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SANTEN PHARMACEUTICAL CO., LTD. (July 31, 2007)

Code: 4536

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

Financial Report for the Three-month period ended June 30, 2007

Takakazu Morita, Chairman and Chief Executive Officer

Contact: Yoshihiro Noutsuka, Corporate Officer

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(Figures are rounded down to the nearest million yen)

1. Consolidated Performance for the three months ended June 30, 2007

(1) Operating results	Three months ended	Three months ended	Year ended
	June 30, 2007	June 30, 2006	March 31, 2007
Net sales (millions of yen)	26,524	25,999	100,485
Operating income (millions of yen)	5,915	6,202	20,412
Ordinary income (millions of yen)	6,220	6,314	20,843
Net income (millions of yen)	3,888	4,132	13,147
Net income per share (yen)	44.81	47.65	151.58
Diluted net income per share (yen)	44.72	47.57	151.31

(2) Financial condition	June 30, 2007	June 30, 2006	March 31, 2007
	Total assets (millions of yen)	156,395	146,010
Net assets (millions of yen)	129,405	120,496	128,645
Equity ratio	82.7%	82.5%	80.8%
Net assets per share (yen)	1,490.56	1,389.64	1,481.83

(3) Cash flows	Three months ended	Three months ended	Year ended
	June 30, 2007	June 30, 2006	March 31, 2007
Cash flows from operating activities (millions of yen)	1,203	(2,553)	14,959
Cash flows from investing activities (millions of yen)	735	(1,077)	(5,845)
Cash flows from financing activities (millions of yen)	(2,936)	(2,883)	(5,691)
Cash and cash equivalents at end of year (millions of yen)	49,077	39,662	49,841

2. Consolidated Forecasts of results for the year ending March 31, 2008

	Interim	Full year	(Full year)
			% change 2008/2007
Net sales (millions of yen)	52,000	104,000	3.5%
Operating income (millions of yen)	10,000	20,500	0.4%
Ordinary income (millions of yen)	10,300	21,200	1.7%
Net income (millions of yen)	6,600	13,700	4.2%
Net income per share (yen)	76.09	157.95	

3. Others

- (1) No change on consolidated subsidiaries
- (2) No alternative methods have been adopted in accounting policy.
- (3) No change has been made in accounting policy.

(Reference)

1. Non-consolidated Performance for the three months ended June 30, 2007

	Three months ended June 30, 2007	Three months ended June 30, 2006	Year ended March 31, 2007
(1) Operating results			
Net sales (millions of yen)	24,130	23,686	91,770
Operating income (millions of yen)	5,830	5,892	20,067
Ordinary income (millions of yen)	6,189	6,219	20,926
Net income (millions of yen)	3,867	4,063	13,381
Net income per share (yen)	44.57	46.86	154.28
Diluted net income per share (yen)	44.47	46.79	154.00

	June 30, 2007	June 30, 2006	March 31, 2007
(2) Financial condition			
Total assets (millions of yen)	157,878	148,986	161,134
Net assets (millions of yen)	133,005	124,958	132,619
Equity ratio	84.2%	83.9%	82.3%
Net assets per share (yen)	1,532.05	1,441.09	1,527.63

2. Non-consolidated Forecasts of results for the year ending March 31, 2008

	Interim	Full year	(Full year) % change 2008/2007
Net sales (millions of yen)	47,200	94,200	2.6%
Operating income (millions of yen)	9,800	19,900	(0.8%)
Ordinary income (millions of yen)	10,200	20,700	(1.1%)
Net income (millions of yen)	6,500	13,200	(1.4%)
Net income per share (yen)	74.94	152.19	

(Caution)

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.

Quarterly consolidated balance sheets

(Millions of yen)

	June 30, 2006		June 30, 2007		Increase and decrease		March 31, 2007	
	Yen	Composition	Yen	Composition	Yen	% Change 2007.6/2006.6	Yen	Composition
Assets								
Current assets	90,022	61.7 %	99,331	63.5 %	9,309	10.3 %	100,820	63.4 %
Cash and deposits	28,145		33,346		5,201		34,295	
Notes and accounts receivable -trade	37,763		36,934		(829)		35,034	
Marketable securities	12,196		15,430		3,234		16,914	
Inventories	9,234		10,004		770		10,357	
Deferred tax assets	903		959		56		1,625	
Other current assets	1,780		2,656		876		2,593	
Allowance for doubtful receivables	(1)		(0)		1		(0)	
Fixed assets	55,968	38.3	56,992	36.4	1,024	1.8	58,228	36.6
Tangible assets	(30,731)	(21.1)	(30,404)	(19.4)	(327)	(1.1)	(30,485)	(19.2)
Buildings and structures	16,864		15,894		(970)		16,063	
Machinery, equipment and vehicles	1,991		1,919		(72)		1,817	
Land	9,020		8,855		(165)		8,842	
Construction in progress	985		1,848		863		1,806	
Other tangibles	1,869		1,886		17		1,955	
Intangible assets	(2,826)	(1.9)	(2,647)	(1.7)	(179)	(6.3)	(2,771)	(1.7)
Goodwill	633		369		(264)		385	
Software	1,008		1,590		582		1,660	
Other intangibles	1,184		686		(498)		726	
Investments and other assets	(22,409)	(15.3)	(23,940)	(15.3)	(1,531)	(6.8)	(24,971)	(15.7)
Investment securities	17,441		20,257		2,816		21,019	
Deferred tax assets	210		—		(210)		—	
Other assets	4,757		3,683		(1,074)		3,951	
Deferred assets	19	0.0	71	0.1	52	273.7	50	0.0
Total assets	146,010	100.0	156,395	100.0	10,385	7.1	159,098	100.0

(Millions of yen)

	June 30, 2006		June 30, 2007		Increase and decrease		March 31, 2007	
	Yen	Composition	Yen	Composition	Yen	% Change 2007.6/2006.6	Yen	Composition
Liabilities								
Current liabilities	17,773	12.2 %	19,174	12.3 %	1,401	7.9 %	22,369	14.0 %
Notes and accounts payable -trade	4,939		5,146		207		6,089	
Current portion of long-term debt	168		168		—		168	
Other payables	7,386		8,507		1,121		8,572	
Income taxes payable	1,853		1,919		66		3,917	
Reserve for bonuses	1,248		1,230		(18)		2,477	
Other reserves	78		72		(6)		67	
Other current liabilities	2,099		2,130		31		1,077	
Noncurrent liabilities	7,740	5.3	7,815	5.0	75	1.0	8,084	5.1
Long-term debt	5,404		5,236		(168)		5,278	
Deferred tax liabilities	20		66		46		426	
Retirement and severance benefits for employee	1,190		1,513		323		1,405	
Retirement and severance benefits for directors and auditors	474		473		(1)		513	
Other liabilities	650		525		(125)		460	
Total liabilities	25,513	17.5	26,990	17.3	1,477	5.8	30,453	19.1
Net assets								
Shareholders' equity	118,483	81.1	125,865	80.5	7,382	6.2	124,997	78.6
Common stock	6,323	4.3	6,386	4.1	63	1.0	6,382	4.0
Capital surplus	7,018	4.8	7,081	4.5	63	0.9	7,077	4.5
Retained earnings	105,231	72.1	112,508	72.0	7,277	6.9	111,645	70.2
Treasury stock at cost	(90)	(0.1)	(110)	(0.1)	(20)	22.2	(106)	(0.1)
Accumulated gains (losses) on evaluation and translation	2,013	1.4	3,480	2.2	1,467	72.9	3,587	2.3
Unrealized gains on securities	4,423	3.0	4,744	3.0	321	7.3	5,202	3.3
Unrealized gains on hedging derivatives	(2)	(0.0)	13	0.0	15	—	3	0.0
Foreign currency translation adjustments	(2,406)	(1.6)	(1,277)	(0.8)	1,129	(46.9)	(1,618)	(1.0)
Stock subscription rights	—	—	59	0.0	59	—	59	0.0
Total net assets	120,496	82.5	129,405	82.7	8,909	7.4	128,645	80.9
Total liabilities and net assets	146,010	100.0	156,395	100.0	10,385	7.1	159,098	100.0

Quarterly consolidated income statements

(Millions of yen)

	Three months ended June 30, 2006		Three months ended June 30, 2007		Increase and decrease		Year ended March 31, 2007	
	Yen	Composition	Yen	Composition	Yen	% Change 2007.6/2006.6	Yen	Composition
Net sales	25,999	100.0 %	26,524	100.0 %	525	2.0 %	100,485	100.0 %
Cost of sales	9,053	34.8	9,423	35.5	370	4.1	35,483	35.3
Gross profit	16,946	65.2	17,100	64.5	154	0.9	65,001	64.7
Selling, general and administrative expenses	10,743	41.3	11,185	42.2	442	4.1	44,589	44.4
Operating income	6,202	23.9	5,915	22.3	(287)	(4.6)	20,412	20.3
Non operating income	(343)	(1.3)	(371)	(1.4)	(28)	(8.2)	(1,138)	(1.1)
Interest income	20		44		24		175	
Dividend income	126		156		30		284	
Others	196		170		(26)		679	
Non operating expenses	(231)	(0.9)	(66)	(0.2)	(165)	(71.4)	(707)	(0.7)
Interest expense	17		22		5		90	
Amortization expenses of goodwill	85		31		(54)		357	
Others	128		12		(116)		260	
Ordinary income	6,314	24.3	6,220	23.5	(94)	(1.5)	20,843	20.7
Extraordinary gain	(242)	(0.9)	(-)	(-)	(242)	(-)	(250)	(0.3)
Gains on sale of fixed assets	242		-		(242)		250	
Others	-		-		-		0	
Extraordinary loss	(21)	(0.1)	(29)	(0.2)	(8)	(38.1)	(55)	(0.1)
Loss on disposal of fixed assets	6		29		23		36	
Others	15		-		(15)		18	
Income before income taxes	6,534	25.1	6,191	23.3	(343)	(5.2)	21,039	20.9
Income taxes - current	1,775	6.8	1,692	6.3	(83)	(4.7)	7,902	7.9
Income taxes - deferred	627	2.4	610	2.3	(17)	(2.7)	(10)	(0.1)
Net income	4,132	15.9	3,888	14.7	(244)	(5.9)	13,147	13.1

Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Year ended March 31, 2007
I Cash flows from operating activities:			
Income before income taxes	6,534	6,191	21,039
Depreciation and amortization	1,157	1,131	4,761
Increase/decrease in retirement and severance benefits	(53)	107	160
Interest and dividend income	(146)	(200)	(459)
Interest expense	17	22	90
Increase/decrease in trade receivables	(3,295)	(1,931)	(414)
Increase/decrease in inventories	660	417	(356)
Increase/decrease in trade accounts payable	(711)	(907)	400
Other, net	(2,129)	(308)	(1,939)
Subtotal	2,032	4,522	23,282
Interest and dividend income received	149	203	460
Interest expense paid	(11)	(9)	(91)
Insurance received	82	133	222
Income taxes paid	(4,806)	(3,645)	(8,914)
Net cash provided by operating activities	(2,553)	1,203	14,959
II Cash flows from investing activities:			
Increase in fixed deposits	(55)	(9)	(1,223)
Decrease in fixed deposits	52	663	553
Proceeds from sale of marketable securities	-	1,000	-
Payments for acquisition of fixed assets	(1,349)	(896)	(3,555)
Proceeds from sale of fixed assets	287	-	600
Purchase of investment securities	(1)	(406)	(2,208)
Proceeds from sale of investment securities	-	382	-
Other, net	(10)	0	(13)
Net cash provided by investing activities	(1,077)	735	(5,845)
III Cash flows from financing activities:			
Repayment of long-term debt	(42)	(42)	(168)
Dividends paid	(2,849)	(2,898)	(5,632)
Other, net	8	4	109
Net cash provided by financing activities	(2,883)	(2,936)	(5,691)
Effect of exchange rate changes on cash and cash equivalents	71	233	313
Net increase/decrease in cash and cash equivalents	(6,441)	(763)	3,736
Cash and cash equivalents at beginning of year	46,104	49,841	46,104
Cash and cash equivalents at end of year	39,662	49,077	49,841

Segment information

Geographic segments

Three months ended June 30, 2006 (Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	23,396	2,455	147	25,999	-	25,999
Intersegment	297	445	649	1,393	(1,393)	-
Total	23,693	2,901	797	27,392	(1,393)	25,999
Operating expenses	17,445	2,532	884	20,862	(1,065)	19,797
Operating income (loss)	6,248	368	(87)	6,529	(327)	6,202

Three months ended June 30, 2007 (Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	23,746	2,656	121	26,524	-	26,524
Intersegment	390	468	767	1,626	(1,626)	-
Total	24,137	3,124	888	28,150	(1,626)	26,524
Operating expenses	17,737	2,819	1,126	21,683	(1,074)	20,609
Operating income (loss)	6,399	305	(237)	6,467	(551)	5,915

Year ended March 31, 2007 (Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	90,695	9,186	604	100,485	-	100,485
Intersegment	1,167	2,028	2,610	5,806	(5,806)	-
Total	91,862	11,214	3,215	106,291	(5,806)	100,485
Operating expenses	70,093	10,234	3,970	84,298	(4,225)	80,073
Operating income (loss)	21,768	979	(754)	21,993	(1,580)	20,412

Europe...Finland, Germany and Sweden

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

Overseas sales

Three months ended June 30, 2006

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 1,920	Millions of yen 509	Millions of yen 1,041	Millions of yen 3,471
Consolidated sales (B)				Millions of yen 25,999
Overseas sales ratio (A/B)	7.4 %	2.0 %	4.0 %	13.4 %

Three months ended June 30, 2007

	Europe	North America	Asia	Others	Total
Overseas sales (A)	Millions of yen 2,251	Millions of yen 386	Millions of yen 1,505	Millions of yen -	Millions of yen 4,143
Consolidated sales (B)					Millions of yen 26,524
Overseas sales ratio (A/B)	8.5 %	1.4 %	5.7 %	- %	15.6 %

Year ended March 31, 2007

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 6,916	Millions of yen 2,128	Millions of yen 4,287	Millions of yen 13,333
Consolidated sales (B)				Millions of yen 100,485
Overseas sales ratio (A/B)	6.9 %	2.1 %	4.3 %	13.3 %

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

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

Asia...Korea, China, Vietnam and Taiwan

Others...Australia, etc

*Asia is included in others in the three months ended June 30, 2006 and the fiscal year ended March 31, 2007.