10-Q 1 tenq.txt UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 FORM 10-Q (X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 2, 2006 or ( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to Commission file number 1-3215 JOHNSON & JOHNSON (Exact name of registrant as specified in its charter) NEW JERSEY 22-1024240 (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.) One Johnson & Johnson Plaza New Brunswick, New Jersey 08933 (Address of principal executive offices) Registrant's telephone number, including area code (732) 524-0400 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. (X) Yes ( )No Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non- accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer (X) Accelerated filer ( ) Non-accelerated filer ( ) Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ( ) Yes (X) No Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. On April 30, 2006 2,961,025,607 shares of Common Stock, $1.00 par value, were outstanding. 1 JOHNSON & JOHNSON AND SUBSIDIARIES TABLE OF CONTENTS Part I - Financial Information Page No. Item 1. Financial Statements (unaudited) Consolidated Balance Sheets - April 2, 2006 and January 1, 2006 3 Consolidated Statements of Earnings for the Fiscal First Quarters Ended April 2, 2006 and April 3, 2005 5 Consolidated Statements of Cash Flows for the Fiscal First Quarters Ended April 2, 2006 and April 3, 2005 6 Notes to Consolidated Financial Statements 8 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 26 Item 3. 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Controls and Procedures 34 Part II - Other Information Item 1 - Legal Proceedings 35 Item 1A - Risk Factors 35 Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds 35 Item 5 - Other Information 36 Item 6 - Exhibits 36 Signatures 37 2 Part I - FINANCIAL INFORMATION Item 1 - FINANCIAL STATEMENTS JOHNSON & JOHNSON AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Unaudited; Dollars in Millions) ASSETS April 2,2006 January 1, 2006* Current Assets: Cash & cash equivalents $16,822 $16,055 Marketable securities 363 83 Accounts receivable, trade, less allowances for doubtful accounts $162 (2005,$164) 7,671 7,010 Inventories (note 4) 4,240 3,959 Deferred taxes on income 1,995 1,931 Prepaid expenses and other receivables 2,661 2,442 Total current assets 33,752 31,480 Marketable securities, non-current 20 20 Property, plant and equipment at cost 20,151 19,716 Less: accumulated depreciation (9,200) (8,886) Property, plant and equipment, net 10,951 10,830 Intangible assets, net (note 5) 6,438 6,185 Goodwill, net (note 5) 6,460 5,990 Deferred taxes on income 1,269 1,138 Other assets 3,243 3,221 Total Assets $62,133 $58,864 * Restated to include the impact of share based compensation expense; see Notes 1 and 10 for additional information. See Notes to Consolidated Financial Statements 3 JOHNSON & JOHNSON AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Unaudited; Dollars in Millions) LIABILITIES AND SHAREHOLDERS' EQUITY April 2, 2006 January 1, 2006* Current Liabilities: Loans and notes payable $828 $668 Accounts payable 3,939 4,315 Accrued liabilities 3,520 3,529 Accrued rebates, returns and promotions 2,026 2,017 Accrued salaries, wages and commissions 939 1,166 Accrued taxes on income 1,940 940 Total current liabilities 13,192 12,635 Long-term debt 1,980 2,017 Deferred taxes on income 294 211 Employee related obligations 3,284 3,065 Other liabilities 2,260 2,226 Total liabilities 21,010 20,154 Shareholders' Equity: Common stock - par value $1.00 per share (authorized 4,320,000,000 shares; issued 3,119,842,000 shares) 3,120 3,120 Accumulated other comprehensive income (note 8) (633) (755) Retained earnings 44,713 42,310 Less: common stock held in treasury, at cost (147,352,000 and 145,364,000 shares) 6,077 5,965 Total shareholders' equity 41,123 38,710 Total liabilities and shareholders' equity $62,133 $58,864 *Restated to include the impact of share based compensation expense; see Notes 1 and 10 for additional information. See Notes to Consolidated Financial Statements 4 JOHNSON & JOHNSON AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited; dollars & shares in millions except per share figures) Fiscal Quarters Ended April 2, Percent to April 3, Percent 2006 to Sales 2005* to Sales Sales to customers $12,992 100.0% $12,832 100.0% Cost of products sold 3,612 27.8 3,496 27.2 Gross profit 9,380 72.2 9,336 72.8 Selling, marketing and administrative expenses 4,095 31.5 4,127 32.2 Research expense 1,532 11.8 1,384 10.8 In-process research & development 37 0.3 - - Interest Income (197) (1.5) (84) (0.6) Interest Expense, net of portion capitalized 16 0.1 15 0.1 Other(income)expense, net (718) (5.5) (33) (0.3) Earnings before provision for taxes on income 4,615 35.5 3,927 30.6 Provision for taxes on income (Note 3) 1,310 10.1 1,088 8.5 NET EARNINGS $3,305 25.4% $2,839 22.1% NET EARNINGS PER SHARE Basic $1.11 $0.96 Diluted $1.10 $0.94 CASH DIVIDENDS PER SHARE $0.33 $0.285 AVG. SHARES OUTSTANDING Basic 2,974.5 2,972.1 Diluted 2,992.7 3,023.7 *Restated to include the impact of share based compensation expense; see Notes 1 and 10 for additional information. See Notes to Consolidated Financial Statements 5 JOHNSON & JOHNSON AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited; Dollars in Millions) Fiscal Quarters Ended April 2, April 3, 2006 2005* CASH FLOW FROM OPERATING ACTIVITIES Net earnings $3,305 $2,839 Adjustment to reconcile net earnings to cash flow: Depreciation and amortization of property and intangibles 521 515 Stock based compensation 153 135 Purchased in-process research and development 37 - Deferred tax provision (153) 53 Accounts receivable allowances (4) 22 Changes in assets and liabilities, net of effects from acquisitions: Increase in accounts receivable (568) (639) Increase in inventories (219) (140) Decrease in accounts payable and accrued liabilities (633) (1,509) (Increase)/decrease in other current and non-current assets (207) 235 Increase in other current and non- current liabilities 1,242 1,124 NET CASH FLOWS FROM OPERATING ACTIVITIES 3,474 2,635 CASH FLOWS FROM INVESTING ACTIVITIES Additions to property, plant and equipment (446) (397) Proceeds from the disposal of assets 1 77 Acquisitions, net of cash acquired (811) - acquired Purchases of investments (327) (3,824) Sales of investments 69 2,340 Other (primarily intangibles) (63) (210) NET CASH USED BY INVESTING ACTIVITIES (1,577) (2,014) CASH FLOWS FROM FINANCING ACTIVITIES Dividends to shareholders (982) (847) Repurchase of common stock (401) (654) Proceeds from short-term debt 357 173 Retirement of short-term debt (267) (144) Proceeds from long-term debt - 4 Retirement of long-term debt (7) (17) Proceeds from the exercise of stock options/excess tax benefits 136 285 6 NET CASH USED BY FINANCING ACTIVITIES (1,164) (1,200) Effect of exchange rate changes on cash and cash equivalents 34 (85) Increase/(decrease) in cash and cash equivalents 767 (664) Cash and Cash equivalents, beginning of period 16,055 9,203 CASH AND CASH EQUIVALENTS, END OF PERIOD $16,822 $8,539 Acquisitions Fair value of assets acquired $850 - Fair value of liabilities assumed (39) - Net cash paid for acquisitions $811 - *Restated to include the impact of share based compensation expense; see Notes 1 and 10 for additional information. See Notes to Consolidated Financial Statements 7 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 - The accompanying unaudited interim financial statements and related notes should be

read in conjunction with the Consolidated Financial Statements of Johnson & Johnson and Subsidiaries (the "Company") and related notes as contained in the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2006. The unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary in the judgment of management for a fair statement of the results for the periods presented. During the fiscal first quarter of 2006, the Company elected to adopt SFAS 123(R), Share Based Payment, under the modified retrospective application method. Accordingly, financial statement amounts for the prior periods presented in this Form 10-Q have been restated to reflect the fair value method of expensing prescribed by SFAS 123(R). NOTE 2 - FINANCIAL INSTRUMENTS The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) 133, SFAS 138 and SFAS 149 requiring that all derivative instruments be recorded on the balance sheet at fair value. As of April 2, 2006, the balance of deferred net losses on derivatives included in accumulated other comprehensive income was $1 million after-tax. For additional information, see Note 8. 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 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. Transactions with third parties will cause the amount in accumulated other comprehensive income to affect net earnings. The maximum length of time over which the Company is hedging is 18 months. The Company also uses currency swaps to manage currency risk primarily related to borrowings, which may exceed 18 months. For the fiscal first quarters ended April 2, 2006 and April 3, 2005, the net impact of the hedges' ineffectiveness, transactions not qualifying for hedge accounting and discontinuance of hedges, to the Company's financial statements was insignificant. Refer to Note 8 for disclosures of movements in Accumulated Other Comprehensive Income. NOTE 3 - INCOME TAXES The worldwide effective income tax rates for the fiscal first quarters of 2006 and 2005 were 28.4% and 27.7%, respectively. The increase in the effective tax rate of 0.7% was primarily due to the Guidant termination fee, less associated expenses, of $622 million before tax recorded at a 40.8% tax rate, partially offset by increases in taxable income in lower tax jurisdictions relative to taxable income in higher tax jurisdictions. 8 NOTE 4 - INVENTORIES (Dollars in Millions) April 2, 2006 January 1, 2006 Raw materials and supplies $1,078 $931 Goods in process 1,038 1,073 Finished goods 2,124 1,955 $4,240 $3,959 NOTE 5 - INTANGIBLE ASSETS & GOODWILL Intangible assets that have finite useful lives are amortized over their estimated useful lives. Goodwill and indefinite lived intangible assets are assessed annually for impairment. The latest impairment assessment of goodwill and indefinite lived intangible assets was completed in the fiscal fourth quarter of 2005 and no impairment was determined. Future impairment tests will be performed annually in the fiscal fourth quarter, or sooner if warranted by economic conditions. (Dollars in Millions) April 2, 2006 January 1, 2006 Trademarks (non-amortizable) - gross $1,395 $1,400 Less accumulated amortization 133 134 Trademarks (non-amortizable) - net 1,262 1,266 Patents and trademarks - gross 4,337 4,128 Less accumulated amortization 1,445 1,370 Patents and trademarks - net 2,892 2,758 Other intangibles - gross 3,729 3,544 Less accumulated amortization 1,445 1,383 Other intangibles - net 2,284 2,161 Total intangible assets - gross 9,461 9,072 Less accumulated amortization 3,023 2,887 Total intangible assets - net 6,438 6,185 Goodwill - gross 7,176 6,703 Less accumulated amortization 716 713 Goodwill - net 6,460 5,990 Goodwill as of April 2, 2006 as allocated by segment of business is as follows: (Dollars in Millions) Consumer Pharm Med Dev Total & Diag Goodwill, net of accumulated amortization at January 1, 2006 $1,090 874 4,026 $5,990 Acquisitions - - 454 454 Translation & Other 11 4 1 16 Goodwill, net as of April 2, 2006 $1,101 878 4,481 $6,460 9 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 first quarter ended April 2, 2006 was $134 million and the estimated amortization expense for the five succeeding years approximates $565 million, per year. NOTE 6 - SEGMENTS OF BUSINESS AND GEOGRAPHIC AREAS SALES BY SEGMENT OF BUSINESS(1) (Dollars in Millions) Fiscal First Quarters April April Percent 2, 2006 3, 2005 Change Consumer U.S. $1,150 1,114 3.2% International 1,205 1,166 3.3 2,355 2,280 3.3 Pharmaceutical U.S. 3,701 3,783 (2.2) International 1,925 1,972 (2.4) 5,626 5,755 (2.2) Medical Devices & Diagnostics U.S. 2,520 2,361 6.7 International 2,491 2,436 2.3 5,011 4,797 4.5 U.S. 7,371 7,258 1.6 International 5,621 5,574 0.8 Worldwide $12,992 12,832 1.2% (1) Export and intersegment sales are not significant. OPERATING PROFIT BY SEGMENT OF BUSINESS (Dollars in Millions) Fiscal First Quarters April April Percent 2, 2006 3, 2005 Change Consumer $465 438 6.2% Pharmaceutical 1,927 2,076 (7.2) Medical Devices & Diagnostics 2,160* 1,448 49.2 Segments total 4,552 3,962 14.9 Income/(expense) not allocated to segments 63 (35) Worldwide total $4,615 3,927 17.5% *Includes Guidant termination fee, less associated expenses, of $622 million before tax. Excluding the Guidant termination fee operating profit growth for the fiscal first quarter of 2006 versus the same period last year was 6.2%. 10 SALES BY GEOGRAPHIC AREA (Dollars in Millions) Fiscal First Quarters April April Percent 2, 2006 3, 2005 Change U.S. $7,371 7,258 1.6% Europe 3,071 3,176 (3.3) Western Hemisphere, excluding U.S. 822 725 13.4 Asia-Pacific, Africa 1,728 1,673 3.3 Total $12,992 12,832 1.2% NOTE 7 - EARNINGS PER SHARE The following is a reconciliation of basic net earnings per share to diluted net earnings per share for the fiscal first quarters ended April 2, 2006 and April 3, 2005. (Shares in Millions) Fiscal Quarters Ended April 2, April 3, 2006 2005 Basic net earnings per share $1.11 $0.96 Average shares outstanding - basic 2,974.5 2,972.1 Potential shares exercisable under stock option plans 233.2 219.8 Less: shares which could be repurchased under treasury stock method (218.9) (178.3) Convertible debt shares 3.9 10.1 Adjusted average shares outstanding - diluted 2,992.7 3,023.7 Diluted earnings per share $1.10 $0.94 The diluted earnings per share calculation included the dilutive effect of convertible debt that was offset by the related reduction in interest expense of $1 million and $4 million for the fiscal first quarters ended April 2, 2006 and April 3, 2005, respectively. The diluted earnings per share calculation excluded 47 million and 46 million shares related to options for the fiscal first quarters ended April 2, 2006 and April 3, 2005, respectively, as the exercise price per share of these options was greater than the average market value, resulting in an anti-dilutive effect on diluted earnings per share. NOTE 8 - ACCUMULATED OTHER COMPREHENSIVE INCOME The total comprehensive income for the fiscal first quarter ended April 2, 2006 was $3.4 billion, compared with $2.7 billion for the same period a year ago. Total comprehensive income included net earnings, net unrealized currency gains and losses on translation, net unrealized gains and losses on securities available for sale and net gains and losses on derivative instruments qualifying and designated as cash flow hedges. The following table sets forth the components of accumulated other comprehensive income. 11 (Dollars in Millions) Total Unrld Gains/ Accum For. Gains/ Pens (Losses) Other Cur. (Losses) Liab on Deriv Comp Trans. on Sec Adj. & Hedg Inc/ (Loss) January 1, 2006 $ (520) 70 (320) 15 $(755) 2006 Three Months changes Net change associated with current period hedging transactions - - - (11) Net amount reclassed to net earnings - - - (5)* Net three months changes 157 (19) - (16) 122 April 2, 2006 $ (363) 51 (320) (1) $(633) Amounts in accumulated other comprehensive income are presented net of the related tax impact. Foreign currency translation adjustments are not currently adjusted for income taxes, as they relate to permanent investments in international subsidiaries. *Primarily offset in net earnings by changes in value of

the underlying transactions. NOTE 9 - MERGERS, ACQUISITIONS AND DIVESTITURES During the fiscal first quarter of 2006, the following companies were acquired: Animas Corporation, a leading maker of insulin infusion pumps and related products; Hand Innovations LLC, a privately held manufacturer of fracture fixation products for the upper extremities; and Future Medical Systems S.A., a privately held company that primarily develops, manufactures and markets arthroscopic fluid management systems. On January 25, 2006 the definitive agreement to acquire Guidant Corporation 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. The Company recorded the Guidant termination fee, less associated expenses, of $622 million before tax in other income during the fiscal first quarter of 2006. 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. 12 NOTE 10 - SHARE BASED COMPENSATION At April 2, 2006, the Company had 16 share 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 Centocor, Innovasive Devices, ALZA, Inverness and Scios Stock Option Plans. During 2006, no options were granted under any of these plans except the 2005 Long Term Incentive Plan. The compensation cost that has been charged against income for these plans was $153 million for the fiscal first quarter of 2006 and $135 million for the fiscal first quarter of 2005. The total income tax benefit recognized in the income statement for share based compensation arrangements was $54 million and $47 million for the fiscal first quarters of 2006 and 2005, respectively. Share based compensation costs capitalized as part of inventory were insignificant. Stock options expire 10 years from the date they are granted and vest over 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 223.1 million at April 2, 2006. The Company settles employee stock option exercises with treasury shares. Treasury shares are replenished throughout the year for the number of shares used to settle employee stock option exercises. The fair value of each option award is estimated on the date of grant using the Black Scholes option valuation model that uses the assumptions noted in the following table. Starting in 2006, expected volatility represents a blended rate of 4-year daily historical average volatility rate, and 5-week average implied volatility rate based on at-the-money traded Johnson & Johnson options, with a life of 720 days. Prior to 2006, expected volatility was based on 5-year weekly historical volatility rate. Historical data is used to determine the expected life of the option. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted average fair value of options granted was $12.22 for fiscal first quarter of 2006, $15.48 in 2005, and $13.11 in 2004. The fair value was estimated based on the weighted average assumptions of: Fiscal First Quarter Fiscal Year Fiscal Year 2006 2005 2004 Risk Free Rate 4.60% 3.72% 3.15% Expected Volatility 19.6% 25.0% 27.0% Expected Life 6 yrs 5 yrs 5 yrs Dividend Yield 2.50% 1.93% 1.76% 13 A summary of option activity under the Plan as of January 2, 2006, and changes during the year then ended is presented below. Weighted Weighted Avg Aggregate Average Remaining Intrinsic Exercise Contractual Value Shares Price Term (000)'s Outstanding at January 2, 2006 248,542 $53.05 Options granted 28,799 $58.36 Options exercised (3,419) $39.78 Options canceled/forfeited (1,537) $58.49 Outstanding at April 2, 2006 272,385 $53.75 6.52 $1,806,078 Exercisable at April 2, 2006 153,288 $49.19 $1,539,363 The total intrinsic value of options exercised during 2006 was $69.2 million. As of April 2, 2006, the total unrecognized compensation cost was $1,153.9 million, which has a weighted average period of 1.66 years to be recognized. During 2006, the Company granted 7.3 million shares of Restricted Stock and Restricted Stock Units, at an average fair value of $54.15, using the fair market value at the date of grant. The fair value of Restricted Stock Units is discounted for lack of dividends. The outstanding shares of Restricted Stock and Restricted Stock Units as of April 2, 2006 were 7.3 million. The fair value of Restricted Stock and Restricted Stock Units vested during the fiscal first quarter of 2006 was $1.7 million. The Company settles employee stock issuances with treasury shares. Treasury shares are replenished throughout the year for the number of shares used for employee stock issuances. As previously discussed, the Company elected to adopt SFAS 123(R) under the modified retrospective application method. The Company believes that the modified retrospective application of this standard achieves the highest level of clarity and comparability among the presented periods. Accordingly, financial statement amounts for the prior period presented in this Form 10-Q have been restated to reflect the fair value method of expensing prescribed by SFAS 123(R). The Company has filed a Current Report on Form 8-K on April 17, 2005 with restated data to reflect the modified retrospective application. The following table details the retroactive application impact of SFAS 123(R) on previously reported results. (Dollars in millions, except per share amounts) As Previously For the quarter ended April 3, 2005 Restated Reported Earnings before provision for taxes on income $ 3,927 $ 4,062 Net earnings 2,839 2,927 Basic net earnings per share 0.96 0.98 Diluted net earnings per share 0.94 0.97 Net cash flows from operating activities 2,635 2,654 Net cash used by financing activities $(1,200) $(1,219) 14 NOTE 11 - PENSIONS AND OTHER POSTRETIREMENT BENEFITS Components of Net Periodic Benefit Cost Net periodic benefit cost for the Company's defined benefit retirement plans and other benefit plans for the fiscal first quarters of 2006 and 2005 included the following components: (Dollars in Millions) Retirement Plans Other Benefit Plans April 2, April 3, April 2, April 3, 2006 2005 2006 2005 Service cost $ 126 110 $ 18 13 Interest cost 140 118 26 26 Expected return on plan assets (173) (132) (1) (1) Amortization of prior service cost 3 3 (2) (1) Amortization of net transition asset - (1) - - Recognized actuarial losses 63 57 10 11 Net periodic benefit cost $ 159 155 $ 51 48 Company Contributions The Company contributed $12 million during the fiscal first quarter of 2006 to its U.S. and international retirement plans. The Company does not expect a minimum statutory funding requirement for its U.S. retirement plans in 2006. International plans will be funded in accordance with local regulations. NOTE 12 - 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. In February 2004, Janssen reached an agreement with the Plaintiffs' Steering Committee (PSC) of the PROPULSID(R) Federal 15 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. In March 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. 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 $77.6 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. No additional funds will be contributed to the first settlement program. In December 2005, Janssen reached agreement with the MDL PSC and the plaintiffs' State Liaison Committee (SLC) to create a second settlement program for resolving the state and federal lawsuits not subject to, or not participating in, the first settlement program, as well as the remaining unfiled claims subject to tolling agreements. The new program becomes effective once 90% of the plaintiffs representing decedents, 95% of the other plaintiffs and 5,000 of the remaining tolled claims, agree to the terms of the settlement. Janssen will pay as compensation a minimum of $14.5 million and a maximum of $15 million into the second 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. Funds remaining in the compensation account, after resolution of all filed claims, will be returned to Janssen and the Company. 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 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. 16 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. In December 2000, the jury in the damage action against Boston Scientific returned a verdict of $324 million and in December 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. In August 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. In March 2006, the district judge entered judgment on liability for Cordis, but deferred deciding on damages pending appeal to the Court of Appeals for the Federal Circuit. Those appeals will now follow. Cordis also has an arbitration claim 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. Those products were found to have been licensed pursuant to a 1997 license by an arbitration panel in March 2005. Further arbitration proceedings will determine whether royalties are owed for those products. 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. 17 In July 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 of those 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. Trial of Boston Scientific's case asserting infringement by the CYPHER(R) stent of another Boston Scientific patent, which had been scheduled for trial in March 2006, has been adjourned without a new date. In that case as well, Boston Scientific seeks an injunction and substantial damages. In January 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 filed an appeal to the Court of Appeals for the Federal Circuit which, in March 2006, affirmed the judgment of the district court. 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. In Germany, Boston Scientific has several actions based on Ding patents pending against the Cordis CYPHER stent. No trial has been scheduled in those cases. The following chart summarizes various patent lawsuits concerning products of Johnson & Johnson subsidiaries. J&J Plaintiff/ Product Company Patents Patent Holder Court Trial Date Filed Drug Eluting Cordis Grainger Boston Scientific D. Del. * 12/03 Stents Corp. Drug Eluting Cordis Ding Boston Scientific Germany * 04/04 Stents Corp. 11/04 Stents Cordis Boneau Medtronic Inc. D. Del. * 04/02 Two-layer Cordis Kasten- Boston Scientific N.D. Cal * 02/02 Catheters hofer Corp. Belgium *

12/03 Forman 18 Stents Cordis Israel Medinol Multiple E.U. * 05/03 jurisdictions Contact Lenses Vision Nicolson CIBA Vision M.D. Fla. * 09/03 Care * 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 have or 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 stay 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 Patent/NDA Generic Trial Date 30-Month Product Holder Challenger Court Date Filed Stay Expires ACIPHEX(R) 20 Eisai Teva S.D.N.Y. * 11/03 02/07 mg delay (for Janssen) Dr. Reddy's S.D.N.Y. * 11/03 02/07 release Mylan S.D.N.Y. * 01/04 02/07 tablet AXERT(R) 6.25 Almirall Teva S.D.N.Y. * 03/06 11/08 and 12.5 mg Ortho-McNeil Neurologics CONCERTA(R) McNeil-PPC Impax D.Del. * 09/05 None 18,27,36 and ALZA Andrx 54 mg controlled release tablet 19 DITROPAN Ortho-McNeil Mylan D.W.V. 02/05 05/03 09/05 XL(R), ALZA Impax N. D.Cal. 12/05 09/03 01/06 5, 10, 15 mg controlled release tablet LEVAQUIN(R) Daiichi, Mylan D.W.V. 05/04 02/02 07/04 Tablets JJPRD 250,500, Ortho-McNeil Teva D.N.J. * 06/02 11/04 750 mg tablets LEVAQUIN(R) Daiichi,JJPRD Sicor (Teva)D.N.J. * 12/03 05/06 Injectable Ortho-McNeil Single use vials and 5 mg/ml premix LEVAQUIN(R) Daiichi,JJPRD American D.N.J. * 12/03 05/06 Injectable Ortho-McNeil Pharmaceutical Single use Partners vials QUIXIN(R) Daiichi, Hi-Tech D.N.J. * 12/03 05/06 Ophthalmic Ortho-McNeil Pharmacal Solution (Levo- floxacin) Ophthalmic solution ORTHO TRI Ortho-McNeil Barr D.N.J. * 10/03 02/06 CYCLEN(R) LO 0.18 mg/0.025 mg 0.215 mg/ 0.025 mgand 0.25 mg/0.025 mg PEPCID(R) McNeil-PPC Perrigo S.D.N.Y. * 02/05 06/07 Complete 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) Janssen Mylan D.N.J. * 12/03 05/06 Tablets Dr. Reddy's D.N.J. * 12/03 06/06 .25,0.5, 1,2,3,4 mg tablets RISPERDAL(R) Janssen Dr. Reddy's D.N.J. * 02/05 07/07 M-Tab Barr D.N.J. * 10/05 02/08 0.5,1,2,3, 4 mg RISPERDAL(R) Janssen Apotex D.N.J. * 03/06 08/08 Oral Solution 1 mg/ml TOPAMAX(R) Ortho-McNeil Mylan D.N.J. * 04/04 09/06 25,50,100, Cobalt D.N.J. * 10/05 03/08 200 mg tablet TOPAMAX(R) Ortho-McNeil Cobalt D.N.J. * 12/05 05/08 SPRINKLE 25,50 mg capsule ULTRACET(R) Ortho-McNeil Kali (Par) D.N.J. * 11/02 04/05 37.5 tram/ Teva D.N.J. * 02/04 07/06 325 apap tablet Caraco E.D. Mich * 09/04 02/07 * Trial date to be established 20 In the action against Mylan and Dr. Reddy's Laboratories regarding RISPERDALr, a preliminary injunction motion is scheduled to be heard by the district court in New Jersey on June 28 and 29, 2006. 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 in September 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. In December 2005, Mylan announced that it had entered into two agreements with Ortho-McNeil 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). These agreements, which are confidential, have been submitted to 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 six 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 into the market by Mylan and Impax. In the action against Mylan involving Ortho-McNeil for LEVAQUIN(R) (levofloxacin), the trial judge in December 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. In December 2005, the Court of Appeals for the Federal Circuit affirmed the judgment of validity, enforceability and infringement. Mylan filed a motion for rehearing by the Court of Appeals, which has been denied. In the consolidated actions against Teva, Sicor, Hi- Tech Pharmacal, and American Pharmaceutical Partners involving the ANDAs for various levofloxacin preparations, summary judgment was granted for Ortho- McNeil and ALZA in March 2006 on the claim that the LEVAQUIN(R) patent was obtained by inequitable conduct and was therefore unenforceable. 21 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 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 in October 2005. Kali obtained final approval of its ANDA at expiration of the 30- month stay in April 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 ULTRACETr(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. Barr Laboratories has been joined in the suit as a codefendant as the successor to Teva's ANDA. 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 in October 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 in January 2006, the court certified the national class as noted above. 22 OTHER 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 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 federal 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 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. 23 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 February 2006, Johnson & Johnson received a subpoena from the Securities & Exchange Commission requesting documents relating to the participation by several Johnson & Johnson business units in the United Nations Iraq Oil For Food Program. The Company is cooperating with the SEC in producing responsive documents. 24 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). The Applied Medical case is scheduled for trial in July 2006. 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. Ortho Biotech has sought to intervene in the case. The suit is in its preliminary stages. 25 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. Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations Analysis of Consolidated Sales For the fiscal first quarter of 2006, worldwide sales were $13.0 billion, with a total increase of 1.2% and an operational increase of 3.5% over 2005 fiscal first quarter sales of $12.8 billion. Currency had a negative 2.3% impact on total reported fiscal first quarter 2006 sales. Sales by U.S. companies were $7.4 billion in the fiscal first quarter of 2006, which represented a total increase of 1.6% over the same period last year. Sales by international companies were $5.6 billion, which represented a total increase of 0.8%, an operational increase of 6.1%, and a negative impact from currency of 5.3% over 2005 fiscal first quarter sales. Sales by companies in Europe experienced a decline of 3.3%, with operational growth of 5.3% and a negative impact from currency of 8.6%. Sales by companies in the Western Hemisphere, excluding the U.S., experienced growth of 13.4%, operational growth of 5.7% and a positive impact from currency of 7.7%. Sales by companies in the Asia-Pacific, Africa region posted sales growth of 3.3%, with operational growth of 8.1% and a negative impact from currency of 4.8%. Analysis of Sales by Business Segments Consumer Consumer segment sales in the fiscal first quarter of 2006 were $2.4 billion, an increase of 3.3% over the same period a year ago, with 4.5% of operational growth and a negative impact from currency of 1.2%. U.S. consumer segment sales increased 3.2%, while international sales increased 3.3%, including operational growth of 5.7% and a negative currency impact of 2.4%. Major Consumer Franchise Sales (Dollars in Millions) Fiscal Quarters Ended April 2, April 3, Total Operations Currency 2006 2005 Change Change Change Skin Care $659 $620 6.2% 8.7% (2.5)% OTC Pharm & Nutr 653 685 (4.6) (3.7) (0.9) Baby & Kids Care 406 379 7.2 7.9 (0.7) Women's Health 399 377 5.9 6.5 (0.6) Other 238 219 8.7 9.6 (0.9) Total $2,355 $2,280 3.3% 4.5% (1.2)% 26 Consumer segment sales growth was attributable to strong sales performance in the major franchises in this segment including Skin Care, Baby & Kids Care and Women's Health franchises, partially offset by a decline in the OTC Pharmaceutical & Nutritionals franchise. The Skin Care franchise operational growth of 8.7% was driven by strong performances from AVEENO(R), Neutrogena(R) and RoC(R) in the U.S., and AVEENO(R) and JOHNSON'S(R) Adult outside the U.S. Solid operational growth was related to new products introduced in 2005, as well as a number of new products introduced during the first quarter of 2006. The Baby & Kids Care franchise operational growth of 7.9% was the result of continued success with JOHNSON'S(R) SOFTWASH(R) and SOFTLOTION(TM) product lines and baby gift sets. The Women's health franchise achieved operational growth of 6.5% with strong contributions from K-Y(R) and STAYFREE(R) product lines. The OTC Pharmaceuticals and Nutritionals franchise experienced an operational decline of 3.7% due to the negative impact of retail restrictions implemented on products containing pseudoephedrine. In response, several upper respiratory products not containing pseudoephedrine were launched during the fiscal first quarter of 2006. Pharmaceutical Pharmaceutical segment sales in the fiscal first quarter of 2006 were $5.6 billion, a decrease of 2.2% over the same period a year ago. Currency had an adverse impact of 1.8%, and 0.4% of the change was due to operational sales declines. U.S. Pharmaceutical sales declined by 2.2%, while international Pharmaceutical sales declined by 2.4%, including operational growth of 2.9% and a negative impact from currency of 5.3%. Major Pharmaceutical Product Revenues (Dollars in Millions) Fiscal Quarters Ended April 2, April 3, Total Operations Currency 2006 2005 Change Change Change RISPERDAL(R)/ RISPERDAL(R) CONSTA(R) $1,018 $844 20.6% 24.2% (3.6)% PROCRITr/EPREX(R) 786 836 (5.9) (4.0) (1.9) REMICADE(R) 681 577 18.0 18.0 - TOPAMAX(R) 471 406 15.9 17.1 (1.2) LEVAQUIN(R)/FLOXIN(R) 401 440 (8.9) (9.0) 0.1 DURAGESIC(R)/Fentanyl Transdermal 325 450 (27.8) (24.3) (3.5) Aciphex(R)/Pariet(TM) 306 278 10.0 12.9 (2.9) Hormonal Contraceptives 254 302 (16.0) (15.7) (0.3) Other 1,384 1,622 (14.7) (13.0) (1.7) Total $5,626 $5,755 (2.2)% (0.4)% (1.8)% Sales growth within the segment was led by strong performances from RISPERDAL(R) (risperidone), REMICADE(R) (infliximab) and TOPAMAX(R) (topiramate). Generic competition related to DURAGESIC(R) (fentanyl transdermal system), ULTRACET(R)(tramadol hydrochloride/acetaminophen), SPORANOX(R) (itraconazole) and hormonal contraceptives continued to negatively impact sales during the fiscal first quarter of 2006. 27 RISPERDAL(R) (risperidone), a medication that treats the symptoms of schizophrenia, and RISPERDAL(R) CONSTA(R) (risperidone) long acting injection, achieved operational growth of 24.2% in the fiscal first quarter. Sales growth was positively impacted due to a retroactive change in the methodology used to calculate the average manufacturing price for calculating Medicaid rebates. This increased fiscal first quarter growth for RISPERDAL(R)/RISPERDAL(R) CONSTA(R) by approximately 4%. PROCRIT(R) (Epoetin alfa) and EPREX(R) (Epoetin alfa) performance continued to be adversely affected by competition. Combined, these two products had an operational sales decline of 4.0% as compared to prior year fiscal first quarter, due to competitive pressure. REMICADE(R) (infliximab), a biologic approved for the treatment of Crohn's disease, ankylosing spondylitis, psoriasis, psoriatic arthritis, ulcerative colitis and use in the treatment of rheumatoid arthritis, experienced strong operational growth of 18.0% over prior year fiscal first quarter. This continued growth was driven by increasing demand due to expanded indications. TOPAMAX(R) (topiramate), which has been approved for

adjunctive and monotherapy use in epilepsy, as well as, for the prophylactic treatment of migraines, experienced strong operational growth of 17.1%. LEVAQUIN(R) (levofloxacin) experienced an operational decline of 9.0% over prior year, due to a milder flu season as compared to prior year. DURAGESIC(R)/Fentanyl Transdermal (fentanyl transdermal system) experienced an operational sales decline of 24.3%, 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. The hormonal contraceptive franchise experienced an operational sales decline of 15.7% primarily resulting from generic competition in oral contraceptives. This was partially offset by strong growth in ORTHO TRI- CYCLEN(R) LO (norgestimate/ethinyl estradiol), a low dose oral contraceptive. ORTHO EVRA(R)(norelgestromin/ethinyl estradiol), the first contraceptive patch approved by the FDA, experienced a significant decline in sales as a result of labeling changes and negative media coverage concerning product safety. CONCERTA(R) (methylphenidate HCl), a product for the treatment of attention deficit hyperactivity disorder, achieved operational sales growth of 20.2% over the fiscal first quarter of 2005. 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. 28 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 is 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. Medical Devices and Diagnostics Medical Devices and Diagnostics segment sales in the fiscal first quarter of 2006 were $5.0 billion, an increase of 4.5% over the same period a year ago with 7.9% of this change due to operational growth and a negative impact from currency of 3.4%. The U.S. Medical Devices and Diagnostics sales increase was 6.7%, while the growth in international Medical Devices and Diagnostics sales was 2.3%, including operational growth of 9.0% and a decrease of 6.7% related to the negative impact of currency. Major Medical Devices and Diagnostics Franchise Sales (Dollars in Millions) Fiscal Quarters Ended April 2, April 3, Total Operations Currency 2006 2005 Change Change Change CORDIS(R) $1,075 $969 10.9% 14.7% (3.8)% DEPUY(R) 1,039 993 4.7 7.6 (2.9) ETHICON ENDO- SURGERY(R) 794 767 3.5 7.0 (3.5) ETHICON(R) 774 787 (1.7) 1.9 (3.6) LIFESCAN(R) 504 501 0.7 3.0 (2.3) Vision Care 441 407 8.2 13.2 (5.0) ORTHO-CLINICAL DIAGNOSTICS(R) 370 355 4.3 7.4 (3.1) Other 14 18 (16.7) (22.2) 5.5 Total $5,011 $4,797 4.5% 7.9% (3.4)% The Cordis franchise was a key contributor to the Medical Devices and Diagnostics segment results, with operational growth of 14.7%. The primary growth driver of the Cordis franchise was the CYPHER(R) Sirolimus- eluting Stent in both U.S. and international markets. Solid double-digit growth was also achieved by Biosense Webster. 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. In response to the Warning Letters, Cordis has made improvements to its quality systems and has provided periodic updates to the FDA. The Clinical Warning Letter issues have been resolved to the FDA's satisfaction. With respect to the Quality System Warning Letter, in addition to the improvement updates, the Cordis Juarez and stent supplier locations were inspected in 2006 with acceptable results. Cordis is now preparing for second and/or third quarter re- inspections in the Miami Lakes, Puerto Rico and possibly Warren locations. 29 The DePuy franchise's operational growth of 7.6% was primarily due to DePuy's orthopaedic joint reconstruction products including the hip and knee product lines. Strong performance was also reported in Mitek sports medicine products. The Ethicon Endo-Surgery franchise experienced operational growth of 7.0% over 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. Additionally, strong results were achieved with the success of the HARMONIC SCALPEL(R), an ultrasonic cutting and coagulating surgical device, which received approval in January 2006 for expanded indications to include plastic surgery. Ethicon worldwide sales grew operationally by 1.9% from the same period in the prior year. Sales of both GYNECARE products and DERMABOND(R) had strong results in the first quarter of 2006 as compared to the same period in the prior year. The LifeScan franchise experienced operational growth of 3.0%. Strong performance was achieved in the ONETOUCH(R) ULTRA(R) product line. During the first quarter of 2006, the acquisition of Animas Corporation was completed, providing LifeScan with a platform for entry into the insulin pump segment of the diabetes market. The Vision Care franchise operational sales growth of 13.2% was led by the continued success of ACUVUE(R) ADVANCE(TM) brand contact lenses with HYDRACLEAR(TM), 1-DAY ACUVUE(R), and ACUVUE(R) OASYS(TM) with HYDRA-CLEAR(TM). The Ortho-Clinical Diagnostics franchise achieved operational growth of 7.4% over 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. Cost of Products Sold and Selling, Marketing and Administrative Expenses Consolidated costs of goods sold increased to 27.8% from 27.2% of sales over the same period a year ago. The increase resulted from an unfavorable product mix, partially offset by cost improvement initiatives. Consolidated selling, marketing and administrative expenses decreased 0.8% over the same period a year ago. Selling, marketing and administrative expenses as a percent to sales were 31.5% versus 32.2% in the fiscal first quarter of 2005. The decrease is attributable to cost containment efforts across many of the Company's businesses. Research & 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 30 with governmental regulations for the protection of consumers and patients. Worldwide costs of research activities for the fiscal first quarter of 2006 were $1.5 billion, an increase of 10.7% over the same period a year ago. As a percent to sales, the level of research and development spending increased to 11.8% in 2006, from 10.8% during the same period a year ago. This incremental increase in research and development reflects both the significant number of pharmaceutical projects in late stage development and higher levels of investment in research projects in the Consumer and Medical Devices and Diagnostics segment. In-Process Research & Development In the fiscal first quarter of 2006 the Company recorded an aggregate in-process research & development (IPR&D) charge of $37 million before tax and $29 million after tax related to the acquisitions of Hand Innovations LLC and Future Medical Systems S.A. Other (Income) Expense, Net Other (income) expense included gains and losses related to the sale and write-down of certain equity securities of the Johnson & Johnson Development Corporation, losses on the disposal of fixed assets, currency gains & losses, minority interests, litigation settlement expense, as well as, royalty income. The favorable change in other (income) expense as compared to the same period a year ago was due to the Guidant termination fee, less associated expenses, of $622 million before tax. OPERATING PROFIT BY SEGMENT Consumer Segment Operating profit for the Consumer segment as a percent to sales in the fiscal first quarter of 2006 was 19.7% versus 19.2% over the same period a year ago. This increase was primarily due to a reduction in consumer promotions and advertising in the OTC

Pharmaceutical and Nutritionals franchise. Pharmaceutical Segment Operating profit for the Pharmaceutical segment as a percent to sales in the fiscal first quarter of 2006 was 34.3% versus 36.1% over the same period a year ago. Operating profit was negatively impacted by increased research and development spending, as well as, lower gross profit margins. Medical Devices and Diagnostics Segment Operating profit for the Medical Devices and Diagnostics segment as a percent of sales in the fiscal first quarter of 2006 was 30.7% versus 30.2% over the same period a year ago. The primary driver of the improved operating profit in the Medical Devices and Diagnostics segment over the same period a year ago was the Guidant termination fee, less associated expenses, of $622 million before tax. An additional contributor was enhanced gross profit, resulting from cost reduction programs, and favorable product mix, which offset increased research and development spending. 31 Interest (Income) Expense Interest income in the fiscal first quarter of 2006 increased by $113 million over the fiscal first quarter of 2005, due primarily to the higher rates of interest earned on the Company's cash holdings, as well as, the improved cash position. The cash balance, which included marketable securities, was $17.2 billion at the end of the fiscal first quarter of 2006. This is $3.5 billion higher than the same period a year ago. Interest expense in the fiscal first quarter of 2006 remained flat versus fiscal first quarter of 2005. Provision For Taxes on Income The worldwide effective income tax rates for the fiscal first quarters of 2006 and 2005 were 28.4% and 27.7%, respectively. The increase in the effective tax rate of 0.7% was primarily due to the Guidant termination fee of $622 million, less associated expenses, before tax recorded at a 40.8% tax rate, partially offset by increases in taxable income in lower tax jurisdictions relative to taxable income in higher tax jurisdictions. LIQUIDITY AND CAPITAL RESOURCES Cash Flows Cash generated from operations provided 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 the fiscal first quarter of 2006, cash flow from operations was $3.5 billion, an increase of $0.8 billion over the same period a year ago. The major factors contributing to the increase was a growth in net income of $0.5 billion, which includes the Guidant termination fee, less associated expenses, of $368 million after tax, and an increase in accounts payable and accrued liabilities of $0.9 billion. This was partially offset by a $0.4 billion increase in other current and non- current assets. Net cash used by investing activities decreased by $0.4 billion due to a $1.2 billion net decrease in purchases of investments offset by a $0.8 billion increase in acquisition activity. Net cash used by financing activities remained flat at $1.2 billion. Cash and current marketable securities were $17.2 billion at the end of the fiscal first quarter of 2006 as compared with $16.1 billion at fiscal year end 2005. Dividends On January 4, 2006, the Board of Directors declared a regular cash dividend of $0.33 per share, paid on March 14, 2006 to shareholders of record as of February 28, 2006. This represented an increase of 15.8% from the fiscal first quarter of 2005 dividend. On April 27, 2006, the Board of Directors declared a regular cash dividend of $0.375 per share, payable on June 13, 2006 to shareholders of record as of May 30, 2006. This represented an increase of 13.6% in the quarterly dividend rate and was the 44th consecutive year of cash dividend increases. The Company expects to continue the practice of paying regular cash dividends. 32 OTHER INFORMATION New Accounting Standards The Company implemented SFAS 123(R), Share Based Payment, in the fiscal first quarter of 2006. The Company applied the modified retrospective transition method to implement SFAS No. 123(R). Previously reported financial statements were restated to reflect SFAS No. 123 disclosure amounts. The Company implemented SFAS 151, Inventory Costs, an amendment of ARB No. 43 in the fiscal first quarter of 2006. The adoption of this statement did not have a material effect on its results of operations, cash flows or financial position. 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 concern about the rising cost of health care. Johnson & Johnson has a long-standing policy of pricing products responsibly. For the period 1995 through 2005 in the United States, the weighted average compound annual growth rate of Johnson & Johnson 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 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 a lawsuit resulting from an Abbreviated New Drug Application filing, the generic firms will then introduce generic versions of the product at issue, resulting in very substantial market share and revenue losses. For further information see the discussion on "Litigation Against Filers of Abbreviated New Drug Applications" in Note 12. CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS This Form 10-Q 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. 33 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 Annual Report on Form 10-K for the fiscal year ended January 1, 2006 contains, as an Exhibit, 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. Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in its Annual Report on Form 10-K for the fiscal year ended January 1, 2006. Item 4 - CONTROLS AND PROCEDURES Disclosure controls and

procedures. At the end of the period covered by this report, 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 34 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. During the period covered by this report, 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. Part II - OTHER INFORMATION Item 1 - LEGAL PROCEEDINGS The information called for by this item is incorporated herein by reference to Note 12 included in Part I, Item 1. Financial Statements (unaudited) - Notes to Consolidated Financial Statements. Item 1A - RISK FACTORS Not applicable. Item 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS (c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers. On March 8, 2006, the Company announced that its Board of Directors approved a stock repurchase program, authorizing the Company to buy back up to $5 billion of the Company's common stock. The program has no time limit and may be suspended for periods or discontinued. The following table provides information with respect to Common Stock purchases by the Company during the fiscal first quarter of 2006. Common Stock purchases on the open market are made as part of a systematic plan to meet the Company's compensation programs. Fiscal Month Total Average Total Number Remaining Number of Price of Shares Maximum Shares Paid per Purchased as Number of Purchased(1) Share Part of Shares that Publicly May Be Announced Purchased Plans or Under the Programs Plans or Programs (2) January 2, 2006 through January 29, 2006 709,000 $61.93 N/A N/A January 30, 2006 through February 26, 2006 497,000 $57.39 N/A N/A 35 February 27, 2006 through April 2, 2006 5,486,600 $59.78 5,086,600 79,286,709 (1) The Company repurchased an aggregate of 5,086,600 shares of Johnson & Johnson Common Stock pursuant to the repurchase program that was publicly announced on March 8, 2006 and an aggregate of 1,606,000 shares of Johnson & Johnson Common Stock in open-market transactions outside of the program. (2) As of April 2, 2006, based on the closing price of the Company's Common Stock on the New York Stock Exchange on March 31, 2006 of $59.22 per share. Item 5 - OTHER INFORMATION In May 2006, Per A. Peterson, Chairman, Research and Development Pharmaceuticals Group and a member of the Executive Committee, advised the Company of his intention to retire from Johnson & Johnson in early 2007. Item 6 - EXHIBITS Exhibit 3(i) Certificate of Amendment to the Restated Certificate of Incorporation of the Company effective April 28, 2006. Exhibit 31.1 Certifications under Rule 13a-14(a) of the Securities Exchange Act pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed with this document. Exhibit 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Furnished with this document. 36 SIGNATURES Pursuant to the requirements 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. JOHNSON & JOHNSON (Registrant) Date: May 10, 2006 By /s/ R. J. DARRETTA R. J. DARRETTA Vice Chairman, Board of Directors; Chief Financial Officer and Director (Principal Financial Officer) Date: May 10, 2006 By /s/ S. J. COSGROVE S. J. COSGROVE Controller (Principal Accounting Officer) 37