



Now is the time for Japan to reprioritize innovation

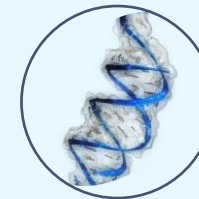
Vasant (Vas) Narasimhan, M.D.
Chair of the PhRMA Board of Directors
Chief Executive Officer of Novartis

November 2023

Japan has played a significant role in bringing innovative medicines to patients...



At Novartis, we are reimagining medicine



xRNA



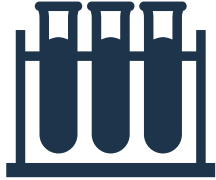
Cell and Gene Therapy



Radioligand Therapy

and we are delivering these treatments to patients in Japan

...and the biopharmaceutical industry has enabled Japan to improve health and drive economic growth



8,000+

Medicines in development worldwide
(1500+ in Japan)

74%

Potential first-in-class treatments



81%

Cancer patients returning to work within a year of diagnosis



140,000+

Direct biopharmaceutical sector jobs in Japan

\$1.7 trillion

Global R&D investment in the last decade
(¥14 trillion in Japan)

However, we need to prioritize innovation to address Japan's unmet patient needs and potential future challenges



Cardiovascular Disease

2nd

leading cause of death
in Japan

20%

of total health care
expenditures

Collaboration and dialogue is needed to realize a more sustainable health care system



Novartis is establishing strategic public-private partnerships in Japan

- Strengthening community care
- Optimizing clinical pathways
- Reducing overall care costs

Current policies have led to a reduction of R&D investments and access putting Japan at a competitive disadvantage



Continued focus on drug price cuts to achieve other savings targets



Drug prices falling at more than twice the rate of previous years



Complex and unpredictable rules that are unsupportive of innovation



Insufficient opportunities for stakeholders to provide input



Number of new medicines in development is growing more slowly



Biopharmaceutical industry R&D has fallen by 4% since 2015



Only major country with declining biopharmaceutical sales



Growing drug lag and loss reducing patient access to innovation

The Japanese government recognizes the need for change

“

The pharmaceutical industry plays an important role in contributing to the improvement of health and medical care for the people and at the same time is an important industry that will become the core of future economic growth.

”

Prime Minister Kishida (February 2023)

“

We are no longer in a lukewarm situation that can be overcome with time, as the term drug lag would imply.... Our government must therefore spearhead the creation of a drug discovery platform toward a renewed Japan.

”

Health Minister Takemi (October 2023)

日刊薬業

MHLW Expert Panel's
Report Serves as
Starting Line for Reform

We believe key policy reforms can restore sustainable growth and ensure Japan's leadership in life sciences

Maintain drug prices during the patent period



- Exclude patented medicines from market price-based revisions
- Improve market expansion and spillover repricing rules

Improve initial NHI price-setting



- Reform assessment criteria to better recognize product value
- Expand scope of comparators allowed in pricing assessments

Reduce inefficient spending on non-innovative medicines



- Promote clinically-appropriate uptake of generics and biosimilars
- Accelerate price reductions of long-listed products
- Reduce duplicate prescriptions and polypharmacy

Now is the right moment for Japan to foster biomedical R&D investments and increase access to medicines...

Improve health and economic growth

or

Worsen drug lag and loss



Faster patient access to the latest treatments and vaccines

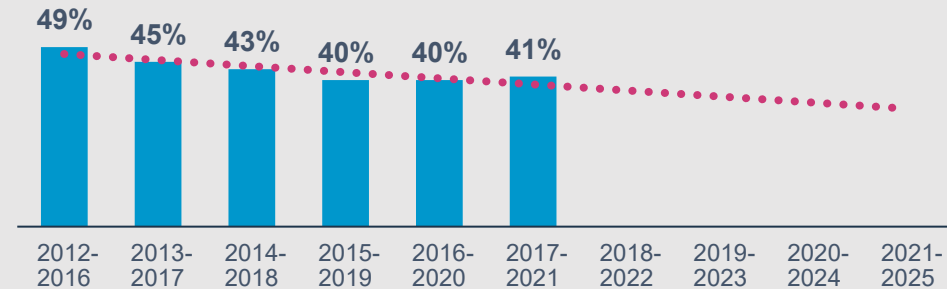


A more effective and sustainable health care system



Increased investment, jobs, and economic productivity

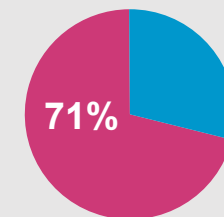
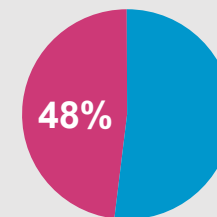
Decreasing percentage of prior five years of global new medicines available in Japan



Increasing percentage of new medicines have not begun development in Japan

For 225 New Medicines Launched in U.S. or Europe but Not Japan

For 631 New Medicines in Phase 3 Trials in U.S. or Europe



■ In Development
■ No Development

...and we must work together to develop a national strategy that promotes Japan's health and economy



Promoting a transparent and pro-innovation drug pricing system

Strengthening the environment for R&D and biotech start-ups

Improving and globally harmonizing regulatory requirements

Novartis is committed to bringing innovative treatments to patients and investments to Japan

Transforming patient care by bringing advanced radioligand therapies to patients



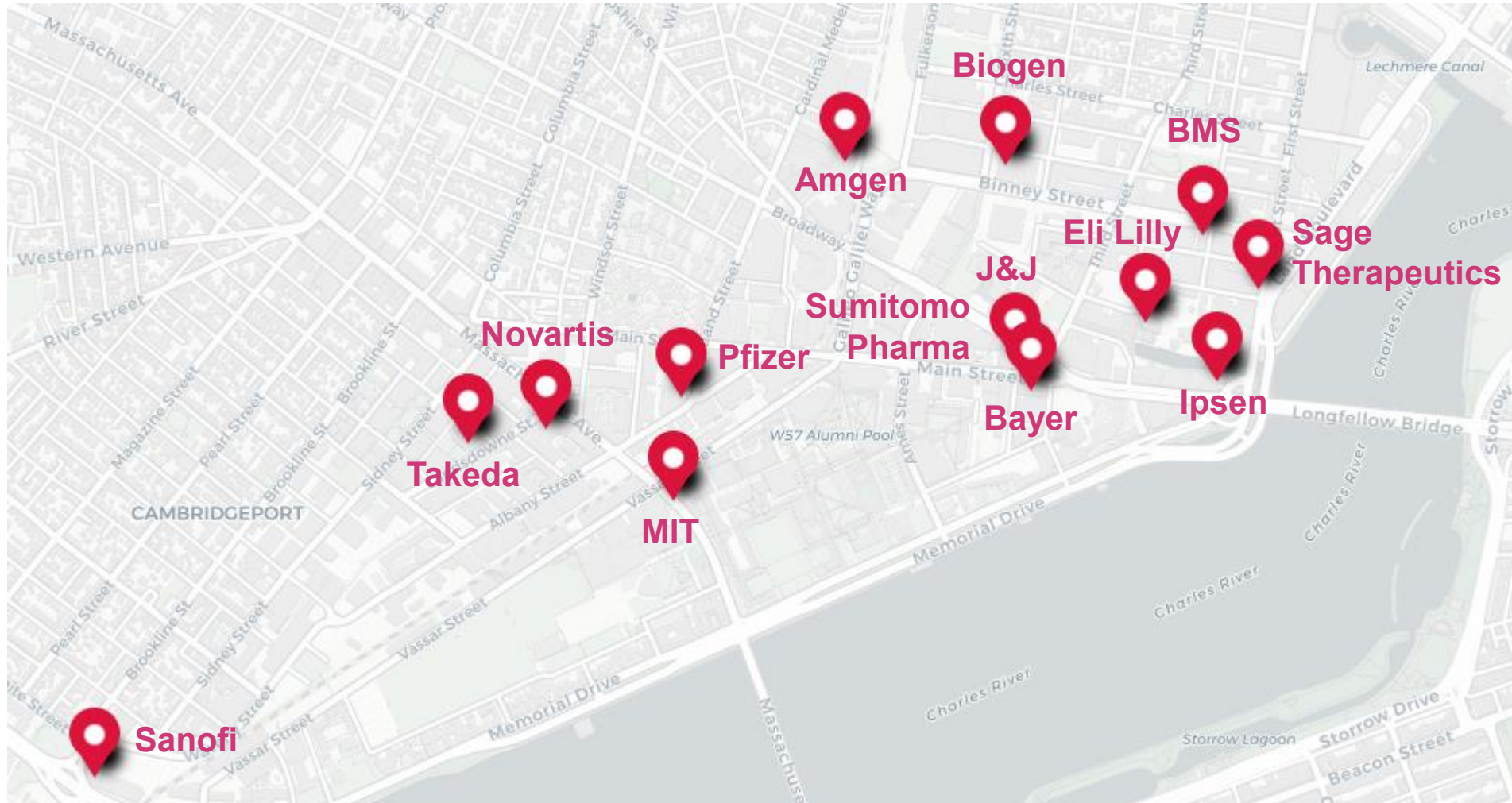
Investing \$100m in state-of-the-art manufacturing facility in Sasayama



Exploring potential partnerships with local academia on RLT research collaborations



Cambridge, Massachusetts is an example of a biopharmaceutical innovation ecosystem





The biopharmaceutical industry is ready to partner with Japan to improve patient lives

