

SANTEN PHARMACEUTICAL CO., LTD. (January 31, 2005)

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URL <http://www.santen.co.jp>

Financial Report for the Nine-month period ended December 31, 2004

(Consolidated)

Takakazu Morita, President and Chief Executive Officer

Contact: Ichiro Otokozaawa, Senior Corporate Officer, Head of Corporate Development and Administration Division, and Europe and the U.S. Operation Tel: 06-6321-7007

1. Basis of preparing the financial report for the nine months ended December 31, 2004

- (1) No alternative methods have been adopted in accounting policy.
- (2) No changes have 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 nine months ended December 31, 2004

(Figures are rounded down to the nearest million yen)

	December 31, 2004	December 31, 2003	March 31, 2004
(1) Operating results			
Net sales (millions of yen)	70,245	69,987	89,857
Operating income (millions of yen)	16,347	12,610	14,525
Ordinary income (millions of yen)	16,243	14,110	15,790
Net income (millions of yen)	8,865	6,970	6,321
Net income per share (yen)	101.15	79.27	71.65
Diluted net income per share (yen)	101.06	79.27	71.64
(2) Financial condition			
Total assets (millions of yen)	144,189	144,959	150,237
Shareholders' equity (millions of yen)	105,721	102,825	103,499
Shareholders' equity ratio	73.3%	70.9%	68.9%
Shareholders' equity per share (yen)	1,220.68	1,169.40	1,176.83
(3) Cash flows			
Cash flows from operating activities (millions of yen)	3,822	12,735	23,196
Cash flows from investing activities (millions of yen)	(7,842)	4,412	5,246
Cash flows from financing activities (millions of yen)	(7,137)	(11,935)	(12,122)
Cash and cash equivalents at end of year (millions of yen)	30,284	30,051	41,422

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

	Full year
Net sales (millions of yen)	90,700
Operating income (millions of yen)	18,200
Ordinary income (millions of yen)	17,900
Net income (millions of yen)	9,600
Reference: Expected net income per share (full-year basis)	110.84 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 January 31, 2005. 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)

	December 31,2004		December 31,2003		Increase and decrease		March 31,2004	
	Yen	Composition	Yen	Composition	Yen	% Change 2004.12/2003.12	Yen	Composition
Assets								
Current assets	85,847	59.5 %	85,476	59.0 %	371	0.4 %	91,230	60.7 %
Cash and deposits	27,314		29,298		1,984		33,629	
Notes receivable and accounts receivable	36,518		35,311		1,207		32,456	
Marketable securities	7,817		5,505		2,312		9,303	
Inventories	9,238		10,000		762		10,393	
Deferred tax assets	948		1,840		892		2,255	
Others	4,024		3,825		199		3,448	
Allowance for doubtful receivables	14		304		290		256	
Fixed assets	58,341	40.5	59,483	41.0	1,142	1.9	59,006	39.3
Tangible assets	(33,207)	(23.1)	(37,758)	(26.0)	(4,551)	(12.1)	(37,237)	(24.8)
Buildings and structures	19,200		21,059		1,859		20,577	
Machinery, equipment and vehicles	2,043		1,860		183		1,882	
Land	9,479		10,968		1,489		10,645	
Construction in progress	386		1,351		965		1,750	
Others	2,096		2,517		421		2,382	
Intangible assets	(3,198)	(2.2)	(4,147)	(2.9)	(949)	(22.9)	(4,000)	(2.7)
Goodwill	1,077		1,284		207		1,323	
Others	2,121		2,862		741		2,676	
Investments and other assets	(21,935)	(15.2)	(17,577)	(12.1)	(4,358)	(24.8)	(17,769)	(11.8)
Investment securities	13,613		10,689		2,924		11,482	
Long-term deferred tax assets	1,448		1,853		405		1,814	
Others	6,876		5,034		1,842		4,476	
Allowance for doubtful receivables	3		-		3		3	
Total assets	144,189	100.0	144,959	100.0	770	0.5	150,237	100.0

(Millions of yen)

	December 31,2004		December 31,2003		Increase and decrease		March 31,2004	
	Yen	Composition	Yen	Composition	Yen	% Change 2004.12/2003.12	Yen	Composition
Liabilities								
Current liabilities	18,804	13.1 %	22,599	15.6 %	3,795	16.8 %	27,153	18.1 %
Notes payable and accounts payable	5,065		4,430		635		5,039	
Current portion of long-term debt	416		416		-		416	
Other accounts payables	7,698		8,122		424		8,853	
Income taxes payable	1,713		6,062		4,349		8,132	
Reserve for bonuses	1,260		1,282		22		2,228	
Other reserves	225		730		505		650	
Others	2,424		1,554		870		1,831	
Noncurrent liabilities	19,664	13.6	19,534	13.5	130	0.7	19,584	13.0
Long-term loans	11,971		12,387		416		12,270	
Deferred tax liabilities	25		30		5		26	
Reserve for retirement benefits	5,689		5,159		530		5,331	
Reserve for retirement benefits for directors and auditors	401		437		36		441	
Others	1,577		1,520		57		1,514	
Total liabilities	38,468	26.7	42,134	29.1	3,666	8.7	46,737	31.1
Shareholders' equity								
Common stock	6,238	4.3	6,214	4.3	24	0.4	6,214	4.1
Capital surplus reserves	6,933	4.8	6,908	4.8	25	0.4	6,908	4.6
Appropriated retained earnings	96,292	66.8	95,733	66.0	559	0.6	91,844	61.1
Unrealized holding gains on securities	1,810	1.2	918	0.6	892	97.2	1,426	1.0
Foreign currency translation adjustments	2,934	2.0	3,670	2.5	736	20.1	2,853	1.9
Treasury stock at cost	2,619	1.8	3,278	2.3	659	20.1	40	0.0
Total shareholders' equity	105,721	73.3	102,825	70.9	2,896	2.8	103,499	68.9
Total liabilities and shareholders' equity	144,189	100.0	144,959	100.0	770	0.5	150,237	100.0

Quarterly consolidated income statements

(Millions of yen)

	Nine months ended December 31,2004		Nine months ended December 31,2003		Increase and decrease		Year ended March 31,2004	
	Yen	Composition	Yen	Composition	Yen	% Change 2004.12/2003.12	Yen	Composition
Net sales	70,245	100.0 %	69,987	100.0 %	258	0.4 %	89,857	100.0 %
Cost of sales	25,330	36.0	24,329	34.8	1,001	4.1	31,857	35.4
Gross profit	44,914	64.0	45,658	65.2	744	1.6	58,000	64.6
Selling, general and administrative expenses	28,567	40.7	33,048	47.2	4,481	13.6	43,474	48.4
Operating income	16,347	23.3	12,610	18.0	3,737	29.6	14,525	16.2
Non operating income	(634)	(0.9)	(2,427)	(3.4)	(1,793)	(73.9)	(2,908)	(3.2)
Interest income	59		76		17		104	
Deividends income	124		108		16		135	
Insurance due date amount receivables	114		1,712		1,598		1,712	
Others	336		530		194		956	
Non operating expenses	(738)	(1.1)	(927)	(1.3)	(189)	(20.4)	(1,643)	(1.8)
Interest expenses	136		279		143		365	
Amortization expenses of goodwill	240		237		3		317	
Others	362		410		48		960	
Ordinary income	16,243	23.1	14,110	20.1	2,133	15.1	15,790	17.6
Extraordinary gain	(344)	(0.5)	(490)	(0.7)	(146)	(29.8)	(682)	(0.7)
Gain on sale of fixed assets	341		1		340		5	
Gain on sale of investment securities	-		487		487		675	
Others	3		1		2		2	
Extraordinary loss	(1,579)	(2.2)	(1,558)	(2.2)	(21)	(1.3)	(2,698)	(3.0)
Loss on impairment of fixed assets	823		-		823		376	
Retirement benefit under the carrier development support program	-		705		705		719	
Loss on discontinued operations of affiliates	-		730		730		855	
Restructuring charge for the U.S. business	551		-		551		386	
Others	204		123		81		359	
Income before income taxes	15,008	21.4	13,042	18.6	1,966	15.1	13,774	15.3
Income taxes - current	4,733	6.8	6,645	9.5	1,912	28.8	8,750	9.7
Income taxes - deferred	1,409	2.0	573	0.8	1,982	-	1,297	1.4
Net income	8,865	12.6	6,970	9.9	1,895	27.2	6,321	7.0

Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2003	Year ended March 31, 2004
I Cash flows from operating activities:			
Income before income taxes	15,008	13,042	13,774
Depreciation and amortization	3,443	3,388	4,521
Loss on impairment of fixed assets	823	-	376
Increase/decrease in allowance for retirement benefits	357	127	43
Interest and dividends income	183	184	239
Interest expenses	136	279	365
Increase/decrease in trade receivables	4,055	3,153	315
Increase/decrease in inventories	1,163	1,697	1,342
Increase/decrease in trade accounts payable	8	1,042	440
Other, net	1,993	2,418	666
Subtotal	14,709	11,480	18,761
Interest and dividends income received	187	152	232
Interest expenses paid	118	266	328
Insurance received	198	-	3,003
Income taxes paid	11,153	593	453
Income taxes refunded	-	1,962	1,980
Net cash provided by operating activities	3,822	12,735	23,196
II Cash flows from investing activities:			
Increase in fixed deposits	1,183	402	622
Decrease in fixed deposits	1,453	607	915
Payments for acquisition of marketable securities	3,999	6,399	6,399
Proceeds from sale of marketable securities	999	7,199	10,604
Payments for acquisition of fixed assets	4,401	1,850	3,225
Proceeds from sale of fixed assets	1,358	3,145	3,770
Payments for investments in securities	3,232	8	510
Proceeds from investments in securities	1,155	787	1,073
Other, net	7	1,333	359
Net cash provided by investing activities	7,842	4,412	5,246
III Cash flows from financing activities:			
Increase in long-term debt	-	10,000	10,000
Repayment of long-term debt	299	299	416
Repayment of Convertible bonds	-	19,945	19,945
Purchases of treasury stock	2,582	3	3
Cash dividends paid	4,305	1,689	1,758
Other, net	49	0	-
Net cash provided by financing activities	7,137	11,935	12,122
Effect of exchange rate changes on cash and cash equivalents	18	213	49
Net increase/decrease in cash and cash equivalents	11,138	4,998	16,369
Cash and cash equivalents, beginning of year	41,422	25,053	25,053
Cash and cash equivalents, end of year	30,284	30,051	41,422

Segment information

Geographic segments

Nine months ended December 31,2004

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	65,254	4,571	418	70,245	-	70,245
Intersegment	439	1,138	1,882	3,460	(3,460)	-
Total	65,694	5,709	2,301	73,705	(3,460)	70,245
Operating expenses	46,920	5,877	2,821	55,619	(1,722)	53,897
Operating income (loss)	18,774	168	520	18,086	(1,738)	16,347

Nine months ended December 31,2003

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	61,416	7,218	1,352	69,987	-	69,987
Intersegment	834	819	4,932	6,586	(6,586)	-
Total	62,250	8,038	6,285	76,574	(6,586)	69,987
Operating expenses	45,737	9,711	6,449	61,898	(4,521)	57,377
Operating income (loss)	16,513	1,673	163	14,675	(2,065)	12,610

Year ended March 31,2004

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	79,338	8,848	1,671	89,857	-	89,857
Intersegment	1,017	1,156	6,035	8,209	(8,209)	-
Total	80,356	10,004	7,706	98,067	(8,209)	89,857
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, Germany and Sweden

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

Overseas sales

Nine months ended December 31, 2004

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 3,611	Millions of yen 1,143	Millions of yen 2,170	Millions of yen 6,925
Consolidated sales (B)				Millions of yen 70,245
Overseas sales ratio (A/B)	5.1 %	1.6 %	3.1 %	9.9 %

Nine months ended December 31, 2003

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 3,277	Millions of yen 5,042	Millions of yen 1,942	Millions of yen 10,262
Consolidated sales (B)				Millions of yen 69,987
Overseas sales ratio (A/B)	4.7 %	7.2 %	2.8 %	14.7 %

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

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

Others...Asian nations