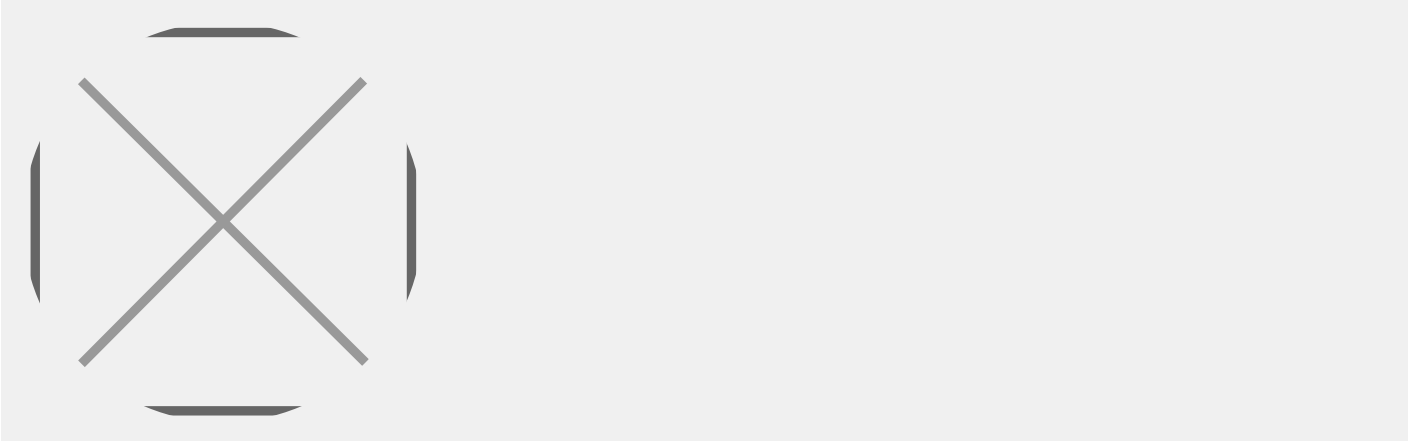
Interview with Manuel Reiberg, Manager Company Operations, Daiichi Sankyo Austria



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brief overview of Daiichi Sankyo in Austria as well as its market positioning and growth factors in 2012?

Daiichi Sankyo Austria GmbH is the Austrian affiliate of Daiichi Sankyo, a global pharmaceutical company that focuses on researching and marketing innovative medications. The company's roots extend back to 1899 and the early days of industrialization of the pharmaceutical sector. With global net sales of nearly €8.6 billion in fiscal year 2011, Daiichi Sankyo is one of the world's 20 leading pharmaceutical companies. The company does business in nearly 60 countries around the world. Daiichi Sankyo's world headquarters are in Tokyo, Japan.

The company's roots in Europe extend back to the 1980s, when both Daiichi and Sankyo established offices in Düsseldorf, Germany. The company itself was created in 2005 through the merger of two traditional Japanese enterprises, Daiichi and Sankyo. With nearly 2,500 employees, Daiichi Sankyo has been one of the strongest Japanese pharmaceutical companies located in Europe. The company currently does business in 12 European countries including Austria.

You have been working with Sankyo for many years, most recently in your position as Manager Country Operations of Austria since 2010. What were the main objectives that you set out for yourself when you started in the position, and how have your expectations lived up to reality?

Daiichi Sankyo has gone through an important restructuring process over the last two and a half years. I took on the responsibility to build up this state-of-the-art pharmaceutical company, establishing a wide range of processes within Daiichi Sankyo to create intense synergistic partnerships throughout the DACH region. The company went through analyses of current processes, developed various new processes and established new sales targeting and reporting. We also initiated a variety of field training exercises and established new institutionalized communication structures. It was an intense task!

Daiichi Sankyo Europe is responsible for the clinical development and manufacturing in twelve countries across Europe. Can you give our readers a brief outline of the scope of activities and products within Austria, and how it fits into the company's European structure?

The entire European business is based on a variety of products. The key therapeutic area in which Daiichi Sankyo Austria operates is cardiovascular. The biggest selling drugs for Daiichi Sankyo Europe and Austria are the entire range of antihypertensive drugs based on the mono substance of olmesartan. On top of that we have some very modern and innovative fixed combinations called Olmetec Plus®, Sevikar®, and Sevikar HCT®. The primary growth driver is clearly the entire range of this olmesartan business. We also have European co-promotion agreement with Eli Lilly. Daiichi Sankyo developed a molecule called Prasugrel, which was then out-licensed to Eli Lilly for clinical development. We then decided to co-promote this drug across various European countries, and we are working very hard to establish Prasugrel under brand the brand Efient® within the area of acute coronary syndrome.

In terms of sales drivers for therapeutic areas, is Austria in line with the rest of Europe?

To the most extent, yes it is. Daiichi Sankyo obtained some older business in the area of antibiotics, as well as osteoporosis with Evista®, which was licensed from Eli Lilly. Our core products for Europe and Austria still have a relatively long patent life allowing Daiichi Sankyo to build up a robust pipeline; an advantage the company enjoys over some of its main competitors.

Daiichi Sankyo has undertaken quite a few acquisitions in recent years, such as the OTC unit of Astellas in Japan, the aqcuisition of Ranbaxy in India, U3 Pharma in Germany, and Plexxikon in California. Many times such acquisitions leave companies short on cash, under pressure to monetize their investment. Sometimes these global acquisition strategies compromise research and development. How does Daiichi Sankyo manage to maintain that balance, with its hybrid business model?

Daiichi Sankyo has gone through a process of focusing R&D investment on core therapeutic areas. Secondly, similar to other companies, it is difficult to have purely organic growth driving your pipeline, so you have to look for additional growth opportunities, such as biotechnology and

monoclonal antibodies. Essentially, it is trading off a fair balance of both to invest in such targets and your own developments. At some point you have to make some tough decisions in terms of which projects you want to further invest in.

Daiichi Sankyo has decided to go for a hybrid business model: In 2008, Daiichi Sankyo acquired a majority share in India's largest pharmaceutical company, Ranbaxy Laboratories. I was involved in that integration process across Europe in my previous position. Ranbaxy is one of the world's top 10 generic manufacturers and its product portfolio comprises a number of well-established generic products. In addition, Ranbaxy has an immense network and marketing capabilities in newly industrialized and developing countries, ideally complementing Daiichi Sankyo's portfolio and extending the Group's direct presence to around 55 countries worldwide. This allows Daiichi Sankyo to fulfill the medical needs of both industrialized countries and emerging markets in accessing cost-effective, innovative, and generic medicines. The cooperation with Ranbaxy enables more patients and medical professionals to access Daiichi Sankyo's pharmaceuticals. At the same time, Daiichi Sankyo has an excellent opportunity to enter markets where building up own presence would not be cost-efficient. This example shows how the Hybrid Business Model enables Daiichi Sankyo to capitalize on new growth opportunities.

What can you tell us about further strategic partnerships, license and distribution agreements for the company?

Only few drug companies can achieve long-term growth relying exclusively on their own development pipelines. The goal of Daiichi Sankyo's partnership and licensing initiatives is to expand the business by partnering on high-potential products that complement the in-house portfolio. The focus of acquisition activities is new product candidates, new products, or companies that drive our portfolio in key therapeutic categories. Daiichi Sankyo has a special interest in biotech companies and products or licenses related to the field of oncology.

In May 2008, Daiichi Sankyo took further steps to increase its research and development pipeline in the area of anti-cancer drug research by acquiring Germany-based U3 Pharma, a company with many promising anti-body drug candidates for treating cancer. In addition, Daiichi Sankyo entered a licensing agreement (worldwide rights, excluding Japan and certain other Asian countries) in November 2008 with ArQule Inc. for the US-based company's anti-cancer drug candidate tivantinib. The two companies also entered an agreement for a cooperative research program involving the ArQule Kinase Inhibitor Discovery Platform (AKIP) to discover new compounds. Moreover, in April 2011 Daiichi Sankyo acquired Plexxikon Inc., a privately held pharmaceutical company based in Berkeley, California with a late-stage oncology product, PLX4032, as well as a promising pipeline and technology platform. These alliances have greatly expanded Daiichi Sankyo's research and development pipeline in the area of anti-cancer drug research. In the area of anti-body technologies, Daiichi Sankyo has entered into alliances with such biotechnology

companies as US-based Seattle Genetics Inc. and Germany-based MorphoSys AG. Within its own research organization, Daiichi Sankyo has restructured its Advanced Technology Research Laboratories to focus exclusively on anti-body drugs, renaming the facility Biologics Research Laboratories.

Apart from that Daiichi Sankyo is continuously looking for products that will fit into our current portfolio. If there are any opportunities coming up for Daiichi Sankyo Austria in terms of acquiring a product with existing revenues, we could potentially do that and promote it with our existing structures.

What do you see as the main challenges faced today by Daiichi Sankyo in the Austrian context and the strategies implemented to address these challenges?

Like other European countries, the Austrian population is ageing. The part of the population over 60 represented 1.8m people in 1995; in 2030, 2.7m people will be above 60. This simply means that year on year, additional people join this 60+ age group. Considering two thirds of all prescriptions paid by the reimbursement system are destined to this age group, there is a natural, organic growth in Austria because of the demographics. But this growth has not been steady due to significant changes in the reimbursement system during the last years aiming to hold down healthcare costs. Therefore the pharmaceutical market becomes increasingly diverse. When I started in 2010 one of my key learning's has been, if new drugs come to the market, they are not automatically available for the patient. Therefore if products are not reimbursed, it would be very difficult for a company to become a key player in the Austrian market. It is very challenging to enter this system, as certain restrictions exist.

Austria has incentivized the research sector by creating a favorable tax regime allocated to companies investing in R&D. As a result, is there anything in particular that Daiichi Sankyo in Austria is doing to take advantage of that incentive?

Daiichi Sankyo has tried to ensure that we have a representative number of clinical development centers here in Austria for the current developments of Edoxaban including the initiation of registries. Additionally, Daiichi Sankyo is ensuring that it stays in close contact to the major key opinion leaders in therapeutic areas, such as thrombotic disorders, novel oncology and cardiovascular-metabolic therapies. It is very important to have close interaction with critical people, obtaining their feedback and experience with drugs we have in development.

Do you have any partnerships with local companies doing research in Austria?

Yes we do with local CROs. Daiichi Sankyo Austria is first and foremost a marketing and sales company of the wider European network. The influence that we have on research or clinical development is relatively limited.

Mr. Göddertz, General Manager of Daiichi Sankyo Germany, Austria and Switzerland, said when we met him in 2009 that Germany is a significant location for Daiichi Sankyo´s research and development activities within central Europe. Do you think that Austria might be able to create a similar model for the Eastern Europe?

It could potentially be a model in the future. It really depends on the overall success of Daiichi Sankyo Europe and Austria. It is one of my visions to make Daiichi Sankyo Austria as one competency center within the European subsidiary network.

Daiichi Sankyo is heavily investing in research and development and, thus, in the company's future. In 2011, the company's development budget was €1.70 billion. This represents 19.7 percent of net sales. This is far above industry average of about 15 to 17 per cent. This emphasizes the importance of organic growth for the business strategy of Daiichi Sankyo.

In its research, the company focuses on thrombotic disorders, novel oncology and cardiovascular-metabolic therapies. Daiichi Sankyo aims to develop drugs that are either "Best-in-Class" or create a new class of therapeutic solutions. This ambitious goal has been achieved very often in the past, including the discovery of the first statin (drugs that lower cholesterol which were one of the most important class of drugs in the 1990s and first 10 years of the 21st century) in 1973 or the first Factor Xa Inhibitor (a new class of drugs that are expected to revolutionize the treatment of several disorders related to blood clots) in 1991. The present pipeline also contains several molecules that promise to be "First or Best in Class". To master this challenge, Daiichi Sankyo is investing in new markets in developing and newly industrialized countries. In addition, Daiichi Sankyo extended its portfolio within the hybrid business model by including generic drugs and vaccines on a global base.

In Daiichi Sankyo's vision for 2013, the aim is to become a global pharma innovator with a 60 percent share in sales and 25 percent margin. How will you ensure that the Austrian affiliate is on track to contribute and reach that target?

Daiichi Sankyo Austria's achievements over the past few years have put the affiliate on track for this goal. As I said, the company went through a tough process over the last two and a half years refocusing the organization, fully dedicated to driving revenues and the promotion of our core products and shaping processes, developing competencies of the field force as well as the affiliate and head office staff, not to mention setting up structures to be able to launch Edoxaban in 2015 or 2016.

You are originally from Germany, with international experience in Germany, the United Kingdom and Austria, and you work for a Japanese company. How do you adapt your management style in Austria in relation to a company based in Japan?

I have had an incredible opportunity in Daiichi Sankyo to be exposed to a wide variety of international people. Between working for a Japanese company and interacting and travelling within the global network of Daiichi Sankyo, this has provided me with great international experience. In addition to professional preparing myself for managing such an organization in Austria, I did a two-day intercultural training course about the cultural differences between Austrians and Germans, which are substantial. There are considerable differences in the way people interact and communicate. Even though Germans and Austrians speak the same language, both nationalities have different attitudes and communication styles. As the leader of this organization I wanted to adapt to that style and ensure that everyone understands me.

Looking ahead to the next few years, how do you plan to bring together the mentioned pillars of Daiichi's business strategy locally?

We definitely have to work on customer centricity as a general approach. We must ensure that our customers and wider stakeholder group is put at the heart of our operations, meaning we really must ensure that our operations are driven to understand and serve those customer needs. Austria is also a changing environment; the country has upcoming healthcare reforms, and there is lot of uncertainties at the moment what to expect in the next few years. There will definitely be shifts in responsibilities. Therefore we have to ensure to adjust our organization to those changing environments. One of the key advantages that Daiichi Sankyo Austria has is to be a flexible and quick-moving organization.

It has been not decided yet if we will fully integrate the hybrid business model in Europe. At this moment in time the companies – Ranbaxy and Daiichi Sankyo – do their business separately in Austria, in alignment with the organization's European strategy. Daiichi Sankyo Europe's main approach will be the innovative business, particularly in the cardiovascular space with a broad portfolio of current cardiovascular products or products to be launched in the future.

What is your personal vision for the future of the Austrian pharmaceutical industry and the specific role that Daiichi Sankyo will play within it for the next five years?

Driven by the understanding of the pharmaceutical industry's social responsibility, the principal objective of the pharmaceutical industry's business activities should be to promote the discerning use of drugs in order to improve the health status of each and everyone living in Austria. Using the expertise to support decision makers in healthcare the Austrian pharmaceutical industry should be recognized as a competent systemic partner committed to strengthening Austria's role as a pharmaceutical and research location. To secure quality and availability of innovative pharmaceuticals products and services in the Austrian market reliable and predictable framework conditions for the pharmaceutical industry will be needed.

The Daiichi Sankyo Group is one of the world’s 20 leading global pharmaceutical companies. Our aim is to become a respected, trusted, leading partner in the cardiovascular area and the field of oncology and preparing the organization for a successful launch of Edoxaban My personal vision is to build up an Austrian Daiichi Sankyo organization where understanding, valuing and leveraging the diversity within our workplace help to drive innovation and professional growth, improve alignment with customers thus enhance corporate success and sustainable growth.

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