



Lilly CEO Calls for Biopharmaceutical Industry Changes and Policies That Encourage Medical Innovation

Lechleiter Addresses U.S./Japan Business Council in Tokyo

TOKYO, March 9, 2011 /PRNewswire/ -- To address growing unmet medical needs and strengthen the global economy, new approaches to biopharmaceutical research and policies that support innovation are critical, according to John Lechleiter, Ph.D., chairman, president and CEO of Eli Lilly and Company (NYSE: LLY).

In remarks to the U.S./Japan Business Council Wednesday in Tokyo, Lechleiter outlined two imperatives to secure the future of the research-based pharmaceutical industry and help stimulate the global economy: changing the way companies conduct research — or "reinventing invention" — and implementing public policies that promote an environment in which medical innovation can thrive.

Lechleiter said that innovation is a key element in "re-energizing our economies and meeting the growing needs of aging populations." He added that the aging of society has progressed farther in Japan than anywhere else in the world and that poses a particular challenge:

- As of September 2010, Japan counted nearly 45,000 people over the age of 100.
- According to a UN survey, by 2050 Japan is expected to have 272,000 centenarians, although some predict the number could be closer to 1 million, and 40 percent of the Japanese population will be 65 or older.
- As Japan ages, demand for medical care will triple in the next 25 years, according to the international consulting firm McKinsey & Co.

Lechleiter noted that a report issued last year on Alzheimer's disease said that the global costs for caring for people with dementia in 2010 would surpass \$600 billion — equal to about 1 percent of the world's GDP. Other research has found that the direct costs of dementia care in Japan are higher than in any other country except the United States.

With these global challenges in mind, Lechleiter made a case for the value of biopharmaceutical research and new medications:

- Innovative medicines have proven themselves time and again to be the most effective way to reduce costs and improve quality in health care.
- Treatments for diseases that remain unconquered, like cancer and Alzheimer's, most likely will come from biopharmaceutical laboratories.
- There is significant room for improvement in the way we treat chronic diseases such as diabetes.

"We believe that wise investments in health care innovation will be among society's most productive investments in the years ahead, and that medicines represent the most cost-effective approach to preventing and treating disease," Lechleiter said.

Lechleiter pointed to the industry's role in moving innovations forward and the need for change. Specifically, he stressed the need for a research-based pharmaceutical industry that is "more networked, global, and entrepreneurial" to bring innovative medicines to patients faster and at lower costs.

This new approach to research will be successful only within a policy environment that encourages innovation. He pointed to Lilly's work with regulators and policy makers in both Japan and the United States to improve the R&D process; to reduce review times for potential medicines, while ensuring patient safety; to enhance intellectual property protection; and to improve approaches to pharmaceutical pricing.

"A company's ability to pursue innovation — in any field — requires that governments maintain solid protection of intellectual property; a fair, rigorous and transparent system of regulation; and a predictable tax structure that allows us to plan and invest for the future," said Lechleiter.

Lechleiter commended Japan's New Growth Strategy for recognizing the value of innovation in providing health security to an aging society, and for proposing a reduction in the effective corporate tax rate to strengthen the competitiveness of companies operating in Japan. He also called for Japan to extend the data-exclusivity period for biologics to 12 years to be consistent with U.S. policy adopted as part of health care reform last year.

Lechleiter urged the Japanese government to further expand policies that are creating an environment for innovation:

- He called on the government to permanently adopt pricing reforms initiated in April 2010 that provide for price stability over the life of a patent or exclusivity period, which will help ensure that patients have prompt access to the world's most advanced medicines.
- He encouraged the Pharmaceuticals and Medical Devices Agency (PMDA) to continue to accept multinational clinical-trial protocols and to make it easier for companies to include Japan in early investigational clinical trials. He said that such policies have reduced both the costs of completing clinical research in Japan and delays in bringing new medicines to Japanese patients.

Lechleiter said that Japanese biopharmaceutical research has produced some of the world's leading medicines and that the government has recognized health care, including pharmaceuticals, as a key economic growth driver. Noting that Japan is the world's second-largest pharmaceuticals market, he said that Lilly Japan is the company's largest affiliate outside the United States. Lilly Japan was established in 1975, opened its Seishin Laboratories in 1981, and today has more than 2,300 employees across all areas of the business. As reported by IMS, Lilly also is currently the fastest growing multinational pharmaceutical company in Japan, with sales of nearly \$1.6 billion in 2010.

"Innovation is not a panacea for the challenges facing our economies and health care systems, but it is hard to see any way out of the current crisis without innovation," Lechleiter concluded.

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Lilly, a leading innovation-driven corporation, is developing a growing portfolio of pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Ind., Lilly provides answers — through medicines and information — for some of the world's most urgent medical needs. Additional information about Lilly is available at www.lilly.com. **C-LLY**

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