

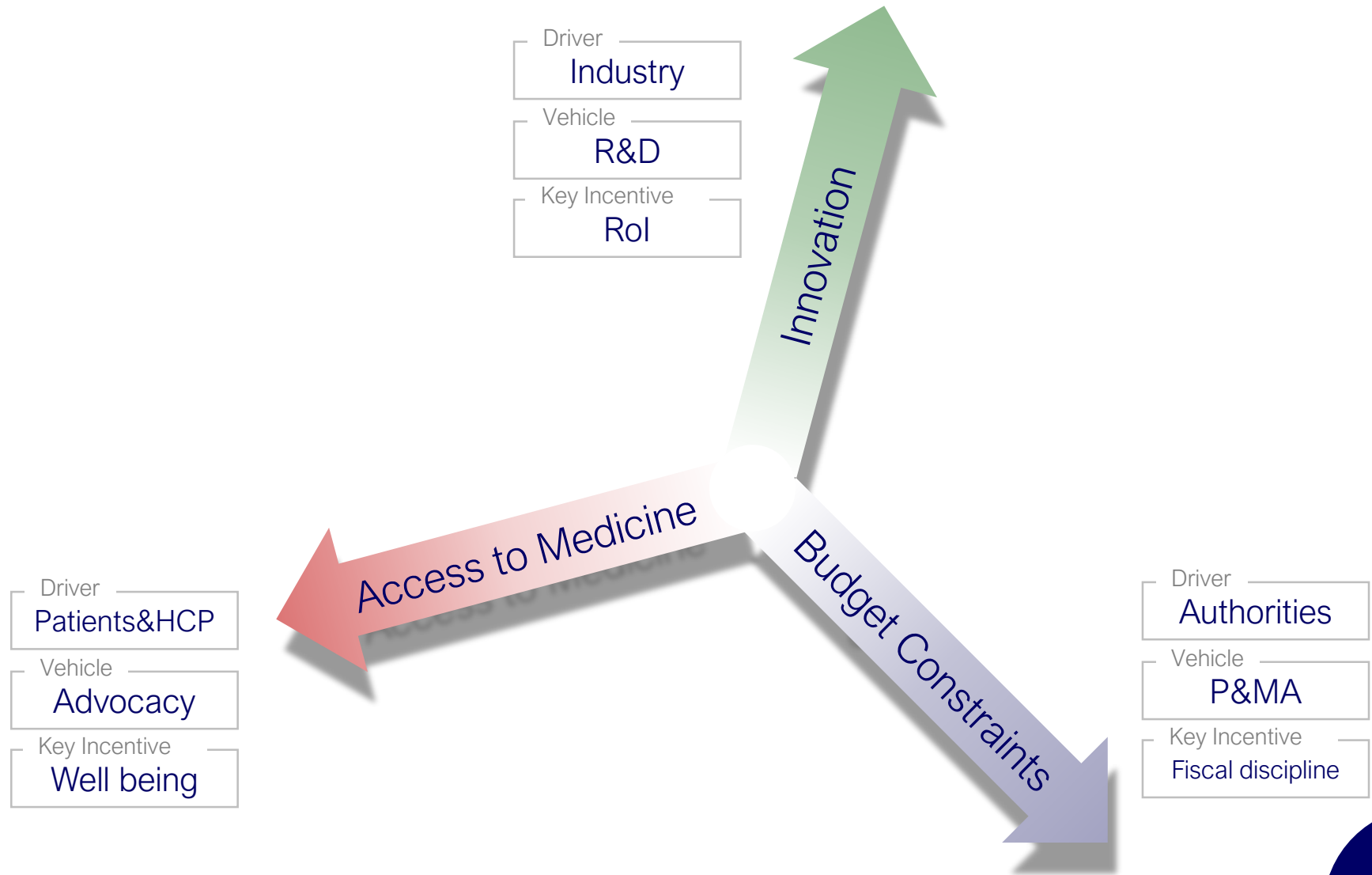
2018 Pricing Reform: Will Takeda Exit the Japanese Pharma Market?

Japan Pharma & Governance Tour: UBS Securities
e-Projection K.K.

July 12, 2018

Three Forces Determining the Direction of Healthcare

Shape of the market will depend on the priorities and the balance of the forces

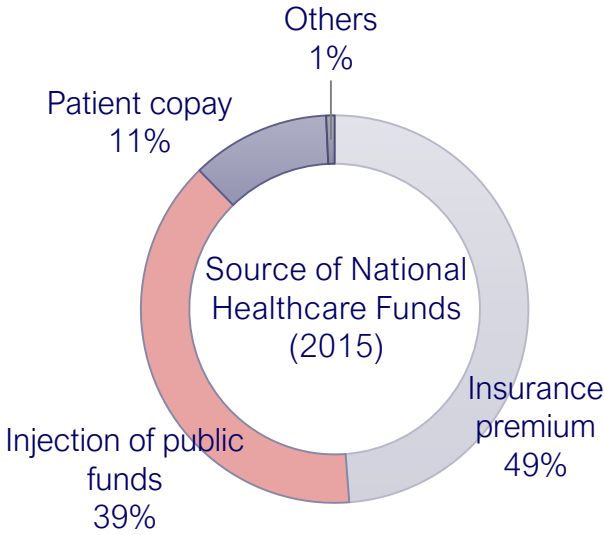


Broken NHI System Casting a Shadow on Healthcare

Structural and operational malfunction leading to de-prioritization of innovation

Declining Priority of Innovation

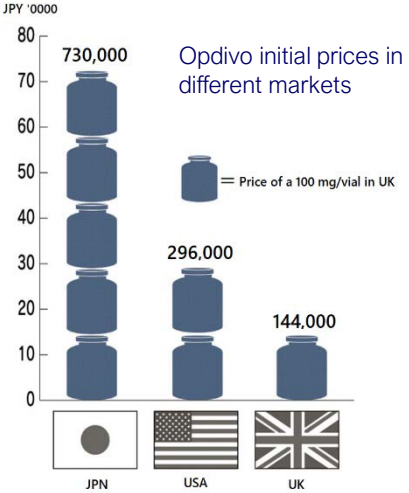
Leaky: unhealthy healthcare



Source: MLHW statistics

Pricetags: way off the target

The Japanese pricing authorities' inability and unwillingness to value new drugs is harming innovation




Source: Nikkei, October 6, 2016

'18 Reform: Changing the Environment Dramatically

Incentives were repealed without any compensative measures


Initiatives

Implications

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- Revision of the Price Maintenance Premium
 - Frequency of price cuts increase from biennial to annual


Deceleration in market growth of new drugs



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- Flexible re-pricing in response to “Market Expansion” allowing massive price cuts to happen anytime

Decreasing the consistency of the business



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- Measures to estimate the intrinsic value of the products, e.g. HTA, failed to be implemented effectively

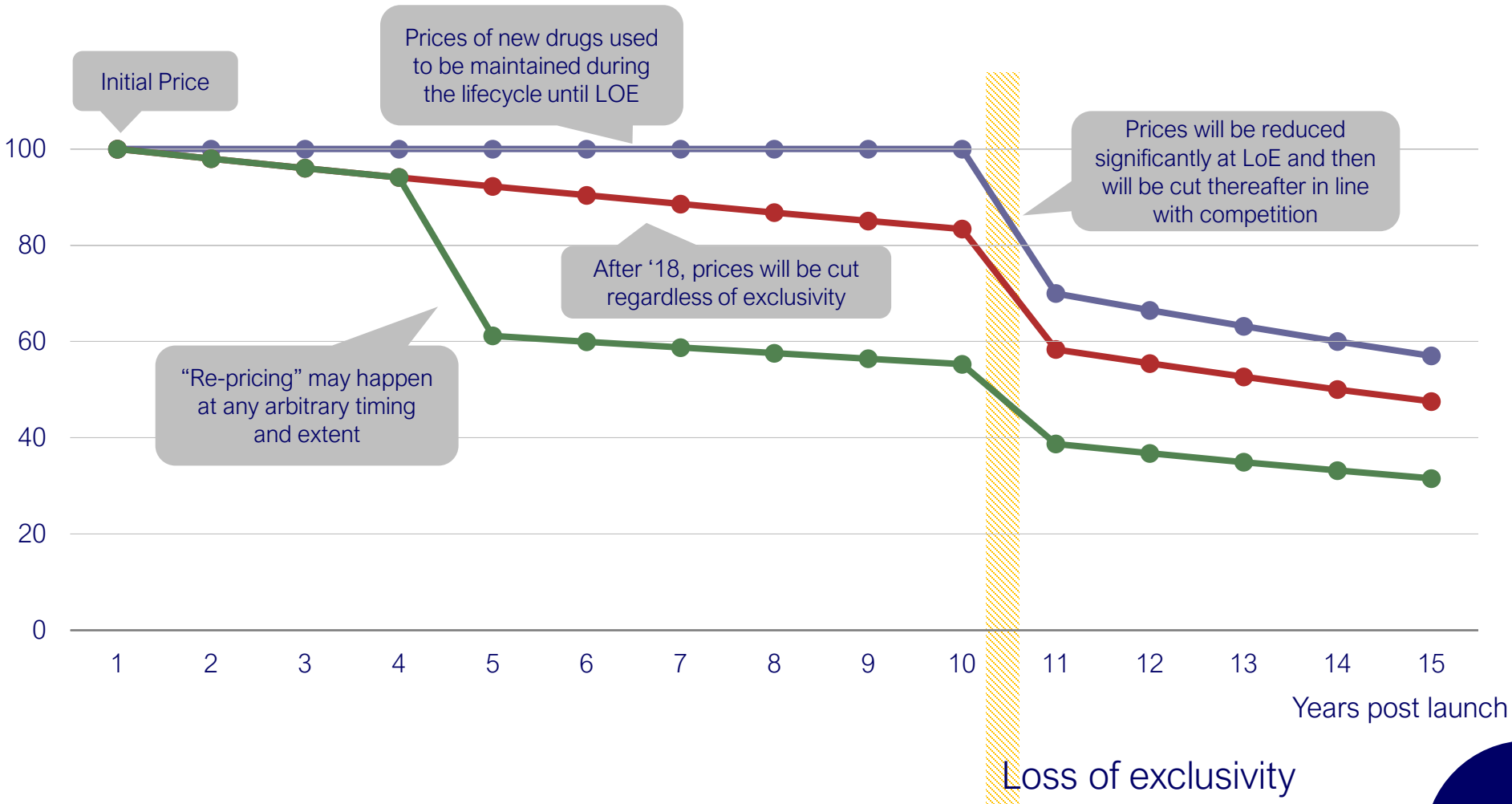
Possibility of erroneous initial prices granted



Ramifications of the '18 Pricing Reform

Business prospects will deteriorate with low predictability early in the lifecycle

Price dynamics over the life cycle of new drugs





Takeda: Time to say
da svidania to Japan?





From conjecture to confidence.



abbvie



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