

ASIA IS A BUSINESS IMPERATIVE... NOW MORE THAN EVER

ASIAN HEALTH NEWSLETTER

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A bimonthly newsletter of developments in the pharmaceutical, hospital and medical device markets

CONTENTS

INTRODUCTION	1
CHINA / HONG KONG	1
INDIA	2
INDONESIA	3
JAPAN	3
KOREA	4
MALAYSIA	4
PHILIPPINES	4
SINGAPORE	4
TAIWAN	5
THAILAND	5
FOCUS: Japanese pharmaceutical majors	5

INTRODUCTION

We hope that you find the *Asian Health Newsletter* informative. BDA is a corporate finance advisory firm which helps multinational clients to identify and execute acquisitions and JVs in Asia. We focus on the healthcare sector and are well placed to help Western companies structure mutually beneficial transactions with local partners.

If you think that BDA's services may be useful to you, please contact us in New York on (212) 265-5300 or in Singapore on (65) 533-8500.

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General Manager

CHINA/HK

Bayer of Germany plans to invest US\$2.4m in its subsidiary, **Beijing Bayer Medicine and Healthcare Company**, to promote its anti-diabetic agent, *Glucobay*. *Glucobay* is an a-glycosidase inhibitor which was introduced into the Chinese market in 1994. (September 10, 1999)

US-based **Bristol-Myers Squibb Company (BMS)** has invested US\$30m to establish **BMS (China) Investment Co** in Shanghai. BMS also has a manufacturing JV, **Sino-American Shanghai Squibb Pharmaceutical Co Ltd**, which markets pharmaceuticals, nutritional and personal care products. (August 20, 1999)

Dalian Pfizer Pharmaceutical Co Ltd is expecting to become the leading research-based pharmaceutical JV in China by year 2000. Dalian Pfizer currently produces eight drugs in China, and is the only foreign-funded pharmaceutical JV with multi-functional organic synthesis facility. It has 12 sales offices in China. (September 2, 1999)

North China Pharmaceutical Group (NCPG) has signed a leasing agreement with **Shijiazhuang Changan Department Store** to incorporate its third drug store, **Huayao Drug Store**. NCPG is also scheduled to open more pharmaceutical chain stores to sell OTC drugs. (August 22, 1999)

Sanofi-Synthelabo, the French pharmaceutical company, has agreed to increase its investment in **Hangzhou Sanofi-Minsheng Pharmaceutical Co Ltd**, a JV formed in 1996 with local partner **Hangzhou Minsheng Pharmaceutical Group**.

The JV expects to become one of the largest anti-tumor and cardiovascular drug producers in China. Initial investment will be US\$10m. (August 20, 1999)

Top 10 Chinese Pharmaceutical Wholesalers

	1999 Revenues (US\$000)
Shanghai Pharmaceutical Shareholding Co	551,673
China Medical (Group) Corp	447,588
Beijing Tongrentang Group Corn	238,552
Guangdong Guangzhou Medical Corp	221,743
Shanghai Pharmaceutical Co Ltd	196,541
Tianjin Pharmaceutical Group Corp	132,427
Zhejiang Hangzhou Medical Station Co	120,931
Jiangsu Nanjing Pharmaceutical Co Ltd	111,585
Anhui Taihe Medical General Corn	100,138
Beijing Medical Corp	94,993

Shanghai Medicine Group, Shanghai Donghao International Service Trade Group and an American holding company have set up a JV, **Shanghai Donghao Pharmaceutical & Biological Enterprise**, to introduce advanced technologies, pharmaceutical and biological products into China. In addition, it will offer technical consulting services for the R&D of new biomedical products in China. (September 24, 1999)

United Labs of the US has established a new amoxicillin production line in Zhuhai. **Shanghai Pharmaceutical Industry Designing Institute** and the **Raw Materials Supply Branch** have built the facility according to GMP standards. After a second phase investment of RMB80m (US\$9.7m), the plant will be the largest amoxicillin production facility in China, producing 800 tpa. (August 14, 1999)

Wuhan Tongji Pharmaceutical Co Ltd has acquired **Wuhan No. 6 Pharmaceutical Factory** in Wuhan, Hubei Province. The new company will

produce bulk, cardiovascular and cerebrovascular drugs. (September 2, 1999)

Zhejiang Hengdian Kangyu Pharmaceutical Group Corp has acquired **Zhejiang Dongyang Biochemical Factory**, a state-owned pharmaceutical enterprise in Dongyang, for less than US\$1m. Hengdian Kangyu has developed several new drugs for the domestic market, including a Class II anti-tumor drug, a ubenimex capsule, an anti-hypertensive indapamide tablet and a clarithromycin capsule. (September 23, 1999)

INDIA

NATCO Pharma Ltd (NPL) has changed its strategies to focus on generics, new drug delivery systems, new drug research, custom manufacturing and synthesis. Part of the strategy is to convert all non-branded generics into branded generics. (September 19, 1999)

Ranbaxy Laboratories Ltd (Ranbaxy) of India has signed an agreement with **Bayer AG** of Germany to bring an oral once daily *Ciprofloxacin* formulation to market. Under the US\$65m deal, Bayer will have the exclusive development and worldwide marketing rights to *Ciprofloxacin*, also known as Cipro®, and will pay royalty payments to Ranbaxy. Ranbaxy will then retain marketing rights for India. (September 10, 1999)

Unichem Laboratories of India is to set up a new chemical research unit in Mumbai by December 2000, in addition to its existing research center. The new research center will develop molecules to manufacture bulk drugs and formulations. Unichem Laboratories plans to spend 5% of its revenues on R&D by 2001-2002. Unichem Laboratories markets and exports drug intermediates, bulk drugs and formulations for both human and veterinary use. (September 28, 1999)

INDONESIA

PT Darya-Varia Laboratoria, a publicly listed pharmaceutical company in Indonesia, has reported a net profit of Rp23.8bn (US\$3.2m) for H1 1999 compared to a net loss of Rp269.2bn (US\$35.9m) in the same period last year. Darya-Varia manufactures pharmaceutical and healthcare products in various forms, including soft and hard capsules, sterile lens solutions, injectables, eye drops and tuelles, ointments and creams and infusion solutions. (September 8, 1999)

JAPAN

Azwell Inc, the Osaka-based pharmaceutical wholesaler, will merge with **Takagi Yakuhin**, a Yokohama-based company. The new company will trade under the name Azwell and will be listed on the Osaka exchange. (October 1, 1999)

Banyu Pharmaceutical Co and **Glaxo Wellcome KK** have announced separately that they will each introduce a drug to fight HIV. **Kissei Pharmaceutical Co** has also released the drug *Prozei* in October 1999. The releases of these medicines will bring the total number of anti-HIV drugs in Japan to 14. (September 14, 1999)

Daiichi Pharmaceutical Co Ltd of Japan is planning to set up a JV in Beijing by Q3 2000. The JV will manufacture and market five new drugs including an anti-hemorrhagic, an anti-bacterium, a vitamin formulation, and a product for improving brain nerve transmission function. Daiichi expects the JV to bring in sales of ¥10bn (US\$87m) in 2001. (September 25, 1999)

The **Executive Committee CPAC** in Japan, after nine years of discussion, has approved 16 low-dosage contraceptives made by nine different companies. **Schering** of Germany and **Yamanouchi** of Japan

have formed a partnership to develop these pills, which is expected to make ¥3bn (US\$29m) in revenues in this sector. These two companies will market the pills separately. (September 15, 1999)

Gambro, a Swedish pharmaceuticals group, will dissolve its Japanese JV, **Gambro Teijin Medical** on December 1, 1999. Both Gambro and its partner in the JV, **Teijin**, are producers of renal care products. The separation is a part of Gambro's strategy to consolidate operations in Japan and offer customers more direct contact. (September 22, 1999)

Kyowa Hakko Kogyo Co has begun Phase II clinical tests for its anti-Parkinson's disease drug in its US unit located in Princeton, New Jersey. (September 20, 1999)

Mitsubishi Chemical is expecting to boost annual pharmaceutical revenues to ¥300bn (US\$2.7bn) through acquisitions and alliances with foreign drug companies by Q1 2000. As part of the plan, Mitsubishi will first set up a new subsidiary **Mitsubishi Tokyo Pharmaceuticals** in October 1999. The new subsidiary expects annual sales of ¥90bn (US\$87m). (September 13, 1999)

Otsuka Pharmaceutical Co of Japan has joined **Bristol-Myers Squibb Co (BMS)** of the US to develop and market *Aripiprazole*, which treats schizophrenia. Otsuka will be responsible for sales in Japan and Asian countries, and BMS will market it in the US and European countries. The market for anti-schizophrenia drugs in Japan is ¥400bn (US\$3.9bn) per year. (September 21, 1999)

Sankyo, a manufacturer and marketer of pharmaceuticals, medical and surgical supplies, and other chemical products, has signed its second collaborative research and license agreement with US-based **Quark Biotech Inc** to identify genes that are responsible for autoimmune diseases including rheumatoid arthritis, hepatitis and nephritis. Under the agreement, Quark will discover the genes that serve as the basis for drugs, while Sankyo will perform pre-clinical studies, development, manufacturing and marketing. (September 20, 1999)

Sato Pharmaceutical has obtained the sales rights from US-based **Pharmacia & Upjohn (P&U)** to market an antibiotic, *Dalacin T/Gel 1%*, for treatment of acne, developed by P&U. Under the agreement, *Dalacin T/Gel* will be produced in the US, imported by P&U Japan and sold by Sato. *Dalacin* is currently sold in 14 countries. (September 16, 1999)

Taisho Pharmaceutical Co Ltd, a leading Japanese player in OTC healthcare products, has been granted an exclusive option to acquire a license to **Alteon's** lead crosslink breaker, *ALT-711*, for Japan, Korea, Taiwan and China through December 31, 1999. US-based **Alteon Inc** develops pharmaceutical products for the treatment of the complications of diabetes and age-related diseases. *ALT-711* is a proprietary compound in a novel class of agents identified by Alteon, which impacts on late stages of aging-related, cardiovascular and diabetic complications. (September 13, 1999)

Toyama Chemical has obtained exclusive sales rights from **Yoshitomi Pharmaceutical** for *Trasemid* in Japan. *Trasemid*, an effective and safe loop diuretic, was originally developed by a German company, and is currently sold in more than ten countries in the US and Europe. In Japan, the drug was developed by Yoshitomi Pharmaceutical and **Roche Japan** and was approved in March 1999. (September 22, 1999)

KOREA

Kolon Industries has finished the animal testing of a new substance, *Tissuegene*, that cures degenerative arthritis and ligament damage. This new material re-makes articular cartilage and cures damaged ligaments. Kolon applied for a domestic patent in February and a US patent in July, and is now waiting for the FDA's permission to test on humans. (September 14, 1999)

To submit stories to future editions of the *Asian Health Newsletter* please contact Paul DiGiacomo on (212)265-5300 or via email at pdgiacomo@bdallc.com.

MALAYSIA

Quest Vitamins Ltd, a large health supplement manufacturer and subsidiary of **Boehringer Ingelheim**, will expand its presence in Malaysia and the region in the next two years, specifically to market its products in Singapore, Myanmar, Vietnam and Australia. Singapore is expected to be Quest's first market for expansion. Currently 14 of Quest's products are sold under the brandname *Quest* in Malaysia. As part of the expansion plan, Quest will first look for suitable distributors and sales teams in those countries. (September 15, 1999)

PHILIPPINES

Aetna International Inc, one of the US's leading insurance providers, has set up a life insurance and healthcare branch in San Fernando, the Philippines. This is the twelfth regional branch in the country. (August 30, 1999)

SINGAPORE

Becton Dickinson & Co (BD), the number one syringe maker in the US, has opened a regional R&D center in Singapore. The new center will support the manufacturing and product development in the region, especially in China, India and Korea where the medical devices industry is largely undeveloped. BD already has manufacturing facilities in China and India for its disposable needles, syringes and catheters, and is acquiring a medical devices facility in Korea. (August 27, 1999)

Schering-Plough Research Institute, the pharmaceutical R&D unit of US-based **Schering-Plough**

Corp, has opened its regional clinical research center in the Science Park II complex in central Singapore. This center aims to coordinate its clinical program for new pharmaceuticals in Asia ex-Japan and therefore to increase its market share in the region. Schering-Plough currently has its regional headquarter and two manufacturing sites in Singapore. (September 6, 1999)

TAIWAN

Suzuken, one of the leading pharmaceutical wholesalers in Japan, has acquired a 5% equity stake in **Maywufa**, the third largest drug wholesaler and a manufacturer of healthcare-related products in Taiwan, for ¥300m (US\$2.9m). Under the agreement, Suzuken will supply Maywufa with the information on pharmaceutical distribution systems for Taiwan. Suzuken holds 83% of the market share in Japan. (August 16, 1999)

The **Department of Health** of Taiwan inaugurated the nation's first medical and public health on-line service system in Ilan. This new system provides medical, pharmaceutical and public health information to local consumers, medical service providers and pharmaceutical makers. (September 20, 1999)

THAILAND

Boots Retail (Thailand) Co, a wholly owned subsidiary of **Boots Plc** of the UK, is increasing the number of shops in Thailand for its health and beauty products, in efforts to gain a leading market share of 25%. Boots already has 32 stores in Thailand, and will increase the number to 46 by March 2000. (July 29, 1999)

FOCUS:

Japanese pharmaceutical majors

The Japanese pharmaceutical market is the second largest in the world following that of the US with an estimated value of US\$70bn in 1998. Ethical products account for over 84% of the market, and their use is currently covered by Japan's universal health insurance system. The interest of foreign pharmaceutical firms is therefore high, but the Japanese market for ethical drugs is highly regulated. The introduction of products in this market is expensive, time consuming and complex. The best access is via large Japanese companies, or non-Japanese companies with established local business. For biotechnology companies the best access is via out-licensing, or entering into development cooperation with a Japanese partner.

Manufacturers in Japan build a large sales and promotion force, comprised of medical representatives. The sales force markets to physicians and hospitals. Japanese doctors have a wide scope to select the brand of pharmaceuticals and to specify drugs in a prescription.

There are many wholesalers in the Japanese pharmaceutical distribution system, none of which operates on a nationwide basis. Also, none have a product line-up from all manufacturers. Therefore, manufacturers must build business relationships with a large number of wholesalers which is a significant obstacle to a foreign firm trying to enter the market on its own. An alliance with a Japanese firm facilitates entry.

We have profiled some of the leading Japanese pharmaceutical players below.

Chugai Pharmaceutical Co Ltd

Business summary: Founded in 1925 as **Chugai Shinyaku Co Ltd**, Chugai has long been considered one of Japan's most forward-looking and dynamic pharmaceutical companies. While prescription

pharmaceuticals are its primary strength, the company also boasts a solid position in the Japanese market for nonprescription products as well as an increasingly high profile in DNA probe and enzyme-immunoassay (EIA) diagnostics. In the year ended March 31, 1999, 75.4% of consolidated net sales of US\$1.8bn were from prescription pharmaceuticals; 13.9% from nonprescription products, including over-the-counter (OTC) drugs, nutritional supplements, and insecticides; and the rest were from diagnostic products and medical devices. Chugai has 9 overseas subsidiaries, 3 overseas offices, 3 branch offices and 2 R&D sites.

Senior management: Mr. Kimio Uyeno, Chairman; Mr. Osamu Nagayama, President & CEO

Ownership structure: Listed on the Osaka and Tokyo exchanges.

MNC relationships: JV with **Kyoei Pharmaceutical Co Ltd** of Japan, **Eli Lilly and Company** of the US; partnered with **Dainippon Ink & Chemicals, Inc (DIC)** of Japan, **Metabolic Modulators Research Ltd (MMRL)** of Canada, **Chiron Corporation** of the US, **Amrad Corporation** of Australia, **C&C Research Laboratories** of Korea, and **Ambion, Inc** of the US.

Key financials: 1998 revenues of US\$1.8bn.

Daiichi Pharmaceutical Co Ltd

Business summary: Established in 1915, Daiichi Pharmaceutical Co Ltd produces a wide spectrum of ethical pharmaceuticals, over-the-counter products, pharmaceutical intermediates and veterinary products. Daiichi has a dominant position in markets for synthetic antibacterial agents and X-ray chemicals and is strong in the cardiovascular field. Pharmaceutical products accounted for 95% of fiscal 1998 revenues; industrial chemicals, chemical products and others, the remaining 5%. The company has 23 consolidated subsidiaries, 13 in Japan, 2 each in Taiwan and the US, 1 each in the UK, Germany, Hong Kong, Korea, China and France. Overseas sales accounted for 14.1% of fiscal 1998 revenues.

Senior management: Mr. Tadashi Suzuki, Chairman

of the Board & CEO; Mr. Kiyoshi Morita, President

Ownership structure: Principal shareholders are Nippon Life Insurance Co, 6.7%; The Sumitomo Bank Ltd, 4.9%; The Sumitomo Trust and Banking Co Ltd, 4.8% and The Fuji Bank Ltd, 4.5%.

Key financials: 1998 revenues of US\$2.7bn.

Takeda Chemical Industries, Ltd

Business summary: Incorporated in 1925, Takeda is Japan's largest pharmaceutical company with operations worldwide. The company's R&D-oriented activities encompass every major sector of prescription pharmaceuticals and expanding range of over-the-counter products. The company has earned a strong reputation as the world's leading producer of bulk vitamins. In the pharmaceutical sector, Takeda is focusing on six core areas: diabetes, cardiovascular diseases, central nervous system disorders, bone and joint diseases, allergic diseases and infectious diseases. Pharmaceutical products accounted for 69% of 1998 sales; chemical products, 14%; foods and vitamins products, 10%; and other, 7%. The company has 51 consolidated subsidiaries, 31 in Japan, 6 in the US, 2 each in Germany and the UK and 1 each in France, Taiwan, Indonesia, Hong Kong, Singapore, Korea, Italy, Ireland and Mexico. Overseas sales accounted for 16.1% of 1998 sales.

Senior management: Mr. Masahiko Fujino, Chairman; Mr. Kunio Takeda, President; Mr. Koichi Yanashita, & Mr. Hideyuki Nagasawa, Managing Directors.

Ownership structure: Publicly listed company.

MNC relationships: JV with **Abbott Laboratories** of the US.

Key financials: 1998 revenues of US\$7.5bn.

Yamanouchi Pharmaceutical Co Ltd

Business summary: Established in 1923, Yamanouchi is a research-oriented company and a leader in Japan's pharmaceutical industry. It specializes in ethical drugs,

and has a strong R&D program in digestive, cardiovascular and other diseases related to aging. The company has a major position in the vitamin market due to its acquisition of **Shaklee**, and aims to become a comprehensive provider of health care products including nutritional supplements and other items marketed by **Shaklee Corporation** of the US and **Shaklee Japan K.K.** Revenues for the year ended March 31, 1999 were US\$4bn; 76% were from pharmaceuticals and related products; 11.8% from nutritional and personal care products; 10.4% from foods and roses; and the rest from others. Yamanouchi has 13 branches, 4 plants, 5 research laboratories and 4 overseas offices in Taipei, Seoul, Beijing and Manila.

Senior management: Mr. Masayoshi Onoda, President & CEO; Mr. Jiro Ichinaka and Mr. Toichi Takenaka, Senior Managing Directors.

Ownership structure: Listed on the Osaka, Paris and Tokyo exchanges.

MNC relationships: Partnered with **Johnson & Johnson-Merck Consumer Pharmaceuticals Co** of the US, **Glaxo Wellcome Group** of the UK, **Merck KgaA** of Germany, **Warner-Lambert Company** of the US, **G.D. Searle & Co** of the US, **Universities of Groningen, Leiden and Utrecht** of the Netherlands. JV with **Je Il Pharmaceutical Co Ltd** of Japan and **Shenyang No. 1 Pharmaceutical Manufacturing Factory** of China.

Key financials: 1998 revenues of US\$4bn.

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ABOUT BDA

Business Development Asia is a corporate finance advisory firm which assists US companies to expand their businesses in Asia. BDA specializes in the health industry and helps clients to find local business partners and has senior advisors in Bangkok, Jakarta, Kuala Lumpur, Manila, Seoul and Shanghai. For further information on BDA's services or on any of the articles in this newsletter, please contact Euan Rellie or Charles Maynard through our New York office, or Andrew Huntley in Singapore.

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