Koji Ueda – Managing Director, Otsuka Pharmaceutical Hong Kong



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Managing director of Otsuka Pharmaceutical Hong Kong Koji Ueda explains the Japanese company's long-standing presence in Hong Kong, which dates back to 1956, the affiliate's 50-50 split between pharmaceuticals and nutraceuticals and within pharma its principal focus on nephrology and CNS. Moreover, he explains the milestone launch of Otsuka's first-in-class treatment for the genetic kidney disease ADPKD and the company's public education initiatives aimed at addressing mental health issues.

Having arrived in Hong Kong just before the COVID-19 pandemic hit, how did you manage the affiliate through that challenging period?

I have worked in various locations including Thailand, India, and Beijing. Before coming to Hong Kong, I was based in Tokyo as the Senior Director of supply chain. I was officially appointed as the managing director of Hong Kong Otsuka in January, 2020. Shortly after my assignment, the pandemic began. Although Hong Kong residents had some experience with SARS, I had no prior experience with such a situation, so it was quite overwhelming.

At Hong Kong Otsuka, we have two core businesses: pharmaceuticals and nutraceuticals. Nutraceuticals are consumer products with scientific evidence backing up their benefits, such as the ion supply drink POCARI SWEAT. These products contribute to healthcare, so they are more

than just regular consumer goods. When the pandemic started, we had to stay at home, schools were suspended, and physical activities were halted, causing a dramatic drop in sales. Additionally, our medical representatives could not visit doctors, which affected our pharmaceutical business.

My first priority was ensuring employee safety. I ensured all employees could stay safe by allowing flexible work arrangements, whether they needed to work from home or come to the office. Our headquarters supported us significantly by sending masks and other essential supplies to Hong Kong, as there was a severe shortage of masks here at that time. Japan had not started experiencing shortages yet, so they could send us what we needed.

The second priority was maintaining communication and continuing our activities. Unlike other companies that stopped all advertising, we decided to keep communicating with our consumers. This approach was crucial to ensure we remained connected with our audience despite the challenging circumstances.

While these efforts might not have contributed to short-term performance, we believed it was important to maintain our activities. Once the situation returned to normal, we anticipated that consumers would come back to us. For the pharmaceutical business, we encouraged continuous communication with physicians and other healthcare professionals through any means available, such as email, WhatsApp, telephone, or online tools. We even started hosting online webinars.

What other measures did you take to ensure business continuity?

One critical measure was securing our supply chain. Since all products for Hong Kong Otsuka are imported from Japan or other regions, we needed to ensure a steady supply. We maintained frequent communication with our headquarters and factories to guarantee that all necessary supplies reached our facilities. This was especially crucial for our pharmaceutical business to ensure hospitals received the products they needed.

Given Japan’s proximity and Hong Kong’s relatively small size, why is it necessary to have a full Otsuka branch in Hong Kong?

Otsuka has a long history in the Asian region, which is a significant reason for our presence here. Our first overseas affiliate was established in Thailand in 1973, and the Hong Kong company was set up in 1997. However, our business activities in Hong Kong date back to 1956 when we started

exporting our Oronine H Ointment. Additionally, POCARI SWEAT was launched in Hong Kong in 1982. Despite Hong Kong's smaller market size compared to other regions, our longstanding business history here makes it an important market for us. This long-term presence and commitment justify having a dedicated branch in Hong Kong.

How is the Otsuka Hong Kong business divided between pharmaceuticals and nutraceuticals?

Our business in Hong Kong actually began with nutraceuticals like Oronine H Ointment and POCARI SWEAT. In 1990, we also started our pharmaceutical business. Since then, we have been actively introducing new products. Thanks to Hong Kong's regulatory requirements, once a product is approved in two other countries, it can be introduced here. As Otsuka has become more global, we have shifted our focus beyond Japan to markets like the US and Europe, allowing us to introduce more products to Hong Kong.

In Hong Kong, our revenue is split 50-50 between pharmaceuticals and nutraceuticals. This balance is partly due to the strong appreciation Hong Kong consumers have for Japanese brands. There are many specialised Japanese shops here, and this plays a significant role in our market presence. Many people in Hong Kong have a great appreciation for Japanese products. We are very grateful for their support and trust in our brands.

When you were sent to Hong Kong, were you given any specific agenda or mandate?

We just concluded our third-term midterm plan last year, and we need to follow the holding company's direction. In our case, Otsuka Pharmaceutical Co., Ltd. in Japan has a division called the Otsuka International Asia-Arab Division, which manages all business in Asia, the Arab region, and other emerging markets. Our boss emphasizes not only meeting sales targets but also contributing to healthcare for both patients and healthy individuals in the local community. This mission is significant, and in the case of Hong Kong, although it is not a large market compared to others, we already have many products launched here. We can share our best practices with other regions, where market access may come later. This gives us an advantage in creating and sharing successful strategies with other affiliates.

How have you been doing in terms of product launches since you arrived?

We at Hong Kong Otsuka have had four target areas: central nervous system (CNS), cardiovascular & nephrology, oncology and clinical nutrition. Currently, our main focuses are on CNS and nephrology. For example, we launched JINARC, a treatment for ADPKD, a genetic kidney disease. This was a significant milestone as there were no previous treatments available for this condition. It is a first-in-class product, which aligns with our strategy of launching innovative and effective treatments. We also conduct public education activities in collaboration with associations to raise awareness about mental health and kidney diseases, hosting seminars and events in Hong Kong.

How has introducing first-in-class or best-in-class products into a system like Hong Kong's with universal healthcare reimbursement been? What has been your experience with pricing strategies in this context?

The healthcare system in Hong Kong differs significantly from that of Japan. After receiving regulatory approval, we must work diligently to have our products listed in the drug formulary of the Hospital Authority (HA) for reimbursement purposes. This process can take some time, but we aim to expedite it to ensure that Hong Kong patients can benefit from our treatments. However, even if a drug is listed in the HA formulary, there are cases where patients may still have to bear some of the costs themselves. To address this, we collaborate with NGOs and NPOs to minimize the financial burden on patients. We undertake similar initiatives for drugs in nephrology and oncology, working closely with patient groups and societies, which are well-developed here in Hong Kong.

Could you enlighten us about the CNS portfolio, an area in which Japanese companies seem to excel?

CNS is a crucial portfolio segment for us, both globally and in Hong Kong. We can proudly say that we are one of the leading companies in the Hong Kong CNS market in terms of sales volume and market share. We strive to continually introduce new products into this segment. Our journey in CNS began with extensive research conducted over 25 years at our research centre in Japan. This culminated in the launch of our flagship product, Abilify tablet, in the US in 2002, followed by its introduction to the Hong Kong market in 2006. Abilify addresses conditions such as schizophrenia, bipolar disorder, major depressive disorder (MDD), and even autism. We are currently exploring new indications for this product and remain committed to ongoing R&D efforts, despite the

considerable cost and time involved. Since the establishment of our research centre in the 1970s, CNS has been a key focus area, and our dedication to innovation in this field has solidified our position as a leader in CNS therapeutics.

Apart from your commercial activities in Hong Kong, are there any other initiatives such as clinical trials, real-world evidence studies, or collaborations with hospitals or other entities that you would like to highlight?

While we do not conduct clinical trials in Hong Kong due to our proximity to Japan, we do support various medical associations. As I mentioned earlier, our focus extends beyond commercial endeavours to include public education, particularly in addressing the pressing issue of mental health. Unfortunately, mental health concerns, including suicide rates among students facing academic pressures, are significant in Hong Kong. The government, under Mr. Lee's leadership, has also recognized this issue in its policy address. In response, we have partnered with psychiatrists and specialists to conduct workshops in schools, educating students on managing their mental well-being. While these efforts may not directly correlate with sales, they represent our commitment to social responsibility.

The expectations in these regions can be intense, contributing to significant societal pressures. It is essential to address mental health concerns and provide support to individuals navigating these challenges. University education plays a pivotal role in shaping the future of individuals, adding to the pressures they face.

Otsuka will now be entering the next stage of its plan, given that the mid-term plan finished in 2023. What are the key priorities?

In the pharmaceutical business, we align with the global portfolio and pipeline, awaiting positive outcomes from our global efforts. However, we also recognize the need to adopt a more comprehensive approach beyond mere treatment. We are shifting towards considering the entire patient journey, encompassing diagnosis, caregiver support, and the broader ecosystem. It is not just about launching products; it is about supporting patients and their communities. While Hong Kong's market may be relatively small, we must tailor our strategies to the unique needs of its society and patients.

How would you characterize the people and teams in Hong Kong?

Hong Kong's population is incredibly talented, akin to what I have experienced in Japan. There is a strong work ethic and attention to detail, and I have not encountered anything that feels out of place. While lifestyles may differ slightly, both Japan and Hong Kong boast longer life expectancies and aging populations. Many older individuals in Hong Kong actively engage in healthy activities like running, walking, and exercising, which is truly inspiring. Our aim is to contribute to their health and well-being, helping them lead healthier, longer lives.

Another important aspect is Otsuka's commitment to achieving Net Zero and its approach to sustainability. Could you elaborate on what net zero means for Otsuka and how the company approaches sustainability?

As a global healthcare company, Otsuka recognizes the significance of environmental, social, and governance (ESG) considerations. We are committed to achieving net zero environmental emissions by 2050. To monitor our progress, we have set key targets, including 50 percent reduction in CO2 emissions (Scope 1 and 2) by 2028 compared to 2017 as carbon neutrality. Additionally, we aim for a 50 percent decrease in simple incineration and landfill disposal by 2028 compared to 2019, promoting a circular economy. Water neutrality is also a focus, expanding our water management programs across all global factories. These efforts align with our commitment to sustainability and responsible corporate citizenship.

Regarding plastic waste for instance, we have made changes like shortening the cap and transitioning to recycled materials. These small adjustments help minimize the amount of material used and promote the use of recycled materials. Our commitment to environmental sustainability drives these efforts. For Hong Kong, we import all our products, but globally, we are implementing similar initiatives.

What are your aims for Otsuka Hong Kong?

In our case, we operate in two core business areas: pharmaceuticals and nutraceuticals. Our goal is to approach healthcare comprehensively as a total health company. Beyond just promoting pharmaceutical products, we strive to support and contribute to the overall healthcare ecosystem, the well-being of society, and the entire patient journey. Our chairman at Otsuka Holdings always emphasizes our aspiration to be the company that makes the most significant contribution to

healthcare in the 21st century. If, in the future, people look back and remember Otsuka as the foremost contributor to healthcare during this era that would be a tremendous achievement. My aim is for Otsuka to be recognized in Hong Kong as a company that significantly contributes to healthcare.

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