

SANTEN PHARMACEUTICAL CO., LTD. (July 31, 2006)
Code: 4536
URL <http://www.santen.co.jp>
Financial Report for the Three-month period ended June 30, 2006
(Non-consolidated)
Takakazu Morita, Chairman and Chief Executive Officer
Contact: Yoshihiro Noutsuka, Corporate Officer
Head of Planning & Control Division Tel: 06-6321-7007

1. Basis of preparing the financial report for the three months ended June 30, 2006

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

2. Performance for the three months ended June 30, 2006

(Figures are rounded down to the nearest million yen)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended March 31, 2006
(1) Operating results			
Net sales (millions of yen)	23,686	23,547	90,840
Operating income (millions of yen)	5,892	6,525	20,644
Ordinary income (millions of yen)	6,219	6,759	21,376
Net income (millions of yen)	4,063	4,275	13,118
Net income per share (yen)	46.86	49.35	151.37
Diluted net income per share (yen)	46.79	49.28	151.12
(2) Financial condition			
Total assets (millions of yen)	148,986	141,185	153,300
Net assets (millions of yen)	124,958	114,595	123,495
Shareholders' equity ratio	83.9%	81.2%	80.6%
Net assets per share (yen)	1,441.09	1,322.88	1,424.30

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

	Interim	Full year	
Net sales (millions of yen)	46,400	91,800	
Operating income (millions of yen)	9,900	19,600	
Ordinary income (millions of yen)	10,100	20,000	
Net income (millions of yen)	6,600	13,000	
Reference: Expected net income per share (full-year basis)			149.92 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 Non-consolidated balance sheets

(Millions of yen)

	June 30, 2006		June 30, 2005		Increase and decrease		March 31, 2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.6/2005.6	Yen	Composition
Assets								
I Current assets	84,478	56.7 %	77,074	54.6 %	7,404	9.6 %	88,004	57.4 %
Cash and deposits	25,453		18,809		6,644		31,655	
Notes receivable -trade	304		358		(54)		287	
Accounts receivable -trade	35,555		35,630		(75)		32,734	
Marketable securities	12,196		10,379		1,817		11,201	
Goods in stock	2,193		2,074		119		2,674	
Finished products	4,232		4,387		(155)		4,522	
Other inventories	1,543		1,698		(155)		1,416	
Deferred tax assets	898		952		(54)		1,647	
Other current assets	2,099		2,801		(702)		1,864	
Allowance for doubtful receivables	(0)		(18)		18		(0)	
II Fixed assets	64,508	43.3	64,110	45.4	398	0.6	65,296	42.6
Tangible assets	(26,152)	(17.6)	(28,340)	(20.1)	(2,188)	(7.7)	(26,489)	(17.3)
Buildings	14,230		15,750		(1,520)		14,504	
Machinery and equipment	1,032		1,038		(6)		1,052	
Land	8,743		9,227		(484)		8,786	
Construction in progress	327		279		48		269	
Other tangibles	1,818		2,044		(226)		1,876	
Intangible assets	(1,922)	(1.3)	(2,012)	(1.4)	(90)	(4.5)	(1,961)	(1.3)
Patents	242		394		(152)		280	
Trademarks	450		565		(115)		477	
Software	809		932		(123)		828	
Other intangibles	419		120		299		374	
Investments and other assets	(36,433)	(24.4)	(33,757)	(23.9)	(2,676)	(7.9)	(36,845)	(24.0)
Investment securities	17,436		14,030		3,406		17,711	
Investment in subsidiaries	13,367		13,145		222		13,367	
Deferred tax assets	149		1,138		(989)		312	
Other assets	5,480		5,443		37		5,454	
Total assets	148,986	100.0	141,185	100.0	7,801	5.5	153,300	100.0

(Millions of yen)

	June 30, 2006		June 30, 2005		Increase and decrease		March 31, 2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.6/2005.6	Yen	Composition
Liabilities								
I Current liabilities	16,701	11.2 %	17,561	12.4 %	(860)	(4.9) %	22,573	14.7 %
Accounts payable -trade	4,627		5,258		(631)		5,115	
Current portion of long-term debt	168		268		(100)		168	
Other payables	7,631		7,595		36		9,672	
Income taxes payable	1,825		1,960		(135)		4,910	
Reserve for bonuses	1,039		1,005		34		1,988	
Reserve for returned goods unsold	78		164		(86)		81	
Other current liabilities	1,333		1,310		23		637	
II Noncurrent liabilities	7,326	4.9	9,028	6.4	(1,702)	(18.9)	7,231	4.7
Long-term debt	5,404		6,572		(1,168)		5,446	
Retirement and severance benefits for employee	1,183		1,497		(314)		1,057	
Retirement and severance benefits for directors and auditors	474		414		60		462	
Other liabilities	264		545		(281)		265	
Total liabilities	24,028	16.1	26,589	18.8	(2,561)	(9.6)	29,804	19.4
Shareholders' equity								
I Common stock	—	—	6,251	4.5	—	—	6,319	4.1
II Capital surplus reserves	—	—	6,946	4.9	—	—	7,014	4.6
Additional paid-in capital	—		6,946		—		7,013	
Other capital surplus reserves	—		0		—		0	
Gain on sale of treasury stock	—		0		—		0	
III Retained earnings	—	—	99,579	70.6	—	—	106,256	69.3
Earning reserve	—		1,551		—		1,551	
Voluntary reserves	—		89,782		—		89,782	
Undivided profits	—		8,245		—		14,922	
IV Unrealized holding gains on securities	—	—	1,892	1.3	—	—	3,995	2.6
V Treasury stock at cost	—	—	(75)	(0.1)	—	—	(90)	(0.0)
Total shareholders' equity	—	—	114,595	81.2	—	—	123,495	80.6
Total liabilities and shareholders' equity	—	—	141,185	100.0	—	—	153,300	100.0
Net assets								
I Shareholders' equity	120,537	80.9	—	—	—	—	—	—
Common stock	6,323	4.2	—	—	—	—	—	—
Capital surplus reserves	7,018	4.7	—	—	—	—	—	—
Additional paid-in capital	7,018		—		—		—	
Other capital surplus reserves	0		—		—		—	
Gain on sale of treasury stock	0		—		—		—	
Retained earnings	107,285	72.0	—	—	—	—	—	—
Earning reserve	1,551		—		—		—	
Voluntary reserves	89,813		—		—		—	
Retained earnings carried forward	15,920		—		—		—	
Treasury stock at cost	(90)	(0.0)	—	—	—	—	—	—
II Valuation and translation adjustments	4,420	3.0	—	—	—	—	—	—
Unrealized holding gains on securities	4,423	3.0	—	—	—	—	—	—
Deferred hedging gain or loss	(2)	(0.0)	—	—	—	—	—	—
Total net assets	124,958	83.9	—	—	—	—	—	—
Total liabilities and net assets	148,986	100.0	—	—	—	—	—	—

Quarterly Non-consolidated income statements

(Millions of yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		Increase and decrease		Year ended March 31, 2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.6/2005.6	Yen	Composition
I Net sales	23,686	100.0 %	23,547	100.0 %	139	0.6 %	90,840	100.0 %
II Cost of sales	7,979	33.7	7,987	33.9	(8)	(0.1)	30,798	33.9
Gross profit	15,707	66.3	15,559	66.1	148	1.0	60,042	66.1
III Selling, general and administrative expenses	9,814	41.4	9,033	38.4	781	8.6	39,397	43.4
Operating income	5,892	24.9	6,525	27.7	(633)	(9.7)	20,644	22.7
IV Non operating income	(347)	(1.5)	(256)	(1.1)	(91)	(35.5)	(888)	(1.0)
Interest and dividend income	137		153		(16)		262	
Others	210		102		108		626	
V Non operating expenses	(21)	(0.1)	(23)	(0.1)	(2)	(8.7)	(156)	(0.2)
Interest expense	17		21		(4)		79	
Others	3		2		1		76	
Ordinary income	6,219	26.3	6,759	28.7	(540)	(8.0)	21,376	23.5
VI Extraordinary gain	(242)	(1.0)	(—)	(—)	(242)	(—)	(41)	(0.0)
Gains on sale of fixed assets	242		—		242		3	
Others	—		—		—		38	
VII Extraordinary loss	(6)	(0.0)	(12)	(0.1)	(6)	(50.0)	(1,035)	(1.1)
Loss on disposal of fixed assets	6		12		(6)		126	
Others	—		—		—		909	
Income before income taxes	6,455	27.3	6,746	28.6	(291)	(4.3)	20,382	22.4
Income taxes - current	1,769	7.5	1,898	8.0	(129)	(6.8)	7,987	8.8
Income taxes - deferred	622	2.6	573	2.4	49	8.6	(723)	(0.8)
Net income	4,063	17.2	4,275	18.2	(212)	(5.0)	13,118	14.4

Quarterly Non-consolidated statements of shareholders' equity

(Millions of yen)

	Shareholders' equity									
	Common Stock	Capital surplus reserves			Retained earnings				Treasury stock at cost	Total share- holders' equity
		Additional paid-in capital	Other capital surplus reserves Gain on sale of treasury stock	Total Capital surplus reserves	Earning reserve	Voluntary reserves	Retained earnings carried forward	Total Retained earnings		
Balance at March 31, 2006	6,319	7,013	0	7,014	1,551	89,782	14,922	106,256	(90)	119,499
Changes during the period										
New issue of stock	4	4		4						9
Cash dividends							(3,034)	(3,034)		(3,034)
Reversal of special depreciation reserve						(62)	62	—		—
Reserve of special depreciation reserve						93	(93)	—		—
Net income							4,063	4,063		4,063
Repurchases of treasury stock									(0)	(0)
Disposal of treasury stock			0	0					0	0
Changes in items other than shareholders' equity (net)										
Total changes during the period	4	4	0	4	—	30	998	1,028	(0)	1,037
Balance at June 30, 2006	6,323	7,018	0	7,018	1,551	89,813	15,920	107,285	(90)	120,537

	Valuation and translation adjustments			Total net assets
	Unrealized holding gains on securities	Deferred hedging gain or loss	Total valuation and translation adjustments	
Balance at March 31, 2006	3,995	—	3,995	123,495
Changes during the period				
New issue of stock				9
Cash dividends				(3,034)
Reversal of special depreciation reserve				—
Reserve of special depreciation reserve				—
Net income				4,063
Repurchases of treasury stock				(0)
Disposal of treasury stock				0
Changes in items other than shareholders' equity (net)	427	(2)	424	424
Total changes during the period	427	(2)	424	1,462
Balance at June 30, 2006	4,423	(2)	4,420	124,958