

THAI OTSUKA PHARMACEUTICAL CO., LTD.

A Japanese market leader and one of the first to establish a base in Thailand.

Background

For the past two decades, Thailand has been developing a cutting edge biotechnology industry. The definition of biotechnology is a very broad one, encompassing many diverse disciplines, such as those of the medical, pharmaceutical, agricultural industries and aquaculture fields. Any process that involves manipulating biological processes or uses living organisms (or their derivatives) can be considered to be biotechnology. In particular, the country's pharmaceutical market is one of the largest and most developed in Southeast Asia, and is projected to achieve the rank of the eighth largest market in the entire Asia-Pacific region in 2017. At the same time, Thailand's export of pharmaceutical products has grown more than 6% annually over the past five years, with most exports going to countries in the ASEAN region.

One of the earliest pharmaceutical companies to open a branch in the Kingdom was the Otsuka Group, the first overseas expansion outside of Japan. It created the joint venture Thai Otsuka Pharmaceutical Co., Ltd, in 1973. Formed initially to import and sell intravenous (IV) solutions to the Thai health industry, by 1977 they had opened their first factory in Thailand to produce their Basic Intravenous Solution domestically. By 1980 they had expanded to additionally manufacture other parenteral solutions, and by 1987 production of locally developed medical foods had begun. In 2002, a new unit was created to facilitate export sales of both their IV solutions and medical foods to many other Asian countries, including Japan, Taiwan, Hong Kong, Indonesia, Philippines, Vietnam, Malaysia, Pakistan, Myanmar, and Cambodia.

Why Thailand

According to Mr. Shinsuke Yuasa, President of Thai Otsuka, the key factor that made Thailand such an attractive location for the Otsuka Group 40 years ago was both its

strong market demand and potential for future growth, and this remains the most critical factor today. Another important consideration is the ready availability of the raw materials supported by a strong and well integrated supply chain. Also, the Company's production plants have been able to operate at the exceedingly high standards necessary for the export of medical materials to other countries such as Japan and others in the Asia-Pacific area, while remaining cost competitive. Further, the exceptional quality of its Thai staff, and the research and development support and collaboration provided by both Ramathibodi and Siriraj hospitals, have been of considerable benefit to their business growth. Finally, Mr. Yuasa noted the Thai government's attractive investment incentives made it much easier to obtain approval for these expansions from the Otsuka Group's leadership.

Vision for the Future

Today, the Thai Otsuka's product portfolio comprises the four main business categories of intravenous solutions, clinical nutrition including medical foods, pharmaceutical products, and medical devices. In particular, medical foods, for which Thai Otsuka is the only domestic manufacturer, have been showing double digit revenue growth for the past five years, and their recently completed medical foods production plant has four times the production capacity of the original one. They aim to be the number one supplier of medical foods within Thailand, as well as increase their exports to neighboring countries. Their newest line of products is special low glycemic-index foods tailored for both diabetic patients and health-conscious consumers.

“Thai Otsuka aspires to improve the health of all Thais through high-quality products at affordable prices, which also aligns with the Otsuka Group's company philosophy.”

Mr. Shinsuke Yuasa
President of Thai Otsuka

Supporting Policies from the Government

The foundation of Thailand's biotechnology industry was laid in 1983 with the creation of the National Center for Genetic Engineering and Biotechnology (BIOTEC). Secondly, the National Science and Technology Development Agency (NSTDA) provides resources to develop the critical mass of researchers necessary to achieve Thailand's national research and development (R&D) goals for biotechnology. Additionally, the Thailand Center of Excellence for Life Sciences (TCELS) and the Board of Investment (BOI) support the industry to facilitate its continued growth.

There are also many large infrastructure improvements under way which will enable the Kingdom to maintain its leadership position in the industry while enhancing its ability to flourish as a global center for biotech development. Included in the ฿895.8 billion (US\$25.2 billion) action plan for 2017 are 36 major infrastructure projects covering rail, roadways, air transport and seaport expansions, which will further interconnect all regions of Thailand, as well as enhancing connections to neighboring countries. There are also several multilateral and bilateral free trade agreements in place to enable companies to easily do business across international borders, such as the ASEAN Free Trade Agreement (AFTA) and the Thailand - Australia Free Trade Agreement (TAFTA). The Thai government continues to work towards negotiating additional free trade agreements that will make the Kingdom even more attractive as a major destination for global multinational enterprises looking to capitalize on the country's memberships in these free trade partnerships.

Attractive BOI Incentives

The Thailand Board of Investment (BOI) offers a wide range of tax and non-tax incentives for projects that meet national development objectives.

Tax-based incentives include an exemption or reduction of import duties on machinery and raw materials, as well as corporate income tax exemptions of up to

eight years. Non-tax incentives include permission to bring in expatriates, own land and take or remit foreign currency abroad.

Recognizing the importance of the biotechnology sector, tax incentives are granted to approved projects in numerous activities, such as the use of biotechnology to improve food and agriculture product yields and quality, pharmaceutical development for emerging and tropical diseases, bio-energy production such as bio-gas, bio-diesel, and other bio industries such as bio-plastics. Projects in biotechnology that use modern biotechnology approved by the National Science and Technology Development Agency (NSTDA) or the Thailand Center of Excellence for Life Sciences (TCELS) are granted an eight-year corporate income tax exemption regardless of location and are not subject to the corporate income tax exemption cap.

Additional information about specific activities relating to biotechnology investments can be found by clicking [here](#) or contacting the BOI's Investment Promotion Division 1.