



Aiming to achieving the target of 30% or more for market share on a volume basis in FY 2012, additional premium requirements for generic dispensing will be reviewed in FY 2020 revision of health insurance reimbursement. The use of generic drugs in the dispensing pharmacy market is expected to become active responding to the increase of demands.

Japanese/English Bilingual Edition

Generic Drug Market in Japan 2010

The generic drug market has entered the growth stage but become more competitive with new entrants one after another. Generic manufacturers are forced to optimize their growth strategies looking ahead.

KEY FEATURES OF THE REPORT

- The content of “Generic Drug Market 2010” published in September 2010 is summarized with use of tables, graphs and charts.
- The report is compiled into a Japanese and English bilingual format for global business people.
- Key points are described succinctly for changing generic drug market environments and market player trends in Japan.

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Generic Drug Market in Japan 2010

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Pfizer Japan Inc.

Fuji Pharma Co., Ltd.

Hospira Japan Co., Ltd.

Taiyo Yakuin Co., Ltd.

Nippon Kayaku Co., Ltd.

Kyorin Rimedio Co., Ltd.

Teva-Kowa Pharma Co., Ltd.

Towa Pharmaceutical Co., Ltd.

Nissin Pharmaceutical Co., Ltd.

Zydus Pharma Japan Co., Ltd.

Sawai Pharmaceutical Co., Ltd.

Daichi Sankyo Espha Co., Ltd.

Tanabe Seiyaku Hanbai Co., Ltd.

Nichi-Iko Pharmaceutical Co., Ltd.

Kyowa Pharmaceutical Industry Co., Ltd.

Sandoz K.K.

Mylan Seiyaku Ltd.

Fujifilm Pharma Co., Ltd.

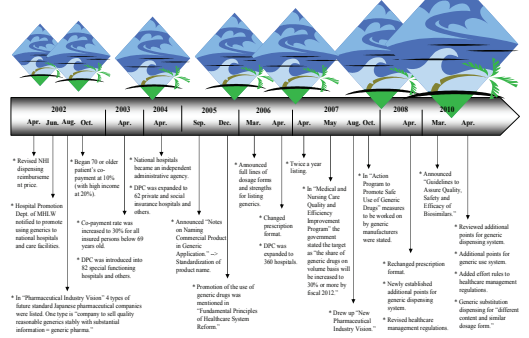
Meiji Seika Kaisha, Ltd.

Nihon Generic Co. Ltd.

Nippon Chemiphar Co., Ltd.

Nipro Pharma Corporation

Governmental Measures to Achieve a 30% Market Share for Generic Drugs



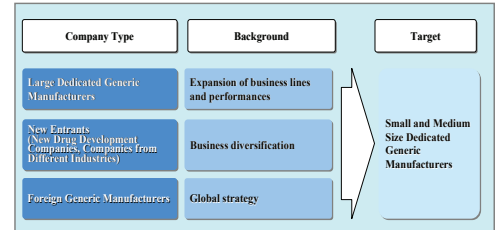
Market Players

According to "Generic Drugs in Health Insurance Reimbursement" reported by the Ministry of Health, Labour and Welfare, there are 219 companies that list at least one dosage form and strength of generic drugs on NHI price list. Generic drug players can be classified into 1) dedicated generic manufacturers, 2) foreign generic manufacturers, 3) brand drug manufacturers and 4) manufacturers from different industries.



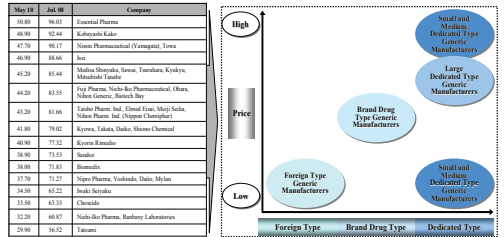
Generic Drug Industry Restructuring

The background of restructuring in the generic drug industry is different depending on company type. However, all are targeting small and medium size dedicated generic manufacturers. Large dedicated generic manufacturers are restructuring under the expansion of business lines and performances, new entrants are as a part of business diversification, and foreign generic manufacturers are as a part of global strategy.



Price Strategies 2

If a graph shows drug prices on vertical axis and company type (foreign, brand drug, dedicated) on horizontal axis, generic manufacturers are broadly plotted into three groups: 1) large dedicated generic manufacturers that maintain drug prices to a certain degree as they conduct proper sales (Towa, Sawai); 2) foreign generic manufacturers that sell at low prices overseas (Sandoz, Mylan, Ranbaxy); and 3) brand drug manufacturers that are positioned in the middle between them (Eisai, Nippon Chemiphar, Meiji Seika). Small and medium size dedicated generic manufacturers that do not fit into the classification. They are divided into two groups of those with expensive drugs (Essential Pharma, Kobayashi Kaku, Nissin Pharmaceutical) and those with low price drugs (Tatsumi, Iwaki Seiyaku, Yoshindo).



Nichi-Iko Pharmaceutical Co., Ltd.

Aiming to be among world's top 10 generics manufacturers, the Company is expanding overseas business beyond Japan.

Business Overview
Nichi-Iko Pharma (Japan), Active Pharma (Japan)

Business Strategy
The Company was new drug oriented at one time, however, it turned to the generic drug business positioning it as its core business. In addition to strengthening development, production and sales activities, the Company primarily worked on the integration of management and the expansion of pharmaceutical wholesale trade. Under this management strategy with rapid developments, the Company seized a favorable opportunity for generic drugs and grew relatively largely. As a result, the Company has become one of the leading generic manufacturers in Japan.

Business Highlights
In the mid-term consolidated settlement in Nov. 2010 sales were JPY 30,817 million, up 15.5% from the previous year, operating income JPY 3,606 million, up 15.9% and ordinary income JPY 3,453 million, up 12.0%, which grew at a double-digit rate and was the highest record in the past.

Financial Performance
Sales: JPY 133 billion (FY 2012)
Medical Representatives: Status quo

Business Strategy
The Company formulated "Horizon 2012," a new four-year medium-term management plan with FY 2009 being the initial year. By setting the corporate vision of "Challenge the World," the Company is determined to face challenges in the six key areas of "creativity," "commercial power," "growth potential," "huge steps," "sincerity" and "ultra-high quality," and aims to achieve net sales of JPY 133 billion and operating income of JPY 19 billion in November 2012, the final fiscal year of the plan. In pursuing a "huge step," the Company has announced it will become "one of the world's top 10 generic manufacturers" as the first Japanese generic manufacturer to adopt a policy of going global. The Company also aims to achieve the strongest growth in the Japanese market.

The Company announced that it had reached an agreement with Sanofi-Aventis of France to conclude a strategic alliance in the generic drug business in Japan. Based on this alliance, the two firms jointly established Sanofi-Aventis Nichi-Iko, with Sanofi-Aventis taking a 51% stake and the Company taking a 49% stake, and Sanofi-Aventis will acquire 4.6% of the outstanding shares of the Company through a third-party allotment of shares issued by the Company. The purpose of the alliance is to create a new generic market by integrating in Japan the resources of the Sanofi-Aventis Group operating globally and the expertise of the Company on generic drugs.

The Company concluded a business alliance in July 2010 with DKSH International, a Swiss trading company, to jointly pursue distribution, sales and marketing of generic drugs in Southeast Asia, and also entered into a general agent contract in the same month and year with Berlin-Keller Logistics (Thailand), DKSH Malaysia (Malaysia) and DKSH Hong Kong (Hong Kong) regarding monopolized distribution of its products in the markets of Thailand, Malaysia and Hong Kong.