JOHNSON & JOHNSON

FORM 10-K
(Annual Report)

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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 3, 2010 **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 ☐

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 ☐ 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 Exchange Act 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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ 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 $156 billion.

On February 8, 2010 there were 2,751,927,062 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 2009 (the "Annual Report").
Parts I and III:	Portions of registrant's proxy statement for its 2010 annual meeting of shareholders filed within 120 days after the close of the registrant's fiscal year (the "Proxy Statement").

PART I

Item 1. BUSINESS

General

Johnson & Johnson and its subsidiaries have approximately 115,500 employees worldwide engaged in the research and development, manufacture and sale of a broad range of products in the health care field. Johnson & Johnson is a holding company, which has more than 250 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 where it is located.

Segments of Business

Johnson & Johnson's operating companies are organized into three business 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 the captions "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 26 through 35 and Note 18 "Segments of Business and Geographic Areas" under "Notes to Consolidated Financial Statements" on page 55 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

Consumer

The Consumer segment includes a broad range of products used in the baby care, skin care, oral care, wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products, and wellness and prevention platforms. The Baby Care franchise includes the JOHNSON'S ® Baby line of products. Major brands in the Skin Care franchise include the AVEENO ® ; CLEAN & CLEAR ® ; JOHNSON'S ® Adult; NEUTROGENA ® ; RoC ® ; LUBRIDERM ® ; Dabao; and Vendôme product lines. The Oral Care franchise includes the LISTERINE ® and REACH ® oral care lines of products. The Wound Care franchise includes BAND-AID ® brand adhesive bandages and PURELL ® instant hand sanitizer products. Major brands in the Women's Health franchise are the CAREFREE ® Pantiliners; STAYFREE ® sanitary protection products; and Vania Expansion products. The nutritional and over-the-counter lines include SPLENDA ® , No Calorie Sweetener; the broad family of TYLENOL ® acetaminophen products; SUDAFED ® cold, flu and allergy products; ZYRTEC ® allergy products; MOTRIN ® IB ibuprofen products; and PEPCID ® AC Acid Controller from Johnson & Johnson • Merck Consumer Pharmaceuticals Co. These products are marketed to the general public and sold both to retail outlets and distributors throughout the world.

Pharmaceutical

The Pharmaceutical segment includes products in the following therapeutic areas: anti-infective, antipsychotic, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, urology and virology. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use. Key products in the Pharmaceutical segment include: REMICADE ® (infliximab), a biologic approved for the treatment of a number of immune mediated inflammatory diseases; PROCRIT ® (Epoetin alfa, sold outside the U.S. as EPREX ®), a biotechnology-derived product that stimulates red blood cell production; LEVAQUIN ® (levofloxacin) in the anti-infective field; RISPERDAL ® CONSTA ® (risperidone), a long-acting injectable for the treatment of schizophrenia; CONCERTA ® (methylphenidate HCl), a product for the treatment of attention deficit hyperactivity disorder; ACIPHEX ® /PARIET ® , a proton pump inhibitor co-marketed with Eisai Inc.; DURAGESIC ® /Fentanyl Transdermal (fentanyl transdermal system, sold outside the U.S. as DUROGESIC ®), a treatment for chronic pain that offers a novel delivery system; VELCADE ® (bortezomib), a product for the treatment for multiple myeloma; PREZISTA ® (darunavir) for the treatment of HIV/AIDS patients; and INVEGA ® (paliperidone), a once-daily atypical antipsychotic.

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, spinal care and sports medicine products; Ethicon's surgical care, aesthetics and women's health products; Ethicon Endo-Surgery's minimally invasive surgical products; LifeScan's blood glucose monitoring and insulin delivery products; Ortho-Clinical Diagnostics' professional diagnostic products; and Vistakon'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 59 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 "— Segments of 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 developed in the United States, but also those 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 and its subsidiaries have made a practice of obtaining patent protection on their products and processes where possible. They own or are licensed under a number of patents relating to their products and manufacturing processes, which in the aggregate are believed to be of material importance to Johnson & Johnson in the operation of its businesses. Sales of the Company's largest product, REMICADE ® (infliximab), accounted for approximately 7% of Johnson & Johnson's total revenues for fiscal 2009. Accordingly, the patents related to this product are believed to be material to Johnson & Johnson.

During 2007 through 2009, RISPERDAL ® (risperidone) oral and TOPAMAX ® (topiramate) lost basic patent protection and market exclusivity and became subject to generic competition in the United States and international markets. RISPERDAL ® oral sales declined by 57.7% and 37.8% in 2009 and 2008, respectively. TOPAMAX ® lost market exclusivity in March 2009 and sales declined by 57.9% as compared to 2008. The next significant patent scheduled to expire on December 20, 2010 is for LEVAQUIN ® (levofloxacin), which accounted for 2.5% of the Company's 2009 sales. A pediatric extension for LEVAQUIN ® was granted by the U.S. Food and Drug Administration ("FDA"), which extends market exclusivity in the United States through June 20, 2011.

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

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 and development activity.

Competition

In all of their product lines, Johnson & Johnson's operating companies compete with companies both large and small, and both local and global, located throughout the world. Competition exists 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 innovative products is important to Johnson & Johnson'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 in maintaining sales forces. In addition, the development and maintenance of customer demand for the Company's consumer products involves significant expenditures for advertising and promotion.

Research and Development

Research activities represent a significant part of Johnson & Johnson's subsidiaries' businesses. Major research facilities are located not only in the United States, but also in Belgium, Brazil, Canada, China, France, Germany, India, Israel, Japan, the Netherlands, Singapore 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 purchased in-process research and development charges for fiscal 2008 and 2007), amounted to $7.0 billion, $7.6 billion and $7.7 billion for fiscal years 2009, 2008 and 2007, respectively. These costs are charged directly to expense, or directly against income, in the year in which incurred.

Environment

Johnson & Johnson's operating companies are subject to a variety of U.S. and international 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 during the past year, 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 businesses are subject to varying degrees of governmental regulation in the countries in which operations are conducted, and the general trend is toward increasingly stringent regulation. 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, labeling and safety reporting. 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.

The regulatory agencies under whose purview Johnson & Johnson's operating 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

The Company's main corporate Web site address is *www.jnj.com*. Copies of Johnson & Johnson's Quarterly Reports on Form 10-Q, Annual Report on Form 10-K and Current Reports on Form 8-K filed or furnished to the U.S. Securities and Exchange Commission (the "SEC"), 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 1-800-950-5089. All of the Company's SEC filings are also available on the Company's Web site at *www.investor.jnj.com/governance/materials.cfm* , 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 written 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/materials.cfm* 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. Some important factors that could cause the Company's actual results to differ from the Company's expectations in any forward-looking statements in this Report are set forth in Exhibit 99 to this Report on Form 10-K.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

Johnson & Johnson and its subsidiaries operate 143 manufacturing facilities occupying approximately 21.4 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	6,825
Pharmaceutical	6,369
Medical Devices and Diagnostics	8,251
Worldwide Total	21,445

Within the United States, 7 facilities are used by the Consumer segment, 12 by the Pharmaceutical segment and 37 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 business segment.

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	56	7,489
Europe	38	7,336
Western Hemisphere, excluding U.S.	16	3,372
Africa, Asia and Pacific	33	3,248
Worldwide Total	143	21,445

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

Johnson & Johnson and its subsidiaries generally seek to own their 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 16 "Rental Expense and Lease Commitments" under "Notes to Consolidated Financial Statements" on page 53 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 18 "Segments of Business and Geographic Areas" under "Notes to Consolidated Financial Statements" on page 55 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 21 "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 February 8, 2010, 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 the material captioned "Election of Directors" in the Proxy Statement.

Name	Age	Position
Dominic J. Caruso	52	Member, Executive Committee; Vice President, Finance; Chief Financial Officer(a)
Russell C. Deyo	60	Member, Executive Committee; Vice President, Human Resources and General Counsel(b)
Colleen A. Goggins	55	Member, Executive Committee; Worldwide Chairman, Consumer Group(c)
Alex Gorsky	49	Member, Executive Committee; Worldwide Chairman, Medical Devices and Diagnostics Group(d)
Sherilyn S. McCoy	51	Member, Executive Committee; Worldwide Chairman, Pharmaceuticals Group(e)
William C. Weldon	61	Chairman, Board of Directors; Chairman, Executive Committee; Chief Executive Officer

(a) Mr. D. J. Caruso joined the Company in 1999 when the Company acquired Centocor, Inc. At the time of that acquisition, he had been Senior Vice President, Finance of Centocor. Mr. Caruso was named Vice President, Finance of Ortho-McNeil Pharmaceutical, Inc., a subsidiary of the Company, in 2001 and Vice President, Group Finance of the Company's Medical Devices and Diagnostics Group in 2003. In 2005, Mr. Caruso was named Vice President of the Company's Group Finance organization. Mr. Caruso became a Member of the Executive Committee and Vice President, Finance and Chief Financial Officer in 2007.

(b) 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 in 2004. Mr. Deyo was given the additional responsibility for Human Resources in November 2009.

(c) Ms. C. A. Goggins joined the Company in 1981 and held various positions before becoming President of Personal Products Company, a subsidiary of the Company, in 1994. She was named President of Johnson & Johnson Consumer Companies, Inc. 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, now known as the Consumer Group.

(d) Mr. A. Gorsky joined the Company in 2008 as Company Group Chairman and Worldwide Franchise Chairman for Ethicon, Inc., a subsidiary of the Company. Previously, he was head of the North American pharmaceuticals business at Novartis Pharmaceuticals Corporation from 2004 to 2008. Prior to Novartis, Mr. Gorsky served in various management positions at Johnson & Johnson, including Company Group Chairman for the Company's pharmaceutical business in Europe, Middle East and Africa and President of Janssen Pharmaceutica Inc. (U.S.), a subsidiary of the Company. In January 2009, he became a Member of the Executive Committee and Worldwide Chairman, Surgical Care Group. In September 2009, Mr. Gorsky became Worldwide Chairman, Medical Devices and Diagnostics Group.

(e) Ms. S. S. McCoy joined the Company in 1982 as an Associate Scientist in Research & Development for Personal Products Company, a subsidiary of the Company. She was named Vice President, Research & Development for the Personal Products Worldwide Division of McNEIL-PPC, Inc., a subsidiary of the Company, in 1995, and Vice President, Marketing for its Skin Care franchise in 2000. In 2002, Ms. McCoy became Global President for its Baby and Wound Care franchise. She was named Company Group Chairman and Worldwide Franchise Chairman of Ethicon, Inc., a subsidiary of the Company, in 2005. In 2008 she became a Member of the Executive Committee and Worldwide Chairman, Surgical Care Group. In 2009, she became Worldwide Chairman, Pharmaceuticals Group.

PART II

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

As of February 8, 2010, there were 185,121 record holders of Common Stock of the Company. Additional information called for by this item is incorporated herein by reference to: the material under the captions "Management's Discussion and Analysis of Results of Operations and Financial Condition — Liquidity and Capital Resources — Share Repurchase and Dividends" on page 32; " — Other Information — Common Stock Market Prices" on page 35; Note 17 "Common Stock, Stock Option Plans and Stock Compensation Agreements" under "Notes to Consolidated Financial Statements" on pages 53 and 54; and "Shareholder Return Performance Graphs" on page 67 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K; and Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters — Equity Compensation Plan Information" of this Report on Form 10-K.

Issuer Purchases of Equity Securities

On July 9, 2007, the Company announced that its Board of Directors approved a stock repurchase program, authorizing the Company to buy back up to $10 billion of the Company's Common Stock. Share repurchases 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 at any time. Any shares acquired will be available for general

corporate purposes. The Company funds the share repurchase program through a combination of available cash and debt. The Company does not expect its triple-A credit rating to be affected by the share repurchase program. As of January 3, 2010, an aggregate of 140,377,700 shares were purchased for a total of $8.9 billion since the inception of the repurchase program announced on July 9, 2007.

In addition, Common Stock purchases on the open market are made as part of a systematic plan related to the Company's compensation programs.

The following table provides information with respect to Common Stock purchases by the Company during the fiscal fourth quarter of 2009.

Period	Total Number of Shares Purchased [1]	Avg. Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Remaining Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [2]
September 28, 2009 through October 25, 2010	984,600	$ 60.53	—	
October 26, 2009 through November 22, 2009	3,963,000	$ 59.74	—	
November 23, 2009 through January 3, 2010	10,343,500	$ 64.00	—	
Total	15,291,100		—	16,766,460

(1) During the fiscal fourth quarter of 2009, the Company did not repurchase any shares of the Company's Common Stock pursuant to the repurchase program that was publicly announced on July 9, 2007. The Company did repurchase an aggregate of 15,291,100 shares in open-market transactions outside of the program.

(2) As of January 3, 2010, based on the closing price of the Company's Common Stock on the New York Stock Exchange on December 31, 2009 of $64.41 per share.

Item 6. SELECTED FINANCIAL DATA

The information called for by this item is incorporated herein by reference to the material under the caption "Summary of Operations and Statistical Data 1999-2009" 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 OPERATION

The information called for by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) material under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 26 through 35 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 material under the caption "Management's Discussion and Analysis of Results of Operations and Financial Condition — Liquidity and Capital Resources — Financing and Market Risk" on page 32 and Note 1 "Summary of Significant Accounting Policies — Financial Instruments" under "Notes to Consolidated Financial Statements" on page 42 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 under the caption "Report of Independent Registered Public Accounting Firm" on pages 36 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 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 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 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 Dominic J. Caruso, Chief Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Weldon and Caruso concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

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 external financial statements in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed, has 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 3, 2010. 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 3, 2010, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of January 3, 2010 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 64 of the Annual Report, which is incorporated herein by reference and filed as Exhibit 13 to this Report on Form 10-K.

Changes in Internal Control Over Financial Reporting. During the fiscal quarter ended January 3, 2010, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation of such referred to above in this Item 9A that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. OTHER INFORMATION

Not applicable.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this item is incorporated herein by reference to the material under the captions "Election of Directors" and "Stock Ownership and Section 16 Compliance — Section 16(a) Beneficial Ownership Reporting Compliance" and the discussion of the Audit Committee under the caption "Corporate Governance — Board Committees" in the Proxy Statement; and the material under the caption "Executive Officers of the Registrant" in Part I of this Report on Form 10-K.

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/policies.cfm* , and copies are available to shareholders without charge upon written request to the Secretary at the Company's principal executive offices. 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.cfm* 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/policies.cfm* , and copies are available to shareholders without charge upon written request to the Secretary at the Company's principal executive offices. 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.cfm* 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 material under the captions "Compensation Discussion and Analysis," "Executive and Director Compensation" and "Compensation Committee Report" in the Proxy Statement.

The material incorporated herein by reference to the material under the caption "Compensation Committee Report" in the Proxy Statement shall be deemed furnished, and not filed, in this Report on Form 10-K and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, as a result of this furnishing, except to the extent that the Registrant specifically incorporates it by reference.

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

Additional information called for by this item is incorporated herein by reference to the material under the captions "Stock Ownership and Section 16 Compliance" in the Proxy Statement and Note 17 "Common Stock, Stock Option Plans and Stock Compensation Agreements" under "Notes to Consolidated Financial Statements" on pages 53 and 54 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 3, 2010 concerning the shares of the Company's Common Stock that may be issued under existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [4]
Equity Compensation Plans Approved by Security Holders [1]	238,568,739	$ 52.22	139,725,718
Equity Compensation Plans Not Approved by Security Holders [2][3]	474,474	43.06	—
Total	239,043,213	52.20	139,725,718

(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 and 2005 Long-Term Incentive Plan.

(2) Included in this category are 383,124 shares of Common Stock of the Company issuable under various equity compensation plans which were assumed by the Company upon acquisition of the following companies: ALZA Corporation, Scios Inc., and Inverness Medical Technology, Inc. 216,770 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: 131,183 shares issuable under the 1996 Scios Non-Officer Stock Option Plan; and 35,171 shares issuable under warrants under an Inverness Medical plan.

(3) Also included in this category are 91,350 shares of Common Stock of the Company issuable upon the exercise of outstanding stock options under the Company's Stock Option Plan for Non-Employee Directors. All options outstanding under this plan have fully vested with an expiration period of ten years from the date of grant.

(4) This column excludes shares reflected under the column "Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights."

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this item is incorporated herein by reference to the material under the captions "Transactions with Related Persons" and "Corporate Governance — Director Independence" in the Proxy Statement.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this item is incorporated herein by reference to the material under the caption "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. EXHIBITS AND 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 material under the caption "Report of Independent Registered Public Accounting Firm" on pages 36 through 64 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 2009 and 2008

Consolidated Statements of Earnings for Fiscal Years 2009, 2008 and 2007

Consolidated Statements of Equity for Fiscal Years 2009, 2008 and 2007

Consolidated Statements of Cash Flows for Fiscal Years 2009, 2008 and 2007

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 3, 2010, December 28, 2008 and December 30, 2007
(Dollars in Millions)

	Balance at Beginning of Period	Accruals	Payments/ Other	Balance at End of Period
2009				
Accrued Rebates [1]	$ 1,808	6,584	(6,753)	1,639
Accrued Returns	794	355	(460)	689
Accrued Promotions	356	2,446	(2,373)	429
Subtotal	$ 2,958	9,385	(9,586)	2,757
Reserve for doubtful accounts	267	110	(44)	333
Reserve for cash discounts	79	1,163	(1,141)	101
Total	$ 3,304	10,658	(10,771)	3,191
2008				
Accrued Rebates [1]	$ 1,802	5,578	(5,572)	1,808
Accrued Returns	648	402	(256)	794
Accrued Promotions	578	2,991	(3,213)	356
Subtotal	$ 3,028	8,971	(9,041)	2,958
Reserve for doubtful accounts	193	101	(27)	267
Reserve for cash discounts	71	905	(897)	79
Total	$ 3,292	$9,977 [2]	$ (9,965)	$ 3,304
2007				
Accrued Rebates [1]	$ 1,691	5,243	(5,132)	1,802
Accrued Returns	599	395	(346)	648
Accrued Promotions	457	2,908	(2,787)	578
Subtotal	$ 2,747	8,546	(8,265)	3,028
Reserve for doubtful accounts	160	42	(9)	193
Reserve for cash discounts	62	1,022	(1,013)	71
Total	$ 2,969	9,610	(9,287)	3,292

(1) Includes reserve for customer rebates of $729 million, $721 million, $710 million at January 3, 2010, December 28, 2008 and December 30, 2007, respectively.

(2) Includes $171 million adjustment related to previously estimated accrued sales reserve.

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 1, 2010

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 1, 2010
/s/ D. J. CARUSO D. J. Caruso	Chief Financial Officer (Principal Financial Officer)	March 1, 2010
/s/ S. J. COSGROVE S. J. Cosgrove	Controller (Principal Accounting Officer)	March 1, 2010
/s/ M. S. COLEMAN M. S. Coleman	Director	March 1, 2010
/s/ J. G. CULLEN J. G. Cullen	Director	March 1, 2010
/s/ M. M. E. JOHNS M. M. E. Johns	Director	March 1, 2010
/s/ A. G. LANGBO A. G. Langbo	Director	March 1, 2010

Signature	Title	Date
/s/ S. L. LINDQUIST S. L. Lindquist	Director	March 1, 2010
/s/ A. M. MULCAHY A. M. Mulcahy	Director	March 1, 2010
/s/ L. F. MULLIN L. F. Mullin	Director	March 1, 2010
/s/ W. D. PEREZ W. D. Perez	Director	March 1, 2010
/s/ C. PRINCE C. Prince	Director	March 1, 2010
/s/ D. SATCHER D. Satcher	Director	March 1, 2010

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 and of the effectiveness of internal control over financial reporting referred to in our report dated March 1, 2010 appearing in the 2009 Annual Report to Shareholders of Johnson & Johnson (which report and consolidated financial statements 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
March 1, 2010

EXHIBIT INDEX

Reg. S-K Exhibit Table Item No.	Description of Exhibit
3(i)(a)	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(i)(b)	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(i)(c)	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(i)(d)	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(i)(e)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company effective April 27, 2006 — Incorporated herein by reference to Exhibit 3(i) of the Registrant's Form 10-Q Quarterly Report for the quarter ended April 2, 2006.
3(ii)	By-Laws of the Company, as amended effective February 9, 2009 — Incorporated herein by reference to Exhibit 3.1 the Registrant's Form 8-K Current Report filed February 13, 2009.
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)	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(e)	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(f)	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(g)	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(h)	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(i)	Domestic Deferred Compensation (Certificate of Extra Compensation) Plan — Incorporated herein by reference to Exhibit 10(g) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2003.*
10(j)	Amendments to the Certificate of Extra Compensation Plan effective as of January 1, 2009 — Incorporated herein by reference to Exhibit 10(j) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2008.*
10(k)	2009 Certificates of Long-Term Performance Plan — Incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q Quarterly Report for the quarter ended September 27, 2009.*

Reg. S-K Exhibit Table Item No.	Description of Exhibit
10(l)	Deferred Fee Plan 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(m)	Amendments to the Deferred Fee Plan for Directors effective as of January 1, 2009 — Incorporated herein by reference to Exhibit 10(l) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2008.*
10(n)	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(o)	Amendments to the Executive Income Deferral Plan effective as of January 1, 2009 — Incorporated herein by reference to Exhibit 10(n) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2008.*
10(p)	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(q)	Amendments to the Johnson & Johnson Excess Savings Plan effective as of January 1, 2009 — Incorporated herein by reference to Exhibit 10(p) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2008.*
10(r)	Excess Benefit Plan (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(s)	Amendments to the Excess Benefit Plan of Johnson & Johnson and Affiliated Companies effective as of January 1, 2009 — Incorporated herein by reference to Exhibit 10(r) of the Registrant's Form 10-K Annual Report for the year ended December 28, 2008.*
10(t)	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(u)	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(v)	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(w)	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 26 through 67 of the Company's Annual Report to Shareholders for fiscal year 2009 (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 — Filed with this document.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act — Filed with this document.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act — Furnished with this document.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act — 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(w)

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 8, 2010 for the Company's Chief Executive Officer, Chief Financial Officer and the other three most highly compensated executive officers in 2009 (the "Named Executive Officers").

Annual Base Salary:

The Compensation Committee has approved the following base salaries, effective February 22, 2010, for the Named Executive Officers:

William C. Weldon Chairman/CEO	$1,860,000
Dominic J. Caruso Vice President, Finance; CFO	$ 753,900
Russell C. Deyo Vice President, Human Resources and General Counsel	$ 873,100
Colleen Goggins Worldwide Chairman, Consumer Group	$ 827,200
Sherilyn S. McCoy Worldwide Chairman, Pharmaceuticals Group	$ 785,900

Annual Performance Bonus:

The Compensation Committee has approved the following annual performance bonus payments for performance in 2009 (paid in the form of 85% cash and 15% Company Common Stock as determined by the Compensation Committee):

Mr. Weldon	$3,600,000
Mr. Caruso	$1,004,000
Mr. Deyo	$1,164,000
Ms. Goggins	$1,007,000
Ms. McCoy	$1,205,000

Stock Option and Restricted Share Unit Grants:

The Compensation Committee has approved the following stock option and Restricted Share Unit ("RSU") grants under the Company's 2005 Long-Term Incentive Plan (the "LTI Plan"). The stock options were granted at an exercise price of $62.62, at the "fair market value" (calculated as the average of the high and low prices of the Company's Common Stock on the New York Stock Exchange) on February 8, 2010. The options will become exercisable on February 9, 2013 and expire on February 7, 2020. The RSUs will vest on February 9, 2013, upon which, the holder, if still employed by the Company on such date, will receive one share of the Company's Common Stock for each RSU.

Mr. Weldon	586,873 stock options	48,906 RSUs
Mr. Caruso	119,770 stock options	9,981 RSUs
Mr. Deyo	131,747 stock options	10,979 RSUs
Ms. Goggins	134,159 stock options	11,180 RSUs
Ms. McCoy	143,724 stock options	11,977 RSUs

Non-Equity Incentive Plan Awards:

The Compensation Committee has approved the following non-equity incentive plan awards in recognition of performance during 2009 under the Company's Certificates of Long-Term Performance ("CLP") program. Vested awards are not paid out until the earlier of ten years from the date of grant or retirement or other termination of employment. As of the grant date, the defined present value per CLP was $4.69. The CLP unit value will vary over time based on the performance of the Company.

Mr. Weldon	1,471,215	CLPs
Mr. Caruso	383,795	CLPs
Mr. Deyo	319,830	CLPs
Ms. Goggins	383,795	CLPs
Ms. McCoy	469,085	CLPs

Due to the change in the planning basis of CLP awards from a vesting-based approach under the Certificates of Long-term Compensation Plan (the "CLC Plan") to a grant-based approach under the new CLP Plan, which replaced the CLC Plan effective February 2010, certain executives were adversely impacted. The Committee approved selected one-time CLP awards to transition these executives to the new CLP Plan:

Mr. Caruso	148,400	CLPs
Mr. Deyo	426,440	CLPs
Ms. Goggins	211,430	CLPs

Equity Compensation for Non-Employee Directors

Each Non-Employee Director receives non-retainer equity compensation in the first quarter of each year under the LTI Plan in the form of shares of restricted Common Stock having a fair market value of $100,000 on the grant date. Accordingly, each Non-Employee Director was granted 1,596 shares of restricted Common Stock under the LTI Plan on February 8, 2010. The restricted shares will become freely transferable on February 8, 2013.

EXHIBIT 12

JOHNSON & JOHNSON AND SUBSIDIARIES

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES [1]
(Dollars in Millions)

	Fiscal Year Ended				
	January 3, 2010	December 28, 2008	December 30, 2007	December 31, 2006	January 1, 2006
Determination of Earnings:					
Earnings Before Provision for Taxes on Income	$ 15,755	$ 16,929	$ 13,283	$ 14,587	$ 13,116
Fixed Charges, less Capitalized Interest	558	538	397	158	137
Total Earnings as Defined	$ 16,313	$ 17,467	$ 13,680	$ 14,745	$ 13,253
Fixed Charges:					
Estimated Interest Portion of Rent Expense	107	103	101	95	83
Interest Expensed and Capitalized	552	583	426	181	165
Total Fixed Charges	$ 659	$ 686	$ 527	$ 276	$ 248
Ratio of Earnings to Fixed Charges	24.75	25.46	25.96	53.42	53.44

[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.

Table of Contents

Management's Discussion and Analysis of Results of Operations and Financial Condition

Organization and Business Segments

DESCRIPTION OF THE COMPANY AND BUSINESS SEGMENTS

Johnson & Johnson and its subsidiaries (the "Company") have approximately 115,500 employees worldwide engaged in the research and development, 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 with the primary focus 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 includes a broad range of products used in the baby care, skin care, oral care, wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. These products are marketed to the general public and sold both to retail outlets and distributors throughout the world. The Pharmaceutical segment includes products in the following therapeutic areas: anti-infective, antipsychotic, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, urology and virology. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use. 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, spinal care and sports medicine products; Ethicon's surgical care, aesthetics and women's health products; Ethicon Endo-Surgery's minimally invasive surgical products; LifeScan's blood glucose monitoring and insulin delivery products; Ortho-Clinical Diagnostics' professional diagnostic products and Vistakon'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.

In all of its product lines, the Company competes with companies both local and global, located throughout the world. Competition exists 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 innovative 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 in maintaining sales forces. In addition, the development and maintenance of customer demand for the Company's consumer products involves significant expenditures for advertising and promotion.

MANAGEMENT'S OBJECTIVES

A primary objective of the Company 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 areas through the development of innovative products and services. New products introduced within the past five years accounted for approximately 25% of 2009 sales. In 2009, $7.0 billion, or 11.3% of sales, was invested in research and development. This investment reflects management's commitment to the importance of ongoing development of new and differentiated products and services to sustain long-term growth.

With more than 250 operating companies located in 60 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 Our Credo. Our 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

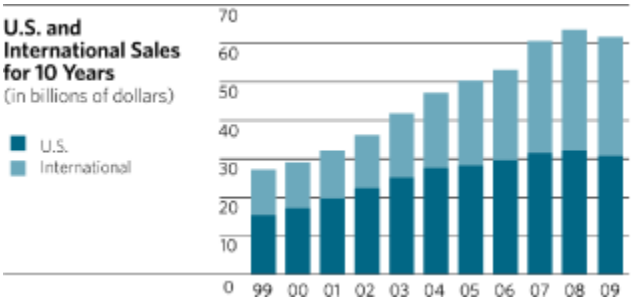
ANALYSIS OF CONSOLIDATED SALES

In 2009, worldwide sales decreased 2.9% to $61.9 billion, compared to increases of 4.3% in 2008 and 14.6% in 2007. These sales changes consisted of the following:

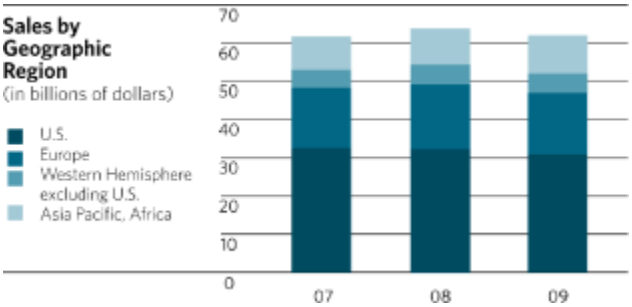
Sales (decrease)/increase due to:	2009	2008	2007
Volume	(0.2)%	1.1	10.1
Price	(0.1)	0.8	1.4

Currency	(2.6)	2.4	3.1
Total	**(2.9)%**	**4.3**	**14.6**

Sales by U.S. companies were $30.9 billion in 2009, $32.3 billion in 2008 and $32.4 billion in 2007. This represents a decrease of 4.4% in 2009, a decrease of 0.4% in 2008 and an increase of 9.0% in 2007. Sales by international companies were $31.0 billion in 2009, $31.4 billion in 2008 and $28.7 billion in 2007. This represents a decrease of 1.4% in 2009 and increases of 9.7% and 21.7% in 2008 and 2007, respectively.



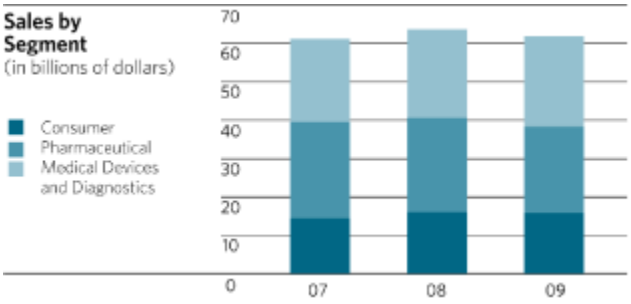
The five-year compound annual growth rates for worldwide, U.S. and international sales were 5.5%, 2.2% and 9.6%, respectively. The ten-year compound annual growth rates for worldwide, U.S. and international sales were 8.5%, 7.1% and 10.1%, respectively.



Sales in Europe experienced a decline of 5.1% including operational growth of 2.1% and a negative impact from currency of 7.2%. Sales in the Western Hemisphere (excluding the U.S.) experienced a decline of 0.3% including operational growth of 8.8% and a negative impact from currency of 9.1%. Sales in the Asia-Pacific, Africa region achieved growth of 4.6%, including operational growth of 4.4% and an increase of 0.2% related to the positive impact of currency.

In 2009, 2008 and 2007, the Company did not have a customer that represented 10% or more of total consolidated revenues.

2009 results benefited from the inclusion of a 53rd week. (See Note 1 to the Consolidated Financial Statements for Annual Closing Date details). The Company estimated that the fiscal year 2009 growth rate was enhanced by approximately 0.5%. While the additional week added a few days to sales, it also added a full week's worth of operating costs; therefore, the net earnings impact was negligible.



Analysis of Sales by Business Segments

CONSUMER SEGMENT

Consumer segment sales in 2009 were $15.8 billion, a decrease of 1.6% from 2008 with 2.0% of this change due to operational growth and negative currency impact of 3.6%. U.S. Consumer segment sales were $6.8 billion, a decrease of 1.4%. International sales were $9.0 billion, a decrease of 1.7%, with growth of 4.7% achieved by operations and a decrease of 6.4% resulting from the negative impact of currency fluctuations.

The Over-the-Counter (OTC) Pharmaceuticals and Nutritionals franchise sales were $5.6 billion, a decrease of 4.5% from 2008. This was primarily due to the negative impact of currency and lower sales of the over-the-counter ZYRTEC ® allergy product line related to the initial build of inventory by the trade during the 2008 launch year. This was partially offset by sales growth in the SPLENDA ® sweetener product line. The U.S. Food and Drug Administration (FDA) is currently considering certain recommendations made by its advisory committee for reducing the potential for overdose with acetaminophen, the active ingredient in TYLENOL ® brand products. The Company has provided the FDA with its own recommendations and will continue to be actively engaged with the FDA on this topic. In December 2009, the Company announced a voluntary recall of all lots of TYLENOL ® Arthritis Pain 100 count with EZ-OPEN CAP following reports of an uncharacteristic smell; however, there was an insignificant impact on sales. In January 2010, the Company has undertaken a broader voluntary recall of TYLENOL ® and certain OTC products as a precautionary action.

The Skin Care franchise sales grew by 2.5% to $3.5 billion in 2009. The sales growth was primarily due to the AVEENO ®, NEUTROGENA ®, and DABAO™ skin care lines. The Baby Care franchise sales were $2.1 billion, a decrease of 4.5% primarily due to the negative impact of currency and lower sales for Babycenter.com as a result of exiting the online retail business, partially offset by growth in the haircare product line. The Women's Health franchise sales were $1.9 billion, a decrease of 0.8% primarily due to the negative impact of currency partially offset by increased sales associated with the acquisition of a joint venture partner in France in the fiscal

Major Consumer Franchise Sales:

(Dollars in Millions)	2009	2008	2007	% Change '09 vs. '08	% Change '08 vs. '07
OTC Pharmaceuticals & Nutritionals	$ 5,630	5,894	5,142	(4.5)%	14.6
Skin Care	3,467	3,381	3,051	2.5	10.8
Baby Care	2,115	2,214	1,982	(4.5)	11.7
Women's Health	1,895	1,911	1,806	(0.8)	5.8
Oral Care	1,569	1,624	1,488	(3.4)	9.1
Wound Care/Other	1,127	1,030	1,024	9.4	0.6
Total	**$15,803**	**16,054**	**14,493**	**(1.6)%**	**10.8**

first quarter of 2009. Prior to the acquisition of the joint venture partner, sales by the joint venture were not recorded as part of the Company's sales to customers. The Oral Care franchise sales were $1.6 billion, a decrease of 3.4% due to softness in the category in the U.S., partially offset by growth of LISTERINE ® mouthwash outside the U.S. The Wound Care/Other franchise sales grew by 9.4% to $1.1 billion primarily due to the recent acquisitions in the Wellness and Prevention platform and strong sales of PURELL ® hand sanitizer.

Consumer segment sales in 2008 were $16.0 billion, an increase of 10.8% over 2007 with 8.3% of this change due to operational growth and the remaining 2.5% due to positive currency fluctuations. U.S. Consumer segment sales were $6.9 billion, an increase of 8.3%. International sales were $9.1 billion, an increase of 12.8%, with 8.3% as a result of operations and 4.5% due to currency fluctuations over 2007.

PHARMACEUTICAL SEGMENT

Pharmaceutical segment sales in 2009 were $22.5 billion, a decrease of 8.3% from 2008, with an operational decline of 6.1% and the remaining 2.2% due to the negative impact of currency fluctuations. U.S. sales were $13.0 billion, a decrease of 12.1%. International sales were $9.5 billion, a decrease of 2.6%, which included 3.0% operational growth and a decrease of 5.6% resulting from the negative impact of currency fluctuations.

REMICADE ® (infliximab), a biologic approved for the treatment of a number of immune mediated inflammatory diseases, achieved sales of $4.3 billion in 2009, with growth of 14.8% over the prior year primarily attributable to strong overall market growth. REMICADE ® is competing in a market which is experiencing increased competition due to new entrants and the expansion of indications for existing competitors.

PROCRIT ® (Epoetin alfa) and EPREX ® (Epoetin alfa) had combined sales of $2.2 billion in 2009, a decline of 8.7% compared to the prior year. Lower sales of PROCRIT ® and EPREX ® were due to the declining markets for Erythropoiesis Stimulating Agents (ESAs).

LEVAQUIN ® (levofloxacin)/FLOXIN ® (ofloxacin) sales were $1.6 billion, a decline of 2.6% versus the prior year, due to competition in the category. The patent for LEVAQUIN ® (levofloxacin) in the U.S. will expire in December 2010. A pediatric extension was granted by the FDA, which extends market exclusivity in the U.S. through June 2011. The expiration of the product patent or loss of market exclusivity is likely to result in a significant reduction in sales.

RISPERDAL ® CONSTA ® (risperidone), a long-acting injectable for the treatment of schizophrenia, achieved sales of $1.4 billion in 2009, representing an increase of 8.9% as compared to the prior year. The growth was due to a positive shift from daily therapies to longer-acting RISPERDAL ® CONSTA ® and the launch of RISPERDAL ® CONSTA ® in Japan earlier in the year.

CONCERTA ® (methylphenidate HCl), a product for the treatment of attention deficit hyperactivity disorder (ADHD), achieved sales of $1.3 billion in 2009, representing an increase of 6.3% over 2008. Sales results in 2008 were favorably impacted by approximately $115 million related to a change in the estimate of accrued sales reserves related to sales outside the U.S. Although the original CONCERTA ® patent expired in 2004, the FDA has not approved any generic version that is substitutable for CONCERTA ® . Parties have filed Abbreviated New Drug Applications (ANDAs) for generic versions of CONCERTA ® , which are pending and may be approved at any time. An approval would lead to a loss of exclusivity and is likely to result in a significant reduction in sales.

TOPAMAX ® (topiramate), RISPERDAL ® (risperidone), and DURAGESIC ® /Fentanyl Transdermal (fentanyl transdermal system) experienced sales declines in 2009 of 57.9%, 57.7% and 14.3%, respectively, versus the prior year due to generic competition. Market exclusivity in the U.S. expired for TOPAMAX ® (topiramate) in March 2009, RISPERDAL ® oral in June 2008 and DURAGESIC ® in January 2005.

ACIPHEX ® /PARIET ® (rabeprazole sodium) experienced a sales decline of 5.4% due to competition in the category.

In 2009, Other Pharmaceutical sales were $7.6 billion, representing a growth of 6.6% over the prior year. Contributors to the increase were sales of VELCADE ® (bortezomib), a product for the treatment of multiple myeloma; PREZISTA ® (darunavir), for the treatment of HIV/AIDS patients; INTELENCE™ (etravirine), for HIV combination therapy and INVEGA ® (paliperidone), a once-daily atypical antipsychotic. The growth was partially offset by the impact of a generic version of ORTHO TRI-CYCLEN ® LO shipped by a competitor. Subsequently, the generic manufacturer recognized the validity of the patent, paid damages for its infringing sales and ceased further shipments of the product.

During 2009, the Company received regulatory approval for several new molecular entities (NMEs), including STELARA™ (ustekinumab) in the U.S. and European Union (EU) for the treatment of moderate-to-severe plaque psoriasis; INVEGA ® SUSTENNA™ (paliperidone palmitate) extended-release injectable suspension in the U.S. for the acute and maintenance treatment of schizophrenia; SIMPONI™ (golimumab) in the U.S. and EU for the treatment of moderate-to-severe, active rheumatoid arthritis (RA), active and progressive psoriatic arthritis (PsA) and severe, active ankylosing spondylitis (AS); and PRILIGY™ (dapoxetine) in several countries for the on-demand treatment of premature ejaculation. NUCYNTA™ (tapentadol) Immediate Release Tablets, for relief

Major Pharmaceutical Product Revenues:

(Dollars in Millions)	2009	2008	2007	% Change '09 vs. '08	% Change '08 vs. '07

REMICADE ® (infliximab)	$ 4,304	3,748	3,327	14.8%	12.7
PROCRIT ® /EPREX ® (Epoetin alfa)	2,245	2,460	2,885	(8.7)	(14.7)
LEVAQUIN ® /FLOXIN ® (levofloxacin/ofloxacin)	1,550	1,591	1,646	(2.6)	(3.3)
RISPERDAL ® CONSTA ® (risperidone)	1,425	1,309	1,128	8.9	16.0
CONCERTA ® (methylphenidate HCl)	1,326	1,247	1,028	6.3	21.3
TOPAMAX ® (topiramate)	1,151	2,731	2,453	(57.9)	11.3
ACIPHEX ® /PARIET ® (rabeprazole sodium)	1,096	1,158	1,357	(5.4)	(14.7)
RISPERDAL ® (risperidone)	899	2,126	3,420	(57.7)	(37.8)
DURAGESIC ® /Fentanyl Transdermal (fentanyl transdermal system)	888	1,036	1,164	(14.3)	(11.0)
Other Pharmaceuticals	7,636	7,161	6,458	6.6	10.9
Total	**$22,520**	**24,567**	**24,866**	**(8.3)%**	**(1.2)**

of moderate to severe acute pain, was also launched in the U.S. in 2009.

The Company also received approvals expanding the indications for several key products, including INVEGA ® (paliperidone) extended-release tablets in the U.S. for the acute treatment of schizoaffective disorder; RISPERDAL ® CONSTA ® (risperidone) Long-Acting Treatment in the U.S. as both monotherapy and adjunctive therapy to lithium or valproate in the maintenance treatment of Bipolar I Disorder, as well as for the treatment of schizophrenia in Japan; PREZISTA ® (darunavir) in the EU with low-dose ritonavir as part of combination therapy in treatment-naïve adults, as well as for treatment-experienced pediatric patients with HIV.

The Company submitted a New Drug Application (NDA) to the FDA for tapentadol extended release (ER) tablets, an investigational oral analgesic for the management of moderate to severe chronic pain in patients 18 years of age or older. In addition, the Company also invested in a number of new platforms for growth in Oncology, Alzheimer's disease and vaccines for the treatment and prevention of influenza and other infectious and non-infectious diseases.

Pharmaceutical segment sales in 2008 were $24.6 billion, a decrease of 1.2% from 2007, with an operational decline of 3.1% and 1.9% increase due to the positive impact of currency fluctuations. U.S. Pharmaceutical segment sales were $14.9 billion, a decrease of 4.9%. International Pharmaceutical segment sales were $9.7 billion, an increase of 5.1%, which included 0.1% of operational growth and 5.0% related to the positive impact of currency fluctuations.

MEDICAL DEVICES AND DIAGNOSTICS SEGMENT

The Medical Devices and Diagnostics segment achieved sales of $23.6 billion in 2009, representing an increase of 1.9% over the prior year, with operational growth of 4.2% and a negative currency impact of 2.3%. U.S. sales were $11.0 billion, an increase of 4.5% over the prior year. International sales were $12.6 billion, a decrease of 0.2%, with growth of 4.0% from operations and a decrease of 4.2% resulting from the negative impact of currency fluctuations.

The DePuy franchise achieved sales of $5.4 billion in 2009, a 4.6% increase over the prior year. This was primarily due to growth in the spine, hip and knee product lines. Additionally, new product launches in the Mitek sports medicine product line contributed to the growth.

The Ethicon Endo-Surgery franchise achieved sales of $4.5 billion in 2009, a 4.8% increase over the prior year. This was attributable to growth in the endoscopy, HARMONIC ® , ENSEAL ® and Advanced Sterilization product lines.

The Ethicon franchise achieved sales of $4.1 billion in 2009, a 7.3% increase over the prior year. This was attributable to growth in the sutures, biosurgical and mesh product lines in addition to sales of newly acquired products from the acquisitions of Omrix Biopharmaceuticals, Inc. and Mentor Corporation. The growth was partially offset by the divestiture of the Professional Wound Care business of Ethicon, Inc. in the fiscal fourth quarter of 2008.

Sales in the Cordis franchise were $2.7 billion, a decline of 10.3% versus the prior year. The decline reflects lower sales of the CYPHER ® Sirolimus-eluting Coronary Stent due to increased global competition. The decline was partially offset by growth of the Biosense Webster business.

The Vision Care franchise achieved sales of $2.5 billion in 2009, a 0.2% increase over prior year primarily related to growth in the Astigmatic contact lens product line offset by the negative impact of currency.

Sales in the Diabetes Care franchise were $2.4 billion in 2009, a decline of 3.7% versus the prior year. Declines in the LifeScan product line were partially offset by growth of the Animas insulin delivery business resulting from new product launches and continued development in international markets.

The Ortho-Clinical Diagnostics franchise achieved sales of $2.0 billion in 2009, a 6.6% increase over the prior year primarily attributable to the recent launch of the VITROS ® 3600 and 5600 analyzers.

The Medical Devices and Diagnostics segment achieved sales of $23.1 billion in 2008, representing an increase of 6.4% over the prior year, with operational growth of 3.5% and 2.9% due to a positive impact from currency fluctuations. U.S. sales were $10.5 billion, an increase of 1.0%. International sales were $12.6 billion, an increase of 11.3%, with 5.8% from operations and a positive currency impact of 5.5%.

Analysis of Consolidated Earnings Before Provision for Taxes on Income

Consolidated earnings before provision for taxes on income decreased by $1.1 billion to $15.8 billion in 2009 as compared to the $16.9 billion earned in 2008, a decrease of 6.9%. The decrease was primarily related to lower sales, the negative impact of product mix, lower interest income due to lower rates of interest earned and restructuring charges of $1.2 billion. This was partially offset by lower selling, marketing and administrative expenses due to cost containment efforts across all the businesses. 2008 included purchased in-process research and development (IPR&D) charges of $0.2 billion and increased investment spending in selling, marketing and administrative expenses utilized from the proceeds associated with the divestiture of the Professional Wound Care business of Ethicon, Inc. The increase in 2008 of 27.4% over the $13.3 billion in 2007 was primarily due to lower IPR&D charges of $0.6 billion, gains from divestitures of $0.5 billion and higher litigation gains of $0.5 billion versus restructuring charges of $0.7 billion and the write-down of the NATRECOR ® intangible asset of $0.7 billion recorded in 2007. As a percent to sales, consolidated

Major Medical Devices and Diagnostics Franchise Sales*:

(Dollars in Millions)	2009	2008	2007	% Change '09 vs. '08	% Change '08 vs. '07
DEPUY ®	$ 5,372	5,136	4,698	4.6%	9.3
ETHICON ENDO-SURGERY ®	4,492	4,286	3,834	4.8	11.8
ETHICON ®	4,122	3,840	3,603	7.3	6.6
CORDIS ®	2,679	2,988	3,314	(10.3)	(9.8)
Vision Care	2,506	2,500	2,209	0.2	13.2
Diabetes Care	2,440	2,535	2,373	(3.7)	6.8
ORTHO-CLINICAL DIAGNOSTICS ®	1,963	1,841	1,705	6.6	8.0
Total	**$23,574**	**23,126**	**21,736**	**1.9%**	**6.4**

* *Prior year amounts have been reclassified to conform to current presentation.*

earnings before provision for taxes on income in 2009 was 25.4% versus 26.5% in 2008.

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	2009	2008	2007
Cost of products sold	29.8%	29.1	29.1
Percent point increase over the prior year	0.7	—	0.9
Selling, marketing and administrative expenses	32.0	33.7	33.5
Percent point (decrease)/increase over the prior year	(1.7)	0.2	0.8

In 2009, cost of products sold as a percent to sales increased primarily due to the continued negative impact of product mix and inventory write-offs associated with the restructuring activity. Additionally, 2008 included some non-recurring positive items. There was a decrease in the percent to sales of selling, marketing and administrative expenses in 2009 primarily due to cost containment efforts across all the businesses and the annualized savings recognized from the 2007 restructuring program. Additionally, 2008 utilized the proceeds associated with the divestiture of the Professional Wound Care business of Ethicon, Inc. to fund increased investment spending.

In 2008, cost of products sold as a percent to sales remained flat to the prior year. The change in the mix of businesses, with higher sales growth in the Consumer business and a slight sales decline in the Pharmaceutical business, had a negative impact on the cost of products sold as a percent to sales. In 2008, this was offset by manufacturing efficiencies and non-recurring positive items in 2008 and negative items in 2007. There was an increase in the percent to sales of selling, marketing and administrative expenses in 2008 primarily due to the change in the mix of businesses, whereby a greater proportion of sales were attributable to the Consumer segment, which has higher selling, marketing and administrative spending. Additionally, in 2008 the Company utilized the gain associated with the divestiture of the Professional Wound Care business of Ethicon, Inc. to fund increased investment spending. This was partially offset by ongoing cost containment efforts.

In 2007, there was an increase in the percent to sales of cost of products sold primarily due to the impact of newly acquired consumer brands. There was an increase in the percent to sales of selling, marketing and administrative expenses in 2007 primarily due to the impact of newly acquired consumer brands partially offset by cost containment efforts.

Research and Development expense (excluding purchased in-process research and development charges) by segment of business was as follows:

	2009		2008		2007	
(Dollars in Millions)	Amount	% of Sales*	Amount	% of Sales*	Amount	% of Sales*
Consumer	$ 632	4.0%	624	3.9	564	3.9
Pharmaceutical	4,591	20.4	5,095	20.7	5,265	21.2
Medical Devices and Diagnostics	1,763	7.5	1,858	8.0	1,851	8.5
Total research and development expense	$6,986	11.3%	7,577	11.9	7,680	12.6
Percent (decrease)/increase over the prior year	(7.8)%		(1.3)		7.8	

* *As a percent to segment sales*

Research and Development Expense: Research and development 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.

In 2009 and 2008, the reduction in the Pharmaceutical research and development spending was primarily due to increased efficiencies in Pharmaceutical research and development activities.

Restructuring: In 2009, the Company announced global restructuring initiatives that are expected to generate pre-tax, annual cost savings of $1.4 – $1.7 billion when fully implemented in 2011, with $0.8 – $0.9 billion expected to be achieved in 2010. The associated savings will provide additional resources to invest in new growth platforms; ensure the successful launch of the Company's many new products and continued growth of the core businesses; and provide flexibility to adjust to the changed and evolving global environment. In the fiscal fourth quarter of 2009 the Company recorded a pre-tax charge of $1.2 billion, of which $113 million is included in cost of products sold.

The restructuring program announced in 2007 has been completed. See Note 22 to the Consolidated Financial Statements for additional details related to the restructuring.

Purchased In-Process Research and Development: In 2009, in accordance with U.S. GAAP for business combinations, purchased in-process research and development (IPR&D) is no longer expensed but capitalized and tested for impairment. The Company capitalized $1.7 billion of IPR&D in 2009, primarily associated with the acquisitions of Cougar Biotechnology, Inc. and substantially all of the assets and rights of Elan's Immunotherapy program.

In 2008, the Company recorded a charge for IPR&D of $181 million before and after tax related to the acquisitions of Amic AB, SurgRx, Inc., HealthMedia, Inc. and Omrix Biopharmaceuticals, Inc. HealthMedia, Inc, a privately held company that creates web-based behavior change interventions, accounted for $7 million before tax of the IPR&D charges and was included in the operating profit of the Consumer segment. The IPR&D charges for all of the following acquisitions were included in the operating profit of the Medical Devices and Diagnostics segment. Amic AB, a Swedish developer of in vitro diagnostic technologies for use in point-of-care and near-patient settings (outside the physical facilities of the clinical laboratory), accounted for $40 million before tax of the IPR&D charges. SurgRx, Inc., a privately held developer of the advanced bipolar tissue sealing system used in the ENSEAL ® family of devices, accounted for $7 million before tax of the IPR&D charges. Omrix Biopharmaceuticals, Inc., a fully integrated biopharmaceutical company that develops and markets biosurgical and immunotherapy products, accounted for $127 million before tax of the IPR&D charges.

In 2007, the Company recorded a charge for IPR&D of $807 million before and after tax related to the acquisition of Conor Medsystems, Inc. The IPR&D charge was included in the operating profit of the Medical Devices and Diagnostics segment.

Other (Income) Expense, Net: Other (income) expense, net 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, non-controlling interests, litigation settlements and liabilities and royalty income. The unfavorable change of $0.5 billion in other (income) expense, net from 2009 to 2008 was primarily due to a gain of $0.5 billion from the divestiture of the Professional Wound Care business of Ethicon, Inc. in 2008.

In 2008, other (income) expense, net included income from net litigation settlements and awards of $0.5 billion and a gain of $0.5 billion from the divestiture of the Professional Wound Care business of Ethicon, Inc. In 2007, other (income) expense, net included a charge of $0.7 billion before tax related to the NATRECOR ® intangible asset write-down.

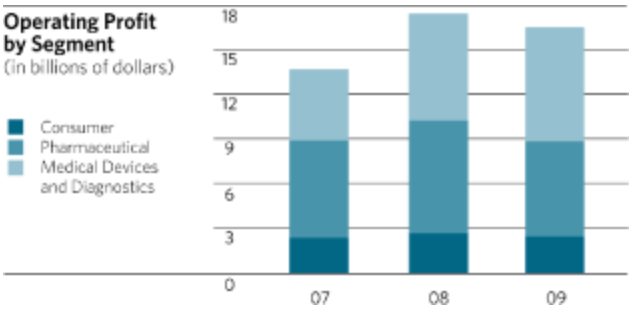
OPERATING PROFIT BY SEGMENT

Operating profits by segment of business were as follows:

(Dollars in Millions)	2009	2008	Percent of Segment Sales 2009	2008
Consumer	$ 2,475	2,674	15.7%	16.7
Pharmaceutical	6,413	7,605	28.5	31.0
Med Devices and Diagnostics	7,694	7,223	32.6	31.2
Total [1]	16,582	17,502	26.8	27.4
Less: Expenses not allocated to segments [2]	827	573		
Earnings before provision for taxes on income	$15,755	16,929	25.4%	26.5

[1] *See Note 18 to the Consolidated Financial Statements for more details.*

[2] *Amounts not allocated to segments include interest (income) expense, non-controlling interests, and general corporate (income) expense.*



Consumer Segment: In 2009, Consumer segment operating profit decreased 7.4% from 2008. The primary reasons for the decrease in operating profit was $369 million of restructuring charges, partially offset by cost containment initiatives in 2009. In 2008, Consumer segment operating profit increased 17.4% from 2007. Cost synergies, lower integration costs in 2008 related to the acquisition of the Consumer Healthcare business of Pfizer Inc., and other cost containment initiatives contributed to the increased operating profit in 2008.

Pharmaceutical Segment: In 2009, Pharmaceutical segment operating profit decreased 15.7% from 2008. The primary reasons for the decrease in operating profit were $496 million of restructuring charges, $92 million of litigation expense and negative product mix due to the loss of market exclusivity for TOPAMAX ® and RISPERDAL ® oral. In 2008, Pharmaceutical segment operating profit increased 16.3% from 2007. The primary driver of the improved operating profit in 2008 was due to the restructuring charges of $429 million and $678 million for the NATRECOR ® intangible asset write-down recorded in 2007.

Medical Devices and Diagnostics Segment: In 2009, the operating profit in the Medical Devices and Diagnostics segment increased 6.5% from 2008. The improved operating profit was due to $478 million gain from net litigation settlements, favorable product mix, manufacturing efficiencies and cost containment initiatives related to selling, marketing and administrative expenses. This was partially offset by $321 million in restructuring charges. In 2008, the operating profit in the Medical Devices and Diagnostics segment increased 49.1% from 2007. The improved operating profit was the result of the $429 million gain from net litigation settlements, favorable product mix, manufacturing efficiencies and lower IPR&D charges of $174 million in 2008 versus $807 million in 2007. Additionally, $301 million of restructuring charges were recorded in 2007.

Interest (Income) Expense: Interest income in 2009 decreased by $271 million due to lower rates of interest earned despite higher average cash balances. The cash balance, including marketable securities, was $19.4 billion at the end of 2009, and averaged $15.6 billion as compared to the $12.2 billion average cash balance in 2008. The increase in the average cash balance was primarily due to cash generated from operating activities.

Interest expense in 2009 increased by $16 million due to a higher debt balance. The net debt balance at the end of 2009 was $14.5 billion as compared to $11.9 billion at the end of 2008. The higher average debt balance of $13.5 billion in 2009 versus $12.9 billion in 2008 was primarily related to funding acquisitions and investments and the purchase of the Company's Common

Stock under the ongoing Common Stock repurchase program announced on July 9, 2007.

Interest income in 2008 decreased by $91 million due to lower rates of interest earned despite higher average cash balances. The cash balance, including marketable securities, was $12.8 billion at the end of 2008, and averaged $12.2 billion as compared to the $6.6 billion average cash balance in 2007. The increase in the average cash balance was primarily due to cash generated from operating activities.

Interest expense in 2008 increased by $139 million due to a higher debt balance. In the second half of 2007 the Company converted some of its short-term debt to fixed long-term debt at higher interest rates. The net debt balance at the end of 2008 was $11.9 billion as compared to $9.5 billion at the end of 2007. The higher debt balance in 2008 was primarily due to the purchase of the Company's Common Stock under the ongoing Common Stock repurchase program announced on July 9, 2007 and to fund acquisitions.

Interest income in 2007 decreased by $377 million due to lower average cash balances. The decline in the average cash balance was primarily due to the acquisition of the Consumer Healthcare business of Pfizer Inc. on December 20, 2006.

Interest expense in 2007 increased by $233 million as compared to prior year due to a higher average debt balance. The net debt balance at the end of 2007 was $9.5 billion as compared to $6.6 billion at the end of 2006. The higher debt balance in 2007 was due to the debt associated with the acquisition of the Consumer Healthcare business of Pfizer Inc. and the Common Stock repurchase program announced in 2007.

Provision for Taxes on Income: The worldwide effective income tax rate was 22.1% in 2009, 23.5% in 2008 and 20.4% in 2007. The 2009 tax rate decreased as compared to 2008 due to increases in taxable income in lower tax jurisdictions relative to taxable income in higher tax jurisdictions. The 2008 tax rate increased as compared to 2007 due to increases in taxable income in higher tax jurisdictions relative to taxable income in lower jurisdictions. In addition, the

2007 tax rate benefited from a one-time gain of $267 million related to a business restructuring of certain international subsidiaries.

Liquidity and Capital Resources

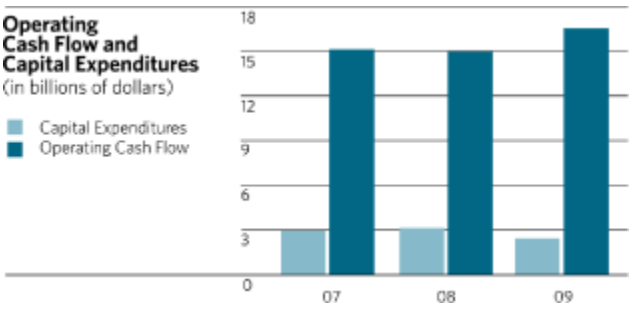
LIQUIDITY & CASH FLOWS

Cash and cash equivalents were $15.8 billion at the end of 2009 as compared with $10.8 billion at the end of 2008. The primary sources of cash that contributed to the $5.0 billion increase versus prior year were $16.6 billion of cash generated from operating activities and $2.5 billion net proceeds from long and short-term debt. The major uses of cash were capital spending of $2.4 billion, acquisitions of $2.5 billion, net investment purchases of $2.8 billion, dividends to shareholders of $5.3 billion and the repurchase of common stock, net of proceeds from the exercise of options, of $1.2 billion.

Cash Flows from operations were $16.6 billion in 2009. The major sources of cash flow were net income of $12.3 billion, adjusted for non-cash charges for depreciation, amortization and stock based compensation of $3.4 billion, restructuring reserves of $1.1 billion and accounts receivable and inventories of $0.5 billion. The remaining changes to operating cash flow were a use of funds of $0.7 billion related to pension plan contributions and decreases in accounts payable partially offset by decreases in other receivables, prepaid expenses and deferred taxes.

In 2009, the Company continued to have access to liquidity through the commercial paper market. For additional details on borrowings, see Note 7 to the Consolidated Financial Statements.

The Company anticipates that operating cash flows, existing credit facilities and access to the commercial paper markets will provide sufficient resources to fund operating needs in 2010.



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 certain foreign currency assets and liabilities and to hedge future foreign currency transactions primarily related to 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 3, 2010 market rates would increase the unrealized value of the Company's forward contracts by $296 million. Conversely, a 10% depreciation of the U.S. Dollar from the January 3, 2010 market rates would decrease the unrealized value of the Company's forward contracts by $361 million. In either scenario, the gain or loss on the forward contract would be offset by the gain or loss on the underlying transaction and, therefore, would have no impact on future anticipated 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 $185 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 anticipated cash flows.

The Company does not enter into 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.

The Company has access to substantial sources of funds at numerous banks worldwide. In September 2009, the Company secured a new 364-day Credit Facility. Total credit available to the Company approximates $10 billion, which expires September 23, 2010. 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 agreement are not material.

Total borrowings at the end of 2009 and 2008 were $14.5 billion and $11.9 billion, respectively. The increase in borrowings between 2009 and 2008 was a result of financing general corporate purposes and the continuation of the Common Stock repurchase program announced in 2007. In 2009, net cash (cash and current marketable securities, net of debt) was $4.9 billion compared to net cash of $1.0 billion in 2008. Total debt represented 22.3% of total capital (shareholders' equity and total debt) in 2009 and 21.8% of total capital in 2008. Shareholders' equity per share at the end of 2009 was $18.37 compared with $15.35 at

year-end 2008, an increase of 19.7%.

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 7 to the Consolidated Financial Statements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has contractual obligations, primarily lease, debt 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 3, 2010 (see Notes 7, 10 and 16 to the Consolidated Financial Statements for further details):

(Dollars in Millions)	Long-term Debt Obligations	Interest on Debt Obligations	Unfunded Retirement Plans	Operating Leases	Total
2010	$ 34	469	66	178	747
2011	35	465	65	150	715
2012	615	442	69	128	1,254
2013	507	410	73	103	1,093
2014	9	402	76	87	574
After 2014	7,057	4,525	474	94	12,150
Total	**$ 8,257**	**6,713**	**823**	**740**	**16,533**

For tax matters, see Note 8 to the Consolidated Financial Statements.

SHARE REPURCHASE AND DIVIDENDS

On July 9, 2007, the Company announced that its Board of Directors approved a stock repurchase program, authorizing the Company to buy back up to $10.0 billion of the Company's Common Stock. The repurchase program has no time limit and may be suspended for periods or discontinued at any time. Any shares acquired will be available for general corporate purposes. The Company funds the share repurchase program through a combination of available cash and debt. As of January 3, 2010, the Company repurchased an

aggregate of 140.4 million shares of Johnson & Johnson Common Stock under the current repurchase program at a cost of $8.9 billion. In addition, the Company has an annual program to repurchase shares for use in employee stock and incentive plans.

The Company increased its dividend in 2009 for the 47th consecutive year. Cash dividends paid were $1.930 per share in 2009, compared with dividends of $1.795 per share in 2008 and $1.620 per share in 2007. The dividends were distributed as follows:

	2009	2008	2007
First quarter	$ 0.460	0.415	0.375
Second quarter	0.490	0.460	0.415
Third quarter	0.490	0.460	0.415
Fourth quarter	0.490	0.460	0.415
Total	**$ 1.930**	**1.795**	**1.620**

On January 4, 2010, the Board of Directors declared a regular quarterly cash dividend of $0.490 per share, payable on March 9, 2010, to shareholders of record as of February 23, 2010. 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. (GAAP). 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, 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 contractual 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.

Sales returns allowances represent a reserve for products that may be returned due to expiration, destruction in the field, or in specific areas, product recall. The returns reserve is based on historical return trends by product and by market as a percent to gross sales.

The Company's sales return reserves are accounted for in accordance with the U.S. GAAP guidance for revenue recognition when right of return exists. Sales return reserves are recorded at full sales value. Sales returns in the Consumer and Pharmaceutical segments are almost exclusively not resalable. Sales returns for certain franchises in the Medical Devices and Diagnostics segment are typically resalable but are not material. The Company rarely exchanges products from inventory for returned products. The sales returns reserve for the total Company has ranged between 1.1% and 1.2% of annual net trade sales during the prior three fiscal reporting years 2007-2009.

Promotional programs, such as product listing allowances and cooperative advertising arrangements, are recorded in the year incurred. Continuing promotional programs include coupons and volume-based sales incentive programs. The redemption cost of consumer coupons is based on historical redemption experience by product and value. Volume-based incentive programs are based on estimated sales volumes for the incentive period and are recorded as products are sold. 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. Additionally, these arrangements are evaluated to determine the appropriate amounts to be deferred.

In addition, the Company enters into collaboration arrangements, which contain multiple revenue generating activities. The revenue for these arrangements is recognized as each activity is performed or delivered, based on the relative fair value. Upfront fees received as part of these arrangements are deferred and recognized as revenue earned over the obligation period.

See Note 1 to the Consolidated Financial Statements for additional disclosures on collaborations.

Reasonably likely changes to assumptions used to calculate the accruals for rebates, returns and promotions are not

anticipated to have a material effect on the financial statements. The Company currently discloses the impact of changes to assumptions in the quarterly or annual filing in which there is a material financial statement impact.

Below are tables which show the progression of accrued rebates, returns, promotions, reserve for doubtful accounts and reserve for cash discounts by segment of business for the fiscal years ended January 3, 2010 and December 28, 2008.

CONSUMER SEGMENT

(Dollars in Millions)	Balance at Beginning of Period	Accruals	Payments/ Other	Balance at End of Period
2009				
Accrued rebates [1]	$ 131	380	(390)	121
Accrued returns	115	134	(122)	127
Accrued promotions	202	1,996	(1,926)	272
Subtotal	$ 448	2,510	(2,438)	520
Reserve for doubtful accounts	110	23	(26)	107
Reserve for cash discounts	22	285	(286)	21
Total	**$ 580**	**2,818**	**(2,750)**	**648**
2008				
Accrued rebates [1]	$ 217	300	(386)	131
Accrued returns	113	135	(133)	115
Accrued promotions	297	2,369	(2,464)	202
Subtotal	$ 627	2,804	(2,983)	448
Reserve for doubtful accounts	71	41	(2)	110
Reserve for cash discounts	23	272	(273)	22
Total	**$ 721**	**3,117**	**(3,258)**	**580**

[1] *Includes reserve for customer rebates of $46 million at January 3, 2010 and $73 million at December 28, 2008, recorded as a contra asset.*

PHARMACEUTICAL SEGMENT

(Dollars in Millions)	Balance at Beginning of Period	Accruals	Payments/ Other	Balance at End of Period
2009				
Accrued rebates [1]	$ 1,261	3,975	(4,172)	1,064
Accrued returns	490	147	(295)	342
Accrued promotions	107	330	(353)	84
Subtotal	$ 1,858	4,452	(4,820)	1,490
Reserve for doubtful accounts	48	37	(2)	83
Reserve for cash discounts	23	462	(437)	48
Total	**$ 1,929**	**4,951**	**(5,259)**	**1,621**
2008				
Accrued rebates [1]	$ 1,249	3,331	(3,319)	1,261
Accrued returns	345	168	(23)	490
Accrued promotions	263	414	(570)	107
Subtotal	$ 1,857	3,913	(3,912)	1,858
Reserve for doubtful accounts	26	24	(2)	48
Reserve for cash discounts	24	376	(377)	23
Total	**$ 1,907**	**4,313[2]**	**(4,291)**	**1,929**

[1] *Includes reserve for customer rebates of $372 million at January 3, 2010 and $344 million at December 28, 2008, recorded as a contra asset.*

[2] *Includes $115 million adjustment related to previously estimated accrued sales reserves.*

MEDICAL DEVICES AND DIAGNOSTICS SEGMENT

(Dollars in Millions)	Balance at Beginning of Period	Accruals	Payments/ Other	Balance at End of Period
2009				
Accrued rebates [1]	$ 416	2,229	(2,191)	454
Accrued returns	189	74	(43)	220
Accrued promotions	47	120	(94)	73
Subtotal	$ 652	2,423	(2,328)	747
Reserve for doubtful accounts	109	50	(16)	143
Reserve for cash discounts	34	416	(418)	32
Total	**$ 795**	**2,889**	**(2,762)**	**922**
2008				
Accrued rebates [1]	$ 336	1,947	(1,867)	416
Accrued returns	190	99	(100)	189
Accrued promotions	18	208	(179)	47
Subtotal	$ 544	2,254	(2,146)	652
Reserve for doubtful accounts	96	36	(23)	109
Reserve for cash discounts	24	257	(247)	34
Total	**$ 664**	**2,547[2]**	**(2,416)**	**795**

[1] *Includes reserve for customer rebates of $311 million at January 3, 2010 and $304 million at December 28, 2008, recorded as a contra asset.*

[2] *Includes $56 million adjustment related to previously estimated sales rebate reserve.*

Income Taxes: Income taxes are recorded based on amounts refundable or payable for the current year and include the results of any difference between GAAP accounting and tax reporting, 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 have a material effect on the Company's results of operations, cash flows or financial position.

In 2007, in accordance with U.S. GAAP the Company adopted the standard related to accounting for uncertainty in income taxes. The Codification prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Codification also provides guidance on derecognition, classification and other matters. See Note 8 to the Consolidated Financial Statements for further information

regarding income taxes.

At January 3, 2010 and December 28, 2008, the cumulative amounts of undistributed international earnings were approximately $32.2 billion and $27.7 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 with respect to 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 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.

Employee Benefit Plans: The Company sponsors various retirement and pension plans, including defined benefit, defined contribution and termination indemnity plans, which 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 10 to the Consolidated Financial Statements for further details on these rates and the effect a rate change would have on the Company's results of operations.

Stock Based Compensation: The Company recognizes compensation expense associated with the issuance of equity instruments to employees for their services. The fair value of each award is estimated on the date of grant using the Black-Scholes option valuation model and is expensed in the financial statements over the vesting period. The input assumptions used in determining fair value are the expected life, expected volatility, risk-free rate and the dividend yield. See Note 17 to the Consolidated Financial Statements for additional information.

NEW ACCOUNTING PRONOUNCEMENTS

Refer to Note 1 to the Consolidated Financial Statements for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of January 3, 2010.

ECONOMIC AND MARKET FACTORS

The Company 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, the Company has a long-standing policy of pricing products responsibly. For the period 1999-2009, in the United States, the weighted average compound annual growth rate of the Company's 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 continue to have an effect on worldwide economies and, consequently, on the way companies operate. The Company will account for operations in Venezuela as highly inflationary in 2010, as the prior three-year cumulative inflation rate has surpassed 100%. 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 is exposed to fluctuations in currency exchange rates. A 1% change in the value of the U.S. dollar as compared to all foreign currencies in which the Company had sales, income or expense in 2009 would have increased or decreased the translation of foreign sales by $300 million and income by $50 million.

The Company faces various worldwide health care changes that may continue to result in pricing pressures that include health care cost containment and government legislation relating to sales, promotions and reimbursement.

Changes in the behavior and spending patterns of purchasers of health care products and services, including delaying medical procedures, rationing prescription medications, reducing the frequency of physician visits and foregoing health care insurance coverage, as a result of the current global economic downturn may continue to impact the Company's businesses.

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 (ANDAs) 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 ANDA 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 21 to the Consolidated Financial Statements.

LEGAL PROCEEDINGS

The Company is involved in numerous product liability cases in the United States, many of which concern alleged 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 under its self-insurance program and by third-party product liability insurance.

The Company is also involved in a number of patent, trademark and other lawsuits, as well as investigations, 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 condition, 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 21 to the Consolidated Financial Statements 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 2009 and 2008 were:

	2009		2008	
	High	Low	High	Low
First quarter	$ 61.00	46.25	68.85	61.17
Second quarter	56.65	50.12	68.32	63.40
Third quarter	62.47	55.71	72.76	63.10
Fourth quarter	65.41	58.78	69.86	52.06
Year-end close	$64.41		58.56	

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 such as "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 does not undertake 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 3, 2010 includes, in Exhibit 99, 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.

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

Consolidated Balance Sheets **Johnson & Johnson and Subsidiaries**

At January 3, 2010 and December 28, 2008 (Dollars in Millions Except Share and Per Share Data) (Note 1)	2009	2008
Assets		
Current assets		
Cash and cash equivalents (Notes 1 and 2)	$15,810	10,768
Marketable securities (Notes 1 and 2)	3,615	2,041
Accounts receivable trade, less allowances for doubtful accounts $333 (2008, $268)	9,646	9,719
Inventories (Notes 1 and 3)	5,180	5,052
Deferred taxes on income (Note 8)	2,793	3,430
Prepaid expenses and other receivables	2,497	3,367
Total current assets	**39,541**	**34,377**
Property, plant and equipment, net (Notes 1 and 4)	14,759	14,365
Intangible assets, net (Notes 1 and 5)	16,323	13,976
Goodwill (Notes 1 and 5)	14,862	13,719
Deferred taxes on income (Note 8)	5,507	5,841
Other assets	3,690	2,634
Total assets	**$94,682**	**84,912**
Liabilities and Shareholders' Equity		
Current liabilities		
Loans and notes payable (Note 7)	$ 6,318	3,732
Accounts payable	5,541	7,503
Accrued liabilities	5,796	5,531
Accrued rebates, returns and promotions	2,028	2,237
Accrued salaries, wages and commissions	1,606	1,432
Accrued taxes on income	442	417
Total current liabilities	**21,731**	**20,852**
Long-term debt (Note 7)	8,223	8,120
Deferred taxes on income (Note 8)	1,424	1,432
Employee related obligations (Notes 9 and 10)	6,769	7,791
Other liabilities	5,947	4,206
Total liabilities	**44,094**	**42,401**
Shareholders' equity		
Preferred stock — without par value (authorized and unissued 2,000,000 shares)	—	—
Common stock — par value $1.00 per share (Note 12) (authorized 4,320,000,000 shares; issued 3,119,843,000 shares)	3,120	3,120
Accumulated other comprehensive income (Note 13)	(3,058)	(4,955)
Retained earnings	70,306	63,379
	70,368	61,544
Less: common stock held in treasury, at cost (Note 12) (365,522,000 shares and 350,665,000 shares)	19,780	19,033
Total shareholders' equity	**50,588**	**42,511**
Total liabilities and shareholders' equity	**$94,682**	**84,912**

See Notes to Consolidated Financial Statements

Consolidated Statements of Earnings — Johnson & Johnson and Subsidiaries

(Dollars in Millions Except Per Share Figures) (Note 1)	2009	2008	2007
Sales to customers	$ 61,897	63,747	61,095
Cost of products sold	18,447	18,511	17,751
Gross profit	43,450	45,236	43,344
Selling, marketing and administrative expenses	19,801	21,490	20,451
Research expense	6,986	7,577	7,680
Purchased in-process research and development (Note 20)	—	181	807
Interest income	(90)	(361)	(452)
Interest expense, net of portion capitalized (Note 4)	451	435	296
Other (income) expense, net	(526)	(1,015)	534
Restructuring (Note 22)	1,073	—	745
Earnings before provision for taxes on income	15,755	16,929	13,283
Provision for taxes on income (Note 8)	3,489	3,980	2,707
Net earnings	**$ 12,266**	**12,949**	**10,576**
Basic net earnings per share (Notes 1 and 15)	**$ 4.45**	**4.62**	**3.67**
Diluted net earnings per share (Notes 1 and 15)	**$ 4.40**	**4.57**	**3.63**
Cash dividends per share	**$ 1.930**	**1.795**	**1.620**
Basic average shares outstanding (Notes 1 and 15)	**2,759.5**	**2,802.5**	**2,882.9**
Diluted average shares outstanding (Notes 1 and 15)	**2,789.1**	**2,835.6**	**2,910.7**

See Notes to Consolidated Financial Statements

Consolidated Statements of Equity

Johnson & Johnson and Subsidiaries

(Dollars in Millions) (Note 1)	Total	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Common Stock Issued Amount	Treasury Stock Amount
Balance, December 31, 2006	**$ 39,318**		**49,290**	**(2,118)**	**3,120**	**(10,974)**
Net earnings	10,576	10,576	10,576			
Cash dividends paid	(4,670)		(4,670)			
Employee compensation and stock option plans	2,311		131			2,180
Conversion of subordinated debentures	9		(4)			13
Repurchase of common stock	(5,607)					(5,607)
Adoption of FIN 48	(19)		(19)			
Other	(24)		(24)			
Other comprehensive income, net of tax:						
Currency translation adjustment	786	786		786		
Unrealized gains on securities	23	23		23		
Employee benefit plans	670	670		670		
Losses on derivatives & hedges	(54)	(54)		(54)		
Reclassification adjustment		(5)				
Total comprehensive income		**11,996**				
Balance, December 30, 2007	**$ 43,319**		**55,280**	**(693)**	**3,120**	**(14,388)**
Net earnings	12,949	12,949	12,949			
Cash dividends paid	(5,024)		(5,024)			
Employee compensation and stock option plans	2,180		175			2,005
Conversion of subordinated debentures	—		(1)			1
Repurchase of common stock	(6,651)					(6,651)
Other comprehensive income, net of tax:						
Currency translation adjustment	(2,499)	(2,499)		(2,499)		
Unrealized losses on securities	(59)	(59)		(59)		
Employee benefit plans	(1,870)	(1,870)		(1,870)		
Gains on derivatives & hedges	166	166		166		
Reclassification adjustment		(27)				
Total comprehensive income		**8,660**				
Balance, December 28, 2008	**$ 42,511**		**63,379**	**(4,955)**	**3,120**	**(19,033)**
Net earnings	12,266	12,266	12,266			
Cash dividends paid	(5,327)		(5,327)			
Employee compensation and stock option plans	1,402		25			1,377
Conversion of subordinated debentures	2		(4)			6
Repurchase of common stock	(2,130)					(2,130)
Other	(33)		(33)			
Other comprehensive income, net of tax:						
Currency translation adjustment	1,363	1,363		1,363		
Unrealized losses on securities	(55)	(55)		(55)		
Employee benefit plans	565	565		565		
Gains on derivatives & hedges	24	24		24		
Total comprehensive income		**14,163**				
Balance, January 3, 2010	**$ 50,588**		**70,306**	**(3,058)**	**3,120**	**(19,780)**

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows — **Johnson & Johnson and Subsidiaries**

(Dollars in Millions) (Note 1)	2009	2008	2007
Cash flows from operating activities			
Net earnings	$ 12,266	12,949	10,576
Adjustments to reconcile net earnings to cash flows from operating activities:			
Depreciation and amortization of property and intangibles	2,774	2,832	2,777
Stock based compensation	628	627	698
Purchased in-process research and development	—	181	807
Intangible asset write-down (NATRECOR ®)	—	—	678
Deferred tax provision	(436)	22	(1,762)
Accounts receivable allowances	58	86	22
Changes in assets and liabilities, net of effects from acquisitions:			
Decrease/(increase) in accounts receivable	453	(736)	(416)
Decrease/(increase) in inventories	95	(101)	14
(Decrease)/increase in accounts payable and accrued liabilities	(507)	(272)	2,642
Decrease/(increase) in other current and non-current assets	1,209	(1,600)	(1,578)
Increase in other current and non-current liabilities	31	984	564
Net cash flows from operating activities	**16,571**	**14,972**	**15,022**
Cash flows from investing activities			
Additions to property, plant and equipment	(2,365)	(3,066)	(2,942)
Proceeds from the disposal of assets	154	785	457
Acquisitions, net of cash acquired (Note 20)	(2,470)	(1,214)	(1,388)
Purchases of investments	(10,040)	(3,668)	(9,659)
Sales of investments	7,232	3,059	7,988
Other (primarily intangibles)	(109)	(83)	(368)
Net cash used by investing activities	**(7,598)**	**(4,187)**	**(5,912)**
Cash flows from financing activities			
Dividends to shareholders	(5,327)	(5,024)	(4,670)
Repurchase of common stock	(2,130)	(6,651)	(5,607)
Proceeds from short-term debt	9,484	8,430	19,626
Retirement of short-term debt	(6,791)	(7,319)	(21,691)
Proceeds from long-term debt	9	1,638	5,100
Retirement of long-term debt	(219)	(24)	(18)
Proceeds from the exercise of stock options/excess tax benefits	882	1,486	1,562
Net cash used by financing activities	**(4,092)**	**(7,464)**	**(5,698)**
Effect of exchange rate changes on cash and cash equivalents	161	(323)	275
Increase in cash and cash equivalents	5,042	2,998	3,687
Cash and cash equivalents, beginning of year (Note 1)	10,768	7,770	4,083
Cash and cash equivalents, end of year (Note 1)	**$ 15,810**	**10,768**	**7,770**
Supplemental cash flow data			
Cash paid during the year for:			
Interest	$ 533	525	314
Income taxes	2,363	4,068	4,099
Supplemental schedule of noncash investing and financing activities			
Treasury stock issued for employee compensation and stock option plans, net of cash proceeds	$ 541	593	738
Conversion of debt	2	—	9
Acquisitions			
Fair value of assets acquired	$ 3,345	1,328	1,620
Fair value of liabilities assumed and non-controlling interests	(875)	(114)	(232)

Net cash paid for acquisitions	**$ 2,470**	**1,214**	**1,388**

See Notes to Consolidated Financial Statements

JOHNSON & JOHNSON
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 (the "Company"). Inter-company accounts and transactions are eliminated.

DESCRIPTION OF THE COMPANY AND BUSINESS SEGMENTS

The Company has approximately 115,500 employees worldwide engaged in the research and development, 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 care, skin care, oral care, wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. These products are marketed to the general public and sold both to retail outlets and distributors throughout the world. The Pharmaceutical segment includes products in the following therapeutic areas: anti-infective, antipsychotic, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, urology and virology. These products are distributed directly to retailers, wholesalers and health care professionals for prescription use. 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, spinal care and sports medicine products; Ethicon's surgical care, aesthetics and women's health products; Ethicon Endo-Surgery's minimally invasive surgical products; LifeScan's blood glucose monitoring and insulin delivery products; Ortho-Clinical Diagnostics' professional diagnostic products and Vistakon's disposable contact lenses.

NEW ACCOUNTING PRONOUNCEMENTS
RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During the fiscal fourth quarter of 2009, in accordance with U.S. GAAP, the Company adopted the authoritative guidance for employers' disclosures about postretirement benefit plan assets to enhance the disclosure regarding the types of assets and associated risks in an employer's defined benefit pension or other postretirement plan, as well as, events in the economy and markets that could have a significant effect on the value of the plan assets. The adoption of this standard did not have a material impact on the Company's results of operations, cash flows or financial position. See Note 10 for enhanced disclosures.

During the fiscal third quarter of 2009, the Company adopted *The FASB Accounting Standards Codification ™ (ASC or Codification) and the Hierarchy of Generally Accepted Accounting Principles (GAAP)* which establishes the Codification as the sole source for authoritative U.S. GAAP and will supersede all accounting standards in U.S. GAAP, aside from those issued by the SEC. The adoption of the Codification did not have an impact on the Company's results of operations, cash flows or financial position. Since the adoption of the Accounting Standards Codification (ASC) the Company's notes to the consolidated financial statements will no longer make reference to Statement of Financial Accounting Standards (SFAS) or other U.S. GAAP pronouncements.

During the fiscal second quarter of 2009, in accordance with U.S. GAAP, the Company adopted the standards on subsequent events. This pronouncement establishes standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. See Note 23 for related disclosure.

During the fiscal first quarter of 2009, in accordance with U.S. GAAP, the Company adopted the standards on business combinations and non-controlling interests in Consolidated Financial Statements. These standards aim to improve, simplify, and converge internationally, the accounting for business combinations and the reporting of non-controlling interests in consolidated financial statements. These standards have an impact on the manner in which the Company accounts for acquisitions beginning in the fiscal year 2009. Significant changes include the capitalization of purchased in-process research and development (IPR&D), expensing of acquisition related restructuring actions and transaction related costs and the recognition of contingent purchase price consideration at fair value at the acquisition date. In addition, changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period will be recognized in earnings rather than as an adjustment to the cost of acquisition. This accounting treatment for taxes is applicable to acquisitions that occurred both prior and subsequent to the adoption of the standard. Operating profit attributable to non-controlling interests is reported in Other (Income) Expense, net and the related tax impact to the Provision for Taxes. Additionally, equity attributable to non-controlling interests is recorded in Other Non-Current liabilities. Non-controlling interests as related to the Company's financial statements are immaterial and therefore, not separately disclosed.

During the fiscal first quarter of 2009, in accordance with U.S. GAAP, the Company adopted the standard related to disclosures about derivative instruments and hedging activities, which enhanced the disclosure regarding the Company's derivative and hedging activities. The adoption of this standard did not have a material impact on the Company's results of operations, cash

flows or financial position. See Note 6 for enhanced disclosures.

During the fiscal first quarter of 2009, in accordance with U.S. GAAP, the Company adopted the standard on collaborative arrangements related to the development and commercialization of intellectual property. This standard addresses the income statement classification of payments made between parties in a collaborative arrangement. The impact of the adoption of this standard related to all collaboration agreements that existed as of January 3, 2010 and December 28, 2008 was immaterial to the Company's results of operations, cash flows or financial position.

During the fiscal first quarter of 2009, in accordance with U.S. GAAP, the Company adopted the standard related to defensive intangible assets. This standard applies to acquired intangible assets in situations in which an entity does not intend to actively use the asset but intends to hold the asset to prevent others from obtaining access to the asset, except for intangible assets that are used in research and development activities. The adoption of this standard did not have a material impact on the Company's results of operations, cash flows or financial position.

RECENTLY ISSUED ACCOUNTING STANDARDS, NOT ADOPTED AS OF JANUARY 3, 2010

The FASB issued guidance and amendments to the criteria for separating consideration in multiple-deliverable revenue arrangements.

JOHNSON & JOHNSON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The guidance and amendments are expected to: (a) provide principles and application guidance on whether multiple deliverables exist, how the arrangement should be separated, and the consideration allocated; (b) require an entity to allocate revenue in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (c) eliminate the use of the residual method and require an entity to allocate the revenue using the relative selling price method. The guidance significantly expands the disclosure requirements for multiple-deliverable revenue arrangements. This guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company adopted this guidance in the first fiscal quarter of 2010. The adoption will not have a material impact on the Company's results of operations, cash flows or financial position; however, it will expand the disclosures for such arrangements.

The FASB issued a standard to improve financial reporting by enterprises involved with variable interest entities. This statement is effective for the Company beginning with the fiscal year 2010. Earlier application is prohibited. The adoption of this standard will not have a material impact on the Company's results of operations, cash flows or financial position.

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. 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. If losses on these securities are considered to be other than temporary, the loss is recognized in earnings.

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 8 years.

The Company reviews long-lived assets to assess recoverability using undiscounted cash flows. When certain events or changes in operating or economic conditions occur, an impairment assessment may be performed on the recoverability of the carrying value of these assets. If the asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. If quoted market prices are not available, the Company will estimate fair value using a discounted value of estimated future cash flows.

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.

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 contractual 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. Sales returns allowances represent a reserve for products that may be returned due to expiration, destruction in the field, or in specific areas, product recall. The returns reserve is based on historical return trends by product and by market as a percent to gross sales. In accordance with the Company's accounting policies, the Company generally issues credit to customers for returned goods. The Company's sales return reserves are accounted for in accordance with U.S. GAAP guidance regarding revenue recognition when right of return exists. Sales return reserves are

recorded at full sales value. Sales returns in the Consumer and Pharmaceutical segments are almost exclusively not resalable. Sales returns for certain franchises in the Medical Devices and Diagnostics segment are typically resalable but are not material. The Company rarely exchanges products from inventory for returned products. The sales returns reserve for the total Company has ranged between 1.1% and 1.2% of annual net trade sales during the prior three fiscal reporting years 2007-2009.

Promotional programs, such as product listing allowances and cooperative advertising arrangements, are recorded in the year incurred. Continuing promotional programs include coupons and volume-based sales incentive programs. The redemption cost of consumer coupons is based on historical redemption experience by product and value. Volume-based incentive programs are based on the estimated sales volumes for the incentive period and are recorded as products are sold. The Company also earns service revenue for co-promotion of certain products and includes it in sales to customers. These arrangements are evaluated to determine the appropriate amounts to be deferred.

SHIPPING AND HANDLING

Shipping and handling costs incurred were $964 million, $1,017 million and $934 million in 2009, 2008 and 2007, 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.

JOHNSON & JOHNSON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

INTANGIBLE ASSETS AND GOODWILL

The authoritative literature on U.S. GAAP requires that goodwill and intangible assets with indefinite lives be assessed annually for impairment. The Company completed the annual impairment test for 2009 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 5 for further details on Intangible Assets and Goodwill.

FINANCIAL INSTRUMENTS

As required by U.S. GAAP all derivative instruments are 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, the type of hedge transaction.

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. See Note 6 for additional information on Financial Instruments.

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.

The Company enters into collaborative arrangements, typically with other pharmaceutical or biotechnology companies, to develop and commercialize drug candidates or intellectual property. These arrangements typically involve two (or more) parties who are active participants in the collaboration and are exposed to significant risks and rewards dependent on the commercial success of the activities. These collaborations usually involve various activities by one or more parties, including research and development, marketing and selling and distribution. Often, these collaborations require upfront, milestone and royalty or profit share payments, contingent upon the occurrence of certain future events linked to the success of the asset in development. Amounts due from collaborative partners related to development activities are generally reflected as a reduction of research and development expense because the performance of contract development services is not central to the Company's operations. In general, the income statement presentation for these collaborations is as follows:

Nature/Type of Collaboration	Statement of Earnings Presentation
Third-party sale of product	Sales to customers
Royalties/milestones paid to collaborative partner (post-regulatory approval)*	Cost of goods sold
Royalties received from collaborative partner	Other income (expense), net
Upfront payments & milestones paid to collaborative partner (pre-regulatory approval)	Research expense
Research and development payments to collaborative partner	Research expense
Research and development payments received from collaborative partner	Reduction of Research expense

* *Milestones are capitalized as intangible assets and amortized to cost of goods sold over the useful life.*

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 $2.4 billion in 2009, $2.9 billion in 2008 and $2.7 billion in 2007.

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 with respect to the undistributed portion not intended for repatriation. At January 3, 2010 and December 28, 2008, the cumulative amount of undistributed international earnings were approximately $32.2 billion and $27.7 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 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 earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock using the treasury stock method.

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 intangible 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.

JOHNSON & JOHNSON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2009 and will be the case again in 2014.

RECLASSIFICATION

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

2. Cash, Cash Equivalents and Current Marketable Securities

	January 3, 2010			December 28, 2008		
(Dollars in Millions)	Amortized Cost	Unrealized Gains/(Losses)	Estimated Fair Value	Amortized Cost	Unrealized Gains/(Losses)	Estimated Fair Value
Current Investments						
Cash	$ 2,517	—	2,517	3,276	—	3,276
Government securities and obligations	13,370	1	13,371	7,486	4	7,490
Corporate debt securities	426	—	426	627	1	628
Money market funds	1,890	—	1,890	813	—	813
Time deposits	1,222	—	1,222	607	—	607
Total cash, cash equivalents and current marketable securities	**$ 19,425**	**1**	**19,426**	**12,809**	**5**	**12,814**

As of January 3, 2010, current marketable securities consist of $3,434 million and $181 million of government securities and obligations and corporate debt securities, respectively.

As of December 28, 2008, current marketable securities consist of $1,663 million, $342 million and $36 million of government securities and obligations, corporate debt securities and time deposits, respectively.

Fair value of government securities and obligations and corporate debt securities were estimated using quoted broker prices in active markets.

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.

3. Inventories

At the end of 2009 and 2008, inventories were comprised of:

(Dollars in Millions)	2009	2008
Raw materials and supplies	$ 1,144	839
Goods in process	1,395	1,372
Finished goods	2,641	2,841
	$ 5,180	**5,052**

4. Property, Plant and Equipment

At the end of 2009 and 2008, property, plant and equipment at cost and accumulated depreciation were:

(Dollars in Millions)	2009	2008
Land and land improvements	$ 714	886
Buildings and building equipment	8,863	7,720
Machinery and equipment	17,153	15,234
Construction in progress	2,521	3,552
	29,251	27,392
Less accumulated depreciation	14,492	13,027
	$14,759	**14,365**

The Company capitalizes interest expense as part of the cost of construction of facilities and equipment. Interest expense capitalized in 2009, 2008 and 2007 was $101 million, $147 million and $130 million, respectively.

Depreciation expense, including the amortization of capitalized interest in 2009, 2008 and 2007, was $2.1 billion, $2.0 billion

and $1.9 billion, respectively.

Upon retirement or other disposal of property, plant and equipment, the costs and related amounts 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 are recorded in earnings.

5. Intangible Assets and Goodwill

At the end of 2009 and 2008, the gross and net amounts of intangible assets were:

(Dollars in Millions)	2009	2008
Intangible assets with definite lives:		
Patents and trademarks — gross	$ 5,697	5,119
Less accumulated amortization	2,177	1,820
Patents and trademarks — net	**$ 3,520**	**3,299**
Other intangibles — gross	$ 7,808	7,376
Less accumulated amortization	2,680	2,433
Other intangibles — net	**$ 5,128**	**4,943**
Total intangible assets with definite lives — gross	$13,505	12,495
Less accumulated amortization	4,857	4,253
Total intangible assets with definite lives — net	**$ 8,648**	**8,242**
Intangible assets with indefinite lives:		
Trademarks	$ 5,938	5,734
Purchased in-process research and development*	1,737	—
Total intangible assets with indefinite lives	**$ 7,675**	**5,734**
Total intangible assets — net	**$16,323**	**13,976**

* *Purchased in-process research and development will be accounted for as an indefinite-lived intangible asset until the underlying project is completed or abandoned.*

JOHNSON & JOHNSON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Goodwill as of January 3, 2010 and December 28, 2008, as allocated by segment of business is as follows:

(Dollars in Millions)	Consumer	Pharm	Med Dev and Diag	Total
Goodwill at December 30, 2007	$ 8,125	964	5,034	14,123
Acquisitions	191	—	286	477
Currency translation/other	(842)	(1)	(38)	(881)
Goodwill at December 28, 2008	$ 7,474	963	5,282	13,719
Acquisitions	—	271	401	672
Currency translation/other*	600	10	(139)	471
Goodwill at January 3, 2010	**$ 8,074**	**1,244**	**5,544**	**14,862**

* *Includes reclassification between segments.*

The weighted average amortization periods for patents and trademarks and other intangible assets are 17 years and 28 years, respectively. The amortization expense of amortizable assets for the fiscal years ended January 3, 2010, December 28, 2008 and December 30, 2007 was $675 million, $788 million and $844 million before tax, respectively. Certain patents and intangible assets were written down to fair value during fiscal years 2009, 2008 and 2007, with the resulting charge included in amortization expense.

The estimated amortization expense for the five succeeding years approximates $700 million before tax, per year. Substantially all of the amortization expense is included in cost of products sold.

6. Fair Value Measurements

During the fiscal first quarter of 2009, in accordance with U.S. GAAP the Company adopted the standard related to disclosures about derivative instruments and hedging activities. This standard requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gain and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

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 cross currency interest rate swaps to manage currency risk primarily related to borrowings. Both types of derivatives are designated as cash flow hedges. The Company also uses forward exchange contracts to manage its exposure to the variability of cash flows for repatriation of foreign dividends. These contracts are designated as net investment 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 Company does not enter into derivative financial instruments for trading or speculative purposes, or contain credit risk related contingent features or requirements to post collateral. On an ongoing basis the Company monitors counterparty credit ratings. The Company considers credit non-performance risk to be low, because the Company enters into agreements with commercial institutions that have at least an A (or equivalent) credit rating. As of January 3, 2010, the Company had notional amounts outstanding for forward foreign exchange contracts and cross currency interest rate swaps of $21 billion and $4 billion, respectively.

As required by U.S. GAAP for derivative instruments and hedging activities, all derivative instruments are to 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, the type of hedge transaction.

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. Gains/losses on net investment hedges are accounted for through the currency translation account and are insignificant. 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 in other (income) and expense, net, and was insignificant for the fiscal year ended January 3, 2010 and December 28, 2008. Refer to Note 13 for disclosures of movements in Accumulated Other Comprehensive Income.

As of January 3, 2010, the balance of deferred net gains on derivatives included in accumulated other comprehensive income was $145 million after-tax. For additional information, see Note 13. The Company expects that substantially all of the amount related to foreign exchange contracts 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 excluding interest rate swaps. 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.

The following table is a summary of the activity for the fiscal year ended January 3, 2010 related to designated derivatives as defined in the Codification:

Cash Flow Hedges (Dollars in Millions)	Gain/(Loss) recognized in Accumulated OCI [1]	Gain/(Loss) reclassed from Accumulated OCI into income [1]	Gain/(Loss) recognized in Other Income/ Expense [2]
Foreign exchange contracts	$ (63)	(47) [A]	1
Foreign exchange contracts	(173)	70 [B]	(1)
Foreign exchange contracts	5	13 [C]	—
Cross currency interest rate swaps	241	(16) [D]	—
Foreign exchange contracts	28	(6) [E]	(12)
Total	**$ 38**	**14**	**(12)**

[1] *Effective portion*

[2] *Ineffective portion*

[A] *Included in Sales to customer*

[B] *Included in Cost of products sold*

[C] *Included in Research expense*

[D] *Included in Interest (Income)/Interest Expense, net*

[E] *Included in Other (Income)/Expense, net*

For the fiscal year ended January 3, 2010, a gain of $21 million was recognized in Other (income)/expense, net, relating to foreign exchange contracts not designated as hedging instruments under the Codification.

JOHNSON & JOHNSON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the fiscal first quarter of 2008, in accordance with U.S. GAAP, the Company adopted the standard related to fair value measurements except for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis, which became effective during the first fiscal quarter of 2009. The effect of adoption on December 29, 2008 of this standard for non-financial assets and liabilities recorded at fair value on a non-recurring basis did not have a material impact on the Company's financial position and results of operations. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. During the fiscal first quarter of 2008, the Company adopted the standard related to fair value option for financial assets and financial liabilities. This standard permits the Company to measure certain financial assets and financial liabilities at fair value. The Company assessed the fair value option made available upon adopting this standard, and has elected not to apply the fair value option to any financial instruments that were not already recognized at fair value.

U.S. GAAP defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. The authoritative literature establishes a three-level hierarchy to prioritize the inputs used in measuring fair value. The levels within the hierarchy are described in the table below with level 1 having the highest priority and level 3 having the lowest.

The fair value of a derivative financial instrument (i.e. forward exchange contract, currency swap) is the aggregation by currency of all future cash flows discounted to its present value at the prevailing market interest rates and subsequently converted to the U.S. dollar at the current spot foreign exchange rate. The Company does not believe that fair values of these derivative instruments materially differ from the amounts that could be realized upon settlement or maturity, or that the changes in fair value will have a material effect on the Company's results of operations, cash flows or financial position.

The Company also holds equity investments which are classified as level 1 since they are traded in an active exchange market.

During 2009, the Company acquired substantially all of the assets and rights of Elan's Alzheimer's Immunotherapy Program through a newly formed company, JANSSEN Alzheimer Immunotherapy (JAI), of which the Company owns 50.1% and Elan owns 49.9%. In addition, the Company purchased approximately 107 million newly issued American Depositary Receipts (ADRs) of Elan, representing 18.4% of Elan's outstanding ordinary shares. As part of this transaction, the Company paid $885 million to Elan and committed to fund up to $250 million of Elan's share of research and development spending by JAI. Of this total consideration of $1,135 million, $793 million represents the fair value of the 18.4% investment in Elan based on Elan's share price in an actively traded market as of the date of this transaction. The IPR&D related to this transaction was $679 million and is associated with bapineuzumab, a potential first-in-class treatment that is being evaluated for slowing the progression of Alzheimer's Disease. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. Probability of success factors ranging from 40-50% were used to reflect inherent clinical and regulatory risk. The discount rate applied was 26%. The non-controlling interest related to this transaction was $590 million, which the Company has recorded in other non-current liabilities.

During 2009, the Company entered into a strategic collaboration with Crucell N.V. which will focus on the discovery, development and commercialization of monoclonal antibodies and vaccines for the treatment and prevention of influenza and other infectious and non-infectious diseases. In addition, the Company, through its affiliate, purchased approximately 18% of Crucell's outstanding ordinary shares for an aggregate purchase price of $448 million. Of the total consideration paid, $329 million represents the fair value of the investment based on Crucell's share price in an actively traded market as of the date of the transaction with the excess recorded to research and development expense in 2009.

The Company did not have any other significant financial assets or liabilities which would require revised valuations under this standard that are recognized at fair value.

The Company's significant financial assets and liabilities measured at fair value as of January 3, 2010 and December 28, 2008 were as follows:

(Dollars in Millions)	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	2009 Total	2008 Total*
Derivatives designated as hedging instruments:					
Assets:					
Foreign exchange contracts	$ —	436	—	436	1,238
Cross currency interest rate swaps	—	126**	—	126	110
Total	**—**	**562**	**—**	**562**	**1,348**
Liabilities:					
Foreign exchange contracts	—	608	—	608	1,298
Cross currency interest rate swaps	—	571***	—	571	1,033
Total	**—**	**1,179**	**—**	**1,179**	**2,331**

Derivatives not designated as hedging instruments:						
Assets:						
Foreign exchange contracts		—	33	—	33	84
Liabilities:						
Foreign exchange contracts		—	40	—	40	47
Other investments	$	1,134	—	—	1,134	41

* *2008 assets and liabilities are all classified as Level 2 with the exception of other investments of $41 million which are classified as Level 1.*

** *Includes $119 million of non-current assets.*

*** *Includes $517 million of non-current liabilities.*

See Notes 2 and 7 for financial assets and liabilities held at carrying amount on the Consolidated Balance Sheet.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Borrowings

The components of long-term debt are as follows:

(Dollars in Millions)	2009	Effective Rate %	2008	Effective Rate %
6.625% Notes due 2009	—	—	199	6.80
5.15% Debentures due 2012	$ 599	5.18%	599	5.18
3.80% Debentures due 2013	500	3.82	500	3.82
5.55% Debentures due 2017	1,000	5.55	1,000	5.55
5.15% Debentures due 2018	898	5.15	898	5.15
4.75% Notes due 2019 (1B Euro 1.4382) [2] /(1B Euro 1.4000) [3]	1,429[2]	5.35	1,390[3]	5.35
3% Zero Coupon Convertible Subordinated Debentures due 2020	188	3.00	183	3.00
6.73% Debentures due 2023	250	6.73	250	6.73
5.50% Notes due 2024 (500MM GBP1.6189) [2] /(500MM GBP1.4759) [3]	803[2]	5.71	731[3]	5.71
6.95% Notes due 2029	294	7.14	294	7.14
4.95% Debenture due 2033	500	4.95	500	4.95
5.95% Notes due 2037	995	5.99	995	5.99
5.86% Debentures due 2038	700	5.86	700	5.86
Other (Includes Industrial Revenue Bonds)	101		102	
	8,257[4]	**5.42[1]**	**8,341[4]**	**5.46[1]**
Less current portion	34		221	
	$ 8,223		**8,120**	

[1] *Weighted average effective rate.*

[2] *Translation rate at January 3, 2010.*

[3] *Translation rate at December 28, 2008.*

[4] *The excess of the fair value over the carrying value of debt was $0.8 billion in 2009 and $1.4 billion in 2008.*

Fair value of the non-current debt was estimated using market prices, which were corroborated by quoted broker prices in active markets.

The Company has access to substantial sources of funds at numerous banks worldwide. In September 2009, the Company secured a new 364-day Credit Facility. Total credit available to the Company approximates $10 billion which expires September 23, 2010. 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.

On July 28, 2000, ALZA Corporation, a subsidiary of the Company, 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. 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 11.4 million shares have been issued as of January 3, 2010, 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, 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 also redeem any or all of the 3% Debentures after July 28, 2003 at the issue price plus accreted original issue discount.

Throughout 2009 the Company continued to have access to liquidity through the commercial paper market. Short-term borrowings and the current portion of long-term debt amounted to approximately $6.3 billion at the end of 2009, of which $5.8 billion was borrowed under the Commercial Paper Program. The remainder represents principally local borrowing by international subsidiaries.

The Company filed a shelf registration with the Securities and Exchange Commission that became effective March 11, 2008 which enables the Company to issue an unlimited aggregate principal amount in debt securities and warrants to purchase debt securities.

Aggregate maturities of long-term obligations commencing in 2009 are:

(Dollars in Millions) 2010	2011	2012	2013	2014	After 2014
$34	35	615	507	9	7,057

8. Income Taxes

The provision for taxes on income consists of:

(Dollars in Millions)	2009	2008	2007
Currently payable:			
U.S. taxes	$ 2,410	2,334	2,990
International taxes	1,515	1,624	1,479
	3,925	3,958	4,469
Deferred:			
U.S. taxes	187	126	(722)
International taxes	(623)	(104)	(1,040)
	(436)	22	(1,762)
	$ 3,489	**3,980**	**2,707**

A comparison of income tax expense at the U.S. statutory rate of 35% in 2009, 2008 and 2007, to the Company's effective tax rate is as follows:

(Dollars in Millions)	2009	2008	2007
U.S.	$ 7,141	6,579	5,237
International	8,614	10,350	8,046
Earnings before taxes on income:	$15,755	16,929	13,283
Tax rates:			
U.S. statutory rate	35.0%	35.0	35.0
Ireland and Puerto Rico operations	(5.1)	(6.8)	(8.8)
Research and orphan drug tax credits	(0.6)	(0.6)	(0.8)
U.S. state and local	1.8	1.6	2.1
International subsidiaries excluding Ireland	(6.7)	(5.6)	(7.3)
U.S. manufacturing deduction	(0.4)	(0.4)	(0.3)
In-process research and development (IPR&D)	0.0	0.4	2.1
U.S. Tax international income	(1.6)	(0.5)	(1.9)
All other	(0.3)	0.4	0.3
Effective tax rate	22.1%	23.5	20.4

The Company has subsidiaries manufacturing in Ireland under an incentive tax rate. In addition, the Company has subsidiaries operating in Puerto Rico under various tax incentive grants. The decrease in the 2009 tax rate was primarily due to increases in taxable income in lower tax jurisdictions relative to taxable income in higher tax jurisdictions. The increase in the 2008 tax rate was mainly attributed to increases in taxable income in higher tax jurisdictions relative to taxable income in lower jurisdictions, as well as a business restructuring of certain international subsidiaries in 2007, resulting in a one-time benefit of $267 million, which reduced the 2007 effective tax rate by 2%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Temporary differences and carry forwards for 2009 and 2008 are as follows:

(Dollars in Millions)	2009 Deferred Tax Asset	2009 Deferred Tax Liability	2008 Deferred Tax Asset	2008 Deferred Tax Liability
Employee related obligations	$ 2,153		2,615	
Stock based compensation	1,291		1,296	
Depreciation		(661)		(523)
Non-deductible intangibles		(2,377)		(1,791)
International R&D capitalized for tax	1,989		1,914	
Reserves & liabilities	1,014		688	
Income reported for tax purposes	648		629	
Net operating loss carryforward international	615		393	
Miscellaneous international	1,474	(110)	964	(251)
Miscellaneous U.S.	799		1,828	
Total deferred income taxes	**$ 9,983**	**(3,148)**	**10,327**	**(2,565)**

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. The 2009 and 2008 deferred tax Miscellaneous U.S. includes current year tax receivables. The Company has a wholly-owned international subsidiary which has cumulative net losses. The Company believes that it is more likely than not that the subsidiary will realize future taxable income sufficient to utilize these deferred tax assets.

The following table summarizes the activity related to unrecognized tax benefits:

(Dollars in Millions)	2009	2008	2007
Beginning of year	$ 1,978	1,653	1,262
Increases related to current year tax positions	555	545	487
Increases related to prior period tax positions	203	87	77
Decreases related to prior period tax positions	(163)	(142)	(117)
Settlements	(87)	(137)	(14)
Lapse of statute of limitations	(83)	(28)	(42)
End of year	**$ 2,403**	**1,978**	**1,653**

The Company had $2.4 billion and $2.0 billion of unrecognized tax benefits, as of January 3, 2010 and December 28, 2008, respectively. All of the unrecognized tax benefits of $2.4 billion at January 3, 2010, if recognized, would affect the Company's annual effective tax rate. The Company conducts business and files tax returns in numerous countries and currently has tax audits in progress with a number of tax authorities. The U.S. Internal Revenue Service (IRS) has completed its audit for the tax years through 2002. In other major jurisdictions where the Company conducts business, the years remain open generally back to the year 2002 with some jurisdictions remaining open as far back as 1995. The Company does not expect that the total amount of unrecognized tax benefits will significantly change over the next twelve months. The Company believes that it is possible that within the next twelve months, the IRS may complete its audit of the tax years 2003-2005. The close of the audit may result in the reduction of unrecognized tax benefits. The Company is not able to provide a reasonably reliable estimate of the timing of any other future tax payments relating to uncertain tax positions.

The Company classifies liabilities for unrecognized tax benefits and related interest and penalties as long-term liabilities. Interest expense and penalties related to unrecognized tax benefits are classified as income tax expense. During the fiscal year ended January 3, 2010, the Company recognized $85 million of interest expense and $30 million of interest income with an after-tax impact of $36 million expense. For the fiscal year ended December 28, 2008, the Company recognized $106 million of interest expense with an after-tax impact of $69 million. For the fiscal year ended December 30, 2007, the Company recognized $58 million of interest expense and $42 million of interest income with an after-tax impact of $10 million expense. The total amount of accrued interest was $309 million and $227 million in 2009 and 2008, respectively.

9. Employee Related Obligations

At the end of 2009 and 2008, employee related obligations recorded on the Consolidated Balance Sheet were:

(Dollars in Millions)	2009	2008
Pension benefits	$ 2,792	4,382
Postretirement benefits	2,245	2,217
Postemployment benefits	1,504	870
Deferred compensation	790	772
Total employee obligations	7,331	8,241
Less current benefits payable	562	450

Employee related obligations — long-term	$ 6,769	7,791

Prepaid employee related obligations of $266 million and $136 million for 2009 and 2008, respectively, are included in other assets on the consolidated balance sheet.

10. 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 and the 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 3, 2010 and December 28, 2008, respectively) as the measurement date for all U.S. and international retirement and other benefit plans.

In accordance with U.S. GAAP the Company has adopted the recent standards related to employers' accounting for defined benefit pension and other postretirement plans.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net periodic benefit costs for the Company's defined benefit retirement plans and other benefit plans for 2009, 2008 and 2007 include the following components:

	Retirement Plans			Other Benefit Plans		
(Dollars in Millions)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
Service cost	$ 511	545	597	$ 137	142	140
Interest cost	746	701	656	174	166	149
Expected return on plan assets	(934)	(876)	(809)	(1)	(2)	(2)
Amortization of prior service cost	13	10	10	(5)	(4)	(7)
Amortization of net transition asset	1	2	1	—	—	—
Recognized actuarial losses	155	62	186	55	64	66
Curtailments and settlements	(11)	7	5	(1)	—	—
Net periodic benefit cost	**$ 481**	**451**	**646**	**$ 359**	**366**	**346**

The net periodic benefit cost attributable to U.S. retirement plans was $286 million, $220 million and $379 million in 2009, 2008 and 2007, respectively.

Amounts expected to be recognized in net periodic benefit cost in the coming year for the Company's defined benefit retirement plans and other postretirement plans:

(Dollars in Millions)	
Amortization of net transition obligation	$ 1
Amortization of net actuarial losses	296
Amortization of prior service cost	5

Unrecognized gains and losses for the U.S. pension plans are amortized over the average remaining future service for each plan. For plans with no active employees, they are amortized over the average life expectancy. The amortization of gains and losses for the other U.S. benefit plans is determined by using a 10% corridor of the greater of the market value of assets or the projected benefit obligation. Total unamortized gains and losses in excess of the corridor are amortized over the average remaining future service.

Prior service costs/benefits for the U.S. pension plans are amortized over the remaining future service of plan participants at the time of the plan amendment. Prior service cost/benefit for the other U.S. benefit plans is amortized over the average remaining service to full eligibility age of plan participants at the time of the plan amendment.

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		
(Dollars in Millions)	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
U.S. Benefit Plans						
Discount rate	6.50%	6.50	6.50	6.50%	6.50	6.50
Expected long-term rate of return on plan assets	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
International Benefit Plans						
Discount rate	5.75%	6.00	5.50	6.75%	7.25	6.50
Expected long-term rate of return on plan assets	8.00	8.00	8.25	—	—	—
Rate of increase in compensation levels	4.00	4.00	4.00	4.75	4.50	4.50

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 assumption 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	**2009**	**2008**
Health care cost trend rate assumed for next year	8.00%	9.00
Rate to which the cost trend rate is assumed to decline (ultimate trend)	5.00%	5.00
Year the rate reaches the ultimate trend rate	2017	2015

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	$ 34	$ (28)
Postretirement benefit obligation	315	(254)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth information related to the benefit obligation and the fair value of plan assets at year-end 2009 and 2008 for the Company's defined benefit retirement plans and other postretirement plans:

(Dollars in Millions)	Retirement Plans 2009	Retirement Plans 2008	Other Benefit Plans 2009	Other Benefit Plans 2008
Change in Benefit Obligation				
Projected benefit obligation — beginning of year	$11,923	12,002	$ 2,765	2,721
Service cost	511	545	137	142
Interest cost	746	701	174	166
Plan participant contributions	50	60	—	—
Amendments	3	10	—	1
Actuarial losses (gains)	412	(318)	51	(124)
Divestitures & acquisitions	15	—	13	(2)
Curtailments & settlements & restructuring	(3)	(2)	748	—
Benefits paid from plan	(570)	(535)	(313)	(122)
Effect of exchange rates	362	(540)	15	(17)
Projected benefit obligation — end of year*	**$13,449**	**11,923**	**$ 3,590**	**2,765**
Change in Plan Assets				
Plan assets at fair value — beginning of year	$ 7,677	10,469	$ 17	29
Actual return (loss) on plan assets	2,048	(2,787)	4	(7)
Company contributions	1,354	978	308	117
Plan participant contributions	50	60	—	—
Settlements	—	(1)	—	—
Benefits paid from plan assets	(570)	(535)	(313)	(122)
Effect of exchange rates	364	(507)	—	—
Plan assets at fair value — end of year	**$10,923**	**7,677**	**$ 16**	**17**
Funded status at — end of year*	**$ (2,526)**	**(4,246)**	**$(3,574)**	**(2,748)**
Amounts Recognized in the Company's Balance Sheet consist of the following:				
Non-current assets	$ 266	136	$ —	—
Current liabilities	(53)	(45)	(484)	(212)
Non-current liabilities	(2,739)	(4,337)	(3,090)	(2,536)
Total recognized in the consolidated balance sheet — end of year	**$ (2,526)**	**(4,246)**	**$(3,574)**	**(2,748)**
Amounts Recognized in Accumulated Other Comprehensive Income consist of the following:				
Net actuarial loss	$ 3,415	4,209	$ 924	1,006
Prior service cost (credit)	47	43	(23)	(29)
Unrecognized net transition obligation	5	6	—	—
Total before tax effects	**$ 3,467**	**4,258**	**$ 901**	**977**
Accumulated Benefit Obligations — end of year*	**$11,687**	**10,357**		
Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income				
Net periodic benefit cost	**$ 481**	**451**	**$ 359**	**366**
Net actuarial (gain) loss	(704)	3,344	48	60
Amortization of net actuarial loss	(134)	(68)	(131)	(65)
Prior service cost	3	10	—	1
Amortization of prior service cost	(13)	(11)	5	6
Effect of exchange rates	57	(102)	2	(1)
Total recognized in other comprehensive income, before tax	**$ (791)**	**3,173**	**$ (76)**	**1**
Total recognized in net periodic benefit cost and other comprehensive income	**$ (310)**	**3,624**	**$ 283**	**367**

* *The Company does not fund certain plans, as funding is not required. $1.2 billion of the projected benefit obligation and $1.2 billion of the underfunded status for each of the fiscal years 2009 and 2008 relates to the unfunded pension plans. $1.0 billion and $0.9 billion of the accumulated benefit obligation for the fiscal years 2009 and 2008, respectively, relate to these unfunded pension plans.*

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

(Dollars in Millions)	Retirement Plans 2009	2008
Accumulated benefit obligation	$(4,065)	(9,885)
Projected benefit obligation	(4,663)	(11,379)
Plan assets at fair value	2,564	7,021

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(Dollars in Millions)	2010	2011	2012	2013	2014	2015-2019
Projected future benefit payments						
Retirement plans	$ 558	553	582	604	636	3,925
Other benefit plans — gross	$ 209	198	196	198	197	995
Medicare rebates	(9)	—	—	—	—	—
Other benefit plans — net	$ 200	198	196	198	197	995

In 2009, the Company contributed $839 million and $515 million to its U.S. and international pension plans, respectively. In addition, the Company funded $500 million to its U.S. plans in the first month of 2010.

In 2006, Congress passed the Pension Protection Act of 2006. The Act amended the Employee Retirement Income Security Act (ERISA) for plan years beginning after 2007 and established new minimum funding standards for U.S. employer defined benefit plans.

The Company plans to continue to fund its U.S. defined benefit plans to comply with the Act.

International plans are funded in accordance with local regulations. Additional discretionary contributions are made when deemed appropriate to meet the long-term obligations of the plans. For certain plans, funding is not a common practice, as funding provides no economic benefit. Consequently the Company has several pension plans that 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)	2010	2011	2012	2013	2014	2015-2019
Projected future contributions						
Unfunded U.S. retirement plans	$ 34	36	38	40	44	288
Unfunded International retirement plans	$ 32	29	31	33	32	186

Each pension plan is overseen by a local committee or board that is responsible for the overall administration and investment of the pension plans. In determining investment policies, strategies and goals, each committee or board considers factors including local pension rules and regulations; local tax regulations; availability of investment vehicles (separate accounts, commingled accounts, insurance funds, etc.); funded status of the plans; ratio of actives to retirees; duration of liabilities; and other relevant factors including diversification, liquidity of local markets and liquidity of base currency. A majority of the Company's pension funds are open to new entrants and are expected to be on-going plans. Permitted investments are primarily liquid and/or listed, with little reliance on illiquid and non-traditional investments such as hedge funds. An asset allocation of 75% equities and 25% fixed income is generally pursued unless local regulations and illiquidity require otherwise.

The Company's retirement plan asset allocation at the end of 2009 and 2008 and target allocations for 2010 are as follows:

	Percent of Plan Assets		Target Allocation
	2009	2008	2010
U.S. Retirement Plans			
Equity securities	76%	70%	75%
Debt securities	24	30	25
Total plan assets	**100%**	**100%**	**100%**
International Retirement Plans			
Equity securities	65%	61%	65%
Debt securities	34	38	34
Real estate and other	1	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 $16 million and $17 million at January 3, 2010 and December 28, 2008, respectively.

The fair value of Johnson & Johnson common stock directly held in plan assets was $469 million (4.3% of total plan assets) at January 3, 2010 and $416 million (5.4% of total plan assets) at December 28, 2008.

DETERMINATION OF FAIR VALUE

The Plan has an established and well-documented process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon models that primarily use, as inputs, market-based or independently sourced market parameters, including yield curves, interest rates, volatilities, equity or debt prices,

foreign exchange rates and credit curves.

While the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VALUATION HIERARCHY

The authoritative literature establishes a three-level hierarchy to prioritize the inputs used in measuring fair value. The levels within the hierarchy are described in the table below with Level 1 having the highest priority and Level 3 having the lowest.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for the investments measured at fair value.

• Short-term investments — Cash and quoted short-term instruments are valued at the closing price or the amount held on deposit by the custodian bank. Other investments are through investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in a market that is not active and classified as Level 2.

• Government and agency securities — A limited number of these investments are valued at the closing price reported on the major market on which the individual securities are traded. Where quoted prices are available in an active market, the investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. When quoted market prices for a security are not available in an active market, they are classified as Level 2.

• Debt instruments — A limited number of these investments are valued at the closing price reported on the major market on which the individual securities are traded. Where quoted prices are available in an active market, the investments are classified as Level 1.

If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows and are classified as Level 2. Level 3 debt instruments are priced based on unobservable inputs.

• Equity securities — Common stocks are valued at the closing price reported on the major market on which the individual securities are traded. Substantially all common stock is classified within Level 1 of the valuation hierarchy.

• Commingled funds — The investments are public investment vehicles valued using the NAV provided by the fund administrator. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. Assets in the Level 2 category have a quoted market price in a market that is not active.

• Insurance contracts — The instruments are issued by insurance companies. The fair value is based on negotiated value and the underlying investments held in separate account portfolios as well as considering the credit worthiness of the issuer. The underlying investments are government, asset-backed and fixed income securities. In general, insurance contracts are classified as Level 3 as there are no quoted prices nor other observable inputs for pricing.

• Other assets — Other assets are represented primarily by limited partnerships and real estate investments, as well as commercial loans and commercial mortgages that are not classified as corporate debt. Other assets that are exchange listed and actively traded are classified as Level 1 while inactively traded assets are classified as Level 2. Most limited partnerships represent investments in private equity and similar funds that are valued by the general partners. These, as well as any other assets valued using unobservable inputs, are classified as Level 3.

The following table sets forth the trust investments measured at fair value as of January 3, 2010:

(Dollars in Millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Assets
Short-term investment funds	$ 91	358	—	449
Government and agency securities	—	1,165	—	1,165
Debt instruments	3	1,145	5	1,153
Equity securities	5,068	58	15	5,141
Commingled funds	—	2,673	26	2,699
Insurance contracts	—	—	32	32
Other assets	31	171	82	284
Trust investments at fair value	**$ 5,193**	**5,570**	**160**	**10,923**

LEVEL 3 GAINS AND LOSSES

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended January 3, 2010:

(Dollars in Millions)	Debt Instruments	Equity Securities	Commingled Funds	Insurance Contracts	Other Assets	Total Level 3
Balance December 28, 2008	$ 7	15	15	29	85	151
Realized gains (losses)	—	—	—	3	—	3
Unrealized gains (losses)	2	(2)	(2)	—	(3)	(5)
Purchases, sales, issuances and settlements, net	(4)	2	13	—	—	11
Balance January 3, 2010	**$ 5**	**15**	**26**	**32**	**82**	**160**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. 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. Total Company matching contributions to the plans were $163 million, $166 million and $169 million in 2009, 2008 and 2007, respectively.

12. Capital and Treasury Stock

Changes in treasury stock were:

(Amounts in Millions Except Treasury Stock Number of Shares in Thousands)	Treasury Stock	
	Shares	Amount
Balance at December 31, 2006	226,612	$10,974
Employee compensation and stock option plans	(33,296)	(2,180)
Conversion of subordinated debentures	(194)	(13)
Repurchase of common stock	86,498	5,607
Balance at December 30, 2007	279,620	14,388
Employee compensation and stock option plans	(29,906)	(2,005)
Conversion of subordinated debentures	(19)	(1)
Repurchase of common stock	100,970	6,651
Balance at December 28, 2008	350,665	19,033
Employee compensation and stock option plans	(22,161)	(1,377)
Conversion of subordinated debentures	(96)	(6)
Repurchase of common stock	37,114	2,130
Balance at January 3, 2010	365,522	$19,780

Aggregate shares of Common Stock issued were approximately 3,120 million shares at the end of 2009, 2008 and 2007.

Cash dividends paid were $1.930 per share in 2009, compared with dividends of $1.795 per share in 2008 and $1.620 per share in 2007.

13. Accumulated Other Comprehensive Income

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

(Dollars in Millions)	Foreign Currency Translation	Gains/ (Losses) on Securities	Employee Benefit Plans	Gains/ (Losses) on Derivatives & Hedges	Total Accumulated Other Comprehensive Income/(Loss)
December 31, 2006	$ (158)	61	(2,030)	9	(2,118)
2007 changes					
Unrealized gain (loss)	—	28	—	(78)	
Net amount reclassed to net earnings	—	(5)	—	24	
Net 2007 changes	786	23	670	(54)	1,425
December 30, 2007	$ 628	84	(1,360)	(45)	(693)
2008 changes					
Unrealized gain (loss)	—	(32)	—	94	
Net amount reclassed to net earnings	—	(27)	—	72	
Net 2008 changes	(2,499)	(59)	(1,870)	166	(4,262)
December 28, 2008	$ (1,871)	25	(3,230)	121	(4,955)
2009 changes					
Unrealized gain (loss)	—	(52)	—	38	
Net amount reclassed to net earnings	—	(3)	—	(14)	
Net 2009 changes	1,363	(55)	565	24	1,897
January 3, 2010	**$ (508)**	**(30)**	**(2,665)**	**145**	**(3,058)**

The tax effect on the unrealized gains/(losses) on the equity securities was income of $14 million in 2009 and expense of $14 million and $46 million in 2008 and 2007, respectively. The tax effect related to employee benefit plans was $302 million, $1,090 million and $349 million in 2009, 2008 and 2007, respectively. The tax effect on the gains/(losses) on derivatives and hedges was expense of $78 million and $70 million in 2009 and 2008, respectively, and income of $24 million in 2007. See Note 6 for additional information relating to derivatives and hedging.

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

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14. 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. The translation of balance sheet accounts for highly inflationary economies are reflected in the operating results.

An analysis of the changes during 2009, 2008 and 2007 for foreign currency translation adjustments is included in Note 13.

Net currency transaction and translation gains and losses included in other (income) expense were losses of $210 million, $31 million and $23 million in 2009, 2008 and 2007, respectively.

15. Earnings Per Share

The following is a reconciliation of basic net earnings per share to diluted net earnings per share for the fiscal years ended January 3, 2010, December 28, 2008 and December 30, 2007:

(Shares in Millions Except Per Share Data)	2009	2008	2007
Basic net earnings per share	$ 4.45	4.62	3.67
Average shares outstanding — basic	2,759.5	2,802.5	2,882.9
Potential shares exercisable under stock option plans	118.0	179.0	178.6
Less: shares repurchased under treasury stock method	(92.0)	(149.6)	(154.5)
Convertible debt shares	3.6	3.7	3.7
Adjusted average shares outstanding — diluted	2,789.1	2,835.6	2,910.7
Diluted net earnings per share	$ 4.40	4.57	3.63

The diluted net earnings per share calculation includes the dilutive effect of convertible debt that is offset by the related reduction in interest expense of $4 million after-tax for years 2009, 2008 and 2007.

Diluted net earnings per share excludes 121 million, 59 million and 64 million shares underlying stock options for 2009, 2008 and 2007, 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.

16. Rental Expense and Lease Commitments

Rentals of space, vehicles, manufacturing equipment and office and data processing equipment under operating leases were approximately $322 million in 2009, $309 million in 2008 and $302 million in 2007.

The approximate minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at January 3, 2010 are:

(Dollars in Millions) 2010	2011	2012	2013	2014	After 2014	Total
$178	150	128	103	87	94	740

Commitments under capital leases are not significant.

17. Common Stock, Stock Option Plans and Stock Compensation Agreements

STOCK OPTIONS

At January 3, 2010, the Company had 11 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 ALZA, Inverness, and Scios Stock Option Plans. During 2009, no options or restricted shares were granted under any of these plans except under the 2005 Long-Term Incentive Plan.

The compensation cost that has been charged against income for these plans was $628 million, $627 million and $698 million for 2009, 2008 and 2007, respectively. The total income tax benefit recognized in the income statement for share-based compensation costs was $210 million, $210 million and $238 million for 2009, 2008 and 2007, respectively. Share-based compensation costs capitalized as part of inventory were insignificant in all periods.

Stock options expire 10 years from the date of grant and vest over service periods that range from six months to five years. All options are granted at the average of the high and low prices of the Company's common stock on the New York Stock Exchange 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 139.7 million at the end of 2009.

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 was estimated on the date of grant using the Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility represents a blended rate of 4-year daily historical average volatility rate, and a 5-week average implied volatility rate based on at-the-money traded Johnson & Johnson options with a life of 2 years. Historical data is used to determine the expected life of the option. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The average fair value of options granted was $8.35, $7.66, and $11.67 in 2009, 2008, and 2007, respectively. The fair value was estimated based on the weighted average assumptions of:

	2009	2008	2007
Risk-free rate	2.71%	2.97%	4.78%
Expected volatility	19.5%	15.0%	14.7%
Expected life	6.0 yrs	6.0 yrs	6.0 yrs
Dividend yield	3.30%	2.90%	2.50%

A summary of option activity under the Plan as of January 3, 2010, December 28, 2008, and December 30, 2007 and changes during the years ending on those dates is presented below:

(Shares in Thousands)	Outstanding Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (Dollars in Millions)
Shares at December 31, 2006	242,927	$ 54.57	$ 2,788
Options granted	26,789	65.61	
Options exercised	(33,224)	45.92	
Options canceled/forfeited	(7,863)	63.00	
Shares at December 30, 2007	228,629	56.83	$ 2,411
Options granted	22,428	61.80	
Options exercised	(30,033)	50.27	
Options canceled/forfeited	(5,525)	61.90	
Shares at December 28, 2008	215,499	58.14	$ 597
Options granted	21,576	58.32	
Options exercised	(18,225)	50.97	
Options canceled/forfeited	(6,131)	61.85	
Shares at January 3, 2010	**212,719**	**$ 58.66**	**$ 1,310**

The total intrinsic value of options exercised was $184 million, $506 million, and $625 million in 2009, 2008 and 2007, respectively. The total unrecognized compensation cost was $612 million as of January 3, 2010, $632 million as of December 28, 2008 and $652 million as of December 30, 2007. The weighted average period for this cost to be recognized was 1.16 years, 1.06 years and 1.01 years for 2009, 2008, and 2007, respectively.

The following table summarizes stock options outstanding and exercisable at January 3, 2010:

(Shares in Thousands)	Outstanding			Exercisable	
Exercise Price Range	Options	Average Life[1]	Average Exercise Price	Options	Average Exercise Price
$ 7.33 - $28.09	104	1.5	$ 22.89	104	$ 22.89
$31.27- $40.08	131	0.3	35.83	131	35.83
$41.26- $49.86	1,024	1.2	47.09	1,024	47.09
$50.52- $52.11	17,328	0.8	50.70	17,328	50.70
$52.13- $53.77	22,193	3.1	52.22	22,152	52.22
$53.93- $54.89	26,155	4.0	53.93	26,156	53.93
$55.01- $58.25	26,332	2.1	57.30	26,328	57.30
$58.33- $65.10	63,805	7.7	59.48	21,367	58.48
$65.62- $68.37	55,647	5.8	65.97	33,759	66.19
	212,719	**5.0**	**$ 58.66**	**148,349**	**$ 57.26**

(1) *Average contractual life remaining in years.*

Stock options exercisable at December 28, 2008 and December 30, 2007 were 144,962 at an average price of $56.25 and an average life of 5.3 years and 137,310 at an average price of $52.33 and an average life of 5.6 years, respectively.

RESTRICTED SHARE UNITS

The Company grants restricted share units with a vesting period of three years. The Company settles employee stock issuance with treasury shares. Treasury shares are replenished throughout the year for the number of shares used for employee stock issuances.

A summary of share activity under the Plan as of January 3, 2010:

(Shares in Thousands)	Outstanding Shares
Shares at December 31, 2006	6,885
Shares granted	8,029
Shares issued	(33)
Shares canceled/forfeited	(1,220)
Shares at December 30, 2007	13,661
Shares granted	10,105
Shares issued	(40)
Shares canceled/forfeited	(1,468)
Shares at December 28, 2008	22,258
Shares granted	11,172
Shares issued	(5,714)
Shares canceled/forfeited	(1,392)
Shares at January 3, 2010	26,324

The average fair value of the restricted share units granted was $52.79, $56.70 and $60.86 in 2009, 2008 and 2007, respectively, using the fair market value at the date of grant. The fair value of restricted share units was discounted for dividends, which are not paid on the restricted share units during the vesting period. The fair value of restricted share units settled was $308.4 million, $2.5 million and $1.8 million in 2009, 2008 and 2007, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Segments of Business [1] and Geographic Areas

(Dollars in Millions)	Sales to Customers [2] 2009	2008	2007
Consumer —			
United States	$ 6,837	6,937	6,408
International	8,966	9,117	8,085
Total	**15,803**	**16,054**	**14,493**
Pharmaceutical —			
United States	13,041	14,831	15,603
International	9,479	9,736	9,263
Total	**22,520**	**24,567**	**24,866**
Medical Devices and Diagnostics —			
United States	11,011	10,541	10,433
International	12,563	12,585	11,303
Total	**23,574**	**23,126**	**21,736**
Worldwide total	**$ 61,897**	**63,747**	**61,095**

(Dollars in Millions)	Operating Profit 2009 [5]	2008 [6]	2007 [7]	Identifiable Assets 2009	2008	2007
Consumer	$ 2,475	2,674	2,277	$24,671	23,765	26,550
Pharmaceutical	6,413	7,605	6,540	21,460	19,544	19,780
Medical Devices and Diagnostics	7,694	7,223	4,846	22,853	20,779	19,978
Total	16,582	17,502	13,663	68,984	64,088	66,308
Less: Expense not allocated to segments [3]	827	573	380			
General corporate [4]				25,698	20,824	14,646
Worldwide total	**$15,755**	**16,929**	**13,283**	**$94,682**	**84,912**	**80,954**

(Dollars in Millions)	Additions to Property, Plant & Equipment 2009	2008	2007	Depreciation and Amortization 2009	2008	2007
Consumer	$ 439	499	504	$ 513	489	472
Pharmaceutical	535	920	1,137	922	986	1,033
Medical Devices and Diagnostics	1,114	1,251	919	1,124	1,146	1,080
Segments total	2,088	2,670	2,560	2,559	2,621	2,585
General corporate	277	396	382	215	211	192
Worldwide total	**$ 2,365**	**3,066**	**2,942**	**$ 2,774**	**2,832**	**2,777**

(Dollars in Millions)	Sales to Customers [2] 2009	2008	2007	Long-Lived Assets [8] 2009	2008	2007
United States	$30,889	32,309	32,444	$22,399	21,674	21,685
Europe	15,934	16,782	15,644	17,347	14,375	15,578
Western Hemisphere excluding U.S.	5,156	5,173	4,681	3,540	3,328	3,722
Asia-Pacific, Africa	9,918	9,483	8,326	1,868	1,898	1,261
Segments total	61,897	63,747	61,095	45,154	41,275	42,246
General corporate				790	785	702
Other non long-lived assets				48,738	42,852	38,006
Worldwide total	**$61,897**	**63,747**	**61,095**	**$94,682**	**84,912**	**80,954**

(1) *See Note 1 for a description of the segments in which the Company operates.*

(2) *Export sales are not significant. In 2009, 2008 and 2007, the Company did not have a customer that represented 10% of total revenues.*

(3) *Amounts not allocated to segments include interest (income) expense, non-controlling interests and general corporate (income) expense.*

(4) *General corporate includes cash and marketable securities.*

(5) *Includes $1,186 million of restructuring expense, comprised of $369 million, $496 million, and $321 million for the Consumer, Pharmaceutical, and Medical Devices and Diagnostics segments, respectively. Includes $386 million of fourth quarter net litigation gain, comprised of a $92 million expense in the Pharmaceutical segment and a gain of $478 million in the Medical*

Devices and Diagnostics segment.

(6) *Includes $7 million and $174 million of IPR&D for the Consumer and Medical Devices and Diagnostics segments, respectively. Includes $379 million of fourth quarter net litigation gain, comprised of a $50 million expense in the Consumer segment and a gain of $429 million in the Medical Devices and Diagnostics segment. The Medical Devices and Diagnostics segment also includes $536 million gain on the divestiture of the Professional Wound Care business of Ethicon, Inc.*

(7) *Includes $745 million of restructuring expense, comprised of $15 million, $429 million, and $301 million for the Consumer, Pharmaceutical, and Medical Devices and Diagnostics segments, respectively. The Medical Devices and Diagnostics segment includes $807 million of IPR&D. The Pharmaceutical segment also includes $678 million for the write-down of the NATRECOR® intangible asset.*

(8) *Long-lived assets include property, plant and equipment, net for 2009, 2008 and 2007 of $14,759, $14,365 and $14,185, respectively, and intangible assets and goodwill, net for 2009, 2008 and 2007 of $31,185, $27,695 and $28,763, respectively.*

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Selected Quarterly Financial Data (unaudited)

Selected unaudited quarterly financial data for the years 2009 and 2008 are summarized below:

	2009				2008			
(Dollars in Millions Except Per Share Data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter[1]	First Quarter	Second Quarter[2]	Third Quarter	Fourth Quarter[3]
Segment sales to customers								
Consumer	$ 3,711	3,854	3,989	4,249	4,064	4,036	4,099	3,855
Pharmaceutical	5,780	5,498	5,249	5,993	6,429	6,340	6,113	5,685
Med Devices & Diagnostics	5,535	5,887	5,843	6,309	5,701	6,074	5,709	5,642
Total sales	$15,026	15,239	15,081	16,551	16,194	16,450	15,921	15,182
Gross profit	10,775	10,789	10,647	11,239	11,580	11,699	11,147	10,810
Earnings before provision for taxes on income	4,643	4,263	4,245	2,604	4,747	4,375	4,290	3,517
Net earnings	3,507	3,208	3,345	2,206	3,598	3,327	3,310	2,714
Basic net earnings per share	$ 1.27	1.16	1.21	0.80	1.27	1.18	1.19	0.98
Diluted net earnings per share	$ 1.26	1.15	1.20	0.79	1.26	1.17	1.17	0.97

(1) *The fourth quarter of 2009 includes an after-tax charge of $852 million for restructuring and $212 million after-tax of income from net litigation.*

(2) *The second quarter of 2008 includes an after-tax charge of $40 million for IPR&D.*

(3) *The fourth quarter of 2008 includes an after-tax charge of $141 million for IPR&D, $229 million after-tax of income from net litigation and $331 million after-tax gain on the divestiture of the Professional Wound Care business of Ethicon, Inc. The gain from the divestiture of the Professional Wound Care business of Ethicon, Inc. was reinvested in the business.*

20. Business Combinations and Divestitures

Certain businesses were acquired for $2,470 million in cash and $875 million of liabilities assumed and non-controlling interests during 2009. 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 2009 acquisitions included: Mentor Corporation, a leading supplier of medical products for the global aesthetics market; Cougar Biotechnology, Inc., a development stage biopharmaceutical company with a specific focus on oncology; Finsbury Orthopaedics Limited, a privately held UK-based manufacturer and global distributor of orthopaedic implants; Gloster Europe, a privately held developer of innovative disinfection processes and technologies to prevent healthcare-acquired infections and substantially all of the assets and rights of Elan's Alzheimer's Immunotherapy Program through a newly formed company, of which the Company owns 50.1% and Elan owns 49.9%.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $2,940 million and has been assigned to identifiable intangible assets, with any residual recorded to goodwill. Of this amount, approximately $1,737 million has been identified as the value of IPR&D primarily associated with the acquisitions of Cougar Biotechnology, Inc. and substantially all of the assets and rights of Elan's Alzheimer's Immunotherapy Program. Additionally, approximately $1,107 million has been identified as the value of other intangible assets, including patents & technology and customer relationships primarily associated with the acquisition of Mentor Corporation.

The IPR&D related to the acquisition of Cougar Biotechnology, Inc. was $971 million and is associated with abiraterone acetate, a late stage, first-in-class compound for the treatment of prostate cancer. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. Probability of success factors ranging from 60-85% were used to reflect inherent clinical and regulatory risk. The discount rate applied was 23.5%.

Refer to Note 6 for information related to the Elan transaction.

Certain businesses were acquired for $1,214 million in cash and $114 million of liabilities assumed during 2008. 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 2008 acquisitions included: Amic AB, a privately held Swedish developer of in vitro diagnostic technologies for use in point-of-care and near-patient settings; Beijing Dabao Cosmetics Co., Ltd., a company that sells personal care brands in China; SurgRx, Inc., a privately held developer of the advanced bipolar tissue sealing system used in the ENSEAL ® family of devices; HealthMedia, Inc., a privately held company that creates web-based behavior change interventions; LGE Performance Systems, Inc., a privately held company known as Human Performance Institute™, which develops science-based training programs to improve employee engagement and productivity and Omrix Biopharmaceuticals, Inc., a fully integrated biopharmaceutical

company that develops and markets biosurgical and immunotherapy products.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $891 million and has been assigned to identifiable intangible assets, with any residual recorded to goodwill. Approximately $181 million has been identified as the value of IPR&D associated with the acquisitions of Omrix Biopharmaceuticals, Inc., Amic AB, SurgRx, Inc. and HealthMedia, Inc.

The IPR&D charge related to the acquisition of Omrix Biopharmaceuticals, Inc. was $127 million and is associated with stand-alone and combination biosurgical technologies used to achieve hemostasis. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. Probability of success factors ranging from 60-90% were used to reflect inherent clinical and regulatory risk. The discount rate applied was 14%. As of the end of the 2008 fiscal year, 97.8% of the outstanding shares of Common Stock of Omrix Biopharmaceuticals,

Inc. had been tendered by stockholders. Excluding shares that were tendered subject to guaranteed delivery procedures, 90.2% of the outstanding shares of Common Stock had been tendered. On December 30, 2008 the Company completed the acquisition of Omrix Biopharmaceuticals, Inc.

The IPR&D charge related to the acquisition of Amic AB was $40 million and is associated with point-of-care device and 4CAST Chip technologies. 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 20%.

The IPR&D charge related to the acquisition of SurgRx, Inc. was $7 million and is associated with vessel cutting and sealing surgical devices. The value of the IPR&D was calculated using cash flow projections discounted for the risk inherent in such projects. Probability of success factors ranging from 90-95% were used to reflect inherent clinical and regulatory risk. The discount rate applied was 18%.

The IPR&D charge related to the acquisition of HealthMedia, Inc. was $7 million and is associated primarily with process enhancements to software technology. 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% was used to reflect inherent risk. The discount rate applied was 14%.

Certain businesses were acquired for $1,388 million in cash and $232 million of liabilities assumed during 2007. 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 2007 acquisitions included: Conor Medsystems, Inc., a cardiovascular device company, with new drug delivery technology; Robert Reid, Inc., a Japanese orthopedic product distributor; and Maya's Mom, Inc., a social media company.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $636 million and has been assigned to identifiable intangible assets, with any residual recorded to goodwill. Approximately $807 million has been identified as the value of IPR&D associated with the acquisition of Conor Medsystems, Inc.

The IPR&D charge related to the acquisition of Conor Medsystems, Inc. was $807 million and is associated with research related to the discovery and application of the stent technology. 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 19%.

Supplemental pro forma information for 2009, 2008 and 2007 in accordance with U.S. GAAP standards related to business combinations, and 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.

With the exception of the divestiture of the Professional Wound Care business of Ethicon, Inc., which resulted in a gain of $536 million before tax, and is recorded in other (income) expense, net, in 2008, divestitures in 2009, 2008 and 2007 did not have a material effect on the Company's results of operations, cash flows or financial position.

Note 21 — Legal Proceedings

PRODUCT LIABILITY

The Company's subsidiaries are involved in numerous product liability cases in the United States, many of which concern alleged 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 product 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.

Multiple products of Johnson & Johnson subsidiaries are subject to numerous product liability claims and lawsuits. There are a significant number of claimants who have pending lawsuits or claims regarding injuries allegedly due to ORTHO EVRA ®, RISPERDAL ®, LEVAQUIN ®, DURAGESIC ®, the CHARITÉ™ Artificial Disc and CYPHER ® Stent. These claimants seek substantial compensatory and, where available, punitive damages.

With respect to RISPERDAL ®, the Attorneys General of eight states and the Office of General Counsel of the Commonwealth of Pennsylvania have filed actions seeking reimbursement of Medicaid or other public funds for RISPERDAL ® prescriptions written for off-label use, compensation for treating their citizens for alleged adverse reactions to RISPERDAL ®, civil fines or penalties, punitive damages, or other relief. The Attorney General of Texas has joined a qui tam action in that state seeking similar relief. Certain of these actions also seek injunctive relief relating to the promotion of RISPERDAL ®. The Attorneys General of more than 40 other states have indicated a potential interest in pursuing similar litigation against the Company's subsidiary, Janssen Pharmaceutica Inc. (Janssen) (now Ortho-McNeil-Janssen Pharmaceuticals Inc. (OMJPI)), and have obtained a tolling agreement staying the running of the statute of limitations while they inquire into the issues. In addition, there are six cases filed by union health plans seeking damages for alleged overpayments for RISPERDAL ®, several of which seek certification as class actions. In the case brought by the Attorney General of West Virginia, based on claims for alleged consumer fraud as to DURAGESIC ® as well as RISPERDAL ®, Janssen (now OMJPI) was found liable and damages were assessed at $4.5 million. OMJPI has filed an appeal.

Numerous claims and lawsuits in the United States relating to the drug PROPULSID ®, withdrawn from general sale by the Company's Janssen (now OMJPI) subsidiary in 2000, have been resolved or are currently enrolled in settlement programs with an aggregate cap below $100 million. Similar litigation concerning PROPULSID ® is pending in Canada, where a national class action of persons alleging adverse reactions to the drug has been certified and a settlement program instituted with an aggregate cap below $10 million.

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 the jury in the Medtronic action returned a verdict of $271 million. The Court of Appeals for the Federal Circuit has upheld liability in these cases, and on September 30, 2008, the district court entered judgments, including interest, in the amounts of $702 million and $521 million against Boston Scientific and

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Medtronic, respectively. Medtronic paid $472 million in October 2008, representing the judgment, net of amounts exchanged in settlement of a number of other litigations between the companies. The net settlement of $472 million was recorded as a credit to other (income) expense, net in the 2008 consolidated statement of earnings. In September 2009, Cordis settled this case with Boston Scientific together with the Kastenhofer/Fontirroche and Ding cases described below, for a net payment of $716 million. As part of that settlement Boston Scientific received a paid up license to the Fontirroche family of patents worldwide and Cordis received a paid license to the Kastenhofer and Ding families of patents worldwide and the parties settled all pending lawsuits worldwide relating to these patents. The receipt of $716 million, less the impact of other litigation matters, resulted in a credit to other (income) expense, net of $386 million in the fiscal fourth quarter of 2009. In addition, in May 2009, Medtronic paid $270 million to settle additional patent infringement claims asserted by Cordis based on its vascular stent patents, which was recorded as a credit to other (income) expense, net in the fiscal second quarter of 2009.

In January 2003, Cordis filed a patent infringement action against Boston Scientific in Delaware Federal District Court accusing its Express2™, Taxus ® 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™, Taxus ® and Liberte ® stents infringed the Palmaz patent and that the Liberte ® stent also infringed the Gray patent. On March 31, 2009, the U.S. Court of Appeals for the Federal Circuit affirmed this judgment. The case was remanded to the district court for a trial on damages and willfulness. Cordis also filed a lawsuit in Delaware Federal District Court in October of 2008 alleging that Boston Scientific's sales of Taxus ® and Liberte ® after June of 2005 infringes Cordis' Gray patent. On January 29, 2010, these cases together with the Jang case referred to in the paragraph below, were settled. Under the terms of the settlement, Boston Scientific paid Cordis $1.0 billion on February 1, 2010, and will pay Cordis an additional $725 million plus interest on January 3, 2011. Cordis granted Boston Scientific a paid up worldwide license under the Palmaz and Gray patents and Boston Scientific granted Cordis a paid up worldwide license under the Jang patents for all stents sold by Cordis except the 2.25mm size Cypher.

Cordis has several pending lawsuits in New Jersey and Delaware Federal District Court against Guidant Corporation (Guidant), Abbott Laboratories, Inc. (Abbott), Boston Scientific and Medtronic alleging that the Xience V™ (Abbott), Promus™ (Boston Scientific) and Endeavor ® (Medtronic) drug eluting stents infringe several patents owned by or licensed to Cordis. In one of the cases against Boston Scientific, alleging that sales of their Promus™ stent infringed Wright and Falotico patents, on January 20, 2010 the District Court in Delaware found the Wright/Falotico patent invalid for lack of written description and/or lack of enablement. Cordis intends to appeal this ruling.

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.

In July 2005, a jury in Federal District Court in Delaware found that the Cordis CYPHER ® Stent infringed Boston Scientific's Ding '536 patent and that the Cordis CYPHER ® and BX VELOCITY ® Stents also infringed Boston Scientific's Jang '021 patent. The jury also found both of those patents valid. In January 2009, the Court of Appeals for the Federal Circuit held the Ding patent invalid and a judgment in favor of Cordis in that case has been entered. In March 2009, the Court of Appeals for the Federal Circuit upheld the judgment that Cordis' CYPHER ® Stent infringed Boston Scientific's Jang patent. The case has been remanded for a trial on the issues of damages and willfulness. The Jang case has been dismissed as part of the January 2010 settlement described in the paragraph above relating to the Express2™, Taxus ® and Liberte ® stents.

In Germany, Boston Scientific had several actions based on its Ding patents pending against the Cordis CYPHER ® Stent. Boston Scientific also had brought actions in Belgium, the Netherlands, Germany, France and Italy under its Kastenhofer patent, which purports to cover two-layer catheters such as those used to deliver the CYPHER ® Stent. These cases have been settled as part of the September 2009 settlement described above.

Trial in Boston Scientific's U.S. case based on the Kastenhofer patent in Federal District Court in California concluded in October 2007 with a jury finding that the patent was invalid. The jury also found for Cordis on its counterclaim that sale by Boston Scientific of its balloon catheters and stent delivery systems infringe Cordis' Fontirroche patent. The Court has denied Boston Scientific's post trial motions. This case was settled as part of the September 2009 settlement described above.

In May 2008, Centocor, Inc. (Centocor) (now Centocor Ortho Biotech Inc. (COBI)) filed a lawsuit against Genentech, Inc. (Genentech) in U.S. District Court for the Central District of California seeking to invalidate the Cabilly II patent. Prior to filing suit, Centocor had a sublicense under this patent from Celltech (who was licensed by Genentech) for REMICADE ® and had been paying royalties to Celltech. Centocor has terminated that sublicense and stopped paying royalties. Genentech has filed a counterclaim alleging that REMICADE ® infringes its Cabilly II patents and that the manufacture of REMICADE ®, STELARA™, SIMPONI™ and ReoPro ® also infringes one of its other patents relating to the purification of antibodies made through recombinant DNA techniques. The court has scheduled a hearing for Summary Judgment Motions in August 2010.

In April 2009, a bench trial was held before the Federal District Court for the Middle District of Florida on the liability phase of Ciba's patent infringement lawsuit alleging that Johnson & Johnson Vision Care, Inc.'s (JJVC) ACUVUE ® OASYS™ lenses infringe three of their Nicholson patents. In August 2009, the District Court found two of these patents valid and infringed and entered judgment against JJVC. JJVC has appealed that judgment to the Court of Appeals for the Federal Circuit. On March 22,

2010, the District Court will hold a hearing on Ciba's motion for a permanent injunction. If the judgment is upheld on appeal the Court will schedule another trial to determine damages and willfulness.

In May 2009, Abbott Biotechnology Ltd. filed a patent infringement lawsuit against Centocor (now COBI) in the United States District Court for the District of Massachusetts. The suit alleges that Centocor's SIMPONI™ product, a human anti-TNF alpha antibody, infringes Abbott's '394 patent (the Salfeld patent). The case has been stayed pending the resolution of an arbitration filed by Centocor directed to its claim that it is licensed under the '394 patent. The arbitration is scheduled for March 2010.

In August 2009, Abbott GmbH & Co. (Abbott GmbH) and Abbott Bioresearch Center filed a patent infringement lawsuit against COBI in the United States District Court for the District of Massachusetts. The suit alleges that COBI's STELARA™ product infringes two U.S. patents assigned to Abbott GmbH. In August 2009, COBI filed a complaint for a declaratory judgment of non-infringement and invalidity of the Abbott GmbH patents in the United States District Court for the District of Columbia. On the same date, also in the United States District Court for the District of

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Columbia, COBI filed a Complaint for Review of a Patent Interference Decision granting priority of invention on one of the two asserted patents to Abbott GmbH. In August 2009, Abbott GmbH and Abbott Laboratories Limited brought a patent infringement suit in Canada alleging that STELARA™ infringes Abbott GmbH's Canadian patent. The cases filed by COBI in the District of Columbia have been transferred to the District of Massachusetts.

In August 2009, Bayer Healthcare LLC filed suit against COBI in Massachusetts District Court alleging infringement by COBI's SIMPONI™ product of its patent relating to human anti-TNF antibodies. Bayer has also filed suit under its European counterpart to these patents in Germany and the Netherlands.

In June 2009, Centocor's (now COBI) lawsuit alleging that Abbott's HUMIRA anti-TNF alpha product infringes Centocor's '775 patent went to trial in Federal District Court in the Eastern District of Texas. On June 28, 2009 a jury returned a verdict finding the patent valid and willfully infringed, and awarded Centocor damages of approximately $1.7 billion. A bench trial on Abbott's defenses, of inequitable conduct and prosecution laches, was held in August 2009, and the District Court decided these issues in favor of Centocor. All of Abbott's post trial motions have been denied except that the District Court granted Abbott's motion to overturn the jury finding of willfulness. Judgment in the amount of $1.9 billion was entered in favor of Centocor in December 2009 and Abbott has filed an appeal to the Court of Appeals for the Federal Circuit. The Company has not reflected any of the $1.9 billion in its consolidated financial statements. Centocor has also filed a new lawsuit in the Eastern District of Texas seeking damages for infringement of the '775 patent attributable to sales of HUMIRA subsequent to the jury verdict in June 2009.

The following chart summarizes various patent lawsuits concerning products of the Company's subsidiaries that have yet to proceed to trial:

J&J Product	Company	Patents	Plaintiff/ Patent Holder	Court	Trial Date**	Date Filed
CYPHER ® Stent	Cordis	Wall	Wall	E.D. TX	Q2/11	11/07
CYPHER ® Stent	Cordis	Saffran	Saffran	E.D. TX	Q2/11	10/07
Blood Glucose Meters and Strips	LifeScan	Wilsey	Roche Diagnostics	D. DE	*	11/07
REMICADE ®, ustekinumab, golimumab, ReoPro ®	Centocor/COBI	Cabilly II	Genentech	C.D. CA	*	05/08
SIMPONI™	Centocor/COBI	Salfeld	Abbott Laboratories	MA	*	05/09
SIMPONI™	Centocor/COBI	Boyle	Bayer Healthcare	MA	*	08/09
STELARA™	Centocor/COBI	Salfeld	Abbott GmbH	MA/DC	*	08/09

* *Trial date to be scheduled.*

** *Q reflects the Company's fiscal quarter.*

LITIGATION AGAINST FILERS OF ABBREVIATED NEW DRUG APPLICATIONS (ANDAs)

The following chart indicates lawsuits pending against generic firms that filed Abbreviated New Drug Applications (ANDAs) 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 statutory 30-month stay expires before a ruling from the district court is obtained, the firms involved will have the ability, upon FDA approval, 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 noted in the following chart, 30-month stays expired during 2009, and will expire in 2010, 2011 and 2012 with respect to ANDA challenges regarding various products:

Brand Name Product	Patent/NDA Holder	Generic Challenger	Court	Trial Date**	Date Filed	30-Month Stay Expiration
CONCERTA ®	McNeil-PPC	Andrx	D. DE	Q4/07	09/05	None
18, 27, 36 and 54 mg controlled release tablet	ALZA	KUDCO	D. DE	*	01/10	05/12
LEVAQUIN ® 250, 500, 750 mg tablet	Ortho-McNeil	Lupin	D. NJ	*	10/06	03/09
ORTHO TRI-CYCLEN ® LO	Ortho-McNeil	Watson	D. NJ	*	10/08	03/11
0.18 mg/0.025 mg, 0.215 mg/0.025 mg		Sandoz	D. NJ	*	06/09	10/11
and 0.25 mg/0.025 mg			D. NJ	*		06/12
ULTRAM ER ® 100, 200, 300 mg tablet	Ortho-McNeil/Biovail	Par	D. DE	Q2/09	05/07	09/09

					06/07 10/07	11/09 03/10
ULTRAM ER ® 100, 200, 300 mg tablet	Ortho-McNeil/Biovail	Impax	D. DE	Q2/10	08/08 11/08	01/11 03/11
ULTRAM ER ® 100, 200, 300 mg tablet	Ortho-McNeil/Biovail	Paddock	D.DRD. Minn.	*	09/09	01/12
ULTRAM ER ® 100, 200, 300 mg tablet	Ortho-McNeil/Biovail	Cipher	D. DE	*	10/09	03/12
ULTRAM ER ® 100, 200, 300 mg tablet	Ortho-McNeil/Biovail	Lupin	D. DE	*	01/10	06/12

* *Trial date to be scheduled.*

** *Q reflects the Company's fiscal quarter.*

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In the action against Barr Pharmaceuticals, Inc. (Barr) (now a wholly-owned subsidiary of Teva Pharmaceutical Industries LTD.) regarding ORTHO TRI-CYCLEN ® LO, in January 2008, the Company's subsidiary Ortho Women's Health & Urology, a Division of Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI), and Barr agreed to a non-binding term sheet to settle the litigation, which settlement discussions are still underway. The trial court postponed the January 2008 trial without setting a new trial date. In June 2009, Barr launched its generic product "at risk" before trial. OMJPI sought a preliminary injunction and recall of Barr product which the Court granted in July 2009. In July 2009, the parties entered into a definitive agreement to settle the lawsuit. Under the terms of the settlement, Barr obtained a release for its sales of its generic product in exchange for an undisclosed royalty payment. Barr also obtained a non-exclusive, royalty-bearing license to re-enter the market on December 31, 2015, or earlier in certain limited circumstances.

In October 2008, the Company's subsidiary OMJPI filed suit in Federal District Court in New Jersey against Watson Laboratories, Inc. (Watson) in response to Watson's ANDA regarding ORTHO TRI-CYCLEN ® LO. In June 2009, the Company's subsidiary OMJPI filed suit in Federal District Court in New Jersey against Sandoz Laboratories, Inc. (Sandoz) in response to Sandoz's ANDA regarding ORTHO TRI-CYCLEN ® LO. The Sandoz and Watson cases have been consolidated.

In January 2010, the Company's subsidiary OMJPI filed suit in Federal District Court in New Jersey against Lupin Ltd. and Lupin Pharmaceuticals, Inc. (collectively "Lupin") in response to Lupin's ANDA regarding ORTHO TRI-CYCLEN ® LO.

In the action against Barr and AlphaPharm with respect to their ANDA challenges to the RAZADYNE ® patent that Janssen (now OMJPI) licenses from Synaptech, Inc. (Synaptech), a four-day non-jury trial was held in the Federal District Court in Delaware in May 2007. In August 2008, the court held that the patent was invalid because it was not enabled. Janssen (OMJPI) and Synaptech have appealed the decision. Since the court's decision, multiple generic companies have received final approvals for their products and have launched "at risk" pending appeal. Additional generic approvals and launches could occur at any time. In September 2009, the Court of Appeals affirmed the judgment that the patent is invalid.

In the action by McNEIL-PPC, Inc. (McNeil-PPC) and ALZA Corporation (ALZA) against Andrx Corporation (Andrx) with respect to its ANDA challenge to the CONCERTA ® patents, a five-day non-jury trial was held in the Federal District Court in Delaware in December 2007. In March 2009, the court ruled that one CONCERTA ® patent would not be infringed by Andrx's proposed generic product and that the patent was invalid because it was not enabled. The court dismissed without prejudice Andrx's declaratory judgment suit on a second patent for lack of jurisdiction. McNeil-PPC and ALZA filed an appeal in May 2009. The appeals court heard argument on February 3, 2010. A decision is pending.

ALZA and OMJPI filed a second suit in Federal District Court in Delaware against Kremers-Urban, LLC and KUDCO Ireland, Ltd. (KUDCO) in January 2010 in response to KUDCO's ANDA challenge regarding CONCERTA ® tablets. In its notice letter, KUDCO contends that two ALZA patents for CONCERTA ® are invalid and not infringed by a KUDCO generic.

In the RAZADYNE ® ER cases, a lawsuit was filed against Barr on the RAZADYNE ® use patent that Janssen (now OMJPI) licenses from Synaptech in June 2006. In September 2008, the above-discussed Delaware decision invalidating the RAZADYNE ® use patent resulted in entry of judgment for Barr on that patent, but the case will be reopened if Janssen (now OMJPI) and Synaptech win on appeal. Barr has received FDA approval of its product and has launched "at risk." In September 2009, the Federal Circuit affirmed the Delaware decision invalidating the RAZADYNE ® use patent. As a result, this case will not be reopened.

In the action against Lupin Pharmaceuticals, Inc. (Lupin) regarding its ANDA concerning LEVAQUIN ® , Lupin contends that the U.S. Patent and Trademark Office improperly granted a patent term extension to the patent that Ortho-McNeil (now Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJPI)) licenses from Daiichi Pharmaceuticals, Inc. (Daiichi). Lupin alleges that the active ingredient in LEVAQUIN ® was the subject of prior marketing, and therefore was not eligible for the patent term extension. Lupin concedes validity and that its product would violate the patent if marketed prior to the expiration of the original patent term. Summary judgment against Lupin was granted in May 2009 and Lupin appealed. Oral argument was held in September 2009. A decision is pending.

In the ULTRAM ® ER actions, Ortho-McNeil Pharmaceutical, Inc. (Ortho-McNeil) (now OMJPI), filed lawsuits (each for different dosages) against Par Pharmaceuticals, Inc. and Par Pharmaceuticals Companies, Inc. (Par) in May, June and October 2007 on two Tramadol ER formulation patents owned by Purdue Pharma Products L.P. (Purdue) and Napp Pharmaceutical Group Ltd. (Napp). OMJPI also filed lawsuits (each for different dosages) against Impax Laboratories, Inc. (Impax) on a Tramadol ER formulation patent owned by Purdue and Napp in August and November 2008. Purdue, Napp and Biovail Laboratories International SRL (Biovail) (the NDA holder) joined as co-plaintiffs in the lawsuits against Par and Impax, but Biovail and OMJPI were subsequently dismissed for lack of standing. The trial against Par took place in April 2009. In August 2009, the Court issued a decision finding the patents-in-suit invalid. Purdue has appealed that decision. The trial against Impax is scheduled for June 2010. In November 2009, the case against Impax was stayed with the consent of all parties. In September and October 2009, respectively, Purdue filed suits against Paddock Laboratories, Inc. (Paddock) and Cipher Pharmaceuticals Inc. (Cipher) on its Tramadol ER formulation patents.

In January 2010, Purdue filed a suit against Lupin Ltd. (Lupin) on its Tramadol ER formulation patents.

In September 2009, Centocor Ortho Biotech Products, L.P. (COBI, LP) intervened in an inventorship dispute between Kansas University Center for Research (KUCR) involving certain U.S. government-owned VELCADE ® formulation patents. KUCR brought

this action against the U.S. government in the District of Kansas seeking to add two Kansas University scientists to the patents. The U.S. government licensed the patents (and their foreign counterparts) to Millennium Pharmaceuticals, Inc., who in turn sublicensed the patents (and their foreign counterparts) to COBI,LP for commercial marketing outside the U.S. If KUCR succeeds in its co-inventorship claim and establishes co-ownership in the U.S. VELCADE ® formulation patents, we anticipate that KUCR will initiate actions to establish co-inventorship and co-ownership with respect to the foreign counterpart patents in the countries where COBI, LP has commercial marketing rights. If KUCR in Kansas is successful, this may adversely affect COBI, LP's license rights in those countries.

AVERAGE WHOLESALE PRICE (AWP) LITIGATION

Johnson & Johnson and several of 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. Many 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.

The MDL Court identified classes of Massachusetts-only private insurers providing "Medi-gap" insurance coverage and private payers for physician-administered drugs where payments were based on AWP ("Class 2" and "Class 3"), and a national class of individuals who made co-payments for physician-administered drugs covered by Medicare ("Class 1"). A trial of the two Massachusetts-only class actions concluded before the MDL Court in December 2006. In June 2007, the MDL Court issued post-trial rulings, dismissing the Johnson & Johnson defendants from the case regarding all claims of Classes 2 and 3, and subsequently of Class 1 as well. Plaintiffs appealed the Class 1 judgment and, in September 2009, the Court of Appeals vacated the judgment and remanded for further proceedings in the District Court. AWP cases brought by various Attorneys General have proceeded to trial against other manufacturers. One state case against certain of the Company's subsidiaries has been set for trial in late 2010, and other state cases are likely to be set for trial thereafter.

OTHER

In July 2003, Centocor (now COBI), a Johnson & Johnson subsidiary, 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 have responded to these requests for documents and information.

In December 2003, Ortho-McNeil (now OMJPI) received a subpoena from the U.S. Attorney's Office in Boston, Massachusetts seeking documents relating to the marketing, including alleged off-label marketing, of the drug TOPAMAX ® (topiramate). Additional subpoenas for documents have been received, and current and former employees have testified before a grand jury. Discussions are underway in an effort to resolve this matter, but whether agreement can be reached and on what terms is uncertain.

In January 2004, Janssen (now OMJPI) received a subpoena from the Office of the Inspector General of the U.S. 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 ® (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 ® was received from the U.S. Attorney's Office for the Eastern District of Pennsylvania in November 2005. Subpoenas seeking testimony from various witnesses before a grand jury have also been received. Janssen is cooperating in responding to ongoing requests for documents and witnesses. The government is continuing to actively investigate this matter. In February 2010, the government served Civil Investigative Demands seeking additional information relating to sales and marketing of RISPERDAL ® and sales and marketing of INVEGA ® .

In September 2004, Ortho Biotech Inc. (Ortho Biotech) (now COBI), received a subpoena from the U.S. Office of Inspector General's Denver, Colorado field office seeking documents directed to the sales and marketing of PROCRIT ® (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 (now COBI) has responded to the subpoena.

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 Court denied plaintiffs' class certification motion in December 2006 and their motion for reconsideration in April 2007. Plaintiffs sought to appeal these decisions and, in April 2008, the Court of Appeals ruled that plaintiffs' appeal of the denial of class certification was untimely. In July 2009, plaintiffs filed a motion for certification of a modified class, which the Company is opposing. Plaintiffs are engaged in further discovery of individual plaintiffs' claims. The hearing on plaintiffs' motion for class certification is scheduled for July 2010.

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. This investigation was resolved by DePuy and the four other leading suppliers of hip and knee implants in late September 2007 by agreements with the U.S. Attorney's Office for the District of New Jersey. The settlements included an 18-month Deferred Prosecution Agreement (DPA), acceptance by each company of a monitor to assure compliance with the DPA and, with respect to four of the five companies, payment of settlement monies and entry into five year Corporate Integrity Agreements. DePuy paid $85 million as its settlement. The term of the Monitor-ship under the Deferred Prosecution Agreement concluded on March 27, 2009, and an order dismissing all charges was entered on March 30, 2009.

In November 2007, the Attorney General of the Commonwealth of Massachusetts issued a Civil Investigative Demand to DePuy seeking information regarding financial relationships between a number of Massachusetts-based orthopedic surgeons and providers and DePuy. DePuy is responding to Massachusetts' additional requests.

In July 2005, Scios Inc. (Scios), a Johnson & Johnson subsidiary, received a subpoena from the U.S. Attorney's Office, District of Massachusetts, seeking documents related to the sales and marketing of NATRECOR ®. Scios responded to the subpoena. In early August 2005, Scios was advised that the investigation would be handled by the U.S. Attorney's Office for the Northern District of California in San Francisco. Additional requests for documents have been received and responded to and former Scios employees have testified before a grand jury in San Francisco. The qui tam complaints were unsealed on February 19, 2009. The U.S. government has intervened in one of the qui tam actions, and filed a complaint against Scios and the Company in June 2009. Scios and Johnson & Johnson have filed a motion to dismiss the qui tam complaint filed by the government, and that motion was denied. The criminal investigation is continuing and discussions are underway in an effort to settle this matter. Whether a settlement can be reached and on what terms is uncertain.

In September 2005, the Company received a subpoena from the U.S. 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 responded to the subpoena. Several employees of the Company's pharmaceutical subsidiaries have been subpoenaed to testify before a grand jury in connection with this investigation. In April 2009, the Company was served with the complaints in two civil qui tam cases related to

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marketing of prescription drugs to Omnicare, Inc. On January 15, 2010, the government filed a complaint intervening in the cases. The complaint asserts claims under the federal False Claims Act and a related state law claim in connection with the marketing of several drugs to Omnicare.

In November 2005, Amgen Inc. (Amgen) filed suit against Hoffmann-LaRoche, Inc. (Roche) in the U.S. District Court for the District of Massachusetts seeking a declaration that the Roche product CERA, which Roche has indicated it would seek to introduce into the United States, infringes a number of Amgen patents concerning EPO. Amgen licenses EPO for sale in the United States to Ortho Biotech (now COBI) for non-dialysis indications. Trial in this action concluded in October 2007 with a verdict in Amgen's favor, finding the patents valid and infringed. The judge issued a preliminary injunction blocking the CERA launch, and subsequently made the injunction permanent. The Federal Circuit upheld the entry of a permanent injunction. This matter has been settled pursuant to an agreement between the parties.

In February 2006, the Company received a subpoena from the U.S. Securities & Exchange Commission (SEC) requesting documents relating to the participation by several Johnson & Johnson subsidiaries in the United Nations Iraq Oil for Food Program. The subsidiaries are cooperating with the SEC and U.S. Department of Justice (DOJ) in producing responsive documents.

In February 2007, the Company voluntarily disclosed to the DOJ and the SEC that subsidiaries outside the United States are believed to have made improper payments in connection with the sale of medical devices in two small-market countries, which payments may fall within the jurisdiction of the Foreign Corrupt Practices Act (FCPA). In the course of continuing dialogues with the agencies, other issues potentially rising to the level of FCPA violations in additional markets have been brought to the attention of the agencies by the Company. The Company has provided and will continue to provide additional information to the DOJ and SEC, and will cooperate with the agencies' reviews of these matters. Law enforcement agencies of a number of other countries are also pursuing investigations of matters voluntarily disclosed by the Company to the DOJ and SEC. Discussions are underway in an effort to resolve these matters, and the Iraq Oil for Food matter referenced above, but whether agreement can be reached and on what terms is uncertain.

In March 2007, the Company received separate subpoenas from the U.S. Attorney's Office in Philadelphia, the U.S. Attorney's Office in Boston and the U.S. Attorney's Office in San Francisco. The subpoenas relate to investigations by these three offices referenced above concerning, respectively, sales and marketing of RISPERDAL ® by Janssen (now OMJPI), TOPAMAX ® by Ortho-McNeil (now OMJPI) and NATRECOR ® by Scios. The subpoenas request information regarding the Company's corporate supervision and oversight of these three subsidiaries, including their sales and marketing of these drugs. The Company responded to these requests. In addition, the U.S. Attorney's Office in Boston has issued subpoenas for grand jury testimony to several employees of Johnson & Johnson.

In May 2007, the New York State Attorney General issued a subpoena seeking information relating to the marketing and safety of PROCRIT ® . The Company is responding to these requests.

In April 2007, the Company received two subpoenas from the Office of the Attorney General of the State of Delaware. The subpoenas seek documents and information relating to nominal pricing agreements. For purposes of the subpoenas, nominal pricing agreements are defined as agreements under which the Company agreed to provide a pharmaceutical product for less than ten percent of the Average Manufacturer Price for the product. The Company responded to these requests.

In January 2008, the European Commission ("EC") began an industry-wide antitrust inquiry concerning competitive conditions within the pharmaceutical sector. Because this is a sector inquiry, it is not based on any specific allegation that the Company has violated EC competition law. The inquiry began with unannounced raids of a substantial number of pharmaceutical companies throughout Europe, including Johnson & Johnson affiliates. In March 2008, the EC issued detailed questionnaires to approximately 100 companies, including Johnson & Johnson affiliates. In November 2008, the EC issued a preliminary report summarizing its findings. The final report was issued on July 8, 2009.

In March 2008, the Company received a letter request from the Attorney General of the State of Michigan. The request seeks documents and information relating to nominal price transactions. The Company responded to the request and will cooperate with the inquiry.

In June 2008, the Company received a subpoena from the United States Attorney's Office for the District of Massachusetts relating to the marketing of biliary stents by the Company's Cordis subsidiary. Cordis is cooperating in responding to the subpoena.

In September 2008, Multilan AG (Multilan), an indirect subsidiary of Schering-Plough Corporation, commenced arbitration against Janssen Pharmaceutica NV for an alleged wrongful termination of an agreement relating to payments in connection with termination of certain marketing rights. Multilan seeks declaratory relief, specific performance and damages. This case was recently settled and a charge was recorded to other income (expense), net, in the fiscal fourth quarter of 2009.

In February 2009, Basilea Pharmaceutica AG (Basilea) brought an arbitration against the Company and various affiliates alleging that the Company breached the 2005 License Agreement for cefto-biprole by, among other things, failing to secure FDA approval of the cSSSI (skin) indication and allegedly failing to properly develop the pneumonia indication. Basilea is seeking to recover damages and a declaration that the Company materially breached the agreement. This matter has been scheduled for an

arbitration hearing commencing in June 2010 followed by post-trial submissions.

In April 2009, the Company received a HIPPA subpoena from the U.S. Attorney's Office for the District of Massachusetts (Boston) seeking information regarding the Company's financial relationship with several psychiatrists. The Company is responding to this request.

In April 2009, Ortho-Clinical Diagnostics, Inc. (OCD) received a grand jury subpoena from the U.S. Department of Justice, Antitrust Division, requesting documents and information for the period beginning September 1, 2000 through the present, pertaining to an investigation of alleged violations of the antitrust laws in the blood reagents industry. The Company is in the process of complying with the subpoena. In the weeks following the public announcement that OCD had received a subpoena from the Antitrust Division, multiple class action complaints were filed. The various cases were consolidated for pre-trial purposes in the Eastern District of Pennsylvania.

In May 2009, the New Jersey Attorney General issued a subpoena to DePuy Orthopaedics, Inc., seeking information regarding the financial interest of clinical investigators who performed clinical studies for DePuy Orthopaedics, Inc. and DePuy Spine, Inc. The Company is responding to these requests.

In May 2009, COBI commenced an arbitration proceeding before the American Arbitration Association against Schering-Plough Corporation and its subsidiary Schering-Plough (Ireland) Company (collectively, Schering-Plough). COBI and Schering-Plough are parties to a series of agreements (the Distribution

JOHNSON & JOHNSON
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Agreements) that grant Schering-Plough the exclusive right to distribute the drugs REMICADE ® and SIMPONI™ worldwide, except within the United States, Japan, Taiwan, Indonesia, and the People's Republic of China (including Hong Kong) (the "Territory"). COBI distributes REMICADE ® and SIMPONI™, the next generation treatment, within the United States. In the arbitration, COBI seeks a declaration that the agreement and merger between Merck & Co., Inc. (Merck) and Schering-Plough constitutes a change of control under the terms of the Distribution Agreements that permits COBI to terminate the Agreements. The termination of the Distribution Agreements would return to COBI the right to distribute REMICADE ® and SIMPONI™ within the Territory. Schering-Plough has filed a response to COBI's arbitration demand that denies that it has undergone a change of control. The arbitrators have been selected and the matter will be proceeding to arbitration in late September 2010.

In December 2009, the State of Israel (Sheba Medical Center) filed a lawsuit against three Omrix entities. In the lawsuit, the State claimed that an employee of a government-owned hospital was the inventor on several patents related to fibrin glue technology, that he developed while he was a government employee. The State claims that he had no right to transfer any intellectual property to Omrix because it belongs to the State. The State is seeking damages plus royalty on QUIXIL™ and EVICEL™ or, alternatively, transfer of the patents to the State.

In recent years the Company has received numerous requests from a variety of United States Congressional Committees to produce information relevant to ongoing congressional inquiries. It is the Company's policy to cooperate with these inquiries by producing the requested information.

With respect to all the above matters, the Company and its subsidiaries are vigorously contesting the allegations asserted against them and otherwise pursuing defenses to maximize the prospect of success. The Company and its subsidiaries involved in these matters continually evaluate their strategies in managing these matters and, where appropriate, pursue settlements and other resolutions where those are in the best interest of the Company.

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 accrued in the Company's balance sheet, is not expected to have a material adverse effect on the Company's financial condition, 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.

22. Restructuring

In the fourth quarter of 2009, the Company announced global restructuring initiatives designed to strengthen the Company's position as one of the world's leading global health care companies. This program will allow the Company to invest in new growth platforms; ensure the successful launch of its many new products and continued growth of its core businesses; and provide flexibility to adjust to the changed and evolving global environment.

During the fiscal fourth quarter of 2009, the Company recorded $1.2 billion in related pre-tax charges of which, approximately $830 million of the pre-tax restructuring charges are expected to require cash payments. The $1.2 billion of restructuring charges consists of severance costs of $748 million, asset write-offs of $362 million and $76 million related to leasehold and contract obligations. The $362 million of asset write-offs relate to inventory of $113 million (recorded in cost of products sold), property, plant and equipment of $107 million, intangible assets of $81 million and other assets of $61 million. Additionally, as part of this program the Company plans to eliminate approximately 7,500 positions of which approximately 700 have been eliminated since the restructuring was announced.

The following table summarizes the severance charges and the associated spending for the fiscal year ended 2009:

(Dollars in Millions)	Severance	Asset Write-Offs	Other	Total
2009 restructuring charge	$ 748	362	76	1,186
Current year activity	(62)	(149)	(28)	(239)
Reserve balance, January 3, 2010*	$ 686	213	48	947

* *Cash outlays for severance are expected to be substantially paid out over the next 12 to 18 months in accordance with the Company's plans and local laws.*

For additional information on the restructuring as it relates to the segments, see Note 18.

In the third quarter of 2007, the Company announced restructuring initiatives in an effort to improve its overall cost structure. This action was taken to offset the anticipated negative impacts associated with generic competition in the Pharmaceutical segment and challenges in the drug-eluting stent market. The Company's Pharmaceuticals segment has reduced its cost base by consolidating certain operations, while continuing to invest in recently launched products and its late-stage pipeline of new products. The Cordis franchise has moved to a more integrated business model to address the market changes underway with drug-eluting stents and to better serve the broad spectrum of its patients' cardiovascular needs, while reducing its cost base. The

Company accelerated steps to standardize and streamline certain aspects of its enterprise-wide functions such as human resources, finance and information technology to support growth across the business, while also leveraging its scale more effectively in areas such as procurement to benefit its operating companies. Additionally, as part of this program the Company eliminated approximately 4,600 positions.

The Company recorded $745 million in related pre-tax charges during the fiscal third quarter of 2007, of which, approximately $500 million of the pre-tax restructuring charges required cash payments. The $745 million of restructuring charges consists of severance costs of $450 million, asset write-offs of $272 million and $23 million related to leasehold obligations. The $272 million of asset write-offs relate to property, plant and equipment of $166 million, intangible assets of $48 million and other assets of $58 million. The restructuring initiative announced in 2007 has been completed.

23. Subsequent Events

On January 20, 2010, the Company completed the acquisition of Acclarent Inc. for a net purchase price of approximately $785 million. Acclarent Inc. is a medical technology company dedicated to designing, developing and commercializing devices that address conditions affecting the ear, nose and throat.

The Company has performed an evaluation of subsequent events through March 1, 2010, the date the Company issued these financial statements.

Report of Independent Registered Public Accounting Firm

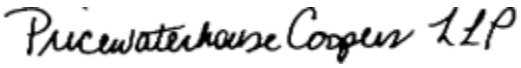
To the Shareholders and Board of Directors of Johnson & Johnson:

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 its subsidiaries ("the Company") at January 3, 2010 and December 28, 2008, and the results of their operations and their cash flows for each of the three years in the period ended January 3, 2010 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 3, 2010, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying, "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the Consolidated Financial Statements, the Company changed the manner in which it accounts for business combinations in 2009.

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.



New York, New York
March 1, 2010

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.

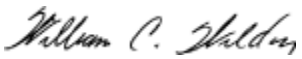
Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance as to the reliability of the Company's financial reporting and the preparation of external 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 3, 2010. 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 3, 2010, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of January 3, 2010 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which appears herein.



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

Dominic J. Caruso
Vice President, Finance, and
Chief Financial Officer

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Summary of Operations and Statistical Data 1999-2009

(Dollars in Millions Except Per Share Figures)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Sales to customer — U.S.	$ 30,889	32,309	32,444	29,775	28,377	27,770	25,274	22,455	19,825	17,316	15,532
Sales to customer— International	31,008	31,438	28,651	23,549	22,137	19,578	16,588	13,843	12,492	11,856	11,825
Total sales	61,897	63,747	61,095	53,324	50,514	47,348	41,862	36,298	32,317	29,172	27,357
Cost of products sold	18,447	18,511	17,751	15,057	14,010	13,474	12,231	10,498	9,622	8,987	8,559
Selling, marketing and administrative expenses	19,801	21,490	20,451	17,433	17,211	16,174	14,463	12,520	11,510	10,675	10,182
Research expense	6,986	7,577	7,680	7,125	6,462	5,344	4,834	4,094	3,704	3,186	2,821
Purchased in-process research and development	—	181	807	559	362	18	918	189	105	66	—
Interest income	(90)	(361)	(452)	(829)	(487)	(195)	(177)	(256)	(456)	(429)	(266)
Interest expense, net of portion capitalized	451	435	296	63	54	187	207	160	153	204	255
Other (income) expense, net	(526)	(1,015)	534	(671)	(214)	15	(385)	294	185	(94)	119
Restructuring	1,073	—	745	—	—	—	—	—	—	—	—
	46,142	46,818	47,812	38,737	37,398	35,017	32,091	27,499	24,823	22,595	21,670
Earnings before provision for taxes on income	15,755	16,929	13,283	14,587	13,116	12,331	9,771	8,799	7,494	6,577	5,687
Provision for taxes on income	3,489	3,980	2,707	3,534	3,056	4,151	2,923	2,522	2,089	1,813	1,554
Net earnings	12,266	12,949	10,576	11,053	10,060	8,180	6,848	6,277	5,405	4,764	4,133
Percent of sales to customers	19.8	20.3	17.3	20.7	19.9	17.3	16.4	17.3	16.7	16.3	15.1
Diluted net earnings per share of common stock	$ 4.40	4.57	3.63	3.73	3.35	2.74	2.29	2.06	1.75	1.55	1.34
Percent return on average shareholders' equity	26.4	30.2	25.6	28.3	28.2	27.3	27.1	26.4	24.0	25.3	26.0
Percent increase (decrease) over previous year:											
Sales to customers	(2.9)	4.3	14.6	5.6	6.7	13.1	15.3	12.3	10.8	6.6	14.9
Diluted net earnings per share	(3.7)	25.9	(2.7)	11.3	22.3	19.7	11.2	17.7	12.9	15.7	34.0
Supplementary expense data:											
Cost of materials and services [1]	$ 27,651	29,346	27,967	22,912	22,328	21,053	18,568	16,540	15,333	14,113	13,922
Total employment costs	14,587	14,523	14,571	13,444	12,364	11,581	10,542	8,942	8,153	7,376	6,727
Depreciation and amortization	2,774	2,832	2,777	2,177	2,093	2,124	1,869	1,662	1,605	1,592	1,510
Maintenance and repairs [2]	567	583	483	506	510	462	395	360	372	327	322
Total tax expense [3]	5,052	5,558	4,177	4,857	4,285	5,215	3,890	3,325	2,854	2,517	2,221
Supplementary balance sheet data:											
Property, plant and equipment, net	14,759	14,365	14,185	13,044	10,830	10,436	9,846	8,710	7,719	7,409	7,155
Additions to property, plant and equipment	2,365	3,066	2,942	2,666	2,632	2,175	2,262	2,099	1,731	1,689	1,822
Total assets	94,682	84,912	80,954	70,556	58,864	54,039	48,858	40,984	38,771	34,435	31,163
Long-term debt	8,223	8,120	7,074	2,014	2,017	2,565	2,955	2,022	2,217	3,163	3,429
Operating cash flow	16,571	14,972	15,022	14,248	11,799	11,089	10,571	8,135	8,781	6,889	5,913
Common stock information											
Dividends paid per share	$ 1.930	1.795	1.620	1.455	1.275	1.095	0.925	0.795	0.700	0.620	0.550
Shareholders' equity per share	$ 18.37	15.35	15.25	13.59	13.01	10.95	9.25	7.79	8.05	6.82	5.73
Market price per share (year-end close)	$ 64.41	58.56	67.38	66.02	60.10	63.42	50.62	53.11	59.86	52.53	46.63
Average shares outstanding (millions) — basic	2,759.5	2,802.5	2,882.9	2,936.4	2,973.9	2,968.4	2,968.1	2,998.3	3,033.8	2,993.5	2,978.2
— diluted	2,789.1	2,835.6	2,910.7	2,961.0	3,002.8	2,992.7	2,995.1	3,049.1	3,089.3	3,075.2	3,090.4
Employees (thousands)	115.5	118.7	119.2	122.2	115.6	109.9	110.6	108.3	101.8	100.9	99.8

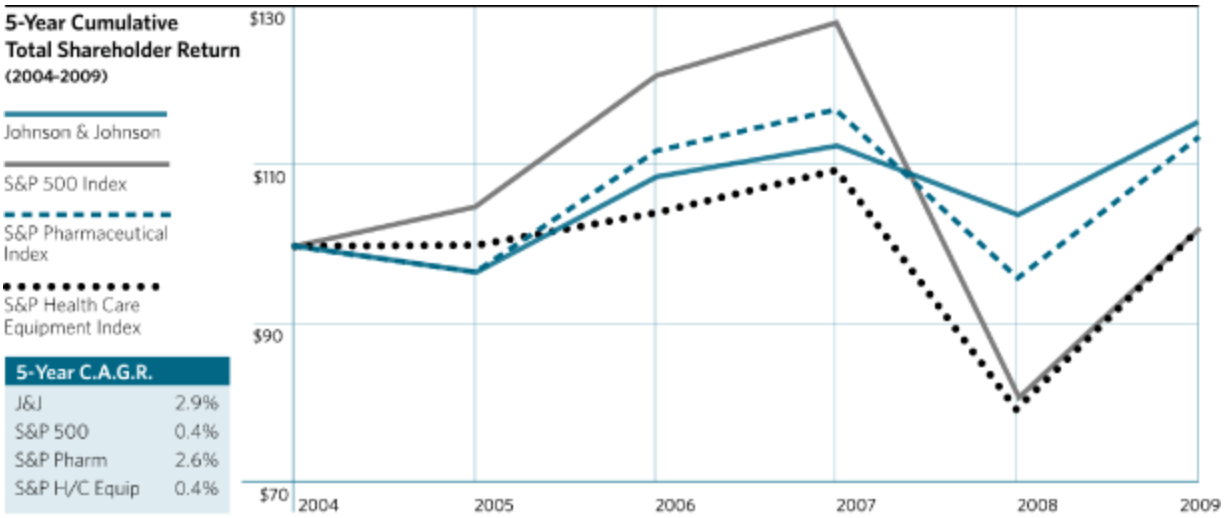
(1) Net of interest and other income.

(2) Also included in cost of materials and services category.

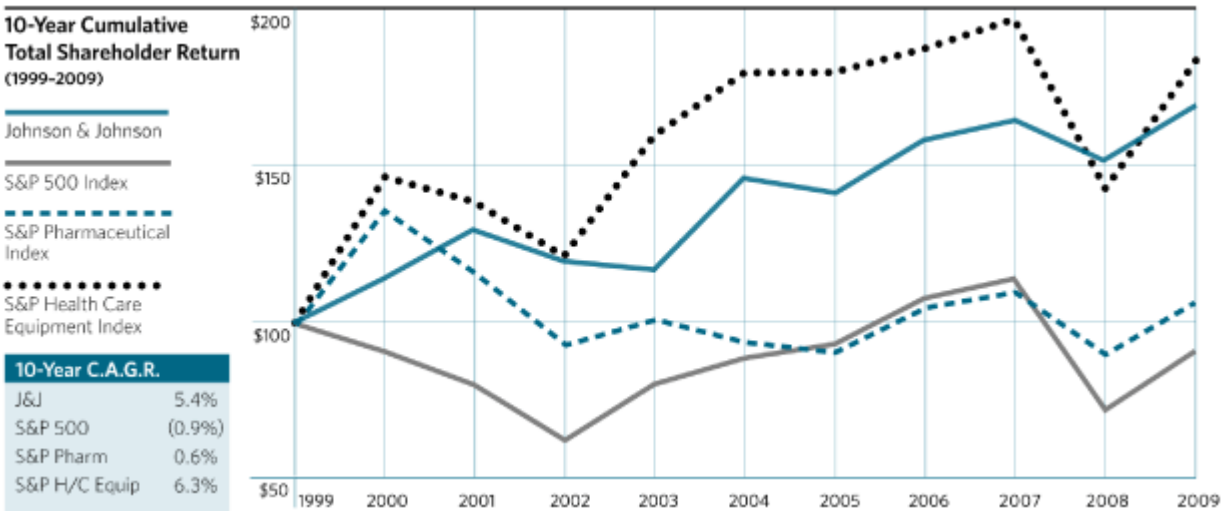
(3) Includes taxes on income, payroll, property and other business taxes.

Shareholder Return Performance Graphs

Set forth below are line graphs comparing the cumulative total shareholder return on the Company's Common Stock for periods of five years and ten years ending December 31, 2009, against the cumulative total return of the Standard & Poor's 500 Stock Index, the Standard & Poor's Pharmaceutical Index and the Standard & Poor's Health Care Equipment Index. The graphs and tables assume that $100 was invested on December 31, 2004 and December 31,1999 in each of the Company's Common Stock, the Standard & Poor's 500 Stock Index, the Standard & Poor's Pharmaceutical Index and the Standard & Poor's Health Care Equipment Index and that all dividends were reinvested.



	2004	2005	2006	2007	2008	2009
Johnson & Johnson	$100.00	96.64	108.67	112.59	103.84	115.55
S&P 500 Index	$100.00	104.91	121.48	128.15	80.74	102.11
S&P Pharmaceutical Index	$100.00	96.64	111.96	117.17	95.85	113.68
S&P Health Care Equipment Index	$100.00	100.05	104.18	109.52	79.25	102.06



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Johnson & Johnson	$100.00	114.20	130.20	119.94	117.41	146.95	142.02	159.69	165.46	152.60	169.81
S&P 500 Index	$100.00	90.92	80.11	62.41	80.31	89.04	93.42	108.17	114.11	71.89	90.92
S&P Pharmaceutical Index	$100.00	136.20	116.39	93.07	101.23	93.71	90.56	104.92	109.80	89.82	106.54
S&P Health Care Equipment Index	$100.00	146.64	139.21	121.61	160.57	180.84	180.93	188.39	198.06	143.31	184.56

SHAREHOLDER RETURN PERFORMANCE GRAPHS

EXHIBIT 21

SUBSIDIARIES

Johnson & Johnson, a New Jersey corporation, had the domestic and international subsidiaries shown below as of January 3, 2010. 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
Advanced Technologies and Regenerative Medicine, LLC	Delaware
ALZA Corporation	Delaware
ALZA Development Corporation	California
ALZA Land Management, Inc.	Delaware
Animas Corporation	Delaware
Biosense Webster, Inc.	California
Centocor Biologics, LLC	Pennsylvania
Centocor Ortho Biotech Inc.	Pennsylvania
Centocor Ortho Biotech Products, L.P.	New Jersey
Centocor Ortho Biotech Services LLC	New Jersey
Centocor Research & Development, Inc.	Pennsylvania
CNA Development LLC	Delaware
Codman & Shurtleff, Inc.	New Jersey
Conor Medsystems, LLC	Delaware
Cordis Corporation	Florida
Cordis International Corporation	Delaware
Cordis LLC	Delaware
Cougar Biotechnology, Inc.	Delaware
Crescendo Pharmaceuticals Corporation	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 Pharmaceutical Supply Group, LLC	Pennsylvania
GUH Corporation	Delaware
Hand Innovations LLC	Delaware
HealthMedia, Inc.	Michigan
Human Performance Institute, Inc.	Florida
Innovational Holdings, LLC	Delaware
ISO Holding Corp.	Delaware
J&J Holdings (Nevada), Inc.	Nevada

Name of Subsidiary	Jurisdiction of Organization
Janssen Alzheimer Immunotherapy Research & Development, LLC	Delaware
Janssen Ortho LLC	Delaware
JJHC, LLC	Delaware
JNJ International Investment LLC	Delaware
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 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
JOM Pharmaceutical Services, Inc.	Delaware
LifeScan, Inc.	California
LifeScan LLC	Delaware
LifeScan Products, LLC	Delaware
LuMend, Inc.	Delaware
McNeil Consumer Healthcare Latin America LLC	Delaware
McNeil Healthcare LLC	Delaware
McNeil LA LLC	Delaware
McNeil Nutritionals, LLC	Delaware
McNEIL-PPC, Inc.	New Jersey
Mentor Minnesota Inc.	Delaware
Mentor Texas L.P.	Delaware
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 Holding LLC	Delaware
Ortho-Clinical Diagnostics, Inc.	New York
Ortho-McNeil Finance Co.	Florida
Ortho-McNeil-Janssen Pharmaceuticals, Inc.	Pennsylvania
Patriot Pharmaceuticals, LLC	Pennsylvania
Rutan Realty LLC	New Jersey
Scios Inc.	Delaware
SurgRx, Inc.	Delaware
TERAMed Corporation	Delaware
Therakos, Inc.	Florida

Name of Subsidiary	Jurisdiction of Organization
Therapeutic Discovery Corporation	Delaware
The Tylenol Company	New Jersey
TransForm Pharmaceuticals, Inc.	Delaware
Veridex, LLC	Delaware
International Subsidiaries:	
Alza Ireland Limited	Ireland
Apsis S.A.S.	France
Beijing Dabao Cosmetics Co., Ltd.	China
Biosense Webster (Israel) Ltd.	Israel
Centocor Biologics (Ireland)	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
Cilag Pharmaceuticals GmbH	Switzerland
Cordis Cashel	Ireland
Cordis de Mexico, S.A. de C.V.	Mexico
Cordis Europa N.V.	Netherlands
Cordis Medizinische Apparate GmbH	Germany
DePuy Ace Sarl	Switzerland
DePuy France S.A.S.	France
DePuy International Limited	United Kingdom
DePuy International (Holdings) Limited	United Kingdom
DePuy (Ireland)	Ireland
DePuy Mitek Sarl	Switzerland
DePuy Motion Sarl	Switzerland
DePuy Orthopadie GmbH	Germany
DePuy Spine Sarl	Switzerland
DePuy UK Holdings Limited	United Kingdom
EES Holdings de Mexico, S. de R. L. de C. V.	Mexico
Ethicon Ireland	Ireland
Ethicon PR Holdings	Ireland
Ethicon Sarl	Switzerland
Ethicon SAS	France
Ethicon Women's Health & Urology Sarl	Switzerland
Ethnor del Istmo S.A.	Panama
FMS Future Medical System SA	Switzerland
Gloster Europe SAS	France
GMED Health Care Limited	Ireland
High Wycombe Property Management Limited	United Kingdom
Janssen Alzheimer Immunotherapy	Ireland
Janssen Alzheimer Immunotherapy (Holding) Limited	Ireland
Janssen-Cilag AB	Sweden
Janssen-Cilag A/S	Denmark
Janssen-Cilag AG	Switzerland
Janssen-Cilag B.V.	Netherlands

Name of Subsidiary	Jurisdiction of Organization
Janssen-Cilag de Mexico S de R.L. de C.V.	Mexico
Janssen-Cilag Farmaceutica, Lda.	Portugal
Janssen-Cilag Farmaceutica Ltda.	Brazil
Janssen-Cilag GmbH	Germany
Janssen-Cilag Ltd.	Thailand
Janssen-Cilag Limited	United Kingdom
Janssen-Cilag NV	Belgium
Janssen-Cilag OY	Finland
Janssen-Cilag Pharmaceutical S.A.C.I.	Greece
Janssen-Cilag Pharma GmbH	Austria
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-Cilag s.r.o	Czech Republic
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	Ireland
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 Consumer France SAS	France
Johnson & Johnson Consumer Healthcare S.r.l.	Italy
Johnson & Johnson Consumer Services EAME Ltd.	United Kingdom
Johnson & Johnson de Argentina S.A.C.e I.	Argentina
Johnson & Johnson de Colombia S.A.	Colombia
Johnson & Johnson de Mexico, S.A. de C.V.	Mexico
Johnson & Johnson del Ecuador S.A.	Ecuador
Johnson & Johnson del Peru S.A.	Peru
Johnson & Johnson do Brasil Industria E Comercio de Produtos Para Saude Ltda.	Brazil
Johnson & Johnson European Treasury Company	Ireland
Johnson & Johnson Finance Limited	United Kingdom
Johnson & Johnson Financial Services GmbH	Germany
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 Hemisferica S.A.	Puerto Rico
Johnson & Johnson Holding GmbH	Germany
Johnson & Johnson (Hong Kong) Limited	Hong Kong

Name of Subsidiary	Jurisdiction of Organization
Johnson & Johnson Inc.	Canada
Johnson & Johnson Industrial Ltda.	Brazil
Johnson & Johnson International Financial Services Company	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 Limited	United Kingdom
Johnson & Johnson LLC	Russia
Johnson & Johnson Luxembourg Finance Company Sarl	Luxembourg
Johnson & Johnson Management Limited	United Kingdom
Johnson & Johnson Medical B.V.	Netherlands
Johnson & Johnson Medical (China) Ltd.	China
Johnson & Johnson Medical GmbH	Germany
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 NV	Belgium
Johnson & Johnson Medical Products GmbH	Austria
Johnson & Johnson Medical (Pty) Limited	South Africa
Johnson & Johnson Medical Pty Ltd.	Australia
Johnson & Johnson Medical (Shanghai) Ltd.	China
Johnson & Johnson Medical S.p.A.	Italy
Johnson & Johnson Medical (Suzhou) Ltd.	China
Johnson & Johnson (New Zealand) Limited	New Zealand
Johnson & Johnson Nordic AB	Sweden
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, Prodaja medicinskih in farmacevtskih izdelkov, d.o.o	Slovenia
Johnson & Johnson (Proprietary) Limited	South Africa
Johnson & Johnson Pte. Ltd.	Singapore
Johnson & Johnson Pty. Limited	Australia
Johnson & Johnson S.A.	Spain
Johnson & Johnson SDN. BHD.	Malaysia
Johnson & Johnson S.E. d.o.o.	Croatia
Johnson & Johnson S.p.A	Italy
Johnson & Johnson, s.r.o.	Czech Republic
Johnson & Johnson, s.r.o.	Slovakia
Johnson & Johnson Swiss Finance Company Limited	United Kingdom
Johnson & Johnson Taiwan Ltd.	Taiwan
Johnson & Johnson (Thailand) Ltd.	Thailand
Johnson & Johnson Vision Care (Ireland)	Ireland
Laboratoires Polive S.N.C.	France
Laboratoires Vendome SAS	France

Name of Subsidiary	Jurisdiction of Organization
Latam International Investment Company	Ireland
Latam Properties Holdings	Ireland
Lifescan Canada Ltd.	Canada
Lifescan Scotland Limited	United Kingdom
McNeil AB	Sweden
McNeil Consumer Healthcare GmbH	Germany
McNeil Consumer Healthcare, S.L.	Spain
McNeil Denmark ApS	Denmark
McNeil Esbjerg ApS	Denmark
McNeil GmbH & Co. oHG	Germany
McNeil Healthcare (UK) Limited	United Kingdom
McNeil Limited	United Kingdom
McNeil Manufacturing Pty Ltd	Australia
McNeil Products Limited	United Kingdom
McNeil Sante Grand Public, S.A.S.	France
McNeil SAS	France
McNeil Sweden AB	Sweden
Medos International Sarl	Switzerland
Medos Sarl	Switzerland
Mentor Medical Systems C.V.	Netherlands
OBTECH Medical Sarl	Switzerland
OMJ Ireland	Ireland
OMJ Manufacturing	Ireland
OMJ PR Holdings	Ireland
Omrix Biopharmaceuticals Ltd.	Israel
Omrix Biopharmaceuticals S.A.	Belgium
Ortho-Clinical Diagnostics	United Kingdom
Ortho-Clinical Diagnostics GmbH	Germany
Ortho-Clinical Diagnostics K.K.	Japan
Ortho-Clinical Diagnostics NV	Belgium
Ortho-Clinical Diagnostics S.A.S.	France
P.T. Johnson & Johnson Indonesia	Indonesia
Perouse Plastie SAS	France
Shanghai Johnson & Johnson Pharmaceuticals, Ltd.	China
Tasmanian Alkaloids Pty. Ltd.	Australia
Tibotec Pharmaceuticals	Ireland
Tibotec-Virco Comm. VA	Belgium
Tibotec-Virco Virology BVBA	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. 333-163857, 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, 333-00391, 33-59009, 33-52252, 33-40295, 33-40294, 33-32875) and Form S-3 (No. 333-149632, 333-67020, 333-91349) of Johnson & Johnson of our report dated March 1, 2010 relating to the financial statements 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 March 1, 2010 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

New York, New York
March 1, 2010

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 3, 2010 (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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-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 most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) 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(s) 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: February 17, 2010

EXHIBIT 31(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Dominic J. Caruso, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended January 3, 2010 (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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-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 most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) 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(s) 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/ DOMINIC J. CARUSO

Dominic J. Caruso
Chief Financial Officer

Date: February 17, 2010

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 3, 2010 (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: February 17, 2010

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, as amended, or otherwise subject to the liability of that section.

EXHIBIT 32(b)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

The undersigned, Dominic J. Caruso, 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 3, 2010 (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/ DOMINIC J. CARUSO

Dominic J. Caruso
Chief Financial Officer

Dated: February 17, 2010

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, as amended, or otherwise subject to the liability of that section.

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 such as "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 does not undertake 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;

Changes in the behavior and spending patterns of purchasers of health care products and services, including delaying medical procedures, rationing prescription medications, reducing the frequency of physician visits and foregoing health care insurance coverage, as a result of a prolonged global economic downturn.

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 international 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, environmental protection, 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 internationally, 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 international 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;

The potential impact of climate change concerns on the design, manufacturing, marketing and sale of health care products; and

Issuance of new or revised accounting standards by the Financial Accounting Standards Board and the Securities and Exchange Commission.

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.