

Maurer's Healthcare Insight (93)

A Family Affair

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The pharma industry, perhaps more than any other, traces its roots to men who started businesses and put their names on the doors. When I joined Lilly in 1964 there was a Mr. Eli Lilly eating lunch in the cafeteria every day. When I entered Merck in 1976 there was a Mr. George Merck in the office.

This family heritage is also a European tradition, and the same pattern is evident in Japan. The difference in Japan is the historical origins and the length of time families retained control of their companies. One way to confirm this is to trace the lineage of Japan's oldest companies.

Tanabe

The granddaddy of all is Tanabe, celebrating its 330th anniversary this year. Gohei Tanabe I founded the family business in Osaka in 1678 as a dealer in traditional Japanese and Chinese medicines. The business of supplying herbal medicines continued, and in 1855 a shop was opened on the same site as the present headquarters building in Doshomachi, Osaka.

Western drugs were first sold in Tanabe's store in 1870, and a plant was built in 1885. Gohei Tanabe XII reorganized the business into a joint stock company named Gohei Tanabe & Company in 1933 and in 1943 gave it the name Tanabe Seiyaku.

Unbelievably the company was owned and run by the same family for 14 generations, from Gohei Tanabe I to Gohei Tanabe XIV, who was president from 1941 to 1959. A second son of Gohei Tanabe XII, Motosaburo Tanabe I, was president of Tokyo Tanabe until 1994, then as statutory auditor until 2000.

Hard to believe the initial entrepreneurial ability and passion to start a business was not diluted through 14 generations. In fact, five of the sons were adopted into the family and took the Gohei Tanabe name. Not a bad way to "refresh" the blood line.

Perhaps the long lines of ancestors are turning over in their respective graves now that Tanabe is a subsidiary of 73-year-old Mitsubishi Chemical.

Ono

The Ono family has been involved in running the company since 1717, an amazing 291 years. Ichibei Ono I founded "Fushimiya," wholesaling drugs in Doshomachi, Osaka. His 8th generation descendant, Ichibei Ono VIII reorganized this drug wholesaler into Ono Ichibei Shoten Unlimited Partnership in 1934. His son, Junzo Ono,



established Japan Organic Chemistry Industry Ltd. in 1947 as a manufacturing subsidiary of Ono, and changed the company name to Ono Pharmaceutical in 1948. One year later Ono Pharmaceutical absorbed Ono Ichibei Shoten. Junzo Ono's son is currently a Board Director - Production. He represents the 10th generation of the Ono family.

Ichibei Ono IV, V, and VI were adopted sons who assumed the family name, a pattern we saw previously in the case of Tanabe. Another similarity is both companies made the leap from wholesalers to innovative pharma companies. In 1975, Ono developed the world's first prostaglandin preparation, and continues to be an industry leader in its R&D expenditures as a percentage of sales.

Takeda

The founder, Chobei Takeda I, started a brokerage business for Chinese and Japanese herbal medicines in Doshomachi, Osaka in 1781, 227 years ago. Chobei Takeda IV, president from 1860 to 1904, a long reign of 44 years, started the import of Western drugs. His son, Chobei Takeda V, was president for 39 years from 1904 to 1943. He incorporated the business as Takeda Chobei Shoten in 1925, and renamed it Takeda Chemical Industries in 1943. In 2004 the company was renamed Takeda Pharmaceutical Co., Ltd.

Next in line was Chobei Takeda VI, who was president for 31 years from 1943 to 1974. His third son, Kunio Takeda is the current chairman of the company, a post he assumed in 2003 after a 10-year term as president.

On a personal note, it was my good fortune to live in a house in Kobe from 1970 to 1976 just above the Takeda mansion. Most mornings I could watch Chobei Takeda VII tend his bonsai plants in the garden. The house where I lived was later torn down and a home for Kunio Takeda was built on the site.

Shionogi

Shionogi will celebrate its 200th anniversary this year. Shiono Kichibei Shoten, a herb druggist, was founded in Doshomachi, Osaka in 1808. Gisaburo Shiono I, the third son of Kichibei Shiono II, founded an independent business in 1878 for handling oriental herbal medicines and imported western pharmaceuticals. Shiono Gisaburo Shoten was incorporated in 1919 and renamed Shionogi in 1933. Gisaburo Shiono II took over as

president in 1920, and remained in that position for 33 years until his death. His successor, Kotaro Shiono acted as president from 1953 to 1984. His son, Motozo Shiono, has been president of Shionogi since 1999. He is the 6th generation to lead the company.

As Lilly did most of its business through Shionogi in the 1970's, Kotaro Shiono and his colleagues were my teachers from 1970 to 1976. They were a powerful force in the market, and their MRs were by far the most effective sales force in Japan.

Fujisawa & Yamanouchi = Astellas

Tomokichi Fujisawa I, founded Fujisawa Shoten in 1894, 114 years ago. Its main product was a compressed form of refined camphor. He remained president for 38 years until 1932. In 1930 he reorganized his business into a joint stock company to manufacture pharmaceuticals.

The founder's son, Tomokichi Fujisawa II acted as president then chairman for 40 years until he died at the age of 77. He was succeeded by his son Tomokichiro Fujisawa III who acted as president then chairman for 20 years, 1978 to 1998.

Kenji Yamanouchi founded Yamanouchi Yakuhin Shokai in Nishi-ku, Osaka in 1923 for the manufacture of anti-rheumatic and rhinitis drugs. In 1937, the company was the first to mass produce a sulfa drug. In 1942 it adopted the Yamanouchi Pharmaceutical name and moved its headquarters to Tokyo.

Astellas Pharma was created with the merger of Yamanouchi and Fujisawa on April 1, 2005. The company is a legal continuation of Yamanouchi and is headquartered in Tokyo.

A Remarkable History

Japan's oldest pharma companies have much in common. They all started in Osaka, in fact, on one street in Doshomachi. They all took the names of the founders and started as wholesalers of herbal medicines. Family control was maintained for a long time through multiple generations. Many presidents served for decades.

The pharma industry in Japan traces its roots to individuals with passion and unusual ability. It was and still is to a large extent a family affair. Space did not permit mention of companies with a more recent history who were founded by individuals and continue to be run by their descendants. They include, Eisai, Kissei, Kyorin, Mochida, Otsuka, Santen, and Taisho.

Given all the recent talk about the virtues of professional management and shareholder rights, it is comforting to know that family management did a very good job of building Japan's pharma industry. Not to mention other leading pharma companies in the US and Europe.

P. Reed Maurer, founder of both NPP and IAL, has great admiration for people who start a business.

