

SANTEN PHARMACEUTICAL CO., LTD. (July 31, 2003)
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Financial Report for the Three-month period ended June 30, 2003
(Consolidated)
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1. Basis of preparing the financial report for the three months ended June 30, 2003

- (1) No changes have been made in accounting policy.
- (2) No changes on consolidated subsidiaries and application of the equity method
- (3) No audit or review by certified public accountant or accounting firm

2. Performance for the three months ended June 30, 2003

(Figures are rounded down to the nearest million yen)

(1) Operating results	Three months ended June 30, 2003	Three months ended June 30, 2002	Year ended March 31, 2003
Net sales (millions of yen)	22,803	—	90,252
Operating income (millions of yen)	3,834	—	12,697
Ordinary income (millions of yen)	3,691	—	12,899
Net income (millions of yen)	1,795	—	8,502
Net income per share (yen)	20.41	—	93.67
Diluted net income per share (yen)	20.15	—	85.97

Note: The figures for the three months ended June 30, 2002 are not available.

(2) Financial condition	June 30, 2003	June 30, 2002	March 31, 2003
Total assets (millions of yen)	148,282	—	147,147
Shareholders' equity (millions of yen)	98,880	—	97,125
Shareholders' equity ratio	66.7%	—	66.0%
Shareholders' equity per share (yen)	1,124.51	—	1,104.21

Note: The figures for the three months ended June 30, 2002 are not available.

(3) Cash flows	Three months ended June 30, 2003	Three months ended June 30, 2002	Year ended March 31, 2003
Cash flows from operating activities (millions of yen)	3,648	—	15,807
Cash flows from investing activities (millions of yen)	(230)	—	(9,951)
Cash flows from financing activities (millions of yen)	(904)	—	(6,507)
Cash and cash equivalents at end of year (millions of yen)	27,869	—	25,053

Note: The figures for the three months ended June 30, 2002 are not available.

(Reference 1) Non-consolidated

Operating results	Three months ended June 30, 2003
Net sales (millions of yen)	19,858
Operating income (millions of yen)	4,178
Ordinary income (millions of yen)	4,511
Net income (millions of yen)	2,628

Financial condition	June 30, 2003
Total assets (millions of yen)	149,126
Shareholders' equity (millions of yen)	102,112

3. Forecasts of results for the year ending March 31, 2004

	Interim	Full year
Net sales (millions of yen)	45,500	90,800
Ordinary income (millions of yen)	6,000	14,800
Net income (millions of yen)	2,600	6,800
Net income per share (yen)	29.56	77.33

(Reference 2) Non-consolidated

	Interim	Full year
Net sales (millions of yen)	41,600	82,600
Ordinary income (millions of yen)	8,500	19,100
Net income (millions of yen)	5,200	11,300
Interim dividends per share (yen)	10.00	—
Dividends at end of period per share (yen)	—	10.00
Annual dividends per share (yen)	—	20.00

Caution)

The aforementioned forecast in this brief financial report reflects the Company's current analysis of data available. Certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented in this report.

Quarterly consolidated balance sheets

(Millions of yen)

	June 30,2003		March 31,2003	
	Yen	Composition	Yen	Composition
Assets				
I Current assets	84,180	56.8 %	83,431	56.7 %
Cash and deposits	23,810		23,136	
Notes receivable and accounts receivable	32,955		32,516	
Marketable securities	8,771		7,771	
Inventories	12,499		11,684	
Deferred tax assets	978		1,201	
Other current assets	5,305		7,262	
Allowance for doubtful receivables	△ 140		△ 141	
II Fixed assets	64,102	43.2	63,716	43.3
Tangible assets	(41,126)	(27.7)	(40,850)	(27.8)
Buildings and structures	20,413		20,351	
Machinery, equipment and vehicles	2,061		1,958	
Land	10,996		10,990	
Construction in progress	5,097		4,966	
Other tangible assets	2,557		2,582	
Intangible assets	(4,681)	(3.2)	(4,781)	(3.2)
Goodwill	1,562		1,598	
Other intangible assets	3,118		3,182	
Investments and other assets	(18,294)	(12.3)	(18,085)	(12.3)
Investment securities	10,137		9,945	
Deferred tax assets	2,376		2,331	
Others	5,781		5,808	
Allowance for doubtful receivables	△ 0		△ 0	
Total assets	148,282	100.0	147,147	100.0

(Millions of yen)

	June 30,2003		March 31,2003	
	Yen	Composition	Yen	Composition
Liabilities				
I Current liabilities	39,553	26.7 %	39,637	26.9 %
Trade accounts payable	5,276		5,476	
Current portion of convertible bonds	19,945		19,945	
Current portion of long-term borrowings	416		416	
Other payables	8,594		9,117	
Income taxes payable	1,636		1	
Reserve for bonuses	1,111		2,432	
Other reserves	658		741	
Other current liabilities	1,915		1,506	
II Noncurrent liabilities	9,847	6.6	10,384	7.1
Long-term borrowings	2,595		2,686	
Deferred tax liabilities	31		32	
Reserve for retirement and severance benefits	5,417		5,288	
Reserve for retirement benefits for directors and auditors	417		465	
Other	1,385		1,912	
Total liabilities	49,401	33.3	50,021	34.0
Shareholders' equity				
I Common stock	6,214	4.2	6,214	4.2
II Additional paid-in capital	6,908	4.6	6,908	4.7
III Retained earnings	91,437	61.7	90,551	61.5
IV Unrealized holding gains on securities	403	0.3	293	0.2
V Foreign currency translation adjustments	△ 2,806	△ 1.9	△ 3,566	△ 2.4
VI Treasury stock at cost	△ 3,277	△ 2.2	△ 3,276	△ 2.2
Total shareholders' equity	98,880	66.7	97,125	66.0
Total liabilities and shareholders' equity	148,282	100.0	147,147	100.0

Quarterly consolidated income statements

(Millions of yen)

	Three months ended June 30,2003		Year ended March 31,2003	
	Yen	Composition	Yen	Composition
I Net sales	22,803	100.0 %	90,252	100.0 %
II Cost of sales	7,686	33.7	32,271	35.7
Gross profit	15,117	66.3	57,981	64.3
III Selling, general and administrative expenses	11,282	49.5	45,284	50.2
Operating income	3,834	16.8	12,697	14.1
IV Non operating income	(144)	(0.6)	(1,269)	(1.4)
Interest income	25		158	
Deividend income	58		109	
Others	60		1,001	
V Non operating expenses	(287)	(1.2)	(1,066)	(1.2)
Interest expense	64		480	
Amortization expenses of goodwill	97		287	
Others	125		299	
Ordinary income	3,691	16.2	12,899	14.3
VI Extraordinary gain	(0)	(0.0)	(17)	(0.0)
VII Extraordinary loss	(80)	(0.4)	(2,969)	(3.3)
Loss on valuation of investment securities	-		601	
Special premium payment on the separation from the composite pension fund	-		2,202	
Others	80		165	
Income before income taxes	3,611	15.8	9,947	11.0
Income taxes - current	1,718	7.5	463	0.5
Income taxes - deferred	98	0.4	981	1.1
Net income	1,795	7.9	8,502	9.4

Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2003	Year ended March 31, 2003
I Cash flows from operating activities:		
Income before income taxes	3611	9,947
Depreciation and amortization	1,169	4,311
Increase in retirement and severance benefits	76	132
Interest and dividend income	△83	△268
Interest expense	64	480
(Increase) decrease in trade receivables	△248	6,965
(Increase) decrease in inventories	△677	647
Decrease (increase) in trade accounts payable	△227	660
Other, net	43	△753
Subtotal	3,728	22,122
Interest and dividend income received	69	140
Interest expense paid	△62	△458
Income taxes paid	△86	△5,996
Net cash provided by operating activities	3,648	15,807
II Cash flows from investing activities:		
Deposit of time deposit	△184	△1,251
Withdrawal of time deposit	40	1,810
Purchase of marketable securities	△999	△4,000
Proceeds from sale of marketable securities	1,999	3,043
Capital expenditures	△658	△7,045
Purchase of investment securities	△2	△3,703
Increase in investment securities	-	472
Proceeds from collection of loans receivables	2	11
Other, net	△427	711
Net cash used in investing activities	△230	△9,951
III Cash flows from financing activities:		
Repayment of long-term borrowings	△91	△1,420
Repurchase of treasury stock, net	△0	△3,273
Dividends paid	△812	△1,812
Cash flows used in financing activities	△904	△6,507
IV Effect of exchange rate changes on cash and cash equivalents	302	84
V Net increase (decrease) in cash and cash equivalents	2,816	△566
VI Cash and cash equivalents at beginning of year	25,053	25,619
VII Cash and cash equivalents at end of year	27,869	25,053

Segment information

■ Geographic segments

Three months ended June 30,2003

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	19,562	2,755	485	22,803	—	22,803
Intersegment	327	256	1,784	2,368	(2,368)	—
Total	19,890	3,011	2,270	25,171	(2,368)	22,803
Operating expenses	14,984	3,357	2,400	20,742	(1,774)	18,968
Operating income (loss)	4,906	△346	△130	4,429	(594)	3,834

Year ended March 31,2003

(Millions of yen)

	Japan	Europe	Other	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	81,857	6,642	1,752	90,252	—	90,252
Intersegment	659	983	7,647	9,290	(9,290)	—
Total	82,517	7,626	9,400	99,543	(9,290)	90,252
Operating expenses	61,865	11,442	10,482	83,790	(6,234)	77,555
Operating income (loss)	20,652	△3,816	△1,082	15,753	(3,056)	12,697

Europe...Finland, Sweden and Germany

Other...U.S.A.,Taiwan and Korea

■ Overseas sales

Three months ended June 30, 2003

	Europe	North America	Others	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
I Overseas sales (A)	1,184	1,959	565	2,709
II Consolidated sales (B)				Millions of yen 22,803
III Overseas sales ratio (A/B)	5.2 %	8.6 %	2.5 %	16.3 %

Year ended March 31,2003

	Europe	North America	Others	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
I Overseas sales (A)	3,505	4,649	2,364	10,519
II Consolidated sales (B)				Millions of yen 90,252
III Overseas sales ratio (A/B)	3.9 %	5.2 %	2.6 %	11.7 %

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

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

Others...Asian nations