

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

Code: 4536

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

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

(Non-consolidated)

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### **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 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)

(1) <b>Operating results</b>	Nine months ended	Nine months ended	Year ended
	December 31, 2004	December 31, 2003	March 31, 2004
Net sales (millions of yen)	65,655	62,155	80,227
Operating income (millions of yen)	16,878	14,234	17,469
Ordinary income (millions of yen)	17,357	15,619	18,680
Net income (millions of yen)	10,462	9,391	7,176
Net income per share (yen)	119.37	106.80	81.37
Diluted net income per share (yen)	119.25	106.79	81.36

  

(2) <b>Financial condition</b>	December 31, 2004	December 31, 2003	March 31, 2004
	Total assets (millions of yen)	146,937	148,083
Shareholders' equity (millions of yen)	110,698	108,508	106,800
Shareholders' equity ratio	75.3%	73.3%	71.1%
Shareholders' equity per share (yen)	1,278.15	1,234.02	1,214.37

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

	Full year
Net sales (millions of yen)	84,700
Operating income (millions of yen)	18,900
Ordinary income (millions of yen)	19,400
Net income (millions of yen)	11,600
Dividends at end of period per share (yen)	20.00
Annual dividends per share (yen)	40.00
Reference: Expected net income per share (full-year basis)	133.94 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 Non-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
<b>Assets</b>								
<b>Current assets</b>	<b>81,150</b>	<b>55.2 %</b>	<b>80,774</b>	<b>54.5 %</b>	<b>376</b>	<b>0.5 %</b>	<b>84,293</b>	<b>56.1 %</b>
Cash and deposits	24,969		26,709		1,740		28,557	
Notes receivable	598		756		158		496	
Accounts receivable	35,046		32,499		2,547		30,378	
Marketable securities	7,817		5,446		2,371		9,303	
Goods in stock	2,323		1,842		481		2,003	
Finished products	3,649		4,851		1,202		4,935	
Other inventories	1,696		1,773		77		1,921	
Deferred tax assets	937		1,755		818		2,298	
Others	4,125		5,443		1,318		4,657	
Allowance for doubtful receivables	14		304		290		258	
<b>Fixed assets</b>	<b>65,787</b>	<b>44.8</b>	<b>67,309</b>	<b>45.5</b>	<b>1,522</b>	<b>2.3</b>	<b>65,946</b>	<b>43.9</b>
<b>Tangible assets</b>	<b>( 28,873 )</b>	<b>( 19.7 )</b>	<b>( 33,336 )</b>	<b>( 22.5 )</b>	<b>( 4,463 )</b>	<b>( 13.4 )</b>	<b>( 32,660 )</b>	<b>( 21.7 )</b>
Buildings	16,421		18,206		1,785		17,800	
Machinery and equipment	947		824		123		798	
Land	9,227		10,666		1,439		10,343	
Construction in progress	197		1,168		971		1,346	
Others	2,079		2,469		390		2,371	
<b>Intangible assets</b>	<b>( 2,114 )</b>	<b>( 1.4 )</b>	<b>( 2,830 )</b>	<b>( 2.0 )</b>	<b>( 716 )</b>	<b>( 25.3 )</b>	<b>( 2,700 )</b>	<b>( 1.8 )</b>
Patents	470		622		152		584	
Trademarks	626		748		122		717	
Goodwill	24		267		243		206	
Software	921		1,106		185		1,111	
Others	71		85		14		80	
<b>Investments and other assets</b>	<b>( 34,800 )</b>	<b>( 23.7 )</b>	<b>( 31,142 )</b>	<b>( 21.0 )</b>	<b>( 3,658 )</b>	<b>( 11.7 )</b>	<b>( 30,585 )</b>	<b>( 20.4 )</b>
Investment securities	13,609		10,431		3,178		11,425	
Investment in subsidiaries and affiliates	13,145		7,109		6,036		13,197	
Long-term deferred tax assets	1,339		1,744		405		1,669	
Others	6,710		11,861		5,151		4,297	
Allowance for doubtful receivables	3		3		0		3	
<b>Total assets</b>	<b>146,937</b>	<b>100.0</b>	<b>148,083</b>	<b>100.0</b>	<b>1,146</b>	<b>0.8</b>	<b>150,240</b>	<b>100.0</b>

(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
<b>Liabilities</b>								
<b>Current liabilities</b>	<b>17,069</b>	<b>11.6 %</b>	<b>20,575</b>	<b>13.9 %</b>	<b>3,506</b>	<b>17.0 %</b>	<b>24,337</b>	<b>16.2 %</b>
Accounts payable	4,844		4,006		838		4,436	
Current portion of long-term debt	416		416		-		416	
Other accounts payables	8,056		7,400		656		8,228	
Income taxes payable	1,681		6,053		4,372		8,075	
Reserve for bonuses	970		915		55		1,808	
Reserve for returned goods unsold	225		285		60		259	
Reserve for sales promotion expenses	-		445		445		390	
Others	874		1,052		178		722	
<b>Noncurrent liabilities</b>	<b>19,169</b>	<b>13.1</b>	<b>18,999</b>	<b>12.8</b>	<b>170</b>	<b>0.9</b>	<b>19,102</b>	<b>12.7</b>
Long-term loans	11,971		12,387		416		12,270	
Reserve for retirement benefits	5,657		5,124		533		5,303	
Reserve for retirement benefits for directors and auditors	401		437		36		441	
Others	1,139		1,050		89		1,088	
<b>Total liabilities</b>	<b>36,239</b>	<b>24.7</b>	<b>39,574</b>	<b>26.7</b>	<b>3,335</b>	<b>8.4</b>	<b>43,440</b>	<b>28.9</b>
<b>Shareholders' equity</b>								
Common stock	6,238	4.3	6,214	4.2	24	0.4	6,214	4.1
Capital surplus reserves	6,933	4.7	6,908	4.7	25	0.4	6,908	4.6
Capital reserves	6,933		6,908		25		6,908	
Others	0		0		0		0	
Gain on sale of treasury stock	0		0		0		0	
Appropriated retained earnings	98,335	66.9	97,745	66.0	590	0.6	92,291	61.4
Earned surplus reserves	1,551		1,551		-		1,551	
Voluntary reserves	84,775		84,806		31		84,806	
Undivided profits	12,008		11,387		621		5,933	
Unrealized holding gains on securities	1,810	1.2	918	0.6	892	97.2	1,426	1.0
V Treasury stock at cost	2,619	1.8	3,278	2.2	659	20.1	40	0.0
<b>Total shareholders' equity</b>	<b>110,698</b>	<b>75.3</b>	<b>108,508</b>	<b>73.3</b>	<b>2,190</b>	<b>2.0</b>	<b>106,800</b>	<b>71.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>146,937</b>	<b>100.0</b>	<b>148,083</b>	<b>100.0</b>	<b>1,146</b>	<b>0.8</b>	<b>150,240</b>	<b>100.0</b>

## Quarterly Non-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	65,655	100.0 %	62,155	100.0 %	3,500	5.6 %	80,227	100.0 %
Cost of sales	22,534	34.3	21,338	34.3	1,196	5.6	27,653	34.5
Gross profit	43,120	65.7	40,816	65.7	2,304	5.6	52,573	65.5
Selling, general and administrative expenses	26,242	40.0	26,581	42.8	339	1.3	35,103	43.7
Operating income	16,878	25.7	14,234	22.9	2,644	18.6	17,469	21.8
Non operating income	( 659 )	( 1.0 )	( 2,538 )	( 4.1 )	( 1,879 )	( 74.0 )	( 2,651 )	( 3.3 )
Interest income and dividends income	234		316		82		364	
Insurance due date amount receivables	114		1,712		1,598		1,712	
Others	310		510		200		574	
Non operating expenses	( 179 )	( 0.3 )	( 1,154 )	( 1.9 )	( 975 )	( 84.5 )	( 1,439 )	( 1.8 )
Interest expenses	109		204		95		243	
Exchange loss	42		726		684		815	
Others	27		222		195		381	
Ordinary income	17,357	26.4	15,619	25.1	1,738	11.1	18,680	23.3
Extraordinary gain	( 238 )	( 0.4 )	( 490 )	( 0.8 )	( 252 )	( 51.4 )	( 682 )	( 0.8 )
Gain on sale of fixed assets	233		1		232		5	
Gain on sale of investment securities	-		487		487		675	
Others	4		1		3		2	
Extraordinary loss	( 1,013 )	( 1.5 )	( 828 )	( 1.3 )	( 185 )	( 22.3 )	( 5,058 )	( 6.3 )
Loss on impairment of fixed assets	823		-		823		322	
Loss on valuation of investment securities	-		-		-		3,858	
Retirement benefit under the carrier development support program	-		705		705		719	
Others	190		122		68		157	
Income before income taxes	16,581	25.3	15,281	24.6	1,300	8.5	14,305	17.8
Income taxes - current	4,688	7.2	6,610	10.6	1,922	29.1	8,662	10.8
Income taxes - deferred	1,430	2.2	719	1.1	2,149	-	1,533	1.9
Net income	10,462	15.9	9,391	15.1	1,071	11.4	7,176	8.9
Unappropriated retained earnings brought forward	3,305		2,875		430		2,875	
Amount of extinguished treasury stock	-		-		-		3,239	
Interim cash dividends	1,758		879		879		879	
Undivided profits	12,008		11,387		621		5,933	