

SANTEN PHARMACEUTICAL CO., LTD. (January 31, 2006)

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

Financial Report for the Nine-month period ended December 31, 2005

(Consolidated)

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1. Basis of preparing the financial report for the nine months ended December 31, 2005

- (1) No alternative methods have been adopted in accounting policy.
- (2) No change has been made in accounting policy.
- (3) One company newly added in the scope of 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, 2005

(Figures are rounded down to the nearest million yen)

(1) Operating results	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Year ended March 31, 2005
Net sales (millions of yen)	76,750	70,245	92,696
Operating income (millions of yen)	19,172	16,347	18,982
Ordinary income (millions of yen)	19,532	16,243	18,837
Net income (millions of yen)	11,735	8,865	11,022
Net income per share (yen)	135.44	101.15	125.85
Diluted net income per share (yen)	135.21	101.06	125.71

(2) Financial condition	December 31, 2005	December 31, 2004	March 31, 2005
Total assets (millions of yen)	146,253	144,189	139,979
Shareholders' equity (millions of yen)	116,627	105,721	108,239
Shareholders' equity ratio	79.7%	73.3%	77.3%
Shareholders' equity per share (yen)	1,345.43	1,220.68	1,249.32

(3) Cash flows	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Year ended March 31, 2005
Cash flows from operating activities (millions of yen)	13,003	3,822	6,619
Cash flows from investing activities (millions of yen)	(1,370)	(7,842)	(2,907)
Cash flows from financing activities (millions of yen)	(4,753)	(7,137)	(12,711)
Cash and cash equivalents at end of year (millions of yen)	39,381	30,284	32,380

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

	Full year
Net sales (millions of yen)	98,000
Operating income (millions of yen)	21,200
Ordinary income (millions of yen)	21,500
Net income (millions of yen)	12,900
Reference: Expected net income per share (full-year basis)	148.82 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, 2006. 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 31,2005		December 31,2004		Increase and decrease		March 31,2005	
	Yen	Composition	Yen	Composition	Yen	% Change 2005.12/2004.12	Yen	Composition
Assets								
Current assets	90,190	61.7 %	85,847	59.5 %	4,343	5.1 %	82,735	59.1 %
Cash and deposits	29,657		27,314		2,343		23,948	
Notes and accounts receivable -trade	38,413		36,518		1,895		35,625	
Marketable securities	10,200		7,817		2,383		9,046	
Inventories	8,655		9,238		583		9,826	
Deferred tax assets	1,048		948		100		1,625	
Other current assets	2,220		4,024		1,804		2,681	
Allowance for doubtful receivables	4		14		10		18	
Fixed assets	56,063	38.3	58,341	40.5	2,278	3.9	57,244	40.9
Tangible assets	(30,759)	(21.0)	(33,207)	(23.1)	(2,448)	(7.4)	(32,676)	(23.3)
Buildings and structures	17,500		19,200		1,700		18,826	
Machinery, equipment and vehicles	1,998		2,043		45		2,114	
Land	9,066		9,479		413		9,486	
Construction in progress	299		386		87		181	
Other tangibles	1,895		2,096		201		2,067	
Intangible assets	(2,875)	(2.0)	(3,198)	(2.2)	(323)	(10.1)	(3,318)	(2.4)
Goodwill	804		1,077		273		1,015	
Software	987		985		2		1,182	
Other intangibles	1,083		1,136		53		1,119	
Investments and other assets	(22,427)	(15.3)	(21,935)	(15.2)	(492)	(2.2)	(21,250)	(15.2)
Investment securities	16,108		13,613		2,495		14,313	
Deferred tax assets	842		1,448		606		1,051	
Other assets	5,476		6,876		1,400		5,885	
Allowance for doubtful receivables	-		3		3		-	
Total assets	146,253	100.0	144,189	100.0	2,064	1.4	139,979	100.0

(Millions of yen)

	December 31,2005		December 31,2004		Increase and decrease		March 31,2005	
	Yen	Composition	Yen	Composition	Yen	% Change 2005.12/2004.12	Yen	Composition
Liabilities								
Current liabilities	20,807	14.3 %	18,804	13.1 %	2,003	10.7 %	22,221	15.9 %
Notes and accounts payable -trade	5,112		5,065		47		6,122	
Current portion of long-term debt	768		416		352		268	
Other payables	7,854		7,698		156		8,577	
Income taxes payable	3,598		1,713		1,885		3,413	
Reserve for bonuses	1,389		1,260		129		2,481	
Other reserves	110		225		115		199	
Other current liabilities	1,974		2,424		450		1,158	
Noncurrent liabilities	8,819	6.0	19,664	13.6	10,845	55.2	9,518	6.8
Long-term debt	5,938		11,971		6,033		6,614	
Deferred tax liabilities	21		25		4		23	
Retirement and severance benefits for employee	1,818		5,689		3,871		1,455	
Retirement and severance benefits for directors and auditors	457		401		56		402	
Other liabilities	582		1,577		995		1,023	
Total liabilities	29,626	20.3	38,468	26.7	8,842	23.0	31,740	22.7
Shareholders' equity								
Common stock	6,297	4.3	6,238	4.3	59	0.9	6,247	4.5
Additional paid-in capital	6,992	4.8	6,933	4.8	59	0.9	6,942	4.9
Retained earnings	102,847	70.3	96,292	66.8	6,555	6.8	95,901	68.5
Unrealized holding gains on securities	3,151	2.2	1,810	1.2	1,341	74.1	2,048	1.5
Foreign currency translation adjustments	2,573	1.8	2,934	2.0	361	12.3	2,826	2.0
Treasury stock at cost	87	0.1	2,619	1.8	2,532	96.7	74	0.1
Total shareholders' equity	116,627	79.7	105,721	73.3	10,906	10.3	108,239	77.3
Total liabilities and shareholders' equity	146,253	100.0	144,189	100.0	2,064	1.4	139,979	100.0

Quarterly consolidated income statements

(Millions of yen)

	Nine months ended December 31,2005		Nine months ended December 31,2004		Increase and decrease		Year ended March 31,2005	
	Yen	Composition	Yen	Composition	Yen	% Change 2005.12/2004.12	Yen	Composition
Net sales	76,750	100.0 %	70,245	100.0 %	6,505	9.3 %	92,696	100.0 %
Cost of sales	26,688	34.8	25,330	36.0	1,358	5.4	33,709	36.4
Gross profit	50,062	65.2	44,914	64.0	5,148	11.5	58,986	63.6
Selling, general and administrative expenses	30,890	40.2	28,567	40.7	2,323	8.1	40,003	43.1
Operating income	19,172	25.0	16,347	23.3	2,825	17.3	18,982	20.5
Non operating income	(717)	(0.9)	(634)	(0.9)	(83)	(13.1)	(803)	(0.8)
Interest income	55		59		4		103	
Deividend income	170		124		46		145	
Others	491		450		41		554	
Non operating expenses	(356)	(0.5)	(738)	(1.1)	(382)	(51.8)	(948)	(1.0)
Interest expense	62		136		74		182	
Amortization expenses of goodwill	245		240		5		322	
Others	47		362		315		443	
Ordinary income	19,532	25.4	16,243	23.1	3,289	20.2	18,837	20.3
Extraordinary gain	(15)	(0.0)	(344)	(0.5)	(329)	(95.6)	(1,137)	(1.2)
Reversal of allowance for doubtful receivables	13		3		10		2	
Gains on sale of fixed assets	2		341		339		340	
Others	0		-		0		793	
Extraordinary loss	(1,090)	(1.4)	(1,579)	(2.2)	(489)	(31.0)	(1,538)	(1.6)
Loss on impairment of fixed assets	909		823		86		823	
Restructuring charge for the U.S. business	-		551		551		440	
Special additional amount for retirement	143		-		143		-	
Others	37		204		167		274	
Income before income taxes	18,457	24.0	15,008	21.4	3,449	23.0	18,436	19.9
Income taxes - current	6,685	8.7	4,733	6.8	1,952	41.2	6,446	7.0
Income taxes - deferred	36	0.0	1,409	2.0	1,373	97.4	966	1.0
Net income	11,735	15.3	8,865	12.6	2,870	32.4	11,022	11.9

Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Year ended March 31, 2005
I Cash flows from operating activities:			
Income before income taxes	18,457	15,008	18,436
Depreciation and amortization	3,575	3,443	4,749
Loss on impairment of fixed assets	909	823	823
Increase/decrease in retirement and severance benefits	362	357	2,550
Interest and dividend income	226	183	249
Interest expense	62	136	182
Increase/decrease in trade receivables	2,521	4,055	3,082
Increase/decrease in inventories	1,198	1,163	594
Increase/decrease in trade accounts payable	1,022	8	1,065
Other, net	1,547	1,993	2,377
Subtotal	19,248	14,709	17,592
Interest and dividend income received	233	187	246
Interest expense paid	51	118	183
Insurance received	60	198	198
Income taxes paid	6,486	11,153	11,235
Net cash provided by operating activities	13,003	3,822	6,619
II Cash flows from investing activities:			
Increase in fixed deposits	851	1,183	1,548
Decrease in fixed deposits	596	1,453	2,904
Payments for acquisition of marketable securities	-	3,999	4,499
Proceeds from sale of marketable securities	504	999	4,817
Payments for acquisition of fixed assets	1,660	4,401	4,906
Proceeds from sale of fixed assets	24	1,358	2,488
Purchase of investment securities	5	3,232	3,229
Proceeds from sale of investment securities	20	1,155	1,059
Other, net	1	7	7
Net cash provided by investing activities	1,370	7,842	2,907
III Cash flows from financing activities:			
Repayment of long-term debt	176	299	5,804
Purchase of treasury stock	12	2,582	2,582
Dividends paid	4,664	4,305	4,393
Other, net	99	49	68
Net cash provided by financing activities	4,753	7,137	12,711
Effect of exchange rate changes on cash and cash equivalents	120	18	42
Net increase/decrease in cash and cash equivalents	7,000	11,138	9,042
Cash and cash equivalents at beginning of year	32,380	41,422	41,422
Cash and cash equivalents at end of year	39,381	30,284	32,380

Segment information

Geographic segments

Nine months ended December 31,2005

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	70,704	5,751	295	76,750	-	76,750
Intersegment	699	1,394	2,149	4,243	(4,243)	-
Total	71,403	7,146	2,444	80,994	(4,243)	76,750
Operating expenses	50,870	6,711	2,812	60,394	(2,815)	57,578
Operating income (loss)	20,532	435	367	20,600	(1,428)	19,172

Nine months ended December 31,2004

(Millions of yen)

	Japan	Europe	Others	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

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, Korea and China

Overseas sales

Nine months ended December 31, 2005

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 4,689	Millions of yen 992	Millions of yen 2,895	Millions of yen 8,577
Consolidated sales (B)				Millions of yen 76,750
Overseas sales ratio (A/B)	6.1 %	1.3 %	3.8 %	11.2 %

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 %

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