

## EARLY BIRD REGISTRATION FOR THE IFPW 2018 GMM IS ENDS SOON!



The clock is ticking! Register by June 30th to receive the discounted registration rate for this year's General Membership Meeting

Visit [www.ifpw.com/meetings/2018GMM/regonline.htm](http://www.ifpw.com/meetings/2018GMM/regonline.htm)

## Anti-drug Agency Proposed for SCO<sup>1</sup>

(Source: An article written by Zhang Yan and published by China Daily)

China will push for the establishment of an anti-drug agency within the Shanghai Cooperation Organization to better fight cross-border trafficking, a senior antinarcotics official with the Ministry of Public Security said. "The agency is expected to coordinate the anti-drug cooperation efforts among SCO members, such as in intelligence sharing, case investigation, joint law enforcement operations and personnel training," Wei Xiaojun, deputy director of the ministry's Narcotics Control Bureau, told China Daily.

He did not give a timetable for its establishment but said Chinese public security authorities are willing to negotiate with their counterparts from other SCO member countries. China will also seek closer cooperation with other SCO members to more precisely target transnational drug trafficking routes and underground drug factories, as well as to cut their capital chains. "We'll work closely with our counterparts to go through clues for some cases and join hands in cracking them," Wei said.

A joint action among SCO members is expected in the second half of this year to seize drugs and chemicals that are easy to make into drugs, he said. China and other SCO members border two major global drug sources - the Golden Triangle, which straddles Laos, Myanmar and Thailand; and the Golden Crescent, which consists of parts of Central and South Asia.

Currently, the world is seeing an increasingly severe drug problem, with the sources, categories and addicts of drugs all on the rise. Last year, the opium production in Afghanistan was estimated at 9,000 metric tons, up by 87% year-on-year. Opium production last year in the Golden Triangle was expected to increase 15% from a year earlier, according to data provided by the ministry.

China faces a grim situation regarding drugs, too, Wei said. Chinese traffickers have colluded with foreign counterparts to operate criminal rings, and drug trafficking has become more "intelligent and technology-based." Since 2012, Chinese police have cracked about 860,000 drug-related cases, including 16,000 transnational trafficking cases. A total of 1.12 million suspects have been arrested and 459 tons of drugs were confiscated, according to

## In Brief...

♦ **McKesson Corporation** has announced the completion of its acquisition of **Medical Specialties Distributors** in a deal valued at US\$800 million. Medical Specialties Distributors specializes in the distribution of infusion and medical-surgical supplies as well as biomedical services to home health providers and other alternative sites. The deal was announced in April as McKesson unveiled a multi-year strategic growth initiative which will create new solutions to improve patient care delivery and help to drive incremental profit growth, with multiple growth-focused pillars as well as a comprehensive review of McKesson's operations and cost structure.

♦ **Walgreens Boots Alliance** announced a reduction in its stake in Chinese pharmaceutical company **Guangzhou Pharmaceuticals** following receipt of regulatory approvals. The sale involves sale of a 30 percent interest in the company to its joint venture partner, **Guangzhou Baiyunshan Pharmaceutical Holdings**. WBA will continue to account for its remaining 20 percent stake in the company as an equity method investment. The deal was announced by *George Fairweather* (former Walgreens Boots Alliance executive vice president and CFO) during its Q1 conference call in January. Mr. Fairweather became senior advisor to WBA Chairman and CEO, **Stefano Pessina**, for business development and finance.

♦ **Mylan NV** received approval of the first biosimilar version of the anti-infective drug, *Neulasta*, which is used for patients undergoing cancer treatment. The biosimilar, *Fulphila* will be launched by Mylan in the coming weeks. The announcement resulted in a 5.35 percent increase in Mylan's stock price. *Neulasta*, manufactured by Amgen, brought in US\$4.5 billion in revenue for Amgen last year.

♦ **AtriCure**, a leading innovator in surgical treatments for atrial fibrillation (otherwise known as Afib) and left atrial appendage management announced a partnership with **Baheal Pharmaceutical Group** (China) to distribute AtriCure's

(continued on page 2)

the ministry.

"Drug crimes can lead to many other violent aims," Wei said. "Drug producing and trafficking, transnational organized crimes, illegal fund flow, corruption and terrorism ... all these closely interweave with each other, seriously threatening international and regional stability and development." Wei said China will strengthen cooperation with SCO members to monitor the drug trade in the region, including their distribution and production, trafficking and capital flow, while holding regular meetings to exchange information and study regional drug situations.

Joint efforts will also be made to reduce drug demand and strengthen anti-drug education programs to fundamentally curb drug-related crimes, he said. The Shanghai Cooperation Organization Summit in Qingdao, Shandong province, on June

(continued on page 2)

## Anti-Drug Agency (cont.)...

9-10 is of great practical significance, as the SCO has played a major role in restoring and maintaining peace and security in the region since its establishment.

*<sup>1</sup>The Shanghai Cooperation Organization (SCO) is a Eurasian political, economic, and security organization, the creation of which was announced on 15 June 2001 in Shanghai, China by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan; the Shanghai Cooperation Organization Charter was signed in June 2002 and entered into force on 19 September 2003. These countries, except for Uzbekistan, had been members of the Shanghai Five-group, founded on 26 April 1996 in Shanghai. India and Pakistan joined SCO as full members on 9 June 2017 at a summit in Astana, Kazakhstan. It is the largest regional organization in the world in terms of geographical coverage and population, and is one of the world's most powerful organizations.*

## Top 4 Japanese Wholesalers Report Low Growth for 2nd Year after Price Revision

*(Source: Pharma Japan)*

The top four Japanese drug wholesalers posted a 0.7% increase in combined sales in their drug wholesale businesses in FY2017, ending March 2018, compared to the year before, despite a shrinking market for oral hepatitis C treatments, a Jiho tally revealed.

The Japanese ethical drug market grew 0.2% in the fiscal year from April 2017 through March 2018, according to Crecon Research & Consulting, therefore the four wholesalers outperformed the ethical drug market. However, their growth was low compared to FY2015 (+7.9%) and FY2013 (+5.0%), the previous two fiscal years that fell between NHI price revisions.

Toho Holdings, the primary wholesaler of Gilead Sciences' hepatitis C drugs, saw a decline in sales, while Suzuken reported a slight increase in sales. Alfresa Holdings and Medipal Holdings, which are not primary wholesalers of these drugs, reported growth of 1.8% and 1.7%, respectively.

All four companies reported growth in operating profit, with an average increase of 15.7%. This growth appears to have been supported by each company's effort to ensure profits, in addition to inventory margins resulting from large reductions in NHI prices in the FY2018 pricing reform and consequent changes in invoice prices prior to the reform. The four companies' average operating profit rate was 1.13%, up 0.15 point from the year before.

Though Medipal and Suzuken forecast indicates a decline in sales for their drug wholesale businesses in FY2018 (due to the impact of the NHI pricing reform in April), both anticipate growth in operating profit. Medipal anticipates a positive impact from the absence of the initial costs of operating new state-of-the-art distribution centers recorded in the previous fiscal year, while Suzuken expects a positive impact from a voluntary early retirement program conducted last year. Though Alfresa forecasts a 0.2% increase in sales, it expects a 15.0% decline in operating profit. As of May 14, Toho had not announced a forecast for its pharmaceutical wholesaling business for FY2018.

On a consolidated basis, the four companies reported 1.3% growth in combined sales and a 17.9% increase in operating profit for FY2017. Their operating profit rate rose 0.19 point to 1.37%. The four companies forecast a combined 0.6% decline in sales for FY2018. Medipal and Alfresa forecast growth in sales, while

Suzuken and Toho forecast declines in sales. The four companies expect an average 10.4% decline in operating profit; however, Medipal is the only company forecasting growth in operating profits.

## U.S. Pharmaceutical Wholesalers in Top 14 of Fortune 500 Companies

*(Source: Fortune 500)*

Fortune has published its 64th annual list of the 500 most profitable American companies, which amassed US\$12.8 trillion in revenues last year.

McKesson was the no. 6 company on the Fortune 500, with revenues of US\$198.5 billion (+3.1% over previous year) and an overall profit of US\$5.01 billion (+124.5%) in fiscal year 2017. Several acquisitions, including Rexall Health, as well as drug utilization rates and drug price increases, accounted for McKesson's growth in 2017. McKesson also moved ahead with its plan to divest its technology businesses in deals with Change Healthcare and Allscripts. AmerisourceBergen saw revenue of US\$153.1 billion (up 4.3%) and a profit of US\$364.5 million (down 74.5%) in fiscal year 2017, earning it the No.12 spot on the Fortune 500. The company saw revenue grow in 2017 as a result of more business from some of its largest customers and strong sales of expensive cancer drugs. The company's animal health unit, MWI, also recorded strong sales growth thanks to its brisk pet medicine business. Profits took a hit due to accrued litigation costs from the previous year.

Cardinal Health climbed one spot on this year's Fortune 500 list to No. 14. It saw a profit of US\$1.28 billion (-9.7%) on revenue of US\$129.97 billion, increasing 7 percent in 2017. While business was brisk, weak pricing of generic drugs and the loss of a contract with Safeway led to a loss in profits in 2017.

All three organizations are facing scrutiny and litigation around their alleged roles in the nation's opioid epidemic, and have incurred significant costs as a result.

## In Brief (cont.)...

surgical ablation devices. The multi-year agreement will make Baheal the exclusive distributor for AtriCure and replaces the company's previous distributor in China. "At Baheal, we're continuously looking for way to grow and expand our business," said Fu Gang, Chairman of Baheal Pharmaceutical Group. "We believe that there is a vast opportunity to treat patients and the market remains underpenetrated, and we're confident that together, we are well positioned to grow and help more patients in China affected by Atrial Fibrillation."

◆ **Sawai Pharmaceutical** President, *Mitsuo Sawai*, was elected as the **Japan Generic Medicines Association's** next President. Mr. Sawai assumes the position from Towa Pharmaceutical President *Itsuro Yoshida* and will serve for the next two-year term. Mr. Sawai intends to spend his tenure focusing on all policy issues, including how to deal with the government's Basic Policy on Economic and Fiscal Management and Reform, pricing overhauls, and initiatives on improving the distribution environment.

*(Sources: Business Wire, Company Press Releases, Drug Store News, MarketWatch, and Pharma Japan)*