



FY2008
Third Quarter Results

February 5, 2009
Santen Pharmaceutical Co., Ltd.



FY2008 Third Quarter Consolidated Financial Results

Head of Administration Division
Satoshi Harada



Performance Overview of FY2008 3Q

(billions of yen)

	FY2007 3Q Actual	FY2008 3Q Actual	Var. %
Net Sales	79.2	77.8	- 1.9%
Operating Income	16.6	11.4	- 31.1%*
Ordinary Income	17.0	12.3	- 27.8%*
Net Income	10.7	7.7	- 28.4%*

*A revision of performance forecast was made as of June 10, 2008, due to an increase of R&D expense of DE-109 (Sirolimus) as an initial upfront payment by 5.3 billion yen for the collaboration and license agreement with MacuSight Inc. as of June 2, 2008.



Net Sales by Business Segment / Overseas Sales

■ Sales by Business Segment

(billions of yen)

	FY2008 3Q					
	Domestic		Overseas		Total	
	Actual	Var. %	Actual	Var. %	Actual	Var. %
Prescription Pharmaceuticals	62.63	- 1.0 %	9.78	- 2.6 %	72.41	- 1.2 %
Ophthalmics	54.91	- 1.2 %	9.69	- 2.3 %	64.60	- 1.4 %
Anti-rheumatics	7.49	- 0.2 %	0.06	- 40.7 %	7.56	- 0.8 %
Others	0.22	19.6 %	0.02	67.7 %	0.24	23.0 %
OTC Drugs	4.01	- 4.9 %	0.00	- 54.6 %	4.02	- 5.1 %
Medical Devices	0.41	33.7 %	—	—	0.41	28.0 %
Others	0.37	- 16.4 %	0.58	- 39.1 %	0.95	- 31.9 %
Total	67.43	- 1.2 %	10.37	- 6.0 %	77.81	- 1.9 %

■ Overseas Sales

(billions of yen)

	FY2007 3Q Actual	FY2008 3Q		
		Actual	Var.	Var. %
Europe	6.31	6.69	0.38	6.1 %
U.S.	1.19	0.60	- 0.59	- 49.1 %
Asia	3.51	3.06	- 0.45	- 12.7 %
Others	0.01	0.00	- 0.01	- 79.5 %
Total	11.02	10.37	- 0.65	- 6.0 %



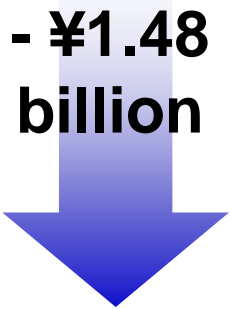
Net Sales: Variances (vs. FY2007 3Q)

**FY2007
3Q**

**Net Sales
(Actual)**

¥79.29 billion

**- ¥1.48
billion**



**FY2008
3Q**

**Net Sales
(Actual)**

¥77.81 billion

Japan -¥0.83 billion

- Prescription Ophthalmics - ¥0.67 billion
- RA drugs - ¥0.02 billion
- OTC drugs - ¥0.21 billion
- Medical devices + ¥0.10 billion

Outside Japan - ¥0.65 billion

- Europe + ¥0.38 billion
(exchange impact: - ¥0.31 billion)
- U.S. - ¥0.59 billion
(exchange impact: - ¥0.02 billion)
- Asia - ¥0.45 billion

Prescription Ophthalmics (Japan)

- Anti-glaucoma - ¥0.12 billion
(Tapros: +0.76 billion)
- Corneal Disease + ¥0.57 billion
- Anti-infection - ¥0.68 billion
- Anti-allergy - ¥0.19 billion
- Others - ¥0.25 billion

Europe

- Prescription Ophthalmics + ¥0.40 billion
 - East Europe + ¥0.16 billion
 - Germany + ¥0.11 billion
 - Russia + ¥0.16 billion
- Contract Manufacturing, etc. - ¥0.01 billion

United States

- Prescription Ophthalmics - ¥0.22 billion
- Contract Manufacturing, etc. - ¥0.36 billion

Summary of Changes in Income Statement

(billions of yen)

	FY2007	FY2008		Major Changes	FY2008 Outlook
	3Q Actual	3Q Actual	Var.		
Net Sales	79.2	77.8	- 1.4	(Stated in the previous page)	104.0
Cost of Sales (% of net sales)	27.8 35.1%	27.0 34.8%	- 0.8 - 0.3pt	- Change in product mix (-0.6%) - Impact by NHI drug price change (+0.5%)	36.3 34.9 %
SGA Total (% of net sales)	34.7 43.9%	39.2 50.4%	4.5 6.5pt		52.6 50.6 %
SGA excluding R&D (% of net sales)	25.0 31.6%	24.1 31.0%	- 0.9 - 0.6pt	- Japan: Selling expense decrease (-¥0.3 bn.) - Europe/U.S.: Selling expense decrease (-¥0.5 bn.)	33.2 31.9 %
R&D Expense (% of net sales)	9.7 12.3%	15.1 19.4%	5.4 7.1pt	- Expense increase in Retina (+¥5.1 bn.)	19.4 18.7 %
Operating Income (% of net sales)	16.6 21.0%	11.4 14.8%	- 5.2 - 6.2pt		15.1 14.5 %
Non-operating Income or Loss	0.4	0.8	0.4		0.5
Non-operating Income	0.9	1.4	0.5		0.8
Non-operating Expense	0.5	0.6	0.1		0.3
Ordinary Income	17.0	12.3	- 4.7		15.6
Extraordinary Gain or Loss	0.2	0.0	- 0.2		0.0
Extraordinary Gain	0.2	0.0	- 0.2		0.0
Extraordinary Loss	0.0	0.0	0.0		0.0
Net Income before Tax	17.2	12.3	- 4.9		15.6
Income Taxes	6.5	4.6	- 1.9	Tax rate: 37.6% (FY07 3Q), 37.4% (FY08 3Q)	5.8
Net Income	10.7	7.7	- 3.0		9.8

Exchange Rates FY2007 3Q Actual FY2008 3Q Actual

US\$ JPY 117.37 JPY 103.05

Euro JPY 162.33 JPY 155.00

Performance by Geographic Segment

■ Net Sales to External Customers

(billions of yen)

	FY2007 3Q Actual	FY2008 3Q	
		Actual	Var.
Japan	71.1	69.8	- 1.3
Europe & U.S.	7.5	7.4	- 0.1
Europe	6.4	6.8	0.4
U.S.	1.1	0.6	- 0.5
Others*	0.5	0.5	±0.0
Total	79.2	77.8	- 1.4

■ Operating Income

(billions of yen)

	FY2007 3Q Actual	FY2008 3Q	
		Actual	Var.
Japan	18.3	13.2	- 5.1
Europe & U.S.	0.4	0.3	- 0.1
Europe	0.0	0.2	0.2
U.S.	0.5	0.0	- 0.5
Others*	- 0.5	- 0.2	0.3
Elimination	- 1.4	- 1.8	- 0.4
Total	16.6	11.4	- 5.2

* "Others" are U.S. Korea and Taiwan. Details of major sales and expenses of "Others" are noted below.

- Sales: Prescription pharmaceuticals in Korea and Taiwan

- 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 Sheet

(billions of yen)

	As of End-March, 2008		As of End-December, 2008		
	Actual	% of Total	Actual	% of Total	Var.
Current Assets	102.7	65.6 %	95.4	64.3 %	- 7.3
Fixed Assets	53.5	34.2 %	53.0	35.7 %	- 0.5
Deferred Assets	0.2	0.2 %	-	-	- 0.2
Total Assets	156.5	100.0 %	148.4	100.0 %	- 8.1
Current Liabilities	26.5	17.0 %	21.0	14.2 %	- 5.5
Non-current Liabilities	2.8	1.8 %	3.1	2.1 %	0.3
Total Liabilities	29.4	18.8 %	24.2	16.3 %	- 5.2
Total Net Assets	127.1	81.2 %	124.2	83.7 %	- 2.9
Total Liabilities/Net Assets	156.5	100.0 %	148.4	100.0 %	- 8.1

Major Changes (billions of yen)

- Current Assets: Cash and deposits -2.6, Securities -4.6
- Current Liabilities: Other payables +3.2, Current portion of long-term debts -5.0, Income taxes payable -2.5, Allowance for bonus -1.2
- Net Assets: Retained earnings +0.9, Unrealized gains on securities -1.3, Foreign currency translation adjustments -2.5

Summary of Cash Flows

(billions of yen)

	FY2008 3Q Actual
Cash and cash equivalents at the beginning of the year	51.6
Net increase/decrease in cash and cash equivalents	- 8.4
Cash flows from operating activities	7.2
Cash flows from investing activities	- 3.2
Cash flows from financial activities	- 11.7
Effect of exchange rate changes on cash and cash equivalents	- 0.7
Cash and cash equivalents at the end of the year	43.1

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



Capital Expenditures / Depreciation & Amortization / Lease Expenses

(billions of yen)

	FY2007 3Q Actual	FY2008 3Q	
		Actual	Var.
Capital Expenditures	2.2	2.4	0.2
Depreciation and Amortization	2.4	2.5	0.1
Lease	0.7	0.7	±0.0

Major Capital Expenditures for FY2008 3Q

- Plant construction in China: ¥0.4 billion
- The 3rd phase of Nara R&D Center construction: ¥1.2 billion



FY2008 Third Quarter Status of Clinical Development

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



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

Global strategic Product

Global Product

Japan (Asia) Product

Domain	Phase I	Phase II	Phase III	NDA Filed	Approved
Glaucoma		DE-104 ROCK inhibitor	China	DE-085 Tafluprost Korea	Japan Europe
		DE-092 Olmesartan			
Corneal Disease (Dry Eye)	DE-105 Combination of peptides	DE-101 Rivoglitazone		DE-089 Diquafosol sodium	
Retinal Disease		DE-109 Sirolimus			
		DE-102 Steroid DDS			
Others Inflammation, Allergy, RA		DE-103 PDE4 inhibitor	DE-108 Levofloxacin		
		DE-098 Apoptosis inducer			

Status of Major Drug Candidate (DE-085)

- **DE-085** *Tapros* in Japan, *Taflotan* in Europe (**Glaucoma, Ocular hypertension**)

Region	Development Stage		Remarks
	As of Feb. 5, 2009	As of Nov. 7, 2008 (Previous announcement)	
Japan	Launched (December 2008 -)	Approved (October 16, 2008)	Filed in July 2006
Europe	Launched* (June 2008 -)	Launched (June 2008 -)	Approved (April 2008 -)
Asia	Korea: Filed China: P3	Korea: Filed China: P3	Korea: Filed in Nov. 2007

* : Launched in Germany, Denmark, Finland, Sweden (countries underlined were added from 2Q of fiscal 2008)

U.S.	Deciding the possibility of NDA filing after detailed study of its marketability
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Status of Major Drug Candidate (DE-089)

- **DE-089** (Corneal and conjunctival epithelial disorders associated with dry eye)

Region	Development Stage		Remarks
	As of Feb. 5, 2009	As of Nov. 7, 2008 (Previous announcement)	
Japan	Filed	Filed	Generic name: Diquafosol sodium Filed in May 2008



Status of Major Pipeline - Glaucoma, Ocular hypertension -

- DE-092

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan U.S. Europe	Discontinued	P2 Pilot Study	Generic name: Olmesartan

- DE-090

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan	P2	P2	Generic name: Lomerizine HCl

- DE-104

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
U.S.	P2	P2	ROCK inhibitor
Japan	P2	P2	

Status of Major Pipeline - Corneal disease -

- **DE-101** (Corneal and conjunctival epithelial disorders associated with dry eye)

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
U.S.	P2	P2	Generic name: Rivoglitazone
Japan	P2	P2	

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

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan U.S.	Preparing P2	P1	Combination of peptides



Status of Major Pipeline - Retinal Disease -

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

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan	P1 / 2a	P1 / 2a	Steroid DDS

- **DE-109*** (Wet age related macular degeneration, diabetic macular edema)

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan	Preparing P1 / 2a	Preparing P1 / 2a	Generic name: Sirolimus

* Santen made a research and development collaboration and license agreement with MacuSight Inc. for the Japanese and Asian development and commercialization of sirolimus for the treatment of ocular diseases.



Status of Major Pipeline - Others -

- **DE-103 (Allergic conjunctivitis)**

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan	Discontinued	P2	PDE4 inhibitor

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

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan	P3	Preparing P3	higher-concentration Levofloxacin

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

Region	Development Stage		Remarks
	As of Feb.5, 2009	As of Nov.7, 2008 (Previous announcement)	
Japan	P1 / 2a	P1 / 2a	Anti-APO-1 antibody
Europe	P1 / 2a	P1 / 2a	

* Domestic development rights was licensed to Argenes, Inc. Domestic marketing rights and oversea development and marketing rights belong to Santen.



Forward-Looking Statements

- Information given in this announcement and accompanying documentation contains certain forward-looking statements concerning forecasts, projections and plans whose realization is subject to risk and uncertainty from a variety of sources. Actual results may differ significantly from forecasts.
- Business performance and financial condition are subject to the effects of medical regulatory changes made by the governments of Japan and other nations concerning medical insurance, drug pricing and other systems, and to fluctuations in market variables such as interest rates and foreign exchange rates.
- The process of drug research and development from discovery to final approval and sales is long, complex and uncertain. Individual compounds are subject to a multitude of uncertainties, including the termination of clinical development at various stages and the non-approval of products after a regulatory filing has been submitted. Forecasts and projections concerning new products take into account assumptions concerning the development pipelines of other companies and any co-promotion agreements, existing or planned. The success or failure of such agreements could affect business performance and financial condition significantly.
- Business performance and financial conditions could be affected significantly by a substantial drop in sales of a major drug, either currently marketed or expected to be launched, due to termination of sales as a result of factors such as patent expiry and complications, product defects or unforeseen side effects. Santen Pharmaceutical also sells numerous products under sales and/or manufacturing license from other companies. Business performance could be affected significantly by changes in the terms and conditions of agreements and/or the non-renewal of agreements.
- Santen Pharmaceutical is reliant on specific companies for supplies of certain raw materials used in production. Business performance could be affected significantly by the suspension or termination of supplies of such raw materials if such an event were to adversely affect supply capabilities for related final products.



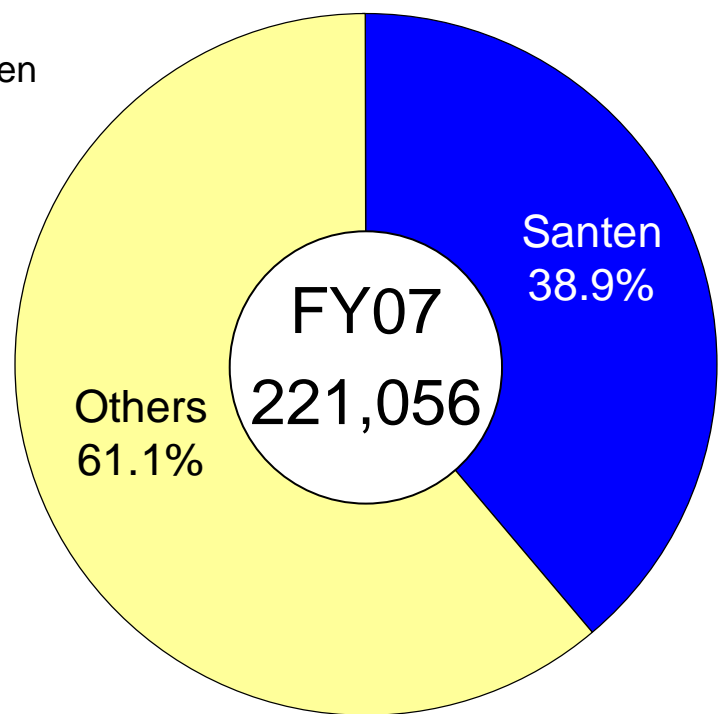
Reference:
Market Overview of
Prescription Pharmaceuticals in Japan
(Ophthalmics / Anti-rheumatics)



Trend & Competition by Category (Ophthalmics Total)

- Santen owns number one position with around 40% value share.
- Santen maintains the share level of FY07 by 38.9% in FY08 3Q YTD, and the latest monthly share achieved 39.8% in December 2008.

Market Size: millions of yen
%: Value Share



Source: ©2009 IMS Japan
IMS-JPM 2005-08

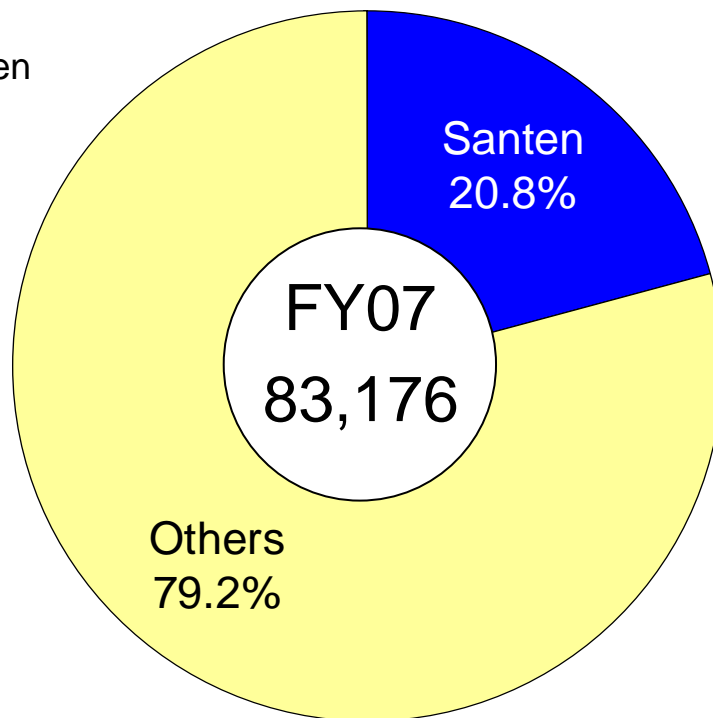
		FY05	FY06	FY07	FY08 3QYTD	(Reference) Dec. 2008	
Santen Value Share		40.9%	39.7%	38.9%	38.9%	39.8%	
Growth Rate vs. year-ago	Santen Value	+6.1%	-2.2%	+0.8%	-0.6%	+6.0%	
	Market	Value	+2.6%	+0.6%	+3.1%	+1.3%	+5.3%
		Volume	-1.0%	+2.1%	+0.2%	+1.5%	+4.9%



Trend & Competition by Category (Glaucoma)

- Glaucoma is the largest category in ophthalmics, together with 1.9% value growth in FY08 3Q YTD.
- While Santien is currently the second largest, the monthly share in December 2008 achieved 23.6% together with the new product TAPROS launched in that month.

Market Size: millions of yen
%: Value Share



*Santien:
Timoptol, Timoptol XE,
Rescula, Detantol, etc.

Source: ©2009 IMS Japan
IMS-JPM 2005-08

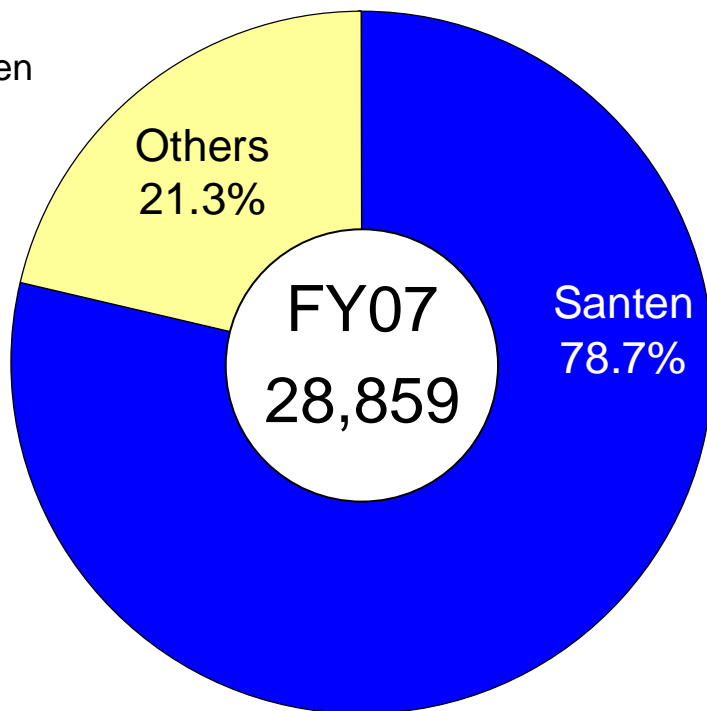
		FY05	FY06	FY07	FY08 3QYTD	(Reference) Dec. 2008	
Santien Value Share		23.2%	22.1%	20.8%	20.1%	23.6%	
Growth Rate vs. year-ago	Santien Value	+22.0%	-3.6%	-2.1%	-3.0%	+23.2%	
	Market	Value	+5.5%	+1.1%	+4.0%	+1.9%	+8.0%
		Volume	+2.2%	+4.4%	+1.2%	+2.5%	+6.9%



Trend & Competition by Category (Cornea: Dry Eye)

- Dry eye is one of the highest potential category by ¥30 billion size with 6.3% growth in 3Q YTD.
- For Santen, it is the strongest category in competition, with over 75% share and 4.9% growth.

Market Size: millions of yen
%: Value Share



*Santen:
Hyalein, etc.

Source: ©2009 IMS Japan
IMS-JPM 2005-08

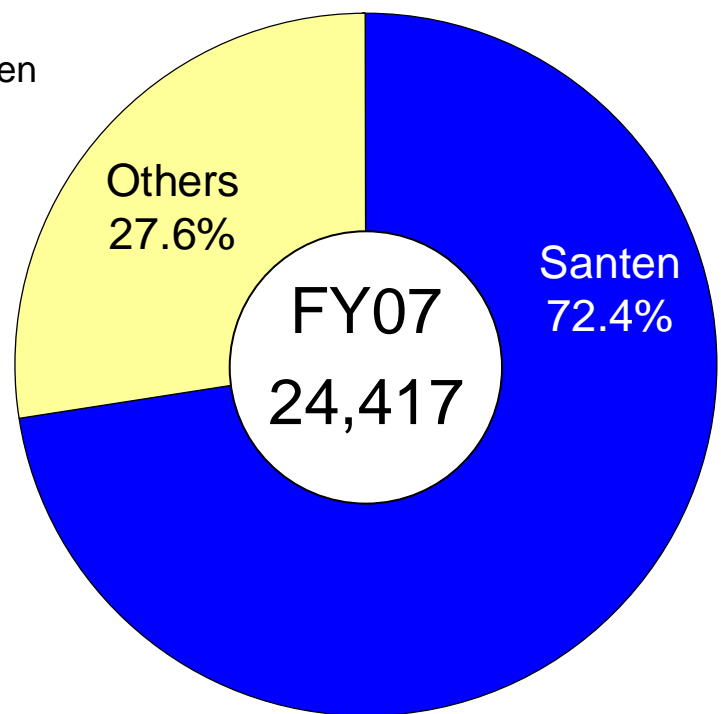
		FY05	FY06	FY07	FY08 3QYTD	(Reference) Dec. 2008	
Santen Value Share		80.7%	79.3%	78.7%	77.8%	77.9%	
Growth Rate vs. year-ago	Santen Value	+10.3%	+1.9%	+8.1%	+4.9%	+5.9%	
	Market	Value	+10.7%	+3.6%	+9.0%	+6.3%	+7.7%
		Volume	+8.4%	+6.8%	+7.2%	+8.4%	+11.1%



Trend & Competition by Category (Anti-infection)

- Market size is around ¥25 billion. Value growth in 3Q YTD is slightly in declining trend by -2.9%.
- For Santen, it is another strongest category in competition, with 70% market share.

Market Size: millions of yen
%: Value Share



*Santen:
Cravit, Tarivid, etc.

Source: ©2009 IMS Japan
IMS-JPM 2005-08

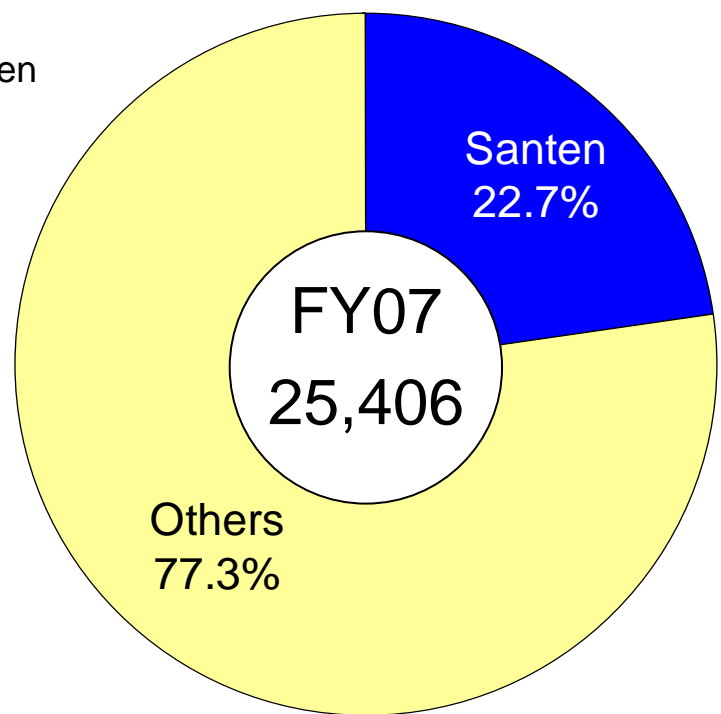
		FY05	FY06	FY07	FY08 3QYTD	(Reference) Dec. 2008	
Santen Value Share		77.4%	75.1%	72.4%	70.9%	69.8%	
Growth Rate vs. year-ago	Santen Value	-2.5%	-6.0%	-4.9%	-5.0%	-3.1%	
	Market	Value	+0.5%	-3.1%	-1.3%	-2.9%	-1.9%
		Volume	-1.2%	+0.9%	-3.3%	-0.6%	+0.4%



Trend & Competition by Category (Anti-allergy)

- Market size is ¥25 billion. Recent value growth in 3Q YTD is +2.6%, while it tends to fluctuate depending on the heaviness of the pollen count in every spring.
- Santen maintains the strongest position while the competition with new products is getting tougher.

Market Size: millions of yen
%: Value Share



*Santen:
Livostin, Alegysal

Source: ©2009 IMS Japan
IMS-JPM 2005-08

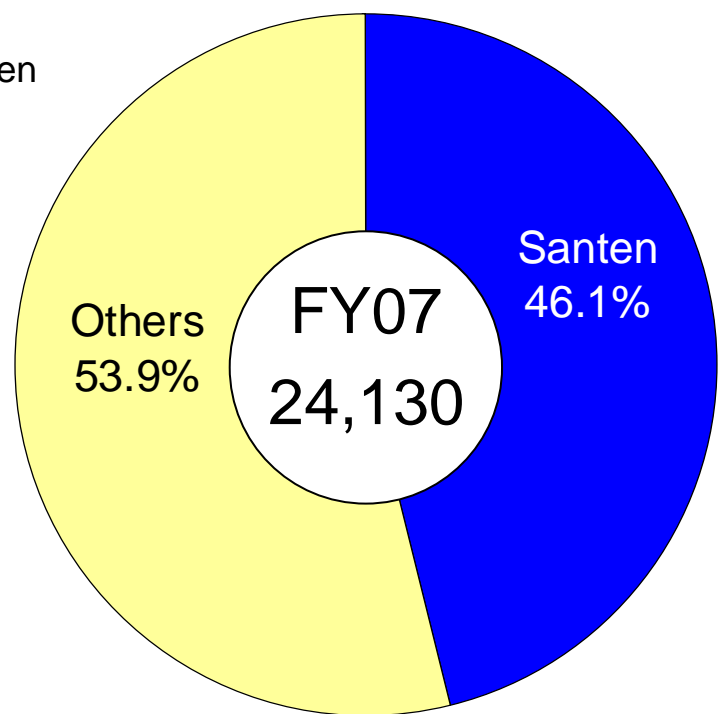
		FY05	FY06	FY07	FY08 3QYTD	(Reference) Dec. 2008	
Santen Value Share		24.8%	24.3%	22.7%	23.6%	22.0%	
Growth Rate vs. year-ago	Santen Value	-3.9%	-1.7%	-4.0%	-2.0%	-10.9%	
	Market	Value	-13.2%	+0.3%	+2.6%	+2.6%	+0.6%
		Volume	-12.9%	+6.5%	+1.0%	+6.3%	+4.5%



Trend & Competition by Category (RA: DMARDs*)

- Market size of DMARDs, one of the most common drugs in anti-RA market, is ¥24 billion with +1.9% growth in 3Q YTD.
- Santen is the strongest with 45% value share in DMARDs category, led by the three products which all have the “recommended level A” authorized by the guideline of RA society.

Market Size: millions of yen
%: Value Share



*DMARDs:
Disease Modifying
Anti-rheumatic Drugs
*Santen:
Rimatil, Azulfidine EN,
Metolate

Source: ©2009 IMS Japan
IMS-JPM 2005-08

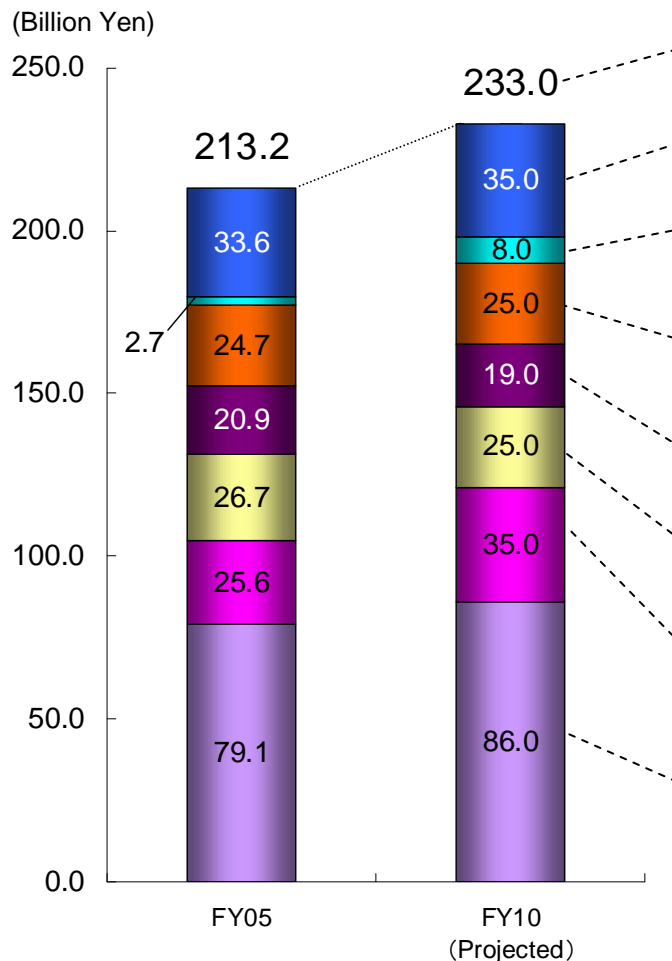
		FY05	FY06	FY07	FY08 3QYTD	(Reference) Dec. 2008	
Santen Value Share		45.2%	46.3%	46.1%	45.3%	45.2%	
Growth Rate vs. year-ago	Santen Value	+7.6%	0.0%	+3.3%	-0.1%	+1.2%	
	Market	Value	+2.0%	-2.3%	+3.7%	+1.9%	+3.1%
		Volume	+0.8%	+3.7%	+0.4%	+3.2%	+4.3%



Reference: Focusing in High Potential Growth Area

- Focusing our resources in area with a prospectively strong growth outlook and are looking to achieve above-average growth.

Market Outlook of Ophthalmics in Japan



	CAGR (FY05-10)	Santen Products (in market)	Santen Share (FY08 3QYTD)	Pipeline
Ophthalmics Total	approx. +2%		38.9%	
Others	approx. +1%	Opegan HI Kary Uni	43.3%	
Retina (AMD/DME)	approx. +24%		—	DE-109 DE-102
Anti-Allergy	approx. +0.5%	Livostin	23.6%	
Inflammatory	approx. -1%	Flumetholon	34.2%	
Infection	approx. -1%	Cravit Tarivid	70.9%	DE-108
Corneal Disease (Dry Eye)	approx. +6%	Hyalein	77.8%	DE-089 DE-101 DE-105
Glaucoma	approx. +3%	Tapros Timoptol/XE Rescula Detantol	20.1%	DE-104 DE-090

- All numbers are NHI price base