

[ Disclaimer: The following is meant to be an accurate translation from the original Financial Report of Santen Pharmaceutical Co., Ltd., written in Japanese, and is prepared for the information disclosure to the Tokyo Stock Exchange. However, in the case of any discrepancy between the English translation and the Japanese original, the latter shall prevail. ]

SANTEN PHARMACEUTICAL CO., LTD. (August 4, 2008)

Code: 4536

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

Financial Report for the Three-month period ended June 30, 2008

Akira Kurokawa, President and Chief Executive Officer

Contact: Yoshihiro Noutsuka, Corporate Officer

Head of Planning & Control Division Tel: 06-6321-7007

(Figures are rounded down to the nearest million yen)

**1. Consolidated Performance for the three months ended June 30, 2008**

|                                    | Three months ended<br>June 30, 2008 | Three months ended<br>June 30, 2007 |
|------------------------------------|-------------------------------------|-------------------------------------|
| <b>(1) Operating results</b>       |                                     |                                     |
| Net sales (millions of yen)        | 25,462                              | 26,524                              |
| Operating income (millions of yen) | (103)                               | 5,915                               |
| Ordinary income (millions of yen)  | 131                                 | 6,220                               |
| Net income (millions of yen)       | 136                                 | 3,888                               |
| Net income per share (yen)         | 1.61                                | 44.81                               |
| Diluted net income per share (yen) | 1.61                                | 44.72                               |

|                                | June 30, 2008 | March 31, 2008 |
|--------------------------------|---------------|----------------|
| <b>(2) Financial condition</b> |               |                |
| Total assets (millions of yen) | 153,198       | 156,547        |
| Net assets (millions of yen)   | 124,991       | 127,118        |
| Equity ratio                   | 81.5%         | 81.1%          |
| Net assets per share (yen)     | 1,468.96      | 1,494.48       |

**2. Dividends**

|  | Year to<br>March 2009 | (Forecasts)<br>Year to<br>March 2009 | Year to<br>March 2008 |
|--|-----------------------|--------------------------------------|-----------------------|
| First quarter dividends per share (yen)  | 0.00                  | -                                    | 0.00                  |
| Second quarter dividends per share (yen) | -                     | 40.00                                | 40.00                 |
| Third quarter dividends per share (yen)  | -                     | 0.00                                 | 0.00                  |
| End-of-period dividends per share (yen)  | -                     | 40.00                                | 40.00                 |
| Annual dividends per share (yen)         | -                     | 80.00                                | 80.00                 |

**3. Consolidated Forecasts of results for the year ending March 31, 2009**

|                                    | First half year | Full year | (Full year)<br>% change<br>2009/2008 |
|------------------------------------|-----------------|-----------|--------------------------------------|
| Net sales (millions of yen)        | 52,000          | 104,000   | 0.6%                                 |
| Operating income (millions of yen) | 4,200           | 15,100    | (25.9%)                              |
| Ordinary income (millions of yen)  | 4,700           | 15,600    | (24.6%)                              |
| Net income (millions of yen)       | 3,100           | 9,800     | (22.5%)                              |
| Net income per share (yen)         | 36.48           | 115.32    |                                      |

**4. Others**

**(1) No change on consolidated subsidiaries**

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

**(3) Change in accounting policy**

Four changes have been made in the revision of accounting standards.

No other change has been made.

**(4) Number of shares outstanding (common stock)**

Number of shares outstanding at the end of period (including treasury stock)

June 30, 2008 : 86,896,803

March 31, 2008: 86,866,703

Number of treasury stock at the end of period

June 30, 2008 : 1,890,008

March 31, 2008: 1,888,743

Average number of shares outstanding

First quarter of fiscal year ended June 30,2008:84,997,222

First quarter of fiscal year ended June 30,2007:86,777,172

**(Caution)**

1. 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.

2. On June 10, 2008 Santen Pharmaceutical revised its financial forecasts for the first half of fiscal year ending March 31,2009 and fiscal year ending March 31,2009, which it released on May 8,2008.

3. From the current fiscal year, Santen Pharmaceutical adopts the "Accounting Standards for Quarterly Financial Statements" (Corporate Accounting Standards No.12) and the "Guides for Adopting the Accounting Standards for Quarterly Financial Statements" (Corporate Accounting Standards Adoption Guide No.14). Santen Pharmaceutical also follows the "Rules for Quarterly Consolidated Financial Statements" to prepare its quarterly consolidated financial statements.

## Quarterly consolidated balance sheets

(Millions of yen)

|  | June 30, 2008  | March 31, 2008 |
|--|----------------|----------------|
| <b>Assets</b>                                |                |                |
| <b>Current assets</b>                        |                |                |
| Cash and deposits                            | 28,084         | 35,483         |
| Notes and accounts receivable-trade          | 37,301         | 35,614         |
| Short-term investment securities             | 15,892         | 15,868         |
| Merchandise                                  | 2,877          | 3,338          |
| Finished goods                               | 5,352          | 5,227          |
| Semi-finished goods                          | 1,114          | 821            |
| Raw materials                                | 1,768          | 1,674          |
| Work in process                              | 232            | 259            |
| Deferred tax assets                          | 897            | 1,699          |
| Other  | 2,968          | 2,769          |
| Allowance for doubtful receivables           | (1)            | (1)            |
| <b>Total current assets</b>                  | <b>96,488</b>  | <b>102,754</b> |
| <b>Noncurrent assets</b>                     |                |                |
| <b>Property, plant and equipment</b>         |                |                |
| Buildings and structures                     | 41,258         | 39,859         |
| Accumulated depreciation and impairment loss | (25,045)       | (24,699)       |
| Buildings and structures, net                | 16,212         | 15,160         |
| Machinery, equipment and vehicles            | 11,448         | 11,083         |
| Accumulated depreciation and impairment loss | (8,663)        | (8,426)        |
| Machinery, equipment and vehicles, net       | 2,785          | 2,656          |
| Land   | 8,571          | 8,558          |
| Construction in progress                     | 838            | 1,879          |
| Other  | 10,636         | 10,532         |
| Accumulated depreciation and impairment loss | (9,107)        | (8,938)        |
| Other, net                                   | 1,528          | 1,594          |
| <b>Total property, plant and equipment</b>   | <b>29,936</b>  | <b>29,848</b>  |
| <b>Intangible assets</b>                     |                |                |
| Goodwill                                     | -              | 300            |
| Software                                     | 1,490          | 1,602          |
| Other  | 309            | 330            |
| <b>Total intangible assets</b>               | <b>1,800</b>   | <b>2,233</b>   |
| <b>Investments and other assets</b>          |                |                |
| Investment securities                        | 18,287         | 16,949         |
| Deferred tax assets                          | 4,321          | 1,822          |
| Other  | 2,363          | 2,694          |
| <b>Total investments and other assets</b>    | <b>24,972</b>  | <b>21,466</b>  |
| <b>Total noncurrent assets</b>               | <b>56,709</b>  | <b>53,548</b>  |
| <b>Deferred assets</b>                       | -              | 244            |
| <b>Total assets</b>                          | <b>153,198</b> | <b>156,547</b> |

(Millions of yen)

|  | June 30, 2008  | March 31, 2008 |
|--|----------------|----------------|
| <b>Liabilities</b>   |                |                |
| <b>Current liabilities</b>                                   |                |                |
| Notes and accounts payable -trade                            | 5,056          | 5,633          |
| Current portion of long-term loans payable                   | 5,168          | 5,168          |
| Other payables   | 9,903          | 7,690          |
| Income taxes payable   | 1,434          | 4,323          |
| Provision for bonuses  | 1,353          | 2,612          |
| Other provision  | 84             | 74             |
| Other  | 2,161          | 1,057          |
| <b>Total current liabilities</b>                             | <b>25,163</b>  | <b>26,561</b>  |
| <b>Non current liabilities</b>                               |                |                |
| Long-term loans payable                                      | 68             | 110            |
| Deferred tax liabilities                                     | 17             | 17             |
| Retirement and severance benefits for employee               | 2,015          | 1,815          |
| Retirement and severance benefits for directors and auditors | 491            | 487            |
| Other  | 450            | 437            |
| <b>Total noncurrent liabilities</b>                          | <b>3,043</b>   | <b>2,867</b>   |
| <b>Total liabilities</b>                                     | <b>28,207</b>  | <b>29,429</b>  |
| <b>Net assets</b>  |                |                |
| <b>Shareholders' equity</b>                                  |                |                |
| Common stock   | 6,440          | 6,418          |
| Capital surplus  | 7,135          | 7,113          |
| Retained earnings  | 114,743        | 117,786        |
| Treasury stock at cost                                       | (4,924)        | (4,920)        |
| <b>Total shareholders' equity</b>                            | <b>123,395</b> | <b>126,398</b> |
| <b>Accumulated gains on evaluation and translation</b>       |                |                |
| Unrealized gains on securities, net of taxes                 | 2,989          | 2,273          |
| Foreign currency translation adjustments                     | (1,513)        | (1,673)        |
| <b>Total accumulated gains on evaluation and translation</b> | <b>1,475</b>   | <b>600</b>     |
| <b>Stock subscription rights</b>                             | <b>119</b>     | <b>119</b>     |
| <b>Total net assets</b>                                      | <b>124,991</b> | <b>127,118</b> |
| <b>Total liabilities and net assets</b>                      | <b>153,198</b> | <b>156,547</b> |

## Quarterly consolidated statements of income

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Three months ended<br>June 30, 2008 |
| Net sales                                    | 25,462                              |
| Cost of sales                                | 9,142                               |
| Gross profit                                 | 16,320                              |
| Selling, general and administrative expenses | 16,424                              |
| Operating loss                               | (103)                               |
| Non-operating income                         |                                     |
| Interest income                              | 35                                  |
| Dividend income                              | 209                                 |
| Other  | 106                                 |
| Total non-operating income                   | 351                                 |
| Non-operating expenses                       |                                     |
| Interest expense                             | 23                                  |
| Exchange losses                              | 74                                  |
| Other  | 18                                  |
| Total non-operating expenses                 | 115                                 |
| Ordinary income                              | 131                                 |
| Extraordinary income                         |                                     |
| Total extraordinary income                   | —                                   |
| Extraordinary loss                           |                                     |
| Loss on sales of noncurrent assets           | 8                                   |
| Loss on impairment of golf membership right  | 15                                  |
| Total extraordinary losses                   | 23                                  |
| Income before income taxes                   | 107                                 |
| Income taxes - current                       | 1,366                               |
| Income taxes - deferred                      | (1,395)                             |
| Total income taxes                           | (28)                                |
| Net income                                   | 136                                 |

## Quarterly consolidated statements of cash flows

|  | (Millions of yen)                   |
|--|-------------------------------------|
|  | Three months ended<br>June 30, 2008 |
| <b>Net cash used in operating activities</b>                 |                                     |
| Income before income taxes                                   | 107                                 |
| Depreciation and amortization                                | 1,109                               |
| Increase in retirement and severance benefits                | 157                                 |
| Interest and dividend income                                 | (245)                               |
| Interest expense   | 23                                  |
| Increase in notes and accounts receivable-trade              | (1,644)                             |
| Increase in inventories                                      | (15)                                |
| Decrease in notes and accounts payable-trade                 | (558)                               |
| Other, net   | 1,265                               |
| <b>Subtotal</b>  | <b>198</b>                          |
| Interest and dividend income received                        | 243                                 |
| Interest expense paid  | (7)                                 |
| Income taxes paid  | (4,216)                             |
| <b>Net cash used in operating activities</b>                 | <b>(3,782)</b>                      |
| <b>Net cash used in investing activities</b>                 |                                     |
| Increase in fixed deposits                                   | (2,138)                             |
| Capital expenditures   | (625)                               |
| Purchase of investment securities                            | (151)                               |
| <b>Net cash used in investing activities</b>                 | <b>(2,915)</b>                      |
| <b>Net cash used in financing activities</b>                 |                                     |
| Repayment of long-term loans payable                         | (42)                                |
| Dividends paid   | (3,201)                             |
| Other, net   | 41                                  |
| <b>Net cash used in financing activities</b>                 | <b>(3,202)</b>                      |
| Effect of exchange rate changes on cash and cash equivalents | 327                                 |
| <b>Net decrease in cash and cash equivalents</b>             | <b>(9,573)</b>                      |
| Cash and cash equivalents at beginning of period             | 51,669                              |
| Cash and cash equivalents at end of period                   | 42,096                              |

## Segment information

### ■ Geographic segments

Three months ended June 30, 2008

(Millions of yen)

|                         | Japan  | Europe | Others | Total  | Corporate and<br>eliminations | Consolidated<br>total |
|-------------------------|--------|--------|--------|--------|-------------------------------|-----------------------|
| <b>Net sales:</b>       |        |        |        |        |                               |                       |
| External costumers      | 22,761 | 2,522  | 179    | 25,462 | —                             | 25,462                |
| Intersegment            | 522    | 489    | 808    | 1,820  | (1,820)                       | —                     |
| Total                   | 23,283 | 3,012  | 987    | 27,283 | (1,820)                       | 25,462                |
| Operating income (loss) | 474    | 80     | (64)   | 490    | (594)                         | (103)                 |

Europe...Finland, Germany and Sweden

Others...U.S.A., China, Korea and Taiwan

**Overseas sales**

**Three months ended June 30, 2008**

|                                   | <b>Europe</b>                   | <b>North America</b>          | <b>Asia</b>                     | <b>Total</b>                     |
|-----------------------------------|---------------------------------|-------------------------------|---------------------------------|----------------------------------|
| <b>Overseas sales (A)</b>         | Millions of yen<br><b>2,243</b> | Millions of yen<br><b>255</b> | Millions of yen<br><b>1,149</b> | Millions of yen<br><b>3,649</b>  |
| <b>Consolidated sales (B)</b>     |                                 |                               |                                 | Millions of yen<br><b>25,462</b> |
| <b>Overseas sales ratio (A/B)</b> | <b>8.8</b> %                    | <b>1.0</b> %                  | <b>4.5</b> %                    | <b>14.3</b> %                    |

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

**North America...U.S.A.**

**Asia...Korea, China, Vietnam and Taiwan**

(Reference)

**Quarterly consolidated income statements**

(Millions of yen)

|   | Three months ended<br>June 30, 2007 |
|---|-------------------------------------|
|   | Amount                              |
| Net sales                                       | 26,524                              |
| Cost of sales                                   | 9,423                               |
| Gross profit                                    | 17,100                              |
| Selling, general and administrative<br>expenses | 11,185                              |
| Operating income                                | 5,915                               |
| Non-operating income                            | 371                                 |
| Interest income                                 | 44                                  |
| Dividend income                                 | 156                                 |
| Other   | 170                                 |
| Non-operating expenses                          | 66                                  |
| Interest expense                                | 22                                  |
| Amortization expenses of<br>goodwill            | 31                                  |
| Other   | 12                                  |
| Ordinary income                                 | 6,220                               |
| Extraordinary income                            | -                                   |
| Extraordinary loss                              | 29                                  |
| Loss on disposal of fixed<br>assets             | 29                                  |
| Income before income taxes                      | 6,191                               |
| Income taxes - current                          | 1,692                               |
| Income taxes - deferred                         | 610                                 |
| Net income                                      | 3,888                               |



## Quarterly consolidated statements of cash flows

(Millions of yen)

|  | Three months ended<br>June 30, 2007 |
|--|-------------------------------------|
|  | Amount                              |
| <b>I Cash flows from operating activities:</b>                         |                                     |
| Income before income taxes   | 6,191                               |
| Depreciation and amortization  | 1,131                               |
| Increase in retirement and severance benefits                          | 107                                 |
| Interest and dividend income   | (200)                               |
| Interest expense   | 22                                  |
| Increase in trade receivables  | (1,931)                             |
| Decrease in inventories  | 417                                 |
| Decrease in trade accounts payable                                     | (907)                               |
| Other, net   | (308)                               |
| Subtotal   | 4,522                               |
| Interest and dividend income received                                  | 203                                 |
| Interest expense paid  | (9)                                 |
| Insurance received   | 133                                 |
| Income taxes paid  | (3,645)                             |
| <b>Net cash provided by operating activities</b>                       | <b>1,203</b>                        |
| <b>II Cash flows from investing activities:</b>                        |                                     |
| Increase in fixed deposits   | (9)                                 |
| Decrease in fixed deposits   | 663                                 |
| Proceeds from sale of marketable securities                            | 1,000                               |
| Capital expenditures   | (896)                               |
| Purchase of investment securities                                      | (406)                               |
| Proceeds from sale of investment securities                            | 382                                 |
| Other, net   | 0                                   |
| <b>Net cash provided by investing activities</b>                       | <b>735</b>                          |
| <b>III Cash flows from financing activities:</b>                       |                                     |
| Repayment of long-term debt  | (42)                                |
| Dividends paid   | (2,898)                             |
| Other, net   | 4                                   |
| <b>Net cash used in financing activities</b>                           | <b>(2,936)</b>                      |
| <b>IV Effect of exchange rate changes on cash and cash equivalents</b> | <b>233</b>                          |
| <b>V Net decrease in cash and cash equivalents</b>                     | <b>(763)</b>                        |
| <b>VI Cash and cash equivalents at beginning of period</b>             | <b>49,841</b>                       |
| <b>VII Cash and cash equivalents at end of period</b>                  | <b>49,077</b>                       |

## Segment information

### ■ Geographic segments

Three months ended June 30, 2007

(Millions of yen)

|                                | Japan         | Europe       | Others       | Total         | Corporate and eliminations | Consolidated total |
|--------------------------------|---------------|--------------|--------------|---------------|----------------------------|--------------------|
| <b>Net sales:</b>              |               |              |              |               |                            |                    |
| External costumers             | 23,746        | 2,656        | 121          | 26,524        | —                          | 26,524             |
| Intersegment                   | 390           | 468          | 767          | 1,626         | (1,626)                    | —                  |
| <b>Total</b>                   | <b>24,137</b> | <b>3,124</b> | <b>888</b>   | <b>28,150</b> | <b>(1,626)</b>             | <b>26,524</b>      |
| <b>Operating income (loss)</b> | <b>6,399</b>  | <b>305</b>   | <b>(237)</b> | <b>6,467</b>  | <b>(551)</b>               | <b>5,915</b>       |

Europe...Finland, Germany and Sweden

Others...U.S.A., China, Korea and Taiwan

### ■ Overseas sales

Three months ended June 30, 2007

|  | Europe | North America | Asia  | Total  |
|--|--------|---------------|-------|--------|
| <b>I Overseas sales (A)</b><br>(Millions of yen)     | 2,251  | 386           | 1,505 | 4,143  |
| <b>II Consolidated sales(B)</b><br>(Millions of yen) | /      | /             | /     | 26,524 |
| <b>III Overseas sales ratio(A/B)</b>                 | 8.5%   | 1.4%          | 5.7%  | 15.6%  |

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

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

Asia...Korea, China, Vietnam and Taiwan