UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 1, 2006 **Commission file number 1-3215**

JOHNSON & JOHNSON

(Exact name of registrant as specified in its charter)

New Jersey (State of Incorporation)	**22-1024240** (I.R.S. Employer Identification No.)
One Johnson & Johnson Plaza **New Brunswick, New Jersey** (Address of principal executive offices)	**08933** (Zip Code)

Registrant's telephone number, including area code (732) 524-0400

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	Name of each exchange on which registered
Common Stock, Par Value $1.00	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.
Large accelerated filer ☒ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☒

The aggregate market value of the common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $193 billion.

On February 28, 2006 there were 2,976,068,976 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II and III:	Portions of registrant's annual report to shareholders for fiscal year 2005 (the "Annual Report").
Parts I and III:	Portions of registrant's proxy statement for its 2006 annual meeting (the "Proxy Statement").

PART I

PART I

Item 1. BUSINESS

General

Johnson & Johnson and its subsidiaries have approximately 115,600 employees worldwide engaged in the manufacture and sale of a broad range of products in the health care field. Johnson & Johnson has more than 230 operating companies conducting business in virtually all countries of the world. Johnson & Johnson's primary focus has been on products related to human health and well-being. Johnson & Johnson was incorporated in the State of New Jersey in 1887.

The Company's structure is based on the principle of decentralized management. The Executive Committee of Johnson & Johnson is the principal management group responsible for the operations and allocation of the resources of the Company. This Committee oversees and coordinates the activities of the Consumer, Pharmaceutical and Medical Devices and Diagnostics business segments. Each subsidiary within the business segments is, with some exceptions, managed by citizens of the country in which it is located.

Segments of Business

Johnson & Johnson's worldwide business is divided into three segments: Consumer, Pharmaceutical and Medical Devices and Diagnostics. Additional information required by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) descriptions of segments and operating results under "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 28 through 38 and Note 11 "Segments of Business and Geographic Areas" under "Notes to Consolidated Financial Statements" on page 50 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Consumer

The Consumer segment manufactures and markets a broad range of products used in the baby and child care, skin care, oral and wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. Major brands include AVEENO® skin care products; BAND-AID® Brand Adhesive Bandages; CAREFREE® Pantiliners; CLEAN & CLEAR® teen skin care products; JOHNSON'S® Baby and Adult lines of products; MOTRIN® IB ibuprofen products; PEPCID® AC Acid Controller from Johnson & Johnson • Merck Consumer Pharmaceuticals Co.; NEUTROGENA® skin and hair care products; RoC® skin care products; SPLENDA® No Calorie Sweetener; STAYFREE® sanitary protection products; and the broad family of TYLENOL® acetaminophen products. These products, available without prescription, are marketed principally to the general public and sold both to wholesalers and directly to independent and chain retail outlets throughout the world.

Pharmaceutical

The Pharmaceutical segment includes products in the following therapeutic areas: anti-fungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic (central nervous system) and urology. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use by the general public. Key products in the Pharmaceutical segment include: RISPERDAL® (risperidone) and RISPERDAL® CONSTA® (risperidone long-acting injection), for treatment of the symptoms of schizophrenia; PROCRIT® (Epoetin alfa, sold outside the U.S. as EPREX®), a biotechnology-derived product that stimulates red blood cell production; REMICADE® (infliximab), a monoclonal antibody therapy indicated to treat the symptoms of Crohn's disease, rheumatoid arthritis, ankylosing spondylitis, psoriatic arthritis and ulcerative colitis; TOPAMAX® (topiramate), an anti-epileptic and migraine prevention treatment; DURAGESIC® (fentanyl transdermal system, sold outside the U.S. as DUROGESIC®), a treatment for chronic pain that offers a novel delivery system; LEVAQUIN® (levofloxacin) and FLOXIN® (ofloxacin), both in the anti-infective field; ORTHO EVRA® (norelgestromin/ethinyl estradiol transdermal system), the first contraceptive patch approved by the U.S. Food and Drug Administration ("FDA") and ORTHO TRI-CYCLEN® LO (norgestimate/ethinyl estradiol), a low dose oral contraceptive;

DOXIL® (doxorubicin HCl liposome injection), a cancer treatment; DITROPAN® XL (oxybutynin chloride), for the treatment of overactive bladder; RAZADYNE™ (galantamine HBr), for patients with mild to moderate Alzheimer's disease; NATRECOR® (nesiritide), a novel agent approved for congestive heart failure; VELCADE® (bortezomib), an oncology treatment; and CONCERTA® (methylphenidate HCl) a product for the treatment of attention deficit hyperactivity disorder.

Medical Devices and Diagnostics

The Medical Devices and Diagnostics segment includes a broad range of products distributed to wholesalers, hospitals and retailers, used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. These products include Cordis' circulatory disease management products; DePuy's orthopaedic joint reconstruction and spinal care products; Ethicon's wound care and women's health products; Ethicon Endo-Surgery's minimally invasive surgical products; LifeScan's blood glucose monitoring products; Ortho-Clinical Diagnostics' professional diagnostic products and Vision Care's disposable contact lenses. Distribution to these health care professional markets is done both directly and through surgical supply and other dealers.

Geographic Areas

The international business of Johnson & Johnson is conducted by subsidiaries located in 56 countries outside the United States, which are selling products in virtually all countries throughout the world. The products made and sold in the international business include many of those described above under "Business — Consumer," "— Pharmaceutical" and "— Medical Devices and Diagnostics." However, the principal markets, products and methods of distribution in the international business vary with the country and the culture. The products sold in international business include not only those which were developed in the United States, but also those which were developed by subsidiaries abroad.

Investments and activities in some countries outside the United States are subject to higher risks than comparable U.S. activities because the investment and commercial climate is influenced by restrictive economic policies and political uncertainties.

Raw Materials

Raw materials essential to Johnson & Johnson's operating companies' businesses are generally readily available from multiple sources.

Patents and Trademarks

Johnson & Johnson has made a practice of obtaining patent protection on its products and processes where possible. Johnson & Johnson owns or is licensed under a number of patents relating to its products and manufacturing processes, which in the aggregate are believed to be of material importance in the operation of its business. Sales of the Company's two largest products, RISPERDAL® and PROCRIT®/EPREX®, accounted for approximately 6% and 7% of Johnson & Johnson's total revenues, respectively, for fiscal 2005. Accordingly, the patents related to these products are believed to be material in relation to Johnson & Johnson as a whole.

During 2004, 2005 and 2006, DURAGESIC® (fentanyl transdermal system) in the United States and certain international markets and EPREX® (Epoetin alfa) in international markets have lost or will lose their basic patent protection and are or will be subject to generic competition. DURAGESIC® sales declined by 23.9% to $1.6 billion in 2005 as compared to 2004, due to the negative impact of generic competition primarily in the United States. Regarding EPREX®, generic competition will be limited in the near term due to the lack of approved generic compounds. Combined sales of DURAGESIC® and EPREX® accounted for approximately 5% of Johnson & Johnson's worldwide sales in 2005. The only material patent scheduled to expire during the next two years is related to RISPERDAL®, which is scheduled to expire in the United States in December 2007, with the possibility of a pediatric extension.

Johnson & Johnson has made a practice of selling its products under trademarks and of obtaining protection for these trademarks by all available means. Johnson & Johnson's trademarks are protected by registration in the United States and other countries where its products are marketed. Johnson & Johnson considers these trademarks in the aggregate to be of material importance in the operation of its business.

Seasonality

Worldwide sales do not reflect any significant degree of seasonality; however, spending has been heavier in the fourth quarter of each year than in other quarters. This reflects increased spending decisions, principally for advertising and research grants.

Competition

In all of their product lines, Johnson & Johnson companies compete with companies both large and small, located throughout the world. Competition is strong in all product lines without regard to the number and size of the competing companies involved. Competition in research, involving the development and the improvement of new and existing products and processes, is particularly significant. The development of new and improved products is important to Johnson & Johnson's success in all areas of its business. This competitive environment requires substantial investments in continuing research and multiple sales forces. In addition, the development and maintenance of customer acceptance of the products of Johnson & Johnson's consumer businesses involves significant expenditures for advertising and promotion.

Research

Research activities are important to all segments of Johnson & Johnson's business. Major research facilities are located not only in the United States but also in Australia, Belgium, Brazil, Canada, China, France, Germany, Japan, the Netherlands and the United Kingdom. The costs of worldwide Company-sponsored research activities relating to the development of new products, improvement of existing products, technical support of products and compliance with governmental regulations for the protection of consumers and patients, excluding in-process research and development charges, amounted to $6,312 million, $5,203 million and $4,684 million for fiscal years 2005, 2004 and 2003, respectively. These costs are charged directly to income in the year in which incurred.

Environment

During the past year Johnson & Johnson companies were subject to a variety of federal, state and local environmental protection measures. Johnson & Johnson believes that its operations comply in all material respects with applicable environmental laws and regulations. Johnson & Johnson's compliance with these requirements did not and is not expected to have a material effect upon its capital expenditures, cash flows, earnings or competitive position.

Regulation

Most of Johnson & Johnson's business is subject to varying degrees of governmental regulation in the countries in which operations are conducted, and the general trend is toward regulation of increasing stringency. In the United States, the drug, device, diagnostics and cosmetic industries have long been subject to regulation by various federal and state agencies, primarily as to product safety, efficacy, manufacturing, advertising and labeling. The exercise of broad regulatory powers by the FDA continues to result in increases in the amounts of testing and documentation required for FDA clearance of new drugs and devices and a corresponding increase in the expense of product introduction. Similar trends are also evident in major markets outside of the United States.

The costs of human health care have been and continue to be a subject of study, investigation and regulation by governmental agencies and legislative bodies around the world. In the United States, attention has been focused on drug prices and profits and programs that encourage doctors to write prescriptions for particular drugs or recommend, use or purchase particular medical devices. Payers have become a more potent

force in the market place and increased attention is being paid to drug and medical device pricing, appropriate drug and medical device utilization and the quality and costs of health care. There is also uncertainty in the United States as to the impact of the Medicare Prescription Drug, Improvement and Modernization Act, which was enacted in 2003.

The regulatory agencies under whose purview Johnson & Johnson companies operate have administrative powers that may subject those companies to such actions as product withdrawals, recalls, seizure of products and other civil and criminal sanctions. In some cases, Johnson & Johnson's operating companies may deem it advisable to initiate product recalls.

In addition, business practices in the health care industry have come under increased scrutiny, particularly in the United States, by government agencies and state attorneys general, and resulting investigations and prosecutions carry the risk of significant civil and criminal penalties.

Available Information

Copies of Johnson & Johnson's quarterly reports on Form 10-Q, annual report on Form 10-K and current reports on Form 8-K, and any amendments to the foregoing, will be provided without charge to any shareholder submitting a written request to the Secretary at the principal executive offices of the Company or by calling 800-328-9033. All of the Company's Securities and Exchange Commission ("SEC") filings are also available on the Company's Web site at *www.investor.jnj.com/governance*, as soon as reasonably practicable after having been electronically filed or furnished to the SEC. All SEC filings are also available at the SEC's Web site at *www.sec.gov*. In addition, the Charters of the Audit Committee, the Compensation & Benefits Committee and the Nominating & Corporate Governance Committee of the Board of Directors and the Company's Principles of Corporate Governance, Policy on Business Conduct for employees and Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers are available at the *www.investor.jnj.com/governance* Web site address and will be provided without charge to any shareholder submitting a written request, as provided above.

Item 1A. RISK FACTORS

Not applicable.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

Johnson & Johnson and its worldwide subsidiaries operate 142 manufacturing facilities occupying approximately 18.7 million square feet of floor space.

The manufacturing facilities are used by the industry segments of Johnson & Johnson's business approximately as follows:

Segment	Square Feet (in thousands)
Consumer	4,561
Pharmaceutical	6,664
Medical Devices and Diagnostics	7,511
Worldwide Total	18,736

Within the United States, 5 facilities are used by the Consumer segment, 15 by the Pharmaceutical segment and 43 by the Medical Devices and Diagnostics segment. Johnson & Johnson's manufacturing operations outside the United States are often conducted in facilities that serve more than one segment of the business.

The locations of the manufacturing facilities by major geographic areas of the world are as follows:

Geographic Area	Number of Facilities	Square Feet (in thousands)
United States	63	6,569
Europe	35	7,225
Western Hemisphere, excluding U.S.A.	15	2,732
Africa, Asia and Pacific	29	2,210
Worldwide Total	142	18,736

In addition to the manufacturing facilities discussed above, Johnson & Johnson maintains numerous office and warehouse facilities throughout the world. Research facilities are also discussed in Item 1 under "Business — Research."

Johnson & Johnson generally seeks to own its manufacturing facilities, although some, principally in locations abroad, are leased. Office and warehouse facilities are often leased.

Johnson & Johnson's properties are maintained in good operating condition and repair and are well utilized.

For information regarding lease obligations see Note 4 "Rental Expense and Lease Commitments" under "Notes to Consolidated Financial Statements" on page 46 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K. Segment information on additions to property, plant and equipment is contained in Note 11 "Segments of Business and Geographic Areas" under "Notes to Consolidated Financial Statements" on page 50 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Item 3. LEGAL PROCEEDINGS

The information set forth in Note 18 "Legal Proceedings" under "Notes to Consolidated Financial Statements" on pages 57 through 63 of the Annual Report is incorporated herein by reference and filed as Exhibit 13 to this Report on Form 10-K.

The Company or its subsidiaries are parties to a number of proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act, commonly known as Superfund, and comparable state laws, in which the primary relief sought is the cost of past and future remediation. While it is not feasible to predict or determine the outcome of these proceedings, in the opinion of the Company, such proceedings would not have a material adverse effect on the results of operations, cash flows or financial position of the Company.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Executive Officers of the Registrant

Listed below are the executive officers of Johnson & Johnson as of March 14, 2006, each of whom, unless otherwise indicated below, has been an employee of the Company or its affiliates and held the position indicated during the past five years. There are no family relationships between any of the executive officers, and there is no arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was selected. At the annual meeting of the Board of Directors, the executive officers are elected by the Board to hold office for one year and until their respective successors are elected and qualified, or until earlier resignation or removal.

Information with regard to the directors of the Company, including those of the following executive officers who are directors, is incorporated herein by reference to pages 4 through 10 of Johnson & Johnson's Proxy Statement dated March 15, 2006.

Name	Age	Position
Robert J. Darretta	59	Vice Chairman, Board of Directors; Member, Executive Committee; Chief Financial Officer
Russell C. Deyo	56	Member, Executive Committee; Vice President, General Counsel and Chief Compliance Officer(a)
Michael J. Dormer	54	Member, Executive Committee; Worldwide Chairman, Medical Devices(b)
Kaye I. Foster-Cheek	47	Member, Executive Committee; Vice President, Human Resources(c)
Colleen A. Goggins	51	Member, Executive Committee; Worldwide Chairman, Consumer & Personal Care Group(d)
Per A. Peterson, M.D., Ph.D.	61	Member, Executive Committee; Chairman, Research & Development, Pharmaceuticals Group(e)
Christine A. Poon	53	Vice Chairman, Board of Directors; Member, Executive Committee; Worldwide Chairman, Medicines & Nutritionals
Joseph C. Scodari	53	Member, Executive Committee; Worldwide Chairman, Pharmaceuticals Group(f)
Nicholas J. Valeriani	49	Member, Executive Committee; Worldwide Chairman, Cardiovascular Devices and Diagnostics(g)
William C. Weldon	57	Chairman, Board of Directors; Chairman, Executive Committee; Chief Executive Officer

(a) Mr. R. C. Deyo joined the Company in 1985 and became Associate General Counsel in 1991. He became a Member of the Executive Committee and Vice President, Administration, in 1996 and Vice President, General Counsel and Chief Compliance Officer in April 2004.

(b) Mr. M. J. Dormer joined the Company in 1998 as Company Group Chairman, Worldwide Franchise Chairman for DePuy and Codman, when the Company acquired DePuy, Inc. At the time of that acquisition, he had been Chief Operating Officer of DePuy, Inc. since 1996. Mr. Dormer became a Member of the Executive Committee and Franchise Group Chairman for Medical Devices in 2001. In April 2002, Mr. Dormer was named Worldwide Chairman, Medical Devices.

(c) Ms. K. I. Foster-Cheek joined the Company in 2003 as Vice President, Human Resources, for the Johnson & Johnson Consumer Products Companies. In March 2004, she was named Vice President, Human Resources, for the Consumer & Personal Care Group and was named a member of the Human Resources Leadership Team and the Consumer & Personal Care Group Operating Committee. Ms. Foster-Cheek became a Member of the Executive Committee and Vice President, Human Resources, for the Company in January 2005. Prior to joining the Company, Ms. Foster-Cheek served in various human resources management positions with Pfizer Inc. for 13 years, most recently supporting its pharmaceutical business in Japan, Asia, Africa, Middle East and Latin America.

(d) Ms. C. A. Goggins joined the Company in 1981 and held various positions before becoming President of Personal Products Company in 1994. She was named President of Johnson & Johnson Consumer Products Company in 1995 and Company Group Chairman, North America, Johnson & Johnson Consumer Products in 1998. Ms. Goggins became a Member of the Executive Committee and Worldwide Chairman, Consumer & Personal Care Group, in 2001.

(e) Dr. P. A. Peterson joined the Company in 1994 as Vice President, Drug Discovery, of The R.W. Johnson Pharmaceutical Research Institute. He was named Group Vice President of The Pharmaceutical Research Institute in April 1998 and its President in November 1998. In 2000, Dr. Peterson was named Chairman, Research & Development, Pharmaceuticals Group. Dr. Peterson became a Member of the Executive Committee in 2001.

(f) Mr. J. C. Scodari joined the Company in 1999 as President of Centocor when the Company acquired Centocor. At the time of that acquisition, he had been the President and Chief Operating Officer of Centocor and a member of Centocor's Board of Directors since December 1997. In March 2001, he was named Company Group Chairman for the North American pharmaceutical business, and became a member of the Pharmaceuticals Group Operating Committee. In March 2003, Mr. Scodari was named Company Group Chairman, Biopharmaceutical Businesses. Mr. Scodari was named Worldwide Chairman, Pharmaceuticals Group, and became a Member of the Executive Committee on March 1, 2005.

(g) Mr. N. J. Valeriani joined the Company in 1978 and held various positions before becoming President of Ethicon Endo-Surgery, Inc. in 1997. In January 2001 he was named Company Group Chairman for Ethicon Endo-Surgery with additional responsibility for the Johnson & Johnson Medical Products Medical Devices and Diagnostics business in Canada. He became Worldwide Franchise Chairman for the DePuy Franchise in 2002. Mr. Valeriani became a Member of the Executive Committee and Vice President, Human Resources, in September 2003. In February 2004 he assumed additional responsibilities as Worldwide Chairman, Diagnostics. In January 2005, Mr. Valeriani was appointed Worldwide Chairman, Cardiovascular Devices and Diagnostics and relinquished his Human Resources responsibilities.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of February 28, 2006, there were 181,031 record holders of Common Stock of the Company. The other information called for by this item is incorporated herein by reference to: the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition — Dividends" on page 35; "Common Stock Market Prices" on page 38; and Note 10 under the "Notes to Consolidated Financial Statements" on page 49 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Issuer Purchases of Equity Securities

The following table provides information with respect to Common Stock share purchases by the Company during the fiscal fourth quarter of 2005. Stock purchases are made as part of a systematic plan to meet the Company's compensation programs.

Fiscal Month	Total Number of Shares Purchased	Average Price Paid Per Share
October 3, 2005 through October 30, 2005	1,680,600	$62.32
October 31, 2005 through November 27, 2005	3,823,300	$62.00
November 28, 2005 through January 1, 2006	3,456,500	$61.16

Item 6. SELECTED FINANCIAL DATA

The information called for by this item is incorporated herein by reference to the material captioned "Summary of Operations and Statistical Data 1995-2005" on page 66 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) material included under "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 28 through 38 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is incorporated herein by reference to the narrative (but not the graphic) material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition — Liquidity and Capital Resources" on pages 34 and 35 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is incorporated herein by reference to the Audited Consolidated Financial Statements and Notes thereto and the material captioned "Report of Independent Registered Public Accounting Firm" on pages 39 through 65 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. At the end of the fiscal fourth quarter, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. William C. Weldon, Chairman and Chief Executive Officer, and Robert J. Darretta, Vice Chairman and Chief Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Weldon and Darretta concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective.

Internal Control. Management's Report on Internal Control Over Financial Reporting is included in this Report on Form 10-K in this Item 9A. During the fiscal quarter ended January 1, 2006, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting. Under Section 404 of the Sarbanes-Oxley Act of 2002, management is required to assess the effectiveness of the Company's internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company's internal control over financial reporting is effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management has assessed the effectiveness of the Company's internal control over financial reporting as of January 1, 2006. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework." These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included extensive documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting.

Based on the Company's processes and assessment, as described above, management has concluded that, as of January 1, 2006, the Company's internal control over financial reporting was effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 1, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears in the "Report of Independent Registered Public Accounting Firm" on page 65 of the Annual Report, which is incorporated herein by reference and filed as Exhibit 13 to this Report on Form 10-K.

Item 9B. OTHER INFORMATION

On March 8, 2006, the Company announced that its Board of Directors has approved a stock repurchase program, authorizing the Company to buy back up to $5 billion of the Company's common stock. Repurchases will take place on the open market from time-to-time based on market conditions. The repurchase program has no time limit and may be suspended for periods or discontinued.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by this item is incorporated herein by reference to (a) the material under the caption "Election of Directors — Nominees" and "— Other Information" on pages 4 through 10 of the Proxy Statement, (b) the material in Part I hereof under the caption "Executive Officers of the Registrant," (c) the discussion of the Audit Committee under the heading "Directors' Fees, Committees and Meetings" on pages 12 and 13 of the Proxy Statement and (d) the material under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 15 of the Proxy Statement.

The Company's Policy on Business Conduct, which covers all employees (including the Chief Executive Officer, Chief Financial Officer and Controller), meets the requirements of the SEC rules promulgated under Section 406 of the Sarbanes-Oxley Act of 2002. The Policy on Business Conduct is available on the Company's Web site at *www.investor.jnj.com/governance*, and copies are available to shareholders without charge upon written request to the Secretary at the Company's principal address. Any substantive amendment to the Policy on Business Conduct or any waiver of the Policy granted to the Chief Executive Officer, the Chief Financial Officer or the Controller will be posted on the Company's Web site at *www.investor.jnj.com/governance* within five business days (and retained on the Web site for at least one year).

In addition, the Company has adopted a Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers. The Code of Business Conduct & Ethics for Members of the Board of Directors and Executive Officers is available on the Company's Web site at *www.investor.jnj.com/governance*, and copies are available to shareholders without charge upon written request to the Secretary at the Company's principal address. Any substantive amendment to the Code or any waiver of the Code granted to any member of the Board of Directors or any executive officer will be posted on the Company's Web site at *www.investor.jnj.com/governance* within five business days (and retained on the Web site for at least one year).

Item 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the following sections of the Proxy Statement: "Election of Directors — Directors' Fees, Committees and Meetings" on pages 12 through 13; "Compensation & Benefits Committee Report on Executive Compensation" on pages 17 through

22; “Shareholder Return Performance Graphs” on pages 23 and 24; and “Executive Compensation” on pages 25 through 31.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item is incorporated herein by reference to the material captioned “Election of Directors — Stock Ownership/Control” on page 11 of the Proxy Statement and Note 10 under the “Notes to Consolidated Financial Statements” on page 49 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Equity Compensation Plan Information

The following table provides certain information as of January 1, 2006 concerning the shares of the Company’s Common Stock that may be issued under existing equity compensation plans.

	Number of Shares to be Issued Upon Exercise of Outstanding Options and Rights as of Jan. 1, 2006	Weighted Average Exercise Price of Outstanding Options and Rights as of Jan. 1, 2006	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans as of Jan. 1, 2006[4]
Equity Compensation Plans Approved by Shareholders[1]	241,781,069	$53.59	259,736,709
Equity Compensation Plans Not Approved by Shareholders[2][3]	6,872,047	$33.29	0
Total	248,653,116	$53.03	259,736,709

(1) Included in this category are the following equity compensation plans which have been approved by the Company’s shareholders: 1995 Stock Option Plan, 2000 Stock Option Plan, 2000 Stock Compensation Plan and 2005 Long Term Incentive Plan.

(2) Included in this category are 6,699,547 shares of Common Stock issuable under various equity compensation plans assumed by the Company upon acquisition of the following companies: ALZA Corporation, Scios Inc., Biosense, Inc., Innovasive Devices, Inc., Inverness Medical Technology, Inc. and Centocor, Inc. 2,976,157 of the shares listed as issuable in this category were issued under plans that were approved by the shareholders of these companies prior to the acquisition and the assumption of these plans by the Company. At the time of each of these acquisitions, options to acquire equity of the acquired company were replaced by options to acquire the Common Stock of the Company. No stock options or equity awards of any type have been made under any of these plans since the assumption of these plans by the Company, and no further stock options or other equity awards of any type will be made under any of these plans in the future.

The shares that are included in this column that were issued under plans not approved by shareholders of the applicable acquired company are: 5,742 shares issuable under the 1996 Biosense Stock Option Plan; 2,507,295 shares issuable under the 1996 Scios Non-Officer Stock Option Plan; 1,175,036 shares issuable under an ALZA non-statutory plan; and 35,317 shares issuable under warrants under an Inverness Medical plan.

(3) Also included in this category are 172,500 shares of Common Stock issuable upon the exercise of outstanding stock options under Company’s Stock Option Plan for Non-Employee Directors.

(4) This column excludes shares reflected under the column “Number of Shares to be Issued Upon Exercise of Outstanding Options and Rights as of Jan. 1, 2006.”

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information called for by this item is incorporated herein by reference to the material captioned “Election of Directors — Certain Business Relationships” on page 10 of the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item is incorporated herein by reference to the material under the headings "Ratification of Appointment of Independent Registered Public Accounting Firm" and "Pre-Approval of Audit and Non-Audit Services" on pages 33 through 35 of the Proxy Statement.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. *Financial Statements*

The following Audited Consolidated Financial Statements and Notes thereto and the Report of Independent Registered Public Accounting Firm on pages 39 through 65 of the Annual Report are incorporated herein by reference and filed as Exhibit 13 to this Report on Form 10-K:

Consolidated Balance Sheets at end of Fiscal Years 2005 and 2004

Consolidated Statements of Earnings for Fiscal Years 2005, 2004 and 2003

Consolidated Statements of Equity for Fiscal Years 2005, 2004 and 2003

Consolidated Statements of Cash Flows for Fiscal Years 2005, 2004 and 2003

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

2. *Financial Statement Schedules*

Schedule II — Valuation and Qualifying Accounts

Schedules other than those listed above are omitted because they are not required or are not applicable.

3. *Exhibits Required to be Filed by Item 60l of Regulation S-K*

The information called for by this item is incorporated herein by reference to the Exhibit Index in this report.

JOHNSON & JOHNSON AND SUBSIDIARIES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended January 1, 2006, January 2, 2005 and December 28, 2003

(Dollars in Millions)

	Balance at Beginning of Period	Accruals	Payments/ Other	Balance at End of Period
2005				
Accrued rebates, returns and promotions[1]	$2,785	7,798[2]	(8,095)	2,488
Reserve for doubtful accounts	206	19	(61)	164
Reserve for cash discounts	62	861	(866)	57
	$3,053	8,678	(9,022)	2,709
2004				
Accrued rebates, returns and promotions[1]	$2,622	7,514[3]	(7,351)	2,785
Reserve for doubtful accounts	192	29	(15)	206
Reserve for cash discounts	55	736	(729)	62
	$2,869	8,279	(8,095)	3,053
2003				
Accrued rebates, returns and promotions[1]	$2,035	5,850	(5,263)	2,622
Reserve for doubtful accounts	191	28	(27)	192
Reserve for cash discounts	62	597	(604)	55
	$2,288	6,475	(5,894)	2,869

(1) Includes reserve for customer rebates of $471 million, $488 million and $314 million at January 1, 2006, January 2, 2005 and December 28, 2003, respectively.

(2) Includes $186 million related to previously estimated performance-based rebate allowances in managed care contracts.

(3) Includes $170 million related to previously estimated performance-based rebate allowances in managed care contracts.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 13, 2006

JOHNSON & JOHNSON

(Registrant)

By /s/W. C. WELDON

W. C. Weldon, Chairman, Board of Directors,
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ W. C. WELDON W. C. Weldon	Chairman, Board of Directors, Chief Executive Officer, and Director (Principal Executive Officer)	March 13, 2006
/s/ R. J. DARRETTA R. J. Darretta	Vice Chairman, Board of Directors, Chief Financial Officer, and Director (Principal Financial Officer)	March 13, 2006
/s/ C. A. POON C. A. Poon	Vice Chairman, Board of Directors, and Director	March 14, 2006
/s/ S. J. COSGROVE S. J. Cosgrove	Controller	March 13, 2006
/s/ M. S. COLEMAN M. S. Coleman	Director	March 10, 2006
/s/ J. G. CULLEN J. G. Cullen	Director	March 10, 2006
/s/ M. M. E. JOHNS M. M. E. Johns	Director	March 8, 2006
/s/ A. D. JORDAN A. D. Jordan	Director	March 8, 2006
/s/ A. G. LANGBO A. G. Langbo	Director	March 8, 2006

Signature	Title	Date
/s/ S. L. LINDQUIST	Director	March 9, 2006
S. L. Lindquist		
/s/ L.F. MULLIN	Director	March 8, 2006
L.F. Mullin		
/s/ C. PRINCE	Director	March 10, 2006
C. Prince		
/s/ S. S REINEMUND	Director	March 13, 2006
S. S Reinemund		
/s/ D. SATCHER	Director	March 9, 2006
D. Satcher		

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON

FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of

Johnson & Johnson:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of internal control over financial reporting and of the effectiveness of internal control over financial reporting referred to in our report dated February 28, 2006, appearing in the 2005 Annual Report to Shareholders of Johnson & Johnson (which report, consolidated financial statements and assessment are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

New York, New York

February 28, 2006

EXHIBIT INDEX

Reg. S-K Exhibit Table Item No.	Description of Exhibit
3(a)(i)	Restated Certificate of Incorporation dated April 26, 1990 — Incorporated herein by reference to Exhibit 3(a) of the Registrant's Form 10-K Annual Report for the year ended December 30, 1990.
3(a)(ii)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated May 20, 1992 — Incorporated herein by reference to Exhibit 3(a) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.
3(a)(iii)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated May 21, 1996 — Incorporated herein by reference to Exhibit 3(a)(iii) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.
3(a)(iv)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company effective May 22, 2001 — Incorporated herein by reference to Exhibit 3 of the Registrant's Form 10-Q Quarterly Report for the quarter ended July 1, 2001.
3(b)	By-Laws of the Company, as amended effective June 11, 2001 — Incorporated herein by reference to Exhibit 99.2 of the Registrant's Form 10-Q Quarterly Report for the quarter ended July 1, 2001.
4(a)	Upon the request of the Securities and Exchange Commission, the Registrant will furnish a copy of all instruments defining the rights of holders of long term debt of the Registrant.
10(a)	Stock Option Plan for Non-Employee Directors — Incorporated herein by reference to Exhibit 10(a) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(b)	2000 Stock Option Plan (as amended) — Incorporated herein by reference to Exhibit 10(b) of the Registrant's Form 10-K Annual Report for the year ended December 29, 2002.*
10(c)	1995 Stock Option Plan (as amended) — Incorporated herein by reference to Exhibit 10(b) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1999.*
10(d)	2000 Stock Compensation Plan — Incorporated herein by reference to Exhibit 10(e) of the Registrant's Form 10-K Annual Report for the year ended December 31, 2000.*
10(e)	2005 Long-Term Incentive Plan — Incorporated herein by reference to Exhibit 4 of the Registrant's S-8 Registration Statement filed with the Commission on May 10, 2005 (file no. 333-124785).*
10(f)	Form of Stock Option Certificate and Restricted Shares to Non-Employee Directors Certificate under the 2005 Long-Term Incentive Plan — Incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q Quarterly Report for the quarter ended July 3, 2005.*
10(g)	Form of Restricted Stock Unit Certificate under the 2005 Long-Term Incentive Plan — Incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q Quarterly Report for the quarter ended October 2, 2005.*
10(h)	Executive Bonus Plan — Incorporated herein by reference to Exhibit 4 of the Registrant's Form S-8 Registration Statement filed with the Commission on November 8, 2005 (file no. 333-129542).*
10(i)	Executive Incentive Plan (as amended) — Incorporated herein by reference to Exhibit 10(f) of the Registrant's Form 10-K Annual Report for the year ended December 31, 2000.*
10(j)	Domestic Deferred Compensation (Certificate of Extra Compensation) Plan (as amended) — Incorporated herein by reference to Exhibit 10(g) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2003.*

Reg. S-K Exhibit Table Item No.	Description of Exhibit
10(k)	Deferred Fee Plan for Non-Employee Directors (as amended) — Incorporated herein by reference to Exhibit 10(h) of the Registrant's Form 10-K Annual Report for the year ended January 2, 2005.*
10(l)	Executive Income Deferral Plan (as amended) — Incorporated herein by reference to Exhibit 10(i) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2003.*
10(m)	Excess Savings Plan — Incorporated herein by reference to Exhibit 10(j) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(n)	Supplemental Retirement Plan — Incorporated herein by reference to Exhibit 10(h) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.*
10(o)	Executive Life Insurance Plan — Incorporated herein by reference to Exhibit 10(i) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.*
10(p)	Stock Option Gain Deferral Plan — Incorporated herein by reference to Exhibit 10(m) of the Registrant's Form 10-K Annual Report for the year ended January 2, 2000.*
10(q)	Estate Preservation Plan — Incorporated herein by reference to Exhibit 10(n) of the Registrant's Form 10-K Annual Report for the year ended January 2, 2000.*
10(r)	Summary of employment arrangements for Michael J. Dormer — Filed with this document.*
10(s)	Summary of compensation arrangements for Named Executive Officers and Directors — Filed with this document.*
12	Statement of Computation of Ratio of Earnings to Fixed Charges — Filed with this document.
13	— Pages 28 through 66 of the Company's Annual Report to Shareholders for fiscal year 2005 (only those portions of the Annual Report incorporated by reference in this report are deemed "filed") — Filed with this document.
21	Subsidiaries — Filed with this document.
23	Consent of Independent Registered Public Accounting Firm — Filed with this document.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — Filed with this document.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 — Filed with this document.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — Furnished with this document.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 — Furnished with this document.
99	Cautionary Statement Pursuant to Private Securities Litigation Reform Act of 1995 — "Safe Harbor" for Forward-Looking Statements — Filed with this document.

* Management contract or compensatory plan.

A copy of any of the Exhibits listed above will be provided without charge to any shareholder submitting a written request specifying the desired exhibit(s) to the Secretary at the principal executive offices of the Company.

EXHIBIT 10(r)

Summary of Employment Arrangements for Michael J. Dormer

There are certain arrangements and benefits in place for Mr. Michael J. Dormer, Worldwide Chairman, Medical Devices, and a Member of the Executive Committee, arising from his prior employment as the Chief Operating Officer of DePuy, Inc. When Johnson & Johnson acquired DePuy in 1998, Mr. Dormer was offered an employment agreement to replace his existing employment agreement with DePuy, Inc. In 2001, Mr. Dormer and the Company agreed to rescind his employment agreement when he was appointed to the Executive Committee and named Franchise Group Chairman for Medical Devices. Certain benefits and arrangements under Mr. Dormer's employment agreement were retained. The following arrangements and benefits were in place during 2005 and continue to be available to Mr. Dormer:

- If Mr. Dormer is terminated for reasons other than "cause," he will receive severance pay equal to the greater of one year's compensation (based on the average of the previous two year's base salary and bonus) and the Company's severance pay policy.
- Mr. Dormer's pension benefits will cover pre-acquisition service with DePuy, Inc.
- Upon retirement or involuntary termination of employment, the Company will pay relocation costs associated with Mr. Dormer's relocation to the United Kingdom, pursuant to the Company's relocation policy. In the event that Mr. Dormer dies while residing in the United States during his employment, the Company will provide full relocation assistance for his family's relocation to the United Kingdom, including, managing the sale of his home in the United States.
- The Company has funded a term life insurance policy for the benefit of Mr. Dormer's family to offset the negative estate tax implications should Mr. Dormer (or his spouse) die while residing in the United States during his employment by the Company.

EXHIBIT 10(s)

Summary of Compensation Arrangements for
Named Executive Officers and Directors

Compensation Arrangements for Named Executive Officers

Following is a description of the compensation arrangements that have been approved by the Compensation & Benefits Committee of the Board of Directors of Johnson & Johnson (the "Compensation Committee") on February 13, 2006 for the Company's Chief Executive Officer and the other four most highly compensated executive officers in 2005 (the "Named Executive Officers").

Annual Base Salary:

The Compensation Committee approved the following base salaries, effective February 27, 2006, for the Named Executive Officers:

William C. Weldon Chairman/CEO	$1,670,000
Robert J. Darretta Vice Chairman/CFO	$1,030,000
Christine A. Poon Vice Chairman/Worldwide Chairman, Medicines & Nutritionals	$975,000
Michael J. Dormer Worldwide Chairman, Medical Devices	$735,000
Per A. Peterson Chairman, R&D Pharmaceuticals Group	$835,000

Bonus:

The Compensation Committee has approved the following bonus payments for performance in 2005 (divided at the discretion of the Compensation Committee between cash and the fair market value of Common Stock awards on February 17, 2006):

Mr. Weldon	$3,000,000
Mr. Darretta	$891,000
Ms. Poon	$945,000
Mr. Dormer	$940,500
Dr. Peterson	$750,268

Stock Option and Restricted Share Unit Grants:

The Compensation Committee approved the following stock option and Restricted Share Unit ("RSU") grants under the Company's 2005 Long-Term Incentive Plan. The stock options were granted at an exercise price of $58.34, which was the fair market value of the Company's Common Stock on the date of grant. The options will become exercisable on February 13, 2009

and expire on February 12, 2016. The RSUs were granted at the fair market value of the Company's Common Stock on the date of grant. The RSUs will vest on February 13, 2009, upon which for each RSU, the holder, if still employed by the Company on such date, will receive one share of the Company's Common Stock.

Mr. Weldon	452,520 stock options	37,710 RSUs
Mr. Darretta	138,841 stock options	11,570 RSUs
Ms. Poon	205,691 stock options	17,141 RSUs
Mr. Dormer	128,557 stock options	10,713 RSUs
Dr. Peterson	128,557 stock options	10,713 RSUs

Long Term Incentive Plan Awards:

The Compensation Committee approved the following long-term incentive plan awards on February 13, 2006 in recognition of performance during 2005 under the Company's Certificate of Extra Compensation ("CEC") program. Awards are not paid out until retirement or other termination of employment. As of the end of fiscal year 2005, the CEC value per unit was $23.16. The value of the CEC units is preliminary and is subject to increase or decrease based on the performance of the Company.

Mr. Weldon	150,000 CEC units
Mr. Darretta	85,000 CEC units
Ms. Poon	200,000 CEC units
Mr. Dormer	80,000 CEC units
Dr. Peterson	25,000 CEC units

Compensation Arrangements for Non-Employee Directors

Each Non-Employee Director receives an annual fee of $85,000 for his or her services as director. In addition, directors receive $5,000 for service on a committee of the Board of Directors or $15,000 if chairperson of the committee. The Presiding Director is paid an annual fee of $10,000.

Under the 2005 Long-Term Incentive Plan, each Non-Employee Director receives non-retainer equity compensation each year in the form of restricted or deferred stock having a value of $100,000. Each Non-Employee Director received a grant of 1,714 shares of restricted stock, based upon the fair market value of the Common Stock of the Company on February 13, 2006, for service on the Board in 2005, except for Mr. Charles Prince, who was elected to the Board on that date. Each director receives a one-time grant of 1,000 shares of Company Common Stock upon first becoming a member of the Board of Directors.

EXHIBIT 12

JOHNSON & JOHNSON AND SUBSIDIARIES

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES[1]

(Dollars in Millions)

	Fiscal Year Ended				
	January 1, 2006	January 2, 2005	December 28, 2003	December 29, 2002	December 30, 2001
Determination of Earnings:					
Earnings Before Provision for Taxes on Income	$13,656	12,838	10,308	9,291	7,898
Fixed Charges	137	272	300	259	245
Total Earnings as Defined	$13,793	13,110	10,608	9,550	8,143
Fixed Charges and Other:					
Rents	83	85	93	99	92
Interest Expense Before Capitalization of Interest	165	323	315	258	248
Total Fixed Charges	$ 248	408	408	357	340
Ratio of Earnings to Fixed Charges	55.62	32.13	26.00	26.75	23.95

(1) The ratio of earnings to fixed charges is computed by dividing the sum of earnings before provision for taxes on income and fixed charges by fixed charges. Fixed charges represent interest expense (before interest is capitalized), amortization of debt discount and an appropriate interest factor on operating leases.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ORGANIZATION AND BUSINESS SEGMENTS

DESCRIPTION OF THE COMPANY AND BUSINESS SEGMENTS

The Company and its subsidiaries have approximately 115,600 employees worldwide engaged in the manufacture and sale of a broad range of products in the health care field. The Company conducts business in virtually all countries of the world and its primary focus has been on products related to human health and well-being.

The Company is organized into three business segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics. The Consumer segment manufactures and markets a broad range of products used in the baby and child care, skin care, oral and wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. These products are marketed principally to the general public and sold both to wholesalers and directly to independent and chain retail outlets throughout the world. The Pharmaceutical segment includes products in the following therapeutic areas: anti-fungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic (central nervous system) and urology areas. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use by the general public. The Medical Devices and Diagnostics segment includes a broad range of products used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. These products include Cordis' circulatory disease management products; DePuy's orthopaedic joint reconstruction and spinal care products; Ethicon's wound care and women's health products; Ethicon Endo-Surgery's minimally invasive surgical products; LifeScan's blood glucose monitoring products; Ortho-Clinical Diagnostics' professional diagnostic products and Vision Care's disposable contact lenses.

The Company's structure is based upon the principle of decentralized management. The Executive Committee of Johnson & Johnson is the principal management group responsible for the operations and allocation of the resources of the Company. This Committee oversees and coordinates the activities of the Consumer, Pharmaceutical and Medical Devices and Diagnostics business segments. Each subsidiary within the business segments is, with some exceptions, managed by citizens of the country where it is located.

In all of its product lines, the Company competes with companies both large and small, located throughout the world. Competition is strong in all product lines without regard to the number and size of the competing companies involved. Competition in research, involving the development and the improvement of new and existing products and processes, is particularly significant. The development of new and improved products is important to the Company's success in all areas of its business. This also includes protecting the Company's portfolio of intellectual property. The competitive environment requires substantial investments in continuing research and multiple sales forces. In addition, the development and maintenance of customer acceptance of the Company's consumer products involves significant expenditures for advertising and promotion.

MANAGEMENT'S OBJECTIVES

The Company's objective is to achieve superior levels of capital efficient profitable growth. To accomplish this, the Company's management operates the business consistent with certain strategic principles that have proven successful over time. To this end, the Company participates in growth areas in human health care and is committed to attaining leadership positions in these growth segments through the development of innovative products and services. New products introduced within the past five years accounted for over 33% of 2005 sales. In 2005, $6.3 billion, or 12.5% of sales were invested in research and development, an increase of $1.1 billion over 2004. This significant increase reflects management's commitment to the importance of on-going development of new and differentiated products and services, and to sustain long term growth.

With more than 230 operating companies located in 57 countries, the Company views its principle of decentralized management as an asset and fundamental to the success of a broadly based business. It also fosters an entrepreneurial spirit, combining the extensive resources of a large organization with the ability to react quickly to local market changes and challenges.

The Company is committed to developing global business leaders who can drive growth objectives. Businesses are managed for the long term in order to sustain leadership positions and achieve growth that provides an enduring source of value to our shareholders.

Unifying the management team and the Company's dedicated employees in achieving these objectives is the Johnson & Johnson Credo. The Credo provides a common set of values and serves as a constant reminder of the Company's responsibilities to its customers, employees, communities and shareholders. The Company believes that these basic principles, along with its overall mission of improving the quality of life for people everywhere, will enable Johnson & Johnson to continue to be among the leaders in the health care industry.

RESULTS OF OPERATIONS

ANALYSIS OF CONSOLIDATED SALES

In 2005, worldwide sales increased 6.7% to $50.5 billion, compared to increases of 13.1% in 2004 and 15.3% in 2003. These sales increases consisted of the following:

Sales increase due to:	2005	2004	2003
Volume	5.4%	8.7	9.4
Price	0.6	1.0	1.3

Currency	0.7	3.4	4.6
Total	6.7%	13.1	15.3

Sales by U.S. companies were $28.4 billion in 2005, $27.7 billion in 2004 and $25.3 billion in 2003. This represents an increase of 2.2% in 2005, 9.9% in 2004 and 12.6% in 2003. Sales by international companies were $22.1 billion in 2005, $19.6 billion in 2004 and $16.6 billion in 2003. This represents an increase of 13.1% in 2005, 18.0% in 2004 and 19.8% in 2003.

The five-year compound annual growth rates for worldwide, U.S. and international sales were 11.6%, 10.4% and 13.3%, respectively. The ten-year compound annual growth rates for worldwide, U.S. and international sales were 10.5%, 12.1% and 8.9%, respectively.

All international geographic regions experienced sales growth during 2005, consisting of 9.3% in Europe, 19.2% in the Western Hemisphere (excluding the U.S.) and 17.6% in the Asia-Pacific, Africa regions. These sales gains include a positive impact of currency fluctuations between the U.S. dollar and foreign currencies in Europe of 0.5%, in the Western Hemisphere (excluding the U.S.) of 9.2% and in the Asia-Pacific, Africa region of 0.8%.

In 2005, the Company did not have a customer that represented 10% of total revenues. In 2004, sales to Cardinal Distribution and McKesson HBOC accounted for 10.2% and 10.0% of total revenues. In 2003, sales to McKesson HBOC accounted for 10.5% of total revenues.

2004 results benefited from the inclusion of a 53rd week. (See Note 1 for Annual Closing Date details.) The Company estimated that the fiscal fourth quarter growth rate in 2004 was enhanced by approximately 2% and the year by approximately 0.5%. The net earnings impact of the additional week in 2004 was negligible.

ANALYSIS OF SALES BY BUSINESS SEGMENTS

CONSUMER SEGMENT

Consumer segment sales in 2005 were $9.1 billion, an increase of 9.2%, over 2004 with operational growth accounting for 7.8% of the total growth and 1.4% due to positive currency fluctuations. U.S. Consumer segment sales were $4.4 billion, an increase of 4.3%. International sales were $4.7 billion, an increase of 14.2%, with 11.3% as a result of operations and 2.9% due to currency fluctuations over 2004.

Consumer segment sales growth in 2005 was attributable to strong sales performance in the major franchises including Over-the-Counter (OTC) Pharmaceuticals and Nutritionals products, Skin Care, Women's Health and Baby & Kids Care. OTC franchise sales were $2.7 billion, an increase of 11.8% over 2004. Overall growth in this franchise primarily resulted from the rapid growth of SPLENDA(R) No Calorie Sweetener in the tabletop category and adult and pediatric analgesics. This sales growth was partially offset by the negative impact of retail restrictions implemented on products containing pseudoephedrine. This will continue to negatively impact the business until products containing pseudoephedrine are reformulated.

The Skin Care franchise sales in 2005 were $2.4 billion, representing a 12.2% increase over 2004. This was attributable to sales growth in RoC(R), AVEENO(R), CLEAN & CLEAR(R) and NEUTROGENA(R) brand products. The Women's Health franchise grew by 6.7% to $1.6 billion in 2005, with strong contributions from the K-Y(R) and STAYFREE(R) product lines. The Baby & Kids Care franchise grew by 7.9% to $1.6 billion in 2005. Growth in this franchise was led by the success of the JOHNSON'S(R) SOFTWASH(R) and SOFTLOTION(TM) product lines and BabyCenter.com(R).

MAJOR CONSUMER FRANCHISE SALES:

(Millions of Dollars)	2005	2004	2003	% Change '05 vs.'04	% Change '04 vs. '03
OTC Pharmaceuticals & Nutritionals	$2,678	2,395	2,044	11.8%	17.2
Skin Care	2,401	2,140	1,797	12.2	19.1
Women's Health	1,568	1,470	1,369	6.7	7.4
Baby & Kids Care	1,561	1,447	1,309	7.9	10.5
Other	888	881	912	0.8	(3.4)
Total	$9,096	8,333	7,431	9.2%	12.1

Consumer segment sales in 2004 were $8.3 billion, an increase of 12.1% over 2003, with operational growth accounting for 8.8% of the total growth, and 3.3% due to a positive currency impact. U.S. sales increased by 6.5% while international sales increased by 18.7%, with 11.5% due to operational gains and a positive currency impact of 7.2% over 2003. Consumer segment sales in 2003 were $7.4 billion, an increase of 13.2% over 2002, with 9.4% of the increase due to operational growth and 3.8% due to a positive currency impact. U.S. sales increased by 10.1% while international sales gains were 17.0%, with 8.6% due to operational gains and a positive currency impact of 8.4%.

PHARMACEUTICAL SEGMENT

Pharmaceutical segment sales in 2005 were $22.3 billion, an increase of 0.9% over 2004, with 0.4% of this change due to operational growth and the remaining 0.5% increase related to the positive impact of currency. U.S. Pharmaceutical segment sales decreased 3.2% while international Pharmaceutical segment sales increased 9.4%, which included 7.8% of operational growth and 1.6% related to the positive impact of currency.

Pharmaceutical segment sales in 2005 included a benefit from adjustments related to previously estimated performance based rebate allowances and managed care contracts. These adjustments were less than 1.0% of sales in both 2005 and 2004.

Sales growth within the segment was led by strong performances from RISPERDAL(R) (risperidone), REMICADE(R) (infliximab), TOPAMAX(R) (topiramate) and LEVAQUIN(R) (levofloxacin). However, this growth was offset by generic competition related to DURAGESIC(R) (fentanyl transdermal system), ULTRACET(R) (tramadol hydrochloride/acetaminophen), SPORANOX(R) (itraconazole) and hormonal contraceptives.

A key driver of growth for the segment in 2005 was the continued success of RISPERDAL(R) (risperidone), and RISPERDAL(R) CONSTA(R) (risperidone), a long acting injection medication that treats the symptoms of schizophrenia. These products achieved $3.6 billion in sales, an increase of 16.5% over the prior year. Ongoing country approvals for the use of RISPERDAL(R) for additional indications have been a key factor in product growth.

PROCRIT(R) (Epoetin alfa) and EPREX(R) (Epoetin alfa) performance continued to be adversely affected by competition. Combined, these two products had sales of $3.3 billion in 2005, a decline of 7.4% as compared to 2004. Volume associated with share loss to competitive products was the primary driver of the decline.

REMICADE(R) (infliximab), a biologic approved for the treatment of Crohn's disease, ankylosing spondylitis, and use in the treatment of rheumatoid and psoriatic arthritis experienced sales of $2.5 billion, with strong growth of 18.2% over the prior year. The U.S. FDA granted approval for REMICADE(R) to be used in the treatment of psoriatic arthritis, during the fiscal second quarter of 2005. REMICADE(R) received approval for the treatment of ulcerative colitis by the FDA in the fiscal third quarter of 2005 and by the European Commission in the fiscal first quarter of 2006. Additionally, the European Commission granted approval for use in the treatment of severe plaque psoriasis during the fiscal fourth quarter of 2005. These approvals contributed to strong growth of REMICADE(R) in 2005.

Sales of TOPAMAX(R) (topiramate), which has been approved for adjunctive use in epilepsy, as well as for the prophylactic treatment of migraines, accounted for $1.7 billion in sales, achieving strong growth of 19.1% over the prior year. In June of 2005, TOPAMAX(R) was also approved by the FDA for use as an initial monotherapy in the treatment of epilepsy.

DURAGESIC(R) (fentanyl transdermal system) sales declined to $1.6 billion in 2005, a 23.9% reduction over 2004, primarily driven by the negative impact of generic competition in the U.S. beginning in January 2005. Additionally, generic versions of DURAGESIC(R) have been launched in Europe. An authorized generic version of DURAGESIC(R), being marketed for the Company in the U.S., was launched in the fiscal first quarter of 2005.

LEVAQUIN(R) (levofloxacin) and FLOXIN(R) (ofloxacin) achieved combined sales of $1.5 billion in 2005, representing growth of 15.2% over the prior year, benefiting from strong market growth. During the fiscal third quarter of 2005, LEVAQUIN(R) obtained FDA approval for short course treatment of acute bacterial sinusitis.

The hormonal contraceptive franchise accounted for $1.1 billion in sales, declining by 11.1% over the prior year. Reduced sales of ORTHO TRI-CYCLEN(R) (norgestimate/ethinyl estradiol), resulting from generic competition, were partially offset by strong growth in ORTHO TRI-CYCLEN(R) LO (norgestimate/ethinyl estradiol), a low dose oral contraceptive. While there was an overall sales increase in 2005 as compared to 2004 in ORTHO EVRA(R) (norelgestromin/ethinyl estradiol), the first contraceptive patch approved by the FDA, labeling changes and negative media coverage concerning product safety are expected to impact sales in 2006.

MAJOR PHARMACEUTICAL PRODUCT REVENUES:

(Millions of Dollars)	2005	2004	2003	% Change '05 vs. '04	% Change '04 vs. '03
RISPERDAL(R) (risperidone)/RISPERDAL(R) CONSTA(R) (risperidone)	$ 3,552	3,050	2,512	16.5%	21.4
PROCRIT(R)/EPREX(R) (Epoetin alfa)	3,324	3,589	3,984	(7.4)	(9.9)
REMICADE(R) (infliximab)	2,535	2,145	1,729	18.2	24.1
TOPAMAX(R) (topiramate)	1,680	1,410	1,043	19.1	35.2
DURAGESIC(R) (fentanyl transdermal system)/Fentanyl Transdermal	1,585	2,083	1,631	(23.9)	27.7
LEVAQUIN(R)/FLOXIN(R) (levofloxacin/ofloxacin)	1,492	1,296	1,149	15.2	12.8
ACIPHEX(R)/PARIET(R) (rabeprazole sodium)	1,169	1,116	966	4.7	15.5
Hormonal Contraceptives	1,136	1,278	1,175	(11.1)	8.8
Other	5,849	6,161	5,328	(5.1)	15.6
Total	$22,322	22,128	19,517	0.9%	13.4

CONCERTA(R) (methylphenidate HCl), a product for the treatment of attention deficit hyperactivity disorder, achieved sales of $0.8 billion in 2005, representing an increase of 11.4% over 2004. At present, the FDA has not approved any generic version that is substitutable for CONCERTA(R). Abbreviated New Drug Applications (ANDAs) for generic versions of CONCERTA(R) are pending and may be approved at any time. Recent negative publicity and FDA activities concerning attention deficit hyperactivity products may impact CONCERTA(R) sales in 2006.

NATRECOR(R) (nesiritide), a product for the treatment of patients with acutely decompensated congestive heart failure who have dyspnea at rest or with minimal activity, has experienced a significant decline in demand due to recent negative media coverage regarding a meta analysis of selected historical clinical trials. The Company believes that there are no new data supporting the conclusions of these medical and consumer publications and the currently approved label for NATRECOR(R) reflects all available data to date. In response, the Company assembled an expert panel to review the available data and clinical development plans for the product and engaged in dialogue with the FDA. Both the panel and the FDA support the continued appropriate use of NATRECOR(R).

NATRECOR(R), a Scios Inc. product, was purchased by the Company in 2003 and resulted in the recording of an intangible asset, which is being amortized over 15 years. The remaining unamortized intangible value associated with NATRECOR(R) was $1.1 billion at the end of the fiscal fourth quarter of 2005, and based on the current estimate of projected future cash flows, no adjustment to this intangible asset is required.

Pharmaceutical segment sales in 2004 included the benefit from adjustments related to previously estimated performance-based rebate allowances in managed care contracts. These adjustments were made based on a review of actual performance levels as achieved by customers, compared to expected performance levels. These favorable adjustments amounted to less than one percentage point of the Pharmaceutical segment's operational growth in 2004. The vast majority of the impact of this adjustment was in the hormonal contraceptive franchise.

Pharmaceutical segment sales in 2004 were $22.1 billion, an increase of 13.4% over 2003, with 10.7% of this change due to operational growth and the remaining 2.7% increase related to the positive impact of currency. U.S. Pharmaceutical segment sales increased 12.7% while international Pharmaceutical segment sales increased 14.8%, which included 6.4% growth operationally and 8.4% related to the positive impact of currency. Pharmaceutical segment sales in 2003 were $19.5 billion, an increase of 13.8% over 2002, with 9.7% due to operational growth and 4.1% due to positive currency fluctuations. U.S. sales increased by 11.3% while international sales grew 19.4% over 2002. This included operational growth of 6.0% and a 13.4% positive impact from currency.

MEDICAL DEVICES AND DIAGNOSTICS SEGMENT

The Medical Devices and Diagnostics segment achieved sales of $19.1 billion in 2005, representing an increase over the prior year of 13.1%, with operational growth of 12.5% and a positive impact from currency of 0.6%. U.S. sales increased 10.6% while international sales increased 15.7%, with 14.5% from operations and 1.2% from currency.

Strong sales growth in the Medical Devices and Diagnostics segment was achieved by multiple franchises.

The Cordis franchise was a key contributor to the segment results with reported sales of $4.0 billion, an increase of 24.0% over the prior year. The primary growth driver of the Cordis franchise was the CYPHER(R) Sirolimus-eluting Stent in both U.S. and international markets, with excellent growth in Japan. Biosense Webster also contributed to the success of the Cordis franchise, with continued solid double-digit growth. During the fiscal fourth quarter of 2005, Biosense Webster received approval for the use of the CELSIUS(TM) RMT diagnostic ablation steerable tip catheter.

In April and July of 2004, the Cordis Cardiology Division of Cordis Corporation received warning letters from the FDA regarding Good Manufacturing Practice regulations and Good Clinical Practice regulations. These observations followed post-approval site inspections completed in 2003 and early 2004, including sites involved in the production of the CYPHER(R) Sirolimus-eluting Stent. In response to the warning letters, Cordis has made improvements to its quality systems and anticipates follow-up site inspections in the fiscal first and second quarters of 2006.

MAJOR MEDICAL DEVICES AND DIAGNOSTICS FRANCHISE SALES:

				% Change	
(Millions of Dollars)	2005	2004	2003	'05 vs.'04	'04 vs. '03
CORDIS(R)	$ 3,982	3,213	2,707	24.0%	18.7
DEPUY(R)	3,847	3,420	3,008	12.5	13.7
ETHICON(R)	3,101	2,838	2,639	9.3	7.5
ETHICON ENDO-SURGERY(R)	3,096	2,849	2,587	8.7	10.1
LIFESCAN(R)	1,909	1,701	1,426	12.3	19.3
Vision Care	1,694	1,530	1,297	10.7	18.0
ORTHO-CLINICAL DIAGNOSTICS(R)	1,408	1,273	1,176	10.6	8.2
Other	59	63	74	(6.3)	(14.9)
Total	$19,096	16,887	14,914	13.1%	13.2

The DePuy franchise reported $3.8 billion in sales, which represents 12.5% growth over the prior year. Double-digit growth in DePuy's orthopaedic joint reconstruction unit led the increase for this franchise. Strong sales growth was also achieved in DePuy's spine unit and Mitek sports medicine products.

The Ethicon worldwide franchise achieved $3.1 billion of sales in 2005, representing 9.3% growth over the prior year. Contributing to the strong results was the continued growth of suture and mesh products, including VICRYL(R) (polyglactin 910) Plus, an anti-bacterial coated suture, MULTIPASS(R) Needles and PROCEED(R) tissue separating mesh.

The Ethicon Endo-Surgery franchise reported $3.1 billion of sales in 2005, representing 8.7% growth over the prior year. This growth was mainly driven by endocutter sales that include products used in performing bariatric procedures for the treatment of obesity, an important focus area for the franchise. Double-digit sales increases in the Advanced Sterilization Products line were also a key contributor to the overall sales growth of the franchise.

The LifeScan franchise reported $1.9 billion of sales in 2005, a growth rate of 12.3% over the prior year. The ONETOUCH(R) ULTRA(R) product line achieved strong growth in 2005.

The Vision Care franchise achieved $1.7 billion of sales in 2005, which was a growth rate of 10.7% over the prior year, led by the continued success of ACUVUE(R) ADVANCE(TM) Brand Contact Lenses with HYDRACLEAR(TM) and 1-DAY ACUVUE(R). An additional contributor was ACUVUE(R) OASYS(TM) with HYDRACLEAR(TM), for tired and dry eyes, which was launched in the fiscal third quarter of 2005.

The Ortho-Clinical Diagnostics franchise reported $1.4 billion of sales in 2005, representing 10.6% growth over the prior year. This growth was mainly driven by the continued market penetration of automated blood typing products, ongoing growth of the ECI product line and the success of the VITROS(R) 5, 1 FS Clinical Chemistry system.

The Medical Devices and Diagnostics segment achieved sales of $16.9 billion in 2004, representing an increase over the prior year of 13.2%, with operational growth of 9.0% and a positive impact from currency of 4.2%. U.S. sales increased 6.9% while international sales increased 20.7%, with 11.4% from operations and 9.3% from currency. In 2003, the Medical Devices and Diagnostics segment achieved sales of $14.9 billion, representing an increase over the prior year of 18.5% with operational growth of 12.8% and a positive impact from currency of 5.7%. U.S. sales increased 15.9% while international sales increased 21.7%, with 9.0% from operations and 12.7% from currency.

ANALYSIS OF CONSOLIDATED EARNINGS BEFORE PROVISION FOR TAXES ON INCOME

Consolidated earnings before provision for taxes on income increased to $13.7 billion, or 6.4%, over the $12.8 billion earned in 2004. The increase in 2004 was 24.5% over the $10.3 billion in 2003. As a percent to sales, consolidated earnings before provision for taxes on income in 2005 was 27.0%, representing a decrease of 0.1% over the 27.1% in 2004. For 2004, the improvement was 2.5% over the 24.6% in 2003, and the decline in 2003 was 1.0% over 2002. The sections that follow highlight the significant components of the changes in consolidated earnings before provision for taxes on income.

COST OF PRODUCTS SOLD AND SELLING, MARKETING AND ADMINISTRATIVE EXPENSES: Cost of products sold and selling, marketing and administrative expenses as a percent to sales were as follows:

% of Sales	2005	2004	2003
Cost of products sold	27.6%	28.4	29.1
Percent increase/(decrease) over the prior year	(0.8)	(0.7)	0.3
Selling, marketing and administrative expenses	33.4%	33.5	33.7
Percent increase/(decrease) over the prior year	(0.1)	(0.2)	-

In 2005, there was a decrease in the percent to sales of cost of products sold. This was due to lower manufacturing costs primarily related to the CYPHER(R) Sirolimus-eluting Stent, as well as ongoing cost containment activity across the organization, partially offset by the negative impact of pharmaceutical product mix. There was also a decrease in the percent to sales of selling, marketing and administrative expenses. This was due to cost containment initiatives in the Pharmaceutical segment partially offset by increases in investment spending in the Medical Devices and Diagnostics segment.

In 2004, there was a decrease in the percent to sales of cost of products sold. This was due to favorable mix, as well as cost improvement initiatives. There was also a decrease in the percent to sales of selling, marketing and administrative expenses. This was due to the Company's focus on managing expenses, partially offset by an increase in investment spending across a number of businesses focused on driving future growth. In 2003, there was no change in the percent to sales of selling, marketing and administrative expenses and an increase in the percent to sales of cost of products sold. This was due to the changes in the mix of products with varying cost structures, as well as the cost of the retirement enhancement program of $95 million expensed in the fiscal fourth quarter of 2003.

RESEARCH AND DEVELOPMENT: Research activities represent a significant part of the Company's business. These expenditures relate to the development of new products, improvement of existing products, technical support of products and compliance with governmental regulations for the protection of consumers and patients. Worldwide costs of research activities, excluding in process research and development charges, were as follows:

(Millions of Dollars)	2005	2004	2003
Research expense	$6,312	5,203	4,684
Percent increase over the prior year	21.3%	11.1	18.4
Percent of sales	12.5%	11.0	11.2

Research and development expense as a percent of sales for the Pharmaceutical segment was 19.9% for 2005, 16.4% for 2004 and 16.4% for 2003. Combined the Consumer and Medical Devices and Diagnostics segments averaged 6.6%, 6.2% and 6.7% in 2005, 2004 and 2003, respectively.

Research activities accelerated in the Pharmaceutical segment, increasing to $4.4 billion, or 22.3%, over 2004. The compound annual growth rate was approximately 16.4% for the five-year period since 2000.

The increased investment in research and development in all segments demonstrates the Company's focus on knowledge based products, and reflects a significant number of projects in late stage development.

IN-PROCESS RESEARCH AND DEVELOPMENT: In 2005, the Company recorded in-process research and development (IPR&D) charges of $362 million before tax related to the acquisitions of TransForm Pharmaceuticals, Inc., Closure Medical Corporation, Peninsula Pharmaceuticals, Inc., and the international commercial rights to certain patents and know-how in the field of sedation and analgesia from Scott Lab, Inc. TransForm Pharmaceuticals, Inc., a company specializing in the discovery of superior formulations and novel crystalline forms of drug molecules, accounted for $50 million before tax of the IPR&D charges and was included in the operating profit of the Pharmaceutical segment. Closure Medical Corporation, a company with expertise and intellectual property in the biosurgicals market, accounted for $51 million before tax of the IPR&D charges and was included in the operating profit of the Medical Devices and Diagnostics segment. Peninsula Pharmaceuticals, Inc., a biopharmaceutical company focused on developing and commercializing antibiotics to treat life-threatening infections, accounted for $252 million before tax of the IPR&D charges and was included in the operating profit of the Pharmaceutical segment. The $9 million before tax IPR&D charge related to Scott Lab, Inc. referred to above was included in the operating profit of the Medical Devices and Diagnostics segment.

In 2004, the Company recorded IPR&D charges of $18 million before tax as a result of the acquisition of U.S. commercial rights to certain patents and know-how in the field of sedation and analgesia from Scott Lab, Inc. This charge was included in the operating profit of the Medical Devices and Diagnostics segment.

In 2003, the Company recorded IPR&D charges of $918 million before tax related to the acquisitions of Scios Inc., Link Spine Group, Inc., certain assets of Orquest, Inc. and 3-Dimensional Pharmaceuticals, Inc. Scios Inc. is a biopharmaceutical company with a marketed product for cardiovascular disease and research projects focused on autoimmune diseases. The acquisition of Scios Inc. accounted for $730 million before tax of the IPR&D charges and was included in the operating profit of the Pharmaceutical segment. Link Spine Group, Inc. was acquired to provide the Company with exclusive worldwide rights to the CHARITE(TM) Artificial Disc for the treatment of spine disorders. The acquisition of Link Spine Group, Inc. accounted for $170 million before tax of the IPR&D charges and was included in the operating profit of the Medical Devices and Diagnostics segment. Orquest, Inc. is a biotechnology company focused on developing biologically-based implants for orthopaedic spine surgery. The acquisition of certain assets of Orquest, Inc. accounted for $11 million before tax of the IPR&D charges and was included in the operating profit of the Medical Devices and Diagnostics segment. 3-Dimensional Pharmaceuticals, Inc. is a company with a technology platform focused on the discovery and development of potential new drugs in early stage development for inflammation. The acquisition of 3-Dimensional Pharmaceuticals, Inc. accounted for $7 million before tax of the IPR&D charges and was included in the operating profit of the Pharmaceutical segment.

OTHER (INCOME) EXPENSE, NET: Other (income) expense includes gains and losses related to the sale and write-down of certain investments in equity securities held by Johnson & Johnson Development Corporation, gains and losses on the disposal of property, plant and equipment, currency gains and losses, minority interests, litigation settlement (income) expense and royalty income. The change in net other (income) expense from 2004 to 2005 was an increase in income of $229 million.

For 2005, the other income balance of $214 million included royalty income partially offset by several expense items, none of which were individually significant.

For 2004, the other expense balance of $15 million included several expense items, none of which were individually significant, partially offset by royalty income.

In 2003, other income of $385 million included a favorable ruling from a stent patent settlement of $230 million. This amount was received during the fourth quarter of 2003 and was included in the Medical Devices and Diagnostics segment operating profit. Also included in the Medical Devices and Diagnostics segment operating profit was the gain on the sale of various product lines that were no longer compatible with this segment's strategic goals. Other income for 2003 also included the recovery of a $40 million loan, previously written off, included in the Pharmaceutical segment operating profit.

OPERATING PROFIT BY SEGMENT

Operating profits by segment of business were as follows:

			Percent of Segment Sales	
(Millions of Dollars)	2005	2004	2005	2004
Consumer	$ 1,667	1,514	18.3%	18.2
Pharmaceutical	6,610	7,608	29.6	34.4
Med Devices and Diag	5,418	4,091	28.4	24.2
Segments total	13,695	13,213	27.1	27.9
Less: Expenses not allocated to segments(1)	39	375		
Earnings before provision for taxes				

on income	$ 13,656	12,838	27.0%	27.1

(1) Amounts not allocated to segments include interest (income)/expense, minority interest, and general corporate (income)/expense.

CONSUMER SEGMENT: Consumer segment operating profit in 2005 increased 10.1% over the prior year. As a percent to sales, 2005 increased slightly to 18.3%, despite increases in investment spending in advertising and research and development. Consumer segment operating profit in 2004 increased 8.7% over the prior year. As a percent to sales, 2004 experienced a decrease of 0.5% from 2003, primarily due to additional investment in consumer promotions and advertising in the Over-the-Counter Pharmaceuticals and Nutritionals franchise.

PHARMACEUTICAL SEGMENT: In 2005, Pharmaceutical segment operating profit decreased 13.1%, and as a percent to sales declined 4.8% from 2004 to 29.6%. This change was primarily due to increased investment in research and development spending, as well as the impact of $302 million of IPR&D expenses in 2005. In 2004, Pharmaceutical segment operating profit increased 29.0% and reflected an operating profit as a percent to sales improvement of 4.2% over 2003 to 34.4%. This change was primarily due to the impact of $737 million of IPR&D expenses in 2003.

MEDICAL DEVICES AND DIAGNOSTICS SEGMENT: In 2005, the Medical Devices and Diagnostics segment operating profit increased 32.4%, and as a percent to sales increased 4.2% from 2004 to 28.4%. This increase was driven by improved gross margins due to cost reduction programs and product mix, primarily related to the CYPHER(R) Sirolimus-eluting Stent. This was partially offset by an increased investment in research and development spending. In 2004, the Medical Devices and Diagnostics segment operating profit increased 21.4%. The increase over the prior year was achieved through improved gross margins, resulting from cost reduction programs and product mix, and the impact of $181 million of IPR&D expenses related to acquisitions in 2003.

INTEREST (INCOME) EXPENSE: Interest income in 2005 increased by $292 million due primarily to higher rates of interest, as well as a higher average cash balance. The cash balance, including current marketable securities, was $16.1 billion at the end of 2005 and averaged $14.3 billion, as compared to the $11.3 billion average cash balance in 2004.

Interest expense in 2005 decreased as compared to 2004 due in part to a decrease in the average debt balance, from $3.5 billion in 2004 to $2.6 billion in 2005.

Interest income in 2004 increased by $18 million due primarily to a higher cash balance. The cash and marketable securities combined balance at the end of 2004 was $12.9 billion and averaged $11.3 billion, which is significantly higher than the $8.6 billion average cash balance in 2003.

Interest expense in 2004 decreased by $20 million as compared to 2003 primarily due to a decrease in the average debt balance, from $5.0 billion in 2003 to $3.5 billion in 2004.

PROVISION FOR TAXES ON INCOME: The worldwide effective income tax rate was 23.8% in 2005, 33.7% in 2004 and 30.2% in 2003. The decrease in the tax rate was attributable to a tax benefit of $225 million, recorded in 2005, related to a technical correction associated with the American Jobs Creation Act of 2004. Also contributing to the decrease in the 2005 tax rate was the increase in taxable income in lower tax jurisdictions relative to taxable income in higher tax jurisdictions, as a result of increased expenditures in higher tax jurisdictions and a shift in sales mix. These benefits were partially offset by non-deductible IPR&D charges. The increase in the effective tax rate in 2004 was primarily due to the $789 million tax cost on the intended repatriation of undistributed international earnings associated with the American Jobs Creation Act of 2004, which added 6.1% to the effective income tax rate.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Cash generated from operations and selected borrowings provide the major sources of funds for the growth of the business, including working capital, capital expenditures and acquisitions. Other uses of cash include share repurchases, dividends and debt repayments.

In 2005, cash flow from operations was $11.9 billion, an increase of $0.7 billion over 2004. The increase in cash generated from operations was a result of a net income increase of $2.2 billion, net of the non-cash impact of IPR&D charges. A $1.0 billion decrease in other current and non-current assets also contributed to this increase. This was partially offset by a $1.5 billion decrease in accounts payable and accrued liabilities. Additionally, cash payments of approximately $0.5 billion were made for previously accrued taxes on the repatriation of undistributed international earnings in accordance with the American Jobs Creation Act of 2004. There was also an increase of approximately $0.2 billion in pension funding in 2005 as compared to 2004.

Net cash used for investing activities decreased by $2.1 billion in 2005 due to a $3.1 billion net increase in the sales of investments. This was partially offset by a $0.5 billion increase in capital expenditures and a $0.4 billion increase in acquisition activity. For a more detailed discussion on mergers and acquisitions, see Note 17.

Net cash used for financing activities decreased by $0.6 billion in 2005 due to a net issuance of debt partially offset by an increase in dividends and increased levels of common stock repurchases.

Cash and current marketable securities were $16.1 billion at the end of 2005 as compared with $12.9 billion at the end of 2004.

Cash generated from operations amounted to $11.1 billion in 2004, which was $0.5 billion more than the cash generated from operations in 2003 of $10.6 billion. The major factor contributing to the increase was a net income increase of $0.4 billion, net of the non-cash impact of IPR&D charges.

FINANCING AND MARKET RISK

The Company uses financial instruments to manage the impact of foreign exchange rate changes on cash flows. Accordingly, the Company enters into forward foreign exchange contracts to protect the value of existing foreign currency assets and liabilities and to hedge future foreign currency product costs. Gains or losses on these contracts are offset by the gains or losses on the underlying transactions. A 10% appreciation of the U.S. Dollar from the January 1, 2006 market rates would increase the unrealized value of the Company's forward contracts by $267 million. Conversely, a 10% depreciation of the U.S. Dollar from the January 1, 2006 market rates would decrease the unrealized value of the Company's forward contracts by $326 million. In either scenario, the gain or loss on the forward contract would be offset by the change in value of the forecasted transaction, and therefore, would have no impact on future earnings and cash flows.

The Company hedges the exposure to fluctuations in currency exchange rates, and the effect on certain assets and liabilities in foreign currency, by entering into currency swap contracts. A 1% change in the spread between U.S. and foreign interest rates on the Company's interest rate sensitive financial instruments would either increase or decrease the unrealized value of the Company's swap contracts by approximately $60 million. In either scenario, at maturity, the gain or loss on the swap contract would be offset by the gain or loss on the underlying transaction and therefore would have no impact on future earnings or cash flows.

The Company does not use financial instruments for trading or speculative purposes. Further, the Company has a policy of only entering into contracts with parties that have at least an "A" (or equivalent) credit rating. The counterparties to these contracts are major financial institutions and there is no significant concentration of exposure with any one counterparty. Management believes the risk of loss is remote.

Total unused credit available to the Company approximates $3.6 billion, including $1.5 billion of credit commitments, of which $0.75 billion expire September 28, 2006 and $0.75 billion expire September 29, 2010. Also included are $0.8 billion of uncommitted lines with various banks worldwide that expire during 2006.

Total borrowings at the end of 2005 and 2004 were $2.7 billion and $2.8 billion, respectively. In 2005, net cash (cash and current marketable securities, net of debt) was $13.5 billion compared to net cash of $10.0 billion in 2004. Total debt represented 6.6% of total capital (shareholders' equity and total debt) in 2005 and 8.2% of total capital in 2004. Shareholders' equity per share at the end of 2005 was $12.73 compared with $10.71 at year-end 2004, an increase of 18.9%.

On August 19, 2005, Scios Inc. exercised its right to redeem all of its outstanding $150 million original principal amount of 5.50% Convertible Subordinated Notes due in 2009. The redemption price was 103.143% of the principal amount or $1,031.43 per $1,000 principal amount of Debentures, with accrued interest to, but excluding, the date of redemption.

For the period ended January 1, 2006, there were no material cash commitments. Johnson & Johnson continues to be one of a few industrial companies with a Triple A credit rating. A summary of borrowings can be found in Note 6.

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has long-term contractual obligations, primarily lease, debt obligations and unfunded retirement plans, with no other significant obligations. To satisfy these obligations, the Company will use cash from operations. The following table summarizes the Company's contractual obligations and their aggregate maturities as of January 1, 2006 (see Notes 4, 6 and 13 for further details):

(Millions of Dollars)	Operating Leases	Long-Term Debt Obligations(1)	Unfunded Retirement Plans	Total
2006	$ 162	12	37	211
2007	142	17	40	199
2008	119	8	41	168
2009	103	208	44	355
2010	88	9	46	143
After 2010	151	1,776	267	2,194
Total	$ 765	2,030	475	3,270

(1) Amounts do not include interest expense.

DIVIDENDS

The Company increased its dividend in 2005 for the 43rd consecutive year. Cash dividends paid were $1.275 per share in 2005, compared with dividends of $1.095 per share in 2004 and $0.925 per share in 2003. The dividends were distributed as follows:

	2005	2004	2003
First quarter	$0.285	0.240	0.205
Second quarter	0.330	0.285	0.240
Third quarter	0.330	0.285	0.240
Fourth quarter	0.330	0.285	0.240
Total	$1.275	1.095	0.925

On January 4, 2006, the Board of Directors declared a regular cash dividend of $0.33 per share, payable on March 14, 2006, to shareholders of record as of February 28, 2006. The Company expects to continue the practice of paying regular cash dividends.

OTHER INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of results of operations and financial condition are based on the Company's consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires that management make estimates and assumptions that affect the amounts reported for revenues, expenses, assets, liabilities and other related disclosures. Actual results may or may not differ from these estimates. The Company believes that the understanding of certain key accounting policies and estimates are essential in achieving more insight into the Company's operating results and financial condition. These key accounting policies include revenue recognition, income taxes, legal and self insurance contingencies, valuation of long-lived assets and assumptions used to determine the amounts recorded for pensions and other employee benefit plans and accounting for stock options.

REVENUE RECOGNITION: The Company recognizes revenue from product sales when goods are shipped or delivered and title and risk of loss pass to the customer. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are accounted for as reductions in sales in the same period the related sales are recorded.

Product discounts granted are based on the terms of arrangements with direct, indirect and other market participants, as well as market conditions, including prices charged by competitors. Rebates, the largest being the Medicaid rebate provision, are estimated based on sales terms, historical experience, trend analysis and projected market conditions in the various markets served. The Company evaluates market conditions for products or groups of products primarily through the analysis of wholesaler and other third party sell-through and market research data, as well as internally generated information.

Sales returns are generally estimated and recorded based on historical sales and returns information. Products that exhibit unusual sales or return patterns due to dating, competition or other marketing matters are specifically investigated and analyzed as part of the accounting for sales return accruals.

The Company also earns service revenue for co-promotion of certain products. For all years presented, service revenues were less than 2% of total revenues and are included in sales to customers.

INCOME TAXES: Income taxes are recorded based on amounts refundable or payable for the current year and include the results of any difference between U.S. GAAP accounting and U.S. tax reporting that are recorded as deferred tax assets or liabilities. The Company estimates deferred tax assets and liabilities based on current tax regulations and rates. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities in the future. Management believes that changes in these estimates would not result in a material effect on the Company's results of operations, cash flows or financial position.

In 2005, the Company repatriated the previously disclosed $10.8 billion of undistributed international earnings in accordance with the American Jobs Creation Act of 2004 (AJCA), and recorded a tax charge of $789 million during the fiscal fourth quarter of 2004. During the fiscal second quarter of 2005, the Company recorded a tax benefit of $225 million, due to the reversal of the tax liability previously recorded during the fiscal fourth quarter of 2004, associated with a technical correction made to the AJCA in May 2005. At January 1, 2006 and January 2, 2005, the cumulative amount of undistributed international earnings were approximately $12.0 billion and $18.6 billion, respectively. The Company intends to continue to reinvest its undistributed international earnings to expand its international operations; therefore, no U.S. tax expense has been recorded to cover the undistributed portion not intended for repatriation.

LEGAL AND SELF INSURANCE CONTINGENCIES: The Company records accruals for various contingencies including legal proceedings and product liability cases as these arise in the normal course of business. The accruals are based on management's judgment as to the probability of losses, opinions of legal counsel and, where applicable, actuarially determined estimates. Additionally, the Company records insurance receivable amounts from third party insurers when recovery is probable. As appropriate, reserves against these receivables are recorded for estimated amounts that may not be collected from third party insurers.

LONG-LIVED AND INTANGIBLE ASSETS: The Company assesses changes in economic conditions and makes assumptions regarding estimated future cash flows in evaluating the value of the Company's property, plant and equipment, goodwill and intangible assets. As these assumptions and estimates may change over time, it may or may not be necessary for the Company to record impairment charges. In fiscal years 2005, 2004 and 2003, certain tangible and intangible assets were written down to fair value with the resulting charge recorded in cost of products sold, which was insignificant.

EMPLOYEE BENEFIT PLANS: The Company sponsors various retirement and pension plans, including defined benefit, defined contribution and termination indemnity plans, that cover most employees worldwide. These plans are based on assumptions for the discount rate, expected return on plan assets, expected salary increases and health care cost trend rates. See Note 13 for further detail on these rates and the effect a rate change would have on the Company's results of operations.

STOCK OPTIONS: The Company has elected to use Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), that does not require compensation costs related to stock options to be charged against net income, as all options granted under the various stock options plans had an exercise price equal to the market value of the underlying common stock at grant date. Statement of Financial Accounting Standard (SFAS) No. 148 Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123, requires pro forma disclosure of net income and earnings per share determined as if the fair value method of accounting for stock options had been applied in measuring compensation cost. See Notes 1 and 10 for further information regarding stock options.

NEW ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123(R), Share Based Payment. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions (such as employee stock options and restricted stock units). The statement requires the measurement of the cost of employee services received in exchange for an award of equity instruments (such as employee stock options and restricted stock units) at fair value on the grant date. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award (the requisite service period). On April 14, 2005 the SEC approved a new rule that delayed the effective date of SFAS No. 123(R) for annual, rather than interim, periods that begin after June 15, 2005. As a result, the Company will adopt this statement in the fiscal first quarter of 2006.

Upon adoption of this standard, the Company currently intends to apply the modified retrospective transition method. Previously reported financial statements will be restated to reflect SFAS No. 123 disclosure amounts. As required by SFAS No. 148, Accounting for Stock Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123, the Company has disclosed the net income and earnings per share effect had the Company applied the fair value recognition provision of SFAS No. 123. The disclosure impact in 2005 and 2004 was compensation expense, net of tax, of $351 million and $329 million and earnings per share of $0.12 and $0.11, respectively.

The Company will implement SFAS 151, Inventory Costs, an amendment of ARB No. 43 in the fiscal first quarter of 2006. The Company believes the adoption of this statement will not have a material effect on its results of operations, cash flows or financial position.

The Company implemented FIN 47, Accounting for Conditional Asset Retirement Obligations-an interpretation of FASB Statement No. 143, during the fiscal fourth quarter of 2005. The implementation of this Standard did not have a material effect on the Company's results of operations, cash flows or financial position.

The Company implemented SFAS 153, Exchanges of Non-monetary Assets, an amendment of APB 29 during the fiscal third quarter of 2005, which did not have a material effect on its results of operations, cash flows or financial position.

The following accounting pronouncements became effective in 2004 and did not have a material impact on the Company's results of operations, cash flows or financial position.

- - EITF Issue 02-14: Whether an Investor should apply the Equity Method of Accounting to Investments other than Common Stock.
- - EITF Issue 04-1: Accounting for Preexisting Relationships between the Parties to a Business Combination.

The following accounting pronouncements became effective in 2003 and did not have a material impact on the Company's results of operations, cash flows or financial position.

- - FSP FAS No. 106-1: Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.
- - SFAS No. 149: Amendment of Statement 133 on Derivative Instruments and Hedging Activities.
- - FIN 46 and FIN 46(R): Consolidation of Variable Interest Entities - an interpretation of ARB No. 51.

ECONOMIC AND MARKET FACTORS

Johnson & Johnson is aware that its products are used in an environment where, for more than a decade, policymakers, consumers and businesses have expressed concerns about the rising cost of health care. In response to these concerns, Johnson & Johnson has a long standing policy of pricing products responsibly. For the period 1995-2005, in the U.S., the weighted average compound annual growth rate of Johnson & Johnson net price increases for health care products (prescription and over-the-counter drugs, hospital and professional products) was below the U.S. Consumer Price Index (CPI).

Inflation rates, even though moderate in many parts of the world during 2005, continue to have an effect on worldwide economies and, consequently, on the way companies operate. In the face of increasing costs, the Company strives to maintain its profit margins through cost reduction programs, productivity improvements and periodic price increases. The Company faces various worldwide health care changes that may result in pricing pressures that include health care cost containment and government legislation relating to sales, promotions and reimbursement.

The Company also operates in an environment which has become increasingly hostile to intellectual property rights. Generic drug firms have filed Abbreviated New Drug Applications seeking to market generic forms of most of the Company's key pharmaceutical products, prior to expiration of the applicable patents covering those products. In the event the Company is not successful in defending the patent claims challenged in Abbreviated New Drug Application filings, the generic firms will then introduce generic versions of the product at issue, resulting in the potential for substantial market share and revenue losses for that product. For further information see the discussion on "Litigation Against Filers of Abbreviated New Drug Applications" in Note 18.

LEGAL PROCEEDINGS

The Company is involved in numerous product liability cases in the U.S., many of which concern adverse reactions to drugs and medical devices. The damages claimed are substantial, and while the Company is confident of the adequacy of the warnings and instructions for use which accompany such products, it is not feasible to predict the ultimate outcome of litigation. However, the Company believes that if any liability results from such cases, it will be substantially covered by existing amounts accrued in the Company's balance sheet, and where available by third-party product liability insurance.

The Company is also involved in a number of patent, trademark and other lawsuits incidental to its business. The ultimate legal and financial liability of the Company in respect to all claims, lawsuits and proceedings referred to above cannot be estimated with any certainty. However, in the Company's opinion, based on its examination of these matters, its experience to date and discussions with counsel, the ultimate outcome of legal proceedings, net of liabilities already accrued in the Company's balance sheet, is not expected to have a material adverse effect on the Company's financial position, although the resolution in any reporting period of one or more of these matters could have a significant impact on the Company's results of operations and cash flows for that period.

See Note 18 for further information regarding legal proceedings.

COMMON STOCK MARKET PRICES

The Company's common stock is listed on the New York Stock Exchange under the symbol JNJ. The composite market price ranges for Johnson & Johnson common stock during 2005 and 2004 were:

	2005		2004	
	High	Low	High	Low
First quarter	$68.68	61.20	54.90	49.25
Second quarter	69.99	64.43	57.28	49.90
Third quarter	65.35	61.65	58.80	54.37
Fourth quarter	64.60	59.76	64.25	54.81
Year-end close	$60.10		63.42	

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

This Annual Report contains forward-looking statements. Forward-looking statements do not relate strictly to historical or current facts and anticipate results based on management's plans that are subject to uncertainty. Forward-looking statements may be identified by the use of words like "plans," "expects," "will," "anticipates," "estimates" and other words of similar meaning in conjunction with, among other things, discussions of future operations, financial performance, the Company's strategy for growth, product development, regulatory approval, market position and expenditures.

Forward-looking statements are based on current expectations of future events. The Company cannot guarantee that any forward-looking statement will be accurate, although the Company believes that it has been reasonable in its expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that unknown risks or uncertainties materialize, actual results could vary materially from the Company's expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments.

Risks and uncertainties include general industry conditions and competition; economic conditions, such as interest rate and currency exchange rate fluctuations; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; challenges to patents; U.S. and foreign health care reforms and governmental laws and regulations; trends toward health care cost containment; increased scrutiny of the health care industry by government agencies; product efficacy or safety concerns resulting in product recalls or regulatory action.

The Company's report on Form 10-K for the year ended January 1, 2006 includes Exhibit 99(b), a discussion of additional factors that could cause actual results to differ from expectations. The Company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995.

At January 1,2006 and January 2,2005 (Dollars in Millions Except Share and Per Share Data) (Note 1)	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 1, 14 and 15)	$16,055	9,203
Marketable securities (Notes 1, 14 and 15)	83	3,681
Accounts receivable trade, less allowances for doubtful accounts $164 (2004, $206)	7,010	6,831
Inventories (Notes 1 and 2)	3,959	3,744
Deferred taxes on income (Note 8)	1,845	1,737
Prepaid expenses and other receivables	2,442	2,124
TOTAL CURRENT ASSETS	31,394	27,320
Marketable securities, non-current (Notes 1, 14 and 15)	20	46
Property, plant and equipment, net (Notes 1 and 3)	10,830	10,436
Intangible assets, net (Notes 1 and 7)	6,185	5,979
Goodwill, net (Notes 1 and 7)	5,990	5,863
Deferred taxes on income (Note 8)	385	551
Other assets (Note 5)	3,221	3,122
TOTAL ASSETS	$58,025	53,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Loans and notes payable (Note 6)	$ 668	280
Accounts payable	4,315	5,227
Accrued liabilities	3,529	3,523
Accrued rebates, returns and promotions	2,017	2,297
Accrued salaries, wages and commissions	1,166	1,094
Accrued taxes on income	940	1,506
TOTAL CURRENT LIABILITIES	12,635	13,927
Long-term debt (Note 6)	2,017	2,565
Deferred taxes on income (Note 8)	211	403
Employee related obligations (Notes 5 and 13)	3,065	2,631
Other liabilities	2,226	1,978
Total liabilities	20,154	21,504
SHAREHOLDERS' EQUITY		
Preferred stock-without par value (authorized and unissued 2,000,000 shares)	-	-
Common stock-par value $1.00 per share (Note 20) (authorized 4,320,000,000 shares; issued 3,119,842,000 shares)	3,120	3,120
Note receivable from employee stock ownership plan (Note 16)	-	(11)
Accumulated other comprehensive income (Note 12)	(755)	(515)
Retained earnings	41,471	35,223
	43,836	37,817
Less: common stock held in treasury, at cost (Note 20) (145,364,000 shares and 148,819,000 shares)	5,965	6,004
TOTAL SHAREHOLDERS' EQUITY	37,871	31,813
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$58,025	53,317

See Notes to Consolidated Financial Statements

(Dollars in Millions Except Per Share Figures) (Note 1)	2005	2004	2003
SALES TO CUSTOMERS	$50,514	47,348	41,862
Cost of products sold	13,954	13,422	12,176
Gross profit	36,560	33,926	29,686
Selling, marketing and administrative expenses	16,877	15,860	14,131
Research expense	6,312	5,203	4,684
Purchased in-process research and development (Note 17)	362	18	918
Interest income	(487)	(195)	(177)
Interest expense, net of portion capitalized (Note 3)	54	187	207
Other (income) expense, net	(214)	15	(385)
	22,904	21,088	19,378
Earnings before provision for taxes on income	13,656	12,838	10,308
Provision for taxes on income (Note 8)	3,245	4,329	3,111
NET EARNINGS	$10,411	8,509	7,197
BASIC NET EARNINGS PER SHARE (NOTES 1 AND 19)	$ 3.50	2.87	2.42
DILUTED NET EARNINGS PER SHARE (NOTES 1 AND 19)	$ 3.46	2.84	2.40

See Notes to Consolidated Financial Statements

(Dollars in Millions) (Note 1)	Total	Comprehensive Income	Retained Earnings	Note Receivable From Employee Stock Ownership Plan (ESOP)	Accumulated Other Comprehensive Income	Common Stock Issued Amount	Treasury Stock Amount
BALANCE, DECEMBER 29, 2002	$22,697		26,571	(25)	(842)	3,120	(6,127)
Net earnings	7,197	7,197	7,197				
Cash dividends paid	(2,746)		(2,746)				
Employee stock compensation and stock option plans	534		(626)				1,160
Conversion of subordinated debentures	2		(2)				4
Repurchase of common stock	(1,183)						(1,183)
Business combinations	109		109				
Other comprehensive income, net of tax:							
Currency translation adjustment	334	334			334		
Unrealized gains on securities	29	29			29		
Pension liability adjustment	(31)	(31)			(31)		
Losses on derivatives & hedges	(80)	(80)			(80)		
Reclassification adjustment		(2)					
Total comprehensive income		7,447					
Note receivable from ESOP	7			7			
BALANCE, DECEMBER 28, 2003	$26,869		30,503	(18)	(590)	3,120	(6,146)
Net earnings	8,509	8,509	8,509				
Cash dividends paid	(3,251)		(3,251)				
Employee stock compensation and stock option plans	883		(520)				1,403
Conversion of subordinated debentures	105		(18)				123
Repurchase of common stock	(1,384)						(1,384)
Other comprehensive income, net of tax:							
Currency translation adjustment	268	268			268		
Unrealized gains on securities	59	59			59		
Pension liability adjustment	(282)	(282)			(282)		
Gains on derivatives & hedges	30	30			30		
Reclassification adjustment		(10)					
Total comprehensive income		8,574					
Note receivable from ESOP	7			7			
BALANCE, JANUARY 2, 2005	$31,813		35,223	(11)	(515)	3,120	(6,004)
Net earnings	10,411	10,411	10,411				
Cash dividends paid	(3,793)		(3,793)				
Employee stock compensation and stock option plans	1,017		(441)				1,458
Conversion of subordinated debentures	369		(132)				501
Repurchase of common stock	(1,717)		203				(1,920)
Other comprehensive income, net of tax:							
Currency translation adjustment	(415)	(415)			(415)		
Unrealized losses on securities	(16)	(16)			(16)		
Pension liability adjustment	26	26			26		
Gains on derivatives & hedges	165	165			165		
Reclassification adjustment		(15)					
Total comprehensive income		10,156					
Note receivable from ESOP	11			11			
BALANCE, JANUARY 1, 2006	$37,871		41,471	-	(755)	3,120	(5,965)

See Notes to Consolidated Financial Statements

(Dollars in Millions) (Note 1)	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	$10,411	8,509	7,197
Adjustments to reconcile net earnings to cash flows:			
Depreciation and amortization of property and intangibles	2,093	2,124	1,869
Purchased in-process research and development	362	18	918
Deferred tax provision	(46)	(498)	(720)
Accounts receivable allowances	(31)	3	6
Changes in assets and liabilities, net of effects from acquisitions:			
Increase in accounts receivable	(568)	(111)	(691)
(Increase)/decrease in inventories	(396)	11	39
(Decrease)/increase in accounts payable and accrued liabilities	(911)	607	2,192
Decrease/(increase) in other current and non-current assets	620	(395)	(746)
Increase in other current and non-current liabilities	343	863	531
NET CASH FLOWS FROM OPERATING ACTIVITIES	11,877	11,131	10,595
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(2,632)	(2,175)	(2,262)
Proceeds from the disposal of assets	154	237	335
Acquisitions, net of cash acquired (Note 17)	(987)	(580)	(2,812)
Purchases of investments	(5,660)	(11,617)	(7,590)
Sales of investments	9,187	12,061	8,062
Other (primarily intangibles)	(341)	(273)	(259)
NET CASH USED BY INVESTING ACTIVITIES	(279)	(2,347)	(4,526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends to shareholders	(3,793)	(3,251)	(2,746)
Repurchase of common stock	(1,717)	(1,384)	(1,183)
Proceeds from short-term debt	1,215	514	3,062
Retirement of short-term debt	(732)	(1,291)	(4,134)
Proceeds from long-term debt	6	17	1,023
Retirement of long-term debt	(196)	(395)	(196)
Proceeds from the exercise of stock options	696	642	311
NET CASH USED BY FINANCING ACTIVITIES	(4,521)	(5,148)	(3,863)
Effect of exchange rate changes on cash and cash equivalents	(225)	190	277
Increase in cash and cash equivalents	6,852	3,826	2,483
Cash and cash equivalents, beginning of year (Note 1)	9,203	5,377	2,894
CASH AND CASH EQUIVALENTS, END OF YEAR (NOTE 1)	$16,055	9,203	5,377
SUPPLEMENTAL CASH FLOW DATA			
Cash paid during the year for:			
Interest	$ 151	222	206
Income taxes	3,429	3,880	3,146
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES			
Treasury stock issued for employee compensation and stock option plans, net of cash proceeds	$ 818	802	905
Conversion of debt	369	105	2
ACQUISITIONS			
Fair value of assets acquired	$ 1,128	595	3,135
Fair value of liabilities assumed	(141)	(15)	(323)
Net cash paid for acquisitions	$ 987	580	2,812

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Johnson & Johnson and subsidiaries. Intercompany accounts and transactions are eliminated.

DESCRIPTION OF THE COMPANY AND BUSINESS SEGMENTS

The Company and its subsidiaries have approximately 115,600 employees worldwide engaged in the manufacture and sale of a broad range of products in the health care field. The Company conducts business in virtually all countries of the world and its primary focus is on products related to human health and well-being.

The Company is organized into three business segments: Consumer, Pharmaceutical and Medical Devices and Diagnostics. The Consumer segment manufactures and markets a broad range of products used in the baby and child care, skin care, oral and wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. These products are marketed principally to the general public and sold both to wholesalers and directly to independent and chain retail outlets throughout the world. The Pharmaceutical segment includes products in the following therapeutic areas: anti-fungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic (central nervous system) and urology areas. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use by the general public. The Medical Devices and Diagnostics segment includes a broad range of products used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. These products include Cordis' circulatory disease management products; DePuy's orthopaedic joint reconstruction and spinal care products; Ethicon's wound care and women's health products; Ethicon Endo-Surgery's minimally invasive surgical products; LifeScan's blood glucose monitoring products; Ortho-Clinical Diagnostics' professional diagnostic products and Vision Care's disposable contact lenses.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS No. 123(R), Share Based Payment. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions (such as employee stock options and restricted stock units). The statement requires the measurement of the cost of employee services received in exchange for an award of equity instruments (such as employee stock options and restricted stock units) at fair value on the grant date. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award (the requisite service period). On April 14, 2005 the SEC approved a new rule that delayed the effective date of SFAS No. 123(R) for annual, rather than interim, periods that begin after June 15, 2005. As a result, the Company will adopt this statement in the fiscal first quarter of 2006.

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- - SFAS No. 149: Amendment of Statement 133 on Derivative Instruments and Hedging Activities.
- - FIN 46 and FIN 46(R): Consolidation of Variable Interest Entities-an interpretation of ARB No. 51.

CASH EQUIVALENTS

The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

INVESTMENTS

Short-term marketable securities are carried at cost, which approximates fair value. Investments classified as available-for-sale are carried at estimated fair value with unrealized gains and losses recorded as a component of accumulated other comprehensive income. Long-term debt securities that the Company has the ability and intent to hold until maturity are carried at amortized cost, which also approximates fair value.

Management determines the appropriate classification of its investment in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. The Company periodically reviews its investments in equity securities for impairment and adjusts these investments to their fair value when a decline in market value is deemed to be other than temporary.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost. The Company utilizes the straight-line method of depreciation over the estimated useful lives of the assets:

Building and building equipment	20-40 years
Land and leasehold improvements	10-20 years
Machinery and equipment	2-13 years

The Company capitalizes certain computer software and development costs, included in machinery and equipment, when incurred in connection with developing or obtaining computer software for internal use. Capitalized software costs are amortized over the estimated useful lives of the software, which generally range from 3 to 5 years.

The Company reviews long-lived assets to assess recoverability using undiscounted cash flows. When necessary, charges for impairments of long-lived assets are recorded for the amount by which the present value of future cash flows is less than the carrying value of these assets.

REVENUE RECOGNITION

The Company recognizes revenue from product sales when the goods are shipped or delivered and title and risk of loss pass to the customer. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are accounted for as reductions in sales in the same period the related sales are recorded.

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SHIPPING AND HANDLING

Shipping and handling costs incurred were $736 million, $679 million and $604 million in 2005, 2004 and 2003, respectively, and are included in selling, marketing and administrative expense. The amount of revenue received for shipping and handling is less than 0.5% of sales to customers for all periods presented.

INVENTORIES

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

GOODWILL AND INTANGIBLE ASSETS

Effective at the beginning of fiscal year 2002 in accordance with SFAS No. 142, the Company discontinued the amortization relating to all existing goodwill and indefinite lived intangible assets, which are non-amortizable. SFAS No. 142 requires that goodwill and non-amortizable intangible assets be assessed annually for impairment. The Company completed the annual impairment test for 2005 in the fiscal fourth quarter and no impairment was determined. Future impairment tests will be performed annually in the fiscal fourth quarter, or sooner if a triggering event occurs.

Intangible assets that have finite useful lives continue to be amortized over their useful lives, and are reviewed for impairment when warranted by economic conditions. See Note 7 for further details on Intangible Assets.

FINANCIAL INSTRUMENTS

The Company follows the provisions of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, and SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, collectively referred to as SFAS No. 133. SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction, and if so, what type of hedge transaction.

The Company uses forward exchange contracts to manage its exposure to the variability of cash flows, primarily related to the foreign exchange rate changes of future intercompany product and third party purchases of raw materials denominated in foreign currency. The Company also uses currency swaps to manage currency risk primarily related to borrowings. Both of these types of

derivatives are designated as cash flow hedges. Additionally, the Company uses forward exchange contracts to offset its exposure to certain foreign currency assets and liabilities. These forward exchange contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the related foreign currency assets and liabilities.

The designation as a cash flow hedge is made at the entrance date into the derivative contract. At inception, all derivatives are expected to be highly effective. Changes in the fair value of a derivative that is designated as a cash flow hedge and is highly effective are recorded in accumulated other comprehensive income until the underlying transaction affects earnings, and are then reclassified to earnings in the same account as the hedged transaction. The fair value of a derivative instrument (i.e. Forward Foreign Exchange Contract, Currency Swap) is the aggregation, by currency, of all

future cash flows discounted to its present value at prevailing market interest rates and subsequently converted to the U.S. dollar at the current spot foreign exchange rate.

On an ongoing basis, the Company assesses whether each derivative continues to be highly effective in offsetting changes in the cash flows of hedged items. If and when a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is included in current period earnings, and was insignificant in 2005, 2004 and 2003.

The Company documents all relationships between hedged items and derivatives. The overall risk management strategy includes reasons for undertaking hedge transactions and entering into derivatives. The objectives of this strategy are: (1) minimize foreign currency exposure's impact on the Company's financial performance; (2) protect the Company's cash flow from adverse movements in foreign exchange rates; (3) ensure the appropriateness of financial instruments; and (4) manage the enterprise risk associated with financial institutions.

PRODUCT LIABILITY

Accruals for product liability claims are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. As a result of cost and availability factors, effective November 1, 2005, the Company ceased purchasing third party product liability insurance. Based on the availability of prior coverage, receivables for insurance recoveries related to product liability claims are recorded on an undiscounted basis, when it is probable that a recovery will be realized.

RESEARCH AND DEVELOPMENT

Research and development expenses are expensed as incurred. Upfront and milestone payments made to third parties in connection with research and development collaborations are expensed as incurred up to the point of regulatory approval. Payments made to third parties subsequent to regulatory approval are capitalized and amortized over the remaining useful life of the related product. Amounts capitalized for such payments are included in other intangibles, net of accumulated amortization.

ADVERTISING

Costs associated with advertising are expensed in the year incurred and are included in the selling, marketing and administrative expenses. Advertising expenses worldwide, which are comprised of television, radio, print media and Internet advertising, were $2.1 billion in 2005, $1.9 billion in 2004 and $1.7 billion in 2003.

INCOME TAXES

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations; therefore, no U.S. tax expense has been recorded to cover the undistributed portion not intended for repatriation. At January 1, 2006 and January 2, 2005, the cumulative amount of undistributed international earnings were approximately $12.0 billion and $18.6 billion, respectively.

Deferred income taxes are recognized for tax consequences of temporary differences by applying enacted statutory tax rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities.

NET EARNINGS PER SHARE

Basic net earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock using the treasury stock method.

STOCK OPTIONS

At January 1, 2006, the Company had 17 stock-based employee compensation plans that are described in Note 10. The Company accounts for those plans under the recognition and measurement principles of Accounting Principle Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), and its related Interpretations. Compensation costs are not recorded in net earnings for stock options as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

As required by SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123, the following table shows the estimated effect on net income and earnings per share if the Company had applied the fair value recognition provision of SFAS No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

(Dollars in Millions Except Per Share Data)	2005	2004	2003
Net earnings, as reported	$10,411	8,509	7,197
Less:			
Compensation expense(1)	351	329	349

Net earnings, pro forma	10,060	8,180	6,848
Net earnings per share:			
Basic -as reported	$ 3.50	2.87	2.42
-pro forma	3.38	2.76	2.31
Diluted -as reported	3.46	2.84	2.40
-pro forma	3.35	2.74	2.29

(1) Determined under fair value based method for all awards, net of tax.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported. Estimates are used when accounting for sales discounts, rebates, allowances and incentives, product liabilities, income taxes, depreciation, amortization, employee benefits, contingencies and asset and liability valuations. For instance, in determining annual pension and post-employment benefit costs, the Company estimates the rate of return on plan assets, and the cost of future health care benefits. Actual results may or may not differ from those estimates.

ANNUAL CLOSING DATE

The Company follows the concept of a fiscal year which ends on the Sunday nearest to the end of the month of December. Normally each fiscal year consists of 52 weeks, but every five or six years, the fiscal year consists of 53 weeks, as was the case in 2004.

RECLASSIFICATION

Certain prior year amounts have been reclassified to conform with current year presentation.

2. INVENTORIES

At the end of 2005 and 2004, inventories were comprised of:

(Dollars in Millions)	2005	2004
Raw materials and supplies	$ 931	964
Goods in process	1,073	1,113
Finished goods	1,955	1,667
	$3,959	3,744

3. PROPERTY, PLANT AND EQUIPMENT

At the end of 2005 and 2004, property, plant and equipment at cost and accumulated depreciation were:

(Dollars in Millions)	2005	2004
Land and land improvements	$ 502	515
Buildings and building equipment	5,875	5,907
Machinery and equipment	10,835	10,455
Construction in progress	2,504	1,787
	19,716	18,664
Less accumulated depreciation	8,886	8,228
	$10,830	10,436

The Company capitalizes interest expense as part of the cost of construction of facilities and equipment. Interest expense capitalized in 2005, 2004 and 2003 was $111 million, $136 million and $108 million, respectively.

Depreciation expense, including the amortization of capitalized interest in 2005, 2004 and 2003 was $1.5 billion, $1.5 billion and $1.4 billion, respectively.

Upon retirement or other disposal of property, plant and equipment, the cost and related amount of accumulated depreciation or amortization are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset value and the proceeds is recorded in earnings.

4. RENTAL EXPENSE AND LEASE COMMITMENTS

Rentals of space, vehicles, manufacturing equipment and office and data processing equipment under operating leases were approximately $248 million in 2005, $254 million in 2004 and $279 million in 2003.

The approximate minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at January 1, 2006 are:

(Dollars in Millions)	2006	2007	2008	2009	2010	After 2010	Total
	$ 162	142	119	103	88	151	765

Commitments under capital leases are not significant.

5. EMPLOYEE RELATED OBLIGATIONS

At the end of 2005 and 2004, employee related obligations were:

(Dollars in Millions)	2005	2004
Pension benefits	$1,264	1,109
Postretirement benefits	1,157	1,071
Postemployment benefits	322	244
Deferred compensation	511	397

	$3,254	2,821
Less current benefits payable	189	190
Employee related obligations	$3,065	2,631

Prepaid employee related obligations of $1,218 million and $1,001 million for 2005 and 2004, respectively, are included in other assets on the consolidated balance sheet.

6. BORROWINGS

The components of long-term debt are as follows:

(Dollars in Millions)	2005	Effective Rate%	2004	Effective Rate%
3% Zero Coupon Convertible Subordinated Debentures due 2020	$ 202	3.00	560	3.00
4.95% Debentures due 2033	500	4.95	500	4.95
3.80% Debentures due 2013	500	3.82	500	3.82
6.95% Notes due 2029	293	7.14	293	7.14
6.73% Debentures due 2023	250	6.73	250	6.73
6.625% Notes due 2009	199	6.80	198	6.80
5.50% Convertible Subordinated Notes due 2009(2)	-	-	177	2.00
Industrial Revenue Bonds	31	3.90	34	2.76
Other	55	-	71	-
	2,030	5.18(1)	2,583	4.63(1)
Less current portion	13		18	
	$ 2,017		2,565	

(1) Weighted average effective rate.
(2) 5.50% Convertible Subordinated Notes redeemed by Scios Inc. in August 2005.

The Company has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Company approximates $3.6 billion, including $1.5 billion of credit commitments, of which $0.75 billion expire September 28, 2006 and $0.75 billion expire September 29, 2010. Also included are $0.8 billion of uncommitted lines with various banks worldwide that expire during 2006. Interest charged on borrowings under the credit line agreements is based on either bids provided by banks, the prime rate or London Interbank Offered Rates (LIBOR), plus applicable margins. Commitment fees under the agreements are not material for all periods presented.

The Company filed a shelf registration with the Securities and Exchange Commission that became effective January 21, 2004, which enables the Company to issue up to $1.985 billion in debt securities and warrants for the purchase of debt securities. No debt was issued off the shelf during 2005 and the full amount remained available as of January 1, 2006.

On August 19, 2005, Scios Inc. exercised its right to redeem all of its outstanding $150 million original principal amount of 5.50% Convertible Subordinated Notes due 2009. The redemption price was 103.143% of the principal amount or $1,031.43 per $1,000 principal amount of Debentures, with accrued interest to, but excluding, the date of redemption.

On July 28, 2000, ALZA Corporation completed a private offering of the 3% Zero Coupon Convertible Subordinated Debentures, which were issued at a price of $551.26 per $1,000 principal amount at maturity. At January 1, 2006, the outstanding 3% Debentures had a total principal amount at maturity of $311.6 million with a yield to maturity of 3% per annum, computed on a semiannual bond equivalent basis. There are no periodic interest payments. Under the terms of the 3% Debentures, holders are entitled to convert their Debentures into approximately 15.0 million shares of Johnson & Johnson stock at a price of $40.102 per share. Approximately 10.7 million shares have been issued as of January 1, 2006, due to voluntary conversions by note holders. At the option of the holder, the 3% Debentures may be repurchased by the Company on July 28, 2008 or 2013, at a purchase price equal to the issue price plus accreted original issue discount to such purchase date. The Company, at its option, may elect to deliver either Johnson & Johnson common stock or cash, or a combination of stock and cash, in the event of repurchase of the 3% Debentures. The Company, at its option, may also redeem any or all of the 3% Debentures after July 28, 2003 at the issue price plus accreted original issue discount. At January 1, 2006, and January 2, 2005, the fair value based on quoted market value of the 3% Debentures was $260.6 million and $780.5 million, respectively.

Short-term borrowings and current portion of long term debt amounted to $668 million at the end of 2005, of which $381 million relates to a commercial paper program. The remainder represents principally local borrowing by international subsidiaries.

On November 1, 2004 the Company exercised its right to redeem all of its $300 million aggregate principal amount of 8.72% Debentures due in 2024. The redemption price was 104.360% of the principal amount or $1,043.36 per $1,000 principal amount of Debentures, with accrued interest to the date of redemption.

Short-term borrowings and current portion of long-term debt amounted to $280 million at the end of 2004, principally local borrowing by international subsidiaries.

Aggregate maturities of long-term obligations commencing in 2006 are:

(Dollars in Millions)	2006	2007	2008	2009	2010	After 2010
	$ 12	17	8	208	9	1,776

7. INTANGIBLE ASSETS AND GOODWILL

At the end of 2005 and 2004, the gross and net amounts of intangible assets were:

(Dollars in Millions)	2005	2004
Trademarks (non-amortizable) -gross	$ 1,400	1,232
Less accumulated amortization	134	142
Trademarks (non-amortizable) -net	$ 1,266	1,090
Patents and trademarks-gross	$ 4,128	3,974
Less accumulated amortization	1,370	1,125
Patents and trademarks-net	$ 2,758	2,849
Other intangibles-gross	$ 3,544	3,302
Less accumulated amortization	1,383	1,262
Other intangibles -net	$ 2,161	2,040
Subtotal intangible assets-gross	$ 9,072	8,508
Less accumulated amortization	2,887	2,529
Subtotal intangible assets-net	$ 6,185	5,979
Goodwill -gross	$ 6,703	6,597
Less accumulated amortization	713	734

Goodwill -net	$ 5,990	5,863
Total intangible assets-gross	$15,775	15,105
Less accumulated amortization	3,600	3,263
Total intangible assets-net	$12,175	11,842

Goodwill as of January 1, 2006 and January 2, 2005, as allocated by segment of business is as follows:

(Dollars in Millions)	Consumer	Pharm	Med Dev and Diag	Total
Goodwill at December 28,2003	$ 882	781	3,727	5,390
Acquisitions	232	32	138	402
Translation/other	46	19	6	71
Goodwill at January 2,2005	$ 1,160	832	3,871	5,863
Acquisitions	-	71	194	265
Translation/other	(70)	(29)	(39)	(138)
Goodwill at January 1,2006	$ 1,090	874	4,026	5,990

The weighted average amortization periods for patents and trademarks and other intangible assets are 15 years and 17 years, respectively. The amortization expense of amortizable intangible assets for the fiscal years ended January 1, 2006, January 2, 2005 and December 28, 2003, was $521 million, $603 million and $454 million before tax, respectively. Certain patents and intangibles were written down to fair value during fiscal years 2005, 2004 and 2003, with the resulting charge included in amortization expense. The estimated amortization expense for the five succeeding years approximates $565 million before tax, per year. Substantially all of the amortization expense is included in cost of products sold.

8. INCOME TAXES

The provision for taxes on income consists of:

(Dollars in Millions)	2005	2004	2003
Currently payable:			
U.S. taxes	$2,181	3,654	2,934
International taxes	1,110	1,173	897
	3,291	4,827	3,831
Deferred:			
U.S. taxes	228	(70)	(409)
International taxes	(274)	(428)	(311)
	(46)	(498)	(720)
	$3,245	4,329	3,111

A comparison of income tax expense at the federal statutory rate of 35% in 2005, 2004 and 2003, to the Company's effective tax rate is as follows:

(Dollars in Millions)	2005	2004	2003
U.S.	$ 7,381	7,895	6,333
International	6,275	4,943	3,975
Earnings before taxes on income:	$13,656	12,838	10,308
Tax rates:			
Statutory	35.0%	35.0%	35.0%
Puerto Rico and Ireland operations	(7.0)	(5.6)	(6.1)
Research tax credits	(0.6)	(0.8)	(1.0)
U.S. state and local	1.0	1.6	2.0
International subsidiaries excluding Ireland	(2.6)	(1.7)	(2.0)
Repatriation of International earnings	(1.6)	6.1	-
IPR&D	0.9	-	3.1
All other	(1.3)	(0.9)	(0.8)
Effective tax rate	23.8%	33.7%	30.2%

During 2005, the Company had subsidiaries operating in Puerto Rico under various tax incentive grants. Also, the U.S. possessions tax credit, which expires in 2006, applies to certain operations in Puerto Rico. In addition, the Company had subsidiaries manufacturing in Ireland under an incentive tax rate. During the second quarter of 2005, a tax benefit of $225 million was recorded due to the reversal of a tax liability related to a technical correction associated with the American Jobs Creation Act of 2004. The decrease in the 2005 tax rate was attributed to increases in taxable income in lower tax jurisdictions relative to taxable income in higher tax jurisdictions, as a result of increased expenditures in higher tax jurisdictions and a shift in sales mix.

Temporary differences and carry forwards for 2005 and 2004 are as follows:

	2005 Deferred Tax		2004 Deferred Tax	
(Dollars in Millions)	Asset	Liability	Asset	Liability
Employee related obligations	$ 670		483	
Depreciation		(428)		(378)
Non-deductible intangibles		(1,401)		(1,366)
International R&D capitalized for tax	999		905	
Reserves & liabilities	788		720	
Income reported				

for tax purposes	458		463	
Miscellaneous international	495	(149)	535	(236)
Capitalized intangibles	140		147	
Miscellaneous U.S.	342		515	
Total deferred income taxes	$3,892	(1,978)	3,768	(1,980)

The difference between the net deferred tax on income per the balance sheet and the net deferred tax above is included in taxes on income on the balance sheet.

9. INTERNATIONAL CURRENCY TRANSLATION

For translation of its subsidiaries operating in non-U.S. dollar currencies, the Company has determined that the local currencies of its international subsidiaries are the functional currencies except those in highly inflationary economies, which are defined as those which have had compound cumulative rates of inflation of 100% or more during the past three years, or where a substantial portion of its cash flows are not in the local currency.

In consolidating international subsidiaries, balance sheet currency effects are recorded as a component of accumulated other comprehensive income. This equity account includes the results of translating all balance sheet assets and liabilities at current exchange rates, except for those located in highly inflationary economies that are reflected in operating results.

An analysis of the changes during 2005 and 2004 for foreign currency translation adjustments is included in Note 12.

Net currency transaction and translation gains and losses included in other (income) expense were losses of $32 million, $38 million, and $22 million in 2005, 2004 and 2003, respectively.

10. COMMON STOCK, STOCK OPTION PLANS AND STOCK COMPENSATION AGREEMENTS

At January 1, 2006, the Company had 17 stock-based compensation plans. The shares outstanding are for contracts under the Company's 1995 and 2000 Stock Option Plans, the 2005 Long Term Incentive Plan, the 1997 Non-Employee Director's Plan and the Biosense, Centocor, Innovasive Devices, ALZA, Inverness and Scios Stock Option Plans. During 2005, no options were granted under any of these plans except the 2000 Stock Option Plan and 2005 Long Term Incentive Plan. The 2000 Stock Option Plan expired April 19, 2005. All options granted subsequent to that date were under the 2005 Long Term Incentive Plan.

Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years. All options are granted at current market price on the date of grant. Under the 2005 Long Term Incentive Plan, the Company may issue up to 260 million shares of common stock. Shares available for future grants under the 2005 Long Term Incentive Plan were 259.2 million at the end of 2005.

A summary of the status of the Company's stock option plans as of January 1, 2006, January 2, 2005, and December 28, 2003, and changes during the years ending on those dates are presented below:

(Shares in Thousands)	Options Outstanding	Weighted Average Exercise Price
Balance at December 29,2002	189,741	$ 41.42
Options granted	50,880	49.15
Options exercised	(21,242)	17.22
Options canceled/forfeited	(5,430)	52.68
Balance at December 28,2003	213,949	45.37
Options granted	47,815	53.94
Options exercised	(24,066)	28.50
Options canceled/forfeited	(8,694)	53.77
Balance at January 2,2005	229,004	48.62
Options granted	47,556	66.16
Options exercised	(21,733)	34.19
Options canceled/forfeited	(6,285)	55.84
Balance at January 1,2006	248,542	$ 53.05

The average fair value of options granted was $15.48 in 2005, $13.11 in 2004, and $13.58 in 2003. The fair value was estimated using the Black-Scholes option pricing model based on the weighted average assumptions of:

	2005	2004	2003
Risk-free rate	3.72%	3.15%	3.09%
Volatility	25.0%	27.0%	28.0%
Expected life	5.0 yrs	5.0 yrs	5.0 yrs
Dividend yield	1.93%	1.76%	1.35%

The following table summarizes stock options outstanding and exercisable at January 1, 2006:

(Shares in Thousands)	Outstanding			Exercisable	
Exercise Price Range	Options	Average Life(1)	Average Exercise Price	Options	Average Exercise Price
$ 3.62-$27.00	6,735	1.8	$ 23.27	6,733	$ 23.27
$27.06-$40.16	24,997	2.6	35.82	24,912	35.81
$40.53-$50.08	20,470	4.1	49.18	20,239	49.18
$50.11-$52.11	29,394	4.8	50.70	29,174	50.69

$52.20-$53.89	37,709	7.1	52.22	177	52.79
$53.93-$54.89	43,789	8.1	53.94	672	54.54
$55.01-$66.08	40,180	6.1	57.46	37,473	57.35
$66.18-$91.89	45,268	9.1	66.20	10	87.08
	248,542	6.4	$ 53.05	119,390	$ 47.90

(1) Average contractual life remaining in years.

Stock options exercisable at January 2, 2005 and December 28, 2003 were 100,488 options at an average price of $41.26 and 119,663 options at an average price of $38.51, respectively.

11. SEGMENTS OF BUSINESS(1) AND GEOGRAPHIC AREAS

(Dollars in Millions)	Sales to Customers(2) 2005	2004	2003
Consumer-United States	$ 4,405	4,224	3,968
International	4,691	4,109	3,463
Total	9,096	8,333	7,431
Pharmaceutical -United States	14,478	14,960	13,271
International	7,844	7,168	6,246
Total	22,322	22,128	19,517
Medical Devices and Diagnostics -United States	9,494	8,586	8,035
International	9,602	8,301	6,879
Total	19,096	16,887	14,914
Worldwide total	$50,514	47,348	41,862

(Dollars in Millions)	Operating Profit 2005(5)	2004(6)	2003(7)	Identifiable Assets 2005	2004	2003
Consumer	$ 1,667	1,514	1,393	$ 6,275	6,142	5,371
Pharmaceutical	6,610	7,608	5,896	16,091	16,058	15,001
Medical Devices and Diagnostics	5,418	4,091	3,370	16,540	15,805	16,082
Segments total	13,695	13,213	10,659	38,906	38,005	36,454
Less: Expenses not allocated to segments(3)	39	375	351			
General corporate(4)				19,119	15,312	11,809
Worldwide total	$13,656	12,838	10,308	$58,025	53,317	48,263

(Dollars in Millions)	Additions to Property Plant & Equipment 2005	2004	2003	Depreciation and Amortization 2005	2004	2003
Consumer	$ 321	227	229	$ 232	222	246
Pharmaceutical	1,388	1,197	1,236	918	1,008	765
Medical Devices and Diagnostics	785	630	639	821	769	761
Segments total	2,494	2,054	2,104	1,971	1,999	1,772
General corporate	138	121	158	122	125	97
Worldwide total	$ 2,632	2,175	2,262	$2,093	2,124	1,869

(Dollars in Millions)	Sales to Customers(2) 2005	2004	2003	Long-Lived Assets(8) 2005	2004	2003
United States	$28,377	27,770	25,274	$15,355	14,324	14,367
Europe	12,187	11,151	9,483	5,646	6,142	5,193
Western Hemisphere excluding U.S.	3,087	2,589	2,236	957	748	772
Asia-Pacific, Africa	6,863	5,838	4,869	596	620	605
Segments total	50,514	47,348	41,862	22,554	21,834	20,937
General corporate				451	444	448
Other non long-lived assets				35,020	31,039	26,878
Worldwide total	$50,514	47,348	41,862	$58,025	53,317	48,263

(1) See Note 1 for a description of the segments in which the Company operates.
(2) Export sales and intersegment sales are not significant. In 2005, the Company did not have a customer that represented 10% of total revenues. Sales to our top distributors accounted for 10.2% and 10.0% of total revenues in 2004 and 10.5% of total revenues in 2003.
(3) Amounts not allocated to segments include interest (income)/expense, minority interest and general corporate (income)/expense.
(4) General corporate includes cash and marketable securities.
(5) Includes $302 million and $60 million of In-Process Research and

Development (IPR&D) for the Pharmaceutical and Medical Devices and Diagnostics segments, respectively.

(6) Includes $18 million of IPR&D in the Medical Devices and Diagnostics segment.

(7) Includes $737 million of IPR&D in the Pharmaceutical segment and $181 million of IPR&D and $230 million of an arbitration ruling on stent patents in the Medical Devices and Diagnostics segment.

(8) Long-lived assets include property, plant and equipment, net for 2005, 2004 and 2003 of $10,830, $10,436 and $9,846, respectively, and intangible assets, net for 2005, 2004 and 2003 of $12,175, $11,842 and $11,539, respectively.

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

Components of other comprehensive income/(loss) consist of the following:

(Dollars in Millions)	Foreign Currency Translation	Unrealized Gains/ (Losses) on Securities	Pension Liability Adjustments	Gains/ (Losses) on Derivatives & Hedges	Total Accumulated Other Comprehensive Income/(Loss)
Dec. 29, 2002	$ (707)	(2)	(33)	(100)	(842)
2003 changes					
Net change due to hedging transactions	-	-	-	(567)	
Net amount reclassed to net earnings	-	-	-	487	
Net 2003 changes	334	29	(31)	(80)	252
Dec. 28, 2003	$ (373)	27	(64)	(180)	(590)
2004 changes					
Net change due to hedging transactions	-	-	-	15	
Net amount reclassed to net earnings	-	-	-	15	
Net 2004 changes	268	59	(282)	30	75
Jan. 2, 2005	$ (105)	86	(346)	(150)	(515)
2005 changes					
Net change due to hedging transactions	-	-	-	112	
Net amount reclassed to net earnings	-	-	-	53	
Net 2005 changes	(415)	(16)	26	165	(240)
Jan. 1,2006	$ (520)	70	(320)	15	(755)

Total other comprehensive income for 2005 includes reclassification adjustment gains of $23 million realized from the sale of equity securities and the associated tax expense of $8 million. Total other comprehensive income for 2004 includes reclassification adjustment gains of $16 million realized from the sale of equity securities and the associated tax expense of $6 million. Total other comprehensive income for 2003 includes reclassification adjustment gains of $3 million realized from the sale of equity securities and the associated tax expense of $1 million.

The tax effect on the unrealized gains/(losses) on the equity securities balance is an expense of $38 million, $47 million and $15 million in 2005, 2004 and 2003, respectively. The tax effect related to the minimum pension liability was $160 million in 2005. The tax effect on the gains/(losses) on derivatives and hedges are a loss of $11 million in 2005 and benefits of $81 million and $99 million in 2004 and 2003, respectively. See Note 15 for additional information relating to derivatives and hedging.

The currency translation adjustments are not currently adjusted for income taxes as they relate to permanent investments in international subsidiaries.

13. PENSIONS AND OTHER BENEFIT PLANS

The Company sponsors various retirement and pension plans, including defined benefit, defined contribution and termination indemnity plans, which cover most employees worldwide. The Company also provides postretirement benefits, primarily health care, to all U.S. retired employees and their dependents.

Many international employees are covered by government-sponsored programs for which the direct cost to the Company is not significant.

Retirement plan benefits are primarily based on the employee's compensation during the last three to five years before retirement and the number of years of service. International subsidiaries have plans under which funds are deposited with trustees, annuities are purchased under group contracts or reserves are provided.

The Company does not fund retiree health care benefits in advance and has the right to modify these plans in the future.

The Company uses the date of its consolidated financial statements (January 1, 2006 and January 2, 2005, respectively) as the measurement date for all U.S. and international retirement and other benefit plans.

Net periodic benefit cost for the Company's defined benefit retirement plans and other benefit plans for 2005, 2004 and 2003 included the following components:

	Retirement Plans			Other Benefit Plans		
(Dollars in Millions)	2005	2004	2003	2005	2004	2003
Service cost	$ 462	409	325	$ 56	56	28
Interest cost	488	444	391	87	91	70
Expected return on plan assets	(579)	(529)	(495)	(3)	(3)	(3)
Amortization of prior service cost	12	15	18	(7)	(4)	(3)
Amortization of net transition asset	(2)	(3)	(4)	-	-	-

Recognized actuarial losses	219	173	109	25	27	3
Curtailments and settlements	2	3	1	-	-	-
Special termination benefits	-	-	95	-	-	-
Net periodic benefit cost	$ 602	512	440	$ 158	167	95

The net periodic benefit cost attributable to U.S. retirement plans was $370 million in 2005, $329 million in 2004 and $309 million in 2003.

During 2003, the Company offered a voluntary retirement program with enhanced benefits called the Retirement Enhancement Program (REP) to eligible U.S. regular, full-time employees who have attained age 55 with at least 10 years of pension credited service by June 30, 2004. The program enhancements included the elimination of the early retirement reduction for pension benefit purposes (normally 4% per year prior to age 62) and a special termination benefit (one week of pay per year of credited service). The program resulted in a one-time increase in U.S. pension expense of $95 million in 2003 to reflect the value of the retirement enhancement.

The weighted-average assumptions in the following table represent the rates used to develop the actuarial present value of projected benefit obligation for the year listed and also the net periodic benefit cost for the following year.

	Retirement Plans				Other Benefit Plans			
U.S. Benefit Plans	2005	2004	2003	2002	2005	2004	2003	2002
Discount rate	5.75%	5.75	6.00	6.75	5.75%	5.75	6.00	6.75
Expected long-term rate of return on plan assets	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Rate of increase in compensation levels	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
INTERNATIONAL BENEFIT PLANS								
Discount rate	4.75%	5.00	5.25	5.75	5.00%	5.50	6.00	6.75
Expected long-term rate of return on plan assets	8.25	8.00	7.50	7.50	-	-	-	-
Rate of increase in compensation levels	3.75	3.75	3.50	3.50	4.25	4.25	4.25	4.25

The Company's discount rates are determined by considering current yield curves representing high quality, long-term fixed income instruments. The resulting discount rates are consistent with the duration of plan liabilities.

The expected long-term rate of return on plan assets assumptions is determined using a building block approach, considering historical averages and real returns of each asset class. In certain countries, where historical returns are not meaningful, consideration is given to local market expectations of long-term returns.

The following table displays the assumed health care cost trend rates, for all individuals:

HEALTH CARE PLANS	2005	2004
Health care cost trend rate assumed for next year	9.00%	9.00
Rate to which the cost trend rate is assumed to decline (ultimate trend)	4.50%	4.50
Year the rate reaches the ultimate trend rate	2010	2010

A one-percentage-point change in assumed health care cost trend rates would have the following effect:

(Dollars in Millions)	One-Percentage-Point Increase	One-Percentage-Point Decrease
HEALTH CARE PLANS		
Total interest and service cost	$ 25	$ (20)
Postretirement benefit obligation	257	(206)

The following table sets forth information related to the benefit obligation and the fair value of plan assets at year-end 2005 and 2004 for the Company's defined benefit retirement plans and other postretirement plans:

(Dollars in Millions)	Retirement Plans		Other Benefit Plans	
CHANGE IN BENEFIT OBLIGATION	2005	2004	2005	2004
Projected benefit obligation - beginning of year	$ 8,941	7,680	$ 1,593	1,329
Service cost	462	409	56	56
Interest cost	488	444	87	91
Plan participant contributions	22	21	-	-
Amendments	13	(65)	-	(46)
Actuarial losses	932	609	57	229
Divestitures & acquisitions	-	(1)	-	-
Curtailments & settlements	(1)	(7)	-	-
Benefits paid from plan	(366)	(401)	(75)	(73)
Effect of exchange rates	(320)	252	(1)	7
Projected benefit obligation -end of year	$ 10,171	8,941	$ 1,717	1,593
CHANGE IN PLAN ASSETS				
Plan assets at fair value -beginning of year	$ 7,125	6,050	$ 37	39
Actual return on plan assets	801	713	1	4
Company contributions	714	531	71	65
Plan participant contributions	22	21	-	-
Divestitures	-	(2)	-	-
Benefits paid from plan assets	(366)	(359)	(75)	(71)
Effect of exchange rates	(188)	171	-	-
Plan assets at fair value-end of year	$ 8,108	7,125	$ 34	37

Strategic asset allocations are determined by country, based on the nature of the liabilities and consideration of the demographic composition of the plan participants (average age, years of service and active versus retiree status). The Company's plans are considered non-mature plans and the long-term strategic asset allocations are consistent with these types of plans. Emphasis is placed on diversifying equities on a broad basis combined with currency matching of the fixed income assets.

The following table displays the projected future benefit payments from the Company's retirement and other benefit plans:

(Dollars in Millions) PROJECTED FUTURE BENEFIT PAYMENTS	2006	2007	2008	2009	2010	2011-2015
Retirement plans	$ 357	374	379	404	416	2,583
Other benefit plans -gross	$ 79	84	89	95	100	587
Medicare rebates	(5)	(6)	(6)	(7)	(8)	(49)
Other benefit plans -net	$ 74	78	83	88	92	538

The Company is not required to fund its U.S. retirement plans in 2006 in order to meet minimum statutory funding requirements. International plans will be funded in accordance with local regulations. Additional discretionary contributions will be made when deemed appropriate to meet the long-term obligations of the plans. In certain countries other than the U.S., the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the Company has several pension plans which are not funded.

The following table displays the projected future minimum contributions to the Company's U.S. and international unfunded retirement plans. These amounts do not include any discretionary contributions that the Company may elect to make in the future.

(Dollars in Millions) PROJECTED FUTURE CONTRIBUTIONS	2006	2007	2008	2009	2010	2011-2015
Unfunded U.S. retirement plans	$ 21	22	23	24	25	140
Unfunded International retirement plans	$ 16	18	18	20	21	127

The Company's retirement plan asset allocation at January 1, 2006 and January 2, 2005 and target allocations for 2006 are as follows:

	Percent of Plan Assets		Target Allocation
U.S. RETIREMENT PLANS	2005	2004	2006
Equity securities	76%	76%	75%
Debt securities	24	24	25
Total plan assets	100%	100%	100%
INTERNATIONAL RETIREMENT PLANS			
Equity securities	69%	69%	75%
Debt securities	30	30	25
Real estate and other	1	1	-
Total plan assets	100%	100%	100%

The Company's other benefit plans are unfunded except for U.S. life insurance contract assets of $34 million and $37 million at January 1, 2006 and January 2, 2005, respectively.

The fair value of Johnson & Johnson common stock directly held in plan assets was $419 million (5.2% of total plan assets) and $440 million (6.2% of total plan assets) at January 1, 2006 and January 2, 2005, respectively.

Amounts recognized in the Company's balance sheet consist of the following:

	Retirement Plans		Other Benefit Plans	
(Dollars in Millions)	2005	2004	2005	2004
Plan assets at fair value	$ 8,108	7,125	$ 34	37
Projected benefit obligation	10,171	8,941	1,717	1,593
Funded status	(2,063)	(1,816)	(1,683)	(1,556)
Unrecognized actuarial losses	2,484	2,055	574	541
Unrecognized prior service cost	49	46	(48)	(56)
Unrecognized net transition asset	5	3		
Total recognized in the consolidated balance sheet	$ 475	288	$ (1,157)	(1,071)
Book accruals	$ (1,264)	(1,109)	$ (1,157)	(1,071)
Prepaid benefits	1,218	1,001	-	-
Intangible assets	41	50	-	-
Accumulated comprehensive income	480	346	-	-
Total recognized in the consolidated balance sheet	$ 475	288	$ (1,157)	(1,071)

The accumulated benefit obligation for all U.S. and international defined benefit retirement plans was $8,570 million and $7,488 million at January 1, 2006 and January 2, 2005, respectively.

A minimum pension liability adjustment is required when the actuarial present value of the accumulated benefits obligation (ABO) exceeds the fair value of plan assets and accrued pension liabilities. The minimum pension liabilities (intangible assets and accumulated comprehensive income) in 2005 and 2004 of $521 million and $396 million, respectively, relate primarily to plans outside of the U.S.

Plans with accumulated benefit obligations in excess of plan assets consist of the following:

	Retirement Plans	
Dollars in Millions)	2005	2004
Accumulated benefit obligation	$ (2,759)	(2,703)
Projected benefit obligation	(3,230)	(3,327)
Plan assets at fair value	1,570	1,727

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was enacted that introduces a prescription drug benefit under Medicare as well as a subsidy to sponsors of retiree health care benefit plans. The Company's application to the Centers for Medicare and Medicaid Services attesting to the plan's "actuarial equivalence" to Medicare has been accepted, and subsidy reimbursements are expected beginning in 2006. There is no change in estimated participation rates or per capita claims costs as a result of the Act. The Company has recognized the effect of the subsidy on a prospective basis from June 28, 2004. The recognition reduces before-tax and after-tax expense by $16 million and the accumulated postretirement benefit obligation by $163 million.

14. CASH EQUIVALENTS AND MARKETABLE SECURITIES

	January 1,2006			January 2, 2005		
(Dollars in Millions)	Amortized Cost	Unrealized Gains/(Losses)	Estimated FairValue	Amortized Cost	Unrealized Gains/(Losses)	Estimated FairValue
CURRENT INVESTMENTS						
Government securities and obligations	$ 1,743	-	1,743	4,213	(1)	4,212
Corporate debt securities	67	-	67	2,798	(1)	2,797
Money market funds	11,918	-	11,918	2,153	-	2,153
Time deposits	985	-	985	1,325	-	1,325
Collateralized mortgage obligations and asset backed securities	-	-	-	397	-	397
Bank notes	-	-	-	20	-	20
Total cash equivalents and current marketable securities	$ 14,713	-	14,713	10,906	(2)	10,904
NON-CURRENT INVESTMENTS						
Marketable securities	$ 20	-	20	46	-	46

Current marketable securities include $14.6 billion and $7.2 billion that are classified as cash equivalents on the balance sheet at January 1, 2006 and January 2, 2005, respectively.

15. FINANCIAL INSTRUMENTS

The Company follows the provisions of SFAS 133 requiring that all derivative instruments be recorded on the balance sheet at fair value.

As of January 1, 2006, the balance of deferred net gains on derivatives included in accumulated other comprehensive income was $15 million after-tax. For additional information, see Note 12. The Company expects that substantially all of this amount will be reclassified into earnings over the next 12 months as a result of transactions that are expected to occur over that period. The maximum length of time over which the Company is hedging transaction exposure is 18 months. The amount ultimately realized in earnings will differ as foreign exchange rates change. Realized gains and losses are ultimately determined by actual exchange rates at maturity of the derivative. Derivative gains/(losses), initially reported as a component of other comprehensive income, are reclassified to earnings in the period when the forecasted transaction affects earnings.

For the years ended January 1, 2006, January 2, 2005 and December 28, 2003, the net impact of hedge ineffectiveness, transactions not qualifying for hedge accounting and discontinuance of hedges, to the Company's financial statements was insignificant.

Refer to Note 12 for disclosures of movements in Accumulated Other Comprehensive Income.

CONCENTRATION OF CREDIT RISK

The Company invests its excess cash in both deposits with major banks throughout the world and other high quality money market instruments. The Company has a policy of making investments only with commercial institutions that have at least an A (or equivalent) credit rating. On average, these investments mature within six months, and the Company has not incurred any related losses.

16. SAVINGS PLAN

The Company has voluntary 401(k) savings plans designed to enhance the existing retirement programs covering eligible employees. The Company matches a percentage of each employee's contributions consistent with the provisions of the plan for which he/she is eligible.

In the U.S. salaried plan, through 2004, one-third of the Company match was paid in Company stock under an employee stock ownership plan (ESOP) unless the employee chose to

redirect his or her investment. In 1990, to establish the ESOP, the Company loaned $100 million to the ESOP Trust to purchase shares of the Company stock on the open market. In exchange, the Company received a note, the balance of which was recorded as a reduction of shareholders' equity. The remaining shares held by the ESOP trust were allocated to participant accounts by the end of February 2005. From March 2005, and going forward, all company match will be made in cash and will follow the individual employee's investment elections.

Total Company contributions to the plans were $148 million in 2005, $143 million in 2004 and $128 million in 2003.

17. MERGERS, ACQUISITIONS AND DIVESTITURES

Certain businesses were acquired for $987 million in cash and $141 million of liabilities assumed during 2005. These acquisitions were accounted for by the purchase method and, accordingly, results of operations have been included in the financial statements from their respective dates of acquisition.

The 2005 acquisitions included: TransForm Pharmaceuticals, Inc., a company specializing in the discovery of superior formulations and novel crystalline forms of drug molecules; Closure Medical Corporation, a company with expertise and intellectual property in the biosurgicals market; Peninsula Pharmaceuticals, Inc., a biopharmaceutical company focused on developing and commercializing antibiotics to treat life-threatening infections; and rights to all consumer and professionally dispensed REMBRANDT(R) Brand of oral care products, such as whitening toothpastes, strips, systems and mouth rinses.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $720 million and has been assigned to identifiable intangible assets, with any residual recorded to goodwill. Approximately $362 million has been identified as the value of in-process research and development (IPR&D) primarily associated with the acquisitions of TransForm Pharmaceuticals, Inc., Closure Medical Corporation and Peninsula Pharmaceuticals, Inc.

The IPR&D charge related to the acquisition of TransForm Pharmaceuticals, Inc. was $50 million and is associated with research related to the discovery and application of superior formulations. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. The discount rate applied was 10%.

The IPR&D charge related to the acquisition of Closure Medical Corporation was $51 million and is associated with the OMNEX(TM) Surgical Sealant in vascular indications outside Europe and in other potential indications worldwide. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. A probability of success factor of 90% for vascular indications and 60% for all other indications was used to reflect inherent clinical and regulatory risk. The discount rate applied to both vascular and other indications was 15%.

The IPR&D charge related to the acquisition of Peninsula Pharmaceuticals, Inc. was $252 million and is associated with the development of doripenem, which is in Phase III clinical trials. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. A probability of success factor of 80% was used to reflect inherent clinical and regulatory risk and the discount rate applied was 14%.

The remaining $9 million in IPR&D was associated with the acquisition of international commercial rights to certain patents and know-how in the field of sedation and analgesia from Scott Lab, Inc. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. The discount rate was 17%.

Certain businesses were acquired for $455 million in cash and $15 million of liabilities assumed during 2004. These acquisitions were accounted for by the purchase method and, accordingly, results of operations have been included in the financial statements from their respective dates of acquisition.

In addition, per the terms of the 2003 acquisition agreement with the Link Spine Group, Inc., $125 million in cash was paid to the owners of the Link Spine Group, Inc. in 2004 based on the date the U.S. Food and Drug Administration (FDA) approved the CHARITE (TM) Artificial Disc. Thus, the 2004 total cash expenditures related to acquisitions were $580 million.

The 2004 acquisitions included: Merck's 50% interest in the Johnson & Johnson-Merck Consumer Pharmaceuticals Co. European non-prescription pharmaceutical joint venture including all of the infrastructure and brand assets managed by the European joint venture; Egea Biosciences, Inc. through the exercise of the option to acquire the remaining outstanding stock not owned by Johnson & Johnson, which has developed a proprietary technology platform called Gene Writer, that allows for the rapid and highly accurate synthesis of DNA sequences, gene assembly, and construction of large synthetic gene libraries; Artemis Medical, Inc., a privately held company with ultrasound and x-ray visible biopsy site breast markers as well as hybrid markers; U.S. commercial rights to certain patents and know-how in the field of sedation and analgesia from Scott Lab, Inc.; Biapharm SAS, a privately held French producer and marketer of skin care products centered around the leading brand BIAFINE(R); the assets of Micomed, a privately owned manufacturer of spinal implants primarily focused on supplying the German market; and the acquisition of the AMBI(R) skin care brand for women of color.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $425 million and has been assigned to identifiable intangible assets, with any residual recorded to goodwill. The $125 million related to the U.S. FDA approval of the CHARITE (TM) Artificial Disc was recorded as additional goodwill associated with the 2003 Link Spine Group, Inc. acquisition. Thus, total additions to intangibles and goodwill in 2004 were $550 million. Approximately $18 million has been identified as the value of IPR&D associated with the Scott Lab, Inc. acquisition. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. The discount rate was 25%.

Certain businesses were acquired for $2.8 billion in cash and $323 million of liabilities assumed during 2003. These acquisitions were accounted for by the purchase method and, accordingly, results of operations have been included in the financial statements from their respective dates of acquisition.

The 2003 acquisitions included: Link Spine Group, Inc., a privately owned corporation with exclusive worldwide rights

to the CHARITE(TM) Artificial Disc; Scios Inc., a biopharmaceutical company with a marketed product for cardiovascular disease and research projects focused on auto-immune diseases; 3-Dimensional Pharmaceuticals, Inc., a company with a technology platform focused on the discovery and development of therapeutic small molecules; OraPharma, Inc., a specialty pharmaceutical company focused on the development and commercialization of unique oral therapeutics; and certain assets of Orquest, Inc., a privately held biotechnology company focused on developing biologically-based implants for orthopaedics and spine surgery.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $1.8 billion and has been assigned to identifiable intangible assets, with any residual recorded to goodwill. Approximately $918 million has been identified as the value of IPR&D primarily associated with the acquisition of Link Spine Group, Inc. and Scios Inc.

The IPR&D charge related to the Link Spine Group, Inc. acquisition was $170 million and is associated with the CHARITE(TM) Artificial Disc. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. A probability of success factor of 95% was used to reflect inherent clinical and regulatory risk. The discount rate was 19%. The purchase price for the Link Spine Group, Inc. acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over the fair values of assets and liabilities acquired was approximately $84 million and was allocated to goodwill. Substantially all of the amount allocated to goodwill will not be deductible for tax purposes.

The IPR&D charge related to Scios Inc. was $730 million and is largely associated with its p-38 kinase inhibitor program. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects using a 16% probability of success factor and a 9% discount rate. The purchase price for the Scios Inc. acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. Identifiable intangible assets included patents and trademarks valued at approximately $1.5 billion. The excess of the purchase price over the fair values of assets and liabilities acquired was approximately $440 million and was allocated to goodwill. Substantially all of the amount allocated to goodwill will not be deductible for tax purposes.

The remaining IPR&D was associated with Orquest, Inc., and 3-Dimensional Pharmaceuticals, Inc., with charges of $11 million and $7 million, respectively.

Supplemental pro forma information for 2005, 2004 and 2003 per SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets, is not provided, as the impact of the aforementioned acquisitions did not have a material effect on the Company's results of operations, cash flows or financial position.

Divestitures in 2005, 2004 and 2003 did not have a material effect on the Company's results of operations, cash flows or financial position.

18. LEGAL PROCEEDINGS

PRODUCT LIABILITY

The Company is involved in numerous product liability cases in the United States, many of which concern adverse reactions to drugs and medical devices. The damages claimed are substantial, and while the Company is confident of the adequacy of the warnings and instructions for use that accompany such products, it is not feasible to predict the ultimate outcome of litigation. However, the Company believes that if any liability results from such cases, it will be substantially covered by existing amounts accrued in the Company's balance sheet, and where available by third-party product liability insurance.

One group of cases against the Company concerns a product of the Company's subsidiary, Janssen Pharmaceutica Inc. (Janssen), PROPULSID(R) (cisapride), which was withdrawn from general sale and restricted to limited use in 2000. In the wake of publicity about those events, numerous lawsuits were filed against Janssen and the Company regarding PROPULSID(R) in state and federal courts across the country.

These actions seek substantial compensatory and punitive damages and accuse Janssen and the Company of inadequately testing for and warning about the drug's side effects, of promoting it for off-label use and over promotion. In addition, Janssen and the Company have entered into tolling agreements with various plaintiffs' counsel halting the running of the statutes of limitations with respect to the potential claims of a significant number of individuals while those attorneys evaluate whether or not to sue Janssen and the Company on their behalf.

On February 5, 2004, Janssen announced that it had reached an agreement in principle with the Plaintiffs Steering Committee (PSC) of the PROPULSID(R) Federal Multi-District Litigation (MDL), to resolve federal lawsuits related to PROPULSID(R). The agreement was to become effective once 85% of the death claimants, and 75% of the remainder, agreed to the terms of the settlement. In addition, 12,000 individuals who had not filed lawsuits, but whose claims were the subject of tolling agreements suspending the running of the statutes of limitations against those claims, also had to agree to participate in the settlement before it became effective.

On March 24, 2005, it was confirmed that the PSC of the MDL had enrolled enough plaintiffs and claimants in the settlement program to make the agreement effective. Of the 282 death plaintiffs subject to the program, 267 (94%) are confirmed enrolled. Of the 3,538 other plaintiffs subject to the program, 3,189 (90%) are confirmed enrolled. In addition, 19,865 "tolled" claimants are confirmed as enrolled. Those participating in the settlement will submit medical records to an independent panel of physicians who will determine whether the claimed injuries were caused by PROPULSID(R) and otherwise meet the standards for compensation. If those standards are met, a court-appointed special master will determine compensatory damages. Janssen has paid into a compensation escrow account $82.6 million, established an administrative fund of $15 million, and paid legal fees to the PSC of $22.5 million, which amount was approved by the court.

Not participating in the settlement program are 2,407 plaintiffs and 7,723 tolled claimants. Of those, 329 plaintiffs are potentially subject to the MDL settlement but did not enroll in it; 1,529 plaintiffs filed cases in federal court subsequent to February 1, 2004, and thus are not subject to the MDL settlement; and 529 have state court actions and thus are not subject to the settlement. Of those not participating in or subject to the MDL settlement, 133 plaintiffs are alleged to have died from use of the drug and 2,274 assert other personal injury claims. The nature of the claims of the tolled claimants are unknown. Of the remaining federal and state plaintiffs, 2,264 cases (94%) are venued in Mississippi.

On December 15, 2005, Janssen reached agreement with the MDL PSC and the plaintiffs' State Liaison Committee (SLC) to create a second settlement program for resolving the remaining state and federal lawsuits filed before November 15, 2005, as well as remaining unfiled claims subject to tolling agreements. The new program becomes effective once 90% of the plaintiffs representing decedents and 95% of the other plaintiffs agree to the terms of the settlement. The new program allows enrollment by any claimant who was eligible for the prior settlement program but chose not to enroll, plus state court plaintiffs and federal court plaintiffs filing after February 1, 2004, and thus not eligible. Janssen will pay as compensation a minimum of $14.5 million and a maximum of $15 million into the new settlement program, depending upon the percentage of enrollment above the 90% and 95% thresholds. Janssen will also establish an administrative fund not to exceed $3 million and pay legal fees not to exceed $4 million subject to court approval.

Janssen and the Company believe they have adequate self-insurance accruals and third-party product liability insurance with respect to these cases. In communications to the Company, the excess insurance carriers have raised certain defenses to their liability under the policies and to date have declined voluntarily to reimburse Janssen and the Company for PROPULSID(R)-related costs despite demand for payment. In May 2005, hearings were held in London in the arbitration proceeding commenced by Janssen and the Company against Allianz Underwriters Insurance Company, which issued the first layer of applicable excess insurance coverage, to obtain reimbursement of PROPULSID(R)-related costs. That proceeding was resolved in a fashion satisfactory to Janssen and the Company in November 2005. In May 2005, the Company commenced arbitration against Lexington Insurance Company, which issued the second layer of excess insurance coverage. In the opinion of the Company, the excess carriers remain legally obligated to provide coverage for the PROPULSID(R)-related losses at issue.

AFFIRMATIVE STENT PATENT LITIGATION

In patent infringement actions tried in Delaware Federal District Court in late 2000, Cordis Corporation (Cordis), a subsidiary of Johnson & Johnson, obtained verdicts of infringement and patent validity, and damage awards against Boston Scientific Corporation (Boston Scientific) and Medtronic AVE, Inc. (Medtronic) based on a number of Cordis vascular stent patents. On December 15, 2000, the jury in the damage action against Boston Scientific returned a verdict of $324 million and on December 21, 2000, the jury in the Medtronic action returned a verdict of $271 million. These sums represent lost profit and reasonable royalty damages to compensate Cordis for infringement but do not include pre or post judgment interest.

In March and May 2002, the district judge granted Boston Scientific a new trial on liability and damages and vacated the verdict against Medtronic on legal grounds. On August 12, 2003, the Court of Appeals for the Federal Circuit found the trial judge erred in vacating the verdict against Medtronic and remanded the case to the trial judge for further proceedings. In March 2005, the remaining issues were tried in the remanded case against Medtronic and the retrial proceeded against Boston Scientific. Juries returned verdicts of infringement and patent validity in favor of Cordis in both retrials. Cordis has requested the trial court to reinstate with interest the verdicts obtained against those entities in 2000. Defendants in both cases have filed post-trial motions seeking to vacate the jury verdicts or, alternatively, grant them a new trial on damages. Cordis also has pending in Delaware Federal District Court a second action against Medtronic AVE accusing Medtronic of infringement by sale of stent products introduced by Medtronic subsequent to its GFX(R) and MicroStent(R) products, the subject of the earlier action referenced above. That second action was stayed in April 2005 pending the outcome of an arbitration held in late 2005 concerning Medtronic's claim that the products at issue in that case are licensed pursuant to a 1997 license.

In January 2003, Cordis filed a patent infringement action against Boston Scientific in Delaware Federal District Court accusing its Express2(TM),Taxus(R) and Liberte stents of infringing the Palmaz patent that expired in November 2005. The Liberte stent was also accused of infringing Cordis' Gray patent that expires in 2016. In June 2005, a jury found that the Express2(TM), Taxus(R) and Liberte stents infringed the Palmaz patent and that the Liberte stent also infringed the Gray patent. Boston Scientific has filed post-trial motions seeking to vacate the verdict or obtain a new trial. If those motions are denied, there will be a trial on damages and willfulness in the future.

PATENT LITIGATION AGAINST VARIOUS
JOHNSON & JOHNSON SUBSIDIARIES

The products of various Johnson & Johnson subsidiaries are the subject of various patent lawsuits, the outcomes of which could potentially adversely affect the ability of those subsidiaries to sell those products, or require the payment of past damages and future royalties. With respect to all of these matters, the Johnson & Johnson subsidiary involved is vigorously defending against the claims of infringement and disputing, where appropriate, the validity and enforceability of the patent claims asserted against it. On July 1, 2005, a jury in Federal District Court in Delaware found that the Cordis CYPHER(R) stent infringed Boston Scientific's Ding `536 patent and that the Cordis CYPHER(R) and BX VELOCITY(R) stents also infringed Boston Scientific Corporation's Jang `021 patent. The jury also found both those patents valid. Cordis has asked the judge to overturn the jury verdicts or grant a new trial. If the judge does not overturn the jury verdicts, there will be a damage and willfulness trial in 2006 and Boston Scientific will seek an injunction against CYPHER(R). If upheld by the trial court, Cordis will appeal the jury verdicts to the Court of Appeals for the Federal Circuit.

In March 2006, Boston Scientific's case asserting infringement by the CYPHER(R) stent of another Boston Scientific patent is scheduled for trial in Delaware Federal District Court. In that case as well, Boston Scientific seeks an injunction and substantial damages.

On January 26, 2005, the Federal District Court for the Southern District of Florida granted Cordis summary judgment dismissing a breach of contract and patent infringement suit filed against Cordis by Arlaine and Gina Rockey seeking royalties on the sales of all Cordis balloon expandable stents. Plaintiffs have filed an appeal with the Court of Appeals for the Federal Circuit.

In an action filed in Belgium by Boston Scientific under its Kastenhofer patent, Boston Scientific is seeking a pan-European injunction against the sale of infringing catheters, i.e., an injunction that would be effective not just in Belgium but in all of the countries served by the European Patent Office. Trial has not been scheduled but could occur during 2006.

The following chart summarizes various patent lawsuits concerning products of Johnson & Johnson subsidiaries.

Product	J&J Company	Patents	Plaintiff/ Patent Holder	Court	Trial Date	Date Filed
Drug Eluting Stents	Cordis	Grainger	Boston Scientific Corp.	D. Del.	3/06	12/03
Stents	Cordis	Boneau	Medtronic Inc.	D. Del.	*	4/02
Two-layer Catheters	Cordis	Kastenhofer Forman	Boston Scientific Corp.	N.D. Cal Belgium	*	2/02 12/03
Stents	Cordis	Israel	Medinol	Multiple E.U. jurisdictions	*	5/03
Contact Lenses	Vision Care	Nicolson	CIBA Vision	M.D. Fla.	*	9/03

* Trial date to be established.

LITIGATION AGAINST FILERS OF ABBREVIATED NEW DRUG APPLICATIONS (ANDAS)

The following chart indicates lawsuits pending against generic firms that filed Abbreviated New Drug Applications seeking to market generic forms of products sold by various subsidiaries of the Company prior to expiration of the applicable patents covering those products. These ANDAs typically include allegations of non-infringement, invalidity and unenforceability of these patents. In the event the subsidiary of the Company involved is not successful in these actions, or the 30-month stay expires before a ruling from the district court is obtained, the firms involved will have the ability to introduce generic versions of the product at issue resulting in very substantial market share and revenue losses for the product of the Company's subsidiary.

As previously communicated and noted from the following chart, 30-month stays are scheduled to expire during 2006 with respect to ANDA challenges regarding ORTHO TRI-CYCLEN(R) LO, RISPERDAL(R) and TOPAMAX(R). Trial did not occur before the expiration of the stays with respect to ORTHO TRI-CYCLEN(R) LO, is unlikely to occur with respect to RISPERDAL(R), but could occur in the case of TOPAMAX(R). Unless 30-month stays are extended or preliminary injunctions granted, outcomes which are uncertain, final FDA approval to market will occur shortly after expiration of the 30-month stays. Because a firm that launches an ANDA product before trial would be liable potentially for lost profits if found at trial to infringe a valid patent, typically ANDA products are not launched under such circumstances. Nonetheless, such "at risk" launches have occurred in cases involving drugs of Johnson & Johnson subsidiaries, and the risk of such a launch cannot be ruled out.

Brand Name Product	Patent/NDA Holder	Generic Challenger	Court	Trial Date	Date Filed	30-Month Stay Expires
ACIPHEX(R) 20 mg delay release tablet	Eisai (for Janssen)	Teva	S.D.N.Y.	*	11/03	02/07
		Dr. Reddy's	S.D.N.Y.	*	11/03	02/07
		Mylan	S.D.N.Y.	*	01/04	02/07
CONCERTA(R) 18,27,36 and 54 mg controlled release tablet	McNeil-PPC ALZA	Impax Andrx	D.Del.	*	09/05	None
DITROPAN XL(R), 5, 10, 15 mg controlled release tablet	Ortho-McNeil ALZA	Mylan Impax	D.W.V. N. D.Cal.	02/05 12/05	05/03 09/03	09/05 01/06
LEVAQUIN(R) Tablets 250,500, 750 mg tablets	Daiichi, JJPRD	Mylan	D.W.V.	05/04	02/02	07/04
	Ortho-McNeil	Teva	D.N.J.	04/06	06/02	11/04
LEVAQUIN(R) Injectable Single use vials and 5 mg/ml premix	Daiichi, JJPRD Ortho-McNeil	Sicor (Teva)	D.N.J.	04/06	12/03	05/06
LEVAQUIN(R) Injectable Single use vials	Daiichi, JJPRD Ortho-McNeil	American Pharmaceutical Partners	D.N.J.	04/06	12/03	05/06
QUIXIN(R) Ophthalmic Solution (Levofloxacin) Ophthalmic solution	Daiichi, Ortho-McNeil	Hi-Tech Pharmacal	D.N.J.	04/06	12/03	05/06
ORTHO TRI CYCLEN(R) LO 0.18 mg/0.025 mg 0.215 mg/0.025 mg and 0.25 mg/0.025 mg	Ortho-McNeil	Barr	D.N.J.	*	10/03	02/06
PEPCID(R) Complete	McNeil-PPC	Perrigo	S.D.N.Y.	*	02/05	06/07
RAZADYNE(TM)	Janssen	Teva	D. Del	06/07	07/05	01/08
		Mylan	D. Del	06/07	07/05	01/08
		Dr. Reddy's	D. Del	06/07	07/05	01/08
		Purepac	D. Del	06/07	07/05	01/08
		Barr	D. Del	06/07	07/05	01/08
		Par	D. Del	06/07	07/05	01/08
		AlphaPharm	D. Del	06/07	07/05	01/08
RISPERDAL(R) Tablets ..25,0.5, 1,2,3,4 mg tablets	Janssen	Mylan Dr. Reddy's	D.N.J. D.N.J.	* *	12/03 12/03	05/06 06/06
RISPERDAL(R) M-Tab 0.5,1,2,3,4 mg	Janssen	Dr. Reddy's	D.N.J.	*	02/05	07/07
		Barr	D.N.J.	*	10/05	02/08
TOPAMAX(R) 25,50,100,200 mg tablet	Ortho-McNeil	Mylan	D.N.J.	*	04/04	09/06
		Cobalt	D.N.J.	*	10/05	03/08
TOPAMAX(R) SPRINKLE 25,50 mg capsule	Ortho-McNeil	Cobalt	D.N.J.	*	12/05	05/08
ULTRACET(R) 37.5 tram/ 325 apap tablet	Ortho-McNeil	Kali (Par)	D.N.J.	*	11/02	04/05
		Teva	D.N.J.	*	02/04	07/06
		Caraco	E.D. Mich	*	09/04	02/07

* Trial date to be established.

In the action against Mylan Pharmaceuticals USA (Mylan) involving the Company's subsidiary Ortho-McNeil Pharmaceutical, Inc.'s (Ortho-McNeil) product, DITROPAN XL(R) (oxybutynin chloride), the court on September 27, 2005, found the DITROPAN XL(R) patent invalid and not infringed by Mylan's ANDA product. Ortho-McNeil and ALZA Corporation (ALZA), a subsidiary of the Company, have appealed. In the action against Impax, Impax also received judgment of invalidity based on the decision in the Mylan suit and Ortho-McNeil and ALZA have appealed that decision. Both appeals have been consolidated. Neither Mylan nor Impax has received final FDA approval to launch its ANDA product, but such approval could come at any point.

On December 20, 2005, Mylan announced that it had entered into two agreements with Ortho-McNeil Pharmaceutical, Inc. regarding oxybutynin chloride extended release tablets. One agreement relates to Ortho-McNeil's supply of certain dosages of oxybutynin chloride extended release tablets and the second relates to a patent license to ALZA intellectual property regarding DITROPAN XL(R). The terms of the agreements, which are confidential, depend on the outcome of the appeal of the West Virginia court's decision and are subject to review by the Federal Trade Commission.

In the weeks following the adverse ruling in the DITROPAN XL(R) ANDA litigation against Mylan in September 2005, Ortho-McNeil and ALZA received five antitrust class action complaints filed by indirect purchasers of the product. The complaints were filed in various federal courts, but all claim damages based on the laws of over 25 states. They allege that Ortho-McNeil and ALZA violated the antitrust laws of the various states by knowingly pursuing baseless patent litigation, and thereby delaying entry in the market by Mylan and Impax.

In the action against Mylan involving Ortho-McNeil for LEVAQUIN(R) (levofloxacin), the trial judge on December 23, 2004 found the patent at issue valid, enforceable and infringed by Mylan's ANDA product and issued an injunction precluding sale of the product until patent expiration in late 2010. On December 19, 2005, the Court of Appeals for the Federal Circuit, affirmed the judgment of validity, enforceability and infringement. Mylan has filed a motion for rehearing by the Court of Appeals.

In the consolidated actions against Teva, Sicor, Hi-Tech Pharmacal, and American Pharmaceutical Partners involving the ANDAs for various Levofloxacin preparations, a trial is tentatively scheduled to begin in April 2006 on the claim that the Levaquin patent was obtained by inequitable conduct and is therefore unenforceable.

In the action against Kali involving Ortho-McNeil's ULTRACET(R) (tramadol hydrochloride/acetaminophen), Kali moved for summary judgment on the issues of infringement and invalidity. The briefing on that motion was completed in October 2004 and a decision is expected anytime. With respect to claims other than that at issue in the litigation against Kali, Ortho-McNeil has filed a reissue application in the U.S. Patent and Trademark Office seeking to narrow the scope of the claims. Notice of allowance of that patent was received on October 21, 2005. Kali obtained final approval of its ANDA at expiration of the 30-month stay on April 21, 2005, and launched its generic product the same day. If Ortho-McNeil ultimately prevails in its patent infringement action against Kali, Kali will be subject to an injunction and damages.

In the action against Teva Pharmaceuticals USA (Teva) involving Ortho-McNeil's ULTRACET(R) (tramadol hydrocholoride/acetaminophen), Teva has moved for summary judgment on the issues of infringement and validity. The briefing on that motion was completed in March 2005. A ruling could issue at any point.

In the action against Caraco involving Ortho-McNeil's ULTRACET(R) (tramadol hydrocholoride/acetaminophen), Caraco's motion for summary judgment of non-infringement was granted on October 20, 2005. Ortho-McNeil has appealed that decision. Caraco launched its generic ULTRACET(R) "at risk" in December 2005.

With respect to all of the above matters, the Johnson & Johnson subsidiary involved is vigorously defending the validity and enforceability and asserting the infringement of its own or its licensor's patents.

AVERAGE WHOLESALE PRICE (AWP) LITIGATION

Johnson & Johnson and its pharmaceutical subsidiaries, along with numerous other pharmaceutical companies, are defendants in a series of lawsuits in state and federal courts involving allegations that the pricing and marketing of certain pharmaceutical products amounted to fraudulent and otherwise actionable conduct because, among other things, the companies allegedly reported an inflated Average Wholesale Price (AWP) for the drugs at issue. Most of these cases, both federal actions and state actions removed to federal court, have been consolidated for pre-trial purposes in a Multi-District Litigation (MDL) in federal district court in Boston, Massachusetts. The plaintiffs in these cases include classes of private persons or entities that paid for any portion of the purchase of the drugs at issue based on AWP, and state government entities that made Medicaid payments for the drugs at issue based on AWP. In the MDL proceeding in Boston, plaintiffs moved for class certification of all or some portion of their claims. On August 16, 2005, the trial judge certified Massachusetts only classes of private insurers providing "Medi-gap" insurance coverage and private payers for physician-administered drugs where payments were based on AWP. The judge also allowed plaintiffs to file a new complaint seeking to name proper parties to represent a national class of individuals who made co-payments for physician-administered drugs covered by Medicare. The Court of Appeals declined to allow an appeal of those issues and on January 19, 2006, at a hearing on class certification issues, the court indicated its intent to certify the national class as noted above.

OTHER

The New York State Attorney General's office (N.Y. AG) and the Federal Trade Commission issued subpoenas in January and February 2003 seeking documents relating to the marketing of sutures and endoscopic instruments by the Company's Ethicon and Ethicon Endo-Surgery subsidiaries. In February 2005, the N.Y. AG advised that it had closed its investigation. The Connecticut State Attorney General's office also issued a subpoena for the same documents. These subpoenas focus on the bundling of sutures and endoscopic instruments in contracts offered to group purchasing organizations and individual hospitals in which discounts are predicated on the hospital achieving specified market share targets for both categories of products. The operating companies involved have responded to the subpoenas.

In June 2003, the Company received a request for records and information from the U.S. House of Representatives' Committee on Energy and Commerce in connection with its investigation into pharmaceutical reimbursements and rebates under Medicaid. The Committee's request focuses on the drug REMICADE(R) (infliximab), marketed by the Company's Centocor, Inc. (Centocor) subsidiary. In July 2003, Centocor received a

request that it voluntarily provide documents and information to the criminal division of the U.S. Attorney's Office, District of New Jersey, in connection with its investigation into various Centocor marketing practices. Subsequent requests for documents have been received from the U.S. Attorney's Office. Both the Company and Centocor responded, or are in the process of responding, to these requests for documents and information.

In August 2003, the Securities and Exchange Commission (SEC) advised the Company of its informal investigation under the Foreign Corrupt Practices Act of allegations of payments to Polish governmental officials by U.S. pharmaceutical companies. In November 2003, the SEC advised the Company that the investigation had become formal and issued a subpoena for the information previously requested in an informal fashion, in addition to other background documents. The Company and its operating units in Poland have responded to these requests.

In December 2003, Ortho-McNeil received a subpoena from the United States Attorney's Office in Boston, Massachusetts seeking documents relating to the marketing, including alleged off-label marketing, of the drug TOPAMAX(R) (topiramate). Ortho-McNeil is cooperating in responding to the subpoena. In October 2004, the U.S. Attorney's Office in Boston asked attorneys for Ortho-McNeil to cooperate in facilitating the subpoenaed testimony of several present and former Ortho-McNeil employees before a grand jury in Boston. Cooperation in securing the testimony of additional witnesses before the grand jury has been requested and is being provided.

In January 2004, Janssen received a subpoena from the Office of the Inspector General of the United States Office of Personnel Management seeking documents concerning sales and marketing of, any and all payments to physicians in connection with sales and marketing of, and clinical trials for, RISPERDAL(R) (risperidone) from 1997 to 2002. Documents subsequent to 2002 have also been requested. An additional subpoena seeking information about marketing of and adverse reactions to RISPERDAL(R) was received from the United States Attorney's Office for the Eastern District of Pennsylvania in November 2005. Janssen is cooperating in responding to these subpoenas.

In April 2004, the Company's pharmaceutical companies were requested to submit information to the U.S. Senate Finance Committee on their use of the "nominal pricing exception" in calculating Best Price under the Medicaid Rebate Program. This request was sent to manufacturers for the top twenty drugs reimbursed under the Medicaid Program. The Company's pharmaceutical companies have responded to the request. In February 2005 a request for supplemental information was received from the Senate Finance Committee, which has been responded to by the Company's pharmaceutical companies.

In July 2004, the Company received a letter request from the New York State Attorney General's Office for documents pertaining to marketing, off-label sales and clinical trials for TOPAMAX(R) (topiramate), RISPERDAL(R) (risperidone), PROCRIT(R) (Epoetin alfa), RAZADYNE(TM) (galantamine HBr), REMICADE(R) (infliximab) and ACIPHEX(R) (rabeprazole sodium). The Company has responded to the request.

In August 2004, Johnson & Johnson Health Care Systems, Inc. (HCS), a Johnson & Johnson subsidiary, received a subpoena from the Dallas, Texas U. S. Attorney's Office seeking documents relating to the relationships between the group purchasing organization Novation and HCS and other Johnson & Johnson subsidiaries. The Company's subsidiaries involved have responded to the subpoena.

In September 2004, Ortho Biotech Inc. (Ortho Biotech), a Johnson & Johnson subsidiary, received a subpoena from the U.S. Office of Inspector General's Denver, Colorado field office seeking documents directed to sales and marketing of PROCRIT(R) (Epoetin alfa) from 1997 to the present, as well as to dealings with U.S. Oncology Inc., a healthcare services network for oncologists. Ortho Biotech has responded to the subpoena.

In March 2005, DePuy Orthopaedics, Inc. (DePuy), a Johnson & Johnson subsidiary, received a subpoena from the U.S. Attorney's Office, District of New Jersey, seeking records concerning contractual relationships between DePuy and surgeons or surgeons in training involved in hip and knee replacement and reconstructive surgery. Other leading orthopaedic companies are known to have received the same subpoena. DePuy is responding to the subpoena.

In June 2005, The United States Senate Committee on Finance requested the Company to produce information regarding its use of educational grants. A similar request was sent to other major pharmaceutical companies. In July 2005, the Committee specifically requested information about educational grants in connection with the drug PROPULSID(R). A follow up request was received from the Committee for additional information in January 2006. The Company is in the process of responding to the most recent request.

In July 2005, Scios Inc. (Scios), a Johnson & Johnson subsidiary, received a subpoena from the United States Attorney's Office, District of Massachusetts, seeking documents related to the sales and marketing of NATRECOR(R). Scios is responding to the subpoena. In early August 2005, Scios was advised that the investigation will be handled by the United States Attorney's Office for the Northern District of California in San Francisco.

In September 2005, Johnson & Johnson received a subpoena from the United States Attorney's Office, District of Massachusetts, seeking documents related to sales and marketing of eight drugs to Omnicare, Inc., a manager of pharmaceutical benefits for long-term care facilities. The Johnson & Johnson subsidiaries involved are in the process of responding to the subpoena.

In January 2006, Janssen received a civil investigative demand from the Texas Attorney General seeking broad categories of documents related to sales and marketing of RISPERDAL(R). Janssen is in the process of responding to the request.

In September 2004, plaintiffs in an employment discrimination litigation initiated against the Company in 2001 in Federal District Court in New Jersey moved to certify a class of all African American and Hispanic salaried employees of the Company and its affiliates in the U.S., who were employed at any time from November 1997 to the present. Plaintiffs seek monetary damages for the period 1997 through the present (including punitive damages) and equitable relief. The Company filed its response to plaintiffs' class certification motion in

May 2005. The Company disputes the allegations in the lawsuit and is vigorously defending against them.

The Company, along with its wholly owned Ethicon and Ethicon Endo-Surgery subsidiaries, are defendants in three federal antitrust actions challenging suture and endo-mechanical contracts with group purchasing organizations and hospitals in which discounts are predicated on a hospital achieving specified market share targets for both categories of products. In each case, plaintiffs seek substantial monetary damages and injunctive relief. These actions are: Applied Medical v. Ethicon Inc. et al. (C.D.CA, filed September 5, 2003); Conmed v. Johnson & Johnson et al. (S.D.N.Y., filed November 6, 2003); and Genico v. Ethicon, Inc. et al. (E.D. TX, filed October 15, 2004). In December 2005, two purported class actions were filed on behalf of purchasers of endo-mechanical instruments. These actions, captioned Delaware Valley Surgical Supply Co., Inc. v. Johnson & Johnson et al. and Niagara Falls Memorial Medical Center v. Johnson & Johnson et al., were both filed in the federal district court for the Central District of California.

After a remand from the Federal Circuit Court of Appeals in January 2003, a partial retrial was commenced in October and concluded in November 2003 in Federal District Court in Boston, Massachusetts in the action Amgen, Inc. (Amgen) v. Transkaryotic Therapies, Inc. (TKT) and Aventis Pharmaceutical, Inc. (Aventis). The matter is a patent infringement action brought by Amgen against TKT, the developer of a gene-activated EPO product, and Aventis, which held marketing rights to the TKT product, asserting that TKT's product infringes various Amgen patent claims. TKT and Aventis dispute infringement and are seeking to invalidate the Amgen patents asserted against them. On October 15, 2004, the district court issued rulings that upheld its initial findings in 2001 that Amgen's patent claims were valid and infringed. An appeal to the Court of Appeals for the Federal Circuit was argued on December 7, 2005. The Amgen patents at issue in the case are exclusively licensed to Ortho Biotech in the U.S. for non-dialysis indications. Ortho Biotech is not a party to the action.

In November 2005, Amgen filed suit against Hoffmann-LaRoche, Inc. in the United States District Court for the District of Massachusetts seeking a declaration that the Roche product CERA, which Roche has indicated it will seek to introduce into the United States, infringes a number of Amgen patents concerning EPO. The suit is in its preliminary stages.

The Company is also involved in a number of other patent, trademark and other lawsuits incidental to its business. The ultimate legal and financial liability of the Company in respect to all claims, lawsuits and proceedings referred to above cannot be estimated with any certainty. However, in the Company's opinion, based on its examination of these matters, its experience to date and discussions with counsel, the ultimate outcome of legal proceedings, net of liabilities already accrued in the Company's balance sheet, is not expected to have a material adverse effect on the Company's financial position, although the resolution in any reporting period of one or more of these matters could have a significant impact on the Company's results of operations and cash flows for that period.

19. EARNINGS PER SHARE

The following is a reconciliation of basic net earnings per share to diluted net earnings per share for the years ended January 1, 2006, January 2, 2005 and December 28, 2003:

(Shares in Millions)	2005	2004	2003
Basic net earnings per share	$ 3.50	2.87	2.42
Average shares outstanding-basic	2,973.9	2,968.4	2,968.1
Potential shares exercisable under stock option plans	203.1	186.5	166.6
Less: shares repurchased under treasury stock method	(168.9)	(163.8)	(141.4)
Convertible debt shares	4.4	12.4	14.8
Adjusted average shares outstanding-diluted	3,012.5	3,003.5	3,008.1
Diluted net earnings per share	$ 3.46	2.84	2.40

The diluted net earnings per share calculation includes the dilutive effect of convertible debt: a decrease in interest expense of $11 million, $14 million and $15 million after tax for years 2005, 2004 and 2003, respectively.

Diluted net earnings per share excludes 45 million, 42 million and 47 million shares underlying stock options for 2005, 2004 and 2003, respectively, as the exercise price of these options was greater than their average market value, which would result in an anti-dilutive effect on diluted earnings per share.

20. CAPITAL AND TREASURY STOCK

Changes in treasury stock were:

(Amounts in Millions Except Treasury Stock Number of Shares in Thousands)	Treasury Stock Shares	Treasury Stock Amount
Balance at December 29,2002	151,547	$ 6,127
Employee compensation and stock option plans	(21,729)	(1,160)
Conversion of subordinated debentures	(83)	(4)

Repurchase of common stock	22,134	1,183
Balance at December 28,2003	151,869	6,146
Employee compensation and stock option plans	(25,340)	(1,403)
Conversion of subordinated debentures	(2,432)	(123)
Repurchase of common stock	24,722	1,384
Balance at January 2,2005	148,819	6,004
Employee compensation and stock option plans	(22,708)	(1,458)
Conversion of subordinated debentures	(7,976)	(501)
Repurchase of common stock	27,229	1,920
Balance at January 1,2006	145,364	$ 5,965

Shares of common stock issued were 3,119,842,000 shares at the end of 2005, 2004 and 2003.

Cash dividends paid were $1.275 per share in 2005, compared with dividends of $1.095 per share in 2004 and $0.925 per share in 2003.

21. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial data for the years 2005 and 2004 are summarized below:

(Dollars in Millions Except Per Share Data)	2005 First Quarter	2005 Second Quarter(1)	2005 Third Quarter	2005 Fourth Quarter(2)	2004 First Quarter	2004 Second Quarter	2004 Third Quarter(3)	2004 Fourth Quarter(4)
Segment sales to customers								
Consumer	$ 2,280	2,278	2,231	2,307	2,047	2,000	2,024	2,262
Pharmaceutical	5,755	5,628	5,457	5,482	5,376	5,427	5,485	5,840
Med Devices & Diagnostics	4,797	4,856	4,622	4,821	4,136	4,057	4,044	4,650
Total sales	$ 12,832	12,762	12,310	12,610	11,559	11,484	11,553	12,752
Gross profit	9,350	9,254	8,970	8,986	8,192	8,322	8,366	9,046
Earnings before provision for taxes on income	4,062	3,402	3,554	2,638	3,504	3,435	3,274	2,625
Net earnings	2,927	2,676	2,625	2,183	2,493	2,458	2,341	1,217
Basic net earnings per share	$ 0.98	0.90	0.88	0.74	0.84	0.83	0.79	0.41
Diluted net earnings per share	$ 0.97	0.89	0.87	0.73	0.83	0.82	0.78	0.41

(1) The second quarter of 2005 includes an after-tax charge of $353 million for In-Process Research and Development (IPR&D) and a $225 million tax benefit, due to the reversal of a tax liability related to a technical correction associated with the American Jobs Creation Act of 2004.
(2) The fourth quarter of 2005 includes an after-tax charge of $6 million for IPR&D. Shifts in sales to lower tax jurisdictions and expenditures to higher tax jurisdictions had a more significant impact on the fiscal fourth quarter's tax rate.
(3) The third quarter of 2004 includes an after-tax charge of $12 million for IPR&D.
(4) The fourth quarter of 2004 includes $789 million for taxes on the repatriation of unremitted foreign earnings associated with the American Jobs Creation Act of 2004.

22. SUBSEQUENT EVENTS

On January 25, 2006, the definitive agreement to acquire Guidant Corporation (Guidant) was terminated by Guidant in accordance with its terms. Pursuant to the terms of the agreement, Guidant paid the Company a fee of $705 million on January 26, 2006.

During the fiscal fourth quarter of 2005, the Company announced its acquisition of Animas Corporation, a leading maker of insulin infusion pumps and related products. The purchase price, net of cash acquired, of the transaction is approximately $518 million and closed in the fiscal first quarter of 2006.

During the fiscal first quarter of 2006, the Company completed the acquisition of Hand Innovations LLC, a privately held manufacturer of widely used fracture fixation products for the upper extremities.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Under Section 404 of The Sarbanes-Oxley Act of 2002, management is required to assess the effectiveness of the Company's internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company's internal control over financial reporting is effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

Internal controls over financial reporting, no matter how well designed, have inherent limitations. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management has assessed the effectiveness of the Company's internal control over financial reporting as of January 1, 2006. In making this assessment, the Company used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework." These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included extensive documenting, evaluating and testing the design and operating effectiveness of its internal controls over financial reporting.

Based on the Company's processes and assessment, as described above, management has concluded that, as of January 1, 2006, the Company's internal control over financial reporting was effective.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 1, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as

stated in their report which appears herein.

To the Shareholders and Board of Directors of Johnson & Johnson:

We have completed integrated audits of Johnson & Johnson's consolidated financial statements as of and for the years ended January 1, 2006 and January 2, 2005, and of its internal control over financial reporting as of January 1, 2006, and an audit of its consolidated financial statements for the year ended December 28, 2003, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, statements of equity and statements of cash flows present fairly, in all material respects, the financial position of Johnson & Johnson and Subsidiaries (the "Company") at January 1, 2006 and January 2, 2005, and the results of their operations and their cash flows for each of the three years in the period ended January 1, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Also, in our opinion, management's assessment included in the accompanying, "Management's Report on Internal Control over Financial Reporting," that the Company maintained effective internal control over financial reporting as of January 1, 2006 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2006, based on criteria established in Internal Control-Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

New York, New York
February 28, 2006

(Dollars in Millions Except Per Share Figures)	2005	2004	2003	2002	2001	2000	1999	1998
Sales to customers-U.S.	$ 28,377	27,770	25,274	22,455	19,825	17,316	15,532	12,901
Sales to customers-International	22,137	19,578	16,588	13,843	12,492	11,856	11,825	10,910
TOTAL SALES	50,514	47,348	41,862	36,298	32,317	29,172	27,357	23,811
Cost of products sold	13,954	13,422	12,176	10,447	9,581	8,957	8,539	7,700
Selling, marketing and administrative expenses	16,877	15,860	14,131	12,216	11,260	10,495	10,065	8,525
Research expense	6,312	5,203	4,684	3,957	3,591	3,105	2,768	2,506
Purchased in-process research and development	362	18	918	189	105	66	-	298
Interest income	(487)	(195)	(177)	(256)	(456)	(429)	(266)	(302)
Interest expense, net of portion capitalized	54	187	207	160	153	204	255	186
Other (income) expense, net	(214)	15	(385)	294	185	(94)	119	565
	36,858	34,510	31,554	27,007	24,419	22,304	21,480	19,478
EARNINGS BEFORE PROVISION FOR TAXES ON INCOME	13,656	12,838	10,308	9,291	7,898	6,868	5,877	4,333
Provision for taxes on income	3,245	4,329	3,111	2,694	2,230	1,915	1,604	1,232
NET EARNINGS	10,411	8,509	7,197	6,597	5,668	4,953	4,273	3,101
Percent of sales to customers	20.6	18.0	17.2	18.2	17.5	17.0	15.6	13.0
Diluted net earnings per share of common stock	$ 3.46	2.84	2.40	2.16	1.84	1.61	1.39	1.02
Percent return on average shareholders' equity	29.9	29.0	29.0	28.1	25.4	26.5	27.0	22.2
PERCENT INCREASE OVER PREVIOUS YEAR:								
Sales to customers	6.7	13.1	15.3	12.3	10.8	6.6	14.9	5.7
Diluted net earnings per share	21.8	18.3	11.1	17.4	14.3	15.8	36.3	-
SUPPLEMENTARY EXPENSE DATA:								
Cost of materials and services(1)	$ 22,328	21,053	18,568	16,540	15,333	14,113	13,922	11,779
Total employment costs	11,824	11,074	10,005	8,450	7,749	7,085	6,537	5,908
Depreciation and amortization	2,093	2,124	1,869	1,662	1,605	1,592	1,510	1,335
Maintenance and repairs(2)	510	462	395	360	372	327	322	286
Total tax expense(3)	4,474	5,393	4,078	3,497	2,995	2,619	2,271	1,881
SUPPLEMENTARY BALANCE SHEET DATA:								
Property, plant and equipment, net	10,830	10,436	9,846	8,710	7,719	7,409	7,155	6,767
Additions to property, plant and equipment	2,632	2,175	2,262	2,099	1,731	1,689	1,822	1,610
Total assets	58,025	53,317	48,263	40,556	38,488	34,245	31,064	28,966
Long-term debt	2,017	2,565	2,955	2,022	2,217	3,163	3,429	2,652
Operating cash flow	11,877	11,131	10,595	8,176	8,864	6,903	5,920	5,106
COMMON STOCK INFORMATION								
Dividends paid per share	$ 1.275	1.095	.925	.795	.70	.62	.55	.49
Shareholders' equity per share	$ 12.73	10.71	9.05	7.65	7.95	6.77	5.70	4.93
Market price per share (year-end close)	$ 60.10	63.42	50.62	53.11	59.86	52.53	46.63	41.94
Average shares outstanding (millions) -basic	2,973.9	2,968.4	2,968.1	2,998.3	3,033.8	2,993.5	2,978.2	2,973.6
-diluted	3,012.5	3,003.5	3,008.1	3,054.1	3,099.3	3,099.2	3,100.4	3,082.7
EMPLOYEES (THOUSANDS)	115.6	109.9	110.6	108.3	101.8	100.9	99.8	96.1

(Dollars in Millions Except Per Share Figures)	1997	1996	1995
Sales to customers-U.S.	11,814	10,851	9,065
Sales to customers-International	10,708	10,536	9,472
TOTAL SALES	22,522	21,387	18,537
Cost of products sold	7,350	7,185	6,352
Selling, marketing and administrative expenses	8,185	7,848	6,950
Research expense	2,373	2,109	1,788
Purchased in-process research and development	108	-	-
Interest income	(263)	(196)	(151)
Interest expense, net of portion capitalized	179	176	184
Other (income) expense, net	248	122	70
	18,180	17,244	15,193
Earnings before provision for taxes on income	4,342	4,143	3,344
Provision for taxes on income	1,237	1,185	926
NET EARNINGS	3,105	2,958	2,418
Percent of sales to customers	13.8	13.8	13.0
Diluted net earnings per share of common stock	1.02	.98	.84
Percent return on average shareholders' equity	24.6	27.2	27.6
PERCENT INCREASE OVER PREVIOUS YEAR:			
Sales to customers	5.3	15.4	19.9
Diluted net earnings per share	4.1	16.7	21.7

SUPPLEMENTARY EXPENSE DATA:			
Cost of materials and services(1)	11,702	11,341	9,984
Total employment costs	5,586	5,447	4,849
Depreciation and amortization	1,117	1,047	886
Maintenance and repairs(2)	270	285	257
Total tax expense(3)	1,824	1,753	1,458
SUPPLEMENTARY BALANCE SHEET DATA:			
Property, plant and equipment, net	6,204	6,025	5,544
Additions to property, plant and equipment	1,454	1,427	1,307
Total assets	23,615	22,248	19,355
Long-term debt	2,084	2,347	2,702
Operating cash flow	4,210	4,001	3,436
COMMON STOCK INFORMATION			
Dividends paid per share	.425	.368	.32
Shareholders' equity per share	4.51	4.07	3.46
Market price per share (year-end close)	32.44	25.25	21.38
Average shares outstanding (millions) -basic	2,951.9	2,938.0	2,820.1
-diluted	3,073.0	3,046.2	2,890.0
EMPLOYEES (THOUSANDS)	92.6	91.5	84.2

(1) Net of interest and other income.
(2) Also included in cost of materials and services category.
(3) Includes taxes on income, payroll, property and other business taxes.

EXHIBIT 21

SUBSIDIARIES

Johnson & Johnson, a New Jersey corporation, had the domestic and international subsidiaries shown below as of January 1, 2006. Certain U.S. subsidiaries and international subsidiaries are not named because they were not significant in the aggregate. Johnson & Johnson has no parent.

Name of Subsidiary	Jurisdiction of Organization
U.S. Subsidiaries:	
Advanced Sterilization Products Services Inc.	New Jersey
ALZA Corporation	Delaware
ALZA Land Management, Inc.	Delaware
Biosense Webster, Inc.	California
Centocor Biologics, LLC	Pennsylvania
Centocor, Inc.	Pennsylvania
Centocor Research & Development, Inc.	Pennsylvania
Closure Medical Corporation	Delaware
CNA Development LLC	Delaware
Codman & Shurtleff, Inc.	New Jersey
Cordis Corporation	Florida
Cordis Development Corporation	Florida
Cordis International Corporation	Delaware
Cordis LLC	Delaware
Cordis Neurovascular, Inc.	Florida
DePuy Disc, Inc.	Delaware
DePuy, Inc.	Delaware
DePuy Mitek, Inc.	Massachusetts
DePuy Orthopaedics, Inc.	Indiana
DePuy Products, Inc.	Indiana
DePuy Spine, Inc.	Ohio
DePuy Spine Sales Limited Partnership	Massachusetts
Diabetes Diagnostics, Inc.	Delaware
Ethicon Endo-Surgery, Inc.	Ohio
Ethicon Endo-Surgery, LLC.	Delaware
Ethicon Endo-Surgery Services, L.P.	Texas
Ethicon, Inc.	New Jersey
Ethicon LLC	Delaware
Global Biologics Supply Chain, LLC	Pennsylvania
GynoPharma Inc.	Delaware
ISO Holding Corp.	Delaware
J&J Holdings (Nevada), Inc.	Nevada
Janssen Finance Company	Florida
Janssen Inc.	Delaware
Janssen Ortho LLC	Delaware
Janssen L.P.	New Jersey
JJHC, LLC	Delaware
Johnson & Johnson Baby Products, Inc.	Delaware

Name of Subsidiary	Jurisdiction of Organization
Johnson & Johnson Consumer Companies, Inc.	New Jersey
Johnson & Johnson Development Corporation	New Jersey
Johnson & Johnson Finance Corporation	New Jersey
Johnson & Johnson Health Care Systems Inc.	New Jersey
Johnson & Johnson International	New Jersey
Johnson & Johnson Japan Inc.	New Jersey
Johnson & Johnson • Merck Consumer Pharmaceuticals Co.	New Jersey
Johnson & Johnson (Middle East) Inc.	New Jersey
Johnson & Johnson Pharmaceutical Research & Development, L.L.C.	New Jersey
Johnson & Johnson Pharmaceutical Services, LLC	New Jersey
Johnson & Johnson Pharmaceutical Trading Co., Inc.	Delaware
Johnson & Johnson Professional Co. (P.R.) Inc.	Delaware
Johnson & Johnson Sales and Logistics Company, LLC	New Jersey
Johnson & Johnson Services, Inc.	New Jersey
Johnson & Johnson Urban Renewal Associates	New Jersey
Johnson & Johnson Vision Care, Inc.	Florida
Joint Medical Products Corporation	Delaware
LifeScan, Inc.	California
LifeScan LLC	Delaware
McNeil Healthcare LLC	Delaware
McNeil Nutritionals, LLC	Delaware
McNEIL-PPC, Inc.	New Jersey
Middlesex Assurance Company Limited	Vermont
Neutrogena Corporation	Delaware
Nitinol Development Corporation	California
Noramco, Inc.	Georgia
OMJ Pharmaceuticals, Inc.	Delaware
OraPharma, Inc.	Delaware
Ortho Biologics LLC	Delaware
Ortho Biotech Clinical Affairs, LLC	New Jersey
Ortho Biotech Holding Corp.	Delaware
Ortho Biotech Inc.	New Jersey
Ortho Biotech Products, L.P.	New Jersey
Ortho-Clinical Diagnostics, Inc.	New York
Ortho-McNeil Finance Co.	Florida
Ortho-McNeil, Inc.	New Jersey
Ortho-McNeil Neurologics, Inc.	New Jersey
Ortho-McNeil Pharmaceutical, Inc.	Delaware
Rutan Realty LLC	New Jersey
Scios Inc.	Delaware
TERAMed Corporation	Delaware
Therapeutic Discovery Corporation	Delaware
The Tylenol Company	New Jersey
TransForm Pharmaceuticals, Inc.	Delaware
Winthorpe & Valentine, Inc.	Delaware

Name of Subsidiary	Jurisdiction of Organization
International Subsidiaries:	
ALZA Ireland Limited	Ireland
Apsis S.A.S.	France
Centocor Biologics (Ireland) Limited	Ireland
Centocor B.V.	Netherlands
Cilag Advanced Technologies GmbH	Switzerland
Cilag AG	Switzerland
Cilag de Mexico, S. de R.L. de C.V.	Mexico
Cilag GmbH International	Switzerland
Cilag Holding AG	Switzerland
Codman Sarl	Switzerland
Cordis Europa N.V.	Netherlands
Cordis Medizinische Apparate GmbH	Germany
Cordis S.A.S.	France
DePuy Ace Sarl	Switzerland
DePuy France S.A.S.	France
DePuy International Limited	United Kingdom
DePuy International (Holdings) Limited	United Kingdom
DePuy (Ireland) Limited	Ireland
DePuy Mitek Sarl	Switzerland
DePuy Orthopadie GmbH	Germany
DePuy Orthopedie S.A.S.	France
DePuy Spine Sarl	Switzerland
DePuy UK Holdings Limited	United Kingdom
Drumbeat Limited	Ireland
Ethicon GmbH	Germany
Ethicon Ireland Limited	Ireland
Ethicon Sarl	Scotland
Ethicon SAS	France
Ethnor (Proprietary) Limited	South Africa
Greiter AG	Switzerland
Greiter (International) AG	Switzerland
High Wycombe Property Management Limited	United Kingdom
Janssen Animal Health BVBA	Belgium
Janssen-Cilag A/S	Norway
Janssen-Cilag AB	Sweden
Janssen-Cilag AG	Switzerland
Janssen-Cilag B.V.	Netherlands
Janssen-Cilag Farmaceutica, Lda.	Portugal
Janssen-Cilag Farmaceutica Ltda.	Brazil
Janssen-Cilag GmbH	Germany
Janssen-Cilag Ltd.	United Kingdom
Janssen-Cilag NV	Belgium
Janssen-Cilag Pharmaceutical S.A.C.I.	Greece
Janssen-Cilag Pharma GmbH	Austria

Name of Subsidiary	Jurisdiction of Organization
Janssen-Cilag Polska, Sp. z o.o	Poland
Janssen-Cilag Pty. Ltd.	Australia
Janssen-Cilag S.A.	Spain
Janssen-Cilag, S.A. de C.V.	Mexico
Janssen-Cilag S.A.S.	France
Janssen-Cilag S.p.A.	Italy
Janssen Korea, Ltd.	Korea
Janssen-Ortho Inc.	Canada
Janssen Pharmaceutica NV	Belgium
Janssen Pharmaceutica (Pty) Limited	South Africa
Janssen Pharmaceutical K.K.	Japan
Janssen Pharmaceutical Limited	Ireland
J.C. General Services CVBA	Belgium
J-C Healthcare Ltd.	Israel
JHC Nederland B.V.	Netherlands
Johnson & Johnson AB	Sweden
Johnson & Johnson AG	Switzerland
Johnson & Johnson (China) Investment Co., Ltd.	China
Johnson & Johnson (China) Ltd.	China
Johnson & Johnson Comercio E Distribuicao Ltda.	Brazil
Johnson & Johnson Consumer France SAS	France
Johnson & Johnson Consumer (Hong Kong) Limited	Hong Kong
Johnson & Johnson de Argentina, S.A.C.e I.	Argentina
Johnson & Johnson de Colombia S.A.	Colombia
Johnson & Johnson de Venezuela, S.A.	Venezuela
Johnson & Johnson European Treasury Company	Ireland
Johnson & Johnson (Egypt) S.A.E.	Egypt
Johnson & Johnson Finance Limited	England
Johnson & Johnson Gesellschaft m.b.H.	Austria
Johnson & Johnson GmbH	Germany
Johnson & Johnson Group Holdings G.m.b.H	Germany
Johnson & Johnson Hellas S.A.	Greece
Johnson & Johnson Holding AB	Sweden
Johnson & Johnson Holding GmbH	Germany
Johnson & Johnson (Hong Kong) Limited	Hong Kong
Johnson & Johnson Inc.	Canada
Johnson & Johnson Industrial Ltda.	Brazil
Johnson & Johnson International Financial Services Company	Ireland
Johnson & Johnson (Ireland) Limited	Ireland
Johnson & Johnson Kft.	Hungary
Johnson & Johnson K.K.	Japan
Johnson & Johnson Korea, Ltd.	Korea
Johnson & Johnson Limitada	Portugal
Johnson & Johnson Limited	India
Johnson & Johnson Management Limited	England

Name of Subsidiary	Jurisdiction of Organization
Johnson & Johnson Medical B.V.	Netherlands
Johnson & Johnson Medical (China) Ltd.	China
Johnson & Johnson Medical Holding S.p.A.	Italy
Johnson & Johnson Medical Korea Limited	Korea
Johnson & Johnson Medical Limited	United Kingdom
Johnson & Johnson Medical Mexico, S.A. de C.V.	Mexico
Johnson & Johnson Medical Products GmbH	Austria
Johnson & Johnson Medical (Pty) Limited	South Africa
Johnson & Johnson Medical Pty. Limited	Australia
Johnson & Johnson Medical S.A.	Argentina
Johnson & Johnson Medical (Shanghai) Ltd.	China
Johnson & Johnson Medical S.p.A.	Italy
Johnson & Johnson • Merck Consumer Pharmaceuticals of Canada	Canada
Johnson & Johnson Pacific Pty. Limited	Australia
Johnson & Johnson Pakistan (Private) Limited	Pakistan
Johnson & Johnson (Philippines), Inc.	Philippines
Johnson & Johnson Poland Sp. z o.o	Poland
Johnson & Johnson Produtos Profissionais Ltda.	Brazil
Johnson & Johnson (Proprietary) Limited	South Africa
Johnson & Johnson Pte. Ltd.	Singapore
Johnson & Johnson Pty. Limited	Australia
Johnson & Johnson Research Pty. Ltd.	Australia
Johnson & Johnson S.A.	Spain
Johnson & Johnson, S.A. de C.V.	Mexico
Johnson & Johnson SDN. BHD.	Malaysia
Johnson & Johnson S.p.A	Italy
Johnson & Johnson, s.r.o.	Czech Republic
Johnson & Johnson Swiss Finance Company Limited	United Kingdom
Johnson & Johnson Taiwan Ltd.	Taiwan
Johnson & Johnson (Thailand) Ltd.	Thailand
Johnson & Johnson Vision Care (Ireland) Limited	Ireland
Laboratoires Polive S.N.C.	France
Latam Properties Holdings	Ireland
Lifescan Canada Ltd.	Canada
Lifescan Scotland Ltd.	Scotland
McNeil GmbH & Co. oHG	Germany
McNeil Iberica S.L.U.	Spain
McNEIL PDI Inc.	Canada
McNeil SAS	France
Medos International Sarl	Switzerland
Medos Sarl	Switzerland
OMJ Ireland Limited	Ireland
OMJ Manufacturing Limited	Ireland
Ortho-Clinical Diagnostics	United Kingdom
Ortho-Clinical Diagnostics GmbH	Germany

Name of Subsidiary	Jurisdiction of Organization
Ortho-Clinical Diagnostics K.K.	Japan
Ortho-Clinical Diagnostics NV	Belgium
Ortho-Clinical Diagnostics S.A.S.	France
P.T. Johnson & Johnson Indonesia	Indonesia
Shanghai Johnson & Johnson Pharmaceuticals, Ltd.	China
Tasmanian Alkaloids Pty. Ltd.	Australia
Tibotec BVBA	Belgium
Tibotec Pharmaceuticals Ltd.	Ireland
Tibotec-Virco Comm. VA	Belgium
Turnbuckle Investment Company	Ireland
Vania Expansion, S.N.C.	France
Xian-Janssen Pharmaceutical Ltd.	China

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-129542, 333-124785, 333-106007, 333-104828, 333-96541, 333-87736, 333-67370, 333-59380, 333-39238, 333-94367, 333-86611, 333-40681, 333-38055, 333-26979, 33-59009, 33-57583, 33-52252, 33-40295, 33-40294, 33-32875) and Form S-3 (No. 333-111082, 333-104821, 333-67020, 333-91349, 33-55977, 33-47424) of Johnson & Johnson of our report dated February 28, 2006, relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 28, 2006 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

New York, New York

March 14, 2006

EXHIBIT 31(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, William C. Weldon, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended January 1, 2006 (the "report") of Johnson & Johnson (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) for the Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ WILLIAM C. WELDON

William C. Weldon
Chief Executive Officer

Date: March 13, 2006

EXHIBIT 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Robert J. Darretta, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended January 1, 2006 (the "report") of Johnson & Johnson (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) for the Company and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ ROBERT J. DARRETTA

Robert J. Darretta
Chief Financial Officer

Date: March 13, 2006

EXHIBIT 32(a)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

The undersigned, William C. Weldon, the Chief Executive Officer of Johnson & Johnson, a New Jersey corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of my knowledge:

(1) the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ WILLIAM C. WELDON

William C. Weldon
Chief Executive Officer

Dated: March 13, 2006

This certification is being furnished to the SEC with this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

EXHIBIT 32(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

The undersigned, Robert J. Darretta, the Chief Financial Officer of Johnson & Johnson, a New Jersey corporation (the "Company"), pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies that, to the best of my knowledge:

(1) the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT J. DARRETTA

Robert J. Darretta
Chief Financial Officer

Dated: March 13, 2006

This certification is being furnished to the SEC with this Report on Form 10-K pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934.

EXHIBIT 99

CAUTIONARY STATEMENT PURSUANT TO PRIVATE SECURITIES LITIGATION REFORM

ACT OF 1995 — "SAFE HARBOR" FOR FORWARD-LOOKING STATEMENTS

The Company may from time to time make certain forward-looking statements in publicly-released materials, both written and oral. Forward-looking statements do not relate strictly to historical or current facts and anticipate results based on management's plans that are subject to uncertainty. Forward-looking statements may be identified by the use of words like "plans," "expects," "will," "anticipates," "estimates" and other words of similar meaning in conjunction with, among other things, discussions of future operations, financial performance, the Company's strategy for growth, product development, regulatory approvals, market position and expenditures.

Forward-looking statements are based on current expectations of future events. The Company cannot guarantee that any forward-looking statement will be accurate, although the Company believes that it has been reasonable in its expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from the Company's expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. Furthermore, the Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments.

Some important factors that could cause the Company's actual results to differ from the Company's expectations in any forward-looking statements are as follows:

Economic factors, including inflation and fluctuations in interest rates and currency exchange rates and the potential effect of such fluctuations on revenues, expenses and resulting margins;

Competitive factors, including technological advances achieved and patents attained by competitors as well as new products introduced by competitors;

Challenges to the Company's patents by competitors or allegations that the Company's products infringe the patents of third parties, which could potentially affect the Company's competitive position and ability to sell the products in question and require the payment of past damages and future royalties. In particular, generic drug firms have filed Abbreviated New Drug Applications seeking to market generic forms of most of the Company's key pharmaceutical products, prior to expiration of the applicable patents covering those products. In the event that the Company is not successful in defending the resulting lawsuits, generic versions of the product at issue will be introduced, resulting in very substantial market share and revenue losses;

Financial distress and bankruptcies experienced by significant customers and suppliers that could impair their ability, as the case may be, to purchase the Company's products, pay for products previously purchased or meet their obligations to the Company under supply arrangements;

The impact on political and economic conditions due to terrorist attacks in the U.S. and other parts of the world or U.S. military action overseas, as well as instability in the financial markets which could result from such terrorism or military actions;

Interruptions of computer and communication systems, including computer viruses, that could impair the Company's ability to conduct business and communicate internally and with its customers;

Health care changes in the U.S. and other countries resulting in pricing pressures, including the continued consolidation among health care providers, trends toward managed care and health care cost containment, the shift towards governments becoming the primary payers of health care expenses and government laws and regulations relating to sales and promotion, reimbursement and pricing generally;

Government laws and regulations, affecting U.S. and foreign operations, including those relating to securities laws compliance, trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products, licensing and patent rights, and including, in particular, proposed amendments to the Hatch-Waxman Act, implementation of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 and possible drug reimportation legislation;

Competition in research, involving the development and the improvement of new and existing products and processes, is particularly significant and results from time to time in product and process obsolescence. The development of new and improved products is important to the Company's success in all areas of its business;

Challenges and difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals in the United States and abroad, gain and maintain market approval of products and the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights which can preclude or delay commercialization of a product;

Significant litigation adverse to the Company including product liability claims, patent infringement claims and antitrust claims;

The health care industry has come under increased scrutiny by government agencies and state attorneys general and resulting investigations and prosecutions carry the risk of significant civil and criminal penalties, including debarment from government business;

Product efficacy or safety concerns, whether or not based on scientific evidence, resulting in product withdrawals, recalls, regulatory action on the part of the FDA (or foreign counterparts) or declining sales;

The impact of business combinations, including acquisitions and divestitures, both internally for the Company and externally in the pharmaceutical, medical device and health care industries; and

Issuance of new or revised accounting standards by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, the Securities and Exchange Commission and the Public Company Accounting Oversight Board.

The foregoing list sets forth many, but not all, of the factors that could impact upon the Company's ability to achieve results described in any forward-looking statements. Investors should understand that it is not possible to predict or identify all such factors and should not consider this list to be a complete statement of all potential risks and uncertainties. The Company has identified the factors on this list as permitted by the Private Securities Litigation Reform Act of 1995.