

A Message from the Chairman



Focusing on Growth Opportunities

Becoming a Global Company

Santen aims to be a company internationally recognized for supplying the world with highly original products developed using its outstanding R&D capabilities. The 2006–2010 Medium-term Management Plan is the first step on the road to achieving our long-term objective of becoming a global company by fiscal 2015, ending March 31, 2016.

To further realize our objective of promoting “Santen’s Global Development: Creating New Drug Candidates and Generating Growth in Promising Regions by Leveraging Strengths,” we have put in place four medium-term policies as part of our current plan. These policies are: enhancing the global strategic product pipeline through internal discovery and development, joint

development projects and in-licensing efforts; generating growth mainly in Japan, Northern/Eastern Europe, Russia and China and focusing U.S. activities on clinical and business development; strengthening our manufacturing bases; and strengthening human resources and organizational capabilities globally. Based on these policies, we aim to achieve solid growth in the medium-term by investing aggressively in research and development and by working to expand our business in regions where our strengths can be fully utilized.

The second step of the long-term plan comes in 2011–2015, a period when we expect to realize the benefits of our R&D investments and achieve accelerated growth and globalization.

Aiming to be a global company, we will fulfill the expectations of all stakeholders.

Conditions in Fiscal 2007

In fiscal 2007, the second year of the 2006–2010 Medium-term Management Plan, we made good progress in line with the plan's objectives.

Sales were 1.6% higher in Japan and 11.2% higher overseas, leading to net sales of ¥103.3 billion, a 2.9% increase year on year, and operating income of ¥20.3 billion, roughly level with the previous year.

Regarding principal new drug candidates, projects for global strategic products*, including DE-101 (Rivoglitazone) and DE-104, have progressed either on or ahead of schedule.

Also, construction of our Suzhou Plant in China was completed in October 2007. We plan to begin packaging operations there in fiscal 2008, ending March 31, 2009, and later will gradually shift to fully integrated manufacturing.

* New drug candidates based on new mechanisms of action, which we expect to outsell existing products in Japan, the U.S. and Europe.

Establishing Consistent and Stable Distribution of Profits

When determining appropriate distribution of profits to shareholders, Santen utilizes the dividend on equity (DOE) ratio, an indicator that combines the payout ratio with return on equity (ROE), and also considers dividend payout levels and capital efficiency improvement. In the current Medium-term Management Plan, we are targeting a DOE of 5.0% in fiscal 2010, ending March 31, 2011.

The 96th Annual General Meeting of Shareholders, held on June 25, 2008, approved a final dividend for fiscal 2007 of ¥40 per share. As a result, the annual dividend per share totaled ¥80, up ¥15 year on year, for the fourth consecutive year of dividend growth. Also, to improve capital efficiency and enhance returns to shareholders, we acquired a total of ¥4.8 billion in stock as part of our share repurchase program. As a result, DOE was 5.4%, well ahead of our medium-term target, and the payout ratio was 54.7%. We will keep DOE above 5.0% in fiscal 2008 as well.

Contributing to Society through Our Business Operations

Santen's core value is "we are focused on specific areas of expertise, such as eye care, developing our unique capabilities and technologies, and contributing to the health and quality of life of patients and their loved ones, and society as a whole." From this foundation, we envision our mission as a pharmaceutical company to be one of contributing to society through our business operations. Remaining aware of fulfilling this ideal, we are working vigorously to provide safe pharmaceuticals of superior quality to medical institutions, dispensaries and drug stores, and are working to ensure that patients have complete confidence in Santen's products. As well, we pursue a number of avenues which allow us to contribute to society, including supporting ophthalmologic and rheumatoid arthritis (RA)-related causes, contributing to large-scale natural disaster relief projects and promoting active in-house environmental conservation campaigns.

We will fulfill the expectations of shareholders and other stakeholders by steadily implementing the Medium-term Management Plan and pursuing our objective of becoming a global company. At the same time, we will endeavor to maximize corporate value and the common interests of shareholders while aiming to become a company that is trusted by patients, their loved ones and many other people throughout the world. I would like to ask for your continued understanding and support in the years to come.

August 2008



Takakazu Morita
Chairman