

Business in Japan

Japan is the 3rd largest economy in the world. With GDP twice the size of the UK and GDP per person 10 times that of China, Japan remains the high-tech powerhouse economy of Asia - with the 2nd highest spend worldwide on R&D, a hunger for IP and new trends, and an increasingly globalised outlook. Exports from the UK are worth £8 billion a year and 450 British companies have operations in Japan. British companies are succeeding in Japan across a wide range of manufacturing, consumer goods, high tech and services sectors.

Key opportunities

- Business resilience - Technologies and services such as power management, IT Service support, Continuity Planning and support Services (e.g. insurance), skills for global business.
- Demographic change - E.g. healthcare products and services; products targeting an affluent older generation and single-person households; asset management.
- Security and defence products and services - Relaxation of restrictions on exports; potential collaboration between Japanese and UK firms.
- Nuclear decommissioning, clear up and safety post Fukushima - UK has considerable industry expertise in this area.
- Consumer goods - E.g. authentic high quality fashion; design-led consumer products; UK creative products, skills and services; 'petit' luxury market.
- Global sporting know-how - Japan hosts the Rugby World Cup in 2019, and is bidding for the Olympics in 2020.
- Renewables & Low Carbon - In particular energy-saving technologies and devices.

Background to the Japanese Market

The high-tech powerhouse economy of Asia

It has the 2nd highest spend worldwide on R&D, a hunger for IP and innovation, and consumers with an appetite for new trends and technologies. As a result, British companies are succeeding here across a wide range of manufacturing, consumer goods, high tech and services sectors. Exports from the UK were worth £9.6 billion last year, split evenly between services and goods. Japan is the 3rd largest economy in the world - with GDP twice the size of the UK and GDP per person 9 times that of China.

A large and cutting-edge economy

Despite well-known economic sluggishness over the past twenty years, the Japanese market is large: for context - the economy of Tokyo is bigger than Russia, the economy of central Japan greater than South Korea. Japan's huge economy therefore remains a key driver of world economic growth - as witnessed by the disruption to world supply chains in the aftermath of the 2011 earthquake.

68 Fortune 500 companies are Japanese (the UK has 30). There is a hunger for IP - especially in high-end electronics, biopharmaceuticals and business services. Japan has the second highest R&D spend in the world at 3.3% of GDP. It is also a stable place to do business: commitments are upheld and things happen on time. Doing business holds fewer surprises in Japan than elsewhere in the region - with IP, in particular, well protected.

Consumers with high-levels of disposable income

Japanese are early adopters of new products and services and are noted for have a high expectations of quality and satisfaction. There remains an eagerness for quality UK products with an authentic or creative look and feel. The amount of personal wealth is high: \$12.8 trillion in net financial assets held by households (almost equivalent to the value of US GDP). There is therefore an influential consumer base of affluent older people. This rapidly ageing society (21% over 65 now) also offers particular opportunities for UK companies in healthcare, bio-pharmaceuticals and older consumer goods sectors.

Biotechnology and Pharmaceuticals sector in Japan

The Japanese pharmaceutical market is the world's second largest with sales of over £63 billion in 2012. At 12% of the global market, it is bigger than France and Germany combined.

Market overview

Japan has a number of research based pharmaceutical companies that are operating on a global basis including Takeda, Astellas, Daiichi Sankyo, Eisai, Otsuka, Mitsubishi Tanabe, Chugai, Shionogi, Kyowa Hakko Kirin, and Dainippon Sumitomo. These companies are actively looking for collaboration opportunities with new and innovative pharmaceutical companies and many have operations in Europe (see footnote). The market for biologics such as antibodies, protein based drugs and vaccines, has been increasing and companies including Chugai, Kyowa Hakko Kirin, Takeda, and Mitsubishi Tanabe are some of the key players in this market.

Japanese pharmaceutical companies are expanding geographical coverage and therapeutic areas by M&A activities. Examples include Takeda's acquisition of Millennium and Nikomed, and Astex Pharmaceuticals that was acquired by Otsuka Pharmaceutical, which promises to significantly enhance its capacity to develop new therapeutics for cancer.

While some emerging markets are growing at a rapid pace, Japan remains to be an attractive investment market for having a high percentage of new drug sales. Domestic drug production is worth ¥6.9 trillion (approximately £50 billion) in 2011, of which prescription drugs account for 90% of production, while over-the-counter (OTC) drugs account for the remaining 10%.

Japan has one of the world's fastest ageing populations. As a consequence, its population is facing an increasing number of chronic and long-term diseases.

Key opportunities

- Demand for joint development, outsourcing of R&D, clinical trials and regulatory affairs in Europe continues to increase.
- In view of patent expiration of blockbuster drugs and pressures from generics, most opportunities will be in out-licensing of drugs especially for age-related, non-communicable diseases including cancer, cardiovascular and CNS.
- Increasing development of antibody drugs by Japanese pharmaceutical companies.
- Drug Delivery Systems (both original and generic manufacturers).
- Biomarker development.
- Services to help faster drug development.
- Diagnostic companies are also looking for products or unique technologies that can improve diagnostic/detection processes and for the development of companion bio-markers. Diagnostic companies are looking to expand overseas to off-set the sales in a saturated market. Business opportunities with diagnostic companies result in potential wider market opportunities.

Getting into the market

Direct collaboration opportunities with large Japanese pharmaceutical companies who operate globally would be the best way to get into the market, along with collaborating with medium sized Japanese pharmaceutical companies.

Globally operating Japanese pharmaceutical companies also have sales routes to emerging markets including China and India and collaboration with Japanese pharmaceutical companies could also provide access to these emerging markets. Japanese companies place strong emphasis on developing the trust and mutual confidence that will lead to a strong and enduring relationship.

Source: UK Trade & Investment (<http://www.ukti.gov.uk>)
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Many Japanese Pharmaceutical Companies have global interests and operations in Europe

Takeda - 168 companies worldwide with 16 European countries.

Astellas - Astellas Pharma Europe Ltd. is headquartered just outside London in Chertsey and has 20 affiliates across Europe and South Africa.

Chugai - Chugai Pharma Marketing Ltd. is responsible for sales administration of the Company's pharmaceuticals in Europe. CHUGAI sanofi-aventis S.N.C. undertakes imports and sales of the Company's pharmaceuticals. Sales activities in Germany are undertaken by Chugai Pharma Marketing Ltd., in the United Kingdom by Chugai Pharma U.K. Ltd. and in France by Chugai Pharma France S.A.S.

Daiichi Sankyo - 12 European countries including the United Kingdom.

Eisai - UK, Spain, Italy and Germany.

Otsuka - 170 factories worldwide, 13 European countries, Headoffice in Middlesex (UK).

Mitsubishi Tanabe - Austria, Germany, UK (London), France and Belgium.

Shionogi - European Headquarters in London.

Kyowa Hakko Kirin - Prostrakan is a member of Kyowa Hakko Kirin group and is headquartered in Scotland. It has commercial operations throughout the rest of the UK and continental Europe (UK, France, Spain, Germany, Nordic region, Benelux, Greece and Italy).

Dainippon Sumitomo - Dainippon Sumitomo Pharma Europe Ltd. (DSPE) to Sunovion Pharmaceuticals Europe Ltd. (Sunovion Europe) on April 2013. Headquarter located in London.

Otsuka Pharmaceutical acquired Astex Pharmaceuticals in 2013, which promises to significantly enhance its capacity to develop new therapeutics for cancer.

Source: Company websites