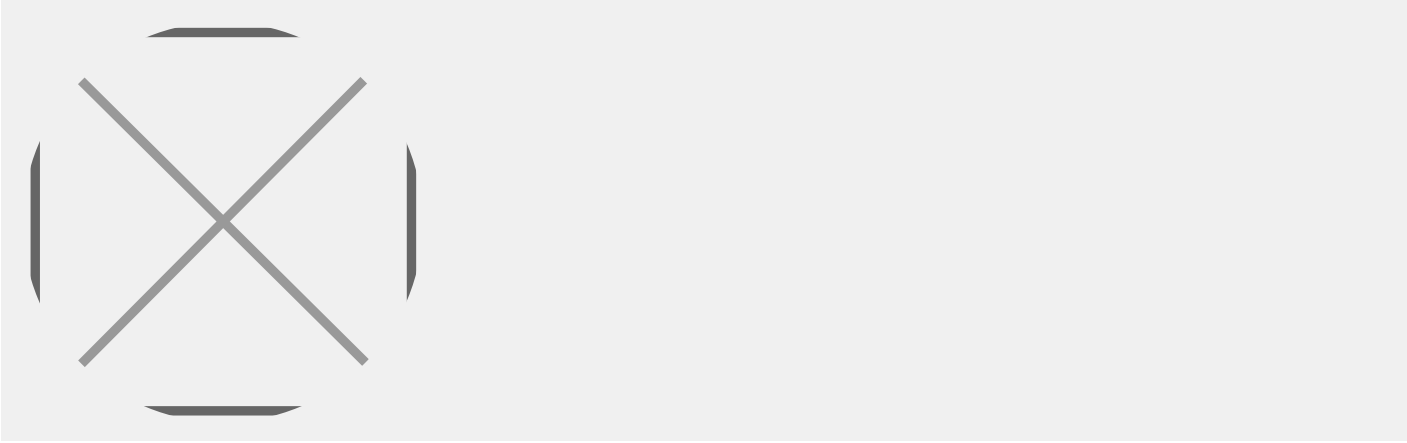
Interview with Leopoldo Dimerin, President & General Manager, Otsuka (Philippines) Pharmaceutical



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You were appointed President and General Manager of Otsuka Philippines in 2008. Can you please start by giving to our readers an overview of Otsuka activities in the country as well as the company's biggest achievements since you have been heading the company?

Otsuka Philippines was incorporated in December 1997 and fully operational in January 1998 with only 65 employees. Over the last 12 years, the product portfolio has grown and three General Managers and Presidents of the company have changed under this organization. I joined the company in January 2006 as Sales and Marketing Director coming from PITC and, after 2 years, I was given the opportunity to head this firm.

As far as the product portfolio is concerned, it ranges from Cardio and Gastro to antipsychotic drugs. At the same time, Otsuka Pharmaceutical Philippines has launched the medical devices and ventured in the consumer business which is the Pocari Sweat brand.

As President and General Manager, right now I am responsible for these three categories – pharmaceutical products, medical devices and consumer products.

Otsuka is known not only for pharmaceutical products and medical devices but also for nutraceuticals and cosmetics. When we met with your colleague at Otsuka France he mentioned that the company had recently bought a stake in Alma, a leading bottled water manufacturer. In which ways do you think a pharmaceutical company is well positioned to go into food and beverage products?

Initially, Otsuka started as a water company. It was more of the dextrose where it started business until it ventured more into pharmaceuticals, nutraceuticals, and consumer products. I think that this area represents the full potential, and it is where the big investment is. In terms of water, soya, and food business, we also had a big acquisition in the south of France.

What are the main growth drivers in the country? Will the pharmaceutical products still lead the growth of Otsuka Philippines?

Otsuka Philippines has strengthened its position in pharma and started with the consumer business, that roughly accounts for 10% of the total business. Pharma still accounts for 90% and is the expected growth driver. There will be new products and line extensions in the next 3-4 years and we expect it to be the growth driver for the pharma segment.

At the same time, we're looking into our consumer business to see if we can bring in some of our other products if we're successful with our initial product Pocari Sweat.

At the end of 2007, the company had announced plans to open a factory in the Philippines by 2010 for Pocari Sweat. What is the status of that project?

There are a lot of things we have to consider such as the amount of investments. Right now, the focus and the profitability are mainly coming from the pharmaceutical segment.

When we started the consumer business, we needed to invest; the investment was sourced from our pharmaceutical segment. Likewise, if we manage to hit a certain number of bottles in a particular year and if we prove to be successful in the next 5 years maybe we can consider producing Pocari Sweat in the Philippines.

At the moment, only few pharmaceutical multinationals have manufacturing facilities in the Philippines. However, the ones with manufacturing plants find it cost-efficient to produce in the country. Would you see the potential to manufacture pharmaceutical products as well?

At the moment, there is no plan. As far as our plans are concerned, we have centralized the purchases from our plants in Indonesia, Korea and Japan, so that it provides us various sources. Nevertheless, I do not see that coming in the next couple of years.

The year 2009 was critical for many of the multinationals operating in the Philippines due to the Universally Accessible Quality and Cheaper Medicines Law. What has been the effect of the Law on the industry and what strategy has Otsuka adopted to cope with the changing environment?

That discussion has been ongoing for several years. We did not know the effect until it was implemented last year. As a response to clamor, the government initiated a process to lower the price of medical products. Ironically, I used to work in the government in the past and was

advocating lower price medicine. Now I am back with the multinationals.

I think it is a great project that will make medicine available and more affordable for a greater number of people. At the same time, however, we have to consider strengthening the quality of all ethical or medicinal products and making sure that all of the middle companies and/or local companies conform to the same quality.

During the last years, we were off our target but, lucky for us, profitability was achieved. We have to cope by managing our expectations compared with other companies. The big multinationals had to resort to reorganizing their structure while Otsuka's strategy was to rationalize and see where it could maximize its sales force.

As a solution to cope with unpredictable scenarios, we have extended our pipeline by introducing line extensions with new delivery system, like we did for our antiplatelet product – from a tablet to a powder preparation – for stroke patients who had difficulty in swallowing. We did not voluntarily join the initiative for lowering the price of medicine, but chose a wait-and-see approach instead.

This is how we intend to cope with cheaper medicine act while at the same time strengthening our field force.

The objective of the law was to increase accessibility to medicines, an area where you had been at the front line while working in PITC. How can a multinational company like Otsuka contribute to this objective of making medicines more accessible and affordable to the Filipinos?

I think it is necessary to look into the product portfolio especially the products that are part of the basic need of the Filipinos, offering these products at a lower price and concentrate the investments on new products, even niche products, while making sure that the company grows as a whole and making these products accessible to the people. There are still a lot of people with no opportunity to take the medicine and we should really take care of this group.

Otsuka has been very involved in promoting health and quality of life of people around the world, following the motto "Otsuka – people creating new products for better health worldwide". What have been the main initiatives implemented in the Philippines?

Otsuka is a foreign company doing business in the Philippines. Me being a Filipino, I realize that it is also important to look into the welfare of the entire country. We have created our social responsibility group – 'Otsuka Cares' – where we look for talented Filipinos and providing them scholarships. Another project is giving donations to Unicef for every doctor's signature during our medical rep coverage

On a more general level, the pharmaceutical industry is now moving towards Asia, which is growing faster than the traditional markets in Europe and US. What is the importance of the Asian region for Otsuka and, within this context, what role do the Philippines market play?

Globally, the company is looking at Asia as the major reference for investments, especially China. During a recent meeting in Shanghai, it was emphasized that the tremendous growth will be in the Asian region. The Philippines, together with Indonesia and Thailand, contribute between 12-15% of the total. As an investment and being part of the philosophy of Otsuka, we want to bring these new medicines to the Philippines – which have not yet been fully accomplished. Moreover, if you look at the product portfolio in Japan, a lot of products are not yet made available here. Japan is also looking at the ASEAN as a group to continue the investments outside of China.

You have been personally working in American and European companies. Do you think that an Asian company like Otsuka is better positioned to compete in the Philippines pharmaceutical market due to its geographical vicinity?

I think regardless of the companies' origins, whether company is from America, Europe or Asia, the competition depends on the pipeline. As long as they have a long pipeline, and can compete in different therapeutic class and this will cover more patients and benefit more disease states.

Otsuka does not run by a "me-too" culture, but it strives to be a "me-first" company. How do you apply this approach in the Philippines?

We are consistent with that. There is no plan to go to "me-too" in the future. We want to have our own developed products to be available and we plan to dominating therapeutic class even in the niche market to help those even with diseases that are not common.

In the Philippines, you are the first local to be leading this foreign company. Do you also think it takes a Filipino to run a Filipino subsidiary?

Being Filipino will definitely help because it makes you more familiar with the culture. Based on my experience, the more years an ex-pat is stationed here, the more consistency it gives him or her in the vision. Knowing the culture is the key that would set you apart from the others.

How would you describe your management style?

I always listen to people. My philosophy is to cultivate the habit of winning and I want to 'rub' it into my employees. Even in other countries, I always wanted to achieve the best. Sometimes things might be not going in the perfect direction but the important thing is to achieve our objective and believe that there is always a way. I do not like our employees to be giving up even with all the challenges. It will play a big part especially in a challenging market.

In this difficult environment, what corporate vision do you project for the near future?

Our goal is to be among the top 15 companies in the next 7-10 years.

As a consequence of some unexpected challengers, Otsuka Pharmaceutical Philippines is on the 30th position in the pharmaceutical segment but we aim to be among the top 15 in the next 10 years and become dominant in the market segment we compete in.

What would be your final message to 37,000 PhEx readers?

Our ideology is to always try to deliver the best product not only for the Filipinos but to the world and produce the best products for both the common diseases and for those suffering from hard-to-cure diseases.

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