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THE SANKYO COMPANY LIMITED*

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Exhibits

The Sankyo Company Limited—the Head Office in Tokyo—has been engaged in manufacturing and distributing pharmaceuticals, agricultural chemicals and provisions.

In recent years, many pharmaceutical manufacturers have shown an excellent operational performance because of increased sales by medium of mass-communication, which has been boosted by the nation's economic growth. Especially, the growth of tonics has been marked.

In preparation for the full-fledged trade liberalization in the near future, the Company has entered into a cooperation contract with the following foreign firms:

Parke, Davis & Co., United States

(for establishing a new company by investment with equal shares)

Sandoz, Switzerland

Sankyo takes charge of sales, and Sandoz sales promotion.

N.V. Organon, The Netherlands

Sankyo takes charge of sales.

The Company's exports are directed largely to the United States, which accounts for about five percent of sales.

It is necessary to conduct world market research, and to study and produce new pharmaceuticals in order to expand the exports. The principle of the Company is to make efforts to export much for years to come.

The recent increase in personnel expenses not only affected the exports but deteriorated the operational performance. Profit rate is gradually declining, and some of the manufacturers are tending to move into other more profitable industries (especially foodstuff industry). This is true not only of

* This case material has been prepared as a basis for group discussion, and is not intended to present illustrations of either correct or incorrect handling of administrative problems. Prepared by Professor Yasuo Kotaka assisted by Associate Professors Matsutaro Wadaki and Saburo Kojima and Assistant Professor Yoshio Aida at Keio University.

Sankyo but of the other manufacturers.

Advertisement has been actively carried out through press and television. Thus, an executive of the Company remarked that the recent publicity activity was running to excess. The executives of the Company believe that the reduction of marketing costs is necessary. Because of the large increase in advertising expenditures for mass-communication, especially a large amount of tele-casting charges, the manufacturers, aware of the uselessness, have been reluctantly driven to the competition.¹⁾

The History of the Company and Industry Position

The Sankyo Company Limited has a paid-in capital of ¥2,500²⁾ million (as of 1961) and some 4,000 workers. It has Head Office and the Agricultural Chemicals Business Department in Tokyo. Also it has 13 district offices and agencies and 6 plants throughout the country. The Company is one of the prominent manufacturers and distributors of pharmaceuticals in this country, with annual sales of some ¥11 billion of medicines and ¥2,500 million of agricultural chemicals, and annual profit of some ¥1,100 million.

The Company started with the Sankyo Store, which was established by Mr. Matasaku Shiobara, father of Teizo Shiobara, Chairman of the Board of Directors, jointly with two executives in 1899, and was reorganized in 1909 as the Sankyo Pharmaceuticals Company Limited. Thus, the Company indeed has an experience of sixty years of operation.

However, the course of development for the Company to be as it is today has never been favorable. It had to tide over periods of cyclic business changes. Especially, for the period of confusion in the economic community during and after World War II, it confronted with a severe difficulty as did other manufacturers and distributors of pharmaceuticals, as well as general business enterprises in Japan. Thus the history of the Company in the latter part of and after the War should never be ignored if we are to grasp the true picture of the Company. The following are the Company's history in the making especially in retrospect of the course of development in that period.

As may be seen in the History of the Company, Appendix I, it is not overstated that the Company, in its earlier days, had continued much more favorable course of development, though not so even, than it had in the latter part and after the War. It explains how adverse the circumstances were immediately after the War. In fact, some sixty percent of the most important Shinagawa plant was destroyed by the War, and in addition, there was a

(1) Pharmaceutical Law in Japan

Article 66. No one is allowed to advertise, describe or circulate, implicit or explicit, a false or exaggerated statement concerning the name, process of manufacturing, efficacy, effect or quality of pharmaceuticals, non-pharmaceuticals, cosmetics or medical instruments.

An advertisement, description or circulation of statement liable to cause misunderstanding that a physician or other person has guaranteed the efficacy, effect or quality of pharmaceuticals non-pharmaceuticals, cosmetics or medical instruments falls under the previous Article.

(2) 1 U.S. dollar equals 360 yen.

severe shortage of raw materials. Thus, the Company had to go on production on a small scale with a supply of remnant ammunitions. Furthermore, the Company was subject to the "Law for Decentralizing Economic Power" enacted under the directive of Supreme Command of Allied Powers. Furthermore, there occurred a heavy inflation immediately after the War due to payment of a large extraordinary military expenditure and expansion of loans from financial institutions. There was an introduction of deflationary policy by the Government and the Bank of Japan under the instruction of SCAP with a view to stabilizing and rehabilitating the economy. Thus, the Company had to face monetary stringency as well as various legal restrictions during the period 4-5 years after W.W. II.

In other words, difficulties confronting the Company during 1948-49 were (1) destruction by the War and the problem of rehabilitation, (2) shortage of raw materials and severe competition among manufactures, and hence, difficulty of higher raw materials prices and lower products prices, (3) sharp increase in payments salary and allowances as a result of the inflation and labor offensive, (4) various legal restrictions, (5) deflationary policy by the Government and the Bank of Japan. As a result, the Company experienced the worst business condition in its history.

In light of this, in 1949 all officers of the Board of Directors resigned, and Mr. Manpei Suzuki, the ex-President of the Toyo Spinning Co., Ltd. and Toyo Reizo Co., Ltd. assumed the office of President. The Company's ex-President, Mr. Teizo Shiobara assumed the post of Chairman of the Board of Directors, and thus the Company strengthened the top management and endeavored to tide over the situation. (refer to Appendix 1, History of the Company for the measures by President Suzuki)

Although efforts by the new top management to tide over the difficulties were not entirely successful, the most important objectives of a reduction of workers, finances and priority production system yielded some results by degrees. Meanwhile, the antibiotic, chloromycetin sold by the Company under the sole domestic agency contract with Parke, Davis & Co. was hailed greatly, the sale of which rose by a large measure. This provided an important approach for the Company to rebuild its business foundation.

The Company's efforts for improvement of its business and the success in marketing antibiotics, together with the reputation of Oryzanin Red, facilitated the rehabilitation, and the Company, on its part, endeavored rapidly to rebuild its plants. And, along with the recovery of free competition by the entire removal of pharmaceuticals allocation system in 1952,³⁾ the Company began to undertake a large investment in plants and equipment.

At the end of 1953, the Government policy was again shifted to monetary stringency so as to prevent the economy from excess heating of the consumption boom following the Korean War. Thus, the so-called saucer-type-doldrums

(3) The Korean War broke out in June, 1950. The war boom greatly profited the Japanese economy, and the pharmaceuticals industry was favored by the prosperity for a time. However, business declined following the cease-fire next year.

appeared. Nevertheless, the Company was still prosperous because of the success in domestic production of well reputed antibiotics.

As a result, the Company could solidify its operational base during the period of prosperity that began in the fall of 1954, and tiding over the deflation during 1957, it has become as it is today.

Thus, it may be said that the Company began to follow the steady course of rehabilitation and development from 1951-52. Of course there could not be without changes in its business policy. There was an intensified competition among the manufactures, and moreover, because of the patent being granted to only processing but not to production in Japan, which makes the production of imitations possible, the Company was unable to continue the priority production system, as it had adopted at the early period of rehabilitation. As a result, it had to make a ceaseless effort for developing new products and opening up sales markets. Numerically, the percentage of antibiotics in the total production of the Company stood at 35-40 percent in the period of rehabilitation, but recently it has dropped to only 20 percent.

This is the retrospect of the course of development of the Sankyo Company Limited as it is today. Now, we will outline the status of the Company in the pharmaceuticals industry.

First, the production index for pharmaceuticals in Japan rose remarkably in recent years. The output index for pharmaceuticals in 1958 showed a high of 422 (1950 = 100), as compared with 305 for manufacturing and mining, 330 for manufacturing, 271 for foodstuff and 351 for chemical industries. And in value, the output of pharmaceuticals rose from ¥58,564 million in 1952 to ¥174,324 million in 1960. Of this, the output of tonics increased from ¥6,545 million to ¥41,177 million and that of remedies from ¥52,019 million to ¥133,127 million, the rate of increase for tonics being particularly remarkable. At present, there are 2,500 pharmaceuticals manufacturers in Japan, and the ten largest scaled manufacturers have produced 45 percent of the total output. These are: the Takeda Pharmaceutical Industries, Ltd., Sankyo Company Limited, Shionogi & Co., Ltd., Daiichi Seiyaku Co., Ltd., Tanabe Seiyaku Co., Ltd., Dainippon Pharmaceutical Co., Ltd., Fujisawa Pharmaceutical Co., Ltd., Yamanouchi Pharmaceutical Co., Ltd., Chugai Pharmaceutical Co., Ltd. and Teikoku Hormone Mfg. Co., Ltd.

Now, concerning the three top-ranking manufacturers, while Takeda sold ¥3,470 million, Sankyo ¥1,240 million and Shionogi ¥1,140 million in 1951, on a semi-annual basis in the second half of 1959, the sales of Takeda amounted to ¥12,430 million, those of Sankyo to ¥6,260 million and Shionogi to ¥6,480 million. In the first half of 1960, the sales of Takeda amounted to ¥15,030 million, Sankyo to ¥6,910 million and those of Shionogi to ¥6,810 million.

The Rate of Growth in Production by Industries (1950=100)

Industry	1950	1958
Pharmaceuticals	100 %	422 %
Chemical	100	351
Foodstuff	100	271
Manufacturing	100	330
Manufacturing and mining	100	305

Source: Prepared by Sankyo.

Sales of the Three Major Pharmaceuticals Manufacturers

Manufacturer	(billion yen)		
	1951	1959	1960
Takeda Pharmaceutical Industries, Ltd.	3.47	12.43	15.03
Sankyo Company Ltd.	1.24	6.26	6.91
Shionogi & Co., Ltd.	1.14	6.48	6.81

Source: Prepared by Sankyo.

Rate of Increase in Output of Pharmaceuticals (all manufactures)

Product	(million yen)	
	1952	1960
Pharmaceuticals (1)	58,564	174,304
Tonics (2)	6,545	41,177
Remedies (3)=(1)-(2)	52,019	133,127
Household use (4)	8,564	29,251
Physicians use (5)	43,455	103,876

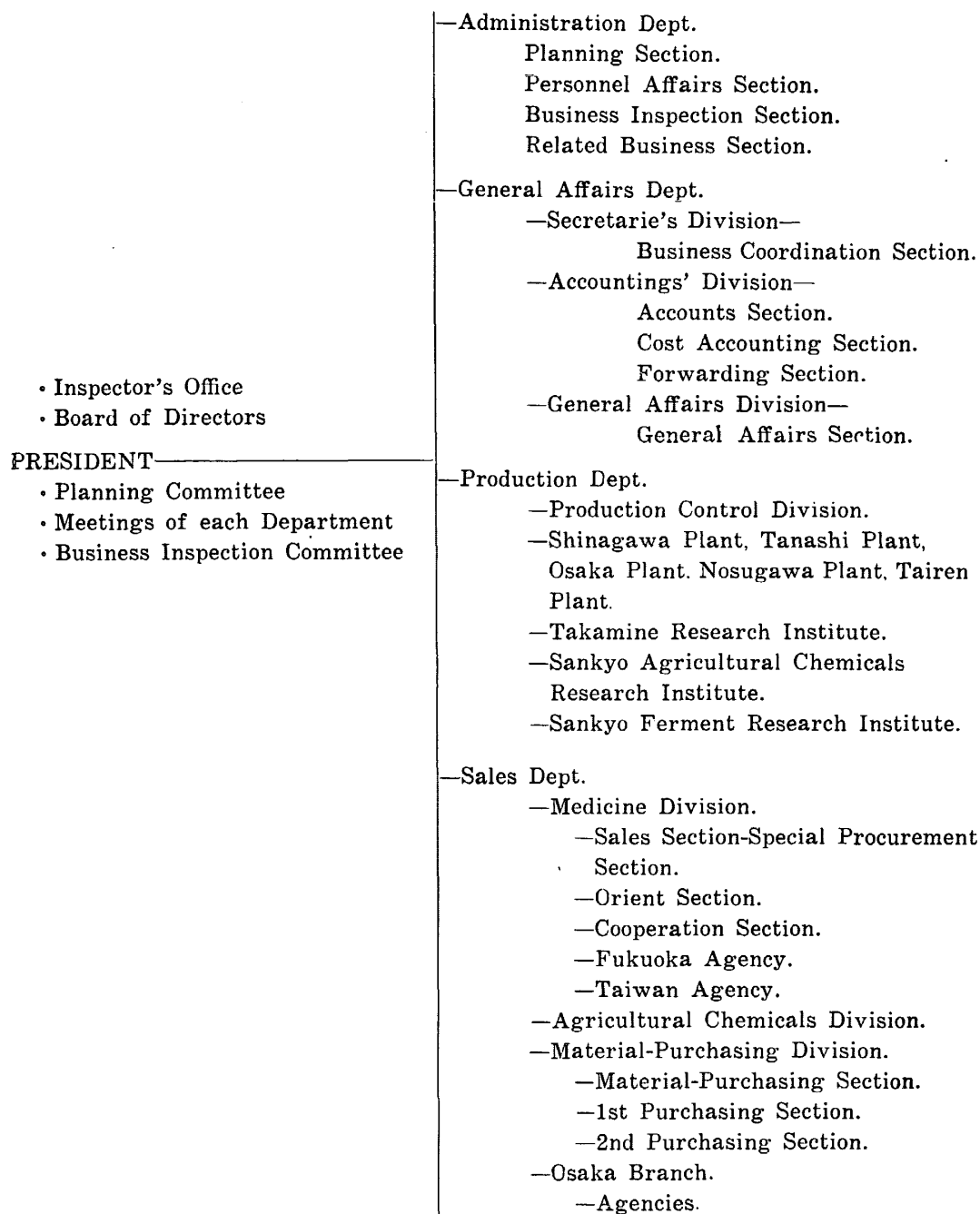
Source: The Pharmaceuticals Economy Research Institute.

Organization

The management organization of the Sankyo Company was from the beginning of its operation characterized by modernized system reflecting the advanced thinking of Mr. Matasaku Shiobara (the founder of the Company). At least, it is no doubt that the knowledge that he had acquired during his visit to the United States in 1904 was introduced in the management of the Sankyo Store (the predecessor of the Company). Included in it was the problem of management organization. Thus, although the name was changed some times after that, the managerial foundation assuredly was established during that period. In fact, there existed already in 1910 the General Affairs Department, Accounting Department, Sales Department and Foreign Department (Second Division of Sales Department), though the designation was different from those of today. And, the development of the organization thereafter has been in the form of supplement to this basic organization. A principal event in the organization in the Taisho Era was the establishment of the Secretary Department. And, along with the production of agricultural chemicals getting under way from the latter half of the 1920's to the 1930's, the Agricultural Chemicals Department was established in 1936. Following the establishment of the Department, the Company undertook the reinforcement and re-scrutiny of the organization. In 1937, the Takamine Research Institute was established, and at the same time the Sankyo Agricultural Chemical Research Institute was opened, the so-called research division being greatly enlarged.

During World War II, there appeared various changes in the organization not only from the necessity of business but for the production of military supplies, and in accordance with economic controls. The major events were

the establishment of the Sankyo Enzyme Research Laboratory and creation of the Control Department and Material-Purchase Department. The organization chart during the wartime (1943) is shown below.



The economic chaos following the termination of the war and in the period of rehabilitation caused various changes in the various fields of management of the Company. The organization also underwent great changes corresponding to this situation.

First, during 1954, the primary effort of the Company was to adopt itself to the economic changes after the war and to recover the warstricken facilities.

At the same time, a consolidation of the Sales Department was emphatically carried out because of the occupation policy by SCAP. That is: the establishments of the Narcotic Section, Agricultural Chemicals Section and Foreign Trade Section, followed by reforms in various systems.

In the following year, the Editing Sections which had been previously placed in the Sales and Production Departments were unified into a single Science Department, which was charged with integrated and concentrative work in these fields. In the same year, the Production Department came into existence to be charged with the business of planning and controlling production. And the primary objective of the Production Department was to establish production program and assess the requirements for plants and equipment on the basis of American system of management, and to report them to the Executive Director's Room.

In 1949, because of the worst period in its operation that the Company had ever experienced, no significant expansion in organization was carried out, with the exception of establishment of Dispatch Section in the Sales Department. On the contrary, some conservative measures were carried out such as the abolishment of the Science Department. Active organization reforms were undertaken in the following year (1950).

As seen in the frequent publications of the Japanese version works of American business management, our business management received strong influence from the American industrial management in the year 1950. Thus, the Sankyo Company, on its part, carried out reforms in line with this development. In the same year, the Research Section was set up in the Sales Department, to take charge of market research, sales planning and sales promotion. At the same time, there was a large transformation in the Sales Department, in which the Sales Section was established, and the Agricultural Chemicals Section temporarily included in the Sales Department became the independent Agricultural Chemicals Department. Moreover, to give full scope to the Research Section of the Sales Department, in other words, with a view to keeping organic association with the top-management, the Planning Room was set up, and the General Affairs Department was established to deal with the business of it. The General Affairs Division of the Planning Room was composed of the First, Second and Third Section. The First Section was charged with the research and planning of the total cost accounting and price formation of the products, the Second Section to conduct research and planning of production, and the Third Section was to make research and planning with reference to sales of the products. At the same time, the Science Department, which had previously been abolished, restarted in the form of Science Research Department, the objectives being to provide basic principle and assistance for the above functions.⁴⁾

Furthermore, in 1953, there were reorganizations in the Science Research

(4) Later in 1952 the businesses of the three sections of the General Affairs Division of the Planning Room were reformed, and the First Section would take charge of general planning and budget, the Second Section to be charged with business budget and the Third Section for planning new products.

Department; it was divided into the Science Department and Research Department. The Research Department was to play the role of integrated research institution through unification of the previous research institutes, with an objective of research and development of new medicines. The Science Department would conduct the compilation of the bulletin and scientific commentaries, collecting and furnishing of information concerning scientific matters of drugs and medicines, contact with science societies and research institutes, and the cooperation works concerning clinical testing of newly developed products.

In 1954, when general economic conditions were called as depression, there was a reorganization again in the Sales Department, and the Sales Promotion Section was newly established. The Section would conduct matters concerning method of special bargain, publicity for new products and other sales promotion, with special reference to marketing. This was the beginning of the Sales Promotion Department started later. At the end of that year, there was an introduction of IBM, which enabled the tabulation of sales and collection of the whole organizations of the Company.

For some time since then, there was little change because primary efforts were directed to the solidification of each department, but there appeared notable changes in around 1957. First, the previous Materials-Purchase Department was reformed, and there was a realignment of attached sections among the Production, Engineering, General Affairs and Efficiency Research Department. Namely, Engineering Section of the Engineering Department was transferred to the Engineering Section of the Production Department⁵⁾ in view of its works. The Efficiency Research Department was divided into the Technical Section of the Production Department and the Labor Section of the General Affairs Department. Thus, from that time on, the Labor Section was responsible for matters concerning supervisor training and efficiency.

Furthermore, the Product Planning Department was also reorganized in the same year. That was, among its businesses, those concerning Company's integrated budget and services for the Internal Board of Directors were transferred to the Research Room and the controls concerning production were shifted to the Production Department. Thus, the Product Planning Department was charged concentratedly with planning of new products. In other sense, through that reorganization, the Product Planning Department was to engage in programming of new goods for sale, improvement of products on trial sale, negotiation with inventors, commercial production of new goods and packing, etc.

The Foreign Department was also established in the same year, elevated from the former Foreign Trade Section of the Business Department. And, it cannot be overlooked that the Research Room was set up in the same year. The Research Room has an objective of facilitating the business of the Internal Board of Directors. The Room included the Planning Section and the Budget

(5) The Production Department had been established in 1948, and later resolved for a time. However, along with the reorganization, it made a restart as the independent Production Department.

Section of the former Planning Department and the Inspection Section of the former Audit Department. The Planning Section was to take charge of the business concerning the Internal Board of Directors and planning as of an integrated long-term project. The Budget Section was in charge of the compilation and adjustment of budget, and the Audit Section would conduct business accounting, efficiency internal audit and other businesses.

In 1958, there was no significant changes in the organization of the Company, and the only notable event was that the Research Department undertook strengthening of the biochemical research by reforming its personnel system. However, in 1959, there were big changes in the Business Department.

The Sankyo Company to-day shows a sectional diagram of these process of development, which is illustrated as follows:

Finally, reference will be made to the Internal Board of Directors, the most important of the organizations of the Company.

The Internal Board of Directors is the supreme committee of the Company composed of the President, one executive director and three directors. As laid down in the stipulations, they are to meet once a week. The Company has no standing committee belonging to the Board of Directors, and all the members of the Internal Board of Directors are the members of the Board of Directors. This forms a contrast to many committee systems in the United States. The present President is the former President of the Toyo Spinning Co., Ltd. and the Toyo Reizo Co., Ltd., but other members started their career with Sankyo. One out of four Directors is a pharmacist and the others are non-technical officers. Problems of top-management are discussed in the Internal Board of Directors, the approval of which is made by the President. Thus, so-called business policy is examined and decided upon actually at the meeting of this Internal Board of Directors led by the President. And, the Research Room is just the secretariat for the Internal Board of Directors. For example, in programming a long-term project, the Planning Section of the Research Room is to collect and prepare economic materials, on the basis of which it frames a program, and submits to the Internal Board of Directors. Finance planning is established by the Budget Section of the Research Room on the basis of materials provided by the Accounting Department, which is submitted to the Board. Further, production program is prepared by the Research Room, based on the materials provided by the Production, and Product Planning Departments, which is submitted to the Board. Sales Promotion Department also provides materials. In planning investment in capital equipment, the Research Room makes research on the basis of related materials provided by the Business Research Section of the Sales Department and the Production Department, adjust opinions, and submit them to the Board with its own viewpoint. The Board examines them. Upon decision, the Research Room instructs the Production Department and others to map out a detailed program. Then, the Production Department is to assess the equipment requirements and the Accounting Department calculates the financing schedule. The Research Room collects these materials and submits to the Board. The Board examines them and makes a final decision.

Furthermore, the Internal Board of Directors considers the appointment or dismissal of officers above section chief.

Meanwhile, problems now discussed in the organization of the Company are the establishment of the Test Production Section and its status in the organization. The Test Production Section is to find and administer the technical problems that may occur when the genuine scientific results of works of the research institute and research room are put into process. Thus, the Test Production Section needs a test plant of sizable scale. The Company is constructing a test plant one fifth as large as full size in the Shinagawa Works.

However, the problem arose to what department the Test Production Section should belong, or how its status in the organization should be. Previously, these businesses were assigned to the Second Pharmaceuticals Section of the Shinagawa Factory.

Research and Development

The development of new products is for the Product Planning Department to do, and information concerning development is provided by the Research Department, Production Department, Sales Department and sometimes from outside. That provided by the Research Department are largely data concerning new medicines, which are results of research. That provided by the Sales Department are for the improvement of the products in respect of configuration, taste and smell proposed by users (largely, hospitals).

In order to facilitate the development of new products, the Product Development Committee was inaugurated, with the Product Planning Department as its secretariat. The committee is composed of the staffs of the Research, Sales, Science, Production, Accounting and Product Planning Department, and sometimes staffs of related companies participate. The Product Planning Department will see to that the program is examined by the Committee, decided upon by the Board, and the production gets under way in the factories.

It is difficult to bind the research schedules by the sense of time. In this sense, there was some difference of concept between technicians and administrators. Research budget was assessed as a total amount on the basis of rough estimates. The Research Department often made a payment of expenses above the approved budget. The expenditure was generally one third above the initial budget.

A leading officer remarked that:

“... because of a necessity of firm basis for the chemical industry, the Research Laboratory has a large number of staff researchers. And, research is shifted from individual to integrated system. Thus, the Research Laboratory may well be called an integrated research laboratory.

... research expenses reach a large amount, and this is because the research activity of the company is conducted on a very broad front, and is attracting world attention.”

Mr. Matsui, the Chief of the Research Department is a genuine expert technician who has thirty years of experience with the factories of the Sankyo Company. In the rehabilitation of buildings and facilities destroyed by the last War, Mr. Matsui placed the utmost importance on the recovery of research facilities and apparatus, and repletion of the library, and least on the appearance of the building. He attached great importance to the study of basic matters, and never cared about passage of time over several years for one study. The Research Department has 200 persons, of which fifty researchers have degree of Doctor. He set the objective of his study on remedies. He firmly believes that:

The ways of the research of pharmaceutical company cannot be defined. New products could be developed out of the sober basic research, and we cannot say what sort of product would be made.

However, requested by the Sales Department, some 30 researchers were engaged in the study proposed by it. The themes for study was proposed in some cases at the meeting of chief researchers, and some times offered by the researchers, but they were not requested by any other department. In order to keep the Research Department away from the immediate influence of other departments and sections, Mr. Matsui kept contact with other departments by himself.

Unlike other industries, the production of pharmaceuticals is subject strictly to the Pharmaceutical Law in respect of production. Moreover, the Company has made it a firmly held principle to maintain prudent attitude from the initial period of the operation, so that usually one year and a half has passed from planning to mass-production.

New products for the 93 fiscal term (September, 1960 through March, 1961) are as follows:

Pharmaceuticals—Liverall, Pogil, Longiphen

Agricultural

chemicals ————— Camex, Telper, Tiodan emulsion, Emulsion-death, Sunlit, Hitmate

Food products—Minevital Drink

Production

The characteristic of the Company lies in the principle to produce and sell pharmaceuticals of the newest development since the time of Mr. Matsuo Shiobara, founder of the Company.

Thus, the Company has consistently devoted itself to research and development, and endeavored to produce and sell new products.

As of May, 1961, it has 300 articles in its production list. However, there are included a few articles of order production, and because of a particularity of pharmaceuticals industry, not a few articles are produced on non-commercial basis. Many kinds of articles, especially medicines for doctors, fall into this group which producers are obliged to produce as a social responsibility.

During the period of business depression in 1956, the Company shifted to

priority production and decreased previous 85 articles to some 50 articles, to tide over the difficulty. From that time on however, along with the excellent advance of performance, the articles have become more diversified, realizing 300 articles now.

Meanwhile, the Company's efforts have been directed not only to the diversification but to mass-production and rationalization, for instance, by, unifying receptacles. Though receptacles must vary according to articles, at present these are unified up to 8 kinds.

Noteworthy is that the relative weight of articles to be produced is varying from time to time. Output statistics reveal that antibiotics, vitamins, drugs acting upon nervous system and those acting digestive organ are the mainstay of the production. By items, relatively large output and sales are reported for such as Chloromycetin, Kyoryoku-Golf, Minevital, Taka-diastrase, etc. Taken as a whole, the growth of tonics has been remarkable, over six times during 1952 and 1960. It is characteristic that the growth of tonics has exceeded that of remedies. Especially, the growth of home-treatment medicines has been marked.

As for the production, the Company has entered into cooperation contracts with fifteen foreign firms from the early period of business operation. The Company has been closely associated with Parke, Davis & Co. in various ways from the beginning of its business, and is engaged in the production and sales of Chloromycetin under the contract with the company that has a patent right. The great success in marketing Chloromycetin owned to the speciality of the medicine in the process of production, as well as to the effectiveness of the medicine. That is, other antibiotics are largely produced by fermentation process, but Chloromycetin is produced by synthetic process. In other words, the latter process is more time-saving than the former in massive production, and this enables the production to meet increase in demand. In this sense, the production method by synthetic process has been a wonder of pharmaceuticals industry.

The Company has seven factories scattered throughout the country. The largest and most important of them is the Shinagawa Factory, in which largely pharmaceuticals are produced. The Research Department is attached to the Factory. Agricultural chemicals are produced at the Yasugawa and Mishima Factory. The Tanashi Factory produces provisions, particularly yeast, and the Kameari Factory is engaged in the production of raw materials.

Marketing

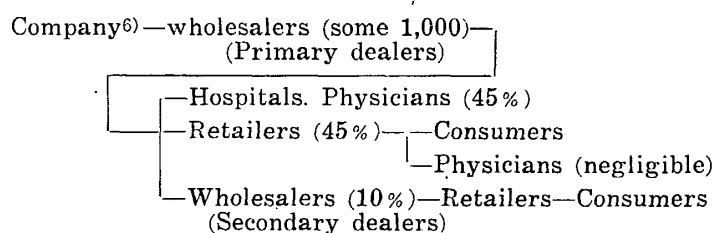
Marketing is performed by the Pharmaceuticals Sales Department and Sales Promotion Department, and a chief holds offices of both. The sections of both the Departments are charged with businesses as follows:

Sales Promotion Department

First Section	Coordination and adjustment
Second Section	Business concerning retailers
Propagation Section	Business concerning consumers in general

Sales Expansion Section	Hospitals, physicians
Pharmaceuticals Sales Department	
Sales Research Section	Sales planning, pricing
First Section	Sales allocation, collection and guidance for wholesale dealers
Second Section	Drugs for prevention of epidemics
Third Section	Foodstuffs
Shipment Section	Forwarding of products
(office in factory)	

The Company has been distributing its products to hospitals and retailers throughout the country by media of wholesale dealers, the channel being given below:



There are some 2,500–2,600 wholesalers dealing in pharmaceuticals and agricultural chemicals throughout the country. Recently, there have been moves by pharmaceuticals companies to affiliate wholesale dealers, but these are not so active as in other industries.

Retailers are roughly classified into pharmacy (with pharmacist, filling up a prescription) and drug store (without pharmacist, selling drugs).

Out of a large number of pharmaceuticals manufacturers, nine major companies account for some 46% of total sales. All manufacturers are showing a larger increase in sales of tonics than of remedies.

The Sankyo Company collects information concerning business through the Business Research Section from the following sources:

- 1) Primary wholesale dealers
- 2) Salesmen
- 3) Contract researchers

The contract research is carried on jointly by manufacturers. Therefore, subjects for research are decided upon commonly by agreement of the companies concerned, and as a result, similar reports are given to the companies.

The Dentsu (monthly): Research for pharmacies

This research is made on the joint request of ten manufacturers through eleven main cities and eight local cities (with a partial monthly change in listing of the local cities), and sales of pharmacies are tabulated by items. This facilitates the companies to estimate market trends in their respective products.

Chuo Chosasha (monthly): Retailers research

Thirty thousand consumers purchasing specimens and drugs through-

(6) Some 5% of sales (45%) to retailers are delivered to establishments of government and large company.

out the country are tabulated by profession, business, income and family. This enables an estimate of the rate of consumers' purchases. The research is requested jointly by five companies and the companies decide the items to be placed for research. This survey gives an idea of consumers' tendency for given products.

The manufacturers have to report their output of drugs to the Ministry of Welfare, and the results are compiled and published by the Pharmaceuticals Economy Research Institute. Thus, unlike other industries, outputs of pharmaceuticals companies are made public clearly. The joint research makes a characteristic of the pharmaceuticals industry. The joint research has been conducted since 1952, yielding effects by degrees. At present, the manufacturers have been able to grasp a rough picture about consumers and areal positions by products.

The Sales Research Section, on the basis of the research, reports to the Chief of the Sales Department the actual sales for a month and sales trend by products, and at the same time makes forecast for sales by products and by areas.

On the basis of these data, the Sales Department would take part in the production planning adjustment conference in the following month, which would be held under the auspices of the Production Department with factory staffs participating.

Financial Conditions

The performance and financial conditions of the Company in the past are shown in the appended condensed balance sheet, comparative profit and loss statement, ratio analysis and the comparative cost sheet.

These are summarized below:

Along with the expansion of the nation's industrial production and the growth in the national income after World War II, the Company has followed a stable course of development in its business. Although not entirely satisfactorily sound, the Company's financial structure has been relatively excellent compared with those of the manufacturers of the same line and other industries. Principal factor contributing to the growth may be found in the expansion of capital investment for increasing output. The expenditures for the capital investment have been financed by the successive capital increases in the postwar period, and the Company's capital rose as follows:

Increase in capital	(¥ million)
End of W. W. II	30
August, 1948	120
November, 1951	250
December, 1953	520
November, 1956	780
October, 1958	1,200
October, 1959	1,320
June, 1961	2,500

On the other hand, the Company issued the bond as follows:

During	(¥ million)
1957	100 each two times
1959	200 each two times
1960	200 each four times
1961 (until August)	400
	300

The funds floated by the issues of bond have been used entirely for the investment in equipment, such as establishment of research laboratories and test plant, expansion of facilities for mass-production and rebuilding of equipment for the rationalization of production processes, and so on.

The next table shows the Company's principal financial ratios for the recent fiscal (October 1, 1960 to March 31, 1961. Accounting of 90 percent of principal corporations is based on a half-year term in Japan).

Financial ratios

	Sankyo	All industries ^①	Manufacturing ^②	Pharmaceuticals industry ^③
Current ratio	149.2	105.3	116.3	140.3
Fixed assets ratio	82.0	179.7	142.5	82.4
Ratio of liabilities to net worth	252.7	246.4	216.0	190.9
Ratio of profit to total capital	7.0	5.5	7.6	8.8
Ratio of profit to net sales	42.0	14.9	20.5	47.9
Ratio of operating costs to net sales	27.0	7.4	9.7	33.4
Turnover ratio of account receivables	1.7	6.0	4.9	1.5
Turnover ratio of inventories	2.6	6.6	4.0	2.9
Turnover ratio of fixed assets	2.1	1.9	1.8	1.8

Note^{①②③}: ratio of Registered Companies at Tokyo Stock Exchange in Japan.

The business planning and administration by applying financial figures are as follows. Recently, principal corporations in Japan have undertaken the establishment of integrated planning and the long-term program by applying financial figures as an important task in business management.

Budget control system of the Company was set up in 1951. It started within the area of the Planning Room. Since then, the dual budgetary system has been in effect until recently budget controls on expenses and those on sales and production programs—and the Company has promoted rationalization of the budget system, making efforts to adjust both. Meanwhile, the or-

ganization of the Research Room as general staff has been strengthened, and along with this, the Company's long-term operational goal has been established on a long-term planning basis, prompted by the enormous amount of expenditures for capital investment. This was felt essential because business planning on a long-term basis has become widespread recently in Japan. The operational goal has been established for five business years beginning in April this year. The reason for establishing the long-term operational goal instead of detailed long-term program was only to set a goal for some years ahead because of the particular factors existing in the production of pharmaceuticals. The aim of planning is primarily a profit planning on the basis of eight percent of the ratio of profit to total capital (by the Research Room), and the detailed programs are, 1) sales program (pharmaceuticals, foodstuff and cosmetics by the Pharmaceuticals Sales Department, and agricultural chemicals by the Agricultural Chemicals Department), 2) Equipment program (by the Production Department), 3) production program (Production Department), 4) research and development program (the Research Department and Product Planning Department), 5) financing program (by the Accounting Department), 6) Personnel program (the General Affairs Department), each for five years. In establishing the goal, the Company took into account, in addition to the Government's income doubling program, the following factors: forecast for national income, capital investment by other pharmaceuticals manufacturers, analysis of recent cause of death, researches abroad, past sales of the company and the Government subsidization policy.

On the other hand, the annual budget system has been set up for implementing this five year goal. This is to include estimated balance sheet, profit and loss statement and fund statement, for each accounting year based on the profit program. Moreover, details of the program cover almost all lines of the Company's business organization. Large advertisement expenses are the characteristics of the pharmaceuticals industry, and the Company has spent nearly 10% of sales. In the budget system, the advertisement expenses are appropriated for each means of advertisement—television and radio broadcasting, press, business press and signboard. Especially, every expense budget is appropriated even to the sub-item of the accounting item. To conduct analysis of budget and sales results, the sales of the previous day are reported to the Research Room every day, in which these are analyzed.

In the accounting system for the management cost, the Company use costing by division and process. Also, since 1960, direct costing has been adopted. This system is standard direct costing associated with the budget figures stated above. However, at the end of fiscal term, inventories are valued in terms of full costs for financial accounting reasons.

Labor-Management Relations

The Sankyo Company has 4,000 working staffs. A characteristic of the Company is that there are a large number of college graduates that account for some 25 percent of the staffs.

Moreover, being a particular industry producing pharmaceuticals, the Company can by no means neglect the education and training of the staffs, especially researchers and supervisors, making substantial efforts in this field. The Research Department is charged with the education and training of the former and the Labor Section of the General Affairs Department takes charge of those of the latter.

And in this connection, it cannot be overlooked that circumstances are against fostering skilled workmen. Of course, this applies not only to Sankyo, but to others. However, because the ceaseless development of new products and progress in research require frequent innovation of factory operations and processes, skilled workmen are more likely to lose their ability. This explains why the Company should endeavor to bring up the workmen.

In light of this, the Company has adopted personnel policy based on merits, and the assessment and evaluation of individual services have become more important.

As for the union, labor movement was relatively active after the war until 1949, when a strike occurred, but the Company since then has never experienced labor dispute. The union is genuinely an independent union, and has not been associated with any federation.

The members of the union are advocating familism of the labor-management relationship of the Company, and are proud of their cooperation in 30 percent wage cut during the period of rehabilitation in 1949-50.

The Company, and the top-management, on their part, are aware that the wages of Sankyo are not particularly high, but so to speak, level with that of the other pharmaceutical manufacturers, and so, they pay much attention to the enrichment of fringe benefits (welfare). For example, the Company has a large number of residences for use of the staffs. When an unmarried person lives in a boarding house, he is requested to have a saving account to prepare for his marriage. A person with family living in the boarding house is to save three thousand yen under the trust deposit system. Furthermore, various facilities are provided for by the Company to finance the housing of the staffs, such as loaning fund to the extent of ¥600,000.

Moreover, the pension system has been established since 1959. Under the system, every person shall save two percent of his salary or wage every month, to which the Company contributes an equivalent amount, so that he can receive the pension of two thousand yen monthly on his retirement from the service.

There is no title distinction between such as operative and staff. All persons are called staff, and new employment is planned by the Personnel Section of the General Affairs Department on the basis of personnel schedule prepared by every Department.

The Prospect of the Company

The principle of the Company is to expand exports, advance research and development and achieve rationalization of production system. The pro-

gram for the research and development and rationalization is about to be implemented. The achievement by the Research Department is not only well known at home but has been introduced to authoritative research institutes abroad. For example, the Company has kept a close contact with the Slonketering Cancer Institute in New York. The President bases the development of the Company on the achievement of researches, and has given a full support to the Research Department, respecting the planning by the Research Manager and the staff.

For the purpose of rationalizing production system, the Test Plant Section is about to be established. It is a pre-requisite for new product shifting to mass-production to pass a test production in the factory. Previously, the Second Section of the Shinagawa Factory was charged with this under the Factory Manager. However, the pharmaceuticals research expenses have been transferred to the Product Planning Department of the Head Office. The Board of Directors has decided upon this policy.

The Test Plant Section will have staffs of some 20 members, and Mr. Sakamura, Chief of the Labor Administration Section has been arranging for it. The Product Planning Department and the Research Department were placed under consideration of a department to which the Product Plant Section was to belong. However, the decision is not reached because each has an advantage and a disadvantage. The building of the Test Plant Section has already decided upon, and it is expected that the Section will begin production in the fall of 1961 in place of the Second Pharmaceuticals Production Section.

Exhibit

1. The History of the Sankyo Company Ltd.

The Sankyo Company Ltd. followed a relatively steady course of development until World War II. However, it was dealt a heavy blow by World War II and the following economic chaos. That is, the Company lost most part of the principal factories during the War, as did the other companies. And, after the War, in addition to the application of the "Law for Decentralizing Excessive Economic Power", the Company experienced financial stringency, affected by the deflationary policy by the Government. Moreover, the wave of union offensive that grew rapidly after the War drove the Company to a danger of business failure. Hence, the present prosperity of the Company must be attributed, first of all, to the success in tiding over the difficulties during and after the War. Therefore, one should review the history of Sankyo from two angles, the one from that of the prewar period and the other from

the postwar period. In light of this, the history of the Company shall be looked back upon both in the pre- and postwar period in some details.

“The Sankyo Company Ltd. before World War II”

The history of Sankyo dates back to the Sankyo & Co. Ltd. and further to the predecessor, Sankyo Store that existed sixty years ago. The Sankyo Store started as a dormant partnership company with a capital of ¥3,000 under joint investment each of ¥1,000 by Matasaku Shiobara as its center, Mr. Shotaro Nishimura and Genjiro Fukui. The Sankyo Store then had never aimed at producing pharmaceuticals, but at importation and sale of Taka-diastase which was developed by Jokichi Takamine, and produced by the Takamine Ferment Company of the United States, and later by Parke, Davis & Co. of Detroit.

The Sankyo & Co. Ltd., with Matasaku Shiobara as a leader, was confronted with various difficulties because they were by no means pharmaceuticals manufacturers, when popular medicines were of Chinese school. However, efforts by M. Shiobara and the partners bore fruit gradually, and in 1902, it entered into a special agency contract with Manpei Saito Store, Tokubei Torii & Co. and Chubei Takeda & Co. Since it broadly adopted the agency system, the market expanded gradually.

A large contribution to the development of the Sankyo & Co. during that time and since then was the wisdom of Mr. M. Shiobara. Among many things, it may be noted that, for instance, Mr. Shiobara visited the United States in 1904 and called at Parke, Davis & Co. The knowledge that he acquired by visiting the company during his stay there was utilized in the research, production and sales activities of the Sankyo Store. Around that time, the advertisement of Taka-diastase in the Jiji Shimpō on January 14, 1902 was indeed the first of advertisement of new drug in Japan.

Thus, it was natural that along with the prosperity, the Sankyo Store was not satisfied with being a distributor, but aspired after a manufacturer of medicines. It installed a medicine factory on a site of some 660 square meters at Hakozaki-cho, Nihombashi, Tokyo, and began production of Glyconal and Lactostase.

Soon after that, in 1907, in conformity with the commercial code put into force for the first time in Japan, and along with a briskness in economy, the Sankyo Store, an individual's store, was reorganized into the Sankyo Pharmaceuticals Co. Ltd. with a capital of ¥500,000, and Mr. M. Shiobara assumed the post of representative member of the Company. Then it continued to build up business foundation as a limited partnership company until 1913.

Characteristics of the Sankyo Pharmaceuticals Company during 1907-1913 were; (1) expansion of export and import branches; (2) establishment of the Shinagawa Factory; (3) development of domestic markets, especially, advance into the Kansai district; (4) development of new medicines. Of these, as for the first, along with its efforts for imports and sales of new medicines under special contract with pharmaceuticals manufacturers in the United States and Germany, it expanded its business in the direction of imports other

than medicines. For instance it dealt with imports and sales of motor cars. It was the Second Sales Department that was specialized in this business about 1911.

Furthermore, the establishment of the Shinagawa Factory (2) was derived from the fact that, along with the increase in articles of production of the Sankyo Pharmaceuticals Company, Ltd., the Hakozaki Factory was too narrow to meet increased production. Thus, a part of the business of the Hakozaki Factory was transferred to the Shinagawa Factory, at the 6,600 square meters site, on which there were built three brick buildings.

The development of domestic market (3), especially the advance into the Kansai district, was pressed with by entering into an agency contract with Y. Ogawa & Co. to transfer some of articles previously dealt in by Takeda & Co., and further, by reopening an agency in Osaka in 1911.

As for the development of new medicines (4), we may mention Orizanin and Tetrodoxin in that period. The former was invented by Dr. Umetaro Suzuki in 1910, and the latter by Dr. Yoshizumi Tahara in 1913, both being put on commercial production. The Sankyo Pharmaceuticals Company, keeping a close contact with research institutes of universities and hospitals, requested to prove the medicines newly developed, and began production after that. Many research institutes of Tokyo, Kyoto, Keio and Tohoku University cooperated with the Company.

In 1913, the Sankyo Pharmaceuticals Company once again decided upon a reorganization. That is, with a view to maintaining an everlasting prosperity and to expansion of business, Mr. Matasaku Shiobara decided to reorganize the previous personal organization into a joint stock company. Seven promoters including himself held the inaugural meeting in March, 1913, and established the Sankyo Company Limited with a capital of ¥100,000. During that year, a special general meeting was held, in which the previous partnership company was merged into the new company, the former's capital being valued at ¥800,000.

As stated in the prospects, Mr. M. Shiobara gathered prominent businessmen, leading pharmaceuticals manufacturers and scholars as shareholders, and attempted to expand the activity. Moreover, he introduced the most advanced system of organization, such as the institution of the First Sales Department, Second Sales Department, the First and Second General Affairs Department, Accounting Department, the First and Second Production Department of the Shinagawa Factory. Thus, the Company, which was no more than a small domestic industry then, was built up into a large industrial facility.

Factually he was far sighted. In 1914 World War I broke out. At the outset, Sankyo was struck by the war, but the affect of the war was in favor of the Company from the latter part of 1914. The Company enjoyed a prosperity and expanded business from 1914 through 1941. In fact, in 1915, because of a suspension of imports of dyes stuffs and pharmaceuticals from Europe, especially Germany, the Company undertook active commercial production of new medicines and products favored by the encouragement of the Govern-

ment during the period. Pharmaceuticals manufacturers could not but expand greatly when assisted, on the one hand, by the Government financial measures—subsidies—and higher prices on the other. The Company earned large profits and expanded its plants, as did other pharmaceuticals manufacturers. Thus, it could lay its foundation then. The Company embarked on the domestic production of salicylic acid, Taka-diaxase, Salvarsan, Peroxide of Hydrogen (Oxyful), etc.

The termination of the War in 1918 could not be without an impact on pharmaceuticals industry, which had experienced an acute influence of War at the beginning. Prices sharply declined. Some companies that were established during the War boom fell into a business failure because of their weakness, and there occurred a natural selection. Some companies were incorporated into others. The Sankyo Company showed a warranted strength, standing on the active side of mergers, because of its business foundation which had been firmly established by Mr. M. Shiobara. During and after the War, the Company carried out a merger of Tokyo Pharmaceuticals Co. Ltd., Satolight Co. Ltd. and Domestic Pharmaceuticals Co. Ltd.

The Company's activities for achieving an excellent operational performance, and consolidating and expanding plants by its accumulated capital during periods of general depression continued from that time on. Thus, the Company followed a steady development course as seen in the appended table, in spite of successive depressions such as the panic reaction to the previous War boom in 1920, Great earthquake in Kanto in 1923, financial panic in 1927 and the lifting of the gold embargo in 1930, etc. The success in this growth is to be assuredly attributed to the farsight of Mr. M. Shiobara. But at the same time, it cannot be overlooked that the top-management, with Mr. Shiobara as a center, had a strong confidence in integrated and multilateral operations. The management did not spare efforts to undertake a commercial production of products that meet the needs of the times with ever-fresh sense. Thus, in 1919, when Koto Trading Company Ltd. dealing in import of motor vehicle parts and other machinery was established, Sankyo made a capital investment in the company, and later held total capital shares, placing the company under its management. In 1915, it succeeded the soap manufacturing from Murai & Co. and established Tokyo Soap Manufacturing Co. Ltd. In 1918, it established Xylight Co. Ltd. dealing in import of Xylight bearing lubricating oil, and widely distributed the products, which received a good reputation.

Furthermore, the Company invested in Toyo Aluminium Co. Ltd. jointly with a United States Company. In 1921, it established Yamato Brewery Laboratory Ltd. to produce synthetic sake (wine) in cooperation with Mr. Sakazo Konishi. In 1923, it established the Kashiwagi Thermometer Works by an investment of fifty percent shareholding. Stimulated by a sharp rise in prices of imported motor cycles because of a heavy decline in the yen rate against the dollar due to the lifting of gold embargo in 1931, the Company established Haley Davidson Motor Cycle Sales Co. Ltd. out of the Koto Trading Co., and in 1934, it succeeded in domestic production of these products. In 1932, 1935 and 1936, it successively established Japan Bakelite Co. Ltd., Japan Colloid

Chemical Plant and Sansho Tea Manufacturing Co. Ltd.

Of course, these businesses were conducted in parallel with the Company's prime business, the development and consolidation of manufacturing and selling of pharmaceuticals. In 1929, the Bacterium Division was opened at the Shinagawa Factory, and in 1931, the production of yeast for making bread was begun. It bought the land adjacent to the Shinagawa Factory in 1908, and the site of the factory was enlarged to 62,000 square meters in 1927.

Meanwhile, the Company's distribution net work was steadily strengthened. In 1916 a sales company was set up in Kyoto, and an agency and plant in Osaka. In 1917, a sales company was established in Nagoya and in 1926, an agency was opened in Kanazawa, which was followed by a series of opening of ten agencies throughout the country until 1934.

At the same time, selling activities overseas were also active. There were establishments of agency, representative, sales company and factory, respectively, in New York in 1918, in Taihoku in 1920, in Dairen in 1924, and in Keijo in 1930.

Entering the Japan-China War and World War II, the nation's economic activities were concentrated on ammunition industries, which brought about a business prosperity. However, the country was internationally isolated, and the Government strengthened the economic control. As a result, "Extraordinary Military Expenditures Special Account", "Foreign Exchange Control Law" and "Temporary Fund Adjustment Law" were enforced in 1937. Furthermore, there were successive enforcements of "The Ordinance concerning Corporate Profits Dividend and Loaning of Funds", "Ordinance for Controlling of Prices" and "Ordinance for Measures concerning Wages" to control wage and prices, and "Ordinance for Controlling Corporate Accounting" in 1940 was to regulate accounting of corporations and others. As a result, private industries other than the ammunition industry had a difficulty in acquiring raw materials. The pharmaceuticals industry was no exception of it. Following the Japan Pharmaceuticals Imports Controlling Association established in 1938, various controlling organs were set up, control being strengthened.

Along with the strengthening of controls, there appeared a severe shortage in raw materials, power, means of transportation and labor. Therefore, the production of pharmaceuticals declined, with fewer items of production from 1934. Exports became negligible, and some manufacturers shifted their production to ammunition.

Characteristics of the Company during the war-time controls were, development in production of agricultural chemicals, establishments of retail dealers and other related companies, brisk activities of pharmaceuticals factories in Manchuria, Korea, China and the Southern Islands, and a shift to drugs for use of armed forces. The history of production of agricultural chemicals dates back to 1911. Because of the Government's encouragement for more use of agricultural chemicals to increase agricultural output, together with the assistance of the Ministry of Agriculture, the sales of agricultural chemicals increased more than expected, and there were large profits

in this field. Also, the Company established many companies at home and abroad, with direct and indirect affiliations, partly associated with the national policy. These companies dealt largely in pharmaceuticals, but some of them were concerned or engaged in production of machinery for the chemical industry, internal combustion engines, propellers and glass. The Company was engaged in manufacturing chemicals to be used for production of gunpowder from 1930. The war being intensified from around that time, the production of these products was more emphatically carried on. Especially in 1944, the Shinagawa Factory was placed under the military control, and in the following year, the Company as a whole was designated as a munition factory, with production being concentrated on military demands.

However, after the end of the war, they found that about sixty percent of the Shinagawa Factory, the most important of the Company, had been burnt down, and most of the company's overseas assets were lost, except those in the areas guaranteed by the military authorities. In particular, the loss of assets amounted to ¥400,000, that of securities to ¥5,690,000 and the accounts receivable, payments for another, and so on amounted to ¥5,840,000, totaling ¥11,900,000.

“The Sankyo Company Limited after World War II”

With the ending of the War on August 15, 1945, the nation's economy was shifted from war- to peace-time economy. However, at the same time, the policies for the resolution of Zaibatsu (Concern), land reform and the encouragement of labor unions were introduced. On the other hand, because of a large sale of goods held by the armed forces, payment of extraordinary military expenditures, enormous loans from financial institutions, there occurred a heavy inflation.

Thus, from that time the Government and the Bank of Japan made efforts for economic stabilization and rehabilitation by means of deflationary policy up to 1949. As a result, while they succeeded in keeping inflation under control by 1949, there in turn appeared a phenomenon of deflation.

However, since the Korean War broke out in June, 1950, the economic climate changed. Stocks of commodities were cleared off and commodity prices rised sharply. After the cease-fire in 1951, business declined and there was a shift into a depression policy. Meanwhile, along with the upward turn of the world economy from the fall of 1954, business continued unprecedented prosperity up to 1957, when a deflationary policy was again introduced. But many industries could tide over the depression primarily by inventory liquidation, and hence have continued prosperous up to now.

Reflecting these economic changes in the postwar period, the pharmaceuticals industry had to experience fluctuations in their business. During 1945, because of destruction suffered on plants and equipment, and due to shortage of available raw materials, industries at one time coped with the crisis only by the Government release of goods previously held by armed forces. Further, the distribution control of pharmaceuticals continued for some time. Although it was relaxed later by degrees, 31 items were under control in 1949, which

was entirely removed in 1952.

With the outbreak of the Korean War, the demand, special procurement and private, for pharmaceuticals greatly increased. The stocks of commodities were cleared off, and prices rose sharply. And, as new medicines appeared, the pharmaceuticals industry entered into an age of free competition.

It was true that the Company suffered great damages by the War. Sixty percent of the most important Shinagawa Factory was burnt down, and this would show the extent of damages which the Company suffered. It goes without saying that, with the ending of the War it lost its overseas assets.

In 1947, the Company was designated as falling under the "Law for Decentralizing Excess Economic Power" by the Holding Company Liquidation Committee. Thus, it was to be resolved as a financial group. Besides, the Company was subject to restrictions in various ways.

Moreover, the Company confronted with a financial difficulty due to the tight money policy enforced from 1948 to 1949 by the Government. The tight money policy adversely affected the Company when it had a hard time by such as, (1) destruction by the War (2) competition among manufacturers (3) prices higher for raw materials and lower for products (4) sharp increase in wages and allowance payments because of the inflation and labor offensive and (5) legal restrictions.

In light of this, the Company endeavored to rebuild the business foundation mainly by reducing workers. This resulted in an excitement of the union, the situation becoming serious. As a result, the Company held off payments of non-urgency, barely making settlements of bills, and wages allowances were paid only partly or deferred. For the speedy settlement of the situation, the Company undertook strengthening of the top-management, and all members of the Board of Directors resigned. Thus, Mr. Mampei Suzuki, ex-President of both the Toyo Cotton Spinning Co. Ltd. and Toyo Reizo Company Ltd. assumed the office of President of the Company and Mr. Teizo Shiobara, ex-President of the Company was appointed the Chairman of the Board of Directors.

The rebuilding program set out by President Suzuki included the following.

(1) Measures for bridging over the financial difficulties

The Company would raise some ¥180—some ¥100 million by disposition of the building of the Head Office at Nihombashi and other unused assets, and some ¥80 million by separating and disposing of the sales business of clinical thermometers—to appropriate for the liquidation of liabilities and partly for use as working funds.

(2) Business Program

(a) Production of unprofitable articles would be limited to 40–50 articles, and production program would aim at an output of ¥80 million for June, ¥90 million for July, ¥95 million for August and ¥100 million for September.

(b) The sales system would be reformed to regional responsibility system based on an established managerial net work, and the sales and

collection program would aim at ¥85 million for the former, and ¥65 million for the latter for June, and sales ¥90 million and collection ¥75 million for July, sales ¥100 million and collection ¥85 million for August and sales ¥150 million and collection ¥95 million for September.

(c) The staffs and workers of 3,450 and personnel expenses of ¥31 million would ultimately be reduced to 2,000 staffs and workers and ¥18 million personnel expenses, and at the same time the incentive system would be introduced for implementing a strict efficiency pay.

(d) Inspection department would be established to be responsible for inspection of various business departments, and further, for guiding the improvement and rationalization of the business.

(3) Profit and loss statement (estimated for one month)

In the output of ¥100 million raw materials costs would be ¥43 million, personnel expenses ¥20 million, other expenses ¥22 million and taxes ¥7.5 million, thus, the profit would be ¥7.5 million.

And these programs were immediately put into practice.

Meanwhile, the most difficult problems were the reduction of the staffs and workers, and the problem of financing, but the former was solved by an agreement with the union, and the latter was met by the loan of ¥100 million in August, 1949 granted jointly by seven commercial banks led by the Hypothec Bank and Mitsui Bank (then Imperial Bank). The borrowing of ¥100 million was used for the rebuilding of the Company, together with funds derived from the sale of its factories.

Fortunately, there was a large increase in sales of Oryzanin-Red, a new product, put on the market in September, 1949. Moreover, contributing to the reconstruction of the Company was that the visit to the United States by Mr. Teizo Shiobara, Chairman of the Board of Directors, brought about the recovery of the intimate relation with Parke, Davis & Co. Ltd. that had been suspended by the War, and led to the conclusion of the domestic sole agency contract for the sale of Chloromycetin, the invention of that company in 1950. The antibiotic, Chloromycetin was hailed as a "wonderful drug", and the Company had a large sale.

The performance in marketing Chloromycetin led to a success in the Company's shift to domestic production in December, 1951, and the factory built with a capital investment of ¥120 million has been carrying on the production of Chloromycetin up to now.

Meanwhile, as for the operational performances, the Company had registered a loss of ¥17.3 million for the first half of 1949 and ¥8.7 million for the latter half of the year, but it registered a profit of ¥28 million for the first half of 1950, and has been able to declare dividend payments since the latter half of the year.

Thus, on the basis of priority production system that was made possible by the consolidation, the Company undertook to reassume the production of pharmaceuticals of the company's own. Transactions with foreign countries have been reopened. New products have been made and distributed one by one. These products are: Orizinin-Red, Taka-diastrase, Brotin, Codein, Estizol,

Sunpas, Chloromycetin, Streptomycin, Minevital, Alergin Tablet, Pyramite, Lulu, etc. These are received with a good reputation on the market, contributing greatly to the development of the Company.

Furthermore, the Company has entered into cooperation with the Nippon Soda Co. Ltd. since 1950, and further has been engaged in sales of products of various domestic companies, the amount of transactions expanding greatly.

Along with the developments, the Company, while repairing its factories, has established many new factories. Especially, the coordinated research institute was rebuilt in 1953, and the Company completed the removal work of the institute in 1958 to conduct an integrated study. This brilliant reconstruction of the facilities has enabled the Company to increase its output and sales from year to year in spite of economic changes in the following years. The total amount of sales reached some ¥12.3 billion in 1958, of which that of pharmaceuticals amounted to ¥10.1 billion.

Meanwhile, its related companies have gradually consolidated their business. These are: Japan Yeast Co. Ltd., New Japan Glass Co. Ltd., Sankyo Grill Ltd., Japan Emulsion Manufacturing Co. Ltd., Wakodo Ltd., Fuji Flour Mill Co. Ltd., Sankyo Chemical Industry Co., Meguro Ampul Co., Sankyo Organic Synthetization Co., Japan Diabulb Co., U.P.R. Autostand Co., Keika Shokai, Ltd. and Sankyo Seitai Co., Ltd.

These companies are characterized by their closer association with the production and sales of the Company than they were in the prewar period.

**President
Managing Director**

Development Committees

Research Dept (Munetoshi Matsui) -Inquiry Section -Licence Section -1st Organic Chemistry Laboratory -2nd Organic Chemistry Laboratory -Physics & Chemistry Laboratory -Microbiological Chemistry Laboratory -Applied Microbiology Laboratory -Biochemistry Laboratory -Pharmacology Laboratory	Science Dept (Shoji Tanashima) -Science Section	Purchasing Dept (Shiro Masui) -1st Section -2nd Section -3rd Section	Production Dept (Takamago Yuzasa) -1st Section -2nd Section -Material Section -Engineering Section -Technics Section	New Products Planning Dept (Genchiro Fukuchi) -1st Section -2nd Section -3rd Section -4th Section	Foreign Business Dept (Chiharu Nakamura) -Imports Section -Exports Section	Agricultural Chemicals Sales Dept (Tomikiyo Wada) -1st Management Section -Business Section -1st Science Section -2nd Science Section	Medicine Sales Dept (Chiharu Nakamura) -Sales Research Inquiry Section -1st Sales Section -2nd Sales Section -3rd Sales Section -Narcotic Section -Forwarding Section	Sales Promotion Dept (Chiharu Nakamura) -1st Sales Promotion Section -2nd Sales Promotion Section -Propagation Section -Development Section	Accounting's Dept (Keshiro Akiyama) -Account's Section -Assets Management Section -Cashiers Section -Cost Accounting Section -Accounting Section	General Affairs Dept (Tajiro Aoki) -General Affairs Section -Personnel Affairs and Training Section -Employees Affairs Section -Stocks Section	Research Form (Tatsuji Koriyama) -Planning Section -Budget Section -Inspectors Section	Secretary's Office (Yoshiyasu Kawamura)
Kitaura Plant -General Affairs Section -Management Section -Production Section	Mishima Factory (Goro Rokusho) -General Affairs Section -Management Section -Production Section	Yamagawa Factory (Kijimura) -General Affairs Section -Engineering Section -Production Section -Furnishing Section -Test Section -Medicine Test Section	Tanashi Factory (Michitshi Nakamura) -General Affairs Section -Engineering Section -1st Production Section -2nd Production Section -Test Section	Kanazari Factory (Hideo Higuchi) -General Affairs Section -Engineering Section -1st Production Section -2nd Production Section -Test Section	Osaka Factory (Seizaro Furukawa) -General Affairs Section -Accounts Section -Management Section -1st Pharmacy Section -2nd Pharmacy Section -3rd Pharmacy Section -Engineering Section -Furnishing Section -Test Section	Shinagawa Factory (Eiyuro Nakamura) -General Management Dept -General Affairs Section -Labor Section -Accounts Section -Warehouses Section -Medical Office -Production Dept -1st Pharmacy Section -2nd Pharmacy Section -3rd Pharmacy Section -4th Pharmacy Section -5th Pharmacy Section -6th Pharmacy Section -Drugs Fabrication Dept -1st Drug Fab. Dept -2nd Drug Fab. Dept -Fabrication Research -Furnishing Section -Planning Section -Test Section -Engineering Section	Sapporo Branch (Otsuno) -General Affairs Section -Accounts Section -Business Section -Promotion Section	Nagoya Branch (Shiburo Mikami) -General Affairs Section -Accounts Section -Business Section -Promotion Section -Kanazawa Agency -Hiroshima Agency -Takamatsu Agency -Okayama Service Station	Sendai Branch (Hideo Fujita) -General Affairs Section -Accounts Section -Business Section -Promotion Section -Agricultural Chemicals Section -Kinamondo Agency -Nagasaki Agency -Kokura Service Station -Akita Service Station	Fukuoka Branch (Tetsuo Ueo) -General Affairs Section -Accounts Section -Business Section -Agricultural Drugs Section -Forwarding Section	Osaka Branch (Nagato) -General Management Dept -General Affairs Section -Accounts Section -Purchasing Section -Business Dept -Management Section -1st Business Section -2nd Business Section -Agricultural Chemicals Section -Science Section -Forwarding Section -Nigata Agency -Shimoda Agency -Hamamatsu Service Station	Tokyo Business Office (Mikio Nakanishi) -General Affairs Section -Accounts Section -Tokyo Section -County Section -Narcotic Section -1st Promotion Section -2nd Promotion Section -Forwarding Section

* Chief of management career.

** Chief of technicians career.

Internal Board of Directors

Research Dept (Munetoshi Matsui) -Inquiry Section -Licence Section -1st Organic Chemistry Laboratory -2nd Organic Chemistry Laboratory -Physics & Chemistry Laboratory -Microbiological Chemistry Laboratory -Applied Microbiology Laboratory -Biochemistry Laboratory -Pharmacology Laboratory	Science Dept (Shoji Tanashima) -Science Section	Purchasing Dept (Shiro Masui) -1st Section -2nd Section -3rd Section	Production Dept (Takamago Yuzasa) -1st Section -2nd Section -Material Section -Engineering Section -Technics Section	New Products Planning Dept (Genchiro Fukuchi) -1st Section -2nd Section -3rd Section -4th Section	Foreign Business Dept (Chiharu Nakamura) -Imports Section -Exports Section	Agricultural Chemicals Sales Dept (Tomikiyo Wada) -1st Management Section -Business Section -1st Science Section -2nd Science Section	Medicine Sales Dept (Chiharu Nakamura) -Sales Research Inquiry Section -1st Sales Section -2nd Sales Section -3rd Sales Section -Narcotic Section -Forwarding Section	Sales Promotion Dept (Chiharu Nakamura) -1st Sales Promotion Section -2nd Sales Promotion Section -Propagation Section -Development Section	Accounting's Dept (Keshiro Akiyama) -Account's Section -Assets Management Section -Cashiers Section -Cost Accounting Section -Accounting Section	General Affairs Dept (Tajiro Aoki) -General Affairs Section -Personnel Affairs and Training Section -Employees Affairs Section -Stocks Section	Research Form (Tatsuji Koriyama) -Planning Section -Budget Section -Inspectors Section	Secretary's Office (Yoshiyasu Kawamura)
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Products (Million yen)

item	Oct. 1960~ Mar. 1961		Apr. 1960~ Sept. 1960		Oct. 1959~ Mar. 1960		Mar. 1959~ Sept. 1959		Oct. 1958~ Mar. 1959		Apr. 1958~ Sept. 1958		Oct. 1957~ Mar. 1958		Apr. 1957~ Sept. 1957		Oct. 1956~ Mar. 1957		Apr. 1956~ Sept. 1956		Oct. 1955~ Mar. 1956	
	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%	amount	%
Medicines	6,136	78.9	5,469	75.9	5,040	76.9	4,685	76.6	4,463	77.8	4,909	78.2	4,984	80.1	3,961	74.1	3,761	76.0	3,002	70.7	2,718	74.9
Anti-biotic medicines	2,046	26.3	1,626	22.6	1,403	21.4	1,424	23.3	1,335	23.3	1,920	30.6	2,007	32.4	1,660	31.1	1,576	31.8	1,213	28.5	1,037	28.6
Vitamin	1,585	20.4	1,088	15.1	1,154	17.6	921	15.1	1,072	18.7	1,122	17.9	961	15.4	766	14.3	614	12.4	435	10.3	538	14.9
Digestive system medicines	487	6.3	514	7.1	491	7.5	354	5.8	406	7.1	382	6.1	379	6.1	122	2.3	141	2.9	158	3.7	109	2.9
Nervous system medicines	670	8.6	930	12.9	466	7.1	782	12.8	340	5.9	457	7.3	518	8.3	474	8.9	298	6.0	247	5.8	154	4.3
Chemical treatment medicines	424	5.5	482	6.7	442	6.8	487	8.0	517	9.0	476	7.6	596	9.5	476	8.9	690	14.0	520	12.3	557	15.4
External treatment medicines	366	4.7	254	3.5	407	6.2	226	3.7	406	7.1	198	3.1	207	3.3	162	3.0	249	5.0	155	3.6	182	5.0
Others	558	7.1	575	8.0	677	10.3	491	7.9	387	6.7	354	5.6	316	5.1	301	5.6	193	3.9	274	6.5	141	3.8
Cosmetics	102	1.3	141	2.0	82	1.3	146	2.4	103	1.8	113	1.8	76	1.2	86	1.6	83	1.7	116	2.7	120	3.3
Agricultural Chemicals	1,304	16.8	1,331	18.5	1,189	18.2	1,211	19.8	1,099	19.2	1,183	18.8	1,085	17.5	1,228	23.0	1,041	21.0	1,069	25.1	721	19.8
Foods	235	3.0	263	3.6	235	3.6	70	1.2	72	1.2	72	1.2	67	1.2	67	1.3	64	1.3	66	1.5	69	2.0
Total	7,777	100.0	7,204	100.0	6,546	100.0	6,112	100.0	5,737	100.0	6,277	100.0	6,212	100.0	5,342	100.0	4,949	100.0	4,253	100.0	3,628	100.0

Sales (Thousand yen)

item	term	Oct. 1960	Apr. 1960	Oct. 1959	Mar. 1959	Oct. 1958	Apr. 1958	Oct. 1957	Apr. 1957	Oct. 1956	Apr. 1956	%
		~Mar. 1961	~Sept. 1960	~Mar. 1960	~Sept. 1959	~Mar. 1959	~Sept. 1958	~Mar. 1958	~Sept. 1957	~Mar. 1957	~Sept. 1956	
Medicines		5,884,887	5,245,774	4,870,440	4,818,051	4,846,410	4,891,161	4,933,155	4,087,690	3,745,775	3,056,528	71.8
Anti-biotic medicines		2,017,127	1,497,609	1,384,926	1,356,702	1,434,202	1,823,589	1,976,470	1,647,629	1,525,724	1,254,437	29.5
Vitamin		1,434,126	955,081	1,116,451	896,789	1,128,217	1,053,742	914,716	691,399	611,776	506,865	11.9
Digestive system medicines		426,874	439,131	431,059	491,315	512,154	517,284	556,608	566,415	573,138	410,941	9.7
Nervous system medicines		400,671	625,144	508,468	536,473	463,099	483,895	315,669	396,594	318,047	261,646	6.1
Chemical treatment medicines		424,975	445,218	470,026	355,518	411,457	368,220	345,734	107,627	120,232	153,656	3.6
External treatment medicines		646,713	869,675	465,316	707,081	359,764	666,658	487,566	464,449	214,352	220,159	5.2
Others		534,401	413,916	494,194	474,173	537,517	277,773	336,392	213,577	382,506	248,824	5.8
Cosmetics		86,208	145,097	80,706	142,792	99,269	119,988	82,356	93,690	64,333	111,848	2.6
Agricultural Chemicals		1,242,706	275,024	1,086,260	1,170,975	1,127,643	1,172,326	999,113	1,146,490	915,087	1,020,762	24.0
Foods		219,104	240,021	227,034	69,765	71,341	70,517	67,102	64,428	64,032	66,641	1.6
Total		7,432,905	6,905,916	6,264,440	6,201,583	6,144,663	6,253,992	6,081,726	5,392,298	4,789,227	4,255,779	100.0

Comparative Balance Sheets (Million yen)

term	item	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93
		Mar. 1949	Sept. 1949	Mar. 1950	Sept. 1950	Mar. 1951	Sept. 1951	Mar. 1952	Sept. 1952	Mar. 1952	Sept. 1952	Mar. 1953	Sept. 1953	Mar. 1954	Sept. 1954	Mar. 1955	Sept. 1955	Mar. 1956	Sept. 1956	Mar. 1957	Sept. 1957	Mar. 1958	Sept. 1958	Mar. 1959	Sept. 1959	Mar. 1960
	[Current Assets]	730	806	926	1,030	1,228	1,551	2,022	2,105	2,579	3,135	3,576	4,186	4,872	5,568	6,582	7,473	8,302	9,007	10,092	10,880	11,588	11,650	12,065	12,789	14,103
	Cash	15	44	49	77	84	142	164	415	607	637	950	1,099	1,356	1,556	2,271	2,296	2,464	2,772	3,263	3,434	3,813	3,614	3,668	4,143	4,546
	Accounts receivable	248	259	241	371	431	498	812	811	968	1,284	1,338	1,536	1,903	2,226	2,321	2,978	3,310	3,520	3,812	4,179	4,625	4,971	4,932	4,950	5,117
	Securities	—	—	—	—	—	13	24	27	43	55	72	72	85	77	67	95	105	114	131	141	154	177	230	252	298
	Inventories	413	441	580	544	640	808	856	720	804	1,013	1,066	1,325	1,350	1,495	1,652	1,832	2,085	2,261	2,589	2,787	2,592	2,423	2,731	2,966	3,602
	Others	54	62	56	38	73	90	166	132	157	146	150	154	178	214	271	272	338	340	297	339	404	465	504	478	540
	[Fixed Assets]	84	77	91	263	347	452	526	620	783	998	1,598	1,843	2,059	2,336	1,986	2,590	2,927	2,216	2,558	2,861	3,306	3,545	3,657	3,897	4,290
	Buildings	29	34	31	102	106	135	147	155	219	299	610	717	737	797	697	831	856	767	963	1,003	1,071	1,205	1,385	1,467	1,521
	Machinery, Furniture, Tool	31	33	35	140	152	168	186	206	248	459	540	682	761	950	662	1,114	1,222	717	802	933	1,014	1,244	1,196	1,258	1,307
	Land	5	4	4	8	8	18	19	20	20	21	98	118	120	122	128	154	167	185	218	250	322	349	383	386	464
	Construction in Process	—	—	16	9	62	116	153	168	211	90	187	142	187	166	165	142	238	88	157	217	392	233	155	151	196
	Investment	19	6	5	4	19	15	21	71	85	129	163	184	254	301	334	349	444	459	418	458	507	514	538	635	802
	[Deferred Accounts]	—	—	16	24	28	16	15	9	4	4	3	2	3	4	4	3	2	4	4	3	6	9	12	18	50
	Total	814	883	1,033	1,317	1,603	2,019	2,563	2,734	3,366	4,137	5,177	6,031	6,934	7,908	8,572	10,066	11,231	11,227	12,654	13,744	14,900	15,204	15,734	16,704	18,443
	[Current Liabilities]	699	777	798	766	1,001	1,307	1,620	1,320	1,758	2,164	2,292	2,757	3,442	3,898	5,396	5,382	6,252	6,548	7,406	8,237	8,125	8,121	8,187	8,603	9,425
	Trade Accounts payable	235	182	230	428	582	769	1,058	814	1,036	1,350	1,178	1,508	1,608	1,787	1,820	1,873	2,071	2,176	2,526	2,877	2,861	2,813	2,795	3,154	3,755
	Short Term Borrowing	350	415	353	264	282	303	342	151	409	436	662	722	1,108	1,304	2,444	2,580	3,159	3,169	3,178	3,577	3,365	3,399	3,565	3,570	3,590
	Account payable	114	180	215	74	137	232	219	353	312	376	450	524	722	795	1,131	923	1,015	1,189	1,691	1,768	1,884	1,878	1,811	1,859	2,063
	Others	—	—	—	—	—	3	1	2	1	2	2	3	4	12	1	6	7	14	11	15	15	31	16	20	17
	[Fixed Liabilities]	—	—	—	170	170	240	274	566	565	565	551	614	602	744	398	631	474	669	902	974	974	1,562	1,715	1,992	2,476
	Bond-long Term Borrowings	—	—	100	170	170	240	274	566	565	565	551	614	602	744	398	631	474	669	902	974	1,562	1,650	1,715	1,992	2,476
	[Reserve]	—	—	—	8	16	25	47	124	241	455	413	532	649	822	251	1,258	1,537	844	917	856	848	871	1,089	1,136	1,313
	[Equities]	115	106	135	373	416	447	622	724	802	953	1,921	2,128	2,241	2,444	2,527	2,795	2,968	3,166	3,429	3,677	4,365	4,562	4,763	4,973	5,229
	Capital Stock	120	120	120	120	120	120	250	250	250	250	520	520	520	520	520	520	780	780	780	780	1,200	1,200	1,320	1,320	1,320
	Capital Surplus	—	—	—	213	205	202	201	201	200	200	651	649	648	648	648	648	388	387	387	387	445	444	444	323	322
	Earned Surplus	12	△	△	10	34	39	68	95	163	238	498	672	832	984	1,099	1,300	1,427	1,568	1,746	1,978	2,216	2,402	2,588	2,775	2,970
	Profit of Period	△	17	△	30	57	86	103	178	189	265	252	287	241	292	260	327	373	431	516	532	504	516	532	555	617
	Total	814	883	1,033	1,317	1,603	2,019	2,563	2,734	3,366	4,137	5,177	6,031	6,934	7,908	8,572	10,066	11,231	11,227	12,654	13,744	14,900	15,204	15,734	16,704	18,443

Source: The Sankyo Company Limited

Comparative Cost Sheet (Million yen)

item	84		85		86		87		88		89		90		91		92		93	
	Apr. 1956~ Sept. 1956	%	Oct. 1956~ Mar. 1957	%	Apr. 1957~ Sept. 1957	%	Oct. 1957~ Mar. 1958	%	Apr. 1958~ Sept. 1958	%	Oct. 1958~ Mar. 1959	%	Apr. 1959~ Sept. 1959	%	Oct. 1959~ Mar. 1960	%	Apr. 1960~ Sept. 1960	%	Oct. 1960~ Mar. 1961	%
Raw and Material	1,737	73	2,243	79	2,243	72	2,804	74	2,810	76	2,493	76	2,419	75	2,777	76	3,047	77	3,596	79
Supplies	79	3	101	3	101	3	118	3	108	3	100	3	77	2	92	3	87	2	78	2
Labor	258	11	276	9	290	9	310	8	344	9	344	10	360	11	373	10	404	10	412	9
Factory overhead	306	13	339	12	468	16	543	15	461	12	366	11	379	12	407	11	427	11	447	10
Total	2,380	100	2,959	100	3,102	100	3,775	100	3,723	100	3,303	100	3,235	100	3,649	100	3,965	100	4,533	100
Good in Process at beginning		623		650		731		880		919		1,027		1,061		938		1,005		1,046
Variance		50		1		1		2		27		10		5		—		—		—
Transfer to other account	△	46	△	21	△	35	△	124	△	154	△	64	△	11	△	28	△	48	△	126
Goods in Process at end	△	650	△	731	△	880	△	919	△	1,027	△	1,061	△	938	△	1,005	△	1,046	△	1,260
Cost of Goods Manufactured		2,357		2,858		2,919		3,614		3,488		3,215		3,342		3,554		3,876		4,193

Source: The Sankyo Company Limited

Comparative Balance Sheets (Million yen)

item	term	69	70	71	72	73	74	75	76	77	78	79	80	81	82	88	84	85	86	87	88	89	90	91	92	93
		Mar. 1949	Sept. 1949	Mar. 1950	Sept. 1950	Mar. 1951	Sept. 1951	Mar. 1952	Sept. 1952	Mar. 1953	Sept. 1953	Mar. 1954	Sept. 1954	Mar. 1955	Sept. 1955	Mar. 1956	Sept. 1956	Mar. 1957	Sept. 1957	Mar. 1958	Sept. 1958	Mar. 1959	Sept. 1959	Mar. 1960	Sept. 1960	Mar. 1961
(Current Assets)		730	806	926	1,030	1,228	1,551	2,022	2,105	2,579	3,135	3,576	4,186	4,872	5,568	6,582	7,473	8,302	9,007	10,092	10,880	11,588	11,650	12,065	12,789	14,103
Cash		15	44	49	77	84	142	164	415	607	637	950	1,099	1,356	1,556	2,271	2,296	2,464	2,772	3,263	3,434	3,813	3,614	3,668	4,143	4,546
Accounts receivable		248	259	241	371	431	498	812	811	968	1,284	1,338	1,536	1,903	2,226	2,321	2,978	3,310	3,520	3,812	4,179	4,625	4,971	4,932	4,950	5,117
Securities		—	—	—	—	—	13	24	27	43	55	72	72	85	77	67	95	105	114	131	141	154	177	230	252	298
Inventories		413	441	580	544	640	808	856	720	804	1,013	1,066	1,325	1,350	1,495	1,652	1,832	2,085	2,261	2,589	2,787	2,592	2,423	2,731	2,966	3,602
Others		54	62	56	38	73	90	166	132	157	146	150	154	178	214	271	272	338	340	297	339	404	465	504	478	540
(Fixed Assets)		84	77	91	263	347	452	526	620	783	998	1,598	1,843	2,059	2,336	1,986	2,590	2,927	2,216	2,558	2,861	3,306	3,545	3,657	3,897	4,290
Buildings		29	34	31	102	106	135	147	155	219	299	610	717	737	797	697	831	856	767	963	1,003	1,071	1,205	1,385	1,467	1,521
Machinery, Furniture, Tool		31	33	35	140	152	168	186	206	248	459	540	682	761	950	662	1,114	1,222	717	802	933	1,014	1,244	1,196	1,258	1,307
Land		5	4	4	8	8	18	19	20	20	21	98	118	120	122	128	154	167	185	218	250	322	349	383	386	464
Construction in Process		—	—	16	9	62	116	153	168	211	90	187	142	187	166	165	142	238	88	157	217	392	233	155	151	196
Investment		19	6	5	4	19	15	21	71	85	129	163	184	254	301	334	349	444	459	418	458	507	514	538	635	802
(Deferred Accounts)		—	—	16	24	28	16	15	9	4	4	3	2	3	4	4	3	2	4	4	3	6	9	12	18	50
Total		814	883	1,033	1,317	1,603	2,019	2,563	2,734	3,366	4,137	5,177	6,031	6,934	7,908	8,572	10,066	11,231	11,227	12,654	13,744	14,900	15,204	15,734	16,704	18,443
(Current Liabilities)		699	777	798	766	1,001	1,307	1,620	1,320	1,758	2,164	2,292	2,757	3,442	3,898	5,396	5,382	6,252	6,548	7,406	8,237	8,125	8,121	8,187	8,603	9,425
Trade Accounts payable		235	182	230	428	582	769	1,058	814	1,036	1,350	1,178	1,508	1,608	1,787	1,820	1,873	2,071	2,176	2,526	2,877	2,861	2,813	2,795	3,154	3,755
Short Term Borrowing		350	415	353	264	282	303	342	151	409	436	662	722	1,108	1,304	2,444	2,580	3,159	3,169	3,178	3,577	3,365	3,399	3,565	3,570	3,590
Account payable		114	180	215	74	137	232	219	353	312	376	450	524	722	795	1,131	923	1,015	1,189	1,691	1,768	1,884	1,878	1,811	1,859	2,063
Others		—	—	—	—	—	3	1	2	1	2	2	3	4	12	1	6	7	14	11	15	15	31	16	20	17
(Fixed Liabilities)		—	—	100	170	170	240	274	566	565	565	551	614	602	744	398	631	474	669	902	974	1,562	1,650	1,715	1,992	2,476
Bond-long Term Borrowings		—	—	100	170	170	240	274	566	565	565	551	614	602	744	398	631	474	669	902	974	1,562	1,650	1,715	1,992	2,476
(Reserve)		—	—	—	8	16	25	47	124	241	455	413	532	649	822	251	1,258	1,537	844	917	856	848	871	1,069	1,136	1,313
(Equities)		115	106	135	373	416	447	622	724	802	953	1,921	2,128	2,241	2,444	2,527	2,795	2,968	3,166	3,429	3,677	4,365	4,562	4,763	4,973	5,229
Capital Stock		120	120	120	120	120	120	250	250	250	250	520	520	520	520	520	520	780	780	780	780	1,200	1,200	1,320	1,320	1,320
Capital Surplus		—	—	—	213	205	202	201	201	200	200	651	649	648	648	648	648	388	387	387	387	445	444	444	323	323
Earned Surplus		12	△	△	13	34	39	68	95	163	238	498	672	832	984	1,099	1,300	1,427	1,568	1,746	1,978	2,216	2,402	2,588	2,775	2,970
Profit of Period		△	17	△	30	57	86	103	178	189	265	252	287	321	292	260	327	373	431	516	532	504	516	532	555	617
Total		814	883	1,033	1,317	1,603	2,019	2,563	2,734	3,366	4,137	5,177	6,031	6,934	7,908	8,572	10,066	11,231	11,227	12,654	13,744	14,900	15,204	15,734	16,704	18,443

Source: The Sanryo Company Limited

Comparative Cost Sheet (Million yen)

term item	84		85		86		87		88		89		90		91		92		93	
	Apr. 1956~ Sept. 1956	%	Oct. 1956~ Mar. 1957	%	Apr. 1957~ Sept. 1957	%	Oct. 1957~ Mar. 1958	%	Apr. 1958~ Sept. 1958	%	Oct. 1958~ Mar. 1959	%	Apr. 1959~ Sept. 1959	%	Oct. 1959~ Mar. 1960	%	Apr. 1960~ Sept. 1960	%	Oct. 1960~ Mar. 1961	%
Raw and Material	1,737	73	2,243	79	2,243	72	2,804	74	2,810	76	2,493	76	2,419	75	2,777	76	3,047	77	3,596	79
Supplies	79	3	101	3	101	3	118	3	108	3	100	3	77	2	92	3	87	2	78	2
Labor	258	11	276	9	290	9	310	8	344	9	344	10	360	11	373	10	404	10	412	9
Factory overhead	306	13	339	12	468	16	543	15	461	12	366	11	379	12	407	11	427	11	447	10
Total	2,380	100	2,959	100	3,102	100	3,775	100	3,723	100	3,303	100	3,235	100	3,649	100	3,965	100	4,533	100
Good in Process at beginning																				
Variance																				
Transfer to other account	△	46	△	21	△	35	△	124	△	154	△	64	△	11	△	28	△	48	△	126
Goods in Process at end	△	650	△	731	△	880	△	919	△	1,027	△	1,061	△	938	△	1,005	△	1,046	△	1,260
Cost of Goods Manufactured	2,357		2,858		2,919		3,614		3,488		3,215		3,342		3,554		3,876		4,193	

Source: The Sankyo Company Limited

Comparative Profit and Loss Statements (Million yen)

term item	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93
	Nov. 11. 1948~ Mar. 11. 1949	Apr. 1949~ Sept. 1949	Oct. 1949~ Mar. 1950	Apr. 1950~ Sept. 1950	Oct. 1950~ Mar. 1951	Apr. 1951~ Sept. 1951	Oct. 1951~ Mar. 1952	Apr. 1952~ Sept. 1952	Oct. 1952~ Mar. 1953	Apr. 1953~ Sept. 1953	Oct. 1953~ Mar. 1954	Apr. 1954~ Sept. 1954	Oct. 1954~ Mar. 1955	Apr. 1955~ Sept. 1955	Oct. 1955~ Mar. 1956	Apr. 1956~ Sept. 1956	Oct. 1956~ Mar. 1957	Apr. 1957~ Sept. 1957	Oct. 1957~ Mar. 1958	Apr. 1958~ Sept. 1958	Oct. 1958~ Mar. 1959	Apr. 1959~ Sept. 1959	Oct. 1959~ Mar. 1960	Apr. 1960~ Sept. 1960	Oct. 1960~ Mar. 1961
Sales	425	433	508	847	1,137	1,508	1,765	2,264	2,311	3,156	3,046	3,569	3,171	3,805	3,604	4,256	4,789	5,392	6,082	6,254	6,145	6,202	6,265	6,906	7,433
Cost of Sales								1,415	1,455	1,959	1,879	2,187	1,964	2,341	2,180	2,637	2,916	3,208	3,585	3,740	3,656	3,642	3,685	4,056	4,308
Gross profit on sales								849	856	1,196	1,167	1,382	1,207	1,464	1,424	1,619	1,873	2,184	2,497	2,514	2,489	2,560	2,600	2,850	3,125
General, Administrative and Selling expenses	(447)	(439)	(487)	(819)	(1,057)	(1,413)	(1,583)	422	462	691	698	885	807	935	858	1,057	1,136	1,397	1,598	1,633	1,728	1,746	1,701	1,937	2,008
Operating Profit	△ 22	△ 6	21	28	80	95	182	427	394	506	469	497	400	529	566	562	737	787	899	881	761	814	899	913	1,117
Non-Operating Revenue	5	26	9	52	7	15	9	15	21	40	44	46	93	94	184	274	129	107	143	150	197	195	383	391	394
Non-Operating Expenses	—	29	2	50	30	24	88	264	226	281	261	256	252	331	490	509	493	463	526	499	454	493	750	749	894
Net profit	△ 17	△ 9	28	30	57	86	103	178	189	265	252	287	241	292	260	327	373	431	516	532	504	516	532	555	617

Appropriation of Surplus

Unappropriated Earned surplus	△ 14	△ 23	5	33	61	92	110	184	195	272	260	297	249	300	268	334	388	447	532	553	527	539	555	578	639
Profit Reserve	—	—	—	2	3	5	5	10	10	14	13	15	13	15	14	10	20	22	26	26	27	26	27	26	—
Tax Allowance	—	—	2	15	20	37	44	75	80	110	106	120	100	110	100	130	150	170	200	210	192	216	220	235	265
Dividened	—	—	—	6	12	18	28	31	31	31	54	65	65	65	65	65	78	78	78	78	120	108	119	119	119
Ratio per annum (%)	—	—	—	1	2	3.1*	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2	2	2	2	1.8 (2)	1.8	1.8	1.8	1.8
Directors' bonus	—	—	—	—	2	3	3	3	3	3	3	3	3	3	3	5	5	6	6	6	6	6	6	6	7
Free Reserves	—	—	—	6	18	22	23	58	64	105	75	85	60	100	78	110	120	155	200	210	160	160	160	170	220
Carried over profit	△ 14	△ 23	3	4	6	7	7	7	7	9	9	9	8	7	8	14	15	16	22	22	23	23	23	22	28

*including special 2% dividend

Source: The Sankyo Company Limited

Financial Analysis of the Sankyo Company Limited

item	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93
Current assets	104.4	103.8	116.1	134.4	122.7	118.7	124.8	159.5	146.7	144.9	155.9	151.8	161.8	142.9	120.0	138.8	132.8	137.6	135.9	132.1	142.4	143.5	147.4	148.6	149.7
Current liabilities	73.3	72.1	67.0	70.7	83.4	102.0	84.6	85.6	97.6	104.7	83.2	86.6	91.9	95.6	78.6	92.7	98.7	70.0	74.6	77.8	76.8	77.8	77.1	78.4	82.0
Fixed assets	605.4	727.9	665.9	253.2	284.3	351.3	310.6	249.9	319.7	334.1	169.6	183.3	209.5	223.5	239.2	260.0	278.2	254.5	269.0	273.4	241.4	233.3	229.5	235.8	252.7
Net worth	—	—	5.8	5.1	7.8	9.5	9.0	13.4	12.4	14.1	10.8	10.2	6.5	7.9	6.3	7.0	7.0	7.7	8.6	8.1	7.0	6.8	6.9	6.8	7.0
Ratio of profit to total capital	—	—	—	—	—	—	—	—	—	—	—	—	10.0	12.0	9.3	9.6	9.8	10.4	10.7	9.9	8.8	8.5	8.7	8.7	8.2
Ratio of profit to total capital (beginning + end of period) ÷ 2	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Turnover ratio of inventories	—	—	—	—	—	—	—	3.6	3.8	4.3	3.6	3.7	2.9	3.3	2.8	3.0	3.0	3.0	3.0	2.7	2.7	2.9	2.8	2.8	2.6
Turnover ratio of fixed assets	—	—	—	—	—	—	—	4.9	4.1	4.4	2.9	2.5	2.0	2.1	2.0	2.3	2.1	2.5	3.0	2.8	2.0	2.1	2.0	2.1	2.1
Ratio of profit to sales	—	—	—	—	—	—	—	37.4	37.0	37.9	38.3	38.7	38.1	38.5	39.5	38.0	39.1	40.5	41.1	40.2	40.5	41.3	41.5	41.3	42.0
Ratio of business expenses to sales	—	—	—	—	—	—	—	18.6	19.9	21.8	22.9	24.8	25.4	24.6	23.8	24.9	23.7	25.9	26.3	26.1	28.1	28.2	27.2	28.2	27.0

Source: The Sankyo Company Limited