

Interview with Mr. Makoto Ogasawara

President & CEO, GeneFrontier Corporation

In September 2004, MorphoSys formed a strategic marketing cooperation with the Tokyo-based company, GeneFrontier Corp., in order to access the Japanese life science market as part of a wider MorphoSys effort to expand geographically into new markets. The objective of the cooperation is to drive new business opportunities by establishing the HuCAL® technology of MorphoSys as the premium brand for both research and therapeutic antibody generation in Japan. Meanwhile, several research projects conducted with Japanese partners have been successfully completed and resulted in the first Japanese-based revenues for MorphoSys.

Mr. Makoto Ogasawara serves as President and CEO of GeneFrontier Corporation—an innovative solution provider for genome-based drug research & development—since February 2003. Prior to this assignment, Mr. Ogasawara served as CFO and VP Life Science in ITX's U.S. subsidiary, ITX International Holdings, Inc. In this capacity, he led the strategic investments in U.S.-based biotechnology and medical device start-up companies. Mr. Ogasawara has a B.S. in Engineering from Sophia University, Tokyo, Japan.

信



MorphoSys Mr. Ogasawara, can you give us an idea how the Japanese market ticks?

Mr. Ogasawara Japan traditionally is a difficult market for western companies to enter. Language and cultural barriers are substantial. Entering via local partners that are experienced in the home market as well as in the West is a typical way to build a beachhead in this market. For western companies possessing innovative technologies, Japan provides a lucrative opportunity, as there is great activity in life science research.

MorphoSys Do you see a particularly high need for research antibodies in Japan?

Mr. Ogasawara Now that the deciphering of the human genetic code has been completed, scientists worldwide are turning their attention towards analysis of the proteome, the protein repertoire of an organism, which of course triggers a broad need for new antibodies. Japan is no exception here. What distinguishes the Japanese life science market from any other is the very large commitment, both strategic and financial, from the Japanese government to supporting research in this sector. Looking back at the human genome project, it is safe to say that the U.S.A. and Europe led the race, although Japan contributed heavily in sequencing the human chromosome 21 and 22. That was partially due to the fact that research in Japan in this sector was not sufficiently supported or coordinated in the past. In contrast, I believe the Japanese government is now committed to spearheading the analysis of the human proteome.

MorphoSys Regarding this new trend in research, what is Japan's strategy?

Mr. Ogasawara Researchers in Japan are pursuing a holistic approach: the goal is to synthesize and analyze all human proteins. A similar approach proved successful in deciphering the human genetic code. At least three big Japanese research centers, the RIKEN headquartered in Tokyo, the AIST and the renowned KAZUSA Research Institute in the Chiba prefecture are collectively devoting some 10,000 researchers to focus on that task. As antibodies are the standard tool for doing research on the protein level, we see a huge potential customer base in Japan.



MorphoSys How big is the overall market for research antibodies in Japan?

Mr. Ogasawara That's very difficult to say, but Japan is estimated to be 15% of the world's life science research market, which, for antibodies, has a volume of some €800 million. Particularly for protein research, we estimate Japan to have a higher share of the world market.

MorphoSys Besides the research sector, are there further opportunities to market HuCAL®?

Mr. Ogasawara Absolutely! Especially the pharmaceutical industry in Japan is currently directing huge efforts to implement the latest generation of platform technologies. Japanese pharmaceutical companies are traditionally strong in their home market, not to mention Asia as a whole. In the light of globalization and worldwide competition, Japan's pharmaceutical companies are, at the same time, on the verge of expanding into new markets in the western hemisphere. Also, Japanese pharmaceutical companies, R&D budget is growing fast in order to catch up with western mega pharma, and some of the big pharma in Japan are increasing the budget dramatically by restructuring, such as Yamanouchi and Fujisawa's merger planned in April 2005. Technological leadership is considered to be the key when trying to step up to U.S. and European competitors and Japan's pharma companies are well aware of this.

MorphoSys What is GeneFrontier's strategy, in terms of marketing HuCAL® in the Japanese market?

Mr. Ogasawara Since signing the agreement with MorphoSys, GeneFrontier has invested in business development and specific marketing in Japan. Our good contacts in the research community and pharmaceutical industry worked well in raising general awareness of the technology. Going forward, as the first successful projects in Japan using HuCAL® antibodies become published and passed by word of mouth, we will intensify our marketing and broaden the customer base.

ジーンフロンティア株式会社

MorphoSys Why was a marketing agreement with MorphoSys of interest for GeneFrontier?

Mr. Ogasawara We see a huge potential for HuCAL® technology in the Japanese market, since the key capabilities of HuCAL®, namely speed and high differentiation of products, are easily communicated and thus marketable. Thanks to the many partnerships MorphoSys has forged with big pharmaceutical companies, potential customers realize instantly that the technology has already been validated and established on the market. Concrete advantages such as the offering of specific research product in just 8 weeks, rather than the usual 3–6 months, further raise confidence for the technology. Thus, we see a golden opportunity for both MorphoSys and GeneFrontier by marketing HuCAL® in Japan.

MorphoSys What do you see as the biggest chances and challenges in future?

Mr. Ogasawara Japan is the most important market for life science companies in Asia. It may, at the same time, serve as a door opener for other markets in the region, including China, Singapore and others. Modern technologies are much appreciated and the research community is longing for innovative approaches in the life sciences such as HuCAL® to accelerate their research projects, as well as diagnostic and therapeutic product development programs. Anticipating developing trends in the research antibody market, which will result in new customer needs, is probably the biggest challenge we are currently facing.

MorphoSys Thank you for the interview, Mr. Ogasawara.