Shaping the Future of Surgery

Michael del Prado
Company Group Chairman
Ethicon, Advanced & General Surgery
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These presentations refer to certain non-GAAP financial measures. These non-GAAP financial measures should not be considered replacements for, and should be read together with, the most comparable GAAP financial measures.

A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in the accompanying financial schedules of the earnings release and the Investor Relations section of the Company's website at www.investor.jnj.com.
During the course of today’s presentations, we will discuss a number of products developed in collaboration with strategic partners or licensed from other companies. Following is an acknowledgement of those relationships:

<table>
<thead>
<tr>
<th>Category</th>
<th>Products/Partnership Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer</strong></td>
<td>RHINOCORT licensed from AstraZeneca; Dr. Ci:Labo brand skincare products in collaboration with Ci:z Holdings Co., Ltd.</td>
</tr>
<tr>
<td><strong>Orthopaedics</strong></td>
<td>MONOVISC/ORTHOVISC licensed from Anika Therapeutics, Inc.; Digital Ortho Tools developed in collaboration with Brainlab; FIBERGRAFT Family of Products exclusive U.S. promotional agreement with Prosidyan, ViviGen Bone Regeneration in collaboration with LifeNet Health; ME1000 Surgical Impactor co-marketed with Medical Enterprises Distribution, LLC; SERF Dual Mobility System licensed from Société d’Etude, de Recherche et de Fabrication; PROTI 360 developed in collaboration with Tyber Medical; Joint Point co-marketed with JointPoint, Inc.</td>
</tr>
<tr>
<td><strong>Surgery</strong></td>
<td>Verb Surgical robotics platform in development with Verily Life Sciences</td>
</tr>
<tr>
<td><strong>Vision</strong></td>
<td>LipiView II licensed from Orb Royalty; ACUVUE OASYS with Transitions Light Intelligent Technology developed in collaboration with Transition Optical, Inc.; Xlens in collaboration with IBM</td>
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</table>
Pressing Unmet Needs in Surgery

32% of the global burden of disease can be attributed to surgically treatable conditions¹

5B people are unable to access surgical care²

10MM new cases of surgically relevant cancers diagnosed annually worldwide²

¹ Lancet Apr 2015
² World Health Organization, Globocan 2012; Cancer incidence for Colorectal, Lung, Liver, Pancreas, Esophagus, Gastric, GYN, Breast and Urology
Addressing the World’s Most Critical Healthcare Issues

**Increasing Healthcare Costs**
- Complications due to bleeding, leaks and surgical site infections contribute more than $5B in healthcare cost.\(^1\)\(^-\)\(^5\)

**Limited Access to Treatment**
- 211 million obese adults are surgically eligible, fewer than 1% get surgery.\(^6\)

**High Complication Rates and Mortality**
- Colorectal surgery has 11% & 23% (30 & 90 day) readmission rates.\(^7\)

**High Co-morbidities**
- Lung Cancer is the leading cause of cancer death worldwide: 1.7MM deaths in 2015

>60% of the patients with primary Lung Cancer have one-or-more comorbid conditions\(^8\)

**General Surgery**
**Bariatric and Metabolic**
**Colorectal**
**Lung**

**Cancer Specialties:** (Surgery and Ablation)

**Core Specialties:**

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8. World Health Organization ; Yang et al. Clinical Features of 5,628 Primary Lung Cancer Patients. 2005
Leading the Global Surgery Market

#1
Leading the Global Surgery Market

#2
## Leading the Global Surgery Market

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Market Position</strong></td>
<td><strong>Endocutters</strong></td>
<td><strong>Energy</strong></td>
<td><strong>Wound Closure</strong></td>
</tr>
<tr>
<td>#1</td>
<td>#2</td>
<td>#1</td>
<td>#1</td>
</tr>
<tr>
<td><strong>Market CAGR ’17-22</strong></td>
<td>6-7%</td>
<td>6-7%</td>
<td>3-4%</td>
</tr>
<tr>
<td><strong>Market Size 2022</strong></td>
<td>$3.7B</td>
<td>$5.9B</td>
<td>$4.6B</td>
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*8.2B represents advanced and general surgery
**Internal estimates
Accelerating Our Growth Trajectory

$8.2B* Sales in 2017, Operational Growth** of +4.1%
Consistent Cadence of New Product Launches
Strategic Acquisitions: ~1 Point of 2017 Growth
Disciplined Portfolio Optimization
- Invest in high growth
- Revitalize selected areas
- Rationalize products/SKUs for profitability and growth

2017 Ops Sales Growth by Platform**

Endocutter 7.4%
Biosurgery 5.7%
Energy 5.7%
Wound Closure 4.5%

* 8.2B represents advanced and general surgery
** Excludes impact of translational currency
Shaping the Future of Surgery – Driving Our Growth

Winning in Open and Lap Surgery

• Broad based access to surgery – growth in emerging markets
• Market leading portfolio and strong evidence in cancer and obesity
• Procedural efficiency and reduction in variability
• Biosurgery portfolio and Wound Closure systems to address key unmet needs

Creating the Next Frontier of Surgery

• Minimally invasive microwave ablation (MIMA) to become standard of care
• New less-invasive modalities that deliver better outcomes
• Surgical tools, services, and education targeted at reaching the ~5 billion people without access to essential surgery

Entering High Growth Digital Surgery

• Products that augment surgeon technical and sensory capability intra-operatively
• Digital ecosystem and robotics solution that combines technical, sensory and cognitive products to enable the intelligent OR

Delivering Value Maximizing Solutions

• Business models and services that deliver quality benchmarks at low cost for routine procedures
• Products and services to standardize processes
• Products and solutions that enable data-based insight and decision making

1. Lancet Apr 2015
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Shaping the Future of Surgery – Driving Our Growth

Delivering Value Maximizing Solutions

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Maintaining Lead in Open Surgery

Open Procedures Remain 60% of Complex Surgeries¹

Refresh Open Portfolio

Continued innovation in open portfolio to provide superior technology

First Systematic Approach to Bleeding Management

Optimal hemostat utilization, enabling clinicians and healthcare systems to maximize healthcare spend

Setting the Standard of Care in Wound Closure

STRATAFIX Spiral Uni and Bidirectional

Our Ethicon Plus antibacterial sutures are the only sutures coated with triclosan available worldwide

DERMABOND PRINEO 22/42

WHO and CDC recommend the use of triclosan-coated sutures to prevent surgical site infection²

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¹ Premier Perspective Hospital Database for Complex Surgeries in Thoracic, Colorectal and Solid Organ
² The CDC and WHO guidelines on reducing the risk of surgical site infections are general to triclosan-coated sutures and are not specific to any one brand
Addressing Unmet Needs in Minimally Invasive Surgery

Total Energy Solutions

The most comprehensive portfolio of intelligent energy solutions designed to deliver greater innovation and value

Advanced Stapling with Real World Evidence

Associated with quantifiably better outcomes – reducing hemostasis complications by more than 40% in bariatric and thoracic cases¹,²

Delivering Growth Through New Technologies

Superior control of moderate-severe regurgitation at 6 months, compared to proton pump inhibitors³

¹. Use of Ethicon powered staplers was associated with fewer bleeding/transfusion complications (1.61%) compared to Medtronic nonpowered staplers (3.05%), p=0.010, in laparoscopic Sleeve Gastrectomy and Roux-en-Y Gastric Bypass procedures. Based on retrospective analysis of 21,466 cases from the Premier Perspective® Hospital Database.

². Ethicon retrospective analysis of clinical outcomes between Echelon Powered vs. Medtronic nonpowered endoscopic surgical staplers among patients undergoing video-assisted thoracoscopic surgery lobectomy. Review of 1,501 cases between 2012 and 2015 from the Premier Healthcare Database (4.8% vs 14.2%; p=0.0088).

³. This data was presented at Digestive Disease Week 2017 (DDW) in Chicago, IL, by Dr. Reginald Bell, SurgOne Foregut Institute, Englewood, CO.
Transforming Robotics to Digital Surgery

- Access and reach
- Footprint and cost
- Workflow
- Advanced instrumentation
Poised to Disrupt the Fast-Growing Robotics Market

- On track to be in market by 2020
- Differentiated system at launch
  - Access and reach
  - Footprint and cost
  - Workflow
  - Advanced instrumentation
- Many customers engaged with positive feedback
- Architected to deliver on the promise of the digital ecosystem
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Creating the Next Frontier of Surgery

Thermal Ablation

NeuWave: Ablation confirmation, for the first time, allows real-time confirmation of probe placement and technical success.

The only FDA cleared flexible microwave ablation probe.
Creating the Next Frontier of Surgery

**Thermal Ablation**

*NeuWave*: Ablation confirmation, for the first time, allows real-time confirmation of probe placement and technical success. The only FDA cleared flexible ablation probe.

**Endoluminal Procedures**

Integrating the latest advancements in robotics, software, data science and endoscope innovation.

**Biologically Targeted Radiotherapy**

Combines the power of biologic imaging and radiotherapy ablation to treat cancer.

**Advanced Imaging**

Enhance surgeon’s ability to visualize anatomical structures and the extent of the disease.
Delivering Solutions to Maximize Customer Value

Comprehensive Solutions

Evidence

Omnichannel Training
Shaping the Future of Surgery

- Winning in Open and Laparoscopic Surgery
- Entering High Growth Digital Surgery
- Creating the Next Frontier of Surgery
- Delivering Value Maximizing Solutions

- Accelerating Sequential Revenue Growth
- Increasing Global Reach
- Continuing Legacy of Shaping Surgery
Appendix
## Biosurgicals

### Strategic Initiatives

- Expand hemostasis portfolio through internal innovation and strategic partnerships to address unmet needs in bleeding management and leaks prevention
- Drive Hemostasis Optimization Program to simplify the category by demonstrating that cost savings and operating room & supply chain efficiencies can be achieved without sacrificing patient outcomes
- Drive product penetration of adjunctive hemostats globally with strong growth in Emerging Markets
- Expand growth in new areas including Total Joint Replacements (Hips and Knees) and leverage partnerships across J&J Medical Devices

### 2017 Sales Change

<table>
<thead>
<tr>
<th>2017 Sales Change&lt;sup&gt;1&lt;/sup&gt;</th>
<th>2017 WW Market Position&lt;sup&gt;2&lt;/sup&gt;</th>
<th>WW Market 2017-2022 CAGR&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Total WW Market Revenue 2022&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.7%</td>
<td>#1</td>
<td>~5%</td>
<td>~$3.6B</td>
</tr>
</tbody>
</table>

<sup>1</sup> Operational and includes BCS, TAH, AP, Biopatch  
<sup>2</sup> Internal estimates
Energy

Strategic Initiatives

- Strengthen competitiveness with total energy portfolio across open, lap and robotic procedures, through continued innovation in HARMONIC ultrasonic, filling portfolio gaps in ENSEAL advanced bipolar, and globalizing MEGADYNE core energy portfolio
- Penetrate mid-value markets through a segmented portfolio including reprocessing and re-usability
- Expand into new specialties such as hepatobiliary and orthopedics
Endocutters

<table>
<thead>
<tr>
<th>2017 SALES CHANGE(^1)</th>
<th>2017 WW MARKET POSITION(^2)</th>
<th>WW MARKET 2017-2022 CAGR(^2)</th>
<th>TOTAL WW MARKET REVENUE 2022(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.4%</td>
<td>#1</td>
<td>~6%</td>
<td>~$3.7B</td>
</tr>
</tbody>
</table>

Strategic Initiatives

- Deliver tissue-specific innovation across laparoscopic and robotics stapling instrumentation that reduces patient complications in the most challenging oncologic and bariatric cases that is supported by clinical, economic and real world evidence
- Globalize the successful launches of powered GST and vascular platforms that have demonstrated significant reduction in complications and cost
Wound Closure

<table>
<thead>
<tr>
<th>2017 SALES CHANGE¹</th>
<th>2017 WW MARKET POSITION²</th>
<th>WW MARKET 2017-2022 CAGR²</th>
<th>TOTAL WW MARKET REVENUE 2022²</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5%</td>
<td>#1</td>
<td>~3%</td>
<td>~$4.6B</td>
</tr>
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</table>

Strategic Initiatives

- Establish our differentiated wound closure system (Plus Antibacterial Suture Portfolio, STRATAFIX Knotless Tissue Control Devices, and PRINEO Skin Closure System) as the standard of care for reducing risk of Surgical Site Infections
- Ensure portfolio competitiveness across open, lap and robotic procedures
- Simplify the global sutures portfolio to improve efficiency and customer experience
- Accelerate growth in orthopedics through collaboration across J&J Medical Devices and strategic partnerships

¹ Operational
² Internal estimates