



SANTEN PHARMACEUTICAL CO.,LTD.

Data Book 2007

Year Ended March 31, 2007

Contact:

Corporate Communication Group
Tel: 06-6321-7007 Fax: 06-6321-8400
E-mail: ir@santen.co.jp
Stock Code: 4536

2006-2010 Medium-term Management Plan

Santen's Global Development: Creating New Drug Candidates and Generating Growth in Promising Regions by Leveraging Strength

As a step to become a leading global ophthalmic company in the coming decade, Santen will actively address the following goals during the 2006-2010 Medium-term Management Plan.

[Long-term Vision]

- World-class company
- Leader in the ophthalmic and anti-rheumatic fields
- R&D-oriented pharmaceutical company specializing in ophthalmology and other areas where we can leverage our strengths

[Outline of 2006-2010 Medium-term Management Plan]

Medium-term Policies

"Santen's Global Development: Creating new drug candidates and generating growth in promising regions by leveraging strength"

1. Enhance the global strategic product pipeline through internal discovery and development, joint development projects and in-licensing efforts
2. Generate growth mainly in Japan, Northern/Eastern Europe, Russia and China. Focus U.S. activities on clinical and business development
3. Strengthen manufacturing bases
4. Strengthen human resources and organizational capabilities on a global basis

Financial Targets

	FY2010
Net sales	115 billion yen +
Operating income	32 billion yen +
Net income	22 billion yen +
Return on Equity	13%+
R&D expense	16 billion yen

Forecasts in this report are based on the currently available information.

Actual results may differ materially depending on a number of factors including adverse economic conditions, delays in new products launch, currency exchange rate, legislative and regulatory developments.

Contents



Financial highlights		2
	■ Consolidated financial summary	2
	■ Consolidated balance sheets summary	2
	■ Consolidated financial indexes	2
	■ Consolidated - other figures	2
	■ Non-consolidated financial summary	2
Consolidated information		4
	Consolidated income statements	4
	Income statements details	5
	■ Major change in net sales	5
	■ Selling, general and administrative expenses	5
	■ Non-operating income and expenses	5
	■ Extraordinary gain and loss	5
	Sales details	6
	■ Sales of major prescription pharmaceuticals	6
	■ Sales for JJVCI	7
	■ Sales by division	8
	Breakdown by geographic segment	9
	■ Breakdown by geographic segment	9
	■ Overseas sales	9
	Consolidated balance sheets	10
	■ Assets	10
	■ Liabilities and net assets	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
	■ Consolidated subsidiaries	14
Non-consolidated information		16
	Non-consolidated income statements	16
	■ Selling, general and administrative expenses	16
	■ Sales by division	17
	■ Sales of merchandises and products	17
	Non-consolidated balance sheets	18
	■ Assets	18
	■ Liabilities and net assets	19
Reference information		20
	Research & development	20
	■ Pipeline of prescription pharmaceuticals (Clinical studies)	20
	■ Pipeline of prescription pharmaceuticals (In preparation for clinical trials)	21
	■ Medical Device	21
	■ License out	21
	■ Changes from November 1, 2006	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 and stock option	24
	■ Extinguishment of Treasury stock	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)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006	2008 Estimate	% Change 2008/2007
Net sales	90,252	89,857	92,696	98,397	100,485	2.1	104,000	3.5
Operating income	12,697	14,525	18,982	20,995	20,412	-2.8	20,500	0.4
Ordinary income	12,899	15,790	18,837	21,507	20,843	-3.1	21,200	1.7
Net income	8,502	6,321	11,022	13,022	13,147	1.0	13,700	4.2
Dividends per share (yen)	20	40	50	60	65	-	80	-
DOE (%)	1.8	3.4	4.0	4.4	4.4	-	-	-

■ Balance sheets summary

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Total assets	147,147	150,237	139,979	150,458	159,098	5.7
Net assets	97,125	103,499	108,239	118,637	128,645	8.4
Interest-bearing debts	23,047	12,686	6,882	5,614	5,446	-3.0

■ Financial indexes

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006	2008 Estimate	% Change 2008/2007
EPS (yen)	93.67	71.65	125.85	150.26	151.58	0.9	157.95	4.2
BPS (yen)	1,104.21	1,176.83	1,249.32	1,368.27	1,481.83	8.3	-	-
Debt equity ratio (times)	0.23	0.12	0.06	0.05	0.04	-	-	-
PER (times)	12.3	24.3	18.3	18.8	20.0	-	-	-
PBR (times)	1.04	1.50	1.84	2.07	2.04	-	-	-
ROE (%)	8.8	6.3	10.4	11.5	10.6	-	-	-
ROA (%)	5.7	4.3	7.6	9.0	8.5	-	-	-
* Free cash flows (millions of yen)	8,762	19,971	1,713	18,772	11,404	-39.2	-	-
* EBITDA (millions of yen)	14,738	18,660	23,367	25,258	25,890	2.5	-	-

*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 expense) + (Depreciation and amortization)

■ Other figures

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006	2008 Estimate	% Change 2008/2007
R&D expenses (millions of yen)	12,719	11,853	12,619	13,971	13,663	-2.2	14,000	2.5
Capital expenditures (millions of yen)	4,134	2,871	1,674	1,420	2,716	91.3	3,730	37.3
Depreciation and amortization (millions of yen)	3,638	3,914	3,696	3,343	3,295	-1.4	3,500	6.2
Number of employees	2,500	2,335	2,308	2,312	2,409	-	-	-

【Non-consolidated】

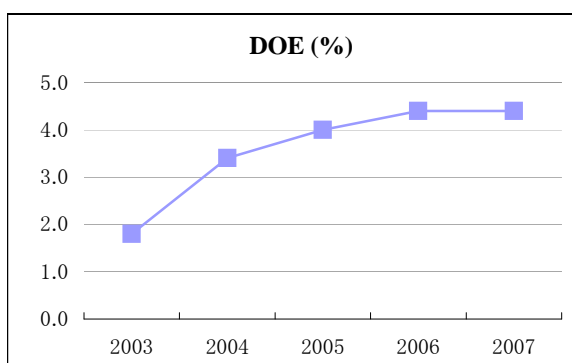
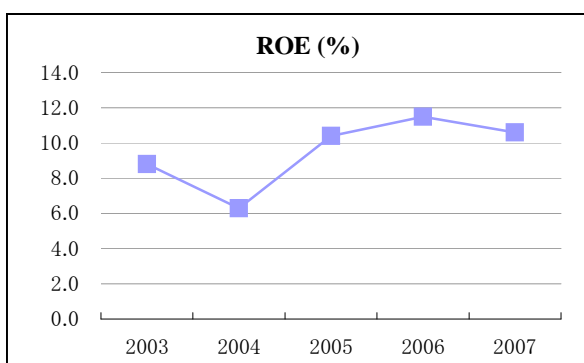
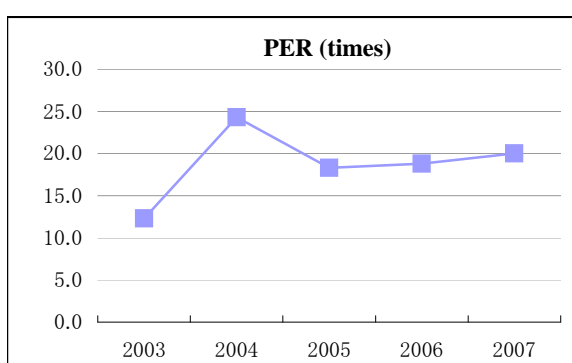
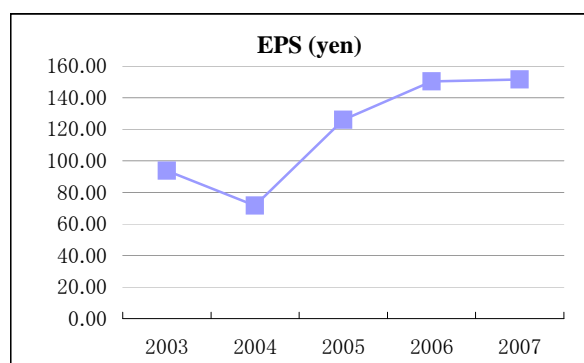
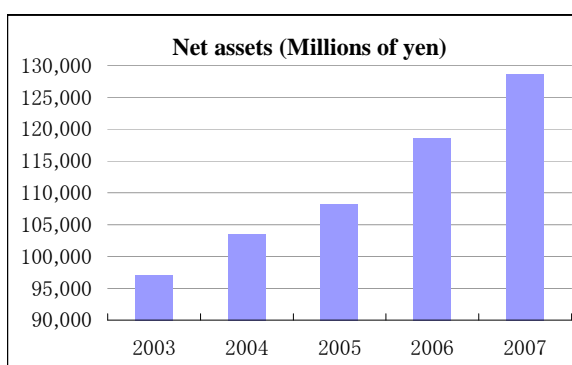
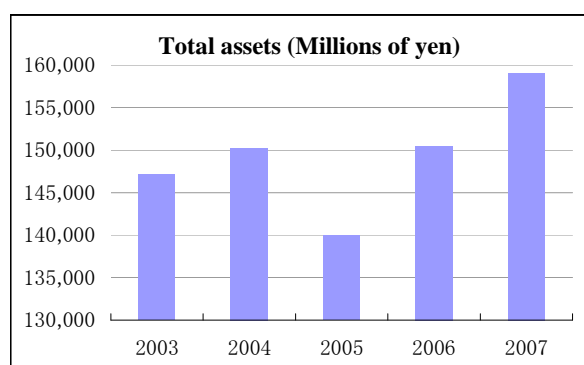
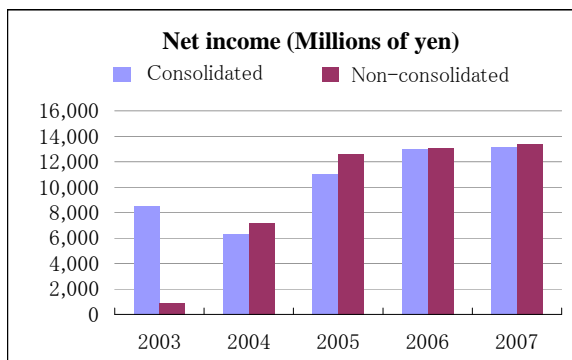
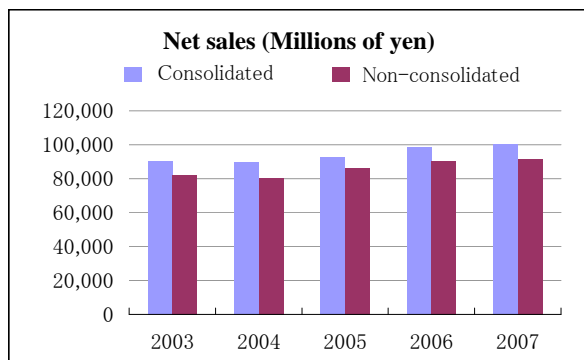
■ Financial summary

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006	2008 Estimate	% Change 2008/2007
Net sales	82,372	80,227	86,340	90,840	91,770	1.0	94,200	2.6
Operating income	17,329	17,469	19,692	20,644	20,067	-2.8	19,900	-0.8
Ordinary income	17,011	18,680	20,266	21,376	20,926	-2.1	20,700	-1.1
Net income	871	7,176	12,602	13,118	13,381	2.0	13,200	-1.4

*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

■ Consolidated Financial summary (Graph)



Consolidated information

Consolidated income statements

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Net sales	90,252	89,857	92,696	98,397	100,485	2.1
Cost of sales	32,271	31,857	33,709	34,534	35,483	2.7
(Percentage of net sales)	35.7%	35.4%	36.4%	35.1%	35.3%	
Gross profit	57,981	58,000	58,986	63,863	65,001	1.8
(Percentage of net sales)	64.3%	64.6%	63.6%	64.9%	64.7%	
Selling, general and administrative expenses	45,284	43,474	40,003	42,868	44,589	4.0
(Percentage of net sales)	50.2%	48.4%	43.1%	43.6%	44.4%	
R&D expenses	12,719	11,853	12,619	13,971	13,663	-2.2
(Percentage of net sales)	14.1%	13.2%	13.6%	14.2%	13.6%	
Operating income	12,697	14,525	18,982	20,995	20,412	-2.8
(Percentage of net sales)	14.1%	16.2%	20.5%	21.3%	20.3%	
Non-operating income	1,269	2,908	803	1,024	1,138	11.2
Non-operating expenses	1,066	1,643	948	511	707	38.3
Ordinary income	12,899	15,790	18,837	21,507	20,843	-3.1
(Percentage of net sales)	14.3%	17.6%	20.3%	21.9%	20.7%	
Extraordinary gain	17	682	1,137	53	250	364.8
Extraordinary loss	2,969	2,698	1,538	1,219	55	-95.5
Income before income taxes	9,947	13,774	18,436	20,341	21,039	3.4
(Percentage of net sales)	11.0%	15.3%	19.9%	20.7%	20.9%	
Income taxes - current	463	8,750	6,446	7,999	7,902	-1.2
Income taxes - deferred	981	-1,297	966	-679	-10	98.4
Net income	8,502	6,321	11,022	13,022	13,147	1.0
(Percentage of net sales)	9.4%	7.0%	11.9%	13.2%	13.1%	

【Exchange rates】

(Yen)

Year ended March 31	2003	2004	2005	2006	2007	2008 Estimate
Exchange rate: US dollar	121.87	113.29	107.19	113.42	116.86	115.00
Euro	119.93	132.40	134.64	137.77	148.99	150.00

*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

■ Major change in net sales

[Prescription pharmaceuticals]

Domestic ophthalmic:

Sales increased by 71,272 million yen, or 0.1%, from the corresponding period of previous year due to the continuing diffusion promotion of provision of medical information grasped the unmet and evolving needs in each medical facility despite the impact of reduction of NHI prices.

Overseas ophthalmic:

Sales increased by 10,880 million yen, or 12.1%, from the corresponding period of previous year due to the increase in the sales in the Europe and Asia. The sales growth in Europe, especially North and East Europe and Germany comes from the continuing diffusion promotion of provision of medical information and the impact of currency exchange.

Anti-rheumatic drugs:

Sales increased by 9,379 million yen, or 3.7%, from the corresponding period of previous year due to the steady penetration to the market.

[OTC pharmaceuticals]

Sales increased by 5,307 million yen, or 1.1%, from the corresponding period of previous year due to the continuing sales promotion focused on the eye-drops for eyestrain, blur and exhilaration from the previous term.

[Medical devices]

Sales for medical devices decreased by 537 million yen, or -15.9%, from the corresponding period of previous year.

[Others]

Sales increased by 2,791 million yen, or 23.5%, from the corresponding period of previous year due to the increase in the contract manufacturing of Anti-infective otologics for the U.S.

■ Selling, general and administrative expenses

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Personnel expenses	12,084	11,313	11,109	11,195	12,197	9.0
Sales promotion expenses	4,253	4,201	3,057	3,662	3,944	7.7
Royalty expenses	2,173	2,279	2,113	2,058	2,203	7.1
Advertising expenses	2,218	1,948	1,616	1,623	1,807	11.3
R&D expenses	12,719	11,853	12,619	13,971	13,663	-2.2

■ Non-operating income and expenses

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Interest and dividend income	268	239	249	261	459	75.7
Gains on distribution of investment limited partnership	-	-	-	135	71	-47.4
Interest expense	480	365	182	93	90	-3.1
Amortization expenses of goodwill	287	317	322	330	357	8.1

■ Extraordinary gain and loss

(Millions of yen)

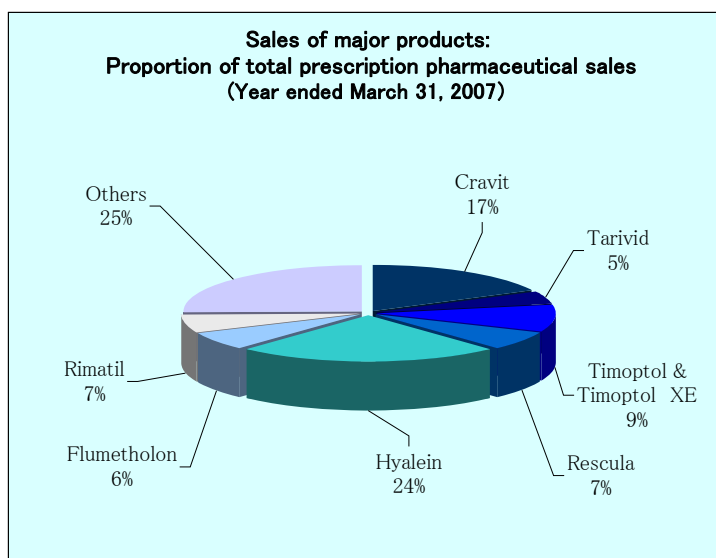
Year ended March 31	2003	2004	2005	2006	2007
Gain on sale of fixed assets	1	5	340	3	250
Gain on sale of investment securities	15	675	0	0	-
Gain and loss on change of retirement benefit scheme	-	-	316	-	-
Gain on establishment of retirement benefit trust	-	-	210	-	-
Gain on prior period adjustment	-	-	265	-	-
Loss on valuation of investment securities	601	200	50	-	-
Special premium payment incurred upon secession from pension fund	2,202	-	-	-	-
Retirement benefit for carrier development support	-	719	-	-	-
Loss on discontinued operation of affiliates	-	855	-	-	-
Restructuring change for U.S. business	-	386	440	-	-
Loss on impairment of fixed assets	-	376	823	909	-

Sales details

■ Sales of major prescription pharmaceuticals

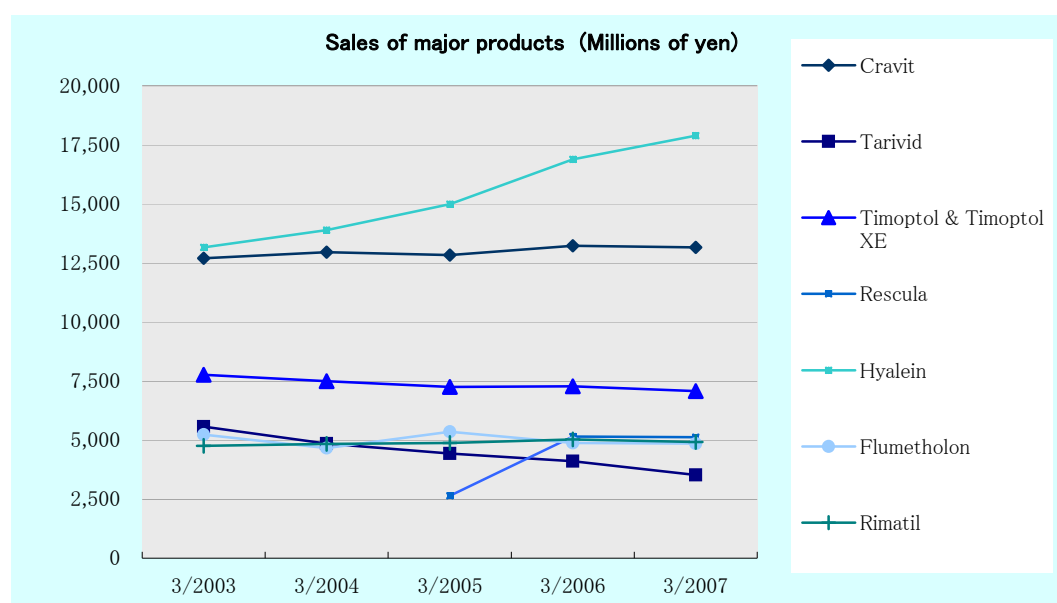
Therapeutic category	Generic name/formulation	Brand name	Region	Launched
Bacterial conjunctivitis	levofloxacin/ophthalmic solution	Cravit	Japan	Apr-00
	ofloxacin/ophthalmic solution	Tarivid	Japan	Sep-87
	timolol maleate/ophthalmic solution	Timoptol	Japan	Sep-81
Glaucoma	timolol maleate/ long-acting ophthalmic solution	Timoptol XE	Japan	Nov-99
	dipivefrine hydrochloride	Pivalephrine	Japan	Dec-88
	bunazosin hydrochloride	Detantol	Japan	Sep-01
	Isopropyl Unoprostone	Rescula ※	Japan	Oct-94
Allergy	levocabastine hydrochloride/ ophthalmic solution	Livostin	Japan	Jan-01
	pemirolast potassium/ophthalmic solution	Alegysal	Japan	Apr-95
Corneal disease	sodium hyaluronate/ophthalmic solution	Hyalein	Japan	Jun-95
Inflammation	fluorometholone/ophthalmic solution	Flumetholon	Japan	Oct-75
Early-stage senile cataract	pirenoxine/ophthalmic solution	Kary Uni	Japan	Jul-92
Adjuvant for ophthalmic operations	sodium hyaluronate/ adjuvant for ophthalmic operations	Opegan Hi	Japan	Jan-95
Perfusate/lotion	oxiglutatione/ophthalmic perfusate and lotion	BSS Plus	Japan	Jan-92
Rheumatoid arthritis	bucillamine/tablet	Rimatil	Japan	Sep-87
	salazosulfapyridine/enteric coated tablet	Azulfidine EN	Japan	Dec-95

※Rescula: This product, which was launched in October 1994, is to be sold by Santen Pharmaceutical Co., Ltd. in October 2004.



(Millions of yen)

Year ended March 31					Year ended March 31			Brand name
2003	2004	2005	2006	2007	% Change 2007/2006	2008 Estimate	% Change 2008/2007	
12,691	12,957	12,833	13,227	13,155	-0.5	12,218	-7.1	Cravit
5,566	4,847	4,429	4,100	3,524	-14.0	2,850	-19.1	Tarivid
5,289	4,846	4,415	4,210	3,816	-9.4	3,480	-8.8	Timoptol
2,477	2,654	2,837	3,072	3,258	6.1	3,293	1.1	Timoptol XE
628	472	394	324	284	-12.4	221	-22.1	Pivalephrine
1,498	1,917	2,155	2,226	2,288	2.8	2,283	-0.2	Detantol
-	-	2,645	5,152	5,127	-0.5	4,937	-3.7	Rescula
3,028	2,729	4,917	3,984	4,305	8.0	4,291	-0.3	Livostin
848	699	954	749	757	1.1	715	-5.6	Alegysal
13,156	13,893	14,987	16,879	17,891	6.0	20,002	11.8	Hyalein
5,234	4,658	5,354	4,879	4,854	-0.5	5,014	3.3	Flumetholon
3,326	3,295	3,220	3,341	3,465	3.7	3,507	1.2	Kary Uni
2,305	2,267	2,374	2,746	2,839	3.4	3,177	11.9	Opegan Hi
1,505	1,358	1,274	1,316	1,277	-3.0	1,270	-0.5	BSS Plus
4,751	4,836	4,881	5,033	4,912	-2.4	4,986	1.5	Rimatil
2,880	3,132	3,376	3,717	3,889	4.6	4,152	6.8	Azulfidine EN



■ Sales for JJVCI

(Millions of yen)

Year ended March 31					Year ended March 31		
2003	2004	2005	2006	2007	% Change 2007/2006	2008 Estimate	% Change 2008/2007
-	-	781	1,149	702	-38.8	950	35.3

*Prescription ophthalmic pharmaceuticals for U.S.A. changes a sales transfer in February, 2004.

*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

Sales details

■ Sales by division

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Prescription pharmaceuticals	79,345	80,061	84,298	90,251	91,849	1.8
Ophthalmic	71,122	71,744	75,624	80,922	82,152	1.5
Anti-rheumatic drugs	7,631	7,969	8,353	9,041	9,379	3.7
Other prescription pharmaceuticals	591	347	319	287	317	10.4
OTC pharmaceuticals	5,656	4,672	5,277	5,247	5,307	1.1
Medical devices	918	914	754	638	537	-15.9
Others	4,332	4,209	2,366	2,260	2,791	23.5
Total net sales	90,252	89,857	92,696	98,397	100,485	2.1

[Domestic]

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Prescription pharmaceuticals	72,010	70,868	76,895	80,308	80,743	0.5
Ophthalmic	64,009	62,717	68,383	71,215	71,272	0.1
Anti-rheumatic drugs	7,537	7,862	8,244	8,869	9,208	3.8
Other prescription pharmaceuticals	463	288	267	223	263	17.6
OTC pharmaceuticals	5,623	4,657	5,260	5,227	5,286	1.1
Medical devices	853	877	726	618	515	-16.6
Others	1,245	1,073	562	629	605	-3.8
Total domestic sales	79,732	77,477	83,446	86,784	87,152	0.4
(Percentage of total net sales)	88.3%	86.2%	90.0%	88.2%	86.7%	-

[Overseas]

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Prescription pharmaceuticals	7,335	9,193	7,402	9,942	11,105	11.7
Ophthalmic	7,112	9,027	7,241	9,706	10,880	12.1
Anti-rheumatic drugs	94	106	108	172	170	-0.9
Other prescription pharmaceuticals	128	58	52	64	54	-14.7
OTC pharmaceuticals	32	14	16	20	20	3.9
Medical devices	65	37	27	19	21	8.7
Others	3,086	3,135	1,803	1,631	2,185	34.0
Total overseas sales	10,519	12,380	9,250	11,613	13,333	14.8
(Percentage of total net sales)	11.7%	13.8%	10.0%	11.8%	13.3%	-

Breakdown by geographic segment



■ Breakdown by geographic segment

Year ended March 31		2003		2004		2005		2006		2007	
Net sales by geographic segment	Japan	81,857	90.7	79,338	88.3	85,837	92.6	89,881	91.3	90,695	90.3
	Europe	6,642	7.4	8,848	9.8	6,374	6.9	8,155	8.3	9,186	9.1
	Others	1,752	1.9	1,671	1.9	484	0.5	360	0.4	604	0.6
	Total	90,252	100.0	89,857	100.0	92,696	100.0	98,397	100.0	100,485	100.0
Operating expenses by geographic segment	Japan	61,865		60,004		64,216		68,244		70,093	
	Europe	11,442		12,603		8,148		9,192		10,234	
	Others	10,482		8,255		3,798		3,927		3,970	
	Total	83,790		80,863		76,162		81,364		84,298	
	Corporate and eliminations	-6,234		-5,531		-2,448		-3,961		-4,225	
	Consolidated total	77,555		75,332		73,713		77,402		80,073	
Operating income by geographic segment	Japan	20,652		20,351		22,169		22,623		21,768	
	Europe	-3,816		-2,599		-149		951		979	
	Others	-1,082		-548		-743		-708		-754	
	Total	15,753		17,204		21,276		22,866		21,993	
	Corporate and eliminations	-3,056		-2,678		-2,294		-1,871		-1,580	
	Consolidated total	12,697		14,525		18,982		20,995		20,412	

Europe: Finland, Germany and Sweden

Others: U.S.A., China, Korea and Taiwan

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

■ Overseas sales

Year ended March 31	2003		2004		2005		2006		2007	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Europe	3,505	33.3	4,370	35.3	4,794	51.8	6,089	52.4	6,916	51.9
North America	4,649	44.2	5,813	47.0	1,703	18.4	1,915	16.5	2,128	16.0
Others	2,364	22.5	2,196	17.7	2,752	29.8	3,608	31.1	4,287	32.1
Total	10,519	100.0	12,380	100.0	9,250	100.0	11,613	100.0	13,333	100.0

Europe: Finland, Russia, Sweden, Germany and Norway

North America: U.S.A. and Canada

Others: Asian countries

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

(Millions of yen)

March 31	2003		2004		2005		2006		2007	
		%		%		%		%		%
Current assets	83,431	56.7	91,230	60.7	82,735	59.1	93,892	62.4	100,820	63.4
Cash and deposits	23,136		33,629		23,948		34,583		34,295	
Notes and accounts receivable-trade	32,516		32,456		35,625		34,423		35,034	
Marketable securities	7,771		9,303		9,046		11,201		16,914	
Inventories	11,684		10,393		9,826		9,837		10,357	
Deferred tax assets	1,201		2,255		1,625		1,651		1,625	
Other current assets	7,262		3,448		2,681		2,196		2,593	
Allowance for doubtful receivables	-141		-256		-18		-1		-0	
Fixed assets	63,716	43.3	59,006	39.3	57,244	40.9	56,552	37.6	58,228	36.6
Tangible assets	40,850	27.8	37,237	24.8	32,676	23.3	30,395	20.2	30,485	19.2
Buildings and structures	20,351		20,577		18,826		17,119		16,063	
Machinery, equipment and vehicles	1,958		1,882		2,114		2,021		1,817	
Land	10,990		10,645		9,486		9,063		8,842	
Construction in progress	4,966		1,750		181		274		1,806	
Other tangibles	2,582		2,382		2,067		1,916		1,955	
Intangible assets	4,781	3.2	4,000	2.7	3,318	2.4	2,951	2.0	2,771	1.7
Goodwill	1,611		1,333		1,021		711		385	
Software	911		1,207		1,182		1,035		1,660	
Consolidation adjustments	0		0		0		0		0	
Other intangibles	2,256		1,458		1,113		1,204		726	
Investments and other assets	18,085	12.3	17,769	11.8	21,250	15.2	23,205	15.4	24,971	15.7
Investment securities	9,945		11,482		14,313		17,715		21,019	
Deferred tax assets	2,331		1,814		1,051		379		-	
Other assets	5,808		4,476		5,885		5,109		3,951	
Allowance for doubtful receivables	-0		-3		-		-		-	
Deferred assets	-	-	-	-	-	-	13	0.0	50	0.0
Total assets	147,147	100.0	150,237	100.0	139,979	100.0	150,458	100.0	159,098	100.0

【Major variances between March 31, 2006 and March 31, 2007】

- Marketable securities:** Due to the purchase of short-term financial products.
- Construction in progress:** Due to the construction starts of Suzhou Plant in Santen Pharmaceutical (China) Co., Ltd.
- Investment securities:** Due to the increase in fair value of investment securities.

■ Liabilities and net assets

(Millions of yen)

March 31	2003		2004		2005		2006		2007	
		%		%		%		%		%
Current liabilities	39,637	26.9	27,153	18.1	22,221	15.9	24,110	16.0	22,369	14.0
Accounts payable-trade	5,476		5,039		6,122		5,630		6,089	
Current portion of convertible bonds	19,945		-		-		-		-	
Current portion of long-term debt	416		416		268		168		168	
Other payables	9,117		8,853		8,577		9,308		8,572	
Income taxes payable	1		8,132		3,413		4,946		3,917	
Consumption taxes payable	283		566		475		468		337	
Reserve for bonuses	2,432		2,228		2,481		2,483		2,477	
Other reserves	741		650		199		81		67	
Other current liabilities	1,222		1,265		682		1,023		740	
Noncurrent liabilities	10,384	7.1	19,584	13.0	9,518	6.8	7,710	5.1	8,084	5.1
Long-term debt	2,686		12,270		6,614		5,446		5,278	
Other payables - long-term	86		84		636		381		131	
Retirement and severance benefits for employee	5,288		5,331		1,455		1,243		1,405	
Retirement and severance benefits for directors and auditors	465		441		402		462		513	
Deffered tax liabilities	32		26		23		20		426	
Other liabilities	1,825		1,429		386		155		329	
Total liabilities	50,021	34.0	46,737	31.1	31,740	22.7	31,820	21.1	30,453	19.1
Shareholders' equity	100,398	68.2	104,927	69.9	109,017	77.8	117,377	78.0	124,997	78.6
Common stock	6,214	4.2	6,214	4.1	6,247	4.5	6,319	4.2	6,382	4.0
Capital surplus reserves	6,908	4.7	6,908	4.6	6,942	4.9	7,014	4.7	7,077	4.5
Retained earnings	90,551	61.5	91,844	61.2	95,901	68.5	104,133	69.2	111,645	70.2
Treasury stock at cost	-3,276	-2.2	-40	-0.0	-74	-0.1	-90	-0.1	-106	-0.1
Valuation and translation adjustments	-3,272	-2.2	-1,427	-1.0	-777	-0.5	1,260	0.9	3,587	2.3
Unrealized holding gains on securities	293	0.2	1,426	0.9	2,048	1.5	3,995	2.7	5,202	3.3
Deffered hedging gain or loss	-	-	-	-	-	-	-	-	3	0.0
Foreign currency translation adjustments	-3,566	-2.4	-2,853	-1.9	-2,826	-2.0	-2,735	-1.8	-1,618	-1.0
Stock acquisition rights	-	-	-	-	-	-	-	-	59	0.0
Total net assets	97,125	66.0	103,499	68.9	108,239	77.3	118,637	78.9	128,645	80.9
Total liabilities and net assets	147,147	100.0	150,237	100.0	139,979	100.0	150,458	100.0	159,098	100.0

【Major variances between March 31, 2006 and March 31, 2007】

Unrealized holding gains on securities: Due to the increase in fair value of investment securities.

Consolidated statements of cash flows

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007
I. Cash flows from operating activities:					
Income before income taxes	9,947	13,774	18,436	20,341	21,039
Depreciation and amortization	4,311	4,521	4,749	4,824	4,761
Loss on impairment of fixed assets	-	376	823	909	-
Increase/decrease in retirement and severance benefits	132	43	-2,550	-212	160
Interest and dividend income	-268	-239	-249	-261	-459
Gains on insurance received	-	-1,712	-114	-74	-119
Interest expense	480	365	182	93	90
Increase/decrease in trade receivables	6,965	-315	-3,082	1,407	-414
Increase/decrease in inventories	647	1,342	594	-18	-356
Increase/decrease in trade accounts payable	660	-440	1,065	-495	400
Other, net	-753	1,045	-2,262	570	-1,820
Subtotal	22,122	18,761	17,592	27,085	23,282
Interest and dividend income received	140	232	246	265	460
Interest expense paid	-458	-328	-183	-95	-91
Insurance received	-	3,003	198	129	222
Income taxes paid	-5,996	-453	-11,235	-6,507	-8,914
Income taxes refunded	-	1,980	-	-	-
Net cash provided by operating activities	15,807	23,196	6,619	20,878	14,959
II. Cash flows from investing activities:					
Increase in fixed deposits	-1,251	-622	-1,548	-803	-1,223
Decrease in fixed deposits	1,810	915	2,904	1,041	553
Payments for acquisition of marketable securities	-4,000	-6,399	-4,499	-	-
Proceeds from sale of marketable securities	3,043	10,604	4,817	504	-
Payments for acquisition of fixed assets	-7,045	-3,225	-4,906	-2,106	-3,555
Proceeds from sale of fixed assets	-	3,770	2,488	29	600
Purchase of investment securities	-3,703	-510	-3,229	-57	-2,208
Proceeds from sale of investment securities	472	1,073	1,059	20	-
Other, net	723	-359	7	41	-13
Net cash provided by investing activities	-9,951	5,246	-2,907	-1,330	-5,845
III. Cash flows from financing activities:					
Proceeds from long-term debt	-	10,000	-	-	-
Repayment of long-term debt	-1,420	-416	-5,804	-1,268	-168
Redemption of convertible bonds	-	-19,945	-	-	-
Purchase of treasury stock	-3,273	-3	-2,582	-15	-16
Proceeds from sale of treasury stock	-	-	0	0	0
Dividends paid	-1,812	-1,758	-4,393	-4,759	-5,632
Other, net	-	-	68	143	126
Net cash provided by financing activities	-6,507	-12,122	-12,711	-5,900	-5,691
IV. Effect of exchange rate changes on cash and cash equivalents	84	49	-42	75	313
V. Net increase/decrease in cash and cash equivalents	-566	16,369	-9,042	13,723	3,736
VI. Cash and cash equivalents at beginning of year	25,619	25,053	41,422	32,380	46,104
VII. Cash and cash equivalents at end of year	25,053	41,422	32,380	46,104	49,841

Capital expenditures and number of employees

■ Capital expenditures

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	2008 Estimate
Consolidated	4,134	2,871	1,674	1,420	2,716	3,730
Non-consolidated	3,820	2,291	1,178	1,232	1,437	3,250

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

【Major items】

- Investment in plant construction in China
- Replacing and extending of production facilities
- Replacing of machinery for research and development

■ Depreciation and amortization

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	2008 Estimate
Manufacturing cost	1,549	1,626	1,613	1,546	1,494	1,790
Selling, general and administrative expenses	699	746	740	626	576	500
R&D expenses	1,224	1,499	1,312	1,157	1,212	1,070
Others	164	40	30	12	12	140
Consolidated	3,638	3,914	3,696	3,343	3,295	3,500
Non-consolidated	2,967	3,219	3,005	2,674	2,596	2,830

■ Lease expenses

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	2008 Estimate
Consolidated	675	784	1,012	1,104	1,064	970
Manufacturing cost	588	656	891	994	936	920
Non-consolidated	675	784	1,012	1,104	1,064	970

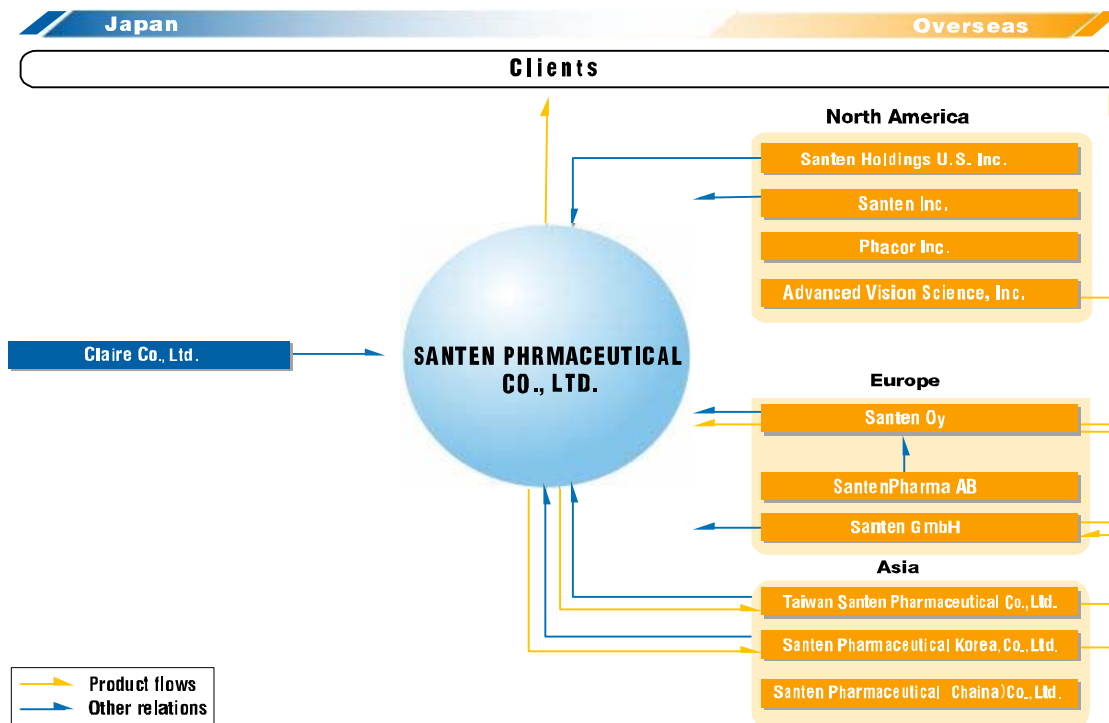
■ Number of employees

Year ended March 31	2003	2004	2005	2006	2007
Consolidated	2,500	2,335	2,308	2,312	2,409
Sales division	862	771	790	785	853
Production division	909	883	827	787	754
R&D division	485	455	460	483	533
Corporate or back-office division	244	226	231	257	269
Non-consolidated	1,740	1,694	1,691	1,695	1,764

*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

Affiliated companies

■ Santen group



■ Consolidated subsidiaries 【Domestic】

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

※The distribution operation and inventory management in western Japan area which Santen Distribution Co., Ltd. has operated have been outsourced to Hitachi Transport System, Ltd. since May 2006. And Santen Distribution Co., Ltd. has been liquidated in February 2007.

※Goyokigyō Co., Ltd. which has operated the real estate until June 2004 has been liquidated in March 2007.

【Overseas】

Santen Holdings U.S. Inc.					
Main business	Holding company for North American businesses				
Location	California, U.S.A.	Paid-in capital	24,784 thousand US\$	Equity owned	100%
Santen Inc.					
Main business	Clinical development of pharmaceuticals				
Location	California, U.S.A.	Paid-in capital	8,765 thousand US\$	Equity owned	100%*
Phacor Inc.					
Main business	—				
Location	California, U.S.A.	Paid-in capital	10 thousand US\$	Equity owned	100%*
Advanced Vision Science, Inc.					
Main business	Research and development of medical devices				
Location	California, U.S.A.	Paid-in capital	10 thousand US\$	Equity owned	100%*
Santen Oy					
Main business	Development, production and marketing of pharmaceuticals				
Location	Tampere, Finland	Paid-in capital	20,000 thousand euros	Equity owned	100%
SantenPharma AB					
Main business	Marketing support of pharmaceuticals				
Location	Stockholm, Sweden	Paid-in capital	500 thousand S.KR	Equity owned	100%
Santen GmbH					
Main business	Marketing of pharmaceuticals and business development				
Location	Germaring, Germany	Paid-in capital	25 thousand euros	Equity owned	100%
Taiwan Santen Pharmaceutical Co., Ltd.					
Main 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.					
Main business	Import and marketing of pharmaceuticals				
Location	Seoul, Korea	Paid-in capital	1,500,000 thousand won	Equity owned	100%
Santen Pharmaceutical (China) Co., Ltd.					
Main business	—				
Location	Suzhou, China	Paid-in capital	1,725 million yen	Equity owned	100%

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

Non-consolidated Information

Non-consolidated income statements

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Net sales	82,372	80,227	86,340	90,840	91,770	1.0
Cost of sales	28,901	27,653	29,964	30,798	31,265	1.5
(Percentage of net sales)	35.1%	34.5%	34.7%	33.9%	34.1%	
Gross profit	53,471	52,573	56,376	60,042	60,504	0.8
(Percentage of net sales)	64.9%	65.5%	65.3%	66.1%	65.9%	
Selling, general and administrative expenses	36,141	35,103	36,684	39,397	40,436	2.6
(Percentage of net sales)	43.9%	43.7%	42.5%	43.4%	44.0%	
R&D expenses	12,109	12,023	13,302	14,553	14,366	-1.3
(Percentage of net sales)	14.7%	15.0%	15.4%	16.0%	15.7%	
Operating income	17,329	17,469	19,692	20,644	20,067	-2.8
(Percentage of net sales)	21.0%	21.8%	22.8%	22.7%	21.9%	
Non-operating income	719	2,651	809	888	1,006	13.2
Non-operating expenses	1,037	1,439	234	156	147	-5.7
Ordinary income	17,011	18,680	20,266	21,376	20,926	-2.1
(Percentage of net sales)	20.7%	23.3%	23.5%	23.5%	22.8%	
Extraordinary gain	16	682	766	41	340	727.7
Extraordinary loss	14,728	5,058	1,080	1,035	92	-91.1
Income before income taxes	2,299	14,305	19,952	20,382	21,174	3.9
(Percentage of net sales)	2.8%	17.8%	23.1%	22.4%	23.1%	
Income taxes - current	442	8,662	6,362	7,987	7,829	-2.0
Income taxes - deferred	985	-1,533	987	-723	-35	95.0
Net income	871	7,176	12,602	13,118	13,381	2.0
(Percentage of net sales)	1.1%	8.9%	14.6%	14.4%	14.6%	

■ Selling, general and administrative expenses

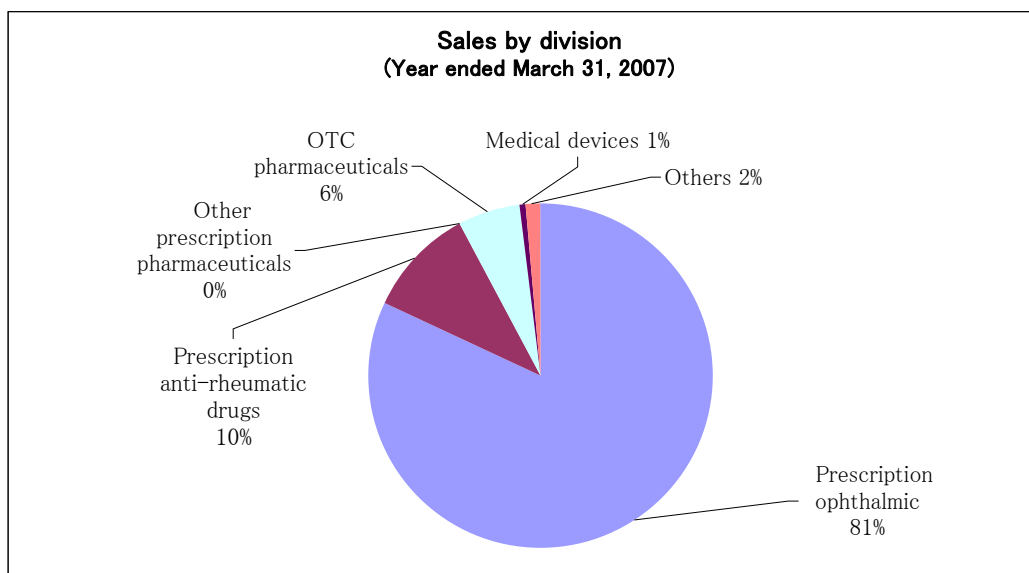
(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Personnel expenses	8,746	8,432	9,149	9,240	10,000	8.2
Sales promotion expenses	2,399	2,212	2,345	2,952	3,162	7.1
Royalty expenses	1,951	1,943	1,941	1,862	1,895	1.7
Advertising expenses	1,655	1,542	1,457	1,469	1,606	9.4
R&D expenses	12,109	12,023	13,302	14,553	14,366	-1.3

■ Sales by division

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Prescription pharmaceuticals	74,130	72,781	79,380	83,586	84,561	1.2
Ophthalmic	66,207	64,749	70,987	74,520	75,168	0.9
Anti-rheumatic drugs	7,631	7,969	8,353	9,041	9,379	3.7
Other prescription pharmaceuticals	291	62	40	24	14	-42.1
OTC pharmaceuticals	5,656	4,672	5,277	5,247	5,307	1.1
Medical devices	855	877	726	618	515	-16.6
Others	1,730	1,896	955	1,387	1,385	-0.2
Total net sales	82,372	80,227	86,340	90,840	91,770	1.0



■ Sales of merchandises and products

(Millions of yen)

Year ended March 31	2003	2004	2005	2006	2007	% Change 2007/2006
Sales of products	62,606	60,936	61,979	63,223	64,288	1.7
Sales of merchandises	19,765	19,290	24,360	27,616	27,481	-0.5
Total	82,372	80,227	86,340	90,840	91,770	1.0
Sales of products ratio (%)	76.0	75.9	71.8	69.6	70.1	-

Non-consolidated balance sheets

■ Assets

(Millions of yen)

March 31	2003		2004		2005		2006		2007	
		%		%		%		%		%
Current assets	75,794	51.3	84,293	56.1	78,075	54.7	88,004	57.4	92,143	57.2
Cash and deposits	18,353		28,577		21,924		31,655		29,315	
Notes and accounts receivable-trade	31,300		30,874		34,572		33,022		33,357	
Income taxes receivable	2,114		-		-		-		-	
Marketable securities	7,745		9,303		9,046		11,201		16,914	
Inventories	10,348		8,860		8,328		8,613		8,952	
Deferred tax assets	1,138		2,298		1,609		1,647		1,623	
Other current assets	4,934		4,657		2,612		1,864		1,980	
Allowance for doubtful receivables	-141		-258		-18		-0		-0	
Fixed assets	72,075	48.7	65,946	43.9	64,687	45.3	65,296	42.6	68,991	42.8
Tangible assets	36,304	24.5	32,660	21.7	28,459	19.9	26,489	17.3	25,434	15.8
Buildings and structures	17,887		18,289		16,483		14,854		13,653	
Machinery, equipment and vehicles	857		805		981		1,058		924	
Tools, furniture and fixtures	1,932		1,875		1,611		1,520		1,512	
Land	10,666		10,343		9,227		8,786		8,555	
Construction in progress	4,959		1,346		156		269		789	
Intangible assets	3,129	2.1	2,700	1.8	2,073	1.5	1,961	1.3	2,139	1.3
Patents	736		584		432		280		129	
Trademarks	839		717		596		477		357	
Goodwill	449		206		0		0		0	
Software	719		1,111		966		828		1,482	
Other intangibles	384		80		78		374		169	
Investments and other assets	32,641	22.1	30,585	20.4	34,154	23.9	36,845	24.0	41,417	25.7
Investment securities	10,819		11,425		14,309		17,711		21,014	
Investments in subsidiaries and affiliates	4,618		13,201		13,148		13,855		16,656	
Long-term loans	9,346		1		-		-		2	
Deferred tax assets	2,052		1,669		948		312		-	
Other assets	5,803		4,288		5,748		4,967		3,744	
Total assets	147,869	100.0	150,240	100.0	142,762	100.0	153,300	100.0	161,134	100.0

【Major variances between March 31, 2006 and March 31, 2007】

Marketable securities: Due to the purchase of short-term financial products.

Investment securities: Due to the increase in fair value of investment securities.

■ Liabilities and net assets

(Millions of yen)

March 31	2003		2004		2005		2006		2007	
		%		%		%		%		%
Current liabilities	38,055	25.7	24,337	16.2	20,686	14.5	22,573	14.7	20,882	13.0
Accounts payable-trade	5,122		4,436		5,469		5,115		5,442	
Current portion of convertible bonds	19,945		-		-		-		-	
Current portion of long-term debt	416		416		268		168		168	
Other payables	9,449		8,228		8,732		9,672		8,824	
Income taxes payable	-		8,075		3,372		4,910		3,884	
Consumption taxes payable	275		556		460		465		335	
Reserves	2,609		2,458		2,237		2,070		2,100	
Other current liabilities	237		165		145		172		127	
Noncurrent liabilities	9,530	6.5	19,102	12.7	8,983	6.3	7,231	4.7	7,632	4.7
Long-term debt	2,686		12,270		6,614		5,446		5,278	
Retirement and severance benefits	5,724		5,744		1,823		1,520		1,391	
Other liabilities	1,120		1,088		546		265		963	
Total liabilities	47,586	32.2	43,440	28.9	29,670	20.8	29,804	19.4	28,515	17.7
Shareholders' equity	99,989	67.6	105,373	70.2	111,043	77.8	119,499	78.0	127,353	79.1
Common stock	6,214	4.2	6,214	4.1	6,247	4.4	6,319	4.1	6,382	4.0
Capital surplus reserves	6,908	4.6	6,908	4.6	6,942	4.9	7,014	4.6	7,077	4.4
Additional paid-in capital	6,908		6,908		6,942		7,013		7,076	
Other capital surplus reserves	-		-		0		0		0	
Retained earnings	90,143	61.0	92,291	61.5	97,927	68.6	106,256	69.3	114,001	70.7
Earnings reserve	1,551		1,551		1,551		1,551		1,551	
Reserve for retirement benefits	372		372		372		372		372	
Special depreciation reserve	180		325		294		301		259	
General reserve	84,109		84,109		84,109		89,109		89,109	
Retained earnings carried forward	3,930		5,933		11,600		14,922		22,708	
Treasury stock at cost	-3,276	-2.2	-40	-0.0	-74	-0.1	-90	-0.0	-106	-0.0
Valuation and translation adjustments	293	0.2	1,426	0.9	2,048	1.4	3,995	2.6	5,206	3.2
Unrealized holding gains on securities	293	0.2	1,426	0.9	2,048	1.4	3,995	2.6	5,202	3.2
Deffered hedging gain or loss	-	-	-	-	-	-	-	-	3	0.0
Stock acquisition rights	-	-	-	-	-	-	-	-	59	0.0
Total net assets	100,283	67.8	106,800	71.1	113,092	79.2	123,495	80.6	132,619	82.3
Total liabilities and net assets	147,869	100.0	150,240	100.0	142,762	100.0	153,300	100.0	161,134	100.0

【Major variances between March 31, 2006 and March 31, 2007】
Unrealized holding gains on securities: Due to the increase in fair value of investment securities.

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (Clinical studies)

Generic name	Brand name/dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Levofloxacin (0.5%)	Cravit	Bacterial conjunctivitis	Daiichi Sankyo	Japan						Apr-00
	Quixin			USA						Nov-00
	Oftaquin			Europe						May-02
Levofloxacin + prednisolone A	DE-094	Infectious keratitis	Daiichi Sankyo	USA						

Characteristics: Fluoroquinolone antibacterial agent. Levofloxacin + prednisolone A is a combination treatment with steroids.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Tafluprost	DE-085	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Japan				Jul-06		
				Europe				Apr-07		
				USA						

Characteristics: Prostaglandin glaucoma treatment for ocular hypertension. In Japan, a comparison study demonstrated its non-inferiority to latanoprost and we filed for manufacturing and marketing approval for glaucoma and ocular hypertension. In Europe, applied for approval in April, 2007 based on the results of 1) the sub-analysis of the comparison study demonstrated its non-inferiority to latanoprost although it did not demonstrate its non-inferiority to latanoprost for the primary analysis, and 2) another comparison study demonstrated non-inferiority to timolol maleate ophthalmic solution. In the USA, we will decide our future development plan based on the study results and marketability.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Diquafosol tetrasodium	DE-089	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Inspire Pharm.	Japan						

Characteristics: A treatment for corneal and conjunctival epithelial disorder associated with dry eye, etc. that stimulates the ocular surface to secrete tear fluid and moisture. Expected to be used in combination with existing dry eye treatments.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Olmесartan	DE-092	Glaucoma/ Ocular hypertension	Daiichi Sankyo	Japan USA/Europe		In preparation for pilot study				

Characteristics: The angiotensin II receptor antagonist. In Japan, Europe and the USA, the Phase II studies did not demonstrate clear dose-response relationship, and therefore we decided to suspend clinical studies. We are now preparing for the phase II pilot study with different formulation.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Lomerizine HCL	DE-090	Glaucoma	Nippon Organon	Japan						

Characteristics: A new type of oral glaucoma treatment studied for inhibiting the progression of visual field defects. The only calcium antagonist in full-fledged development as a glaucoma treatment. Compared with NMDA receptor antagonists, fewer generalized side effects are expected, thus having excellent safety. Marketed by Nippon Organon as a migraine drug.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-096	Rheumatoid arthritis	Original	Japan						
		Diabetes Macular Edema		Japan						

Characteristics: An oral TNF inhibitor. Anti-rheumatic effect comparable to injectable biological agents. In addition to RA, the effect on DME was also observed in basic research, and the phase II studies are being conducted with both diseases.

Generic name	Dev. code	Indication	Original/licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Gefarnate	DE-099	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Original	Japan						

Characteristics: Treats corneal and conjunctival epithelial disorder mostly associated with dry eye, by stimulating the secretion of mucin and promoting the corneal epithelial migration. Preservative-free eye ointment that can be used in combination with existing drugs.

Generic name (USA)	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Rivoglitazone	DE-101	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Daiichi Sankyo	USA						

Characteristics: It is expected to show a potent effect on corneal and conjunctival epithelial disorders by directly acting on the corneal and conjunctival epithelial cells. It has an action mechanism which differs from any other existing treatment or drug candidate in development. The compound is currently under development by Daiichi Sankyo as an oral anti-diabetic in the USA.

Generic name (USA)	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-102	Diabetes Macular Edema	Co-development with Oakwood (USA)	Japan		(Phase I / IIa)				

Characteristics: A steroid microsphere product for a sustained release injectable drug delivery. Demonstrated sustained efficacy when injected around the affected area. In order to produce sterile microsphere in commercial scale, we collaborate with Oakwood Laboratories (USA).

Generic name (USA)	Dev. code	Indication	Original/in-licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-104	Glaucoma/ Ocular hypertension	Co-development with Ube Industries	USA						

Characteristics: A ROCK inhibitor co-development with Ube Industries for treatment of glaucoma and ocular hypertension which has a different action mechanism from other existing drugs. It is expected to show a strong IOP-reduction by promoting aqueous humor outflow by acting directly on trabecular cells.

*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (In preparation for clinical trials)

Generic name	Brand name	Indication	Original/in-licensor
Bucillamine	Rimatil	Osteoarthritis (additional indication)	Original

Characteristics: Shown to be effective on joint inflammation caused by osteoarthritis.

Generic name	Dev. code	Indication	Original/in-licensor
(Undetermined)	DE-103	Allergic conjunctivitis	Ono Pharmaceutical

Characteristics: A PDE4 (Phosphodiesterase type 4) inhibitor for allergic conjunctivitis which has a different action mechanism from the existing drugs. Expected to be effective for allergic conjunctivitis through its inhibitory effect against PDE4.

■ Medical Device

Product under development	Product name	Region
Intraocular lens	MD-14	Japan and USA

Characteristics: Foldable intraocular lens using acrylic material with high refractive index. Developed by U.S. subsidiary Advanced Vision Science, Inc. Approved in October, 2006 in Japan. Preparing for NDA filing in USA.

■ License out

Dev. code	Indication	Licensee	Status	in-licensor
DE-098 (Anti-APO-1 antibody)	Rheumatoid arthritis	Argenes	Phase I / IIa	Centocor

Characteristics: Joint injection that induces apoptosis in diseased joints of rheumatoid arthritis patients. Bulk pharmaceutical manufacturing process for actual production scale has been established. Santen granted the domestic development rights to Argenes, Inc. The compound had been in-licensed from Centocor. In Europe, the clinical study has been started. Santen continues to hold the marketing rights in Japan and the overseas marketing and development rights.

■ Changes from November 1, 2006

[Progress]

Dev. code	Indication	Status change	Clinical trial, NDA filing, Launch Region
DE-085	Glaucoma/ ocular hypertension	In preparation for NDA filing to NDA filed	Europe
DE-099	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	In preparation for Phase II to Phase II	Japan
DE-101	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Phase I to Phase II	USA
DE-102	Diabetes Macular Edema	In preparation for clinical trials to Phase I / IIa	Japan
DE-104	Glaucoma/ ocular hypertension	In preparation for clinical trials to Phase I	USA
DE-098	Rheumatoid arthritis	In preparation for clinical trials to Phase I / IIa	Europe

*Forecasts in this report are based on the currently available information. Actual results may differ materially depending on a number of factors including adverse economic conditions etc.

Pharmaceutical market in Japan

■ Revision of National Health Insurance (NHI) drug prices

(%)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Industry average	-	-6.8	-4.4	-9.7	-	-7.0	-	-6.3	-	-4.2	-	-6.7	-
Ophthalmic drugs	-	-3.5	-1.8	-7.5	-	-6.2	-	-6.0	-	-2.7	-	-5.5	-
Santen	-	-2.6	-1.3	-7.2	-	-5.7	-	-6.0	-	-3.2	-	-5.3	-

(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 Increased contribution for insured employees (10% to 20%) Revision of the Insurance Law for Seniors 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 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 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	2003	Increased contribution for insured employees (20% to 30%)
April	2006	Revision of the prescription form from the standpoint of attempting environmental considerations of the generic use promotion
October	2006	Increased contribution for seniors (from the age of 70) who have a certain amount of income (20% to 30%)

■ Market shares

(Billions of yen)

Year ended March 31	2003	2004	2005	2006	2007
Prescription ophthalmics	38.9%	39.0%	39.6%	40.9%	39.7%
	195.8	194.7	207.7	213.1	214.4
Anti-rheumatic drugs	42.1%	42.5%	42.9%	45.2%	46.3%
	21.1	22.2	23.3	23.8	23.2

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

- Anti-rheumatic drugs exclude immunosuppressants and biologic agents.

Copyright IMS Japan KK, 2007

Source: Santen analysis based on IMS data

Period: 2002-2007; Unauthorized copy prohibited

■ Market shares by therapeutic area - prescription ophthalmics

(Billions of yen)

Year ended March 31	2003	2004	2005	2006	2007
Anti-glaucoma	17.3%	16.7%	20.0%	23.2%	22.1%
	69.0	71.7	74.9	79.0	79.9
Anti-infective	80.9%	81.0%	80.3%	78.3%	76.1%
	27.6	26.9	26.5	26.7	25.9
Anti-allergy	17.5%	20.7%	22.4%	24.8%	24.3%
	25.0	20.8	28.4	24.6	24.7
Agents for surgeries	39.6%	39.1%	41.0%	42.6%	42.8%
	14.8	14.5	13.6	14.4	14.1
Corneal disease treatments	85.4%	82.4%	81.0%	80.7%	79.3%
	18.8	21.0	23.0	25.5	26.4
Anti-cataract	53.3%	55.4%	57.4%	60.3%	62.6%
	7.7	7.1	6.8	6.5	6.3
Corticosteroids	53.1%	51.6%	52.8%	52.6%	51.4%
	11.4	10.9	11.5	11.2	10.8

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

Copyright IMS Japan KK, 2007

Source: Santen analysis based on IMS data

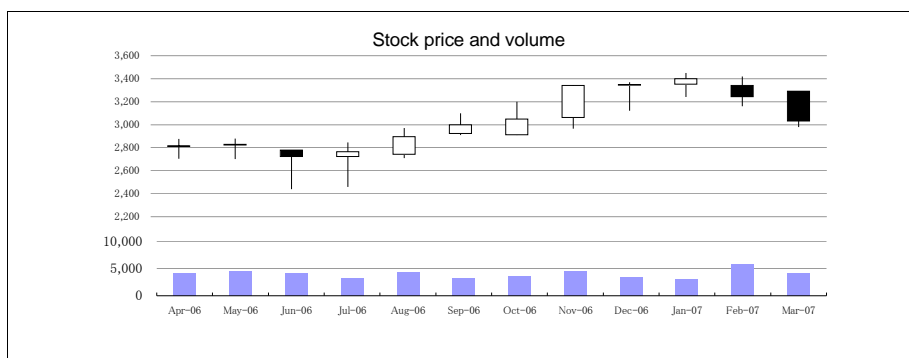
Period: 2002-2007; Unauthorized copy prohibited

Stock information

■ Stock price (Osaka Securities Exchange 1st market)

(Yen and thousand shares)

	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Stock price:												
Open	2,810	2,830	2,780	2,720	2,740	2,920	2,910	3,060	3,340	3,350	3,340	3,290
High	2,875	2,880	2,780	2,845	2,970	3,100	3,200	3,340	3,370	3,450	3,420	3,290
Low	2,705	2,700	2,440	2,460	2,710	2,910	2,910	2,965	3,120	3,240	3,160	2,980
End of month	2,815	2,820	2,720	2,765	2,895	3,000	3,050	3,340	3,350	3,400	3,240	3,030
Volume	4,103	4,537	4,166	3,321	4,276	3,243	3,559	4,596	3,335	2,946	5,777	4,116



■ Major shareholders

As of March 31, 2007

Name	Number of shares held	Percentage of investment
	Thousand shares	%
Japan Trustee Service Bank, Ltd.	6,335	7.3
Northern Trust CO. (AVFC) Sub-account American Clients	5,660	6.5
Mita Sangyo Co., Ltd.	4,756	5.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,296	5.0
Japan master Trust and Banking Co., Ltd.	3,824	4.4
Nippon Life Insurance Company	2,961	3.4
The Tokio Marine and Nichido Fire Insurance Co., Ltd.	2,668	3.1
Trust and Custody Services Bank, Ltd.	2,360	2.7
Northern Trust CO. AVFC Re U.S. tax exempted Pension Funds	2,321	2.7
Mitsubishi UFJ Trust and Banking Corporation	1,924	2.2

■ Shares and stock option

Year ended March 31	2001	2002	2003	2004	2005	2006	2007
Number of shares outstanding (thousand shares)	92,720	90,704	90,704	87,963	86,658	86,751	86,825
Stock option balance (thousand shares)	199	243	335	472.6	504.3	541	569.6
Granted in June 1998 - 106 thousand shares at 1,540 yen/share	73	62	62	62	35	27	24
Granted in June 1999 - 66 thousand shares at 2,480 yen/share	66	66	66	66	66	57.3	48
Granted in June 2000 - 60 thousand shares at 2,705 yen/share	60	60	60	60	60	58	48.2
Granted in June 2001 - 55 thousand shares at 2,299 yen/share	-	55	55	55	55	42.6	38.6
Granted in June 2002 - 92 thousand shares at 1,326 yen/share	-	-	92	92	72.5	53.7	32.1
Granted in June 2003 - 137.6 thousand shares at 1,176 yen/share	-	-	-	137.6	137.6	95	72.9
Granted in June 2004 - 78.2 thousand shares at 1,743 yen/share	-	-	-	-	78.2	78.2	73.9
Granted in June 2005 - 129.2 thousand shares at 2,480 yen/share	-	-	-	-	-	129.2	129.2
Granted in June 2006 - 102.7 thousand shares at 2,715 yen/share	-	-	-	-	-	-	102.7

■ Extinguishment of Treasury stock

	2003	2004	2005	2006	2007
An extinguished amount of money (millions of yen)	-	3,239	2,548	-	-
The number of the extinguished stocks (thousand shares)	-	2,741	1,351	-	-

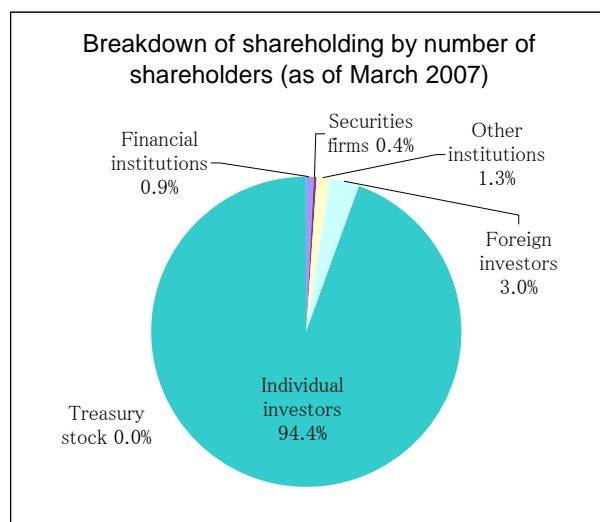
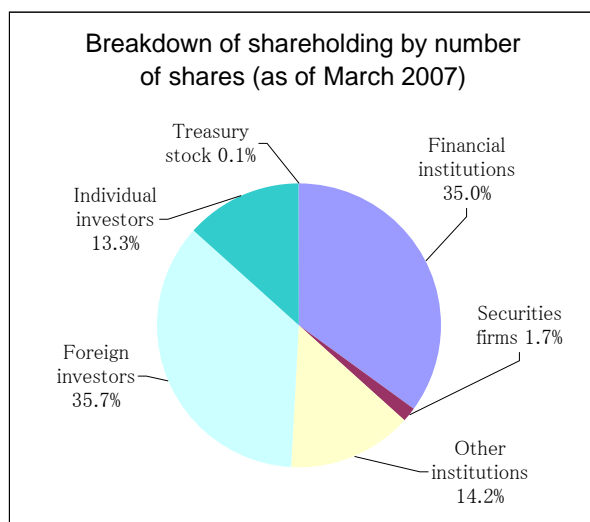
■ Breakdown of shareholding by number of shares

Year ended March 31	2003		2004		2005		2006		2007	
	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)
Financial institutions	36,302	40.0	30,740	34.9	28,423	32.8	29,514	34.0	30,366	35.0
City & regional banks	6,660	7.3	5,428	6.2	4,636	5.3	4,659	5.4	4,628	5.3
Trust banks	19,018	21.0	16,201	18.4	15,768	18.2	16,577	19.1	17,049	19.6
(concerned in trust works)	15,743		13,422		13,022		14,039		14,538	
Life and non-life insurance	10,414	11.5	9,007	10.2	7,973	9.2	8,004	9.2	8,470	9.8
Other financial institutions	208	0.2	103	0.1	45	0.1	274	0.3	217	0.3
Securities firms	293	0.3	368	0.4	346	0.4	865	1.0	1,486	1.7
Other institutions	10,555	11.6	10,512	12.0	11,788	13.6	11,823	13.6	12,375	14.2
Foreign investors	24,580	27.1	31,306	35.6	32,874	38.0	31,519	36.3	31,024	35.7
Individual investors	16,200	17.9	15,001	17.1	13,187	15.2	12,985	15.0	11,521	13.3
Treasury stock	2,771	3.1	33	0.0	39	0.0	45	0.1	50	0.1
Total	90,704	100.0	87,963	100.0	86,658	100.0	86,751	100.0	86,825	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

Year ended March 31	2003		2004		2005		2006		2007	
	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)
Financial institutions	98	1.2	83	1.0	91	1.1	107	0.8	88	0.9
City & regional banks	8	0.1	7	0.1	9	0.1	10	0.1	7	0.1
Trust banks	55	0.7	46	0.6	47	0.6	52	0.4	44	0.4
Life and non-life insurance	29	0.3	27	0.3	31	0.4	32	0.2	26	0.3
Other financial institutions	6	0.1	3	0.0	4	0.0	13	0.1	11	0.1
Securities firms	28	0.4	28	0.4	28	0.3	31	0.2	37	0.4
Other institutions	134	1.7	130	1.7	128	1.5	236	1.7	133	1.3
Foreign investors	119	1.5	122	1.5	172	2.0	255	1.9	306	3.0
Individual investors	7,493	95.2	7,498	95.4	8,089	95.1	12,927	95.4	9,451	94.4
Treasury stock	1	0.0	1	0.0	1	0.0	1	0.0	1	0.0
Total	7,873	100.0	7,862	100.0	8,509	100.0	13,557	100.0	10,016	100.0



News releases

News releases during April 2006-March 2007

For details, please refer to our Web site (<http://www.santen.com>).

(Date) (Summary)

2006

14-Apr Announcement of Change of Representative Directors

At the meeting of the Board of Directors held on June 27, 2006, Takakazu Morita was elected as Representative Director, Chairman and Chief Executive Officer; and Akira Kurokawa as Representative Director, President and Chief Operating Officer. They all assumed their offices.

9-May Joint Development of ROCK Inhibitor for Glaucoma and Ocular Hypertension Drug Candidate

Santen and Ube Industries, Ltd. reached a basic agreement to jointly develop ROCK inhibitor (development code: DE-104) as an agent for glaucoma and ocular hypertension, for which they discovered an application possibility for ophthalmic treatment in joint research. DE-104 is considered to have a different action mechanism from any other existing anti-glaucoma agents. And it is expected to show potent intraocular pressure lowering effect by facilitating aqueous humor outflow from the main route among multiple routes.

**9-May Santen Issues Stock Acquisition Rights to the Directors
Santen Issues Stock Acquisition Rights to the Corporate Officers**

Santen's Board of Directors adopted a resolution to issue rights to subscribe for new shares without consideration to Santen's directors and corporate officers. The resolution was approved at the 94th Annual General Meeting of Shareholders held on June 27, 2006.

25-Jul 2006-2010 Medium-term Management Plan

Santen formulated its five-year management plan for the period FY2006 to 2010. The basic policies of the Plan are to develop new drug candidates and to generate growth in promising regions by leveraging Santen's strength in global development. As a step to become a leading global ophthalmic company in the coming decade, Santen will actively address the following goals during the medium-term management plan: enhancement of the global strategic product pipeline; growth in Japan as well as in Northern/Eastern Europe, Russia and China; and a focus on clinical and business development in the U.S.

1-Aug Santen Files for Manufacturing and Marketing Approval for its Glaucoma and Ocular Hypertension Drug Candidate DE-085 (INN: Tafluprost)

Santen applied manufacturing and marketing approval for its glaucoma and ocular hypertension treatment DE-085 (INN: Tafluprost) on July 31, 2006. DE-085 is a novel prostaglandin drug candidate being studied for the reduction of intraocular pressure in primary open angle glaucoma and ocular hypertension which is under co-development by Santen and Asahi Glass Co., Ltd. Santen is conducting pharmaceutical and clinical development, while Asahi Glass is responsible for manufacturing development of the active pharmaceutical ingredient. DE-085 demonstrated a potent and stable inter ocular pressure lowering effect by promoting uveoscleral outflow in a Phase III studies conducted in Japan.

25-Sep Santen to Launch OTC Eye Drops Sante Medical 10

Santen launched the new OTC eye drop Sante Medical 10, which focused on visual fatigue relief in response to 90% of the eye drop users needs, on October 10, 2006. Sante Medical 10 contains 10 active ingredients formulated to relieve visual fatigue for overworked eyes, and is highly effective against eye fatigue symptoms by improving the ciliary muscle that controls focus adjustment and by stimulating the eye metabolism.

News releases during April 2006-March 2007

(Date) (Summary)

13-Nov Santen Launches Sante AL Cool II

Santen launched Sante AL Cool II, a reformulated eye drop of former Sante AL Cool on November 17, 2006. *Sante AL Cool II* contains a well-balanced combination of active ingredients effective for itchy and red eyes associated with allergies.

2007

30-Jan "Pollen" Information Service through Mobile Phone

Santen started the new information services of "forecasting pollen count" through the mobile phones in Japan, named "Muzukayu Mobile Kafun Jyohoshitsu" during the season of hay fever.

27-Feb Santen Announces Proposed Dividends Change

Returning profits to shareholders has been an issue of key importance for Santen. Santen seeks to return profits commensurate with performance, while maintaining capital efficiency and keeping a sound and flexible finance position that will allow us to pursue product acquisition, licensing and alliance activities and to build up sufficient retained earnings to fund our long-term growth strategy. Taking the current status of shareholders' equity and our forecast performance of the year ending March 2007 into account, Santen will propose a year-end dividend of 35yen to the company's 95th Annual General Meeting of Shareholders which will be held in June 2007. The new forecast year-end dividend of 35yen will be an increase of 5yen per share over the former forecast, making an annual total dividend of 65yen per share.

