

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

Code: 4536

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

Financial Report for the Nine-month period ended December 31, 2005  
(Non-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) 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) <b>Operating results</b>	Nine months ended	Nine months ended	Year ended
	December 31, 2005	December 31, 2004	March 31, 2005
Net sales (millions of yen)	71,383	65,655	86,340
Operating income (millions of yen)	19,004	16,878	19,692
Ordinary income (millions of yen)	19,547	17,357	20,266
Net income (millions of yen)	11,944	10,462	12,602
Net income per share (yen)	137.84	119.37	143.93
Diluted net income per share (yen)	137.62	119.25	143.77

(2) <b>Financial condition</b>	December 31, 2005	December 31, 2004	March 31, 2005
	Total assets (millions of yen)	149,196	146,937
Shareholders' equity (millions of yen)	121,435	110,698	113,092
Shareholders' equity ratio	81.4%	75.3%	79.2%
Shareholders' equity per share (yen)	1,400.90	1,278.15	1,305.34

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

	Full year
Net sales (millions of yen)	91,200
Operating income (millions of yen)	21,600
Ordinary income (millions of yen)	22,200
Net income (millions of yen)	13,800
Dividends at end of period per share (yen)	25.00
Annual dividends per share (yen)	50.00
Reference: Expected net income per share (full-year basis)	159.20 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 Non-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
<b>Assets</b>								
<b>Current assets</b>	<b>85,053</b>	<b>57.0 %</b>	<b>81,150</b>	<b>55.2 %</b>	<b>3,903</b>	<b>4.8 %</b>	<b>78,075</b>	<b>54.7 %</b>
Cash and deposits	27,284		24,969		2,315		21,924	
Notes receivable -trade	506		598		92		374	
Accounts receivable -trade	36,526		35,046		1,480		34,197	
Marketable securities	10,200		7,817		2,383		9,046	
Goods in stock	1,967		2,323		356		2,286	
Finished products	3,737		3,649		88		4,363	
Other inventories	1,471		1,696		225		1,677	
Deferred tax assets	1,037		937		100		1,609	
Other current assets	2,325		4,125		1,800		2,612	
Allowance for doubtful receivables	4		14		10		18	
<b>Fixed assets</b>	<b>64,142</b>	<b>43.0</b>	<b>65,787</b>	<b>44.8</b>	<b>1,645</b>	<b>2.5</b>	<b>64,687</b>	<b>45.3</b>
<b>Tangible assets</b>	<b>( 26,674 )</b>	<b>( 17.9 )</b>	<b>( 28,873 )</b>	<b>( 19.7 )</b>	<b>( 2,199 )</b>	<b>( 7.6 )</b>	<b>( 28,459 )</b>	<b>( 19.9 )</b>
Buildings	14,798		16,421		1,623		16,061	
Machinery and equipment	964		947		17		975	
Land	8,786		9,227		441		9,227	
Construction in progress	279		197		82		156	
Other tangibles	1,845		2,079		234		2,038	
<b>Intangible assets</b>	<b>( 1,827 )</b>	<b>( 1.2 )</b>	<b>( 2,114 )</b>	<b>( 1.4 )</b>	<b>( 287 )</b>	<b>( 13.6 )</b>	<b>( 2,073 )</b>	<b>( 1.5 )</b>
Patents	318		470		152		432	
Trademarks	503		626		123		596	
Software	784		921		137		966	
Other intangibles	220		95		125		78	
<b>Investments and other assets</b>	<b>( 35,640 )</b>	<b>( 23.9 )</b>	<b>( 34,800 )</b>	<b>( 23.7 )</b>	<b>( 840 )</b>	<b>( 2.4 )</b>	<b>( 34,154 )</b>	<b>( 23.9 )</b>
Investment securities	16,104		13,609		2,495		14,309	
Investment in subsidiaries	13,145		13,145		-		13,145	
Deferred tax assets	757		1,339		582		948	
Other assets	5,634		6,710		1,076		5,751	
Allowance for doubtful receivables	-		3		3		-	
<b>Total assets</b>	<b>149,196</b>	<b>100.0</b>	<b>146,937</b>	<b>100.0</b>	<b>2,259</b>	<b>1.5</b>	<b>142,762</b>	<b>100.0</b>

(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
<b>Liabilities</b>								
<b>Current liabilities</b>	<b>19,451</b>	<b>13.0 %</b>	<b>17,069</b>	<b>11.6 %</b>	<b>2,382</b>	<b>14.0 %</b>	<b>20,686</b>	<b>14.5 %</b>
Accounts payable -trade	4,729		4,844		115		5,469	
Current portion of long-term debt	768		416		352		268	
Other payables	8,098		8,056		42		8,732	
Income taxes payable	3,568		1,681		1,887		3,372	
Reserve for bonuses	1,023		970		53		2,037	
Reserve for returned goods unsold	110		225		115		199	
Other current liabilities	1,152		874		278		606	
<b>Noncurrent liabilities</b>	<b>8,309</b>	<b>5.6</b>	<b>19,169</b>	<b>13.1</b>	<b>10,860</b>	<b>56.7</b>	<b>8,983</b>	<b>6.3</b>
Long-term debt	5,938		11,971		6,033		6,614	
Retirement and severance benefits for employee	1,641		5,657		4,016		1,420	
Retirement and severance benefits for directors and auditors	457		401		56		402	
Other liabilities	272		1,139		867		546	
<b>Total liabilities</b>	<b>27,760</b>	<b>18.6</b>	<b>36,239</b>	<b>24.7</b>	<b>8,479</b>	<b>23.4</b>	<b>29,670</b>	<b>20.8</b>
<b>Shareholders' equity</b>								
Common stock	6,297	4.2	6,238	4.3	59	0.9	6,247	4.4
Capital surplus reserves	6,992	4.7	6,933	4.7	59	0.9	6,942	4.9
Additional paid-in capital	6,991		6,933		58		6,942	
Other capital surplus reserves	0		0		0		0	
Gain on sale of treasury stock	0		0		0		0	
Retained earnings	105,082	70.4	98,335	66.9	6,747	6.9	97,927	68.6
Earning reserve	1,551		1,551		-		1,551	
Voluntary reserves	89,782		84,775		5,007		84,775	
Undivided profits	13,748		12,008		1,740		11,600	
Unrealized holding gains on securities	3,151	2.1	1,810	1.2	1,341	74.1	2,048	1.4
V Treasury stock at cost	87	0.0	2,619	1.8	2,532	96.7	74	0.1
<b>Total shareholders' equity</b>	<b>121,435</b>	<b>81.4</b>	<b>110,698</b>	<b>75.3</b>	<b>10,737</b>	<b>9.7</b>	<b>113,092</b>	<b>79.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>149,196</b>	<b>100.0</b>	<b>146,937</b>	<b>100.0</b>	<b>2,259</b>	<b>1.5</b>	<b>142,762</b>	<b>100.0</b>

## Quarterly Non-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	71,383	100.0 %	65,655	100.0 %	5,728	8.7 %	86,340	100.0 %
Cost of sales	23,979	33.6	22,534	34.3	1,445	6.4	29,964	34.7
Gross profit	47,403	66.4	43,120	65.7	4,283	9.9	56,376	65.3
Selling, general and administrative expenses	28,399	39.8	26,242	40.0	2,157	8.2	36,684	42.5
Operating income	19,004	26.6	16,878	25.7	2,126	12.6	19,692	22.8
Non operating income	( 617 )	( 0.9 )	( 659 )	( 1.0 )	( 42 )	( 6.4 )	( 809 )	( 1.0 )
Interest and dividend income	246		234		12		277	
Insurance due date amount receivables	34		114		80		114	
Others	336		310		26		417	
Non operating expenses	( 74 )	( 0.1 )	( 179 )	( 0.3 )	( 105 )	( 58.7 )	( 234 )	( 0.3 )
Interest expense	61		109		48		143	
Exchange loss	-		42		42		-	
Others	12		27		15		90	
Ordinary income	19,547	27.4	17,357	26.4	2,190	12.6	20,266	23.5
Extraordinary gain	( 16 )	( 0.0 )	( 238 )	( 0.4 )	( 222 )	( 93.3 )	( 766 )	( 0.9 )
Reversal of allowance for doubtful receivables	13		4		9		4	
Gain on sale of fixed assets	2		233		231		233	
Others	0		-		0		527	
Extraordinary loss	( 946 )	( 1.3 )	( 1,013 )	( 1.5 )	( 67 )	( 6.6 )	( 1,080 )	( 1.3 )
Loss on impairment of fixed assets	908		823		85		823	
Others	37		190		153		256	
Income before income taxes	18,617	26.1	16,581	25.3	2,036	12.3	19,952	23.1
Income taxes - current	6,658	9.4	4,688	7.2	1,970	42.0	6,362	7.4
Income taxes - deferred	14	0.0	1,430	2.2	1,416	99.0	987	1.1
Net income	11,944	16.7	10,462	15.9	1,482	14.2	12,602	14.6
Unappropriated retained earnings brought forward	3,970		3,305		665		3,305	
Retirement of treasury stock	-		-		-		2,548	
Interim dividends	2,166		1,758		408		1,758	
Undivided profits	13,748		12,008		1,740		11,600	