

SHAREHOLDER VALUE CREATION IN JAPANESE PHARMACEUTICALS



OVERALL SUMMARY

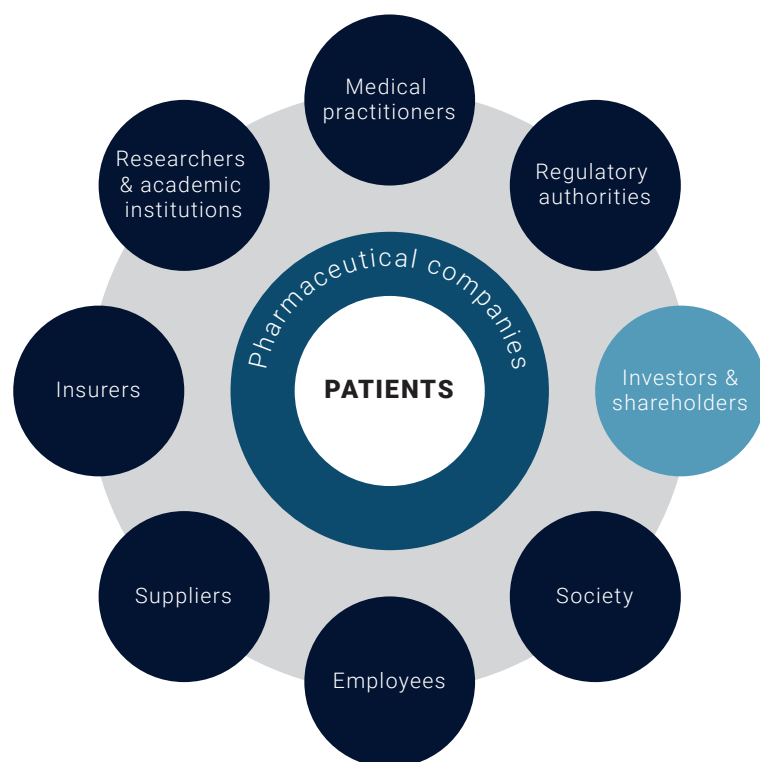
Many Japanese pharmaceutical companies have been languishing under low growth and profitability amid a “triple whammy” business environment. The number of companies with operating profit margins below 5% has surged to around three times that of 20 years ago, and the gap vs. global pharmaceutical companies continues to widen. Shareholder and investor confidence is low, and approximately half of the listed pharmaceutical companies in Japan have a Price-Book Ratio (PBR) below 1. Furthermore, further declines in stock prices create a risk of losing management control in the medium to long term. Amid such circumstances, business leaders are expected to have to make even more difficult decisions as they steer their companies' futures, responding to changes in the business environment brought about by the COVID-19 as well as to changes in business models brought about by disruptive innovations such as generative AI. Through a series of radical structural reforms with clear near-term, mid-term, and long-term goals, CEOs and their leadership teams can respond to these market challenges and quickly achieve a step change in profitability while ultimately realizing the full potential of pharmaceutical companies in the long run.

OVERVIEW: ENHANCING THE VALUE OF PHARMACEUTICAL COMPANIES FROM THE PERSPECTIVE OF INVESTORS AND SHAREHOLDERS

The key stakeholders surrounding pharmaceutical companies can be listed as follows: at the center, the “patients,” who are the ultimate beneficiaries; the “medical practitioners,” such as doctors and nurses who prescribe the pharmaceutical products; the “insurers,” such as national health insurance and private insurance companies; the “regulatory authorities,” such as the Ministry of Health, Labor and Welfare, and the FDA; the “researchers and academic institutions,” responsible for the research of new drugs and treatments; the “suppliers,” providing raw materials, equipment, and services, and the “employees,” who work for the pharmaceutical companies. In recent years, “society,” at large has also increasingly been considered an important stakeholder for pharmaceutical companies. This report takes the standpoint of “investors and shareholders,” among these stakeholders and discusses potential directions for enhancing corporate value (Figure 1).

FIGURE 1: CORPORATE VALUE EVALUATION ISSUES FROM THE PERSPECTIVE OF INVESTORS AND SHAREHOLDERS

Stakeholders surrounding pharmaceutical companies



Issues in assessing the value provided to investors and shareholders

GROWTH POTENTIAL
What level of sales growth is expected in the future?
PROFITABILITY
Is the return on R&D expenditures high? Is the productivity of MRs and other employees high? What about other operational efficiencies?
RESOURCE ALLOCATION
Are they concentrating on therapeutic areas of strength? Are they concentrating on functional strengths? Are they concentrating on geographic areas of strength?

1. THE BUSINESS ENVIRONMENT

External environmental factors causing a “triple whammy” are creating challenges for Japanese pharmaceutical companies:

The business environment surrounding Japanese pharmaceutical companies has significantly increased in complexity and difficulty over the past 20 years. Particularly, three external factors—1. Rising difficulty of new drug discovery (can't produce drugs), 2. Widespread use of generic medicines (even if drugs are produced, they won't sell), and 3. Reduction of drug prices (even if they sell, they won't profit)—have been complicating the management of businesses in the pharmaceutical industry.

RISING DIFFICULTY OF NEW DRUG DISCOVERY:

In major therapeutic areas such as lifestyle-related diseases, medicines with a certain degree of efficacy already exist, leaving only room for the development of new drugs for diseases with unknown treatment mechanisms and areas of high unmet medical needs where the effectiveness of existing drugs is insufficient. The main battlefields for research and development in these areas are shifting from low-molecular compounds to biological preparations, and further to new modalities such as nucleic acid medicines and cell therapy. The difficulty of development is high, and the success rate of new drug development has fallen from one in 13,000 twenty years ago to one in 23,000.

WIDESPREAD USE OF GENERIC MEDICINES:

Due to the promotion of the "Roadmap for Further Encouraging the Use of Generic Medicines (Ministry of Health, Labour and Welfare)" aimed at reducing patient burden and improving medical insurance finances, the volume share of generic drugs in Japan has already reached 79% as of 2022. This penetration of generic drugs is irreversible worldwide, not just in Japan, and is a factor in restraining the sales volume of pharmaceutical companies that deal mainly with new drugs.

REDUCTION OF DRUG PRICES: In Japan, the Ministry of Health, Labour and Welfare has been carrying out annual drug price revisions to reduce the financial burden on patients and fiscal burdens, posing headwinds for sales growth of Japanese pharmaceutical companies.

This “triple whammy” business environment is expected to become more severe in the future.

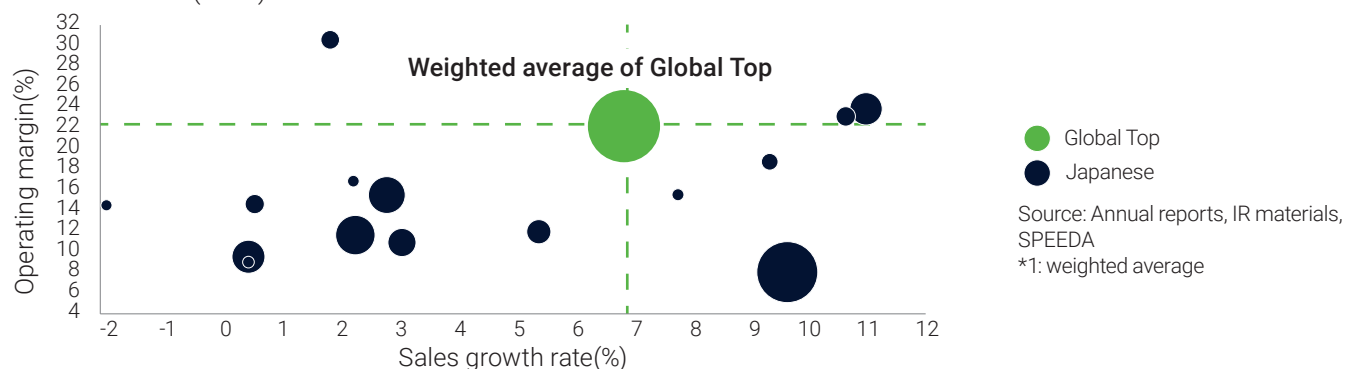
Worsening performance of Japanese pharmaceutical companies:

Looking at past financial performance trends over the long term, the performance of Japanese pharmaceutical companies as a whole has been deteriorating. For example, when comparing the average operating profit margins of pharmaceutical companies listed on the Japanese market in 2000 and 2021, they are 13.2% and 12.6% respectively. While the difference may seem minor at first glance, if we compare the proportion of companies with operating profit margins below 5%, we see that it increased significantly from 14.8% (4 companies) in 2000 to 33.3% (11 companies) in 2021 (for reference, the average from 2017 to 2021 is 13 companies), suggesting a widening gap in performance (Figure 2).

Additionally, the performance of top-selling pharmaceutical companies in Japan is greatly lagging behind global pharmaceutical companies. When comparing the average sales growth rate and operating profit margin between Japanese pharmaceutical companies and the top 10 global pharmaceutical companies (excluding Japanese companies) for FY21 (hereinafter referred to as "Global Top"), the Global Top has experienced an average sales growth of about 7% over the past 10 years, whereas the majority of Japanese pharmaceutical companies significantly lag behind this growth rate. Most of these low-sales-growth companies also significantly lag behind the Global Top in terms of operating profit margin. There are a few Japanese pharmaceutical companies that have achieved growth exceeding the Global Top through proactive overseas M&A and external alliances, but many of these companies' operating profit margins are well below those of the Global Top.

FIGURE 2: COMPARISON OF OPERATING PROFIT MARGIN AND SALES GROWTH RATE OF JAPANESE PHARMACEUTICAL COMPANIES AND GLOBAL TOP

Sales growth rate (FY12-21) operating margin (average of FY12-21) the size of bubble represents the size of sales (FY21)



2. JAPANESE PHARMACEUTICAL COMPANIES HAVE NOT MET INVESTORS' EXPECTATIONS

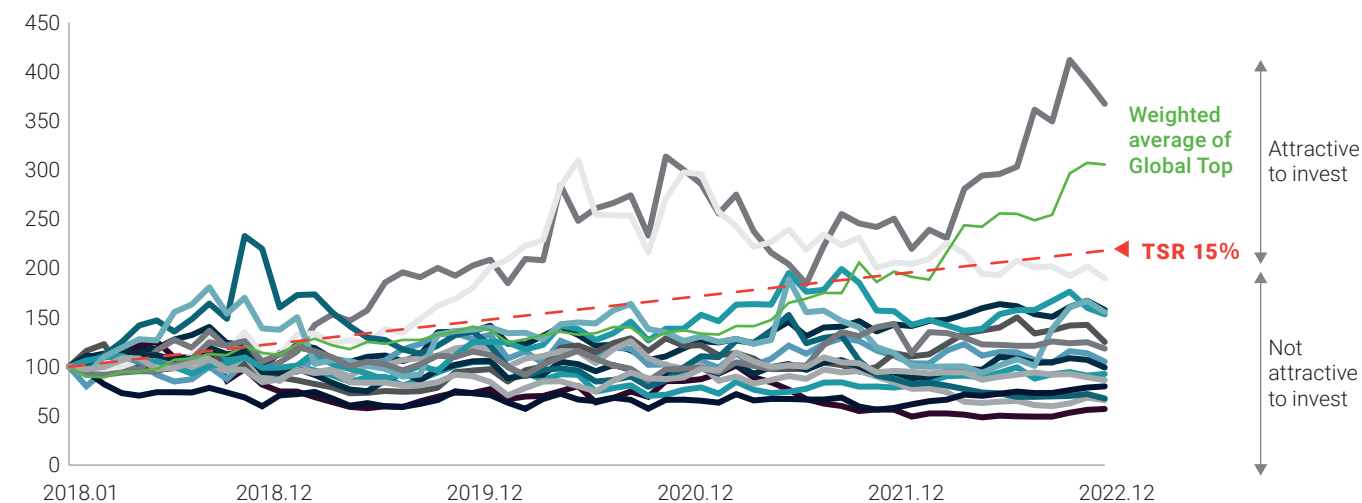
Expectations and gaps from the perspective of investors and shareholders towards Japanese pharmaceutical companies:

As mentioned above, the evaluation from investors towards the deteriorating performance of Japanese pharmaceutical companies is generally not high. In this section, we will detail how investors and shareholders evaluate Japanese pharmaceutical companies.

First, as an indicator to discuss the evaluation of pharmaceutical companies in the stock market, we want to focus on Total Shareholder Return (TSR). TSR is the ratio of the total amount of capital gains and income gains to the amount of investment. In other words, it's an index that shows how the current stock price and dividend yield are trending against the stock price at the time of investment. This measure is widely used by institutional investors to determine the degree of investment appeal from an investor's perspective. Business leaders have a duty to deliver returns to investors through a rise in stock price, based on appropriate management efforts, and investors also select their investments by predicting the amount of these returns. According to our empirical rule, achieving a TSR of about 15% is the necessary level to be considered an attractive investment by investors. Achieving this means that the company's value will double in about five years mathematically. However, when looking at the performance of the TSR over the past five years, while the average of the Global Top exceeds the 15% TSR level, almost all Japanese listed pharmaceutical companies, except for a very few high-performing companies, are falling below this level (Figure 3).

FIGURE 3: CHANGES IN STOCK PRICES OF LISTED JAPANESE PHARMACEUTICAL COMPANIES AND GLOBAL TOP LEADERS

TSR trend with 2018.01 as 100 (multiple, 2018.01-2022.12)



Source: FactSet
*1: weighted average

When evaluating the Price-to-Book Ratio (PBR) of the Japanese listed pharmaceutical companies, the proportion of companies with a PBR of less than 1x (companies where the market capitalization is below the net asset value) was 10% in 2000, but has reached about 45% in 2023. In other words, nearly half of the Japanese listed pharmaceutical companies are "destroying shareholder value, and it would be better to dissolve than continue operations, even in a state of disqualification for listing." Low PBR is an issue seen across Japanese companies, and in late March 2023, the Tokyo Stock Exchange issued improvement requests to low-PBR companies.

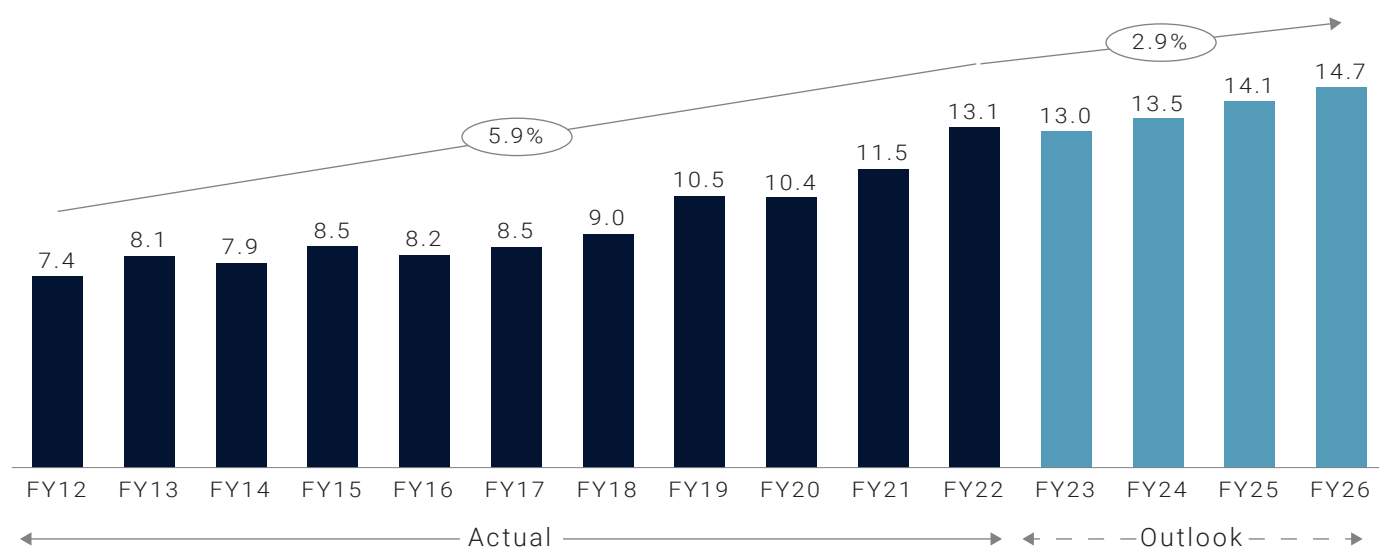
3. DIRECTION FOR IMPROVING THE ENTERPRISE VALUE OF JAPANESE PHARMACEUTICAL COMPANIES

The Increasing Importance of Cash Generation

To reiterate, for Japanese pharmaceutical companies to achieve the 15% TSR return level expected by investors and shareholders to be top quartile performers, they need to increase their corporate value to about twice the current level over the next five years. What should Japanese pharmaceutical companies do to realize this? Under the aforementioned “triple whammy” hardship management environment, the sales growth rate of Japanese pharmaceutical companies in the next five years is expected to slow down compared to the past 10 years (Figure 4). This implies that it is extremely challenging to generate profits, which serve as the source of returns investors expect, through organic sales growth alone. Therefore, the need for inorganic growth measures, such as mergers and acquisitions (M&A) or business development (BD), is increasingly significant.

FIGURE 4: SALES GROWTH OUTLOOK FOR JAPANESE PHARMACEUTICAL COMPANIES

Total sales of top 15 Japanese pharmaceutical companies (trillion yen, GAGR%, FY12-FY26)



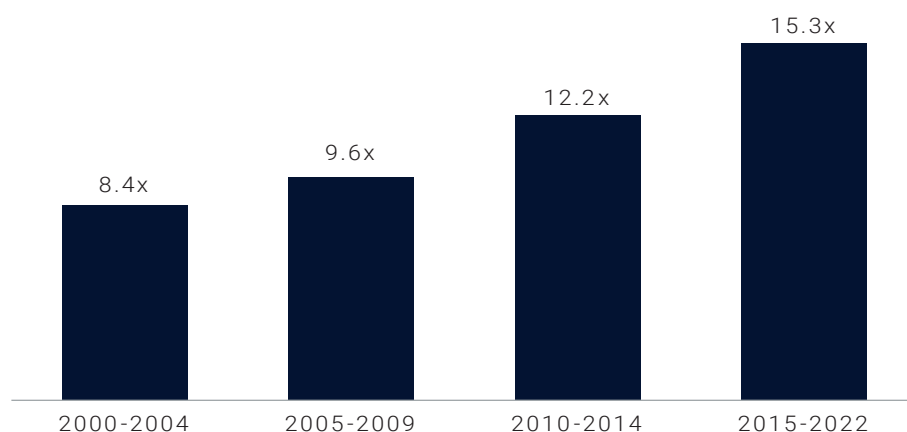
Source: SPEEDA, FactSet

*1: Sum of top 15 Japanese companies in terms of sales

On the other hand, the investment required for M&A and BD is also increasing year by year. Just looking at the transition of acquisition price multiples, they have risen about 1.8 times in the last 20 years, and the financial burden required for acquisitions is increasing year by year (Figure 5).

As such, with the deceleration of organic market growth and the increasing importance of inorganic growth measures, cash generation becomes even more crucial. This is in order to carry out agile business development and mergers and acquisitions, while maintaining a sound financial foundation and without dependence on fundraising environments.

FIGURE 5: ACQUISITION PRICE/EBITDA AVERAGE MULTIPLE FOR PHARMACEUTICAL ACQUISITIONS



Source: Annual reports and IR materials, SPEEDA

*1: Except acquisition of Chinese and Indian companies and acquisition above 35 multiple

Pillars of Measures to Be Taken to Improve Corporate Value

AlixPartners proposes "Short-term measures: Generating the source of growth through immediate profitability improvement", "Medium-term measures: Selection and focus of business domains", and "Long-term measures: Investment in innovation" as the pillars of growth strategies for Japanese pharmaceutical companies. This report will focus in particular on short-term measures, which contribute directly to improving corporate value through EBITDA improvement in addition to the cash generation necessary for growth investment (Figure 6).

FIGURE 6: PILLARS OF MEASURES TO BE TAKEN BY JAPANESE PHARMACEUTICAL COMPANIES TO IMPROVE CORPORATE VALUE

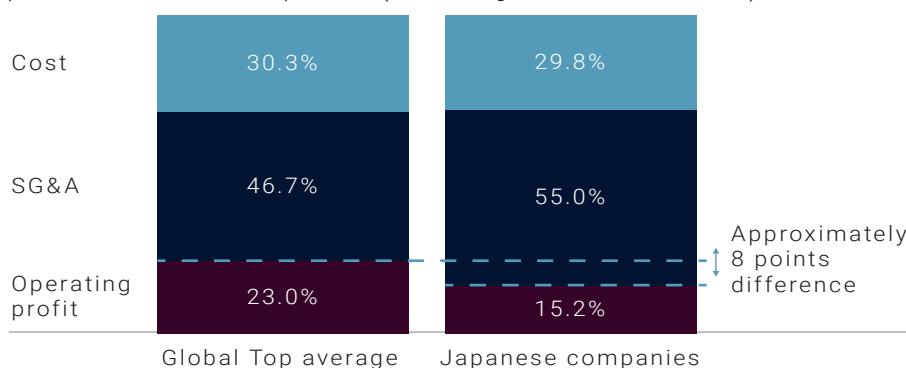


Short-term Measures: Generation the Source of Growth through Immediate Profitability Improvement

As a first step, Japanese pharmaceutical companies require immediate profitability improvement to help them reinvest for growth. Comparing the profit structure of Japanese pharmaceutical companies with that of the Global Top, there is no significant difference in the cost of sales ratio, but it is clear that the selling, general and administrative expense ratio of Japanese pharmaceutical companies is significantly higher (Figure 7).

FIGURE 7: PROFIT STRUCTURE COMPARISON OF JAPANESE PHARMACEUTICAL COMPANIES AND GLOBAL TOP LEADERS

Comparison of profit structure between Japanese and Global Top pharmaceutical companies (% average of FY2002-2021)



Source: Annual reports, IR materials, and SPEEDA

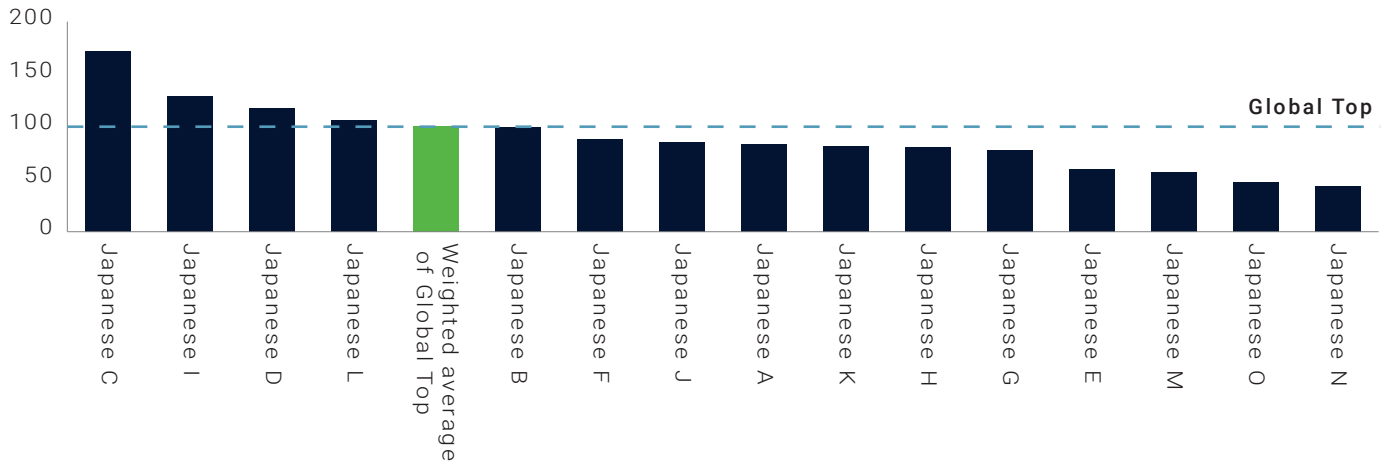
Therefore, the first thing Japanese pharmaceutical companies need to do to improve profitability is to optimize their SG&A (selling, general and administrative expenses). In the following, we will examine in detail the personnel expenses and R&D expenses, which are the major expense items of selling, general and administrative expenses.

Personnel Expense Optimization

Many Japanese pharmaceutical companies are significantly behind the Global Top level in terms of sales per employee (Figure 8). In some companies, labor productivity is more than 50% lower.

FIGURE 8: PRODUCTIVITY PER EMPLOYEE COMPARISON OF JAPANESE PHARMACEUTICAL COMPANIES AND GLOBAL TOP LEADERS

Sales per employee (Weighted average index with 100 as Global Top, FY21)



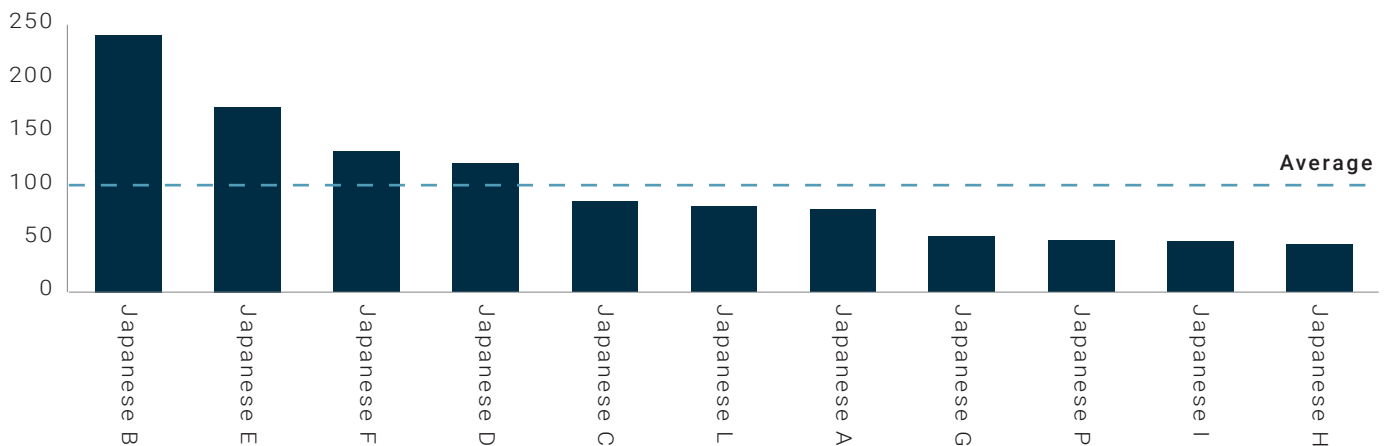
Source: Annual reports and IR materials, SPEEDA
*1: weighted average

Sales Representatives' Productivity Improvement

Furthermore, in terms of sales per sales representative, there is a gap in productivity of about five times even among Japanese pharmaceutical companies (Figure 9). It can be said that it is urgent to improve sales representatives' productivity by optimizing personnel placement.

FIGURE 9: PRODUCTIVITY PER SALES REPRESENTATIVE COMPARISON OF JAPANESE PHARMACEUTICAL COMPANIES

Sales per sales representative (Index with 100 as average, FY21)



Source: Annual reports and IR materials, SPEEDA

Sales Model in the Post-COVID Era

In the past, the era of primary care supremacy, when low-molecule drugs for lifestyle-related diseases were sold mainly in clinics, the drug price environment was not as severe as it is now, and companies with plenty of profitability hired a large number of sales representatives for the sake of SOV (Share of Voice) competition.

Subsequently, a shift from "quantity to quality" of sales activities occurred due to the modality shift to biologics and the expansion of specialty areas. Furthermore, the three-year-long pandemic, which restricted visits to hospitals and clinics, has reinforced this trend. The operating rate of sales representatives who were unable to physically visit hospitals and clinics has halved and is irreversible even in the post-COVID present. The productivity gap between companies that anticipated this change and those that were slow to respond to the change is widening. In companies—mainly foreign pharmaceutical companies leading the way—it is already common practice for a small number of elite sales representatives to explain to hundreds of specialists at once in a digital space beyond physical constraints. They also have a hierarchy among sales representatives and create specialist positions other than sales representatives, introducing organizational mechanisms to efficiently share and utilize the abilities and skills of the best personnel only in important situations. It should be self-evident that there will be a significant difference in sales productivity between companies that undertake such initiatives and those that stick to traditional sales methods centered on visits to doctors.

Innovative and Disruptive Changes in the Sales Model Brought About by the Evolution of Generative AI

In recent years, generative AI technology has been rapidly advancing to practical use levels, heralding innovative and disruptive changes in the sales model of the pharmaceutical industry. The provision of medical information, a core task of sales representatives, is particularly compatible with generative AI. The accuracy of the responses generated by AI improves as the quantity and quality of open data and information used as input increase, and as it becomes easier to discern between useful and junk information.

In this regard, pharmaceuticals continue to provide the latest data and information from pharmaceutical manufacturers, researchers, and clinicians, from the research and development stage to post-patent expiration, following certain rules, processes, and formats. This information is extremely open, and the quality can be distinguished based on peer reviews of articles, citation numbers, and so on.

Sales representatives, who operate under the stringent compliance regulations specific to the pharmaceutical industry, are strictly prohibited from providing any information other than the data obtained in this manner. Furthermore, doctors, who seek this information, are highly skilled professionals with a high affinity for generative AI.

Considering these factors, it's not far off to envision a future where a significant part of the sales representatives' tasks—such as pharmaceutical information provision, market research, and handling inquiries from doctors—will be replaced by generative AI. In the new sales model, predicated on the use of generative AI, the capacity of MRs currently employed by pharmaceutical companies will be significantly redundant, and the operating rate of sales representatives will likely decrease even further.

Optimizing Research and Development (R&D) Expenses

In the pharmaceutical industry, R&D expenses stand alongside personnel costs as a major expenditure. While they are an essential outlay for growth, pursuing efficiency and effectiveness in their use is also a crucial challenge. It's necessary to discern a balance and appropriately allocate management resources.

When looking at an analysis of the relationship between the R&D expense ratio and sales growth rate in a scatter plot (Figure 10), it seems that the majority of Japanese pharmaceutical companies are not able to enjoy sufficient sales growth in response to the R&D expenses they have incurred. However, note that R&D in the pharmaceutical industry takes around 20 years, so there is not necessarily a direct causal relationship with the R&D expenses shown in the graph. Also, it's important to note that the sales growth rate includes sales growth due to acquisitions.

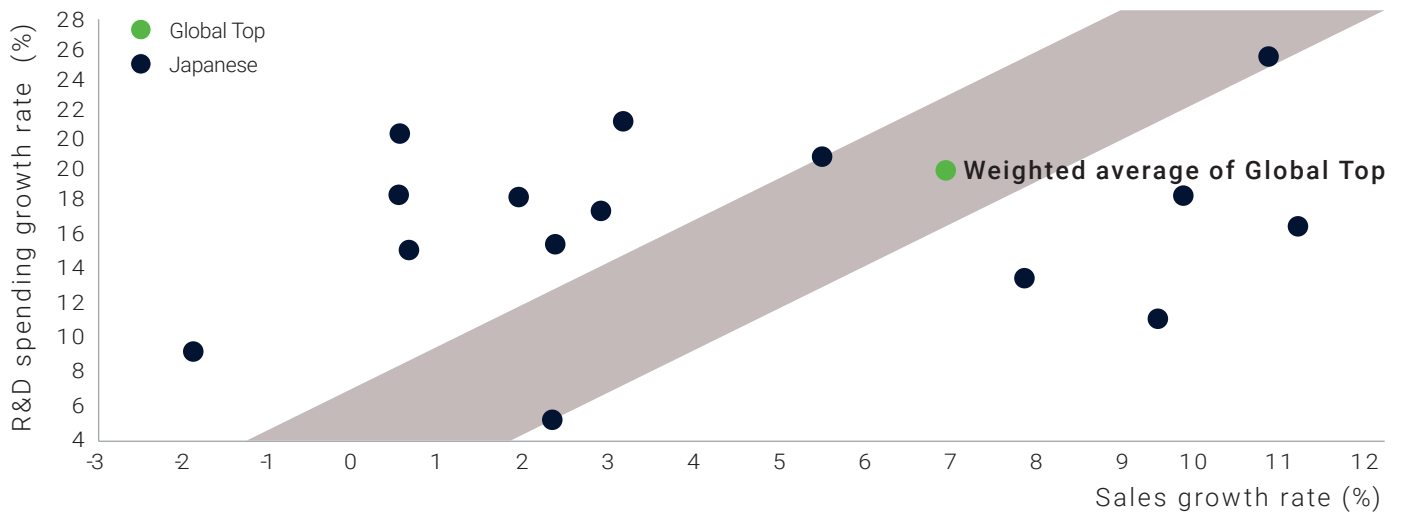
While the sales growth rate should be understood merely as a trend, it suggests that there is significant room for efficiency improvements in the conduct and process of research and development, as well as in resource allocation, from the perspective of development efficiency.

Companies that objectively grasp their own business conditions while anticipating changes in the ongoing business environment are already boldly implementing "proactive personnel reductions" while they have abundant cash on hand. Even if sales are growing, it is crucial to shift or optimize (reduce) resources to take the initiative in predicting patent expirations looming in a few years, future market environments, and changes in information delivery methods.

The ability to make and execute such decisions to "create a crutch before falling" is increasingly becoming a sought-after quality for business leaders in pharmaceutical companies.

FIGURE 10: RETURN ON INVESTMENT ANALYSIS OF R&D SPENDING

Sales growth rate (FY12-21), R&D spending growth rate (FY12-21)



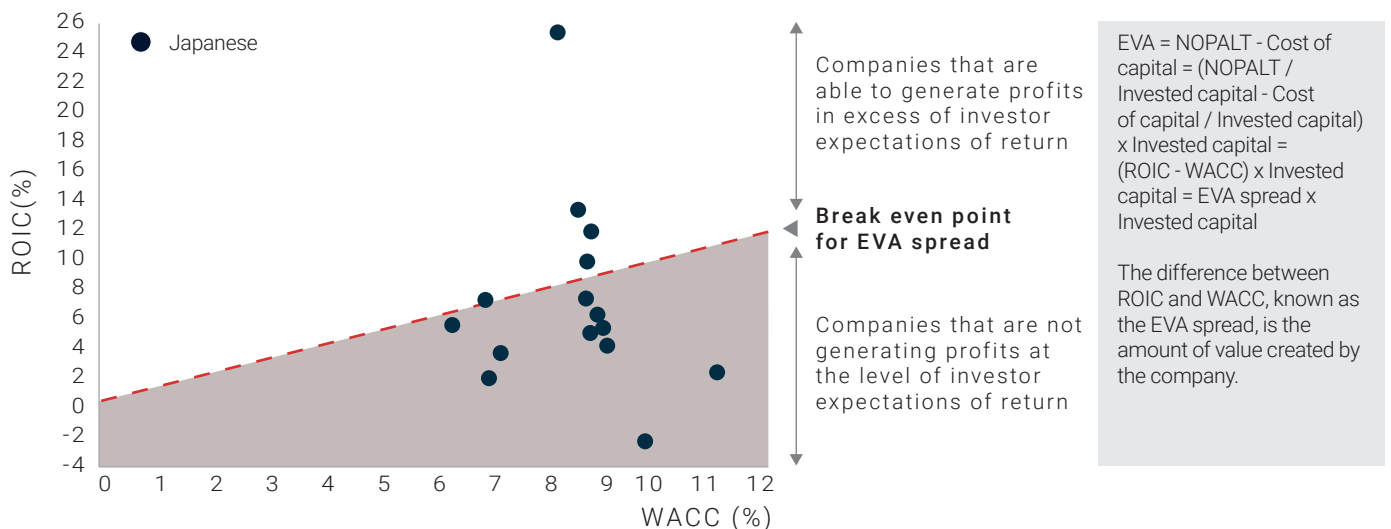
Source: Annual reports and IR materials, SPEEDA
*1: weighted average

Mid-term Measures: Selection and Concentration of Business Domains

In parallel with improving near-term profitability, it is necessary to select and concentrate on areas of focus as mid-term measures. The selection and concentration referred to here means selecting a business domain on the three axes of "therapeutic area," "value chain," and "deployment region," and pouring management resources into it. All these discussions relate to capital profitability, so we first compared ROIC (Return on Invested Capital), which indicates capital profitability, with the corresponding capital cost, WACC (Weighted Average Cost of Capital) (Figure 11). From this analysis, it is clear that many Japanese pharmaceutical companies are not exceeding the level of return expected by investors in terms of their ROIC.

FIGURE 11: EVA SPREAD ANALYSIS OF JAPANESE PHARMACEUTICAL COMPANIES

EVA spread (FY21)



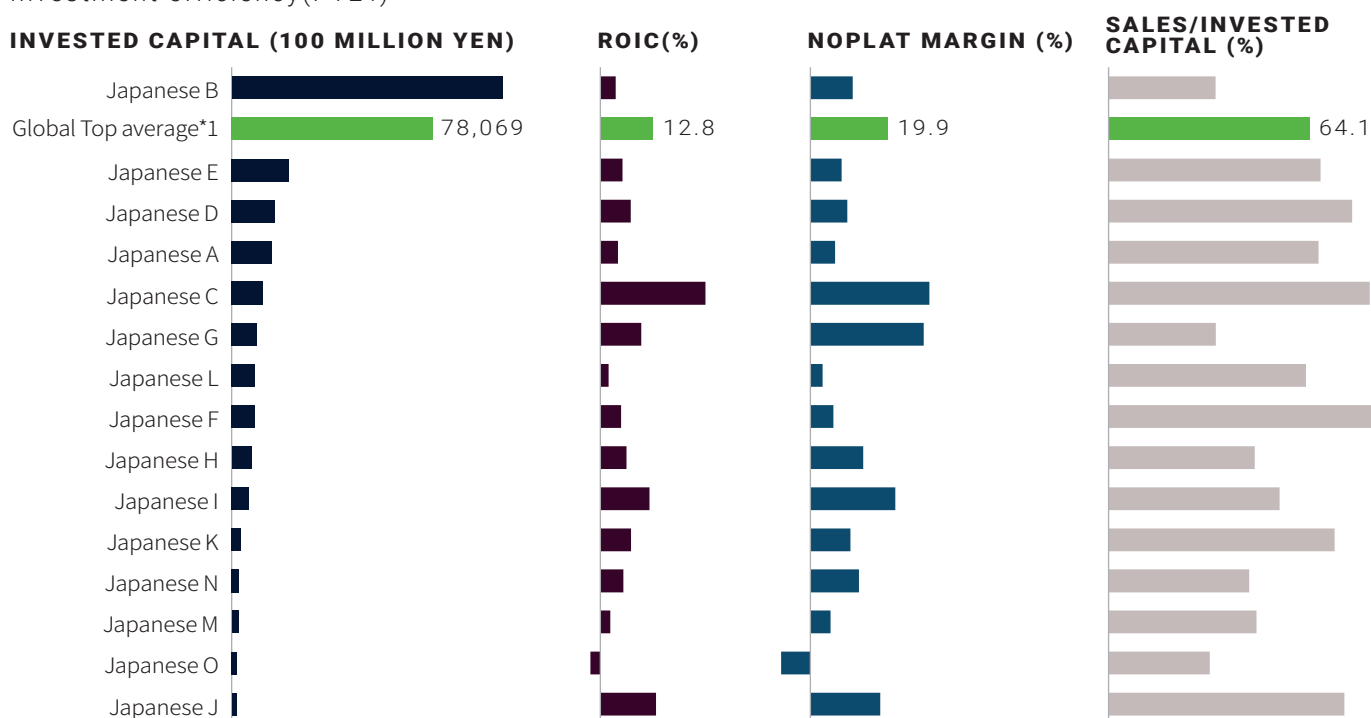
Source: Prepared by AlixPartners based on FactSet, analyst reports issued by securities companies, and various databases (discounted to present value)
*1: Risk-free rate is estimated using 10-year U.S. Treasury note and assumes mainly foreign investors.

To explore the reasons for low capital profitability, we decomposed ROIC into two elements: profitability (NOPAT Margin = NOPAT/Sales) and capital efficiency (Sales/Invested Capital) and compared between Japanese pharmaceutical companies and Global Top companies (Figure 12). In general, the ROIC of most Japanese pharmaceutical companies significantly lags the Global Top companies, and it can be seen that low profitability is causing low capital profitability since profitability tends to follow the same trend. In addition, from the perspective of asset efficiency, most Japanese pharmaceutical companies are below the level of the Global Top companies, which could also be a factor contributing to low capital profitability.

While it's true that an overemphasis on ROIC can often lead to a trap of shrinking equilibrium management (since decisions to divest low-return businesses or postpone necessary investments often seem rational for improving ROIC), if we limit the discussion to the pharmaceutical business, it would be reasonable to streamline areas of therapeutic area, value chains, and regions that have low investment returns.

FIGURE 12: CAPITAL EFFICIENCY COMPARISON BETWEEN JAPANESE PHARMACEUTICAL COMPANIES AND GLOBAL TOP LEADERS

Investment efficiency(FY21)



Source: Annual reports and IR materials, SPEEDA
*1: weighted average



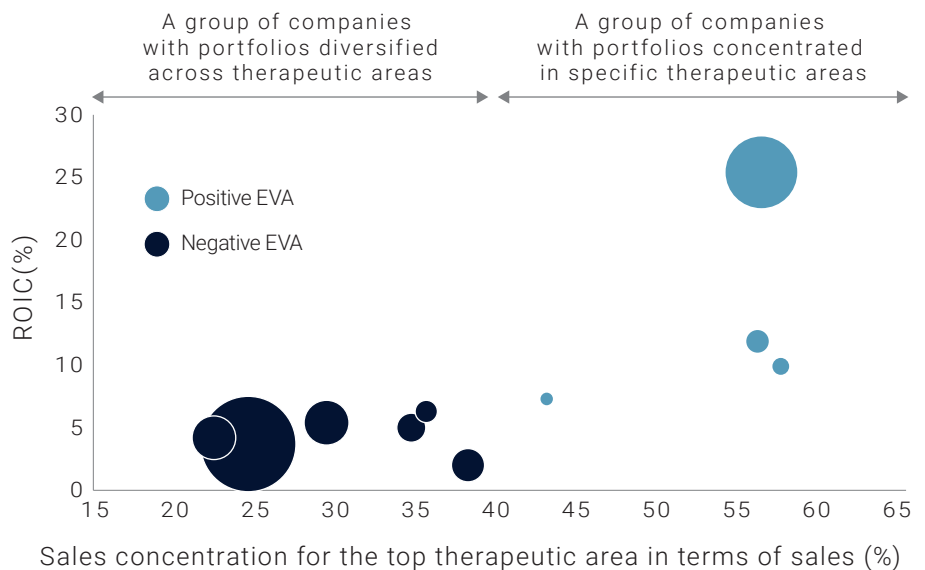
Selection and focus along the “Therapeutic Area” axis

The selection and focus on specific therapeutic areas (TAs) is an effective strategy for improving the capital profitability of pharmaceutical companies. An analysis of the correlation between the concentration of sales in specific TAs and ROIC shows that companies with a high concentration of sales in specific TAs had relatively high ROIC and positive EP, while those with low concentration in TAs generally had low ROIC and negative EP (Figure 13). Spreading resources—including people, materials, and investments—necessary for sales growth across multiple therapeutic areas leads to dispersion and increases administrative costs, thereby lowering profitability. This is the same phenomenon as a conglomerate discount in corporate management, where the market value of diversified companies is evaluated lower than the sum of the values of the individual businesses they comprise.

In addition, we aggregated the amount of R&D investment and its growth rate over the past 10 years to compare the investment scale between Japanese pharmaceutical companies and global leaders (Figure 14). According to this, many Japanese pharmaceutical companies lag global leaders in terms of both the scale and speed of R&D investment. Companies with limited capital strength and limited R&D spending should be making efforts to improve capital profitability by further promoting the selection and focus on specific therapeutic areas and becoming specialists in those areas.

FIGURE 13: R&D SPENDING COMPARISON OF JAPANESE PHARMACEUTICAL COMPANIES AND GLOBAL TOP LEADERS

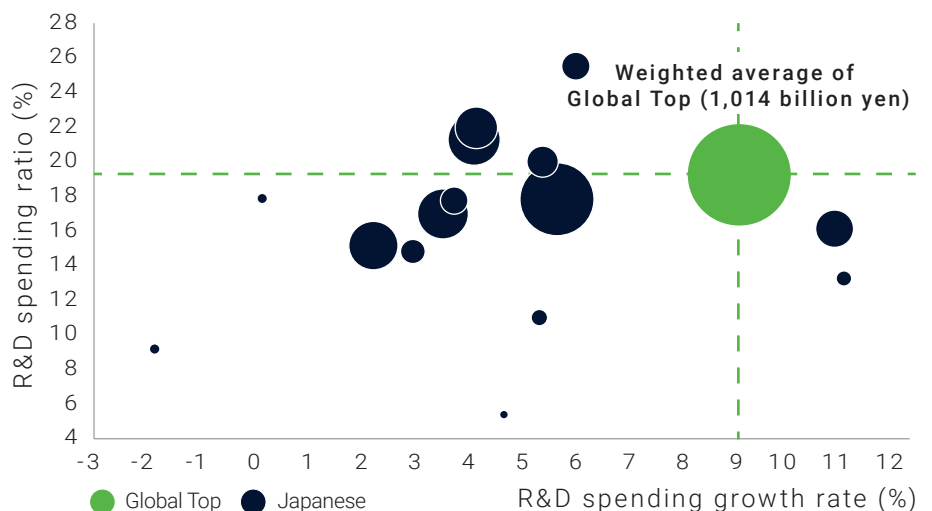
Sales concentration for the top therapeutic areas (FY21), ROIC (FY21), the size of bubble is EVA



Source: Annual reports, IR materials, and SPEEDA

FIGURE 14: CORRELATION ANALYSIS OF SALES CONCENTRATION IN SPECIFIC THERAPEUTIC AREAS AND RETURN ON CAPITAL

R&D spending growth rate (FY12-21) R&D spending to sales ratio (average of FY12-21) the size of bubble represents the size of R&D spending (FY21)



Source: Annual reports and IR materials, SPEEDA
*1: weighted average

Selection and focus along the “Value Chain” axis

Most Japanese pharmaceutical companies are not very advanced in unbundling functions or utilizing external resources. Global Top pharmaceutical companies are already moving away from the full-line model, which handles everything from R&D to production and sales, to thoughtfully outsourcing areas where value creation is not expected, after defining the source of their own value creation along the value chain. On the other hand, Japanese pharmaceutical companies are still dominated by the traditional do-it-yourself model, even in mid-sized pharma, and have not been able to concentrate investment in areas that should be focused on, leading to low capital profitability such as ROIC. Medium-sized pharma companies, which are inferior in business scale, should concentrate their management resources on areas they should focus on by actively promoting the use of function providers such as CSO, CRO, and CMO, not only in production bases and development bases.

Business leaders need to master solutions such as carve-outs and measures to improve supply chain resilience in order to execute selection and concentration to improve business efficiency by outsourcing functions with low added value. It is also important to build a business operation and governance system to reap the benefits of the investments made. This includes setting up a system to continuously monitor the effects, and it is also indispensable to carry out PMI to establish an efficient business operation system with the target company to realize planned synergies.

Selection and focus on the “Deployment Region” axis

In the context of expected sluggish growth in the market size in Japan, expanding into overseas markets is an important strategic option not only for large companies but also for medium-sized pharmaceutical companies. In this regard, it is important to deploy based on the characteristics of the product and the strengths in the value chain.

Although it may seem obvious, the same product will naturally sell differently depending on the racial mix of the population, local customs, sanitary conditions, lifestyle habits, number of competing products, and order of market entry in the country or region where it is sold. Different regulations, drug pricing systems, insurance systems, intellectual property and patent systems, and distribution and sales channel structures in each country and region require a different approach to the “different rules of the game”. Under such away conditions, it is not realistic to build a full-line development, manufacturing, and sales system on your own, and it is necessary to consider Make vs. Buy (whether to do it yourself or utilize other companies) for each function. Japanese leading pharmaceutical companies that already have a foreign sales ratio of over 50% and have a system of developing and selling on their own through local subsidiaries in some countries and regions, or Global Top companies that have a system of developing and selling on their

own in the Japanese market, have been expanding into away markets through decades of outsourcing and collaboration with local companies in each country, and have built their current form.

On the other hand, despite its slow growth, the Japanese market is still an attractive market for foreign pharmaceutical companies, boasting the third largest size in the world. Some medium-sized Japanese pharmaceutical companies have been successful in introducing and selling attractive products from foreign pharmaceutical companies by providing the overwhelming sales power they have built up in Japan through concentrated management resources in specific therapeutic areas. Specializing in the Japanese market where they have strengths, and concentrating management resources on the narrowed down therapeutic area and function is a powerful strategic option worth considering, especially for medium-sized Japanese pharmaceutical companies.

Long-term Measures: Investing in Innovation

Without a doubt, the purpose of pharmaceutical companies—their *raison d'être* and ultimate goal—is to contribute to society by providing superior medicines to patients suffering from diseases through innovations. To achieve this purpose, pharmaceutical companies must continuously strive to create scientific and business model innovations. Finally, we present three directions for investment in innovation as a long-term measure.

Next-Generation Modalities: Investment in innovative modalities such as cell therapy, gene therapy, and regenerative medicine is essential not only as a stepping stone for the next generation of revenue streams for each pharmaceutical company, but also as a challenge that must be continuously addressed. Japanese pharmaceutical companies must not repeat the bitter experience of completely missing the modality shift to biopharmaceuticals in the past.

Digital Transformation for Operational Innovation: There are opportunities to improve and enhance operations through digitalization across all value chains of pharmaceutical companies. The evolution of generative AI, as mentioned earlier, can become a powerful tool if actively utilized and mastered. What needs to be emphasized here is that the use of digital technology and AI is only a means to accelerate the improvement of operational and capital efficiency and should not be the goal in itself.

Beyond/Around the Drug Challenges: As the concept of Health Technology Assessment (HTA) becomes more prevalent, cost-effectiveness in the healthcare economics, not just the medical aspects, will become increasingly important in considering patient-centric medicine. Beyond providing treatment through drugs, a domain that has been traditionally of pharmaceutical companies, there will likely be a need to redefine the value provided by pharmaceutical companies and construct a new Beyond/Around the Drug business model, looking at the entire patient journey—prevention, diagnosis, treatment, and prognosis.

IN CONCLUSION

It is only through short-term measures to improve corporate value (e.g. improving immediate profitability) and mid-term measures to generate cash and improve capital returns (e.g. selection and concentration of business domains) that the necessary funds for creating innovation—a long-term measure—can be secured to allow pharmaceutical companies to ultimately live up to their purpose. In other words, the steps to improve shareholder value and corporate value are also essential for realizing the purpose as a pharmaceutical company, and the business leaders of Japanese pharmaceutical companies should start fundamental structural reforms of their companies as soon as possible, beginning with improving immediate profitability. We at AlixPartners would be honored to assist ambitious business leaders who are not afraid of painful reforms in order to achieve their purpose.

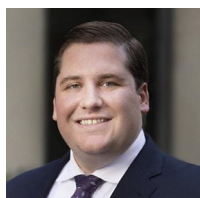
ABOUT THE AUTHORS



Joji Hattori, Partner & Managing Director

jhattori@alixpartners.com

Joji has more than 20 years of strategy and management consulting experience in providing hands-on support for clients' business transformations—from building a vision to devising and implementing strategies into operations. Joji also has deep industry experience from his work at Takeda Pharmaceuticals as senior director of the corporate strategy department, where he engaged in companywide transformation projects. Joji has also held strategic advisory roles for health-technology start-ups and biotech venture companies with founders from Stanford University's School of Medicine. He joins AlixPartners from EY Japan, where he led business transformation and was a lead partner of one of the firm's largest pharma clients in its health sciences and wellness sector. Joji's extensive overseas experience includes being stationed in China and Germany, providing local market support for the global strategy and operations of Japanese companies. Joji has a Bachelor of Arts in social sciences from Hitotsubashi University.



Ben Salcetti, Partner

bsalcetti@alixpartners.com

Ben is an experienced strategy professional with a successful record of working with executive leadership teams to maximize long-term profit growth for Fortune 200 clients. Clients benefit from Ben's expertise in the oil & gas, industrial equipment, pharmaceuticals, and consumer goods sectors. Ben's experience includes working with clients in the United States, Europe, Africa, Asia, Latin America, and the Middle East.

Ben has an MBA from the Wharton School and a Master of Arts in International Studies from the University of Pennsylvania's Lauder Institute.



Go Shinomiya, Consultant

gshinomiya@alixpartners.com

Go has a broad range of experience in management, business strategy development, and business process reengineering (BPR) for the manufacturing industry, as well as digital strategy planning for financial institutions. Prior to joining Alix Partners, he was with EY Strategy and Consulting, where he was involved in overall business strategy, alliance strategy, and execution support mainly for electronic component manufacturers.

He was also with KPMG Consulting, where he engaged in digital strategy development for financial institutions and BPR and business integration for auto manufacturers.

Go has a bachelor's degree from Aoyama Gakuin University.

AlixPartners



Shoichiro Ogawa, Partner

sogawa@alixpartners.com

Sho has nearly 30 years of experience in leading and supporting business turnarounds, value ups, and organizational restructurings in the areas of cultural change, new business, new product launches, and postmerger integration (PMI) in both business companies and a consulting firm. Before joining AlixPartners, he led a business at Bristol-Myers Squibb through an organizational restructuring, a growth strategy execution, a digitalization, and a new product launch. Before that, he was president of AlconPharma and completed PMI and a reboot of the business. He also executed organizational changes, business creation, and turnarounds at Abbott, Alcon, AbbVie, and Janssen. In other engagements, he supported large companies through growth strategies, new business launches, turnarounds, and PMIs in the healthcare, finance, IT, automobile, trading, and utility sectors.

Sho has an MBA from Carnegie Mellon University and a master's degree in aerospace engineering from the University of Tokyo.



Tetsuya Kimura, Partner

tkimura@alixpartners.com

Tetsuya has 20 years of experience as a management consultant, business leader, and private-equity (PE) investment professional, having supported and led companywide transformation, business growth, turnarounds, and M&A to improve profitability and value up. Tetsuya has helped major companies in the telecom, healthcare, retail, financial, and PE industries develop business strategies, grow their businesses, and conduct turnarounds. His expertise includes M&A and post-merger integration (PMI), sales force enhancement, productivity improvement, and labor cost reduction in the PE, telecom, technology, service, and healthcare industries. Previously, he was with a Japanese midcap PE firm as a deal member; he completed four deals; and he led PMI and value-up activities as interim chief financial officer/chief strategic officer (CFO/CSO) of the portfolio company. Tetsuya has a Bachelor of Arts in social psychology from the University of Tokyo.



Jennifer Iarossi, Senior Vice President

jiarossi@alixpartners.com

Jennifer has nearly 20 years of experience as a management consultant and business leader. Throughout her career, she has provided strategic consulting services for global companies in industries as diverse as pharmaceutical, financial services, consumer products, metals & mining, beverages, and heavy equipment. She is also passionate about education, and served as the director of finance and operations for a group of private schools in the United States.

Jennifer has a Masters of Science in education from Loyola University Maryland and a Bachelor of Arts from Northwestern University.

ABOUT US

For more than 40 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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