

[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. (February 8, 2011)
 Code: 4536
 URL <http://www.santen.co.jp>
 Financial Report for the Nine-month period ended December 31, 2010
 Akira Kurokawa, President and Chief Executive Officer
 Contact: Takashi Hibi, Corporate Communication Group Manager
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(Figures are rounded down to the nearest million yen)

1. Consolidated Performance for the nine months ended December 31, 2010

(1) Operating results	Nine months ended December 31, 2010	Nine months ended December 31, 2009	Change
Net sales (millions of yen)	82,105	86,300	(4.9%)
Operating income (millions of yen)	22,107	25,709	(14.0%)
Ordinary income (millions of yen)	22,820	25,812	(11.6%)
Net income (millions of yen)	14,677	16,239	(9.6%)
Net income per share (yen)	172.43	190.93	
Diluted net income per share (yen)	172.24	190.69	

(2) Financial condition	December 31, 2010	March 31, 2010
Total assets (millions of yen)	166,167	166,878
Net assets (millions of yen)	144,006	137,603
Equity ratio	86.5%	82.3%
Net assets per share (yen)	1,688.15	1,614.08

2. Dividends

	Year to March 2011	(Forecasts) Year to March 2011	Year to March 2010
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, 2011

	Full year	(Full year) % change 2011/2010
Net sales (millions of yen)	108,500	(1.9%)
Operating income (millions of yen)	26,300	(11.3%)
Ordinary income (millions of yen)	27,000	(9.6%)
Net income (millions of yen)	17,500	(6.5%)
Net income per share (yen)	205.72	

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)**

① Number of shares outstanding at the end of period (including treasury stock)

December 31, 2010 : 87,033,003

March 31, 2010 : 86,992,503

② Number of treasury stock at the end of period

December 31, 2010 : 1,910,145

March 31, 2010 : 1,902,026

③ Average number of shares outstanding (cumulative from the beginning of the fiscal year)

For nine months ended December 31, 2010 : 85,121,256

For nine months ended December 31, 2009 : 85,048,039

(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

	December 31, 2010	March 31, 2010
(Millions of yen)		
Assets		
Current assets		
Cash and deposits	52,843	56,677
Notes and accounts receivable-trade	38,184	35,268
Short-term investment securities	11,526	8,998
Merchandise and finished goods	10,636	11,210
Work in process	315	425
Raw materials and supplies	2,343	1,987
Deferred tax assets	1,190	2,166
Other	1,948	2,098
Allowance for doubtful accounts	(1)	(0)
Total current assets	118,987	118,832
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	40,733	41,569
Accumulated depreciation and impairment loss	(27,024)	(26,946)
Buildings and structures, net	13,709	14,622
Machinery, equipment and vehicles	11,046	11,137
Accumulated depreciation and impairment loss	(9,361)	(9,142)
Machinery, equipment and vehicles, net	1,685	1,994
Land	8,212	8,418
Lease assets	221	133
Accumulated depreciation and impairment loss	(41)	(35)
Lease assets, net	179	97
Construction in progress	176	43
Other	10,799	10,862
Accumulated depreciation and impairment loss	(9,603)	(9,464)
Other, net	1,195	1,397
Total property, plant and equipment	25,159	26,574
Intangible assets		
Software	938	1,158
Other	58	72
Total intangible assets	996	1,231
Investments and other assets		
Investment securities	12,942	12,239
Deferred tax assets	6,571	6,702
Other	1,509	1,299
Total investments and other assets	21,023	20,240
Total noncurrent assets	47,179	48,046
Total assets	166,167	166,878

(Millions of yen)

	December 31, 2010	March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable -trade	5,046	5,600
Short-term loans payable	—	543
Accounts payable-other	7,613	7,936
Income taxes payable	1,044	6,618
Provision for bonuses	1,504	2,687
Other	2,809	1,901
Total current liabilities	18,018	25,286
Noncurrent liabilities		
Provision for retirement benefits	3,151	2,910
Provision for directors' and auditor's retirement benefits	450	456
Asset retirement obligations	159	—
Other	380	621
Total noncurrent liabilities	4,142	3,988
Total liabilities	22,160	29,275
Net assets		
Shareholders' equity		
Capital stock	6,591	6,538
Capital surplus	7,286	7,233
Retained earnings	140,922	133,053
Treasury stock at cost	(4,982)	(4,958)
Total shareholders' equity	149,817	141,866
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(400)	136
Foreign currency translation adjustment	(5,716)	(4,660)
Total valuation and translation adjustments	(6,117)	(4,524)
Subscription rights to shares	306	260
Total net assets	144,006	137,603
Total liabilities and net assets	166,167	166,878

Quarterly consolidated statements of income

	(Millions of yen)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net sales	86,300	82,105
Cost of sales	26,661	26,190
Gross profit	59,639	55,915
Selling, general and administrative expenses	33,929	33,807
Operating income	25,709	22,107
Non-operating income		
Interest income	32	33
Dividends income	370	443
Other	374	364
Total non-operating income	777	841
Non-operating expenses		
Interest expenses	37	30
Foreign exchange losses	507	71
Equity in losses of affiliates	106	—
Other	22	26
Total non-operating expenses	674	127
Ordinary income	25,812	22,820
Extraordinary income		
Gain on sales of noncurrent assets	—	5
Gain on sales of investment securities	74	—
Gain on sales of memberships	—	7
Total extraordinary income	74	12
Extraordinary loss		
Loss on disposal of noncurrent assets	14	7
Impairment loss	284	—
Loss on sales of investment securities	197	—
Loss on valuation of investment securities	—	150
Loss on sales of memberships	—	1
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	108
Equity in losses of affiliates	457	—
Total extraordinary loss	954	268
Income before income taxes	24,932	22,564
Income taxes - current	9,056	6,380
Income taxes - deferred	(364)	1,506
Total income taxes	8,692	7,886
Income before minority interests	—	14,677
Net income	16,239	14,677

Quarterly consolidated statements of cash flows

	(Millions of yen)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net cash used in operating activities		
Income before income taxes	24,932	22,564
Depreciation and amortization	2,566	2,231
Impairment loss	284	—
Increase in provision for retirement benefits	463	240
Interest and dividends income	(403)	(476)
Interest expenses	37	30
Equity in losses of affiliates	564	—
Increase in notes and accounts receivable-trade	(1,414)	(3,091)
Decrease in inventories	390	95
Decrease in notes and accounts payable-trade	(1,338)	(571)
Other, net	921	(172)
Subtotal	27,004	20,850
Interest and dividends income received	401	462
Interest expenses paid	(25)	(32)
Income taxes paid	(8,219)	(11,828)
Net cash provided by operating activities	19,160	9,451
Net cash used in investing activities		
Payments into time deposits	(1,594)	(4,061)
Proceeds from withdrawal of time deposits	1,857	2,329
Purchase of short-term investment securities	(3,599)	(1,501)
Purchase of noncurrent assets	(905)	(1,386)
Proceeds from sales of noncurrent assets	—	185
Purchase of investment securities	(1,005)	(3,684)
Proceeds from sales of investment securities	309	3
Payments of loans receivable	(49)	—
Collection of loans receivable	49	—
Other, net	2	—
Net cash used in investing activities	(4,936)	(8,116)
Net cash used in financing activities		
Increase in short-term loans payable	277	263
Repayment of short-term loans payable	—	(789)
Repayment of long-term loans payable	(110)	—
Cash dividends paid	(6,680)	(6,702)
Other, net	121	69
Net cash used in financing activities	(6,392)	(7,158)
Effect of exchange rate change on cash and cash equivalents	(277)	(462)
Net (decrease) increase in cash and cash equivalents	7,553	(6,285)
Cash and cash equivalents at beginning of period	45,956	64,348
Cash and cash equivalents at end of period	53,510	58,063

Segment information

■ Segment information

Nine months ended December 31, 2010 (Millions of yen)

	<Reporting segment> Pharmaceuticals	Other (Note 1)	Total	Adjustment	Consolidated total (Note 2)
Net sales:					
External costumers	80,633	1,472	82,105	—	82,105
Intersegment	—	93	93	(93)	—
Total	80,633	1,565	82,199	(93)	82,105
Segment income (loss)	22,366	(259)	22,107	—	22,107

Notes: 1. Other segment mainly includes medical equipments.

2. Segment income (loss) was adjusted to agree with operating income in quarterly consolidated statements of income.

■ Sales of major pharmaceuticals

(Millions of yen)

Brand name Generic name/formulation	Therapeutic category	Nine months ended December 31, 2009 Actual	Year ended March 31, 2010 Actual	Nine months ended December 31, 2010 Actual	Year ending March 31, 2011 Forecasts
Cravit levofloxacin/ophthalmic solution	Bacterial conjunctivitis	9,670 (2.1) %	12,240 (1.6) %	10,239 5.9 %	12,698 3.7 %
Tarivid ofloxacin/ophthalmic solution	Bacterial conjunctivitis	1,929 (7.2) %	2,423 (2.6) %	1,918 (0.6) %	2,353 (2.9) %
Tapros tafluprost/ophthalmic solution	Glaucoma	3,272 329.7 %	4,687 342.8 %	5,080 55.2 %	7,556 61.2 %
Cosopt Dorzolamide hydrochloride-timolol maleate	Glaucoma	— — %	— — %	1,941 — %	2,141 — %
Timoptol timolol maleate/ophthalmic solution	Glaucoma	2,274 (10.0) %	2,832 (11.9) %	1,726 (24.1) %	1,680 (40.7) %
Timoptol XE timolol maleate/ long-acting ophthalmic solution	Glaucoma	2,740 1.5 %	3,475 (0.0) %	2,306 (15.9) %	3,026 (12.9) %
Detantol bunazosin hydrochloride	Glaucoma	1,705 (4.9) %	2,168 (5.1) %	1,625 (4.7) %	2,125 (2.0) %
Rescula isopropyl unoprostone	Glaucoma	2,986 (14.5) %	3,669 (16.3) %	2,200 (26.3) %	2,842 (22.5) %
Livostin levocabastine hydrochloride/ ophthalmic solution	Allergy	1,909 (9.0) %	3,229 (24.9) %	1,699 (11.0) %	2,886 (10.6) %
Hyalein sodium hyaluronate/ophthalmic solution	Corneal disease	16,640 6.9 %	21,219 5.9 %	16,451 (1.1) %	20,536 (3.2) %
Flumetholon fluorometholone/ophthalmic solution	Inflammation	3,377 1.7 %	4,432 (5.1) %	3,278 (2.9) %	4,280 (3.4) %
Kary Uni pirenoxine/ophthalmic solution	Early-stage senile cataract	2,903 4.1 %	3,728 4.4 %	2,971 2.3 %	3,784 1.5 %
Opegan Hi sodium hyaluronate/ adjuvant for ophthalmic operations	Adjuvant for ophthalmic operations	2,701 8.1 %	3,431 6.0 %	2,510 (7.1) %	3,207 (6.5) %
Rimatil bucillamine/tablet	Rheumatoid arthritis	3,466 (2.3) %	4,352 (4.1) %	3,087 (10.9) %	3,970 (8.8) %
Azulfidine EN salazosulfapyridine/enteric coated tablet	Rheumatoid arthritis	3,336 2.1 %	4,216 0.7 %	3,196 (4.2) %	4,083 (3.2) %
OTC pharmaceuticals		4,050 0.7 %	5,251 0.5 %	3,613 (10.8) %	5,364 2.2 %

lower : year on year percentage change

*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, etc..

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (Clinical trials)

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched		
Tafluprost	DE-085	Glaucoma/ Ocular hypertension	Co-development with Asahi Glass	Japan						Dec-08		
				Europe							Jun-08	
				U.S.	(Licensed Out)							
				Latin America	(Licensed Out)							Aug-10
				Asia								Mar-10

Prostaglandin derivative for treatment of glaucoma and ocular hypertension. Commercially launched in Japan in December, 2008. Also launched in Europe such as in Germany, Denmark, etc. and in Asia, Hong Kong and Korea. NDA filed in China. Development rights in the U.S. were granted to Merck in April, 2009.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Diquafosol sodium	DE-089	Dry eye	Inspire Pharm	Japan						Dec-10
				Asia						

A treatment for dry eye that stimulates the secretion of mucin and tear fluid from the ocular surface. It has a different mechanism of action from existing treatments. It was launched in Japan in December, 2010. In China, Phase III clinical trials are being conducted.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Lomerizine HCl	DE-090	Glaucoma	MSD	Japan						

A new type of glaucoma treatment under development for inhibiting the progression of visual field defects. The only calcium antagonist in development as an oral glaucoma treatment. Compared with NMDA receptor antagonists, fewer systemic side effects are expected, thus having excellent safety. Marketed by MSD in Japan as a migraine treatment.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Rivoglitazone	DE-101	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Daiichi Sankyo	U.S.	(Phase I / II)					
				Japan						

Ophthalmic solution which has a potent effect on corneal and conjunctival epithelial disorder mostly associated with dry eye by directly acting on the corneal and conjunctival epithelial cells. It has unique mechanism of action which differs from existing treatments.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-102	Diabetic macular edema	Co-development with Oakwood (U.S.)	Japan	(Phase I / II)					

A steroid microsphere product for a sustained release injection. Animal studies demonstrated sustained efficacy when injected around the affected area. Collaborated with Oakwood Laboratories (U.S.) for manufacturing technology development in commercial scale.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-105	Persistent corneal epithelial defects	Original	U.S.						
				Japan						

Expected to accelerate corneal epithelial migration and demonstrate high safety for intractable persistent corneal epithelial defects compared with existing therapy.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Levofloxacin (1.5%)	DE-108	Bacterial conjunctivitis	Daiichi Sankyo	Japan						Dec-10

A fluoroquinolone antibacterial agent with higher-concentration.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Sirolimus	DE-109	Wet age related macular degeneration(wet AMD)/ Diabetic macular edema(DME)	Original	Japan	(Phase I / II)					

Subconjunctival or intravitreal injection with immunosuppressive effect, anti-angiogenic effect, etc. Santen acquired global development, manufacturing and marketing rights of sirolimus in June 2010.

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-110	Corneal and conjunctival epithelial disorder associated with dry eye, etc.	Original	U.S.						

A selective glucocorticoid receptor agonist (SEGRA). Phase II clinical trials are being conducted in the U.S. for the treatment of corneal and conjunctival epithelial disorder associated with dry eye, etc.

Reference information

Research & development

■ Pipeline of prescription pharmaceuticals (Clinical trials)

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
Tafluprost/ timolol maleate	DE-111	Glaucoma/ Ocular hypertension	Original	Japan	Preparing					
			Co-development	Europe						
A combination drug of a prostaglandin derivative and a beta-adrenergic receptor blocking agent for treatment of glaucoma and ocular hypertension.										

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-112	Glaucoma/ Ocular hypertension	Original	U.S.	(Phase I / IIa)					
Highly selective adenosine A _{2A} agonist for the treatment of glaucoma and ocular hypertension. A new action mechanism from prostaglandin derivative which is expected to promote aqueous humor outflow from trabecular meshwork cells.										

Generic name	Dev. code	Indication	Original/Licensor	Region	Ph I	Ph II	Ph III	NDA Filed	Approved	Launched
(Undetermined)	DE-098 (Anti-APO-1 antibody)	Rheumatoid arthritis	Centocor	Japan	(Phase II)					
				Europe	(Phase I / II)					
Joint injection that induces apoptosis in diseased joints of rheumatoid arthritis patients. Santen acquired domestic and international development and marketing rights of Anti-APO-1 antibody from Centocor.										

■ Changes from August 3, 2010

Dev. Code	Indication	Stage	Region	Changes
DE-085	Glaucoma / Ocular hypertension	Launched	Europe	Added launched countries
		NDA filed	China	Completed Phase III NDA filed

Dev. code	Indication	Stage	Region	Changes
DE-089	Dry eye	Launched	Japan	Launched

Dev. Code	Indication	Stage	Region	Changes
DE-108	Bacterial conjunctivitis	Approved	Japan	Approved

Dev. Code	Indication	Stage	Region	Changes
DE-111	Glaucoma / Ocular hypertension	Preparing Phase III	Japan	Completed Phase I Preparing Phase III
		Phase III	Europe	Started Phase III

Dev. Code	Indication	Stage	Region	Changes
DE-112	Glaucoma / Ocular hypertension	Phase I / IIa	U.S.	Started Phase I / IIa

Dev. Code	Indication	Stage	Region	Changes
DE-098 (Anti-APO-1 antibody)	Rheumatoid arthritis	Phase II	Japan	Started Phase II
		Completed Phase I / II	Europe	Completed Phase I / II

■ Capital expenditures

(Millions of yen)

	Nine months ended December 31, 2009 Actual	Year ended March 31, 2010 Actual	Nine months ended December 31, 2010 Actual	Year ending March 31, 2011 Forecasts
Capital expenditures	689	1,228	912	2,790

■ Depreciation and amortization

(Millions of yen)

	Nine months ended December 31, 2009 Actual	Year ended March 31, 2010 Actual	Nine months ended December 31, 2010 Actual	Year ending March 31, 2011 Forecasts
Consolidated total	2,395	3,202	2,084	3,060
Manufacturing cost	1,238	1,701	1,107	1,600
Selling, general and administrative expenses	445	556	409	640
R&D expenses	712	945	567	820

■ Lease expenses

(Millions of yen)

	Nine months ended December 31, 2009 Actual	Year ended March 31, 2010 Actual	Nine months ended December 31, 2010 Actual	Year ending March 31, 2011 Forecasts
Consolidated total	427	527	142	190
Manufacturing cost	358	437	93	160

■ R&D expenses

(Millions of yen)

	Nine months ended December 31, 2009 Actual	Year ended March 31, 2010 Actual	Nine months ended December 31, 2010 Actual	Year ending March 31, 2011 Forecasts
R&D expenses	10,572	14,123	9,754	14,100
Net sales ratio	12.3%	12.8%	11.9%	13.0%

*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, etc..