

# Independent Auditors' Report



The Board of Directors and Shareholders  
Santen Pharmaceutical Co., Ltd.

We have audited the accompanying consolidated balance sheets of Santen Pharmaceutical Co., Ltd. and subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits. The consolidated statements of income, shareholders' equity and cash flows of Santen Pharmaceutical Co., Ltd. and subsidiaries for the year ended March 31, 2001 were audited by other auditors whose report dated June 28, 2001 on those statements included an explanatory paragraph that described the change in the presentation of royalty income and the calculation method of provision for sales return in the year ended March 31, 2001, as described in Note 1 of the notes to the consolidated financial statements.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santen Pharmaceutical Co., Ltd. and subsidiaries as of March 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

The consolidated financial statements as of and for the year ended March 31, 2003 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

A stylized, handwritten-style signature of the letters 'KPMG' in black ink.

Osaka, Japan  
June 26, 2003

*See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Santen Pharmaceutical Co., Ltd. and subsidiaries under Japanese accounting principles and practices.*