



SANTEN PHARMACEUTICAL CO.,LTD.

# Data Book

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Half Year Ended September 30, 2009

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# Financial highlights

## ■ Consolidated financial summary

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast	% Change
Net sales	51,942	103,394	52,217	101,618	59,123	13.2	113,500	11.7
Operating income	10,668	20,370	5,636	15,494	19,036	237.8	29,000	87.2
Ordinary income	10,971	20,702	6,014	15,935	18,875	213.8	29,000	82.0
Net income	6,918	12,650	3,724	10,123	11,670	213.4	18,000	77.8
Dividends per share (yen)	40	80	40	80	40	—	80	—
DOE (%)	5.3	5.4	5.3	5.4	5.0	—	—	—

## ■ Consolidated balance sheets summary

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change
Total assets	160,797	156,547	154,396	151,012	164,520	6.6
Net assets	131,827	127,118	127,583	125,368	135,393	6.1
Interest-bearing debts	5,362	5,278	194	655	841	333.8

## ■ Consolidated financial indexes

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast	% Change
EPS (yen)	79.72	146.15	43.81	119.08	137.23	213.2	211.61	77.7
BPS(yen)	1,517.43	1,494.48	1,498.47	1,472.32	1,588.68	6.0	—	—
Debt equity ratio (times)	0.04	0.04	0.00	0.01	0.01	—	—	—
PER (times)	18.2	15.9	30.5	23.0	12.0	—	—	—
PBR (times)	1.89	1.56	1.78	1.86	2.08	—	—	—
ROE (%)	10.6	9.9	5.9	8.0	17.9	—	—	—
ROA (%)	8.7	8.0	4.8	6.6	14.8	—	—	—
* Free cash flows (millions of yen)	5,152	12,316	4,078	8,896	15,472	279.3	—	—
* EBITDA (millions of yen)	13,233	25,172	8,288	20,098	20,402	146.2	—	—

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

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

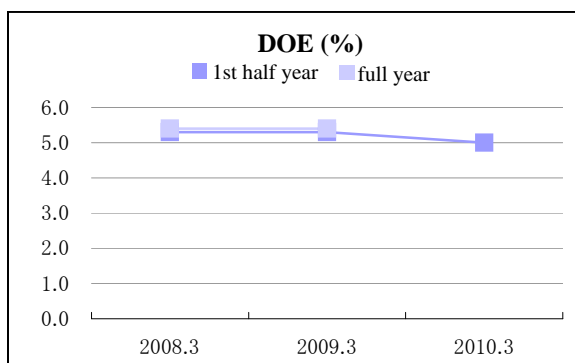
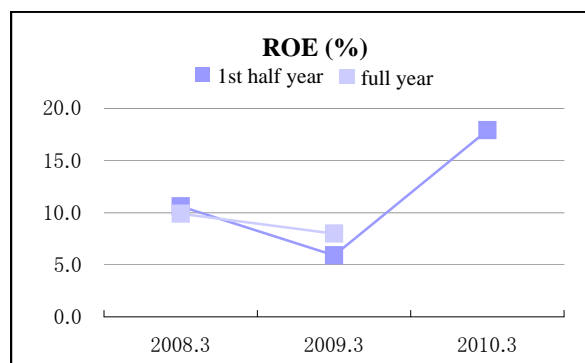
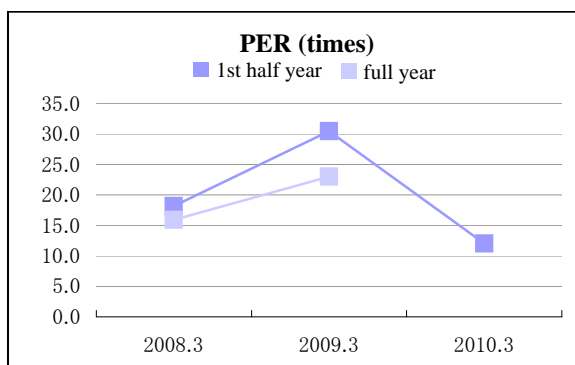
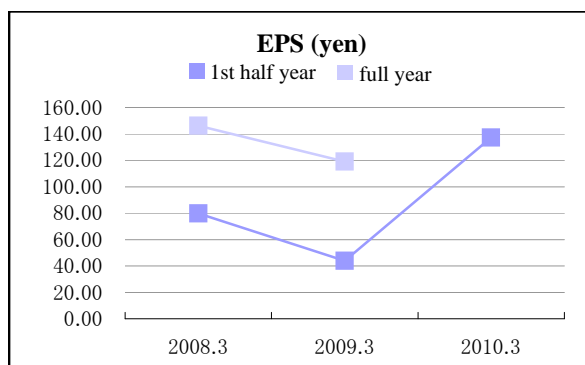
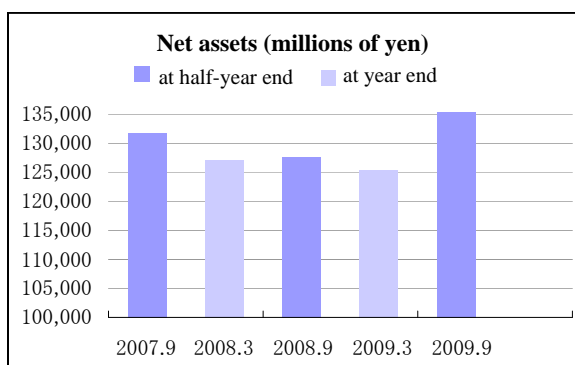
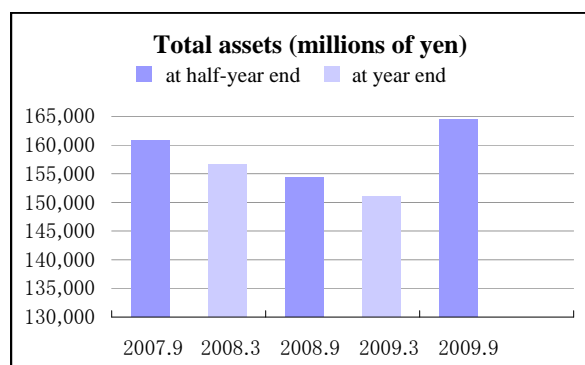
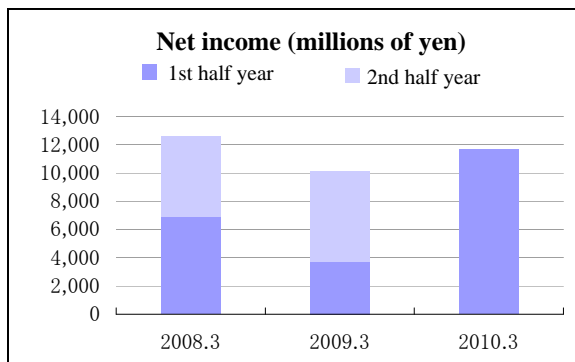
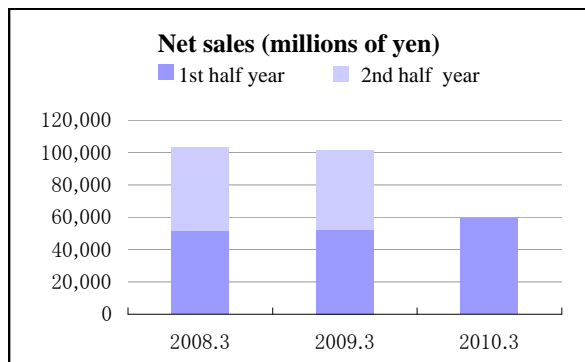
\*EBITDA = (Income before income taxes) + (Interest expense) + (Depreciation and amortization)

## ■ Consolidated other figures

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast	% Change
R&D expenses (millions of yen)	6,355	12,941	11,832	18,457	6,922	-41.5	15,300	-17.1
Capital expenditures (millions of yen)	1,764	2,758	1,005	2,744	376	-62.6	1,830	-33.3
Depreciation and amortization (millions of yen)	1,631	3,353	1,645	3,391	1,586	-3.6	3,410	0.6
Number of employees	2,508	2,483	2,552	2,690	2,727	—	—	—

\*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)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	Change over previous half year (%)
<b>Net sales</b>	<b>51,942</b>	<b>103,394</b>	<b>52,217</b>	<b>101,618</b>	<b>59,123</b>	<b>13.2</b>
Cost of sales	18,310	36,513	18,423	35,947	17,768	-3.6
(Percentage of net sales)	35.2%	35.3%	35.3%	35.4%	30.1%	
<b>Gross profit</b>	<b>33,632</b>	<b>66,880</b>	<b>33,793</b>	<b>65,671</b>	<b>41,355</b>	<b>22.4</b>
(Percentage of net sales)	64.8%	64.7%	64.7%	64.6%	69.9%	
Selling, general and administrative expenses	22,963	46,510	28,157	50,177	22,318	-20.7
(Percentage of net sales)	44.3%	45.0%	53.9%	49.4%	37.7%	
R&D expenses	6,355	12,941	11,832	18,457	6,922	-41.5
(Percentage of net sales)	12.2%	12.5%	22.7%	18.2%	11.7%	
<b>Operating income</b>	<b>10,668</b>	<b>20,370</b>	<b>5,636</b>	<b>15,494</b>	<b>19,036</b>	<b>237.8</b>
(Percentage of net sales)	20.5%	19.7%	10.8%	15.2%	32.2%	
Non-operating income	590	1,356	782	1,430	447	-42.8
Non-operating expenses	287	1,024	403	989	609	51.0
<b>Ordinary income</b>	<b>10,971</b>	<b>20,702</b>	<b>6,014</b>	<b>15,935</b>	<b>18,875</b>	<b>213.8</b>
(Percentage of net sales)	21.1%	20.0%	11.5%	15.7%	31.9%	
Extraordinary gain	0	237	18	18	—	—
Extraordinary loss	50	457	39	129	206	429.4
<b>Income before income taxes</b>	<b>10,921</b>	<b>20,482</b>	<b>5,994</b>	<b>15,823</b>	<b>18,668</b>	<b>211.4</b>
(Percentage of net sales)	21.0%	19.8%	11.5%	15.6%	31.6%	
Income taxes - current	4,114	8,145	4,379	8,269	7,337	67.5
Income taxes - deferred	-111	-313	-2,109	-2,568	-340	-83.9
<b>Net income</b>	<b>6,918</b>	<b>12,650</b>	<b>3,724</b>	<b>10,123</b>	<b>11,670</b>	<b>213.4</b>
(Percentage of net sales)	13.3%	12.2%	7.1%	10.0%	19.7%	

### 【Exchange rates】

(Yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009
Exchange rate: US dollar	119.35	114.29	105.75	100.81	95.48
Euro	161.78	161.98	163.13	146.71	132.18

■ Major Selling, general and administrative expenses

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	Change over previous half year (%)
Personnel expenses	6,591	13,220	6,694	13,089	6,564	-1.9
Sales promotion expenses	1,993	4,184	2,100	4,084	1,860	-11.4
Royalty expenses	1,147	2,211	986	2,116	1,261	27.8
Advertising expenses	1,249	2,671	991	1,878	1,003	1.2
R&D expenses	6,355	12,941	11,832	18,457	6,922	-41.5

■ Major Non-operating income and expenses

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	Change over previous half year (%)
Interest and dividend income	267	606	289	548	176	-39.1
Interest expense	44	96	45	65	22	-50.6
Equity in losses of affiliates	—	—	282	679	250	-11.5

■ Major Extraordinary gain and loss

(Millions of yen)

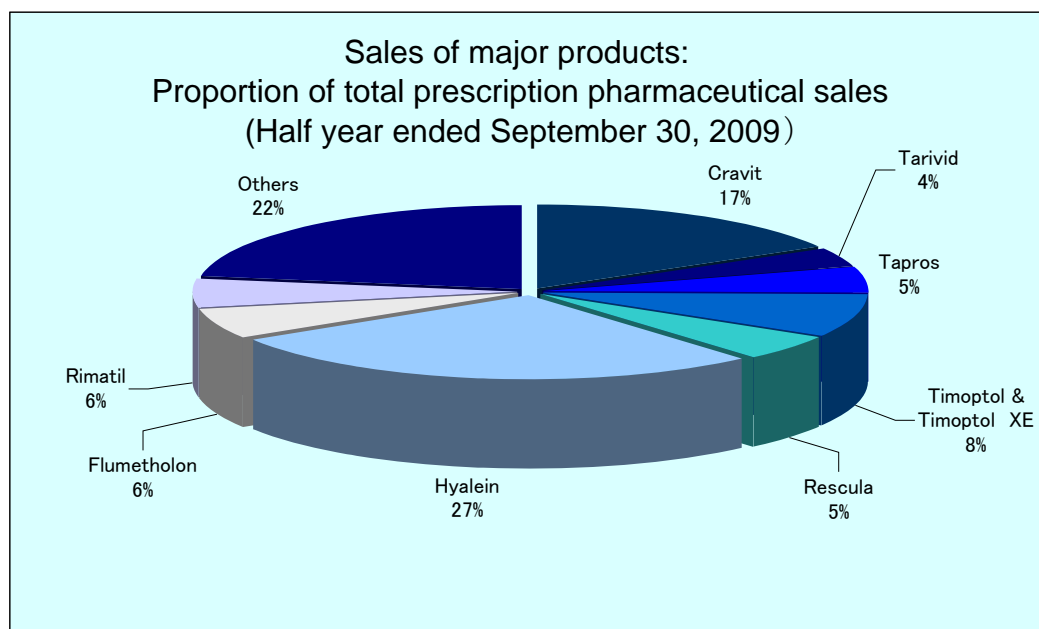
Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009
Gain on sale of fixed assets	0	0	—	—	—
Loss on disposal of fixed assets	50	66	23	73	9
Loss on sale of investment securities	—	—	—	37	197

# Sales details

## ■ Sales of major prescription pharmaceuticals

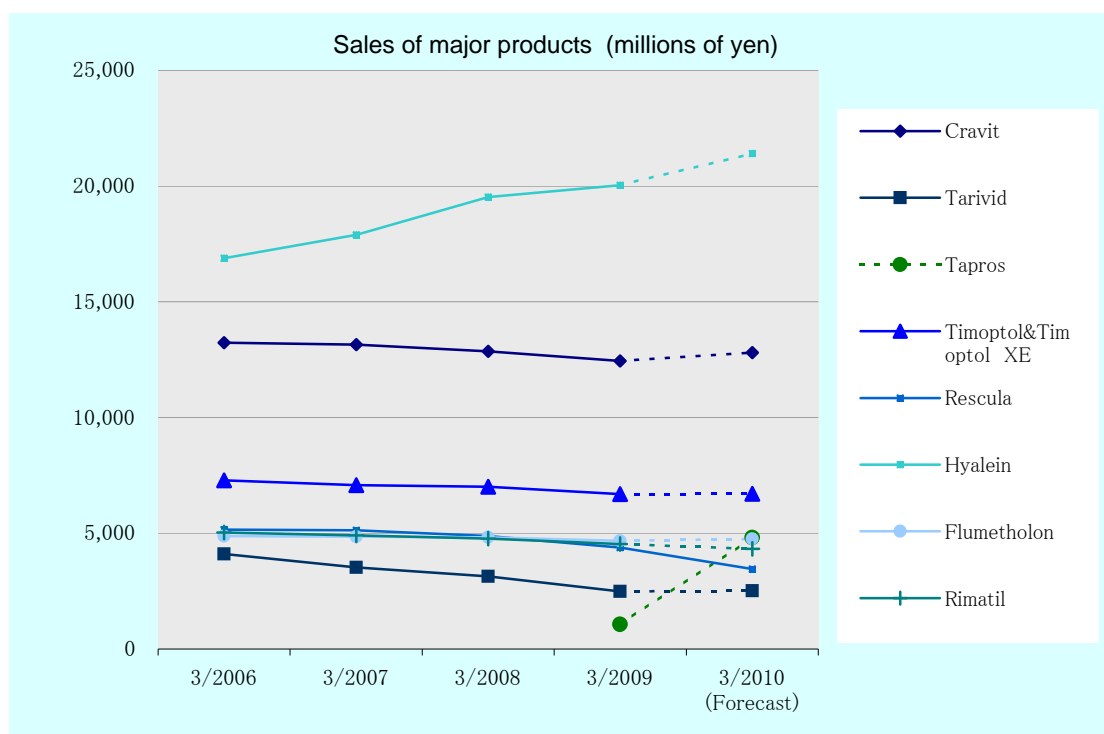
Therapeutic category	Generic name/formulation	Brand name	Region	Launched
Bacterial conjunctivitis	levofloxacin/ophthalmic solution	<b>Cravit</b>	Japan	Apr-00
	ofloxacin/ophthalmic solution	<b>Tarivid</b>	Japan	Sep-87
	tafluprost/ophthalmic solution	<b>Tapros</b>	Japan	Dec-08
	timolol maleate/ophthalmic solution	<b>Timoptol</b>	Japan	Sep-81
Glaucoma	timolol maleate/ long-acting ophthalmic solution	<b>Timoptol XE</b>	Japan	Nov-99
	bunazosin hydrochloride/ophthalmic solution	<b>Detantol</b>	Japan	Sep-01
	isopropyl unoprostone/ophthalmic solution	<b>Rescula</b> ※	Japan	Oct-94
Allergy	levocabastine hydrochloride/ ophthalmic solution	<b>Livostin</b>	Japan	Jan-01
Corneal disease	sodium hyaluronate/ophthalmic solution	<b>Hyalein</b>	Japan	Jun-95
Inflammation	fluorometholone/ophthalmic solution	<b>Flumetholon</b>	Japan	Oct-75
Early-stage senile cataract	pirenoxine/ophthalmic solution	<b>Kary Uni</b>	Japan	Jul-92
Adjuvant for ophthalmic operations	sodium hyaluronate/ adjuvant for ophthalmic operations	<b>Opegan Hi</b>	Japan	Jan-95
Perfusate/lotion	oxiglutatione/ophthalmic perfusate and lotion	<b>BSS PLUS</b>	Japan	Jan-92
Rheumatoid arthritis	bucillamine/tablet	<b>Rimatil</b>	Japan	Sep-87
	salazosulfapyridine/enteric coated tablet	<b>Azulfidine EN</b>	Japan	Dec-95

※Rescula: This product, which was launched in October 1994, has been sold by Santen Pharmaceutical Co., Ltd since October 2004.



(Millions of yen)

Half year/year to								Brand name
9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast	% Change	
6,868	12,864	7,008	12,443	6,639	-5.3	12,802	2.9	<b>Cravit</b>
1,828	3,139	1,451	2,488	1,441	-0.7	2,510	0.9	<b>Tarivid</b>
-	-	-	1,058	1,984	-	4,818	355.2	<b>Tapros</b>
1,877	3,574	1,741	3,213	1,513	-13.1	3,143	-2.2	<b>Timoptol</b>
1,747	3,432	1,822	3,477	1,788	-1.9	3,560	2.4	<b>Timoptol XE</b>
1,194	2,337	1,182	2,283	1,127	-4.6	2,112	-7.5	<b>Detantol</b>
2,529	4,880	2,308	4,386	1,981	-14.2	3,455	-21.2	<b>Rescula</b>
1,472	4,341	1,390	4,302	1,272	-8.5	3,809	-11.5	<b>Livostin</b>
9,640	19,521	10,539	20,030	10,978	4.2	21,399	6.8	<b>Hyalein</b>
2,390	4,821	2,303	4,671	2,307	0.2	4,757	1.9	<b>Flumetholon</b>
1,878	3,652	1,852	3,572	1,933	4.4	3,855	7.9	<b>Kary Uni</b>
1,632	3,204	1,634	3,236	1,767	8.1	3,416	5.5	<b>Opegan Hi</b>
649	1,267	638	1,241	637	-0.2	1,276	2.8	<b>BSS PLUS</b>
2,460	4,767	2,339	4,539	2,281	-2.5	4,333	-4.5	<b>Rimatil</b>
2,087	4,121	2,150	4,187	2,182	1.5	4,369	4.3	<b>Azulfidine EN</b>



\*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)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast
Prescription pharmaceuticals	47,886	95,322	48,606	94,538	49,730	2.3	99,726
Ophthalmic	42,870	85,426	43,469	84,488	44,470	2.3	89,472
Anti-rheumatic drugs	4,883	9,626	4,986	9,741	5,097	2.2	9,963
Other prescription pharmaceuticals	132	269	151	308	162	7.8	290
OTC pharmaceuticals	2,804	5,451	2,722	5,225	2,792	2.6	5,591
Medical devices	232	414	227	622	436	92.0	1,342
Others	1,018	2,205	660	1,232	6,163	832.9	6,840
Total net sales	51,942	103,394	52,217	101,618	59,123	13.2	113,500

## [Domestic]

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast
Prescription pharmaceuticals	41,076	82,088	41,711	82,270	42,488	1.9	85,384
Ophthalmic	36,133	72,319	36,615	72,357	37,294	1.9	75,243
Anti-rheumatic drugs	4,819	9,519	4,964	9,634	5,038	1.5	9,862
Other prescription pharmaceuticals	123	248	131	278	154	17.6	278
OTC pharmaceuticals	2,793	5,430	2,716	5,218	2,776	2.2	5,567
Medical devices	218	401	227	622	436	92.0	1,342
Others	295	646	242	508	278	14.9	559
Total domestic sales	44,384	88,566	44,898	88,620	45,980	2.4	92,853
(Percentage of total net sales)	85.4%	85.7%	86.0%	87.2%	77.8%	—	81.8%

## [Overseas]

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	% Change	3/2010 Forecast
Prescription pharmaceuticals	6,810	13,234	6,895	12,268	7,242	5.0	14,341
Ophthalmic	6,737	13,106	6,854	12,131	7,175	4.7	14,228
Anti-rheumatic drugs	64	107	21	106	58	173.4	100
Other prescription pharmaceuticals	8	20	19	30	8	-57.7	12
OTC pharmaceuticals	10	20	5	6	16	205.2	23
Medical devices	13	13	—	—	—	—	—
Others	723	1,559	417	723	5,884	—	6,281
Total overseas sales	7,558	14,827	7,318	12,998	13,142	79.6	20,646
(Percentage of total net sales)	14.6%	14.3%	14.0%	12.8%	22.2%	—	18.2%

\*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.

# Breakdown by geographic segment



## ■ Breakdown by geographic segment

	Half year/year to	9/2007		3/2008		9/2008		3/2009		9/2009	
		Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Net sales by geographic segment	Japan	46,467	89.5	92,098	89.1	46,705	89.5	91,405	90.0	52,853	89.4
	Europe	5,101	9.8	10,617	10.3	5,081	9.7	9,452	9.3	4,657	7.9
	Others	373	0.7	678	0.6	430	0.8	761	0.7	1,612	2.7
	Total	51,942	100.0	103,394	100.0	52,217	100.0	101,618	100.0	59,123	100.0
Operating income by geographic segment	Japan	11,622		22,633		6,896		18,284		19,448	
	Europe	458		554		112		178		389	
	Others	-361		-819		-101		-661		195	
	Total	11,719		22,368		6,906		17,801		20,033	
	Corporate and eliminations	-1,050		-1,997		-1,270		-2,306		-996	
	Consolidated total	10,668		20,370		5,636		15,494		19,036	

Europe: Finland, Germany and Sweden

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

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

## ■ Overseas sales

	Half year/year to	9/2007		3/2008		9/2008		3/2009		9/2009	
		Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Europe		4,229	56.0	8,532	57.5	4,547	62.1	8,310	64.0	4,083	31.1
North America		820	10.8	1,951	13.2	449	6.2	938	7.2	5,996	45.6
Asia		2,507	33.2	4,326	29.2	2,320	31.7	3,747	28.8	3,062	23.3
Others		—	—	16	0.1	1	0.0	2	0.0	1	0.0
Total		7,558	100.0	14,827	100.0	7,318	100.0	12,998	100.0	13,142	100.0

Europe: Finland, Russia, Germany, Sweden and Norway

North America: U.S.

Asia: Korea, China, Vietnam and Taiwan

**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	9/2007		3/2008		9/2008		3/2009		9/2009	
	Million yen	Proportion (%)	Million yen	Proportion (%)	Million yen	Proportion (%)	Million yen	Proportion (%)	Million yen	Proportion (%)
<b>Current assets</b>	<b>103,435</b>	<b>64.3</b>	<b>102,754</b>	<b>65.6</b>	<b>99,085</b>	<b>64.2</b>	<b>101,053</b>	<b>66.9</b>	<b>114,010</b>	<b>69.3</b>
Cash and deposits	37,158		35,483		30,970		37,117		49,351	
Notes and accounts receivable-trade	36,416		35,614		36,727		36,011		37,229	
Marketable securities	15,410		15,868		15,389		11,396		10,498	
Inventories	10,021		11,332		11,131		12,235		12,411	
Deferred tax assets	1,623		1,699		1,692		1,941		2,170	
Other current assets	2,805		2,757		3,175		2,352		2,351	
Allowance for doubtful receivables	-0		-1		-2		-1		-1	
<b>Fixed assets</b>	<b>57,213</b>	<b>35.6</b>	<b>53,548</b>	<b>34.2</b>	<b>55,311</b>	<b>35.8</b>	<b>49,959</b>	<b>33.1</b>	<b>50,509</b>	<b>30.7</b>
Tangible assets	30,748	19.1	29,848	19.1	29,601	19.2	28,664	19.0	27,976	17.0
Buildings and structures	15,596		15,160		16,023		15,864		15,430	
Machinery, equipment and vehicles	2,181		2,656		2,654		2,432		2,234	
Land	8,838		8,558		8,565		8,678		8,667	
Leased assets	—		—		—		39		48	
Construction in progress	2,311		1,879		859		99		101	
Other tangibles	1,820		1,594		1,499		1,550		1,494	
Intangible assets	2,460	1.5	2,233	1.4	1,720	1.1	1,549	1.0	1,307	0.8
Software	1,613		1,602		1,387		1,355		1,197	
Other intangibles	847		630		333		193		109	
Investments and other assets	24,004	15.0	21,466	13.7	23,989	15.5	19,744	13.1	21,225	12.9
Investment securities	20,425		16,949		17,137		11,818		13,926	
Deferred tax assets	203		1,822		4,790		6,409		5,907	
Other assets	3,374		2,694		2,060		1,516		1,391	
<b>Deferred assets</b>	<b>148</b>	<b>0.1</b>	<b>244</b>	<b>0.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total assets</b>	<b>160,797</b>	<b>100.0</b>	<b>156,547</b>	<b>100.0</b>	<b>154,396</b>	<b>100.0</b>	<b>151,012</b>	<b>100.0</b>	<b>164,520</b>	<b>100.0</b>

■ Liabilities and net assets

Half year/year to	9/2007		3/2008		9/2008		3/2009		9/2009	
	Million yen	Proportion (%)	Million yen	Proportion (%)	Million yen	Proportion (%)	Million yen	Proportion (%)	Million yen	Proportion (%)
<b>Current liabilities</b>	<b>26,124</b>	<b>16.2</b>	<b>26,561</b>	<b>17.0</b>	<b>23,650</b>	<b>15.3</b>	<b>22,439</b>	<b>14.9</b>	<b>25,322</b>	<b>15.4</b>
Notes and accounts payable -trade	4,906		5,633		5,151		6,018		5,193	
Short term debt	—		—		—		545		815	
Current portion of long-term debt	5,168		5,168		168		110		26	
Other payables	8,224		7,690		10,268		7,414		7,293	
Income taxes payable	4,217		4,323		4,439		4,163		7,413	
Reserve for bonuses	2,425		2,612		2,473		2,590		2,459	
Other current liabilities	1,181		1,132		1,148		1,597		2,122	
<b>Noncurrent liabilities</b>	<b>2,846</b>	<b>1.8</b>	<b>2,867</b>	<b>1.8</b>	<b>3,162</b>	<b>2.1</b>	<b>3,203</b>	<b>2.1</b>	<b>3,803</b>	<b>2.3</b>
Long-term debt	194		110		26		—		—	
Retirement and severance benefits for employee	1,632		1,815		2,173		2,393		2,711	
Retirement and severance benefits for directors and auditors	478		487		496		505		448	
Other liabilities	735		564		492		304		643	
<b>Total liabilities</b>	<b>28,970</b>	<b>18.0</b>	<b>29,429</b>	<b>18.8</b>	<b>26,813</b>	<b>17.4</b>	<b>25,643</b>	<b>17.1</b>	<b>29,126</b>	<b>17.7</b>
<b>Shareholders' equity</b>	<b>128,909</b>	<b>80.2</b>	<b>126,398</b>	<b>80.7</b>	<b>126,813</b>	<b>82.1</b>	<b>129,808</b>	<b>86.0</b>	<b>138,163</b>	<b>84.0</b>
Common stock	6,401	4.0	6,418	4.1	6,451	4.2	6,457	4.3	6,502	4.0
Capital surplus	7,097	4.4	7,113	4.5	7,146	4.6	7,152	4.7	7,197	4.4
Retained earnings	115,526	71.9	117,786	75.2	118,144	76.5	121,133	80.2	129,403	78.7
Treasury stock, at cost	-115	-0.1	-4,920	-3.1	-4,928	-3.2	-4,934	-3.3	-4,940	-3.0
<b>Accumulated gains on evaluation and translation</b>	<b>2,797</b>	<b>1.7</b>	<b>600</b>	<b>0.4</b>	<b>581</b>	<b>0.4</b>	<b>-4,628</b>	<b>-3.1</b>	<b>-3,029</b>	<b>-1.8</b>
Unrealized gains on securities, net of taxes	4,470	2.7	2,273	1.5	2,158	1.4	-246	-0.2	744	0.5
Foreign currency translation adjustments	-1,674	-1.0	-1,673	-1.1	-1,577	-1.0	-4,381	-2.9	-3,774	-2.3
<b>Stock subscription rights</b>	<b>119</b>	<b>0.1</b>	<b>119</b>	<b>0.1</b>	<b>188</b>	<b>0.1</b>	<b>188</b>	<b>0.1</b>	<b>260</b>	<b>0.2</b>
<b>Total net assets</b>	<b>131,827</b>	<b>82.0</b>	<b>127,118</b>	<b>81.2</b>	<b>127,583</b>	<b>82.6</b>	<b>125,368</b>	<b>82.9</b>	<b>135,393</b>	<b>82.3</b>
<b>Total liabilities and net assets</b>	<b>160,797</b>	<b>100.0</b>	<b>156,547</b>	<b>100.0</b>	<b>154,396</b>	<b>100.0</b>	<b>151,012</b>	<b>100.0</b>	<b>164,520</b>	<b>100.0</b>

# Consolidated statements of cash flows

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009
<b>I. Cash flows from operating activities:</b>					
Income before income taxes	10,921	20,482	5,994	15,823	18,668
Depreciation and amortization	2,267	4,593	2,248	4,209	1,711
Increase/decrease in retirement and severance benefits	228	411	314	553	317
Interest and dividend income	-267	-606	-289	-548	-176
Interest expense	44	96	45	65	22
Equity in losses of affiliates	—	—	282	679	250
Increase/decrease in trade receivables	-1,387	-586	-1,110	-916	-1,088
Increase/decrease in inventories	335	-1,005	223	-1,334	-71
Increase/decrease in trade accounts payable	-1,199	-430	-467	509	-853
Other, net	-208	-244	2,085	759	1,198
Subtotal	10,734	22,710	9,326	19,801	19,979
Interest and dividend income received	271	610	289	550	176
Interest expense paid	-44	-94	-45	-71	-17
Income taxes paid	-3,834	-7,758	-4,276	-8,431	-4,125
Net cash provided by operating activities	7,125	15,468	5,294	11,849	16,013
<b>II. Cash flows from investing activities:</b>					
Increase in fixed deposits	-506	-1,518	-2,824	-4,420	-887
Decrease in fixed deposits	1,159	2,160	2,768	3,358	1,063
Payments for acquisition of fixed assets	-1,972	-3,151	-1,215	-2,953	-541
Purchase of investment securities	-1,008	-3,266	-854	-2,080	-1,003
Proceeds from sale of investment securities	382	2,660	—	462	115
Payments for loans	-0	-0	-300	-300	-49
Proceeds from loans	—	—	311	311	49
Other, net	1,006	1,032	0	2	1
Net cash provided by investing activities	-938	-2,083	-2,114	-5,619	-1,252
<b>III. Cash flows from financing activities:</b>					
Proceeds from short-term debt	—	—	—	545	280
Repayment of long-term debt	-84	-168	-5,084	-5,168	-84
Purchase of treasury stock	-9	-4,815	-8	-15	-5
Dividends paid	-3,036	-6,505	-3,397	-6,798	-3,400
Other, net	30	-4,742	58	78	82
Net cash provided by financing activities	-3,089	-11,415	-8,423	-11,373	-3,122
<b>IV. Effect of exchange rate changes on cash and cash equivalents</b>	<b>-59</b>	<b>-140</b>	<b>192</b>	<b>-569</b>	<b>-197</b>
<b>V. Net increase/decrease in cash and cash equivalents</b>	<b>3,037</b>	<b>1,828</b>	<b>-5,051</b>	<b>-5,713</b>	<b>11,441</b>
<b>VI. Cash and cash equivalent at beginning of year</b>	<b>49,841</b>	<b>49,841</b>	<b>51,669</b>	<b>51,669</b>	<b>45,956</b>
<b>VII. Cash and cash equivalent at end of year</b>	<b>52,878</b>	<b>51,669</b>	<b>46,618</b>	<b>45,956</b>	<b>57,397</b>

# Capital expenditures and number of employees



## ■ Capital expenditures

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	3/2010 Forecast
Consolidated	1,764	2,758	1,005	2,744	376	1,830

**Note:** Includes investment in facilities spent on a lease contract basis.

## ■ Depreciation and amortization

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	3/2010 Forecast
Manufacturing cost	789	1,635	898	1,822	822	1,740
Selling, general and administrative expenses	334	626	323	622	203	460
R&D expenses	507	1,091	423	946	470	1,060
Consolidated total	1,631	3,353	1,645	3,391	1,586	3,410

**Note:** Excludes amortization of long-term prepaid expense.

Amortization of long-term prepaid expense is 124 million yen from April 2009 to September 2009.

## ■ Lease expenses

(Millions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009	3/2010 Forecast
Consolidated	525	1,042	485	931	334	520
Manufacturing cost	465	925	431	821	287	430

## ■ Number of employees

At half-year/year end	9/2007	3/2008	9/2008	3/2009	9/2009
Consolidated	2,508	2,483	2,552	2,690	2,727
Sales division	914	907	938	1,007	1,053
Production division	800	798	818	828	832
R&D division	520	519	526	541	547
Corporate or back-office division	274	259	270	314	295

\*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



### ■ License out

Dev. code	Indication	Licensee	Status	in-licensor
DE-098 (Anti-APO-1 antibody)	Rheumatoid arthritis	Argenes	Phase I / II	Centocor
<p>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. The compound had been in-licensed from Centocor. In Japan and Europe, the clinical study has been started. Santen continues to hold the marketing rights in Japan and the overseas marketing and development rights.</p>				

### ■ Changes from Aug.4, 2009

[ Status Change]

Dev. Code	Indication	Status change	Clinical trial Region
DE-105	Persistent corneal epithelial defects	Phase I (U.S.)→Phase II (JAPAN)	U.S.→U.S. and JAPAN

# Pharmaceutical market in Japan

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

(%)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Industry average	-4.4	-9.7	—	-7.0	—	-6.3	—	-4.2	—	-6.7	—	early -5%	—
Ophthalmic drugs	-1.8	-7.5	—	-6.2	—	-6.0	—	-2.7	—	-5.5	—	late -3%	—
Santen	-1.3	-7.2	—	-5.7	—	-6.0	—	-3.2	—	-5.3	—	mid -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 and related information

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%)
April	2008	Change in prescription format in order to promote usage of generic drugs (the prescribing doctor's signature and seal are required in case the use of a generic drug is not recommended). Revised dispensing fee (basic dispensing fee was decreased from 42 points to 40 points; however, 4 points will be added in cases where 30% of total prescription drugs dispensed by a pharmacy are generic drugs.) Revised medical fee (ophthalmic drugs, eye wash, monocus will be included in basic medical fee). Unifying "medical insurance for patients over 75 years old" into "medical insurance system for late stage elderly population (long-life medical insurance system)."



■ Market shares

(Billions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009
Prescription ophthalmics	39.9% 107.5	38.9% 221.0	39.1% 110.2	38.0% 226.9	38.3% 116.0
Anti-rheumatic drugs	46.3% 12.0	46.1% 24.1	45.5% 12.4	45.0% 24.8	44.1% 13.0

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

- Anti-rheumatic drugs exclude immunosuppressants and biologic agents.

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Source: Santen analysis based on IMS data (JPM)  
Period: 2007.4-2009.9; Unauthorized copy prohibited

■ Market shares by therapeutic area - prescription ophthalmics

(Billions of yen)

Half year/year to	9/2007	3/2008	9/2008	3/2009	9/2009
Anti-glaucoma	21.3% 41.3	20.8% 83.1	19.7% 42.3	20.3% 85.0	22.9% 44.0
Anti-infective	74.0% 13.4	73.5% 25.6	72.3% 13.3	72.1% 24.9	71.2% 12.7
Anti-allergy	25.0% 9.4	22.7% 25.4	23.9% 10.0	21.0% 28.2	21.8% 10.0
Agents for surgeries	43.2% 7.5	43.0% 15.1	42.7% 7.6	42.8% 15.2	43.2% 7.9
Corneal disease treatments	78.9% 14.0	78.7% 28.8	77.9% 15.2	77.7% 30.5	77.4% 15.9
Anti-cataract	65.4% 3.1	66.2% 6.1	68.0% 3.0	68.8% 5.9	71.4% 2.9
Corticosteroids	51.5% 5.2	51.3% 10.6	50.6% 5.2	50.7% 10.5	50.1% 5.1

Notes: - On an NHI drug price basis.

- Lower figures indicate market size.

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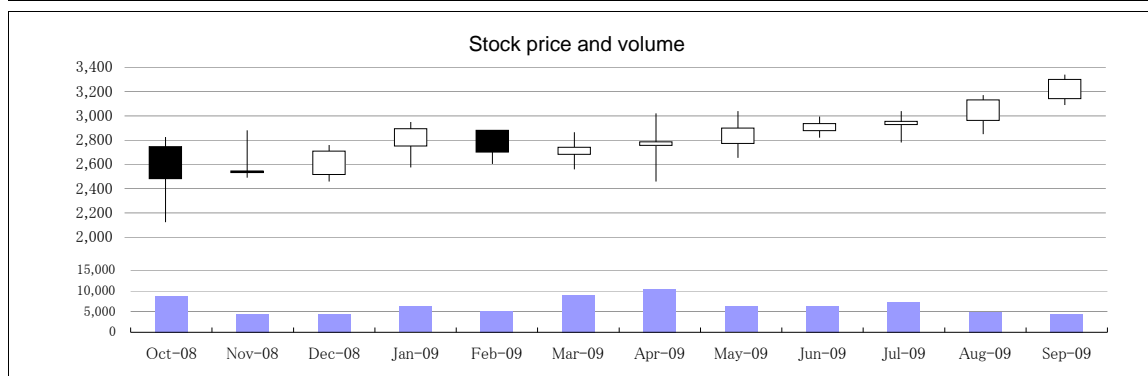
Source: Santen analysis based on IMS data (JPM)  
Period: 2007.4-2009.9; Unauthorized copy prohibited

## Stock information

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

(Yen and thousand shares)

	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09
Stock price:												
Open	2,745	2,545	2,515	2,750	2,880	2,680	2,755	2,770	2,875	2,925	2,960	3,140
High	2,825	2,880	2,760	2,950	2,880	2,865	3,020	3,040	2,995	3,040	3,170	3,340
Low	2,125	2,490	2,460	2,575	2,605	2,560	2,460	2,655	2,820	2,780	2,850	3,090
End of month	2,480	2,530	2,710	2,895	2,700	2,740	2,785	2,900	2,935	2,955	3,130	3,300
Volume	8,765	4,427	4,501	6,172	5,068	8,958	10,477	6,230	6,351	7,304	4,913	4,393



### ■ Major shareholders

As of September 30, 2009

Name	Number of shares held	Percentage of investment
	Thousand shares	%
Japan Trustee Service Bank, Ltd.	12,928	14.9
The Master Trust Bank of Japan, Ltd.	6,456	7.4
Mita Sangyo Co., Ltd.	4,756	5.5
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,241	4.9
Nippon Life Insurance Company	3,008	3.5
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,668	3.1
Trust & Custody Services Bank, Ltd.	2,286	2.6
State Street Bank and Trust Company 505223	1,859	2.1
RBC Dexia Investor Servicestrust, London-lending account	1,793	2.1
Daiichi Sankyo Company, Limited	1,642	1.9

Note: Santen Pharmaceutical Co., Ltd has held the treasury stock (1,895 thousand shares), but it is excluded from the major shareholders.

### ■ Stock option

At half-year/year end	3/2005	3/2006	3/2007	3/2008	3/2009	9/2009
Stock option balance (thousand shares)	504.3	541.0	569.6	627.5	739.7	856.1
Granted in June 1998 - 106 thousand shares at 1,540 yen/share	35.0	27.0	24.0	24.0	—	—
Granted in June 1999 - 66 thousand shares at 2,480 yen/share	66.0	57.3	48.0	37.0	37.0	—
Granted in June 2000 - 60 thousand shares at 2,705 yen/share	60.0	58.0	48.2	46.2	45.2	41.2
Granted in June 2001 - 55 thousand shares at 2,299 yen/share	55.0	42.6	38.6	38.6	34.0	33.0
Granted in June 2002 - 92 thousand shares at 1,326 yen/share	72.5	53.7	32.1	30.9	26.2	26.2
Granted in June 2003 - 137.6 thousand shares at 1,176 yen/share	137.6	95.0	72.9	55.2	44.8	41.0
Granted in June 2004 - 78.2 thousand shares at 1,743 yen/share	78.2	78.2	73.9	66.1	61.3	55.1
Granted in June 2005 - 129.2 thousand shares at 2,480 yen/share	—	129.2	129.2	127.5	127.5	127.5
Granted in June 2006 - 102.7 thousand shares at 2,715 yen/share	—	—	102.7	102.7	102.7	102.7
Granted in June 2007 - 99.3 thousand shares at 3,050 yen/share	—	—	—	99.3	99.3	99.3
Granted in June 2008 - 161.7 thousand shares at 2,734 yen/share	—	—	—	—	161.7	161.7
Granted in June 2009 - 168.4 thousand shares at 2,920 yen/share	—	—	—	—	—	168.4

### ■ Purchase of Treasury stock

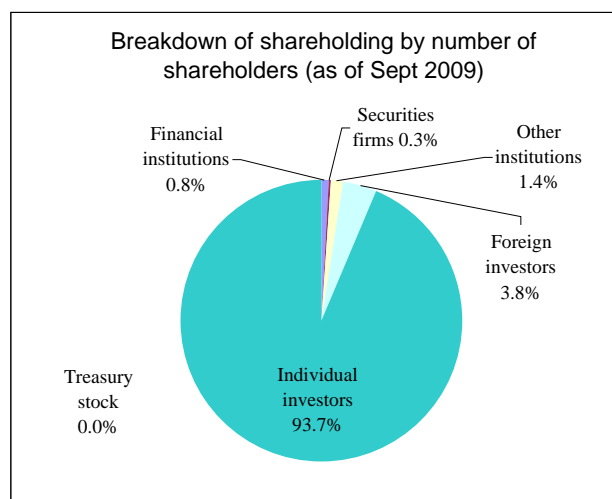
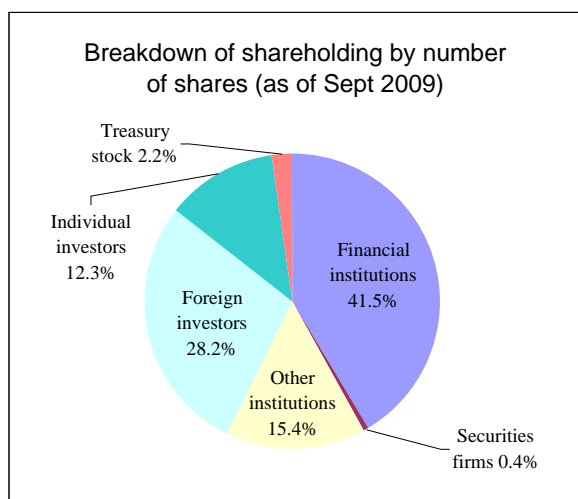
	3/2005	3/2006	3/2007	3/2008	3/2009	9/2009
A purchased amount of money (millions of yen)	2,569	—	—	4,800	—	—
The number of the purchased stocks (thousand shares)	1,351	—	—	1,833	—	—

■ Breakdown of shareholding by number of shares

At half-year/year end	9/2007		3/2008		9/2008		3/2009		9/2009	
	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)	Thousand shares	Proportion (%)
Financial institutions	31,159	35.9	33,186	38.2	36,474	42.0	36,226	41.6	36,075	41.5
City & regional banks	4,702	5.4	4,907	5.6	4,873	5.6	4,794	5.5	4,697	5.4
Trust banks	17,068	19.7	19,133	22.0	22,428	25.8	23,714	27.3	24,088	27.7
(concerned in trust works)	14,594		16,680		19,957		21,167		21,468	
Life and non-life insurance	9,111	10.5	8,924	10.3	8,718	10.1	7,254	8.3	7,166	8.3
Other financial institutions	278	0.3	221	0.3	455	0.5	462	0.5	121	0.1
Securities firms	488	0.6	585	0.7	924	1.1	526	0.6	345	0.4
Other institutions	12,851	14.8	13,014	15.0	13,003	14.9	13,071	15.0	13,403	15.4
Foreign investors	29,514	34.0	25,227	29.0	22,712	26.1	23,679	27.3	24,520	28.2
Individual investors	12,784	14.7	12,963	14.9	11,904	13.7	11,516	13.3	10,716	12.3
Treasury Stock	53	0.0	1,888	2.2	1,891	2.2	1,893	2.2	1,895	2.2
Total	86,849	100.0	86,866	100.0	86,908	100.0	86,916	100.0	86,956	100.0

■ Breakdown of shareholding by number of shareholders

At half-year/year end	9/2007		3/2008		9/2008		3/2009		9/2009	
	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)	Number of shareholders	Proportion (%)
Financial institutions	97	0.7	88	0.6	87	0.7	81	0.7	84	0.8
City & regional banks	10	0.1	14	0.1	11	0.1	11	0.1	8	0.1
Trust banks	37	0.3	30	0.2	29	0.2	26	0.2	32	0.3
Life and non-life insurance	34	0.2	29	0.2	34	0.3	33	0.3	36	0.3
Other financial institutions	16	0.1	15	0.1	13	0.1	11	0.1	8	0.1
Securities firms	42	0.3	38	0.3	34	0.3	36	0.3	33	0.3
Other institutions	172	1.4	150	1.2	137	1.2	137	1.2	134	1.4
Foreign investors	287	2.3	268	2.1	285	2.5	355	3.2	382	3.8
Individual investors	12,042	95.3	12,568	95.8	10,946	95.3	10,570	94.6	9,370	93.7
Treasury stock	1	0.0	1	0.0	1	0.0	1	0.0	1	0.0
Total	12,641	100.0	13,113	100.0	11,490	100.0	11,180	100.0	10,004	100.0



# 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%

## 【Overseas】

Santen Holdings U.S. Inc.					
Main business	Holding company for North American businesses and business development				
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%*

Advanced Vision Science, Inc.					
Main business	Research and development, production and marketing of medical devices				
Location	California, U.S.A.	Paid-in capital	10 thousand US\$	Equity owned	100%*

Phacor Inc.					
Main business	—				
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%

Santen Pharmaceutical (China) Co., Ltd.					
Main business	Development, production and marketing of pharmaceuticals				
Location	Suzhou, China	Paid-in capital	3,300 million yen	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%

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

## News releases during April 2009-September 2009

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

(Date)      (Summary)

2009

**15-Apr    Santen and Merck & Co., Inc Sign Licensing Agreement for Tafluprost, Treatment for Glaucoma and Ocular Hypertension**

Santen and Merck & Co., Inc (Whitehouse Station, New Jersey, U.S) signed a worldwide licensing agreement for tafluprost (sold as TAPROS® in Japan, TAFLOTAN® in approved European countries marketed by Santen), a treatment for glaucoma and ocular hypertension.

**12-May    Santen to Issue Stock Acquisition Rights to the Directors for the Purpose of Granting Stock Options**  
**Santen to Issue Stock Acquisition Rights to the Corporate Officers for the Purpose of Granting Stock Options**

Santen's Board of Directors on May 12, 2009 adopted a resolution to issue rights to subscribe for new shares as stock options without consideration to Santen directors and corporate officers. The resolution was approved at the 97th Annual General Meeting held on June 24, 2009.

