

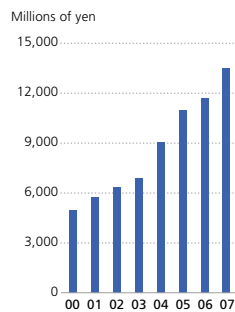
Special Feature: Accelerating Operations in China

“GENERATING GROWTH IN PROMISING REGIONS BY LEVERAGING STRENGTHS”



Santen's 2006–2010 Medium-term Management Plan has as part of its theme the objective of promoting business growth in regions of the world where it can display its unique strengths to the fullest. China is one such area. To continue the expansion of our market share in China, we have set up a local manufacturing and marketing framework.

Prescription Ophthalmic Pharmaceuticals Market in China

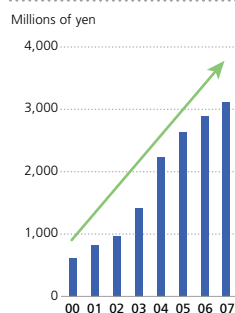


Chinese Prescription Ophthalmic Pharmaceuticals Market to Average Growth of More Than 10% Per Year

In China, with its remarkable economic growth, the market for prescription pharmaceuticals is expanding as the medical insurance system becomes more widespread and personal incomes rise. The Chinese prescription ophthalmic pharmaceuticals market is developing rapidly. In 2007, it was valued at approximately ¥13.5 billion (RMB 950 million*) and continued double-digit growth is forecast for the future.

* Based on the exchange rate at the end of March 2008, of ¥14.24 to RMB1

Sales for Santen in China



Santen—A Company with a Strong Presence in China

Santen first began exporting products to China through a local agency in the 1980s. The launch in 1988 of *Tarivid* anti-infective ophthalmic solution marked our full-fledged entry into the Chinese prescription ophthalmic pharmaceuticals market. Just as in Japan and many other countries, *Tarivid* earned a high reputation in China as an outstanding anti-infective ophthalmic agent. This reputation dramatically boosted Santen's profile in China. Later, we steadily augmented our product line and began providing detailed product information, an approach which spread the Santen brand name throughout China.

At present, we have marketed 12 products in China, including the key products *Tarivid* and *Cravit* anti-infective ophthalmic solutions and *Hyalein* a treatment for corneal and conjunctival epithelial disorders, each of which has achieved a fine reputation among patients and medical professionals for their superior efficacy and excellent product quality. As a result, in 2007 we held 23% of the Chinese urban hospital market for ophthalmic pharmaceuticals and our fifth consecutive year since 2003 as the market leader.



Santen Pharmaceutical (China) Co., Ltd., plant in Suzhou, established in 2007

State-of-the-Art Manufacturing Plant

Construction of our plant in Suzhou, Jiangsu Province, was completed in August 2007 by Santen Pharmaceutical (China) Co., Ltd. The new plant is equipped to manufacture high-quality ophthalmic solutions in the same sterile, dust-free environment that our facilities maintain in Japan. For example, in the filling room of the plant, where ophthalmic solution is put into containers, we have installed the latest air conditioning systems to preserve extremely high standards of air purity. For water, whose purity is absolutely crucial in ophthalmic solution formulations, we carry out an eight-stage purification process, including multiple filtration systems, electrical ion exchange and distillation. To ensure the water used for product manufacturing is always of the best quality, we also set up an automated quality control (QC) sampling¹ system. In addition to utilizing the most up-to-date equipment in the plant, we have implemented an extensive technology training program covering around 400 different curricula for our employees. By establishing a system that allows us to supply locally manufactured pharmaceuticals of the same consistently high quality as export products marketed in China until now, we will fulfill the expectations of the local medical community. In July 2008, the new plant was granted a manufacturing license based on compliance with GMP² standards.



Thorough quality control

1. A process of testing samples of the raw materials and water used in product manufacture to determine that product quality is maintained at an appropriate level.
2. A set of standards regarding manufacturing management and quality control for pharmaceuticals and quasi-drugs.

World Ophthalmology Congress (WOC)



WOC held in Hong Kong, June 2008

The WOC was held in June 2008 in Hong Kong. This year, it was co-hosted by the Chinese Ophthalmological Society and the Asia-Pacific Academy of Ophthalmology. As Santen is on the brink of commencing full-scale operations in China, it was an important event for the Company.

We were successful in making a positive impression on the Chinese medical professionals at the WOC by designing our exhibitor's booth to appeal to them, providing medical information and presenting lectures that drew on the wide resources of our global network.

Disseminating the Latest Scientific Information

Santen has established itself as the market leader in the Japanese prescription ophthalmic pharmaceuticals market. One of the strengths supporting that position is our ability to provide high-caliber scientific and medical information through our well-trained medical representatives (MRs). Once we transition from indirect marketing through a local agency to direct marketing, we will be in a position to utilize our MRs scientific and medical information as well as promotional campaigns in China. Along with constructing a local plant fitted with the most up-to-date equipment that allows us to steadily supply high-quality products, we have posted 80 staff (at April 1, 2008), including MRs and sales managers, in key cities throughout China and begun education and training programs in preparation for commencing direct marketing activities.

In addition to providing pharmaceuticals of superior quality, Santen will provide medical and scientific information through promotional activities tailored to the specific needs of patients and the medical community in China, thus positioning the Company to become highly competitive in the market. To ensure our growth in the Chinese market, we will make every effort to expand our market share by aggressively developing and introducing new products.

Contributing to the Advancement of Ophthalmology

Since 1996, Santen has supported the Chinese Ophthalmological Society's scholarship program, set up to encourage excellence among ophthalmologists in China. In the future, we anticipate providing advice on prescribing pharmaceuticals as well as enhancing medical technology through seminars presented jointly with the Chinese Ophthalmological Society and ophthalmologists from various regions across China. As we strengthen our foundation as a leading company in the ophthalmic pharmaceuticals market, we will directly contribute to Chinese ophthalmic pharmaceuticals as a highly specialized company that can help improve the quality of life (QOL) of patients and their loved ones.



Signing ceremony at the Chinese Ophthalmological Society in Beijing, China, for the Company's donation to the Chinese Ophthalmological Scholarship Program held in April 2008



Kenji Iwamoto
Corporate Officer, Head of Asian Division,
Santen Pharmaceutical Co., Ltd.
President, Director,
Santen Pharmaceutical (China) Co., Ltd.

Aiming to Further Expand Operations in China with the Commencement of Local Production and Direct Marketing

The Chinese pharmaceuticals market is expanding at a spectacular rate and the market for prescription ophthalmic pharmaceuticals is expected to continue growing equally rapidly. Santen's operations in China are now poised to enter a full-fledged growth period and Santen Pharmaceutical (China) will begin educational and promotional activities using its in-house sales force.

First, as a manufacturing base of the Santen Group, we aim to optimize production efficiency so that we can steadily supply ophthalmic pharmaceutical products of an internationally high standard of quality. Second, in fiscal 2008 our in-house MRs will commence promotional campaigns providing pharmaceutical information. We intend to increase sales and raise our market share and also to assemble a high level of support from many different stakeholders, including medical professionals and patients, to become a company capable of continued sustainable growth.