What's Big in Japan?

Eric Hayes in Pullan's Pieces #219 October 2025

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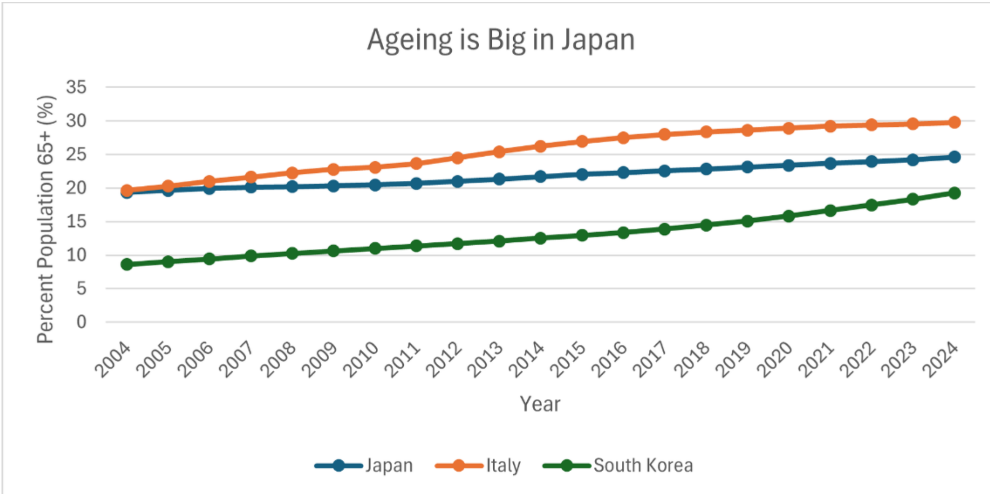
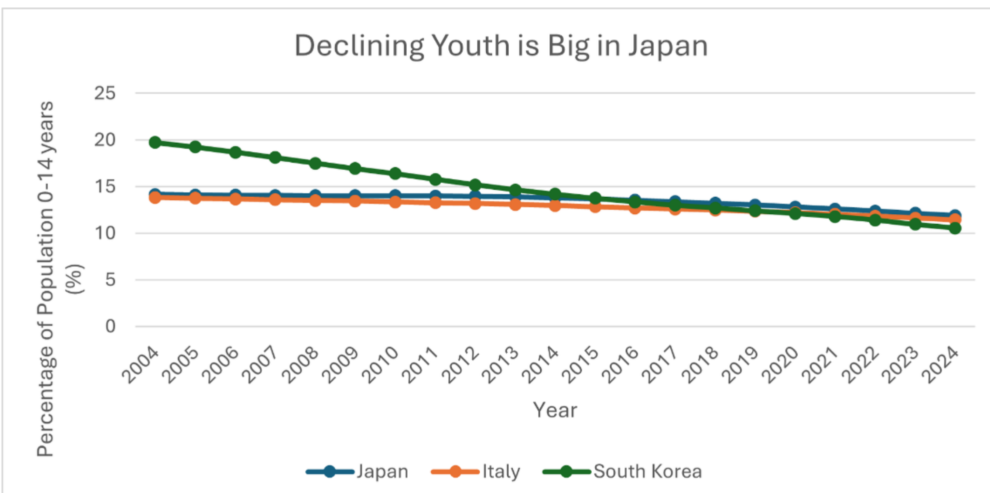
Tom Waits, great food, fabulous people and culture and a mad Tokyo metro system to be sure, but also ageing, sluggish population growth and a historically weak yen. Linda's July piece provided an excellent discussion of Japan in the China competitor context. Having recently wrapped up at Bio Japan, I wanted to take a closer look at some things that may impact on doing deals with pharma and biotech companies in Japan.

Graphs for the ages

Japan has a higher percentage of 65+ year olds compared to the most aged country in Europe and the fastest aging in Asia...



...and a low percentage of 0-14 year olds compared to the 4th least fertile country in Europe and the fastest declining fertility in Asia.



Both of these trends are expected to exacerbate the 8050 problem (80-year-old parents looking after 50-year-old children) and are likely to drive innovation in chronic and highly prevalent diseases, geriatric medicine and rare diseases affecting the Japanese population.

The decline of the Yen is big for Japan

The Yen is historically low relative to the US$

This has implications for in-licensing for Japanese companies: the difficulty of competing to pay in-licensing terms in expensive foreign currency for in-licensing to Japan means less competition for domestic innovation.

For out-licensing from Japan: a weak yen makes Japanese assets cheaper in Euro or dollar terms.

However, given the revenues of Japanese pharma companies outside of Japan (Takeda with 80% of revenues outside Japan, Astellas with 75% of revenues outside Japan), high value in-licensing activity can be found with Japanese HQ companies.

Japanese HQ companies with less of their revenues outside Japan (Daichi Sankyo with 50% of its revenue outside Japan and Ono with 40% of its revenues outside Japan) will want a target/modality of interest paired with a therapeutic indication fitting the macro population dynamics and/or indications focus (oncology is a high prevalence indication in Japan).

Acquiring Company	Licensing Company	In-Out License	Stage of Development	Upfront ($M)	Technology/Indication
Astellas	PeptiDream	JPN-JPN	Discovery	20	Degraders/Oncology
Astellas	Evopoint Biosciences	JPN-CHI	Phase1/2	130	ADC/Oncology
Ono	Ionis	JPN-USA	Phase 2	280	Antisense/Hematology
Merck	Daiichi-Sankyo	USA-JPN	Phase 2/3	4000	ADC/Oncology
Takeda	Innovent	JPN-CHI	Phase 2/3	1200	bsAb and ADC/Oncology

The Yen effect may put extra pressure where patent cliff/drug-loss erodes/limits sales, established and/or newly launched products underperform, and clinical development pipeline faces headwinds.

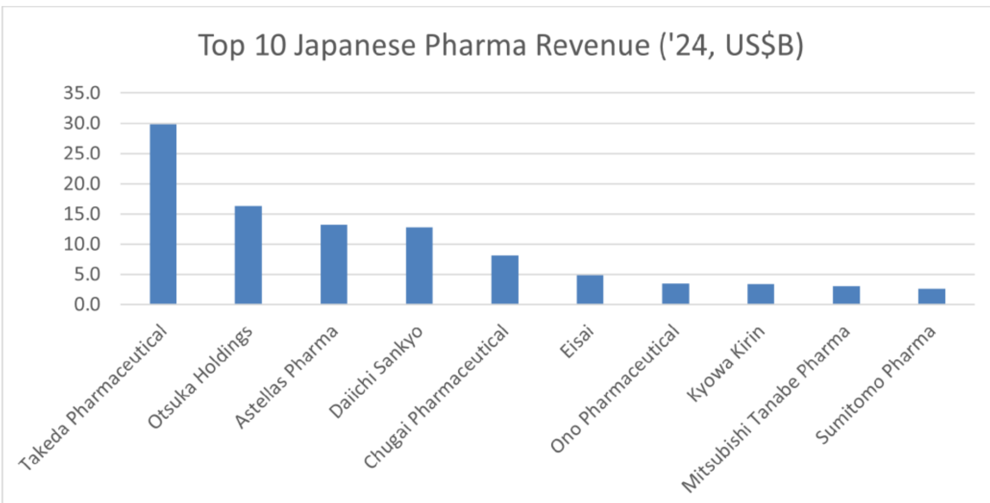
The low Yen makes clinical trial costs in the US higher. Okada et al (2025) have published an excellent review of trial costs for Japanese pharma companies conducting trials for approval in Japan only versus globally that would be further exacerbated at current exchange rates.

Many drugs had been approved in the rest of the world but not in Japan (so called drug-loss) due to finance, regulatory and market pressures, something the Japanese government and Industry are actively fixing.

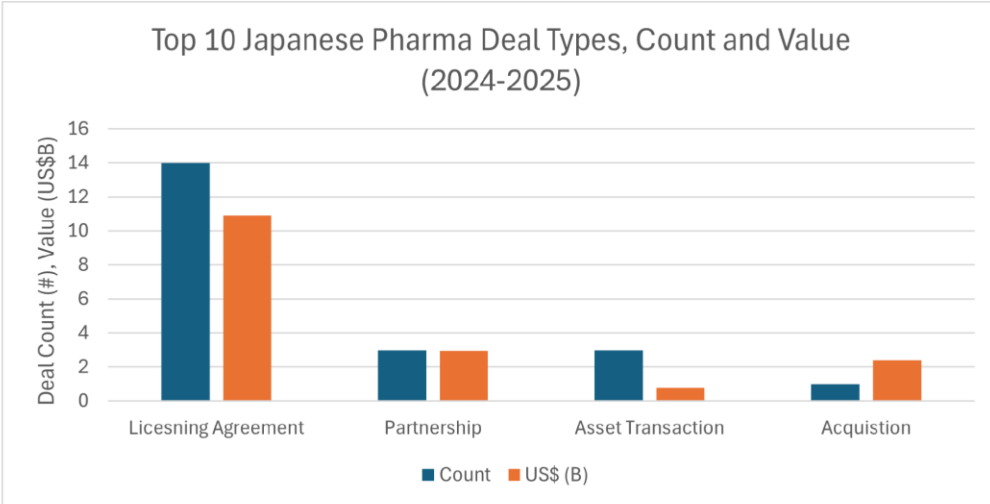
However, the Yen effect may be less pronounced for the larger Japanese pharma that have sufficient scale to navigate these issues (e.g. Takeda – Vyvanse/Azilva off patent in USA/Japan; underperforming sales of Advate and Alofisel; Phase 3 drop of Exkivity).

The big Japanese are big Globally

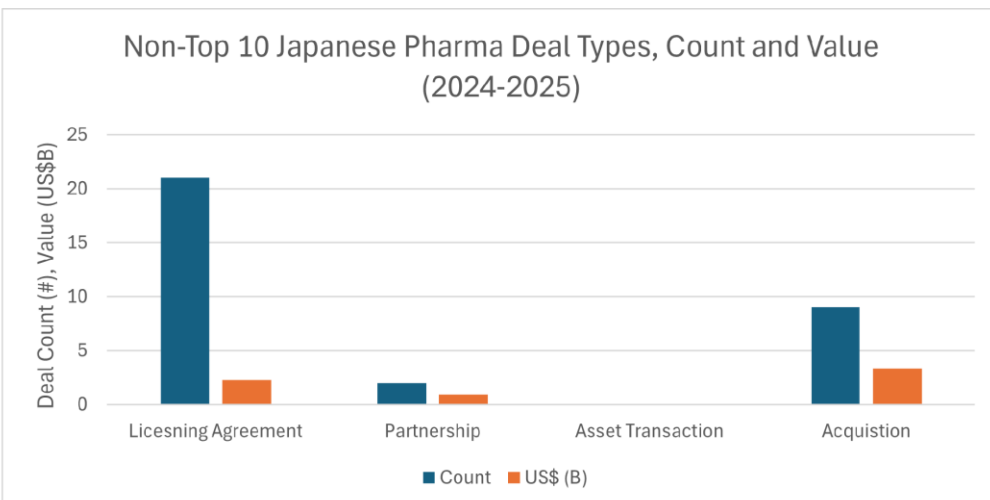
Six of the top ten Japanese pharma are in the top 50 globally (median rank 25) with the top 5 generating revenue above US$5B for a cumulative total of ~US$81B (approximately the same as J&J alone).



Eight of the top ten companies completed 40% (21/53 with reported values) of the inward deals by Japanese pharma in 2024-2025 for an aggregate value of US$17.09B, with the majority being licensing deals.



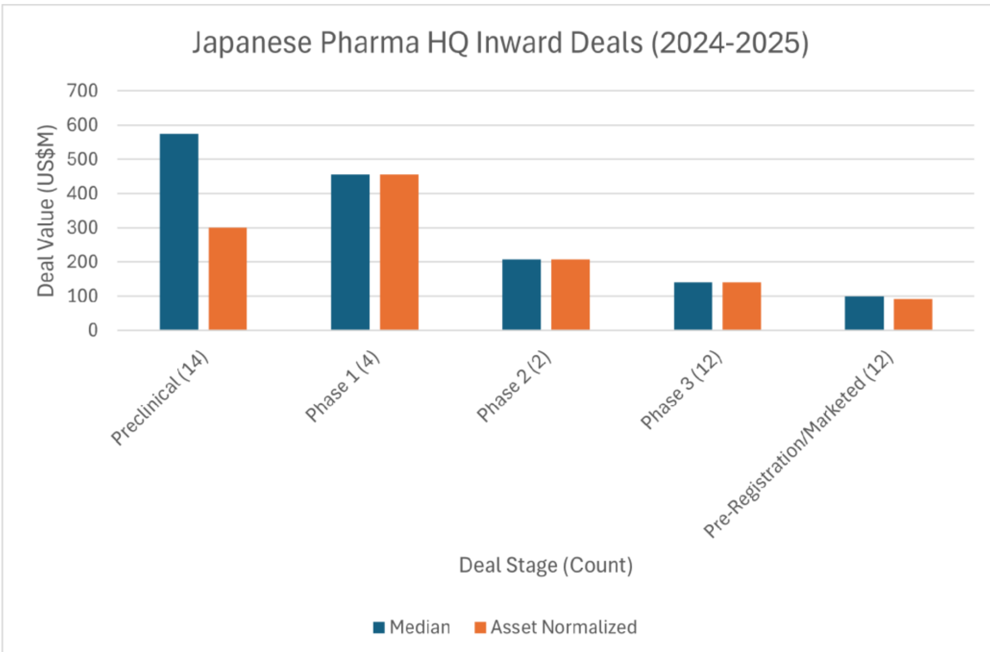
For the 60% (32/53) of inward deals done by Japanese pharma outside of the top 10 in 2024-2025, licensing still predominated, albeit at lower aggregate (US$6.5B) and median (not shown) values. Partnerships and asset transactions were less numerous and less valuable in this group compared to acquisitions. Kaken was the most active company outside the top 10 (5/32, 16% of deals)



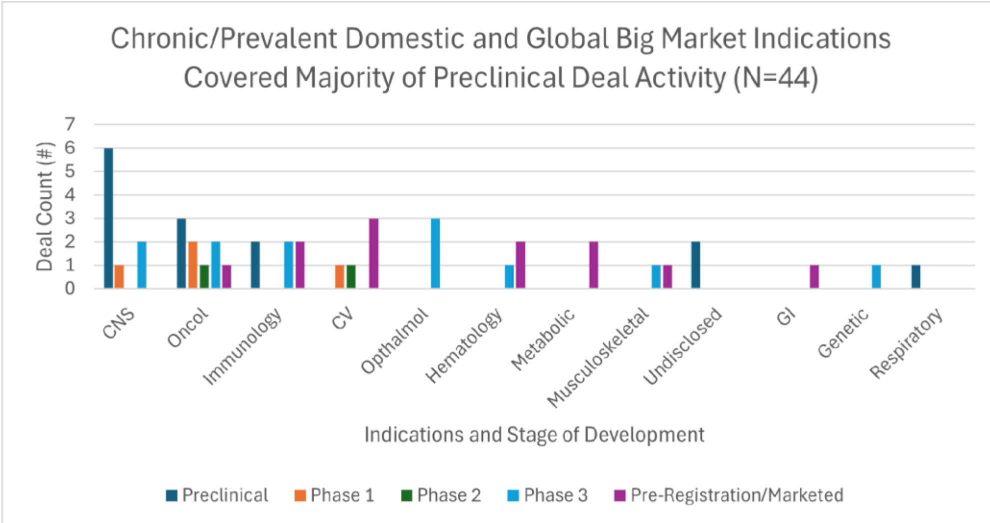
Deal stages and modalities are polar, but indications show greater spread

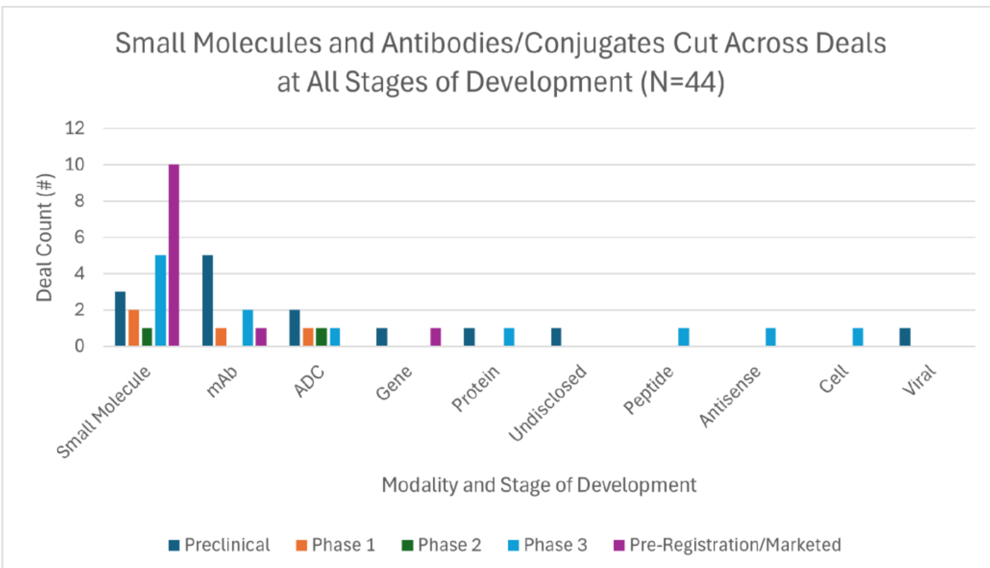
In keeping with Linda's analysis in July, pre-clinical, there were 14 preclinical and 12 Phase III and 12 pre-registration deals, for programs where modality, number of assets, stage of development and deal value were available. There were only 2 Phase II and 4 Phase I deals.

Median and asset normalized median deal values tend to be lower for later stage deals.



The lower deal values per asset for later stage inward licensed assets is likely because these deals often (a) involve assets destined for the Japanese market only, (b) are often small molecules and involve multiple assets in the overall deal value and (c) may be for niche indications where the Japanese pharma has particular expertise.





Small molecules predominate for inward Japanese pharma deals in general, and cut across all developmental stages, but do show a greater preponderance in late stage clinical and marketed product transactions.

Monoclonal antibodies and antibody drug conjugates together cut across all developmental stages as well but do exhibit a polarization towards preclinical transactions.

Selected examples

The usual caveats for this type of analysis notwithstanding, there are nice examples of some of the deals and scenarios discussed:

- Marketed small molecule license for US$120M for Alport Syndrome

Renalys acquired by Chugai for ~US$202M in cash and milestones on October 24th.

- Preclinical fusion protein license for US$105M for Systemic Lupus Erythematosus.

- Preclinical small molecule co-development partnership for US$480M for Amyotrophic Lateral Sclerosis

- Phase III monoclonal antibody for US$32M for Hereditary Angioedema

Why Japan?

Italy and South Korea together have a similar population (112M combined) and pharmaceutical market size (US$68B) compared to Japan (121M, US$82B), and both have the same aging and currency depreciation issues (less so for Italy on the Euro). However, using the same criteria for deal analysis over the same 2024-2025 period, the combined inward deal flow for Italian and South Korean HQ pharma (21) was less than half of Japan, one-fifth the value (~US$4.5B) and highly skewed towards licensing deals for preclinical stage biologics for oncology.

So, Japan is a great place to do deals on a range of programs for global and Japanese jurisdictions.

So, if you want to be big in Japan...

Listen to Tom Waits

Know your potential partners areas of interest. Japanese companies are great at providing wish lists even if they update frequently!

Know your potential partners scope and reach. Trying to get a smaller Japanese pharma to license an early-stage program for a global market big indication may not be as useful as an asset transaction for a regional niche indication that leverages their expertise, gets you going and leaves you free in the rest of the world.

Ask yourself if the program and strategy is a good fit within the broader demographic and currency issues facing Japan. A good fit means better traction.

Don’t premix the soy and wasabi, and always dip the sushi in the soy top side down, not rice side down (or for good effect paint the soy on top with the ginger)