

2016

JANSSEN U.S. TRANSPARENCY REPORT



EXECUTIVE SUMMARY

QUICK FACTS FROM THE 2016 JANSSEN U.S. TRANSPARENCY REPORT

Patients, families and other stakeholders are calling on us to provide greater transparency about how we operate. That is why we are pleased to take the next step in our legacy of leadership on transparency with the release of the first annual Janssen U.S. Transparency Report.

2016 BY THE NUMBERS

CLINICAL DATA TRANSPARENCY

At Janssen, we believe making clinical trial data available furthers understanding of diseases, expands the base of knowledge needed to develop new treatments, and provides relevant information to help health care providers and patients make better health care decisions.

We provide information about our clinical trials in the largest U.S. public registry, ClinicalTrials.gov. We seek to publish the results of all company-sponsored interventional pharmaceutical clinical trials in humans in peer-reviewed journals. And through our first-of-its-kind agreement with Yale University School of Medicine, the Yale Open Data Access (YODA) Project serves as an independent review panel to evaluate and make decisions regarding requests from researchers to access summary and participant-level data from Janssen's clinical trials.

VALUE & PRICING

When we price a new medicine, we take into account its value to patients and society, the importance of maintaining affordable access to medicines for people who need them, and the importance of preserving our ability to develop future groundbreaking cures and treatments. At Janssen, we generally limit our annual aggregate list price increase to single digit percentages, below those of our competitive set.³ After accounting for discounts and rebates, we generally realize low- to mid-single digit percentages from our list price increases.

ACCESS

We negotiate and partner with private and public payers and health care systems to support availability of our products. In addition, since patient coverage and financial circumstances vary, we support a variety of programs and services to assist with access to medicines. While we recognize that these programs are not a long-term solution for all patients, they are one way we aim to meet the needs of the patients we serve.

OUR INVESTMENTS

At Janssen, we provide accurate, up-to-date information about our medicines to health care professionals and patients through promotional marketing and sales activities. We invest significantly more in R&D than we do in sales and marketing. In fact, in 2016, we spent 55 percent more on developing medicines than we did on marketing and selling them.

References:

1. Represents the year-over-year change in the average list price, or wholesale acquisition cost (WAC). 2. Represents the year-over-year change in the average net price, which is WAC less rebates, discounts and returns. The data presented are based upon our internal analysis of product rebates and discounts. The analysis may be different from the methodologies used by other companies. The data have not been audited and should not be read in conjunction with our filings with the Securities and Exchange Commission. 3. Based on internal calculations using Janssen financial data and data from Analysource, IMS. We compare our aggregate list price increase against aggregate key competitor price increase for branded products in those therapeutic areas in which we market our products. 4. Data is an approximate number provided by the external program administrator. 5. The data have not been audited and should not be read in conjunction with our filings with the Securities and Exchange Commission. 6. According to Janssen internal financial accounting. While we wish to provide as much detail to our stakeholders and consumers about our investments in R&D as possible, global R&D investment cannot be segmented by region. The R&D activities we undertake around the world collectively contribute to product development for the benefit of all consumers, regardless of market.

36 requests
to YODA, all approved

8.5%
Average list price change¹

3.5%
Average net price change²

\$11 billion
Total discounts and rebates

We helped 870,000
commercially insured patients
reduce their out-of-pocket
spend through the Janssen
CarePath Savings Program.⁴

We invested
55% more
in R&D than we spent
on marketing and sales.



Visit www.janssen.com/2016ustransparencyreport to explore the complete 2016 Janssen U.S. Transparency Report.

A LETTER FROM OUR LEADERS

JENNIFER TAUBERT AND ANASTASIA DAIFOTIS, M.D.

At Janssen, the Pharmaceutical Companies of Johnson & Johnson, our mission is to transform lives by treating and curing some of the world's most challenging diseases. Every day, we bring together cutting-edge science and the most creative minds in medical research to think differently about fighting disease.

We are passionate about this work because we know the dramatic impact medicines have on human life. All of us have benefitted from extraordinary medical advances over the past few decades — whether personally or through the experiences of loved ones who are now living longer or better thanks to innovative medicines. In fact, medicines are responsible for 70 percent of recent gains in life expectancy.¹

That is why it is so important that patients who need a medicine can get that medicine. We understand the concerns of patients, families and other stakeholders who are worried about health care costs, including the costs of prescription medications. They are calling on us to provide greater transparency about how we operate — including disclosing more information on our pricing and marketing practices, our patient access programs, and our clinical trials.

At Janssen, we are proud of our legacy of leadership on transparency and responsible business operations. That is why we are pleased to release the first annual Janssen U.S. Transparency Report, providing information about our medicines — from discovery and development to commercialization:

- **Clinical Data Transparency:** Information about our recent efforts to make our clinical trial data more accessible and transparent.
- **Value & Pricing:** Our approach to pricing our medicines, disclosure of our list price increases over the past five years, the net impact of those increases on our business, and the amount of rebates and discounts we paid.
- **Access:** How we help patients who need our products, including details about our U.S. patient access programs and contributions to help improve patient access to medicines.
- **Our Investments:** How and why we provide information about our medicines to physicians and consumers, and disclosure of our sales and marketing expenses.

Our response to public questions does not end with increased transparency. As part of the world's most broadly-based health care company, we are in a unique position to see the challenges in our current system — and to advocate for improvements, working in partnership with stakeholders throughout the health care system.

The fact is, the U.S. health care system is extraordinarily fragmented and complex. In 2013 alone, wasted health care expenditures, such as excess administration and low-value care, cost the U.S. an estimated

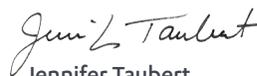
\$765 billion.² Meanwhile, many still cannot afford the care they need, which is why we advocate for policies that support expanded coverage and assistance for patients.

Ultimately, however, ensuring that every American has access to affordable health care, including medicines, will require changes to how our country covers and pays for medical care. Instead of paying for volume in health care — the number of procedures performed or prescriptions filled — we should be paying for the value such care delivers. Every part of the health care system, including pharmaceutical companies like Janssen, should be held accountable for the value it delivers.

We believe this approach has tremendous potential to improve patient health, increase access to medicine, and limit costs. That is why we have entered into and continue to explore value-based arrangements with payers, aimed at containing costs and supporting patient population health goals. Such arrangements include, for example, contracts based on improving patient population outcome measures, lowering overall health care expenditures (such as inpatient hospitalization costs), or achieving treatment objectives. It is also why we recently became the first pharmaceutical company to join the Department of Health and Human Services' Health Care Payment Learning and Action Network (LAN), which is focused on accelerating our health care system's transition to value-based care.

We recognize that we are just one company, and that our actions and disclosures alone cannot resolve all the challenges patients face in our health care system. We hope that by providing even greater transparency into how we operate within the current health care system, we can advance the dialogue and sharpen the focus on the promise of a more value-based health care system.

Sincerely,



Jennifer Taubert
Company Group Chairman,
The Americas, Pharmaceuticals



Anastasia Daifotis, M.D.
Chief Scientific Officer,
Janssen North America Pharmaceuticals

References:

1. Frank R. Lichtenberg, "Pharmaceutical Innovation and Longevity Growth in 30 Developing and High-income Countries, 2000-2009," National Bureau of Economic Research, (2012), doi:10.3386/w18235.
2. Mark Smith, et al., eds., "Best Care at Lower Cost: The Path to Continuously Learning Health Care in America," Institute of Medicine Report Brief, (National Academies Press, 2013).



Jennifer Taubert
Company Group Chairman,
The Americas, Pharmaceuticals

Anastasia Daifotis, M.D.
Chief Scientific Officer, Janssen
North America Pharmaceuticals