes payable	(55,697)	(55,697)	—
Derivatives	—	—	—

Notes: 1. Instruments with no fair market value are excluded in the table above.
2. Figures in parentheses indicate a liability or a decrease.
3. The following methods and assumptions were used to estimate fair value:
Cash and Trade receivables
– As these assets are settled in a short period of time, the fair value approximates book value.
Cash equivalents
– The fair values of held-to-maturity debt securities included in Cash and cash equivalents are based on the quoted market prices or the price provided by corresponding financial institutions.

Short-term investments and Investment securities
– The fair values of listed stocks is based on year-end quoted stock market prices and that of bonds is based on the quoted market prices or the price provided by corresponding financial institutions.
– The fair value of time deposits approximates the book value.
Short-term borrowings, Trade accounts payable, Other payables and Income taxes payable
– As these liabilities are settled in a short period, fair value approximates book value.
Derivatives
– There are no outstanding transactions at March 31, 2011 and 2010.

4. Financial Instruments with no fair market value as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Other securities:			
Unlisted securities	¥ 138	¥ 307	$1,663
Investment limited partnerships	23	25	273
	¥161	¥ 332	$1,936

These instruments are excluded from investment securities in the table above since there are no fair market values available for these instruments.

5. The maturity profile of the anticipated future contractual cash flows in relation to the Companies' financial assets at March 31, 2011 and 2010 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2011		2010		2011	
	Due within one year	Due after one year	Due within one year	Due after one year	Due within one year	Due after one year
Cash and cash equivalents	¥ 72,482	¥ —	¥ 64,349	¥ —	$ 871,705	$ —
Trade receivables	38,981	—	35,268	—	468,802	—
Short-term investments and investment securities:						
Time deposits	2,075	—	1,327	—	24,960	—
Maturities of investments	4,300	1,021	—	—	51,714	12,279
Other securities	—	—	—	—	—	—
	¥117,838	¥1,021	¥ 100,944	¥ —	$1,417,181	$12,279

6. See Note 9 of Notes to Consolidated Financial Statements in respect to maturities of long-term debt at March 31, 2011 and 2010.

5 Short-term Investments and Investment Securities

The following was a summary of maturities of investments at market value at March 31, 2011 and 2010:

	Millions of yen					
	2011			2010		
	Book value	Fare value	Difference	Book value	Fare value	Difference
Securities with fare values exceeding book values:						
Corporate bonds	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Securities with fare values not exceeding book values:						
Corporate bonds	5,373	5,360	(13)	—	—	—
	¥5,373	¥5,360	¥(13)	¥ —	¥ —	¥ —

	Thousands of U.S. dollars		
	2011		
	Book value	Fare value	Difference
Securities with fare values exceeding book values:			
Corporate bonds	$ —	$ —	$ —
Securities with fare values not exceeding book values:			
Corporate bonds	64,622	64,457	(165)
	$64,622	$64,457	$(165)

The following was a summary of other securities at market value at March 31, 2011 and 2010:

	Millions of yen					
	2011			2010		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:						
Equity securities	¥ 4,057	¥ 4,567	¥ 510	¥ 4,044	¥ 4,866	¥ 822
Securities with book values not exceeding acquisition costs:						
Equity securities	7,629	6,374	(1,255)	7,629	7,041	(588)
	¥ 11,686	¥ 10,941	¥ (745)	¥ 11,673	¥ 11,907	¥ 234

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Equity securities	$ 48,793	$ 54,924	$ 6,131
Securities with book values not exceeding acquisition costs:			
Equity securities	91,745	76,660	(15,085)
	$ 140,538	$ 131,584	$ (8,954)

The market prices in the table above do not include the unlisted securities. The book value of the unlisted securities at March 31, 2011 and 2010 were ¥146 million ($1,748 thousand) and ¥316 million respectively.

Impairment loss on investment securities was ¥150 million ($1,809 thousand) and ¥254 million for the years ended March 31, 2011 and 2010.

If the year-end value of an investment security has declined by more than 50% of its acquisition cost, an impairment loss is recognized. When the year-end value has declined by less than 50% but more than 30%, an impairment loss is recognized if there is no possibility that the security will recover its value.

6 Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and finished goods	¥ 11,784	¥ 11,211	$ 141,726
Work in process	450	425	5,412
Raw materials and supplies	2,470	1,988	29,703
	¥ 14,704	¥ 13,624	$ 176,841

7 Leases

Finance leases, commenced prior to April 1, 2008, which did not transfer ownership of the leased assets to the lessees, are accounted for as operating leases.

Finance leases

The equivalent purchase amount, accumulated depreciation and future minimum lease payments on an "as if capitalized" basis at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Machinery and equipment:			
Equivalent purchase amount	¥ —	¥ 1,038	$ —
Equivalent accumulated depreciation amount	—	952	—
Equivalent balance at year-end	—	86	—
Tools, furniture and vehicles:			
Equivalent purchase amount	126	262	1,516
Equivalent accumulated depreciation amount	114	202	1,368
Equivalent balance at year-end	12	60	148
Total:			
Equivalent purchase amount	126	1,299	1,516
Equivalent accumulated depreciation amount	114	1,153	1,368
Equivalent balance at year-end	¥ 12	¥ 146	$ 148
Future minimum lease payments:			
Due within one year	¥ 13	¥ 141	$ 161
Due after one year	—	14	—
	¥ 13	¥ 155	$ 161

Lease payments, equivalent depreciation and equivalent interest expense for the three years ended March 31, 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Lease payments	¥ 143	¥ 432	¥ 865	$ 1,717
Equivalent depreciation	¥ 133	¥ 410	¥ 821	$ 1,603
Equivalent interest expense	¥ 1	¥ 6	¥ 18	$ 17

Operating leases

Future minimum rents under non-cancellable operating leases at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥ 209	¥ 171	$ 2,509
Due after one year	306	174	3,686
	¥ 515	¥ 345	$ 6,195

8 Impairment of Fixed Assets

The Company and its domestic subsidiary account for impairment of fixed assets in accordance with the "Accounting Standard for Impairment of Fixed Assets."

The Company and its domestic subsidiary review the recorded value of their property, plant and equipment and intangible assets to determine if the future cash flows from these properties will be sufficient to support the asset's covering values.

Impairment loss recognized for the three years ended March 31, 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Land	¥ —	¥ 249	¥ —	$ —
Buildings and structures	—	147	—	—
Others	—	1	—	—
	¥ —	¥ 397	¥ —	$ —

For the year ended March 31, 2010, the Company recorded impairment loss of ¥284 million relating to land, buildings and structures and others for the closed dormitory which is held for sale. The fair value of the land, buildings and structures and others was based on the selling price. The Company also recorded impairment loss of ¥113 million relating to land of the distribution center since it is not expected to be used and the carrying value exceeded the recoverable amount. The fair value of the land of the distribution center was based on the disposal value.

9 Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2010 consisted of bank loans executed by Santen Pharmaceutical (China) Co., Ltd.

The weighted average interest rate of short-term borrowings as of March 31, 2010 was 5.1%.

Long-term debt at March 31, 2011 and 2010 consisted of lease obligation.

The aggregate annual maturities of long-term debt at March 31, 2011 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥ 36	$ 434
2014	28	339
2015	25	296
2016	43	523
2017 and thereafter	20	236
	¥152	$1,828

As is customary in Japan, short-term borrowings and long-term bank loans are made under general agreements which provide that under certain circumstances, additional security and guarantees for present and future indebtedness will be given upon the bank requests and that the bank shall have the right, as the obligations become due, or in the event of default, to offset cash deposits against the obligations due to the bank. To date, the Company has not received such a request from its banks.

In March 2011, the Company entered into a commitment line contract with six domestic banks. The maximum aggregate credit facility available to the Company was ¥16,000 million ($192,423 thousand). The credit facility had not been used as of March 31, 2011.

10 Retirement and Severance Benefits

As discussed in Note 2. 10), the Company has a retirement benefit scheme, which is a combination of lump-sum severance plan, cash balance and defined contribution pension plan. The Company also has a retirement benefit trust. A certain overseas subsidiary also has a retirement benefit scheme, which is a combination of cash balance and defined contribution pension plan and other overseas subsidiaries have defined contribution pension plan. The Company has an unfunded retirement benefit plan for directors and corporate auditors. The amounts required under the plan have been fully accrued based on internal regulations.

The following table set forth the details of the benefit obligation, plan assets and funded status of the Companies at March 31, 2011 and 2010.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
For employees:			
Benefit obligation at end of year	¥(14,187)	¥ (14,001)	$(170,626)
Fair value of plan assets at end of year	9,795	9,573	117,800
Funded status (benefit obligation in excess of plan assets)	(4,392)	(4,428)	(52,826)
Unrecognized actuarial loss	1,126	1,517	13,543
For directors and corporate auditors:			
Accrued retirement benefit	(454)	(456)	(5,458)
Retirement and severance benefits recognized in the consolidated balance sheets	¥ (3,720)	¥ (3,367)	$ (44,741)

Retirement and severance costs of the Companies included the following components for the three years ended March 31, 2011.

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
For employees:				
Service cost	¥ 921	¥ 956	¥ 805	$11,075
Interest cost	276	257	246	3,318
Expected return on plan assets	(195)	(145)	(189)	(2,340)
Recognized actuarial loss	169	179	209	2,028
Contribution to defined contribution pension plan	791	813	830	9,517
Net periodic benefit cost	¥1,962	¥ 2,060	¥ 1,901	$23,598
For directors and corporate auditors:				
Accrual for retirement benefit	¥ 38	¥ 16	¥ 18	$ 453

Assumptions used in the accounting for retirement and severance benefits for the three years ended March 31, 2011 were as follows:

	2011	2010	2009
Method of attributing benefit to period of service	Straight-line basis	Straight-line basis	Straight-line basis
Discount rate	mainly, 2.00%	mainly, 2.00%	mainly, 2.00%
Expected return on plan assets	mainly, 2.00%	mainly, 2.00%	mainly, 2.00%
Amortization period for actuarial losses*	mainly, 14 years	mainly, 14 years	mainly, 14 years

* Amortized on a straight-line basis over the average remaining service period for employees in service starting from the year in which the losses occur.

The domestic subsidiary and the overseas subsidiary have a lump-sum severance plan and adopted the permitted alternative treatment, accruing for 100% of the amount required if all employees were to voluntarily terminate their employment as of the balance sheet date, in accordance with the accounting standard for retirement benefits for small business entities.

11 Net Assets

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Japanese Corporate Law ("The Law"), in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets and amounted to ¥1,551 million ($18,658 thousand) and ¥1,551 million as of March 31, 2011 and 2010, respectively.

Cash dividends charged to retained earnings during the three years ended March 31, 2011 represent dividends paid out during the periods. The accompanying consolidated financial statements do not include any provision for the year end dividend of ¥50 ($0.60) per share, aggregating ¥4,353 million ($52,347 thousand) which was approved at the Company's shareholders' meeting on June 22, 2011 in respect of the year ended March 31, 2011.

12 Stock Options

The Company has stock-based compensation plans under which stock options are granted annually to directors and corporate officers at the market price on the date of the grant. The stock options are fully exercisable after two years and expires ten years from the date of grant.

Stock options existing as of March 31, 2011 were as follows:

Stock options granted	2010	2009	2008	2007
Persons granted	Directors and corporate officers:10	Directors and corporate officers: 12	Directors and corporate officers: 12	Directors and corporate officers: 12
Number of shares	Common Stock 120,500	Common Stock 168,400	Common Stock 161,700	Common Stock 99,300
Date of grant	July 6, 2010	July 3, 2009	July 2, 2008	July 3, 2007
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 25, 2012 to June 23, 2020	From June 27, 2011 to June 24, 2019	From June 28, 2010 to June 25, 2018	From June 27, 2009 to June 26, 2017

Stock options granted	2006	2005	2004	2003
Persons granted	Directors and corporate officers: 15	Directors and corporate officers: 15	Directors and corporate officers: 11	Directors and corporate officers: 12
Number of shares	Common Stock 102,700	Common Stock 129,200	Common Stock 78,200	Common Stock 137,600
Date of grant	July 4, 2006	July 4, 2005	July 5, 2004	July 4, 2003
Vesting conditions	No provisions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions	No provisions
Exercise period	From June 28, 2008 to June 24, 2016	From June 25, 2007 to June 23, 2015	From June 26, 2006 to June 24, 2014	From June 27, 2005 to June 25, 2013

Stock options granted	2002	2001	2000
Persons granted	Directors and corporate officers: 14	Directors and corporate officers: 14	Directors and corporate officers: 16
Number of shares	Common Stock 92,000	Common Stock 55,000	Common Stock 60,000
Date of grant	July 5, 2002	July 9, 2001	July 10, 2000
Vesting conditions	No provisions	No provisions	No provisions
Service period	No provisions	No provisions	No provisions
Exercise period	From June 27, 2004 to June 25, 2012	From June 29, 2003 to June 27, 2011	From June 30, 2002 to June 28, 2010

Number, movement and price of stock options for the year ended March 31, 2011 were as follows:

Before vesting options (Number of shares):

Stock options granted	2010	2009	2008	2007	2006	2005
Balance at April 1, 2010	—	—	—	—	—	—
Granted	120,500	—	—	—	—	—
Vested	120,500	—	—	—	—	—
Balance at March 31, 2011	—	—	—	—	—	—

Stock options granted	2004	2003	2002	2001	2000
Balance at April 1, 2010	—	—	—	—	—
Granted	—	—	—	—	—
Vested	—	—	—	—	—
Balance at March 31, 2011	—	—	—	—	—

After vesting options (Number of shares):

Stock options granted	2010	2009	2008	2007	2006	2005
Balance at April 1, 2010	—	168,400	161,700	99,300	102,700	122,700
Vested	120,500	—	—	—	—	—
Exercised	—	—	800	—	5,300	5,200
Balance at March 31, 2011	**120,500**	**168,400**	**160,900**	**99,300**	**97,400**	**117,500**

Stock options granted	2004	2003	2002	2001	2000
Balance at April 1, 2010	44,000	35,800	23,000	29,600	32,600
Vested	—	—	—	—	—
Exercised	4,400	—	—	24,900	20,000
Cancelled	—	—	—	—	12,600
Balance at March 31, 2011	**39,600**	**35,800**	**23,000**	**4,700**	—

Price information (Yen):

Stock options granted	2010	2009	2008	2007	2006	2005
Option price	3,170	2,920	2,734	3,050	2,715	2,480
Weighted-average stock price	—	—	3,055	—	3,083	3,087
Fair value at grant date*	403.71	427.73	423.16	609.45	579.05	—

Stock options granted	2004	2003	2002	2001	2000
Option price	1,743	1,176	1,326	2,299	2,705
Weighted-average stock price	2,920	—	—	3,000	2,925
Fair value at grant date*	—	—	—	—	—

* Omitted due to stock options which had been granted before the Law became effective on May 1, 2006.

On June 22, 2011, the Company's shareholders' meeting approved that the Company's stock subscription rights for allotment as stock options to directors and corporate officers of the Company. These stock subscription rights are exercisable from June 24, 2013 to June 22, 2021. The maximum number of stock subscription rights that can be exercised is 168,400 common shares.

13 Research and Development Expenditures

Research and development expenditures charged to income as incurred for the years ended March 31, 2011, 2010 and 2009 were ¥13,221 million ($159,005 thousand), ¥14,123 and ¥18,458 million, respectively.

14 Income Taxes

The Company and its domestic subsidiary are subject to a number of taxes based on earnings which, in the aggregate, resulted in an average normal tax rate of approximately 40.4% for the three years ended March 31, 2011. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

The reasons for the effective rates for the years ended March 31, 2011, 2010 and 2009 differ from the normal tax rates were as follows:

	2011	2010	2009
Normal tax rate	40.4 %	40.4 %	40.4 %
Expenses not deductible for tax purposes	0.7	0.9	1.5
Equity in losses of affiliates	—	(1.2)	1.7
Lower tax rates of subsidiaries	(0.5)	(0.1)	1.3
Tax credit for research and development expenses	(4.3)	(4.4)	(8.0)
Change in valuation allowance allocated to income tax expenses	(5.2)	(1.4)	(1.5)
Others	0.2	0.4	0.6
Effective tax rate	31.3 %	34.6 %	36.0 %

The tax effects of temporary differences and tax loss carryforwards that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2011 and 2010 were presented below:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Tax loss carryforwards	¥ 3,148	¥ 4,211	$ 37,863
Retirement and severance benefits	2,860	2,718	34,398
Deferred assets for tax purposes	1,998	2,387	24,024
Accrued expenses	1,170	1,146	14,076
Depreciation and amortization	925	964	11,127
Accrued enterprise taxes	386	520	4,639
Net unrealized holding losses on securities	301	—	3,621
Loss on impairment of fixed assets	189	432	2,268
Retirement and severance benefits for directors and corporate auditors	184	185	2,207
Loss on impairment of golf membership rights	66	210	796
Loss on valuation of securities	65	107	779
Loss on valuation of inventories	59	211	713
Other	1,258	1,011	15,129
Subtotal	12,609	14,102	151,640
Valuation allowance	(3,013)	(5,041)	(36,233)
Total gross deferred tax assets	9,596	9,061	115,407
Deferred tax liabilities:			
Net unrealized holding gains on securities	(1)	(94)	(16)
Reserve for special depreciation	(56)	(84)	(674)
Other	(35)	(29)	(416)
Total gross deferred tax liabilities	(92)	(207)	(1,106)
Net deferred tax assets	¥ 9,504	¥ 8,854	$114,301

Net deferred tax assets at March 31, 2011 and 2010 were reflected in the accompanying consolidated balance sheets under the following captions:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Current assets – deferred tax assets	¥ 1,987	¥ 2,166	$ 23,893
Investments and other assets – deferred tax assets	7,538	6,703	90,657
Noncurrent liabilities – deferred tax liabilities	(21)	(15)	(249)
Net deferred tax assets	¥ 9,504	¥ 8,854	$114,301

15 Contingent Liabilities

The Company has provided guarantees to financial institutions covering employee loans. As of March 31,2011, the total amount of outstanding guarantees was ¥232 million ($2,795 thousand).

16 Segment Information

General information about reportable segments

The determination of the Companies' operating segment is based on the organization units for which information is reported to the Company's chief operating decision making body, the Board of Directors. The Board of Directors review the internal report in order to assess performance and allocate resources. "Pharmaceuticals" is the Companies' only one reportable segment which includes manufacturing and distribution of prescription and OTC pharmaceuticals.

Basis of measurement about reported segment profit or loss, segment assets, segment liabilities and other material items

The accounting policies for the reportable segments are basically the same as those described in Note 2, Summary of Significant Accounting Policies. Performance is measured based on segment operating profit. Transfer pricing between reportable segments are set on arm's length basis.

Information about reported segment profit (loss), segment assets, segment liabilities and other material items were as follows:

	Millions of yen				
For the year ended March 31, 2009	Pharmaceuticals	Other	Total	Adjustments	Consolidated
Net sales:					
External customers	¥100,970	¥ 649	¥101,619	¥ —	¥101,619
Intersegment	—	111	111	(111)	—
Total	100,970	760	101,730	(111)	101,619
Segment profit (loss)	17,241	(1,747)	15,494	—	15,494
Segment assets	86,332	1,142	87,474	63,538	151,012
Other items:					
Depreciation and amortization	4,059	151	4,210	—	4,210
Investment in equity-method affiliates	564	—	564	—	564
Increase in property, plant and equipment and intangible assets	¥ 3,091	¥ 70	¥ 3,161	¥ —	¥ 3,161

For the year ended March 31, 2010	Millions of yen				
	Pharmaceuticals	Other	Total	Adjustments	Consolidated
Net sales:					
External customers	¥109,057	¥1,537	¥110,594	¥ —	¥110,594
Intersegment	—	119	119	(119)	—
Total	109,057	1,656	110,713	(119)	110,594
Segment profit (loss)	29,859	(219)	29,640	—	29,640
Segment assets	84,732	1,464	86,196	80,682	166,878
Other items:					
Depreciation and amortization	3,310	111	3,421	—	3,421
Increase in property, plant and equipment and intangible assets	¥ 1,423	¥ 44	¥ 1,467	¥ —	¥ 1,467

For the year ended March 31, 2011	Millions of yen				
	Pharmaceuticals	Other	Total	Adjustments	Consolidated
Net sales:					
External customers	¥108,576	¥2,236	¥110,812	¥ —	¥110,812
Intersegment	—	122	122	(122)	—
Total	108,576	2,358	110,934	(122)	110,812
Segment profit	30,518	221	30,739	—	30,739
Segment assets	90,067	1,814	91,881	92,920	184,801
Other items:					
Depreciation and amortization	2,901	75	2,976	—	2,976
Increase in property, plant and equipment and intangible assets	¥ 2,143	¥ 44	¥ 2,187	¥ —	¥ 2,187

For the year ended March 31, 2011	Thousands of U.S. dollars				
	Pharmaceuticals	Other	Total	Adjustments	Consolidated
Net sales:					
External customers	$1,305,784	$26,894	$1,332,678	$ —	$1,332,678
Intersegment	—	1,470	1,470	(1,470)	—
Total	1,305,784	28,364	1,334,148	(1,470)	1,332,678
Segment profit	367,015	2,661	369,676	—	369,676
Segment assets	1,083,194	21,814	1,105,008	1,117,500	2,222,508
Other items:					
Depreciation and amortization	34,893	901	35,794	—	35,794
Increase in property, plant and equipment and intangible assets	$ 25,770	$ 534	$ 26,304	$ —	$ 26,304

Notes: 1. "Other" mainly includes the medical device business segments.
2. "Segment profit" is reconciled for operating income described in the Consolidated Statements of Income and Comprehensive Income.
3. "Adjustments" represents unallocated corporate assets which principally include surplus operating capital (cash and cash equivalents, short-term investments and investment securities) and deferred tax assets.
4. "Depreciation and amortization" and "Increase in property, plant and equipment and intangible assets" include long-term prepaid expenses and its amortization.

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information"(ASBJ Guidance No.20 issued on March 21, 2008).

Information about products and services were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Pharmaceuticals:				
Prescription pharmaceuticals:				
Ophthalmic	¥ 90,797	¥ 86,867	¥ 84,488	$1,091,967
Anti-rheumatic pharmaceuticals	9,834	9,908	9,742	118,268
Other prescription pharmaceuticals	3,222	7,031	1,516	38,745
OTC pharmaceuticals	4,723	5,251	5,225	56,804
Other:				
Medical devices	2,225	1,521	624	26,758
Other	11	16	24	136
Total	¥110,812	¥110,594	¥101,619	$1,332,678

Information about geographic areas were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Net sales:				
Japan	¥ 92,549	¥ 89,585	¥ 88,620	$1,113,045
Europe	8,517	8,714	8,311	102,429
North America	3,070	6,715	938	36,917
Asia	6,668	5,576	3,748	80,190
Other	8	4	2	97
Total	¥110,812	¥110,594	¥101,619	$1,332,678
Property, plant and equipment:				
Japan	¥ 20,939	¥ 22,218	¥ 24,062	$ 251,820
Europe	1,962	1,973	2,092	23,596
North America	478	529	601	5,748
Asia	1,578	1,854	1,910	18,976
Total	¥ 24,957	¥ 26,574	¥ 28,665	$ 300,140

Information about major customers were as follows:

	Millions of yen			Thousands of U.S. dollars	
	2011	2010	2009	2011	Related business segment
Suzuken Co., Ltd.	¥21,465	¥21,024	¥20,932	$258,156	Pharmaceuticals
Mediceo Corporation*	20,712	19,555	19,477	249,093	Pharmaceuticals
Toho Pharmaceutical Co., Ltd.	11,567	11,097	10,601	139,112	Pharmaceuticals

* Mediceo Corporation changed its name. As of March 31, 2009, its name was Mediceo Paltac Holdings Co., Ltd.

Information about loss on impairment of fixed assets by reportable segment were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Pharmaceuticals	¥—	¥397	¥—	$—
Other	—	—	—	—
Total	¥—	¥397	¥—	$—

Internal Control Report

1 FRAMEWORK OF INTERNAL CONTROL OVER FINANCIAL REPORTING

I, as President and CEO of Santen pharmaceutical Co., Ltd. (the Company), am responsible for the design and operation of internal controls over financial reporting ("ICOFR") and establishing and maintaining an ICOFR based on the framework of ICOFR in Japan in accordance with "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Report (Business Accounting Council (Council Opinions), February 15, 2007)".

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual component as a whole. Therefore ICOFR does not provide an absolute assurance for preventing and detecting all errors to consolidated financial statements.

2 ASSESSMENT SCOPE, TIMING AND PROCEDURES

Basis of Presenting Internal Control Report

The report on ICOFR of the consolidated financial statements of the Company ("Internal Control Report") is prepared on the basis of generally accepted assessment standards of internal control over financial reporting in Japan ("Assessment Standards") and is compiled from the Internal Control Report prepared by the Company as required by the Financial Instruments and Exchange Law of Japan ("Law").

The Assessment Standards require management to assess ICOFR, which consists of the internal controls over the consolidated financial statements included in the Annual Securities Report filed under the Law and the internal control over disclosure information and others included in the Annual Securities Report that materially affects the reliability of the financial statements.

The scope of management's assessment of ICOFR in this annual report is different from the scope required by the Assessment Standards. Management assessment of ICOFR in this annual report covers the ICOFR with respect to the accompanying consolidated financial statements only. In addition, as explained in Note 1 on the basis of presentation of consolidated financial statements, the accompanying consolidated financial statements are reclassified and modified from the consolidated financial statements prepared for the purpose of the Law. Supplementary information is also added to the consolidated financial statements. The process of making reclassifications and modifications and the addition of certain information is for the convenience of readers outside Japan. Management voluntarily includes the process in its assessment of ICOFR, even though it is outside the scope of the Assessment Standards.

Scope of Assessment

Management's assessment of ICOFR was conducted as of March 31, 2011 in accordance with the Assessment Standards.

In evaluating internal controls, management first assessed internal controls that have a material impact on overall consolidated financial reporting ("company-level controls") and, based on the results, selected business process to be assessed. For assessment of process level controls management analyzed the selected business processes, identify a key control that would have a material impact on the reliability of financial reporting, and assessed effectiveness of internal controls through assessing design and operation of the key controls.

Management assessed the effectiveness of the ICOFR applicable for the Company and its subsidiaries, to extent necessary in light of their degree of impact on the reliability of financial reporting. Management determined materiality for reliability of financial reporting in light of their degree of quantitative and qualitative impact on financial reporting. From the results of the company-level controls assessment of the Company and two subsidiaries, management determined a reasonable scope for process level controls to be assessed.

Management selected the Pharmaceuticals business unit of the Company as the significant business unit for assessing process level controls, as its sales was more than 80% of the previous fiscal year's consolidated net sales. The process related to net sales, account receivables and inventories from the Pharmaceuticals business unit of the Company was selected for process level control assessment as they have significant relation to the business objectives of the Company. Apart from selected significant business units, including other business units, processes whose accounts were determined to have a high risk of misstatement and involves significant use of management estimate and projection, and processes whose businesses or operations included high risk transactions were additionally selected for controls assessment.

3 RESULTS OF ASSESSMENT

Based on our assessment procedures noted above, I concluded the Company's internal control over financial reporting was effective as of March 31, 2011.

4 SUPPLEMENTARY INFORMATION

No subsequent events have arisen that has caused to materially effect our evaluation of the effectiveness on the internal control over financial reporting as of March 31, 2011.

5 OTHER

None.

Akira Kurokawa
President & CEO

June 22, 2011

Independent Auditors' Report

To the Board of Directors of
Santen Pharmaceutical Co., Ltd.:

Financial statement audit

We have audited the accompanying consolidated balance sheets of Santen Pharmaceutical Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the three-year in the period ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santen Pharmaceutical Co., Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the each of the three-year in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience of the reader. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3, to the consolidated financial statements.

Internal control audit

We also have audited the accompanying report on internal control over financial reporting of the consolidated financial statements of Santen Pharmaceutical Co., Ltd. as of March 31, 2011 ("Internal Control Report"). The design and operation of internal control over financial reporting and the preparation of the Internal Control Report are the responsibility of the Company's management. Our responsibility is to independently express an opinion on the Internal Control Report based on our audit. Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Internal Control Report is free of material misstatement. An internal control audit is performed on a test basis and includes evaluating the appropriateness of the scope, procedures and result of the assessment determined and presented by management and the overall Internal Control Report presentation. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, the Internal Control Report referred to above, in which Santen Pharmaceutical Co., Ltd. states that internal control over financial reporting of the consolidated financial statements was effective as of March 31, 2011, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

KPMG AZSA LLC

Osaka, Japan
June 22, 2011

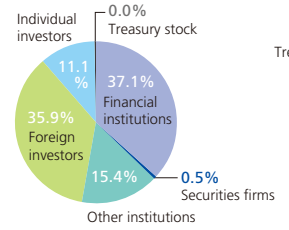
Corporate Information / Stock Information

As of March 31, 2011

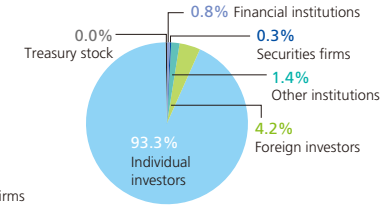
Corporate Headquarters	Santen Pharmaceutical Co., Ltd. 9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka 533-8651, Japan URL: http://www.santen.com Investor relations contact: TEL: +81-6-6321-7007 FAX: +81-6-6321-8400 E-MAIL: ir@santen.co.jp
Established	1890
Paid-in Capital	¥6,615 million
Number of Shareholders	9,089
Stock Exchange Listings	Tokyo and Osaka
Ticker Code	4536
Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation 6-3, Fushimi-cho 3-chome, Chuo-ku, Osaka 541-8502, Japan
Major Offices	Sendai, Tokyo, Saitama, Nagoya, Osaka, Hiroshima and Fukuoka
Manufacturing Plants	Noto, Shiga and Osaka
Research Laboratory	Nara Research and Development Center
Number of Employees	2,867 (non-consolidated: 1,924)
Number of Shares Issued	87,053,103

Breakdown of Shareholding

Breakdown of shareholding



Breakdown of shareholding by number of shares

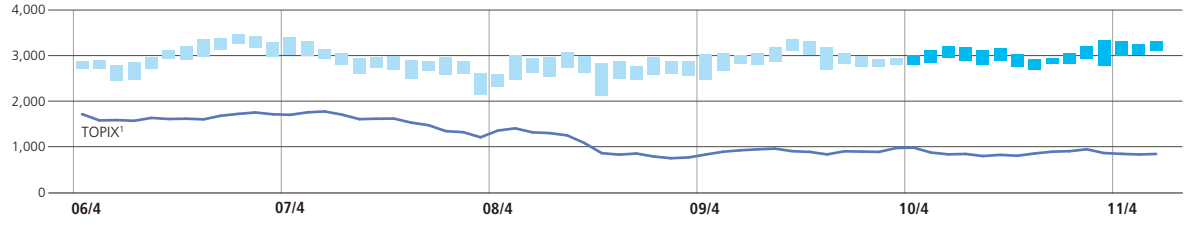


Major Shareholders

Name	Number of shares held (Thousands of shares)	Percentage of investment
Japan Trustee Services Bank, Ltd.	12,440	14.3%
Mita Sangyo Co., Ltd.	4,756	5.5
The Master Trust Bank of Japan, Ltd.	4,302	4.9
Development Bank of Japan Inc.	3,310	3.8
Nippon Life Insurance Company	3,102	3.6
State Street Bank and Trust Company 505223	3,058	3.5
Mellon Bank Treaty Clients Omnibus	2,165	2.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,120	2.4
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1,984	2.3
Trust and Custody Services Bank, Ltd.	1,977	2.3

Stock Price Range (Yen)

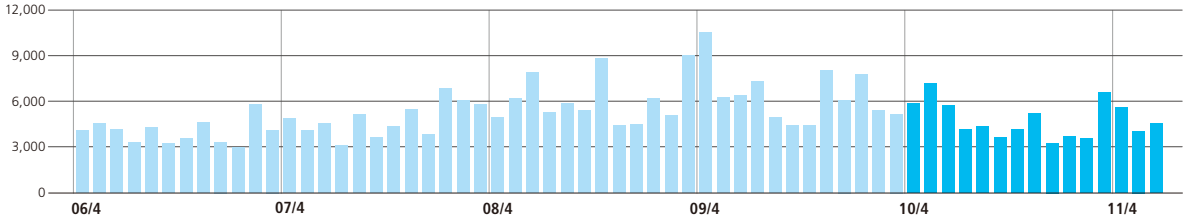
Osaka Securities Exchange (monthly basis)



1. TOPIX: Tokyo stock price index

Trading Volume (Thousands of shares)

Osaka Securities Exchange (monthly basis)



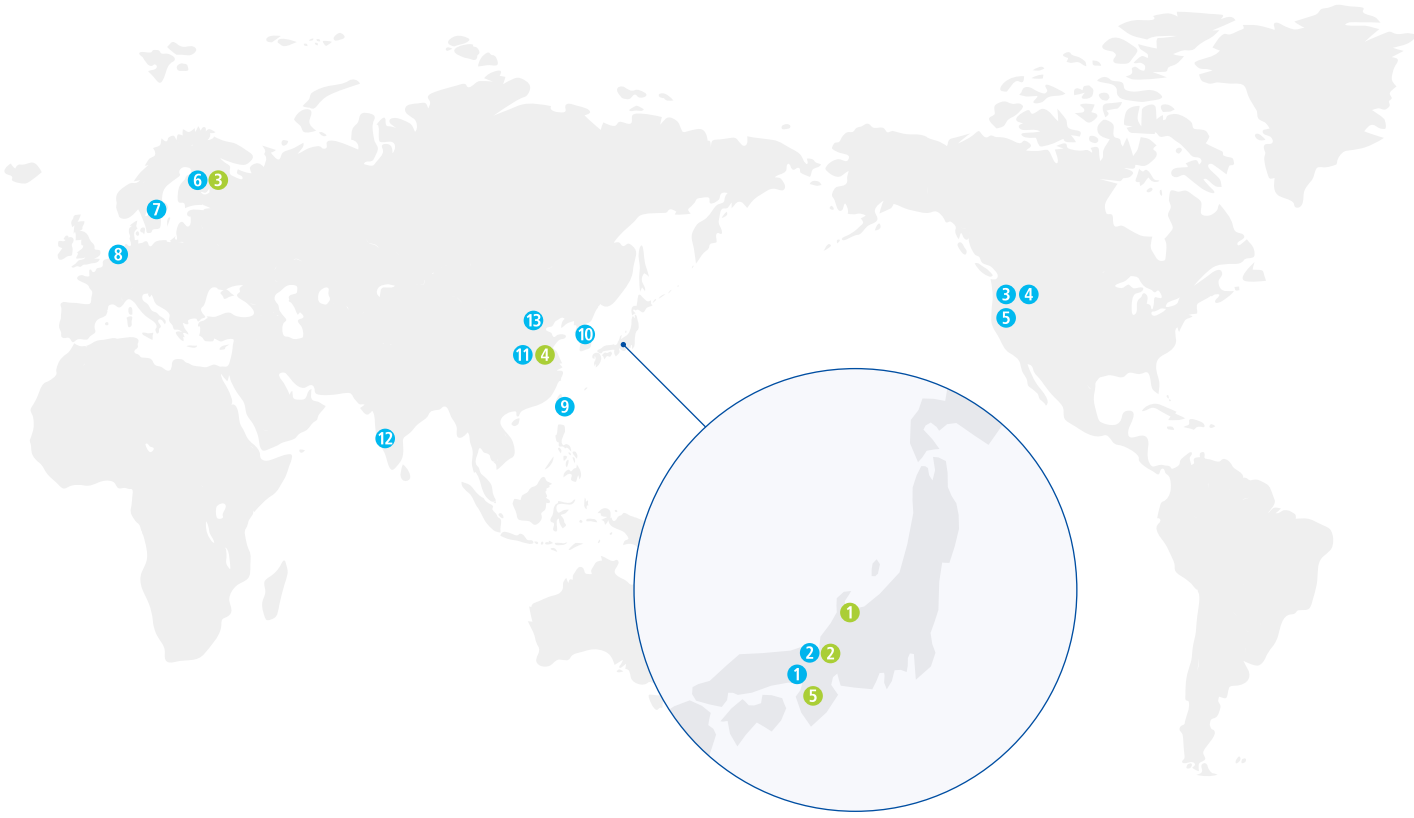
Yearly High and Low Prices

	2007	2008	2009	2010	2011
High (yen)	3,450	3,050	3,340	3,195	3,320
Low (yen)	2,480	2,125	2,460	2,694	2,767

Note: Calendar years. Stock prices for 2011 are for the period to the end of June.

Business Bases

As of August 2011



Corporate Headquarters

		Business	Equity Ownership
① Headquarters	9-19, Shimoshinjo 3-chome, Higashiyodogawa-ku, Osaka 533-8651, Japan TEL: +81-6-6321-7000 FAX: +81-6-6328-5082	Research, development, production, marketing of pharmaceuticals and medical devices	
② Claire Co., Ltd.	348-3, Aza-suwa, Oaza-shide, Taga-cho, Inukami-gun, Shiga 522-0314, Japan TEL: +81-749-48-2234 FAX: +81-749-48-2239	Cleaning of antidust and sterilized clothing	100%
③ Santen Holdings U.S. Inc.	2100 Powell Street, Suite 1600, Emeryville, California 94608, U.S.A.	Holding company for North American businesses and business development	100%
④ Santen Inc.	2100 Powell Street, Suite 1600, Emeryville, California 94608, U.S.A. TEL: +1-415-268-9100 FAX: +1-510-655-5682	Clinical development of pharmaceuticals and business development	100%[1]
⑤ Advanced Vision Science, Inc.	5743 Thornwood Drive, Goleta, California 93117, U.S.A. TEL: +1-805-683-3851 FAX: +1-805-964-3065	Development, production, marketing of medical devices	100%[1]
⑥ Santen Oy	Niittyhaankatu 20, P.O. Box 33, FIN-33721 Tampere, Finland TEL: +358-3-284-8111 FAX: +358-3-318-1900	Development, production, marketing of pharmaceuticals	100%
⑦ SantenPharma AB	Solna torg 3, SE-17145 Solna, Sweden TEL: +46-8-83-4140 FAX: +46-8-83-4145	Marketing support of pharmaceuticals	100%

Plants and Laboratory

❶ Noto Plant

2-14, Shikinami, Houdatsushimizu-cho, Hakui-gun, Ishikawa 929-1494, Japan
TEL: +81-767-29-2666 FAX: +81-767-29-4233

❷ Shiga Plant

348-3, Aza-suwa, Oaza-shide, Taga-cho, Inukami-gun, Shiga 522-0314, Japan
TEL: +81-749-48-2900 FAX: +81-749-48-2901

❸ Tampere Plant

Niittyhaankatu 20, P.O. Box 33,
FIN-33721 Tampere, Finland
TEL: +358-3-284-8111 FAX: +358-3-318-1900

❹ Suzhou Plant

No. 169 Tinglan Road, Suzhou Industrial Park, Jiangsu Province 215026, P.R.C.
TEL: +86-512-6295-7500 FAX: +86-512-6295-7800

❺ Nara Research and Development Center

8916-16, Takayama-cho, Ikoma-shi, Nara 630-0101, Japan
TEL: +81-743-79-4501 FAX: +81-743-79-4521

Note: Osaka Plant details have been omitted due to the planned transfer of its operations to the Shiga Plant by the end of fiscal 2012.

		Business	Equity Ownership
❽ Santen GmbH	Industriestrasse 1, Germering D-82110, Germany TEL: +49-89-848078-0 FAX: +49-89-848078-60	Marketing of pharmaceuticals, regulatory affairs, scientific marketing and business development	100%
❾ Taiwan Santen Pharmaceutical Co., Ltd.	16F, No. 57, Sec. 2, Tun-Hwa South Rd., Taipei, R.O.C. TEL: +886-2-2700-1553 FAX: +886-2-2700-1730	Import and marketing of pharmaceuticals	100%
❿ Santen Pharmaceutical Korea Co., Ltd.	3F, Seocho G-WELL Tower, 1678-4, Seocho-dong, Seocho-gu, Seoul 137-070, Korea TEL: +82-2-754-1434 FAX: +82-2-754-2929	Import and marketing of pharmaceuticals	100%
⓫ Santen Pharmaceutical (China) Co., Ltd.	No. 169 Tinglan Road, Suzhou Industrial Park, Jiangsu Province 215026, P.R.C. TEL: +86-512-6295-7500 FAX: +86-512-6295-7800	Clinical development, production and marketing of pharmaceuticals	100%
⓬ Santen India Private Limited	Level 9, Raheja Towers, 26-27 Mahatma Gandhi Road, Bangalore 560 001, India TEL: +91-80-4180-0975 FAX: +91-80-4180-0900	Pharmaceutical market research	99.9% 0.1%[1]

1. Indirect investment through Santen Holdings U.S. Inc.

Other Office

⓭ Beijing Representative Office	Suit 1204 to 1206, TOWER W3, Oriental Plaza, No. 1, East Chang An Ave., Dong Cheng District, Beijing 100738, P.R.C. TEL: +86-10-8515-1515 FAX: +86-10-8515-1020

History

Company History

1890
Founder Kenkichi Taguchi opens Taguchi Santendo in Kitahama, Osaka

1925
Operations incorporated as Santendo Co., Ltd.

1935
Yodogawa Plant established in Higashiyodogawa-ku, Osaka

1944
Head Office transferred to Yodogawa Plant (current site)

1945
Company name changed to Santendo Pharmaceutical Co., Ltd.

1958
Company name changed to current form of Santen Pharmaceutical Co., Ltd.

Santen enters prescription pharmaceutical business

1977
Stock listed on First Section of Tokyo Stock Exchange and Osaka Securities Exchange

Production system introduced to allow filling of solution into molded containers to make bottle-packed eye drops

1982
Central Research Laboratories established

1985
Noto Plant established

1990
Long-term business vision formulated to mark centenary

1993
Subsidiary Santen Inc. established in the U.S.

1994
Subsidiary Santen GmbH established in Germany

1996
Representative office established in Beijing, China

Nara Research and Development Center and Shiga Plant established

1997
Finnish ophthalmics pharmaceutical company acquired and Santen Oy established

Subsidiary Taiwan Santen Pharmaceutical Co., Ltd. established

Product History

1900

1890s
Main product is *Heburin-gan*, a cold medicine

1899
Launch of *Daigaku Eye Drops*

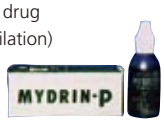
1952
Launch of *Daigaku Penicillin Eye Drops*

1953
Launch of *Daigaku Mycillin Eye Drops*

1954
Launch of *Daigaku Super Eye Drops*

1956
Launch of *Sante de U*

1962
Launch of *Mydrin-P*, a mydriatic drug (for pupil dilation)



Launch of *Super Sante* marks first use of plastic eye drop containers in Japan

1963
Launch of *Thiola*, an original liver detoxification agent

1970
Launch of antibiotic ophthalmic *Ecolicin*

1975
Launch of anti-inflammatory ophthalmic *Flumetholon*

1978
Santen commences sales of medical devices

1981
Launch of *Timoptol*, a treatment for glaucoma and ocular hypertension

1985
Launch of *Sante 40 NE*

1986
Santen commences sales of intraocular lenses

1987
Launch of anti-rheumatic *Rimatil*

Launch of anti-infective ophthalmic *Tarivid*

1990

1991
Launch of *Sante FX*

1992
Launch of *BSS PLUS*, an ophthalmic perfusion and bathing solution

Launch of *Kary Uni*, a treatment for early-stage senile cataracts

1995
Launch of *Hyalein*, a treatment for corneal and conjunctival epithelial disorders

Launch of anti-allergy ophthalmic *Alegysal*

Launch of anti-rheumatic *Azulfidine EN*

Launch of *Opegan Hi*, an adjuvant for ophthalmic operations

Note: Based on the years when sales were launched by Santen Pharmaceutical.

1998
Medium-term Plan "Hitomi 21" formulated

2000
Subsidiary Santen Pharmaceutical Korea Co., Ltd. established

Representative office established in Guangzhou, China

2001
U.S.-based Advanced Vision Science, Inc. acquired

2002
Introduced Dimple Bottle, an innovative patient-oriented container for ophthalmic solutions

2003
2003–2005 Medium-Term Management Plan formulated

ISO 14001 certification acquired by Noto Plant

Santen Activity Improved Navigator (SAIN) medical information support system developed

2004
U.S. sales partnership with Johnson & Johnson Vision Care, Inc. (currently: VISTAKON Pharmaceuticals, LLC) started

2005
Representative office established in Shanghai, China

Subsidiary Santen Pharmaceutical (China) Co., Ltd. established

2006
2006–2010 Medium-Term Management Plan formulated

2007
Representative office established in Shenyang, China

Santen Pharmaceutical (China) Co., Ltd. established Suzhou Plant

2008
Completion of pharmaceutical development building and ancillary building at Nara Research and Development Center

2009
Santen Pharmaceutical (China) Co., Ltd. commenced direct marketing

2010
Santen Pharmaceutical Korea Co., Ltd. commenced direct marketing

2011
2011–2013 Medium-Term Management Plan formulated

Subsidiary Santen India Private Limited established in India

2000

1999
Launch of *Timoptol XE*, a treatment for glaucoma and ocular hypertension

Launch of *Sante FX Neo*

2000
Launch of anti-infective ophthalmic *Cravit*

2001
Launch of *Detantol*, a treatment for glaucoma and ocular hypertension

Launch of anti-allergy ophthalmic *Livostin*

2002
Launch of *Sante de U Plus E Alpha*

Launch of *Sante 40*

2003
Launch of *ClariFlex* foldable intraocular lenses

2004
Launch of *Rescula*, a treatment for glaucoma and ocular hypertension

Launch of anti-rheumatic *Metolate*

2006
Launch of *Papilock Mini*, a treatment for vernal keratoconjunctivitis

Launch of *Sante Medical 10*

Launch of *Sante AL Cool II*

2007
Launch of *Sante Uruoi Contact a*

2008
Launch of nutritional supplement *Sante Lutax*

Launch of *Sante 40i*

Launch of *Eternity* foldable intraocular lens

Launch of *Tapros*, a treatment for glaucoma and ocular hypertension

2010

2009
Launch of *Sante FX V Plus*

Launch of *Eternity Natural* foldable intraocular lens

2010
Launch of *Cosopt*, a treatment for glaucoma and ocular hypertension

Launch of *Diquas*, a treatment for dry eye

SANTEN PHARMACEUTICAL CO., LTD.

www.santen.com

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