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SANTEN PHARMACEUTICAL CO., LTD. (February 2, 2010)

Code: 4536

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

Financial Report for the Nine-month period ended December 31, 2009

Akira Kurokawa, President and Chief Executive Officer

Contact: Satoshi Harada, 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, 2009**

<b>(1) Operating results</b>	Nine months ended December 31, 2009	Nine months ended December 31, 2008	Change
Net sales (millions of yen)	86,300	77,810	10.9%
Operating income (millions of yen)	25,709	11,497	123.6%
Ordinary income (millions of yen)	25,812	12,343	109.1%
Net income (millions of yen)	16,239	7,707	110.7%
Net income per share (yen)	190.93	90.67	
Diluted net income per share (yen)	190.69	90.59	

**(2) Financial condition**

	December 31, 2009	March 31, 2009
Total assets (millions of yen)	161,507	151,012
Net assets (millions of yen)	135,814	125,368
Equity ratio	83.9%	82.9%
Net assets per share (yen)	1,593.23	1,472.32

**2. Dividends**

	Year to March 2010	(Forecasts) Year to March 2010	Year to March 2009
First quarter dividends per share (yen)	-	-	-
Second quarter dividends per share (yen)	40.00	-	40.00
Third quarter dividends per share (yen)	-	-	-
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, 2010**

	Full year	(Full year) % change 2010/2009
Net sales (millions of yen)	113,500	11.7%
Operating income (millions of yen)	29,000	87.2%
Ordinary income (millions of yen)	29,000	82.0%
Net income (millions of yen)	18,000	77.8%
Net income per share (yen)	211.61	

#### **4. Others**

- (1) No change on consolidated subsidiaries**
- (2) No alternative methods have been adopted in accounting policy**
- (3) No change in accounting policy**
- (4) Number of shares outstanding (common stock)**

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

December 31, 2009 : 86,977,903

March 31, 2009 : 86,916,203

Number of treasury stock at the end of period

December 31, 2009 : 1,896,322

March 31, 2009 : 1,893,769

Average number of shares outstanding (cumulative from the beginning of the fiscal year)

For nine months ended December 31, 2009 : 85,058,097

For nine months ended December 31, 2008 : 85,008,628

#### **(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)

	December 31, 2009	March 31, 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	49,855	37,117
Notes and accounts receivable-trade	37,519	36,011
Short-term investment securities	9,598	11,396
Merchandise and finished goods	9,681	10,235
Work in process	452	75
Raw materials and supplies	1,739	1,924
Deferred tax assets	1,441	1,941
Other	1,871	2,352
Allowance for doubtful accounts	(1)	(1)
<b>Total current assets</b>	<b>112,159</b>	<b>101,053</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	41,634	41,475
Accumulated depreciation and impairment loss	(26,728)	(25,611)
Buildings and structures, net	14,905	15,864
Machinery, equipment and vehicles	11,186	11,065
Accumulated depreciation and impairment loss	(9,107)	(8,633)
Machinery, equipment and vehicles, net	2,078	2,432
Land	8,533	8,678
Lease assets	124	53
Accumulated depreciation and impairment loss	(17)	(13)
Lease assets, net	107	39
Construction in progress	90	99
Other	10,800	10,585
Accumulated depreciation and impairment loss	(9,375)	(9,034)
Other, net	1,425	1,550
<b>Total property, plant and equipment</b>	<b>27,141</b>	<b>28,664</b>
<b>Intangible assets</b>		
Software	1,161	1,355
Other	60	193
<b>Total intangible assets</b>	<b>1,221</b>	<b>1,549</b>
<b>Investments and other assets</b>		
Investment securities	12,680	11,818
Deferred tax assets	6,974	6,409
Other	1,329	1,516
<b>Total investments and other assets</b>	<b>20,984</b>	<b>19,744</b>
<b>Total noncurrent assets</b>	<b>49,348</b>	<b>49,959</b>
<b>Total assets</b>	<b>161,507</b>	<b>151,012</b>

(Millions of yen)

	December 31, 2009	March 31, 2009
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable -trade	4,702	6,018
Short-term loans payable	765	545
Current portion of long-term loans payable	-	110
Accounts payable-other	7,105	7,414
Income taxes payable	5,033	4,163
Provision for bonuses	1,406	2,590
Other	2,619	1,597
<b>Total current liabilities</b>	<b>21,632</b>	<b>22,439</b>
<b>Noncurrent liabilities</b>		
Provision for retirement benefits	2,856	2,393
Provision for directors' and auditor's retirement benefits	452	505
Other	751	304
<b>Total noncurrent liabilities</b>	<b>4,060</b>	<b>3,203</b>
<b>Total liabilities</b>	<b>25,692</b>	<b>25,643</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,524	6,457
Capital surplus	7,219	7,152
Retained earnings	130,570	121,133
Treasury stock at cost	(4,942)	(4,934)
<b>Total shareholders' equity</b>	<b>139,371</b>	<b>129,808</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	259	(246)
Foreign currency translation adjustment	(4,076)	(4,381)
<b>Total valuation and translation adjustments</b>	<b>(3,817)</b>	<b>(4,628)</b>
<b>Subscription rights to shares</b>	<b>260</b>	<b>188</b>
<b>Total net assets</b>	<b>135,814</b>	<b>125,368</b>
<b>Total liabilities and net assets</b>	<b>161,507</b>	<b>151,012</b>

## Quarterly consolidated statements of income

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net sales	77,810	86,300
Cost of sales	27,084	26,661
Gross profit	50,725	59,639
Selling, general and administrative expenses	39,228	33,929
Operating income	11,497	25,709
Non-operating income		
Interest income	113	32
Dividends income	409	370
Foreign exchange gains	447	-
Other	508	374
Total non-operating income	1,477	777
Non-operating expenses		
Interest expenses	51	37
Foreign exchange losses	-	507
Equity in losses of affiliates	477	106
Other	102	22
Total non-operating expenses	631	674
Ordinary income	12,343	25,812
Extraordinary income		
Gain on sale of investment securities	-	74
State subsidy	18	-
Total extraordinary income	18	74
Extraordinary loss		
Loss on disposal of noncurrent assets	38	14
Impairment loss	-	284
Loss on sales of investment securities	-	197
Loss on valuation of right of using facilities	15	-
Equity in losses of affiliates	-	457
Total extraordinary loss	54	954
Income before income taxes	12,307	24,932
Income taxes - current	5,794	9,056
Income taxes - deferred	(1,194)	(364)
Total income taxes	4,600	8,692
Net income	7,707	16,239

## Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
<b>Net cash used in operating activities</b>		
Income before income taxes	12,307	24,932
Depreciation and amortization	3,249	2,566
Impairment loss	-	284
Increase (decrease) in provision for retirement benefits	403	463
Interest and dividends income	(522)	(403)
Interest expenses	51	37
Equity in losses (earnings) of affiliates	477	564
Decrease (increase) in notes and accounts receivable-trade	(1,923)	(1,414)
Decrease (increase) in inventories	(722)	390
(Decrease) increase in notes and accounts payable-trade	(369)	(1,338)
Other, net	2,136	921
<b>Subtotal</b>	<b>15,089</b>	<b>27,004</b>
Interest and dividends income received	519	401
Interest expenses paid	(53)	(25)
Income taxes paid	(8,313)	(8,219)
<b>Net cash provided by operating activities</b>	<b>7,242</b>	<b>19,160</b>
<b>Net cash used in investing activities</b>		
Payments into time deposits	(3,684)	(1,594)
Proceeds from withdrawal of time deposits	2,775	1,857
Purchase of short-term investment securities	-	(3,599)
Purchase of noncurrent assets	(1,538)	(905)
Purchase of investment securities	(856)	(1,005)
Proceeds from sales of investment securities	-	309
Payments of loans receivable	(300)	(49)
Collection of loans receivable	311	49
Other, net	0	2
<b>Net cash used in investing activities</b>	<b>(3,292)</b>	<b>(4,936)</b>
<b>Net cash used in financing activities</b>		
Increase in short-term loans payable	-	277
Repayment of long-term loans payable	(5,126)	(110)
Cash dividends paid	(6,637)	(6,680)
Other, net	54	121
<b>Net cash used in financing activities</b>	<b>(11,708)</b>	<b>(6,392)</b>
Effect of exchange rate change on cash and cash equivalents	(737)	(277)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(8,496)</b>	<b>7,553</b>
Cash and cash equivalents at beginning of period	51,669	45,956
Cash and cash equivalents at end of period	43,173	53,510

## Segment information

### Geographic segments

Nine months ended December 31, 2008

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	69,803	7,465	540	77,810	-	77,810
Intersegment	1,787	1,389	2,158	5,336	(5,336)	-
<b>Total</b>	<b>71,591</b>	<b>8,855</b>	<b>2,699</b>	<b>83,146</b>	<b>(5,336)</b>	<b>77,810</b>
<b>Operating income (loss)</b>	<b>13,266</b>	<b>329</b>	<b>(293)</b>	<b>13,302</b>	<b>(1,805)</b>	<b>11,497</b>

Nine months ended December 31, 2009

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
<b>Net sales:</b>						
External costumers	76,477	7,252	2,570	86,300	-	86,300
Intersegment	2,278	1,458	1,605	5,343	(5,343)	-
<b>Total</b>	<b>78,756</b>	<b>8,710</b>	<b>4,176</b>	<b>91,643</b>	<b>(5,343)</b>	<b>86,300</b>
<b>Operating income</b>	<b>26,304</b>	<b>619</b>	<b>409</b>	<b>27,333</b>	<b>(1,624)</b>	<b>25,709</b>

Europe...Finland, Germany and Sweden

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

**Overseas sales**

**Nine months ended December 31, 2008**

	<b>Europe</b>	<b>North America</b>	<b>Asia</b>	<b>Others</b>	<b>Total</b>
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Overseas sales (A)</b>	<b>6,695</b>	<b>607</b>	<b>3,065</b>	<b>2</b>	<b>10,371</b>
<b>Consolidated sales (B)</b>	-	-	-	-	Millions of yen <b>77,810</b>
<b>Overseas sales ratio (A/B)</b>	<b>8.6</b> %	<b>0.8</b> %	<b>3.9</b> %	<b>0.0</b> %	<b>13.3</b> %

**Nine months ended December 31, 2009**

	<b>Europe</b>	<b>North America</b>	<b>Asia</b>	<b>Others</b>	<b>Total</b>
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Overseas sales (A)</b>	<b>6,414</b>	<b>6,355</b>	<b>4,405</b>	<b>3</b>	<b>17,178</b>
<b>Consolidated sales (B)</b>	-	-	-	-	Millions of yen <b>86,300</b>
<b>Overseas sales ratio (A/B)</b>	<b>7.4</b> %	<b>7.4</b> %	<b>5.1</b> %	<b>0.0</b> %	<b>19.9</b> %

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

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

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