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SANTEN PHARMACEUTICAL CO., LTD. (January 30, 2008)

Code: 4536

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

Financial Report for the Nine-month period ended December 31, 2007

Takakazu Morita, Chairman and Chief Executive Officer

Contact: Yoshihiro Noutsuka, Corporate Officer

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(Figures are rounded down to the nearest million yen)

**1. Consolidated Performance for the nine months ended December 31, 2007**

(1) Operating results	Nine months ended December 31, 2007	Nine months ended December 31, 2006	Year ended March 31, 2007
Net sales (millions of yen)	79,293	77,766	100,485
Operating income (millions of yen)	16,682	18,470	20,412
Ordinary income (millions of yen)	17,099	18,645	20,843
Net income (millions of yen)	10,769	11,880	13,147
Net income per share (yen)	124.09	136.99	151.58
Diluted net income per share (yen)	123.90	136.74	151.31

(2) Financial condition	December 31, 2007	December 31, 2006	March 31, 2007
Total assets (millions of yen)	159,882	155,027	159,098
Net assets (millions of yen)	131,606	127,469	128,645
Equity ratio	82.2%	82.2%	80.8%
Net assets per share (yen)	1,514.78	1,469.51	1,481.83

(3) Cash flows	Nine months ended December 31, 2007	Nine months ended December 31, 2006	Year ended March 31, 2007
Cash flows from operating activities (millions of yen)	9,199	8,984	14,959
Cash flows from investing activities (millions of yen)	(1,788)	(3,944)	(5,845)
Cash flows from financing activities (millions of yen)	(6,395)	(5,576)	(5,691)
Cash and cash equivalents at end of year (millions of yen)	50,973	45,844	49,841

**2. Consolidated Forecasts of results for the year ending March 31, 2008**

	Full year	% change 2008/2007
Net sales (millions of yen)	103,300	2.8%
Operating income (millions of yen)	20,500	0.4%
Ordinary income (millions of yen)	21,200	1.7%
Net income (millions of yen)	13,700	4.2%
Net income per share (yen)	157.74	

**3. Others**

(1) No change on consolidated subsidiaries

(2) No alternative methods have been adopted in accounting policy.

(3) Change on accounting policy

One change has been made in the revision of accounting standards.

No other change has been made.

**(Reference)**

**1. Non-consolidated Performance for the nine months ended December 31, 2007**

<b>(1) Operating results</b>	Nine months ended December 31, 2007	Nine months ended December 31, 2006	Year ended March 31, 2007
Net sales (millions of yen)	72,301	71,451	91,770
Operating income (millions of yen)	16,737	18,054	20,067
Ordinary income (millions of yen)	17,457	18,675	20,926
Net income (millions of yen)	7,952	11,903	13,381
Net income per share (yen)	91.63	137.26	154.28
Diluted net income per share (yen)	91.48	137.01	154.00

<b>(2) Financial condition</b>	December 31, 2007	December 31, 2006	March 31, 2007
Total assets (millions of yen)	158,636	157,582	161,134
Net assets (millions of yen)	132,479	131,443	132,619
Equity ratio	83.4%	83.4%	82.3%
Net assets per share (yen)	1,524.84	1,515.32	1,527.63

**2. Non-consolidated Forecasts of results for the year ending March 31, 2008**

	Full year	% change 2008/2007
Net sales (millions of yen)	94,200	2.6%
Operating income (millions of yen)	19,900	(0.8%)
Ordinary income (millions of yen)	20,700	(1.1%)
Net income (millions of yen)	9,900	(26.0%)
Net income per share (yen)	113.99	

**(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)

	March 31, 2007		December 31, 2007		Increase and decrease		December 31, 2006	
	Amount	Composition	Amount	Composition	Amount	% Change 2007.12/2007.03	Amount	Composition
<b>Assets</b>								
<b>Current assets</b>	<b>100,820</b>	<b>63.4 %</b>	<b>103,763</b>	<b>64.9 %</b>	<b>2,943</b>	<b>2.9 %</b>	<b>96,537</b>	<b>62.3 %</b>
Cash and deposits	34,295		35,824		1,529		29,626	
Notes and accounts receivable -trade	35,034		37,957		2,923		37,953	
Marketable securities	16,914		15,413		(1,501)		16,914	
Inventories	10,357		10,952		595		8,790	
Deferred tax assets	1,625		965		(660)		909	
Other current assets	2,593		2,651		58		2,345	
Allowance for doubtful receivables	(0)		(0)		0		(1)	
<b>Fixed assets</b>	<b>58,228</b>	<b>36.6</b>	<b>55,881</b>	<b>35.0</b>	<b>(2,347)</b>	<b>(4.0)</b>	<b>58,458</b>	<b>37.7</b>
<b>Tangible assets</b>	<b>( 30,485 )</b>	<b>( 19.2 )</b>	<b>( 30,597 )</b>	<b>( 19.2 )</b>	<b>( 112 )</b>	<b>( 0.4 )</b>	<b>( 30,269 )</b>	<b>( 19.5 )</b>
Buildings and structures	16,063		15,376		(687)		16,270	
Machinery, equipment and vehicles	1,817		2,133		316		1,880	
Land	8,842		8,838		(4)		8,843	
Construction in progress	1,806		2,539		733		1,354	
Other tangibles	1,955		1,708		(247)		1,920	
<b>Intangible assets</b>	<b>( 2,771 )</b>	<b>( 1.7 )</b>	<b>( 2,426 )</b>	<b>( 1.5 )</b>	<b>( 345 )</b>	<b>( 12.5 )</b>	<b>( 2,596 )</b>	<b>( 1.7 )</b>
Goodwill	385		342		(43)		479	
Software	1,660		1,720		60		877	
Other intangibles	726		363		(363)		1,239	
<b>Investments and other assets</b>	<b>( 24,971 )</b>	<b>( 15.7 )</b>	<b>( 22,857 )</b>	<b>( 14.3 )</b>	<b>( 2,114 )</b>	<b>( 8.5 )</b>	<b>( 25,593 )</b>	<b>( 16.5 )</b>
Investment securities	21,019		18,913		(2,106)		21,350	
Deferred tax assets	—		873		873		0	
Other assets	3,951		3,071		(880)		4,242	
Deferred assets	50	0.0	237	0.1	187	374.0	31	0.0
<b>Total assets</b>	<b>159,098</b>	<b>100.0</b>	<b>159,882</b>	<b>100.0</b>	<b>784</b>	<b>0.5</b>	<b>155,027</b>	<b>100.0</b>

(Millions of yen)

	March 31, 2007		December 31, 2007		Increase and decrease		December 31, 2006	
	Amount	Composition	Amount	Composition	Amount	% Change 2007.12/2007.03	Amount	Composition
<b>Liabilities</b>								
<b>Current liabilities</b>	<b>22,369</b>	<b>14.0 %</b>	<b>25,397</b>	<b>15.9 %</b>	<b>3,028</b>	<b>13.5 %</b>	<b>19,036</b>	<b>12.3 %</b>
Notes and accounts payable -trade	6,089		6,142		53		5,481	
Current portion of long-term debt	168		5,168		5,000		168	
Other payables	8,572		8,720		148		8,118	
Income taxes payable	3,917		2,228		(1,689)		2,216	
Reserve for bonuses	2,477		1,453		(1,024)		1,328	
Other reserves	67		79		12		74	
Other current liabilities	1,077		1,605		528		1,648	
<b>Noncurrent liabilities</b>	<b>8,084</b>	<b>5.1</b>	<b>2,877</b>	<b>1.8</b>	<b>(5,207)</b>	<b>(64.4)</b>	<b>8,521</b>	<b>5.5</b>
Long-term debt	5,278		152		(5,126)		5,320	
Deferred tax liabilities	426		18		(408)		816	
Retirement and severance benefits for employee	1,405		1,666		261		1,388	
Retirement and severance benefits for directors and auditors	513		482		(31)		509	
Other liabilities	460		558		98		487	
<b>Total liabilities</b>	<b>30,453</b>	<b>19.1</b>	<b>28,275</b>	<b>17.7</b>	<b>(2,178)</b>	<b>(7.2)</b>	<b>27,558</b>	<b>17.8</b>
<b>Net assets</b>								
<b>Shareholders' equity</b>	<b>124,997</b>	<b>78.6</b>	<b>129,300</b>	<b>80.8</b>	<b>4,303</b>	<b>3.4</b>	<b>123,674</b>	<b>79.8</b>
Common stock	6,382	4.0	6,409	4.0	27	0.4	6,352	4.1
Capital surplus	7,077	4.5	7,104	4.4	27	0.4	7,047	4.6
Retained earnings	111,645	70.2	115,905	72.5	4,260	3.8	110,377	71.2
Treasury stock at cost	(106)	(0.1)	(119)	(0.1)	(13)	12.3	(102)	(0.1)
Accumulated gains (losses) on evaluation and translation	3,587	2.3	2,186	1.4	(1,401)	(39.1)	3,734	2.4
Unrealized gains on securities	5,202	3.3	3,521	2.2	(1,681)	(32.3)	5,564	3.6
Unrealized gains on hedging derivatives	3	0.0	0	0.0	(3)	(100.0)	(1)	(0.0)
Foreign currency translation adjustments	(1,618)	(1.0)	(1,334)	(0.8)	284	(17.6)	(1,828)	(1.2)
Stock subscription rights	59	0.0	119	0.1	60	101.7	59	0.0
<b>Total net assets</b>	<b>128,645</b>	<b>80.9</b>	<b>131,606</b>	<b>82.3</b>	<b>2,961</b>	<b>2.3</b>	<b>127,469</b>	<b>82.2</b>
<b>Total liabilities and net assets</b>	<b>159,098</b>	<b>100.0</b>	<b>159,882</b>	<b>100.0</b>	<b>784</b>	<b>0.5</b>	<b>155,027</b>	<b>100.0</b>

## Quarterly consolidated income statements

(Millions of yen)

	Nine months ended December 31, 2006		Nine months ended December 31, 2007		Increase and decrease		Year ended March 31, 2007	
	Amount	Composition	Amount	Composition	Amount	% Change 2007.12/2006.12	Amount	Composition
Net sales	77,766	100.0 %	79,293	100.0 %	1,527	2.0 %	100,485	100.0 %
Cost of sales	27,287	35.1	27,817	35.1	530	1.9	35,483	35.3
Gross profit	50,478	64.9	51,476	64.9	998	2.0	65,001	64.7
Selling, general and administrative expenses	32,008	41.1	34,793	43.9	2,785	8.7	44,589	44.4
Operating income	18,470	23.8	16,682	21.0	(1,788)	(9.7)	20,412	20.3
Non operating income	( 706 )	( 0.9 )	( 978 )	( 1.3 )	( 272 )	( 38.5 )	( 1,138 )	( 1.1 )
Interest income	93		126		33		175	
Dividend income	259		360		101		284	
Others	353		491		138		679	
Non operating expenses	( 531 )	( 0.7 )	( 561 )	( 0.7 )	( 30 )	( 5.6 )	( 707 )	( 0.7 )
Interest expense	55		68		13		90	
Amortization expenses of goodwill	263		32		(231)		357	
Others	212		460		248		260	
Ordinary income	18,645	24.0	17,099	21.6	(1,546)	(8.3)	20,843	20.7
Extraordinary gain	( 251 )	( 0.3 )	( 237 )	( 0.3 )	( 14 )	( 5.6 )	( 250 )	( 0.3 )
Gains on sale of fixed assets, net of taxes	250		0		(250)		250	
Gains on sale of investment securities, net of taxes	-		237		237		-	
Others	0		-		(0)		0	
Extraordinary loss	( 33 )	( 0.0 )	( 60 )	( 0.1 )	( 27 )	( 81.8 )	( 55 )	( 0.1 )
Loss on disposal of fixed assets	15		60		45		36	
Others	18		-		(18)		18	
Income before income taxes	18,863	24.3	17,276	21.8	(1,587)	(8.4)	21,039	20.9
Income taxes - current	6,129	7.9	5,983	7.5	(146)	(2.4)	7,902	7.9
Income taxes - deferred	853	1.1	523	0.7	(330)	(38.7)	(10)	(0.1)
Net income	11,880	15.3	10,769	13.6	(1,111)	(9.3)	13,147	13.1

## Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2006	Nine months ended December 31, 2007	Year ended March 31, 2007
<b>I Cash flows from operating activities:</b>			
Income before income taxes	18,863	17,276	21,039
Depreciation and amortization	3,515	3,424	4,761
Increase in retirement and severance benefits	144	261	160
Interest and dividend income	(352)	(486)	(459)
Interest expense	55	68	90
Increase in trade receivables	(3,286)	(2,849)	(414)
Increase/decrease in inventories	1,184	(553)	(356)
Increase/decrease in trade accounts payable	(207)	45	400
Other, net	(2,436)	(766)	(1,717)
Subtotal	17,481	16,420	23,504
Interest and dividend income received	355	486	460
Interest expense paid	(45)	(53)	(91)
Income taxes paid	(8,806)	(7,654)	(8,914)
Net cash provided by operating activities	8,984	9,199	14,959
<b>II Cash flows from investing activities:</b>			
Increase in fixed deposits	(265)	(1,097)	(1,223)
Decrease in fixed deposits	257	1,159	553
Proceeds from sale of marketable securities	-	1,000	-
Payments for acquisition of fixed assets	(2,519)	(2,408)	(3,555)
Proceeds from sale of fixed assets	601	4	600
Purchase of investment securities	(2,005)	(1,564)	(2,208)
Proceeds from sale of investment securities	-	1,098	-
Other, net	(13)	21	(13)
Net cash used in investing activities	(3,944)	(1,788)	(5,845)
<b>III Cash flows from financing activities:</b>			
Repayment of long-term debt	(126)	(126)	(168)
Dividends paid	(5,504)	(6,311)	(5,632)
Other, net	54	41	109
Net cash used in financing activities	(5,576)	(6,395)	(5,691)
Effect of exchange rate changes on cash and cash equivalents	276	116	313
Net increase/decrease in cash and cash equivalents	(259)	1,132	3,736
Cash and cash equivalents at beginning of year	46,104	49,841	46,104
Cash and cash equivalents at end of year	45,844	50,973	49,841

## Segment information

### Geographic segments

Nine months ended December 31, 2006

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
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, 2007

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	71,192	7,597	502	79,923	-	79,293
Intersegment	1,129	1,467	2,151	4,747	(4,747)	-
Total	72,322	9,064	2,654	84,041	(4,747)	79,293
Operating expenses	54,021	8,618	3,228	65,868	(3,257)	62,610
Operating income (loss)	18,300	446	(573)	18,172	(1,490)	16,682

Year ended March 31, 2007

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	90,695	9,186	604	100,485	-	100,485
Intersegment	1,167	2,028	2,610	5,806	(5,806)	-
Total	91,862	11,214	3,215	106,291	(5,806)	100,485
Operating expenses	70,093	10,234	3,970	84,298	(4,225)	80,073
Operating income (loss)	21,768	979	(754)	21,993	(1,580)	20,412

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
Overseas sales (A)	Millions of yen 4,970	Millions of yen 1,583	Millions of yen 3,508	Millions of yen 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, 2007

	Europe	North America	Asia	Others	Total
Overseas sales (A)	Millions of yen 6,311	Millions of yen 1,194	Millions of yen 3,510	Millions of yen 11	Millions of yen 11,028
Consolidated sales (B)					Millions of yen 79,293
Overseas sales ratio (A/B)	8.0 %	1.5 %	4.4 %	0.0 %	13.9 %

### Year ended March 31, 2007

	Europe	North America	Others	Total
Overseas sales (A)	Millions of yen 6,916	Millions of yen 2,128	Millions of yen 4,287	Millions of yen 13,333
Consolidated sales (B)				Millions of yen 100,485
Overseas sales ratio (A/B)	6.9 %	2.1 %	4.3 %	13.3 %

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

North America...U.S.A.

Asia...Korea, China, Vietnam and Taiwan

Others...Australia, etc.

\*Asia is included in others in the nine months ended December 31, 2006 and the fiscal year ended March 31, 2007.