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OVERVIEW:

Company Summary

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CORPORATE PARTICIPANTS

Joaquin Duato *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

John Reed *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

CONFERENCE CALL PARTICIPANTS

Terence Flynn *Morgan Stanley - Analyst*

PRESENTATION

Terence Flynn - *Morgan Stanley - Analyst*

Great. Thanks for joining us, everybody. I'm Terence Flynn, Morgan Stanley's US biopharma analyst. I'm very pleased to be hosting Johnson & Johnson this afternoon.

Joining us from the company, we have Joaquin Duato, the company's Chairman and CEO; and John Reed, Executive Vice President, Head of Pharma, R&D. Thank you both so much for being here.

Before we get started, for important disclosures, please see the Morgan Stanley Research Disclosure website at www.morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

Thank you both again so much for being here. Really appreciate it. A lot to talk about. We're catching up beforehand. And obviously, industry is front and center, again, for a number of reasons. A lot of innovation going on at J&J, and then, there's also a lot on the policy side that I know investors are highly focused on here.

QUESTIONS AND ANSWERS

Terence Flynn - *Morgan Stanley - Analyst*

I know a lot of companies, and I'm assuming you guys as well, have been spending time in Washington, D.C. So maybe Joaquin, to start, if you could just give us your overview on kind of where we stand in the policy axis right now because I know there are a lot of cross currents, both on tariffs, MFN. J&J has announced a lot of investments in the US in terms of manufacturing. But maybe you could just help us think through some of these cross currents and then how are you navigating this as a company.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Yeah. Thank you, Terence, and good morning, everyone.

And let me just mention that yesterday, we had the approval of a new product, INLEXZO, which is unique in as much as it uses our medical technology and pharmaceutical capabilities to develop a novel therapy for localized bladder cancer, which is an area of unmet medical need. And we have described that as a major breakthrough. As a matter of fact, it has two breakthrough designations by the US FDA. It got priority review, and we think it's going to be more than $5 billion platform. And this is an area that we have some disconnect with the Street, although I read a report yesterday of one of your colleagues calling $8 billion potential, Terence.

Terence Flynn - *Morgan Stanley - Analyst*

No pressure.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

No pressure on this side. I'm quoting one of your colleagues. And we come up from a very strong second quarter from Johnson & Johnson in which we have demonstrated that we are able to deliver significant growth, exceeding expectations, both in top line and in EPS, even though we are having the biosimilar entry to STELARA. So a nice trajectory of Johnson & Johnson in these first couple of years.

The environment overall, I have to say that we have 140 years of history, and we have dealt with 24 different administrations. Me, myself personally, I have dealt with the Obama administration, with the Trump administration before, with the Biden administration. So we are used to manage volatility perhaps more than other companies.

When it comes to the current situation, I have to say that with this administration, unlike with the previous one, we do have an open-door policy. We connect with different government agencies, the White House, and we are able to express our opinion about how things should look like. On the positive, we do have an open-door policy, and we can connect with the right stakeholders in order to make our point of view seen.

Do we have differences? Yes, we have differences. Is there common ground for us to find solutions? I believe there is common ground to find solutions. What areas are there common ground to find solutions? For example, in manufacturing in the US, we have announced a $55 billion investment program in the next five years, which essentially is going to make it so that all of our advanced medicines are manufactured in the US that are used in the US at the completion of that program.

Are there opportunities to be able to improve patient affordability in the US? Absolutely. And the administration has some good ideas, like the direct-to-patient website, which was in the letter that we received, that I think it would be good because it would bring some transparency to the pricing. It would actually focus on the real problem, which are the PBMs and the intermediaries, and I think there are good ideas there to improve affordability in the US.

Are there opportunities to improve, let's say, what the administration calls the European free riding on our prices? Absolutely, there are opportunities to do that. So I think there's elements of common ground, and I'm optimistic about finding the common ground that will continue to make the US -- and I think that's a goal that both the administration and ourselves share -- the number one country in terms of pharmaceutical life science innovation.

I mean, every time I talk to the administration, they go out of their way to tell me, Joaquin, what we want to do is something that would be back from the US being the number one country, the global, let's say, country for pharmaceutical life science innovation.

Terence Flynn - *Morgan Stanley - Analyst*

Yeah. Can you speculate on -- are we getting closer to resolution? Because I think when I look at the whole sector, it's obviously been an overhang as investors think about investing in the space. And so do you think we're getting nearer to resolution? You mentioned a lot of areas of common ground. It seems like a lot of these areas make sense. And so are we getting closer to a point where you can kind of reach agreement on some of these and we can all move forward?

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Yeah. It's very difficult to speculate in that regard, Terence, because things change a lot. I cannot put a timeline into that. I tell you that there's enough common ground and enough areas of common solutions that I think we will get to the right place. But I cannot put a timeline into that. And I don't want to go into the specifics neither, because this is an ongoing discussion. But I see the common ground and I see the possibility of getting into a win-win solution.

Terence Flynn - *Morgan Stanley - Analyst*

Okay. All right. Good to hear. One other high-level point I wanted to talk through is on the second-quarter call, I think you guys mentioned that the pipeline progress you've seen through the year, and now, you just mentioned TAR-200 as well, increases your conviction to achieve or beat the upper end of the growth targets that you guys outlined back in end of 2023 from your EBR Day.

So maybe you could just talk about high level on the drivers that gave you that conviction to provide that commentary to investors. And then I'm sure we're going to dig into a lot of these in more detail here, but maybe just start very high level and kind of what gave you the confidence there to make that statement.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Yeah. High level, in the Innovative Medicine side, we have three focus areas: oncology, immunology, and neuroscience. So if I start with oncology and we have stated that we want to become the number one oncology company by 2030 with $50 billion of sales, we play both in solid tumors and in hematology.

So starting with hematology, our multi-myeloma franchise is doing really well. DARZALEX is the biggest product in the company today and it has very significant growth. CARVYKTI show exceeding expectations. We are unrestricted now from a manufacturing standpoint, and we have already demonstrated overall survival in second line. Going into our bispecifics, we continue to grow our bispecific penetration. We are aiming to go into the community with our bispecifics. So all well in the multi-myeloma side.

On the solid tumor side, we continue to grow with our prostate cancer franchise with ERLEADA. We are launching our combination in non-small cell lung cancer, eGFR-mutated with RYBREVANT and LAZCLUZE, which is doing really well. And our surveys that we do every month indicate very high intention to prescribe in first line, and we can comment about that later. And now, we are going to increase our penetration in solid tumors with INLEXZO, which is this therapy that releases, with a device, a chemotherapeutic localized into the bladder. So that's in the oncology side. And I'm sure John can tell you more about what opportunities we have, and he'll go that in a moment.

On the immunology side, our number one focus is TREMFYA and the launch in IBD, and we are doing really well both in ulcerative colitis and in Crohn's disease. And you see the trajectory of TREMFYA. And very importantly, we have filed icotrokinra, which is the first oral that has the ability to block IL-23. It has the efficacy, the safety of a biologic, but with convenience of an oral therapy. And that's going to be a major, major driver of our growth. And we continue to make progress in other areas that John will describe.

And then in the neuroscience side, we're doing really well with SPRAVATO. Everybody's trying to copy our model. I read so many things about other companies working in that area. And we are about to get the approval of CAPLYTA, which is the antipsychotic that we acquired through the Intra-Cellular acquisition in adjunctive therapy in major depressive disorder that we think is going to be a significant opportunity for growth for CAPLYTA. And it's going to drive also CAPLYTA to be an asset of more than $5 billion.

So those are the assets that we have today, and I'm going to let John talk about the pipeline.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yeah. So some of the things that are a little earlier, but if I start again with hematologic malignancies, where J&J ranks number one, myeloma, as you know, our company has put five innovative medicines on the market for myeloma. And it's interesting to look back when we launched VELCADE, the world's first proteasome inhibitor, the average life expectancy for a patient with myeloma was only two years.

With our latest four-drug regimen that includes DARZALEX and VELCADE, the estimated progression-free survival now for the transplant eligible is two decades almost, 17, 18 years, and for the transplant in, it was nearly a decade. We're really excited about moving some of these medicines in combination regimens into earlier lines. And recently, we showed, for example, if we took DARZALEX, the CD38 world's first biologic for myeloma,

together with either of our T-cell engagers -- first-in-class T-cell engagers that grab the myeloma with one arm and the T-cells with another, we were getting 100% minimal residual disease negativity in early lines.

Now, we have a trispecific, [ramantamig], that has the features of both TEC and TAL, engineered into a single molecule. And there, we saw 100% overall response rate in heavily pretreated patients. So we're going to be moving into earlier lines of therapies with some of these combinations that we think can actually position us for the goal that nobody ever thought would be achievable, which is really cure in myeloma. So very excited about that.

Other things cooking in hematology, and since I saw one of our partners here, I just mentioned we also have in the CAR T world a bi-CAR that targets both CD19 and CD20 in a single construct in which delivering what looks like a best-in-disease opportunity with the best complete response rates that have been reported so far. And we're going to push that now forward into Phase 3. So lots of stuff cooking there.

And then in the solid tumor space, Joaquin referenced RYBREVANT, which is the world's first bispecific antibody ever approved for a solid tumor indication, neutralizing two different growth factors approved for non-small cell lung cancer. But we have proof of concept in colorectal, the third largest cancer indication, also in head and neck, the sixth largest cancer indication. And those are now progressing in the Phase 3 programs. So we think there's a lot of mileage still with that really innovative bispecific antibody. So very excited about what's cooking there.

And then other things too that we can get into, Joaquin mentioned in immunology icotrokinra. We'll be showing the inflammatory bowel disease data soon, where we have proof of concept there, moving into a Phase 3 program. We've already filed for psoriasis. We're pursuing psoriatic arthritis as well and really excited about that.

And to get an indication of how much demand there could be for an oral drug that has the efficacy and safety of the biologics, our psoriasis studies, we enrolled those in a third the time it normally takes to do the study. And we're seeing the same thing happening with our psoriatic arthritis now. So it really indicates there's a lot of interest on the part of patients and investigators for that. We have an oral IL-17 in the clinic now too that's progressing nicely.

And then some really nifty bispecifics as we try to enter atopic dermatitis, which is the largest of the immunoderm indications, we're in Phase 2 with a IL-4 plus IL-31. Those are two validated targets that I'll bring you together to try to break through efficacy ceilings of the monotherapies. And then also a TSLP plus IL-13, so that brings a mechanism that Tezspire-like mechanism and an Ebglyss-like mechanism that have played in both asthma and atopic dermatitis and what we think again could be a real game changer that breaks through the efficacy ceilings that have been seen with those. So really excited about those.

And then in neuro, I would say we don't yet know what the outcome will be, but we will have data this year, Phase 2 data on our anti-tau antibody for Alzheimer's, posdinemab. That will have both clinical cognitive performance endpoints, as well as imaging endpoints with PET imaging of the tau thread. So a big unveil coming later this year around that, which could be a real moment for patients with Alzheimer's if we're able to move the needle there.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Exciting, that one.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yeah, super exciting.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

So I mean, when you look at that and you look at how we are doing post-STELARA biosimilars, our view, as we discussed in the EBR, is that '26 is going to be better than '25 and '27 is going to be better than '26. So we are now, as we leave behind the STELARA biosimilars, better than anybody expected. We are entering into a cycle of re-legalized growth for our Innovative Medicine group.

Terence Flynn - *Morgan Stanley - Analyst*

Okay, great. I've got a few follow-ups on some of these. But I guess the first, just given how important myeloma is as a franchise, as you noted, you guys have been there as a company for a very long time, going all the way back to VELCADE, now DARZALEX. I think one of the big-picture questions we're all still trying to figure out is how does that frontline market evolve? Because obviously, you have so many different options now. You have the bispecifics, you have a trispecific coming, you have CARVYKTI.

And so is this something that becomes more segmented? Or is this something that there becomes a new backbone effectively that either on top of DARZALEX or supplants DARZALEX? Just use the crystal ball, help us think about how this evolves as you think about myeloma in the next five years.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yeah. We think the regimens will evolve. We see the CD38 DARZALEX will be a piece of that, a T-cell engager, starting with our bispecifics but evolving to the trispecific. So far, we have been maintaining an image somewhere in the mix in that frontline setting. So we think that the future regimens will look more like that. So you probably won't necessarily need a proteasome inhibitor or the glucocorticoids like dex.

And then instead of bridging to an autologous stem cell transplant, if you do something beyond that, you're probably going to do CARVYKTI, a CAR-T. And of course, we have studies ongoing now to test that right now, CARTITUDE-5, and 6, with the idea that that could be then the final step to mop up any residual cells and really see then if you can't get to something, approaching a functional cure for these patients.

Terence Flynn - *Morgan Stanley - Analyst*

Yeah. And do you feel like -- the other thing is DARZALEX is great from a safety tolerability standpoint. Do you think these new regimens will be able to match that? Because I think there's some question -- obviously, 80% of myeloma is treated amongst the community. Oncologists, do you think these new regimens are going to have that profile that allows the community physicians to adopt them broadly?

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

I think we will get there. If you look back even on DARZALEX, at its time, it was considered something that required some experience to master how to handle. But the T-cell engagers are really -- the element of that that the community is learning more and more how to manage that. We often are doing dose titrations, covering with IL-6 inhibitors, toci, other things to make it more manageable and tolerable for the vast majority of patients.

But we see the community going on that journey with us in finding how to safely and effectively use these regimens in the outpatient setting. So it'll be a learning curve for the whole community. But we think just the efficacy will compel healthcare providers to figure out how to master using this type of agent.

Terence Flynn - *Morgan Stanley - Analyst*

Yeah. Okay, great. I want to go to immunology, but before I do, I'll just ask another broader one here for Joaquin. I think when you started in the CEO position, you mentioned that one of your priorities was going to be the MedTech portfolio. And you guys have been very active on that front, both internal innovation, external innovation.

So maybe just as you think about where you are in that journey, give us kind of an update on the outlook there and what you're focused on for the MedTech segment. And then the derivative questions, just business development, you guys are always very opportunistic about whether it's MedTech or pharma. And so where are you focused these days in terms of that from the BD lens?

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Yeah. So when I became CEO in 2022, I said that we want to have the best medtech company in the industry. And that's a stated goal. Johnson & Johnson is unique in as much that we are the only company that has the capabilities to develop a medicine or a treatment like INLEXZO. So we are the only ones that can go from cell therapy to robotic surgery.

No other company can expand the patient journey like Johnson & Johnson does. So it's very important for that component of medical technology at Johnson & Johnson. And it gives us not only capabilities, but also insights into the disease, the patient, the treatments that are very helpful for us to expand our impact in the areas that we are focused.

So our goal in MedTech has been moving our portfolio into high-innovation, high-growth markets. That's the areas where Johnson & Johnson does well. We have to go to areas where there's a significant innovation and the possibility to improve the standard of care. And that creates growth and business opportunity for us.

So we've moved the majority of our portfolio now into high-growth markets. And that's how you have to read the effort that we have done in business development. We, for the most part, have been in the cardiology area. Cardiology is one, together with robotic surgery, of the most exciting markets in medtech. And that's where we have moved in an effort to move our portfolio into high-growth, high-innovation markets.

Our MedTech business has four pillars. And in all of them, we are number one or number two company. The biggest one is our surgical business. We are leaders in open endoscopic surgery and also in sutures, wound closure, and in hemostats. We are working now in a robotic surgery platform that we call OTTAVA, and we are now in clinical trials. We plan to, as soon as we finish the clinical trials, submit to the FDA. We are fully determined to compete in that area. It may take us one year, two years, three years, four years, five years. We are fully determined to compete in that area and to become a leader in every aspect of surgery: open, laparoscopic, and robotic.

The other area is orthopedics. We are the largest orthopedics company. The market of orthopedics would not be considered a fast-growing market, although it does have segments that is growing nicely. And our goal there has been to be able to improve our margins. And we have a program that we have discussed in the past that is gradually getting us to have better margins in orthopedics.

There's a number of innovations that are coming into our orthopedics platform. For example, we're launching a new Uni-Knee robot. We are launching a new plating system called VOLT in the trauma space. We are launching a new spine robot and a new system called TriALTIS in spine. So we have a number of innovative products that are coming in orthopedics all together as we speak. And that is going to help us accelerating our growth via innovation.

The third platform is cardiovascular. Our growth in cardiovascular in the second quarter was 22%. And we have one of the largest and most interesting cardiovascular platforms in the industry. We are in atrial fibrillation, in ablation. We are in heart failure with Abiomed. And we are in calcified arterial disease with Shockwave. Our acquisitions of Shockwave and Abiomed are tracking even ahead of our expectations. And we see a nice trajectory, and we can go more into that.

Great innovation with new catheters coming from Shockwave. Great clinical data also coming from Abiomed with DanGer study. We just presented some update of the DanGer Study in the European Society of Cardiology, showing that patients that went through cardiogenic shock and using Impella in a 10-year follow-up, they were able to live 600 days more. So that's taking us higher in the guidelines. So we have a very robust cardiovascular franchise.

And we also demonstrated growth in our atrial fibrillation franchise with 10% growth. So for investors that thought we were rolling over, we are not. We are going to compete there. We have a series of catheters coming in and we have the largest and more extensive clinical support specialist in the industry. And we are going to maintain our leadership there and regain leadership in PFA. So that's our cardiovascular franchise.

Vision, which we play both in contact lenses and intraocular lenses, we are leaders in contact lenses. It's a high-growth, high-margin area. And we are having a very successful launch of our intraocular lenses, gaining market share versus our competitors there. So those are the four platforms that form our MedTech business.

Our projections in MedTech is that we are going to be able to grow 5% to 7%. And as I see things today, I'm more biased towards the higher end of that range than towards the low end of that range. So we are going to advance. We have significant opportunities in cardiovascular, and we are very focused on establishing a strong presence in robotic surgery as another important step in making our MedTech group a best-in-class group. And I'm very, very, very convinced that we are going to be able to achieve that.

Terence Flynn - *Morgan Stanley - Analyst*

Great. Based on that and where we just talked about on the pharma side, it sounds like from a BD perspective, you guys feel pretty good about opportunities that internally right now and what you've accomplished. And so it seems like maybe lean in and be opportunistic, but it seems like you feel pretty good about --

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Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Our focus in BD, and I have Nauman here, who is our Head of BD here. I will have you talk to him and John, too. Our focus in BD, it's always into earlier stage opportunities in which we can create significant value. I think, and Nauman can correct me, in the last 18 months, we did 60 early stage opportunities.

The two latest blockbuster products that we are about to launch, INLEXZO and icotrokinra, we didn't even issue a press release when we did the deal. So we didn't issue a press release. So those are smaller deals that we have demonstrated that we can create significant value. So that is our focus. Unlike other companies, we don't need to do large M&A in pharma because we are delivering the growth. And John can tell you -- he's always asking for more money in order to be able to develop more medicine. So there's more than enough to be able to do.

In MedTech, we already have done two significant acquisitions, and we are in the process of making sure that we make these acquisitions work. So I mean, as far as M&A, our focus is to be able to go into early stage opportunities that we can nurture with our scale in every area -- clinical development, manufacturing, commercialization -- and that's where we are going.

Terence Flynn - *Morgan Stanley - Analyst*

Okay.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Great. I would just say a lot of our partnerships start quite early where there's a lot of polishing of the gem to be done. If you look at INLEXZO, the drug device for bladder cancer, for example, that was a 13-year journey. We acquired the company when they had a preclinical prototype with a

lot of work by our chemists. And in collaboration with our MedTech colleagues, we were able to optimize the device, scale the manufacturing, get the quality at commercially required levels, then design the development campaign, et cetera.

With icotrokinra, same thing. The collaboration there started with a compound from a partner that didn't make it in the early going. It was a four-year journey optimizing compounds. I think we made like close to 30 co-crystal structures and then a whole process chemistry journey to get the manufacturing to the point where that could be commercially viable, getting into some really nifty, innovative chemistry there for that.

So these are a journey, but through these collaborations, we were able to really harness the power of what the external innovator can bring together with what J&J can bring, and then get those things. I like to say we tend to look at things when, if you use the baseball metaphor, we're maybe not even on first base yet, or we're kind of swinging at the plate. And then once we can get to first base, then we can take it all the way home and really see that that innovation gets to patients.

Terence Flynn - *Morgan Stanley - Analyst*

Great. Maybe two on the immunology side. The first is on icotrokinra. I'm going to make sure I pronounce that correctly. The question, I think, is positioning. Obviously, you guys have TREMFYA, obviously, in the space, so maybe just how are you thinking about positioning that in psoriasis? And then I know you have some upcoming UC data that you mentioned, Phase 2, coming up at a conference. What should we be most focused on when we see that data vis-a-vis maybe the injectables?

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

So the positioning of TREMFYA and icotrokinra, our understanding is there's room for both. So we're going to continue to focus on TREMFYA and we're going to focus on icotrokinra. With icotrokinra, initially, we'll be in plaque psoriasis, and later in IBD, as John will describe. But there's room. There's patients that prefer an oral therapy, and we believe that's an untapped market.

I have talked to many physicians about this issue of injectables versus orals, and there's no question in my mind, and the demonstration is how quickly we're recruiting the clinical trials, that icotrokinra is going to expand the market for advanced therapies. And please do not compare icotrokinra, although we have head-to-head studies with TYK2's or with the Otezla. I mean, this is different. This is the first time that you can put the three things together. You can put the efficacy and the safety of a biologic with the convenience of an oral.

So I think this is going to be one of our biggest products ever, and it's going to open a new era in immunology. And this is endorsed by a company like us that has been there for three decades. We did Remicade, STELARA, SIMPONI, TREMFYA, and now we come with icotrokinra. So in some areas, we're new, but in this one, we know what we're talking about.

Terence Flynn - *Morgan Stanley - Analyst*

You're setting a high bar for yourself.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Yeah. We know what we're talking about. I was there launching Remicade, so we know what we're talking about. Maybe other companies don't, but we know what we're talking about when we talk about immunology.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

I think one of the things to bear in mind is that across most autoimmune diseases, if you look at the population that's eligible for a biologic, about 70% are eligible but not taking one. And surveys show that the biggest reason is they don't want to do an injectable. The second is concerns about safety.

With ico, we actually had more adverse events on the placebo arms in the studies than we had on the treatment arms. So we've got the convenience of an oral option for patients with the safety, which we think, as Joaquin said, is going to expand into populations of patients just aren't getting an advanced therapy today.

Terence Flynn - *Morgan Stanley - Analyst*

Yeah. And then just to follow up on the IBD UC data, what should we be focused on for this data set vis-a-vis like TREMFYA? Is that the benchmark?

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

It's very similar. We'll have both the clinical remission endpoints, as well as the colonoscopy, the mucosal healing endpoints. Those are often used as a composite endpoint in the long run. And we'll have both induction and some degree of maintenance data that you can kind of see how you're tracking in terms of the pace with which you start to get the remission and the mucosal healing and the induction and then the stability of that over time along, again, with the safety profile as well. So I think that's what we're looking for. And again, we're looking for profiles that can really compete with the best of the best biologics.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

And I think IBD is another example, as we did in multiple myeloma, where we are going to be able to span the whole spectrum of disease. So you'll have icotrokinra, TREMFYA, and also the core antibody therapeutic that combines a TNF and IL-23 in a single vial, importantly, that we already have some Phase 2 data, I think it was in UC, with a significant improvement in the magnitude of effect. So we are going to be able to span the whole potential for different types of patients in IBD.

Terence Flynn - *Morgan Stanley - Analyst*

So are you -- for that combo, because again, I think you are pretty unique, you're one of the few companies that started very early and looking at these combinations in immunology. We haven't seen much success here, but it sounds like you feel pretty comfortable. Should we assume you're going to move into Phase 3 with that now?

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yeah. We are going to have the -- so we had a Phase 2, a exploratory study. And for those -- just to contextualize this, so for patients with IBD, on average, a third or less actually achieved a durable complete remission. So there's a lot of room for improvement.

The idea was then to take complementary mechanisms. We took our TNF inhibitors, SIMPONI, which inhibits innate immune mechanisms, and it's essentially TREMFYA, guselkumab, which inhibits adaptive immune mechanisms. And based on a lot of transcriptional profiling stuff, we thought, okay, this combo could be both safe and effective. In that Phase 2a, we broke through that efficacy ceiling, had more than half the patients achieving remission. So now, we are going to read out very soon some large rigorous Phase 2b studies, one in UC, one in CD, where we're further testing that hypothesis. And we've done head-to-head against our TNF, our IL-23, and then the combo.

So it's basically a three arms, where we'll have the head-to-head data to see if this combination gets the job done for these patients who have failed frontline therapy and are needing something more than the model therapy. So we're reasonably confident, but we'll have the data very shortly, and that'll then dictate our decision about whether we go forward to Phase 3.

Terence Flynn - *Morgan Stanley - Analyst*

Maybe the last one, just because, again, you guys -- when you get excited about something, I pay attention. And the one comment that caught my attention is this anti-tau antibody was in Phase 2 data. So tau has been a very tough target for the industry historically. And obviously, A-beta was tough, but tau, I'd say, is just as tough. But you sound fairly excited about this. And so maybe just contextualize that any more for us.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yeah. So with -- I think, not unlike A-beta, there are various schools of thought as to how to tackle it. So we have an antibody that binds to a particular phosphorylated version of tau that is the pathological form and that prevents the propagation of the seeding of these insoluble forms. So it's tough to get these antibodies across the blood-brain barrier.

We did try pre-clinically some other tricks, but frankly, we got just as good with the naked antibody. So that's what we're doing. We're testing two doses, one of which is 3.5 grams, so really pushing the envelope there on the dose. And we'll test the hypothesis with this that if we can capture the pathological forms of tau as they spread from cell to cell and they move through the brain, that we'll be able to intervene. So we'll have the tau PET imaging for the before and after to see did we slow that spreading, as well as the usual cognitive endpoints, et cetera, functional endpoints to help guide our decision making.

And we have other shots on goal, too. We have a partnership with essentially a vaccine that tries to get your own immune system to make antibodies against these pathological forms of tau. That's in a Phase 2 study. And then we have some other things, too, that are almost in the clinic. But we're trying several ways to get a crack -- to try to crack tau and feel that that's kind of the best target out there right now. And so we're going at it hard and seeing if we can make a dent on this Alzheimer's problem.

As you know, there are 55 million people around the world already with Alzheimer's. And with the demographic of populations becoming more aged, we know that's going to very rapidly double or triple. So society needs some help there. So we're giving it a try. And these are not faint-of-heart investments. Each of these studies is measured in the billions of dollars. So whenever people are asking about rewarding innovation, et cetera, the importance of it, I mean, you're seeing it right front and center there with these high-stakes bets we're making on things like trying to crack Alzheimer's with a tau therapy.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

This is exactly a type of problem that companies like us can do. We have the financial muscle in order to be able to tackle something that really is, in my view, the biggest health problem that we have in front of us.

I mean, everybody is aging. And then the percentage of people that once you age has any type of neurocognitive disorder is very high. And neurodegeneration is an area that requires more investment. There's not so many targets that one can interact.

I think that we are doing also things on basic research to be able to identify newer targets. And I'm enthusiastic because if that were positive, it would be simply the most important thing that we may have accomplished in decades. So it would be really fantastic to be able to have something that is a new way of trying to address this major social problem.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Yeah. One of the exciting enablers is there now blood tests for detecting these abnormal forms of tau. So it really sets the stage for early diagnosis, intervene before it's too late. So we really see this kind of the analog as if you're going to get your cholesterol checked to then go on an intervention that might prevent you from having a heart attack or a stroke, we hope that that's the way the field of Alzheimer's will eventually move. So it's exciting to see the progress. And we'll know before end of the year whether this first crack at it has proven successful or not.

Terence Flynn - *Morgan Stanley - Analyst*

Great. Well, thank you so much both for your time. I really appreciate it. Always a pleasure.

John Reed - *Johnson & Johnson - Executive Vice President - Pharmaceuticals, R&D*

Thank you.

Joaquin Duato - *Johnson & Johnson - Chairman of the Board, Chief Executive Officer*

Thank you very much. Thank you.