



SANTEN PHARMACEUTICAL CO., LTD.

# Data Book 2003

---

Half Year Ended September 30, 2002

**Contact:**

Corporate Communication Group

Tel: 06-6321-7007 Fax: 06-6321-8400

E-mail: [ir@santen.co.jp](mailto:ir@santen.co.jp)

Stock Code: 4536

# Contents



|  |           |
|--|-----------|
| <b>Financial highlights</b>                                  | <b>2</b>  |
| Consolidated financial summary                               | 2         |
| Consolidated balance sheets summary                          | 2         |
| Consolidated financial indexes                               | 2         |
| Consolidated - other figures                                 | 2         |
| Non-consolidated financial summary                           | 2         |
| <b>Consolidated information</b>                              | <b>4</b>  |
| Consolidated income statements                               | 4         |
| Income statements details                                    | 5         |
| Net sales  | 5         |
| Cost of sales  | 5         |
| Selling, general and administrative expenses                 | 5         |
| Other income and expenses                                    | 5         |
| Extraordinary gain and loss                                  | 5         |
| Sales details  | 6         |
| Sales of major prescription pharmaceuticals                  | 6         |
| Sales by division  | 8         |
| Breakdown by region  | 9         |
| Breakdown by geographic segment                              | 9         |
| Overseas sales   | 9         |
| Consolidated balance sheets                                  | 10        |
| Assets   | 10        |
| Liabilities and shareholders' equity                         | 11        |
| Consolidated statements of cash flows                        | 12        |
| Capital expenditures and number of employees                 | 13        |
| Capital expenditures   | 13        |
| Depreciation and amortization                                | 13        |
| Lease expenses   | 13        |
| Number of employees  | 13        |
| Affiliated companies   | 14        |
| Santen group   | 14        |
| Subsidiaries   | 14        |
| <b>Non-consolidated information</b>                          | <b>16</b> |
| Non-consolidated income statements                           | 16        |
| Selling, general and administrative expenses                 | 16        |
| Sales by division  | 17        |
| Non-consolidated balance sheets                              | 18        |
| Assets   | 18        |
| Liabilities and shareholders' equity                         | 19        |
| <b>Reference information</b>                                 | <b>20</b> |
| Research & development                                       | 20        |
| Pipeline of prescription pharmaceuticals                     | 20        |
| Major R&D collaborations                                     | 21        |
| Pipeline of medical devices                                  | 21        |
| Number of employees in R&D divisions                         | 21        |
| Pharmaceutical market in Japan                               | 22        |
| Revision of National Health Insurance (NHI) drug prices      | 22        |
| Major healthcare reforms                                     | 22        |
| Market shares  | 23        |
| Market shares by therapeutic area - prescription ophthalmics | 23        |
| Stock information  | 24        |
| Stock price  | 24        |
| Major shareholders   | 24        |
| Shares, convertible bonds and stock option                   | 24        |
| Breakdown of shareholding by number of shares                | 25        |
| Breakdown of shareholding by number of shareholders          | 25        |
| News releases  | 26        |

# Financial highlights

[Consolidated]

Financial summary

(Millions of yen)

| Half year/year to | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | % Change | 3/2003<br>Forecast | % Change |
|-------------------|--------|--------|--------|--------|--------|----------|--------------------|----------|
| Net sales         | 43,118 | 88,448 | 43,791 | 88,966 | 46,452 | 6.1      | 93,200             | 4.8      |
| Operating income  | 9,284  | 16,538 | 6,955  | 11,790 | 7,158  | 2.9      | 13,100             | 11.1     |
| Ordinary income   | 9,237  | 16,897 | 6,786  | 12,107 | 6,955  | 2.5      | 12,600             | 4.1      |
| Net income        | 4,054  | 7,713  | 3,082  | 5,305  | 1,799  | -41.6    | 3,800              | -28.4    |

Balance sheets summary

(Millions of yen)

| Half year/year to                           | 9/2000  | 3/2001  | 9/2001  | 3/2002  | 9/2002  | % Change |
|---|---------|---------|---------|---------|---------|----------|
| Total assets                                | 150,324 | 153,242 | 150,881 | 152,103 | 151,149 | -0.6     |
| Shareholders' equity                        | 96,490  | 94,834  | 96,311  | 95,101  | 94,581  | -0.5     |
| Interest-bearing debts<br>(millions of yen) | 25,413  | 25,092  | 24,772  | 24,466  | 24,260  | -0.8     |

Financial indexes

| Half year/year to                   | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | % Change | 3/2003<br>Forecast | % Change |
|-------------------------------------|--------|--------|--------|--------|--------|----------|--------------------|----------|
| EPS (yen)                           | 42.66  | 81.32  | 33.25  | 57.34  | 19.84  | -40.3    | 41.90              | -26.9    |
| Debt equity ratio (times)           | 0.26   | 0.26   | 0.25   | 0.25   | 0.25   | —        | —                  | —        |
| PER (times)                         | 24.9   | 27.3   | 31.0   | 25.3   | 26.2   | —        | —                  | —        |
| PBR (times)                         | 2.08   | 2.17   | 1.98   | 1.38   | 0.99   | —        | —                  | —        |
| ROE (%)                             | 8.4    | 8.1    | 6.5    | 5.6    | 3.8    | —        | —                  | —        |
| * Free cash flows (millions of yen) | -1,926 | 1,889  | 575    | 356    | 9,272  | 1,512.5  | —                  | —        |
| * EBITDA (millions of yen)          | 10,882 | 21,633 | 9,575  | 18,479 | 6,986  | -27.0    | —                  | —        |

\*Free cash flows = (Cash flows from operating activities) - (Capital expenditures)

Not adjusting decrease in trade receivables for fiscal years ending on holidays.

\*EBITDA = (Income before income taxes) + (Interest expenses) + (Depreciation and amortization)

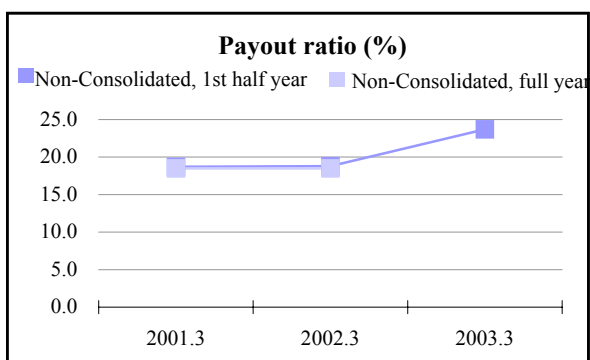
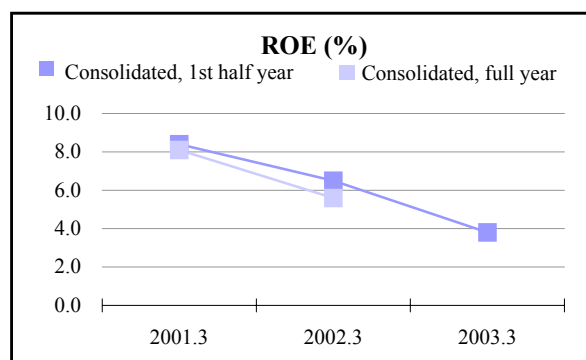
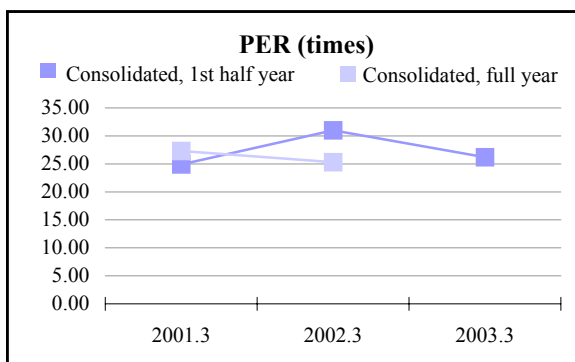
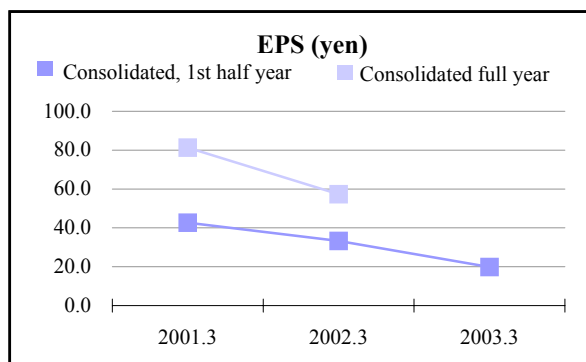
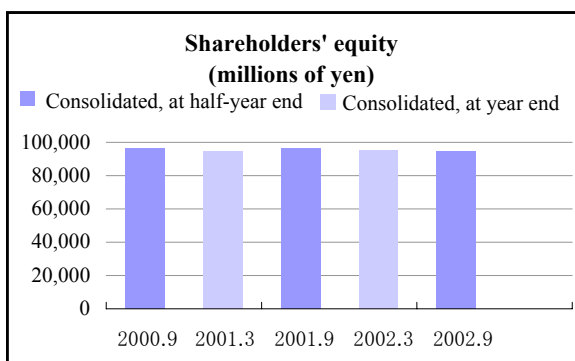
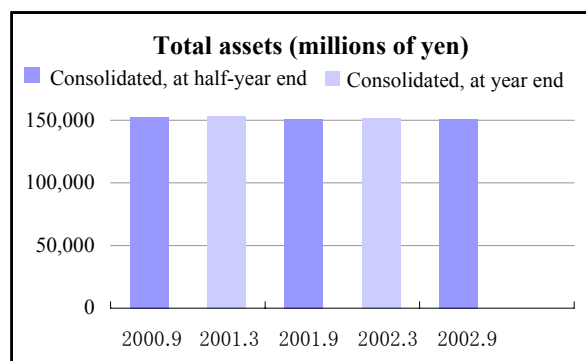
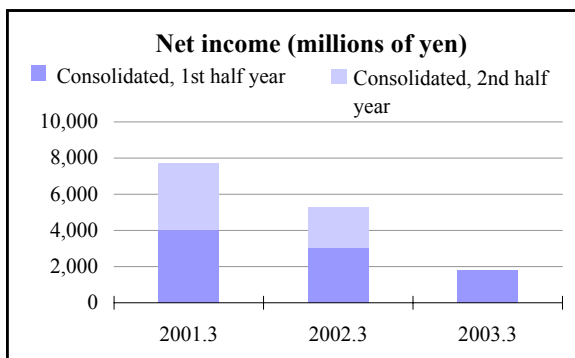
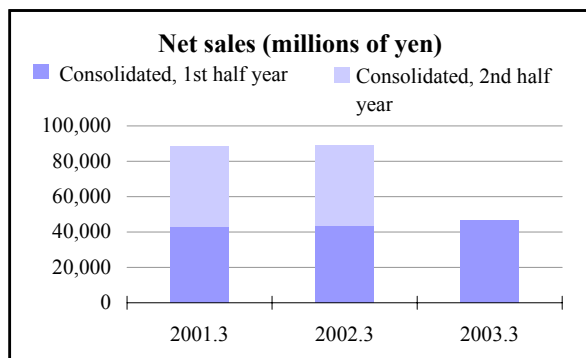
Other figures

| Half year/year to                                  | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | % Change | 3/2003<br>Forecast | % Change |
|--|--------|--------|--------|--------|--------|----------|--------------------|----------|
| R&D expenses (millions of yen)                     | 4,948  | 10,510 | 5,395  | 12,186 | 6,313  | 17.0     | 13,400             | 9.9      |
| Capital expenditures<br>(millions of yen)          | 846    | 3,039  | 2,276  | 8,516  | 1,905  | -16.3    | 5,000              | -41.2    |
| Depreciation and amortization<br>(millions of yen) | 2,082  | 4,336  | 2,000  | 3,837  | 1,692  | -15.4    | 3,650              | -4.9     |
| Number of employees                                | 2,151  | 2,167  | 2,397  | 2,463  | 2,505  | —        | —                  | —        |

[Non-consolidated]

Financial summary

| Half year/year to                     | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | % Change | 3/2003<br>Forecast | % Change |
|---------------------------------------|--------|--------|--------|--------|--------|----------|--------------------|----------|
| Net sales (millions of yen)           | 41,069 | 84,295 | 41,307 | 82,990 | 42,770 | 3.5      | 85,300             | 2.8      |
| Operating income<br>(millions of yen) | 10,094 | 18,712 | 8,407  | 15,586 | 9,148  | 8.8      | 17,200             | 10.3     |
| Ordinary income (millions of yen)     | 10,070 | 19,072 | 8,450  | 16,060 | 8,905  | 5.4      | 16,900             | 5.2      |
| Net income (millions of yen)          | 5,081  | 10,165 | 4,927  | 9,932  | 3,817  | -22.5    | 8,400              | -15.4    |
| Dividends per share (yen)             | 10     | 20     | 10     | 20     | 10     | —        | 20                 | —        |
| Payout ratio (%)                      | 18.7   | 18.5   | 18.8   | 18.5   | 23.7   | —        | —                  | —        |



## Consolidated Information

# Consolidated income statements

(Millions of yen)

| Half year/year to                            | 9/2000        | 3/2001        | 9/2001        | 3/2002        | 9/2002        | Change over<br>previous half<br>year (%) |
|--|---------------|---------------|---------------|---------------|---------------|--|
| <b>Net sales</b>                             | <b>43,118</b> | <b>88,448</b> | <b>43,791</b> | <b>88,966</b> | <b>46,452</b> | 6.1                                      |
| Cost of sales                                | 15,999        | 33,363        | 15,932        | 32,699        | 16,901        | 6.0                                      |
| (Percentage of net sales)                    | 37.1%         | 37.7%         | 36.4%         | 36.8%         | 36.4%         |  |
| <b>Gross profit</b>                          | <b>27,119</b> | <b>55,085</b> | <b>27,858</b> | <b>56,266</b> | <b>29,551</b> | 6.0                                      |
| (Percentage of net sales)                    | 62.9%         | 62.3%         | 63.6%         | 63.2%         | 63.6%         |  |
| Selling, general and administrative expenses | 17,834        | 38,546        | 20,902        | 44,475        | 22,392        | 7.1                                      |
| (Percentage of net sales)                    | 41.4%         | 43.6%         | 47.7%         | 50.0%         | 48.2%         |  |
| R&D expenses                                 | 4,948         | 10,510        | 5,395         | 12,186        | 6,313         | 17.0                                     |
| (Percentage of net sales)                    | 11.4%         | 11.9%         | 12.3%         | 13.7%         | 13.5%         |  |
| <b>Operating income</b>                      | <b>9,284</b>  | <b>16,538</b> | <b>6,955</b>  | <b>11,790</b> | <b>7,158</b>  | 2.9                                      |
| (Percentage of net sales)                    | 21.5%         | 18.7%         | 15.9%         | 13.2%         | 15.4%         |  |
| Non-operating income                         | 527           | 1,414         | 375           | 1,128         | 374           | -0.2                                     |
| Non-operating expenses                       | 574           | 1,055         | 544           | 811           | 576           | 5.9                                      |
| <b>Ordinary income</b>                       | <b>9,237</b>  | <b>16,897</b> | <b>6,786</b>  | <b>12,107</b> | <b>6,955</b>  | 2.5                                      |
| (Percentage of net sales)                    | 21.4%         | 19.1%         | 15.5%         | 13.6%         | 15.0%         |  |
| Extraordinary gain                           | 2             | 57            | 27            | 952           | 0             | —  |
| Extraordinary loss                           | 1,250         | 1,434         | 72            | 380           | 2,257         | 3,018.3                                  |
| <b>Income before income taxes</b>            | <b>7,989</b>  | <b>15,520</b> | <b>6,741</b>  | <b>12,678</b> | <b>4,698</b>  | -30.3                                    |
| (Percentage of net sales)                    | 18.5%         | 17.5%         | 15.4%         | 14.3%         | 10.1%         |  |
| Income taxes - current                       | 4,103         | 8,973         | 3,280         | 6,932         | 2,551         | -22.2                                    |
| Income taxes - deferred                      | -168          | -1,166        | 378           | 440           | 347           | -8.3                                     |
| <b>Net income</b>                            | <b>4,054</b>  | <b>7,713</b>  | <b>3,082</b>  | <b>5,305</b>  | <b>1,799</b>  | -41.6                                    |
| (Percentage of net sales)                    | 9.4%          | 8.7%          | 7.0%          | 6.0%          | 3.9%          |  |

## Exchange rates

(Yen)

| Half year/year to        | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 |
|--------------------------|--------|--------|--------|--------|--------|
| Exchange rate: US dollar | 107.14 | 110.54 | 122.48 | 125.57 | 123.05 |
| Euro                     | 100.23 | 100.02 | 107.73 | 110.07 | 116.65 |

## Major change in income statements

| [Net sales]                 |        | (Millions of yen) |                                    |
|-----------------------------|--------|-------------------|------------------------------------|
| Half year to                | 9/2001 | 9/2002            | Change over previous half year (%) |
| Cravit ophthalmic solution  | 6,346  | 6,885             | 8.5                                |
| Tarivid ophthalmic solution | 4,060  | 3,202             | -21.1                              |
| Hyalein                     | 5,948  | 6,635             | 11.6                               |
| Quixin                      | 98     | 595               | 502.8                              |
| Detantol                    | 213    | 696               | 225.8                              |
| Livostin                    | 651    | 791               | 21.6                               |
| Azulfidine EN tablets       | 1,312  | 1,454             | 10.8                               |
| OTC pharmaceuticals         | 2,974  | 3,281             | 10.3                               |

## Selling, general and administrative expenses

(Millions of yen)

| Half year/year to        | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | Change over previous half year (%) |
|--------------------------|--------|--------|--------|--------|--------|------------------------------------|
| Personnel expenses       | 4,896  | 10,049 | 5,623  | 11,919 | 5,818  | 3.4                                |
| Sales promotion expenses | 1,353  | 3,366  | 1,836  | 4,014  | 1,725  | -6.0                               |
| Royalty expenses         | 1,402  | 2,552  | 1,222  | 2,457  | 1,127  | -7.7                               |
| Advertising expenses     | 732    | 1,578  | 1,041  | 2,189  | 1,239  | 19.0                               |
| R&D expenses             | 4,948  | 10,510 | 5,395  | 12,186 | 6,313  | 17.0                               |

## Other income and expenses

(Millions of yen)

| Half year/year to            | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | Change over previous half year (%) |
|------------------------------|--------|--------|--------|--------|--------|------------------------------------|
| Interest and dividend income | 279    | 578    | 177    | 304    | 156    | -12.1                              |
| Interest expenses            | 226    | 430    | 196    | 465    | 209    | 6.7                                |
| Amortization of goodwill     | 120    | 239    | 129    | 263    | 139    | 8.2                                |

## Extraordinary gain and loss

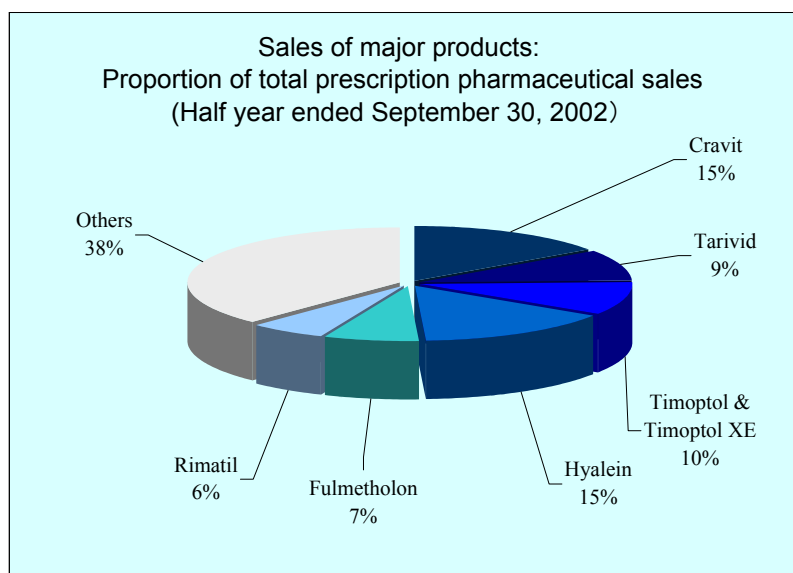
(Millions of yen)

| Half year/year to   | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | Change over previous half year (%) |
|---|--------|--------|--------|--------|--------|------------------------------------|
| Gain on settlement of suit regarding Princeton Notes              | —      | —      | —      | 886    | —      | —                                  |
| Loss on valuation of marketable securities                        | —      | —      | 57     | 178    | 25     | —                                  |
| Impairment losses on golf membership rights                       | 310    | 445    | 3      | 45     | 11     | —                                  |
| Loss on withdrawal of OTC products                                | 906    | 906    | —      | —      | —      | —                                  |
| Special premium payment incurred upon secession from pension fund | —      | —      | —      | —      | 2,202  | —                                  |

# Sales details

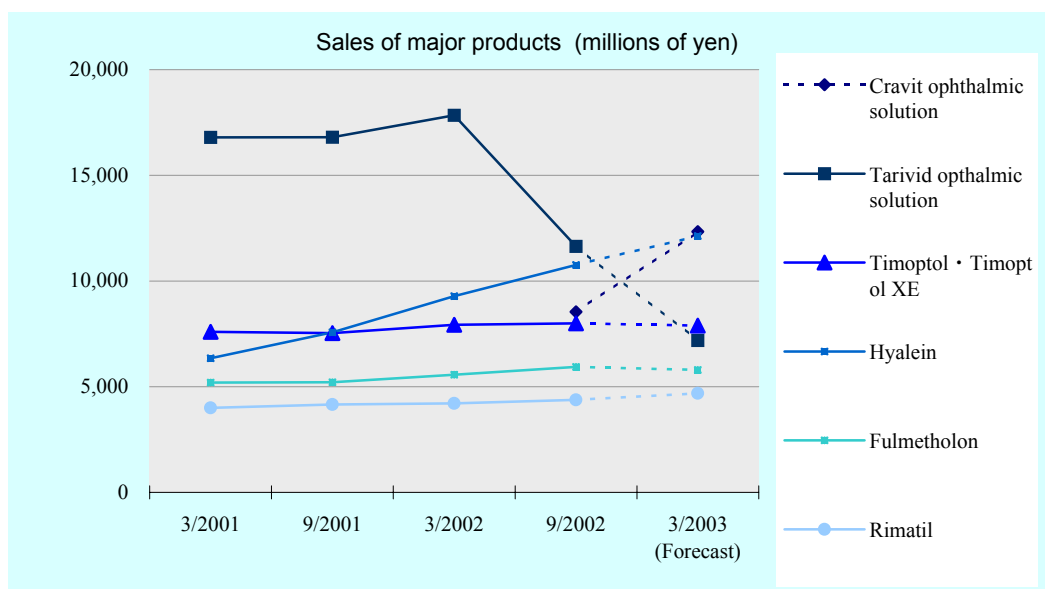
## Sales of major prescription pharmaceuticals

| Therapeutic category               | Generic name/formulation                                  | Brand name           | Region | Launched |
|------------------------------------|---|----------------------|--------|----------|
| Bacterial conjunctivitis           | levofloxacin/ophthalmic solution                          | <b>Cravit</b>        | Japan  | 4 00     |
|                                    | ofloxacin/ophthalmic solution                             | <b>Quixin</b>        | U.S.A. | 11 00    |
| Glaucoma                           | timolol maleate/ophthalmic solution                       | <b>Tarivid</b>       | Japan  | 9 87     |
|                                    | timolol maleate/<br>long-acting ophthalmic solution       | <b>Timoptol</b>      | Japan  | 9 81     |
|                                    | dipivefrine hydrochloride                                 | <b>Timoptol XE</b>   | Japan  | 11 99    |
|                                    | dipivefrine hydrochloride                                 | <b>Pivalephrine</b>  | Japan  | 12 88    |
|                                    | bunazosin hydrochloride                                   | <b>Detantol</b>      | Japan  | 9 01     |
|                                    | timolol ophthalmic solution                               | <b>Betimol</b>       | U.S.A. | 6 95     |
| Allergy                            | levocabastine hydrochloride/<br>ophthalmic solution       | <b>Livostin</b>      | Japan  | 1 01     |
|                                    | pemirolast potassium/ophthalmic solution                  | <b>Alegysal</b>      | Japan  | 4 95     |
|                                    | ketotifen fumarate/ophthalmic solution                    | <b>Alamast</b>       | U.S.A. | 7 00     |
| Corneal disease                    | ketotifen fumarate/ophthalmic solution                    | <b>Zaditen</b>       | Japan  | 7 91     |
| Inflammation                       | sodium hyaluronate/ophthalmic solution                    | <b>Hyalein</b>       | Japan  | 6 95     |
| Early-stage senile cataract        | fluorometholone/ophthalmic solution                       | <b>Flumetholon</b>   | Japan  | 10 75    |
| Adjuvant for ophthalmic operations | pirenoxine/ophthalmic solution                            | <b>Kary Uni</b>      | Japan  | 7 92     |
| Adjuvant for ophthalmic operations | sodium hyaluronate/<br>adjuvant for ophthalmic operations | <b>Opegan Hi</b>     | Japan  | 1 95     |
| Perfusate/lotion                   | oxiglutatione/ophthalmic perfusate and lotion             | <b>BSS PLUS</b>      | Japan  | 1 92     |
| Rheumatoid arthritis               | bucillamine/tablet  | <b>Rimatil</b>       | Japan  | 9 87     |
|                                    | salazosulfapyridine/enteric coated tablet                 | <b>Azulfidine EN</b> | Japan  | 4 63     |



(Millions of yen)

| Half year/year to |        |        |        |        |          |                 |          | Brand name    |
|-------------------|--------|--------|--------|--------|----------|-----------------|----------|---------------|
| 9/2000            | 3/2001 | 9/2001 | 3/2002 | 9/2002 | % Change | 3/2003 Forecast | % Change |               |
| 3,634             | 8,543  | 6,346  | 12,338 | 6,885  | 8.5      | 12,850          | 4.1      | Cravit        |
| —                 | 189    | 98     | 545    | 595    | 502.8    | 1,670           | 206.4    | Quixin        |
| 7,236             | 11,639 | 4,060  | 7,184  | 3,202  | -21.1    | 5,620           | -21.8    | Tarivid       |
| 3,307             | 6,363  | 2,960  | 5,745  | 2,790  | -5.7     | 5,310           | -7.6     | Timoptol      |
| 714               | 1,634  | 1,030  | 2,145  | 1,254  | 21.7     | 2,660           | 24.0     | Timoptol EX   |
| 621               | 1,135  | 465    | 848    | 346    | -25.5    | 720             | -15.1    | Pivalephrine  |
| —                 | —      | 213    | 593    | 696    | 225.8    | 1,540           | 159.7    | Detantol      |
| 99                | 229    | 362    | 892    | 425    | 17.2     | 930             | 4.3      | Betimol       |
| —                 | 1,204  | 651    | 2,225  | 791    | 21.6     | 3,380           | 51.9     | Livostin      |
| 465               | 1,016  | 354    | 865    | 370    | 4.5      | 840             | -2.9     | Alegysal      |
| 194               | 80     | 23     | 207    | 97     | 321.3    | 170             | -17.9    | Alamast       |
| 1,903             | 4,718  | 166    | 166    | —      | —        | —               | —        | Zaditen       |
| 5,279             | 10,758 | 5,948  | 12,130 | 6,635  | 11.6     | 13,310          | 9.7      | Hyalein       |
| 2,965             | 5,938  | 2,818  | 5,792  | 2,677  | -5.0     | 5,510           | -4.9     | Flumetholon   |
| 1,447             | 2,909  | 1,557  | 3,092  | 1,762  | 13.1     | 3,300           | 6.7      | Kary Uni      |
| 1,271             | 2,449  | 1,179  | 2,319  | 1,196  | 1.4      | 2,200           | -5.1     | Opegan Hi     |
| 1,050             | 2,058  | 1,036  | 2,010  | 821    | -20.7    | 1,510           | -24.9    | BSS PLUS      |
| 2,176             | 4,380  | 2,374  | 4,685  | 2,414  | 1.7      | 4,640           | -1.0     | Rimatil       |
| 1,155             | 2,349  | 1,312  | 2,605  | 1,454  | 10.8     | 2,780           | 6.7      | Azulfidine EN |





# Sales details

## Sales by division

(Millions of yen)

| Half year/year to                  | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | % Change | 3/2003<br>Forecast |
|------------------------------------|--------|--------|--------|--------|--------|----------|--------------------|
| Prescription pharmaceuticals       | 39,396 | 78,878 | 38,862 | 78,149 | 40,752 | 4.9      | 80,750             |
| Ophthalmic                         | 35,531 | 71,231 | 34,728 | 70,043 | 36,523 | 5.2      | 72,750             |
| Anti-rheumatic                     | 3,331  | 6,729  | 3,687  | 7,291  | 3,869  | 4.9      | 7,430              |
| Other prescription pharmaceuticals | 532    | 916    | 445    | 814    | 359    | -19.4    | 570                |
| OTC pharmaceuticals                | 1,674  | 5,255  | 2,974  | 6,592  | 3,281  | 10.3     | 7,060              |
| Medical devices                    | 565    | 1,144  | 425    | 916    | 464    | 9.1      | 1,150              |
| Others                             | 1,482  | 3,170  | 1,527  | 3,308  | 1,953  | 27.9     | 4,240              |
| Total net sales                    | 43,118 | 88,448 | 43,791 | 88,966 | 46,452 | 6.1      | 93,200             |

## [Domestic]

(Millions of yen)

| Half year/year to                  | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2001 | % Change |
|------------------------------------|--------|--------|--------|--------|--------|----------|
| Prescription pharmaceuticals       | 37,645 | 75,435 | 36,430 | 72,270 | 36,824 | 1.1      |
| Ophthalmic                         | 33,827 | 67,919 | 32,440 | 64,425 | 32,699 | 0.8      |
| Anti-rheumatic                     | 3,322  | 6,661  | 3,617  | 7,156  | 3,831  | 5.9      |
| Other prescription pharmaceuticals | 495    | 853    | 372    | 688    | 293    | -21.2    |
| OTC pharmaceuticals                | 1,651  | 5,207  | 2,958  | 6,555  | 3,252  | 10.0     |
| Medical devices                    | 565    | 1,143  | 425    | 839    | 431    | 1.4      |
| Others                             | 441    | 966    | 471    | 982    | 562    | 19.3     |
| Total net sales                    | 40,304 | 82,753 | 40,285 | 80,647 | 41,070 | 1.9      |
| (Percentage of total net sales)    | 93.5%  | 93.6%  | 92.0%  | 90.7%  | 88.4%  | —        |

## [Overseas]

(Millions of yen)

| Half year/year to                  | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2001 | % Change |
|------------------------------------|--------|--------|--------|--------|--------|----------|
| Prescription pharmaceuticals       | 1,750  | 3,443  | 2,432  | 5,878  | 3,928  | 61.5     |
| Ophthalmic                         | 1,703  | 3,312  | 288    | 5,617  | 3,824  | 67.1     |
| Anti-rheumatic                     | 9      | 67     | 70     | 134    | 37     | -46.3    |
| Other prescription pharmaceuticals | 37     | 63     | 73     | 126    | 65     | -10.4    |
| OTC drugs                          | 22     | 47     | 16     | 36     | 29     | 74.5     |
| Medical devices                    | —      | —      | —      | 76     | 32     | —        |
| Others                             | 1,040  | 2,204  | 1,056  | 2,325  | 1,391  | 31.7     |
| Total overseas sales               | 2,813  | 5,695  | 3,505  | 8,318  | 5,382  | 53.5     |
| (Percentage of total net sales)    | 6.5%   | 6.4%   | 8.0%   | 9.3%   | 11.6%  | —        |

# Breakdown by region



## Breakdown by geographic segment

|  | Half year/year to          | 9/2000      |       | 3/2001      |       | 9/2001      |       | 3/2002      |       | 9/2002      |       |
|--|----------------------------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
|  |                            | Million yen | %     | Million yen | %     | Million yen | %     | Million yen | %     | Million yen | %     |
| Net sales by geographic segment          | Japan                      | 40,984      | 95.0  | 84,138      | 95.1  | 41,175      | 94.0  | 82,623      | 92.9  | 42,496      | 91.5  |
|  | Europe                     | 1,502       | 3.5   | 3,016       | 3.4   | 1,944       | 4.5   | 4,844       | 5.4   | 3,147       | 6.8   |
|  | Others                     | 631         | 1.5   | 1,293       | 1.5   | 671         | 1.5   | 1,497       | 1.7   | 808         | 1.7   |
|  | Total                      | 43,118      | 100.0 | 88,448      | 100.0 | 43,791      | 100.0 | 88,966      | 100.0 | 46,452      | 100.0 |
| Operating expenses by geographic segment | Japan                      | 29,029      |       | 59,951      |       | 30,725      |       | 64,263      |       | 32,198      |       |
|  | Europe                     | 2,810       |       | 6,187       |       | 3,941       |       | 9,327       |       | 5,438       |       |
|  | Others                     | 2,539       |       | 5,848       |       | 3,876       |       | 9,385       |       | 5,016       |       |
|  | Total                      | 34,379      |       | 71,987      |       | 38,543      |       | 82,976      |       | 42,653      |       |
|  | Corporate and eliminations | -545        |       | -77         |       | -1,707      |       | -5,800      |       | -3,358      |       |
|  | Consolidated total         | 33,833      |       | 71,910      |       | 36,835      |       | 77,175      |       | 39,294      |       |
| Operating income by geographic segment   | Japan                      | 12,105      |       | 24,482      |       | 10,654      |       | 18,879      |       | 10,648      |       |
|  | Europe                     | -928        |       | -2,307      |       | -1,523      |       | -3,384      |       | -1,797      |       |
|  | Others                     | 21          |       | 45          |       | -7          |       | -473        |       | -379        |       |
|  | Total                      | 11,198      |       | 22,220      |       | 9,123       |       | 15,021      |       | 8,470       |       |
|  | Corporate and eliminations | -1,913      |       | -5,681      |       | -2,167      |       | -3,230      |       | -1,312      |       |
|  | Consolidated total         | 9,284       |       | 16,538      |       | 6,955       |       | 11,790      |       | 7,158       |       |

Europe: Finland, Sweden, Germany and Netherlands

Other: U.S., Taiwan and Korea

**Note:** Sales of prescription ophthalmics in the U.S. are included in sales in Europe.

## Overseas sales

| Half year/year to | 9/2000      |       | 3/2001      |       | 9/2001      |       | 3/2002      |       | 9/2002      |       |
|-------------------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|-------|
|                   | Million yen | %     | Million yen | %     | Million yen | %     | Million yen | %     | Million yen | %     |
| Europe            | 1,186       | 42.2  | 2,252       | 39.5  | 1,309       | 37.3  | 3,009       | 36.2  | 1,741       | 32.4  |
| North America     | 1,054       | 37.5  | 2,206       | 38.8  | 1,271       | 36.3  | 3,499       | 42.1  | 2,192       | 40.7  |
| Others            | 572         | 20.3  | 1,237       | 21.7  | 924         | 26.4  | 1,809       | 21.7  | 1,448       | 26.9  |
| Total             | 2,813       | 100.0 | 5,695       | 100.0 | 3,505       | 100.0 | 8,318       | 100.0 | 5,382       | 100.0 |

Europe: Finland, Sweden, Norway, Denmark and Russia

North America: U.S. and Canada

Other: Southeast Asia

**Note:** Overseas sales represent sales generated in countries or regions other than Japan by Santen Pharmaceutical Co., Ltd. and its subsidiaries.

# Consolidated balance sheets

## Assets

| At half-year/year end                    | 9/2000         |                | 3/2001         |                | 9/2001         |                | 3/2002         |                | 9/2002         |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) |
| <b>Current assets</b>                    | <b>85,544</b>  | <b>56.9</b>    | <b>88,025</b>  | <b>57.4</b>    | <b>89,245</b>  | <b>59.1</b>    | <b>86,064</b>  | <b>56.6</b>    | <b>85,726</b>  | <b>56.7</b>    |
| Cash and deposits                        | 28,898         |                | 27,293         |                | 28,576         |                | 24,185         |                | 31,414         |                |
| Notes receivable and accounts receivable | 38,850         |                | 40,921         |                | 39,343         |                | 39,415         |                | 33,710         |                |
| Marketable securities                    | 2,947          |                | 3,189          |                | 4,249          |                | 4,131          |                | 5,266          |                |
| Inventories                              | 11,119         |                | 11,986         |                | 12,867         |                | 12,371         |                | 10,376         |                |
| Deferred tax assets                      | 1,642          |                | 2,412          |                | 1,922          |                | 1,870          |                | 1,600          |                |
| Other current assets                     | 2,235          |                | 2,316          |                | 2,402          |                | 4,157          |                | 3,498          |                |
| Allowance for doubtful receivables       | -149           |                | -94            |                | -116           |                | -67            |                | -140           |                |
| <b>Fixed assets</b>                      | <b>64,778</b>  | <b>43.1</b>    | <b>65,215</b>  | <b>42.6</b>    | <b>61,636</b>  | <b>40.9</b>    | <b>66,038</b>  | <b>43.4</b>    | <b>65,422</b>  | <b>43.3</b>    |
| Tangible assets                          | 36,460         | 24.3           | 36,683         | 24.0           | 37,407         | 24.8           | 42,159         | 27.7           | 42,593         | 28.2           |
| Buildings and structures                 | 20,428         |                | 19,789         |                | 19,100         |                | 18,562         |                | 17,786         |                |
| Machinery, equipment and vehicles        | 1,896          |                | 1,644          |                | 1,648          |                | 1,926          |                | 1,797          |                |
| Land                                     | 10,954         |                | 10,988         |                | 10,981         |                | 11,009         |                | 10,990         |                |
| Construction in progress                 | 667            |                | 1,750          |                | 3,217          |                | 8,200          |                | 9,782          |                |
| Others                                   | 2,512          |                | 2,511          |                | 2,460          |                | 2,460          |                | 2,235          |                |
| Intangible assets                        | 4,676          | 3.1            | 4,781          | 3.1            | 4,389          | 2.9            | 5,164          | 3.4            | 4,732          | 3.1            |
| Goodwill                                 | 1,502          |                | 1,556          |                | 1,462          |                | 2,260          |                | 2,052          |                |
| Softwear                                 | 759            |                | 721            |                | 913            |                | 992            |                | 912            |                |
| Consolidation adjustments                | 2,414          |                | —              |                | —              |                | 17             |                | 15             |                |
| Others                                   | —              |                | 2,504          |                | 2,014          |                | 1,893          |                | 1,751          |                |
| Investments and other assets             | 23,641         | 15.7           | 23,750         | 15.5           | 19,838         | 13.2           | 18,715         | 12.3           | 18,097         | 12.0           |
| Investment securities                    | 14,675         |                | 13,237         |                | 10,385         |                | 9,821          |                | 10,329         |                |
| Long-term deferred tax assets            | 1,155          |                | 1,826          |                | 2,264          |                | 2,515          |                | 2,554          |                |
| Others                                   | 7,811          |                | 8,687          |                | 7,189          |                | 6,392          |                | 5,227          |                |
| Allowance for doubtful receivables       | 0              |                | -0             |                | -1             |                | -13            |                | -14            |                |
| <b>Deferred assets</b>                   | <b>1</b>       |                | <b>2</b>       |                | <b>—</b>       |                | <b>—</b>       |                | <b>—</b>       |                |
| <b>Total assets</b>                      | <b>150,324</b> | <b>100.0</b>   | <b>153,242</b> | <b>100.0</b>   | <b>150,881</b> | <b>100.0</b>   | <b>152,103</b> | <b>100.0</b>   | <b>151,149</b> | <b>100.0</b>   |

## Major changes at September 30, 2002 from March 31, 2002

|  |  |
|--|--|
| <b>Cash and deposits:</b>                        | Increased due to improved cash flows resulting from a decrease in trade receivables of 5,697 million yen and a decrease in inventories of 1,967 million yen, despite payments including capital expenditures of 3.366 million yen. |
| <b>Notes receivable and accounts receivable:</b> | Decreased due to acceleration of payment dates and because there was no impact from the final day of the term being a bank holiday at September 30, 2002 compared with March 31, 2002, which was a bank holiday.                   |
| <b>Inventories:</b>                              | Decreased due mainly to a fall in inventories of final goods.  |
| <b>Construction in progress:</b>                 | Increased due to factors including expansion of the Nara Research and Development Center and progress in construction of a manufacturing line at the Noto Plant.   |

## Liabilities and shareholders' equity

| Half year/year to                                 | 9/2000         |                | 3/2001         |                | 9/2001         |                | 3/2002         |                | 9/2002         |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) |
| <b>Current liabilities</b>                        | <b>21,937</b>  | <b>14.6</b>    | <b>27,340</b>  | <b>17.8</b>    | <b>23,283</b>  | <b>15.4</b>    | <b>26,334</b>  | <b>17.3</b>    | <b>46,260</b>  | <b>30.6</b>    |
| Notes payable and accounts payable                | 4,838          |                | 6,900          |                | 4,830          |                | 4,798          |                | 4,680          |                |
| Current portion of convertible bonds              | —              |                | —              |                | —              |                | —              |                | 19,945         |                |
| Current portion of long-term debt                 | 646            |                | 629            |                | 517            |                | 1,417          |                | 1,417          |                |
| Other payables                                    | 8,585          |                | 10,784         |                | 10,593         |                | 11,754         |                | 12,825         |                |
| Income taxes payable                              | 3,822          |                | 4,640          |                | 3,153          |                | 3,428          |                | 2,535          |                |
| Consumption taxes payable                         | 538            |                | 582            |                | 452            |                | 484            |                | 607            |                |
| Reserve for bonuses                               | 1,917          |                | 2,088          |                | 2,095          |                | 2,311          |                | 2,173          |                |
| Other reserves                                    | 1,102          |                | 1,157          |                | 1,018          |                | 1,067          |                | 809            |                |
| Others  | 486            |                | 556            |                | 622            |                | 1,071          |                | 1,265          |                |
| <b>Noncurrent liabilities</b>                     | <b>31,897</b>  | <b>21.2</b>    | <b>31,068</b>  | <b>20.3</b>    | <b>31,286</b>  | <b>20.8</b>    | <b>30,668</b>  | <b>20.2</b>    | <b>10,307</b>  | <b>6.8</b>     |
| Convertible bonds                                 | 19,945         |                | 19,945         |                | 19,945         |                | 19,945         |                | —              |                |
| Long-term loans                                   | 4,822          |                | 4,518          |                | 4,310          |                | 3,103          |                | 2,897          |                |
| Other payables - long-term                        | 210            |                | 30             |                | —              |                | —              |                | —              |                |
| Reserve for retirement benefits                   | 5,292          |                | 5,058          |                | 5,184          |                | 5,156          |                | 5,243          |                |
| Reserve for retirement benefits for directors     | 231            |                | 246            |                | 437            |                | 444            |                | 458            |                |
| Deffered tax liabilities                          | 40             |                | 38             |                | 36             |                | 34             |                | 33             |                |
| Others  | 1,355          |                | 1,230          |                | 1,372          |                | 1,983          |                | 1,673          |                |
| <b>Total liabilities</b>                          | <b>53,834</b>  | <b>35.8</b>    | <b>58,408</b>  | <b>38.1</b>    | <b>54,569</b>  | <b>36.2</b>    | <b>57,002</b>  | <b>37.5</b>    | <b>56,567</b>  | <b>37.4</b>    |
| Common stock                                      | 6,197          |                | 6,205          |                | 6,214          |                | 6,214          |                | 6,214          |                |
| Capital surplus reserves                          | 6,891          |                | 6,900          |                | 6,908          |                | 6,908          |                | 6,908          |                |
| Appropriated retained earnings                    | 86,111         |                | 83,735         |                | 85,854         |                | 83,892         |                | 84,755         |                |
| Unrealized holding gains on securities            | 1,873          |                | 1,289          |                | 828            |                | 474            |                | 312            |                |
| Foreign currency translation adjustments          | -4,484         |                | -3,255         |                | -3,447         |                | -2,382         |                | -3,584         |                |
| Treasury stock at cost                            | -98            |                | -41            |                | -46            |                | -5             |                | -25            |                |
| <b>Total shareholders' equity</b>                 | <b>96,490</b>  | <b>64.2</b>    | <b>94,834</b>  | <b>61.9</b>    | <b>96,311</b>  | <b>63.8</b>    | <b>95,101</b>  | <b>62.5</b>    | <b>94,581</b>  | <b>62.6</b>    |
| <b>Total liabilities and shareholders' equity</b> | <b>150,324</b> | <b>100.0</b>   | <b>153,242</b> | <b>100.0</b>   | <b>150,881</b> | <b>100.0</b>   | <b>152,103</b> | <b>100.0</b>   | <b>151,149</b> | <b>100.0</b>   |

## Major changes at September 30, 2002 from March 31, 2002

**Convertible bonds:** Because the conversion date is September 30, 2003, convertible bonds were transferred from noncurrent liabilities to current liabilities.

**Other payables:** Increased due to the recording of 2,202 million yen as a special premium payment incurred upon the secession of Santen and one of its subsidiaries from the Osaka Pharmaceutical Industry

**Foreign currency translation adjustments:** Increased due to the weaker yen.

Note: Shareholders' equity was categorized applying the new standard.

# Consolidated statements of cash flows

(Millions of yen)

| Half year/year to   | 9/2000        | 3/2001        | 9/2001        | 3/2002        | 9/2002        |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>I. Cash flows from operating activities:</b>   |               |               |               |               |               |
| Net income before income taxes  | 7,989         | 15,520        | 6,741         | 12,678        | 4,698         |
| Depreciation and amortization   | 2,667         | 5,683         | 2,638         | 5,333         | 2,079         |
| Increase/decrease in retirement and severance benefits  | -96           | -330          | 126           | 97            | 86            |
| Increase/decrease in trade receivables  | -6,489        | -8,372        | 1,563         | 1,804         | 5,697         |
| Increase/decrease in inventories  | 4             | -765          | -868          | -183          | 1,967         |
| Increase/decrease in account payable  | -223          | 1,812         | -2,067        | -2,137        | -114          |
| Other, net  | -452          | 1,376         | -113          | -2,350        | 1,763         |
| Subtotal  | 3,399         | 14,928        | 8,021         | 15,244        | 16,179        |
| Interest and dividends income received  | 257           | 529           | 151           | 227           | 157           |
| Interest expenses paid  | -213          | -406          | -193          | -464          | -209          |
| Income taxes paid   | -4,123        | -8,219        | -4,767        | -8,065        | -3,489        |
| Net cash provided by operating activities   | -680          | 6,831         | 3,211         | 6,941         | 12,638        |
| <b>II. Cash flows from investing activities:</b>  |               |               |               |               |               |
| Deposit/withdrawal of fixed deposit   | -666          | -815          | 518           | -1,143        | 21            |
| Increase/decrease in marketable securities  | 1,020         | 2,530         | 750           | 789           | -3,907        |
| Purchase/sale of fixed assets   | -1,246        | -4,942        | -2,636        | -6,585        | -3,366        |
| Payment for acquisition of shares of subsidiaries due to change in consolidation                          | —             | —             | —             | -537          | —             |
| Increase/decrease in loans  | 95            | 158           | 1,008         | 1,011         | 36            |
| Other, net  | 83            | -102          | -72           | 90            | 799           |
| Net cash used in investing activities   | -712          | -3,172        | -433          | -6,373        | -6,416        |
| <b>III. Cash flows from financing activities:</b>   |               |               |               |               |               |
| Increase/decrease in long-term borrowings   | -332          | -654          | -320          | -624          | -206          |
| Increase/decrease of treasury stock   | -48           | -5,080        | -5            | -3,223        | -19           |
| Cash dividends paid   | -570          | -1,520        | -926          | -1,854        | -906          |
| Other, net  | 35            | 62            | 16            | 17            | —             |
| Net cash used in financing activities   | -915          | -7,192        | -1,235        | -5,683        | -1,132        |
| <b>IV. Effect of exchange rate changes on cash and cash equivalents</b>                                   | <b>-194</b>   | <b>360</b>    | <b>-231</b>   | <b>176</b>    | <b>-126</b>   |
| <b>V. Net increase/decrease in cash and cash equivalents</b>  | <b>-2,503</b> | <b>-3,172</b> | <b>1,311</b>  | <b>-4,939</b> | <b>4,962</b>  |
| <b>VI. Cash and cash equivalents, beginning of year</b>   | <b>33,727</b> | <b>33,727</b> | <b>30,555</b> | <b>30,555</b> | <b>25,619</b> |
| <b>VII. Effect from consolidating subsidiaries previously unconsolidated on cash and cash equivalents</b> | <b>—</b>      | <b>—</b>      | <b>—</b>      | <b>4</b>      | <b>—</b>      |
| <b>VIII. Cash and cash equivalents, end of half year/year</b>   | <b>31,223</b> | <b>30,555</b> | <b>31,866</b> | <b>25,619</b> | <b>30,582</b> |

# Capital expenditures and number of employees



## Capital expenditures

(Millions of yen)

| Half year/year to | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | 3/2003<br>Forecast |
|-------------------|--------|--------|--------|--------|--------|--------------------|
| Consolidated      | 846    | 3,039  | 2,276  | 8,516  | 1,905  | 5,000              |
| Non-consolidated  | 721    | 2,396  | 1,792  | 7,507  | 1,706  | 4,450              |

Note: Includes investment in manufacturing facilities to be spent on a lease contract basis.

[Major items]

- Extension of the Shiga Plant and Noto Plant to improve manufacturing processes.
- Expansion of the Nara Research & Development Center to reinforce R&D.

## Depreciation and amortization

(Millions of yen)

| Half year/year to                            | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | 3/2003<br>Forecast |
|--|--------|--------|--------|--------|--------|--------------------|
| Manufacturing cost                           | 1,030  | 2,009  | 783    | 1,783  | 762    | 1,550              |
| Selling, general and administrative expenses | 320    | 791    | 474    | 829    | 348    | 730                |
| R&D expenses                                 | 644    | 1,345  | 723    | 1,190  | 535    | 1,260              |
| Others                                       | 88     | 189    | 19     | 34     | 47     | 90                 |
| Consolidated total                           | 2,082  | 4,336  | 2,000  | 3,837  | 1,692  | 3,650              |
| Non-consolidated                             | 1,910  | 3,961  | 1,726  | 3,347  | 1,398  | 3,030              |

## Lease expenses

(Millions of yen)

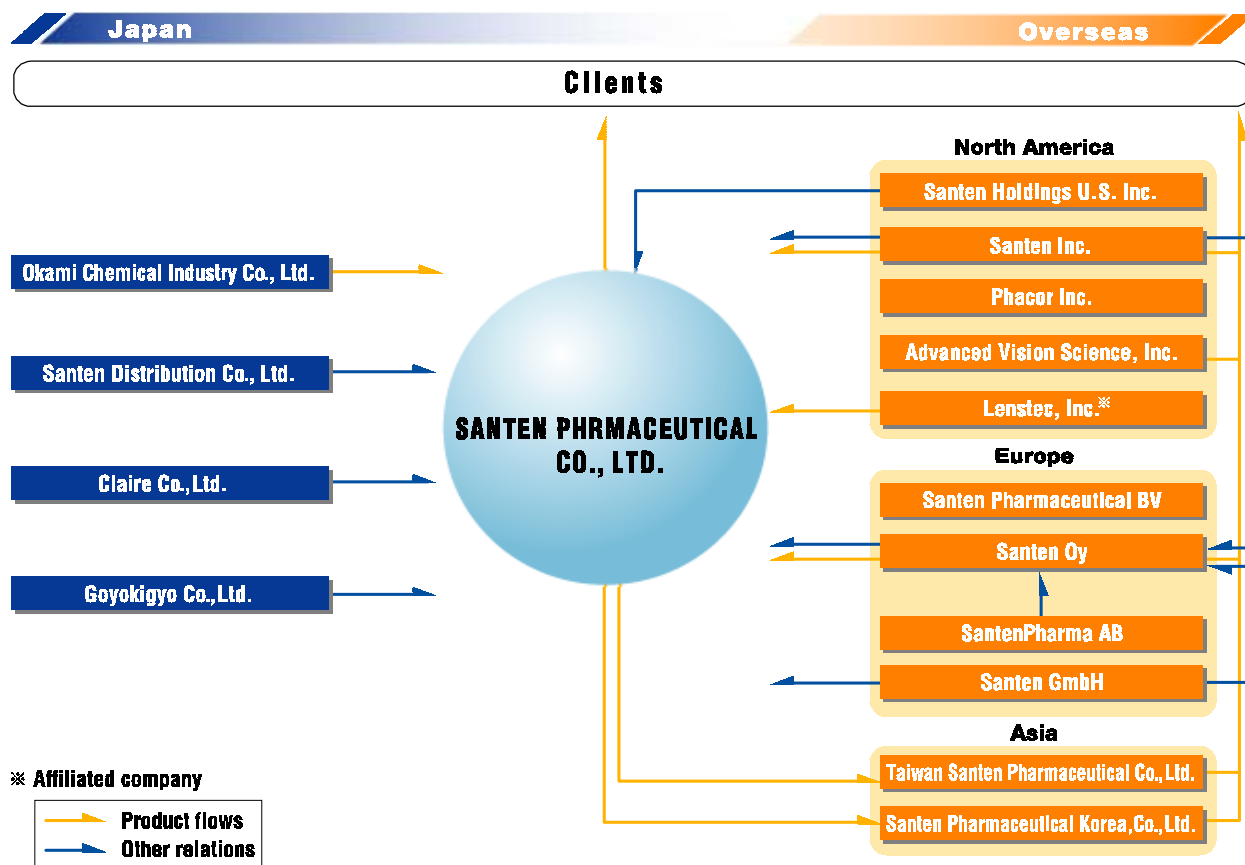
| Half year/year to  | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | 3/2003<br>Forecast |
|--------------------|--------|--------|--------|--------|--------|--------------------|
| Consolidated total | 1,144  | 2,302  | 1,094  | 1,879  | 316    | 610                |
| Manufacturing cost | 1,111  | 2,232  | 1,060  | 1,817  | 284    | 550                |
| Non-consolidated   | 1,144  | 2,302  | 1,094  | 1,879  | 316    | 610                |

## Number of employees

| At half-year/year end | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 |
|-----------------------|--------|--------|--------|--------|--------|
| Consolidated          | 2,151  | 2,167  | 2,397  | 2,463  | 2,505  |
| Non-consolidated      | 1,610  | 1,592  | 1,711  | 1,702  | 1,749  |

# Affiliated companies

Santen group



## Subsidiaries

[Japan]

|                               |   |                 |                |              |      |
|-------------------------------|---|-----------------|----------------|--------------|------|
| Santen Distribution Co., Ltd. |   |                 |                |              |      |
| Business                      | Storage and shipping of pharmaceuticals |                 |                |              |      |
| Location                      | Shiga, Japan                            | Paid-in capital | 30 million yen | Equity owned | 100% |

|                  |  |                 |                |              |      |
|------------------|--|-----------------|----------------|--------------|------|
| Claire Co., Ltd. |  |                 |                |              |      |
| Business         | Cleaning of antidust and sterilized clothing |                 |                |              |      |
| Location         | Shiga, Japan                                 | Paid-in capital | 90 million yen | Equity owned | 100% |

|                     |              |                 |                |              |      |
|---------------------|--------------|-----------------|----------------|--------------|------|
| Goyokigyo Co., Ltd. |              |                 |                |              |      |
| Business            | Real estate  |                 |                |              |      |
| Location            | Osaka, Japan | Paid-in capital | 90 million yen | Equity owned | 100% |

## [Overseas]

|                           |   |                 |                      |              |      |
|---------------------------|---|-----------------|----------------------|--------------|------|
| Santen Holdings U.S. Inc. |   |                 |                      |              |      |
| Business                  | Holding company for North American businesses |                 |                      |              |      |
| Location                  | California, U.S.A.                            | Paid-in capital | 15,029 thousand US\$ | Equity owned | 100% |

|             |   |                 |                     |              |       |
|-------------|---|-----------------|---------------------|--------------|-------|
| Santen Inc. |   |                 |                     |              |       |
| Business    | Clinical development, consignment production and marketing support of pharmaceuticals |                 |                     |              |       |
| Location    | California, U.S.A.  | Paid-in capital | 8,785 thousand US\$ | Equity owned | 100%* |

|             |  |                 |                  |              |       |
|-------------|--|-----------------|------------------|--------------|-------|
| Phacor Inc. |  |                 |                  |              |       |
| Business    | Development, production and marketing of medical devices |                 |                  |              |       |
| Location    | California, U.S.A.                                       | Paid-in capital | 10 thousand US\$ | Equity owned | 100%* |

|                               |  |                 |                     |              |       |
|-------------------------------|--|-----------------|---------------------|--------------|-------|
| Advanced Vision Science, Inc. |  |                 |                     |              |       |
| Business                      | Development, production and marketing of medical devices |                 |                     |              |       |
| Location                      | California, U.S.A.                                       | Paid-in capital | 4,304 thousand US\$ | Equity owned | 100%* |

|                          |   |                 |                       |              |      |
|--------------------------|---|-----------------|-----------------------|--------------|------|
| Santen Pharmaceutical BV |   |                 |                       |              |      |
| Business                 | Holding company for European businesses |                 |                       |              |      |
| Location                 | Amsterdam, Netherlands                  | Paid-in capital | 80,786 thousand euros | Equity owned | 100% |

|           |   |                 |                       |              |        |
|-----------|---|-----------------|-----------------------|--------------|--------|
| Santen Oy |   |                 |                       |              |        |
| Business  | Clinical development, production and marketing of pharmaceuticals |                 |                       |              |        |
| Location  | Tampere, Finland  | Paid-in capital | 79,048 thousand euros | Equity owned | 100%** |

|                 |                                      |                 |                   |              |        |
|-----------------|--------------------------------------|-----------------|-------------------|--------------|--------|
| SantenPharma AB |                                      |                 |                   |              |        |
| Business        | Marketing support of pharmaceuticals |                 |                   |              |        |
| Location        | Stockholm, Sweden                    | Paid-in capital | 600 thousand S.KR | Equity owned | 100%** |

|             |  |                 |                   |              |      |
|-------------|--|-----------------|-------------------|--------------|------|
| Santen GmbH |  |                 |                   |              |      |
| Business    | Clinical development and marketing support of pharmaceuticals and business development |                 |                   |              |      |
| Location    | Germering, Germany   | Paid-in capital | 25 thousand euros | Equity owned | 100% |

|  |   |                 |                                |              |      |
|--|---|-----------------|--------------------------------|--------------|------|
| Taiwan Santen Pharmaceutical Co., Ltd. |   |                 |                                |              |      |
| Business                               | Import and marketing of pharmaceuticals |                 |                                |              |      |
| Location                               | Taipei, Taiwan                          | Paid-in capital | 42,000 thousand Taiwan dollars | Equity owned | 100% |

|  |   |                 |                        |              |      |
|--|---|-----------------|------------------------|--------------|------|
| Santen Pharmaceutical Korea, Co., Ltd. |   |                 |                        |              |      |
| Business                               | Import and marketing of pharmaceuticals |                 |                        |              |      |
| Location                               | Seoul, Korea                            | Paid-in capital | 1,500,000 thousand won | Equity owned | 100% |

**Note:** Santen Pharmaceutical Co., Ltd. has two affiliated companies but does not have any affiliated companies accounted for by the equity method.

\* Indirect investment through Santen Holdings U.S. Incorporated

\*\* Indirect investment through Santen Pharmaceutical BV



## Non-consolidated Information

# Non-consolidated income statements

(Millions of yen)

| Half year/year to                            | 9/2000        | 3/2001        | 9/2001        | 3/2002        | 9/2002        | Change over<br>previous first-<br>half year (%) |
|--|---------------|---------------|---------------|---------------|---------------|---|
| <b>Net sales</b>                             | <b>41,069</b> | <b>84,295</b> | <b>41,307</b> | <b>82,990</b> | <b>42,770</b> | <b>3.5</b>                                      |
| Cost of sales                                | 14,801        | 30,996        | 14,696        | 29,829        | 15,382        | 4.6   |
| (Percentage of net sales)                    | 36.0%         | 36.8%         | 35.6%         | 35.9%         | 36.0%         |   |
| <b>Gross profit</b>                          | <b>26,268</b> | <b>53,298</b> | <b>26,610</b> | <b>53,161</b> | <b>27,387</b> | <b>2.9</b>                                      |
| (Percentage of net sales)                    | 64.0%         | 63.2%         | 64.4%         | 64.1%         | 64.0%         |   |
| Selling, general and administrative expenses | 16,174        | 34,586        | 18,202        | 37,575        | 18,238        | 0.1   |
| (Percentage of net sales)                    | 39.4%         | 41.0%         | 44.1%         | 45.3%         | 42.6%         |   |
| R&D expenses                                 | 5,187         | 10,936        | 5,600         | 12,809        | 6,328         | 12.9  |
| (Percentage of net sales)                    | 12.6%         | 12.9%         | 13.5%         | 15.4%         | 14.7%         |   |
| <b>Operating income</b>                      | <b>10,094</b> | <b>18,712</b> | <b>8,407</b>  | <b>15,586</b> | <b>9,148</b>  | <b>8.8</b>                                      |
| (Percentage of net sales)                    | 24.6%         | 22.2%         | 20.3%         | 18.8%         | 21.4%         |   |
| Non-operating income                         | 455           | 1,114         | 355           | 932           | 368           | 3.7   |
| Non-operating expenses                       | 478           | 753           | 312           | 458           | 612           | 96.2  |
| <b>Ordinary income</b>                       | <b>10,070</b> | <b>19,072</b> | <b>8,450</b>  | <b>16,060</b> | <b>8,905</b>  | <b>5.4</b>                                      |
| (Percentage of net sales)                    | 24.5%         | 22.6%         | 20.4%         | 19.3%         | 20.8%         |   |
| Extraordinary gain                           | 2             | 57            | 27            | 952           | 0             | -98.9   |
| Extraordinary loss                           | 1,249         | 1,433         | 71            | 263           | 2,219         | 3,021.7   |
| <b>Income before income taxes</b>            | <b>8,823</b>  | <b>17,697</b> | <b>8,406</b>  | <b>16,749</b> | <b>6,686</b>  | <b>-20.4</b>                                    |
| (Percentage of net sales)                    | 21.5%         | 21.0%         | 20.3%         | 20.2%         | 15.6%         |   |
| Income taxes - current                       | 3,928         | 8,644         | 3,092         | 6,515         | 2,520         | -18.5   |
| Income taxes - deferred                      | -186          | -1,112        | 386           | 300           | 348           | -9.7  |
| <b>Net income</b>                            | <b>5,081</b>  | <b>10,165</b> | <b>4,927</b>  | <b>9,932</b>  | <b>3,817</b>  | <b>-22.5</b>                                    |
| (Percentage of net sales)                    | 12.4%         | 12.1%         | 11.9%         | 12.0%         | 8.9%          |   |

## Selling, general and administrative expense

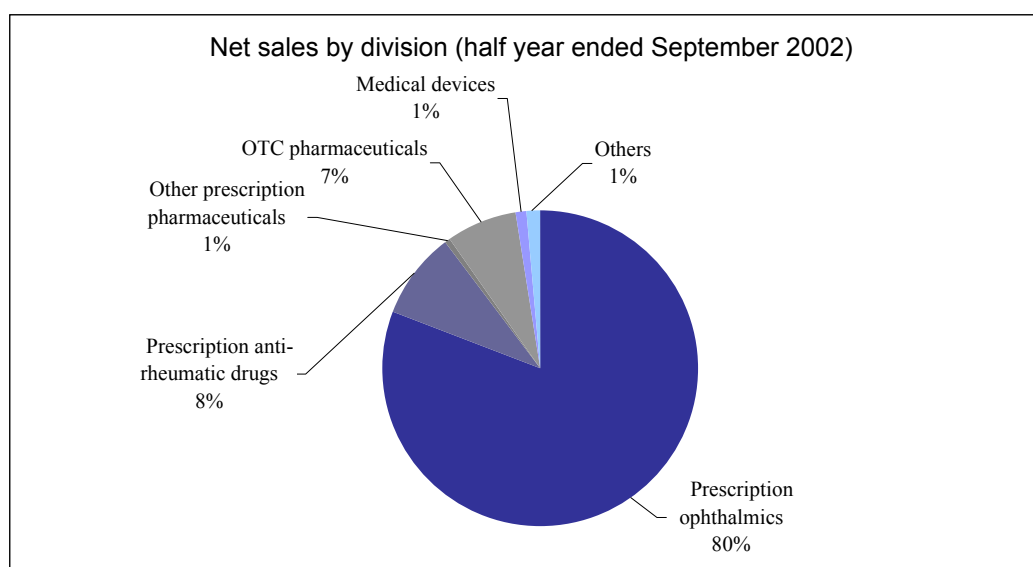
(Millions of yen)

| Half year/year to        | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | Change over<br>previous first-<br>half year (%) |
|--------------------------|--------|--------|--------|--------|--------|---|
| Personnel expenses       | 4,034  | 8,237  | 4,381  | 8,626  | 4,087  | -6.7  |
| Sales promotion expenses | 1,059  | 2,533  | 1,260  | 2,676  | 929    | -26.2   |
| Royalty expenses         | 1,352  | 2,527  | 1,205  | 2,358  | 1,040  | -13.6   |
| Advertising expenses     | 640    | 1,364  | 947    | 1,869  | 973    | 2.7   |
| R&D expenses             | 5,187  | 10,936 | 5,600  | 12,809 | 6,328  | 13.0  |

## Sales by division

(Millions of yen)

| Half year/year to                  | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 | Change over<br>previous first-half<br>year (%) | 3/2003<br>Forecast |
|------------------------------------|--------|--------|--------|--------|--------|--|--------------------|
| Prescription pharmaceuticals       | 38,195 | 76,576 | 37,305 | 74,221 | 38,236 | 2.5  | 75,360             |
| Ophthalmic                         | 34,470 | 69,152 | 33,331 | 66,379 | 34,165 | 2.5  | 67,670             |
| Anti-rheumatic                     | 3,331  | 6,729  | 3,687  | 7,291  | 3,869  | 4.9  | 7,430              |
| Other prescription pharmaceuticals | 392    | 694    | 285    | 551    | 201    | -29.4  | 260                |
| OTC pharmaceuticals                | 1,674  | 5,255  | 2,974  | 6,592  | 3,281  | 10.3   | 7,060              |
| Medical devices                    | 565    | 1,144  | 425    | 842    | 440    | 3.6  | 1,080              |
| Others                             | 634    | 1,318  | 601    | 1,334  | 810    | 34.8   | 1,800              |
| Total net sales                    | 41,069 | 84,285 | 41,307 | 82,990 | 42,770 | 3.5  | 85,300             |



# Non-consolidated balance sheets

## Assets

| At half-year/year end                      | 9/2000         |                | 3/2001         |                | 9/2001         |                | 3/2002         |                | 9/2002         |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) |
| <b>Current assets</b>                      | <b>80,094</b>  | <b>51.7</b>    | <b>82,645</b>  | <b>52.5</b>    | <b>84,740</b>  | <b>53.9</b>    | <b>78,800</b>  | <b>49.7</b>    | <b>78,189</b>  | <b>48.5</b>    |
| Cash and deposits                          | 24,948         |                | 24,310         |                | 25,883         |                | 19,594         |                | 26,775         |                |
| Notes receivable and accounts receivable   | 38,155         |                | 39,937         |                | 38,317         |                | 37,852         |                | 32,586         |                |
| Marketable securities                      | 2,761          |                | 2,984          |                | 4,915          |                | 4,797          |                | 5,241          |                |
| Treasury stock                             | 98             |                | 41             |                | —              |                | —              |                | —              |                |
| Inventories                                | 10,360         |                | 11,096         |                | 11,671         |                | 10,997         |                | 8,817          |                |
| Deferred tax assets                        | 1,601          |                | 2,276          |                | 1,788          |                | 1,859          |                | 1,587          |                |
| Others                                     | 2,318          |                | 2,093          |                | 2,279          |                | 3,765          |                | 3,320          |                |
| Allowance for doubtful receivables         | -149           |                | -94            |                | -116           |                | -66            |                | -139           |                |
| <b>Fixed assets</b>                        | <b>74,907</b>  | <b>48.3</b>    | <b>74,687</b>  | <b>47.5</b>    | <b>72,589</b>  | <b>46.1</b>    | <b>79,656</b>  | <b>50.3</b>    | <b>83,099</b>  | <b>51.5</b>    |
| Tangible assets                            | 33,239         | 21.4           | 32,844         | 20.9           | 33,306         | 21.1           | 37,539         | 23.7           | 38,123         | 23.6           |
| Building and structure                     | 18,375         |                | 17,511         |                | 16,806         |                | 16,040         |                | 15,385         |                |
| Machinery, equipment and vehicles          | 1,558          |                | 1,235          |                | 1,105          |                | 965            |                | 880            |                |
| Tools, furnitures and fixtures             | 2,063          |                | 1,926          |                | 1,828          |                | 1,724          |                | 1,571          |                |
| Land                                       | 10,666         |                | 10,666         |                | 10,666         |                | 10,666         |                | 10,666         |                |
| Construction in progress                   | 574            |                | 1,503          |                | 2,899          |                | 8,142          |                | 9,618          |                |
| Intangible assets                          | 4,004          | 2.6            | 3,973          | 2.5            | 3,625          | 2.3            | 3,446          | 2.2            | 3,162          | 2.0            |
| Patents                                    | 1,115          |                | 1,039          |                | 963            |                | 887            |                | 811            |                |
| Trademarks                                 | 1,142          |                | 1,081          |                | 1,022          |                | 962            |                | 900            |                |
| Goodwill                                   | 1,056          |                | 934            |                | 813            |                | 692            |                | 570            |                |
| Software                                   | 591            |                | 543            |                | 722            |                | 797            |                | 753            |                |
| Others                                     | 99             |                | 373            |                | 103            |                | 106            |                | 124            |                |
| Investments and other assets               | 37,663         | 24.3           | 37,869         | 24.1           | 35,657         | 22.7           | 38,670         | 24.4           | 41,814         | 25.9           |
| Investment securities                      | 14,584         |                | 13,419         |                | 10,117         |                | 9,991          |                | 11,196         |                |
| Investments in subsidiaries and affiliates | 14,383         |                | 14,455         |                | 14,666         |                | 15,567         |                | 16,438         |                |
| Long-term loans                            | 1,152          |                | 1,051          |                | 2,016          |                | 4,671          |                | 6,846          |                |
| Long-term deferred assets                  | 805            |                | 1,479          |                | 1,914          |                | 2,185          |                | 2,225          |                |
| Others                                     | 6,736          |                | 7,464          |                | 6,942          |                | 6,253          |                | 5,106          |                |
| <b>Total assets</b>                        | <b>155,002</b> | <b>100.0</b>   | <b>157,332</b> | <b>100.0</b>   | <b>157,330</b> | <b>100.0</b>   | <b>158,456</b> | <b>100.0</b>   | <b>161,289</b> | <b>100.0</b>   |

Major changes at September 30, 2002 from March 31, 2002

|  |  |
|--|--|
| <b>Cash and deposits:</b>                        | Increased due to improved cash flows resulting from a decrease in trade receivables of 5,266 million yen and a decrease in inventories of 2,179 million yen, despite payments including capital expenditures of 3,082 million yen. |
| <b>Notes receivable and accounts receivable:</b> | Decreased due to acceleration of payment dates and because there was no impact from the final day of the term being a bank holiday at September 30, 2002 compared with March 31, 2002, which was a bank holiday.                   |
| <b>Inventories:</b>                              | Decreased due mainly to a fall in goods in stock.  |
| <b>Construction in progress:</b>                 | Increased due to factors including expansion of the Nara Research and Development Center and progress in construction of a manufacturing line at the Noto Plant.   |

## Liabilities and shareholders' equity

| At half-year/year end                             | 9/2000         |                | 3/2001         |                | 9/2001         |                | 3/2002         |                | 9/2002         |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) | Million yen    | Proportion (%) |
| <b>Current liabilities</b>                        | <b>21,073</b>  | <b>13.6</b>    | <b>25,870</b>  | <b>16.5</b>    | <b>22,261</b>  | <b>14.2</b>    | <b>24,094</b>  | <b>15.2</b>    | <b>44,240</b>  | <b>27.4</b>    |
| Accounts payable                                  | 4,743          |                | 6,452          |                | 4,514          |                | 4,335          |                | 4,325          |                |
| Current portion of convertible bonds              | —              |                | —              |                | —              |                | —              |                | 19,945         |                |
| Current portion of long-term debt                 | 640            |                | 624            |                | 512            |                | 1,416          |                | 1,416          |                |
| Other payables                                    | 8,248          |                | 10,556         |                | 10,564         |                | 11,242         |                | 12,616         |                |
| Income taxes payable                              | 3,787          |                | 4,597          |                | 3,130          |                | 3,412          |                | 2,443          |                |
| Consumption taxes payable                         | 530            |                | 573            |                | 444            |                | 478            |                | 597            |                |
| Reserves  | 2,833          |                | 2,858          |                | 2,855          |                | 2,886          |                | 2,625          |                |
| Others  | 290            |                | 207            |                | 241            |                | 323            |                | 271            |                |
| <b>Noncurrent liabilities</b>                     | <b>31,683</b>  | <b>20.4</b>    | <b>30,735</b>  | <b>19.5</b>    | <b>30,868</b>  | <b>19.6</b>    | <b>29,654</b>  | <b>18.7</b>    | <b>9,641</b>   | <b>6.0</b>     |
| Convertible bonds                                 | 19,945         |                | 19,945         |                | 19,945         |                | 19,945         |                | —              |                |
| Long-term loans                                   | 4,822          |                | 4,518          |                | 4,310          |                | 3,102          |                | 2,894          |                |
| Other payables                                    | 210            |                | 30             |                | —              |                | —              |                | —              |                |
| Reserve for retirement benefit                    | 5,288          |                | 5,043          |                | 5,164          |                | 5,135          |                | 5,218          |                |
| Reserve for retirement benefit for directors      | 231            |                | 246            |                | 437            |                | 444            |                | 458            |                |
| Others  | 1,396          |                | 951            |                | 1,011          |                | 1,026          |                | 1,069          |                |
| <b>Total liabilities</b>                          | <b>52,757</b>  | <b>34.0</b>    | <b>56,605</b>  | <b>36.0</b>    | <b>53,129</b>  | <b>33.8</b>    | <b>53,749</b>  | <b>33.9</b>    | <b>53,882</b>  | <b>33.4</b>    |
| Common stock                                      | 6,197          | 3.9            | 6,205          | 4.0            | 6,214          | 3.9            | 6,214          | 3.9            | 6,214          | 3.8            |
| Capital surplus reserves                          | 6,891          | 4.4            | 6,900          | 4.3            | 6,908          | 4.4            | 6,908          | 4.4            | 6,908          | 4.3            |
| Additional paid-in capital                        | 6,891          |                | 6,900          |                | 6,908          |                | 6,908          |                | 6,908          |                |
| Appropriated retained earnings                    | 87,282         | 56.3           | 86,331         | 54.9           | 90,296         | 57.4           | 91,115         | 57.5           | 93,996         | 58.3           |
| Earnings reserve                                  | 1,377          |                | 1,473          |                | 1,551          |                | 1,551          |                | 1,551          |                |
| Reserve for retirement benefit                    | 372            |                | 372            |                | 372            |                | 372            |                | 372            |                |
| Special depreciation reserve                      | 287            |                | 287            |                | 250            |                | 250            |                | 180            |                |
| General reserve                                   | 79,409         |                | 79,409         |                | 82,109         |                | 82,109         |                | 84,109         |                |
| Unappropriated retained earnings                  | 5,835          |                | 4,789          |                | 6,013          |                | 6,833          |                | 7,783          |                |
| Net income  | 5,081          |                | 10,165         |                | 4,927          |                | 9,932          |                | 3,817          |                |
| Unrealized holding gains on securities            | 1,873          | 1.2            | 1,289          | 0.8            | 828            | 0.5            | 474            | 0.3            | 312            | 0.2            |
| Treasury stock                                    | —              | —              | —              | —              | -46            | -0.0           | -5             | -0.0           | -25            | -0.0           |
| <b>Total shareholders' equity</b>                 | <b>102,245</b> | <b>66.0</b>    | <b>100,727</b> | <b>64.0</b>    | <b>104,200</b> | <b>66.2</b>    | <b>104,706</b> | <b>66.1</b>    | <b>107,406</b> | <b>66.6</b>    |
| <b>Total liabilities and shareholders' equity</b> | <b>155,002</b> | <b>100.0</b>   | <b>157,332</b> | <b>100.0</b>   | <b>157,330</b> | <b>100.0</b>   | <b>158,456</b> | <b>100.0</b>   | <b>161,289</b> | <b>100.0</b>   |

### Major changes at September 30, 2002 from March 31, 2002

- Convertible bonds:** Because the conversion date is September 30, 2003, convertible bonds were transferred from noncurrent liabilities to current liabilities.
- Other payables:** Increased due to the recording of 2,165 million yen as a special premium payment incurred upon the secession of Santen from the Osaka Pharmaceutical Industry Pension Fund.
- Voluntary reserve:** Increased due to accumulation from general reserve of 2,000 million yen.

Note: Shareholders' equity was categorized applying the new standard.

## Reference information

# Research & development

### ■ Pipeline of prescription pharmaceuticals

| Generic name                  | Brand name/dev. code | Indication               | Original/in-licensing   | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|-------------------------------|----------------------|--------------------------|-------------------------|--------|-------|--------|-----------|----------|----------|
| Levofloxacin                  | Cravit               | Bacterial conjunctivitis | Daiichi Pharmaceuticals | Japan  |       |        |           |          | 4-00     |
|                               | Quixin 0.5%          | Bacterial conjunctivitis |                         | USA    |       |        |           |          | 11-00    |
|                               | Oftaquin 0.5%        | Bacterial conjunctivitis |                         | Europe |       |        |           |          | 5-02     |
|                               | Quixin 1.5%          | Bacterial corneal ulcer  |                         | USA    |       |        |           |          |          |
| Levofloxacin + prednisolone A | DE-094               | Infectious keratitis     | Daiichi Pharmaceuticals | USA    |       |        |           |          |          |

Characteristics: New quinolone antibacterial agent. The adoption of a more highly concentrated formulation enables stronger antibacterial action. Also expected to be effective for intractable bacterial corneal ulcers. In Europe, the treatment has obtained marketing authorization in 10 countries and launched it in four countries including Germany. Levofloxacin + prednisolone A is an ophthalmic combination solution of levofloxacin and steroid.

| Generic name         | Brand name/dev. code | Indication              | Original/in-licensing | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|----------------------|----------------------|-------------------------|-----------------------|--------|-------|--------|-----------|----------|----------|
| Pemirolast potassium | Alegysal             | Allergic conjunctivitis | Mitsubishi Pharma     | Japan  |       |        |           |          | 4-95     |
|                      | Alamast              |                         |                       | USA    |       |        |           |          | 7-00     |
|                      | Alamast              |                         |                       | France |       |        | 12-99     |          |          |

Characteristics: A mast cell stabilizer with superior efficacy on allergic conjunctivitis and vernal keratoconjunctivitis.

| Generic name       | Brand name/dev. code | Indication                                    | Original/in-licensing | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|--------------------|----------------------|---|-----------------------|--------|-------|--------|-----------|----------|----------|
| Sodium hyaluronate | Hyalein              | Corneal and conjunctival epithelial disorders | Original              | Japan  |       |        |           |          | 6-95     |
|                    | Hyalein              | Dry eye                                       |                       | USA    |       |        |           |          |          |
|                    | Hyalein              | Dry eyes                                      |                       | UK     |       |        |           |          |          |

Characteristics: Ophthalmic solution containing sodium hyaluronate. Treats dry eye and corneal and conjunctivitis epithelial lesions caused by contact lenses, etc.

| Generic name      | Brand name/dev. code                       | Indication                         | Original/in-licensing  | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|-------------------|--|------------------------------------|------------------------|--------|-------|--------|-----------|----------|----------|
| Indocyanine green | Ophthagreen for Intravenous Injection 25mg | Diagnosis of chorioretinal disease | Daiichi Pharmaceutical | Japan  |       |        |           |          | 8-02     |

Characteristics: A fluorescein contrast medium for the eyes. Unlike previous agents, the product can be used to diagnose sub-epithelial retinal pigment and hemorrhagic chorioretinal disorders.

| Generic name | Brand name/dev. code | Indication | Original/in-licensing | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|--------------|----------------------|------------|-----------------------|--------|-------|--------|-----------|----------|----------|
| Tiopronin    | Thiola               | Cystinuria | Original              | Japan  |       |        |           |          | 7-02     |

Characteristics: An orphan drug and an additional indication for the metabolic improving and detoxicating agent, Thiola. First cystinuria treatment in Japan. Santen has transferred the marketing of Thiola to Merck Hoesl Ltd. as of August 1, 2002.

| Generic name | Brand name/dev. code | Indication                  | Original/in-licensing | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|--------------|----------------------|-----------------------------|-----------------------|--------|-------|--------|-----------|----------|----------|
| Cyclosporine | DE-076               | Vernal keratoconjunctivitis | Licensed-in           | Japan  |       |        |           |          |          |

Characteristics: An orphan drug. Expected to treat advanced vernal keratoconjunctivitis for which existing anti-allergic agents are not effective. Because it is an ophthalmic solution, virtually no generalized side effects are noted.

| Generic name | Brand name/dev. code | Indication              | Original/in-licensing | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|--------------|----------------------|-------------------------|-----------------------|--------|-------|--------|-----------|----------|----------|
| Apafant      | DE-081               | Allergic conjunctivitis | Licensed-in           | Japan  |       |        |           |          |          |

Characteristics: A platelet active factor (PAF) antagonist. Controls the production and secretion of prostaglandins and other chemical mediators in inflammation or allergy. Expected to have an effect on congestion, edema and itching caused by allergic conjunctivitis. An ophthalmic solution with low irritation to the eye.

| Generic name   | Brand name/dev. code | Indication                       | Original/in-licensing           | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|----------------|----------------------|----------------------------------|---------------------------------|--------|-------|--------|-----------|----------|----------|
| (Undetermined) | DE-085               | Glaucoma and ocular hypertension | Co-development with Asahi Glass | USA    |       |        |           |          |          |
|                |                      |                                  |                                 | Japan  |       |        |           |          |          |

Characteristics: Prostaglandin-based treatment for glaucoma to reduce ocular pressure. Clinical trials will be conducted in parallel in the U.S., Europe and Japan. Expected to have greater efficacy in reducing ocular pressure than other prostaglandin-based agents. Can be stored at room temperature.

| Generic name   | Brand name/dev. code | Indication | Original/in-licensing | Region | Ph II | Ph III | NDA Filed | Approved | Launched |
|----------------|----------------------|------------|-----------------------|--------|-------|--------|-----------|----------|----------|
| Lomerizine HCL | DE-090               | Glaucoma   | Nippon Organon        | Japan  |       |        |           |          |          |

Characteristics: It has a calcium antagonizing activity. Currently sold by Nippon Organon as a migraine treatment. Expected to become a new type of treatment for glaucoma with excellent safety to suppress the progression of visual field disorder by improving ocular circulation. In oral administration tablets.

## Major R&D collaborations

| Compound   | Indication           | Contract date | Partner (country)             |
|--|----------------------|---------------|-------------------------------|
| INS365   | Dry eye              | 12/98         | Inspire Pharmaceuticals (USA) |
| Characteristics: Facilitates secretion of lacrimal components and water from epithelial cells of conjunctiva and cornea through endogenous receptors in order to increase tears on conjunctiva and cornea while stabilizing tear film.<br>Indicated for dry eye.   |                      |               |                               |
| Compound   | Indication           | Contract date | Partner (country)             |
| Lactoferrin  | Dry eye              | 2/99          | Agennix (USA)                 |
| Characteristics: Lactoferrin is a glycoprotein contained in tears, and has physiological activities. Expected to treat dry eye and corneal and conjunctival epithelial diseases associated with dry eye.   |                      |               |                               |
| Compound   | Indication           | Contract date | Partner (country)             |
| ADL2-1294  | Corneal pain         | 4/00          | Adolor (USA)                  |
| Characteristics: Because its lenitive action is through peripheral $\mu$ -opioid receptors, with no action on the central nervous system, it is expected to have no side effects such as delayed healing of the injury or corneal epithelial disorders, which are observed with existing ophthalmic local anesthetics. |                      |               |                               |
| Compound   | Indication           | Contract date | Partner (country)             |
| Anti-APO-1 antibody  | Rheumatoid arthritis | 2/01          | Centocor (USA)                |
| Characteristics: Induces apoptosis by binding with APO-1 antigen on proliferated synovial cell to normalize the hyperplasia. Expected to treat rheumatoid arthritis.   |                      |               |                               |
| Compound   | Indication           | Contract date | Partner (country)             |
| DE-092 (CS-088)  | Glaucoma             | 3/02          | Sankyo (Japan)                |
| Characteristics: Angiotensin II receptor antagonist developed by Sankyo. Expected to become a glaucoma treatment with unique anti-ocular hypertensive action not seen in any existing treatments.  |                      |               |                               |

## Pipeline of medical devices

| Product under development  | Product name | Region        |
|--|--------------|---------------|
| Intraocular lens   | MD-13        | Japan         |
| Characteristics: Foldable intraocular lens using new material. Already launched in Europe by Lenstec and STAAR Surgical.                   |              |               |
| Product under development  | Product name | Region        |
| Intraocular lens   | MD-14        | Japan and USA |
| Characteristics: Foldable intraocular lens using new material with high refractive index. Developed by Advanced Vision Science in the U.S. |              |               |

## Number of employees in R&D divisions

|                              | 1998.3 | 1999.3 | 2000.3 | 2001.3 | 2002.3 |
|------------------------------|--------|--------|--------|--------|--------|
| R&D personnel (consolidated) | 303    | 314    | 370    | 404    | 482    |

# Pharmaceutical market in Japan

## Revision of National Health Insurance (NHI) drug prices

(%)

|                  | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Industry average | -9.2 | -    | -8.1 | -    | -6.6 | -    | -6.8 | -4.4 | -9.7 | -    | -7.0 | -    | -6.3 |
| Ophthalmic drugs | -    | -    | -0.6 | -    | -1.6 | -    | -3.5 | -1.8 | -7.5 | -    | -6.2 | -    | -6.0 |
| Santen           | -3.0 | -    | 0.9  | -    | -0.4 | -    | -2.6 | -1.3 | -7.2 | -    | -5.7 | -    | -6.0 |

(Compiled by Santen)

Revision of NHI drug prices: In Japan, drug prices are generally revised every two years to reflect their market price. The drugs marketed at lower market prices will bear larger reduction margins at the revision.

## Major healthcare reforms

|                    |      |  |
|--------------------|------|--|
|                    | 1997 | Enforcement of the Revised Health Insurance System Law.<br>Increased contribution for insured employees (10% to 20%)<br>Revision of the Insurance Law for Seniors<br>Contribution: 500 yen/day for out-patients (up to four times a month) and 1,000 yen/day for in-patients |
|                    | 2001 | Revision of the Insurance Law for Seniors<br>Contribution: fixed rate of 10% for out-patients and in-patients  |
| April              | 2002 | Reimbursed consulting fee for physicians were reduced by 2.7% on average<br>Revision of prescription fee (two points are added for every prescription of generic drugs)  |
| October            | 2002 | Increased contribution for seniors (fixed amount system was abolished for a uniform fixed rate system of 10% contribution)   |
| April<br>(Planned) | 2003 | Increased contribution for insured employees (20% to 30%)  |

## Market shares

(Billions of yen)

| Half year/year to        | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 |
|--------------------------|--------|--------|--------|--------|--------|
| Prescription ophthalmics | 43.9%  | 42.9%  | 42.3%  | 40.3%  | 40.3%  |
|                          | 93.0   | 189.4  | 96.5   | 197.1  | 97.1   |
| Anti-rheumatic drugs     | 28.2%  | 28.5%  | 29.9%  | 30.2%  | 29.9%  |
|                          | 14.1   | 28.1   | 14.6   | 28.9   | 14.9   |

(Source: Santen estimation)

Note: The market shares are on an NHI drug price basis. Lower figures indicate market size.

## Market shares by therapeutic area - prescription ophthalmics

(Billions of yen)

| Half year/year to          | 9/2000 | 3/2001 | 9/2001 | 3/2002 | 9/2002 |
|----------------------------|--------|--------|--------|--------|--------|
| Anti-glaucoma              | 19.8%  | 19.1%  | 17.6%  | 17.6%  | 17.5%  |
|                            | 29.7   | 60.2   | 32.8   | 66.1   | 35.0   |
| Anti-infective             | 80.1%  | 80.8%  | 82.0%  | 81.8%  | 81.0%  |
|                            | 16.4   | 31.0   | 16.1   | 30.2   | 14.9   |
| Anti-allergy               | 29.7%  | 29.2%  | 24.4%  | 18.2%  | 16.9%  |
|                            | 10.8   | 26.8   | 10.3   | 26.5   | 9.3    |
| Agents for surgeries       | 42.5%  | 41.9%  | 41.7%  | 41.0%  | 40.1%  |
|                            | 8.1    | 16.0   | 8.0    | 16.0   | 7.7    |
| Corneal disease treatments | 89.8%  | 89.3%  | 88.9%  | 89.0%  | 86.9%  |
|                            | 7.4    | 15.3   | 8.4    | 17.2   | 9.3    |
| Anti-cataract              | 46.1%  | 47.0%  | 49.2%  | 50.1%  | 52.7%  |
|                            | 4.0    | 7.9    | 4.0    | 7.7    | 4.0    |
| Corticosteroids            | 56.2%  | 56.2%  | 55.9%  | 56.0%  | 53.3%  |
|                            | 6.5    | 12.7   | 6.2    | 12.5   | 5.8    |

(Source: Santen estimation)

Note: The market shares are on an NHI drug price basis. Lower figures indicate market size.

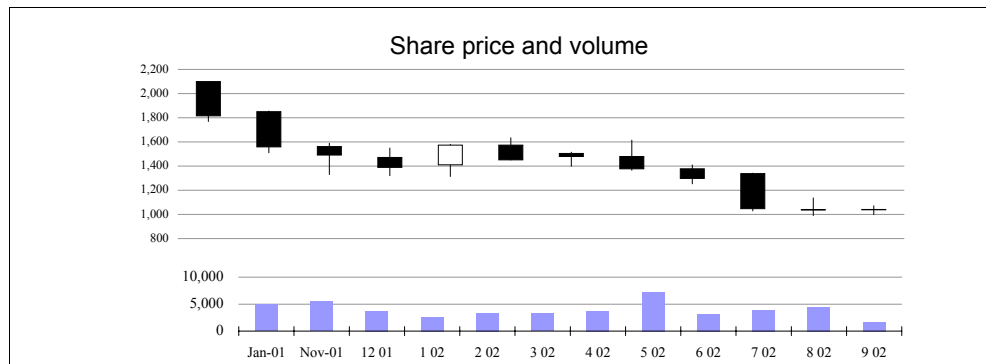


# Stock information

## Stock price (Osaka Securities Exchange 1st market)

(Yen and thousand shares)

|              | Jan-01 | Nov-01 | 12 01 | 1 02  | 2 02  | 3 02  | 4 02  | 5 02  | 6 02  | 7 02  | 8 02  | 9 02  |
|--------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Share price: |        |        |       |       |       |       |       |       |       |       |       |       |
| Open         | 2,100  | 1,850  | 1,561 | 1,471 | 1,411 | 1,573 | 1,504 | 1,480 | 1,378 | 1,338 | 1,040 | 1,038 |
| High         | 2,100  | 1,856  | 1,590 | 1,550 | 1,580 | 1,635 | 1,515 | 1,615 | 1,409 | 1,342 | 1,136 | 1,071 |
| Low          | 1,770  | 1,510  | 1,330 | 1,320 | 1,314 | 1,450 | 1,399 | 1,366 | 1,253 | 1,029 | 991   | 999   |
| End of month | 1,816  | 1,559  | 1,491 | 1,390 | 1,573 | 1,452 | 1,480 | 1,378 | 1,298 | 1,048 | 1,037 | 1,041 |
| Volume       | 4,912  | 5,492  | 3,663 | 2,591 | 3,307 | 3,272 | 3,736 | 7,306 | 3,209 | 3,962 | 4,383 | 1,728 |



## Major shareholders

As of September 30, 2002

| Name  | Number of shares Held | Percentage of voting rights |
|---|-----------------------|-----------------------------|
|   | Thousand shares       | %                           |
| Northern Trust Company AVFC Sub-account       | 9,510                 | 10.5                        |
| American Clients                              | 6,544                 | 7.2                         |
| Japan Trustee Service Bank, Ltd.              | 4,756                 | 5.2                         |
| Mita Sangyo Co., Ltd.                         | 4,467                 | 4.9                         |
| UFJ Trust and Banking Co., Ltd.               | 4,211                 | 4.6                         |
| Nippon Life Insurance Company                 | 3,861                 | 4.3                         |
| UFJ Bank Limited                              | 3,724                 | 4.1                         |
| The Bank of Tokyo-Mitsubishi, Ltd.            | 2,668                 | 2.9                         |
| The Tokio Marine and Fire Insurance Co., Ltd. | 2,278                 | 2.5                         |
| Euroclear Bank S.A./N.V.                      | 1,968                 | 2.2                         |
| Trust and Custody Services Bank, Ltd.         |                       |                             |

## Shares, convertible bonds and stock option

| At half-year/year end   | 3/1999 | 3/2000 | 3/2001 | 9/2002 |
|---|--------|--------|--------|--------|
| Number of shares outstanding (thousand shares)                | 95,075 | 95,075 | 92,721 | 90,704 |
| Third Unsecured Convertible Bonds -balance (millions of yen)  | 19,945 | 19,945 | 19,945 | 19,945 |
| Stock option balance (thousand shares)                        | 106    | 172    | 199    | 335    |
| Granted in June 1998 - 106 thousand shares at 1,540 yen/share | 106    | 106    | 73     | 62     |
| Granted in June 1999 - 66 thousand shares at 2,480 yen/share  | -      | 66     | 66     | 66     |
| Granted in June 2000 - 60 thousand shares at 2,705 yen/share  | -      | -      | 60     | 60     |
| Granted in June 2001 - 55 thousand shares at 2,299 yen/share  | -      | -      | -      | 55     |
| Granted in June 2002 - 92 thousand shares at 1,326 yen/share  | -      | -      | -      | 92     |

Note: 1 The company repurchased and retired 2,378 thousand shares in March 2001 and 2,027 thousand shares in March 2002.

2 Details of the Third Unsecured Convertible Bonds:

(Launch) September 12, 1996 (Maturing) September 30, 2003

(Total amount) 20 billion yen (Coupon rate) 0.8% (Convertible price) 2,171.80 yen/share

3 The company has a stock-based compensation plans under which stock options are granted to directors and corporate officers. The grants are fully exercisable after two years.

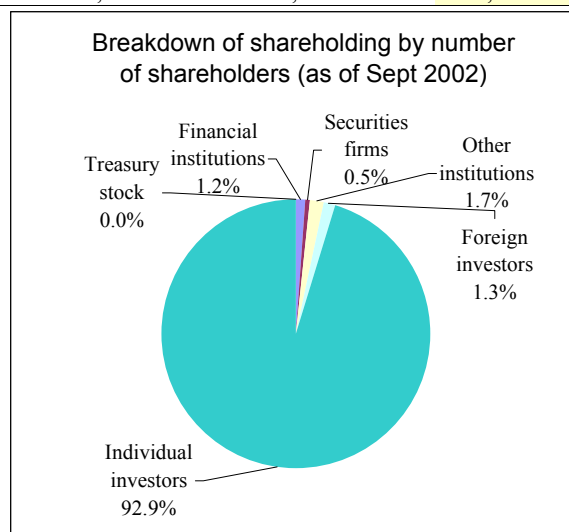
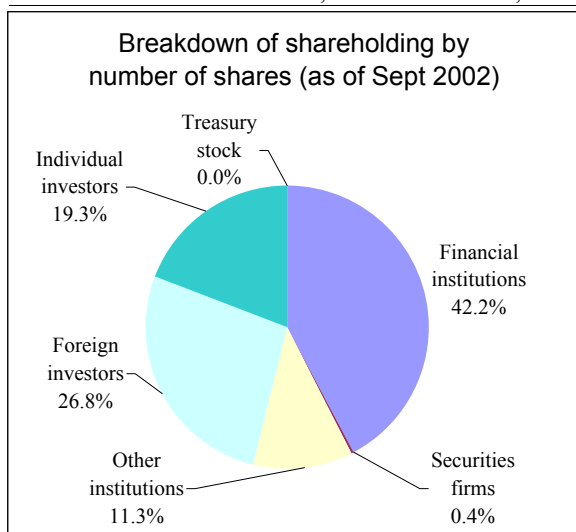
### Breakdown of shareholding by number of shares

| At half-year/year end      | 9/2000          |                | 3/2001          |                | 9/2001          |                | 3/2002          |                | 9/2002          |                |
|----------------------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
|                            | Thousand shares | Proportion (%) | Thousand shares | Proportion (%) | Thousand shares | Proportion (%) | Thousand shares | Proportion (%) | Thousand shares | Proportion (%) |
| Financial institutions     | 52,150          | 54.9           | 52,429          | 56.5           | 48,486          | 52.3           | 41,005          | 45.2           | 38,284          | 42.2           |
| City & regional banks      | 16,611          | 17.5           | 11,581          | 12.5           | 10,713          | 11.6           | 9,054           | 9.9            | 8,846           | 9.8            |
| Trust banks                | 25,158          | 26.5           | 29,651          | 32.0           | 25,902          | 27.9           | 20,641          | 22.8           | 18,339          | 20.2           |
| (concerned in trust w/     | 22,024          |                | 26,824          |                | 23,115          |                | 18,429          |                | 15,609          |                |
| Life and non-life insura   | 10,265          | 10.8           | 11,136          | 12.0           | 11,804          | 12.7           | 11,033          | 12.2           | 10,527          | 11.6           |
| Other financial institutio | 116             | 0.1            | 61              | 0.1            | 67              | 0.1            | 276             | 0.3            | 571             | 0.6            |
| Securities firms           | 588             | 0.6            | 385             | 0.5            | 437             | 0.5            | 646             | 0.7            | 343             | 0.4            |
| Other institutions         | 11,264          | 11.8           | 10,398          | 11.2           | 10,295          | 11.1           | 10,300          | 11.4           | 10,277          | 11.3           |
| Foreign investors          | 17,444          | 18.4           | 15,868          | 17.1           | 19,666          | 21.2           | 23,675          | 26.1           | 24,288          | 26.8           |
| Individual investors       | 13,609          | 14.3           | 13,624          | 14.7           | 13,826          | 14.9           | 15,073          | 16.6           | 17,492          | 19.3           |
| Treasury stock             | 42              | 0.0            | 18              | 0.0            | -               | -              | 2               | 0.0            | 18              | 0.0            |
| Total                      | 95,097          | 100.0          | 92,721          | 100.0          | 92,711          | 100.0          | 90,704          | 100.0          | 90,704          | 100.0          |

Note: Trading unit for Santen shares were reduced to 100 shares from 1,000 shares effective August 1, 2002

### Breakdown of shareholding by number of shareholders

| At half-year/year end      | 9/2000                 |                | 3/2001                 |                | 9/2001                 |                | 3/2002                 |                | 9/2002                 |                |
|----------------------------|------------------------|----------------|------------------------|----------------|------------------------|----------------|------------------------|----------------|------------------------|----------------|
|                            | Number of shareholders | Proportion (%) | Number of shareholders | Proportion (%) | Number of shareholders | Proportion (%) | Number of shareholders | Proportion (%) | Number of shareholders | Proportion (%) |
| Financial institutions     | 104                    | 2.2            | 108                    | 2.2            | 105                    | 2.0            | 107                    | 1.8            | 97                     | 1.2            |
| City & regional banks      | 16                     | 0.4            | 15                     | 0.3            | 15                     | 0.3            | 13                     | 0.2            | 10                     | 0.1            |
| Trust banks                | 52                     | 1.1            | 57                     | 1.2            | 54                     | 1.0            | 60                     | 1.0            | 53                     | 0.7            |
| Life and non-life insura   | 30                     | 0.6            | 32                     | 0.6            | 30                     | 0.6            | 28                     | 0.5            | 26                     | 0.3            |
| Other financial institutio | 6                      | 0.1            | 4                      | 0.1            | 6                      | 0.1            | 6                      | 0.1            | 8                      | 0.1            |
| Securities firms           | 24                     | 0.5            | 22                     | 0.5            | 21                     | 0.4            | 35                     | 0.6            | 40                     | 0.5            |
| Other institutions         | 138                    | 2.9            | 132                    | 2.7            | 131                    | 2.5            | 137                    | 2.3            | 139                    | 1.7            |
| Foreign investors          | 172                    | 3.6            | 162                    | 3.4            | 167                    | 3.2            | 148                    | 2.4            | 110                    | 1.3            |
| Individual investors       | 4,308                  | 90.8           | 4,387                  | 91.2           | 4,816                  | 91.9           | 5,583                  | 92.9           | 7,883                  | 95.3           |
| Treasury stock             | 1                      | 0.0            | 1                      | 0.0            | 1                      | 0.0            | 1                      | 0.0            | 1                      | 0.0            |
| Total                      | 4,747                  | 100.0          | 4,812                  | 100.0          | 5,241                  | 100.0          | 6,011                  | 100.0          | 8,270                  | 100.0          |



# News releases

---

## News releases during April 2002-September 2002

For details, please refer to our Investor Relations Web site (<http://www.santen.co.jp/ir/en/news>).

(Date) (Summary)

### **10 4 Construction Work on Second Building of the Shiga Plant Completed**

Construction work on the second building of Santen's Shiga Plant (Shiga Prefecture, Japan), which we started in July 2001, has been completed. Employing the latest manufacturing technology and know-how, this facility for producing prescription eye drops will provide production capacity for stable product supply and enhance cost competitiveness.

### **11 4 Santen Receives Manufacturing Approval for Ophthagreen for Intravenous Injection 25mg**

Santen received manufacturing approval for Ophthagreen for Intravenous Injection 25mg (generic name: indocyanine green), a diagnostic for chorioretinal disease, in Japan. The product is used for the diagnosis of various fundic diseases, including exudative age-related macular degeneration.

### **01 5 Management Change in U.S. Subsidiary, Santen Incorporated**

Ichiro Otokozaawa, Corporate Officer and Head of Corporate Development & Administration Division, Santen Pharmaceutical Co., Ltd., stepped down from the position of Executive President (concurrent) of Santen Incorporated ("the Company"), and Dr. Adrienne Graves, the Company's former Head of Global Development, was designated as the new Executive President.

### **13 5 Notice Regarding Share Buyback**

Santen's Board of Directors resolved the buyback of its common stock with par value up to 5,000,000 shares and 7,500 million yen. This was approved in the 90th Annual General Meeting of Shareholders held on June 26, 2002.

### **28 5 Santen Agrees with Koken Concerning Marketing of KK-951**

Santen entered into an agreement with Koken Co, Ltd. concerning the marketing of Koken's KK-951, a lacrimal canaliculus closing material for the treatment of dry eye syndrome. The agreement allows Santen to exclusively market KK-951 in Japan.

### **28 5 Notice Regarding Stock Option (Warrant)**

Santen's Board of Directors resolved that a proposal be presented for approval in the 90th Annual General Meeting of Shareholders to implement a stock warrant program to grant stock options to a total of 14 persons including Santen's Directors, Corporate Officers and Directors of overseas subsidiaries. This was approved in the 90th Annual General Meeting of Shareholders held on June 26, 2002.

### **28 5 Santen Revises Trading Unit of Company Stock**

Santen resolved to revise the trading unit of company stock to 100 shares from 1000 shares, effective August 1, 2002.

### **01 7 Santen to Transfer Marketing of THIOLA Tablets 100 to Merck Hoei**

Santen concluded an agreement with Merck Hoei Ltd. on the transfer of marketing of Santen's THIOLA Tablets 100, a metabolic improving and detoxifying agent, to Merck Hoei, effective August 1, 2002.

(Date) (Summary)

**05 7 Change of Principal Shareholder**

Santen announced that there was change of the Company's "principal shareholder," as stipulated by the Tokyo Stock Exchange as a shareholder with 10 percent or more shares in a company's total number of voting rights, as of June 25, 2002. The purchase of Santen shares by Silchester International Investors Limited has resulted in a change of Santen's "principal shareholder" with Silchester holding 9,268 or 10.34 percent voting rights (shareholder ranking: 1st).

**08 7 Santen's THIOLA Tablets 100 Obtains Additional Indication of Treating Cystinuria**

The Japanese Ministry of Health, Labour and Welfare approved the additional indication of treating cystinuria for Santen's metabolic improving and detoxifying agent, THIOLA Tablets 100.

**19 7 Santen Launches OTC Eye Drops SANTE 40V**

Santen launched SANTE 40V, OTC eye drops, in Japan on July 23. SANTE 40V relieves blurred vision and eyestrain and is a nutrition-fortified version of the existing SANTE 40 series.

**21 8 Santen Launches Ophthagreen for Intravenous Injection 25mg**

Santen launched Ophthagreen for Intravenous Injection 25mg (generic name: indocyanine green), a diagnostic for chorioretinal disease, in Japan on August 22. The product is used for the diagnosis of various fundic diseases, including exudative age-related macular degeneration.

**23 8 Santen Launches OTC Eye Drops SANTE 40**

Santen launched SANTE 40, OTC eye drops, in Japan on August 26. SANTE 40 is a new version of SANTE 40NE and SANTE 40EA, which have been used by Japanese consumers for many years as a treatment for blurred vision and eyestrain.

**17 9 Santen Introduces Dimple Bottle for Prescription Eye Drops**

Santen has developed a new type of bottle called Dimple Bottle for its prescription eye drops products in Japan. While maintaining the advantages of Santen's conventional bottles, Dimple Bottle is more distinguishable and easy-to-handle. Santen will replace the bottles of its prescription eye drops with Dimple Bottles starting with the anti-inflammatory PRORANON Ophthalmic Solution in October 2002.

**30 9 Revision of Performance Forecasts**

Santen revised its performance forecasts for the six months ending September 30, 2002 and the year ending March 31, 2003, which it announced on May 13, 2002. The revision was due to higher-than-expected net sales, decreased selling, general and administrative expenses, and an extraordinary loss of 2,205 million yen during the first half of the current fiscal year, associated with a special premium payment incurred upon the secession of Santen and its wholly owned subsidiary Santen Distribution Co., Ltd. from a composite pension fund (Osaka Pharmaceutical Industry Pension Fund).

