

Johnson & Johnson

PASSION, PERFORMANCE, POSSIBILITIES



2006 Sustainability Report

OUR CREDO

We believe our first responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services. In meeting their needs everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customers' orders must be serviced promptly and accurately.

Our suppliers and distributors must have an opportunity to make a fair profit.

We are responsible to our employees, the men and women who work with us throughout the world. Everyone must be considered as an individual. We must respect their dignity and recognize their merit. They must have a sense of security in their jobs. Compensation must be fair and adequate, and working conditions clean, orderly and safe. We must be mindful of ways to help our employees fulfill their family responsibilities. Employees must feel free to make suggestions and complaints. There must be equal opportunity for employment, development and advancement for those qualified. We must provide competent management, and their actions must be just and ethical.

We are responsible to the communities in which we live and work and to the world community as well. We must be good citizens – support good works and charities and bear our fair share of taxes. We must encourage civic improvements and better health and education. We must maintain in good order the property we are privileged to use, protecting the environment and natural resources.

Our final responsibility is to our stockholders. Business must make a sound profit.

We must experiment with new ideas. Research must be carried on, innovative programs developed and mistakes paid for. New equipment must be purchased, new facilities provided and new products launched. Reserves must be created to provide for adverse times. When we operate according to these principles, the stockholders should realize a fair return.

Johnson & Johnson

2006 SUSTAINABILITY REPORT

Johnson & Johnson has prepared this report to discuss its environmental, health, safety, social and economic programs and performance during 2006. Topics were selected based on stakeholder interest and with consideration of the Global Reporting Initiative's 2006 Sustainability Reporting Guidelines (G3 Guidelines). At the end of this report is a keyword index, with references to G3 indicators. For further information on the Global Reporting Initiative, please visit www.globalreporting.org.

T A B L E O F C O N T E N T S



About the Company

At Johnson & Johnson, our strategy, products and operations reflect our commitment to be a sustainable business.

Business Practices

Building upon Our Credo, we've developed practices and programs that embody the integrity of the company.

Community

We partner with others in the community to make a positive difference in people's lives.

Workplace

Treating employees with respect and fairness strengthens the Company.

Environment

Protecting the health of our planet goes hand-in-hand with improving the health of people everywhere.

Recognitions, Data and Index

We highlight external recognition, awards, our performance data, and a keyword index to make it easier to find the information you need.

For additional information on Johnson & Johnson programs and performance, visit our website at www.jnj.com.

We invite your feedback on this report by emailing us at: csr@corus.jnj.com.



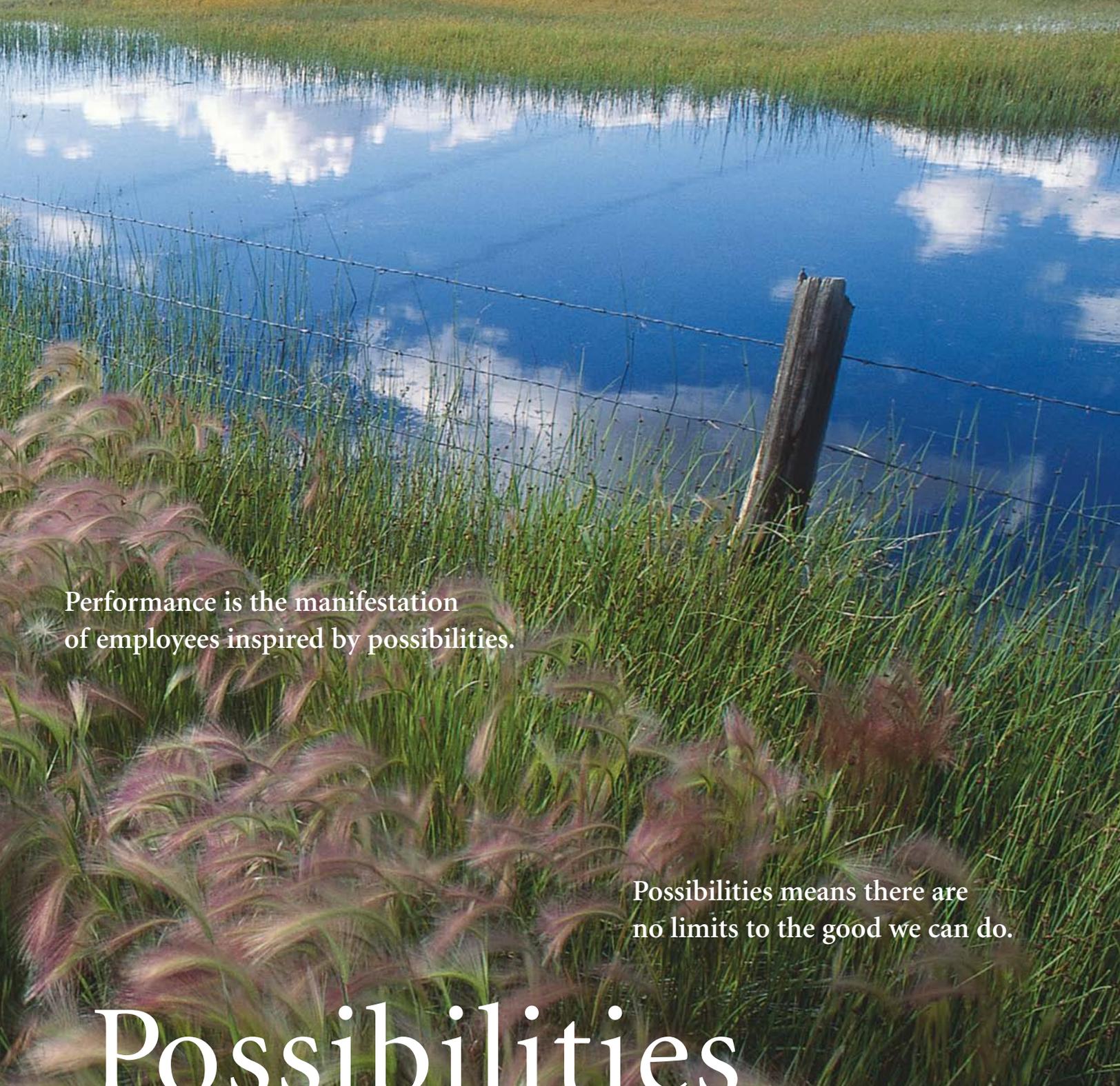
Passion

Passion transforms a good company
into a high-performance organization.

Performance

Our 2006 performance included a number of key successes:

- Received approval for our first antiretroviral medicine to fight HIV/AIDS.
- Revised and improved *Standards for Responsible External Manufacturing*.
- Expanded our supplier diversity program outside the United States.
- Improved employee health regarding tobacco use, blood pressure, cholesterol and physical activity.
- Significantly expanded access to Employee Assistance Programs.
- Joined the North America Forest & Trade Network and issued *Forest Products Purchasing Guidelines*.
- Deployed new Healthy Planet 2010 sustainability goals.



Performance is the manifestation
of employees inspired by possibilities.

Possibilities means there are
no limits to the good we can do.

Possibilities

We are always searching for new opportunities to meet Our Credo responsibilities:

- Embedding the Company's Credo values into new business acquisitions.
- Understanding and addressing stakeholder concerns in our pursuit of new technologies and innovations.
- Encouraging innovation through the protection of intellectual property rights.
- Addressing the risks that counterfeit products pose to our patients and consumers.
- Extending our standards for ethical behavior, product quality and social responsibility to our external manufacturers.
- Enhancing access to our products as well as needed patient care and support.
- Meeting aggressive environmental footprint goals while the Company continues to grow.

With deep appreciation for the contribution of our employees, I am pleased to present the 2006 Sustainability Report for Johnson & Johnson.

This report describes our commitment to social and environmental responsibility, which is at the core of our company's history, culture and business strategy. This 2006 Sustainability Report provides details on how we fulfill our responsibilities to patients, customers, employees, communities and shareholders. Our Credo, written more than 60 years ago (see inside front cover), articulates these responsibilities and inspires us to make a positive difference in the world. Johnson & Johnson is a diverse and dynamic company, operated in a decentralized manner. Our Credo unifies and guides all our businesses throughout the world.

Looking ahead, we face several key issues within our business sectors, such as improving access to health care, preserving intellectual property rights, and sustaining our innovation in research and development. Other important issues apply to us and industry in general, including the practice of good governance, finding solutions to address climate change, and assuring responsible practices with suppliers. These key issues present both challenges and opportunities, as shown throughout this report. We look to the 122,200 Johnson & Johnson employees who embody Our Credo in their work each and every day to meet these challenges and transform them into opportunities that sustain our leadership and growth.

Employee development and empowerment are critical to a sustainable future. Our philosophy of decentralized management around the world allows employees to grow, develop and assume more responsibility, creating extraordinary leaders in our business sectors. It is the character and values of our people that make this organization successful year after year. Across more than 175 countries, our employees discover, develop, manufacture and deliver health care products that meet the needs of a growing world.



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

We interact with a diverse group of stakeholders daily. Internal and external partnerships allow us to do more than we could on our own. Through these partnerships, we are able to leverage our talents and capabilities to help low-income families in the United States find affordable medicine, prevent mother-to-child transmission of HIV/AIDS in Africa, expand the use of clean solar power, and participate in a variety of other initiatives that help create a healthier world.

In the midst of a dynamic business environment with evolving challenges and opportunities, Our Credo commitment is steadfast. We continue to serve our customers, employees, communities and shareholders with passion...a passion that transforms and promotes a healthier and sustainable world.

A handwritten signature in black ink that reads "William C. Weldon". The signature is written in a cursive, slightly slanted style.

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



PASSION, PERFORMANCE, POSSIBILITIES

Delivering Shareholder Value

Johnson & Johnson is the world's most comprehensive and broadly based manufacturer of health care products, as well as a provider of related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. Our 200 operating companies produce thousands of products for our customers, who range from individuals and medical professionals to hospitals, clinics and other health care facilities. Headquartered in New Brunswick, New Jersey, Johnson & Johnson, through its family of operating companies, employs about 122,200 people in 57 countries around the world. Our products are sold in over 175 countries, resulting in total sales of \$53.3 billion for 2006, an increase of 5.6 percent over 2005.



We define sustainable growth as achieving economic vitality

Our three business segments are:

CONSUMER – Major product lines include skin and hair care, sanitary protection, wound care, oral care, baby care and non-prescription drugs. Some familiar brand names are JOHNSON’S®, BAND-AID® Brand, NEUTROGENA®, SPLENDA® and MOTRIN®.

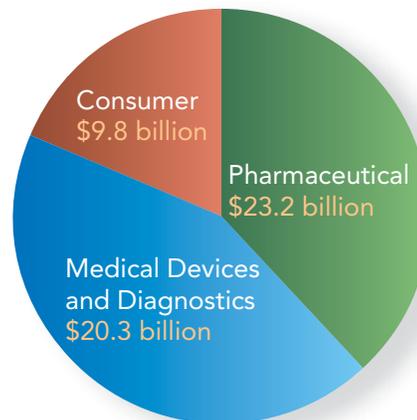
PHARMACEUTICAL – Some of the products developed by our operating companies include medicines for family planning, psychiatry, gastroenterology, oncology, immunotherapy, cardiovascular disease, pain management and dermatology. Well-known brands include PROCRIT®, LEVAQUIN®, RISPERDAL® and REMICADE®.

MEDICAL DEVICES AND DIAGNOSTICS – This business segment produces surgical implants, endoscopic instruments, needles and sutures, blood glucose monitoring systems, contact lenses and orthopaedic products. Some familiar products are CYPHER® stents, ACUVUE® contact lenses and OneTouch® blood glucose meters.

Each business within the Johnson & Johnson Family of Companies has a high degree of independence. Our decentralized management philosophy seeks to foster growth and innovation. Corporate functions — such as health and safety, environmental affairs, quality and health care compliance — provide governance, standards, guidance and support to our operating facilities around the world.

Much of the Company’s success lies in its ability to diversify. We have steadily pursued new opportunities to provide improved products and services to our customers. We were able to expand the Consumer division in 2006, with the purchase of Pfizer Consumer Healthcare. This addition to the Johnson & Johnson family allows us to enter new markets and invigorates our range of products.

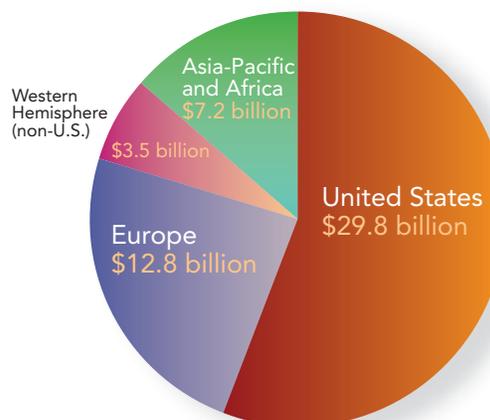
2006 SALES BY BUSINESS SEGMENT



PERCENT INCREASE FROM 2005

CONSUMER	7.5%
PHARMACEUTICAL	4.2%
MEDICAL DEVICES AND DIAGNOSTICS	6.2%

2006 SALES BY REGION



The Company has issued dividends to shareowners every quarter since 1944.

Dividends have been raised each year for 44 consecutive years.

The Company has more than 179,000 registered shareowners.

Sales have increased each year for 74 consecutive years.

The Company has had earnings increases for 23 consecutive years.

while promoting social equity and environmental protection.

OUR STRATEGIC DIRECTION

With the support and approval of the Board of Directors, executive management of the Johnson & Johnson Family of Companies has set the fundamental strategic direction of the Company. Our Strategic Principles provide a succinct statement of this direction:

BROADLY BASED – We will remain a broadly based human health care company for the consumer, pharmaceutical and medical device and diagnostics markets. Strategic planning is guided by the ethical principles embodied in Our Credo.

DECENTRALIZED MANAGEMENT – With over 200 operating companies located in 57 countries throughout the world, Johnson & Johnson is organized on the principle of decentralized management. Each international company is (with some exceptions) managed by citizens of the country where it is located. Senior management groups at U.S. and international operating companies are each responsible for their own strategic and business plans. Throughout the year, Company

management and Directors discuss the strategic direction and major developments of the various businesses in which the Company is engaged. The process is an interactive, ongoing dialogue that provides the Directors with insight into the activities and direction of the Company's businesses.

MANAGE FOR THE LONG TERM – 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.

SHARED CREDO VALUES – Unifying the management team and the Company's dedicated employees in achieving its business objectives is the Johnson & Johnson Credo. The Credo provides a common set of values and serves as a constant reminder of the Company's responsibilities to its customers, employees, communities and shareholders.

ENGAGING WITH STAKEHOLDERS

The Johnson & Johnson Family of Companies is committed to meeting the needs of our key stakeholders. Through open and honest dialogue, we are actively engaged with our customers and consumers, employees, the communities in which we live and work, and our stockholders.

We use a full range of methods to communicate with stakeholders, from formal publications, such as this report, to feedback mechanisms, face-to-face dialogue and informal discussions. We listen to our customers, health care professionals and the consumers who use our products, so we can better serve their needs. We partner with environmental organizations to help preserve ecologically important areas and conserve natural resources. We work with governments, industry and academia to share expertise and best practices. And we work with local communities to ensure the Company's operations reflect our commitment to corporate citizenship.

More than 400 new products were launched in our Consumer business in 2006.

Johnson & Johnson is one of only five industrial companies with a Triple A credit rating.

Johnson & Johnson was ranked 32nd on the 2006 *FORTUNE* 500.

Forty percent of our 2006 sales in the Medical Devices and Diagnostics segment were derived from products launched in the last five years.



PASSION, PERFORMANCE, POSSIBILITIES

Aligning Our Practices with Our Principles

Johnson & Johnson is governed by the values set forth in Our Credo, created in 1943. The Credo recognizes our responsibility to four groups of stakeholders — customers, employees, communities and shareholders. These values have set the tone of integrity for the entire Company for many years. By living our principles, Johnson & Johnson has built a corporate reputation of which we are proud.

GOVERNING AND LEADING THE CORPORATION

The employees, officers and Directors of the Johnson & Johnson Families of Companies are committed to the ethical principles embodied in Our Credo. While we believe that ethics and integrity cannot be legislated or mandated by directive or policy, the Company adopted *Principles of Corporate Governance* in 2006 and reaffirmed its belief that the ethical character, integrity and values of our Directors and senior management remain the most important safeguards of corporate governance at Johnson & Johnson. We believe that good corporate governance results from sound processes that ensure our Directors are well supported by accurate and timely information, sufficient resources, and unrestricted access to management.

The business judgment of the Board of Directors must be exercised independently and in the long-term interests of our shareholders.

ACCOUNTING We maintain a strong system of internal accounting controls, encourage strong and effective corporate governance from our Board of Directors, continuously review our business results and strategic choices, and focus on financial stewardship. A corporate staff of internal auditors travels worldwide to monitor our internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions and events are properly recorded. PricewaterhouseCoopers LLP, the Company's independent auditor of financial statements, maintains an understanding

of our internal controls and conducts independent verification of our accounting practices. The Company also has an Audit Committee of the Board of Directors. The Committee is composed solely of independent Directors who have the financial knowledge and experience to provide appropriate oversight.

BOARD OF DIRECTORS It is our goal that at least two-thirds of our Directors be “independent,” as that term is defined by the New York Stock Exchange, and that they also be without any direct or indirect material relationship with the Company. Our *Principles of Corporate Governance* establish Director qualifications. The Johnson & Johnson Board of Directors is currently made up of 13 individuals, 10 of whom are independent under the standards of the New York Stock Exchange. The independent, non-employee members of the Board meet in executive session, without any members of Johnson & Johnson management present, at least four times each year. Directors have full and free access to officers and employees of the Company.

CONDUCTING BUSINESS ETHICALLY

The Johnson & Johnson *Policy on Business Conduct* governs our business practices around the world. Translated into many languages, our senior managers certify annually that their organizations are familiar with and comply with the policy (see below for key topics covered). The policy requires employees to promptly report information concerning any prohibited or unlawful act, without fear of reprisal. We provide an anonymous hotline and the option to mail complaints directly to our headquarters in New Jersey. We also provide a separate hotline in the United States for our vendors, distributors, contractors and agents acting on behalf of the Corporation. All of these hotlines are available 24 hours a day, seven days a week, and calls are answered by multi-lingual staff. All reports are fully investigated and appropriate actions are taken in a timely manner. Assessing compliance with the policy is part of the Company’s internal audit program.

PREPARING FOR BUSINESS INTERRUPTIONS

Johnson & Johnson is committed to ensuring that our people, facilities and products remain safe and secure, and that the ability to serve our customers remains uninterrupted. Business continuity planning (BCP) is used to maintain a state of preparedness in anticipation of natural or man-made events that could result in business interruptions. Johnson & Johnson operating companies have site-specific plans that address both short-term and long-term strategies

for resuming operations after a disaster. These plans have three basic elements: the initial emergency response; critical incident management within the initial hours after an incident; and longer-term operations recovery.

Although originally designed to handle worst-case catastrophic events, our BCP plans have proven invaluable in less severe situations, such as network outages, computer viruses, bomb threats, power losses, adverse situations related to public health, and serious disruptions to the supply chain.

PROTECTING ANIMAL WELFARE

We view the ethical and humane treatment of animals required for scientific investigation to be both a moral and regulatory responsibility. Our *Policy on the Humane Care and Use of Animals for Laboratory Research* encourages the conservation of animal resources, promotes the use of alternative testing whenever possible, and emphasizes humane treatment. We fully respect the legislation in place in Europe that calls for replacement of animal testing for cosmetic products and their raw materials, and we help fund a cross-industry initiative researching alternatives to such testing. All of our facilities meet or exceed international regulations governing laboratory animal care and use.

Johnson & Johnson companies support a number of organizations that are committed to promoting alternative testing, using the fewest number of animals possible and enhancing animal use environments. These include the American College of Laboratory Animal Medicine, the Center for Alternatives to Animal Testing (part of Johns Hopkins University), the European Biomedical Research Association, the Institute for In Vitro Sciences, the International Council for Laboratory Animal Science and the Scientists Center for Animal Welfare.

CONDUCTING CLINICAL TRIALS

In addition to discovery science, Johnson & Johnson companies engage in clinical research, as candidate medicines come closer to market. Clinical trials performed by our Pharmaceutical Group abide by the *Policy for the Registration and Reporting of Results of Johnson & Johnson Pharmaceutical Company Sponsored Clinical Studies* adopted in January 2005. This policy outlines the Company’s expectations related to disclosure of information about clinical studies sponsored by our pharmaceutical companies. It is intended for physicians, clinical research scientists and all others within Johnson & Johnson pharmaceutical companies who are

KEY ELEMENTS OF THE POLICY ON BUSINESS CONDUCT:

- Conflict of interest
- Compliance
- Antitrust
- Environmental laws and regulations
- Health care compliance
- Employment and labor laws
- Political activities and contributions
- Trade secrets



RESEARCHING FOR THE FUTURE From theory to therapy, discovery to commercialization, our business is rooted in science and technology. These disciplines drive the Company’s leadership in new products and ways to serve humanity; spur continued growth and innovation; and encourage collaboration across our pharmaceutical, medical devices, diagnostics and consumer businesses. Our ambition in this area is guided by our ethical principles. The Company welcomes new technologies as a key way to speed discoveries and enhance health and health care. At the same time, we are mindful of varying perspectives on the issues and seek to engage stakeholder representatives.

ADVANCING TECHNOLOGY

NANOTECHNOLOGY: For Johnson & Johnson, nanotechnology offers the potential to develop improved medicines, medical devices and personal care products. Several of our companies are evaluating uses of nano-sized materials and processes. A few of our companies are using nanoparticles, such as titanium dioxide and zinc oxide, in sunscreen products, because these ingredients provide broader protection against ultraviolet radiation, helping prevent sun damage that may lead to skin cancer.

The safety of our products is our highest priority. To address potential concerns surrounding nanotechnology, we participate in scientific forums, monitor regulatory developments, research environmental impacts, investigate product safety and develop protective industrial hygiene protocols for working with nanoparticles.

responsible for the medical aspects of pharmaceutical clinical research. The guidelines and responsibilities contained within this policy reinforce and extend those provided by our *Ethical Code for the Conduct of Pharmaceutical Medicine* (www.investor.jnj.com/ethics.cfm). The code highlights various points of responsibility:

- Placing the well-being of the patient first and ensuring that the best interests of patients and physicians who use our products receive utmost consideration
- Ensuring access to our products in the communities where we develop them
- Applying Credo-based values and judgment to the design, conduct, analysis and interpretation of clinical studies and results
- Adhering to the principles of good clinical practice
- Ensuring all Company-based, medically relevant product information is fair, balanced, accurate and comprehensive, to enable well-informed risk/benefit assessments about our products
- Understanding different cultural values and adapting our behaviors in keeping with our ethical principles
- Challenging each other regarding medical and ethical concerns

ENCOURAGING INNOVATION THROUGH INTELLECTUAL PROPERTY RIGHTS

The operating companies of Johnson & Johnson are research-based businesses that rely heavily on the U.S. patent system and its counterpart systems around the world. In the past two years alone, Johnson & Johnson invested more than \$10 billion in R&D. The inventions resulting from our research are reflected in the filing of 2,893 U.S. patent applications during this period. Johnson & Johnson companies have been awarded over 900 (U.S.) patents in the last two years, and now hold nearly 52,000 patents worldwide (including 8,200 in the United States).

As the manufacturer and marketer of thousands of products, the freedom to make and sell products in view of the patents of others is always a concern of Johnson & Johnson operating companies. We routinely review hundreds of patents during product development, make appropriate design changes to avoid the patents of others and/or obtain appropriate licenses or legal opinions prior to launching our products. Nonetheless, Johnson & Johnson companies do from time to time become involved in patent litigation, finding themselves to be defendants about as often as they are plaintiffs. Most of these litigations involve competitors or would-be competitors, although some involve non-manufacturing patentees.

Patents are critical to maintain innovation in the pharmaceutical and biotechnology industries. In these businesses, it takes 8 to 10 years or more, and hundreds of millions of dollars, to develop, test and obtain approvals for a single product. No company wants to commit this magnitude of investment to the development of a new product only to later find that the patent is invalid or unenforceable. Patent protection weighs heavily on business planners when deciding whether to go forward with the investment needed to develop a potentially promising new drug.

Johnson & Johnson supports a patent system that fairly rewards those who contribute to society through the invention and development of new and useful products and processes. A fair, efficient and reliable patent system will continue to stimulate the investment in innovation that is necessary in today’s technologically complex world to create the new products and processes that will lead to better lives for people around the world.

ENSURING PRODUCT QUALITY

Our goal of global quality and compliance is embedded in every aspect of our business. Various tools such as Six Sigma, Predictive Indicator and Design Excellence are important

BIOTECHNOLOGY: As one of the world's preeminent sources of biopharmaceutical medicines, Johnson & Johnson companies search for ways to use cutting-edge knowledge in biotechnology to discover and develop innovative large and small molecule medicines. Partnering is a key part of this research and business strategy. Our pharmaceutical group is committed to collaborating with others, developing long-term partnerships that leverage each company's strengths and bringing significant advances to patients and physicians worldwide.

STEM CELL RESEARCH: Human stem cells — immature cells with the potential to give rise in the laboratory to virtually any cell type — offer many opportunities for advances in medicine. As a research tool, stem cells promise to expand understanding of diseases, and normal body processes such as cell growth, differentiation and cell death, leading to new ways to prevent, diagnose and treat a wide variety of disorders. Stem cells also offer the potential of restoring health to patients with diseases characterized by a functional loss of normal cells. Among these are diabetes, Parkinson's, Alzheimer's, Huntington's disease, amyotrophic lateral sclerosis, muscular dystrophy, heart disease and many other disorders.

In recognition of the potential importance of stem cells in fundamental research and in the development of innovative therapies for patients, we have established the Johnson & Johnson Committee on Human Stem Cell Research to assure that the highest scientific and ethical standards are maintained in all research programs involving such cells. The Committee's membership includes representatives from Corporate Law, Corporate Communications, the Corporate Office of Science and Technology, senior leaders in research and development (R&D) from around the Company, and external experts in bioethics and health care. The Corporate Vice President for Science and Technology chairs the Committee.

elements of our operating culture, and are essential to producing quality products. Through their use, we are able to identify the various factors that affect product quality, effectiveness and patient safety — and then achieve positive outcomes in these areas through robust product design and manufacture.

Our meticulous attention to these quality practices is extended into the marketplace. Through our worldwide network of health care professionals, we gain customer feedback that is used to further ensure the safety of our companies' products and to improve products and processes for our customers.

Johnson & Johnson company employees are an integral part of our commitment to the delivery of quality products. The Company has designed a variety of global training programs to help our employees become experts in their content field and to properly equip them with the necessary tools to be effective quality and business leaders. In addition, we maintain open dialogue with health authorities, various standard-setting bodies and professional organizations worldwide to help assure that the Company's quality systems are maintained and improved.

DRUG SAFETY Johnson & Johnson is committed to the patients we serve and to putting their safety first. This responsibility is a prominent aspect of our business values. Benefit Risk Management (BRM) is the central safety department within our pharmaceutical business. The mission of BRM is to ensure that the right patients are getting the correct therapies to improve or maintain their health. BRM is a global organization that is responsible for the benefit-risk assessment of all marketed Johnson & Johnson pharmaceutical and some consumer products, including more than 160 active ingredients, as well as products in the R&D pipeline.

COUNTERFEITING Johnson & Johnson takes the matter of counterfeiting seriously. In order to effectively address this important product quality issue, the Company has taken various steps to ensure the safety and well-being of our patients and consumers. These actions include the use of state-of-the-art anti-counterfeiting technology in product packaging; policies that ensure that wholesalers and distributors of our products obtain them directly from the Company; and means of product verification for our customers. Moreover, the Company utilizes a counterfeit product action plan in the event it is determined that a counterfeit product has been identified. Through this plan, the Company's Worldwide Security department facilitates a number of actions, including a thorough investigation to identify the distributor(s) and manufacturing site.

PARTNERING WITH EXTERNAL MANUFACTURERS

The use of external manufacturing partners is a vital part of our supply chain strategy across the Johnson & Johnson Family of Companies. In addition to doing their own manufacturing, our operating companies also rely on other firms to produce finished goods and active pharmaceutical ingredients on their behalf. Because we hold ourselves to high standards of ethical behavior, product quality and social responsibility, we want to do business with like-minded external manufacturing partners.

During the past two years, Johnson & Johnson used a stakeholder engagement process to develop *Standards for Responsible External Manufacturing*. We benchmarked with peer companies and companies from other industries that have had significant experience managing contract or external manufacturers. We talked to some of our external manufacturers and visited a number of them to gain their perspectives and understand their challenges. The standards ultimately endorsed by senior management marked our

decision to seek relationships with external manufacturers who share a common commitment to:

- comply with applicable legal requirements,
- behave ethically and with integrity,
- integrate quality into business processes,
- treat people with dignity and respect,
- promote the safety, health and well-being of employees,
- operate in an environmentally responsible manner, and
- implement management systems to ensure ongoing performance and continual improvement.

These seven guiding principles are the basis of our *Standards for Responsible External Manufacturing*. They will help us select partners who operate in a manner consistent with our values, and they will help our external manufacturing partners understand our expectations. When followed, we believe businesses and communities will realize economic, social and environmental benefits. During 2006, we shared our standards with 95 percent of our external manufacturers.

ASSESSMENT OF EXTERNAL MANUFACTURERS Our operating companies will continue to assess external manufacturers for conformance to our expectations. In 2006, a number of new assessment tools were developed (see sidebar below). These were piloted at external manufacturers in eight different countries (Brazil, China, Greece, India, Mexico, Poland, Portugal and the United States) and across all Johnson & Johnson business segments. Additionally, we have implemented tools and processes to share information about our external manufacturers more effectively across our Family of Companies.

2007 AND BEYOND It's our goal that all Johnson & Johnson external manufacturers be in conformance with our new standards by 2010. We anticipate some challenges, possibly brought on by the different cultures where we operate or the possible lack of capability to meet our standards. We may need to help build capability in some regions or give direct assistance to some partners. Johnson & Johnson believes communities and societies are better served when we first work to improve non-conforming external manufacturing partners as opposed to abandoning them.

COMMUNICATING WITH OUR PATIENTS/CONSUMERS

Our operating companies are committed to continually developing communications that are both trustworthy and useful for patients through their efforts in Direct-to-Patient/Consumer (DTP/C) education. We have articulated a specific framework for communication about prescription medicines, treatments and/or therapies directly to patients and consumers. The principles outlined by our Pharmaceutical and Medical Devices and Diagnostics groups are grounded on the ideals that DTP/C communication about prescription medicines, treatments and therapies can benefit public health by increasing awareness about diseases and conditions; educating patients about treatment options; and motivating patients to contact their physicians and engage in dialogue about health concerns, increasing the likelihood that patients will receive appropriate care for conditions that are frequently under-diagnosed and under-treated.

Our pharmaceutical operating companies have guidelines to maximize the benefits to society of direct-to-consumer advertising. Some of these are:

- Spend at least six months educating health professionals about a new medicine or a major new therapeutic indication before commencing the first DTC advertising campaign.
- Include information about the availability of other options such as diet and lifestyle changes where appropriate for the advertised condition, as part of DTC advertising.
- Include information in all DTC communications, where feasible, about help for the uninsured and underinsured.

Some of the principles followed at our Medical Devices and Diagnostics operating companies are:

- DTP education that mentions a brand name or specific therapy (e.g., drug-eluting stents) for a restricted medical device must include a brief statement of the intended uses of the device and relevant warnings, precautions, side effects and contraindications.
- DTP education should be supported by additional and easily available information providing greater levels of information about the underlying condition and the available therapy options.
- DTP education on television and in print, which presents the post-recovery activities of patients treated with device solutions, should use representations that are consistent with the experience of the typical patient.

External Manufacturer Assessment Tools

<p>"Eyes Always Open"</p>	<p>Helps every Johnson & Johnson company employee visiting an external manufacturer to be alert for certain behaviors/conditions that might signal a deviation from our standards.</p>
<p>External Manufacturer Self Assessment Questionnaire</p>	<p>Helps the external manufacturer conduct its own assessment of conformance with our standards.</p>
<p>External Manufacturer Audit Checklist</p>	<p>For use during third-party on-site assessment of an external manufacturer. Covers Ethics & Business Conduct, Labor & Employment, Employee Health & Safety and Environmental Protection with more than 130 checkpoints against our standards.</p>



In order to meet these principles and expectations, the Company is providing patient information that is consumer-friendly, clear and concise. Currently, our companies are incorporating these approaches through an assortment of consumer vehicles, including websites.

Various online resources, such as Topamax.com, aciphex.com and ultram-er.com, provide visitors with a user-friendly experience. They incorporate useful tools for patients to identify if they are sufferers of the condition, and provide basic lifestyle treatments and resources to enhance patient discussions with their physician. These online resources serve as effective forums through which individuals and communities of patients can become better educated about their health.

COMPLYING WITH FAIR MARKETING PRACTICES

As manufacturers of diversified health care products, Johnson & Johnson companies conduct a wide range of research, medical education, marketing and selling activities. Each of these activities is affected by a variety of legal and ethical standards. Compliance with these standards protects doctors, nurses and the patients who use our products.

To reinforce our commitment to compliance and to address the expansion of laws that regulate the marketing and promotion of reimbursable health care products, Johnson & Johnson developed a series of *Health Care Regulatory Guidance Documents for Promotional and Marketing Practices*. These guidelines help our companies comply with fraud/abuse laws and handle customer transactions and relationships appropriately.

Patient care is our business. We must ensure that decisions made on patients' behalf are guided by objective medical knowledge and experience and are free of improper influence. The Company's guidelines are intended to limit even the appearance of improper influence.

We recognize that not all companies with which we compete will adhere to the same standards. Nevertheless, we strive to maintain a competitive position in the

market while assuring our own conduct conforms. Johnson & Johnson trains its employees that competitors' practices do not justify a deviation from our guidelines.

Our guidelines can be found in the Policies section of our website at www.jnj.com.

CONTRIBUTING TO POLITICAL CAMPAIGNS

We encourage the development of sound public policy so that we can better serve doctors, nurses and patients, our employees and our communities. To do so, we support those candidates seeking elected public office who recognize the importance of medical innovation in improving lives. However, we do not expect every candidate to agree with our position all the time.

While U.S. law prohibits corporations from making political contributions to federal candidates, companies can establish political action committees that are funded solely through voluntary employee contributions. Since 1972, Johnson & Johnson has provided limited administrative support to the Johnson & Johnson Employees' Good Government Fund, our employee Political Action Committee (PAC) in the United States.

This Fund offers eligible employees a direct means to voluntarily participate in shaping sound public policy and voicing views on issues related to our businesses. It operates in accordance with all relevant state and federal laws. A list of our annual political contributions is available in the Investor section of our website at www.jnj.com.

An advisory committee comprised of employees who are PAC participants assists the company's Government Affairs and Policy department in selecting candidates, committees and referenda to support. As part of its oversight role in government affairs and policy, the Public Policy Advisory Committee of the Johnson & Johnson Board of Directors also annually reviews the Company's political contribution policies and practices.



PASSION, PERFORMANCE, POSSIBILITIES

Addressing Community Needs

Our Credo responsibility to communities is the foundation for our charitable contributions and much more. As a health care company, we recognize that we must do our part to address society's needs in those areas where we are particularly well equipped to help. By adding our resources to those of others, in service of the social good, we are helping to improve lives around the world.

PROVIDING ACCESS TO MEDICINES AND HEALTH CARE

Johnson & Johnson and its operating companies are addressing public health concerns and making a positive difference in the lives of people all over the world by promoting greater access to medicines and health care. We believe all people should have access to high quality health care in a system that is both affordable and provides incentives for innovation that improves patients' lives. Health care coverage should be available to everyone, principally through a market-based system, but also by making it easier for limited-income individuals to access public and private coverage. Johnson & Johnson is increasing access by serving as a catalyst for innovative

programs and initiatives, building collaborative and community partnerships, and working with stakeholders to support sound public policy and legislation that protects our patients. A few of our access programs are described here.

PATIENT ASSISTANCE PROGRAMS The U.S. pharmaceutical and biotechnology companies of the Johnson & Johnson Family of Companies have a number of ways to assist patients who do not have prescription drug coverage. We have been helping low income individuals through Patient Assistance Programs for more than 16 years. In 2006, prescription medicine was donated to 230,959 patients and 1,447,932 prescriptions were provided.

PARTNERSHIP FOR PRESCRIPTION ASSISTANCE In 2005, we announced our participation in the Partnership for Prescription Assistance (PPA), the largest private-sector program to help U.S. patients who lack prescription coverage. PPA offers a single point of access to more than 475 public and private patient assistance programs. PPA has provided medicines to nearly three million Americans nationwide.

TOGETHER RX ACCESS™ CARD Through the Together Rx Access™ Card, uninsured people who meet certain eligibility criteria receive savings of 25 to 40 percent on more than 275 brand name prescription drugs and other prescription products. This includes most of the prescription medicines made by the Johnson & Johnson U.S. operating companies. In addition, patients are eligible to get savings on blood glucose meters and test strips from LifeScan, Inc. A wide range of generic drugs is also available through the program.

HEALTH CARE COALITION FOR THE UNINSURED Most of the largest health care organizations in the U.S., including Johnson & Johnson, are working to significantly expand health coverage for America's almost 47 million uninsured, starting with expanded coverage for children in 2007. Calling itself the Health Coverage Coalition for the Uninsured, the group is made up of 16 influential, national organizations that have played leading roles in every federal health policy debate of the last 30 years, often on opposing sides. Participants have agreed to work through their policy differences and come together to promote access to needed health care coverage for uninsured Americans.

ACCESS TO HIV MEDICINES TREATMENT Our subsidiary, Tibotec Pharmaceuticals Ltd., received approval this year for PREZISTA™ (darunavir), its first antiretroviral medicine to fight HIV/AIDS. The company has already established a Global Access Program to enhance access to our HIV medicines in more than 100 middle income and lower income countries of the world. In addition, Tibotec is working to create a voluntary license of its patent to enhance access in least developed countries (LDCs) including the countries of sub-Saharan Africa. In 2004, Tibotec granted a royalty-free license to the International Partnership for Microbicides to develop, manufacture, and distribute an antiretroviral as a microbicide in resource-poor countries to prevent sexual transmission of the HIV virus.



The company is also committed to provide early access, when appropriate, through both clinical trials and Expanded Access Programs. Assistance will be available for those in critical need who do not meet the recruitment criteria for ongoing trials. Tibotec will work to ensure that clinical trials and Expanded Access Programs operate in a consistent manner country-to-country and that trial participants continue to have access to a successful therapy after the conclusion of a trial.

COMMUNITY PARTNERSHIPS In many parts of the world, routine access to quality health care presents ongoing challenges stemming from a lack of available educational and training resources for health care professionals. Without such resources, patients receive sub-optimal care and limited information on preventing and treating diseases. Johnson & Johnson supports innovative efforts, such as those highlighted below, that help increase access to care in medically underserved communities around the world:

West Africa – Trauma is a major health care problem and one of the leading causes of death in West Africa. Johnson & Johnson partnered with International Aid and the West African College of Surgeons to open the Ghana Surgical Skills Training Center at Korle bu Hospital in Accra in 2005. Their Advanced Trauma Operative Management course, the first in West Africa, has now trained nearly two dozen top trauma surgeons in the region,

enhancing access to care for many thousands of patients.

Argentina – Johnson & Johnson provided funding to help the Francisco Muniz Hospital for Infectious Diseases address patient complications from HIV respiratory diseases, bronchiolitis and tuberculosis. Francisco Muniz's staff of 12 doctors and 10 nurses provides essential care and support for 120 children visiting the hospital each month.

FIGHTING THE HIV/AIDS EPIDEMIC

We recognize the unparalleled global challenge posed by the HIV/AIDS epidemic and our responsibility to contribute to the international response to this disease. While we are humbled by the extent of this pandemic and recognize that no single company or coalition can address all aspects of HIV/AIDS, we believe we can make a meaningful contribution and are committed to doing so. As a company with HIV/AIDS

Left: Johnson & Johnson supports Kick Start in Nairobi, Kenya, which promotes economic growth by developing and marketing technologies for use by local entrepreneurs, such as these farmers, to run small-scale businesses. Above: With Johnson & Johnson support, Medical Mission Sisters in Nairobi provides home-based care for people affected by HIV/AIDS and related illnesses.

Supporting Charitable Organizations

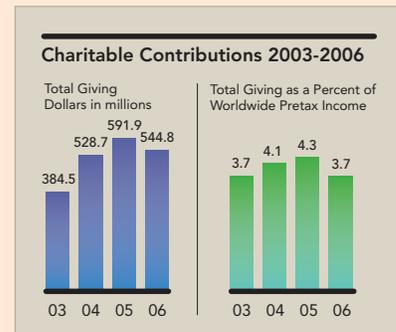
For over a century, Johnson & Johnson has made social responsibility one of its highest priorities. Our corporate contributions program is a vital part of the way we conduct business. It reaffirms Our Credo commitment to the communities in which we live and work.

The Corporate Contributions Committee, which includes some of the highest-level executives in our organization, seeks to involve a broad range of Johnson & Johnson employees in the many programs we support.

Our philanthropic planning assesses the needs in a given area and explores ways in which we can be successful in addressing those needs over the long term. Partnering with reputable local organizations is a key factor in this planning. It broadens the scope of our capabilities and ultimately maximizes the return on our investment in the community. Our goal is long-term self-sufficiency for the community.

Our framework for worldwide giving is consistent with our decentralized management philosophy and recognizes that social needs and opportunities vary from one country to the next. We focus our philanthropy in three areas:

- Building the skills of people who serve community health needs, primarily through education
- Saving and improving the lives of women and children
- Preventing diseases and reducing stigma and disability in underserved communities where the Company has a high potential for impact



We partner with hundreds of organizations around the world to bring programs to life. For more information, see the Community Health section (below) as well as the 2006 Corporate Contributions report, which is available at www.jnj.com/community.

medicines, and as a global company dedicated to human health for more than 120 years, we will stand by our responsibility to the global community and work toward addressing what is surely one of the most critical health issues facing our world today.

We aspire to make a difference in the lives of those infected with and affected by HIV/AIDS by:

- developing effective new medicines and diagnostics against HIV and related opportunistic infections;
- enhancing access to our products as well as needed patient care and support;
- providing contributions to assist communities and individuals who are most vulnerable to HIV/AIDS; and
- meeting our obligations to employees through HIV/AIDS workplace programs (see further discussion in Workplace section later in this report).

Through our Family of Companies, we are developing new medicines for HIV/AIDS and other unmet medical needs. Tibotec Therapeutics, a division of Ortho Biotech Products, L.P., recently received approval for its first antiretroviral medicine for HIV/AIDS, and several more are being developed by Tibotec Pharmaceuticals Ltd. In preparing for the approval of these new medicines, a Global Access Program has been established to enhance access to our HIV/AIDS medicines in the developing world (see further discussion under Providing Access earlier in this section).

Physicians and people living with HIV/AIDS need accurate, reliable and useful information about the virus and its susceptibility or resistance to antiretroviral drugs. Our subsidiary Virco BVBA is a pioneer in the field of HIV drug resistance testing, and remains at the forefront of new developments in HIV resistance and therapy management. Drug resistance monitoring services, like Virco®TYPE HIV-1 and

ANTIVIROGRAM®, assist doctors in making personalized therapy regimens for HIV-positive patients. Virco has also been actively participating in research collaborations with EuroSIDA, the Joint United Nations Program on HIV/AIDS, the Centers for Disease Control and Prevention, and the World Health Organization (WHO) aimed at evaluating the virologic evolution of the HIV pandemic and monitoring the emergence of HIV drug resistance in both the developed and developing worlds.

Additional products have been developed to address opportunistic infections and other conditions that affect people living with HIV/AIDS:

- Ortho Biotech Products, L.P., markets PROCIT®, a treatment for anemia related to therapy with zidovudine (AZT) in patients with HIV infection.
- Ortho-McNeil, Inc., developed DURAGESIC®, a medication that can provide long-lasting relief from chronic pain in people suffering from the late stage of AIDS and cancer.
- Tibotec developed TIBOZOLE™ to treat oral candidiasis (“thrush”), which causes painful lesions on the mouth of patients with HIV/AIDS.

SUPPORTING COMMUNITY HEALTH AND CONSERVATION

Through our support of major nongovernmental organizations and their local partners around the world, Johnson & Johnson is making a difference in people’s lives. Some of our most far-reaching community health efforts are undertaken through the World Wildlife Fund (WWF™).

In 2003, Johnson & Johnson and WWF™ launched a cutting-edge project to promote community and environmental health in three of the most extraordinary places on Earth — East Africa, the Congo Basin and the Eastern Himalayas. Known as the Johnson & Johnson - World Wildlife

Fund “Healthy Communities, Healthy Ecosystems” Program, the effort makes important links between health and biodiversity.

Through the program, WWF™ is working to integrate the basic health and livelihood needs of local communities with high-impact, landscape-level conservation initiatives carefully designed to respond to the specific context of each area.

East Africa – In Mozambique’s Quirimbas National Park and Kenya’s Kiunga Marine National Reserve, WWF™ and regional partners are working together to provide health care and health education to local villages; establish new fishing sanctuaries to help increase fish yields; reduce human/wildlife conflict; and increase crop yields as a way of ensuring long-term food security.

Congo Basin – Deep in the Congo Basin, WWF™ is working in the Central African Republic’s Dzanga-Sangha Protected Area and Cameroon’s Jengi Forest Community to train health scouts. These individuals provide basic community health care and organize conservation awareness campaigns; support healthy communities of indigenous Bayaka people who play a central role in protecting their forests; and address unsustainable population growth and HIV/AIDS through family planning initiatives.

Eastern Himalayas – WWF™ is currently working across three landscapes — the Phobjikha Valley in Bhutan, and the Khata (Nepal) and Lagga Bagga (India) corridors of the Terai Arc — to install improved cooking stoves to reduce pressure on forests and improve community health; set up health camps for communities to build trust and engage migrant and settler groups; and improve sanitation to promote community health and protect freshwater streams from degradation.

Based on the success of these initiatives, a new project will launch in the Yangtze Basin in 2007.

PROMOTING SUPPLIER DIVERSITY

Johnson & Johnson is committed to having its operating companies purchase goods and services from a diverse supplier base that contributes to the economic vitality of the communities in which we live and work through the creation of jobs. Our Supplier Diversity Program is designed to ensure opportunities for minority and woman owned businesses, as well as small businesses. Since the formal inception of the Supplier Diversity Program in 1998, support for the program has grown each year. During the last five years, Johnson & Johnson companies have spent \$3.3 billion with minority and woman owned businesses. In 2006, the program won four awards, including “Corporation of the Year” presented by the Women’s Business Development Center of Pennsylvania.

Our Tier II Program contributes to expanded opportunities for diverse businesses as we ask our strategic suppliers to increase their spending with diverse suppliers. We also commit internal resources and make financial contributions to increase the capacity of minority and woman owned businesses, in partnership with the National Minority Supplier Development Council’s Center of Excellence program and through the National Minority Manufacturing Institute’s assessment and mentorship programs.

Our supplier diversity efforts have expanded outside the United States, for example, in Brazil and South Africa, at the request of business owners there who are economically and socially disadvantaged. Because of the global nature of Johnson & Johnson procurement, we are currently studying the feasibility of establishing a global program. As a first step, we recently became a corporate member of the Canadian Aboriginal and Minority Supplier Council.

Save the Children runs a hygiene health awareness program in the Philippines with support from Johnson & Johnson.





PASSION, PERFORMANCE, POSSIBILITIES

Valuing Our Employees

Treating our companies' employees with respect and fairness is a Credo responsibility. The people working throughout our Family of Companies are the ones who innovate, create, develop and improve our products on a daily basis. We strive to support them and provide a safe and healthy working environment.

ENHANCING EMPLOYEE DIVERSITY

Our goal is to ensure our ability to meet the demands of a changing world with a vision worthy of our values. We are committed to being the leader in health care across the globe and the employer of choice in a dynamic global environment. To achieve this vision, the Johnson & Johnson companies have built workforces that are increasingly skilled and motivated, and that reflect our diverse customer base in the markets we serve. Today's employees represent different ages, cultures,

gender, races and physical capabilities. Through their life experiences, they provide a diversity of thought and perspective that must be reflected in our corporate culture.

To ensure an environment in which people feel valued for their unique contributions and talents, we encourage our leaders and all employees to develop a broad understanding of the different perspectives and contributions each person has to offer. The following resources support and strengthen a culture of inclusion across our global Family of Companies:



Affinity groups – Voluntary, employee-driven groups that typically focus on a shared interest such as race, ethnicity or gender. These groups provide support and networking opportunities such as mentoring, community outreach, career development and cultural awareness activities.

Mentoring programs – Formal and informal mentoring programs that help to expand opportunities and support development of a diverse workforce. A number of our affinity groups offer programs that match up new members of our work community with experienced leaders who serve as mentors.

Diversity University – A comprehensive online gateway that provides employees with easy access to a broad range of diversity-related resources. The University offerings are designed to be relevant for employees throughout our worldwide Family of Companies. Within Diversity University, employees can find cultural awareness training tools and country-specific content. This resource helps employees understand and value differences and the benefits of working collaboratively to meet our business goals.

Diversity Minute – An electronic module designed to explain the importance of a diversity topic to the employee and to our companies. Modules also contain an interactive feature to measure the effectiveness of the content covered, and provide links to other sources for a more expansive exploration of the topic. New modules are distributed bi-weekly by e-mail to employees.

Office of Diversity – Recognizes our unique backgrounds, talents and abilities as an important competitive advantage within Johnson & Johnson companies. The leader of this office reports directly to our CEO. The Office of Diversity helps develop strategies to achieve the global diversity vision, helps our operating companies share and leverage their best diversity practices, and reports to the Board of Directors and the Executive Committee on diversity within our companies.

PROTECTING AGAINST CHILD LABOR

Johnson & Johnson operating companies will not employ any person under the age of 16 in any country where we operate. Any employees between the ages of 16 and 18 will be employed in accordance with the health, safety and morals provision of the International Labor Organization Convention 138. In addition to our own employment policies, the Company requires that suppliers who manufacture any product or any component of a product on our behalf comply with our child labor policy posted at www.jnj.com/community/policies.

PROVIDING OPPORTUNITIES FOR PROFESSIONAL GROWTH

Personal growth and development of our employees is important to not only their own success, but to the success of the Company as a whole. To supplement on-the-job development, we provide extensive, globally accessible training and development resources across our Family of

Companies. Offerings span individual, team, organization and leadership development. They include:

Global Leadership Profile – This framework defines and promotes the critical behaviors that characterize and establish effective leadership at all levels of our organizations. It serves as a means of self-assessment as well as a tool to support effective discussion between employees and their managers.

eUniversity – This e-learning platform provides many functional and business “schools” for individual paced learning.

School of Personal and Professional Development – Under this umbrella, employees have access to a variety of development options such as e-learning, traditional classroom training and blended learning. Employees around the world can establish learning plans and then take advantage of the school’s resources in fulfilling those plans.

Management Education and Development – This series of programs and processes ensures that high-potential leaders at all levels, from first-time managers to senior managers and executives in both technical and managerial roles, have the support they need as they advance through critical transitions in their careers.

Leadership Development Programs – A number of functions offer recent university graduates an accelerated development experience. Led by functional professionals, graduates typically complete 2-3 rotational assignments over a two-year period, allowing them to experience a range of company environments and business segments.

IMPROVING EMPLOYEE HEALTH AND WELLNESS

Promoting employee health and wellness makes good business sense as well as providing personal benefits to our workforce. As a health care company, enhancing health and wellness wherever we can is simply a logical extension of our corporate mission.

Each year, Johnson & Johnson articulates a Global Health Focus, which guides the evolution of our employee health and wellness efforts. In 2006, our focus was on mental health and depression, modifiable lifestyle factors, pandemic preparation and global health metrics.

Although we establish corporate policies and focus, each facility and operating company has the flexibility to design and implement programs and events that reflect local needs and priorities. As a result, we offer a variety of programs and initiatives at our facilities around the globe. These range from free vaccinations to education on prevention and detection of

HEALTH INDICATORS	1995-99	2005	2006
by % of profiled U.S. employees	(average)		
Tobacco Use	12	5	4
High Blood Pressure (above 140/90)	14	10	6
High Cholesterol (above 240 mg/dl)	19	8	6
Inactivity (below 30 min/day, 4 days/week)	39	38	35



diseases, substance abuse prevention, healthy eating programs and voluntary health screenings.

Our Healthy People effort in the U.S. targets four health behaviors posing significant risk to employees and their families: smoking, high blood pressure, high cholesterol and lack of physical activity. For 2006, we saw continued improvement in all four target areas. We estimate that these risk reductions will avoid \$9.2 million in health care costs.

In October 2005, we introduced the *Worldwide Tobacco-Free Workplace Policy* as part of our efforts to encourage employees to practice good health habits. Johnson & Johnson offers employees and dependents a variety of programs and services to assist in tobacco cessation. These include health risk assessment, follow-up high risk counseling, prescription and over-the-counter medications, on-line programs, telephone counseling, individual coaching and group meetings. All programs are offered free of charge. Many of our employees quit tobacco use and many more are working toward a tobacco-free life. In 2007, the policy will prohibit tobacco at all company locations, vehicles and company sponsored meetings.

HELPING EMPLOYEES DEAL WITH STRESS AND STRUGGLES

For nearly 30 years, Johnson & Johnson has recognized the impact that personal and professional struggles such as relationship issues, parenting concerns, substance abuse and workplace stress can have on health and quality of life. We currently provide 75 percent of our global workforce with an Employee Assistance Program (EAP), up from 40 percent in 2005. These programs include access to assessment, short-term counseling, critical incident intervention, management counseling, preventive screenings and training. This investment returns a significant benefit back to our operating companies because mental health disorders have a significantly longer duration than any other short-term disability diagnosis.

Surveys of U.S. employees who have used EAP indicate that 98 percent are satisfied with the counseling services. Our productivity outcome studies show a 96 percent decrease in absences among EAP participants and a 91 percent increase in productivity. Following EAP intervention, 81 percent of involved employees report an increase in feelings of well-being.

Besides counseling and referral services, several Johnson & Johnson locations offer resilience training as part of their EAP, helping employees learn how to better manage stress in the workplace and in all elements of our lives. According to the WHO, workplace stress is one of the top two causes of injury and illness. In 2006, 10 percent of our global workforce received resilience training.

PROVIDING A SUPPORTIVE WORKPLACE REGARDING HIV/AIDS

In response to the global pandemic, Johnson & Johnson seeks to save lives, improve lives and prevent the spread of HIV/AIDS. We do this by learning from those living with the disease, listening to those working on the constantly changing front lines, and working in partnership with others to best apply our diverse talents and capabilities through research, diagnosis, treatment, prevention and community assistance. Consistent with our longstanding commitment to employees worldwide, we introduced a *Global Workplace Policy on HIV/AIDS* in 2005. Our goal is to ensure that all of our employees have access to HIV/AIDS treatment and support services. The policy provides for:

- non-discrimination and confidentiality protection for employees and their dependents living with HIV/AIDS;
- voluntary counseling and testing programs;
- care, support and treatment for employees and their dependents with HIV/AIDS; and
- prevention, education and awareness programs for all Johnson & Johnson company employees and dependents.

PREPARING FOR AVIAN FLU

Johnson & Johnson established a Pandemic Preparedness Task Force in 2005 that developed *Guidance for Preparedness for Human Influenza Pandemic*. It was based on the WHO's six-phase pandemic classification and it will help our operating companies make appropriate risk-based decisions in the event of a pandemic. The task force continues to monitor for pandemic activity around the globe and it is able to respond quickly to changing events. The team maintains relationships with medical experts worldwide and is in periodic communication with the U.S. Centers for Disease Control and Prevention.

REDUCING ERGONOMIC INJURIES

Johnson & Johnson began to recognize ergonomic factors as an employee safety hazard in the late 1970s. At that time, many jobs in our facilities required repetitive motion, lifting and other movements now known to cause musculoskeletal injury.

By 1994, the widespread use of computers was introducing new ergonomic risks and, in 1995, ergonomic injuries accounted for 48 percent of our lost workday cases. We deployed better risk analysis tools and a cultural approach wherein ergonomics was integrated into business risk assessment. Facilities took greater ownership of ergonomics with less dependency on experts, and we also created a worldwide ergonomics network for best practice sharing.

In 2001, ergonomic injuries had been reduced to 36 percent of our lost workday cases. This was still a significant cause of employee injury and it seemed we had plateaued on improvement. A new strategy was deployed where the Johnson & Johnson Ergonomics Process, ERGO,

became standardized and consistent across all of our operating companies. We evaluated all manufacturing tasks and classified them as high, moderate or low risk. Senior management of Johnson & Johnson endorsed an aggressive strategy to eliminate or modify the high risk tasks.

This work continues today, and our ergonomic cases continue to decline. At the end of 2006, ergonomic injuries were just 28 percent of our lost workdays. Further improvement via engineering solutions is our challenge; in some cases, technical solutions are not currently feasible. Where this is the case, we continue to apply other administrative controls and watch for new technologies.

PREVENTING WORKPLACE ACCIDENTS AND ILLNESSES

The company places a high value on providing a safe workplace. The design of our safety and industrial hygiene programs helps attract and retain a talented, productive workforce, ensures the uninterrupted delivery of our products and protects the communities in which we operate. Our aspiration is zero injuries, zero illnesses.

Over the years, we have implemented many preventive programs, which today are embedded in the daily fabric of our business. But we never stop looking for ways to be better. When our employee accident rate began to come down, we began to engage our employee families through off-the-job safety programs. When our manufacturing-based safety programs were too cumbersome for our R&D environments, we created a Safe Science program that was customized for that workplace. When the proliferation of computers became associated with ergonomics injuries, we took what we knew about ergonomics on our manufacturing floor and applied the same principles to our offices. A strong safety culture is maintained by the regular evaluation and renewal of targets, tools and communications.

One of our more successful tactics has been the implementation of a series of Safe Decisions for Life modules. Topics for these awareness campaigns are selected from an analysis of our injury/illness experience. When we focused on hand safety in 2003, we reduced hand injuries nine percent in one year. Our campaign around fall safety resulted in a one-year 28 percent drop in these injuries.

Although our lost workday case rate increased for 2006 compared to previous years, this performance metric is still at a very low level. In the last 10 years, we have reduced our

rate of lost workday cases by 61 percent, and we are now recognized as being in the very top tier of global companies with respect to safety performance.

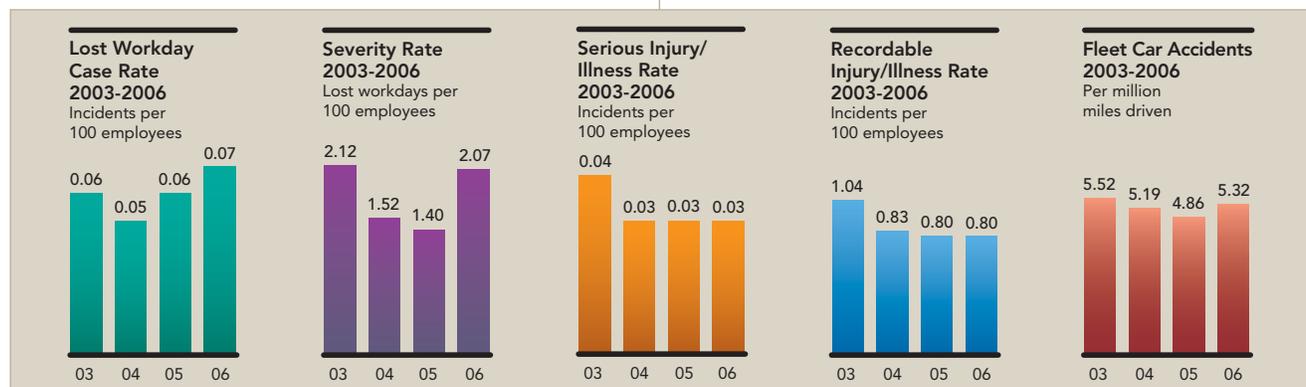
Our operating companies evaluate their safety and industrial hygiene compliance on a regular basis and make improvements where necessary, often using Six Sigma tools to guide the process. In addition, employees have regular opportunities to report unsafe conditions and discuss safety with their supervisors.

PROTECTING OUR DRIVERS

Johnson & Johnson has had a fleet safety program for more than ten years. SAFE Fleet recognizes the company vehicle as a workplace for more than 36,000 employees. Our field representatives spend 40 to 60 percent of their working time driving their vehicles on company business. Since 1995, our rate of accidents per million miles driven (APMM) has decreased 39 percent; at the same time, the size of our fleet increased 152 percent. We attribute this excellent performance to six key program elements that have created our safe driving culture:

1. We ask senior managers in our sales organizations to be visibly involved and have fleet safety as a performance objective.
2. Sales managers in the field are accountable for successful implementation of safe driving tools, training and communication.
3. SAFE Fleet teams, formed by country or operating company, support all aspects of implementation and provide a forum to review performance.
4. Driver training covers four groups: new hires, experienced drivers, high-risk drivers and spouse drivers.
5. Good driving records are recognized and rewarded to motivate safe behaviors.
6. Education is provided about non-driving safety topics to reinforce a health and safety mindset.

Our 2006 APMM rate was 5.32, a 9.5 percent increase over 2005. Recent benchmarking (led by the Company) against 26 other multi-nationals showed that we rank fifth on APMM in 2005. We believe our opportunity for improvement lies in the continuing engagement of business managers who set the expectation for safety and the difficult challenge of driver distraction. We are already conducting pilots with cognitive and risk-based tools to improve driving behavior.





PASSION, PERFORMANCE, POSSIBILITIES

Making a Measurable Difference for the Planet

As the world's largest health care company, we recognize the critical interdependence between human health and the health of our planet. We understand that environmental degradation poses short- and long-term threats to human health. Therefore, we feel a special responsibility to protect the environment by setting goals and implementing practices that help us to be among the most environmentally responsible companies in the world.



PROTECTING OUR ENVIRONMENT

Johnson & Johnson has had environmental goals for more than 15 years, setting new long-term goals every five years. We have reduced our environmental impacts significantly during this time. In 2006, we embarked on our newest 5-year goal period. The Healthy Planet 2010 goals (2006 to 2010) were developed after extensive stakeholder engagement with government representatives, nongovernmental organizations, other companies, academic thought leaders and Johnson & Johnson Family of Companies employees at all levels.

HEALTHY PLANET 2010 GOAL CATEGORIES

- Energy Use – Carbon Dioxide Reduction
- Water Use
- Paper and Packaging
- Waste Reduction
- Product Stewardship
- Environmental Literacy
- Transparency
- Biodiversity
- Compliance
- External Manufacturing



Each of the goals is discussed in more detail in individual sections of this report.

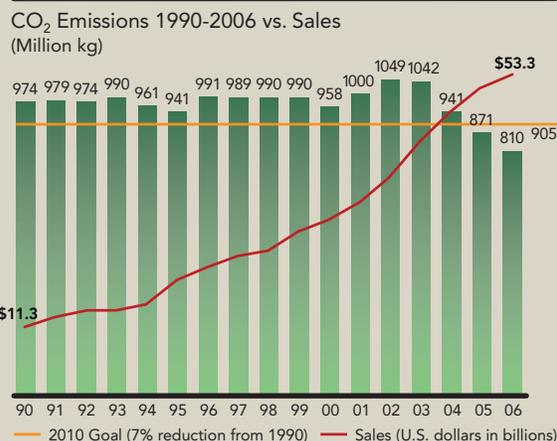
ADDRESSING CLIMATE CHANGE AND CONSERVING ENERGY

OUR POSITION Climate change is real. There is compelling evidence from the scientific community that human activity is responsible — that the greenhouse gases (GHG) our society emits are contributing to global warming. As a health care provider, Johnson & Johnson understands that climate change could negatively affect human health. Therefore, we have taken sustained, long-term action to address GHG emitted from our operating companies. In appropriate venues and ways, we are using our influence to increase global awareness of climate change and support good public policy.

The management style of Johnson & Johnson is one that looks toward the long term. In 1999, we established a goal to reduce carbon dioxide (CO₂) emissions — our most prevalent GHG — from our facilities worldwide in absolute terms: a seven percent reduction by 2010 when compared to our 1990 baseline. This goal was reaffirmed in 2003 when we adopted our worldwide *Climate Friendly Energy Policy*.

OUR PROGRESS From 1990 to 2006, while our worldwide sales increased by 372 percent, Johnson & Johnson companies cut CO₂ emissions by 16.8 percent on an absolute basis. We have already achieved the emissions reduction goal established for 2010 by improving energy efficiency, installing on-site cogeneration and renewable energy projects (see section on renewable energy), purchasing green power and purchasing

Left: Roof-mounted solar photovoltaic system, Johnson & Johnson Pharmaceutical Research & Development, L.L.C., La Jolla, California.



Our CO₂ emissions reporting follows the Greenhouse Gas Inventory protocol developed by the World Resources Institute and the World Business Council for Sustainable Development. The protocol requires that we recalculate historical emissions to reflect acquisitions, divestitures and mergers, so that all data shown on the chart represent emissions from the same business entities over time.

carbon offsets. Our challenge now is to maintain these levels as our business continues to grow.

OUR PATHWAY With senior management’s commitment, Johnson & Johnson companies chose to fund GHG-reducing capital projects that meet lower rates of return than we would otherwise accept on typical business investments. Some projects, like cogeneration, have good financial returns. However, others — such as on-site solar installations — would not be financially feasible without the help of government incentives. In some cases, we do pay a premium for purchasing green power, although this is minimal. We consider improvement projects from all of our decentralized businesses and select those with the best financial returns and GHG reductions. Climate change is a global problem and we’re looking for opportunities to reduce GHG emissions at all of our facilities in both developed and developing countries.



In 2006, Johnson & Johnson was named the Green Power Partner of the Year by the U.S. Environmental Protection Agency and Department of Energy. It is the fifth year in a row the Company has received a Green Power award.

OUR PUBLIC ADVOCACY Johnson & Johnson was a charter member of both The Climate Group (based in the United Kingdom) and the World Resources Institute (WRI) Green Power Market Development Group. We participate in the WWF™ Climate



This 234-kilowatt solar tracking system provides electricity for the Johnson & Johnson World Headquarters, located in New Brunswick, New Jersey. Completed in 2006, it is mounted on top of the employee parking garage.

Savers program and the WRI Climate Northeast program. We support the Carbon Disclosure Program, and we have been making annual reports since 2004. Johnson & Johnson has publicly called for the establishment of a long-term production tax credit for renewable energy projects in the United States. Demand for renewable energy is bound to increase, and we believe that governments need to provide predictable, long-term incentives to drive an increase in supply. In 2006, Johnson & Johnson also sent a letter to the governor of California supporting a bill that would require industry reporting and verification of GHG emissions and a state limit on GHG equivalent to 1990 levels. The intent of the bill, which was later passed, was consistent with our policy on climate change.

OUR BUSINESS SUCCESS GHG and energy reductions make good business sense for the Company. We have achieved significant cost savings from energy conservation and CO₂ reduction projects. The energy efficiency program has resulted in an estimated \$30 million annualized savings over the last 10 years and our GHG reduction projects are achieving an average 16 percent internal rate of return.

REDUCING OUR ENERGY/GHG FOOTPRINT

LANDFILL GAS RECOVERY & COGENERATION ALZA Corporation partnered with the city of Mountain View, California, U.S., to purchase methane gas from a closed municipal landfill. ALZA constructed a pipeline to carry gas from the landfill to three 1-megawatt generators that supply electricity and hot water to ALZA's six largest buildings in Mountain View. The project, which came online in several phases during 2006, produced 14,300 megawatt-hours of electricity in 2006, offsetting 5,200 metric tons of CO₂,

equivalent to the electrical usage of 1,700 homes or taking 1,000 cars off the road for a year.

SOLAR Johnson & Johnson is the second largest corporate user of on-site solar energy in the United States, according to WRI. Our first system was installed in 2001, and we continue to implement solar projects today. In 2006, we neared completion of a 260-kilowatt rooftop system for a research and development facility in La Jolla, California, U.S., and began design of a 1.1-megawatt ground-mounted solar tracking system in Vacaville, California, U.S. The Vacaville solar field will be the largest privately owned system in California and will provide 50 percent of the electric load during peak hours to our pharmaceutical manufacturing facility. With the anticipated completion of that project in May 2007, Johnson & Johnson operating companies will have 3.5 megawatts of solar photovoltaic panels installed in the United States.

EQUIPMENT UPGRADES Janssen Pharmaceutica NV, in Geel, Belgium, achieved a significant energy reduction by upgrading old equipment. Standard refrigerant chillers in use at the facility consumed about 52 percent of the plant's total electrical energy. By replacing three of these with two ammonia-operated chillers, as well as automating all plant utility systems, the plant expects to save \$374,000 in energy costs and avoid 1,061 metric tons of CO₂ emissions annually. Other benefits to the plant were

In 2006, Johnson & Johnson companies completed 20 capital projects through the GHG-reducing capital funding process. After a full year of operation, these projects will realize an estimated 34,500 metric tons of CO₂ reduction.

Johnson & Johnson has four facilities certified under the Leadership in Energy & Environmental Design (LEED) Green Building Rating System® of the U.S. Green Building Council, which recognizes the implementation of sustainable design principles into both existing facilities and new construction.

significant noise reductions, a \$43,000 decrease in annual maintenance costs and the avoidance of future carbon taxes.

REDUCING FLEET EMISSIONS

The Company's worldwide fleet consists of approximately 36,000 owned or leased vehicles used by our sales and management staff. The operation of these vehicles accounts for an estimated 250,000 metric tons of CO₂ emissions. At present, we do not include fleet emissions in our

reporting of worldwide CO₂ emissions because we do not have the same degree of precision in this measurement. Ongoing efforts are in place to improve our tracking of the CO₂ emissions generated by our fleet.

Our Healthy Planet 2010 goal is to reduce total CO₂ emissions per kilometer driven by 30 percent. To realize this objective, we have established minimum fuel efficiency requirements (by vehicle category) for the purchase of fleet vehicles. In addition, we are actively incorporating hybrid electric cars and ethanol-fueled vehicles in the fleet. At year-end 2006, the U.S. fleet had 554 hybrid vehicles on the road with another 91 on order. By the end of 2007, we plan to have at least 1,000 hybrid vehicles on the road.

Despite our recent efforts, we have not seen an overall improvement in the emissions per distance driven. With the continued market demand for efficiency improvements and additional hybrid models in alignment with our purchasing strategy, we are planning to make significant progress over the next couple of years.

CONSERVING WATER

Along with climate change, diminishing supplies of clean, potable water is another important environmental challenge that we face going forward. There are competing demands for freshwater supplies due to population growth, droughts and aging municipal infrastructure. Looking to the future, the Company's challenge will come from our business goal to continue increasing sales while achieving a better than 10 percent absolute reduction in water usage. Johnson & Johnson will realize cost savings for facilities deploying best practices and reducing the energy required for heating, pumping and treating water.

The Healthy Planet 2010 goal is to reduce the use of fresh water through the implementation of economically viable water conservation projects. Our target is an absolute reduction of 10 percent compared to a 2005 baseline. Although at the end of 2006 our absolute water consumption had increased by seven percent, we are optimistic that water conservation projects planned for the goal period will begin moving us in the right direction again by the end of 2007.

Pharmaceuticals in the Environment

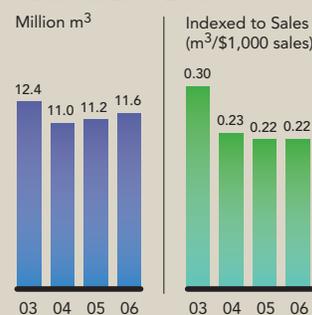
Over the last decade, more sensitive analytical equipment and procedures enabled chemists to detect and quantify trace levels of human pharmaceuticals and animal health products in surface waters at extremely low levels that were previously undetectable. Some public concern has been expressed over potential risks to human health or aquatic organisms as a result of pharmaceuticals in the environment (PIE). Efforts by the pharmaceutical industry trade association, PhRMA, as well as individual pharmaceutical companies have already resulted in published drinking water risk assessments for many active pharmaceutical ingredients.

Johnson & Johnson has established a PIE committee to ensure that our pharmaceutical products are evaluated for potential environmental effects. We have provided information to external organizations that have begun to evaluate and communicate about environmental risk assessment for PIE, such as the voluntary labeling system of human medicines in Sweden. Johnson & Johnson is actively participating with others in the pharmaceutical industry, nongovernmental organizations, government and academia to better identify, prioritize and communicate PIE issues and risks.

A Vital Resource – Water

Ethicon, Inc. in San Lorenzo, Puerto Rico, recognizes the importance of water as a vital resource. Through the adoption of new HVAC cleaning technology, the facility achieved a 34 percent reduction in daily wastewater discharge, corresponding to \$83,900 in savings annually. The new technology also helps eliminate bacterial growth, minimizes corrosion and scaling, which improves heat transfer. Overall, these additional benefits help to reduce energy needs and could potentially extend the useful lifetime of the equipment.

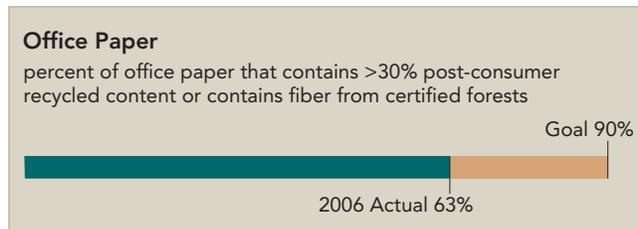
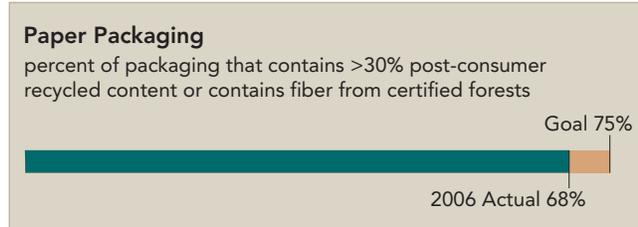
Water Use 2003-2006



PROTECTING OUR FORESTS THROUGH RESPONSIBLE PURCHASING PRACTICES

As a large, multinational business, Johnson & Johnson is positioned to make paper and packaging procurement decisions that may help influence responsible forest management. We also realize that forest product supply chains are complex and that the development of sustainable forestry practices and certification programs are still evolving around the world. With this complexity in mind, we formed a partnership with the World Wildlife Fund, by becoming members of its North America Forest & Trade Network (NAFTN) and its Global Forest & Trade Network (GFTN). The GFTN is a network of private companies and environmental organizations committed to promoting responsible forestry and credible certification (for more information on the GFTN see www.panda.org/gftn). Our participation in the NAFTN has helped us understand current threats to our forests and the varying ways we could help protect endangered forests.

Under Healthy Planet 2010, we have goals that 90 percent of our office paper and 75 percent of our paper-based packaging will contain greater than 30 percent post-consumer recycled content or contain fiber from certified forests by 2010. These targets were set after careful consideration of industry benchmarks, our 2005 baseline data and the opportunities for improvement in our current supply chain. Our 2006 results are summarized below:



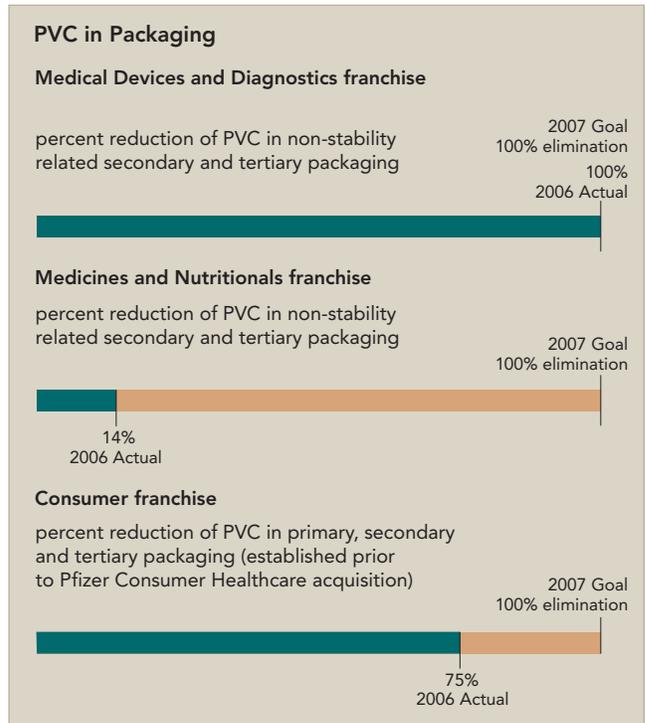
We anticipate two main challenges with achieving these goals. The first is building understanding of complex topics such as forest management certification and chain-of-custody certification with our environmental and procurement professionals. To address this challenge, we deployed web-based and in-person training events in 2006. The second challenge is gathering data from our suppliers regarding the origin and environmental status of our forest products. We are now using a Forest Products Supplier Questionnaire to assist with this data collection effort. It is our hope that as suppliers are asked to provide this information for more customers, they will improve their ability to trace the origin of their products.

FOREST PRODUCTS PURCHASING GUIDELINES In 2006, the Company issued a set of Forest Products Purchasing Guidelines. These guidelines were designed to assist our procurement professionals with making forest products purchasing decisions that are consistent with our commitment to forest conservation and our environmental goals. Some of the guidelines include understanding the source of purchased forest products and verifying the legality of high risk sources. We also recommend that our procurement professionals seek products with more than 30 percent recycled content, with fiber from certified forests, and which are manufactured without chlorine. Our guidelines and supplier questionnaire are available on www.jnj.com.

ELIMINATING PVC IN PACKAGING

Polyvinyl chloride (PVC) has long been used in packaging for drugs, medical devices and personal care products because of its desirable physical characteristics, including impermeability to moisture, gas and flavor. Johnson & Johnson operating companies recognize concerns about the ability to dispose of PVC in an environmentally sound manner and the difficulties with recycling PVC. Healthy Planet 2010 requires each of our franchises to develop a PVC phase-out plan for secondary and tertiary packaging. The Consumer franchise will also work to eliminate PVC in primary packaging. Our other franchises will continue to seek alternatives for primary packaging depending on the environmental impact potential.

While our current progress has been good, the data below do not include PVC used by the former Pfizer Consumer Healthcare operations, acquired by Johnson & Johnson in late 2006. We will be assessing their data during 2007, reviewing our Consumer franchise goal, and working on plans for eliminating PVC in packaging there as well.



MINIMIZING WASTE AND LIABILITIES

By reducing waste generation, Johnson & Johnson operating companies also reduce the costs for off-site transport and disposal of waste, decrease our off-site liability associated with waste disposal, and conserve natural resources by using fewer raw materials. Since 2003, the Company has been able to reduce total waste by 32 percent. Over that same period, sales increased 22 percent. Our Healthy Planet 2010 waste goal targets further absolute reductions of 10 percent for both hazardous and nonhazardous waste from baseline levels of 2005. Achieving this new goal will be a challenge since our facilities have already implemented many of the easier reduction programs over the years.

Johnson & Johnson operating companies use only approved contractors for managing their waste disposal activities. As a result of past landfilling practices (which were standard industry practices at the time) and of using facilities that improperly managed our waste, Johnson & Johnson has been named a potentially responsible party for 25 hazardous waste sites, and we have accrued approximately \$5.3 million in environmental liabilities. During 2006, we expended approximately \$3.7 million for ongoing remediation at 19 existing and divested properties. We have approximately \$9 million in reserves set aside for future cleanups.

Nonhazardous Waste 2003-2006



Hazardous Waste 2003-2006



Notes: Waste generation figures for 2003 through 2005 differ slightly from those reported in previous years; we have made small corrections as a result of routine auditing of our data. In addition, beginning in 2005, we define waste as material that is not recycled or reused. In previous years, we included material sent off-site for recycling or reuse in our waste generation data. We have recalculated 2003 and 2004 data in the chart above using the current definition of waste to improve the comparability of data.

Our Healthy Planet 2010 Goals at Work

PAPER AND PACKAGING – INDIA

Johnson & Johnson encourages the redesign of packaging to decrease our environmental impacts. By reducing packaging, we are reducing shipping costs, material inputs, and ultimately indirect waste generated by the consumer. The Johnson & Johnson Limited (India) facility in Aurangabad redesigned its suture packaging, changing it from a two-part drawer and sleeve design to a single box. This resulted in a 9,200 kilogram reduction in paper use and a faster throughput on the packing line. In addition, this corresponded to about \$27,000 in savings associated with reduced shipping costs and materials use.

WASTE REUSE – BRAZIL

Have you ever sat down on a “plastic wood” bench or walked on a “plastic wood” pier? If you have, you may have been walking on our garbage. For Johnson & Johnson Professional Products Ltda. in Brazil, recycling is so much more than collecting bottles. The facility now donates 100 percent of its waste from suture packaging to a philanthropic

institution which converts it into “plastic wood.” Previously, 17,600 kilograms of waste was landfilled annually, but that material is now diverted from the waste stream and put to beneficial use.

WASTE REDUCTION – ITALY

Johnson & Johnson S.p.A., a manufacturer of sanitary protection products, sends its production scraps to a facility that converts them into plastic components for office chairs and other materials for the construction sector. Sanitary product scraps are the facility’s principal source of nonhazardous waste. By diverting the waste for reuse in a different manufacturing process, the Pomezia, Italy, facility reduced its nonhazardous waste stream 60 percent. This program was free to implement and resulted in approximately \$215,000 in annual savings.

PAPER AND PACKAGING – KOREA

Janssen Korea Ltd. created a Green Packaging Team to evaluate packaging methods. The team identified a strip bonding system to package finished products instead of placing them into cartons. Strip bonding is a method in

which finished products are bound together by a thin film. This strip weighs considerably less than the cardboard cartons and reduces consumer waste. This waste reduction resulted in \$75,000 of cost savings and a reduction of 26,000 kilograms of packaging. This method can be applied to many product lines and will be considered in the packaging design of future product development.

BIODIVERSITY – THAILAND

Johnson & Johnson Thailand Ltd. partnered with the Royal Forest Department again in 2006 to continue the reforestation program they started in 2004. The 2006 tree planting was of particular significance as it celebrated the 60th anniversary of His Majesty’s Accession to the Throne. The planting took place at Pah Klong Takian National Forest, in the Chonburi province, and 50 Johnson & Johnson volunteers participated in the event. Much of the program’s success is due to its educational component, which increases employee awareness of how their actions impact the environment. As a result of reforestation efforts over the last three years, 82 tons of CO₂ have been sequestered.

ADVANCING PRODUCT STEWARDSHIP

Customers, governments, NGOs and other stakeholders are increasingly interested in the materials Johnson & Johnson operating companies select for use in their products and packaging. In many countries of the world, emerging legislation will soon begin to restrict the use of specific substances due to the concerns posed by those materials throughout product lifecycles. Selecting the right raw materials is critical for quality and efficacy, but we also strive to minimize lifecycle environmental impacts during this selection. Our Healthy Planet 2010 goal is to continuously improve our product and process environmental profiles. Through the use of our Design for the Environment processes at research and development centers, high-priority materials will be eliminated from our products and processes.

All of our operating companies have also developed plans to “green” their products by 2010; some have made significant progress already. For example, our blood glucose monitoring company, LifeScan Inc., has removed hazardous substances from its hand-held devices in advance of the European Restriction of Hazardous Substances Directive (RoHS) deadline. All new meters will be RoHS compliant. Our consumer products company has embarked on a sustainable packaging initiative where biodegradable polylactic acid polymers are being used to replace more problematic materials. We anticipate similar product improvements throughout the goal period.

We will also implement an electronic take-back program in all regions to ensure that 100 percent of waste electronic-based products are offered to be taken back for remanufacturing or recycling. During 2006, several Johnson & Johnson companies established electronic take-back programs in North America; one operating company completed the implementation of the program in all regions.

PRACTICING GREEN CHEMISTRY IN THE DEVELOPMENT OF DRUG COMPOUNDS

Green chemistry is an integral part of drug development at the Johnson & Johnson pharmaceutical companies. Green chemistry guidance and operating principles promote selecting more environmentally friendly solvents, reducing the number of steps required to create a pharmaceutical compound and reducing wastes generated as a result of chemical processes. R&D staff are aware of green chemistry principles and apply them in their process optimization efforts, with the support and leadership of R&D senior management. Externally, Johnson & Johnson is an active member with other major research-based pharmaceutical companies in the Green Chemistry Institute.

Green chemistry successes at Johnson & Johnson include:

- discovering an aqueous synthesis for sulfonamide;
- increasing the overall yield of an HIV drug synthesis by 100 percent while decreasing wastes by 42 percent through aqueous-based chemistry, reduction of chlorinated solvent use and smart solvent selection;
- increasing the yield of another HIV compound by 40 percent while decreasing wastes by combining multiple reaction steps into one, using a catalyst, reducing cycle time, reducing the source of hydrogen gas production, replacing methylene chloride and reducing the use of solvents; and
- increasing the yield of an antibiotic by 50 percent and decreasing wastes by 60 percent through the elimination of methylene chloride and the reduction of the number of process steps.

Green chemistry practices support the company’s Design for the Environment efforts and overall product stewardship goals. In 2006, all processes that were transferred from our chemical development groups in Belgium and Switzerland to a production site were assessed for waste reduction opportunities.



INCREASING EMPLOYEE AWARENESS OF GLOBAL ENVIRONMENTAL ISSUES (LITERACY)

The Healthy Planet 2010 goal for environmental literacy is designed to increase employee awareness and understanding of global environmental issues and how individual behavior and actions may impact the environment on a global scale. Each facility is asked to have a five-year literacy plan and implement one environmental education campaign each year from 2006 to 2010. We believe that if we can motivate employees to be environmentally passionate, they will make choices and take actions both at work and at home that are good for the environment. Our facilities will benefit from heightened literacy as enlightened employees reduce environmental risks, suggest innovations and become ambassadors for a better environment.

Environmental Literacy

percent of facilities with a 5-year environmental literacy plan



Literacy Modules

percent of facilities that deploy an annual Environmental Literacy module



Environmental Literacy

In an effort to promote environmental literacy, Cordis de Mexico, S.A. de C.V., held an Environmental Fair in 2006. The event included educational booths on water, air, hazardous waste, global warming, and environmental footprint analysis; city and state agency presentations; the distribution of 2,500 water-saving shower heads; and a children's drawing contest. Cordis de Mexico received the country's voluntary Clean Industry Certification in recognition of its environmental commitment to the community.

INCREASING OUR TRANSPARENCY

Johnson & Johnson published its first corporate environmental report in 1993 because we believed then, as we still do, that transparency is desired by external stakeholders. At the same time, the activity necessary to prepare external reports internally benefits the Company by focusing attention on opportunities to create a more sustainable business.

In 2006, we began work on a new Healthy Planet 2010 goal — to have 100 percent of our manufacturing and R&D facilities providing facility- or company-specific environmental sustainability information to the public. As of this report, 61 percent of our facilities have submitted information, which will be posted to www.jnj.com during 2007.

The Center for Sustainable Innovation, an independent, nonprofit organization, concluded that Johnson & Johnson is "socially sustainable," i.e., "meeting or exceeding its share of the societal effort" to stabilize CO₂ concentrations in the atmosphere to near-pre-industrial levels.



CREATING ENVIRONMENTAL PARTNERSHIPS TO CONSERVE BIODIVERSITY

Loss of biodiversity interferes with essential ecological functions and threatens our food supplies, opportunities for recreation and tourism, potential sources of medicines and energy supplies. Johnson & Johnson facilities around the world have control, or influence, over a significant amount of natural habitat. Through active management of these natural habitats, we can make a positive contribution to global biodiversity.

From our continued support of major environmental nongovernmental organizations and their local partners, Johnson & Johnson is ensuring healthy and sustainable environments for vulnerable communities throughout the world.

WORLD WILDLIFE FUND – Johnson & Johnson is a long-standing supporter of the WWF™. Since 2003, we have supported innovative “Healthy Communities, Healthy Ecosystems” projects around the world. (See the Community Health discussion for more details.)

THE CONSERVATION FUND – Johnson & Johnson is supporting The Conservation Fund in its efforts to help communities develop sustainable conservation initiatives that blend environmental and economic goals. Working in collaboration with the private and public sectors, the Fund is committed to

Johnson & Johnson has ongoing tree planting and carbon sequestration projects in Canada, Thailand, Kenya and China.

Approximately 40 percent of the Company’s worldwide electricity comes from “green” energy sources.

developing market-based solutions for the sustainable use of land and water.

TRUST FOR PUBLIC LAND – The Trust for Public Land (TPL) is dedicated to preserving land for current and future generations to enjoy as parks, gardens and natural areas. Johnson & Johnson supports TPL’s City Parks program in California and New Jersey, which is dedicated to protecting and creating parks and playgrounds in underserved urban areas.

THE NATURE CONSERVANCY – Johnson & Johnson has provided long-term support to The Nature Conservancy (TNC). In 2006, we supported significant projects in Mexico, Brazil and China to preserve some of the world’s most biologically diverse ecosystems while addressing local community needs in a sustainable way. Within the United States, we continue to be a major supporter of TNC in New Jersey, home to our worldwide headquarters as well as several Johnson & Johnson operating company facilities.

THE WILDERNESS SOCIETY – Since 1935, The Wilderness Society has been committed to saving, protecting and restoring America’s public lands. Johnson & Johnson is supporting the Society in its efforts to demonstrate the link between wild land conservation and the economic sustainability of communities.

HARVARD MEDICAL SCHOOL CENTER FOR HEALTH AND THE GLOBAL ENVIRONMENT

– We are proud to continue serving on the Corporate Council of the Center for Health and the Global Environment at the Harvard Medical School. Johnson & Johnson supports the center’s efforts to expand environmental education at medical schools to promote research and awareness of the impact of global environmental change on human health. We were also involved with a global project co-sponsored by the United Nations Development Program, the United Nations Environment Program and the WHO on biodiversity and human health. The project’s culminating book, *Sustaining Life: How Human Health Depends on Biodiversity*, will be published in 2007, and an executive summary is available on the center’s website at <http://chge.med.harvard.edu>.

HEALTHY PLANET 2010 GOAL – In addition to these corporate partnerships, under our Healthy Planet 2010 goal for biodiversity, our individual facilities and companies are committed to protect, restore or enhance the natural ecosystems we rely on for a healthy environment. As of the end of 2006, our companies identified more than 70 projects aimed at preserving land, restoring habitats and protecting endangered species. In future sustainability reports, we will discuss the outcomes of these projects.

COMPLYING WITH ENVIRONMENTAL REGULATIONS

Regulatory compliance is the minimum expectation at Johnson & Johnson. Internal company standards meet or exceed the requirements of the governments where we conduct business. Our operating facilities are required to report incidents into a corporate tracking system. To evaluate our performance, we measure agency-issued noncompliance events, accidental releases and fines. Our compliance record during 2006 showed continued progress with a 50 percent reduction in agency findings and no major events.

We also monitor compliance through an EHS auditing program called the Management Awareness and Action Review System, which has four elements: annual self-assessment, third-party joint assessment, action planning and corrective action tracking.

Challenges in achieving long-term compliance include rapidly emerging regulations in certain parts of the world, the increasing complexity of manufacturing processes, and stringent permit limits that increase the risk of non-compliance.



Recognitions

RECOGNITION/AWARD	RECIPIENT	DESCRIPTION
100 BEST CORPORATE CITIZENS 2007	Johnson & Johnson	Published in <i>CRO Magazine</i> (Corporate Responsibility Officer), this list selects the 100 best companies that are proving good corporate citizenship and good business go hand-in-hand, based on independent research from KLD Research & Analytics.
AMERICA'S MOST ADMIRABLE COMPANIES, 2007	Johnson & Johnson	<i>FORTUNE</i> magazine listed Johnson & Johnson among the most admired companies in America. The Company is ranked 9th on the list and finished second in its industry category — Pharmaceuticals.
TOP 50 COMPANIES FOR DIVERSITY®	Johnson & Johnson	<i>DiversityInc</i> listed Johnson & Johnson on the 2007 Top 50 Companies for Diversity® list. The list measures CEO commitment, human capital, corporate communications and supplier diversity.
100 BEST COMPANIES FOR WORKING MOTHERS, 2006	Johnson & Johnson	<i>Working Mother</i> magazine has given this award to Johnson & Johnson every year for 21 years. It recognizes our family-friendly policies for flexible work, child-care, maternity and paternity leave, elder care and a number of other benefits.
WORLD'S MOST RESPECTED COMPANIES, 2006	Johnson & Johnson	The financial weekly <i>Barron's</i> conducts an annual survey of institutional investors. It rates the 100 largest public corporations based on market capitalization, in order of the respect they have garnered from these institutions. Johnson & Johnson was ranked first on this list in 2006.
DOW JONES SUSTAINABILITY INDEX, 2006	Johnson & Johnson	Johnson & Johnson stock has been included in this index since 2000. The DJSI family follows a best-in-class approach to identify sustainability leaders in each industry.
FTSE4Good INDEX, 2006	Johnson & Johnson	Johnson & Johnson has been independently assessed according to FTSE4Good criteria and has satisfied the requirements to become a constituent of this index, which identifies companies that meet globally recognized corporate responsibility standards.
BEST IN CLASS, ENVIRONMENTAL & SOCIAL PERFORMANCE	Johnson & Johnson	Storebrands, a Norwegian Life Insurance company, announced that Johnson & Johnson earned best in class status for our leading environmental and social performance and thereby qualified for investment in Storebrand's socially responsible investment mandates.
CLIMATE PROTECTION AWARD, 2006	Johnson & Johnson	The U.S. Environmental Protection Agency granted this award to Johnson & Johnson for our efforts to reduce greenhouse gas emissions through energy conservation and the use of cleaner energy sources.
NEW JERSEY GOVERNORS ENVIRONMENTAL EXCELLENCE AWARD, Clean Air Category	Global Pharmaceutical Sourcing Group (GPSG) (16 facilities)	This award was presented by the New Jersey governor's office for our 2005 greenhouse gas reductions at GPSG facilities in New Jersey which were equivalent to taking about 1,700 cars off the roadway.
PENNSYLVANIA GOVERNORS AWARD, ENVIRONMENTAL EXCELLENCE	Johnson & Johnson Pharmaceutical Research & Development, L.L.C.	The Springhouse, Pennsylvania, facility was recognized for their five year water conservation program, highlighted by a zero-discharge cooling tower water treatment system. A 60 percent reduction in water use eased the burden on the local water authority and publicly owned treatment works.
SHANGHAI BEST PERFORMER WATER CONSERVATION CORPORATION	Johnson & Johnson (China) Ltd.	This award was presented following a joint audit by the Shanghai Economics Committee, Shanghai Construction Committee and Water Shanghai Administration.
U.S. CORPORATE AWARD, Employee Assistance Program Excellence	Johnson & Johnson	The Employee Assistance Society of North America (EASNA) presented this award to Johnson & Johnson for our innovative and creative offering of employee assistance services.
GOLD AWARD	LifeScan, Inc.	Under the "Health At Work" program in Scotland (SHAW), the government recognized our LifeScan facility in Inverness for improving the health of its workforce. They achieved the GOLD level in just one year of joining the scheme, an unprecedented achievement.

ECONOMIC INDICATORS		UNIT	2003	2004	2005	2006
Sales	U.S. dollars in millions		41,862	47,348	50,514	53,324
	% increase over previous year		15.3	13.1	6.7	5.6
Net Earnings	U.S. dollars in millions		7,197	8,180	10,060	11,053
	% increase over previous year		9.1	13.7	23.0	9.9
Share Price (end of calendar year)	U.S. dollars		51.66	63.42	60.10	66.02
Operating Companies	Number, approximate		200	200	230	200
Employees	Number, approximate		110,600	109,900	115,600	122,200
	Number/\$million sales		2.6	2.3	2.3	2.3
Research & Development	U.S. dollars in millions		4,684	5,344	6,462	7,125
	as % of sales		11.2	11.3	12.8	13.4
Effective Income Tax Rate	% of income		30.2	33.7	23.3	24.2
Advertising Costs	U.S. dollars in billions		1.7	1.9	2.1	1.9
	as % of sales		4.1	4.0	4.2	3.6
Charitable Contributions	U.S. dollars in millions		384.5	528.7	591.9	544.8
	as % of pre-tax income		3.7	4.1	4.3	3.7
EMPLOYEE SAFETY INDICATORS		UNIT	2003	2004	2005	2006
Recordable Injury/Illness Rate	Incidents per 100 employees		1.04	0.83	0.80	0.80
Serious Injury/Illness Rate	Incidents per 100 employees		0.04	0.03	0.03	0.03
Lost Workday Case Rate	Incidents per 100 employees		0.06	0.05	0.06	0.07
Fleet Car Accidents	Accidents per million miles driven		5.52	5.19	4.86	5.32
Ergonomic Injuries	% of lost workdays		22	27	21	28
HEALTH INDICATORS		UNIT	1995-99 AVERAGE	2005	2006	
Tobacco Use	% of profiled U.S. employees		12	5	4	
High Blood Pressure (above 140/90)	% of profiled U.S. employees		14	10	6	
High Cholesterol (above 240 mg/dl)	% of profiled U.S. employees		19	8	6	
Inactivity (below 30 min/day, 4 days/week)	% of profiled U.S. employees		39	38	35	
ENVIRONMENTAL INDICATORS		UNIT	2003	2004	2005	2006
Accidental Releases	Number of events		9	15	9	9
Agency-Issued Noncompliances	Number of events		0	21	17	9
Fines Paid	U.S. dollars		151,250	30,800	5,819	5,580
ISO 14001 Certifications (for manufacturing and R&D sites)	% of facilities with certification		90	96	96	100
Energy Use	Billion BTU (3,412 BTU per KWH)		11,327	11,543	11,891	11,895
	Indexed to sales, BTU/\$1,000		270.3	244.0	235.5	223.2
Carbon Dioxide Emissions	Million kg		1042	941	871	810
	Indexed to sales, kg/\$1,000		24.9	19.9	17.2	15.2
Water Use	Million m ³		12.4	11.0	11.2	11.6
	Indexed to sales, m ³ /\$1,000		0.30	0.23	0.22	0.22
Nonhazardous Waste	Million kg		94.9	49.7	50.9	51.8
	Indexed to sales, kg/\$1,000		2.3	1.0	1.0	0.97
Hazardous Waste	Million kg		31.6	30.3	31.0	34.1
	Indexed to sales, kg/\$1,000		0.76	0.64	0.61	0.64

KEYWORD	G3 REFERENCE	PAGE	KEYWORD	G3 REFERENCE	PAGE
access to health care	EC1, EC8	14-15	governance	4.1-4.10	8
accident rates	LA7	21, 32	green chemistry	PR1, EN26	28
accidental releases	EN23	30, 32	greenhouse gases	EN16-18	23-24, 32
advertising	PR6	12-13	HIV/AIDS, employee policy	LA8	20
animal welfare	DMA-Society	9	HIV/AIDS, research	SO1	15-16
avian flu	LA8	20	hotlines	DMA-Society	9
awards and recognition	2.10	31	intellectual property	DMA-Society	10
biodiversity	EN11-13	7, 29, 30	ISO 14001	DMA-Environment	32
business conduct policies	SO2-4	9	lost work days	LA7	21, 32
business continuity	SO10, DMA-Product Responsibility	9	marketing	PR6	13
business segments	2.2	6	net sales	2.8, EC1	5-6, 32
carbon dioxide emissions	EN16	24, 32	organizational profile	2.1-2.10	5-7
Chairman's message	1.1	4	packaging	EN1,27	26, 27
child labor	HR6	19	paper purchasing	EN26, DMA-Environment	26
climate change	EC2, EN16, EN18	23	pharmaceuticals in the environment	EN26	25
clinical trials	PR1	9	political contributions	SO5,6	13
community health	EC1, SO1	16-17	polyvinyl chloride (PVC)	EN1	26
compliance, environmental	EN23, 28	30, 32	products	2.2	6
conservation	EN13	29	product safety	4.11	10-11
contributions, charitable	EC1	16, 32	product stewardship	EN26	28
corporate governance	4.1-4.10	8	professional development	LA10-12	19
corporate profile	2.1-2.8	5-7	public policy	SO5,6	13
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Note: DMA = Disclosure on Management Approach

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Printed by Pictorial Offset Corporation, an ISO 14001-Environmental Management Systems company.

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