

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

We at Santen have continued our efforts to strengthen corporate governance and employee training as important measures to maximize corporate value. For corporate governance, we shortened the term for directors to one year from two, and appointed Mr. Kosei Furukawa as an outside director. For employee training, the Company conducted the Santen Innovation Project (SIP), an in-house business school launched in 2001. Since 2003, middle management personnel have participated in SIP and engaged in the research, development and implementation of reform programs designed to meet the current needs of the Company.

# for strength...

TO ENHANCE ORGANIZATIONAL PERFORMANCE

### INTERVIEW WITH KOSEI FURUKAWA, OUTSIDE DIRECTOR OF SANTEN PHARMACEUTICAL

*Q: Please tell us what brought you to Santen.*

**Furukawa:** During my thirty-odd years of teaching at Keio Business School, many managers and manager candidates from Santen Pharmaceutical attended the MBA program and various intensive management development programs of Keio University. Mr. Morita, President, for example, is a 1981 graduate of the MBA program. In my classes at Keio University over the years, I had come to learn about Santen's sincere pursuit of the mission of offering excellent products and services to ophthalmologists and consumers, first in the domestic market and then in various overseas markets as well.

Six years ago, Mr. Morita invited me to take the position of an outside auditor at Santen. His invitation appealed to me as an exciting challenge for several reasons. First, for many years, I had maintained academic interest in the historical patterns of global competition led largely by major European and American competitors in the knowledge-intensive pharmaceutical industry. Secondly, I had been aware of the aspirations and expectations of Japanese industry leaders, economic



Kosei Furukawa

Born in 1935, Mr. Furukawa is currently Professor of Business Administration at Nakamura Gakuen University, Visiting Professor at the University of the Air, and Professor Emeritus of Keio University. He specializes in management policy, technology management, and management of small business. Mr. Furukawa was appointed Outside Auditor of Santen Pharmaceutical in June 1998, and was appointed Outside Director in June 2003.

planners, analysts, investors and scholars at large, for the growth of Japan-based pharmaceutical companies as competitive entities in the global arena. Thirdly, I had come to regard Santen as a promising and attractive contender in the Japanese and overseas pharmaceutical market with its clearly focused product-market strategy. I did not hesitate to accept Mr. Morita's invitation.

*Q: Please describe the roles you played as an outside auditor for five years and as an outside director for the year under review. Please also share your impressions about Santen with us.*

**Furukawa:** At various official corporate meetings, I posed questions to directors about their basic management policies, and to corporate officers about their management objectives, planned activities and specific outcomes. I occasionally visited research centers, factories, and subsidiaries to observe corporate teams in action. I tried also to meet with Santen managers outside of formal meeting rooms in order to learn about individual managers and their thoughts.

Through all these activities, I gained clear appreciation for top management's proactive attitudes towards the challenges of developing overseas markets, reinforcing and expanding Santen's tech-

nological expertise, and expanding management capabilities through adoption of IT applications.

As an outside director during the last fiscal year, I considered my important Board role to be offering objective views and suggestions that reflect my teaching and research experience, as well as my information contacts in other industries. I also believed I should be drawing the Board's attention to matters that are too sensitive for employees to express themselves. I can assure you that our Board always seeks to make Santen attractive to a diverse range of stakeholders. Our Board also aims to enhance Santen's corporate value.

**Q: *What do you think Santen needs most at this point?***

**Furukawa:** I believe Santen needs to keep strengthening its domestic and overseas human resource development activities. In

order to become a competitive worldwide manufacturer-marketer of pharmaceutical products and services, Santen needs to identify and motivate talents in the R&D areas. We also need to expand capabilities in managing global activities in all areas other than R&D.

Santen needs to increase interaction among professionals in the Japanese headquarters and in our family companies in the U.S., Europe, the Asian countries, and in Japan with a common goal of establishing a creative environment for everyone in the Santen family.

In both the ophthalmic and rheumatoid arthritis markets, Santen must aim to become a company recognized by patients and medical professionals around the world as their trustworthy partner. Fortunately, Santen is a capable and action-oriented company. We should be able to achieve all of our immediate goals in technology and in business on schedule.

#### IMPROVING INTERNAL COMMUNICATION

The Santen Innovation Project (SIP) was launched to accelerate the pace of personnel development and self-driven management reforms. Since then, some 100 employees have participated in the program. Certain suggestions from the SIP have already been implemented, such as the "town hall" meetings held at 19 locations nationwide, since March 2002. During the meetings, President Morita explained Santen's results and strategies directly to employees and exchanged candid opinions.

The current SIP in which I participate is designed exclusively for middle management employees and features a small group of 15 participants. In the first half session, we studied cases of other companies. In our second half session, we are developing and implementing our own project tailored to improving the actual work conditions in our departments. My project task is to explore ways to improve the understanding of management messages aimed at all employees, such as Santen's core value, business plans, fiscal strategies and follow-up reports.



**Masao Tanaka**  
General Manager  
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Corporate Development &  
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First, I compared the results of two employee attitude surveys, one conducted in 2002 and one more recent, and reaffirmed that a gap still remained between the intentions of information providers and the recognition and understanding of information receivers. I am currently identifying the issues and possible countermeasures. At the same time, I have also felt the strong need to develop a corporate culture in which employees take initiative to seek information. A virtual meeting system was installed as part of the sales office reform at the end of last year, and a LAN-based portal site is scheduled to launch in October this year. I would like to use IT solutions to achieve low-cost, interactive communications for all employees and develop an environment where everyone can share important management information.

Meanwhile, conventional face-to-face communications remain particularly important for middle management, including myself, to ensure accurate understanding of management philosophy and strategies among our staff members.