

SANTEN PHARMACEUTICAL CO., LTD. (July 29, 2004)  
Code: 4536  
URL <http://www.santen.co.jp>  
Financial Report for the Three-month period ended June 30, 2004  
(Consolidated)  
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**1. Basis of preparing the financial report for the three months ended June 30, 2004**

- (1) No alternative methods have been adopted in accounting policy.
- (2) One change has been made in accounting policy.
- (3) No changes on consolidated subsidiaries and application of the equity method
- (4) No audit or review by certified public accountant or accounting firm

**2. Performance for the three months ended June 30, 2004**

(Figures are rounded down to the nearest million yen)

(1) <b>Operating results</b>	Three months ended June 30, 2004	Three months ended June 30, 2003	Year ended March 31, 2004
Net sales (millions of yen)	22,476	22,803	89,857
Operating income (millions of yen)	4,751	3,834	14,525
Ordinary income (millions of yen)	4,849	3,691	15,790
Net income (millions of yen)	2,953	1,795	6,321
Net income per share (yen)	33.59	20.41	71.65
Diluted net income per share (yen)	33.56	20.15	71.64

(2) <b>Financial condition</b>	June 30, 2004	June 30, 2003	March 31, 2004
Total assets (millions of yen)	140,516	148,282	150,237
Shareholders' equity (millions of yen)	103,871	98,880	103,499
Shareholders' equity ratio	73.9%	66.7%	68.9%
Shareholders' equity per share (yen)	1,181.31	1,124.51	1,176.83

(3) <b>Cash flows</b>	Three months ended June 30, 2004	Three months ended June 30, 2003	Year ended March 31, 2004
Cash flows from operating activities (millions of yen)	(5,357)	3,648	23,196
Cash flows from investing activities (millions of yen)	(351)	(230)	5,246
Cash flows from financing activities (millions of yen)	(2,559)	(904)	(12,122)
Cash and cash equivalents at end of year (millions of yen)	33,174	27,869	41,422

**3. Forecasts of results for the year ending March 31, 2005**

	Interim	Full year	
Net sales (millions of yen)	45,100	90,800	
Operating income (millions of yen)	8,400	16,000	
Ordinary income (millions of yen)	7,800	15,300	
Net income (millions of yen)	4,000	8,700	
Reference: Expected net income per share (full-year basis)			98.94 yen

**Caution)**

The aforementioned forecast in this brief financial report reflects the Company's current analysis of data available and the Company's assumption as of July 29, 2004. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report. These risks and uncertainties include, but are not limited to, the economic circumstances surrounding the Company's businesses; competitive pressures; changes in related laws and regulations; status of product development programs; and changes in exchange rates.

## Quarterly consolidated balance sheets

(Millions of yen)

	June 30,2004		June 30,2003		Increase and decrease		March 31,2004	
	Yen	Composition	Yen	Composition	Yen	% Change 2004.6/2003.6	Yen	Composition
<b>Assets</b>								
<b>Current assets</b>	<b>82,320</b>	<b>58.6 %</b>	<b>84,180</b>	<b>56.8 %</b>	<b>1,860</b>	<b>2.2 %</b>	<b>91,230</b>	<b>60.7 %</b>
Cash and deposits	26,573		23,810		2,763		33,629	
Notes receivable and accounts receivable	33,821		32,955		866		32,456	
Marketable securities	8,358		8,771		413		9,303	
Inventories	9,501		12,499		2,998		10,393	
Deferred tax assets	934		978		44		2,255	
Others	3,390		5,305		1,915		3,448	
Allowance for doubtful receivables	258		140		118		256	
<b>Fixed assets</b>	<b>58,195</b>	<b>41.4</b>	<b>64,102</b>	<b>43.2</b>	<b>5,907</b>	<b>9.2</b>	<b>59,006</b>	<b>39.3</b>
<b>Tangible assets</b>	<b>( 36,673 )</b>	<b>( 26.1 )</b>	<b>( 41,126 )</b>	<b>( 27.7 )</b>	<b>( 4,453 )</b>	<b>( 10.8 )</b>	<b>( 37,237 )</b>	<b>( 24.8 )</b>
Buildings and structures	20,280		20,413		133		20,577	
Machinery, equipment and vehicles	1,854		2,061		207		1,882	
Land	10,589		10,996		407		10,645	
Construction in progress	1,674		5,097		3,423		1,750	
Others	2,273		2,557		284		2,382	
<b>Intangible assets</b>	<b>( 3,728 )</b>	<b>( 2.6 )</b>	<b>( 4,681 )</b>	<b>( 3.2 )</b>	<b>( 953 )</b>	<b>( 20.4 )</b>	<b>( 4,000 )</b>	<b>( 2.7 )</b>
Goodwill	1,237		1,562		325		1,323	
Others	2,491		3,118		627		2,676	
<b>Investments and other assets</b>	<b>( 17,793 )</b>	<b>( 12.7 )</b>	<b>( 18,294 )</b>	<b>( 12.3 )</b>	<b>( 501 )</b>	<b>( 2.7 )</b>	<b>( 17,769 )</b>	<b>( 11.8 )</b>
Investment securities	11,862		10,137		1,725		11,482	
Long-term deferred tax assets	1,669		2,376		707		1,814	
Others	4,265		5,781		1,516		4,476	
Allowance for doubtful receivables	3		0		3		3	
<b>Total assets</b>	<b>140,516</b>	<b>100.0</b>	<b>148,282</b>	<b>100.0</b>	<b>7,766</b>	<b>5.2</b>	<b>150,237</b>	<b>100.0</b>

(Millions of yen)

	June 30,2004		June 30,2003		Increase and decrease		March 31,2004	
	Yen	Composition	Yen	Composition	Yen	% Change 2004.6/2003.6	Yen	Composition
<b>Liabilities</b>								
<b>Current liabilities</b>	<b>17,067</b>	<b>12.2 %</b>	<b>39,553</b>	<b>26.7 %</b>	<b>22,486</b>	<b>56.9 %</b>	<b>27,153</b>	<b>18.1 %</b>
Notes payable and accounts payable	4,634		5,276		642		5,039	
Current portion of convertible bonds	-		19,945		19,945		-	
Current portion of long-term debt	416		416		-		416	
Other accounts payables	7,253		8,594		1,341		8,853	
Income taxes payable	1,045		1,636		591		8,132	
Reserve for bonuses	1,039		1,111		72		2,228	
Other reserves	310		658		348		650	
Others	2,369		1,915		454		1,831	
<b>Noncurrent liabilities</b>	<b>19,577</b>	<b>13.9</b>	<b>9,847</b>	<b>6.6</b>	<b>9,730</b>	<b>98.8</b>	<b>19,584</b>	<b>13.0</b>
Long-term debt	12,179		2,595		9,584		12,270	
Deferred tax liabilities	26		31		5		26	
Reserve for retirement benefits	5,444		5,417		27		5,331	
Reserve for retirement benefits for directors and auditors	401		417		16		441	
Others	1,525		1,385		140		1,514	
<b>Total liabilities</b>	<b>36,645</b>	<b>26.1</b>	<b>49,401</b>	<b>33.3</b>	<b>12,756</b>	<b>25.8</b>	<b>46,737</b>	<b>31.1</b>
<b>Shareholders' equity</b>								
Common stock	6,214	4.4	6,214	4.2	-	-	6,214	4.1
Capital surplus reserves	6,908	4.9	6,908	4.6	0	0.0	6,908	4.6
Appropriated retained earnings	92,139	65.6	91,437	61.7	702	0.8	91,844	61.1
Unrealized holding gains on securities	1,683	1.2	403	0.3	1,280	317.6	1,426	1.0
Foreign currency translation adjustments	3,032	2.2	2,806	1.9	226	8.1	2,853	1.9
Treasury stock	41	0.0	3,277	2.2	3,236	98.7	40	0.0
<b>Total shareholders' equity</b>	<b>103,871</b>	<b>73.9</b>	<b>98,880</b>	<b>66.7</b>	<b>4,991</b>	<b>5.0</b>	<b>103,499</b>	<b>68.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>140,516</b>	<b>100.0</b>	<b>148,282</b>	<b>100.0</b>	<b>7,766</b>	<b>5.2</b>	<b>150,237</b>	<b>100.0</b>

## Quarterly consolidated income statements

(Millions of yen)

	Three months ended June 30,2004		Three months ended June 30,2003		Increase and decrease		Year ended March 31,2004	
	Yen	Composition	Yen	Composition	Yen	% Change 2004.6/2003.6	Yen	Composition
Net sales	22,476	100.0 %	22,803	100.0 %	327	1.4 %	89,857	100.0 %
Cost of sales	8,258	36.7	7,686	33.7	572	7.4	31,857	35.4
Gross profit	14,218	63.3	15,117	66.3	899	5.9	58,000	64.6
Selling, general and administrative expenses	9,466	42.1	11,282	49.5	1,816	16.1	43,474	48.4
Operating income	4,751	21.2	3,834	16.8	917	23.9	14,525	16.2
Non operating income	( 252 )	( 1.1 )	( 144 )	( 0.6 )	( 108 )	( 75.0 )	( 2,908 )	( 3.2 )
Interest income	18		25		7		104	
Deividends income	59		58		1		135	
Others	174		60		114		2,668	
Non operating expenses	( 154 )	( 0.7 )	( 287 )	( 1.2 )	( 133 )	( 46.3 )	( 1,643 )	( 1.8 )
Interest expenses	50		64		14		365	
Amortization expenses of goodwill	79		97		18		317	
Others	24		125		101		960	
Ordinary income	4,849	21.6	3,691	16.2	1,158	31.4	15,790	17.6
Extraordinary gain	( 229 )	( 1.0 )	( 0 )	( 0.0 )	( 229 )	( - )	( 682 )	( 0.7 )
Gain on sale of fixed assets	229		0		229		5	
Others	-		-		-		677	
Extraordinary loss	( 18 )	( 0.1 )	( 80 )	( 0.4 )	( 62 )	( 77.5 )	( 2,698 )	( 3.0 )
Loss on disposal of fixed assets	11		45		34		118	
Impairment losses on golf membership rights	-		35		35		40	
Others	7		-		7		2,539	
Income before income taxes	5,061	22.5	3,611	15.8	1,450	40.2	13,774	15.3
Income taxes - current	816	3.6	1,718	7.5	902	52.5	8,750	9.7
Income taxes - deferred	1,290	5.8	98	0.4	1,192	1,216.3	1,297	1.4
Net income	2,953	13.1	1,795	7.9	1,158	64.5	6,321	7.0

## Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2004	Three months ended June 30, 2003	Year ended March 31, 2004
<b>I Cash flows from operating activities:</b>			
Income before income taxes	5,061	3,611	13,774
Depreciation and amortization	1,071	1,169	4,521
Increase/decrease in allowance for retirement benefits	112	76	43
Interest and dividends income	77	83	239
Interest expenses	50	64	365
Increase/decrease in trade receivables	1,305	248	315
Increase/decrease in inventories	875	677	1,342
Increase/decrease in trade accounts payable	396	227	440
Other, net	2,887	43	289
Subtotal	2,504	3,728	18,761
Interest and dividends income received	74	69	232
Interest expenses paid	32	62	328
Income taxes paid	7,904	86	453
Other, net	-	-	4,983
<b>Net cash provided by operating activities</b>	<b>5,357</b>	<b>3,648</b>	<b>23,196</b>
<b>II Cash flows from investing activities:</b>			
Increase in fixed deposits	337	184	622
Decrease in fixed deposits	58	40	915
Payments for acquisition of marketable securities	-	999	6,399
Proceeds from sale of marketable securities	-	1,999	10,604
Payments for acquisition of fixed assets	678	658	3,225
Proceeds from sale of fixed assets	535	19	3,770
Other, net	70	447	203
<b>Net cash provided by investing activities</b>	<b>351</b>	<b>230</b>	<b>5,246</b>
<b>III Cash flows from financing activities:</b>			
Increase in long-term debt	-	-	10,000
Repayment of long-term debt	91	91	416
Repayment of Convertible bonds	-	-	19,945
Cash dividends paid	2,467	812	1,758
Other, net	1	0	3
<b>Net cash provided by financing activities</b>	<b>2,559</b>	<b>904</b>	<b>12,122</b>
Effect of exchange rate changes on cash and cash equivalents	21	302	49
<b>Net increase/decrease in cash and cash equivalents</b>	<b>8,247</b>	<b>2,816</b>	<b>16,369</b>
Cash and cash equivalents, beginning of year	41,422	25,053	25,053
<b>Cash and cash equivalents, end of year</b>	<b>33,174</b>	<b>27,869</b>	<b>41,422</b>

## Segment information

### Geographic segments

Three months ended June 30,2004

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	20,667	1,629	179	22,476	-	22,476
Intersegment	179	389	698	1,268	(1,268)	-
<b>Total</b>	<b>20,847</b>	<b>2,018</b>	<b>878</b>	<b>23,745</b>	<b>(1,268)</b>	<b>22,476</b>
Operating expenses	15,432	1,943	1,018	18,394	(669)	17,725
Operating income (loss)	5,415	75	139	5,350	(599)	4,751

Three months ended June 30,2003

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	19,562	2,755	485	22,803	-	22,803
Intersegment	327	256	1,784	2,368	(2,368)	-
<b>Total</b>	<b>19,890</b>	<b>3,011</b>	<b>2,270</b>	<b>25,171</b>	<b>(2,368)</b>	<b>22,803</b>
Operating expenses	14,984	3,357	2,400	20,742	(1,774)	18,968
Operating income (loss)	4,906	346	130	4,429	(594)	3,834

Year ended March 31,2004

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	79,338	8,848	1,671	89,857	-	89,857
Intersegment	1,017	1,156	6,035	8,209	(8,209)	-
<b>Total</b>	<b>80,356</b>	<b>10,004</b>	<b>7,706</b>	<b>98,067</b>	<b>(8,209)</b>	<b>89,857</b>
Operating expenses	60,004	12,603	8,255	80,863	(5,531)	75,332
Operating income (loss)	20,351	2,599	548	17,204	(2,678)	14,525

Europe...Finland, Sweden and Germany

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

## Overseas sales

Three months ended June 30, 2004

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 1,207	Millions of yen 516	Millions of yen 771	Millions of yen 2,494
Consolidated sales (B)				Millions of yen 22,476
Overseas sales ratio (A/B)	5.4 %	2.3 %	3.4 %	11.1 %

Three months ended June 30, 2003

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 1,184	Millions of yen 1,959	Millions of yen 565	Millions of yen 3,709
Consolidated sales (B)				Millions of yen 22,803
Overseas sales ratio (A/B)	5.2 %	8.6 %	2.5 %	16.3 %

Year ended March 31, 2004

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 4,370	Millions of yen 5,813	Millions of yen 2,196	Millions of yen 12,380
Consolidated sales (B)				Millions of yen 89,857
Overseas sales ratio (A/B)	4.9 %	6.5 %	2.4 %	13.8 %

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

North America...U.S.A.and Canada

Others...Asian nations