

SANTEN PHARMACEUTICAL CO., LTD. (July 31, 2006)
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Financial Report for the Three-month period ended June 30, 2006
(Consolidated)
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1. Basis of preparing the financial report for the three months ended June 30, 2006

- (1) No alternative methods have been adopted in accounting policy.
- (2) No change has been made in accounting policy.
- (3) No changes on consolidated subsidiaries and application of the equity method

2. Performance for the three months ended June 30, 2006

(Figures are rounded down to the nearest million yen)

(1) Operating results	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended March 31, 2006
Net sales (millions of yen)	25,999	25,246	98,397
Operating income (millions of yen)	6,202	6,534	20,995
Ordinary income (millions of yen)	6,314	6,701	21,507
Net income (millions of yen)	4,132	4,202	13,022
Net income per share (yen)	47.65	48.52	150.26
Diluted net income per share (yen)	47.57	48.44	150.01

(2) Financial condition	June 30, 2006	June 30, 2005	March 31, 2006
Total assets (millions of yen)	146,010	137,687	150,458
Net assets (millions of yen)	120,496	109,459	118,637
Shareholders' equity ratio	82.5%	79.5%	78.9%
Net assets per share (yen)	1,389.64	1,263.60	1,368.27

(3) Cash flows	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended March 31, 2006
Cash flows from operating activities (millions of yen)	(2,553)	1,211	20,878
Cash flows from investing activities (millions of yen)	(1,077)	(73)	(1,330)
Cash flows from financing activities (millions of yen)	(2,883)	(2,496)	(5,900)
Cash and cash equivalents at end of year (millions of yen)	39,662	31,031	46,104

3. Forecasts of results for the year ending March 31, 2007

	Interim	Full year	
Net sales (millions of yen)	50,500	100,000	
Operating income (millions of yen)	10,200	20,000	
Ordinary income (millions of yen)	10,200	20,000	
Net income (millions of yen)	6,700	13,000	
Reference: Expected net income per share (full-year basis)			149.92 yen

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)

	June 30, 2006		June 30, 2005		Increase and decrease		March 31, 2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.6/2005.6	Yen	Composition
Assets								
I Current assets	90,022	61.7 %	81,305	59.1 %	8,717	10.7 %	93,892	62.4 %
Cash and deposits	28,145		20,617		7,528		34,583	
Notes and accounts receivable -trade	37,763		37,030		733		34,423	
Marketable securities	12,196		10,379		1,817		11,201	
Inventories	9,234		9,687		(453)		9,837	
Deferred tax assets	903		970		(67)		1,651	
Other current assets	1,780		2,639		(859)		2,196	
Allowance for doubtful receivables	(1)		(18)		17		(1)	
II Fixed assets	55,968	38.3	56,381	40.9	(413)	(0.7)	56,552	37.6
Tangible assets	(30,731)	(21.1)	(32,365)	(23.5)	(1,634)	(5.0)	(30,395)	(20.2)
Buildings and structures	16,864		18,418		(1,554)		17,119	
Machinery, equipment and vehicles	1,991		2,099		(108)		2,021	
Land	9,020		9,490		(470)		9,063	
Construction in progress	985		305		680		274	
Other tangibles	1,869		2,051		(182)		1,916	
Intangible assets	(2,826)	(1.9)	(3,156)	(2.3)	(330)	(10.5)	(2,951)	(2.0)
Goodwill	633		918		(285)		709	
Software	1,008		1,137		(129)		1,035	
Other intangibles	1,184		1,100		84		1,206	
Investments and other assets	(22,409)	(15.3)	(20,859)	(15.1)	(1,550)	(7.4)	(23,205)	(15.4)
Investment securities	17,441		14,034		3,407		17,715	
Deferred tax assets	210		1,234		(1,024)		379	
Other assets	4,757		5,590		(833)		5,109	
III Deferred assets	19	0.0	—	—	19	—	13	0.0
Total assets	146,010	100.0	137,687	100.0	8,323	6.0	150,458	100.0

(Millions of yen)

	June 30, 2006		June 30, 2005		Increase and decrease		March 31, 2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.6/2005.6	Yen	Composition
Liabilities								
I Current liabilities	17,773	12.2 %	18,862	13.7 %	(1,089)	(5.8) %	24,110	16.0 %
Notes and accounts payable -trade	4,939		5,625		(686)		5,630	
Current portion of long-term debt	168		268		(100)		168	
Other payables	7,386		7,459		(73)		9,308	
Income taxes payable	1,853		1,985		(132)		4,946	
Reserve for bonuses	1,248		1,165		83		2,483	
Other reserves	78		164		(86)		81	
Other current liabilities	2,099		2,195		(96)		1,492	
II Noncurrent liabilities	7,740	5.3	9,364	6.8	(1,624)	(17.3)	7,710	5.1
Long-term debt	5,404		6,572		(1,168)		5,446	
Deferred tax liabilities	20		23		(3)		20	
Retirement and severance benefits for employee	1,190		1,533		(343)		1,243	
Retirement and severance benefits for directors and auditors	474		414		60		462	
Other liabilities	650		820		(170)		537	
Total liabilities	25,513	17.5	28,227	20.5	(2,714)	(9.6)	31,820	21.1
Shareholders' equity								
I Common stock	—	—	6,251	4.5	—	—	6,319	4.2
II Capital surplus reserves	—	—	6,946	5.1	—	—	7,014	4.7
III Retained earnings	—	—	97,480	70.8	—	—	104,133	69.2
IV Unrealized holding gains on securities	—	—	1,892	1.4	—	—	3,995	2.7
V Foreign currency translation adjustments	—	—	(3,036)	(2.2)	—	—	(2,735)	(1.8)
VI Treasury stock at cost	—	—	(75)	(0.1)	—	—	(90)	(0.1)
Total shareholders' equity	—	—	109,459	79.5	—	—	118,637	78.9
Total liabilities and shareholders' equity	—	—	137,687	100.0	—	—	150,458	100.0
Net assets								
I Shareholders' equity								
Common stock	6,323	4.3	—	—	—	—	—	—
Capital surplus reserves	7,018	4.8	—	—	—	—	—	—
Retained earnings	105,231	72.1	—	—	—	—	—	—
Treasury stock at cost	(90)	(0.1)	—	—	—	—	—	—
II Valuation and translation adjustments								
Unrealized holding gains on securities	4,423	3.0	—	—	—	—	—	—
Deferred hedging gain or loss	(2)	(0.0)	—	—	—	—	—	—
Foreign currency translation adjustments	(2,406)	(1.6)	—	—	—	—	—	—
Total net assets	120,496	82.5	—	—	—	—	—	—
Total liabilities and net assets	146,010	100.0	—	—	—	—	—	—

Quarterly consolidated income statements

(Millions of yen)

	Three months ended June 30, 2006		Three months ended June 30, 2005		Increase and decrease		Year ended March 31, 2006	
	Yen	Composition	Yen	Composition	Yen	% Change 2006.6/2005.6	Yen	Composition
I Net sales	25,999	100.0 %	25,246	100.0 %	753	3.0 %	98,397	100.0 %
II Cost of sales	9,053	34.8	8,862	35.1	191	2.2	34,534	35.1
Gross profit	16,946	65.2	16,384	64.9	562	3.4	63,863	64.9
III Selling, general and administrative expenses	10,743	41.3	9,850	39.0	893	9.1	42,868	43.6
Operating income	6,202	23.9	6,534	25.9	(332)	(5.1)	20,995	21.3
IV Non operating income	(343)	(1.3)	(273)	(1.1)	(70)	(25.6)	(1,024)	(1.1)
Interest income	20		16		4		90	
Dividend income	126		104		22		171	
Others	196		152		44		762	
V Non operating expenses	(231)	(0.9)	(107)	(0.5)	(124)	(115.9)	(511)	(0.5)
Interest expense	17		21		(4)		93	
Amortization expenses of goodwill	85		81		4		330	
Others	128		4		124		88	
Ordinary income	6,314	24.3	6,701	26.5	(387)	(5.8)	21,507	21.9
VI Extraordinary gain	(242)	(0.9)	(—)	(—)	(242)	(—)	(53)	(0.1)
Gains on sale of fixed assets	242		—		242		3	
Others	—		—		—		50	
VII Extraordinary loss	(21)	(0.1)	(12)	(0.0)	(9)	(75.0)	(1,219)	(1.3)
Loss on disposal of fixed assets	6		12		(6)		126	
Others	15		—		15		1,093	
Income before income taxes	6,534	25.1	6,689	26.5	(155)	(2.3)	20,341	20.7
Income taxes - current	1,775	6.8	1,908	7.6	(133)	(7.0)	7,999	8.2
Income taxes - deferred	627	2.4	577	2.3	50	8.7	(679)	(0.7)
Net income	4,132	15.9	4,202	16.6	(70)	(1.7)	13,022	13.2

Quarterly consolidated statements of shareholders' equity

(Millions of yen)

	Shareholders' equity					Valuation and translation adjustments				Total net assets
	Common Stock	Capital surplus reserves	Retained earnings	Treasury stock at cost	Total shareholders' equity	Unrealized holding gains on securities	Deferred hedging gain or loss	Foreign currency translation adjustments	Total valuation and translation adjustments	
Balance at March 31, 2006	6,319	7,014	104,133	(90)	117,377	3,995	—	(2,735)	1,260	118,637
Changes during the period										
New issue of stock	4	4			9					9
Cash dividends			(3,034)		(3,034)					(3,034)
Net income			4,132		4,132					4,132
Repurchases of treasury stock				(0)	(0)					(0)
Disposal of treasury stock				0	0					0
Changes in items other than shareholders' equity (net)						427	(2)	328	753	753
Total changes during the period	4	4	1,097	(0)	1,105	427	(2)	328	753	1,859
Balance at June 30, 2006	6,323	7,018	105,231	(90)	118,483	4,423	(2)	(2,406)	2,013	120,496

Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Year ended March 31, 2006
I Cash flows from operating activities:			
Income before income taxes	6,534	6,689	20,341
Depreciation and amortization	1,157	1,167	4,824
Increase/decrease in retirement and severance benefits	(53)	78	(212)
Interest and dividend income	(146)	(121)	(261)
Interest expense	17	21	93
Increase/decrease in trade receivables	(3,295)	(1,387)	1,407
Increase/decrease in inventories	660	87	(18)
Increase/decrease in trade accounts payable	(711)	(484)	(495)
Other, net	(2,129)	(1,678)	1,406
Subtotal	2,032	4,371	27,085
Interest and dividend income received	149	124	265
Interest expense paid	(11)	(9)	(95)
Insurance received	82	60	129
Income taxes paid	(4,806)	(3,335)	(6,507)
Net cash provided by operating activities	(2,553)	1,211	20,878
II Cash flows from investing activities:			
Increase in fixed deposits	(55)	(93)	(803)
Decrease in fixed deposits	52	238	1,041
Proceeds from sale of marketable securities	—	499	504
Payments for acquisition of fixed assets	(1,349)	(719)	(2,106)
Proceeds from sale of fixed assets	287	—	29
Other, net	(12)	(0)	4
Net cash provided by investing activities	(1,077)	(73)	(1,330)
III Cash flows from financing activities:			
Repayment of long-term debt	(42)	(42)	(1,268)
Dividends paid	(2,849)	(2,461)	(4,759)
Other, net	8	7	127
Net cash provided by financing activities	(2,883)	(2,496)	(5,900)
IV Effect of exchange rate changes on cash and cash equivalents	71	9	75
V Net increase/decrease in cash and cash equivalents	(6,441)	(1,349)	13,723
VI Cash and cash equivalents at beginning of year	46,104	32,380	32,380
VII Cash and cash equivalents at end of year	39,662	31,031	46,104

Segment information

■ Geographic segments

Three months ended June 30, 2006

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	23,396	2,455	147	25,999	—	25,999
Intersegment	297	445	649	1,393	(1,393)	—
Total	23,693	2,901	797	27,392	(1,393)	25,999
Operating expenses	17,445	2,532	884	20,862	(1,065)	19,797
Operating income (loss)	6,248	368	(87)	6,529	(327)	6,202

Three months ended June 30, 2005

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	23,334	1,823	89	25,246	—	25,246
Intersegment	218	505	754	1,478	(1,478)	—
Total	23,553	2,328	843	26,725	(1,478)	25,246
Operating expenses	16,411	2,241	948	19,601	(889)	18,712
Operating income (loss)	7,141	87	(105)	7,123	(589)	6,534

Year ended March 31, 2006

(Millions of yen)

	Japan	Europe	Others	Total	Corporate and eliminations	Consolidated total
Net sales:						
External costumers	89,881	8,155	360	98,397	—	98,397
Intersegment	985	1,988	2,859	5,833	(5,833)	—
Total	90,867	10,143	3,219	104,231	(5,833)	98,397
Operating expenses	68,244	9,192	3,927	81,364	(3,961)	77,402
Operating income (loss)	22,623	951	(708)	22,866	(1,871)	20,995

Europe...Finland, Germany and Sweden

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

■ Overseas sales

Three months ended June 30, 2006

	Europe	North America	Others	Total
I Overseas sales (A)	Millions of yen 1,920	Millions of yen 509	Millions of yen 1,041	Millions of yen 3,471
II Consolidated sales (B)				Millions of yen 25,999
III Overseas sales ratio (A/B)	7.4	2.0	4.0	13.4 %

Three months ended June 30, 2005

	Europe	North America	Others	Total
I Overseas sales (A)	Millions of yen 1,637	Millions of yen 171	Millions of yen 945	Millions of yen 2,753
II Consolidated sales (B)				Millions of yen 25,246
III Overseas sales ratio (A/B)	6.5 %	0.7 %	3.7 %	10.9 %

Year ended March 31, 2006

	Europe	North America	Others	Total
I Overseas sales (A)	Millions of yen 6,089	Millions of yen 1,915	Millions of yen 3,608	Millions of yen 11,613
II Consolidated sales (B)				Millions of yen 98,397
III Overseas sales ratio (A/B)	6.2 %	1.9 %	3.7 %	11.8 %

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

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

Others...Asian nations