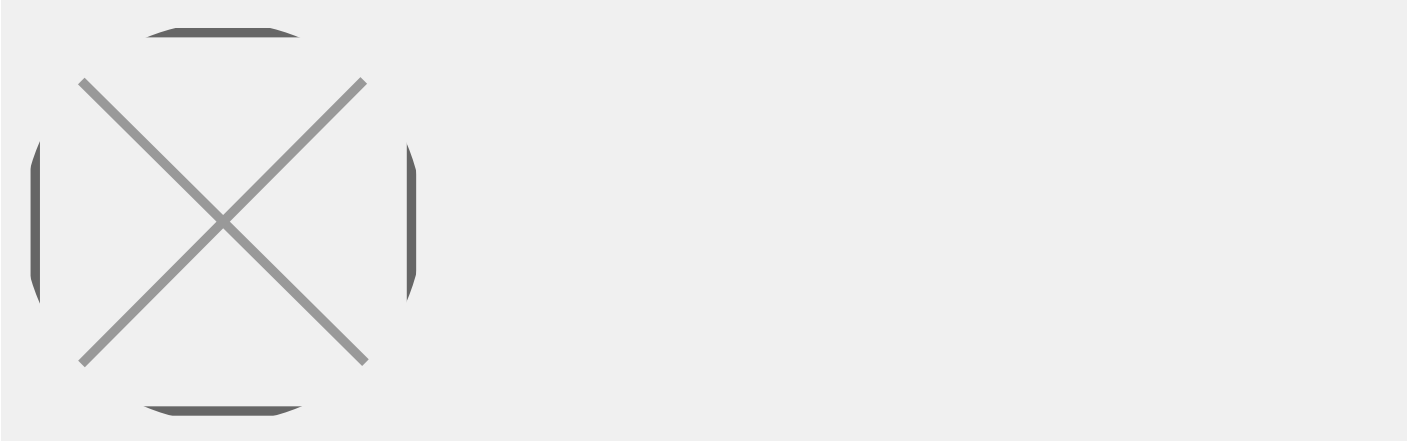
Interview with Ralf Göddertz, General Manager of Germany, Austria and Switzerland, Daiichi Sankyo Germany



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DAIICHI SANKYO in Germany, Austria and Switzerland

DAIICHI SANKYO wants to be a Global Pharma Innovator with Germany at the center of this process on the European continent. An example of this development is your manufacturing facility in Pfaffenhofen, a basis to export to more than 50 countries. Can you develop about the importance of Germany as a manufacturing and RnD platform and about the most promising export markets for DAIICHI SANKYO GERMANY´s operations?

A.: Germany plays a key role in the European business of DAIICHI SANKYO. Here is not only the headquarters of the whole continent but also the only “global” manufacturing plant of the group in Europe. Our site in Pfaffenhofen, 60 kilometers north of the Bavarian capital of Munich, produces more than 2bn cardiovascular tablets per year on a high quality standard. Approximately 70 per cent of DAIICHI SANKYO EUROPE´s turnover is manufactured or handled via the Pfaffenhofen plant.
At the beginning of this year, Pfaffenhofen was inspected by the US Food and Drug Administration (FDA) for the third time in ten years – again with best results. Currently, we expand the production capacity there up to 4bn tablets/year and just started manufacturing a new Triple combination hypertension drug for the US-market. That is a clear sign for the importance of our Pfaffenhofen plant in the whole group.

Germany is also a significant location for DAIICHI SANKYO´s research and development activities. In Martinsried, just south of Munich, the laboratories of our biotech company U3 Pharma are located. We acquired the company in 2008. U3 Pharma is very successful in the research of new oncology compounds. Also in Martinsried we pursue a small but very effective drug metabolism department. And in Pfaffenhofen we do engage about 80 employees in our pharmaceutical development section.

What made you choose Germany as your European Headquarter over other destinations such as the UK, France or even Switzerland – like so many others?

A.: It is because of historical reasons. In the year 1990, former SANKYO acquired the Munich based Luitpold Werke, a traditional Bavarian company known for its liquid Mobilat. The Paffenhofen plant also belonged to Luitpold. There DAIICHI SANKYO in 2007 invested 25mn Euros into additional state-of-the-art facilities for solids manufacturing and packaging.
Germany and especially Munich is a good place to attract high potentials. Munich is also a cluster of the biotechnology industry, and it has a lot of academic medical know-how like the Max-Planck-Institute. Therefore, it is an excellent place for a high-technology company like DAIICHI SANKYO.

In 2009 DAIICHI SANKYO´s revenues approached 574 million Euros in Europe. What was the contribution of the German market and what were DAIICHI SANKYO GERMANY main growth drivers? What are your targets for 2010?

A.: Germany contributes about 14 percent to the European revenues. It is the second biggest market after France. Business here is a challenge due to the cost restrictions of the German health-care politics. In the current financial year (as of 31rd of March 2011) we expect European sales being about 10 percent higher than in the previous year. For this year we also anticipate sales in the DACH-region (Germany, Austria; Switzerland) to be higher than 100mn Euros for the first time.

Our main growth drivers in Germany as well as in all over Europe are the hypertension drugs of our Olmesartan franchise. Worldwide, Olmesartan counts for one fourth of our group sales of 7,3bn Euros – and is still growing. Concurrently, our focus shifts more and more to new therapeutic approaches in the cardiovascular field. With Prasugrel, together with our Partner Eli Lilly, we do have an alternative therapy on the market for the reduction of thrombotic cardiovascular events. Edoxaban will be a new drug generation in the class of factor-Xa-inhibitors. Also in the oncology area we expect to play a significant role in the coming years.

What will be the contribution of Germany to DAIICHI SANKYO´s ambitious 2015 Global Pharma Innovator plan to depend less and less on the Japanese market?

A.: Currently 45 percent of our groups sales stem from markets outside Japan. Till 2015 DAIICHI SANKYO wants to raise that figure up to more than 60 percent, our sales target for that year is 1.5 trillion Yen (about 10bn Euros). Europe should make at least 13 percent of all revenues by then. We are already on a good way. Our midterm goal for the financial year 2012 is to increase European revenues up to 1.2bn Euros, including the European activities of our generic drugs daughter Ranbaxy.

Currently there is an intense debate about the state of the German healthcare system (which has undergone more than 20 reforms and/or changes in the last 20 years). Do you believe that Germany can retain its central position in the pharmaceutical industry despite the current cost-containment policies, over-regulation and over-competition?

A.: Germany still has a dominant role in the European pharmaceutical market, but the industry here declined a lot in the last 20 years. All depends on the health care politics: If the trend towards more regulation and price cuttings continues, the conditions for the industry will be even harsher. The latest rise of forced discounts for ethical drugs from 6 to 16 percent hits the German pharmaceutical industry once more and will have a significant impact even on DAIICHI SANKYO´s revenues.

If that political attitude aggravates, Germany possibly will lose more, especially in pharmaceutical research and development. I don´t talk only about a loss of know-how but also about a loss of a lot of money to be invested in. Just to give you an idea: DAIICHI SANKYO worldwide spends about 21 percent of its group sales for research and development – also in Germany. With that figure we are in the top range of our industry.

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