

Can AI Make Better Drugs? The Promise Is Real, But Patience Is Required

(Source: An article by David Walner for The Wall Street Journal)

Artificial intelligence has already transformed many industries by accelerating software development, automating routine tasks, and uncovering insights from enormous datasets. Nowhere is AI's potential more exciting—or more consequential—than in pharmaceutical research. If AI can meaningfully improve the discovery and development of new medicines, it could reshape healthcare for decades to come. The biotechnology industry's greatest challenge is not generating ideas—it is proving those ideas work safely and effectively in people.

Today, AI is already delivering measurable gains throughout the early stages of drug discovery. Advanced models can predict protein structures, identify promising biological targets, and virtually screen millions of potential compounds in a fraction of the time required by traditional laboratory methods. At Genentech, researchers have developed what they describe as a "lab in the loop" where AI-generated predictions are continuously tested experimentally and the resulting data are fed back into the models, creating a cycle of continuous improvement. This approach allows scientists to evaluate far more research opportunities than would ever be possible through conventional methods alone.

Despite these impressive advances, investors remain cautious. While AI is improving laboratory productivity, it has not yet changed the economic reality of pharmaceutical development. Drug discovery remains extraordinarily expensive, with only about one in ten of the compounds entering human clinical trials ultimately reaching the marketplace. Biology remains vastly more complex than computer science, and no amount of computational power can eliminate the lengthy process of laboratory validation, clinical testing, and regulatory review.

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In Brief...

♦ **Cencora** announced a multi-site pilot for its enhanced *Nucleus* inventory management solution. Co-developed with specialty providers and designed to help specialty physicians manage increasingly complex medication workflows, the solution reflects continued investment in workflow efficiency, data visibility and practice performance. The enhanced solution will be deployed in phases across more than 20 practice sites, improving visibility into inventory and patient-specific medication needs.

♦ **McKesson Corporation** published its *Fiscal Year 2026 (FY26) Impact Report*, capturing how the company is actively turning purpose into action across healthcare. The comprehensive report outlines key milestones achieved across McKesson's four impact pillars: Our People, Our Partners, Our Community and our Planet. "At McKesson, impact is at the heart of our strategy and embedded in how we operate every day," said *Nimesh Jhaveri, R.Ph.*, Executive Vice President and Chief Impact Officer. "This year's report reflects our progress in strengthening healthcare for the providers, patients and communities we service today, while building capabilities needed for tomorrow." *Nimesh Jhaveri is a featured moderator for IFPW's business program session "Global Pharmacy Outlooks and Opportunities" at the 2026 General Membership Meeting October 13-15 in Mexico City.*

♦ **Aurobindo Pharma USA** completed acquisition of **Lannett** shortly after receiving approval from the U.S. Federal Trade

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Japan's Pharmaceutical Wholesalers Confront a New Era of Adaptation

(Source: An article by Tatsuya Otsuka for Pharma Japan)

Japan's pharmaceutical wholesale sector is entering a period of significant transition, as rising operating costs, regulatory pressures, and changing market dynamics force companies to rethink long-established business models. While Japan's pharmaceutical market continues to grow modestly, the country's largest wholesalers are finding that increased sales no longer translate into stronger profitability, underscoring challenges that distributors around the world are increasingly facing.

According to Pharma Japan, the country's four largest pharmaceutical wholesalers are projected to experience a second consecutive year of declining operating profits despite continued revenue growth. The disconnect reflects mounting pressure from annual government drug price revisions, shrinking manufacturer rebates, higher logistics and labor costs, inflation, and demographic changes that are reshaping Japan's healthcare landscape. Collectively, these forces are squeezing

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This distinction is critical. AI may dramatically accelerate the identification of promising therapies, but it cannot yet compress the years required to demonstrate safety and efficacy in patients. Industry observers often compare the challenge to "Eroom's Law"—the long-standing trend that developing new medicines has become slower and more expensive over time, the inverse of Moore's Law in computing. AI offers perhaps the first credible opportunity in decades to begin bending that curve, but meaningful financial returns will likely emerge gradually rather than overnight.

Even so, pharmaceutical companies are investing aggressively. Industry leaders including Eli Lilly and Novartis continue to commit billions of dollars toward AI infrastructure, computing power, strategic partnerships, and new research platforms. Goldman Sachs estimates that AI could ultimately create as much as US\$400 billion in value across pharmaceutical research over the next decade by shortening development timelines, reducing costs, and improving clinical success rates. If AI can help researchers make better decisions earlier in the discovery process, the cumulative impact on global healthcare could be profound.

The ultimate winners may not be the companies building AI models themselves, but rather the pharmaceutical organizations capable of combining advanced AI tools with deep biological data, extensive clinical expertise, and global development capabilities. In other words, AI should increasingly be viewed as a strategic enabler that augments scientific expertise rather than replaces it.

For pharmaceutical distributors, manufacturers, and healthcare supply chain partners, understanding both the opportunities and limitations of artificial intelligence will be essential as the technology continues to mature. AI's impact will extend well beyond drug discovery, influencing forecasting, inventory management, logistics, regulatory compliance, commercial operations, and decision-making throughout the healthcare ecosystem.

Recognizing the growing importance of this topic, IFPW will feature artificial intelligence prominently during the 2026 General Membership Meeting, taking place October 13–15, 2026, in Mexico City. The business program will include two timely sessions—"Practical Uses of AI in Distribution and Pharma" and "AI: What It Is and Is Not from an Economics Perspective." Together, these discussions will provide members with practical insights into how AI is already transforming the healthcare industry, where its greatest opportunities lie, and what executives should realistically expect as this rapidly evolving technology continues to reshape global pharmaceutical distribution. To register for this year's meeting, please visit <https://cvent.me/5NXDKK>.

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margins in what has historically been one of the world's most efficient pharmaceutical distribution systems.

The challenges extend beyond short-term economic conditions. Japan's domestic pharmaceutical market has matured, while much of the growth generated by Japanese pharmaceutical manufacturers now comes from international

markets rather than domestic sales. As a result, wholesalers whose businesses remain heavily concentrated within Japan are discovering that future growth will require new strategies that extend beyond traditional drug distribution.

To remain competitive, wholesalers are pursuing two complementary approaches. The first focuses on strengthening their core distribution businesses through greater operational efficiency, expanded specialty pharmaceutical capabilities, and more sophisticated pricing negotiations. These initiatives aim to preserve profitability while meeting evolving government expectations and customer demands.

The second strategy is broader and potentially more transformative: diversification. Many wholesalers are expanding into medical devices, veterinary products, manufacturer logistics, regulatory support services, home healthcare, elderly care, digital platforms, and data-driven healthcare solutions. Others are broadening their role across the pharmaceutical value chain by offering services that support manufacturers from product development through commercialization and post-market distribution. Rather than serving solely as intermediaries, wholesalers are increasingly positioning themselves as integrated healthcare service providers.

These developments carry implications well beyond Japan. Pharmaceutical distributors globally are confronting many of the same structural trends, including rising operating expenses, labor shortages, pricing pressure, and growing customer expectations for value-added services. Success will increasingly depend not only on efficiently moving products through the supply chain, but also on developing diversified revenue streams and leveraging technology to improve productivity and customer support.

Japan's experience offers an important reminder that the future of pharmaceutical distribution will be defined by adaptability. Organizations that embrace innovation, expand service offerings, and evolve alongside changing healthcare needs will be better positioned to thrive in an increasingly complex and competitive global marketplace.

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Commission (FTC) to proceed with the acquisition. The deal is valued at US\$250 million on a cash-free, debt-free basis and inclusive of normalized working capital. Lannett, a Pennsylvania-based generic pharma company, specializes in the development and commercialization of a diversified portfolio of complex, non-opioid controlled substances, will significantly expand Aurobindo's product offering in this segment while adding a US-based manufacturing facility to its network.

- Beginning August 1, 2026, all generic drugs being imported into the United States will continue to have a tariff of 0% for a period of two years. After the two-year period, the tariff will be raised to 100% for a one-year period and 200% thereafter. The Trump Administration explained that this is occurring in order to reshore generic pharmaceutical production into America with a penalty to those companies that decide not to build plants within the period of time given.

(Sources: Company Press Releases, Drug Store News, FiercePharma,, and Pharma Voice)