

Sun Pharma Japan Limited

Sun Pharmaceutical Industries Limited (SPIL), India's largest and the world's fourth largest pharmaceutical company in the generic drug industry, established its Japanese subsidiary, Sun Pharma Japan Limited (SP Japan), in Tokyo in March 2012. Mr. Kirti Ganorkar, Executive Vice President, SPIL, and Mr. Isao Muramatsu, Chairman of the Board of Directors of Japanese Subsidiary tell us about SPIL's business strategies for the Japanese market, which is well-known especially for its very strict quality control in the world.

The Japanese government has recently been promoting the use of generic drugs to reduce medical expenditure, which has been increasing year-by-year due to Japan's aging population. A generic drug is a medicine that is more affordable than its originator drug but has the same active ingredients and efficacy as the originator. The sale of a generic drug is allowed only after the patent for the originator has expired. A shorter period of time required for the development of generic drugs enables costs to remain low. The government aims to increase the share of generic drugs within the pharmaceutical market in Japan in volume to 80% by September FY2020, which is the same level as that in the US and Europe.



A growing number of foreign companies have decided to start up a business in Japan drawn by the allure of the recent boom in generic drugs. SPIL—India's largest pharmaceutical company headquartered in Mumbai, India—is one such company. Established in March 1983, SPIL has over 30,000 employees worldwide and is engaged in an integrated process spanning

research and development, manufacturing and sale of pharmaceuticals. SPIL provides patients in 150 nations worldwide with 2,000 types of affordable but quality drugs, including generic drugs, specialty generics and innovative pharmaceuticals.

In 2014, SPIL acquired Ranbaxy Laboratories Limited, one of India's largest pharmaceutical companies and a subsidiary of Daiichi Sankyo Company, Limited, through an all-stock swap. Post this acquisition, SPIL became the world's fourth largest company in the generic drug industry. In addition to generic drugs, the company is also working hard on research and development of medicines for meeting the unmet needs in patient welfare. SPIL has over 2,000 scientists at its various R&D centers worldwide. The products SPIL manufactures encompass various types of drugs ranging from tablets, capsules, and injections to innovative drugs such as percutaneous patches.

Strategy focusing on local business

While other Indian pharmaceutical companies were working primarily on antibiotics, glutamine and cough syrups, the founder of SPIL, Dilip Shanghvi, decided to strategically enter the market for lifestyle pharmaceuticals—the medicine for chronic diseases, including anti-depressants and the drugs for schizophrenia and cardiovascular high blood pressure. His decision was based on the idea that lifestyle medicine would increase in importance in the future compared to

conventional drugs. With the company's energies put into the development of medicine for chronic diseases, these products have come to differentiate SPIL from its competitors, emerging as a hallmark for SPIL.

After the success in India, SPIL acquired a US company for the first time in 1997. Being the first Indian company at that time to advance in the US and acquire a manufacturing base, SPIL had to face a great number of difficulties, according to Mr. Kirti, the Executive Vice President of SPIL. He explains, "All the manufacturing bases we had purchased were managed by the local staff. We just provided financial supervision and R&D support. We focused on understanding the system of the local organizations and their culture, and tried to operate those bases as a local business. Using this experience, we have acquired 16 companies in India, the US and Europe." SPIL made its way into Europe in 2007 and joined the Japanese market in 2012.

Background to and challenges in entering the Japanese market

Being the world's third largest pharmaceutical market following the US and China, Japan is seen as a country brimming with business opportunities in the life science industry, including medical equipment and the healthcare services. India, on the other hand, is one of the world's largest exporters, supplying pharmaceutical ingredients, intermediates and finished products, including generic drugs. Based on this background, a large number of Indian companies envisage exporting ingredients from India to Japan and jointly developing generic drugs with Japanese companies to further enhance their quality. Meanwhile, many Japanese pharmaceutical companies have great expectations for India's affordable ingredients. India is also attractive for its talented human resources and high standards of research and technology. SP

Japan President Muramatsu explains the reason why SPIL has chosen the Japanese market, as follows: "In addition to being the world's third largest pharmaceutical market, Japan is also attractive as an R&D base because it has excellent companies and technical experts. Another decisive factor in SPIL's decision to come to Japan is the Japanese government's promotion of the use of generic drugs."

However, there seem to be formidable obstacles to overcome when Indian companies conduct business in Japan. Several Indian companies have been forced to withdraw from Japan after having difficulties in meeting demanding requests for quality standards and conforming to strict regulations and complicated procedures. In the Japanese market, satisfying extremely high standards of product quality is a must, including the neatness of the outer packages. Mr. Muramatsu recounts, "In Japan, products won't sell if they are in even slightly smudged packages, or if the print on a package is out of alignment, regardless of the quality of the drug inside." We carefully follow these packaging guidelines to ensure the high quality of our products.



SP Japan manufactures and markets the products under brands taken over from Novartis International AG. Distribution of the products is outsourced to Mitsubishi Tanabe Pharma Corporation.

The Japanese market is characterized by consumer faith in brand names; consumers favor a brand with a long history, an

accumulated track record and innovativeness. Mr. Muramatsu says, “Doctors and pharmacists in Japan, who constitute our customers, do not even know the name of SP Japan. To make matters worse, they have an unfavorable impression of India partly because of several Indian companies in the past which failed to capitalize on business opportunities and withdrew from the Japanese market. To improve our reliability, we have joined forces with major companies with brand recognition.” As an example, SP Japan has taken over 14 brands of the long-listed products (patent-expired originator drugs) manufactured and marketed in Japan from Novartis International AG, a Swiss pharmaceutical giant, and SP Japan outsources distribution of the products as well as provision of information on proper use to Mitsubishi Tanabe Pharma Corporation, a leading Japanese pharmaceutical company.

However, SPIL is intending to improve its capabilities in distribution and information provision as well. Expectations are growing for SPIL’s future business development.



Mr. Isao Muramatsu, Chairman of the Board of Directors SP Japan (left) and Mr. Kirti, Executive Vice President of SPIL (right)

(Interviewed in August 2017)

Japan: An internationally acclaimed R&D hub

SPIL owns three R&D bases in India and one in the US, putting its effort into the development of generic drugs and the innovative pharmaceuticals. SPIL invests 7-8% of its annual sales in R&D, and 99% of the 2,000 products the company sold on its own have been independently developed.

Mr. Muramatsu spoke about the attractiveness of Japan as an R&D hub: “Japan has state-of-the-art technology and numerous talented technical experts. Doing business in the Japanese market allows us to come into contact with Japan’s sophisticated technology. If they succeed in developing a highly innovative product in Japan, they will be able to promote it in other countries, too. Japan is truly a gateway to technology.”

SPIL is planning to significantly increase the number of its employees in Japan by next year. Currently, part of its manufacture and distribution is outsourced to other companies.

Company history

March 1983 Sun Pharmaceutical Industries Limited established in Vadodara, India
March 2012 Sun Pharma Japan Limited established in Tokyo

Sun Pharma Japan Limited

Established in: March 2012
Business Overview: Manufacture, import and distribution of pharmaceuticals and their ingredients
Capital: 158 million yen
Parent Company: Sun Pharmaceutical Industries Limited
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URL: Sun Pharmaceutical Industries Limited
<http://www.sunpharma.com/>
Sun Pharma Japan Limited
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