

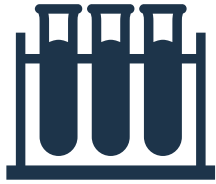
# Turning Japan's Innovation Crisis into a National Growth Engine

Policy Proposals to Eliminate Drug Loss and Attract Investment

APRIL 17, 2026

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# The Global Biopharmaceutical Industry Is Vital to Japan's Health, Security and Economic Growth



1,200+

Medicines in Clinical Development in Japan

74%

Potential First-In-Class Treatments



436 Million

COVID-19 Vaccine Doses Administered in Japan

81%

Cancer Patients Returning To Work Within a Year of Diagnosis



140,000+

Direct Biopharmaceutical Sector Jobs in Japan

¥14 Trillion

Japan R&D Investment in the Last Decade

# Foreign-Headquartered Biopharmaceutical Companies Are Major R&D Investors in Japan

## Medicines Pipeline



Foreign companies are responsible for **73% of new medicines in clinical development in Japan**

## Clinical Trials



Foreign companies are responsible for **78% of clinical trials in Japan**

## Medicines Launched



Foreign companies are responsible for **79% of innovative medicines launched in Japan**

# Japan Has Right Elements To Be a Life Sciences Leader, But Harmful Policies Stand in the Way

## Strengths of Japan's Ecosystem



Strong basic science capabilities, including academic institutions and Nobel Prizes



World-class regulator (PMDA) that ensures safety, efficacy and quality



Biopharmaceutical research companies



Rapid access to medicines for all citizens through National Health Insurance

## Pricing Policies Threaten Progress



Launch prices in Japan are lower and falling relative to other major markets



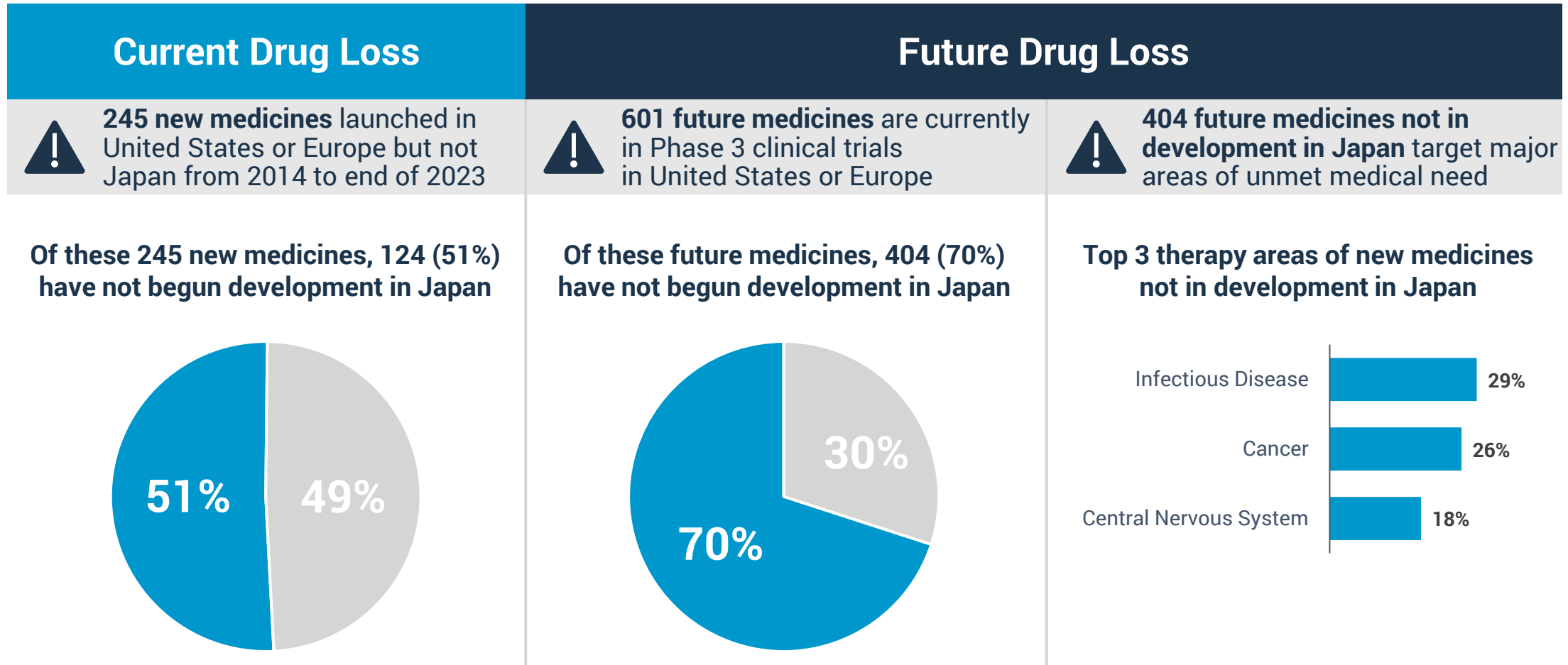
Japan then cuts prices repeatedly during the patent period



Current government proposals are not on track to reverse course

# Japan's Drug Loss Is Projected to Worsen

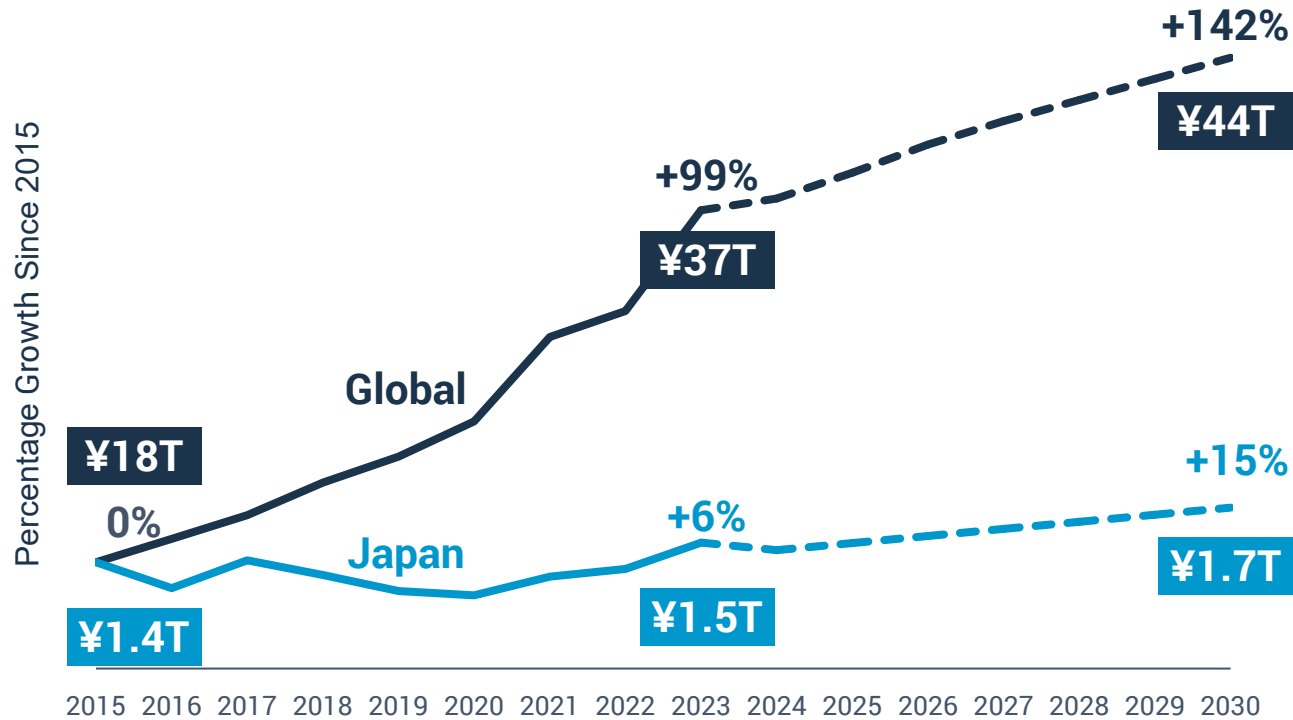
70% of late-stage new medicines in the US or Europe are not yet developed in Japan



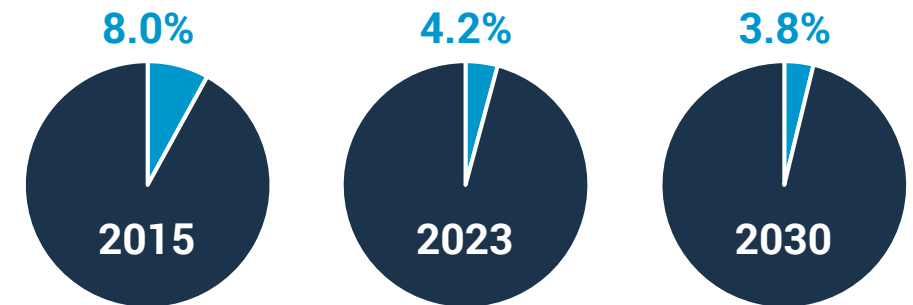
# Japan's R&D Investment Gap Projected to Worsen

Japan struggles to attract global biopharmaceutical R&D investment

### Percentage Growth in Biopharmaceutical Industry R&D Investment in Japan vs. Global



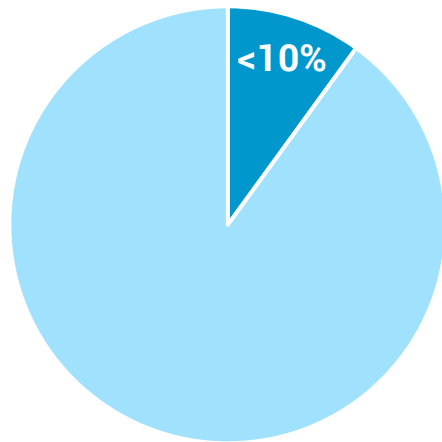
### Japan Share of Global Biopharmaceutical Industry R&D Investment



# Japan Has Become Overly Dependent on Drug Price Cuts to Control Overall Social Security Budget

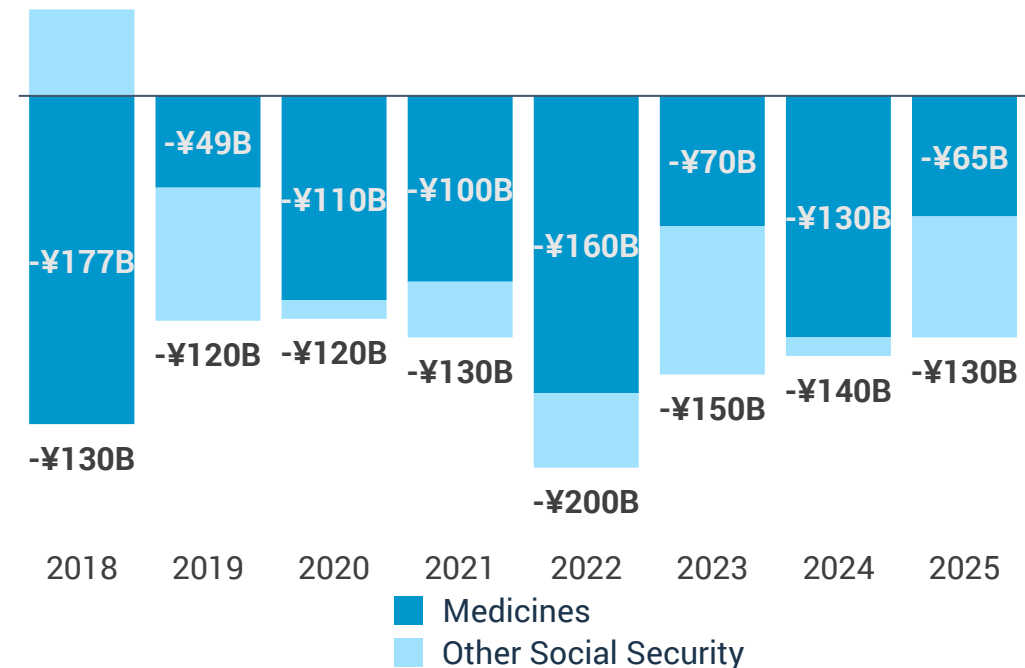
Share of Social Security Budget Spent on Medicines

Less than 10% of the budget is spent on medicines



Share of Social Security Budget Reductions from Medicines vs. Other Sectors

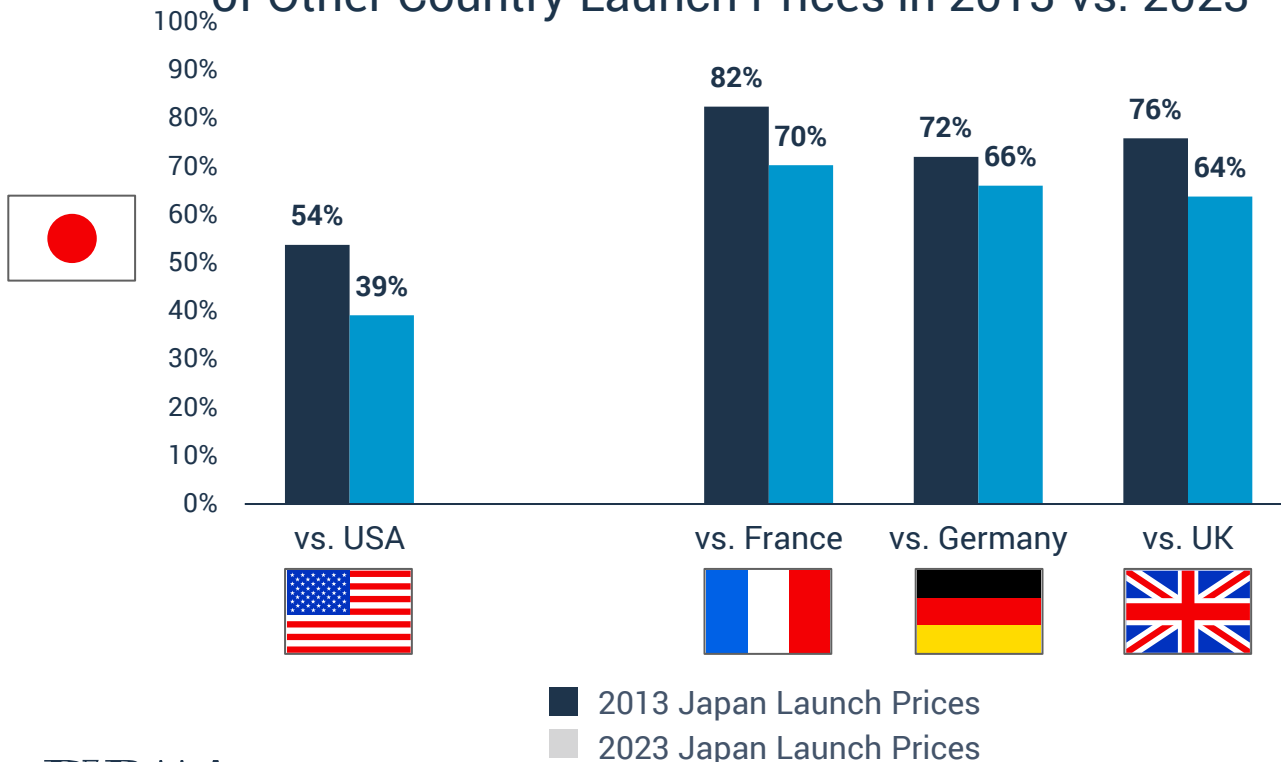
But 70% of budget reductions are from drug price cuts



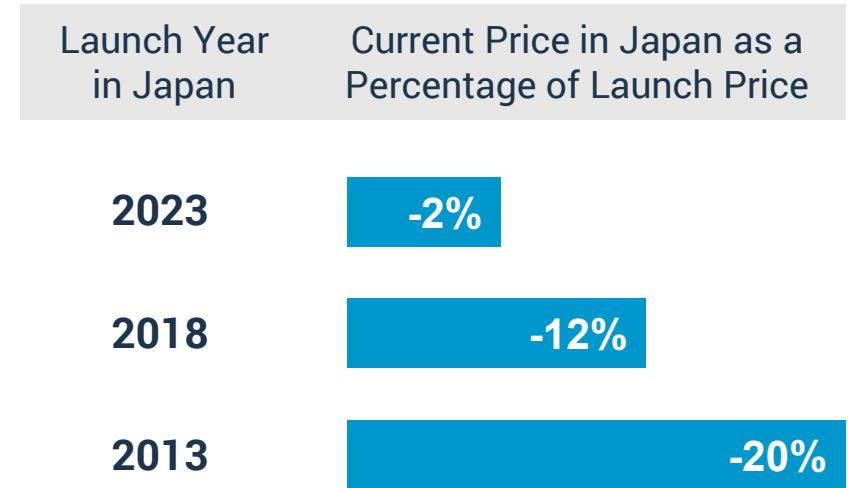
# Japan's Drug Pricing Has Worsened Significantly

Launch prices in Japan have fallen vs. all major markets, and these price differentials are then exacerbated by repeated price cuts during the patent period

New Medicine Launch Prices in Japan as a Percentage of Other Country Launch Prices in 2013 vs. 2023



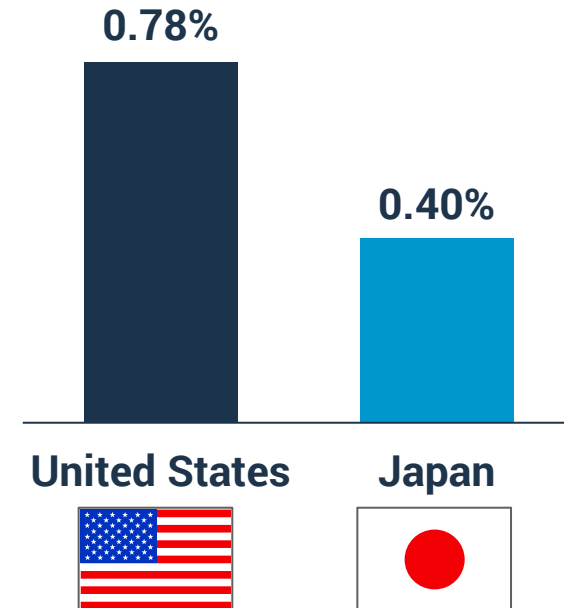
Average Price Erosion in Japan Since Product Launch



# U.S. Most Favored Nation Policy Increases Urgency for Action on Longstanding Challenges in Japan



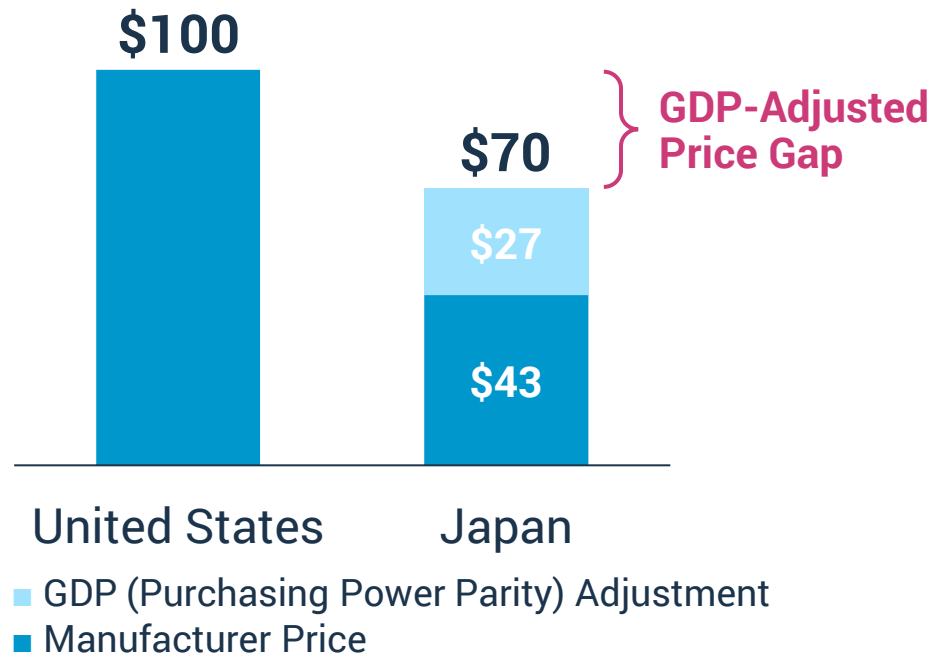
Percentage of GDP Spent on New Innovative Medicines



# Relative Net Prices and Revenues in U.S. vs. Japan

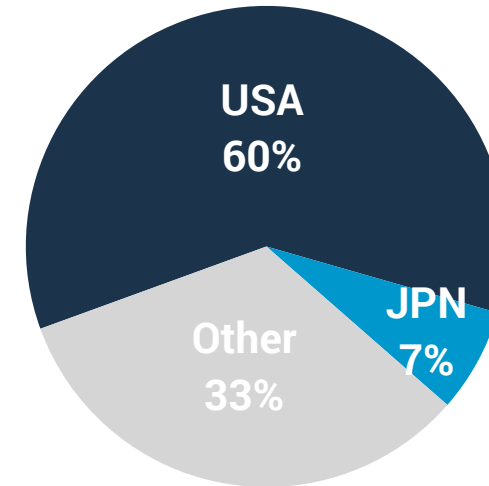
**Median PPP-Adjusted Prices in Japan  
Are 30% Lower than U.S. Net Prices**

Median Price in Japan  
Relative to U.S. Net Price



**Net Revenues from United States  
Are Over 8x Larger than from Japan**

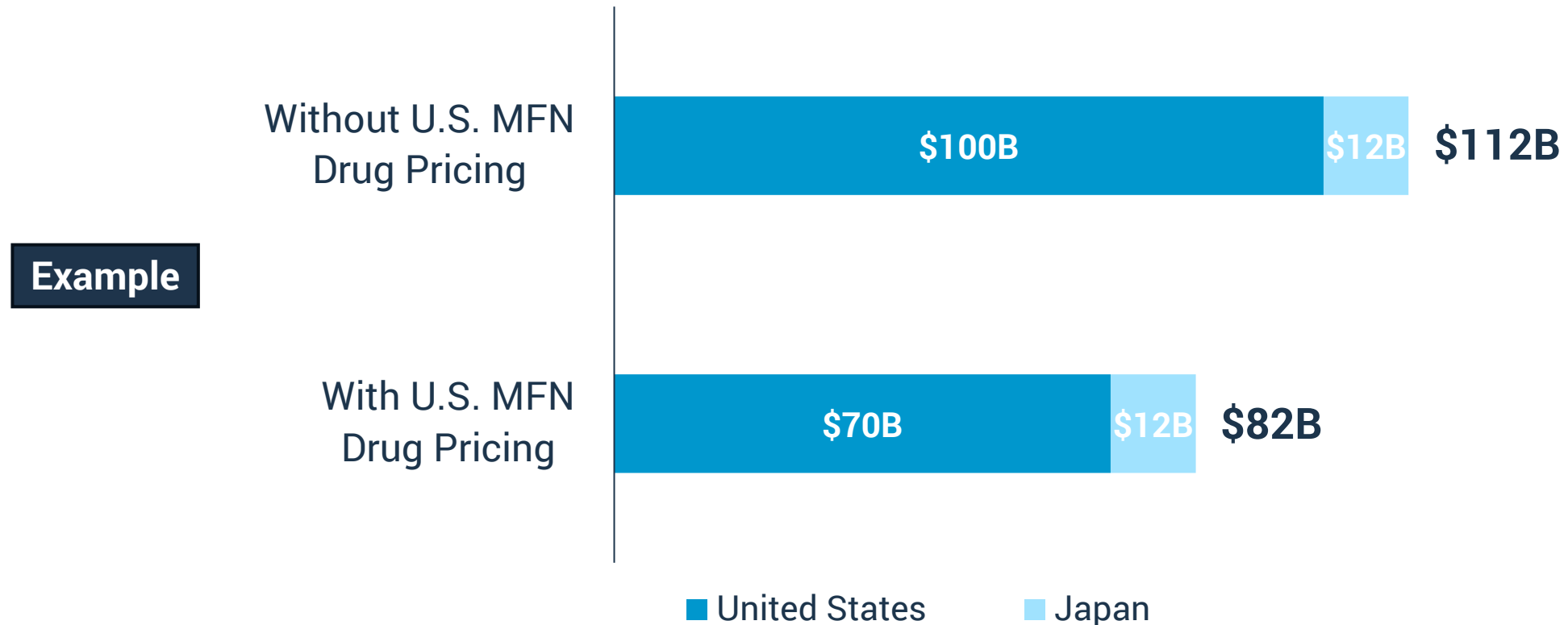
Share of Revenues from  
New Innovative Medicines



# Launching in Japan Could Decrease Total Revenues

Access to Japan's smaller market does not offset revenue losses in the larger U.S. market

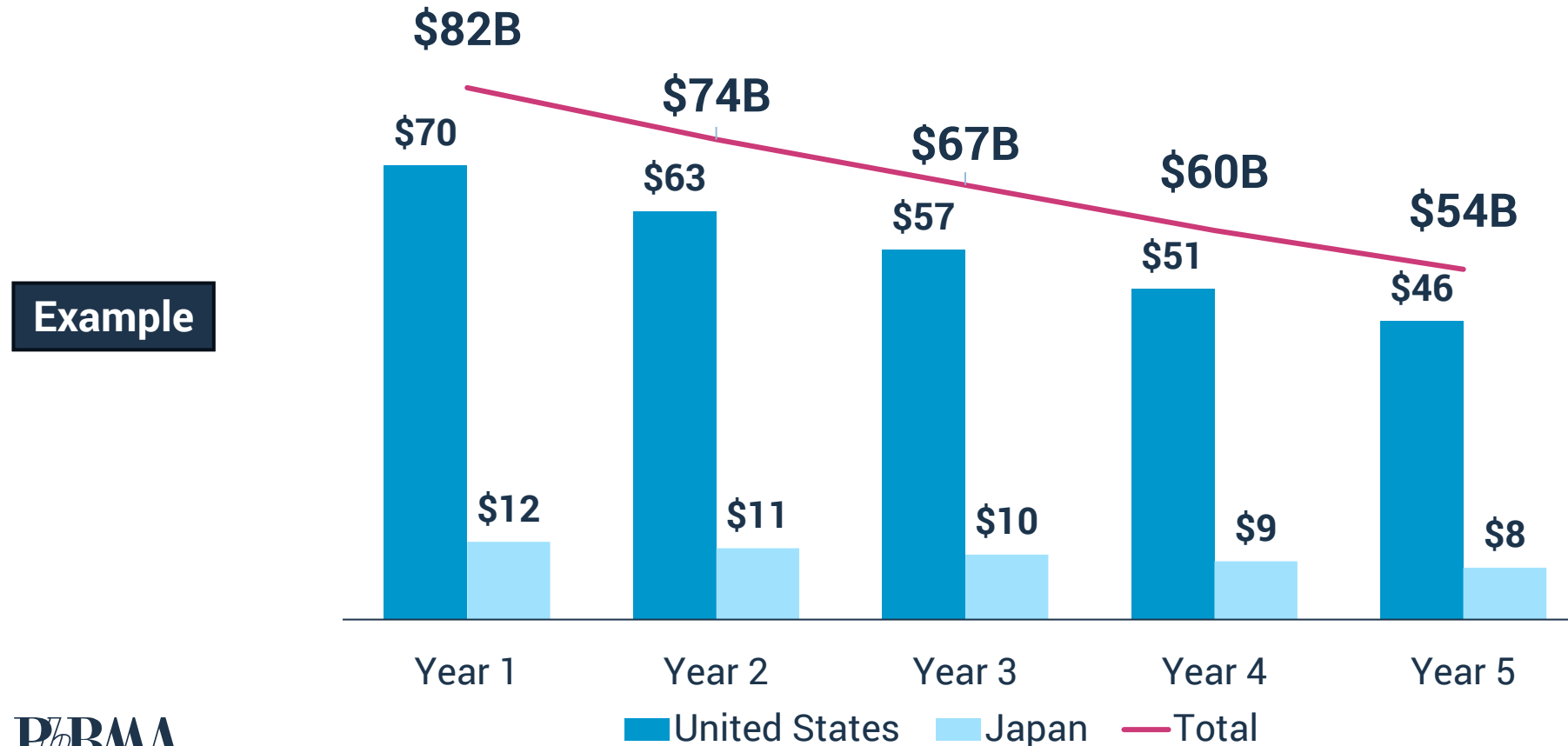
## Total Revenues From Launching a \$100B Revenue U.S. Product in Japan



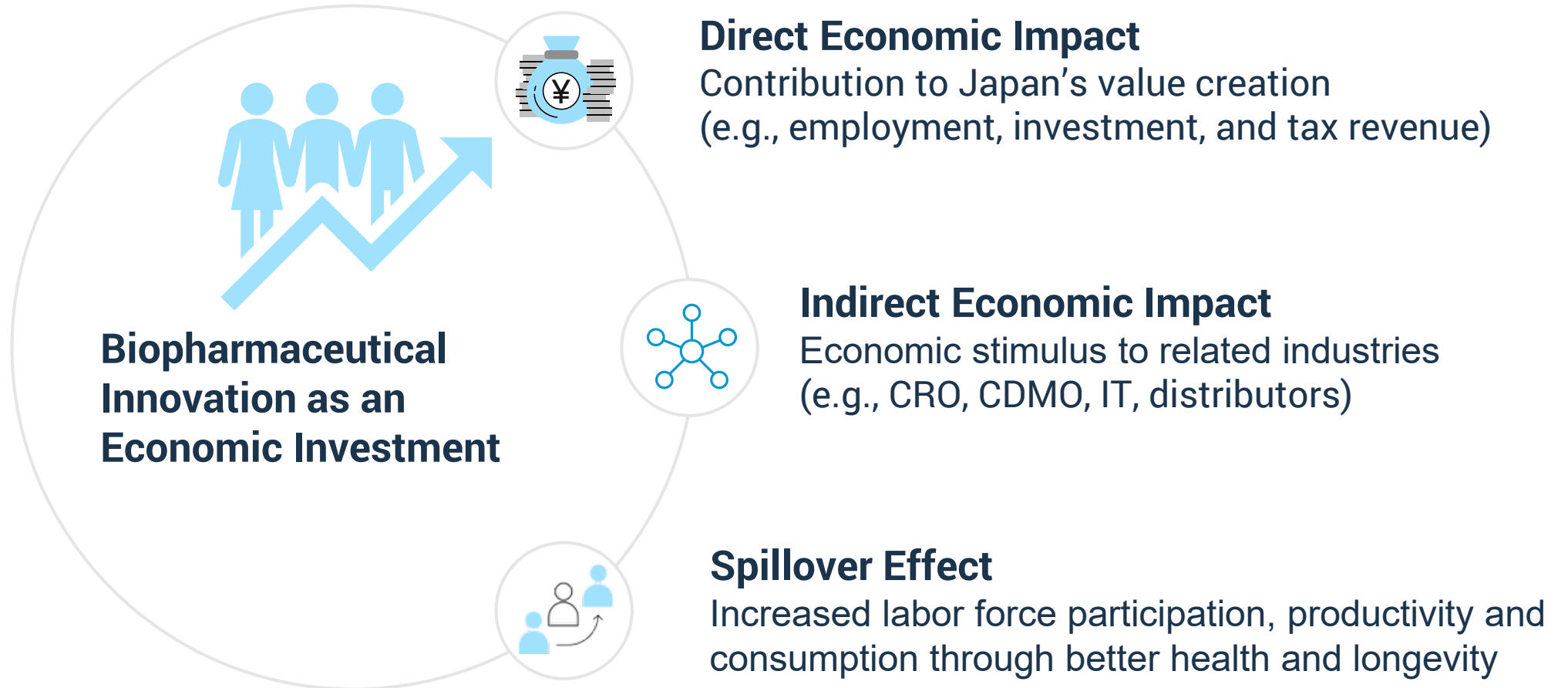
# Price Cuts in Japan Could Further Reduce U.S. Price

Japan's price cuts could trigger MFN price cuts and revenue losses in U.S. market each year

## Total Revenues With U.S. MFN Pricing and 10% Annual Price Cuts in Japan



# Paradigm Shift: Unlocking Japan's GDP Growth through Biopharmaceutical Innovation



# NHI Drug Pricing System Reform Is Urgently Needed to Address MFN and Attract Investment

## Improve Initial Price Setting and Recognition of Value

- **Reform initial NHI pricing rules** so that prices are in line with global benchmarks
- **Improve rules to value new modalities** (e.g., regenerative medicine)

## Maintain Prices During the Patent Period

- **Exclude patented medicines from annual repricing**
- **Abolish or cap price cuts from market expansion repricing** and related rules (e.g., HSR)
- **Stop expansion of cost effectiveness assessment** and ensure objective verification

## Drive Economic Growth and NHI Sustainability

- **Help recapture 1% of global biopharmaceutical R&D** and yield ¥370B in new investment by ending ¥250B in price cuts to patented medicines annually
- **Reallocate budget savings to innovation** by optimizing spending on off-patent drugs

# Japan Needs a Bold Strategy with Key Actions

Addressing market stagnation and MFN-reshaped incentives requires urgent strategy development and execution of Public Private Council recommendations

## Set Goal and Policy Reform Direction Work Group for Drug Discovery and Advanced Medicines



### Goal

- Achieve growth in Japan's patented medicine market in line with other major developed countries

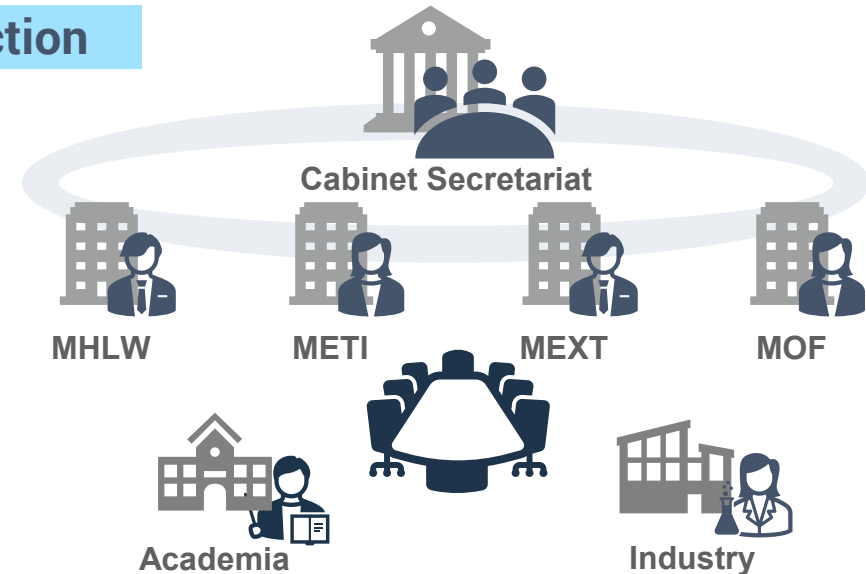


### Direction

- Promote a transparent and pro-innovation drug pricing system
- Strengthen the environment for R&D and biotech start-ups
- Improve and harmonize Japan's regulatory environment

## Identify and Recommend Needed Actions Public Private Council for Enhancing Drug Discovery

### Action



- Hold action-oriented discussions on concrete policy reforms needed to drive innovation and sustain the universal health insurance system

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