

2017 JANSSEN U.S. TRANSPARENCY REPORT

EXECUTIVE SUMMARY

QUICK FACTS FROM THE 2017 JANSSEN U.S. TRANSPARENCY REPORT

Our 2017 U.S. Transparency Report reflects our commitment to responsible business practices that put patients first, including how we invest our resources, price our medicines, and help people who need Janssen medicines get access to them.

We issue this report because we believe open dialogue is essential to developing a more results-based health care system that delivers what we all want: greater access to care, at more manageable cost and, most importantly, better health for all.

OUR INVESTMENTS

We are passionate about work to deliver transformational medicines that can change the trajectory of health for humanity. We focus our research and development (R&D) investments on serious unmet medical need where we can make an enduring, meaningful impact. We invest significantly in R&D—a total of \$7.9 billion in 2017,³ which is 88 percent more than what we spent on selling and marketing.⁴

VALUE

Medicines bring tremendous value to patients and society. They improve quality of life for many patients, extend life for others, and contribute to our nation's productivity. They also help lower health care spending by reducing use of other forms of health care, such as hospitalization. Our Janssen Value Assessment Principles help us define and measure the value of our medicines to patients and society.

PRICING & PATIENT ACCESS

We maintain a responsible approach to pricing our medicines, and we negotiate and partner with private and public payers and health care systems to support availability of our products. As in past years, we limited our annual aggregate list price increase to single-digit percentages.⁵ We provided discounts and rebates to payers and providers, outweighing the increase in list price and resulting in negative net price change.⁷

RESOURCES FOR PATIENTS

We help patients access and afford their medicines. Through our Janssen CarePath and JANSSEN CONNECT® programs, we provide options to help patients start on, and stay on, the Janssen medicine prescribed by their health care provider. We also support independent foundations through charitable donations that help patients get the medicines they need. While we recognize these programs are not a long-term solution for all patients, they are one way we strive to meet the needs of the patients we serve and the health care professionals who care for them.

References:

1. Figure is according to Janssen internal financial accounting. Our R&D investment figures are global because 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. 2. The financial figures in this section have not been audited and should not be read in conjunction with our filings with the Securities and Exchange Commission. 3. Figure is according to Janssen internal financial accounting. Our R&D investment figures are global because 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. 4. The financial figures in this section have not been audited and should not be read in conjunction with our filings with the Securities and Exchange Commission. 5. Represents the year-over-year change in the average list price, or wholesale acquisition cost (WAC). 6. The YODA Project. "Summary of Data Inquiries and Requests." <http://yoda.yale.edu/summary-data-inquiries-and-requests>; <http://yoda.yale.edu/table-3-data-requests-approved>. 7. Represents the year-over-year change in the average net price, which is WAC less rebates, discounts, and returns. 8. Represents the year-over-year change in the average list price, or wholesale acquisition cost (WAC). 9. Represents the year-over-year change in the average net price, which is WAC less rebates, discounts, and returns. 10. Data is an approximate number provided by the external program administrator.

2017 BY THE NUMBERS

\$7.9 billion
invested in research and development¹

88% more
invested in R&D than we spent on marketing and sales²

100+
medicine candidates in development as a result of our investments in R&D

~150
active R&D collaborations from discovery to late stage development

23
clinical data transparency requests to the Yale Open Data Access (YODA) Project, all approved⁶

4
value principles that help us define the value of our medicines

8.1%
average list price change⁸

-4.6%
average net price change⁹

\$15 billion
approximate total discounts and rebates

610,000
commercially insured patients helped with out-of-pocket costs through the Janssen CarePath Savings Program¹⁰

A LETTER FROM OUR LEADERS

JENNIFER TAUBERT AND ANASTASIA DAIFOTIS, M.D.

At the Janssen Pharmaceutical Companies of Johnson & Johnson, we're conquering sickness with science and hopelessness with heart. We're committed to discovering and developing transformational medicines that make a difference for patients facing some of the world's most challenging diseases.

In order for society, communities and individuals to benefit from breakthrough medicines, we must ensure that the people who need medicines can get them. We know that in today's complex health care system patients and families are increasingly concerned about their ability to access and afford health care, including prescription medicines. These concerns have rightfully led to calls for greater transparency into the business of health care.

At Janssen, we are proud of our leadership in transparency and responsible business practices. With the release of the second annual Janssen U.S. Transparency Report, we continue to hold ourselves accountable to those we serve by providing more information about how we operate. This includes expanding on last year's report to include new information and disclosures related to our research and development process, the value of medicines, and the advantages of moving to a more results-based health care system. As you read the report, here is what you will learn:

- **Our Investments:** How we invest our resources in the development of new medicines and how this investment compares with what we spend to market and sell our medicines.
- **Value:** Our principles for determining the value of our medicines and the role value assessments should play in shaping decisions about health care.
- **Pricing & Patient Access:** Our approach to pricing, the monetary value of rebates and discounts we paid, and the net impact of price on our business; how we work with health insurers and other payers to make our medicines available to patients; and what we are doing to implement results-based health care solutions that deliver better care at a lower cost.
- **Resources for Patients:** What we do to help patients access our medicines and the resources that are available to them.

We want this information to be useful to all our stakeholders: **patients, families, caregivers and advocates**, who are asking questions about out-of-pocket costs for medicines and what resources are available to help them; **health care professionals**, who are increasingly being asked to consider the overall value of the medicines they prescribe; **policymakers**, who are working to make policy changes to help their constituents get the care they need; and **others in the health care system, like payers**, who consider value and price information when they make decisions about coverage and access.



Jennifer Taubert
Company Group Chairman,
The Americas, Pharmaceuticals,
Johnson & Johnson

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

Addressing the challenges in our health care system will require more than just greater transparency. Our current system rewards the quantity or volume of care delivered, regardless of the results of that care. Consequently, sometimes we spend money on treatments, diagnostic procedures, and interventions that provide limited value or may not even be needed, driving up health care costs without actually improving patient health. And when we waste money on what doesn't work, we have less money to spend on what does work — meaning that patients increasingly struggle to access the care and treatments they need.

As part of the world's most broadly based health care company, we apply our expertise and resources to find solutions that reward results rather than quantity of care. If every stakeholder in the health care system, including pharmaceutical companies like ours, were held accountable for results, we could improve the quality of and access to care — and deliver it at a more manageable cost.

At Janssen, we stand as a committed partner in advancing a more results-based health care system. We are working with payers to pilot new ways to pay for medicines based on the results they deliver. We are partnering with government and provider organizations to explore outcomes-based care models. We are conducting population health research to address quality, such as reducing hospital readmission rates. And, most importantly, we continue to research and develop medicines that have a meaningful impact on the lives of patients and improve the value of health care overall.

Spurring this kind of change is not easy and will take time, but we are heartened by the progress of these initiatives and partnerships. We hope that by providing even more transparency into how we operate, we can continue to make progress toward a more results-based health care system that meets the needs of patients today and patients tomorrow.

Sincerely,

Jennifer Taubert
Company Group Chairman,
The Americas, Pharmaceuticals,
Johnson & Johnson

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