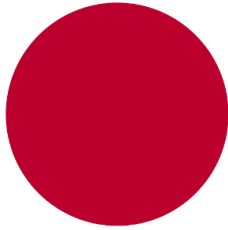


A HUMEROUS TAKE ON WHAT COULD BE HAPPENING IN JAPAN'S PHARMA



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With this being what in the news industry is called ‘the silly season’ – ie, lack of solid news, our long term Japan watcher P Reed Maurer has come up with some thoughts on the local pharmaceutical industry. These are not facts, just fantasy speculation, but certainly something worth thinking about. Hope you, our readers, enjoy this as much as I did. Barbara Obstoj-Cardwell. Editor.

Demerger activity sweeps Japan Pharma

In a stunning announcement over the Obon holiday week Tanabe Mitsubishi, Sumitomo Dainippon, and Daiichi Sankyo reported they would demerge and revert to their former individual selves.

Spokespersons from all three companies said the anticipated synergies of merging did not become a reality. In other words, one plus one did not equal three.

Observers expect the individual companies to return quickly to normal operations as many functions were kept separate in the merged entities. The guiding philosophy was, “One company two separate systems.” For example, one personnel department but two divisions serving former employees of each of the merged companies.

A major headache will be fair treatment of employees hired after the mergers took place since their loyalties and hoped for life time employment are tied to the merged entities. One reported rumor suggests the fate of individual employees will be decided by playing rock, paper, and scissors with their immediate supervisors. If the supervisor wins, the employee goes to the supervisors’ company. If the employee wins he will finally breathe a sign of relief to get a new boss.

Some say the biggest winners in this process will be head hunters who have been seen lingering outside the headquarters of all three companies. One who wished to remain nameless, said: “This is a dream come true for our business.” Mid-career employees with marketable skills are rushing for the exits. Older employees are seriously looking at the options for early retirement. Younger employees are eyeing opportunities for advancement now that the path upward is like an elevator versus the old escalator.

Last and least are shareholders who have remained in their usual silent mode of buy and hold. The exceptions are family member shareholders who yearn for the return to the good old days when their kin were in senior management positions guaranteed for life.

Speculation has arisen as to the fate of Astellas, the fourth big merger news of a bygone era. A consensus is forming the company will not demerge into two separate entities because no one can remember who they were prior to the merger. All that is known is one company was based in Osaka and another in Tokyo whereas the other mergers were among neighbors. This experience suggests future singles eager to marry should travel afar to look for compatible partners. Could mixed marriage become the norm rather than the exception in Japan?

Mid-sized companies ponder the future

Reports have surfaced that some of Japan's mid to small sized pharma companies are meeting together in the environs of Hakone to discuss their future. They have a long list of common issues that bind them together.

To name a few they include:

- A portfolio of long listed products under reimbursement price pressure from the Finance Ministry.
- A dearth of new products in development and a large number of employees dedicated to licensing in activities.
- An admirable philosophy of "We shall overcome," but no practical road map of how to get to the Promised Land.
- Some envisage a white knight to save them from the dreaded fear of constant downsizing until they fade away. But white knights search for winners not losers.
- Others believed the answer to growth was a foray into generics only to learn they could not achieve the critical mass necessary to compete with the pure play generic companies.

It would appear the confabs in hidden sessions resulted in broad agreement on the issues facing their companies; ie, pride in their past achievements of contributing to the health of society; their common disappointment with government ministries intent on reducing health care costs by cutting the prices of their old drugs; and frustration with their collective inability to foster innovation in their own laboratories.

Unfortunately there was a notable lack of viable solutions. In other words they know what happened yesterday and what is happening today, but do not have a clue as to what to do tomorrow.

Dissident Takeda shareholders join the party

Readers will recall how energetically some shareholders of Takeda objected to the acquisition of Shire which propelled Takeda into the top ranks of worldwide pharma companies. In a complete flip flop these same shareholders are now demanding Takeda acquires a major US company unconfirmed as of this writing.

Banks in Japan strapped by the low interest policies pursued by the Bank of Japan are eager to back Takeda in the relatively risk free pharma industry. Thus, money is not a factor. The big issue is to find a willing seller. Large pharma in the US is looking to acquire not to sell.

Takeda management tried to convince the dissidents that big is not necessarily better and our resources should be focused on discovering or acquiring new, innovative products. Outside observers are placing their bets on Takeda management.

Other Headlines

As we have run out of space for more in depth coverage of the news in this article, let's take a quick look at the headlines that are certain to justify further analysis.

- Japanese Conglomerates Ponder Forays Into Pharma Biz
- Is China the Next Frontier for Japanese Pharma?
- Are Owner Managed Pharm Companies Sustainable?
- Joint Ventures Stage a Comeback.

All these stories and more are coming soon because doing business in Japan is never dull, and always fun.