



FY2007 First Quarter Results Investor Conference Call

August 1, 2007

Santen Pharmaceutical Co., Ltd.



FY2007 First Quarter Consolidated Financial Results

Chief Financial Officer
Yoshihiro Noutsuka



Consolidated Performance Summary

(Billions of yen)

| | FY2006 | FY2007 | | |
|------------------|-----------|-----------|--------|----------|
| | Q1 Actual | Q1 Actual | Change | % Change |
| Net Sales | 25.9 | 26.5 | 0.6 | 2.0 % |
| Operating Profit | 6.2 | 5.9 | -0.3 | -4.6 % |
| Ordinary Profit | 6.3 | 6.2 | -0.1 | -1.5 % |
| Net Income | 4.1 | 3.8 | -0.3 | -5.9 % |



Net Sales by Business Segment/Overseas Sales

Net Sales by Business Segment

(Billions of yen)

| | FY2007 Q1 | | | | | |
|------------------------------|-----------|---------|----------|---------|-------|---------|
| | Japan | | Overseas | | Total | |
| | Sales | Change | Sales | Change | Sales | Change |
| Prescription Pharmaceuticals | 20.84 | -0.8 % | 3.67 | 26.3 % | 24.52 | 2.5 % |
| Ophthalmic | 18.33 | -0.4 % | 3.60 | 28.5 % | 21.94 | 3.4 % |
| Anti-rheumatic | 2.46 | -3.1 % | 0.06 | -24.2 % | 2.52 | -3.8 % |
| Others | 0.05 | -10.7 % | 0 | -72.3 % | 0.05 | -25.3 % |
| OTC Pharmaceuticals | 1.26 | 0.9 % | 0 | -49.2 % | 1.26 | 0.7 % |
| Medical Devices | 0.11 | -18.2 % | 0.01 | 158.3 % | 0.13 | -13.0 % |
| Others | 1.4 | 29.4 % | 0.45 | -17.8 % | 0.60 | -9.6 % |
| Total | 22.38 | -0.7 % | 4.14 | 19.4 % | 26.52 | 2.0 % |

Overseas Sales

(Billions of yen)

| | FY2006 Q1 Actual | FY2007 | | |
|---------------|---------------------|-----------|--------|----------|
| | | Q1 Actual | Change | % Change |
| Europe | 1.92 | 2.25 | 0.33 | 17.2 % |
| North America | 0.50 | 0.38 | -0.12 | -24.1 % |
| Asia | - | 1.50 | 1.50 | - % |
| Others | 1.04 | 0 | -1.04 | - % |
| Total | 3.47 | 4.14 | 0.67 | 19.4 % |



Consolidated Net Sales: Variances

(Billions of yen)

FY2006
Q1
Net Sales
25.99 billion yen

+ 0.53 billion yen

FY2007
Q1
Net Sales
26.52 billion yen

Japan **- 0.14**
[Increase]
+ OTC eye drops + 0.01
+ Others + 0.03
[Decrease]
+ Prescription ophthalmics - 0.08
+ RA drugs - 0.07
+ Medical devices - 0.02

Overseas **+ 0.67**
[Increase]
+ Europe + 0.33
+ Asia + 0.48
- China + 0.29
- Korea + 0.13
[Decrease]
+ North America -0.12
+ Others - 0.01

Prescription ophthalmics in Japan
+ Anti-infective -0.28
+ Corneal disease +0.25
+ Glaucoma -0.04
+ Allergy -0.09
+ Adjuvant for ophthalmic operations
OPEGAN +0.1
+ Others -0.02

Europe
+ Prescription Ophthalmics + 0.35
- Russia + 0.11
- Germany + 0.05
- Finland + 0.07
+ Contract manufacturing & Others
- 0.02

North America
+ Prescription Ophthalmics -0.05
+ Contract manufacturing & Ohters
-0.07



Summary of Changes in Income Statements (1)

(Billions of yen)

| | FY2006 Q1 Actual | FY2007 | | Major changes |
|---|---------------------|---------------|------------------|---|
| | | Q1 Actual | Change | |
| Net sales | 25.9 | 26.5 | 0.6 | |
| Cost of sales (% of net sales) | 9.0 34.8% | 9.4 35.5% | 0.4 0.7 ppt | <ul style="list-style-type: none"> • Decrease operating rate (+0.2ppt) • Increase fixed cost (+0.4ppt) • EU Subsidiaries (+0.1ppt) |
| Selling, General and administration expense (% of net sales) | 10.7 41.3% | 11.1 42.2% | 0.4 0.9 ppt | |
| SGA expenses excl. R&D (% of net sales) | 7.2 27.9% | 8.0 30.3% | 0.8 2.4 ppt | <ul style="list-style-type: none"> • Japan Sales & Marketing expenses increased (+0.2 billion yen) • Asia Sales & Marketing expenses increased (+0.2 billion yen) • EU Sales & Marketing expenses increased (+0.2 billion yen) |
| R&D expenses (% of net sales) | 3.4 13.4% | 3.1 11.8% | -0.3 -1.6 ppt | <ul style="list-style-type: none"> • Decrease in glaucoma treatment (-0.25 billion yen) |
| Operating income (% of net sales) | 6.2 23.9% | 5.9 22.3% | -0.3 -1.6 ppt | |

| < Exchange rate > | | |
|-------------------|------------|-----------|
| | FY2006 | FY2007 |
| | Q1 | Q1 |
| US\$ | 114.40 yen | 120.69yen |
| Euro | 142.52 yen | 160.23yen |



Summary of Changes in Income Statements (2)

(Billions of yen)

| | FY2006 Q1 Actual | FY2007 | | Major items |
|------------------------------|---------------------|-----------|--------|---|
| | | Q1 Actual | Change | |
| Non-operating income/expense | 0.1 | 0.3 | 0.2 | |
| Non-operating income | 0.3 | 0.3 | 0 | [FY06] Interest income (0.1billion) Receipt of matured insurance (0.1billion) [FY07] Interest income (0.2 billion) Receipt of matured insurance (0.1billion) |
| Non-operating expenses | 0.2 | 0.0 | -0.2 | [FY06] Currency expense income (0.1billion) |
| Ordinary income | 6.3 | 6.2 | -0.1 | |
| Extraordinary gain/loss | 0.2 | 0 | -0.2 | |
| Extraordinary gain | 0.2 | 0 | -0.2 | [FY06] Gain o sales of fixed assets (0.2billion) |
| Extraordinary loss | 0 | 0 | 0 | |
| Net income before tax | 6.5 | 6.1 | -0.4 | |
| Income taxes | 2.4 | 2.3 | -0.1 | Tax rate [FY06] 36.8% [FY07] 37.2% |
| Net income | 4.1 | 3.8 | -0.3 | |

< Exchange rate >

| | FY2006 | FY2007 |
|------|------------|-----------|
| | Q1 | Q1 |
| US\$ | 114.40 yen | 120.69yen |
| Euro | 142.52 yen | 160.23yen |



Performance by Geographic Segment

【 Net sales 】 (Billions of yen)

| | FY2006 Q1 Actual | FY2007 | |
|---------------------|---------------------|-------------|------------|
| | | Q1 Actual | Change |
| Japan | 23.3 | 23.7 | 0.4 |
| Europe | 2.4 | 2.6 | 0.2 |
| Europe | 1.9 | 2.2 | 0.3 |
| USA | 0.5 | 0.3 | -0.2 |
| Others ¹ | 0.1 | 0.1 | 0 |
| Total | 25.9 | 26.5 | 0.6 |

【 Operating Income 】 (Billions of yen)

| | FY2006 Q1 Actual | FY2007 | |
|---------------------|---------------------|------------|-------------|
| | | Q1 Actual | Change |
| Japan | 6.2 | 6.3 | 0.1 |
| Europe | 0.3 | 0.3 | 0 |
| Europe | 0.1 | 0.1 | 0 |
| USA | 0.2 | 0.1 | -0.1 |
| Others ¹ | 0 | -0.2 | -0.2 |
| Elimination | -0.3 | -0.5 | -0.2 |
| Total | 6.2 | 5.9 | -0.3 |

¹ "Others" are the U.S., China, Taiwan and Korea. Details of major sales and expenses of "Others" are noted below.
 Sales: Prescription pharmaceuticals in Taiwan and Korea
 Expenses: R&D expenses for medical devices in the U.S..
 Note: Sales by geographic region differ from overseas sales (i.e. sales by destination)



Balance Sheets

(Billions of yen)

| | FY2006 | | FY2007/Q1 | | |
|----------------------------------|--------|------------|-----------|------------|--------|
| | Actual | % of total | Actual | % of total | Change |
| Current assets | 100.8 | 63.4 % | 99.3 | 63.5 % | -1.5 |
| Fixed assets | 58.2 | 36.6 % | 56.9 | 36.4 % | -1.3 |
| Total assets | 159.0 | 100.0 % | 156.3 | 100.0 % | -2.7 |
| Current liabilities | 22.3 | 14.0 % | 19.1 | 12.3 % | -3.2 |
| Fixed liabilities | 8.0 | 5.1 % | 7.8 | 5.0 % | -0.2 |
| Total liabilities | 30.4 | 19.1 % | 26.9 | 17.3 % | -3.5 |
| Total net assets | 128.6 | 80.9 % | 129.4 | 82.7 % | 0.8 |
| Total liabilities and net assets | 159.0 | 100.0 % | 156.3 | 100.0 % | -2.7 |

【Major changes】

Current assets: [Increase] Notes receivable and accounts receivable +1.9billion yen
[Decrease] Cash and deposits -0.9billion yen, Marketable securities -1.4billion yen,
Inventories -0.3billion yen, Deferred tax assets -0.6billion yen

Fixed assets: Investment securities -0.7billion yen, Investments and other assets -0.2billion yen

Current liabilities: [Increase] Othercurrent liabilities 0.6billion yen
[Decrease] Account payable-trade -0.9billion yen, Income taxes payable -1.9billion yen,
Reserve for bonuses -1.2billion yen

Net assets: [Increase] Net income +3.8billion yen
[Decrease] Cash dividends -3.0billion yen



Summary of Cash Flows

(Billions of yen)

| | FY2007 Q1 Actual | Major changes |
|--|---------------------|---|
| Cash and cash equivalent beginning of fiscal year | 49.8 | |
| Net increase/decrease in cash and cash equivalent | -0.7 | |
| Cash flows from operating activities | 1.2 | <ul style="list-style-type: none"> · Income before income taxes 6.1 · Depreciation and amortization 1.1 · Income taxes paid -3.6 · Increase in trade receivables -1.9 |
| Cash flows from investing activities | 0.7 | <ul style="list-style-type: none"> · Decrease in fixed deposits 0.6 · Proceeds from sale of marketable securities 1.0 · Purchase of property and equipment -0.8 |
| Cash flows from financing activities | -2.9 | <ul style="list-style-type: none"> · Cash dividends paid -2.8 |
| Effect of exchange rate changes | 0.2 | |
| Cash and cash equivalents, end of Q1 | 49.0 | |

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



Capital Expenditures / Depreciation and Amortization / Lease Expenses

(Billions of yen)

| | FY2006 | FY2007 | |
|-------------------------------|-----------|-----------|--------|
| | Q1 Actual | Q1 Actual | Change |
| Capital Expenditures | 0.8 | 0.3 | -0.5 |
| Depreciation and Amortization | 0.7 | 0.7 | 0 |
| Lease Expenses | 0.2 | 0.2 | 0 |

FY2007/ Q1 major item

Capital expenditures: Replacing production facilities of Noto manufacturing plant



Status of Clinical Development

Toshiaki Nishihata, Ph.D.
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Head of Research and Development Division



Status of major clinical studies (Glaucoma, Ocular hypertension)

| Code | Region | Stage | Remarks |
|--------|--------|--|---------------------------------|
| DE-085 | Japan | Applied for manufacturing and marketing approval | Applied in July 2006 |
| | Europe | Applied for manufacturing and marketing approval | Applied in April 2007 |
| DE-092 | Europe | P2 pilot study | Generic name: Olmesartan |
| DE-090 | Japan | P2 | Generic name: Lomerizine HCL |
| DE-104 | USA | P1 | ROCK inhibitor |



Status of major clinical studies

(Corneal and conjunctival epithelial disorders associated with dry eye)

| Code | Region | Stage | Remarks |
|---------------|---------------|--------------|------------------------------------|
| DE-089 | Japan | P3 | To be filed in Q3/FY2008 |
| DE-099 | Japan | P2 | Generic name: Gefarnate |
| DE-101 | USA | P2 | Generic name: Rivoglitazone |



Status of major clinical studies: Others

| Code | Region | Indication | Stage | Remarks |
|--------|--------|-------------------------|-------|----------------|
| DE-096 | Japan | Rheumatoid arthritis | P2 | TNF inhibitor |
| | | Diabetes Macular Edema | P2 | |
| DE-102 | Japan | Diabetes Macular Edema | P1/2a | Steroid D D S |
| DE-103 | Japan | Allergic conjunctivitis | P1 | PDE4 inhibitor |