FY2007 First Quarter Consolidated Financial Results

Chief Financial Officer
Yoshihiro Noutsuka
## Consolidated Performance Summary

(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>FY2006</th>
<th>FY2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1 Actual</td>
<td>Q1 Actual</td>
</tr>
<tr>
<td>Net Sales</td>
<td>25.9</td>
<td>26.5</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>6.2</td>
<td>5.9</td>
</tr>
<tr>
<td>Ordinary Profit</td>
<td>6.3</td>
<td>6.2</td>
</tr>
<tr>
<td>Net Income</td>
<td>4.1</td>
<td>3.8</td>
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</table>
## Net Sales by Business Segment/Overseas Sales

### Net Sales by Business Segment

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

### Overseas Sales

<table>
<thead>
<tr>
<th></th>
<th>FY2006 Q1 Actual</th>
<th>FY2007 Q1 Actual</th>
<th>Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1.92</td>
<td>2.25</td>
<td>0.33</td>
<td>17.2 %</td>
</tr>
<tr>
<td>North America</td>
<td>0.50</td>
<td>0.38</td>
<td>-0.12</td>
<td>-24.1 %</td>
</tr>
<tr>
<td>Asia</td>
<td>-</td>
<td>1.50</td>
<td>1.50</td>
<td>- %</td>
</tr>
<tr>
<td>Others</td>
<td>1.04</td>
<td>0</td>
<td>-1.04</td>
<td>- %</td>
</tr>
<tr>
<td>Total</td>
<td>3.47</td>
<td>4.14</td>
<td>0.67</td>
<td>19.4 %</td>
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</table>
FY2006 Q1
Net Sales
25.99 billion yen

+ 0.53 billion yen

FY2007 Q1
Net Sales
26.52 billion yen

Consolidated Net Sales: Variances

(Billions of 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 & Others -0.07
### Summary of Changes in Income Statements (1)

<table>
<thead>
<tr>
<th></th>
<th>FY2006 Q1 Actual</th>
<th>FY2007 Q1 Actual</th>
<th>Change</th>
<th>Major changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>25.9</td>
<td>26.5</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>9.0</td>
<td>9.4</td>
<td>0.4</td>
<td>• Decrease operating rate (+0.2ppt)</td>
</tr>
<tr>
<td>(% of net sales)</td>
<td>34.8%</td>
<td>35.5%</td>
<td>0.7 ppt</td>
<td>• Increase fixed cost (+0.4ppt)</td>
</tr>
<tr>
<td>Selling, General and administration expenses</td>
<td>10.7</td>
<td>11.1</td>
<td>0.4</td>
<td>• EU Subsidiaries (+0.1ppt)</td>
</tr>
<tr>
<td>(% of net sales)</td>
<td>41.3%</td>
<td>42.2%</td>
<td>0.9 ppt</td>
<td></td>
</tr>
<tr>
<td>SGA expenses excl. R&amp;D</td>
<td>7.2</td>
<td>8.0</td>
<td>0.8</td>
<td>• Japan Sales &amp; Marketing expenses increased (+0.2 billion yen)</td>
</tr>
<tr>
<td>(% of net sales)</td>
<td>27.9%</td>
<td>30.3%</td>
<td>2.4 ppt</td>
<td>• Asia Sales &amp; Marketing expenses increased (+0.2 billion yen)</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>3.4</td>
<td>3.1</td>
<td>-0.3</td>
<td>• EU Sales &amp; Marketing expenses increased (+0.2 billion yen)</td>
</tr>
<tr>
<td>(% of net sales)</td>
<td>13.4%</td>
<td>11.8%</td>
<td>-1.6 ppt</td>
<td>• Decrease in glaucoma treatment (-0.25 billion yen)</td>
</tr>
<tr>
<td>Operating income</td>
<td>6.2</td>
<td>5.9</td>
<td>-0.3</td>
<td></td>
</tr>
<tr>
<td>(% of net sales)</td>
<td>23.9%</td>
<td>22.3%</td>
<td>-1.6 ppt</td>
<td></td>
</tr>
</tbody>
</table>
## Summary of Changes in Income Statements

(Billions of yen)

<table>
<thead>
<tr>
<th>Major items</th>
<th>FY2006 Q1 Actual</th>
<th>FY2007 Q1 Actual</th>
<th>Change</th>
<th>FY06</th>
<th>FY07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-operating income/expense</td>
<td>0.1</td>
<td>0.3</td>
<td>0.2</td>
<td>0.1billion</td>
<td>0.3billion</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>0.3</td>
<td>0.3</td>
<td>0</td>
<td>0.1billion</td>
<td>0.2billion</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>0.2</td>
<td>0.0</td>
<td>-0.2</td>
<td>0.1billion</td>
<td>0.1billion</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>6.3</td>
<td>6.2</td>
<td>-0.1</td>
<td>0.1billion</td>
<td>0.2billion</td>
</tr>
<tr>
<td>Extraordinary gain/loss</td>
<td>0.2</td>
<td>0</td>
<td>-0.2</td>
<td>Gain on sales of fixed assets (0.2billion)</td>
<td></td>
</tr>
<tr>
<td>Extraordinary gain</td>
<td>0.2</td>
<td>0</td>
<td>-0.2</td>
<td>0.1billion</td>
<td>0.2billion</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.1billion</td>
<td>0.1billion</td>
</tr>
<tr>
<td>Net income before tax</td>
<td>6.5</td>
<td>6.1</td>
<td>-0.4</td>
<td>0.1billion</td>
<td>0.2billion</td>
</tr>
<tr>
<td>Income taxes</td>
<td>2.4</td>
<td>2.3</td>
<td>-0.1</td>
<td>Tax rate (FY06) 36.8%</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>4.1</td>
<td>3.8</td>
<td>-0.3</td>
<td>(FY07) 37.2%</td>
<td></td>
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</tbody>
</table>
# Performance by Geographic Segment

## Net sales

<table>
<thead>
<tr>
<th></th>
<th>FY2006 Q1 Actual</th>
<th>FY2007 Q1 Actual</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>23.3</td>
<td>23.7</td>
<td>0.4</td>
</tr>
<tr>
<td>Europe</td>
<td>2.4</td>
<td>2.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Europe</td>
<td>1.9</td>
<td>2.2</td>
<td>0.3</td>
</tr>
<tr>
<td>USA</td>
<td>0.5</td>
<td>0.3</td>
<td>-0.2</td>
</tr>
<tr>
<td>Others</td>
<td>0.1</td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>25.9</td>
<td>26.5</td>
<td>0.6</td>
</tr>
</tbody>
</table>

## Operating Income

<table>
<thead>
<tr>
<th></th>
<th>FY2006 Q1 Actual</th>
<th>FY2007</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>6.2</td>
<td>6.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Europe</td>
<td>0.3</td>
<td>0.3</td>
<td>0</td>
</tr>
<tr>
<td>Europe</td>
<td>0.1</td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td>USA</td>
<td>0.2</td>
<td>0.1</td>
<td>-0.1</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>-0.2</td>
<td>-0.2</td>
</tr>
<tr>
<td>Elimination</td>
<td>-0.3</td>
<td>-0.5</td>
<td>-0.2</td>
</tr>
<tr>
<td>Total</td>
<td>6.2</td>
<td>5.9</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

*“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)

<table>
<thead>
<tr>
<th></th>
<th>FY2006</th>
<th>FY2007/Q1</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>% of total</td>
<td>Actual</td>
</tr>
<tr>
<td>Current assets</td>
<td>100.8</td>
<td>63.4 %</td>
<td>99.3</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>58.2</td>
<td>36.6 %</td>
<td>56.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>159.0</td>
<td>100.0 %</td>
<td>156.3</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>22.3</td>
<td>14.0 %</td>
<td>19.1</td>
</tr>
<tr>
<td>Fixed liabilities</td>
<td>8.0</td>
<td>5.1 %</td>
<td>7.8</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>30.4</td>
<td>19.1 %</td>
<td>26.9</td>
</tr>
<tr>
<td>Total net assets</td>
<td>128.6</td>
<td>80.9 %</td>
<td>129.4</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>159.0</td>
<td>100.0 %</td>
<td>156.3</td>
</tr>
</tbody>
</table>

【Major changes】

- **Current assets**: [Increase] Notes receivable and accounts receivable +1.9biillion 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

<table>
<thead>
<tr>
<th></th>
<th>FY2007 Q1 Actual</th>
<th>Major changes</th>
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</thead>
<tbody>
<tr>
<td>Cash and cash equivalent</td>
<td>49.8</td>
<td></td>
</tr>
<tr>
<td>beginning of fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase/decrease in</td>
<td>-0.7</td>
<td>Income before income taxes 6.1</td>
</tr>
<tr>
<td>cash and cash equivalent</td>
<td></td>
<td>Depreciation and amortization 1.1</td>
</tr>
<tr>
<td>Cash flows from operating</td>
<td>1.2</td>
<td>Income taxes paid -3.6</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td>Increase in trade receivables -1.9</td>
</tr>
<tr>
<td>Cash flows from investing</td>
<td>0.7</td>
<td>Decrease in fixed deposits 0.6</td>
</tr>
<tr>
<td>activities</td>
<td></td>
<td>Proceeds from sale of marketable securities 1.0</td>
</tr>
<tr>
<td>Cash flows from financing</td>
<td>-2.9</td>
<td>Purchase of property and equipment -0.8</td>
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<tr>
<td>activities</td>
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<td></td>
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<tr>
<td>Effect of exchange rate</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>changes</td>
<td></td>
<td></td>
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<tr>
<td>Cash and cash equivalents,</td>
<td>49.0</td>
<td></td>
</tr>
<tr>
<td>end of Q1</td>
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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

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<thead>
<tr>
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<th>FY2006 Q1 Actual</th>
<th>FY2007 Q1 Actual</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditures</td>
<td>0.8</td>
<td>0.3</td>
<td>-0.5</td>
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<tr>
<td>Depreciation and Amortization</td>
<td>0.7</td>
<td>0.7</td>
<td>0</td>
</tr>
<tr>
<td>Lease Expenses</td>
<td>0.2</td>
<td>0.2</td>
<td>0</td>
</tr>
</tbody>
</table>

FY2007/ Q1 major item
Capital expenditures: Replacing production facilities of Noto manufacturing plant
Status of Clinical Development

Toshiaki Nishihata, Ph.D.
Senior Corporate Officer
Head of Research and Development Division
## Status of major clinical studies (Glaucoma, Ocular hypertension)

<table>
<thead>
<tr>
<th>Code</th>
<th>Region</th>
<th>Stage</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE-085</td>
<td>Japan</td>
<td>Applied for manufacturing and marketing approval</td>
<td>Applied in July 2006</td>
</tr>
<tr>
<td></td>
<td>Europe</td>
<td>Applied for manufacturing and marketing approval</td>
<td>Applied in April 2007</td>
</tr>
<tr>
<td>DE-092</td>
<td>Europe</td>
<td>P2 pilot study</td>
<td>Generic name: Olmesartan</td>
</tr>
<tr>
<td>DE-090</td>
<td>Japan</td>
<td>P2</td>
<td>Generic name: Lomerizine HCL</td>
</tr>
<tr>
<td>DE-104</td>
<td>USA</td>
<td>P1</td>
<td>ROCK inhibitor</td>
</tr>
</tbody>
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## Status of major clinical studies
*(Corneal and conjunctival epithelial disorders associated with dry eye)*

<table>
<thead>
<tr>
<th>Code</th>
<th>Region</th>
<th>Stage</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE-089</td>
<td>Japan</td>
<td>P3</td>
<td>To be filed in Q3/FY2008</td>
</tr>
<tr>
<td>DE-099</td>
<td>Japan</td>
<td>P2</td>
<td>Generic name: Gefarnate</td>
</tr>
<tr>
<td>DE-101</td>
<td>USA</td>
<td>P2</td>
<td>Generic name: Rivoglitazone</td>
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### Status of major clinical studies: Others

<table>
<thead>
<tr>
<th>Code</th>
<th>Region</th>
<th>Indication</th>
<th>Stage</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>DE-096</td>
<td>Japan</td>
<td>Rheumatoid arthritis</td>
<td>P2</td>
<td>TNF inhibitor</td>
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<tr>
<td></td>
<td></td>
<td>Diabetes Macular Edema</td>
<td>P2</td>
<td></td>
</tr>
<tr>
<td>DE-102</td>
<td>Japan</td>
<td>Diabetes Macular Edema</td>
<td>P1/2a</td>
<td>Steroid DDS</td>
</tr>
<tr>
<td>DE-103</td>
<td>Japan</td>
<td>Allergic conjunctivitis</td>
<td>P1</td>
<td>PDE4 inhibitor</td>
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