



Creating a New CULTURE

After significant accomplishments that helped put Otsuka on the map — a major systems implementation in China and the establishment of Otsuka business entities in Europe —

Hiromi Yoshikawa is establishing **NEW BUSINESS DYNAMICS**
at Otsuka America Pharmaceutical Inc.

Loyalty is central to Hiromi Yoshikawa's character. It is what has kept him at one company throughout his multifaceted career and it is a large part of what makes him a well-respected and successful leader.

Yet at the same time, Mr. Yoshikawa is far from a quiet company man. Through the years and at every step of the way, he has risen to the challenges that have been set for him and he has played a key role in defining the

direction and success of Otsuka Pharmaceutical Co. Ltd. (OPC).

"Over the years, Otsuka has grown significantly, and I've been promoted to steadily more responsible positions, which has been a constant challenge," he says.

While company loyalty is common in Japan, Mr. Yoshikawa's homeland, his dedication to Otsuka is evinced by far more than his cultural background; it is a belief in the company, what Otsuka as a whole has achieved,

what its pharmaceutical business, OPC, stands for, and what the American pharmaceutical company, Otsuka America Pharmaceutical Inc. (OAPI), of which Mr. Yoshikawa is chairman and CEO, continuously strives to accomplish.

The company makes a point of identifying people as being the central driving force to its success — be they patients, healthcare providers, members of the community, or employees — and it's this attitude that res-

onates from the top of the organization down.

“People are our most important asset, and one of my major goals has been to create a new culture at OAPI that takes into consideration every person in the company,” Mr. Yoshikawa says. “Our company is made up of people from many different backgrounds; so rather than conducting business according to a Japanese culture or a U.S. culture, I have been working to create a culture based on strong, open communications. Only in this way can we continue to be a successful company.”

To achieve greater cohesion and greater interdepartmental synergy, Mr. Yoshikawa has changed the whole structure of the company from vertical departments to a matrix of cross-functional teams.

“My intention is to improve the productivity of the talent that each person has, and cross-functional teams are the best way to achieve this goal,” he says.

Debbie Kaufmann, OAPI’s senior communications manager, explains that for each product in development a group of people from different functions work together, rather than just a clinical team.

“People from commercial development, corporate communications, tech ops, manufacturing, and so on — all of the different areas of the company — are working together as a project team so that the collaboration is cross-functional and nothing gets missed,” Ms. Kaufmann says. “This is an excellent process because the structure enables our employees to be involved in many different aspects of the business. Team members can learn a lot about how each department operates instead of just being caught up with their specific roles.”

Aware that such a system might be doomed to failure without a real company shake-up, Mr. Yoshikawa also has altered the reporting system.

“In a vertical organization, an employee reports to his or her department boss,” he says. “So I’ve changed the reporting system to one of duality. Instead of only reporting to the departmental manager or the head of the department, an employee also reports a percentage of his or her time to the project’s team leader. During personnel annual reviews, there’s input from both the department head and the project team leader.”

Ultimately, Mr. Yoshikawa believes this duality-based approach will give the company a competitive edge because OAPI employees will have a more comprehensive view of what is involved to take a product from R&D to launch.

OAPI, based in Rockville, Md., is a fast-growing healthcare company. OAPI commer-

cializes Otsuka-discovered products and other product opportunities in North America.

OAPI works closely with its sister organization, Otsuka Maryland Research Institute Inc. (OMRI), a research and development organization that focuses on investigating new chemical entities to develop novel therapies for global markets.

Even its name underscores its commitment: Otsuka translates to “major milestones.”

Throughout Otsuka, Mr. Yoshikawa says there is a dedication to producing quality products that can stand the test of time and that will benefit consumers.

This focus is particularly evident at OPC and OAPI, where there is a firm commitment to the development and commercialization of innovative products to address unmet medical needs.

THINKING BIG

From the start, Mr. Yoshikawa was drawn to Otsuka, and he has continued to be inspired by the way the company does business.

Otsuka is a privately held, large-scale pharmaceutical and consumer products provider. Otsuka has established or acquired a wide range of companies; it provides comprehensive support for its business activities by presenting, within a concrete framework, new business opportunities and management improvement strategies.

As someone who has an inclusive view on business practices, Mr. Yoshikawa has found a comfortable match with Otsuka.

He describes the company’s approach to its operations as synergistic, whereby the many Otsuka affiliates work cooperatively to create a cohesive organization with a unified goal:

WORKING TO MEET UNMET NEEDS

The work we do today helps to create tomorrow’s miracles,” says Hiromi Yoshikawa, chairman and CEO of Otsuka America Pharmaceutical Inc. (OAPI). “It is Otsuka’s mission to create new products for better health, and we as an organization are truly committed to making a difference.”

Established in 1989 as a commercial affiliate of Otsuka Pharmaceutical Co. Ltd., OAPI markets OPC-discovered and other products in the United States.

Since May 1999, OAPI has launched two products in the United States and is responsible for sales, manufacturing, marketing, and other endeavors related to the products.

Currently, OAPI is working with its sister company — Otsuka Maryland Research Institute Inc. (OMRI), which focuses on basic research, drug development, and clinical development of healthcare products — on several products.

OMRI is currently conducting investigational research in the areas of inflammatory bowel disease (IBD), congestive heart failure (CHF), hyponatremia, and polycystic kidney disease (PKD).

IBD, CHF, and hyponatremia compounds are in Phase III development; the clinical studies for PKD, which has a patient population of around 500,000 patients, are currently in Phase II trials.

“Generally speaking, big pharmaceutical companies in the United States are not interested in these smaller markets, because, on a sales basis, products for diseases such as Crohn’s or PKD amount to \$300 million to \$500 million; sales won’t reach \$1 billion,” Mr. Yoshikawa says. “But many patients are struggling with the frustration that there’s nothing to treat the disease.”

Otsuka also is investigating topical treatments and medical devices. OAPI currently has a topical antiseptic being studied for surgical use. In addition, a medical device for ulcerative colitis and potentially for other autoimmune diseases, is undergoing pivotal studies in the United States and Canada.

“Of all the compounds under development, only CHF is a big market,” Mr. Yoshikawa says. “With the others, the focus is on unmet medical needs, which is Otsuka’s vision and mission. It’s rewarding to be working for people who are in such desperate need of new therapeutic treatments.”

manufacturing products that have long-term value.

“One of the attractions for me when I joined Otsuka was the diversity of products — from pharmaceuticals to chemicals, furniture, ceramics, and food and drink — and yet at the same time there is real synergy among these different affiliates,” he says.

From early on, the company had its sights set on becoming an international organization, and it took many forward-thinking steps to make that a reality.

“When I joined Otsuka in 1976, the company already had a clear vision of internationalization, which is what it was called at the time; the term globalization hadn’t yet come into vogue,” Mr. Yoshikawa says. “In 1976, Otsuka was still a small company and was mainly involved in the IV solutions market with a few big drugs. The company recognized that there were many steps required to becoming a successful pharma company with full-scale operations. I have been privileged enough to have witnessed these milestones come to fruition throughout my career at Otsuka.”

Undoubtedly, Mr. Yoshikawa has played a significant role in helping the company realize its goals.

One of Mr. Yoshikawa’s most impressive achievements — which continues to be a significant boon for the company — was a major systems implementation at China Otsuka, an OPC subsidiary, in 1981.

“I developed a computer platform for China Otsuka that involved numerous func-

tional areas of the company, including management, manufacturing, end-cost accounting, human-resource management, and asset management, and of course an integrated accounting system,” Mr. Yoshikawa says. “Even today, this system remains in use. This was a major career accomplishment and opened many doors for me.”

In fact, Mr. Yoshikawa’s efforts on systems implementation were not confined to China; even before developing the China Otsuka computer platform, he developed similar systems for subsidiaries in Indonesia and Thailand.

GROUND SWELL

The experience in China was a valuable eye-opener for Mr. Yoshikawa in terms of what various functions entail, giving him a perspective that has benefited him in senior-management positions.

“To prepare the computer platform as an across-the-board system, I interviewed various people within the company about issues specific to their departments,” Mr. Yoshikawa says. “For example, I spoke with manufacturing about their processes. I was then able to use the information to develop a flow chart and ultimately create a scheme for a total system. This experience significantly contributed to my understanding and knowledge of various aspects of each function. While it’s not possible to have a deep knowledge of each function, having good insight is very important, especially when it’s necessary to ask

managers and employees to undertake certain tasks.”

After Mr. Yoshikawa completed the system implementation in China, he returned to Otsuka’s Tokushima, Japan, factory, to develop a cost-accounting system.

As a company that believes in doing things right rather than quickly, Mr. Yoshikawa was given plenty of time to glean information about the most effective solutions for the Tokushima factory, and, at the same time, become well-acquainted with product manufacturing.

For Otsuka, Mr. Yoshikawa’s insights and



PROVIDING INSPIRATION ACROSS THE BOARD

IN AN EXCLUSIVE INTERVIEW WITH PHARMAVOICE, HIROMI YOSHIKAWA, CHAIRMAN AND CEO OF OTSUKA AMERICA PHARMACEUTICAL INC. (OAPI), TALKS ABOUT WHAT INSPIRES HIM, HOW HE SEEKS TO MAKE THE COMPANY A PLACE WHERE PEOPLE CAN THRIVE, HIS BELIEF IN BEING A GOOD CORPORATE CITIZEN, AND HIS COMMITMENT TO THE GOAL OF FINDING CURES FOR UNMET MEDICAL NEEDS.

CAN YOU TALK ABOUT YOUR MANAGEMENT STYLE AND HOW YOU SEEK TO INSPIRE OTHERS?

I believe in hiring the best available employees and making Otsuka a place they want to work. Keeping our employees happy and making sure we continue to do work that inspires employees and create products they can be proud of are key to running a successful company.

One of the reasons Otsuka decided on Rockville, Md., for its U.S. location was because

of the close proximity to the federal government, especially NIH and the FDA, and the many fine universities and medical facilities here. We have been fortunate to access a terrific group of smart, experienced, and knowledgeable people — scientists, physicians, researchers, and sales and marketing focused employees — in Maryland and around the country. We have a great mix of people as well, culturally speaking. I’m very proud of the diversity of our employees, who come from around the world and bring their various experiences from their respective backgrounds and

cultures. Although not as low as in Japan, our turnover is fairly low, and people tend to stay with us for many years, which is something I’m very proud of.

WHO ARE THE INDIVIDUALS WHO HAVE INSPIRED YOU?

It was Mr. Akihiko Otsuka, our founder’s grandson, who captured the essence of our company in our global vision — Otsuka people creating new products for better health worldwide — a statement that is still at the core of our company

the system he developed meant being able to control the cost of products, especially in the company's commercial business, which at the time made up 50% of its business. In the commercial business, it was important to take into account the profit margins of each product to ensure there would be a return on investment and that the products would remain competitive and stay on the market for the long term.

"I have always concentrated on the return on investment and looked at the bigger picture, and in this case Otsuka needed to focus on health-oriented products that would contribute to the long-term growth of the company," Mr. Yoshikawa says. "In the consumer business, because the price of goods on the market is low and the cost of production is relatively high, it's important to find ways to control costs so products can remain competitive."

PEOPLE ARE OUR MOST IMPORTANT ASSET, and one of my major goals has been to create a new culture at OAPI that takes into consideration every person in the company.

After nine years at Tokushima, Mr. Yoshikawa returned to Tokyo, joining OPC's finance department before taking on another career-defining role, this time establishing Otsuka business entities in Europe from the company's London office.

At the time, Otsuka had a clinical research

office in London but no commercialization facility. With a product in the late stages of development, Mr. Yoshikawa was charged with establishing a commercialization company in Europe.

Despite apparent unity under the guise of the European Union, each country has its own accounting processes and taxation systems, which meant that creating a Europe-wide platform was not as simple as might first appear.

"My first job was to learn the differences between each country and create a system that incorporated all of the tax codes to give the organization a way to create overall savings," Mr. Yoshikawa says.

The next step was to create a holding company that focused on commercialization activities in Europe, a role that prepared Mr. Yoshikawa for taking the helm of OAPI.

"I have an extremely strong understanding and knowledge of finance, and that certainly helps me in my position as chairman and CEO of OAPI," he says. "As a finance guy, I'm very good at analyzing, not just looking at the figures, and I always consider what is behind the numbers. I have experience from

both sides of the business: the gathering of data and the analysis of data. For example, when I worked in the computer system section, I was providing information; now as CEO, I'm assessing how I receive that information and how it should be collated. This experience has helped me to be clear about what type of information senior management will find most valuable."

CULTURAL PERSPECTIVES

In his nearly 30 years at Otsuka, Mr. Yoshikawa has spent much of his career outside Japan — in China, Europe, and now in the United States. These experiences have provided him with a deep appreciation for cultural differences, as well as how different influences can benefit the business and its employees.

When Mr. Yoshikawa began to develop the new computer system in China, Otsuka decided to give its employees a bit of "culture shock" by installing the new computer system in English. Employees had to learn to use a computer, a new system, and the English language all at once.

"Since Otsuka was in the process of internationalizing the company — and English is the most widely used language — it was important that our employees in China learned the language, which gave both the company and our employees a stronger international advantage," Mr. Yoshikawa says.

Rather than balk at the demands being

around the world. When I joined Otsuka in 1976, the company was significantly smaller than it is today, with fewer pharmaceutical and consumer products. It was an emerging company, primarily selling IV solutions in Southeast Asia.

Mr. A. Otsuka already had at that time a clear vision for the internationalization of Otsuka. He believed Otsuka's future was to become a large, global organization. He identified a plan, step-by-step, to make this happen. While it has taken time to achieve his goal, 30 years in a large, global business is not really that long. Mr. A. Otsuka's ideas enabled him to make his vision — and dream — become a reality, and I have been there to watch it happen, which has been a great inspiration to me.

YOU ARE ON THE BOARD OF DIRECTORS OF PHARMA, A BOARD MEMBER OF NEW YORK PHARMA FORUM, AND A BOARD

MEMBER OF THE JAPAN COMMERCE ASSOCIATION. WHY DO YOU BELIEVE IT IS IMPORTANT TO BE ACTIVE IN SUCH ORGANIZATIONS?

I firmly believe companies such as Otsuka have an obligation to give back to the community, and I also believe it's important to be involved with these organizations because it provides us with the opportunity to communicate with other CEOs of large pharmaceutical companies, whether they're U.S.-based or Japan-based companies with U.S. operations.

It also provides a great forum to raise awareness about the Otsuka name and to educate other companies about Otsuka, especially now that the company is able to market products on its own.

WHAT DO YOU CONSIDER TO BE THE BIGGEST

CHALLENGES FACING THE INDUSTRY TODAY, AND HOW CAN LEADERS SUCH AS YOURSELF ADDRESS THOSE ISSUES?

Increased competition and tougher managed-care and regulatory climates are definitely challenging the market. We have several products in new therapeutic areas in our pipeline, and as long as they are innovative and geared to addressing unmet medical needs, we should be able to handle the competitive and regulatory environment into the future.

When we say unmet medical needs, we mean truly looking at products that satisfy a therapy for diseases that are poorly understood and treated to date. They don't have to be blockbusters for us to pursue their development.



OUR COMPANY IS MADE UP OF PEOPLE FROM MANY DIFFERENT CULTURES; so rather than conducting business

according to a Japanese culture or U.S. culture, I have been working to create a culture based on strong, open communications.

made of them, the staff members were fast to learn the new tools and developed strong capabilities in them, Mr. Yoshikawa says.

At OAPI, meanwhile, the staff has begun to appreciate a very Japanese corporate practice — long-term company loyalty. This is the antithesis to the way most businesses operate in the United States, where, according to Mr. Yoshikawa, one of the biggest challenges is employee retention.

“Americans tend to change jobs much more frequently than in Japan, where people, particularly from my generation, tend to stay with a company throughout their careers,” he

says. “There also is a great deal of effort on the part of Japanese companies to retain their employees.”

As such, OAPI has been making concerted efforts to reduce employee turnover; these initiatives appear to be paying dividends. Mr. Yoshikawa estimates that the industry standard is a 14% turnover, whereas turnover at OAPI is around 10%.

“We have implemented numerous incentive programs — short and long term — and we provide an entrepreneurial environment where we encourage creativity and communications and where people are rewarded for their ideas and efforts,” he says.

With Mr. Yoshikawa at the helm, the company also demonstrates commitment to overcoming health disparities and reaching across communities.

For example, the company supports the American Psychiatric Foundation’s (APF) Minority Mental Health Awards program. APF is a charitable and educational subsidiary

of the American Psychiatric Association. The award recognizes mental-health professionals and programs that seek to raise awareness of mental illness in underserved minority communities; increase access to quality mental-health services for underserved minorities; as well as improve the quality of care for minorities.

He also maintains that being a private company gives OAPI greater flexibility and entrepreneurial ability to achieve its goals, as it has the luxury of time and resources. In fact, OPC is one of the largest privately held firms in the world. The Otsuka Pharmaceutical Group is now a collection of more than 81 businesses and 26,000 employees around the world.

“Some of Otsuka’s products took a long time to develop, but that extra time allows us to gather more data and be more thorough, ensuring the drug that is developed truly benefits the patients who need it,” he says. “One drug took about 20 years to develop. During those 20 years, substantial data were gathered, and we think that the drug that was ultimately approved by the FDA strongly benefited from the amount of time allowed for research and development.”

As head of OAPI, Mr. Yoshikawa remains focused on key milestones and develops creative solutions to help the company achieve those goals.

Among these goals are ensuring Otsuka remains a successful specialty healthcare company, focuses on key therapeutic areas principally in the U.S. market, commercializes products patented by Otsuka, and continues to benefit patients and professional healthcare communities around the country and the world.

With the overall company goal being to achieve \$10 billion in yearly sales by 2010, Mr. Yoshikawa intends for OAPI to be a large player in contributing to that goal, providing as much as \$3 billion a year by 2010.

“It is also my own personal goal and dream that OAPI will commercialize Otsuka discovered and developed products on its own, without partners,” he says. ♦

MAKING HIS MARK

HIROMI YOSHIKAWA — RESUME

2000 — PRESENT. Chairman and CEO, Otsuka America Pharmaceutical Inc., Rockville, Md.

1997 — JULY 2000. Controller (Chief Financial Officer), Otsuka Pharmaceutical Europe Ltd., London; established Otsuka business entities in Europe

1993 — 1997. Senior Manager, OPC Finance Department, Tokyo

1984 — 1993. Built cost accounting system, OPC-Tokushima, Japan

1980 — 1984. Installed electronic integrated management system for China Otsuka

1977 — 1980. Manager, Accounting Department, Japan Immuno Research Laboratories (JIMRO, an OPC subsidiary)

1976 — 1977. Computer section of Finance Department, Otsuka Pharmaceutical Co. Ltd., (OPC), Tokyo

EDUCATION

1976. Bachelor’s degree in business administration, Waseda University, Tokyo

BOARD MEMBERSHIPS

2005 — PRESENT. Board of Directors, Pharmaceutical Research and Manufacturers of America, Washington, D.C.

2003 — PRESENT. Board Member, Japan Commerce Association of Washington, D.C.

DECEMBER 2002 — PRESENT. Board Member, New York Pharma Forum, New York

PharmaVOICE welcomes comments about this article. E-mail us at feedback@pharmavoice.com.