

REPORTS FROM THE FRONT LINE: FIRST-YEAR RESULTS OF THE "2003-2005 MEDIUM-TERM MANAGEMENT PLAN"

During the year under review, Santen took aggressive actions to improve earnings from our U.S. ophthalmics business. And, in an effort to counter the impact of the prolonged sluggish Japanese prescription ophthalmics market, we carried out full implementation of the Santen Activity Improved Navigator (SAIN), a sales force automation system, and completed restructuring of the sales offices.

for growth...

TO IMPROVE EARNINGS POWER

FOR FUTURE GROWTH

In the United States, our eye care products are now available to help more people in market segments that we earlier were not able to penetrate – namely pediatrics and primary care – through our recent agreement with Johnson & Johnson Vision Care, Inc. (JJVCI). The agreement was signed in December 2003. JJVCI started sales of the products in February 2004, and we are completing the transition of distribution, sales and marketing activities to JJVCI during the first half of the current fiscal year.

One benefit of the agreement with JJVCI is the positive impact on earnings in the U.S. Another benefit of the agreement is that many of the former Santen sales representatives were hired by JJVCI so there was no disruption in the high level of service provided to physicians.



Adrienne Graves, Ph.D.
President and CEO
Santen Inc.

We are now better focused on our core strength of research and development in the U.S. We have brought three significant drugs to the U.S. ophthalmic market in less than four years. In March of this year, we received FDA approval for *Iquix*, a levofloxacin ophthalmic solution of 1.5% concentration, indicated for the treatment of bacterial corneal ulcer. Levofloxacin's high solubility at neutral pH allows the solution to be formulated at a concentration that is three times higher than any other ophthalmic fluoroquinolone on the

market, and thus provides physicians and patients with a safe and powerful new option in the anti-infective market. We will continue to focus on the development of the products in our pipeline and will work to strengthen our strategic marketing and business development efforts in the U.S.

ACHIEVING THE BENEFITS OF SALES FORCE AUTOMATION

While we have had a digital reporting system before, SAIN is now more convenient as our reports are automatically entered into a database.

Furthermore, should a medical representative (MR) transfer to another location, for example, SAIN should reduce the time required for handing over existing work to a new MR. For our team meetings, we have already incorporated the effective sharing of information by projecting the data in SAIN in a visually broad image for group viewing and discussion. And, most valuable, SAIN has virtually eliminated the need for producing materials for meetings. It is a tremendous efficiency for MRs who are typically under heavy time constraints.

These user-friendly improvements of the SAIN for MRs still require continuous company-wide efforts. For example, our experienced MRs enjoy the strong trust of customers, and our goal is for all MRs to share their individual expertise and know-how. Once we can make full organizational use of SAIN, our top position in the Japanese prescription ophthalmics market will become increasingly solid.

Finally, SAIN also allows us to access all kinds of in-house databases from our mobile laptop computers. When we are with customers, we are now able to provide the latest academic information immediately. By utilizing SAIN, we no longer have to report back to our office to access information, giving us a greater degree of mobility in MR activities.



Takashi Kawano
Medical Representative
Osaka South Team
Kansai Area

LOOKING FORWARD TO SYNERGISTIC EFFECTS

With only a half-year since full implementation of SAIN, I believe real benefits and real results are yet to come. From the perspective of the basic flow of sales activities (i.e., Research, Plan, Do, Check and Act), we are in the Research phase of database building. As a "system," it requires constant improvements; in fact, we upgrade the version after reviewing the feedback from our users at the sales front line.

Medical representative work with SAIN will provide value-added information to customers in a timely manner through accurately understanding their needs as we take advantage of the Santen brand strength. For this objective, SAIN is a very valuable tool. Specifically, it is very useful to develop and assess our team strategies as we can follow up each of our six MRs' activities in chronological order. Regarding the change to satellite offices resulting from the restructuring of sales bases, those MRs who cover a wide area now have additional benefits, including reduced distances to customers. However, the real benefits will come about in tandem with mobile computing and SAIN.



Hidehiko Kanaya
Team Manager
Ibaragi Team
Kansai Area

