

SANTEN PHARMACEUTICAL CO., LTD. (January 31, 2007)
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Financial Report for the Nine-month period ended December 31, 2006
(Consolidated)
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1. Basis of preparing the financial report for the nine months ended December 31, 2006

- (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

2. Performance for the nine months ended December 31, 2006

(Figures are rounded down to the nearest million yen)

(1) Operating results	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Year ended March 31, 2006
	Net sales (millions of yen)	77,766	76,750
Operating income (millions of yen)	18,470	19,172	20,995
Ordinary income (millions of yen)	18,645	19,532	21,507
Net income (millions of yen)	11,880	11,735	13,022
Net income per share (yen)	136.99	135.44	150.26
Diluted net income per share (yen)	136.74	135.21	150.01

(2) Financial condition	December 31, 2006	December 31, 2005	March 31, 2006
	Total assets (millions of yen)	155,027	146,253
Net assets (millions of yen)	127,469	116,627	118,637
Shareholders' equity ratio	82.2%	79.7%	78.9%
Net assets per share (yen)	1,469.51	1,345.43	1,368.27

(3) Cash flows	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Year ended March 31, 2006
	Cash flows from operating activities (millions of yen)	8,984	13,003
Cash flows from investing activities (millions of yen)	(3,944)	(1,370)	(1,330)
Cash flows from financing activities (millions of yen)	(5,576)	(4,753)	(5,900)
Cash and cash equivalents at the end of year (millions of yen)	45,844	39,381	46,104

3. Forecasts of results for the year ending March 31, 2007

	Full year	
Net sales (millions of yen)	100,500	
Operating income (millions of yen)	20,700	
Ordinary income (millions of yen)	20,900	
Net income (millions of yen)	13,200	
Reference: Expected net income per share (full-year basis)		152.17 yen

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)

	December 31,2006		December 31,2005		Increase and decrease		March 31,2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.12/2005.12	Yen	Composition
Assets								
Current assets	96,537	62.3 %	90,190	61.7 %	6,347	7.0 %	93,892	62.4 %
Cash and deposits	29,626		29,657		(31)		34,583	
Notes and accounts receivable -trade	37,953		38,413		(460)		34,423	
Marketable securities	16,914		10,200		6,714		11,201	
Inventories	8,790		8,655		135		9,837	
Deferred tax assets	909		1,048		(139)		1,651	
Other current assets	2,345		2,220		125		2,196	
Allowance for doubtful receivables	(1)		(4)		3		(1)	
Fixed assets	58,458	37.7	56,063	38.3	2,395	4.3	56,552	37.6
Tangible assets	(30,269)	(19.5)	(30,759)	(21.0)	(490)	(1.6)	(30,395)	(20.2)
Buildings and structures	16,270		17,500		(1,230)		17,119	
Machinery, equipment and vehicles	1,880		1,998		(118)		2,021	
Land	8,843		9,066		(223)		9,063	
Construction in progress	1,354		299		1,055		274	
Other tangibles	1,920		1,895		25		1,916	
Intangible assets	(2,596)	(1.7)	(2,875)	(2.0)	(279)	(9.7)	(2,951)	(2.0)
Goodwill	479		804		(325)		709	
Software	877		987		(110)		1,035	
Other intangibles	1,239		1,083		156		1,206	
Investments and other assets	(25,593)	(16.5)	(22,427)	(15.3)	(3,166)	(14.1)	(23,205)	(15.4)
Investment securities	21,350		16,108		5,242		17,715	
Deferred tax assets	0		842		(842)		379	
Other assets	4,242		5,476		(1,234)		5,109	
Deferred assets	31	0.0	-	-	31	-	13	0.0
Total assets	155,027	100.0	146,253	100.0	8,774	6.0	150,458	100.0

(Millions of yen)

	December 31,2006		December 31,2005		Increase and decrease		March 31,2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.12/2005.12	Yen	Composition
Liabilities								
Current liabilities	19,036	12.3 %	20,807	14.3 %	(1,771)	(8.5) %	24,110	16.0 %
Notes and accounts payable - trade	5,481		5,112		369		5,630	
Current portion of long-term debt	168		768		(600)		168	
Other payables	8,118		7,854		264		9,308	
Income taxes payable	2,216		3,598		(1,382)		4,946	
Reserve for bonuses	1,328		1,389		(61)		2,483	
Other reserves	74		110		(36)		81	
Other current liabilities	1,648		1,974		(326)		1,492	
Noncurrent liabilities	8,521	5.5	8,819	6.0	(298)	(3.4)	7,710	5.1
Long-term debt	5,320		5,938		(618)		5,446	
Deferred tax liabilities	816		21		795		20	
Retirement and severance benefits for employee	1,388		1,818		(430)		1,243	
Retirement and severance benefits for directors and auditors	509		457		52		462	
Other liabilities	487		582		(95)		537	
Total liabilities	27,558	17.8	29,626	20.3	(2,068)	(7.0)	31,820	21.1
Shareholders' equity								
Common stock	-	-	6,297	4.3	-	-	6,319	4.2
Capital surplus reserves	-	-	6,992	4.8	-	-	7,014	4.7
Retained earnings	-	-	102,847	70.3	-	-	104,133	69.2
Unrealized holding gains on securities	-	-	3,151	2.2	-	-	3,995	2.7
Foreign currency translation adjustments	-	-	(2,573)	(1.8)	-	-	(2,735)	(1.8)
Treasury stock at cost	-	-	(87)	(0.1)	-	-	(90)	(0.1)
Total shareholders' equity	-	-	116,627	79.7	-	-	118,637	78.9
Total liabilities and shareholders' equity	-	-	146,253	100.0	-	-	150,458	100.0
Net assets								
Shareholders' equity	123,674	79.8	-	-	-	-	-	-
Common stock	6,352	4.1	-	-	-	-	-	-
Capital surplus reserves	7,047	4.6	-	-	-	-	-	-
Retained earnings	110,377	71.2	-	-	-	-	-	-
Treasury stock at cost	(102)	(0.1)	-	-	-	-	-	-
Valuation and translation adjustments	3,734	2.4	-	-	-	-	-	-
Unrealized holding gains on securities	5,564	3.6	-	-	-	-	-	-
Deferred hedging gain or loss	(1)	(0.0)	-	-	-	-	-	-
Foreign currency translation adjustments	(1,828)	(1.2)	-	-	-	-	-	-
Stock acquisition rights	59	0.0	-	-	-	-	-	-
Total net assets	127,469	82.2	-	-	-	-	-	-
Total liabilities and net assets	155,027	100.0	-	-	-	-	-	-

Quarterly consolidated income statements

(Millions of yen)

	Nine months ended December 31,2006		Nine months ended December 31,2005		Increase and decrease		Year ended March 31,2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.12/2005.12	Yen	Composition
Net sales	77,766	100.0 %	76,750	100.0 %	1,016	1.3 %	98,397	100.0 %
Cost of sales	27,287	35.1	26,688	34.8	599	2.2	34,534	35.1
Gross profit	50,478	64.9	50,062	65.2	416	0.8	63,863	64.9
Selling, general and administrative expenses	32,008	41.1	30,890	40.2	1,118	3.6	42,868	43.6
Operating income	18,470	23.8	19,172	25.0	(702)	(3.7)	20,995	21.3
Non operating income	(706)	(0.9)	(717)	(0.9)	(11)	(1.5)	(1,024)	(1.1)
Interest income	93		55		38		90	
Devidend income	259		170		89		171	
Others	353		491		(138)		762	
Non operating expenses	(531)	(0.7)	(356)	(0.5)	(175)	(49.2)	(511)	(0.5)
Interest expense	55		62		(7)		93	
Amortization expenses of goodwill	263		245		18		330	
Others	212		47		165		88	
Ordinary income	18,645	24.0	19,532	25.4	(887)	(4.5)	21,507	21.9
Extraordinary gain	(251)	(0.3)	(15)	(0.0)	(236)	(1,573.3)	(53)	(0.1)
Gains on sale of fixed assets	250		2		248		3	
Others	0		13		(13)		50	
Extraordinary loss	(33)	(0.0)	(1,090)	(1.4)	(1,057)	(97.0)	(1,219)	(1.3)
Loss on disposal of fixed assets	15		37		(22)		126	
Loss on impairment of fixed assets	-		909		(909)		909	
Others	18		143		(125)		183	
Income before income taxes	18,863	24.3	18,457	24.0	406	2.2	20,341	20.7
Income taxes - current	6,129	7.9	6,685	8.7	(556)	(8.3)	7,999	8.2
Income taxes - deferred	853	1.1	36	0.0	817	2,269.4	(679)	(0.7)
Net income	11,880	15.3	11,735	15.3	145	1.2	13,022	13.2

Quarterly consolidated statements of shareholders' equity

(Millions of yen)

	Shareholders' equity					Valuation and translation adjustments				Stock acquisition rights	Total net assets
	Common Stock	Capital surplus reserves	Retained earnings	Treasury stock at cost	Total shareholders' equity	Unrealized holding gains on securities	Deferred hedging gain or loss	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance at March 31, 2006	6,319	7,014	104,133	(90)	117,377	3,995	-	(2,735)	1,260	-	118,637
Changes during the period											
New issue of stock	33	33			66						66
Cash dividends			(5,636)		(5,636)						(5,636)
Net income			11,880		11,880						11,880
Repurchases of treasury stock				(12)	(12)						(12)
Disposal of treasury stock		0		0	0						0
Changes in items other than shareholders' equity (net)					-	1,568	(1)	907	2,474	59	2,534
Total changes during the period	33	33	6,243	(12)	6,298	1,568	(1)	907	2,474	59	8,832
Balance at December 31, 2006	6,352	7,047	110,377	(102)	123,674	5,564	(1)	(1,828)	3,734	59	127,469

Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Year ended March 31, 2006
I Cash flows from operating activities:			
Income before income taxes	18,863	18,457	20,341
Depreciation and amortization	3,515	3,575	4,824
Loss on impairment of fixed assets	-	909	909
Increase/decrease in retirement and severance benefits	144	362	(212)
Interest and dividend income	(352)	(226)	(261)
Interest expense	55	62	93
Gain and loss on disposal of fixed assets	(235)	42	123
Increase/decrease in trade receivables	(3,286)	(2,521)	1,407
Increase/decrease in inventories	1,184	1,198	(18)
Increase/decrease in trade accounts payable	(207)	(1,022)	(495)
Other, net	(2,288)	(1,590)	373
Subtotal	17,392	19,248	27,085
Interest and dividend income received	355	233	265
Interest expense paid	(45)	(51)	(95)
Insurance received	88	60	129
Income taxes paid	(8,806)	(6,486)	(6,507)
Net cash provided by operating activities	8,984	13,003	20,878
II Cash flows from investing activities:			
Increase in fixed deposits	(265)	(851)	(803)
Decrease in fixed deposits	257	596	1,041
Proceeds from sale of marketable securities	-	504	504
Payments for acquisition of fixed assets	(2,519)	(1,660)	(2,106)
Proceeds from sale of fixed assets	601	24	29
Purchase of investment securities	(2,005)	(5)	(57)
Other, net	(13)	21	61
Net cash provided by investing activities	(3,944)	(1,370)	(1,330)
III Cash flows from financing activities:			
Repayment of long-term debt	(126)	(176)	(1,268)
Dividends paid	(5,504)	(4,664)	(4,759)
Other, net	54	86	127
Net cash provided by financing activities	(5,576)	(4,753)	(5,900)
Effect of exchange rate changes on cash and cash equivalents	276	120	75
Net increase/decrease in cash and cash equivalents	(259)	7,000	13,723
Cash and cash equivalents at beginning of year	46,104	32,380	32,380
Cash and cash equivalents at end of year	45,844	39,381	46,104

Segment information

Geographic segments

Nine months ended December 31,2006

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	70,594	6,660	511	77,766	-	77,766
Intersegment	878	1,375	1,912	4,166	(4,166)	-
Total	71,473	8,035	2,423	81,932	(4,166)	77,766
Operating expenses	52,222	7,277	2,858	62,358	(3,062)	59,295
Operating income (loss)	19,250	758	(434)	19,573	(1,103)	18,470

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

Year ended March 31,2006

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	89,881	8,155	360	98,397	-	98,397
Intersegment	985	1,988	2,859	5,833	(5,833)	-
Total	90,867	10,143	3,219	104,231	(5,833)	98,397
Operating expenses	68,244	9,192	3,927	81,364	(3,961)	77,402
Operating income (loss)	22,623	951	(708)	22,866	(1,871)	20,995

Europe...Finland, Germany and Sweden

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

Overseas sales

Nine months ended December 31, 2006

	Europe	North America	Others	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Overseas sales (A)	4,970	1,583	3,508	10,062
Consolidated sales (B)				Millions of yen 77,766
Overseas sales ratio (A/B)	6.4 %	2.0 %	4.5 %	12.9 %

Nine months ended December 31, 2005

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

Year ended March 31, 2006

	Europe	North America	Others	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Overseas sales (A)	6,089	1,915	3,608	11,613
Consolidated sales (B)				Millions of yen 98,397
Overseas sales ratio (A/B)	6.2 %	1.9 %	3.7 %	11.8 %

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

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

Others...Asian nations