

[ Disclaimer: The following is meant to be an accurate translation from the original Financial Report of Santen Pharmaceutical Co., Ltd., written in Japanese, and is prepared for the information disclosure to the Tokyo Stock Exchange. However, in the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail. ]

SANTEN PHARMACEUTICAL CO., LTD. (February 5, 2009)  
 Code: 4536  
 URL <http://www.santen.co.jp>  
 Financial Report for the Nine-month period ended December 31, 2008  
 Akira Kurokawa, President and Chief Executive Officer  
 Contact: Satoshi Harada, Division Manager  
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(Figures are rounded down to the nearest million yen)

**1. Consolidated Performance for the nine months ended December 31, 2008**

(1) Operating results	Nine months ended December 31, 2008	Nine months ended December 31, 2007
Net sales (millions of yen)	77,810	79,293
Operating income (millions of yen)	11,497	16,682
Ordinary income (millions of yen)	12,343	17,099
Net income (millions of yen)	7,707	10,769
Net income per share (yen)	90.67	124.09
Diluted net income per share (yen)	90.59	123.90

(2) Financial condition	December 31, 2008	December 31, 2007
Total assets (millions of yen)	148,485	156,547
Net assets (millions of yen)	124,264	127,118
Equity ratio	83.6%	81.1%
Net assets per share (yen)	1,459.46	1,494.48

**2. Dividends**

	Year to March 2009	(Forecasts) Year to March 2009	Year to March 2008
First quarter dividends per share (yen)	-	-	-
Second quarter dividends per share (yen)	40.00	-	40.00
Third quarter dividends per share (yen)	-	-	-
End-of-period dividends per share (yen)	-	40.00	40.00
Annual dividends per share (yen)	-	80.00	80.00

**3. Consolidated Forecasts of results for the year ending March 31, 2009**

	Full year	(Full year) % change 2009/2008
Net sales (millions of yen)	104,000	0.6%
Operating income (millions of yen)	15,100	(25.9%)
Ordinary income (millions of yen)	15,600	(24.6%)
Net income (millions of yen)	9,800	(22.5%)
Net income per share (yen)	115.32	

#### **4. Others**

**(1) No change on consolidated subsidiaries**

**(2) No alternative methods have been adopted in accounting policy**

**(3) Change in accounting policy**

Four changes have been made in the revision of accounting standards.

No other change has been made.

**(4) Number of shares outstanding (common stock)**

Number of shares outstanding at the end of period (including treasury stock)

December 31, 2008 : 86,908,203

March 31, 2008 : 86,866,703

Number of treasury stock at the end of period

December 31, 2008 : 1,892,909

March 31, 2008: 1,888,743

Average number of shares outstanding (cumulative from the beginning of the fiscal year)

For nine months ended December 31, 2008 : 85,008,628

For nine months ended December 31, 2007 : 86,783,380

**(Caution)**

1. 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, delays in new products launch, currency exchange rate, legislative and regulatory developments.

2. From the current fiscal year, Santen Pharmaceutical adopts the "Accounting Standards for Quarterly Financial Statements" (Corporate Accounting Standards No.12) and the "Guides for Adopting the Accounting Standards for Quarterly Financial Statements" (Corporate Accounting Standards Adoption Guide No.14). Santen Pharmaceutical also follows the "Rules for Quarterly Consolidated Financial Statements" to prepare its quarterly consolidated financial statements.

## Quarterly consolidated balance sheets

(Millions of yen)

	December 31, 2008	March 31, 2008
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	32,870	35,483
Notes and accounts receivable-trade	36,979	35,614
Short-term investment securities	11,193	15,868
Merchandise and finished goods	9,795	9,387
Work in process	90	259
Raw materials and supplies	1,744	1,685
Deferred tax assets	1,006	1,699
Other	1,724	2,757
Allowance for doubtful receivables	(0)	(1)
<b>Total current assets</b>	<b>95,404</b>	<b>102,754</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	41,622	39,859
Accumulated depreciation and impairment loss	(25,245)	(24,699)
Buildings and structures, net	16,377	15,160
Machinery, equipment and vehicles	10,906	11,083
Accumulated depreciation and impairment loss	(8,489)	(8,426)
Machinery, equipment and vehicles, net	2,416	2,656
Land	8,664	8,558
Leased assets	50	-
Accumulated depreciation and impairment loss	(24)	-
Leased assets, net	26	-
Construction in progress	386	1,879
Other	10,548	10,532
Accumulated depreciation and impairment loss	(8,921)	(8,938)
Other, net	1,627	1,594
<b>Total property, plant and equipment</b>	<b>29,499</b>	<b>29,848</b>
<b>Intangible assets</b>		
Software	1,401	1,602
Other	172	630
<b>Total intangible assets</b>	<b>1,574</b>	<b>2,233</b>
<b>Investments and other assets</b>		
Investment securities	14,813	16,949
Deferred tax assets	5,274	1,822
Other	1,919	2,694
Allowance for doubtful receivables	-	-
<b>Total investments and other assets</b>	<b>22,007</b>	<b>21,466</b>
<b>Total noncurrent assets</b>	<b>53,080</b>	<b>53,548</b>
<b>Deferred assets</b>	<b>-</b>	<b>244</b>
<b>Total assets</b>	<b>148,485</b>	<b>156,547</b>

(Millions of yen)

	December 31, 2008	March 31, 2008
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable -trade	5,182	5,633
Current portion of long-term loans payable	152	5,168
Other payables	10,964	7,690
Income taxes payable	1,764	4,323
Provision for bonuses	1,351	2,612
Other	1,627	1,132
<b>Total current liabilities</b>	<b>21,042</b>	<b>26,561</b>
<b>Noncurrent liabilities</b>		
Retirement and severance benefits for employee	2,243	1,815
Retirement and severance benefits for directors and auditors	500	487
Other	433	565
<b>Total noncurrent liabilities</b>	<b>3,178</b>	<b>2,867</b>
<b>Total liabilities</b>	<b>24,220</b>	<b>29,429</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	6,451	6,418
Capital surplus	7,146	7,113
Retained earnings	118,727	117,786
Treasury stock at cost	(4,932)	(4,920)
<b>Total shareholders' equity</b>	<b>127,393</b>	<b>126,398</b>
<b>Accumulated gains on evaluation and translation</b>		
Unrealized gains on securities, net of taxes	895	2,273
Foreign currency translation adjustments	(4,212)	(1,673)
<b>Total accumulated gains on evaluation and translation</b>	<b>(3,316)</b>	<b>600</b>
<b>Stock subscription rights</b>	<b>188</b>	<b>119</b>
<b>Total net assets</b>	<b>124,264</b>	<b>127,118</b>
<b>Total liabilities and net assets</b>	<b>148,485</b>	<b>156,547</b>

## Quarterly consolidated statements of income

	(Millions of yen)
	Nine months ended December 31, 2008
Net sales	77,810
Cost of sales	27,084
Gross profit	50,725
Selling, general and administrative expenses	39,228
Operating income	11,497
Non-operating income	
Interest income	113
Dividend income	409
Exchange gains	447
Other	508
Total non-operating income	1,477
Non-operating expenses	
Interest expense	51
Equity in losses of affiliates	477
Other	102
Total non-operating expenses	631
Ordinary income	12,343
Extraordinary income	
Government subsidy	18
Total extraordinary income	18
Extraordinary loss	
Loss on sales of noncurrent assets	38
Loss on impairment of golf membership right	15
Total extraordinary losses	54
Income before income taxes	12,307
Income taxes - current	5,794
Income taxes - deferred	(1,194)
Total income taxes	4,600
Net income	7,707

# Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2008
<b>Net cash provided by operating activities</b>	
Income before income taxes	12,307
Depreciation and amortization	3,249
Increase in retirement and severance benefits	403
Interest and dividend income	(522)
Interest expense	51
Equity in losses of affiliates	477
Increase in notes and accounts receivable-trade	(1,923)
Increase in inventories	(722)
Decrease in notes and accounts payable-trade	(369)
Other, net	2,136
<b>Subtotal</b>	<b>15,089</b>
Interest and dividend income received	519
Interest expense paid	(53)
Income taxes paid	(8,313)
<b>Net cash provided by operating activities</b>	<b>7,242</b>
<b>Net cash used in investing activities</b>	
Increase in fixed deposits	(3,684)
Decrease in fixed deposits	2,775
Purchase of property, plant and equipment	(1,538)
Purchase of investment securities	(856)
Payments for loans	(300)
Proceeds from loans	311
Other, net	0
<b>Net cash used in investing activities</b>	<b>(3,292)</b>
<b>Net cash used in financing activities</b>	
Repayment of long-term loans payable	(5,126)
Dividends paid	(6,637)
Other, net	54
<b>Net cash used in financing activities</b>	<b>(11,708)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(737)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8,496)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>51,669</b>
<b>Cash and cash equivalents at end of period</b>	<b>43,173</b>

## Segment information

### Geographic segments

Nine months ended December 31, 2008

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	69,803	7,465	540	77,810	-	77,810
Intersegment	1,787	1,389	2,158	5,336	(5,336)	-
<b>Total</b>	<b>71,591</b>	<b>8,855</b>	<b>2,699</b>	<b>83,146</b>	<b>(5,336)</b>	<b>77,810</b>
Operating income (loss)	13,266	329	(293)	13,302	(1,805)	11,497

Europe...Finland, Germany and Sweden

Other...U.S.A., China, Korea and Taiwan

### Overseas sales

Nine months ended December 31, 2008

	Europe	North America	Asia	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Overseas sales (A)</b>	6,695	607	3,065	2	10,371
<b>Consolidated sales (B)</b>					Millions of yen 77,810
<b>Overseas sales ratio (A/B)</b>	8.6 %	0.8 %	3.9 %	0.0 %	13.3 %

Europe...Finland, Russia, Sweden, Germany and Norway

North America...U.S.A.

Asia...Korea, China, Vietnam and Taiwan

(Reference)

**Quarterly consolidated income statements**

	Nine months ended December 31, 2007		Composition
	Amount (Millions of yen)		
Net sales		79,293	100.0 %
Cost of sales		27,817	35.1
Gross profit		51,476	64.9
Selling, general and administrative expenses		34,793	43.9
Operating income		16,682	21.0
Non-operating income			
1. Interest income	126		
2. Dividend income	360		
3. Other	491	978	1.3
Non-operating expenses			
1. Interest expense	68		
2. Amortization expenses of goodwill	32		
3. Other	460	561	0.7
Ordinary income		17,099	21.6
Extraordinary income			
1. Gains on sale of fixed assets, net of taxes	0		
2. Gains on sale of investment securities, net of taxes	237	237	0.3
Extraordinary loss			
1. Loss on disposal of fixed assets	60	60	0.1
Income before income taxes		17,276	21.8
Income taxes - current	5,983		
Income taxes - deferred	523	6,506	8.2
Net income		10,769	13.6

## Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2007
	Amount
<b>I Cash flows from operating activities:</b>	
Income before income taxes	17,276
Depreciation and amortization	3,424
Increase in retirement and severance benefits	261
Interest and dividend income	(486)
Interest expense	68
Increase in trade receivables	(2,849)
Decrease in inventories	(553)
Decrease in trade accounts payable	45
Other, net	(766)
Subtotal	16,420
Interest and dividend income received	486
Interest expense paid	(53)
Income taxes paid	(7,654)
<b>Net cash provided by operating activities</b>	<b>9,199</b>
<b>II Cash flows from investing activities:</b>	
Increase in fixed deposits	(1,097)
Decrease in fixed deposits	1,159
Proceeds from sale of marketable securities	1,000
Payments for acquisition of fixed assets	(2,408)
Proceeds from sale of fixed assets	4
Purchase of investment securities	(1,564)
Proceeds from sale of investment securities	1,098
Other, net	21
<b>Net cash used in investing activities</b>	<b>(1,788)</b>
<b>III Cash flows from financing activities:</b>	
Repayment of long-term debt	(126)
Dividends paid	(6,311)
Other, net	41
<b>Net cash used in financing activities</b>	<b>(6,395)</b>
Effect of exchange rate changes on cash and cash equivalents	116
<b>Net increase in cash and cash equivalents</b>	<b>1,132</b>
Cash and cash equivalents at beginning of period	49,841
<b>Cash and cash equivalents at end of period</b>	<b>50,973</b>

## Segment information

### Geographic segments

Nine months ended December 31, 2007

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	71,192	7,597	502	79,293	-	79,293
Intersegment	1,129	1,467	2,151	4,747	(4,747)	-
Total	72,322	9,064	2,654	84,041	(4,747)	79,293
Operating income (loss)	18,300	446	(573)	18,172	(1,490)	16,682

Europe...Finland, Germany and Sweden

Other...U.S.A., China, Korea and Taiwan

### Overseas sales

Nine months ended December 31, 2007

	Europe	North America	Asia	Other	Total
Overseas sales (A) (Millions of yen)	6,311	1,194	3,510	11	11,028
Consolidated sales(B) (Millions of yen)	/	/	/	/	79,293
Overseas sales ratio(A/B)	8.0%	1.5%	4.4%	0.0%	13.9%

Europe...Finland, Russia, Germany, Sweden and Norway

North America...U.S.A.

Asia...Korea, China, Vietnam and Taiwan

Other...Australia,etc.