

SANTEN PHARMACEUTICAL CO., LTD. (July 29, 2005)

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

Financial Report for the Three-month period ended June 30, 2005

(Consolidated)

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1. Basis of preparing the financial report for the three months ended June 30, 2005

- (1) No alternative methods have been adopted in accounting policy.
- (2) No 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, 2005

(Figures are rounded down to the nearest million yen)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Year ended March 31, 2005
(1) Operating results			
Net sales (millions of yen)	25,246	22,476	92,696
Operating income (millions of yen)	6,534	4,751	18,982
Ordinary income (millions of yen)	6,701	4,849	18,837
Net income (millions of yen)	4,202	2,953	11,022
Net income per share (yen)	48.52	33.59	125.85
Diluted net income per share (yen)	48.44	33.56	125.71

	June 30, 2005	June 30, 2004	March 31, 2005
(2) Financial condition			
Total assets (millions of yen)	137,687	140,516	139,979
Shareholders' equity (millions of yen)	109,459	103,871	108,239
Shareholders' equity ratio	79.5%	73.9%	77.3%
Shareholders' equity per share (yen)	1,263.60	1,181.31	1,249.32

	Three months ended June 30, 2005	Three months ended June 30, 2004	Year ended March 31, 2005
(3) Cash flows			
Cash flows from operating activities (millions of yen)	1,211	(5,357)	6,619
Cash flows from investing activities (millions of yen)	(73)	(351)	(2,907)
Cash flows from financing activities (millions of yen)	(2,496)	(2,559)	(12,711)
Cash and cash equivalents at end of year (millions of yen)	31,031	33,174	32,380

3. Forecasts of results for the year ending March 31, 2006

	Interim	Full year
Net sales (millions of yen)	49,200	97,500
Operating income (millions of yen)	10,700	20,800
Ordinary income (millions of yen)	10,900	21,000
Net income (millions of yen)	6,700	12,500

Reference: Expected net income per share (full-year basis) 144.30 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, 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)

	June 30,2005		June 30,2004		Increase and decrease		March 31,2005	
	Yen	Composition	Yen	Composition	Yen	% Change 2005.6/2004.6	Yen	Composition
Assets								
Current assets	81,305	59.1 %	82,320	58.6 %	1,015	1.2 %	82,735	59.1 %
Cash and deposits	20,617		26,573		5,956		23,948	
Notes and accounts receivable -trade	37,030		33,821		3,209		35,625	
Marketable securities	10,379		8,358		2,021		9,046	
Inventories	9,687		9,501		186		9,826	
Deferred tax assets	970		934		36		1,625	
Other current assets	2,639		3,390		751		2,681	
Allowance for doubtful receivables	18		258		240		18	
Fixed assets	56,381	40.9	58,195	41.4	1,814	3.1	57,244	40.9
Tangible assets	(32,365)	(23.5)	(36,673)	(26.1)	(4,308)	(11.7)	(32,676)	(23.3)
Buildings and structures	18,418		20,280		1,862		18,826	
Machinery, equipment and vehicles	2,099		1,854		245		2,114	
Land	9,490		10,589		1,099		9,486	
Construction in progress	305		1,674		1,369		181	
Other tangibles	2,051		2,273		222		2,067	
Intangible assets	(3,156)	(2.3)	(3,728)	(2.6)	(572)	(15.3)	(3,318)	(2.4)
Goodwill	918		1,237		319		1,015	
Software	1,137		1,123		14		1,182	
Other intangibles	1,100		1,368		268		1,119	
Investments and other assets	(20,859)	(15.1)	(17,793)	(12.7)	(3,066)	(17.2)	(21,250)	(15.2)
Investment securities	14,034		11,862		2,172		14,313	
Deferred tax assets	1,234		1,669		435		1,051	
Other assets	5,590		4,265		1,325		5,885	
Allowance for doubtful receivables	-		3		3		-	
Total assets	137,687	100.0	140,516	100.0	2,829	2.0	139,979	100.0

(Millions of yen)

	June 30,2005		June 30,2004		Increase and decrease		March 31,2005	
	Yen	Composition	Yen	Composition	Yen	% Change 2005.6/2004.6	Yen	Composition
Liabilities								
Current liabilities	18,862	13.7 %	17,067	12.2 %	1,795	10.5 %	22,221	15.9 %
Notes and accounts payable -trade	5,625		4,634		991		6,122	
Current portion of long-term debt	268		416		148		268	
Other payables	7,459		7,253		206		8,577	
Income taxes payable	1,985		1,045		940		3,413	
Reserve for bonuses	1,165		1,039		126		2,481	
Other reserves	164		310		146		199	
Other current liabilities	2,195		2,369		174		1,158	
Noncurrent liabilities	9,364	6.8	19,577	13.9	10,213	52.2	9,518	6.8
Long-term debt	6,572		12,179		5,607		6,614	
Deferred tax liabilities	23		26		3		23	
Retirement and severance benefits for employee	1,533		5,444		3,911		1,455	
Retirement and severance benefits for directors and auditors	414		401		13		402	
Other liabilities	820		1,525		705		1,023	
Total liabilities	28,227	20.5	36,645	26.1	8,418	23.0	31,740	22.7
Shareholders' equity								
Common stock	6,251	4.5	6,214	4.4	37	0.6	6,247	4.5
Additional paid-in capital	6,946	5.1	6,908	4.9	38	0.6	6,942	4.9
Retained earnings	97,480	70.8	92,139	65.6	5,341	5.8	95,901	68.5
Unrealized holding gains on securities	1,892	1.4	1,683	1.2	209	12.4	2,048	1.5
Foreign currency translation adjustments	3,036	2.2	3,032	2.2	4	0.1	2,826	2.0
Treasury stock at cost	75	0.1	41	0.0	34	82.9	74	0.1
Total shareholders' equity	109,459	79.5	103,871	73.9	5,588	5.4	108,239	77.3
Total liabilities and shareholders' equity	137,687	100.0	140,516	100.0	2,829	2.0	139,979	100.0

Quarterly consolidated income statements

(Millions of yen)

	Three months ended June 30,2005		Three months ended June 30,2004		Increase and decrease		Year ended March 31,2005	
	Yen	Composition	Yen	Composition	Yen	% Change 2005.6/2004.6	Yen	Composition
Net sales	25,246	100.0 %	22,476	100.0 %	2,770	12.3 %	92,696	100.0 %
Cost of sales	8,862	35.1	8,258	36.7	604	7.3	33,709	36.4
Gross profit	16,384	64.9	14,218	63.3	2,166	15.2	58,986	63.6
Selling, general and administrative expenses	9,850	39.0	9,466	42.1	384	4.1	40,003	43.1
Operating income	6,534	25.9	4,751	21.2	1,783	37.5	18,982	20.5
Non operating income	(273)	(1.1)	(252)	(1.1)	(21)	(8.3)	(803)	(0.8)
Interest income	16		18		2		103	
Dividend income	104		59		45		145	
Others	152		174		22		554	
Non operating expenses	(107)	(0.5)	(154)	(0.7)	(47)	(30.5)	(948)	(1.0)
Interest expense	21		50		29		182	
Amortization expenses of goodwill	81		79		2		322	
Others	4		24		20		443	
Ordinary income	6,701	26.5	4,849	21.6	1,852	38.2	18,837	20.3
Extraordinary gain	(-)	(-)	(229)	(1.0)	(229)	(100.0)	(1,137)	(1.2)
Gains on sale of fixed assets	-		229		229		340	
Others	-		-		-		796	
Extraordinary loss	(12)	(0.0)	(18)	(0.1)	(6)	(33.3)	(1,538)	(1.6)
Loss on disposal of fixed assets	12		11		1		102	
Others	-		7		7		1,436	
Income before income taxes	6,689	26.5	5,061	22.5	1,628	32.2	18,436	19.9
Income taxes - current	1,908	7.6	816	3.6	1,092	133.8	6,446	7.0
Income taxes - deferred	577	2.3	1,290	5.8	713	55.3	966	1.0
Net income	4,202	16.6	2,953	13.1	1,249	42.3	11,022	11.9

Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Year ended March 31, 2005
I Cash flows from operating activities:			
Income before income taxes	6,689	5,061	18,436
Depreciation and amortization	1,167	1,071	4,749
Increase/decrease in retirement and severance benefits	78	112	2,550
Interest and dividend income	121	77	249
Interest expense	21	50	182
Increase/decrease in trade receivables	1,387	1,305	3,082
Increase/decrease in inventories	87	875	594
Increase/decrease in trade accounts payable	484	396	1,065
Other, net	1,675	2,887	1,553
Subtotal	4,371	2,504	17,592
Interest and dividend income received	124	74	246
Interest expense paid	9	32	183
Insurance received	60	-	198
Income taxes paid	3,335	7,904	11,235
Net cash provided by operating activities	1,211	5,357	6,619
II Cash flows from investing activities:			
Increase in fixed deposits	93	337	1,548
Decrease in fixed deposits	238	58	2,904
Proceeds from sale of marketable securities	499	-	4,817
Payments for acquisition of fixed assets	719	678	4,906
Proceeds from sale of fixed assets	-	535	2,488
Other, net	0	70	6,662
Net cash provided by investing activities	73	351	2,907
III Cash flows from financing activities:			
Repayment of long-term debt	42	91	5,804
Dividends paid	2,461	2,467	4,393
Other, net	7	1	2,514
Net cash provided by financing activities	2,496	2,559	12,711
Effect of exchange rate changes on cash and cash equivalents	9	21	42
Net increase/decrease in cash and cash equivalents	1,349	8,247	9,042
Cash and cash equivalents at beginning of year	32,380	41,422	41,422
Cash and cash equivalents at end of year	31,031	33,174	32,380

Segment information

Geographic segments

Three months ended June 30,2005

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	23,334	1,823	89	25,246	-	25,246
Intersegment	218	505	754	1,478	(1,478)	-
Total	23,553	2,328	843	26,725	(1,478)	25,246
Operating expenses	16,411	2,241	948	19,601	(889)	18,712
Operating income (loss)	7,141	87	105	7,123	(589)	6,534

Three months ended June 30,2004

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	20,667	1,629	179	22,476	-	22,476
Intersegment	179	389	698	1,268	(1,268)	-
Total	20,847	2,018	878	23,745	(1,268)	22,476
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

Year ended March 31,2005

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	85,837	6,374	484	92,696	-	92,696
Intersegment	548	1,624	2,570	4,743	(4,743)	-
Total	86,386	7,999	3,054	97,439	(4,743)	92,696
Operating expenses	64,216	8,148	3,798	76,162	(2,448)	73,713
Operating income (loss)	22,169	149	743	21,276	(2,294)	18,982

Europe...Finland, Germany and Sweden

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

Overseas sales

Three months ended June 30, 2005

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 1,637	Millions of yen 171	Millions of yen 945	Millions of yen 2,753
Consolidated sales (B)				Millions of yen 25,246
Overseas sales ratio (A/B)	6.5	0.7	3.7	10.9 %

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 %

Year ended March 31, 2005

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 4,794	Millions of yen 1,703	Millions of yen 2,752	Millions of yen 9,250
Consolidated sales (B)				Millions of yen 92,696
Overseas sales ratio (A/B)	5.2 %	1.8 %	3.0 %	10.0 %

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

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

Others...Asian nations